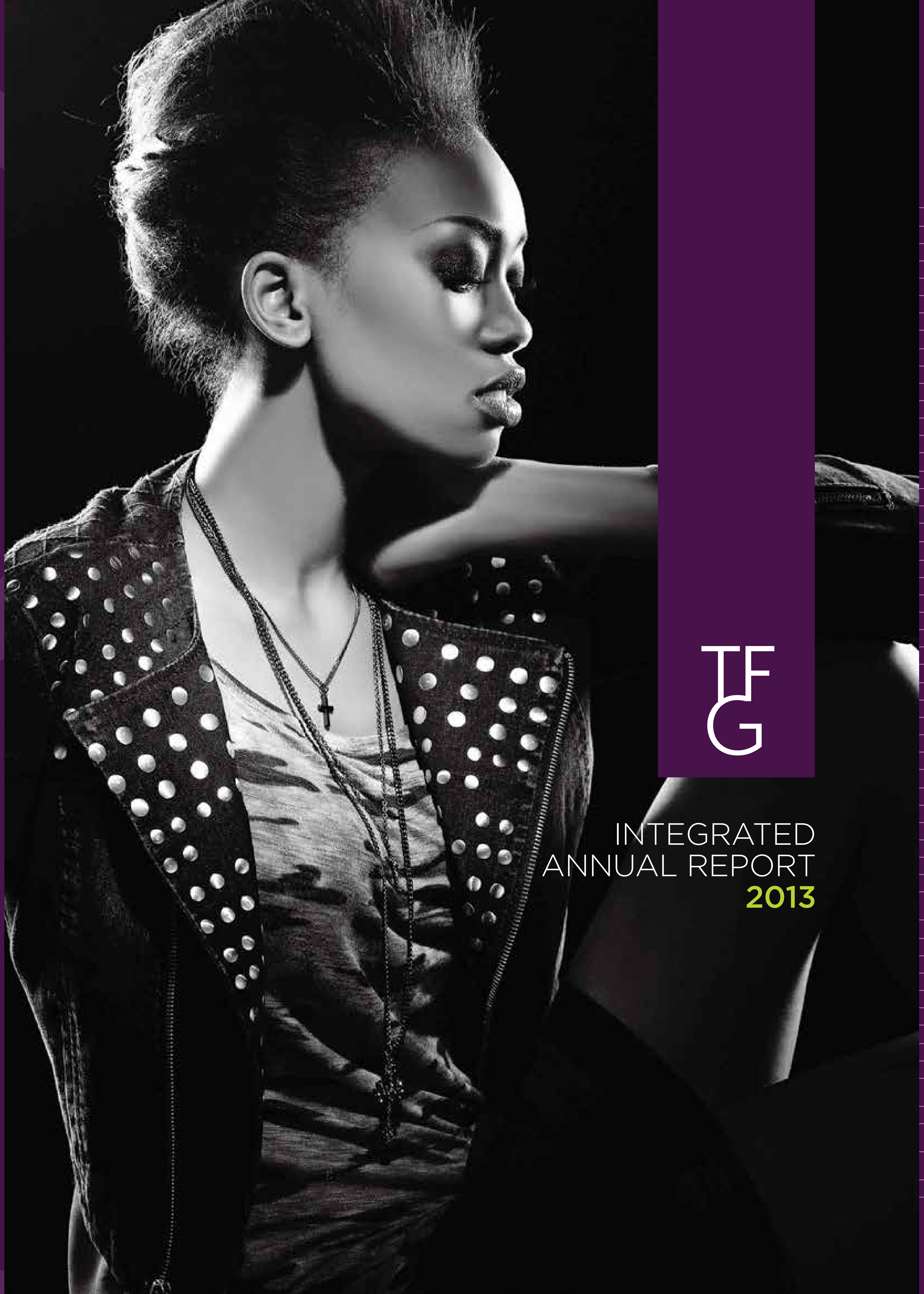
INTEGRATED ANNUAL REPORT **2013**

www.tfg.co.za



INTEGRATED ANNUAL REPORT 2013

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ABOUT THIS REPORT

In line with the requirements of the King Code of Governance for South Africa (King III), The Foschini Group (TFG) continues to produce an integrated report. This report provides a consolidated review of the group's financial, social, economic and environmental performance for the period 1 April 2012 to 31 March 2013. 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.

In line with our approach last year only summary financial information is included in this report. The detailed annual financial statements are made available on TFG's website electronically (www.tfg.co.za), and hard copies are also available on request.

This report covers the activities of all of TFG's wholly-owned divisions, as well as its subsidiary, RCS Group, in which TFG 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 contained within our sustainability report, which will be available online through our website (www.tfg.co.za). In addition, a detailed King III compliance checklist is included on our website, as is a detailed index in which we respond to each of the "G3" criteria of the Global Reporting Initiative (GRI), and wherein we 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.

Available on the App Store

Go to
www.tfg.co.za
to view this integrated report

KEY FIGURES

↑ **10,9%** Retail turnover **R12,9 billion**

↑ **11,2%** Headline earnings per share **858,6 cents**

Headline earnings of **R1 796,6 million** – our highest ever

↑ **11,2%** Final dividend for the year **506,0 cents**

Continued **new account** growth

Sustained strong **financial position**

Market share gains

INTRODUCING TFG

KEY PERFORMANCE INDICATORS

	Medium-term target	2013	2012
Financial			
Operating margin (%)	23,0 – 25,0	**23,6**	24,0
Gross margin (%)	41,0 – 43,0	**41,9**	42,0
ROE (%)			
– retail	28,0 – 35,0	**27,8**	27,8
– RCS Group	17,0 – 20,0	**18,7**	18,8
Space growth (%)	5,0 – 7,0	**5,1**	7,7
Stock turn (times)			
– jewellery	1,8 – 2,0	**2,0**	1,9
– homewares & furniture	2,0 – 2,3	**2,4**	2,1
– clothing	3,6 – 5,0	**3,5**	3,5
Social			
Number of reward customers (million)*			
– cash	1,7	**1,2**	0,4
– credit	2,0	**1,8**	0,1
Staff turnover – permanent head office employees	12,0 – 18,0	**15,0**	16,0
BBBEE rating	Level 4	**Level 4**	Level 4
Employment equity (% representation of previously disadvantaged groups among permanent employees)	> 90%	**90,4**	89,9

* Rewards programme launched in November 2011

BUSINESS MODEL

FINANCIAL PERFORMANCE

- Turnover in excess of R12 billion
- 10-year compounded turnover growth rate of 13%
- Return on equity 26,4%
- Dividend cover 1,7 times
- 10-year headline earnings per share compounded growth rate of 18%
- 10-year compounded growth on dividend returns to shareholders of 18%
- Strong balance sheet
- Cash flow generation remains strong
- Gross profit margin maintained
- Cash EBITDA R3,2 billion

TRUSTED BRAND

- Over 3,5 million customers
- Continued growth since the company was founded in 1924
- 18 fashion-forward brands trading out of 1 979 stores
- Customer base primarily LSM 6-10 group
- Brand innovation across clothing, homeware, jewellery, cellphones, cosmetics and technology
- Consistent market leader as evidenced by the RLC statistics
- Focus on professionalism, resilience, integrity, dignity and respect, empowerment and excellent service
- Successful rewards program launched across cash and credit customers
- Strong corporate social investment strategy empowering and sustaining the communities in which we operate
- Procurement from BBBEE sources at 88,4%

OPERATIONS AND SUPPLY CHAIN

- Centralisation of key services allows TFG to leverage synergies and create economies of scale
- World-class standards have been deployed to retain best-in-class operations
- Market-leading store design capabilities
- Broad retail experience
- Ongoing store development
- Captive CMT production houses
- State-of-the-art fabric and pattern optimisation systems
- Quick interpretation of fashion trends
- Offshore partnerships allow finished-goods sourcing in the Far East

TFG FINANCIAL SERVICES

- Manages our retail debtors' book
- Full in-house credit management capability supported by 1 100-seat call centre
- Leading-edge risk management methodology
- Large publishing/insurance/cellular offer that augments product offering
- Customer Relationship Management across all retail brands

RCS GROUP FINANCIAL SERVICES

- Operationally independent consumer finance business
- 55% held by TFG and 45% held by Standard Bank
- Manages private label and co-branded card offerings for major Southern African retailers
- Provides personal loans

AFRICA EXPANSION

- Well-located footprint in Lesotho, Swaziland, Namibia, Botswana, Zambia and Nigeria
- Expansion into Ghana, Angola and Mozambique in progress
- 2013 turnover over R600 million annualised
- Projected number of stores outside South Africa in excess of 200 by 2016

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.

TIMELINE: Our history at a glance

- **1924** – Founded
- **1941** – Listed
- **1958** – Stanley Lewis buys major shareholding
- **1967** – American Swiss Watch Company acquired
- **1968** – Markham acquired
- **1969** – Pages launched
- **1993** – Sterns acquired
- **1994** – DonnaClaire launched
- **1996** – Sportscene acquired
- **1999** – Pages rebranded as exact!; RCS established
- **2000** – Totalsports acquired; Matrix launched
- **2001** – Fashion Express launched; @home launched
- **2004** – Duesouth launched
- **2005** – Luella launched; @homelivingspace launched
- **2010** – Foschini Limited changed to TFG Limited
- **2011** – Charles & Keith franchise partnership; Fabiani & G-star acquired
- **2012** – Prestige Clothing acquired
- **2013** – Matrix rebranded as Mat & May

PRIDE^2

VALUES

TFG believes that teamwork, coupled with professionalism, in all aspects of retailing will continue to be the foundation for the future.

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.

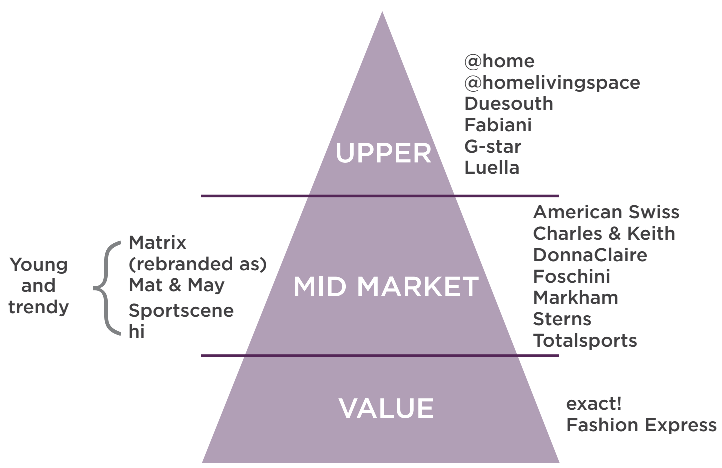
TFG currently operates in the following countries:

POSITIONING

TFG'S RETAIL BRANDS SPAN VARIOUS MARKET SEGMENTS

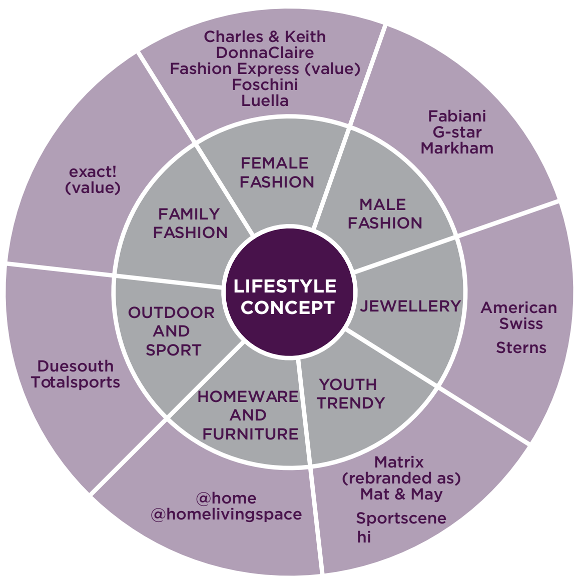
TFG has developed into a leading fashion and lifestyle retailer by leveraging

- Market leading store design capabilities
- Strong operational support
- Broad retail experience
- Agressive store development



TFG HAS A SUCCESSFUL PORTFOLIO OF BRANDS ACROSS VARIOUS LIFESTYLES

Each brand offers a distinctive proposition to its customers.



CORPORATE STRUCTURE

DIRECTORATE
TFG Limited

CHIEF EXECUTIVE OFFICER

OPERATING BOARD
TFG

FINANCIAL SERVICES

TFG financial services

Provides group-wide credit-related products and services to TFG customers.

RCS*

Operationally independent consumer finance business.

* 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.

CENTRALISED FUNCTIONS

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

- TFG Finance and Administration
- TFG Human Resources
- TFG Infotec
- TFG Internal Audit
- TFG Logistics
- TFG Property
- TFG Services
- TFG Design
- Prestige Clothing
- TFG Merchandise Procurement

RETAIL BRANDS

The retail divisions retail clothing, jewellery, accessories, sporting and outdoor apparel and equipment, cellular goods and services and homeware to the broad, middle and upper income groups throughout southern Africa, mainly as a credit retailer. The ratio of credit sales to total turnover is 60%.

		Turnover Rm	Number of stores
@home	@home, @homelivingspace	945,4	91
Exact!	exact!	1 227,5	227
Foschini Division	FOSCHINI, DONNACLAIRE, fashionexpress, Luella, CHARLES & KEITH, hi	4 501,8	541
Jewellery Division	AMERICANSWISS, STERNS, MATRIX now rebranded MAT & MAY	1 414,2	408
Markham Division	Markham, Fabiani, G-STAR RAW	2 271,0	282
Sports Division	sportscene, TOTALSPORTS, DUESOUTH	2 536,5	430

	Retail turnover	Number of stores
TOTAL	12 896,4	1 979

DIRECTORATE
EXECUTIVE DIRECTORATE

A D MURRAY (56)

CEO

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 Managing Director 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 10 years prior to his appointment as CEO.

R STEIN (63)

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 (57)

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.

DIRECTORATE
NON-EXECUTIVE DIRECTORATE

D M NUREK (63)

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 South African listed companies: Clicks Group Limited, Distell Group Limited, Lewis Group Limited and Trencor Limited

Also a director of a foreign listed company: Textainer Group Holdings

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 & Galombik Hoffmann for more than 30 years, ultimately serving as chairman.

S E ABRAHAMS (74)

FCA, CA(SA)

Appointed: 1998

Member of: Audit and Nominations Committees

Chairman of: Audit Committee

Open invitation: Risk Committee

Also a director of South African listed company: Investec Limited

Also a director of a foreign listed company: Investec PLC

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

PROF. F ABRAHAMS (50)

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 South African listed companies: Clicks Group Limited, Iliad Africa Limited and Lewis Group Limited.

Fatima is a senior professor in industrial psychology at the University of the Western Cape (UWC) and a registered Industrial Psychologist. She was previously chairperson of the Department of Industrial Psychology and the Dean of the Faculty of Economic and Management Sciences at UWC. She is nationally known for her academic work and has presented papers at international and national conferences, and has published a number of accredited articles and academic texts (with a focus on human resources issues).
In addition, she was a non-executive director of Transnet, B2B Africa (Pty) Ltd and chairperson of Victoria & Alfred Waterfront Holdings. She has served on the Audit and Risk Committees, Transformation and/or Remuneration Committees of most of the companies she was involved in, and built up sound business experience over the years.

DIRECTORATE
NON-EXECUTIVE DIRECTORATE (CONTINUED)

M LEWIS (54)

BA (Econ) (Hons)

Appointed: 1989

Member of: Nominations Committee

Michael is currently chairman of Oceana Investment Corporation Limited, a private UK investment company, and of Strandbags Holdings (Pty) Ltd, an Australian retail company comprising some 450 stores. He is also a partner in Oceana Investment Partners LLP, a UK investment advisor. Michael is a director of Histogenics,– a US-based bio-technology company and United Trust Bank Limited, a UK-based bank.

B L M MAKGABO-FISKERSTRAND (38)

Appointed: 2012

Also a director of South African listed company: Sun International Limited

Tumi is a director of Tumi Makgabo Enterprises, focusing on enterprise development in South Africa and into the African continent, as well as founder and executive of Africa Worldwide Media (South Africa). In addition, Tumi served for two years as the vice chairperson of the World Economic Forum's Global Agenda Council for Women's Empowerment. She is a patron of the Future of the African Daughter Project and serves as a non-executive director of South African Tourism. She is a well-known television producer and broadcaster having worked with both CNN International and the South African Broadcasting Corporation.

E OBLOWITZ (55)

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

Appointed: 2010

Member of: Audit, and Risk Committees

Also a director of South African listed companies: Mobile Industries Limited and Trencor Limited

Eddy has considerable audit and business advisory 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 (Pty) Ltd, which provides multi-family office, wealth management and advisory services to an extensive international client base.

N V SIMAMANE (53)

BSc(Biochem) (Hons)

Appointed: 2009

Member of: Audit Committee

Also a director of South African listed companies: Cashbuild Limited and Oceana Group Limited

Nomahlubi has extensive business, marketing and communications experience, having previously held the positions of Marketing Manager at Unilever, Marketing Director at British American Tobacco, and Managing Director of BLGK Bates Advertising Agency. She is currently the CEO of Zanusi Brand Solutions, a branding consultancy that she founded in 2001. She has worked in the United States and Kenya, and has been recognised as a seasoned businesswoman, having won two Businesswoman of the Year awards in 2009. She was recently named one of the winners in the *2013 Enterprising Woman of the Year Awards* in Fort Lauderdale, Florida, USA.

COMMITTEES

AUDIT COMMITTEE

S E Abrahams (Chairman)
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)

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)

RISK COMMITTEE

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

MANAGEMENT – OPERATING BOARD

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

B J CURRY (51)

Chief Information Officer – TFG Infotec and TFG Logistics

Joined the group in 1988

D B GEDYE (54)

Retail Director – Sports division and Markham

Joined the group in 1979

M MARITZ (45)

Managing Director – Markham

Joined the group in 2001

P S MEIRING (57)

Group Director – TFG Financial Services

Joined the group in 1983

M MENDELSOHN (54)

Retail Director – Jewellery, exact!, TFG Merchandise Procurement and Design Centre and TFG Manufacturing

Joined the group in 1982

A D MURRAY (56)

BA, CA

Chief Executive Officer

Joined the group in 1985

G S NAIDOO (45)

BSoc.Sc (Hons), MA (Ind.Psych)

Retail Director – TFG Human Resources and @home

Joined the group in 2005

R STEIN (63)

B Comm, CA (SA)

Chief Financial Officer

Joined the group in 1996

DIVISIONAL MANAGING DIRECTORS

S A ANNENBERG (52)
Managing Director – exact!
Joined the group in 1985

S A BAIRD (47)
Managing Director - Foschini division
Joined the group in 1986

S E EAGLE (54)
Managing Director – TFG Merchandise Procurement
Joined the group in 1998

A L KLEINMAN (54)
BSc, MBA
Managing Director – Jewellery division
Joined the group in 1984

S VAN DER MERWE (48)
B Comm (Hons)
Managing Director – RCS Group
Joined the RCS Group in 2006

EXECUTIVE MANAGEMENT

R F ADAMS (41)
BSc Eng (Elec), B Comm, B Comm (Hons) – Financial Analysis and Portfolio Management
Chief Commercial Officer – RCS Group
Joined the RCS Group in 2004

G CHOICE (51)
General Manager - TFG Manufacturing
Joined the group in 2012

B G FLY (45)
General Manager – TFG Mobile
Joined the group in 1996

R A J HARRIS (49)
General Manager – Merchandise: Foschini division
Joined the group in 1996

C C LANGE (53)
B Econ
General Manager – Fashion Express
Joined the group in 1981

J A LEDGER (50)
General Manager – TFG Design Centre
Joined the group in 2003

A D METELO-LIQUITO (52)
M Comm
General Manager – TFG Financial Services: Publishing and Insurance
Joined the group in 1995

S E MORLEY (43)
BSocScience
General Manager – Human Resources
Joined the group in 2002

K SAKALIS (45)
B Bus Sc (Hons)
General Manager – CRM and Communications
Joined the group in 1994

D SHEARD (39)
CA (SA)
General Manager – TFG Finance and Administration
Joined the group in 2002

J J SNYMAN (39)
CA (SA)
Chief Financial Officer – RCS Group
Joined the RCS Group in 2003

J A TUKKER (43)
BSc, MBA
General Manager – TFG Logistics
Joined the RCS Group in 1998

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 10 years.

ACHIEVEMENTS

- Following from our favourable performance last year the group delivered solid results for the 2013 financial year. We gained market share in all our product categories.
- Against a backdrop of an increasingly difficult credit environment, our financial services businesses delivered increased profits.
- Our supply chain initiative has enabled us to provide a more consistent delivery of our merchandise promise to our customers.
- We received two awards as part of our involvement in the Fast Fashion Cluster Project.
- We opened 146 new stores, including 17 outside South Africa. These developments have driven an increase in our permanent and flexible staff complement.
- 631 000 new accounts were added during the year, increasing our active account base at the year-end by 6,0%.
- We extended our rewards programme to credit customers and now have 1,8 million credit customers and a further 1,2 million cash customers registered on this programme.
- A store portal aimed at improving communication between head office and stores was successfully piloted and will be rolled out in the new year.
- We continue to invest in talent development and this year spent the equivalent of 5,8% of our payroll on staff training and development.
- We were ranked third in the retail sector in the *Mail & Guardian*'s Most Empowered Companies Report of 2013.
- We continued with our sustainability strategy and have begun the process of regular reporting to the sustainability steering committee against agreed benchmarks.

CHALLENGES AND STRATEGIC FOCUS AREAS

- Sustaining a strong performance amid an increasingly uncertain global and local economic outlook.
- The South African credit environment is likely to remain challenging with consumers under pressure, and credit customers will therefore receive significant attention with the aim of ensuring that appropriate risk management methodologies are applied both to the granting of credit and collection thereof.
- Increasing the number of credit customers with active accounts, as well as improving the take-up of rewards offers will receive focus.
- Improving communication between head office and stores through the roll-out of a store portal with the aim of improving in-store processes to allow stores to focus on the customer.
- Further expand our store base both within South Africa and existing territories as well as into other countries within Africa.

- Continuing to build a flexible and sustainable supply base to ensure that TFG is able to improve in-season trading capability and thereby meet customers' preferences.
- Focus will be placed on identifying key data analytics and system requirements to support in-season trading.
- Developing an appropriate omni-channel strategy with the launch of an initial e-commerce platform.
- 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.
- Driving implementation and integration of our sustainability roadmap 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 STATISTICS
AND SHARE PERFORMANCE

FINANCIAL STATISTICS	% change	2013	2012
Retail turnover (Rm)	10,9	**12 896,4**	11 630,5
Operating profit before finance charges (Rm)	9,2	**3 041,6**	2 786,5
EBITDA (Rm)	9,0	**3 376,6**	3 098,1
Profit before tax (Rm)	8,5	**2 713,7**	2 501,6
Headline earnings (Rm)	13,4	**1 796,6**	1 584,2
Profit attributable to equity holders of The Foschini Group Limited (Rm)	13,3	**1 792,0**	1 582,1
Operating margin (%)		**23,6**	24,0
Net bad debt write-off as a % of debtors' book – retail		**10,5**	9,4
Net borrowings to EBITDA (times)		**1,2**	1,0
Finance charge cover (times)		**9,3**	9,8
EBITDA finance charge cover (times)		**10,3**	10,9
Dividend cover (times)		**1,7**	1,7
Earnings per ordinary share* (cents)	11,1	**856,4**	771,0
Headline earnings per ordinary share* (cents)	11,2	**858,6**	772,0
Tangible net asset value per ordinary share** (cents)	10,0	**3 295,0**	2 995,8
Total shareholders' interest (Rm)	11,9	**7 043,8**	6 293,1
Total equity	12,9	**7 749,3**	6 864,2
Total liabilities	27,5	**7 637,3**	5 992,2
Net borrowings	31,5	**3 979,5**	3 026,8
ROE (%)		**26,4**	26,4
Current ratio (times)		**2,6**	3,1
Debt:equity ratio (%)		**51,4**	44,1
Recourse debt:equity ratio (%)		**13,3**	14,8
Total liabilities to total equity (%)		**98,6**	87,3
Dividend per share (cents) - interim	24,2	**236,0**	190,0
Dividend per share (cents) - final	1,9	**270,0**	265,0
Dividend per share (cents) - total	11,2	**506,0**	455,0
Number of stores		**1 979**	1 857
Square metres		**609 411**	579 365
Stock turn			
– jewellery		**2,0**	1,9
– homeware and furniture		**2,4**	2,1
– clothing		**3,5**	3,5
Gross number of shares in issue (millions)		**228,5**	240,5
Net number of shares in issue (millions)		**210,1**	206,4
Weighted average number of shares in issue		**209,2**	205,2
Closing $US conversion rate		**9,21**	7,74
Average $US conversion rate		**8,54**	7,62

* Based on the weighted average number of shares in issue

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

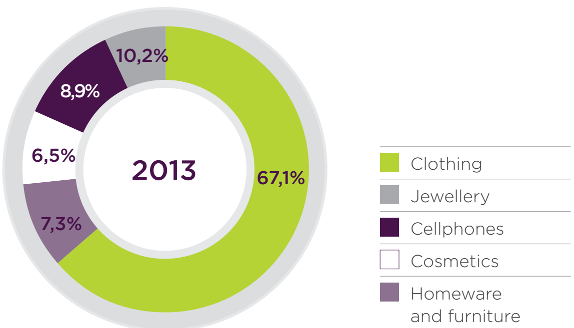
SHARE PERFORMANCE	2013	2012
Market price per share (cents)		
– at year-end	11 280	12 368
– highest	14 737	12 440
– lowest	10 056	8 201
– average	12 739	9 720
Number of beneficial shareholdings	6 833	3 914
Price/earnings ratio at year-end	13,17	16,04
Dividend yield	4,4	3,3
Number of shares traded during the year (millions)	275,2	259,1
Volume traded/number of shares in issue (%)	120,4	107,7
Market capitalisation (Rm)	25 774,6	29 744,8

TURNOVER

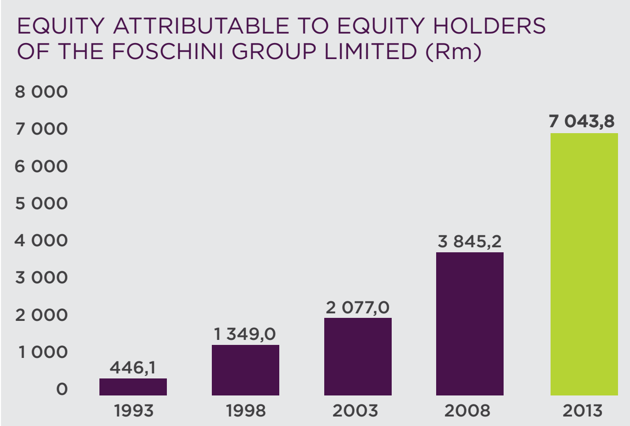
GEOGRAPHIC REGION	2013 Number of stores	2013 Turnover Rm	2013 % contribution	2012 Number of stores	2012 Turnover Rm	2012 % contribution
Botswana	16	94,8	0,7	11	59,0	0,5
Eastern Cape	148	924,2	7,2	139	838,3	7,2
Free State	137	773,8	6,0	126	713,0	6,2
Gauteng	541	4 219,9	32,7	526	3 770,3	32,4
KwaZulu-Natal	227	1 559,6	12,1	213	1 423,6	12,2
Lesotho	7	25,5	0,2	2	16,5	0,1
Limpopo	112	795,5	6,2	115	720,3	6,2
Mpumulanga	131	731,1	5,7	118	662,4	5,7
Namibia	63	389,7	3,0	58	353,5	3,0
Nigeria	2	7,3	0,1	–	–	–
North West	122	585,5	4,5	88	543,6	4,7
Northern Cape	69	374,6	2,9	65	352,1	3,0
Swaziland	4	9,7	0,1	4	10,3	0,1
Western Cape	388	2 354,2	18,3	380	2 134,9	18,4
Zambia	12	51,0	0,4	12	32,7	0,3
	1 979	12 896,4	100,0	1 857	11 630,5	100,0

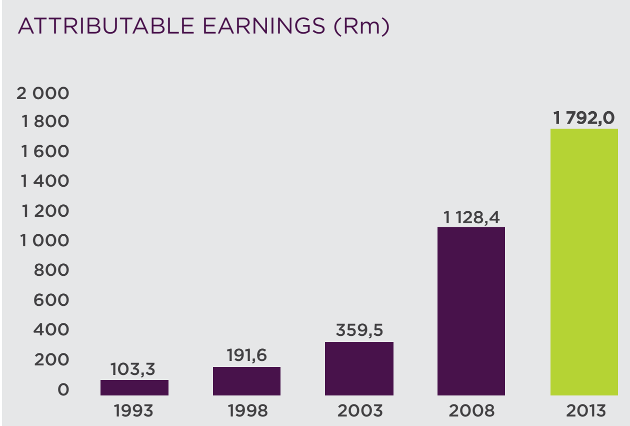
MERCHANDISE CATEGORY	2013 % change	2013 Turnover Rm	2013 % contribution	2012 Turnover Rm	2012 % same store growth
Clothing	11,8	8 658,4	67,1	7 747,9	6,1
Jewellery	6,9	1 308,8	10,2	1 224,3	3,7
Cellphones	3,6	1 148,6	8,9	1 109,1	(0,5)
Cosmetics	11,7	835,2	6,5	747,7	8,5
Homeware and furniture	18,0	945,4	7,3	801,5	12,0
	10,9	12 896,4	100,0	11 630,5	5,8

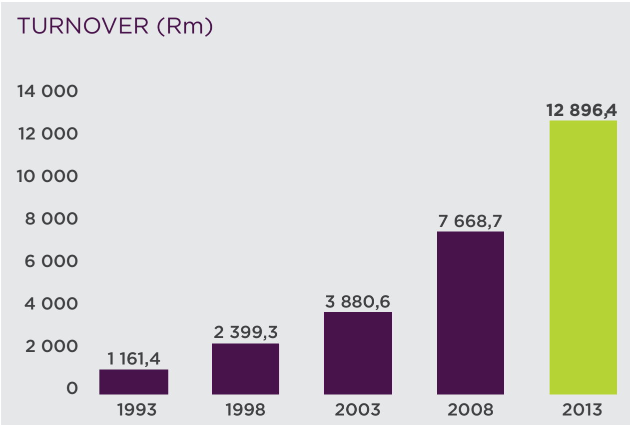
CONTRIBUTION BY MERCHANDISE CATEGORY

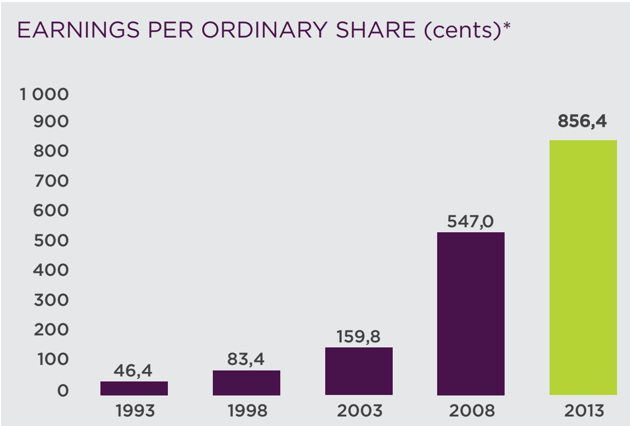


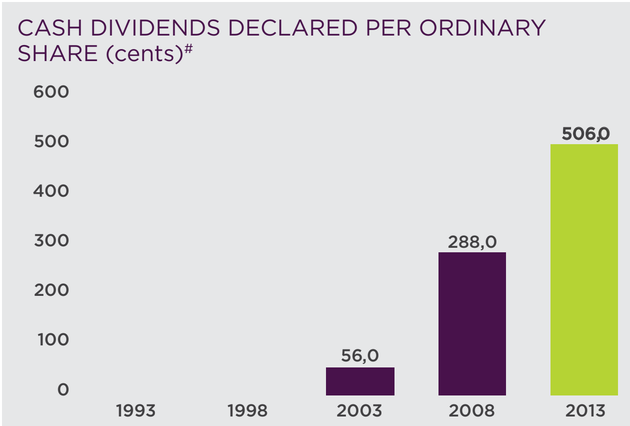
FIVE-YEAR YEARLY REVIEW
1993 – 2013

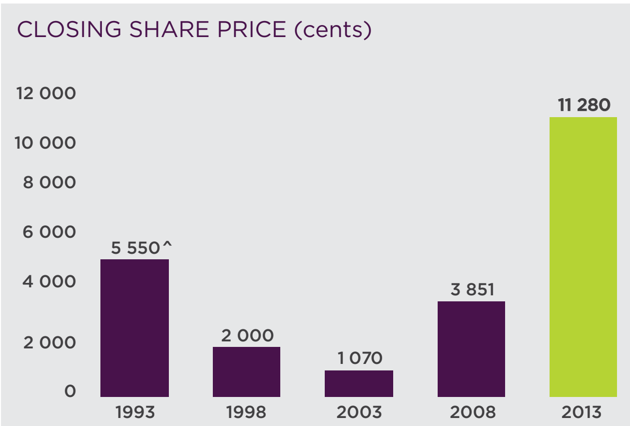












* Comparative figures have been restated in terms of the increased number of shares in issue resulting from sub-divisions and capitalisation issues.

Where applicable, earnings are shown before extraordinary/exceptional items.

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

\# In 1993 and 1998 there were only capitalisation issues.

^ Prior to share split in 1994.

GROUP STATISTICS

Years ended	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Profitability										
Retail turnover (Rm)	**12 896,4**	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
Operating profit before finance charges (Rm)	**3 041,6**	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
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**1 792,0**	1 582,1	1 301,8	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	516,9
Headline earnings (Rm)	**1 796,6**	1 584,2	1 305,6	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	523,4
Statement of financial position										
Non-current assets (Rm)	**3 503,5**	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
Current assets (Rm)	**11 883,1**	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
Total assets (Rm)	**15 386,6**	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
Total shareholders' interest (Rm)	**7 043,8**	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
Non-controlling interest (Rm)	**705,5**	571,1	485,6	427,0	359,2	290,9	181,3	88,9	16,0	10,1
Non-current liabilities (Rm)	**3 050,6**	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
Current liabilities (Rm)	**4 586,7**	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
Total equity and liabilities (Rm)	**15 386,6**	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
Cash flow statement										
Cash flow from operating activities (Rm)	**(290,9)**	(376,9)	150,1	364,5	319,9	(44,4)	99,3	(97,3)	86,7	289,9
Cash flow from investing activities (Rm)	**(573,7)**	(403,8)	(369,0)	(270,3)	(536,2)	(52,2)	(112,7)	51,5	(165,7)	(187,3)
Cash flow from financing activities (Rm)	**1 061,7**	1 153,0	273,4	(106,4)	343,0	63,8	20,0	72,1	86,0	(100,6)
Net increase (decrease) in cash (Rm)	**197,1**	372,3	54,5	(12,2)	126,7	(32,8)	6,6	26,3	7,0	2,0
Cash at the beginning of the year (Rm)	**710,9**	338,5	284,0	296,2	169,5	202,3*	62,5	36,2	29,2	27,2
Effect of exchange rate fluctuations on cash held	**0,1**	0,1	–	–	–	–	–	–	–	–
Cash at the end of the year (Rm)	**908,1**	710,9	338,5	284,0	296,2	169,5	69,1	62,5	36,2	29,2

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

Years ended	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Performance measures/ratios										
Turnover growth (%)	**10,9**	17,0	15,5	6,4	5,5	6,1	12,4	21,8	19,7	13,6
Operating margin (%)	**23,6**	24,0	23,2	22,9	25,0	24,8	26,1	24,3	22,8	18,5
Debt:equity ratio (%)	**51,4**	44,1	34,0	27,1	33,5	36,2	18,8	16,2	12,7	4,0
Total liabilities to shareholders' interest (times)	**1,1**	0,95	0,87	0,74	0,85	0,79	0,73	0,76	0,96	0,69
Current ratio (times)	**2,6**	3,1	2,4	3,7	3,4	2,5	3,1	3,0	2,5	2,7
Headline earnings per ordinary share (HEPS) (cents)	**858,6**	772,0	632,3	521,4	559,5	547,0	534,2	463,0	359,6	237,1
Change in HEPS (%)	**11,2**	22,1	21,3	(6,8)	2,3	2,4	15,4	28,8	51,7	46,2
Dividends declared per ordinary share (DPS) (cents)	**506,0**	455,0	350,0	288,0	288,0	288,0	270,0	220,0	164,0	94,0
Tangible net asset value per ordinary share (cents)	**3 295,0**	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
Market capitalisation (Rm)	**25 774,6**	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
Statistics										
Number of ordinary shares in issue (millions)	**228,5**	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)	**209,2**	205,2	206,5	208,2	204,8	206,3	209,5	213,1	213,3	220,7
Net number of ordinary shares on which net asset value per shares is calculated (millions)	**210,1**	206,4	205,3	209,0	207,3	204,6	212,0	212,6	211,9	218,4
Number of stores	**1 979**	1 857	1 727	1 627	1 539	1 393	1 332	1 273	1 233	1 197
Floor area (gross square metres)	**609 411**	579 365	537 951	505 676	467 420	410 378	380 615	354 747	334 662	323 459

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	2013 Rm	2012 Rm
Retail turnover (Rm)	10,9	**12 896,4**	11 630,5
Operating profit before finance charges (Rm)	9,2	**3 041,6**	2 786,5
EBITDA (Rm)	9,0	**3 376,6**	3 098,1
Headline earnings (Rm)	13,4	**1 796,6**	1 584,2
Earnings per ordinary share (cents)	11,1	**856,4**	771,0
Headline earnings per ordinary share (cents)	11,2	**858,6**	772,0
Dividend declared per ordinary share (cents)	11,2	**506,0**	455,0
Value added	5,3	**5 574,7**	5 293,0
Total number of stores	6,6	**1 979**	1 857
Total number of distribution centres	(11,1)	**8**	9
Total procurement from BBBEE sources (%)#	16,3	**88,4**	76,0
Number of environmental, health and safety and/or governance legal incidents		**none**	none
Total number of employees			
Permanent full-time employees	10,8	**12 657**	11 420
Permanent part-time employees	(30,3)	**175**	251
Flexitime employees	(3,6)	**3 807**	3 951
Contract employees	31,2	**920**	701
Casual employees	(0,7)	**146**	147
Employee turnover (excluding contractors) %	(0,9)	**32,1**	32,4
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	–	**11,1**	11,1
Senior management	19,9	**19,9**	16,6
Specialists and middle management	9,0	**45,8**	42,0
Skilled technical and junior management	1,9	**82,5**	81,0
Semi and unskilled employees	3,3	**99,6**	96,4

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

MESSAGES FROM THE CHAIRMAN, CEO AND CFO

CHAIRMAN'S REPORT

David Nurek Chairman

Following our good performance over the previous two years, the 2013 financial year proved to be a more challenging year for our group.

OVERVIEW

Whilst the first half of the year recorded good performance, the second half turned out to be much more challenging, particularly over the key trading months of November and December. What is encouraging, however, is that we gained market share in all our product categories over the year.

The group's headline earnings per share increased by 11,2%.

Whilst most of our merchandise categories traded well, jewellery and cellphones had a weak festive season. Our financial services businesses have had to contend with a credit environment that has become increasingly more difficult. Significant attention is being given to this area, and a number of mitigating strategies have been and continue to be implemented.

Our 55% investment in the RCS Group, our operationally independent consumer finance business, also performed well in a difficult consumer environment, with a growth in pre-tax profit of 20,2%.

Our group has a strong balance sheet, which has allowed us to continue to invest for future growth. During the year, 146 new stores were opened, and a substantial investment was made in our retail debtors' book, both of which will stand the group in good stead in the years ahead.

ECONOMY AND OPERATING ENVIRONMENT

The South African economic outlook remains subdued, with the Bureau for Economic Research (BER) projecting GDP growth for 2013 at 2,6% and for 2014 at 3,5%. The rand is on the back foot due to the current account deficit and negative sentiment around current industrial unrest. The rand is at significantly weaker levels than expected six months ago, and according to the BER, domestic constraints, including the large current account deficit, should begin to fade from early 2014. In our view, the rand is totally oversold at the present time and there is scope for it to strengthen significantly from current levels.

On the financial front the SA Reserve bank decided at the end of May 2013 to keep its repo rate unchanged at 5% even though headline inflation is close to the 6% target ceiling. The biggest contributors to inflation have been increases in the price of fuel and utilities. The BER now expects headline CPI inflation to average 5,7% in 2013 and retract to 5,4% in 2014. At this stage it seems as if the central bank will keep interest rates unchanged throughout 2013.

Huge growth in unsecured lending by other credit providers has created concerns regarding the credit environment. Whilst aggressive lending of this nature has increased delinquencies, it is important to note that since the third quarter of this financial year there has been a meaningful slowdown in the growth in unsecured lending. This slowdown has given rise to some short-term strain in the consumer environment. However, we do believe that more responsible unsecured credit lending practices will bring greater stability to the credit environment and improve the creditworthiness of consumers.

TRANSFORMATION

Our transformation committee (a sub-committee of our social and ethics committee) continues with the task of driving the group's broad-based black economic empowerment (BBBEE) strategy into the future.

CHAIRMAN'S REPORT
(CONTINUED)

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. Changes are in the process of being made to the BBBEE codes and, once finalised. management will analyse to see the impact on our strategy. I am pleased to note that in the *Mail & Guardian*'s Most Empowered Companies Report of 2013, our group has fared well.

GOVERNANCE

TFG's board of directors remains the foundation of corporate governance in the group. The board strives to ensure that the governance processes are continually enhanced to ensure ongoing compliance with relevant legislation and regulation.

Management and the board continue to be guided by the governance principles contained within the King III code, as well as those contained within the Companies Act and the listings requirements. Accordingly, we have applied both the principles of King III as well as the JSE listings requirements. In regard to King III where we have not applied its recommendation fully, we have explained our reasons for not doing so in the Corporate Governance section of this report.

I would like to welcome Tumi Makgabo-Fiskerstrand who joined the board as an independent non-executive director in November last year. Tumi has a broad range of business experience.

After 15 years of service on our board as an independent non-executive director, Vuli Cuba decided to step down subsequent to the year-end. We shall miss the valuable contribution he made to our deliberations, and we wish him well for the future.

INTEGRATED REPORTING

We continue to provide an integrated report that takes cognisance of the impact of 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.

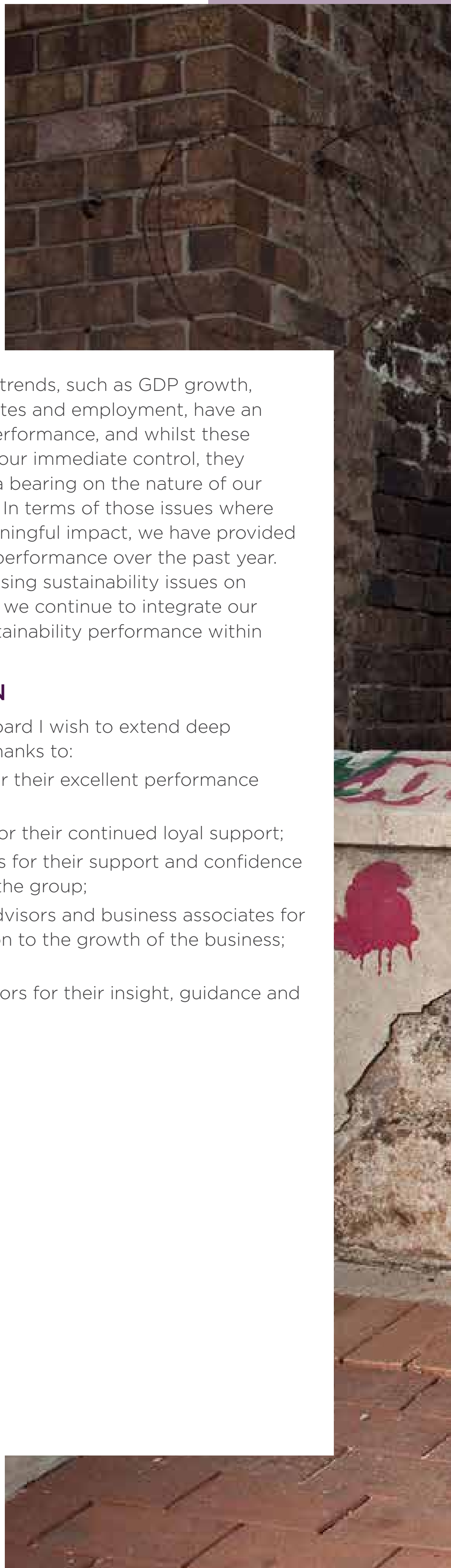
Broader economic trends, such as GDP growth, inflation, interest rates and employment, have an impact on TFG's performance, and whilst these trends are beyond our immediate control, they nevertheless have a bearing on the nature of our strategic response. In terms of those issues where we can have a meaningful impact, we have provided an account of our performance over the past year. Rather than addressing sustainability issues on a standalone basis, we continue to integrate our account of our sustainability performance within each relevant area.

APPRECIATION

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, advisors and business associates for their contribution to the growth of the business; and
- my fellow directors for their insight, guidance and valuable input.

David Nurek
Chairman
28 June 2013




KONG

CHIEF EXECUTIVE OFFICER'S REPORT

Doug Murray
Chief Executive Officer

The group has achieved a solid performance, producing its highest-ever profits with continued gains in market share.

OVERVIEW

Our customers, who fall broadly into the LSM 6 to 10 group, continue to benefit from an environment driven by continued low interest rates, increased government subsidies, real wage increases and a low inflation environment.

Despite the current difficult consumer environment, the group has achieved a solid performance, producing its highest-ever profits with continued gains in market share.

TARGETS

In order to ensure that management's focus remains on critical success factors, the group sets targets, and reviews its performance against these on a regular basis. A full list of targets is included on page 4 of this report. Management believes that the performance in 2013 is acceptable and broadly achieved the objectives it set for itself. Performance against key targets is shown below:

- Operating margin: Achieved 23,6% against benchmark of 23% to 25%
- Gross margin: Achieved 41,9% against benchmark of 41% to 43%
- Return on equity
    - Retail: Achieved 27,8% against benchmark of 28% to 35%
    - RCS: Achieved 18,7% against benchmark of 17% to 20%
- Space growth: Achieved 5,1% against benchmark of 5% to 7%

2013 HIGHLIGHTS

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 highlights:

- Retail turnover up 10,9% to R12,9 billion
- EBITDA at R3 376,6 million;
- Headline earnings per share up 11,2% to 858,6 cents
- Final dividend increased to 270,0 cents per share, bringing total dividend for the full year to 506,0 cents, an increase of 11,2%
- Strong market share gains in all product categories
- 146 new stores opened

2013 PERFORMANCE

TURNOVER

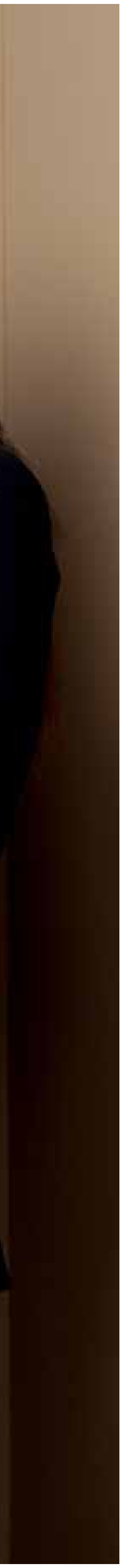
After a good first-half performance, the second half became more challenging. Particularly hard hit were the discretionary categories of jewellery and cellphones, which had a weak festive season. It is clear that these discretionary categories were not the items of choice for consumers over this period, although turnover in these categories did return to more normalised levels in our last quarter.

Turnover growths in the various merchandise categories were as follows:

Clothing	11,8%
Jewellery	6,9%
Cosmetics	11,7%
Homewares and furniture	18,0%
Cellphones	3,6%

Same store turnover grew by 5,8%, whilst product inflation averaged approximately 5% for the year. Cash sales as a percentage of total sales increased to 40% from 39%.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)



MARGIN

In line with our strategy of driving top-line growth, buying efficiencies achieved during the year as a result of our supply chain initiatives continue to be passed on to our customers.

Gross margin at 41,9% was effectively the same as the previous year.

COST CONTROL

Cost control remains a strength of the group. Total costs before bad debts increased by 12,6%. The like-for-like expense growth (excluding the impact of new stores) was 5,5%.

FINANCIAL SERVICES

The credit environment has become increasingly more difficult, with consumer delinquencies on the rise. Against this backdrop, our own retail debtors' book, which is managed by TFG Financial Services, performed well. The book, which now amounts to R5,2 billion, increased by 14% with the active account base growing by 6,0% to 2,6 million accounts. Net bad debt as a percentage of closing debtors' book increased to 10,5% from 9,4% in the previous year, moving from 10,3% at the half year, but remains within management expectations.

Our RCS subsidiary, which is an operationally independent consumer finance business, performed well during the year, with net profit before tax increasing by 20,2% to R414,8 million.

CREDIT: TFG

Simplistically, we follow a risk-versus-reward-based approach to our management of credit. Being a credit retailer, it is essential to continue to grow the size of our active debtors' book. It is, however, critical that appropriate risk management measures are in place with regards to both granting and collection of credit.

During the year 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 581 000 new accounts were opened, we were again successful in opening a further 631 000 new accounts and increasing our active accounts by a further 6,0%.

In November 2012 our rewards program, which was launched initially to cash customers, was extended to our 2,6 million credit customer base with the aim of creating spending uplift by our credit customers and boosting turnover. Early indications have been positive with an uplift in credit turnover in the last quarter of the year. We now have in excess of 3 million customers signed up to our rewards programme, of which 1,2 million are cash customers and the balance being credit customers.

Consumers have come under increasing pressure in the more difficult credit environment, with delinquencies on the rise. In light of this, management have given significant attention to this area, and a number of mitigating internal strategies have and are being implemented, including:

* Customised scorecards updated in November 2012
* Pre-delinquency collection strategy has already reduced collection roll-ins by 7,5%
* Monthly external bureau data is now utilised in order to understand and react to affordability stress on our existing account base. This was previously only done on a quarterly basis. This also now includes information on our customers exposure to unsecured loans.
* Implementing strategies for the rehabilitation of distressed account holders, although they are not able to buy and are fully provided for. The aim is to rehabilitate them once their financial position improves
* Using our new call centre capacity to in-source and collect more effectively our late stage accounts

CREDIT: 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.

The unsecured lending industry has received much negative press in recent times, with claims that lenders are not being responsible in their credit granting practices. There is a risk that all industry players are "painted with the same brush".

Against this backdrop, I highlight that the RCS Group has continued to apply conservative credit granting principles and, further, that the personal loans book (ie: the portion that participates in the unsecured lending space) comprises only 26% of this business.

Notwithstanding the difficult consumer environment, the RCS Group performed well during the year, growing net profit before tax by 20,2% to R414,8 million. Net bad debt as a percentage of debtors' book increased to 6,6% from 6,0% in the previous year. NPL (non-performing loan) cover is at a very healthy level of 121,7%. Its debtors' book of R4,2 billion increased by 22,0% during the year.

CHIEF EXECUTIVE OFFICER'S REPORT

(CONTINUED)

As we announced recently on SENS, having been through a thorough process to assess the various alternatives with regards to achieving our intention of reducing our shareholding in RCS to below 50% and taking into consideration the current state of the consumer credit market and the sentiment surrounding consumer lending businesses, we have concluded that the timing is not conducive to realising fair value for RCS and, accordingly, have decided to terminate the process.

The RCS business continues to perform well despite challenging market conditions and we believe it will continue to contribute favourably to overall financial performance.

SUPPLY CHAIN AND MANAGING THE RISK OF FASHION

Our supply chain initiative aims to ensure, *inter alia*, that lead times in ordering, acquiring and distributing stock are reduced to the minimum. Whilst local procurement aids in reducing lead times, the proportion of merchandise procured offshore varies by commodity as it is more challenging to procure certain items locally. This includes furniture, jewellery, cosmetics, footwear, menswear and branded goods such as those within our sports division. These items are therefore largely imported with appropriate forward cover being taken to hedge against currency fluctuations.

Key to the success of any retailer is managing the risk of fashion. Core essentials product is less risky, but as a general rule "getting the fashionability of the product right" is a critical factor that requires ongoing focus and management. Maximising the amount of stock that is able to be replenished in season reduces the fashion risk. The replenishment, holdback and in-season trading models within the supply chain initiative effectively aim to reduce the fashion risk by aligning with this philosophy.

During the current year despite some problematic months, our focus on supply chain has enabled us to provide a more consistent delivery of our merchandise promise to our customers.

PEOPLE

TFG aims to be seen as an employer of choice as we recognise that one of our key strengths remains our people. We currently have in excess of 17 000 employees, without whom the successes of the past year would not have been possible.

We continue to invest in training, as development of key talent is a priority and in this past year we spent the equivalent of 5,8% of our total payroll cost on training. We are firm supporters of the philosophy that internally developed talent is preferable to acquiring external talent.

Whilst TFG experiences a relatively high level of staff turnover at store level which is common in our industry. I am very pleased with the low level of staff turnover at head office, and particularly at senior management level. The continuity and experience that this brings to the group is invaluable.

TFG believes that transformation is a business imperative in South Africa. TFG was ranked third within the retail sector in the 2013 *Mail & Guardian* Top Empowerment Companies Report, and is currently a level 4 BBBEE contributor.

Employment equity remains an ongoing focus with 90,4% of all employees being from previously disadvantaged groups.

AFRICA

We currently have 104 stores outside South Africa with 63 in Namibia, 16 in Botswana, 12 in Zambia, 7 in Lesotho, 4 in Swaziland and 2 in Nigeria. All these stores are corporate-owned stores as we believe that maintenance of our brand identity is best preserved in this way.

I believe that expansion into Africa is a longer-term growth strategy, and over the next three years we plan to open more than 100 stores in the countries in which we already operate, as well as Mozambique, Angola and Ghana.

INTERNATIONAL COMPETITION

International competition is a topical subject. Management remains abreast of both local and international competitors, but believe that we are well equipped to withstand any such competition. In many instances international retailers have many barriers to enter the local market including seasonal and location challenges. Both international and local competitors are no better informed in fashion trends and direction than ourselves, and thus the focus is on staying true to the strategies that we believe are key to the group's long-term success.

STRATEGY

Whilst some detail has been provided on the strategic issues on TFG's agenda as they were relevant to this report, the detailed Strategic Agenda section details the key priorities facing the group. Our group currently has the following five strategic objectives:

1. Optimising our supply chain
2. CRM, focussing on new accounts and our rewards program in order to maximise turnover
3. Capital C (store optimisation with a customer focus)

4. Expanding our store base locally and in Africa
5. Omni-channel strategy

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 made useful progress in starting to implement the group's sustainability strategy by measuring against internally set benchmarks. We believe that this strategy will evolve over time. 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.

PROSPECTS

Economic conditions in South Africa will remain difficult in the year ahead, with the credit environment likely to deteriorate further due to current levels of consumer indebtedness. Strict credit-risk management practices will continue to be implemented.

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 150 new stores in the year ahead, which will increase trading space by approximately 6%.

We will continue to implement our key strategies, which have been successfully applied over a number of years now.

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.

I would like to welcome to the operating board Manie Maritz, who has been with the group for many years and is currently the MD of our Markham division incorporating Markham, Fabiani and G-Star.

I would like to bid farewell from the operating board to Abigail Bisogno. Over the last 35 years Abigail has played a significant role in the development of our group, and has made an enormous contribution in a number of diverse areas of our business,

Thanks are extended to the group's 17 000 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.

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

Finally, a big thank you to all our customers, who continue to support us and make us their fashion retailer of choice.

Doug Murray
Chief Executive Officer
28 June 2013

CHIEF FINANCIAL OFFICER'S REPORT

Ronnie Stein
Chief Financial Officer

Headline earnings per share increased by 11,2% to 858,6 cents per share whilst diluted headline earnings per share increased by 11,1% to 851,3 cents per share.

OVERVIEW

Our group recorded a good performance in the first half of this year, with earnings growth of 17,1%. In the second half, however, trading became significantly more challenging, particularly over the key trading months of November and December. Despite the difficult environment, the group still achieved a solid performance for the full year with profit after tax of R1 926,6 million, an increase of 13,9%. Headline earnings per share increased by 11,2% to 858,6 cents per share whilst diluted headline earnings per share increased by 11,1% to 851,3 cents per share.

Turnover of R12 896,4 million grew by 10,9% with same store turnover increasing by 5,8%. Cash sales as a percentage of total sales increased to 40% from 39%.

Although the credit environment has become increasingly more difficult, our financial services business continued to grow their EBIT contribution. In addition, our 55% investment in the RCS Group also performed well with a growth in profit before tax of 20,2%.

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

KEY PERFORMANCE INDICATORS	2013	Medium -term target	2012
Turnover (Rm)	12 896,4		11 630,5
Turnover growth	10,9%		17,0%
Gross margin	41,9%	41% – 43%	42,0%
Operating margin	23,6%	23% – 25%	24,0%
Profit before tax (Rm)	2 713,7		2 501,6
Profit after tax (Rm)	1 926,6		1 691,8
Headline earnings per share (HEPS)			
HEPS (cents)	858,6		772,0
HEPS growth	11,2%		22,1%
Diluted headline earnings per share			
HEPS (cents)	851,3		766,1
Diluted HEPS growth	11,1%		23,6%
Dividend per ordinary share (cents)	506,0		455,0
Dividend per ordinary share growth	11,2%		30,0%
Return on average equity – Retail	27,8%	28% – 35%	27,8%
Return on average equity – RCS Group	18,7%	17% – 20%	18,8%
Total gearing	51,4%		44,1%
Recourse gearing	13,3%		14,8%
Space growth	5,1%	5,0% –7,0%	7,7%
Tangible net asset value per ordinary share (cents)	3 295,0		2 995,8
Tangible net asset value per ordinary share growth	10,0%		13,4%
Stock turn (times)			
– jewellery	2,0	1,8 –2,0	1,9
– homewares and furniture	2,4	2,0 – 2,3	2,1
– clothing	3,5	3,6 – 5,0	3,5

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

In order to provide users of this integrated annual report with information that is most relevant to them, we only include summary financial information. Detailed annual financial statements are available on our website or, upon request, as hard copies.

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

ACCOUNTING POLICIES AND STANDARDS

The annual financial statements have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS), Financial Reporting Guides as issued by the Accounting Practice Committee of the South African Institute of Chartered Accountants (formerly the AC 500 series), disclosures required by the Companies Act No. 71 of 2008 and the JSE Listing Requirements. The group's principal accounting policies are consistent with those applied in the previous year. In the annual financial statements of the company the accounting policy relating to the valuation of interests in subsidiaries was changed such that these are now measured at fair value.

INCOME STATEMENT

RETAIL TURNOVER AND GROSS MARGIN

Retail turnover had a satisfactory growth of 10,9% to R12,9 billion whilst same store turnover growth was 5,8%.

The table below indicates the growth in the various merchandise categories:

RETAIL TURNOVER BY MERCHANDISE CATEGORY	2013 (Rm)	2012 (Rm)	Growth %	2013 same store growth %
Clothing	8 658,4	7 747,9	11,8	6,1
Jewellery	1 308,8	1 224,3	6,9	3,7
Cellphones	1 148,6	1 109,1	3,6	(0,5)
Cosmetics	835,2	747,7	11,7	8,5
Homewares and furniture	945,4	801,5	18,0	12,0
Total	12 896,4	11 630,5	10,9	5,8

Clothing – turnover of 11,8% was reasonable and would have been far better had it not been for supply problems in ladies and childrenswear running up to the festive trading season. Same store turnover was 6,1%.

Jewellery – experienced a disappointing December, achieving 0,5% turnover growth, which is normally the biggest turnover period for this category. Notwithstanding this, jewellery turnover for the year grew 6,9% with same store growth of 3,7%.

Cellphones – had a poor performance over the festive season with turnover growth in December down 5,6%, resulting in turnover growth for the year of 3,6%. Same store growth was flat for the year.

Cosmetics – performed well in a competitive environment with turnover growth of 11,7% and same store growth of 8,5%.

Homewares and furniture – had an excellent performance, growing turnover by 18,0% and same store growth of 12,0%.

Cash turnover grew by 13,7% whilst credit turnover grew by 9,1%. Product inflation averaged 5% for the year.

As part of our ongoing strategy of investing for the longer term, the group added 146 new stores across all our brands, representing a total increase in trading space of 5,1%. This included 17 new stores in Africa, as well as the acquisition of 2 G-Star franchise stores.

Our gross margin was effectively the same as the previous year at 41,9%.

INTEREST INCOME

Due to the impact of the National Credit Act capping formula, interest yields are at the lowest they have been for many years. This, together with higher average book sizes and good account growth, resulted in an increase in interest income from our trade receivables book of 15,2% to R983,6 million. Currently 87,8% of balances attract interest, up from 86,6% last year.

Interest received on the RCS Group receivables increased by 17,6% to R990,3 million driven by growth in debtors' book.

OTHER REVENUE

Our gross revenue earned by our financial services divisions has increased by 18,1%, driven in the main by good performances from:

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

These products should continue to grow as our customer base grows.

EXPENSES

Expenses before bad debts were well controlled, growing by 12,6% and included a number of non-comparable items that 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, discounts as a result of our rewards programme, and credit card commission.

Depreciation and amortisation grew by 7,5% reflecting the costs associated with new stores as well as enhanced IT systems.

Employment costs of R2 068,0 million are our group's biggest operating cost, and increased by 7,2% over the previous year. The increase in these costs is due to normal staff salary increases, which this year averaged 6,5%, as well as the appointment of new staff to service new store openings. Minimal performance bonuses were paid this year.

Store occupancy costs, the group's second-largest operating cost, increased by 15,7% to R1 205,3 million, and as a percentage of sales increased to 9,3% from 9,0%. Whilst lease escalations average 8%, the balance of this cost is due to the opening of new stores. During the year 146 new stores were opened whilst 24 stores were closed.

Net bad debt and movement in provisions in our retail debtors' book increased by 28,5% to R670,8 million on a 14,0% book growth. Having regard to the difficult credit environment and the increase in unsecured lending, bad debt as a percentage of closing debtors' book was within management expectations, increasing to 10,5% from 9,4% in the previous year and 10,3% at the half year. Net bad debt and movement in provisions in the RCS Group increased by 35,6% to R269,8 million. Gross bad debt write-offs were in line with management expectations. More detail on the group's bad debt and provisions is provided in the Financial Services review elsewhere in this report.

Finance costs increased by 1 5,1% to R327,9 million from R284,9 million. This increase relates mainly to an increase in external finance costs paid by the RCS Group.

OPERATING MARGIN

The group's operating margin for the year was 23,6%, marginally down from 24,0% in the previous year, and within our group's medium-term target range of 23 – 25%.

TAXATION

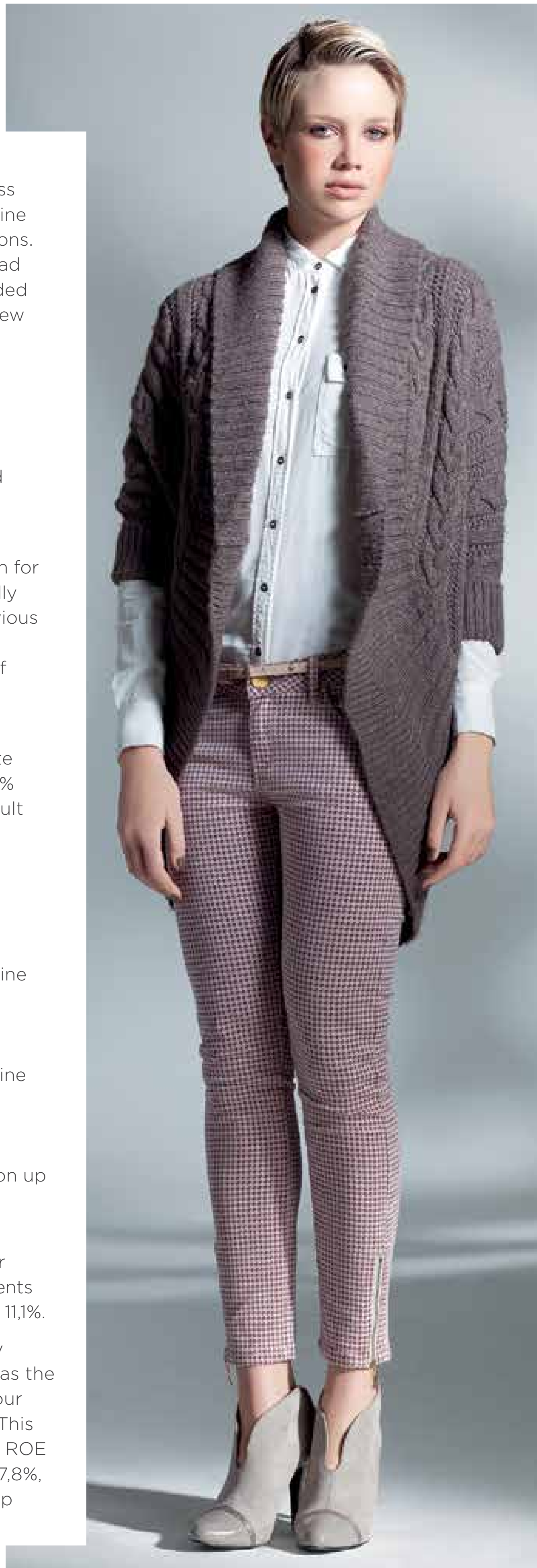
The group's effective tax rate reduced to 29,0% from 32,4% in the previous year as a result of the abolition of STC on 1 April 2012.

EARNINGS

Headline earnings increased by 13,4% to R1 796,6 from R1 584,2 million, whilst headline earnings per ordinary share increased by 11,2% from 772,0 cents per share to 858,6 cents per share. Headline earnings per share has been calculated on the weighted average number of ordinary shares in issue of 209,2 million up from 205,2 million in the prior year.

Diluted headline earnings per share increased from 766,1 cents to 851,3 cents, an increase of 11,1%.

The group's return on equity (ROE) of 26,4% is the same as the previous year and is within our medium-term target range. This is at a satisfactory level. The ROE for our retail business was 27,8%, whilst that for the RCS Group was 18,7%



CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

DIVIDENDS

Our final dividend has been increased to 270,0 cents per share. Accordingly the dividend declared in respect of the full year amounts to 506,0 cents per share, an increase of 11,2%. The final dividend of 270,0 cents per share reflects a lower rate of growth because of the reduction in the dividend cover at the interim stage.

Withholding tax, if applicable, at the rate of 15%, will result in a final net cash dividend of 229,5 cents per share.

STATEMENT OF FINANCIAL POSITION

The tangible net asset value per share grew by 10,0% to 3 295,0 cents per share. Total assets now amount to R15 386,6 million, and grew by 19,7%.

ASSETS

Property, plant and equipment

Property, plant and equipment increased by 17,9% to R1 548,4 million from last year's R1 313,2 million, primarily due to the opening of new stores, store enlargements and refurbishments in line with our strategy to increase our total trading area.

Trade receivables – retail

The group's net retail trade receivables increased by 14,0% to R5 207,7 million from R4 569,9 million. The slower rate of growth in the book is attributable to a reduced level of credit sales with credit turnover growth decreasing from 16,1% to 9,1%. In terms of our strategy of actively pursuing new accounts, we were again successful this year and opened 631 572 new accounts. As a result, our active accounts base grew by 6,0%. Net bad debt as a percentage of credit transactions is 5,7%, whilst the net bad debt write-off as a percentage of the debtors' book increased to 10,5% from 9,4%, within management expectations. At year-end the doubtful debt provision as a percentage of the debtors' book was 10,4%, up from 9,3% 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 13,4% to R2 444,0 from R2 155,0 million. In order to support our fabric strategy which is critical for our supply chain project, our raw material stock grew by 35% to R136,8 million. 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 2,0 is considered good in terms of world benchmarks, whilst the group's stock turns on homewares at 2,4 and clothing at 3,5 should improve further over the next few years as a result of our supply chain initiative. Adequate provision has been made for markdowns, 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 growing net profit before tax by 20,2% to R414,8 million. In the previous three financial years, the RCS Group benefited from improving asset quality as a result of adjustments in its credit risk and provisioning criteria, which, to a large extent, were contrary to the general experience in the market. This year the trends became more aligned with general market trends reflecting the impact of a more financially constrained consumer, but are still well below the general market averages. Their arrear debt (60 days plus) as a percentage of total debt moved from 10,1% to 11,1%. Provisions as a percentage of non-performing loans reduced to 121,7% from 124,7%, and this is in line with lagged book growth as a number of co-branded and private label portfolios mature. Non-performing loans as a percentage of total debt have increased to 6,9% from 6,3%. Maintaining the overall asset quality remains a key focus in order to retain and improve the RCS Group's credit rating.

At year-end, RCS Group's receivables increased by 22,0% to R4 210,7 million from R3 450,5 million. The key debtors' statistics are detailed in the RCS Group section of this report.

Contribution to profit after tax and other minorities represents 9,7% of total group profit after tax.

Its domestic medium-term note (DMTN) continues to be successful, with over R2,9 billion of funding being raised to date in a mixture of long-and short-term paper.

EQUITY

The group's attributable equity increased to R7 043,8 million from R6 293,1 million, translating into a tangible net asset value of 3 295,0 cents per share. At the financial year-end, treasury shares held by subsidiaries, including the share trust, amounted to 18,4 million shares.

At our previous annual general meeting, shareholders approved a specific repurchase of 12 million ordinary shares held by a wholly-owned subsidiary. This specific repurchase was implemented in February 2013, whereafter the shares were cancelled and restored to authorised share capital. During March 2013 these shares were delisted, reducing our total shares in issue to 228 498 241.

For further details on this and other repurchase transactions, please refer to note 15 in our summary financial information elsewhere in this report.

NON-CONTROLLING INTEREST

The non-controlling interest of R705,5 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

	2013 (Rm)	2012 (Rm)	% growth
Interest-bearing debt and non-controlling interest loans	**4 887,6**	3 737,7	30,8
Less: Cash	**(908,1)**	(710,9)	
Net borrowings	**3 979,5**	3 026,8	31,5
Less: SBSA loan to RCS Group (non-controlling interest loan)	**–**	(242,4)	
	3 979,5	2 784,4	
Less: RCS Group external funding (commercial paper plus bank loan)	**(2 949,1)**	(1 766,4)	67,0
Recourse debt	**1 030,4**	1 018,0	1,2
Less: TFG funding of RCS Group	**–**	(291,9)	
Retail borrowings	**1 030,4**	726,1	

Our group's operations are financed primarily by means of its own cash flow as well as banking facilities. This debt, offset by the group's cash, represents net gearing of 51,3% and retail gearing of 13,3%.

Of this debt, the RCS Group's external funding of R2 949,1 million has no recourse to TFG. Accordingly, our net recourse borrowings amount to R1 030,4 million, which represents net recourse gearing of 13,3% (2012: 14,8%).

TRADE AND OTHER PAYABLES

Trade and other payables increased to R2 282,5 million from R1 827,0 million and finances to a large extent the group's stockholding.

CAPITAL EXPENDITURE

Total capital expenditure for the year amounted to R584,7 million, most of which relates to the opening of new stores and refurbishments as well as investment in IT systems. Included in our capex is an amount of R85,7 million expended on the group's new design centre which is due to be commissioned shortly.

In line with our strategy of investing for the longer term, budgeted capital expenditure for 2014 is approximately R550 million. We anticipate opening in the region of 150 new stores in the year ahead, increasing floor space by approximately 6%.

CASH FLOW

Cash flows from operating activities before working capital changes amounted to R3 466,9 million, an increase on the previous year's R3 180,4 million. Cash generated by operations amounted to R1 880,1 million compared to R1 612,0 million in the previous year. The majority of our spend related to investment in future growth, with a R892,5 million increase in our retail debtors' book and other debtors, and a R760,2 million increase in the RCS Group debtors' book.

FINANCIAL TARGETS

Our group's financial targets have been included in the Key Performance Indicators on page 4.

Ronnie Stein
Chief Financial Officer
28 June 2013

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 (3 – 5 years). The strategic objectives are seen to be broader than actions to be achieved one year at a time.

Last year, in our 2012 integrated annual report, we identified and reported against the following five strategic objectives for the group:

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

Following the latest internal review process at board level, we have agreed the five key strategic priorities for 2013 as follows:

1. Optimising our supply chain
2. Customer Relationship Management (CRM) focus
3. Capital C (store optimisation with a customer focus)
4. Africa expansion
5. Inclusion of an omni-channel strategy

These priorities remain fairly consistent with those previously reported, demonstrating our philosophy that strategy should be revisited rather than reinvented each year. Since many of last year's priorities remain relevant, they appear again on this year's agenda. The only brand-new priority is the inclusion of an omni-channel strategy.

Each strategic objective is championed by a member of TFG's operating board and appropriate targets and measures are in place to drive performance. Progress against each objective is reviewed regularly, and is reported on quarterly at board level.

In addition to these group-level strategic objectives, each of the operating businesses has responsibility for its own strategic direction that is aligned with, and guided by, these overall group objectives.

TFG'S STRATEGIC AGENDA (CONTINUED)

OPTIMISING OUR SUPPLY CHAIN

The focus remains on continuing to build a flexible and sustainable supply base to ensure that TFG is able to develop quick response capability and increase in- season trading.

Whilst the key driver is "established in-season trading capability", it is expected that, over time, lead times and stock turn will improve.

Currently, effort is being invested in improving supplier ratings through a formalised review and measurement process as supplier performance is key to the success of this objective.

The acquisition of Prestige was aligned to this strategic objective as, over time, it is expected that this will improve TFG's quick response capability. The integration of Prestige into TFG is receiving focus to ensure that the operational processes are optimal.

Replenishment and holdback continue to be implemented where appropriate.

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

2013 HIGHLIGHTS

- In-season trading focus continues to deliver promising results by allowing TFG to repeat "top sellers".
- TFG received two awards as part of commitment to Fast-Fashion Cluster.

CHALLENGES AND FUTURE FOCUS AREAS

- Maintaining reliable sources of supply requires an ongoing focus.
- In the year ahead, focus will be placed on identifying key data analytics and system requirements to better support in-season trading.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) FOCUS

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

In the coming year the focus will be on improving the take-up of rewards offers. Focus will be placed on keeping the credit and cash rewards base active, with the aim of increasing customer spend.

2013 HIGHLIGHTS

- Growth of 6% in active accounts was achieved.
- During the year TFG extended the customer rewards programme to credit customers, and now has 1,8 million credit rewards customers and a further 1,2 million cash rewards customers on this programme.

CHALLENGES AND FUTURE FOCUS AREAS

- Constantly improving our understanding of customer behaviour will enable us to ensure that customer rewards are increasingly attractive.
- Ensuring that risk metrics for customer acquisition remain relevant and aligned to acquisition channels.
- Remaining abreast of any legislative developments.

CAPITAL C – STORE OPTIMISATION WITH A CUSTOMER FOCUS

The primary objective is to simplify store processes in order to allow a customer focus. The focus for the coming year will be on stabilising in-store technology as well as optimising communication between head office and stores.

2013 HIGHLIGHTS

- Store processes have been reviewed and optimised where possible.
- A new store communication portal was piloted with great success, and will be rolled out in the new year.
- Monthly reporting to stores continues.

CHALLENGES AND FUTURE FOCUS AREAS

- Roll-out of store communication portal.
- Accepting that replacing technology is costly and cannot be done all at once.
- Ensuring that the reward model is appropriate to motivate and retain high-performing store and field staff within cost control parameters.

AFRICA EXPANSION

Whilst growth within South Africa remains a key growth area, we foresee expansion into Africa as a long-term growth strategy. We continue to seek managed expansion into territories where we see longer-term potential.

2013 HIGHLIGHTS

- 146 new stores were opened in 2013, following on 150 new stores in 2012.
- 17 new stores were opened outside of South Africa in 2013.
- Our operations outside of South Africa now include Namibia, Botswana, Swaziland, Lesotho, Nigeria and Zambia.

CHALLENGES AND FUTURE FOCUS AREAS

- Focus will be placed on determining appropriate product assortment and pricing structures per territory.
- Effort will be placed in developing a marketing strategy per location.
- Ensuring full compliance outside of South Africa remains a challenge as each territory has its own legislative requirements.
- Logistical issues outside South Africa.

OMNI-CHANNEL STRATEGY

Our omni-channel strategy is a digital strategy that encompasses an online e-commerce strategy and solution.

Given the pace of e-commerce growth in South Africa, we believe that having e-commerce capabilities is not an immediate requirement, but something that we need to be prepared for in the medium term. As such, a phased approach is being followed with the aim of launching the initial platform in September 2013. By September 2015 we aim to have fully integrated e-commerce capability with an offering that is appropriate to our credit customer base.

TFG'S STRATEGIC AGENDA (CONTINUED)

RESPONDING TO SOCIETAL TRENDS AND STAKEHOLDER EXPECTATIONS

As a credit retailer operating in the apparel, footwear, sporting, cellphone, jewellery, homewares 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, and the Security Services Act (subsequently replaced by the Financial Markets Act).
- Voluntary initiatives such as the Carbon and Water Disclosure Project (CDP & 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 MACRO-ECONOMIC 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;
- 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 by, among other things, the current volatility in exchange rates, the oil price and (for our jewellery business) the 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 programs, we continue to grow and maintain a loyal customer base; our active management of customer credit limits and account payments assists us in minimising 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 wellbeing 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;
- appropriate risk measures are applied in granting credit to customers;
- our cost base is managed at an acceptable level and our funding structure is optimised; and
- 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 SUSTAINABILITY STRATEGY: INTEGRATING SUSTAINABILITY WITH OUR BUSINESS STRATEGY

Following the initiation of a sustainability strategy process in 2010, a detailed sustainability roadmap was developed that has a strong link to our overall strategic objectives. During the reporting period we have focused on embedding the roadmap across the group in such a way that meaningful and measurable data is being collected and reported on.

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, which are being regularly measured.

A business champion has been appointed for each of these five pillars, and clear action plans and project teams have been appointed for each of these strategic focus areas. During the year, key objectives for each pillar were agreed, and focus was placed on achieving appropriate measurements that would enhance sustainability management across TFG. In addition, staff awareness sessions were held to improve visibility of the strategy across the group. In this integrated report we have reported our performance against certain key indicators within each of the relevant 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)

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

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
EMPLOYEES	• Regular dialogue and communication sessions • Break-aways • Team-building exercises • Notice-boards • Newsletters • Union meetings • Training and development initiatives • Intranet • Email • 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 email.
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 is improving, and the strategic processes being implemented should ensure improved consistency in future.
SHAREHOLDERS	• Annual reports • SENS announcements • Profit announcements • Annual general meetings • Advertisements • Group website • Email	Consistency of trading performance.	Performance is improving, and the strategic processes being implemented should ensure improved consistency 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.

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
CUSTOMERS	• Interaction with store and head office staff • Customer call centre • Through our website • Various social media channels • Email and SMS • Monthly statements • Advertising • Sponsorships • Store promotions and competitions	Customers most frequently raise specific issues relating to an in-store experience or credit query. They also engage with us relating to merchandise and fashion trends.	We monitor issues raised by customers via our Customer Services Call Centre and our websites and we are linked to external customer service websites. We have an online reputation management system in place that monitors social media.
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 if required • Requests for general and compliance information and supplier data	Longevity and sustainability of relationships between the group and suppliers. Illegal imports are increasingly impacting on the competitiveness of the local supply base.	Group Merchandise Procurement (GMP) division established to oversee and ensure responsible management and quality assurance in procurement practices. Formalised processes are in place to evaluate existing and potential suppliers, and monitor supplier performance. GMP assists suppliers requiring corrective action to be taken in order to ensure compliance. The group meets with SACTWU, SARS and DTI to address concerns around illegal and under-invoiced imports, as well as any other possible issues. The NCRF is another vehicle whereby CEOs can discuss any market place concerns.

TFG'S STRATEGIC AGENDA (CONTINUED)

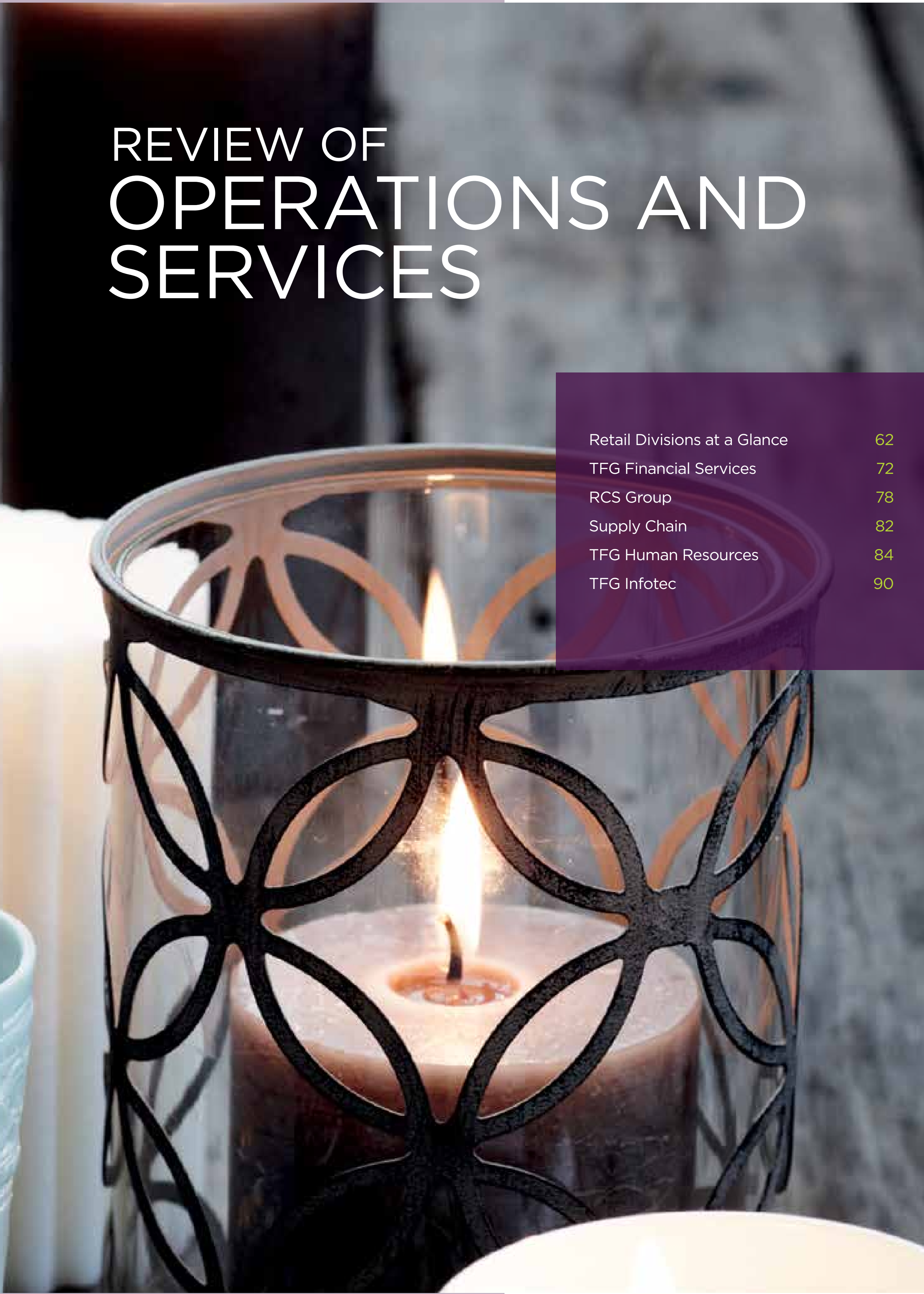
STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
GOVERNMENT AND REGULATORY AUTHORITIES	• Ad-hoc meetings • Written and oral submissions regarding relevant draft legislation	Business Unity South Africa, the Retail Association and the National Clothing Retail Federation communicates to its members any government and regulatory authority concerns regarding businesses, and also provides opportunity for member organisations to meet with government and regulatory authority representatives, submit comments on draft laws, and be represented at formal interactions between business and key government and regulatory representatives	The group submits comments on draft laws to the relevant government department or authority, or via an industry body. It may also submit comments on draft laws to Parliament's relevant committee.
DEPARTMENT OF LABOUR	• Via email • 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.

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
UNIONS	• Annual wage-negotiations meetings • Ad-hoc meetings as per workplace disputes	Issues pertaining to wage negotiations workplace disputes	We strive to gain consensus in terms of wage demands, and we manage any workplace disputes and determine an agreement. Where it is policy-related, this could necessitate a policy change.
COMMUNITY	• Community social investment initiatives undertaken by the group and by staff members • Meetings with social investment representatives • Sponsorships • Advertisements • Website and media releases	The most frequent questions we deal with are (a) requests for information on how we fund from external stakeholders wanting to apply for funding and (b) questions from internal stakeholders wanting to know more about our CSI activities.	NGOs requesting CSI funding are referred to our CSI website for information. If they believe that their application meets our funding criteria, they can submit an application. These applications are screened by the CSI department. Shortlisted projects are visited before a final decision is made. All successful and unsuccessful applications are acknowledged in writing. Funding is usually allocated for a maximum period of three years. We engage with our internal stakeholders via annual communication campaigns involving various channels of communication. From time to time, staff are also invited to participate in or support CSI activities.
RETAILER'S ASSOCIATION	• Monthly meetings • Correspondence via email	Common issues relevant to the members of the association; this could be of a legislative, socioeconomic 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.

TFG'S STRATEGIC AGENDA (CONTINUED)

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
RETAIL AND WHOLESALE SETAS	• Monthly meetings • Correspondence via email	Common issues relevant to training and development within the wholesale and retail sector; this could be of a legislative, socioeconomic nature and could have a direct impact on the skills levy refunds received by our business	Continuous engagement with the SETA regarding mandatory and discretionary skills levy refunds and requests for the approval of Learnerships
CCMA	• Meetings in the form of an in liine/Conciliation/Con-Arb or Arbitration process • Telephonic queries • Written correspondence regarding referrals sent to the CCMA/TFG • Workshops and courses	Issues referred to the CCMA are those relating to disciplinary processes, the settlement of wage related disputes and other collective bargaining issues; workshops and courses are attended	Defend matters and/or attempt to reach settlements; attend training courses
LABOUR COURTS	• Advocate representation at the Labour Court	The prospects of success are considered against previous precedents	Legal representation briefed to defend our matters

REVIEW OF OPERATIONS AND SERVICES



RETAIL DIVISIONS AT A GLANCE

FOSCHINI

	FOSCHINI	DONNACLAIRE
Brand summary	The Foschini brand is positioned as a destination of choice for women seeking fashionable, contemporary clothing, footwear and cosmetics, offering good value in a modern environment. It is targeted at the 25 to 35-year-old women.	Donna-Claire offers shapely women stylish, high-quality fashion, accessories and shoes. It targets all women size 16-28.
Brand offering	Smart, casual, denim and leisurewear, accessories, lingerie, footwear, cellular, cosmetics, fine jewellery, kidswear in selected stores	Sizes 16-28, smart casual clothing, accessories, lingerie and footwear
LSM categories	**LSM 6 – 10**	**LSM 6 – 10**
Target audience	**Females Aged 25 - 35 years**	**Fuller-figured females of all ages**

	Foschini 2013	Foschini 2012	Donna-Claire 2013	Donna-Claire 2012
Turnover (Rm)	**3 384,6**	3 210,8	**378,1**	377,7
Number of stores	**246**	233	**86**	88
Floor area (gross m²)	**180 199**	170 595	**23 393**	23 882
2014 projected number of stores	**265**		**90**	
2015 projected number of stores	**282**		**94**	

fashionexpress	Luella	CHARLES & KEITH FOOTWEAR AND ACCESSORIES
A ladies fashion retailer catering to the value mass market, empowering women to express their style. Express yourself for less!	The Luella brand is aimed at the upper income market. It appeals to customers seeking high-quality footwear and handbags.	Charles & Keith is an established Singapore-based footwear and accessories chain with more than 250 stores across Asia, Middle East and Europe. It operates on a franchise basis with three stores in South Africa.
Smart and casual clothing, footwear, accessories and lingerie across the entire size curve	Footwear, handbags and accessories	International ladies footwear, handbags and accessories
LSM 5 – 7	**LSM 8 – 10**	**LSM 6 – 10**
Females of all age groups	**Females of all age groups**	**Females of all age groups**

2013	2012	**2013**	2012	**2013**	2012
685,9	617,3	**43,4**	45,3	**9,8**	3,2
190	175	**16**	19	**3**	1
55 481	51 852	**2 097**	2 542	**448**	165
210		**10**		**10**	
230		**-**		**14**	

RETAIL DIVISIONS AT A GLANCE (CONTINUED)

MARKHAM DIVISION

	Markham	
Brand summary	Largest men's fashion retail chain in southern Africa, providing up-to-date internationally inspired menswear of good quality and value, suitable for all occasions.	
Brand offering	In-house brands. Relay (jeanswear) and Cignal (smartwear) as well as branded jeans e.g. Guess and Levi, shoes and accessories	
LSM categories	**LSM 6 – 10**	
Target audience	**Males Aged 25 - 35 years**	
	2013	2012
Turnover (Rm)	**2 187,3**	1 989,3
Number of stores	**267**	259
Floor area (gross m²)	**82 461**	80 695
2014 projected number of stores	**285**	
2015 projected number of stores	**300**	

Fabiani.	
The leading, premium menswear retailer in Southern Africa. Fabiani is renowned for its combination of style, quality, passion and the unexpected pop.	
Renowned for the exceptional cut of its suit, high-quality fabric and powerful design details. Offering expanded to include exclusive casual and accessory brands	
LSM 8 – 10	
Upper-income males	
2013	2012
56,8	1,8
12	7
1 915	1 043
15	
18	

G-STAR RAW	
Just the Product- G- Star Raw is the leading, authentic denim brand for men and women.	
A fusion of high-level craftsmanship with street-level edge. Continuously pushing the boundaries, evolving our core DNA. Challenging our designers to investigate new materials, styles and cuts	
LSM 8 – 10	
Males and females **Aged 20 - 35 years**	
2013	2012
26,9	-
3	-
571	–
5	
7	

RETAIL DIVISIONS AT A GLANCE (CONTINUED)

SPORTS DIVISION

	TOTALSPORTS	
Brand summary	South Africa's premier sportswear destination, with top performance brands complimented by fashion product, offering the everyday sportsperson and supporter world class product suited to their sporting needs.	
Brand offering	Focus on football, running, fitness and rugby with a broad range of apparel, footwear and equipment	
LSM categories	**LSM 6 – 10**	
Target audience	**Males and females of all ages**	
	2013	2012
Turnover (Rm)	**1 475,2**	1 269,1
Number of stores	**227**	197
Floor area (gross m²)	**59 882**	52 763
2014 projected number of stores	**261**	
2015 projected number of stores	**286**	

sportscene	
Sportscene offers a blend of sports and international brands that are street relevant, providing the fashion-conscious youth with a unique fashion environment, where sneakers are king.	
A blend of street-credible sports and fashion brands in apparel and footwear	
LSM 6 – 10	
Male and female youth	
2013	2012
879,2	697,1
161	142
36 534	34 413
173	
185	

DUESOUTH BE AN OUTSIDER	
Duesouth caters for the modern, hi-tech, outdoor consumer, who demands a clearly differentiated retail environment suited to their outdoor lifestyle.	
Apparel, footwear, equipment and accessories for the outdoor	
LSM 8 – 10	
Males and females of all ages	
2013	2102
182,1	164,6
42	38
10 722	10 628
43	
48	

RETAIL DIVISIONS AT A GLANCE (CONTINUED)

JEWELLERY DIVISION

	AMERICANSWISS	
Brand summary	Leading jeweller that appeals to fashion-forward and image-conscious customers with appropriate products and brands that allow the growing middle market to express their status.	
Brand offering	Latest international jewellery designs and watch brands	
LSM categories	**LSM 6 – 10**	
Target audience	**Males and females of all ages**	
	2013	2012
Turnover (Rm)	**852,4**	801,3
Number of stores	**222**	216
Floor area (gross m²)	**15 535**	15 330
2014 projected number of stores	**227**	
2015 projected number of stores	**233**	

STERNS 1896		MATRIX now rebranded MAT & MAY	
Contemporary and classic jeweller well-known to the market for its quality and welcoming service, offering beautiful and meaningful jewellery.		Lifestyle accessories including bags, sunglasses and cellphones.	
Contemporary and classic jewellery, well known for high quality diamonds		Over 14 international eyewear brands and all top cellphone brands	
LSM 6 – 9		**LSM 6 – 10**	
Males and females of all ages		**Males and females of all ages**	
2013	2012	**2013**	2102
505,8	476,6	**56,0**	56,5
161	153	**25**	26
10 174	9 771	**703**	740
169		**27**	
175		**31**	

RETAIL DIVISIONS AT A GLANCE (CONTINUED)

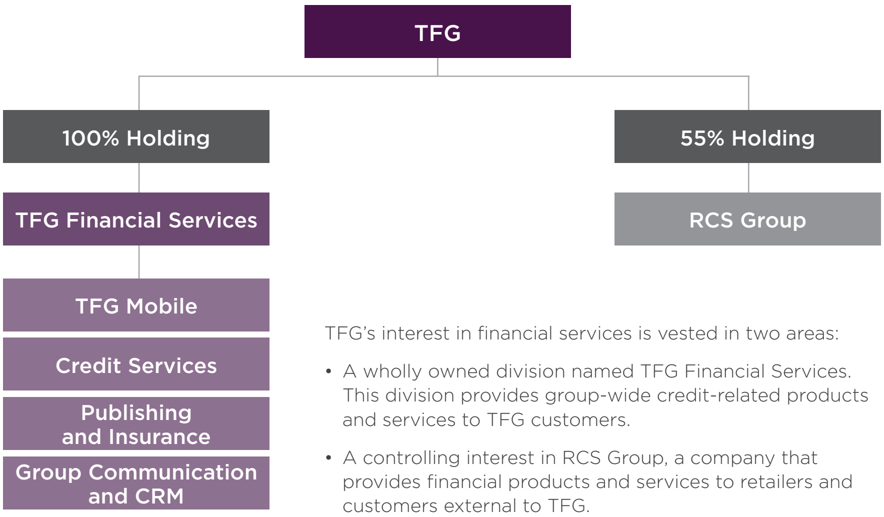
@HOME

exact!

	@home		@homelivingspace		exact!	
Brand summary	Sells a comprehensive range of premium fashion homeware.		Offers a comprehensive range of contemporary furniture and décor items in addition to the homeware range.		Offers "surprisingly affordable fashion for the modern family" with particular appeal to women and men aged 30 and upwards, as well as clothing and footwear for children aged 3-12 years.	
Brand offering	Homeware needed to equip and decorate a stylish modern home		Homeware and furniture for lounge, dining, bedroom, office and outdoor		Modern, contemporary clothing for families. Childrenswear an important aspect	
LSM categories	**LSM 8 – 10**		**LSM 8 – 10**		**LSM 5 – 7**	
Target audience	**Males and females of all ages**		**Males and females of all ages**		**Family store**	
	2013	2012	**2013**	2012	**2013**	2012
Turnover (Rm)	**541,3**	459,0	**404,1**	342,8	**1 227,5**	1 118,1
Number of stores	**76**	74	**15**	14	**227**	215
Floor area (gross m²)	**28 583**	27 979	**28 965**	28 122	**71 748**	67 661
2014 projected number of stores	**78**		**18**		**247**	
2015 projected number of stores	**81**		**21**		**267**	

TFG FINANCIAL SERVICES

Despite challenging circumstances, the division was able to increase its EBIT contribution by 7,4%.



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 is mandated to expand and retain the group's customer database. It offers credit and insurance services as well as publishing and cellular offerings via group stores and its expanded call centre facilities (which employ more than 1 404 staff). The division comprises four business units:

- Credit Services
- Publishing and Insurance
- Group Marketing, Communication and Customer Relationship Management
- TFG Mobile

REVIEW OF THE YEAR

Despite challenging circumstances, the division was able to increase its EBIT contribution by 7,4%. The result, whilst positive, reflects the impact of significant deterioration in the general consumer credit environment, as well as a further interest-rate reduction during the year. These factors were partially offset by good growth in the financial services offerings.

Positive trends within the business during the first half of the year were reversed in the second half as credit stress in the consumer market manifested itself.

With the group's focus in prior years on expanding its new account acquisitions, a greater focus was needed on collection efficiency to ameliorate the impact of higher volumes of new accounts that carry inherently more risk. A number of strategic initiatives have been underway to address collections. In the year under review, particular attention was paid to early-stage and pre-delinquent accounts. Efforts in this regard were rewarded by a significant reduction in the number of accounts defaulting into collections. We believe that this pre-emptive approach, although originally destined to deal with new business risk, will position us well to deal with the overall deterioration in collections.

In addition, customised score cards were developed in order to improve the ability to distinguish between good and bad accounts, thereby providing better risk management at acquisition without diminishing the overall business profitability. These were revised in November 2012. The most recent evidence attests to the efficacy of this initiative, which is expected to mitigate the impact of degradation in the external credit landscape to some degree in the year ahead.

Macroeconomic conditions and conditions in the external credit environment deteriorated rapidly during the second half of the year. The volumes and value of accounts seeking relief under debt review increased sharply during the year. Consumers, already struggling with high energy, food and fuel costs, were exposed to widespread and sustained industrial unrest in important sectors such as mining, transport and agriculture, which placed pressure on liquidity. Combined with the reduced appetite for lending amongst unsecured credit providers, which further limited access to pay-day loans and short-term funding, the ability of consumers to meet their commitments failed their willingness to do so. This resulted in increased and unseasonal levels of delinquency. Customers' arrears increased to 22,4% (2012: 21,8%). Bad debt and impairment deteriorated as a result. Net bad debt as a percentage of debtors' book increased to 10,5% (2012: 9,4%). As delinquency accelerated, the number of accounts in a buying position weakened, constraining credit sales growth.

The division continued to focus on growing the active account base. Given the weakness in the credit environment, the acquisition of new accounts of acceptable quality has become increasingly challenging. Taken together with increased bad debt volumes, active account growth declined to an acceptable 6,0%, following growth of 8,2% in the previous year.

The business move to a new facility was accomplished without disruption to the operations. The new, larger offices support the ongoing growth of the business, enhance the business ability to attract and retain staff, and provide capacity to enable the expansion of the collections force.

During November 2012 the group successfully extended its Rewards Programme to credit customers. A total of 1 833 738 credit rewards customers were signed up by year end, surpassing expectations. The total number of cash rewards customers increased to 1 261 545 (2012: 541 221). The number of participants in this programme creates a powerful base from which to stimulate cash sales and grow balances on good accounts in the future.

The publishing and insurance business continued to develop innovative new products. Two new publications were launched. Insurance expanded into the long-term insurance market with the launch of Funeral Insurance. Despite the impact of deteriorating delinquency, the business succeeded in delivering double-digit growth.

TFG CREDIT SERVICES UNIT

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

TFG FINANCIAL SERVICES (CONTINUED)

TFG Credit Unit Performance

	2013 Rm	% change	2012 Rm
Interest income	**983,6**	15,2	853,7
Other income	**358,9**	14,8	312,8
	1 342,5	15,1	1 166,5
Net bad debt	**(670,8)**	28,5	(522,0)
Credit costs	**(246,9)**	(0,9)	(249,1)
Profit before tax	**424,8**	7,4	395,4

Interest Income

The group offers customers credit with terms typically varying from six to 18 months. Interest is waived in respect of the six-month product, provided the account holder pays the required monthly instalment by the due date. All other balances attract interest. The interest-bearing balances represent 87,8% (2012: 86,6%) of the value of the closing book, and 77,3% (2012: 76,0%) of the volume of accounts.

Interest is charged in accordance with the National Credit Act (NCA). The repo rate was reduced during the year, causing the average nominal rate to decline to 21,4% from 22,1% in the prior year. The slowdown in payments elevated book growth above credit sales growth to 14,0% (2012: 19,5%), which supported growth in interest income at 15,2%, (2012: 21,1%).

Net bad debt and provisions

Net bad debt grew by 28,5% (2012: 29,9%). The ratio of net bad debt to credit transactions increased to 5,7% from 4,9%, while balances in arrears increased to 22,4% from 21,8%.

The group vigilantly monitors levels of provisioning to ensure that it adequately reflects the current cost of future bad debt. The group continues to provide for doubtful debts on a recognised statistical and accounting basis that considers actual payment performance to quantify the probability of write-off. The provision ratio increased to 10,4% from 9,3%. The provision value amounted to R604,1 million (2012: R469,5 million).

Customised scorecards were revised during the year. These will improve the ability to discriminate between good and bad accounts at acquisition.

The delinquency and profitability metrics are routinely reviewed to ensure performance conforms to modelled expectations. The extent to which the profile of the book changes to younger accounts, as well as the ongoing performance of the existing base, is regularly reviewed to manage bad debt to mandated levels.

Credit costs

Credit costs, particularly collection costs, increased during the year as volumes of accounts in delinquency escalated. Consistent with the focus on early-stage collection tactics, the earlier application of debt collection charges has been implemented. This policy resulted in an increase in debt collection fees income, which mitigated against the increase in other credit costs. Consequently, credit costs decreased by 0,9%.

Salient statistics	2013 Rm	2012 Rm
Number of active accounts ('000s)	**2 611,6**	2 464,5
Credit sales as a percentage of total retail sales	**60,0**	61,0
Net debtors' book (Rm)	**5 207,7**	4 569,9
Arrear debtors as a percentage of debtors' book	**22,4**	21,8
Net bad debt write-off* as a percentage of credit transactions	**5,7**	4,9
Net bad debt write-off* as a percentage of debtors' book	**10,5**	9,4
Doubtful debts provision as a percentage of debtors' book	**10,4**	9,3
Percentage able to purchase	**79,7**	80,2

* Including VAT, excluding movement in provision

PUBLISHING AND INSURANCE UNIT

This unit oversees the group's interests in the Club, a programme that offers customers of the group a range of benefits including a monthly magazine, insurance, medical help lines, promotional discounts, monthly prize draws and bursaries. In addition to the *Club* and other published titles, this unit provides a range of insurance products to customers of the group; it including policies covering both personal and product losses. Net income from this unit grew by 14,8% (2012: 22,3%).

Publishing

The group offers a broad range of publications to its account base similar to the *Club* concept. These magazines include *Sports*, *Soccer*, *Kidz*, *ClubX*, *Livingspace* and *Balanced Life* (a total of nine titles).

Regular focus groups and surveys are conducted to maintain the relevance of the magazines and the associated benefits. The products are marketed through telemarketing and are currently available to account holders only. 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 two new magazines were launched under the titles *TFGMan* and *Escapes* respectively. These products are designed to appeal to the stylish modern man and aspirant traveller–market niches not serviced by the existing product offering. Both were well accepted and finished the year with subscription bases of 43 000 and 38 000 respectively. Income from publishing grew by 9,4% (2013: 14,5%).

Insurance

The business has developed a broad spectrum of insurance products to address the product and personal loss risk of its account base. A need was identified for funeral insurance and a funeral policy was launched in July 2013, bringing the total insurance offering to 10 products. There was a good take-up of the new product which offers member and spouse options with more than 21 000 policies being sold by year end. Net income from insurance activities grew by 17,3% (2012: 26,9%). All insurance products are elective with no mandatory life cover enforced.

GROUP MARKETING, COMMUNICATION AND CRM UNIT

This unit is responsible for customer relationship marketing 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 re-activation campaigns.

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

Increasing the awareness of TFG's 18 brands with all its stakeholders is also the responsibility of this unit, together with group-level marketing campaigns and sponsorships.

Group marketing

Gift cards as a category continued to grow and sales of gift cards grew by 23% to R108,9 million. Gift-giving occasions were used as the primary driver. Exposure was gained through magazine advertorials, digital media and in-store signage.

Customer relationship management

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

Customer acquisition

In November 2011 a unique customer loyalty programme called Rewards was launched nationwide in all of the group's retail chains (initially only for cash customers). This was extended in November 2012 to include account customers as well. 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 customers, once registered, instantly receive a reward at point of sale, to be used on their next purchase. The rewards are mainly offers that incentivise customers to shop within that store or in any of the group's other chains.

The roll-out of the programme has been very successful, and at the year-end there were 1 261 545 registered cash reward customers who can now be engaged on an ongoing basis. In addition, 1 833 738 account customers were signed up over a five-month period, bringing the total number of customers on our reward programme to 3 095 283.

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 running at under 10% for the second year in a row.

TFG FINANCIAL SERVICES (CONTINUED)

Awards Won

CRM won one bronze and two Gold Assegai awards and the Inkosi Award for overall best direct marketing campaign in South Africa for our Rewards and Xmas Mystery Mobile Campaigns. These awards recognise excellence in direct and interactive marketing, with campaigns being rated on creativity, strategic execution and results delivered.

CELLULAR UNIT (TFG MOBILE)

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 and telemarkets airtime products directly to customers under the group's One2One brand. The unit has also launched trial stand-alone stores for cellular and related products, and a direct-delivery initiative; both trading under the brand name "hi".

Handset sales

Growth from handset sales increased marginally from the previous year by 3,6% (2012: 22,6%) against the backdrop of a difficult cellular market. Range repositioning by key suppliers saw average selling prices inflate by 22,0%. This impacted volume demand, with new products proving to be out of the reach of some consumers. A correction was experienced in the latter portion of the trading year. Erratic supply from networks over key trading periods also negatively impacted sales. The roll-out of cellular products to selected new stores continued during the year, although some consolidation took place in unproductive outlets. The total number of stores in the group involved in cellular trading now stands at 1 492 (2012: 1 454).

One2One

One2One is a SIM-only, reduced-airtime proposition sold on contract through telemarketing. Currently, customers pay as little as R25 per month and receive airtime to the value of R50, with higher denominations also available. Airtime is reloaded monthly to the value of the contract, and customers can also top up when reaching their bundle cap. The base of TFG customers benefiting from this facility grew by 17% (2012: 23,2%) with positive renewals of contracts for second and third terms during the period. Preparation took place within the year to facilitate the expansion of the product offering and improve customers' access during 2014. The initiative is a partnership with MTN.

Stand-alone store (hi)

In order to offer an extended and fully serviced mobile offering across pre-paid and post-paid, the unit is trialling a stand-alone format under the brand name "hi". The first stores are in Canal Walk and Somerset Mall in the Western Cape. Further locations will follow in 2014. Early trading indicators and customer feedback are positive.

Catalogue (hidirect)

The unit commenced the trial of a direct-delivery initiative, selling an extended mobile technology range directly to the TFG credit base. Early indications are that our consumer has an appetite for products available in this manner and the intention is to transition to an online platform in 2014, opening broader access to consumers. Product range expansion is planned to ensure growth expectations are met.

PROSPECTS AND STRATEGY

The challenging circumstances that prevail in the external credit environment are expected to persist in the forthcoming period. Consumers will continue to struggle to meet their financial commitments on time. Delinquency will remain on an upward trend, reducing the number of customers able to spend, and consequently slowing the growth in the debtors' book.

There is currently great uncertainty in the credit regulatory environment. The future of the National Credit Regulator (NCR) in the context of the proposed twin peaks model remains unclear. Subsequent to year-end, the NCR withdrew its recognition of the codes of the credit ombud as well as the National Debt Mediation Council, creating further uncertainty. Credit amnesty is being considered, as well as the release of affordability assessment guidelines. The group will ensure that it remains abreast of these developments and will participate in industry debate via the various associations where it is represented, to ensure that the interest of credit providers and borrowers are given equitable consideration.

Given the conditions in the broader credit environment, the business believes that decisions during acquisition and through the account management cycle require consideration of a wide range of external factors. To this end, the group will invest in enriched bureau data, which it will integrate across account origination, collections and credit line management.

The group recognises that the distress in the credit sector is likely to be sustained, and that for consumers who demonstrate a willingness to make regular payments, rehabilitation strategies may need to be developed. In order to facilitate these processes the business will enhance its debit-order capabilities.

Since moving into a larger call centre facility, the business has been able to expand its capacity. This will enable collections work on certain segments that were previously outsourced to external providers, to be brougt inhouse.

THE **BUSINESS BELIEVES** THAT THE **REWARDS PROGRAMME** OFFERS A **UNIQUE** ABILITY TO BUILD **RELATIONSHIPS**

This work will be performed by the group's own collections unit, which has been able to perform similar work more effectively.

The business believes that the rewards programme offers a unique ability to build relationships with cash customers that can be leveraged to generate incremental sales. In addition, the expansion of the programme creates opportunities to build balances on good accounts using targeted offers.

Account acquisition will remain a strategic focus for the business. However, growth is expected to be more muted given the deterioration in the overall credit population. The group will continue to pursue responsible account growth through direct marketing and in stores.

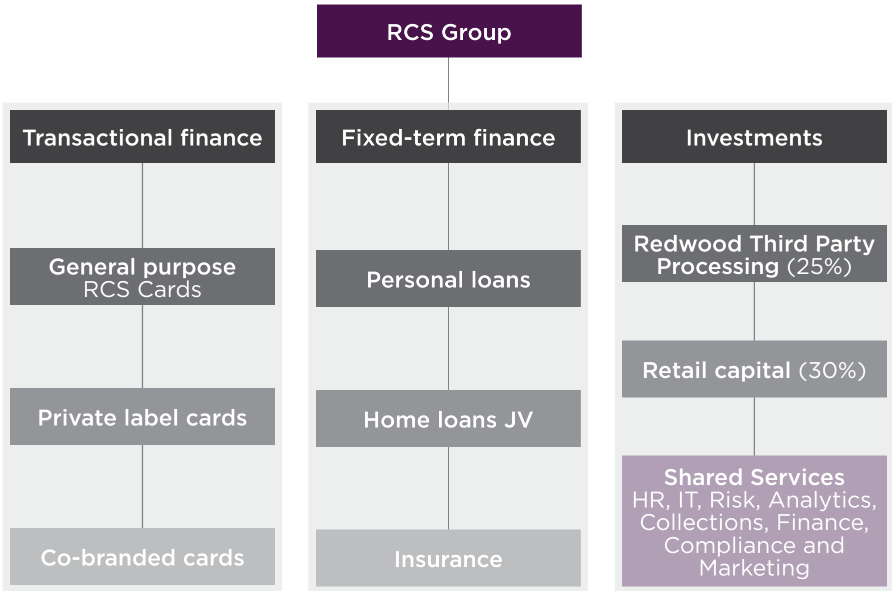
The insurance and publishing units will continue to expand. A new publication will be launched during the year. A premium version of *Club* will be introduced with fresh and enhanced benefits. The existing insurance portfolio will be enriched by the addition of product enhancements.

Notwithstanding pressure on network pricing, the demand for cellular and mobile technology devices continues unabated. The group will continue to leverage existing initiatives and competencies in order to develop profitable opportunities in this market.

RCS GROUP

The RCS Group 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 above, 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.

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

- through an own-branded general-purpose card known as the RCS Card that is accepted at 16 000 retail points of presence countrywide; and
- by managing private label and co-branded retail credit programmes for retailers under their own brands on an outsourced basis.

The private label portfolio currently consists of cards of the following entities: Makro, Queenspark, Game, Dion Wired, Builders Warehouse, Spitz and Tekkie Town. The co-branded card programme comprises the retailers Cape Union Mart, Tiger Wheel and Tyre, Galaxy Jewellers, Coricraft, NWJ, Verimark, CTM 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.

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, and slow, but growing, economic activity.

PROFITABILITY

The overall performance of the group resulted in an increase of 20,2% in pre-tax profit. The profitability breakdown was as follows:

RCS GROUP PROFITABILITY	March 2013 Rm	% change	March 2012 Rm
Interest income	998,8	17,7	848,4
Other income	535,6	17,8	454,8
Total credit income	1 534,4	17,7	1 303,2
Net bad debt	(269,8)	35,6	(199,0)
Operating costs	(622,1)	13,0	(550,5)
EBIT	642,5	16,0	553,7
Interest paid	(227,7)	9,2	(208,5)
Profit before tax	414,8	20,2	345,2

RCS GROUP PROFITABILITY STATISTICS	March 2013 %	March 2012 %
Interest as percentage of total revenue	65	65
Cost-to-income ratio	41	42
Profit before tax as percentage of average debtors (net margin)	10,1	10,5

Overall, revenues grew by 17,7% The 17,7% increase in interest income resulted from positive book growth of 22,0%, but was countered by the endowment effect of a 50 basis point interest-rate decrease during the year. Other income grew by 17,8% due to an increased number of new accounts from the transactional finance business.

Net bad debt costs have increased at a rate of 35,6% year on year, which is ahead of the book growth figure of 22,0%. This accelerated growth is due to a maturing of portfolios as well as lower collection rates in a debt-stressed consumer market.

Operating costs rose by 13,0%. The operating cost growth is well below income growth, resulting in a slight improvement in the cost-to-income ratio for the year.

Capital market fundraising activities associated with the RCS Group's Domestic Medium-Term Note (DMTN) programme continued to contribute to a lowering in the cost of funds for the RCS Group as a whole.

ASSET QUALITY

During the past three financial years RCS has benefited from improving asset quality as a result of adjustments in its credit risk and provisioning criteria made during the 2008 and 2009 financial years. To a large extent these improvements were contrary to the general experience in the market as a whole. For this financial year the asset quality trends are more normalised with general market trends, and reflect the impact of a more financially constrained consumer. It must, however, be stated that the absolute asset quality ratios are well below the general market averages.

RCS GROUP (CONTINUED)

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

RCS GROUP ASSET QUALITY STATISTICS	2013	2012
Number of active accounts ('000)	898	757
Net debtors' book (Rm)	4 211	3 451
Arrear debt as a percentage of total debt[1]	11,1%	10,1%
Non-performing loans as a percentage of total debt[2]	6,9%	6,3%
Net bad debt write-off as a percentage of average debtors' book	6,6%	6,0%
Doubtful debt provision as a percentage of debtors' book	8,5%	7,9%
Provisions as a percentage of non-performing loans ("NPL coverage")	121,7%	124,7%
Percentage of applicants granted credit on card portfolios	48,1%	48,0%

1 Arrear debt defined as 60 days+
2 Non-performing loans defined as 90 days+

One of the key measures driving the downward trend in the asset quality ratios has been the maturing of a number of the private label and co-branded card books. As these books mature and transition from a very high growth pattern to a more normalised growth pattern, the asset quality ratios in these books also become more normalised. In anticipation of this normalisation, RCS remains conservative in its NPL provisioning approach, maintaining the NPL coverage above 120% for the financial 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.

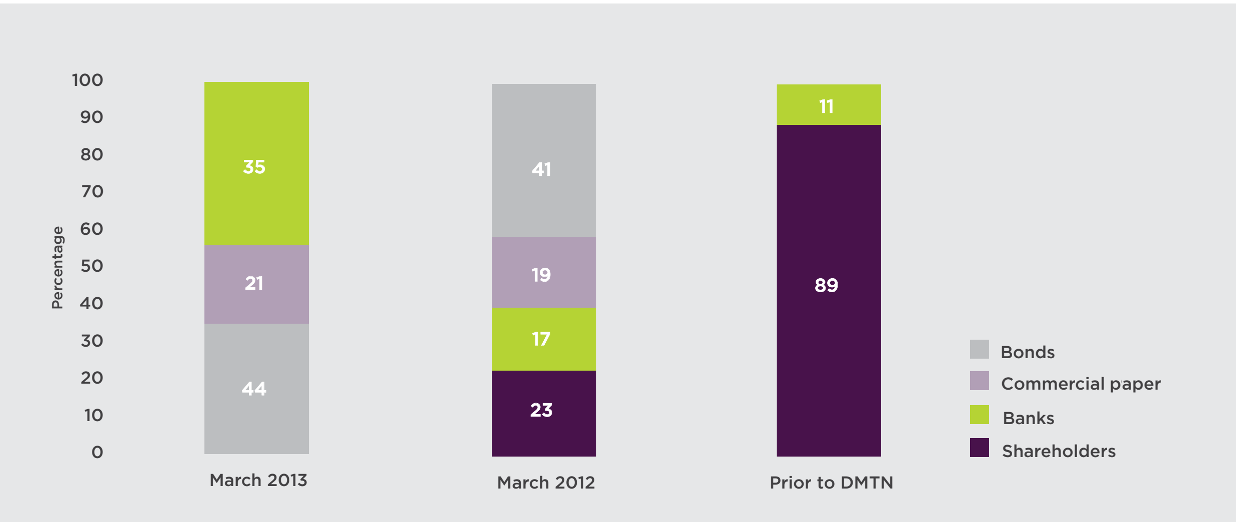
It is anticipated that the asset quality ratios will continue to show a marginal downward trend in the coming financial year as more of the retail portfolios come to maturity.

It is important to note that RCS has maintained its credit criteria and terms on its credit offerings with no significant adjustments in any of the key parameters.

FUNDING

During March 2010 the RCS Group successfully launched its Domestic Medium-Term Note (DMTN) programme to augment the shareholder funding and position the business for future growth. During the year the group had six issuances, which were all oversubscribed. The group raised a mixture of short-, medium- and long-term paper during these issuances.

FUNDING DIVERSIFICATION (DRAWN FACILITIES)



This included three successful roll-over events. At year-end there was R1,9 billion of notes in issue 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 fundraising activities, the RCS Group has approximately R1,4 billion of funding available for growth. In addition, the group has a strong cash flow base with current cash inflows of R290 to R320 million per month, depending on seasonality. The group attained a healthy debt-to-equity ratio of 65% (compared to 64% in the previous year), and currently maintains capital adequacy of 38% (35% 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 on the previous page 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 extend the RCS brand reach;
- to grow the customer base; and
- to consolidate the debtors systems.

These objectives were largely achieved.

Card programmes were extended, and there are now 16 programmes.

It is anticipated that there will be further expansion in the number of retail portfolios managed in the coming year.

The RCS merchant network also continues to expand, and the general-purpose RCS card and co-branded cards are now accepted nationally at 16 000 points of presence in merchant outlets across a variety of industries. The addition of some FMCG retailers, of which Pick n Pay was the most significant, was particularly pleasing.

RCS achieved another year of positive growth in active customer numbers. This can be ascribed to the addition of a number of new retail portfolios as well as the increasing brand awareness in the market in general. RCS also rolled out its digital and telemarketing-based card-marketing capabilities which continue to grow as an important channel for new account openings.

Work to consolidate the debtors' platforms continues, and it is anticipated that the loans platform will be fully consolidated with the cards platform during the coming year

PROSPECTS

Against a backdrop of muted economic growth and a tougher consumer environment for the year ahead, RCS expects to maintain positive trends in book and profit growth, but at a lower rate than in previous years.

SUPPLY CHAIN

Reducing lead times is critical to managing the risks of fashion.

TFG continues to operate in an environment of constant change, and requires a supply chain that 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 strategic objective.

FAST FASHION CLUSTER PROJECT

Reducing lead times is critical to managing the risks of fashion. The Fast Fashion Cluster Project has made good progress in integrating processes between Retail, Design and Manufacturing to procure merchandise in 56-day and 90-day lead times, with significant improvements in the sales performance of the products delivered on this programme.

TFG DESIGN CENTRE AND TFG MANUFACTURING

An in-house trend studio gathers intelligence regarding product desired by customers from international fashion fairs, catwalks, international retail stores, internet research and by analysing sales of products in the group's stores. Designers interpret these trends, and work with buyers in the trading divisions to design products to be produced by the TFG Manufacturing Division.

A key requirement to meet customer demand is to shorten the time between reading sales trends in-store and responding with new designs. To this end, significant changes have been made to the processes within TFG Design Centre. These changes have presented significant challenges, and impacted on the timeous deliveries of products to stores, but the group is confident that improved deliveries will be achieved in the coming year.

Prestige Manufacturing (acquired last year) is now well integrated into TFG processes, and forms the basis of the TFG Manufacturing Division. This division is responsible for ensuring that the group has a well-entrenched, quick response and lean manufacturing capability, and manages the relationship with key local CMTs. Approximately five million units are manufactured through this division annually.

TFG MERCHANDISE PROCUREMENT

Although it is desirable to procure product in South Africa as this offers a lead-time advantage, where product types are not readily available the group imports this merchandise. China remains a significant source for imported products, but increasing volumes are being sourced from India and Mauritius. Key to ensuring the delivery of desirable product on time is managing the relationship with the supply base and having a robust supplier rating system, as well as sound quality and shipping processes. In collaboration with a trading partner in China, quality assurance processes have been implemented in that country. This adds enormous value to supply-chain efficiencies, and helps to reduce lead times. Processes have been established to export merchandise to group stores in Africa.

REPLENISHMENT AND HOLDBACK

To optimally service customers' needs, stores need to be in-stock of desired sizes and products. The new forecasting and replenishment system has been implemented in Markham and exact!, and holdback processes expanded across the group. This has resulted in significant improvements in stock availability and performance. The replenishment and forecasting system is planned to be implemented in other divisions this year.

TFG LOGISTICS

TFG Logistics is responsible for managing stock received from suppliers and distributing it to the group's stores efficiently and on time. The Distribution Centres (DCs) are primarily located in the Western Cape, and serve specialised functions in relation to trading divisions and types of merchandise. The Furniture DC, located in Gauteng, is now fully established and operating efficiently. The objective of reduced lead times was helped by our suppliers' continued improvement in delivery performance. The DCs distributed 56,2 million units of stock during the year.

TFG HUMAN RESOURCES DIVISION

TFG recognises the strategic importance of ensuring a sustainable leadership pipeline for the future and continues to build on its leadership philosophy and practices.

The objectives of the Human Resources division is to support the group's vision to be the leading fashion lifestyle retailer in 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 Management: talent planning, organisational development, talent development and performance management and transformation
- Central resourcing
- Remuneration
- Payroll, policy development and benefits
- Human Resources Information Management Systems
- Employee Relations
- Corporate Social Investment (CSI)
- Employee Wellness and Sustainability

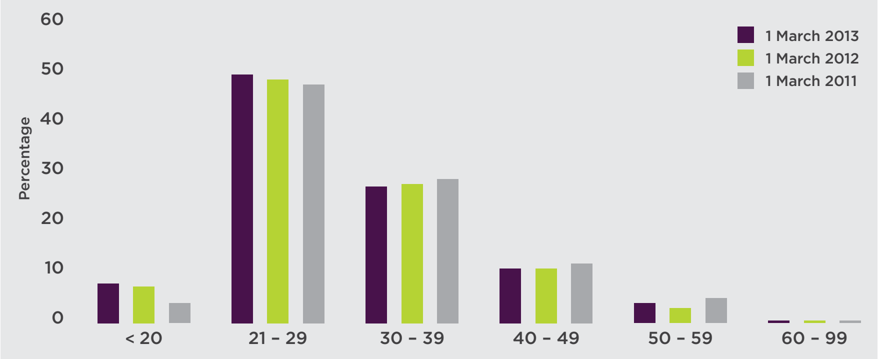
The centres of expertise work closely with business unit heads of human resources who ensure consistent implementation of all human resources practices.

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

EMPLOYEE STATISTICS	2013	2012	2011
Permanent employees	12 657	11 420	10 969
Permanent part-time employees	175	251	320
Flexitime employees	3 807	3 951	3 632
Contract employees	920	701	741
Casual employees	146	147	202

The representation of women in the group's workforce remains consistent at approximately 74,8%. The workforce has a relatively young age profile, with 81,86% being under the age of 40 years and the average age being 31 years.

AGE DISTRIBUTION



TALENT MANAGEMENT

Given the highly competitive retail market, we continue to prioritise talent management activities. These include bi-annual talent reviews with subsequent appropriate development and retention strategies for our people.

LEADERSHIP DEVELOPMENT

TFG recognises the strategic importance of ensuring a sustainable leadership pipeline for the future and continues to build on its leadership philosophy and practices. Development of our leadership pipeline remains a fundamental activity for the business, evidenced by the launched of a new Executive Development Programme in 2012. A total of 40 senior management staff participated in the programme that included self nominated programmes in leadership, strategy and thinking as well as targeted coaching interventions.

Programmes and interventions designed to facilitate learning and development at the various leadership levels continue to be offered to all talent in the business. Aspiring leaders are exposed to these programmes and assisted in the transition from one leadership level to another. A total of 1973 leadership needs were met for the current year.

STORES AND FIELD DEVELOPMENT

Store and field management development is an ongoing focus area for the group. Interventions available for these employees include full or short programmes as well as distance learning. Store managers also engage in a self driven learning process through a store manager's toolkit, available on the group's internal learning portal. For the current year, a total of 3 169 store and 205 field manager training needs have been met.

Two additional programmes were added to the stores development portfolio in 2013. A new trainee store manager development programme was launched in the 2013 year. The programme, geared toward building an internal pipeline of store managers from aspiring stores staff, included a total of 41 delegates. The programme took place over a five-month period with all delegates completing the programme.

A senior store manager programme was also launched in the 2013 year. Selected store managers of larger stores attended the programme over a one-year period. The programme objective was to build middle management capability for larger stores where more than one level of management operated. A total of 22 store managers completed the programme successfully.

The retail management development programme (RMDP), in collaboration with the W&R Seta and the University of Pretoria was launched successfully. A total of 17 delegates, primarily from the field operations environment, successfully completed the programme and graduated in February 2013. The programme has been a resounding success and TFG has enlisted 32 participants for the 2014 year.

MERCHANT ACADEMY

The merchant academy is an in-house learning intervention aimed at building internal capability of existing buyers and planners. The programme curriculum is designed, developed and delivered entirely by in house subject matter experts and includes technical learning as well as exposure to other areas impacting the retail cycle such as logistics and distribution, negotiation, procurement, supply chain and manufacturing. An additional learning programme has been developed and piloted in the 2013 year, and is aimed at building buying and planning management capability. A total of 198 training needs were met in this specialised area for the financial year.

TFG HUMAN RESOURCES DIVISION (CONTINUED)

TRAINEE DEVELOPMENT PROGRAMME

The trainee programme, also known as the "I AM ME" programme is a structured learning intervention available to external and internal talent. The programme curriculum draws on our internal technical and leadership development programmes and is aimed specifically at young graduates entering the world of work or at the initial stage of their career life. Partnerships with manufacturing concerns ensure that graduates are exposed to learning throughout the retail value chain. Through our participation in the Cape Clothing and Textile Cluster we have been able to incorporate some key retail business trends into the learning process. This now forms part of the trainee programme curriculum.

A total of 27 graduates were recruited for the 2013 TFG trainee programme. Graduates were sourced from various institutions across the country and included students from universities, technikons and specialised retail schools. The programme extends for 12 to 18 months and is dependent on learning progress. Trainees are exposed to classroom based interventions, self and peer learning and coaching. A final presentation to senior management in the various businesses concludes the programme after which successful trainees are promoted into designate roles.

SKILLS DEVELOPMENT

TFG continues to play a role in government's strategy of unemployment alleviation and skills development. A total number of 885 individuals attended accredited learning interventions comprising of either registered skills programmes or learnerships. Key programmes that have been implemented on a national basis in the group include:

- Disability learnership project: 174 learners enrolled in total (two phases) of which 90 have completed
- Rural Youth learnership: 416 learners enrolled (multiple phases) of which 278 have completed
- Pattern design learnerhip: 10 learners enrolled, learnership still running
- Assessor skills programme: 90 learners enrolled of which all have completed

The Business Analysis Programme pilot has also been successfully completed in 2013. Four interns have graduated with a post-graduate diploma in Business Analysis from UCT. All interns have been employed by TFG.

A number of accredited skills programmes have also been implemented in the financial services, information technology, logistics, distribution and store operations environments in order to provide employees with the required skills to perform within their current roles. These skills programmes are in the assessment phase and qualifying employees are due to receive their relevant credits upon successful assessment outcomes. TFG continues to focus on opportunities to provide accredited learning to employees in order that they may obtain the relevant knowledge and skills but also achieve recognised qualifications or part qualifications.

TFG RESOURCING

In the 2012-2013 financial year TFG's centralised resourcing team concluded 1 469 placements across its head office and field operations (excluding stores). Compared to the previous financial year, this translates into a significant 149% growth in the number of placements (including both internal and external candidates appointed in vacant roles).

The increase can be attributed to substantial business growth in TFG's Financial Services Division in the past year.

Our continued focus on developing a wide range of new and innovative approaches to sourcing and talent acquisition enables us to attract quality candidates and access multiple talent pools.

In 2012, TFG successfully launched its Employee Referral Programme (ERP) to leverage extensive and invaluable employee networks. Through the referral program, we encourage employees to embrace their role as brand ambassadors and reward them for identifying, attracting and referring suitable and competent candidates who best match the specified job requirements.

Since its launch in August 2012, the number of resultant ERP placements has led to substantial saving in operating costs and increased efficiency in filling vacancies. Given its success to date, we will continue to focus on increasing awareness and participation in ERP across all TFG divisions.

The objective of TFG Resourcing is to develop a steady and reliable pipeline of talent in order to meet current and future business needs. To this end, we have also invested in preferred partnerships with a select number of vendors who understand our business and work with us closely to further enhance our recruitment processes and overall candidate experience.

EMPLOYEE RELATIONS

TFG aims to comply fully with legislation and best-practices applicable in the employment arena. Our code of good conduct governs internal relations and relationships with external parties. During the year under review, 154 cases at the CCMA were attended to.

TFG continues to have a formal relationship with SACCAWU, despite low union membership. SACTWU membership at the Maitland and Caledon operations of Prestige has increased marginally from 687 to 690 in relation to last year, and has risen from 62 to 71 in the group's other divisions.

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 utilises the services of an external service provider in order to ensure optimal management of all aspects of occupational health. The group's occupation health and safety performance has improved, reflecting fewer incidents and associated lower costs. The majority of incidents were minor and minimal work days were lost.

The statistics for reported incidents for the year under review involving our employees are as set out in the table below.

OCCUPATIONAL INJURIES AND DISEASES

	3 days or less	4 days or more	Total
Number of days lost	146	1 214	1 360
Number of incidents	226	80	306
Average cost per incident	R203.72	R819.49	R1 023,21
Total cost	R45 836,55	R65 559,07	R111 395,62

EMPLOYEE WELLNESS

TFG provides a comprehensive employee wellness offering through a combination of on-site health services at our head offices and distribution centres, as well as outsourced professional health wellness services for all our people.

The current wellness offering consists of:

- An HIV testing and treatment benefit for all permanent employees
- Primary and occupational health services for head office and distribution centre employees via two full-time and three satellite clinics.
- Psycho-social support for all employees via a helpline
- Face-to-face counselling at the head office and distribution centres.
- Trauma support and counselling services via the helpline to stores affected by armed robberies
- Annual wellness days in Isando, Durban and Cape Town hosted in partnership with Discovery Health.

The statistics for staff incidences recorded in the wellness offering are set out in the table below:

	3 days or less
Total number of armed robberies	67
Average number of active psycho-social cases managed by help line per month	333
Average number of employee visits to clinic per month	1 170
Total number of HIV+ employees registered for treatment	58
Average number of calls to the helpline per month	117

TFG HUMAN RESOURCES DIVISION (CONTINUED)

EMPLOYEE BENEFITS

TFG offers its permanent and temporary employees a range of benefits tailored to support their needs. These are specifically designed according to the requirements of the various countries that TFG trades in. Apart from the obvious legislative requirements, there are other entitlements that the employees enjoy such as maternity benefits, disability insurances, and time off, 13 leave types, flexible working hours, long service gifts and preferential discounts. Wellness of the workforce is observed through programmes, loans and educational assistance.

Medical aid

TFG Medical Aid Scheme is a closed in-house subsidised medical scheme. Membership of a Medical Scheme is voluntary except for members 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' dependents are entitled to subsidised benefits.

The 2012 financial year was a complex and challenging one, characterised by continuous economic uncertainty, escalating healthcare costs and a focus on public healthcare issues. TFG Medical Aid Scheme nonetheless achieved strong financial performance over the period, highlighting the success of the scheme's approach to healthcare funding. We also successfully completed the transition to our new administrator, Discovery Health (Pty) Ltd.

The scheme's risk contribution income was higher than expected at R86,8 million and net claims of R72,6 million were incurred. This resulted in a net surplus of R7,75 million for the year.

After investment gains the scheme's total comprehensive income for 2012 was R10,4 million, compared to R4,4 million in 2011. Membership remained stable at 2 911 at the end of 2012, compared to 2 894 in 2011. Non healthcare expenses increased from 8,3% in 2011 to 9,5% of total income. This increase is largely due to a period during the year where the scheme incurred run-off costs at the previous administrator as well as administration fees payable to Discovery Health (Pty) Ltd, the new administrator. We therefore expect it to normalise in 2013.

Since the move, the scheme's claim ratio and reserve levels have improved, placing the scheme in a stronger financial position. Because of this, the trustees were able to announce a single digit increase to contributions of 8% across both Plan A and Plan B for 2013 for the first time in three years.

The Trustees believe value for money can be experienced at two levels. Firstly on the level of overall cost of the scheme and benefits provided, relative to the market; and secondly on the level of charges for services obtained, such as administration and actuarial services. At both these levels, the Trustees are confident that members are receiving value for money and it underpins the decision to move the scheme's administration to Discovery on 1 January 2012.

The implications and long term financial impact of *Prescribed Minimum Benefits (PMB's)* remains of concern to the scheme and the establishment and increased utilisation of preferred provider arrangements or networks will continue to be a focus for TFG.

The members of the Board of Trustees are:

Employer nominated trustees:
Mr G Brand, Ms C Carstens, Mr I McClelland and Ms A Kotze (replacing Mr M Mellville, previous Chairperson, who resigned on 1 April 2013). Mr S Nabela (joined on 1 July 2012 and resigned in August 2012).

Member elected trustees:
Ms K Buys, Ms T Mestern (elected September 2012) and Messrs M van Est and M Wilson (chairman from 1 April 2013) and

Principal officer:
Ms C Wiese

The scheme's audit committee, established in accordance with the requirements of the Medical Schemes Act (Act 131 of 1998), met twice during the year to oversee its duties relating to internal control systems, financial reporting and the findings arising from the work of the internal auditors at Discovery Health (Pty) Ltd and that of the scheme's external auditors, KPMG Inc.

The independent members of this committee are:

- Mr H Nell (chairperson)
- Mr P Barnard
- Mr S Naidoo
- Ms M von Solms

A number of long-standing regulatory issues prevailed through 2012 with a few new matters emerging during the year. The Trustees continuously have to ensure that TFG remains compliant as well as to prepare the scheme for potential future regulatory changes.

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.

WE ARE **CONFIDENT** THAT OUR CSI FUNDING STRATEGY CREATES A **REAL OPPORTUNITY** FOR MANY UNEMPLOYED PEOPLE TO BECOME **ECONOMICALLY ACTIVE** AND SECURE **SUSTAINABLE INCOME**

RETIREMENT FUND

All permanent staff members of the group's wholly-owned subsidiaries are required to join the TFG Retirement Fund. Despite continued volatility of financial markets, the fund achieved an overall performance return of 16,3% during its financial year ended 31 December 2012.

The total market value of the assets of the fund at 31 March 2013 was R3,841 billion, which was R528 million higher than the figure for the previous year.

Pensioners were awarded an increase of 5,5% effective from 1 January 2013, which is in line with the policy of the fund to award pensioners increases at least equal to inflation, subject to affordability.

An enhancement was again made in the past year to the funeral benefit. The previous benefit of R15,000 was increased to R25,000 for the primary funeral benefit.

The disability benefit remained unchanged, equating to 75% of a qualifying staff member's pensionable salary earned at the time of becoming disabled. In the case of permanent disability, this benefit is payable until attainment of normal retirement age (subject to continued disablement), after which the normal retirement benefit becomes effective.

Employees of the 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.

CORPORATE SOCIAL INVESTMENT 2013

In 2012 TFG launched a new Corporate Social Investment (CSI) strategy and a fresh corporate identity.

In line with our revised strategy, funding in this reporting period was aimed at "creating opportunity for employment", totaling R4 941 231 across 95 organisations nationally. We looked specifically for projects that provide skills (e.g. sewing, book-keeping, computer skills) that will lead to gainful employment and job creation.

In addition, any training provided included a mandatory life skills component and assistance with finding jobs and / or assistance with setting up a small business. We are confident that our funding strategy creates a real opportunity for many unemployed people to become economically active and secure sustainable income by becoming employed or starting their own business.

The Feel Good Project is the flagship TFG CSI project that was started in 2009 and continues to grow from strength to strength. It's a good example of our new strategy and funding focus in action. Trainees work in TFG stores for two months after completing an initial six-month training programme. Upon graduating from the project after eight months, they have real work experience that aids them in securing employment in TFG stores and/or other retailers. To date 45% of all graduates have been gainfully employed.

Plans for a second store are underway with the aim of creating even more capacity to train unemployed people in retail. This second store opened in May 2013 in Khayelitsha.

Staff engagement and participation in CSI initiatives is key at TFG and the message that "doing good never goes out of fashion" resonates with employees across the group.

In 2012, employees at our regional Isando office had their very first volunteer event where they, together with the NGO, "Stop Hunger NOW", prepared and packaged 25 000 meals to the value of R50 000 for distribution to six worthy organisations of their choice.

At the Cape Town corporate Head Office, staff put their weight behind Good Hope FM's "Keep Cape Town Warm" Campaign by making donations of clothing, food and blankets. This together with R300 000 from the TFG Foundation was donated to the Red Cross Society of South Africa for Disaster Relief.

TFG INFOTEC DIVISION

TFG Infotec provides world-class information and communication technology to The Foschini Group, using a combination of fully integrated third-party solutions and in-house developed software.

POSITIONING

The division's major implementation partners include large multi-national suppliers such as SAP, JDA, Microsoft, Cisco, Oracle, Manhattan and IBM.

TFG Infotec's overall aim is to consistently deliver ICT solutions that add outstanding value to the group, and it has reached the point where it is well structured to achieve this objective.

TFG Infotec acts as a strategic partner to the group's divisions in meeting their specific business requirements. It also researches and tests ICT technologies which may enhance the divisions' business operations. A concept store is located in the group's head office in Parow which showcases future store technologies which will enhance customers' shopping experience as well as assist store personnel in improving store efficiencies. A number of these technology differentiators which have proven their worth have already been deployed to the stores in the group.

GOVERNANCE

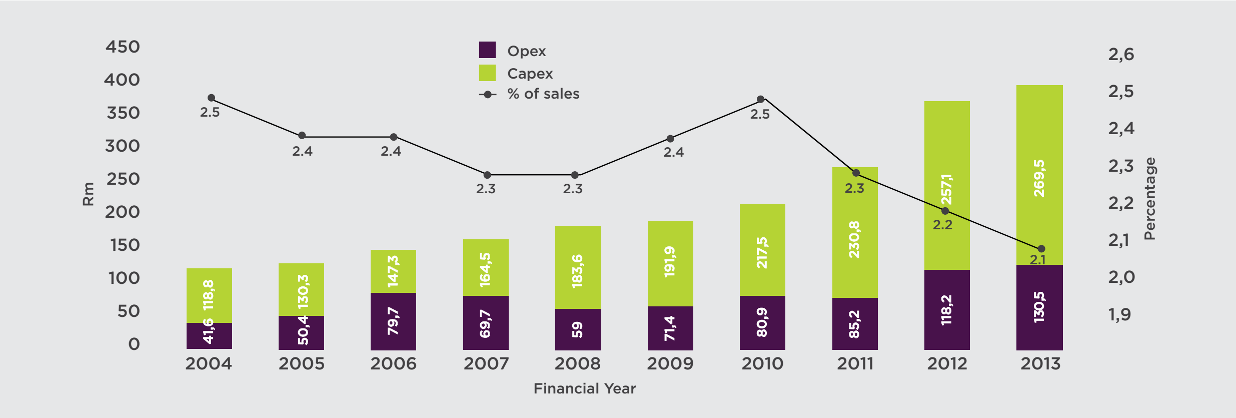
The group's reliance on IT for its day-to-day operations means that IT information security, risk management and governance (including alignment to the King III IT principles) are key focus areas for TFG Infotec. With this in mind, best-practice methodologies have been adopted for system delivery and support via the ITIL service delivery framework (an ICT service delivery framework for managing ICT applications, services and technologies), the Cobit model for IT governance (an ICT governance framework ensuring good governance principles are adhered to), Prince 2 for key project delivery (a project management framework and principles designed for good project management of ICT solutions) and the adoption of the TOGAF (the open group architecture framework) architecture framework for system design, development and delivery. In addition, disaster recovery plans are updated and tested on a regular basis. This comprehensive approach ensures that TFG Infotec meets the group's business requirement and complies with concluded service level agreements (SLAs).

INVESTMENT

The group's investment in ICT is substantial, with total ICT capital expenditure for the past year of R130,5 million and operating expenses of R269,5 million. The latter representing 2,1% of turnover, which is in the norm for the Retail industry. (refer annual ICT spend table overleaf)

TFG Infotec employed 275 permanent and 35 contract staff, and continues to focus on sourcing and developing the correct technical capabilities of personnel to meet the group's ICT objectives and strategies.

ANNUAL ICT SPEND



ACTIVITIES IN THE PAST YEAR

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

- Implementation of a replenishment and forecasting system named Logility for the Markham and exact! Divisions. Foschini Stores, Sports division and @home form part the groups roll-out plan.
- Implementation of an ICT solution for the group's customer rewards program.
- Implementation of a system named *In Touch*, using the Microsoft Share Point technology, as the communication and collaboration system in the group's stores, this project forming part of the group's strategic Capital C Project
- 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
- Continuation of the implementation of an ICT solution named *iSync*, which is a comprehensive manufacturing suite for the manufacturing division.
- Commencement of a three year store hardware replacement program ensuring that the stores equipment is up-to-date to meet business requirements.
- Commencement of a store systems replacement project known as POS@NOVA.

KEY INITIATIVES FOR 2013/14

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:

- 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 for the management of the group property rentals.
- Continuation of a store systems replacement project known as POS@NOVA.
- Development of a digital account opening solution and customer self help information centre, using a mobile application.
- Commencement with the Omni-Channel: Digital Strategy, encompassing an on-line e-commerce Strategy and solution.
- Development of a Publishing and Insurance Management System (PIMS).

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. Governance extends beyond regulatory compliance as management aims to create and maintain a culture of good governance throughout the group.

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. A register documenting the assessment of all 75 principles of King III is available on our website (www.tfg.co.za). Departures from King III principles are described in the table below:

King III principle	King III	Compliance	Response
2.25	The company remunerates its executives fairly with the value of share incentives not being significant compared to base pay	Partially applied	In making descisions regarding share incentives, the remuneration committee considers the mix of remuneration components between base pay, short-term incentives and long-term incentives
9.3	Sustainability reporting and disclosure should be independently assured	Not applied	The board audit committee has given due consideration to the recommendation for assurance of the 2013 sustainability disclosures. The committee believes that such independent assurance will not provide significant benefit to stakeholders at this time
16.45	The chairman of the board is not the chairman of the risk committee	Not applied	It is believed that Mr D M Nurek is the most appropriate director to serve as the chair of the internal audit and risk committee

GOVERNANCE STRUCTURES

The non-executive board of TFG embrace the responsibilities imposed by King III and acknowledge that it is ultimately accountable for the strategy, direction, leadership, governance and performance of TFG.

The operating board has responsibility for the day-to-day operations and ongoing management of TFG.

Formal board charters are in place to govern the scope and functioning of the board, as well as the various board committees. These charters which are reviewed and updated regularly, outline the relevant authority, responsibilities, powers, composition and functioning of the board and its committees.

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 nomination committee gives due consideration to succession planning for all main board directors, as well as ensuring that all committees are appropriately constituted and chaired. The current board structure comprises 10 directors, seven of whom are non-executive directors (of which 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.

During the year the following changes to the board and committee composition took place:

B L M Makgabo-Fiskerstrand appointed as a non-executive director on 12 November 2012.

W V Cuba resigned as a non-executive director and as a member of the board audit committee on 1 June 2013.

Five sub-committees comprising the audit, remuneration, risk, nomination and social and ethics committees assist the board in the discharge of its duties. A high level overview of the functions of these sub-committees are detailed 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
E Oblowitz
N V Simamane
BLM Makgabo- Fiskerstrand*

Non-executive directors

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)
DM 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)
E Oblowitz
N V Simamane
Directors present by invitation:
D M Nurek
A D Murray
R Stein

SOCIAL AND ETHICS COMMITTEE

D M Nurek (Chairman)
Prof. F Abrahams
A D Murray
Directors present by invitation:
R Stein

NOMINATION COMMITTEE

D M Nurek (Chairman)
S E Abrahams
M Lewis
Directors present by invitation:
A D Murray

* Appointed 12 November 2012

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 10 to 13.

Director appointment and induction

Newly appointed non-executive directors hold office only until the next annual general meeting, at which time they retire and become eligible for re-election as directors. Each year, one third of the existing non-executive directors are subject to retirement by rotation. This is in line with the requirements of King III and the memorandum of incorporation. The nomination committee recommends re-election by the shareholders after due consideration is given to the individual directors attendance and performance. Non-executive directors have no fixed term of employment, and the performance of all directors is subject to 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

As reported previously Ms K N Dhlomo resigned on 14 May 2012 for personal reasons whilst Ms B L M Makgabo-Fiskerstrand was appointed on 12 November 2012 and will accordingly stand for re-election at the upcoming AGM.

Mr W V Cuba resigned from the board and audit committee on 1 June 2013.

Independence assessment

All directors are required to complete an independence questionnaire to establish whether they meet the objective independence criteria of King III. Six 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 six directors that satisfy the objective independence requirements, three directors have served a term exceeding nine years. The board reviewed the independence of Mr D M Nurek, Mr S E Abrahams and Prof F Abrahams and after due consideration (during which the abovementioned directors recused themselves), concluded that their long association with the group had in no way impaired their independence.

Remuneration and shareholding

The remuneration paid to directors during the current year, as well as details of direct and indirect shareholdings are disclosed in the Remuneration Report which appears elsewhere in this report. Information regarding their participation in share incentive schemes (which is limited to executive directors) is also disclosed.

Dealing in shares

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. 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.

Details of directors' share dealings are disclosed on SENS and subsequently tabled at the next board meeting.

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 the Companies Act.

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 engage in meaningful discussions and effectively discharge their duties.

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 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 of the recent evaluation process as well as agreed actions were tabled at the May 2013 board meeting.

Board and committee 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	Nomination Committee	Social and Ethics Committee
Number of meetings	4	3	4	3	1	2
Directors Attendance						
D M Nurek	4	3	4	3*	1	2
F Abrahams	4	3				2
S E Abrahams	4			3	1	
W V Cuba#	3			3		
K N Dhlomo##	1					
M Lewis	4				1	
B L M Makgabo-Fiskerstrand**	–					
E Oblowitz	4		4	3		
N V Simamane	4			3		
A D Murray	4	3*	4	3*	1*	2
R Stein	4		4	3*		2*
P S Meiring	4					

* by invitation

\# resigned 1 June 2013

\## resigned 14 May 2012

** appointed 12 November 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 aim to review their charters on an annual basis and to undertake an annual performance evaluation. All committees are chaired by an independent non-executive director.

The board committees meet independently and provide feedback to the main board through their chairpersons. In addition, the minutes of all committee meetings are included in the main board packs on a quarterly basis and all directors are given the opportunity to raise any questions or concerns arising from these minutes.

The directors confirm that the committees have functioned in accordance with their written terms of reference during the financial period. An overview of each committees functioning and responsibilities follows.

AUDIT COMMITTEE	Scheduled meetings	Responsibility
Members S E Abrahams (Chairman) W V Cuba (resigned 1 June 2013) E Oblowitz N V Simamane **Invitees** D M Nurek A D Murray R Stein	3 times per annum	• to review the effectiveness of the group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained • to ensure that written representations on internal control are submitted to the board annually by all divisional managing directors and general managers (these being representations that provide assurance on the adequacy and effectiveness of the group's systems of internal control) • to monitor and supervise the effective functioning and performance of the internal auditors • to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence • to evaluate the independence, effectiveness, and performance of the external auditors and obtain assurance from the auditors that adequate accounting records are being maintained • to recommend the appointment of the external auditors on an annual basis • to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated • 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

SOCIAL AND ETHICS COMMITTEE	Scheduled meetings	Responsibility
Members D M Nurek (Chairman) F Abrahams A D Murray **Invitees** R Stein	2 times per annum	The committee has the following focus areas: • social and economic development • good corporate citizenship • the environment, health and public safety • consumer relationships • labour and employment A separate transformation sub-committee ensures that the issue of transformation receives appropriate focus

RISK COMMITTEE	Scheduled meetings	Responsibility
Members D M Nurek (Chairman) E Oblowitz A D Murray R Stein	4 times per annum	• 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 • appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed

REMUNERATION COMMITTEE	Scheduled meetings	Responsibility
Members F Abrahams (Chairperson) D M Nurek **Invitees** A D Murray	3 times per annum	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 • ensure a blend of skills that consistently achieves predetermined business objectives and targets

NOMINATION COMMITTEE	Scheduled meetings	Responsibility
Members D M Nurek (Chairman) S E Abrahams M Lewis **Invitees** A D Murray	1 time per annum	• 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 • compliance with the principles of good governance and the code of best-practices

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

OPERATING BOARD	Scheduled meetings	Responsibility
Members A D Murray (CEO) R Stein (CFO) P S Meiring M Mendelsohn B J Curry G S Naidoo D B Gedye M Maritz	Monthly	Deliberating and taking decisions or recommendations on all matters affecting TFG strategy and operations, including risk management and executive and senior management succession. This includes all operational matters including: • 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 • adopting and implementing corporate governance practices and meeting standards set out in King III

Detailed information of the operating board and their credentials appear on page 14.

LEGAL COMPLIANCE

The functioning and purpose of the legal compliance function is documented in TFG's Legal Compliance Policy which is in accordance with Chapter 6 of King III.

The responsibilities 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 new or draft laws:

- Companies Act and its Regulations
- Labour Relations Act Amendment Bill
- Basic Conditions of Employment Amendment Bill
- Financial Advisory and Intermediary Services Act amended board notices
- Treating Customers Fairly draft framework (to be incorporated into legislation)
- Broad-Based Black Economic Empowerment Amendment Bill and draft amended Codes of Good Practice
- Draft Licensing of Businesses Law
- Protection of Personal Information Bill

Concerning recently effective legislation, The Foschini Group Limited's new Memoranda of Incorporation (MOI) was approved by its shareholders at its AGM last year and new MOIs for subsidiary companies have been approved or are in the process of being approved, and submitted to CIPC for filing.

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.

Based on key laws that are effective as at 31 March 2013, there are no material areas of non-compliance.

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 strives to foster sound relationships between the company and each stakeholder grouping across employees, shareholders, investors, banks and other financial institutions, customers, suppliers, government, regulatory authorities, industry bodies and the communities in which we operate.

The main audience of this integrated report is shareholders and investors. A summary of the group's engagement with its various other stakeholder groups is provided in the Strategic Agenda section of this report.

BOARD AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 March 2013 to the shareholders of The Foschini Group Limited (TFG).

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

Audit committee mandate

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

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

Role of the committee

The role of the audit committee is, *inter alia*:

General

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

External auditors

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

Internal control and internal audit

- to review the effectiveness of the group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal control are submitted to the board annually by all divisional managing directors and general managers (these being representations that provide assurance on the adequacy and effectiveness of the group's systems of internal control);
- to monitor and supervise the effective functioning and performance of the internal auditors;
- to review and approve the annual internal audit plan and the internal audit charter; and
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

Finance function

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

Financial results

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

Committee composition and attendance at meetings

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

Meeting attendance:

Name of member	Qualifications	24 May 2012	2 November 2012	18 February 2013
S E Abrahams	FCA			
	CA (SA)	Present	Present	Present
W V Cuba	BSc (Survey)			
	BSc (Info.Systems)			
	MBA	Present	Present	Present
E Oblowitz	BComm			
	CA (SA)			
	CPA (Isr)	Present	Present	Present
N V Simamane	BSc (Biochem) (Hons)	Present	Present	Present

The committee held three meetings during the 2013 financial year. The committee considered the draft interim and annual financial reports prepared by management and recommended their adoption to the board subject to certain amendments. The chairman provided written reports to the main board summarising the committee's findings and recommendations.

Details of fees paid to committee members appear in note 37.

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 nomination committee and will be proposed to shareholders at the upcoming annual general meeting:

- S E Abrahams
- E Oblowitz
- N V Simamane

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

Committee functioning

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

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

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

BOARD AUDIT COMMITTEE REPORT (CONTINUED)

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:
  - 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;
- pre-approving 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 2013 financial year the committee were not made aware of any:

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

Risk management

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

During the course of the 2013 financial year, the committee considered the risk management approach as well as key control risks, and believe that the approach is relevant and that all key control risks are being adequately addressed by management. Further detail on the risk management approach and process is included in the Risk Report which appears elsewhere in this Report.

Macro-and-micro financial and business environment

The year under review was punctuated by a continuing volatile and unsettled financial markets environment. The significant increase afforded to our customer base of unsecured lending facilities reduced significantly towards the end of the 2012 calendar year. Credit customers found themselves in a cash flow squeeze as lenders jostled to ensure that their advances were repaid. The overall result was that the incidence of delinquent accounts increased generally, and credit retailers were adversely affected. The audit committee made extensive enquiries to ensure that TFG was adequately provided against bad debts at the year end. Both management and the external auditors provided the committee with detailed workings in support of the bad-debt provisions raised at year end. Based on the information furnished to the committee, we were satisfied that the basis of provisioning was entirely appropriate. It is highly likely that credit retail consumers will continue to face financial stress into the future and that this risk will remain high on the agenda of future audit committee meetings.

External auditors

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

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

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

The committee has nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Mr H du Plessis as the designated auditor for the 2014 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 (IFRS).

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

Integrated report

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

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

Expertise of financial director and finance function

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

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

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

Approval

The committee recommended the approval of the Annual Financial Statements and the Integrated Annual Report to the board.

S E Abrahams
Chairman: Audit committee
28 June 2013

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics committee is pleased to present its report for the financial year ended 31 March 2013 to the shareholders of The Foschini Group Limited (TFG).

COMMITTEE MANDATE

The committee is governed by a formal charter which guides the committee in terms of its objectives, authority and responsibilities. The charter incorporates the requirements of the Companies Act No. 71 of 2008 and specifically regulation 43 (5) which requires the committee to monitor matters relating to:

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

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

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee 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.

MEETING ATTENDANCE:

Name of member	5 June 2012	28 November 2012
D N Nurek	Present	Present
F Abrahams	Present	Present
A D Murray	Present	Present

The committee held two meetings during the 2013 financial year. At each of these meetings the committee received reports detailing matters relevant to each of the functional areas within its mandate. There are no specific matters which the committee would like to bring to the attention of shareholders at this stage. It is noted that the committee has been in operation for a relatively short period of time and as such the committee functioning continues to evolve.

Details of fees paid to committee members appears in the Remuneration Report.

COMMITTEE STRUCTURE

The transformation committee operates as a sub-committee of the social and ethics committee whose report follows.

TRANSFORMATION REPORT

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 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 until the revised BBBEE codes of good practice are finalised by the DTI, there is uncertainty regarding the exact impact of the pending changes. 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 2012). Our performance over the past two years is recorded below.

We are pleased to report that TFG was ranked 3rd in the *2013 Mail & Guardian Top Empowerment* company survey within the retail sector.

BBBEE ELEMENT	Maximum	2013 Achieved	2012 Achieved
Direct empowerment			
Ownership	20	**9,2**	9,1
Management Control	10	**4,8**	5,1
Indirect empowerment			
Employment Equity	15	**6,4**	6,9
Skills Development	15	**12,1**	9,1
Preferential Procurement	20	**17,1**	17,8
Enterprise Development	15	**15,0**	15,0
Socio-Economic Development	5	**5,0**	5,0
Total	100	**69,6**	68,0
BBBEE Recognition Level Contributor	–	**Level 4**	Level 4

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 9,2 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 2012, TFG scored 4,8 out of a maximum of 10 points which is indicative of the representivity achieved through securing black non-executive directors and senior executives through a continued focus on diversity in the succession planning and talent management processes. The above score did not take into account the appointment of Mrs Makgabo-Fiskerstrand whose appointment as a black non-executive director was effective on 12th November 2012. The board is, therefore, satisfied with the progress being made in this area.

EMPLOYMENT EQUITY

The attainment of our employment equity 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.

The representation of employment equity employees to total employees has increased from 88,87% in 2010 to 90,35% in 2013.

Although all other targets were met, employment equity progress at a senior management level continues to be a key strategic focus area.

SOCIAL AND ETHICS COMMITTEE REPORT
(CONTINUED)

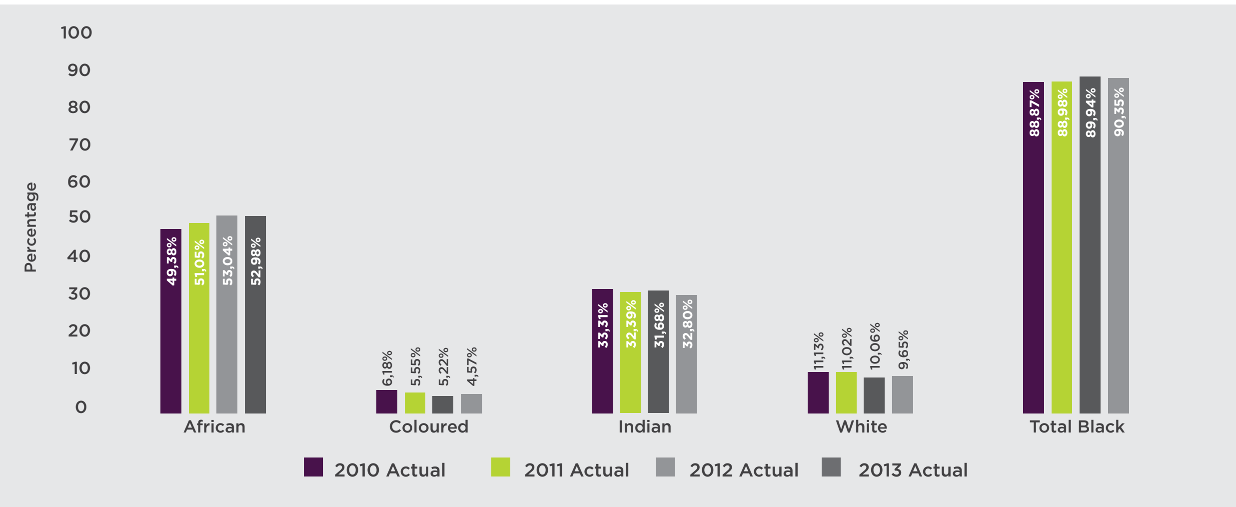
We are starting to see progress with leadership pipelines created to develop internal employment equity employees for future senior management roles, and have allocated TFG share incentives in 2012 to key employment equity middle management employees as part of our recognition and retention strategy. We have made progress with the employment of disabled employees through learnerships and will continue with this focus going forward.

SUMMARY OF EMPLOYEES COMPLEMENT AT 31 MARCH 2013

	Female						Male						
	African	Coloured	Foreign	Indian	White	Total	African	Coloured	Foreign	Indian	White	Total	Grand Total
Top Management				1	–	1					7	7	8
Senior Management	1	9		4	73	87	1	15	1	9	88	114	201
Proffessional Middle Management	37	155	6	47	350	595	36	98	12	26	143	315	910
Skilled, Junior Management Sup.	893	1 005	18	181	514	2611	323	260	8	51	67	709	3 320
Semi Skilled	5 625	2 554	21	389	287	8 876	2 013	826	8	86	68	3 001	11 877
6 Unskilled	175	659		1	1	836	106	122	1		3	232	1 068
Grand Total	**6 731**	**4 382**	**45**	**623**	**1 225**	**13 006**	**2 479**	**1 321**	**30**	**172**	**376**	**4 378**	**17 384**

The bar graph below illustrates the workplace profile in terms of racial representation for the period from 2010 to 2013.

WORKFORCE PROFILE



Progress in overall terms is positive with black employees making up 90,35% of total TFG employees, which is up on last year's figure of 89,94%.

	African %	Coloured %	Indian %	White %	Total Black %
2010 Actual	49,38	6,18	33,31	11,13	**88,87**
2011 Actual	51,05	5,55	32,39	11,02	**88,98**
2012 Actual	53,04	5,22	31,68	10,06	**89,94**
2013 Actual	52,98	4,57	32,80	9,65	**90,35**

Namibia

From a Namibian perspective, there was an increase in employment equity employees from 320 employees last year to 360 this year, even though the overall percentage reduced from 95,8% to 94% of total employees.

SKILLS DEVELOPMENT

TFG continues to play a role in government's strategy of unemployment alleviation and skills development. A total of 885 individuals attended accredited learning interventions comprising of either registered skills programmes or learnerships.

Key programmes that have been implemented on a national basis in the group include:

- Disability learnership project: 174 learners enrolled in total (2 phases) of which 90 have completed.
- Rural Youth learnership: 416 learners enrolled (multiple phases) of which 278 have completed.
- Pattern design learnerhip: 10 learners enrolled; learnership still running.
- Assessor skills programme: 90 learners enrolled of which all have completed.

	2013	2012
Total number of employees trained	126 021	128 437
Total number of black employees trained	114 886	112 070
Total number of black females trained	79 814	76 000
Overall cost of training	R110,9m	R114,7m

	Total number of black employees trained 2013	Total number of black females employees trained 2013	Total number of black employees trained 2012	Total number of black females employees trained 2012
Number of employees who attended workshops	22 015	14 901	15 034	10 607
Number of employees who attended stores training sessions (EMT's)	92 871	64 913	97 036	65 393
Total trained	**114 886**	**79 814**	**112 070**	**76 000**

PREFERENTIAL PROCUREMENT

In respect of 2012, TFG achieved a score of 17.1 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. 44% of our BBBEE procurement spend applied to merchandise purchases and 44% to non-merchandise goods and services.

ENTERPRISE DEVELOPMENT

In respect of 2012, 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.

Specific projects that have been embarked on are supply chain enhancement initiatives with Eddels, a manufacturer of ladies and mens' footwear based in Pietermaritzburg and New Coe Knits, a manufacturer of knitwear based in Cape Town. Both of these initiatives have been successful.

SOCIO-ECONOMIC DEVELOPMENT

In respect of 2012, 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.

D M Nurek
Chairman: Social and ethics committee
28 June 2013

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 local financial instability became prominent and has been added as a key risk. The impact of lower growth rates, higher unemployment and industrial action could impact on the group's performance.

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 appropriate; and • focus on in-season trading
Global Financial Instability The impact of the global financial instability in the financial markets of the developed countries and the affect 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
Local Financial Instability The high level of unemployment and strike action negatively affects the group's customers' purchasing power.	• expanding our retail offering to cater for higher LSM's • expanding our store base into varied locations to satisfy a broad spectrum of the market; and • implementing credit score models for collections and follow-ups, to assist customers in maintaining an open-to-buy position
Supply chain The inability to provide our customers with the desired merchandise at the right price and time as a result of deficiencies in the management process of the supply chain.	• 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; and • undertaking a project in conjunction with certain key manufacturers, with the objective of expanding local production utilising "fast fashion" models

RISK	HOW WE MANAGE THIS RISK
Bad Debts The increase in affordability based delinquency from our customers who have been directly impacted by aggressive unsecured lending since 2008. They have also been impacted by the subsequent contraction in lending since late 2012.	Account origination • Credit applications are reviewed for fraud indicators, and assessed against National Credit Act (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 Retailers Association and Business Unity South Africa; • compliance report-backs given to committees such as the internal risk committee; • compliance reports submitted to the board audit committee three times a year; • TFG Internal Audit audits compliance with key laws; • workshops and task teams are formed within our business to assess the impact of laws and to agree on implementation action items; implementation is then monitored; and • awareness sessions for our staff on new laws.

RISK REPORT (CONTINUED)

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 receives representations from management and the head of internal audit regarding the effectiveness of the system of internal control.

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 and the risk committee, 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.

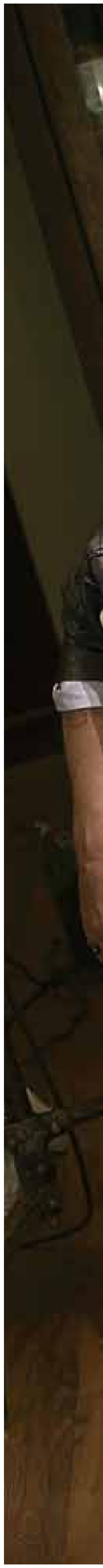
Sound processes are in place to manage any deviations from this code.

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 six 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 role of the remuneration committee is highlighted, detailing its composition and the role it plays in TFG remuneration decision-making, detailing specific decisions made during the year.

The remuneration and shareholding of directors and, as is required by King III, of the next three highest earners not on our Supervisory Board, is disclosed.

Non-executive directors' appointment and remuneration is disclosed.

REMUNERATION POLICY

Principles

TFG's remuneration policy aims to attract, motivate and retain the talent that is essential for the implementation of our business strategy and the achievement of our 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 national and retail 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 contributions and accountabilities;
- Remuneration that rewards both short-term and long-term business performance against defined and challenging objectives, appropriate to the stage of the business cycle, and aligned with business strategy, whilst recognising the need for retention and continuity; and
- An appropriate mix of remuneration components, each sized so as to align remuneration with the appropriate short-term and long-term objectives.

The group subscribes to the concept of "Total Reward", which 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.

REMUNERATION REPORT (CONTINUED)

COMPONENTS OF TFG REMUNERATION

REMUNERATION COMPONENT	Key features and rationale
BASE PAY/FIXED PAY *Attracts and retains key talent, with dual focus on external market equity and internal equity*	Base pay consists of the following, and applies to all full-time, permanent employees: • Pensionable salary • Travel and housing allowance • Employer contributions to: – TFG retirement fund – Provident fund (for executives) – Group life and disability benefits – TFG medical-aid scheme (optional) Base pay is reviewed annually, with reference to the market, and is targeted around the median of aggregate market information. Each role must be a minimum of a 70% match to market information to enable comparison. 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 contributions are taken into account when measuring the size of the senior roles against the market, as well as any changes to accountability and structure in the past year that have influenced this. Remuneration for each employee in the group is benchmarked against a base pay range for his or her specific position, or in a minority of cases, for his or her job 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.
BENEFITS *Influences attraction and retention of key talent*	The remuneration committee reviews benefits annually against market benchmarks. Retirement and Group Life benefits are provided in proportion to the pensionable salary of each employee. Medical-aid is income-rated, providing identical cover to employees on the same plans, but requiring lower contributions from lower earning employees. Vehicle benefits are provided linked to organisational level, as defined by our car allowance and fleet policies. Dread disease cover for executives is also in place.

REMUNERATION COMPONENT	Key features and rationale
SHORT-TERM INCENTIVES (TFG ANNUAL BONUS SCHEME) *Rewards employees for group and company outperformance*	The Group Annual Bonus Scheme defines three targeted tiers of performance at both divisional and group level, with commensurate bonus payments at each of these levels. Local and international benchmarks were used to determine the most appropriate levels of bonus payment at each organisational level and performance tier, and as part of our overall pay mix. Targets are recommended to the board by the remuneration committee each year, and approved in advance of communication to participants. All participants are required to acknowledge receipt and sign the Scheme Rules. Bonus multiples are determined based on: • each individual's pensionable salary, i.e. their basic salary excluding allowances and company contribution • their level in the organisation • total bonus payment may not exceed 137% of annual guaranteed package for the CEO, and lower percentages for other employees On completion of the financial year, the remuneration committee confirms achievement of targets and recommends payments to the board in terms of scheme rules. Payments, if applicable, are made shortly after publication of our annual financial results. Full details of top management short-term incentive percentages, the relationship of Guaranteed Pay to short-term incentives, and the payment methodology are detailed later in the report.
SHARE-BASED/ LONG-TERM INCENTIVES *Aligns executive and key management interests with those of shareholders*	Three share incentive types form part of annual allocations: **PERFORMANCE-BASED SHARES** • Share Appreciation Rights (Performance-Linked) – "*Foschini 2007 Share Incentive Scheme*" • Performance Shares (Forfeitable Shares) – "*Foschini 2010 Share Incentive Scheme*" **RESTRICTED SHARES** • Restricted Shares (Forfeitable Shares) – "*Foschini 2010 Share Incentive Scheme*" Allocations are made using pre-defined multiples for each share type based on organisational level and Total Guaranteed Package, 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, again with reference to the composition of long-term incentives to the overall pay mix. 100% of annual share incentive allocations made to the CEO, operating board and top management have group performance criteria attached to them with effect from the 2014 financial year. As part of our retention strategy of other key senior employees, annual allocations are a defined mix of both Performance and Restricted Shares. However, restricted shares are not allocated where there is another retention mechanism in place, namely a Restraint of Trade and Minimum Service Agreement. Allocation guidelines detailing the quantum and mix of instruments at each level were 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. 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 recommended to the board by the remuneration committee. The remuneration committee confirms that the agreed principles have been applied in determining each individual's allocation, and also ensures that the overall share capital dilution and costs are within appropriate limits.

REMUNERATION REPORT (CONTINUED)

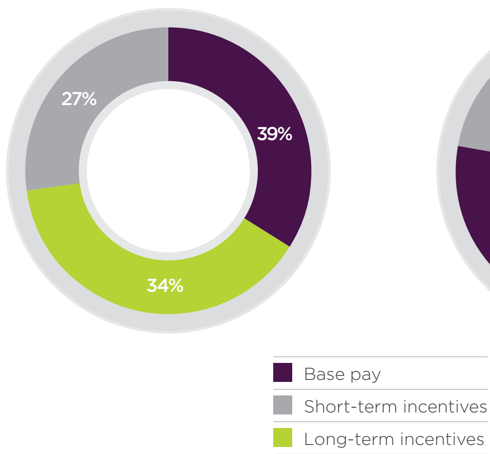
POLICY REGARDING REMUNERATION MIX

Each component of remuneration is initially designed relative to base pay (total guaranteed package), in order to achieve an appropriate mix between base pay, short-term and long-term incentives.

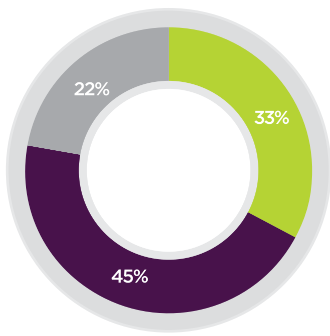
The graphs on the right depict the mix of remuneration components for our CEO and operating board, taking the following into account:

- Short-term Incentives: payment in respect of Group Annual Bonus Scheme is assumed at "on target" performance level
- Base pay: based on current pay levels
- Long-term Incentives: Value of share incentives

TFG CEO – REMUNERATION MIX



TFG OPERATING BOARD – REMUNERATION MIX



SHORT-TERM INCENTIVES

TFG's Annual Bonus Scheme defines performance targets at both divisional and group level.

The scheme is *additive* in design, i.e. achievement of one set of targets is not required fo the payment of the other.

The 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
- Reward divisional performance whilst moderating payments where group performance targets have not been met.

The primary measures (divisional profit and HEPS) are tiered to reward employees in proportion to the level of business performance. The table below depicts the measures used to target group and divisional performance.

It is important to note that a return on equity or similar is not used as divisions do not have sufficient line of sight and influence over group assets and functions, such as debtors. Merchandise efficiency is directly within their control, and thus stock turn is included as a bonus modifier.

	Primary measure	Secondary measure
Group Performance	**Measure:** Growth in HEPS **Levels:** Defined at three levels in ascending order: • Threshold • On Target • Stretch	**Measure:** Group stock turn **Levels:** Single absolute target, either achieved or not achieved
Divisional Performance	**Measure:** Rand Net Profit **Levels:** Defined at three levels in ascending order: • Threshold • On Target • Stretch	**Measure:** Divisional stock turn **Levels:** Single absolute target, either achieved or not achieved

Threshold and On-Target are paid on an "all-or-nothing" basis, to limit bonus payments at performance below targeted levels. Performance between On-Target and Stretch is rewarded proportionately. Payments are capped at the Stretch level.

Once the applicable level of performance is calculated, a stock turn modifier is applied, reducing any bonus calculated by 10% for non-achievement. This is applied independently at both group and divisional level.

The maximum potential bonus payable is defined as a bonus multiple at each organisational level. These have been defined and approved as a percentage of pensionable salary for the sake of simplicity and communication.

Maximum bonus multiples for the CEO and operating board are defined below:

	Bonus multiple defined in months pensionable salary	Effective bonus multiples as a % of annual guaranteed package
CEO	20 months	137
Operating board members	14 months	98

All qualifying employees in group roles are paid bonuses based on group performance only. Divisional employees' bonus payments are determined at 50% on the basis of group performance and 50% on the basis of divisional performance.

CEO AND OPERATING BOARD BONUS PAYMENTS

HEPS target achievement level	% of maximum potential payment	Multiple of annual guaranteed package	
		CEO	OPERATING BOARD
Stretch	100%	137%	98%
On-Target	50%	69%	49%
Threshold	25%	34%	25%
Under threshold	No bonus payment	0%	0%

Sliding scale between Stretch and On-Target

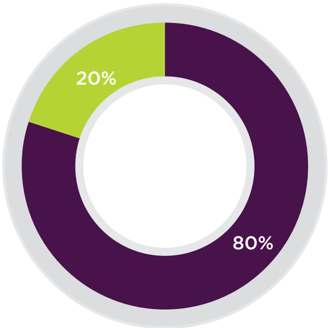
REMUNERATION REPORT (CONTINUED)

GUARANTEED PAY AND SHORT-TERM INCENTIVE PAY MIX

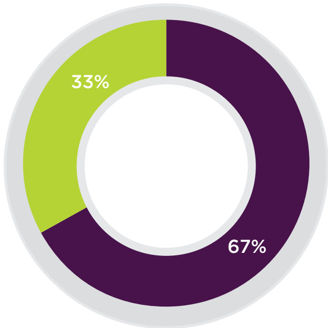
In summary, the tables below reflect the potential mix between the Guaranteed Pay and Short-Term Incentive for both the operating board as well as the CEO.

MIX OF GUARANTEED AND VARIABLE PAY

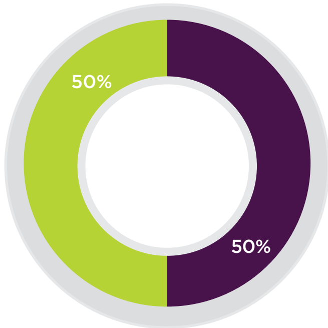
OPERATING BOARD
– Threshold



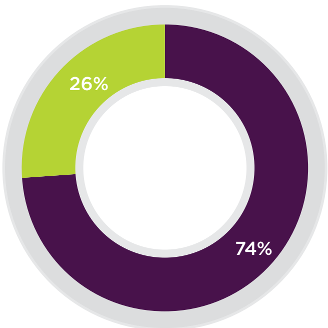
OPERATING BOARD
– On-Target



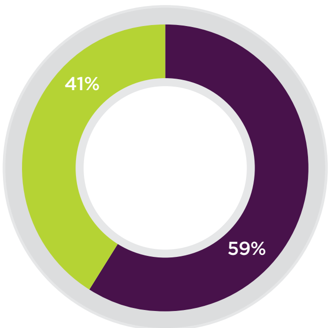
OPERATING BOARD
– Stretch



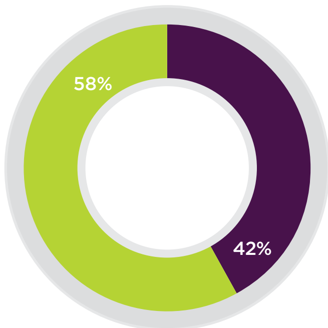
CEO
– Threshold



CEO
– On-Target



CEO
– Stretch



Guaranteed pay
Short-term Incentives

LONG-TERM INCENTIVES

Three share incentive schemes exist at TFG:

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 grants made as part of this scheme were during the 2008 financial year. No further allocations will take place, and all options will have been delivered by the end of February 2014.

Foschini 2007 Share Incentive Scheme

A Share Appreciation Right Scheme was implemented, after shareholder approval, in 2008. Participants are entitled to receive shares in value equal to the growth in the share price on a defined number of shares between the date of grant and the date of conversion.

All shares issued under this scheme are subject to inflation-linked HEPS targets. The minimum period between grant and conversion is three years, and all rights expire after six years.

Foschini 2010 Share Incentive Scheme

The first allocation from this scheme was made in June 2011. Two instruments form part of this scheme, namely Performance Shares and Restricted Shares, both Forfeitable Shares.

- Performance Shares vest after a minimum of three years, subject to inflation-linked HEPS targets. 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 talent, whilst still utilising an instrument that aligns the interests of recipients with those of shareholders. Restricted shares vest after three years.

Overall share allocation mix

The approved allocation mix has been defined taking the following principles into account:

- Proportions of Share Appreciation Right allocations are highest at CEO and operating board level, reducing with organisational level. Share Appreciation Rights are not allocated below Paterson E-band roles, as influence on and accountability for share price are not sufficiently strong to allocate below these levels.
- Forfeitable Restricted Shares no longer form part of the normal annual allocation to the CEO, operating board and top management.
- Performance Shares form part of all annual allocations to senior employees.
- Restricted shares are allocated as part of the group's retention strategy but are not part of the annual allocation of employees who have a valid restraint of trade agreement.

This rationale 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; and
- Tight alignment with shareholders

Shares linked to company performance do not vest if HEPS does not exceed CPI by a minimum of 2% for each year of measurement.

Job evaluation

Two best-of-breed job evaluation systems are an integral part of our approach to remuneration, which ensures thatthe market benchmarks that are used are accurate and valid. All senior roles are validated by the operating board.

Executive retention and protection of competitive advantage

Restraint of trade and minimum service agreements are in place for top management and a selection of key senior employees.

These agreements ensure that key leadership critical to the success of TFG is retained, and that competitive advantage and intellectual property are protected.

The agreement includes a permanent restraint of trade period that varies by organisational level.

The criteria for selection, structure of agreements and payment amounts have been recommended to the board by the remuneration committee.

ACTIONS TAKEN DURING 2013

BASE PAY/ FIXED PAY	The guideline given by the remuneration committee for increases to all staff (other than unionised staff) was 6%. As a result of TFG's focus on a strong performance culture, TFG operating board members and the CEO opted not to receive annual increases for the forthcoming year. This will be reviewed subject to group performance later on during the 2014 year.
SHORT-TERM INCENTIVES (TFG ANNUAL BONUS SCHEME)	9,5% of the maximum potential bonus payment was paid for the financial year, with 31,8% of qualifying participants receiving payments. Senior employees in trading divisions received payments based on achievement of divisional targets only, and no payments were made as a result of group performance. The CEO, operating board members and group employees did not receive short-term incentive payments as group performance was not at the required threshold level.
SHARE-BASED/ LONG-TERM INCENTIVES	The number of shares awarded to employees and executives at 31 March 2013 was 108 336 share instruments in terms of the 1997 share option scheme, 3 618 400 share instruments in terms of the 2007 share appreciation rights scheme and 1 475 635 forfeitable shares in terms of the 2010 share incentive scheme. The highest number held by any individual at 31 March 2013 was 83 334 share instruments in terms of the 1997 share option scheme, 321 000 share appreciation rights in terms of the 2007 share appreciation incentive scheme and 295 435 forfeitable shares in terms of the 2010 share incentive scheme. In both cases, these are substantially lower than the maximum allowed in terms of the scheme rules of 7 215 000 per individual or 36 000 000 in aggregate.

REMUNERATION REPORT (CONTINUED)

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.
- Making recommendations to the board on other remuneration matters, such as annual increase parameters, wage negotiation mandates and changes to benefits such as car allowances.

Remuneration committee membership

The remuneration committee consists of two members:

- Prof. F Abrahams (Chairperson)
- D M Nurek

An experienced remuneration expert serves as an advisor to the remuneration committee, along with another independent advisor, who both attend 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 2013 financial year.

Key items considered by the remuneration committee during the year:

Items	Decisions and actions
Annual increase guidelines	The remuneration committee approved the average increase guidelines for implementation with effect from 1 April 2013.
Approval of senior management and executive promotions	The remuneration committee approved promotions from Paterson Grade D4 upwards.
Allocation of long-term incentives; namely Share Appreciation Rights and Forfeitable Shares	The remuneration committee approved, inside mandated multiples and limits, the allocation of share incentives to qualifying employees, based on a previously approved mix and multiple of annual guaranteed package.
Approval of the Group Annual Bonus Scheme targets at divisional and group level	The remuneration committee approved the targets set for the financial year for both divisions as well as group.
A wage mandate for union negotiations	The remuneration committee approved the Wage Mandate for negotiation with SACCAWU. The negotiations were successfully concluded within this mandate.
Adjustments to travel allowances across all qualifying employee categories	Inflationary adjustments for qualifying employees' travel allowances were approved by the remuneration committee.
Confirmation of divisional and group performance, and resultant bonus payments	The remuneration committee confirmed levels of performance, and payments, according to targets set during the financial year.
Executive Retention and Protection of Competitive Advantage	The remuneration committee recommended to the Board the implementation of Minimum Service and Restraint of Trade Agreements for Top Management and selected senior employees. This included the following: • Criteria for selection • Structure of agreements, notice periods, minimum service duration and restraint of trade; and • Payment amounts.
Fees for non-executive directors	The remuneration committee recommended to the board fees payable to non-executive directors with effect from 1 March 2013, pending approval at the AGM.
Guidelines for vesting of shares on early retirement	Share scheme rules mandate the remuneration committee with decision-making on the vesting of shares in exceptional cases of termination, such as early retirement. For governance purposes, the remuneration committee formalised the guidelines to be applied in these circumstances.

REMUNERATION REPORT (CONTINUED)

EXECUTIVE SERVICE CONTRACTS

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 re-appointment is recommended.

Non-executive directors are paid a base fee, plus a committee fee. Fees for the coming year have been derived on a similar basis.

Aggregate market information and benchmarks derived from all JSE-listed companies are used to determine non-executive director fees. This takes industry and organisation size into account. Moderate fee increases are proposed for 2014, in order to ensure that non-executive director remuneration is commensurate with this responsibility in an organisation the size and complexity of TFG.

Non-executive directors do not receive any payments linked to organisational performance, nor are they entitled to take part in any long-term incentive/ share schemes

Non-executive directors' fees are recommended to the board by the remuneration committee and subsequently to shareholders at the annual general meeting.

The fees for the past year, as well as the 2014 fees for shareholder approval, are presented below:

EXECUTIVE DIRECTORS' REMUNERATION: 2013

Executive Directors	Remun-eration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Perfor-mance bonus R'000	2013 Total R'000
A D Murray	5 064,0	683,6	359,4	49,3	–	6 156,3
R Stein	2 876,0	388,3	275,5	42,3	–	3 582,1
P S Meiring	2 609,0	352,2	275,5	42,3	–	3 279,0
Total	10 549,0	1 424,1	910,4	133,9	–	13 017,4

EXECUTIVE DIRECTORS' REMUNERATION: 2012

Executive Directors	Remun-eration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Perfor-mance bonus R'000#	2012 Total R'000
A D Murray	4 708,7	635,6	335,3	27,7	6 317,4	12 024,7
R Stein	2 683,3	362,2	257,1	21,5	2 994,3	6 318,4
P S Meiring	2 420,6	326,7	257,1	21,5	2 519,2	5 545,1
Total	9 812,6	1 324,5	849,5	70,7	11 830,9	23 888,2

* Other benefits include medical aid and group life cover.

\# Paid during 2013 but relates to 2012 performance.

In accordance with the requirements of IFRS 2, the fair value of share instruments granted to employees is expensed in profit or loss over the term of the share instruments. An amount of R11,0 million (2012: R12,9 million), R2,1 million (2012: R3,6 million) and R1,9 million (2012: R3,3 million) was recognised in respect of share instruments granted to Messrs A D Murray, R Stein, and P S Meiring respectively. These amounts are not included in the amounts reflected above.

During the year restraint of trade payments were made to executive directors. These amounted to R12,3 million, R3,1 million and R5,7 million paid to Messrs A D Murray, R Stein and P S Meiring respectively. No restraint of trade payments were made during 2012.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive Directors	Fees paid in respect of 2013 R'000	Fees proposed in respect of 2014 R'000##
D M Nurek	1 210,0	1 277,0
Prof. F Abrahams	363,0	383,2
S E Abrahams	393,0	414,9
W V Cuba*	269,5	–
K N Dhlomo**	15,9	–
M Lewis	238,0	251,4
E Oblowitz	317,5	335,2
N V Simamane	269,5	284,6
B L M Makgabo–Fiskerstrand#	83,3	225,0
Total	3 159,7	3 171,3

* W V Cuba resigned 1 June 2013.

** K N Dhlomo resigned 14 May 2012.

\# B L M Makgabo–Fiskerstrand was appointed 12 November 2012.

\## Note fees for 2014 estimated on the basis of current committee structures.

DIRECTORS' INTERESTS

As at 31 March 2013 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				2,0	1,5	1 115,0	697,5	196,0	2 012,0
Indirect beneficial	57,0	10,0	9 104,1			450,0	275,7	294,9	10 191,7
	57,0	10,0	9 104,1	2,0	1,5	1 565,0	973,2	490,9	12 203,7

As at 31 March 2013, 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
2014	60,55	83,3	–	–	83,3

As at 31 March 2013, 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
2014	64,47	173,0	86,0	77,0	336,0#
2015	86,62	85,2	43,7	40,0	168,9#
2016	136,22	62,8	32,2	29,5	124,5#
		321,0	161,9	146,5	629,4

\# Subject to performance criteria.

REMUNERATION REPORT (CONTINUED)

As at 31 March 2013, 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
2016	141,98	16,4	8,4	7,7	32,5#
2016	141,98	11,5	5,9	5,4	22,8
		295,4	33,7	30,9	360,0

Subject to performance criteria.

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR-END

The following changes have taken place since 31 March 2013.

On June 13 2013 executive directors accepted the following share appreciation rights (SARs):

	SARs accepted 000's	Price per SAR R
A D Murray	133,4#	96,86
R Stein	67,9#	96,86
P S Meiring	62,7#	96,86

Subject to performance criteria.

These share appreciation rights are convertible into ordinary shares from June 2016, provided the performance conditions have been met.

On June 13 2013 executive directors accepted the following ordinary shares in terms of the group's 2010 share incentive scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the group's employ and the requisite performance conditions are satisfied.

	Shares accepted 000's#	Estimated value Rm*
A D Murray	21,7	2,1
R Stein	11,0	1,1
P S Meiring	10,2	1,0

* Estimated value based on closing share price of R96,51 on 12 June 2013.

Subject to performance criteria.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

These summary consolidated financial statements comprise a summary of the audited annual financial statements of the group for the year ended 31 March 2013. The annual financial statements were approved by the board on 28 June 2013.

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: www.tfg.co.za/ar_request.asp, or upon request from the TFG Finance and Administration department care of: P. O Box 6020, Parow East, 7501, Tel: +27 (0) 21 938 1911

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2013 Rm**	2012 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**1 548,4**	1 313,2
Goodwill and intangible assets		**120,3**	109,8
RCS Group card receivables		**856,4**	465,1
RCS Group loan receivables		**643,7**	610,1
Participation in export partnerships		**30,0**	53,4
Deferred taxation asset		**304,7**	254,3
		3 503,5	2 805,9
Current assets			
Inventory	4	**2 444,0**	2 155,0
Trade receivables – retail		**5 207,7**	4 569,9
RCS Group card receivables		**2 250,0**	1 917,8
RCS Group loan receivables		**460,6**	457,5
Other receivables and prepayments		**594,3**	226,4
Participation in export partnerships		**18,4**	13,0
Cash		**908,1**	710,9
		11 883,1	10 050,5
Total assets		**15 386,6**	12 856,4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited		**7 043,8**	6 293,1
Non-controlling interest		**705,5**	571,1
Total equity		**7 749,3**	6 864,2
Non-current liabilities			
Interest-bearing debt		**1 041,9**	1 006,8
RCS Group external funding		**1 651,1**	1 140,2
Non-controlling interest loans		**–**	242,4
Operating lease liability		**187,5**	159,5
Deferred taxation liability		**65,6**	100,5
Post-retirement defined benefit plan		**104,5**	97,9
		3 050,6	2 747,3
Current liabilities			
Interest-bearing debt		**896,5**	722,1
RCS Group external funding		**1 298,0**	626,2
Trade and other payables		**2 282,5**	1 827,0
Operating lease liability		**9,0**	12,3
Taxation payable		**100,7**	57,3
		4 586,7	3 244,9
Total liabilities		**7 637,3**	5 992,2
Total equity and liabilities		**15 386,6**	12 856,4

SUMMARY CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2013 Rm**	2012 Rm
Revenue	5	**16 285,0**	14 530,8
Retail turnover		**12 896,4**	11 630,5
Cost of turnover	6	**(7 492,3)**	(6 750,1)
Gross profit		**5 404,1**	4 880,4
Interest income	7	**1 996,6**	1 712,1
Dividend income		**–**	9,9
Other revenue	8	**1 392,0**	1 178,3
Trading expenses	9	**(5 751,1)**	(4 994,2)
Operating profit before finance charges		**3 041,6**	2 786,5
Finance costs		**(327,9)**	(284,9)
Profit before tax		**2 713,7**	2 501,6
Income tax expense		**(787,1)**	(809,8)
Profit for the year		**1 926,6**	1 691,8
Attributable to:			
Equity holders of The Foschini Group Limited		**1 792,0**	1 582,1
Non-controlling interest		**134,6**	109,7
Profit for the year		**1 926,6**	1 691,8
Earnings per ordinary share (cents)			
Basic		**856,4**	771,0
Headline		**858,6**	772,0
Diluted (basic)		**849,1**	765,1
Diluted (headline)		**851,3**	766,1
Weighted average ordinary shares in issue (millions)		**209,2**	205,2

SUPPLEMENTARY INFORMATION

	March 2013	March 2012
Net ordinary shares in issue (millions)	**210,1**	206,4
Weighted average ordinary shares in issue (millions)	**209,2**	205,2
Tangible net asset value per ordinary share (cents)	**3 295,0**	2 995,8

SUMMARY CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2013 Rm	2012 Rm
Profit for the year	**1 926,6**	1 691,8
Other comprehensive income:		
Movement in effective portion of changes in fair value of cash flow hedges	**9,7**	7,2
Foreign currency translation reserve movements	**9,4**	0,3
Other comprehensive income for the year before tax	**19,1**	7,5
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges	**(2,7)**	(2,0)
Other comprehensive income for the year, net of tax	**16,4**	5,5
Total comprehensive income for the year	**1 943,0**	1 697,3
Attributable to:		
Equity holders of The Foschini Group Limited	**1 808,4**	1 587,6
Non-controlling interest	**134,6**	109,7
Total comprehensive income for the year	**1 943,0**	1 697,3

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
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 changes in fair value 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**
Total comprehensive income for the year	**1 808,4**	**134,6**	**1 943,0**
Profit for the year	**1 792,0**	**134,6**	**1 926,6**
Other comprehensive income			
Movement in effective portion of changes in fair value of cash flow hedges	**9,7**	**–**	**9,7**
Foreign currency translation reserve movements	**9,4**	**–**	**9,4**
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges	**(2,7)**	**–**	**(2,7)**
Contributions by and distributions to owners			
Share-based payments reserve movements	**65,8**	**–**	**65,8**
Dividends paid	**(1 057,4)**	**–**	**(1 057,4)**
Aquisition of non-controlling interest without change in control	**(1,7)**	**(0,2)**	**(1,9)**
Cancellation of issued shares	**(0,2)**	**–**	**(0,2)**
Repurchase of shares	**(129,3)**	**–**	**(129,3)**
Proceeds on delivery of shares by share trust	**186,6**	**–**	**186,6**
Shares purchased in terms of share incentive schemes	**(145,5)**	**–**	**(145,5)**
Deferred tax on shares purchased	**16,0**	**–**	**16,0**
Current tax on shares purchased	**8,0**	**–**	**8,0**
Equity at 31 March 2013	**7 043,8**	**705,5**	**7 749,3**

	2013	2012
Dividend per ordinary share (cents)		
Interim	**236,0**	190,0
Final	**270,0**	265,0
Total	**506,0**	455,0
Dividend cover	**1,7**	1,7

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2013 Rm**	2012 Rm
Cash flows from operating activities			
Operating profit before working capital changes	10	**3 466,9**	3 180,4
Increase in working capital		**(1 586,8)**	(1 568,4)
Cash generated from operations		**1 880,1**	1 612,0
Interest income		**22,7**	16,0
Finance costs		**(327,9)**	(284,9)
Taxation paid		**(808,4)**	(880,9)
Dividend income		**–**	9,9
Dividends paid		**(1 057,4)**	(849,0)
Net cash outflows from operating activities		**(290,9)**	(376,9)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(580,7)**	(541,1)
Acquisition of assets through business combinations		**(19,4)**	(82,5)
Proceeds from sale of property, plant and equipment		**8,4**	6,5
Sale of subsidiary		**–**	0,1
Redemption of preference share investment		**–**	200,0
Repayment of participation in export partnerships		**18,0**	12,5
Repayment of staff housing loans		**–**	0,7
Net cash outflows from investing activities		**(573,7)**	(403,8)
Cash flows from financing activities			
Proceeds on delivery of shares by share trust		**186,6**	54,4
Repurchase of shares		**(129,3)**	–
Shares purchased in terms of share incentive schemes		**(145,5)**	(77,2)
(Decrease) increase in non-controlling interest loans		**(242,4)**	98,1
Increase in RCS Group external funding		**1 182,7**	858,4
Increase in interest-bearing debt		**209,6**	219,3
Net cash inflows from financing activities		**1 061,7**	1 153,0
Net increase in cash during the year		**197,1**	372,3
Cash at the beginning of the year		**710,9**	338,5
Effect of exchange rate fluctuations on cash held		**0,1**	0,1
Cash at the end of the year		**908,1**	710,9

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Retail trading divisions Rm	TFG Financial Services Rm	Central and shared services Rm	Total Retail Rm	RCS Group Rm	Consolidated Rm
2013						
External revenue	12 896,4	789,5	73,2	13 759,1	529,3	14 288,4
External interest income	–	983,6	14,3	997,9	998,7	1 996,6
Total revenue*	12 896,4	1 773,1	87,5	14 757,0	1 528,0	16 285,0
Inter-segment revenue			56,3	56,3	8,0	64,3
External finance costs			(108,4)	(108,4)	(219,5)	(327,9)
Depreciation and amortisation			(316,6)	(316,6)	(18,4)	(335,0)
Group profit before tax				2 298,9	414,8	2 713,7
Segmental profit before tax	2 810,1	424,8	(853,8)	2 381,1	414,8	2 795,9
Other material non-cash items						
Foreign exchange transactions				8,3	–	8,3
Share-based payments				(65,8)	–	(65,8)
Operating lease liability adjustment				(24,7)	–	(24,7)
Capital expenditure				567,6	17,1	584,7
Segment assets				10 435,6	4 951,0	15 386,6
Segment liabilities				4 269,5	3 367,8	7 637,3

	Retail trading divisions Rm	TFG Financial Services Rm	Central and shared services Rm	Total Retail Rm	RCS Group Rm	Consolidated Rm
2012						
External revenue	11 630,5	673,8	70,6	12 374,9	443,8	12 818,7
External interest income	–	853,7	10,0	863,7	848,4	1 712,1
Total revenue*	11 630,5	1 527,5	80,6	13 238,6	1 292,2	14 530,8
Inter-segment revenue			126,5	126,5	8,9	135,4
External finance costs			(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

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

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

The consolidated annual financial statements for the year ended 31 March 2013 and these summary consolidated 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 group's accounting policies, which comply with International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting, Financial Reporting Guides as issued by the Accounting Practice Committee of the South African Institute of Chartered Accountants (formerly the AC 500 standards), and disclosures required by the Companies Act and the JSE Listings Requirements, and have been consistently applied with those adopted in the prior year.
2. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.
3. Included in share capital are 12,0 million (March 2012: 24,0 million) shares which are owned by a subsidiary of the company; 1,4 million (March 2012: 0,9 million) shares held by employees of TFG in terms of share incentive schemes; 3,8 million (March 2012: 9,2 million) shares which are owned by the Share Incentive Trust and 1,1 million (March 2012: nil million) shares held by TFG Limited. These have been eliminated on consolidation.

		2013 Rm	2012 Rm
4.	**Inventory**		
	Merchandise	**2 266,6**	2 020,2
	Raw materials	**136,8**	101,4
	Shopfitting stock	**37,2**	30,9
	Consumables	**3,4**	2,5
		2 444,0	2 155,0
	Inventory write-downs included above	**110,8**	94,9
5.	**Revenue**		
	Retail turnover	**12 896,4**	11 630,5
	Interest income (refer to note 7)	**1 996,6**	1 712,1
	Dividend income	**–**	9,9
	Other revenue (refer to note 8)	**1 392,0**	1 178,3
		16 285,0	14 530,8
6.	**Cost of turnover**		
	Cost of goods sold	**(6 824,0)**	(6 097,5)
	Costs of purchase, conversion and other costs	**(668,3)**	(652,6)
		(7 492,3)	(6 750,1)
7.	**Interest income**		
	Trade receivables – TFG	**983,6**	853,7
	Receivables – RCS Group	**990,3**	842,4
	Sundry – TFG	**14,3**	10,0
	Sundry – RCS Group	**8,4**	6,0
		1 996,6	1 712,1

	2013 Rm	2012 Rm
8. Other revenue		
Merchants' commission	**48,2**	36,4
Club income	**336,2**	297,5
Customer charges income	**502,8**	411,5
Insurance income	**431,5**	372,2
Cellular income – one2one airtime product	**67,4**	52,8
Sundry income	**5,9**	7,9
	1 392,0	1 178,3
9. Trading expenses		
Depreciation	**(334,8)**	(311,2)
Amortisation	**(0,2)**	(0,4)
Employee costs: normal	**(2 002,2)**	(1 857,4)
Employee costs: share-based payments	**(65,8)**	(72,2)
Occupancy costs: normal	**(1 205,3)**	(1 041,9)
Occupancy costs: operating lease liability adjustment	**(24,7)**	(25,7)
Net bad debt	**(940,7)**	(721,2)
Other operating costs	**(1 177,4)**	(964,2)
	(5 751,1)	(4 994,2)
10. Operating profit before working capital changes		
Profit before tax	**2 713,7**	2 501,6
Finance costs	**327,9**	284,9
Operating profit before finance charges	**3 041,6**	2 786,5
Interest income - sundry	**(22,7)**	(16,0)
Dividend income	**–**	(9,9)
Non-cash items	**448,0**	419,8
Depreciation	**334,8**	311,2
Amortisation	**0,2**	0,4
Operating lease liability adjustment	**24,7**	25,7
Share-based payments	**65,8**	72,2
Post-retirement medical aid movement	**6,6**	6,9
Foreign currency translation reserve movement	**9,4**	0,3
Loss on disposal of property, plant and equipment	**6,7**	3,6
Profit on disposal of property, plant and equipment	**(0,2)**	(0,5)
Operating profit before working capital changes	**3 466,9**	3 180,4
11. Reconciliation of profit for the year to headline earnings		
Profit for the year attributable to equity holders of The Foschini Group Limited	**1 792,0**	1 582,1
Adjusted for the after-tax effect of:		
Profit on disposal of property, plant and equipment	**(0,1)**	(0,3)
Loss on disposal of property, plant and equipment	**4,7**	2,4
Headline earnings	**1 796,6**	1 584,2

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

12. **Contingent liabilities**

The Foschini Group has provided RCS Group with a total facility of R835,3 million (2012: R835,3 million) in respect of their domestic medium-term notes (DMTN) programme. As at 31 March, the utilised portion of this facility was Rnil (2012: R291,9 million), which is included in the group's statement of financial position. The unused liquidity facility at this date was R835,3 million (2012: R543,4 million), which constitutes a contingent liability.

13. **Related parties**

Related party transactions similar to those disclosed in the group's annual financial statements for the year ended 31 March 2012 took place during the year.

14. **Business combinations**

14.1 **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. These stores will be managed together with the Fabiani stores.

Fair value of assets acquired and liabilities assumed through this business combination:

	2013 Rm
Property, plant and equipment	4,0
Inventory	4,7
Total identifiable net assets	8,7
Trademark	10,7
Total purchase price (paid in two tranches)	19,4
Cash flow	
Business combinations occurring during the reporting period	19,4

14.2 **Prior year acquisitions**

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.

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 longstanding 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.

The fair value of assets acquired and liabilities assumed through these business combinations was R9,1 million. A trademark of R49,3 million and goodwill of R24,1 million was recognised on the acquisition and the total cash outflow as a result of these business combinations was R82,5 million.

15. **Repurchase of shares**

At the annual general meeting of the company held on 3 September 2012 ,shareholders approved a specific repurchase of 12 million ordinary shares held by a wholly-owned subsidiary.

The specific repurchase was implemented on 26 February 2013 at an average price of R119,36 per share, whereafter the shares were cancelled and restored to authorised share capital. On 8 March 2013 the 12 million shares were delisted, reducing the total shares in issue from 240 498 241 shares to 228 498 241 shares.

Details of further repurchase transactions are as follows:

Prior to closed period:	Number of shares	Average price R
March 2013	1 107 376	112,45
During closed period in terms of repurchase programme as announced on SENS:		
April 2013	1 633 025	111,35
May 2013	595 000	110,63
	2 228 025	

16. **Acquisition of non-controlling interest without change in control**

During the year, the RCS Group acquired an additional 22% shareholding in RCS Home Loans for R1,9 million. RCS Home Loans is now a wholly-owned subsidiary of the RCS Group.

APPENDICES

APPENDIX 1: SUBSIDIARY COMPANIES

AS AT 31 MARCH 2013

Name of Subsidiary	Issued share capital Rm
Trading Subsidiaries	
Fashion Retailers (Pty) Limited	250 006
Fashion Retailers Zambia Limited	75
Foschini Finance (Pty) Limited	6
Foschini Investments (Pty) Limited	10
Foschini Lesotho (Pty) Limited	2
Foschini Retail Group (Pty) Limited	2
Foschini Services (Pty) Limited	10
Foschini Stores (Pty) Limited	1
Foschini Swaziland (Pty) Limited	2
Markhams (Pty) Limited	1
Pienaar Sithole and Associates (Pty) Limited	100
Retail Credit Solutions (Pty) Limited	18 200
TFG Apparel Supply Company (Pty) Limited	1
What U Want To Wear (Pty) Limited	66 200
Foschini Nigeria Limited	2 840 769

APPENDIX 2: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED

ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 28 March 2013.

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	4 318	63,2	1 590 483	0,7
1 001 – 10 000 shares	1 803	26,4	5 687 484	2,5
10 001 – 100 000 shares	488	7,1	16 474 098	7,2
100 001 – 1 000 000 shares	179	2,6	57 831 685	25,3
1 000 001 shares and over	45	0,7	146 914 491	64,3
	6 833	100,0	228 498 241	100,0

DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	Number of shares held	% of shares in issue
Unit trusts/mutual funds	87 127 951	38,1
Pension funds	61 876 577	27,1
Corporate holding	12 585 324	5,5
Private investor	20 267 666	8,9
Sovereign wealth	17 551 313	7,7
Insurance companies	11 508 148	5,0
Investment and employee trusts*	5 354 347	2,3
Other	12 226 915	5,4
	228 498 241	100,0

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

BENEFICIAL SHAREHOLDINGS GREATER THAN 3 %

Beneficial interests - direct and indirect, as per share register and information supplied by nominee companies as at 28 March 2013.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	38 042 077	16,7
Foschini Stores (Pty) Limited	12 049 824	5,3
Lewis Family	9 104 137	4,0
	59 196 038	26,0

APPENDIX 2: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED (CONTINUED)

FUND MANAGERS' HOLDINGS GREATER THAN 3%

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

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	30 275 367	13,3
Blackrock Inc	12 061 459	5,3
Foord Asset Management	9 758 039	4,3
Momentum Asset Management	9 467 000	4,1
AGF Investments Inv	9 096 366	4,0
Old Mutual Investment Group SA	7 407 240	3,2
UBS Global Asset Management	7 209 368	3,2
Government Singapore Investment Corp	6 934 977	3,0
	92 209 816	**40,4**

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	6 581	96,0	197 538 109	86,5
Directors	8	0,0	12 563 737	5,5
Trust	1	0,0	3 776 438	1,6
Subsidiary and company	2	0,0	13 157 200	5,8
Employees of TFG	241	4,0	1 462 757	0,6
	6 833	**100,0**	**228 498 241**	**100,0**

APPENDIX 3: 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 costs, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
Finance charge cover	Operating profit before finance charges divided by finance costs
Gross square metres	Comprises the total leased store area including stock rooms
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 on the next page
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 that 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

APPENDIX 3: DEFINITIONS (CONTINUED)

SAARF Living Standards Measure (LSM) Group	Population 2012	% Population 2007	% Population 2008	% Population 2009	% Population 2010	% Population 2011	% Population 2012	2011 Average monthly household income R	2012 Average monthly household income R
LSM 1	575 461	4,1	3,4	3,5	2,4	1,9	1,6	1 224	1 641
LSM 2	1 421 775	9,8	8,7	7,3	5,7	5,1	4,1	1 764	2 155
LSM 3	2 171 222	10,8	9,4	7,8	7,0	6,1	6,2	2 207	2 465
LSM 4	4 526 215	13,8	14,6	14,2	14,0	12,2	13,0	2 781	3 355
LSM 5	5 965 308	14,5	15,5	15,2	16,6	17,4	17,1	3 813	4 259
LSM 6	7 898 080	17,3	17,9	19,5	20,3	22,4	22,6	6 150	6 680
LSM 7	4 003 227	9,3	9,4	10,2	10,6	11,5	11,5	10 553	11 252
LSM 8	2 994 348	6,7	6,9	7,6	8,3	8,4	8,6	14 441	15 818
LSM 9	3 277 593	7,6	8,1	8,4	8,9	8,9	9,4	20 334	21 862
LSM 10	2 102 224	6,1	6,1	6,3	6,2	6,2	6,0	31 366	32 737
Total	**34 935 454**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**9 201**	**9 606**

* Source AMPS 2007-2012

APPENDIX 4:
CONSOLIDATED PERFORMANCE TABLE

PERFORMANCE INDICATOR	% change	2013	2012
Economic and related core baseline indicators			
Retail turnover (Rm)	10,9	**12 896,4**	11 630,5
Operating profit before finance charges (Rm)	9,2	**3 041,6**	2 786,5
EBITDA (Rm)	9,0	**3 376,6**	3 098,1
Headline earnings (Rm)	13,4	**1 796,6**	1 584,2
Earnings per ordinary share (cents)	11,1	**856,4**	771,0
Headline earnings per ordinary share (cents)	11,2	**858,6**	772,0
Dividend declared per ordinary share (cents)	11,2	**506,0**	455,0
Value added	5,3	**5 574,7**	5 293,0
Total number of stores	6,6	**1 979**	1 857
Total number of distribution centres	(11,1)	**8**	9
Total procurement from BBBEE sources (%)*	16,3	**88,4**	76,0
Number of environmental, health and safety and/or governance legal incidents	none	**none**	none
Employee issues			
Total number of employees:			
Permanent full-time employees	10,8	**12 657**	11 420
Permanent part-time employees	(30,3)	**175**	251
Flexitime employees	(3,6)	**3 807**	3 951
Contract employees	31,2	**920**	701
Casual employees	(0,7)	**146**	147
Employee turnover (excluding contractors) %	(0,9)	**32,1**	32,4
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	0,0	**11,1**	11,1
Senior management	19,9	**19,9**	16,6
Specialists and middle management	9,0	**45,8**	42,0
Skilled technical and junior management	1,9	**82,5**	81,0
Semi-skilled and unskilled employees	3,3	**99,6**	96,4
Investment in employee training and development			
Total expenditure (Rm)	(3,3)	**110,9**	114,7
% of payroll	(14,7)	**5,8**	6,8
Total number of employees trained#	(1,9)	**126 021**	128 437
Work-related fatalities	none	**none**	none
Number of classified injuries			
Number of days lost	3,8	**1 360**	1 310
Number of incidents	(29,0)	**306**	431
Number of incidents resulting in three days off or fever	(29,8)	**226**	322
Number of work days lost due to industrial action	–	**–**	–
Corporate social investment			
CSI total spend (Rm)	5,7	**5,0**	4,7
Merchandise donations for the benefit of the Feel Good Project (Rm)	106,3	**47,0**	22,8
Environmental issues	**% change**	**2012***	2011*
Energy usage (kilowatt hours) (stores, distribution centres and offices)	(3,2)	**159 838 858**	165 161 791
Carbon footprint (tonnes CO_2e)			
Total emissions	1,0	**215 586**	213 424
Scope 1	(5,4)	**3 413**	3 608
Scope 2	(3,2)	**158 240**	163 510
Scope 3	16,5	**52 909**	45 415
Non-Kyoto	14,9	**1 024**	891
Intensity: emissions per m^2 (including stores)	(6,1)	**0,31**	0,33
Water consumption (kilolitres) (head offices and distribution centres)	25,1	**58 089**	46 449

* Note: Data in respect of BBBEE and environmental issues is presented one year in arrears

\# Refers to attendees and not individual employees

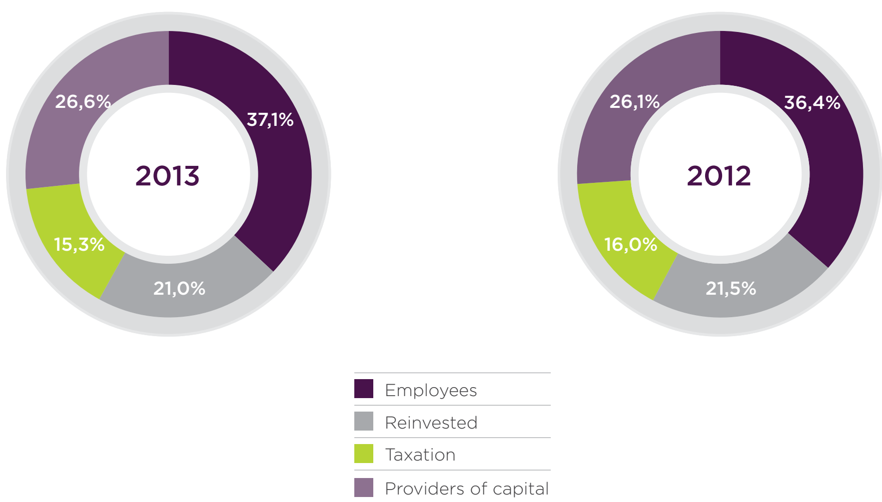
APPENDIX 5: VALUE ADDED STATEMENT

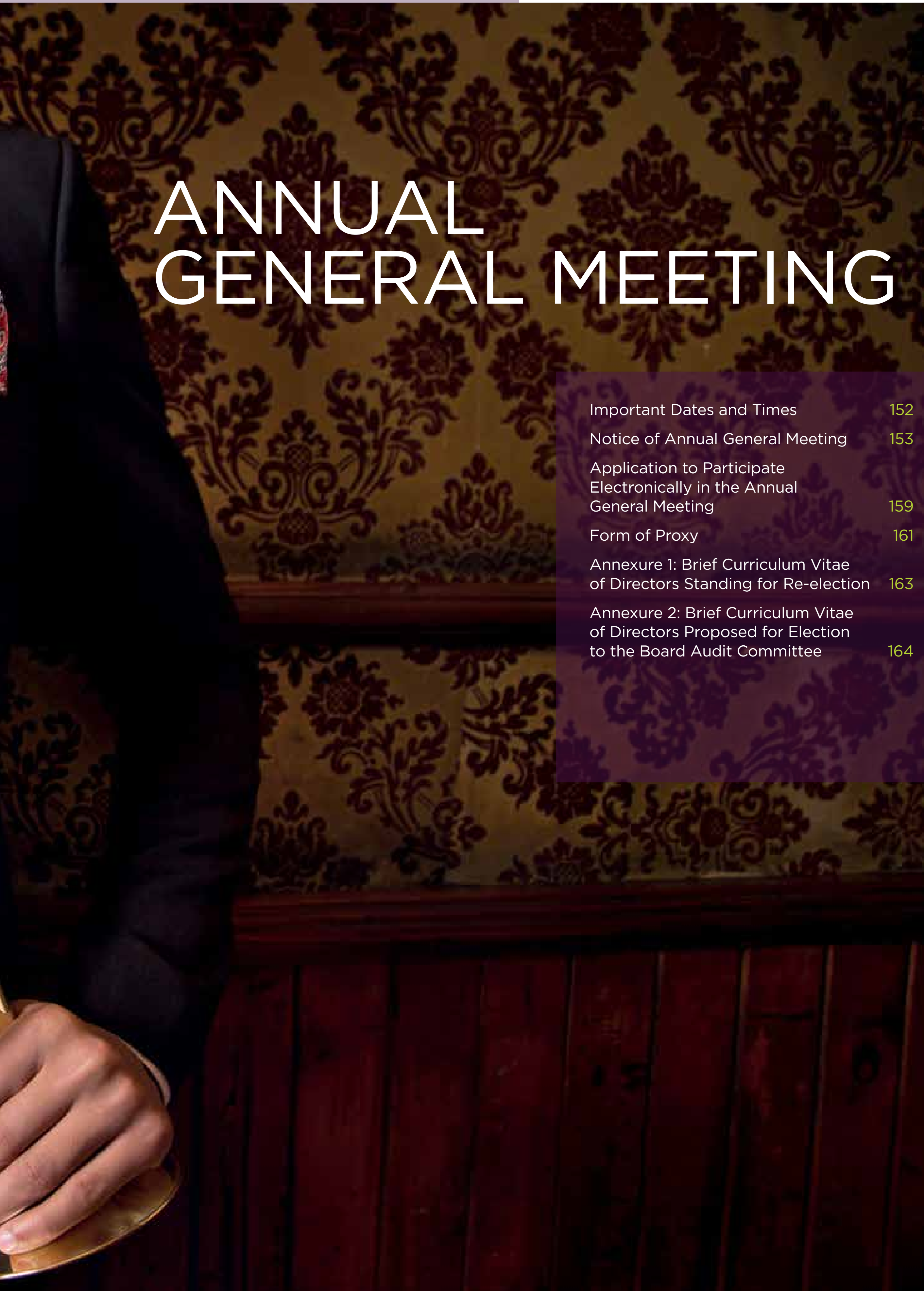
FOR THE YEARS ENDED 31 MARCH

	Note	2013 Rm	%	2012 Rm	%
Retail turnover		**12 896,4**		11 630,5	
Dividend income		**–**		9,9	
Paid to suppliers for goods and services		**(7 321,7)**		(6 347,4)	
Value added		**5 574,7**	**100,0**	5 293,0	100,0
Applied as follows:					
Employees					
Remuneration to employees		**2 068,1**	**37,1**	1 929,6	36,4
Providers of capital					
To lenders as finance charges		**327,9**	**5,9**	284,9	5,4
To shareholders as dividends		**1 156,2**	**20,7**	1 094,3	20,7
Taxation					
Taxation		**851,3**	**15,3**	844,5	16,0
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**1 171,3**	**21,0**	1 139,7	21,5
Employment of value added		**5 574,7**	**100,0**	5 293,0	100,0

Notes to the Value Added Statement

		2013 Rm	%	2012 Rm	%
1. Reinvested in the group to finance future expansion and growth					
Depreciation and amortisation		**335,0**	**6,0**	311,6	5,9
Deferred taxation		**85,3**	**1,5**	69,1	1,3
Retained income		**751,0**	**13,5**	759,0	14,3
		1 171,3	**21,0**	1 139,7	21,5
2. State taxes					
Direct taxation as above		**851,3**		844,5	
Net value added taxation		**392,3**		384,7	
Employees taxation		**547,5**		207,5	
Channelled through the group		**1 791,1**		1 436,7	





ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

The annual general meeting of shareholders will be held at 12h15 on Monday, 2 September 2013.

1.1 A form of proxy for use by those certificated and dematerialised shareholders with own name registration who are unable to attend the annual general meeting but wish to be represented thereat is attached to this notice. Duly completed forms of proxy must be received by the transfer secretaries (see contact details below) by no later than 12h15 on Friday, 30 August 2013.

1.2 Dematerialised shareholders without own name registration, must timeously advise their CSDP or broker if they wish to attend and vote at the annual general meeting in order for the CSDP or broker to provide them with the necessary letter of representation to do so. Such shareholders must also timeously provide their CSDP or broker with their voting instructions in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

IMPORTANT DATES AND TIMES

Post 2013 Integrated Annual Report and notice of annual general meeting	Friday, 12 July 2013
Last day to trade in order to be able to attend, participate and vote at the annual general meeting	Friday, 16 August 2013
Record date in order to be able to attend, participate and vote at the annual general meeting and last date to apply for electronic participation (12h15)	Friday, 23 August 2013
Proxy forms for the annual general meeting of shareholders to be received by 12h15 on	Friday, 30 August 2013
Annual general meeting of shareholders to be held at 12h15 on	Monday, 2 September 2013
Results of annual general meeting released on SENS on	Monday, 2 September 2013

The dates and times provided for in this circular are subject to amendment. Any amendment will be published on SENS.

For and on behalf of the board

28 June 2013

Group company secretary
D Sheard BComm, CA (SA)
Stanley Lewis Centre, 340 Voortrekker Road
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Transfer secretaries
Computershare Investor Services Proprietary Limited
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Johannesburg, 2001
P.O Box 61051, Marshalltown, 2107
South Africa

NOTICE OF ANNUAL GENERAL MEETING

THE FOSCHINI GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1937/009504/06
Share code: TFG - TFGP
(ISIN: ZAE000148466 – ZAE000148516)
("TFG" or "company")

Notice is hereby given that the 76th annual general meeting of shareholders of TFG will be held at Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town on Monday, 2 September 2013 at 12h15 to:

1. deal with such business as may lawfully be dealt with at the meeting; and
2. consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set-out hereunder in the manner required by the Companies Act,

which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 23 August 2013.

It should be noted that TFG has made provision for its shareholders or their proxies to participate electronically in the annual general meeting as detailed later in this notice.

ORDINARY RESOLUTION NUMBER 1 (PRESENTATION OF ANNUAL FINANCIAL STATEMENTS)

To receive and adopt the annual financial statements of the company and the group for the year ended 31 March 2013.

The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board) incorporating the Independent Auditor's Report, the directors' report and the board audit committee's Report for the year ended 31 March 2013 as well as the social and ethics committee's Report contained in the 2013 Integrated Annual Report have been made available and will be presented.

ORDINARY RESOLUTION NUMBER 2 (RE-APPOINTMENT OF EXTERNAL AUDITOR)

That upon the recommendation of the board audit committee, KPMG Inc. be re-appointed as auditors (and Mr H du Plessis as the designated partner) of the company until the following annual general meeting.

ORDINARY RESOLUTION NUMBER 3 (RE-ELECTION OF DIRECTOR)

To re-elect Mr S E Abrahams who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the memorandum; Mr S E Abrahams being eligible, offers himself for re-election as an independent non-executive director.

A brief curriculum vitae is included as annexure 1 to this notice.

ORDINARY RESOLUTION NUMBER 4 (RE-ELECTION OF DIRECTOR)

To re-elect Mr E Oblowitz who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the memorandum; Mr E Oblowitz being eligible, offers himself for re-election as an independent non-executive director.

A brief curriculum vitae is included as annexure 1 to this notice.

ORDINARY RESOLUTION NUMBER 5 (RE-ELECTION OF DIRECTOR)

To re-elect Ms N V Simamane who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the memorandum; Ms N V Simamane being eligible, offers herself for re-election as an independent non-executive director.

A brief curriculum vitae is included as annexure 1 to this notice.

ORDINARY RESOLUTION NUMBER 6 (CONFIRMATION AND ELECTION OF DIRECTOR)

To confirm and elect Ms B L M Makgabo-Fiskerstrand as an independent non-executive director, in accordance with the provisions of the memorandum; Ms B L M Makgabo-Fiskerstrand being eligible, offers herself for election as an independent non-executive director.

A brief curriculum vitae is included as annexure 1 to this notice.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

ORDINARY RESOLUTION NUMBER 7 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER) SUBJECT TO RE-ELECTION AS A DIRECTOR

Upon the recommendation of the nominations committee and the board, that shareholders elect Mr S E Abrahams, an independent non-executive director as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

ORDINARY RESOLUTION NUMBER 8 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER) SUBJECT TO RE-ELECTION AS A DIRECTOR

Upon the recommendation of the nominations committee and the board, that shareholders elect Mr E Oblowitz, an independent non-executive director as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

ORDINARY RESOLUTION NUMBER 9 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER) SUBJECT TO RE-ELECTION AS A DIRECTOR

Upon the recommendation of the nominations committee and the board, that shareholders elect Ms N V Simamane, an independent non-executive director as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

ORDINARY RESOLUTION NUMBER 10 (NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY)

That shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy as set-out in the Remuneration Report on pages 114 to 126 of the 2013 Integrated Annual Report.

SPECIAL RESOLUTION NUMBER 1 (NON-EXECUTIVE DIRECTOR REMUNERATION)

To approve the remuneration to be paid to non-executive directors for the year ending 31 March 2014, details of which are as follows:

Chairman	R1 277 000
Director	R225 000
Board audit committee chairman	R163 500
Remuneration committee chairperson	R79 100
Transformation sub-committee chairperson	R79 100
Member of board audit committee	R59 600
Member of risk committee	R50 600
Member of nominations committee	R26 400

Further that the fees which will be paid to directors from 1 April 2014 until the following annual general meeting be authorised by the remuneration committee subject to the proviso that the annual increase may not be more than 2% in excess of CPI.

SPECIAL RESOLUTION NUMBER 2 (GENERAL AUTHORITY TO ACQUIRE SHARES)

That the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the company upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the memorandum of the company, the provisions of the Companies Act and the Listings Requirements as presently constituted and which may be amended from time to time, and subject to the following:

1. The repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);
2. Approval by shareholders in terms of a special resolution of the company, in annual general/general meeting, which shall be valid only until the next annual general meeting or for fifteen (15) months from the date of the resolution, whichever period is shorter;
3. Repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five (5) business days immediately preceding the date on which the transaction is effected;
4. At any point in time, a company may only appoint one agent to effect any repurchase/s on the company's behalf;

5. Issuers may only undertake a repurchase of securities, if, after such repurchase, it still complies with paragraph 3.37 of the Listings Requirements concerning shareholder spread requirements;
6. An issuer or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
7. The aggregate of acquisitions by subsidiaries of the company may not result in the subsidiaries holding more than 10% of the number of issued shares of any class of shares of the company; and
8. The general repurchase by the company of its own securities may not, in the aggregate in any one financial year, exceed 10% of the company's issued share capital of that class in any one financial year.

Statement by the board

Pursuant to and in terms of the Listings Requirements, the board hereby states:

1. The intention of the directors of the company is to utilise the general authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interests of shareholders;
2. In determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the board will ensure that:
   2.1 the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next twelve (12) months;
   2.2 the assets of the company and the group will be in excess of the liabilities of the company and the group for the next twelve (12) months. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
   2.3 the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for the next twelve (12) months; and
   2.4 the working capital available to the company and the group will be sufficient for the group's requirements for the next twelve (12) months.

The board will notify the shareholders of the terms of the repurchase of the company's shares by publishing an announcement in accordance with the Listings Requirements should the company or its subsidiaries cumulatively repurchase more than 3% of the company's issued share capital.

The board will ensure that its sponsor provides the necessary sponsor letter on the adequacy of the company's working capital in terms of paragraph 2.12 of the Listings Requirements, prior to the commencement of any repurchases of TFG shares.

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 2

The reason for special resolution number 2 is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen (15) months from the date of this general meeting. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

Listings Requirements disclosures

Paragraph 11.26 of the Listings Requirements, require the following disclosures which are in the 2013 Integrated Annual Report (of which this notice forms part of) unless otherwise indicated:

– Directors and management (paragraph 11.26(b)(i) – refer to pages 10 to 15);

– Major shareholders (paragraph 11.26(b)(ii) – refer to pages 143 and 144);

– Directors' interests in TFG shares (paragraph 11.26(b)(iv) – refer to pages 125 and 126);

– Share capital of the company (paragraph 11.26(b)(v) – refer to note 12 of the 2013 Annual Financial Statements);

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Update on directors' interests in terms of paragraph 7.B.20 of the Listings Requirements

On 13 June 2013, Messrs A D Murray, R Stein and P S Meiring accepted share appreciation rights, being 133 400, 67 900 and 62 700 shares respectively.

On 13 June 2013, Messrs A D Murray, R Stein and P S Meiring respectively accepted the following ordinary shares in terms of the group's 2010 share incentive scheme: 21 700, 11 000 and 10 200 respectively. (Refer to note 12 in the 2013 Annual Financial Statements)

Litigation statement

In terms of paragraph 7.D.11 of the Listings Requirements the directors are not aware of any legal proceedings that are pending or threatened, that may have or had in the recent past (being at least the previous twelve (12) months) a material effect on TFG's financial position.

Material changes

Other than the facts and developments reported on in the 2013 Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the 2013 Integrated Annual Report and up to the date of this notice.

Directors' responsibility statement

The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the Listings Requirements.

SPECIAL RESOLUTION NUMBER 3 (FINANCIAL ASSISTANCE)

The shareholders approve that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation (including to directors and prescribed officers of such entities) provided that such financial assistance may only be provided within two (2) years from the date of the adoption of this special resolution and subject further to sections 44 and 45 of the Companies Act and the Listings Requirements.

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 3

Section 44 of the Companies Act applies to financial assistance provided by a company to related or interrelated companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Section 45 of the Companies Act may also apply to financial assistance provided by a company to related or interrelated companies and corporations, including, among others, its subsidiaries.

Thus both sections 44 and 45 of the Companies Act provide among others, that the financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two (2) years. Prior to the introduction of the Companies Act and under the previous Companies Act No. 61 of 1973, the company did provide loans and guarantees for loans or other obligations of subsidiaries and group companies and would like to continue to do so as and when necessary.

The passing of this special resolution will have the effect of authorising the company to provide financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related and interrelated companies and corporations.

ORDINARY RESOLUTION NUMBER 11

Any director of the company is authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of ordinary resolutions 1 to 10 and special resolutions 1 to 3 proposed at the company's annual general meeting to be held on Monday, 2 September 2013.

To transact any other business that may be transacted at an annual general meeting.

Voting requirements

An ordinary resolution requires the support of more than 50% of the voting rights exercised on the resolution to be adopted.

A special resolution requires the support of more than 75% of the voting rights exercised on the resolution to be adopted.

General instructions

Members are encouraged to attend, speak and vote at the annual general meeting.

Meeting participants (including shareholders and proxies) will be required to provide reasonably satisfactory proof of identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driver's licences and passports.

If you hold shares in certificated form (in other words, you have not dematerialised your TFG shares) or are registered as an own name dematerialised shareholder, then:

- you may attend and vote at this meeting; alternatively
- you may appoint a proxy to represent you at the meeting by completing the attached form of proxy and lodging it with the transfer secretaries of the company by 12h15 on Friday, 30 August 2013.

Where you are entitled, and wish, to appoint a proxy, the proxy does not have to be a TFG shareholder and you may appoint more than one proxy to exercise voting rights attached to different securities held by you which entitled you to vote.

If you have dematerialised your shares and are not registered as an own name dematerialised shareholder (in other words, you have specifically instructed your CSDP not to hold your shares in your own name on the company's uncertificated securities register), then, subject to the custody agreement between yourself and your CSDP or broker:

- if you wish to attend the meeting you must contact your CSDP or broker and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the meeting but wish to be represented at the meeting, you must contact your CSDP or broker and furnish it with your voting instructions in respect of the meeting. You must not complete the attached proxy form. The instructions must be provided in accordance with the custody agreement between yourself and your CSDP or broker within the time period required by your CSDP or broker.

CSDP's, brokers or their nominees recorded in the company's uncertificated securities register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached proxy form in accordance with the instructions thereon and lodging it with the transfer secretaries of the company by 12h15 on Friday, 30 August 2013.

Electronic participation

The company has made provision for shareholders of the company or their proxies to participate electronically in the annual general meeting by way of telephone conference call.

Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you or your proxy, will be required to complete the application form contained within this notice and return it to the transfer secretaries of the company by no later than 12h15 on Friday 23 August 2013.

By order of the board

D Sheard
Group company secretary
28 June 2013

APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM

THE FOSCHINI GROUP LIMITED

(Incorporated in the Republic of South Africa) Reg. No: 1937/009504/06
Share code: TFG - TFGP (ISIN: ZAE000148466 – ZAE000148516)

Shareholders or their duly appointed proxy(ies) ("participants") who wish to participate in the annual general meeting via electronic communication, being via teleconference, must apply to the company's transfer secretaries using the application form below.

Participants are advised that they will not be able to vote during the meeting. Such participants, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained on page 157 of this notice.

Shareholders must take note of the following:

- A limited number of telecommunication lines will be available.
- Each participant will be contacted between 09h00 and 11h00 on Monday, 2 September 2013 via email and/or SMS. Participants will be provided with a code and the relevant telephone number to allow them to dial-in.
- The cost of the shareholder's phone call will be for his/her own expense.
- The cut-off time for dialling-in on the day of the meeting will be at 12h10 on Monday, 2 September 2013 and no late dial-in will be possible.

APPLICATION FORM: ELECTRONIC PARTICIPATION

To be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P. O Box 61051, Marshalltown, 2107) as soon as possible and not later than 12h15 on Wednesday, 23 August 2013.

Full name of shareholder	
ID number of shareholder	
Email address	
Cellphone number	
Telephone number (including dialling code from South Africa)	
Name of CSDP/broker (if shares are in dematerialised form)	
Contact number of CSDP/broker	
Contact person at CSDP/broker	
Number of share certificate (if applicable)	

Signature of shareholder ______________________________

Date ______________________________

Please take note of the terms and conditions overleaf

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APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM (CONTINUED)

TERMS AND CONDITIONS FOR PARTICIPATION IN THE ANNUAL GENERAL MEETING VIA ELECTRONIC COMMUNICATION

1. The cost of dialling-in using a telecommunication line to participate in the annual general meeting is for the expense of the participant and will be billed separately by the participant's own telephone service provider.
2. The shareholder/participant acknowledges that the telecommunication lines are provided by a third party and indemnifies TFG against any loss, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the shareholder/participant or anyone else.
3. Shareholders who wish to participate in the meeting by dialling-in must note that they will not be able to vote during the meeting. Such shareholders, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained within this notice of annual general meeting by:
   (a) Completing the form of proxy; or
   (b) Contacting their CSDP/broker.
4. The application form will only be successful if this application form has been completed in full and signed by the shareholder/proxy, and the terms and conditions have been complied with.

FORM OF PROXY

THE FOSCHINI GROUP LIMITED

(Incorporated in the Republic of South Africa) Reg. No: 1937/009504/06
Share code: TFG - TFGP (ISIN: ZAE000148466 – ZAE000148516)

TFG

To be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Gound Floor, 70 Marshall Street, Johannesburg, 2001 (P.O Box 61051, Marshalltown, 2107) as soon as possible and not later than 12h15 on Friday 30 August 2013.

FORM OF PROXY (N.B. FOR USE ONLY BY CERTIFICATED AND OWN NAME DEMATERIALISED SHAREHOLDERS)
ANNUAL GENERAL MEETING: MONDAY, 2 SEPTEMBER 2013

I/We (full names) ____

of (address) ____

being a shareholder(s) of The Foschini Group Limited and entitled to ________ votes (ONE PER SHARE HELD)

hereby appoint ____

or failing him/her ____

or failing him/her the chairperson of the meeting as my/our proxy to act for me/us at the annual general meeting of the company to be held at 12h15 on Monday, 2 September 2013 at Stanley Lewis Centre, 340 Voortrekker Road, Parow East and at any adjournment thereof as follows:

		Insert X in appropriate block		
		For	Against	Abstain
Ordinary resolution No 1	Presentation of annual financial statements			
Ordinary resolution No 2	Re-appointment of external auditor			
Ordinary resolution No 3	Re-election of Mr S E Abrahams as a director			
Ordinary resolution No 4	Re-election of Mr E Oblowitz as a director			
Ordinary resolution No 5	Re-election of Ms N V Simamane as a director			
Ordinary resolution No 6	Election of Ms B L M Makgabo-Fiskerstrand as a director			
Ordinary resolution No 7	Election of Mr S E Abrahams as a member of the board audit committee			
Ordinary resolution No 8	Election of Mr E Oblowitz as a member of the board audit committee			
Ordinary resolution No 9	Election of Ms N V Simamane as a member of the board audit committee			
Ordinary resolution No 10	Non-binding advisory vote on remuneration policy			
Special resolution No 1	Non-executive director remuneration			
Special resolution No 2	General authority to acquire shares			
Special resolution No 3	Financial assistance			
Ordinary resolution No 11	General authority of directors			

Signed this ______________________________ day of ______________________2013

Signature______________________________ Assisted by (where applicable) ______________________

Please read the notes on the reverse side of this proxy form.

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FORM OF PROXY (CONTINUED)

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, the chairperson shall be deemed to be appointed as the proxy.
2. Unless otherwise instructed, a proxy is entitled to vote as he/she thinks fit.
3. A proxy appointed by a shareholder to attend, speak and vote in his/her stead need not also be a shareholder of the company.
4. In order to be effective, this proxy form, and the power of attorney or other authority (if any) under which it is signed, must be RECEIVED by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited not less than twenty-four (24) hours before the time appointed for the holding of the meeting or any adjournment thereof, as the case may be, at which the proxy proposes to vote, excluding Saturdays, Sundays and South African public holidays.
5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the chairperson.
6. If you hold shares in certificated form (i.e. you have not dematerialised your shares) or are registered as an own name dematerialised shareholder, then you may attend and vote at the meeting; alternatively you may appoint a proxy to represent you at the meeting by completing the attached form of proxy and lodging it with the transfer secretaries of the company to be RECEIVED at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and South African public holidays.
7. If you have dematerialised your shares and are not registered as an own name dematerialised shareholder (i.e. specifically instructed your CSDP not to hold your shares in your own name) then subject to the custody agreement between yourself and your CSDP or broker:
   - If you wish to attend the meeting you must contact your CSDP or broker and obtain the relevant letter of representation from it; alternatively
   - If you are unable to attend the meeting but wish to be represented at the meeting, you must contact your CSDP or broker and furnish it with your voting instructions in respect of the meeting. You must NOT complete the attached form of proxy. The instructions must be provided in accordance with the custody agreement between you and your CSDP or broker within the time period required by your CSDP or broker.
8. CSDP's, brokers or their nominees recorded in the company's register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company may vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached form of proxy in accordance with the instructions thereon which must be RECEIVED by the transfer secretaries of the company at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and South African public holidays.

NOTICE OF ANNUAL GENERAL MEETING ANNEXURE 1:

BRIEF CURRICULUM VITAE OF DIRECTORS STANDING FOR RE-ELECTION

In terms of the memorandum of The Foschini Group Limited, each year one third of the non-executive directors are subject to retirement by rotation and are eligible for re-election.

The nominations committee has considered the contribution, performance and attendance of the following directors who are retiring by rotation:

Mr S E Abrahams
Mr E Oblowitz
Ms N V Simamane

The nominations committee has also considered the confirmation and appointment of Ms B L M Makgabo-Fiskerstrand as a non-executive director who was appointed to the board on 12 November 2012.

The nominations committee has no hesitation in recommending these directors for re-appointment/appointment by the shareholders.

Mr S E Abrahams (74)

FCA, CA (SA)

Sam has been an independent non-executive director of The Foschini Group Limited since 1998.

He is a member of the nominations committee and current chairman of the board audit committee.

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

He is also a non-executive director of Investec PLC and Investec Limited.

Mr E Oblowitz (55)

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

Eddy was appointed as an independent non-executive director of The Foschini Group Limited on 1 October 2010.

He is currently a member of the board audit and risk committees.

Eddy has considerable audit and business advisory 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 (Pty) Ltd which provides multi-family office, wealth management and advisory services to an extensive international client base.

He is also a non-executive director of Mobile Industries Limited and Trencor Limited.

Ms N V Simamane (53)

BSc (Biochem) (Hons)

Nomahlubi was appointed as an independent non-executive director of The Foschini Group Limited in 2009.

She is currently a member of the board audit committee.

Nomahlubi has extensive business, marketing and communications 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 the CEO of Zanusi Brand Solutions, a branding consultancy that she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman having won two *Business Women of the Year* awards in 2009. She was recently named the 2013 Enterprising Woman, in Fort Lauderdale, Florida, USA.

She is also a non-executive director of Cashbuild Limited and Oceana Group Limited.

Ms B L M Makgabo-Fiskerstrand (38)

Tumi was appointed as an independent non-executive director of The Foschini Group Limited on 12 November 2012.

Tumi is a director of Tumi Makgabo Enterprises focusing on enterprise development in South Africa and into the African continent, and founder and executive of Africa Worldwide Media (South Africa). In addition, Tumi served for two years as the vice chairperson of the World Economic Forum's Global Agenda Council for Women's Empowerment. She is a patron of Future of the African Daughter Project and serves as a non-executive director of South African Tourism. She is a well-known television producer and broadcaster having worked with both CNN International and the South African Broadcasting Corporation.

She is also a non-executive director of Sun International Limited.

NOTICE OF ANNUAL GENERAL MEETING ANNEXURE 2: BRIEF CURRICULUM VITAE OF DIRECTORS PROPOSED FOR ELECTION TO THE BOARD AUDIT COMMITTEE

In terms of the memorandum of The Foschini Group Limited and section 94(2) of the Companies Act, the board audit committee is required to be elected by shareholders at each annual general meeting.

In terms of King III, the board audit committee must comprise a minimum of three independent non-executive directors and further in terms of the Regulations of the Companies Act at least one third of the members of the committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Having regard to the above requirements, the nominations committee considered the expertise, experience and independence requirements of the members offering themselves for election and recommended to the board that the board propose the following candidates to shareholders:

Mr S E Abrahams
Mr E Oblowitz
Ms N V Simamane

Brief details of their qualifications and experience follow.

Mr S E Abrahams (74)

FCA, CA (SA)

Sam has been an independent non-executive director of The Foschini Group Limited since 1998.

He is a member of the nominations committee and current chairman of the board audit committee.

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

He is also a non-executive director of Investec PLC and Investec Limited.

Mr E Oblowitz (55)

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

Eddy was appointed as an independent non-executive director of The Foschini Group Limited on 1 October 2010.

He is currently a member of the board audit and risk committees.

Eddy has considerable audit and business advisory 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 (Pty) Ltd which provides multi-family office, wealth management and advisory services to an extensive international client base.

He is also a non-executive director of Mobile Industries Limited and Trencor Limited.

Ms N V Simamane (53)

BSc (Biochem) (Hons)

Nomahlubi was appointed as an independent non-executive director of The Foschini Group Limited in 2009.

She is currently a member of the board audit committee.

Nomahlubi has extensive business, marketing and communications 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 the CEO of Zanusi Brand Solutions, a branding consultancy that she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman having won two *Business Women of the Year* awards in 2009. She was recently named the 2013 Enterprising Woman, in Fort Lauderdale, Florida, USA.

She is also a non-executive director of Cashbuild Limited and Oceana Group Limited.

TFG

@home

THE HOMEWARE STORE

Sells a comprehensive range of premium fashion homeware.

@homelivingspace

THE HOMEWARE STORE

Offers a comprehensive range of contemporary furniture and décor items in addition to the homeware range.

AMERICANSWISS

Leading jeweller that appeals to fashion-forward and image-conscious customers with appropriate products and brands that allow the growing middle market to express their status.

CHARLES & KEITH

FOOTWEAR AND ACCESSORIES

Charles & Keith is an established Singapore-based footwear and accessories chain with more than 250 stores across Asia, Middle East and Europe. It operates on a franchise basis with three stores in South Africa.

DONNACLAIRE

Donna-Claire offers shapely women stylish, high-quality fashion, accessories and shoes. It targets all women size 16-28.

DUESOUTH

BE AN OUTSIDER

Duesouth caters for the modern, hi-tech, outdoor consumer, who demands a clearly differentiated retail environment suited to their outdoor lifestyle.

exact!

Offers "surprisingly affordable fashion for the modern family" with particular appeal to women and men aged 30 and upwards, as well as clothing and footwear for children aged 3-12 years.

Fabiani.

The leading, premium menswear retailer in Southern Africa. Fabiani is renowned for its combination of style, quality, passion and the unexpected pop.

fashionexpress

A ladies fashion retailer catering to the value mass market, empowering women to express their style. Express yourself for less!

FOSCHINI

The Foschini brand is positioned as a destination of choice for women seeking fashionable, contemporary clothing, footwear and cosmetics, offering good value in a modern environment. It is targeted at the 25 to 35-year-old women.

hi

A stand alone mobile technology store where fashion and lifestyle meet innovation. hi offers a range of connected lifestyle, mobile technology products such as cellular phones, notebooks, tablets, headphones, accessories, data and prepaid and contract airtime.

G-STAR RAW

Just the Product- G- Star Raw is the leading, authentic denim brand for men and women.

Luella

The Luella brand is aimed at the upper income market. It appeals to customers seeking high-quality footwear and handbags.

Markham

Largest men's fashion retail chain in southern Africa, providing up-to-date internationally inspired menswear of good quality and value, suitable for all occasions.

MAT & MAY

Chain offering trendy lifestyle accessories including bags, sunglasses and cellphones to the urban, fashion-savvy male and female market.

sportscene

Sportscene offers a blend of sports and international brands that are street relevant, providing the fashion-conscious youth with a unique fashion environment, where sneakers are king.

STERNS

1896

Contemporary and classic jeweller well-known to the market for its quality and welcoming service, offering beautiful and meaningful jewellery.

TOTALSPORTS

South Africa's premier sportswear destination, with top performance brands complimented by fashion product, offering the everyday sportsperson and supporter world class product suited to their sporting needs.

TFG financial services

Provides credit and related services to customers of the group.

RCS

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.

ADMINISTRATION

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JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

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SHAREHOLDERS' CALENDAR

Financial year-end		31 March 2013
Annual report mailing date		12 July 2013
Annual general meeting (76th)		2 September 2013
Interim profit announcement (2014)		7 November 2013
Dividend payments during 2013		
Ordinary	– final 2013	July 2013
	– interim 2014	January 2014
Preference	– interim 2014	September 2013
	– final 2014	March 2014

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