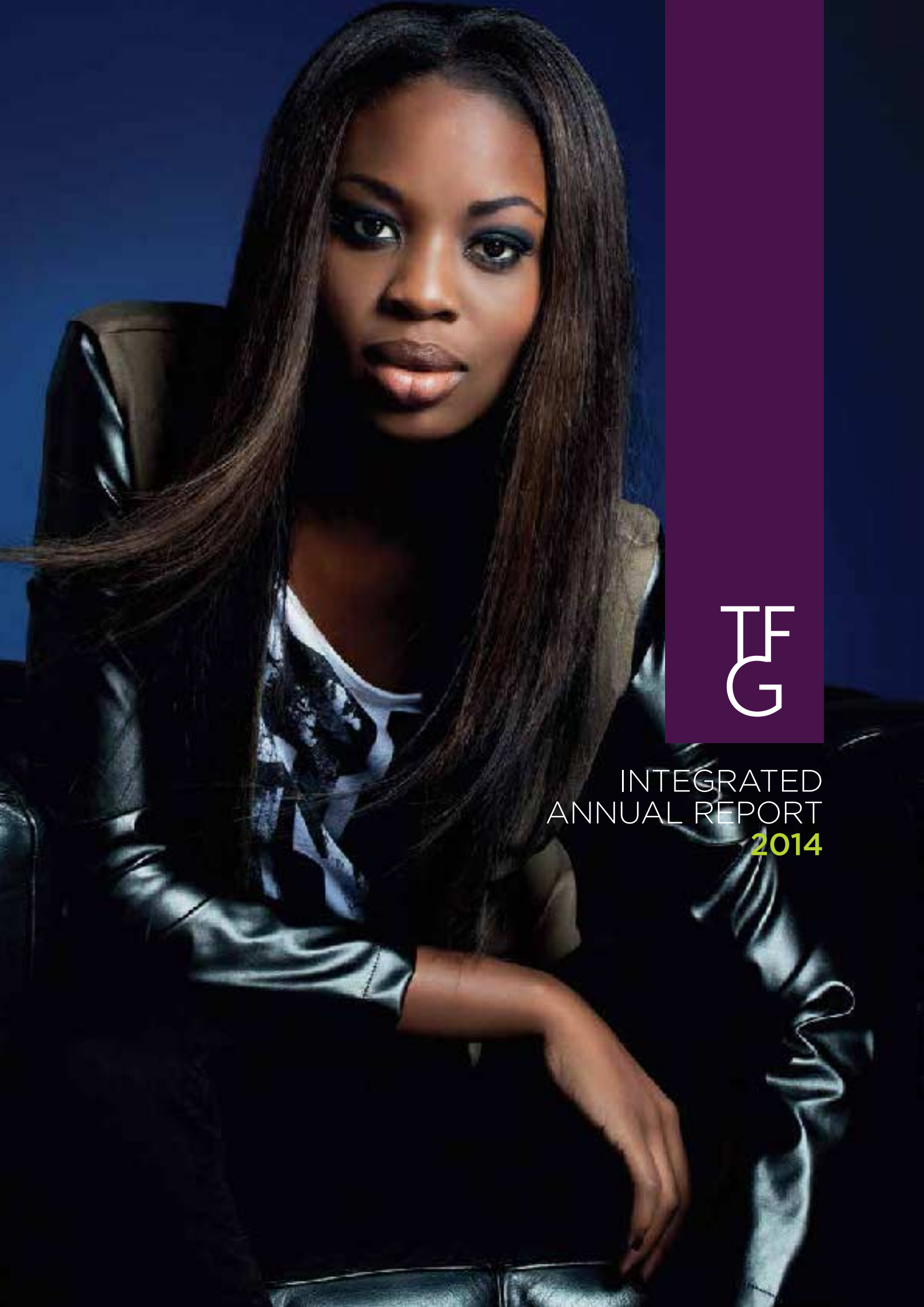

INTEGRATED ANNUAL REPORT 2014

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KEY PERFORMANCE INDICATORS & SALIENT FEATURES

KEY BUSINESS IMPERATIVES

Gross margin (%)	↔	46,5%
Operating margin (%)	↓	17,9%
ROE TFG (%)	↔	27,4%
Space growth – annual (%)	↑	6,1%
Number of stores – total		2 111
Staff turnover – permanent head office employees	↓	8,3%
BBBEE rating		Level 4
Employment equity (% representation of previously disadvantaged groups among permanent employees)		90,6%

AFRICA EXPANSION

Number of stores – Africa	120

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Number of rewards customers – cash (million)	2,1
Number of rewards customers – credit (million)	2,6

SALIENT FEATURES

Strong cash sales growth of now representing 42,2% of turnover	15,9%
Sustained strong financial position	
RCS transaction concluded, subject to normal conditions precedent	

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

Available on the App Store

SCOPE AND BOUNDARY OF REPORT

We have pleasure in presenting the 2014 integrated report for The Foschini Group Limited and its subsidiaries (together referred to as "TFG" or the "group"). This report aligns with the requirements of the King Code of Governance for South Africa (King III), the International <IR> Framework (referred to as the "Framework") and the core reporting requirements of the G4 Sustainability Reporting Guidelines. In accordance with the stated objectives of integrated reporting, our 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.

To determine the material factors relevant to the 2014 integrated report, matters - both direct and indirect - that affect the group's ability to create value in the short, medium and long term, were considered. This was done through a workshop conducted with senior management across various divisions of TFG where they identified areas of material impact and prioritised it according to their impact and likelihood. The following material issues were identified that are reported on in this integrated report:

Material issue	Capital	Further information	Link to sustainability focus area 5*
Labour relations and unions	Human capital	TFG Human Resources Report	People
Localisation	Manufactured capital	Supply chain	Supply chain
Employee retention and skills	Human capital	TFG Human Resources Report	People
BBBEE	Social and relationship capital	Social and Ethics Committee Report	Socio-economic development

Whilst reference is made to certain key reports in the above table that contains information regarding our material issues, we have throughout our report covered these material issues.

We have also linked our material issues to its relevant capital. More information on these capitals is provided further on in this section.

TFG is on a journey to formalise its process for determining materiality, and the process will be further refined during the next reporting period.

Whilst we have several stakeholders that we engage with and that influence our business, this report is targeted primarily at current and potential investors in the group.

In our continuous effort to promote environmental sustainability, reduce our carbon footprint, improve efficiencies and contain costs, we advised our stakeholders earlier this year that, going forward, all shareholder communication, including our integrated report, would be available electronically through our website and that hard copies will only be available on request. This 2014 integrated report is our first integrated report distributed in this manner.

SCOPE OF THE REPORT

This report provides a consolidated review of the group's financial, social, economic and environmental performance for the period 1 April 2013 to 31 March 2014. 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. These subsidiaries operate in South Africa as well as Namibia, Botswana, Lesotho, Swaziland, Nigeria and Zambia.

For the year under review, the RCS Group has been treated as a discontinued operation and, where relevant and appropriate, figures have been restated accordingly and indicated as such. There have been no other significant changes from last year's report in terms of the scope, boundary or measurement methods applied in this report.

CONTENT OF THE REPORT

In line with our commitment to integrated reporting, we have applied the guidance given in the Framework in our integrated report this year. One of the fundamental concepts of the Framework is that an integrated report should provide information on how an organisation uses its capitals (resources and

relationships) and on how it creates value in the short, medium and long term through the use of these capitals and the interaction thereof with the organisation's external environment. These capitals, or stocks of value, will increase or decrease over time through the outputs and activities of the organisation.

We have therefore, for the first time, incorporated a report on how we create value through the use of our capitals. This is detailed in the strategy and business model section of this report and has been integrated in various other sections of the report where relevant.

As this report is focused around our material factors, certain additional information and detail have been made available online on our website (www.tfglimited.co.za). Where relevant, this has been indicated throughout this report through the use of a navigational icon (refer alongside). This includes additional information on certain areas of our performance, notably around our environmental impacts and corporate social investment activities, which is contained within our sustainability overview report. We have also provided a detailed King III compliance checklist on our website as well as a detailed index in which we respond to each of the "G4" criteria of the Global Reporting Initiative (GRI), and wherein we identify in which section of this integrated report relevant information on our sustainable development performance is discussed.

As was our approach in previous years, only summary financial information is included in this report. The detailed annual financial statements are made available electronically on TFG's website (www.tfglimited.co.za), and hard copies are also available on request.

Any feedback or information requests that relate to this integrated report can be addressed to the company secretary, whose contact details are on the inside back cover of this report.

INDEPENDENT ASSURANCE

We obtained independent assurance on the following aspects of our integrated report.

Business process assured	Output from assurance	Status	Assurance provider
Financial			
Annual financial statements	External audit report	Audited	KPMG Inc.
Empowerment			
BBBEE credentials	BBBEE scorecard	Assured	Empowerdex
Human resources			
Employee satisfaction	Supaloud survey	Independently verified	Pure Survey

The group has not commissioned additional external assurance of the non-financial information provided in this report other than as indicated above.

APPROVAL

The audit committee has recommended the approval of the annual financial statements and the integrated report to the board. The board has reviewed and assessed the content of the integrated report and believes that it addresses the material factors that impact the group and that it is a fair presentation of TFG's integrated performance.

The board has therefore approved the 2014 integrated report on 27 June 2014.

D M Nurek
Chairman

A D Murray
CEO

NAVIGATIONAL GUIDE

To enable easy referencing and show connectivity, we have developed and applied the following icons:

- Material issues
- Business model
- Print report/other sections of the report
- 4 — Four strategic objectives
- Digital channels
- 5* — Five sustainability focus areas
- Six capitals
- Stakeholders/ Investors
- BI — Business imperatives
- Employees

CORPORATE PROFILE

The Foschini Group (TFG) is one of the foremost independent chain-store groups in South Africa. We have 17 retail brands that trade in clothing, jewellery, accessories, sporting and outdoor apparel and equipment, cellular goods and services and homeware to the broad, primarily middle and upper income groups throughout 2 000+ stores predominantly in Southern Africa. 42,2% of turnover is in the form of cash sales to customers, with the balance being on credit. The majority of merchandise sold in our stores is under our own brand names. In addition to retail turnover, revenue is also generated from interest received, as well as through various customer value added products which are primarily sold through our call centre. Merchandise is sourced both locally and internationally. In addition we have an in-house design and manufacturing facility which co-ordinates production through our own factories as well as through various independent cut, make and trim factories.

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. The company's success is strongly driven by its desire to provide the right merchandise to the respective target markets of all its trading brands, 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

2014 Luella incorporated within Foschini stores

RCS disposal

PRIDE²

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.

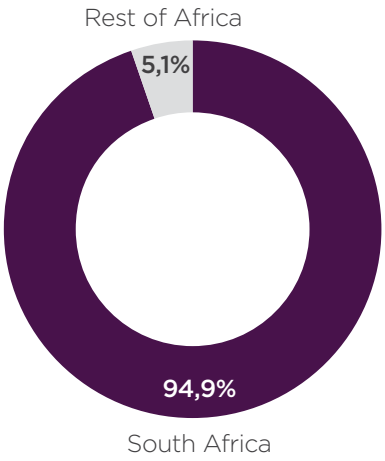
- **EXCELLENT SERVICE**

Our customers are our future – we look after them.

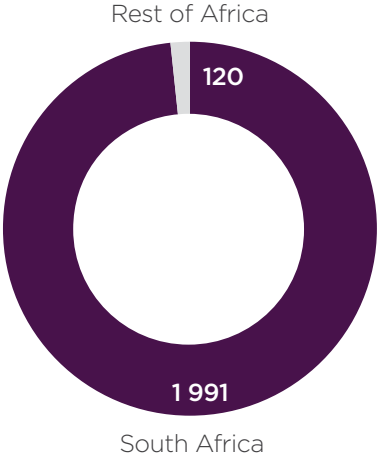
GEOGRAPHIC FOOTPRINT

TFG currently operates in South Africa, Namibia, Botswana, Lesotho, Swaziland, Nigeria and Zambia. Further expansion is planned for Ghana (2015 financial year), Angola, Mozambique and Kenya. Currently Africa contributes between 5% and 6% of both total turnover as well as total number of stores.

2014 % turnover contribution



2014 number of stores

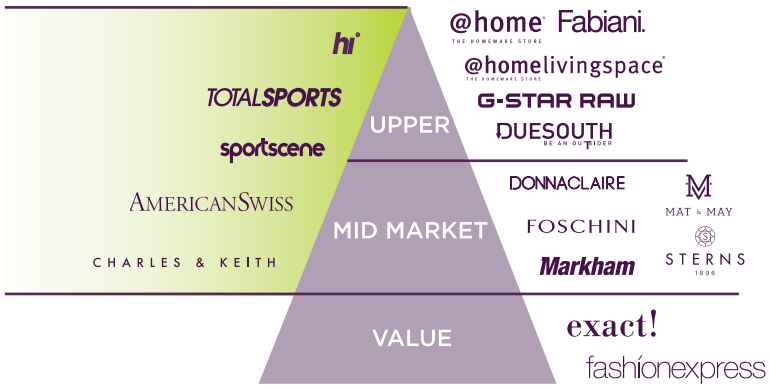


POSITIONING

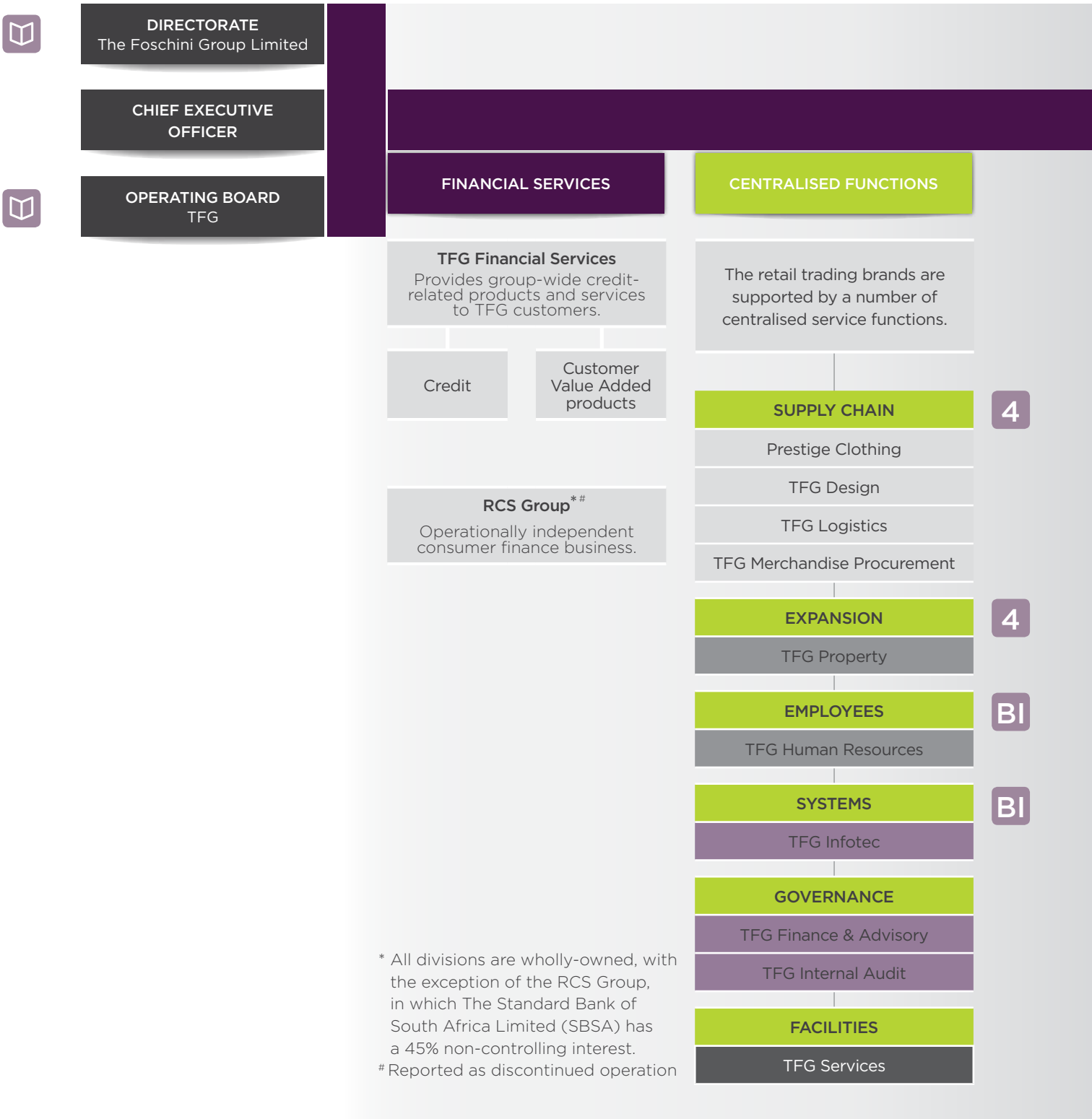
TFG'S RETAIL BRANDS SPAN VARIOUS MARKET SEGMENTS

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

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



CORPORATE STRUCTURE



For further information on our directorate, refer to TFG's Directorate and Executive Management section elsewhere in this report
For further information on our operating board, refer to the TFG's Directorate and Executive Management section elsewhere in this report

RETAIL BRANDS

The retail brands retail clothing, jewellery, accessories, sporting and outdoor apparel and equipment, cellular goods and services and homeware to the broad, primarily middle and upper income groups throughout Southern Africa. The ratio of credit sales to total turnover is 57,8%.

		Retail turnover Rm	Number of stores
@home	@home THE HOMEWARE STORE · @homelivingspace THE HOMEWARE STORE	1 073,6	97
Exact!	exact!	1 293,5	242
Fashion Express	fashionexpress	782,7	211
Foschini Division	FOSCHINI · DONNACLAIRE · CHARLES & KEITH · hi	4 030,8	357
Jewellery Division	AMERICANSWISS · STERNS 1896 · MAT & MAY	1 503,3	423
Markham Division	Markham · Fabiani. · G-STAR RAW	2 475,1	307
Sports Division	sportscene · TOTALSPORTS · DUESOUTH BE AN OUTSIDER	3 000,0	474

		growth %	Retail turnover Rm	Number of stores
TFG	TOTAL	▲ 9,8%	14 159,0	2 111

PERFORMANCE SUMMARY

INVESTOR

HEPS **908,9 cents**	↑ 5,9%
Diluted HEPS **902,7 cents**	↑ 6,0%
Final dividend **293,0 cents**	↑ 8,5%
ROE retail	↔ 27,4%
Debt/equity retail	36,8%

EXPANSION

Retail turnover **R14,2bn**	↑ 9,8%
Cash sales	↑ 15,9%
Number of stores	2 111
Space growth	↑ 6,1%

* All growths are against 2013

MARGIN

Gross margin	↔ 46,5%
Operating margin retail **17,9%**	↓ 0,8%

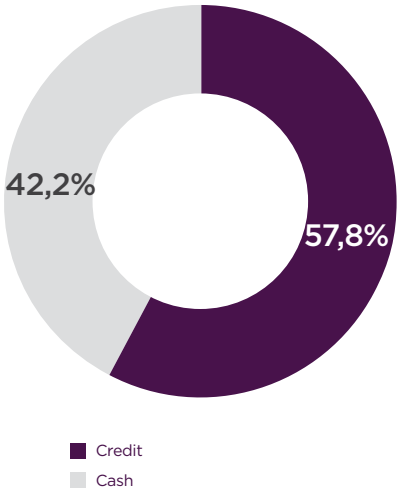
CREDIT

Net bad debt/ closing debtors' book **12,4%**	↑ 1,9%

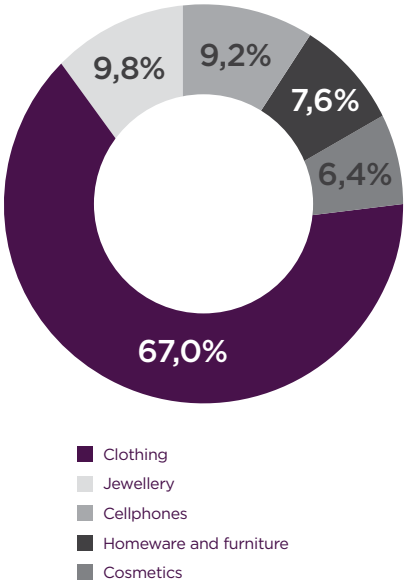
EMPLOYEES

Number of employees	17 898

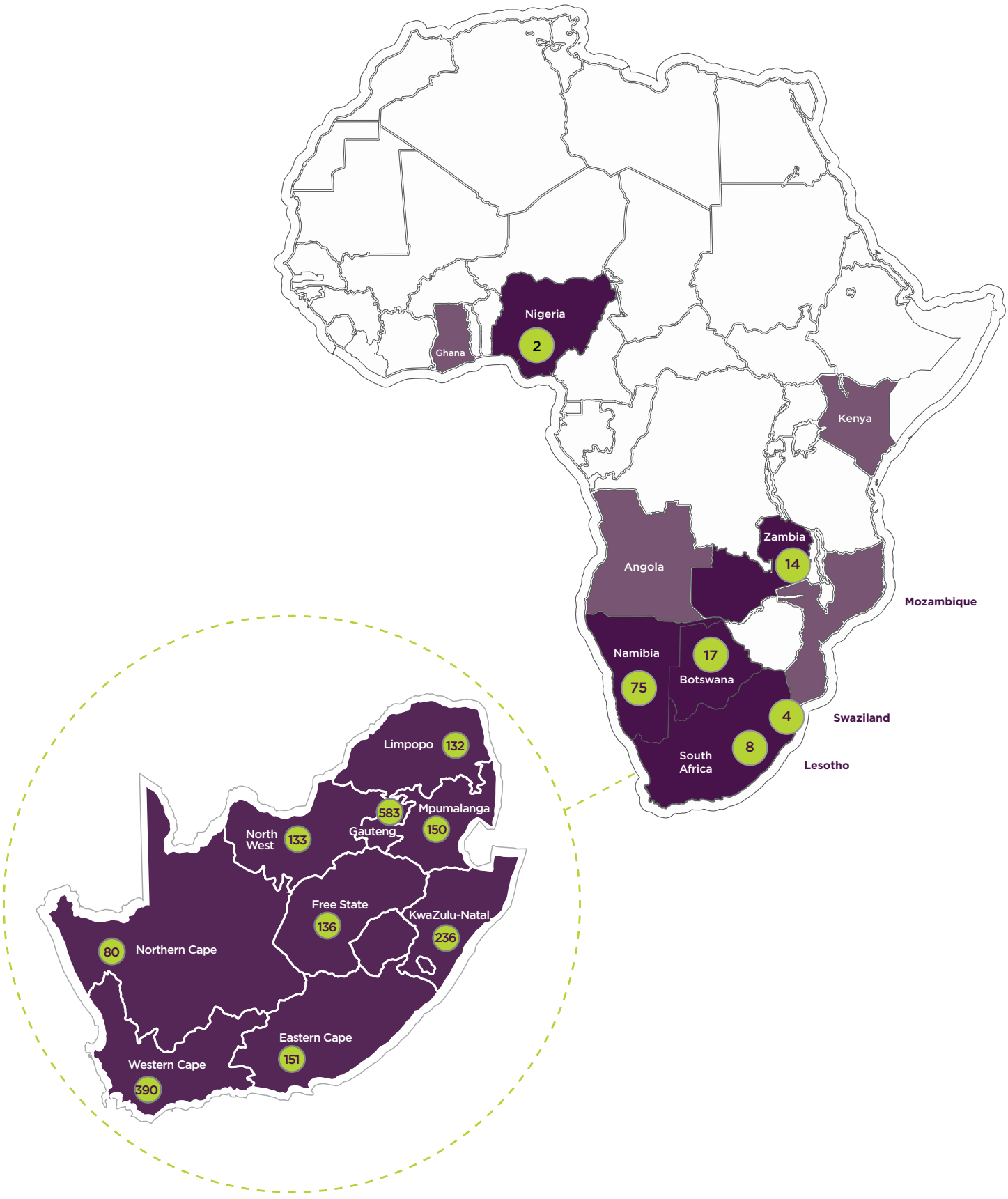
CASH VS CREDIT TURNOVER CONTRIBUTION



MERCHANDISE CATEGORY CONTRIBUTION



FOOTPRINT


Nigeria
2
Ghana
Kenya
Zambia
14
Angola
Mozambique
Namibia
75
17
Botswana
4
Swaziland
8
South Africa
Lesotho
Limpopo
132
583
Mpumalanga
150
North West
133
Gauteng
Free State
136
KwaZulu-Natal
236
80
Northern Cape
Eastern Cape
151
Western Cape
390

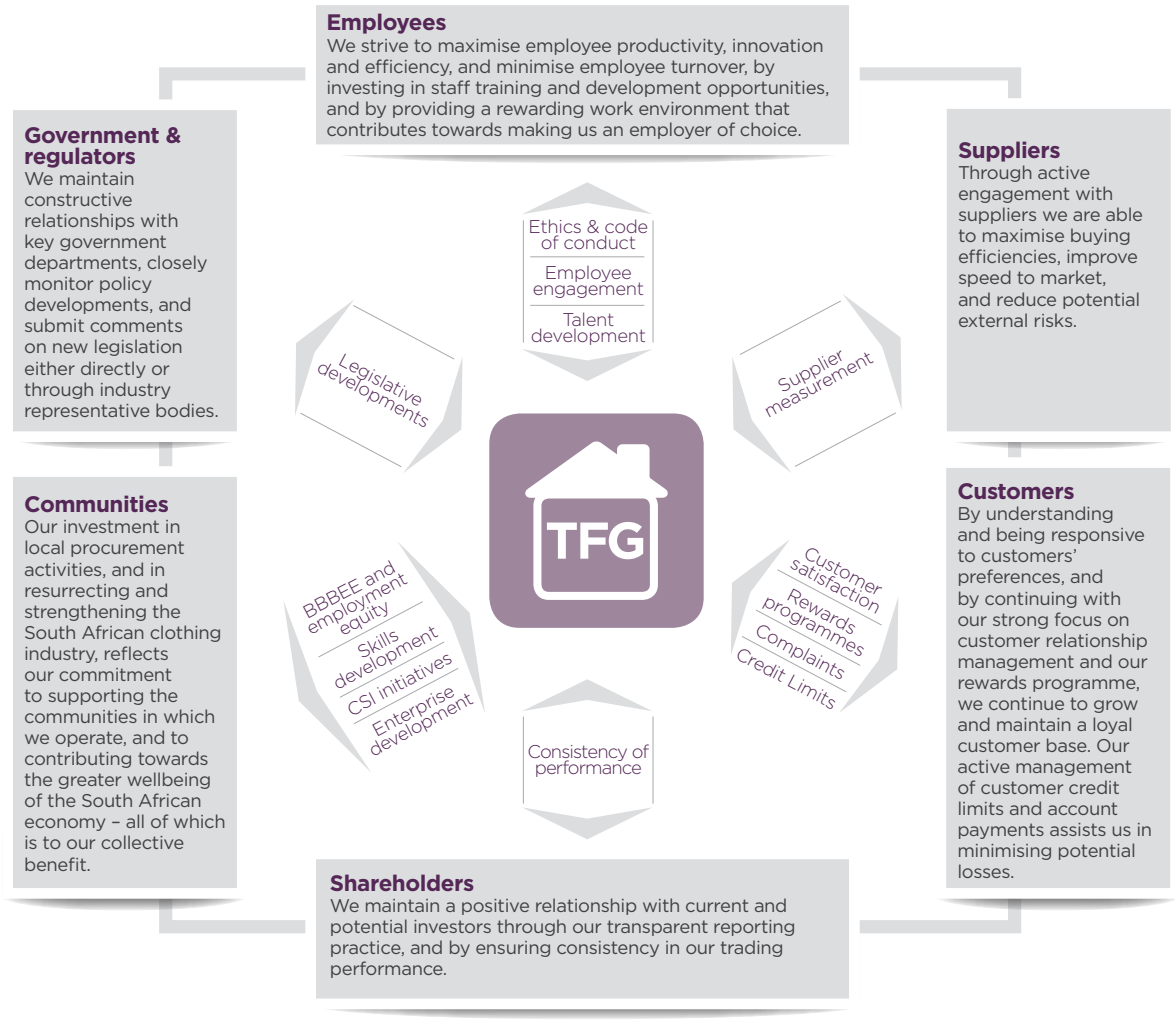
TFG'S INDUSTRY CONTEXT

WHAT IS TFG?

TFG = house of leading own brands

- Revenue streams comprise turnover (86,5%), interest income (7,0%), customer value added products (4,7%) and other (1,8%)
- Retailing on cash (42,2%) and credit (57,8%)
- Primarily in South Africa (94,9% of turnover) but with a growing African footprint (5,1% of turnover)
- Broad range of products, including apparel, footwear and sporting goods (67,0%), cellphones (9,2%), jewellery (9,8%), cosmetics (6,4%), and homewares and furniture (7,6%)
- Products sourced from a combination of import supply as well as local production
- Supplemented by customer value-added products of publishing, insurance and mobile one2one airtime
- Appealing to broad customer base of diverse LSM groupings from value to upper end

WHO ARE TFG'S STAKEHOLDERS?



A full table reflecting stakeholder engagement is available on our website

SOUTH AFRICAN OPERATING ENVIRONMENT DYNAMICS IN 2014

STATE OF THE SA ECONOMY

- South African economy remains weak
  - GDP growth at 2,3% for 2014 (BER)
  - Fragile unsecured lending market
  - Large current account deficit
  - Domestic labour issues
  - Inflation at top end of 3% – 6% target range
  - Possibility of interest rate hikes
  - Currency under pressure

STATE OF CLOTHING RETAIL IN SA

- Clothing retail in South Africa is:
  - dominated by a few major players with many smaller independents
  - although there is some overlap, the major players tend to service different market segments and are differentiated by:
    1. Exposure to mens, ladies and children's wear market
    2. Casual vs formal wear offering
    3. LSM appeal
    4. Exposure to fashion risk
    5. Source of supply (import vs local)
    6. Scale of credit offering
  - seeing increasing (albeit still fairly small) competition (particularly ladies casualwear) from international retailers now setting up in SA
  - seeing quick response models driving localisation as on-shore or near-shore sources of supply offer reduced lead times
  - experiencing product inflation due to rand weakness
  - experiencing difficult trading conditions as pressure on disposable household income (rising inflation, marginal job creation, higher debt levels and interest rates) puts consumers under pressure
  - being impacted by the high level of consumer indebtedness
  - being impacted by global retail concerns such as health and safety following incidents such as collapse of factory building in Bangladesh which brought heightened focus on supplier conformance.

TFG'S BUSINESS AGAINST THE BACK DROP OF THIS 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 macro-economic factors that impact the operating environment dynamics. These factors which influence TFG's operations include:

- continuing uncertainty regarding the rate of 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.

CHANGING GOVERNANCE REQUIREMENTS

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

- Legislation relating to consumer protection, such as the National Credit Act, the Consumer Protection Act, the Competition Act, and the Protection of Personal Information Bill.
- Legislation aimed at protecting employees and promoting transformation, such as the Labour Relations Act, the Employment Equity Act, and the Broad-Based Black Economic Empowerment Act.
- General fiscal policies, including the Income Tax Act and Value-Added-Tax Act, employee taxes, as well as specific environmental taxes such as fuel levies and possible carbon taxes.
- Legislation and voluntary frameworks promoting good governance, such as the Companies Act, the King Code of Governance (King III), the JSE Listings Requirements, the International <IR> Framework and the Security Services Act (subsequently replaced by the Financial Markets Act).

TFG'S INDUSTRY CONTEXT (CONTINUED)

- 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 macro-economic 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.

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.

SO HOW DOES TFG RESPOND?

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

- our retail stores remain world-class and our merchandise offering remains compelling;
- we continue to focus on driving supply chain agility through the development of local clothing, footwear, textile and jewellery industry which we believe will offer competitive advantage into the future;
- appropriate risk measures are applied in granting credit to customers;
- our REWARDS & MORE programme continue to provide a range of benefits that appeal to customers and give them reason to increase the frequency of their shopping at group stores;
- 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 through:
  - continued expansion in South Africa
  - through expansion into Africa
  - through launch of omni-channel in 2015

BI 4

In this context we believe that our key business imperatives as well as our four strategic objectives are sufficiently responsive both to the current business context and to the expectations of our stakeholders.

Further provision for addressing some of these societal challenges and expectations has been made within our sustainability strategy, which has been developed to ensure alignment with our overall business strategy.

TFG'S STRATEGIC AGENDA

TFG's supervisory and operating boards review 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 key strategic objectives, it does not involve a complete reworking of these objectives. The key strategic objectives are believed to be those focus areas that will guide the operations of the business over the medium term (3 – 5 years).

BI

OUR BUSINESS IMPERATIVES

In addition to the key strategic objectives the business model relies on the ongoing implementation of predefined business imperatives. These imperatives underpin day-to-day operations and are then supplemented on an annual basis with the addition of the key strategic drivers.

The ongoing business imperatives are aimed at achieving growth through:

- Diversification of product offering across a broad range of merchandise categories including:
  - Clothing
  - Jewellery
  - Cellphones
  - Cosmetics
  - Homewares and furniture
- Diversification of product appeal to a broad range of customers from value to upper LSM's
- Further innovation in publishing and insurance products
- More equitable split of cash versus credit turnover contribution
- Ensuring that risk metrics for credit customer acquisition remain relevant and aligned to acquisition channels
- Space expansion (both in South Africa and further afield)
  - In existing locations where certain brands are not represented currently
  - In existing locations where an increase in floor space of existing brands would be desirable
  - In new shopping centre and high street locations
- Introduction of new retail brands as appropriate
- Improvement in trading densities
- Continual gross margin management
- Ongoing focus on cost control
- Remaining abreast of legislative developments

The achievement of these business imperatives is reliant on having appropriate people and systems in place. To this end, significant investment is made in information technology and in our people.

The objective of our Infotec division is to add value by improving operational efficiencies, researching technology trends and supporting business growth strategies.

Through our culture of transformation, we aim to develop and grow diverse leadership talent to ensure the continuous supply of a capable, competent workforce.

Aligned with and working in conjunction with these business imperatives, are the key strategic objectives.

4

OUR STRATEGIC OBJECTIVES

Last year, in our 2013 integrated 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. Africa expansion
5. Omni-channel strategy

Following the latest internal review process at board level, the four key strategic objectives for 2014 are:

1. Optimising our supply chain
2. Customer Relationship Management (CRM) focus
3. Africa expansion
4. Omni-channel

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. Whilst the focus on store optimisation remains key, this objective is now embedded into operational processes and is no longer believed to be relevant on the strategic agenda.

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.

Refer to our TFG Infotec divisional report
Refer to our TFG Human Resources divisional report

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, this will result in improved, lead times, stock turn and margins.

2014 HIGHLIGHTS

- Ongoing supplier performance review and measurement
- In-season trading focus continues to deliver promising results
- Improved data analytics to support in-season trading
- Completion of store clustering trial
- Progress on quick response model prioritised through involvement in fast fashion cluster project
- Internal process optimisation to improve integration of Prestige
- Appointment of new service provider in respect of freight forwarding and clearing will improve visibility of supply chain in future

CHALLENGES AND FUTURE FOCUS AREAS

- Maintaining reliable sources of supply requires an ongoing focus
- Achievement of quick response targets requires ongoing focus and measurement
- Long-term target is an average lead time of 100 days
- Long-term quick response objective for ladieswear is achieving 40% of product with a lead time of 56 days or less

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

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

2014 HIGHLIGHTS

- Growth of 2,2% in active accounts achieved
- 2,1 million cash rewards customers
- 2,6 million credit rewards customers
- Rewards programme delivers incremental turnover by achieving an increase in customer average spend
- Redemption rates of reward offers tracking ahead of plan

CHALLENGES AND FUTURE FOCUS AREAS

- Focus on improving the take-up of reward offers
- Ensuring rewards base remains active
- Improving in-store signage
- Improving store reporting
- Constantly improving our understanding of customer behaviour will enable us to ensure that customer offers are relevant
- Research to improve targeting of new customers

TFG'S STRATEGIC AGENDA (CONTINUED)

AFRICA EXPANSION

Whilst we continually seek opportunities for growth in South Africa, we foresee expansion into Africa as a long-term growth strategy.

2014 HIGHLIGHTS

- Improved management structures in place
- 16 new stores opened during 2014
- Average turnover growth of 26% with same store turnover growth of 15%
- Commitment in respect of Ghana stores for 2015 financial year

CHALLENGES AND FUTURE FOCUS AREAS

- Ongoing focus on product assortment and pricing structure per territory
- Commitment to improve compliance and logistical challenges
- Future expansion into Mozambique, Angola and Kenya
- We are targeting 280 – 300 stores outside of South Africa by 2018

OMNI-CHANNEL

Whilst we are cognisant of the need to keep abreast of developments in on-line retailing, we believe that a phased approach to achieve this over the medium term is most appropriate for our business.

Our omni-channel strategy is a digital strategy that encompasses an online e-commerce strategy and solution which will enable our customers to interact with us any time, any place, through any channel. The long-term objective is to have a single, unified view of our customer across all channels.

This will be achieved through a phased roll-out across all our retail brands over the next two years.

2014 HIGHLIGHTS

- Support team established
- Development of IT platform and processes to support initial launch in 2015
- Identification of initial launch brands
- Prioritisation of credit offering as part of initial launch

CHALLENGES AND FUTURE FOCUS AREAS

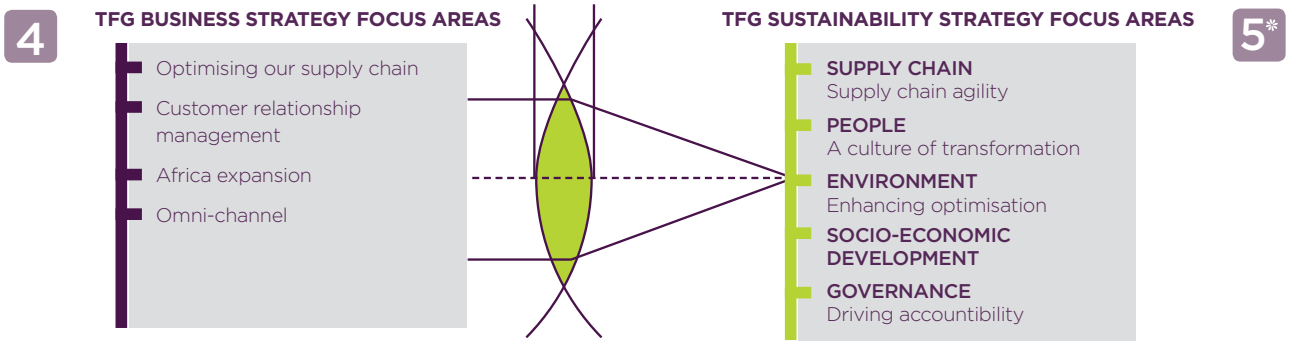
- Go live of @home & TFG Mobile products planned during 2015
- Bedding down processes following phase 1 roll-out
- Future roll-out plan of all retail brands over the next two years

TFG'S SUSTAINABILITY STRATEGY

In 2011, TFG's operating board approved a group-wide strategic framework and system to track and manage performance on environmental, social and governance (ESG) commitments.

Mindful of the challenging macro-environment, the sustainability strategy avoided audacious goals. To gain traction, it prioritised those commitments that would find resonance in tough operational circumstances. All sustainability commitments had to dovetail explicitly with the core business strategy, as well as helping TFG teams to build the capacity to deliver in a changing world. At the same time, they needed to address material ESG challenges, such as supply chain localisation, reducing energy use and increasing employment potential within the clothing sector.

Sustainability at TFG is framed around five focus areas (refer below). These focus areas were identified following a comprehensive materiality analysis undertaken by a selected team of managers from across the group.



Further information with regards to the group's sustainability strategy and ESG performance is detailed in the sustainability overview on our website.

2014 PERFORMANCE AGAINST KEY PERFORMANCE INDICATORS

	Medium-term target#	March 2014	March 2013*
Optimising our supply chain			
Stock turn (times)			
– Jewellery	1,8 – 2,0	**1,7**	1,8
– Homewares and furniture	2,0 – 2,4	**2,4**	2,4
– Clothing	3,6 – 5,0	**3,2**	3,5
Customer relationship management (CRM)			
Number of rewards customers (million)			
– cash	3,2	**2,1**	1,2
– credit	3,2	**2,6**	1,8
Africa expansion			
Number of stores – Africa	280 - 300	**120**	104
Key business imperatives			
Gross margin (%)	47,0 – 48,0	**46,5**	46,4
Operating margin (%)	20,0 – 22,0	**17,9**	18,7
ROE TFG (%)	35,0 – 40,0	**27,4**	27,8
Space growth – annual (%)	5,0 – 7,0	**6,1**	5,1
Number of stores – total	2 900	**2 111**	1 979
Staff turnover – permanent head office employees (%)	12,0 – 18,0	**8,3**	15,0
BBBEE rating	still to be determined**	**Level 4**	Level 4
Employment equity (% representation of previously disadvantaged groups among permanent employees)	> 90%	**90,6**	90,4

* Restated where appropriate to take account of RCS Group exclusion and amendment to cost of sales definition
# Medium-term target reflects objectives by 2018
**Awaiting implementation of new codes

TFG'S BUSINESS MODEL

As per the <IR> framework, a business model is the chosen system of inputs, business activities, outputs and outcomes of a company that aims to create value over the short, medium and long term.

TFG's business model, as presented alongside has been designed to show how our group's activities are aligned with our key strategic objectives and the six capitals.

TFG's business activities can broadly be segmented into:

- merchandise procurement, design and manufacturing operations; and
- retail operations.

Both of these primary areas are driven by the particular requirements of the individual retail brands. Ongoing refinements to the brand positioning are undertaken to ensure consistency of market share as consumer and fashion trends change over time.

Merchandise procurement, design and manufacturing operations

A Product design: determined by requirements of individual retail brands

B Product specification: determined by product design and will influence possible source of supply

C Procurement: C1: import vs local

C2: finished goods vs manufactured

D Receiving: finished goods are received into central distribution centre

E Distribution: finished goods are distributed to retail stores

Retail operations:

AA Store design and roll-out: this is a direct manifestation of the brand identity

BB In-store marketing: relevant in-store marketing material to promote brand as well as specific product offers

E Distribution: finished goods received in-store have been sent from the central distribution centre

CC Promotions/rewards: allocation of rewards offers to customers to entice more frequent shopping/increased spend

DD Financial services/credit: credit offering to customers aligned with their individual risk profile

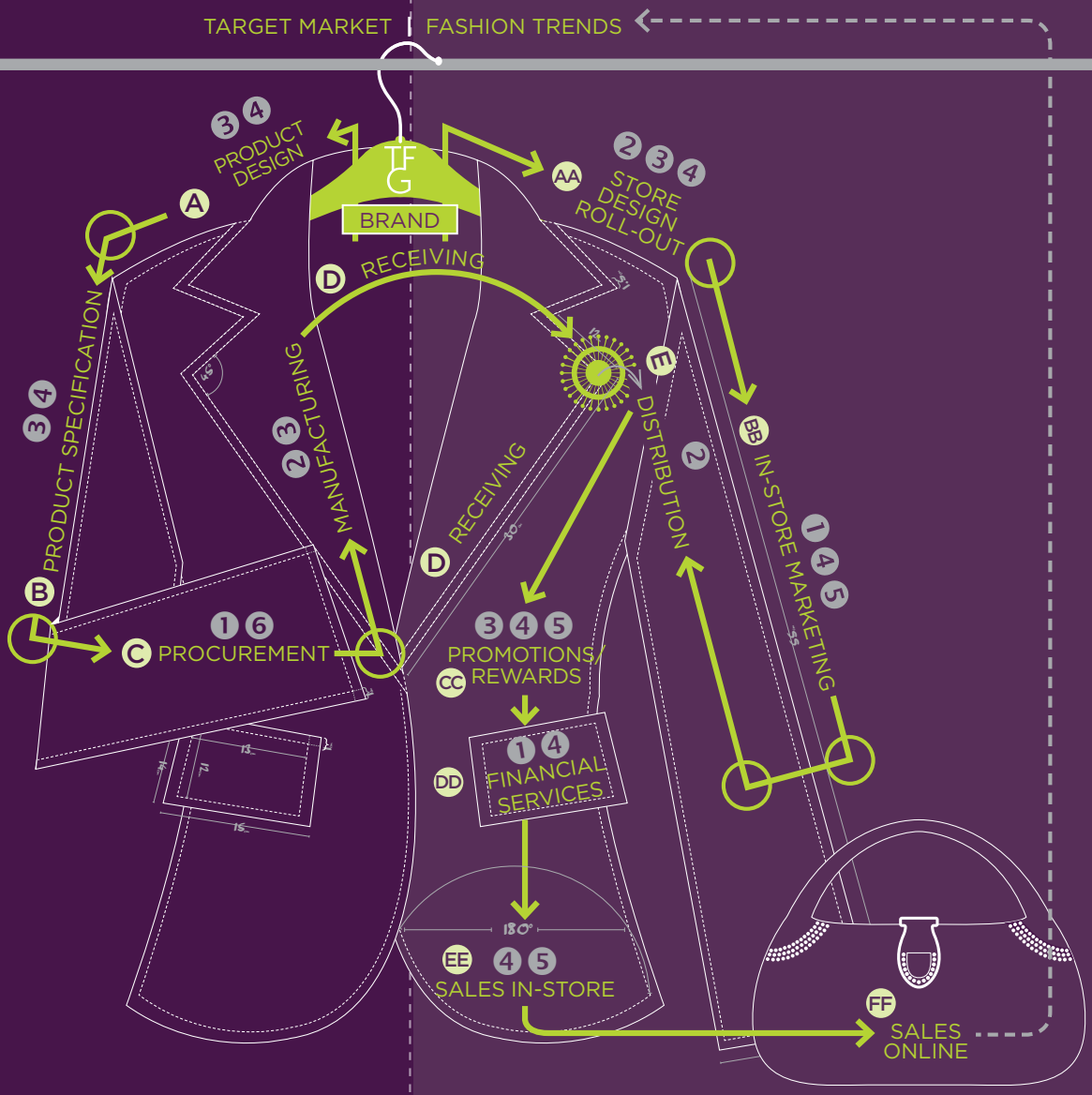
EE Sales in-store (cash and credit): sales to customers in-store on cash or credit

FF Sales online: online selling to customers on e-commerce platform

Alongside we illustrate how the six capitals link to our business model and in the following section how we create value through the use of the six capitals.

MERCHANDISE PROCUREMENT, DESIGN & MANUFACTURING

RETAIL



THE SIX CAPITALS

1. Financial
2. Manufacturing
3. Intellectual
4. Human
5. Social and Relationship
6. Natural

MERCHANDISE PROCUREMENT, DESIGN & MANUFACTURING

- A Product design
- B Product specification
- C Procurement
- D Receiving
- E Distribution

RETAIL OPERATIONS

- AA Store design and roll-out
- BB In-store marketing
- E Distribution
- CC Promotions/rewards
- DD Financial services/credit
- EE Sales in-store (cash and credit)
- FF Sales online

VALUE CREATION THROUGH USE OF CAPITALS

The International <IR> Framework released by The International Integrated Reporting Council (IIRC) during December 2013 requires organisations to, as a fundamental concept underpinning the Framework, report on the resources and relationships that it uses or affects, and the critical interdependencies between them. These resources and relationships are collectively referred to as "the capitals".

Our group is committed to integrated reporting and as such have adopted the Framework in our integrated report for this year. In the section below we show the value we have created through the use of the following capitals:

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

In our business model we also indicated the interdependencies of these capitals to our business processes.

INPUT CAPITAL	OUTPUT COMMENTARY FOR 2014	MORE INFORMATION
Financial capital TFG's pool of funds consists of funds reinvested in the group, revenue generated, interest income and a combination of long- and short-term loans from capital providers	• R1 067,2 million paid to shareholders as dividends • R161,8 million paid to capital providers as finance charges • R749,2 million paid to government as tax • R986,7 million reinvested in the group to finance future expansion and growth • R1 148,1 million generated as interest income	• Dividend policy • Value added statement • Annual financial statements
Manufactured capital The stores, distribution network and general infrastructure throughout South Africa which enable us to procure, import, manufacture, deliver and sell our products and services	• Property, plant and equipment to the value of R1 696,1 million • Inventory to the value of R2 775,9 million • R9 145,8 million paid to suppliers for the delivery of goods and services • R1 373,3 million paid to property owners as store rental payments • 165 new stores (16 opened outside of South Africa) • Full in-house credit management capability supported by a 1 500-seat call centre	• Annual financial statements • Value added statement
Intellectual capital The intangibles that constitute our product and service offering and provide our competitive advantage	• Goodwill and intangible assets to the value of R63,4 million • Sustainable provision of retail and financial services to the broad, primarily middle and upper income groups almost entirely within the South African Common Monetary Area • More than 5,1 million customers • 17 retail brands supported by various service divisions • State-of-the-art fabric and pattern optimisation systems • Design capabilities • House of leading own brands (household names) • Compelling credit offering • World class stores • Registered trademarks	• Mission statement • Values statement • Introducing TFG • Review of operations and services • Annual financial statements

Human capital The skill and experience vested in our employees that enable us to implement our strategy, deliver our products and services and thereby create value for our stakeholders	• An experienced, balanced and diverse board with a strong commitment to good corporate governance • Mature governance structure • Experienced, competent and cohesive management team • Restraint of trade agreements in place for key employees • Clearly defined company values • Performance management system • Ability to manage risk • 17 898 employees • 8,3% employee turnover (head office) • R1 958,0 million paid to employees as remuneration • R117,6 million invested in training resulting in 117 341 training interventions for all employees of which 106 907 were for black employees • R6,8 million in post-retirement benefits paid out • 330 health and safety incidents • 81 reports received through whistle-blowing facility	• Board and management remuneration policy • Governance report • Value added statement • Risk report • Values statement • Key performance indicators
Social and relationship capital The key and long term relationships that we have cultivated with clients, suppliers and business partners, particularly to enhance broad-based black economic empowerment	• 4,7 million customers part of our rewards programme – 2,1 million cash reward customers – 2,6 million credit reward customers • BBBEE rating at level 4 • Offshore partnerships that allow finished goods sourcing in the Far East • 88% of total procurement from BBBEE sources (merchandise and non-merchandise) • ongoing effort in furthering enterprise development initiatives • R5,3 million donated by TFG Foundation across 72 organisations • Merchandise donations of R35 million to The Feel Good Project • 387 jobs created through the Fast Fashion Cluster Project over a 3-year period • Provided assistance to 13 636 people during the year through support of disaster relief efforts	• Key performance indicators • Supply chain • TFG Human Resources • Social and ethics committee report
Natural capital The resources that we use for the production of goods	• Environmental performance managed by our green team comprising senior managers from various areas of the business • Supply chain optimisation and monitoring of procurement practices • Sustainability steering committee coordinates and integrate sustainability initiatives accross the group • Ongoing initiatives including converting lighting systems to lower consumption units – 6,6 million kilowatt hours saved (2013: 8,5 million kW/h)	• Appendices

TFG'S INVESTMENT CASE

FINANCIAL PERFORMANCE

- Turnover in excess of R14 billion
- 10-year compounded turnover growth rate of 10,4%
- Return on equity 27,4%
- Dividend cover 1,7 times
- 10-year headline earnings per share compounded growth rate of 9,7%
- 10-year compounded growth on dividend returns to shareholders of 12,6%
- Sustained strong financial position
- Cash flow generation remains strong
- Gross profit margin maintained
- Cash EBITDA R2,9 billion

TRUSTED BRAND

- Over 5,1 million customers
- Continued growth since the company was founded in 1924
- 17 fashion-forward own brands trading out of 2 111 stores – all household names
- Customer base across broad LSM groups from value to upper end
- Brand innovation across clothing, homeware, jewellery, cellphones, cosmetics and technology
- Focus on professionalism, resilience, integrity, dignity and respect, empowerment and excellent service
- Successful rewards programme 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 facilitate finished-goods sourcing in the Far East

TFG FINANCIAL SERVICES

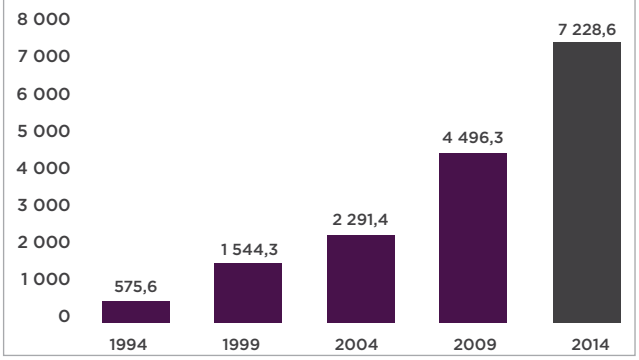
- Manages our retail debtors' book
- Full in-house credit management capability supported by 1 500-seat call centre
- Leading-edge risk management methodology
- Large publishing/insurance/cellular offer that augments product offering (customer value added products)
- Customer Relationship Management across all retail brands
- Leverage through rewards programme

4 AFRICA EXPANSION

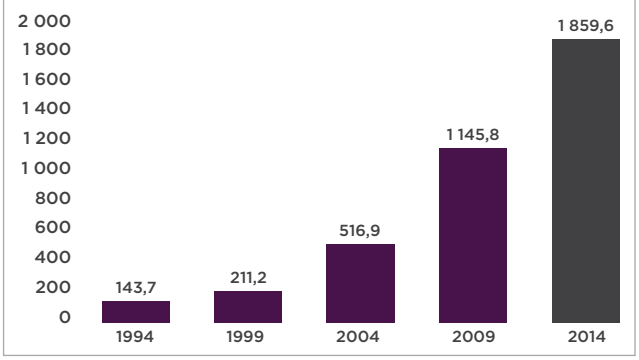
- Well-located footprint in Lesotho, Swaziland, Namibia, Botswana, Zambia and Nigeria
- Expansion into Ghana in progress
- Expansion into Angola, Mozambique and Kenya in future
- 2014 turnover growth of 26% with same store turnover growth of 15%
- Projected number of stores outside South Africa 280 – 300 by 2018

FIVE-YEAR REVIEW 1994 - 2014

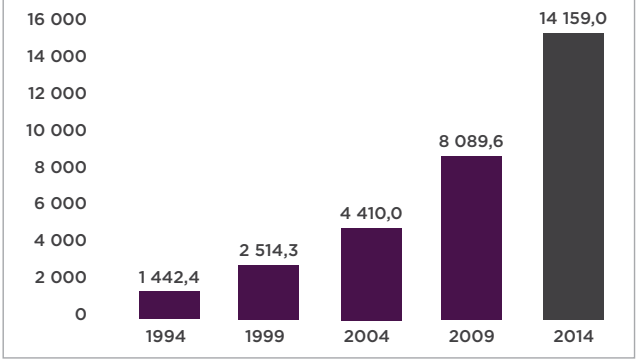
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE FOSCHINI GROUP LIMITED (Rm)



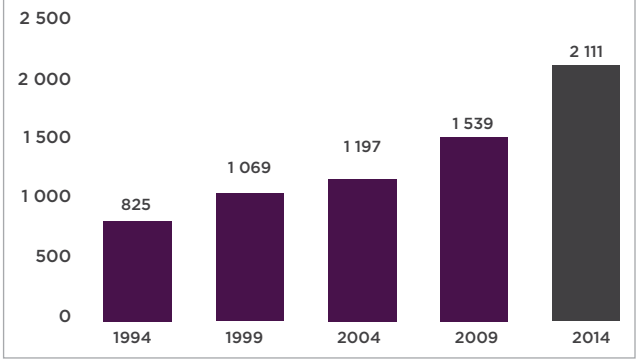
ATTRIBUTABLE EARNINGS (Rm)



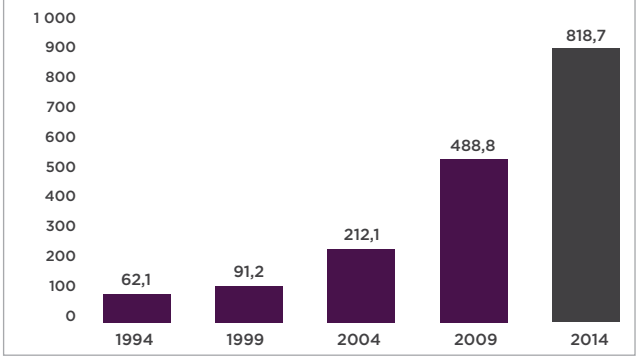
TURNOVER (Rm)



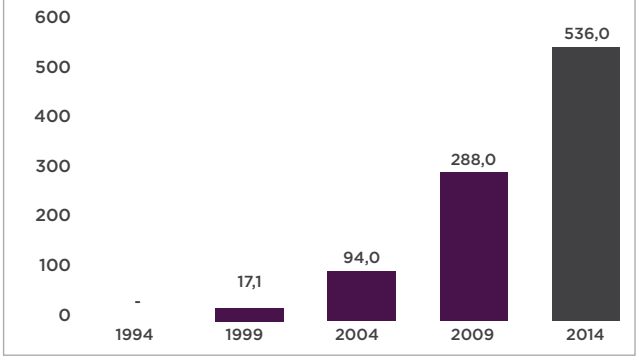
NUMBER OF STORES



HEADLINE EARNINGS PER ORDINARY SHARE (cents)*



CASH DIVIDENDS DECLARED PER ORDINARY SHARE (cents)#



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

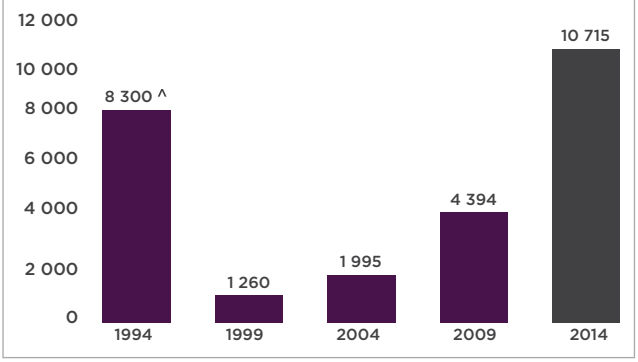
From 2000, earnings are based on the weighted average number of shares in issue.

From 2004 onwards restated to reflect continuing operations only

\# In 1994 a scrip dividend was declared.

^ Share split in 1994.

CLOSING SHARE PRICE (cents)



10-YEAR STATISTICS

YEARS ENDED
Profitability
Retail turnover (Rm)
Operating profit before finance charges (Rm) – continuing operations
Operating profit before finance charges (Rm) – discontinued operations
Profit attributable to equity holders of The Foschini Group Limited (Rm)
Headline earnings (Rm)
Statement of financial position
Non-current assets (Rm)
Current assets (Rm)
Assets of disposal group (Rm)
Total assets (Rm)
Total shareholders' interest (Rm)
Non-controlling interest (Rm)
Non-current liabilities (Rm)
Current liabilities (Rm)
Liabilities of disposal group (Rm)
Total equity and liabilities (Rm)
Cash flow statement
Cash flows from operating activities (Rm) – continuing operations
Cash flows from operating activities (Rm) – discontinued operations
Cash flows from investing activities (Rm) – continuing operations
Cash flows from investing activities (Rm) – discontinued operations
Cash flows from financing activities (Rm) – continuing operations
Cash flows from financing activities (Rm) – discontinued operations
Net (decrease) increase in cash (Rm)
Cash at the beginning of the year (Rm)
Cash at the end of the year (Rm) – discontinued operations
Effect of exchange rate fluctuations on cash held (Rm)
Cash at the end of the year (Rm) – continuing operations

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

Performance measures/ratios
Turnover growth (%)
Same store turnover growth (%)
Operating margin (%)
Operating margin (%) – continuing operations
Debt equity ratio – continuing operations (%)
Total liabilities to shareholders' interest (times)
Total liabilities to shareholders' interest (times) – continuing operations
Current ratio (times) – continuing operations
Headline earnings per ordinary share (HEPS) (cents)*
Headline earnings per ordinary share (HEPS) (cents)* – continuing operations
Change in HEPS (%)
Dividends declared per ordinary share (DPS) (cents)
Tangible net asset value per ordinary share (cents)
Market capitalisation (Rm)
Statistics
Number of ordinary shares in issue (millions)
Number of ordinary shares on which headline earnings per share is calculated (millions)
Net number of ordinary shares on which net asset value per shares is calculated (millions)
Market price per share at year-end (cents)
Number of stores
Floor area (gross square metres)

Notes

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

* 2013 and prior years have been restated where appropriate to reflect RCS Group as a discontinued operation

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

**Restated as insurance cells are no longer consolidated and their cash is now included in working capital as part of the insurance receivable

2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*	2005*
14 159,0	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
2 536,9	2 407,3	2 232,6	1 845,1	1 559,3	1 686,4	1 521,5	1 478,5	1 250,2	955,9
710,9	634,3	553,9	456,1	413,3	339,1	384,0	408,5	317,1	248,9
1 859,6	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
1 872,3	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
2 120,5	1 883,1	1 623,8	1 353,1	1 380,5	1 363,3	1 284,4	1 204,7	886,6	982,1
9 351,2	8 425,9	7 281,2	6 165,0	4 949,8	4 601,2	3 981,7	3 755,5	3 571,7	2 915,9
5 631,5	4 985,4	3 912,9	3 164,3	2 883,7	2 679,7	1 897,7	1 823,5	1 390,0	1 022,0
17 103,2	15 294,4	12 817,9	10 673,4	9 214,0	8 644,2	7 163,8	6 783,7	5 848,3	4 920,0
7 228,6	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
861,3	705,5	571,1	485,6	427,0	359,2	290,9	181,3	88,9	16,0
2 016,0	1 392,4	2 284,8	1 417,3	764,2	761,9	711,7	1 282,4	1 064,2	1 038,6
3 296,1	2 750,3	2 323,3	1 446,4	787,1	781,7	728,4	210,9	326,3	591,7
3 701,2	3 402,4	2 620,5	2 055,9	1 286,1	946,5	1 279,3	1 283,5	1 101,0	776,9
17 103,2	15 294,4	12 817,9	10 673,4	9 214,0	8 644,2	7 163,8	6 781,7	5 848,3	4 920,0
128,2	485,2	(77,9)	190,8	352,0	640,3	(47,8)	492,3	343,2	131,7
(144,9)	(884,6)	(299,0)	(40,7)	12,5	(320,4)	3,4	(393,0)	(440,5)	(45,0)
(537,5)	(557,0)	(377,2)	(353,9)	(264,0)	(517,1)	(15,6)	(98,2)	56,1	(154,2)
(22,3)	(16,7)	(26,6)	(15,1)	(6,3)	(19,1)	(36,6)	(14,5)	(4,6)	(11,5)
(339,5)	121,4	666,9	179,4	(131,1)	(17,2)	20,3	(386,6)	(374,5)	28,8
366,7	940,3	486,1	94,0	24,7	360,2	43,5	408,6	446,6	57,2
(129,7)	88,6	372,3	54,5	(12,2)	126,7	(32,8)	8,6	26,3	7,0
593,4	504,7**	338,5	284,0	296,2	169,5	202,3#	62,5	36,2	29,2
(421,9)									
0,1	0,1	0,1	–	–	–	–	–	–	–
301,3	593,4	710,9	338,5	284,0	296,2	169,5	71,1	62,5	36,2
9,8	10,9	17,0	15,5	6,4	5,5	6,1	12,4	21,8	19,7
4,2	5,8	10,6	10,8	–	–	2,2	8,0	14,9	16,1
22,9	23,6	24,0	23,2	22,9	25,0	24,8	26,1	24,3	22,8
17,9	18,7	19,2	18,6	18,1	20,8	19,8	20,4	19,4	18,1
36,8	22,3	20,7	20,1	14,4	20,1	26,5	9,5	10,1	4,0
1,2	1,1	0,9	0,9	0,7	0,8	0,8	0,7	0,8	1,0
0,7	0,6	0,5	0,5	0,5	0,6	0,5	0,4	0,4	0,7
2,8	3,1	3,2	4,3	6,5	5,9	5,5	17,8	10,9	4,9
908,9	858,6	772,0	632,3	521,4	559,5	547,0	534,2	463,0	359,6
818,7	780,6	653,9	537,3	440,7	488,8	458,2	438,1	463,0	296,6
5,9	11,2	22,1	21,3	(6,8)	2,3	2,4	15,4	28,8	51,7
536,0	506,0	455,0	350,0	288,0	288,0	288,0	270,0	220,0	164,0
3 507,2	3 322,4	3 030,5	2 656,4	2 415,8	2 164,5	1 874,8	1 799,2	1 532,7	1 174,1
23 787,8	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
222,0	228,5	240,5	240,5	240,5	240,5	240,5	240,5	240,5	240,5
206,0	209,2	205,2	206,5	208,2	204,8	206,3	209,5	213,1	213,3
204,3	210,1	206,4	205,3	209,0	207,3	204,6	212,0	212,6	211,9
10 715	11 280	12 368	8 465	6 700	4 394	3 851	6 910	5 826	3 555
2 111	1 979	1 857	1 727	1 627	1 539	1 393	1 332	1 273	1 233
646 665	609 411	579 365	537 951	505 676	467 420	410 378	380 615	354 747	334 662

VALUE ADDED STATEMENT

OUR STAKEHOLDERS	VALUE CREATED	CAPITALS	2014 Rm	%	2013* Rm	%
Customers	Revenue	Financial	14 159,0		12 896,4	
Suppliers	Cost of merchandise	Manufactured	(9 145,8)		(8 151,5)	
WEALTH CREATED			**5 013,2**		**4 744,9**	
Employees	Remuneration	Human	2 048,3	40,9	1 885,2	39,7
Financial institutions	Finance costs	Financial	161,8	3,2	108,4	2,3
Shareholders	Dividends paid	Financial	1 067,2	21,3	1 057,4	22,3
Government	Taxation paid	Financial	749,2	14,9	709,6	15,0
WEALTH DISTRIBUTED			**4 026,5**		**3 760,6**	
Reinvested in TFG for future growth	Retained earnings before dividend paid and depreciation	Financial	986,7	19,7	984,3	20,7
WEALTH RETAINED			**986,7**		**984,3**	

*Restated to reflect RCS Group as discontinued operation

DIRECTORATE
EXECUTIVE DIRECTORATE

A D MURRAY (57)

CEO

BA, CA

Appointed: 2007

Member of: Risk and Social and Ethics Committees

Meetings attended by invitation: Audit, Remuneration and Nomination Committees

Joined the group: 1985

Doug is currently the CEO, a position he has held since 1 January 2008. He joined the group in 1985 and was appointed as an executive director of The Foschini Group Limited in 2007. Doug has extensive retail experience, having previously held the positions of MD of Pages (subsequently re-branded 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 (65)

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 (58)

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 re-branded exact!) before moving to the financial services division in 1992.

DIRECTORATE
NON-EXECUTIVE DIRECTORATE

D M NUREK (64)

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

S E ABRAHAMS (75)

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 Bank Limited

Sam is a very experienced director. He was formerly an international partner and South African managing partner of Arthur Andersen. Sam is currently also a director of Investec Securities (Pty) Ltd.

PROF F ABRAHAMS (51)

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 part-time 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 Dean of the Faculty of Economic and Management Sciences at UWC. She is 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 (focus on Human Resources issues). In addition, she was a non-executive director of Transnet, B2B Africa (Pty) Ltd and chairperson of Victoria and Alfred Waterfront Holdings. She has served on the Audit and Risk Committees, Transformation and 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)

D FRIEDLAND (61)

B Com, Certificate in the Theory of Accountancy CA(SA)

Appointed: 2013

Member of: Remuneration and Internal Audit and Risk Committees

Meetings attended by invitation: Audit Committee

Also a director of South African listed companies: Pick n Pay Stores Limited and Investec Limited

Also a director of a foreign listed company: Investec PLC

David is a chartered accountant with extensive audit experience of a broad range of retail listed companies. He served as international partner at Arthur Andersen from 1990 and from 2002, was a partner at KPMG. David was head of audit and risk at KPMG (Cape Town), and was the lead audit partner for several listed companies. In 2013, David retired as a partner at KPMG and was appointed in March 2013 to the boards of Investec Limited and Investec PLC, serving as the group audit committee chairman.

M LEWIS (55)

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 adviser. 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 (TUMI MAKGABO) (40)

Appointed: 2012

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

Tumi is a director of Tumi Makgabo Enterprises, focusing on enterprise development in South Africa and across the African continent. In addition, Tumi served for 2 years as the vice chairperson of the World Economic Forum's Global Agenda Council for Women's Empowerment, currently serves as a member of the Council on Africa and was, in 2008, nominated to the Forum of Young Global Leaders which is a multi-stakeholder community of exceptional leaders, below the age of 40, from around the world. She serves as a non-executive director of South African Tourism and she is a well known broadcaster and producer who founded AfricaWorldwide Media.

E OBLOWITZ (56)

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

Appointed: 2010

Member of: Audit and Risk Committees

Chairman of: Risk Committee

Also a director of South African listed companies: 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 Executive Chairman of Stonehage South Africa which provides multi-family office, wealth management and advisory services to an extensive international client base.

N V SIMAMANE (55)

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 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 named the *2013 Enterprising Women of the year*, in Fort Lauderdale, Florida, USA.

COMMITTEES

AUDIT COMMITTEE
S E Abrahams (Chairperson)
E Oblowitz
N V Simamane
D Friedland (by invitation)
D M Nurek (by invitation)
A D Murray (by invitation)
R Stein (by invitation)

REMUNERATION COMMITTEE
Prof F Abrahams (Chairperson)
D M Nurek
D Friedland
B L M Makgabo-Fiskerstrand
A D Murray (by invitation)

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

NOMINATION COMMITTEE
D M Nurek (Chairperson)
S E Abrahams
M Lewis
A D Murray (by invitation)

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

CHAIRMAN'S REPORT

D M NUREK CHAIRMAN

> FOR THE FIRST TIME, OUR PROFIT AFTER TAX EXCEEDS R2 BILLION

OVERVIEW

Retailers continued to face a tough trading environment after a relatively subdued end to 2013 with the credit environment deteriorating further this year.

In this difficult credit environment, the group produced a solid result with diluted headline earnings per share growing by 6,0%.

Overall turnover increased by 9,8%. Cash sales were buoyant growing at 15,9%. Enhanced risk management measures remained in place in both the granting and collection of credit which curtailed our credit turnover growth to 5,7%. Cash sales now represents 42,2% of turnover and it is likely that in the next financial year, cash sales will represent an even greater portion of group turnover which does position our group well for future downturns in the economic cycle. For the first time, our profit after tax exceeds R2 billion.

Over the last few years, our group has broadened its LSM appeal and we now cater for a much wider portion of the South African consumer base incorporating LSM groups 6 – 10.

We are arguably in the worst credit environment that our country has experienced for many years and it is imperative that our bad debt policy remains prudent which has resulted in our bad debt charge increasing by 39,5%. Our debtors' book at year-end is adequately provisioned.

As previously announced during the year we, together with The Standard Bank of South Africa Limited, entered into agreements which will result in BNP Paribas Personal Finance SA becoming the 100% shareholder of the RCS Group, in which we hold a 55% investment. Our share of the proceeds will amount to approximately R1,4 billion. The transaction is subject to the fulfilment of certain conditions precedent which we currently envisage to be fulfilled around end July 2014.

Our group has a strong balance sheet which has allowed us to continue to invest for future growth, improve our systems and pursue our strategic objectives including expansion. During the year 165 new stores were opened.

ECONOMY AND OPERATING ENVIRONMENT

The South African economic outlook remains subdued with the Bureau for Economic Research (BER) projecting GDP growth for 2014 at 2,3% and for 2015 at 3,0%. The Rand exchange rate continued to lose ground against major currencies, on top of a sustained weakening trend since early 2012. The larger SA trade deficit together with a deteriorating growth outlook appeared to have influenced the Rand for the worse. Whilst the Rand is still predicted to strengthen in the second half of this calendar year, it is nonetheless forecast to average R10,65 to the dollar by the end of 2014.

The exchange rate decline raises the risk that more pronounced currency pass-through is imminent and inflation is expected to remain at or above the 6% level for some time.

The SA Reserve Bank increased its repo rate by 50 bps in January 2014 and it is likely that further increases will follow this year, which obviously would be guided by the data on inflation.

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, as the board recognises the critical role it has to play in the transformation process. The representation of employment equity employees to total employees has increased from 88,87% in 2010 to 90,56% in 2014. Employment equity progress at a senior management level continues to be a key strategic focus area with development opportunities being aligned with the selection of equity candidates.

In the recent *Mail & Guardian's* Most Empowered Companies report of 2014, our group has again fared well.

GOVERNANCE

TFG remains committed to the high standards of corporate governance that underpin all its business activities. Transparency and accountability are the key principles. Management and the board continue to be guided by the governance principles contained in the King III code and the Listings Requirements of the JSE Limited. In regard to King IIII where we have not applied its recommendation fully, we continue to explain our reasons for not doing so in the corporate governance section of this report.

I would like to welcome David Friedland who joined the board as a non-executive director on 14 November 2013. He has an extensive range of business experience and he has already added considerable value to our board deliberations.

INTEGRATED REPORTING

We continue to provide an integrated report that takes cognisance of the impact of broader societal issues on our business, as well as reflecting how these issues have influenced the strategic direction of our group. In addition, we continue to highlight our approach to managing our most material sustainability impacts.

With this understanding in mind, in this integrated 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. Rather than addressing sustainability issues on a standalone basis, we continue to integrate our account of our sustainability performance within each relevant area. A fuller account of our approach to sustainability is contained within our Sustainability Overview Report which is made available on our website.

APPRECIATION

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

- Doug Murray and the senior executive team for their leadership of the group during a particularly difficult year;
- all employees for their excellent performance and hard work 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

27 June 2014

OPERATING BOARD

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

THE OPERATING BOARD OF DIRECTORS OF THE GROUP

B J CURRY (52)
Chief Information Officer – TFG Infotec and TFG Logistics

Joined the group in 1988

D B GEDYE (55)
Group Director – Sports division and Markham

Joined the group in 1979

M MARITZ (46)
Group Director – Markham

Joined the group in 2001

P S MEIRING (58)
Group Director – TFG Financial Services

Joined the group in 1983

M MENDELSOHN (55)
Group Director – Jewellery, exact!, Fashion Express, TFG Merchandise Procurement and Design Centre and TFG Manufacturing

Joined the group in 1982

A D MURRAY (57)
BA, CA

Chief Executive Officer

Joined the group in 1985

G S NAIDOO (46)
BSoc.Sc (Hons), MA (Ind.Psych)

Group Director – TFG Human Resources and @home

Joined the group in 2005

R STEIN (65)
B Comm, CA (SA)

Chief Financial Officer

Joined the group in 1996

S A BAIRD (48)
Group Director – Foschini division

Joined the group in 1986

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.

Responsibility

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 supervisory board
- adopting and implementing corporate governance practices and meeting standards set out in King III

CHIEF EXECUTIVE OFFICER'S REPORT

A D MURRAY
CHIEF EXECUTIVE OFFICER

"OUR GROUP PRODUCED A SOLID RESULT FOR THE YEAR WITH STRONG CASH SALES GROWTH OF 15,9%"

OVERVIEW

In our last integrated report we indicated that economic conditions in South Africa would remain difficult, with the credit environment likely to deteriorate further due to current levels of consumer indebtedness.

This has proved to be true, but notwithstanding this difficult consumer environment, our group has produced a solid result for the year with profit after tax for the first time exceeding R2 billion.

Retail turnover increased by 9,8% to R14,2 billion, whilst total headline earnings per share increased by 5,9% to 908,9 cents.

TARGETS

As part of our performance driven culture our group sets targets and regularly reviews performance against these targets. As a result of the group's solid performance in 2014, the group has met its overall performance target.

A full list of targets is included on page 24 of this report. These targets are medium-term in nature and thus the current year's performance should not be directly comparable to these targets but rather seen as a progression towards achieving the targets. We believe that appropriate progress has been made this year to achieve our longer term goals.

It should be noted that as a result of the disposal of the RCS Group, which we expect to be completed towards the end of July 2014, our medium term targets have all been reset to cater for our business which, post RCS, will relate exclusively to retail.

2014 HIGHLIGHTS

Whilst the group's detailed financial performance for the year can be found in the CFO's report, I would nevertheless like to draw attention to some of the highlights:

- Retail turnover up 9,8% to R14,2 billion
- Strong cash sales growth of 15,9%, now representing 42,2% of turnover
- Diluted headline earnings per share up 6,0% to 902,7 cents per share
- Final dividend increased by 8,5% to 293,0 cents per share bringing the total dividend for the year to 536,0 cents per share, an increase of 5,9%
- 165 stores opened
- Profit after tax for the first time exceeding R2 billion
- RCS transaction concluded, subject to normal conditions precedent

RCS GROUP

RCS is today a prominent consumer finance business in South Africa, having achieved significant scale since its inception within TFG. RCS was initially separated from TFG to run completely independently and later a stake was acquired by The Standard Bank of South Africa Limited (SBSA) such that TFG currently holds 55% with the balance being held by SBSA. The business has performed well over many years, achieving good growths and also launching a very successful domestic medium term notes programme in order to diversify their funding lines.

We have for some time stated that it was our intention to dispose of our interest in RCS to reduce our exposure to the unsecured lending market, to reduce our overall gearing levels and to enable us to focus on our core retail business. In doing so we believed that this would also allow RCS to further expand their business.

I am therefore very pleased to have been able to announce in early April that we had, together with The Standard Bank of South Africa Limited, entered into agreements which will result in BNP Paribas Personal Finance SA becoming the 100% shareholder of the RCS Group. The expected proceeds of R2,65 billion, of which our share is approximately R1,4 billion, is within our expectations that we had set when we embarked on this disposal.

Whilst our current intention is to utilise the proceeds of approximately R1,4 billion for a general share repurchase, we will evaluate all alternatives before we do this.

2014 PERFORMANCE

TURNOVER

We are experiencing arguably the worst credit cycle we have seen for many years with credit sales growth having been constrained to 5,7% through our enhanced credit risk management practices. However, cash sales were particularly strong growing by 15,9% and now represent 42,2% of turnover.

Overall turnover growth was at 9,8% with same store growth of 4,2%. Growths in the various merchandise categories were as follows:

Clothing	9,5%
Jewellery	6,0%
Cellphones	13,7%
Homewares and furniture	13,6%
Cosmetics	8,9%

MARGIN

During the current year we amended our calculation of gross margin to allow better comparability with other retailers. Our gross margin of 46,5% this year remains very consistent with the restated 46,4% for 2013. Further detail regarding the change can be found in the CFO report.

COST CONTROL

Cost control remains a strength of our group. Total costs before the bad debt charge grew by 11,3% with like-for-like expense growth (excluding the impact of new stores) at below 5%.

CREDIT

The credit side of our business remains extremely challenging due to the difficulties experienced by customers, some of whom are over-indebted, particularly with unsecured loans. Delinquency levels have increased due to an increase in short payments from our customers. In this environment, it is essential to ensure that our bad debt policy remains conservative resulting in our bad debt charge to the income statement increasing by 39,5%. The net bad debt write-off to book was at 12,4% and whilst this reflected an increase from 10,5% in the previous year, it was very much within management's expectation. Our debtors' book at the year-end is adequately provisioned at 12,3%, up from 10,4% at the previous year-end.

Whilst it is essential to continue to grow the size of our active debtors' book, it is critical that appropriate risk management measures are in place to both the granting and collections of credit. Enhanced credit risk

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

management practices have curtailed our credit turnover growth to 5,7% and there is no intention to relax these practices until there is clear evidence that the credit cycle has turned. Some of the actions taken include:

- customised scorecards updated and improved which have reduced our acceptance rates on new accounts from 54,6% to 43,9%;
- more frequent external bureau data on our existing customers is utilised in order to understand and react to overextended customers; and
- in-sourcing of our late stage collections which is showing good results.

STRATEGY

We have benefitted through this cycle from a continued focus on our key business imperatives, supported by our key strategic objectives.

BI

Our business imperatives include:

- Continued diversification of product offering across a broad range of merchandise categories
- Broadening our customer base by ensuring that our retail brands operate across all LSM categories from value to upper end, rather than our historic mass middle market positioning
- A focus on driving a more equitable cash versus credit turnover contribution which we believe positions us well through the various economic cycles
- A mindset of seeking ongoing expansion opportunities both in existing brands, as well as new brands
- A proven credit track record which seeks to ensure that the risk metrics implemented are appropriate to manage the credit exposure of both existing and new customers
- Ongoing innovation in the customer value added product offers within publishing and insurance
- An ongoing focus in delivering consistent maintained margin, as well as appropriate cost control
- Remaining abreast of legislative developments that could impact our business in the short and medium term

Combined with these business imperatives we continue to extract value through our current implementation of our key objectives which set the longer term strategic direction of our group, being:

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- Optimising our supply chain
- Customer Relationship management (CRM)
- Africa expansion
- Omni-channel

All of these objectives were in place last year and will no doubt remain in place for some time as strategy, by its very nature, is often long-term in terms of execution and benefits that are derived. Further detail on these objectives is outlined on pages 22 – 23 of this report.

We believe the key business imperatives supported by the key strategic objectives are a firm foundation from which to manage our business. TFG is well positioned in South Africa as the home of leading retail brands, with our group now comprising 17 retail brands which are all household names and which are primarily own brands that appeal to a broad spectrum of consumers.

SUSTAINABILITY STRATEGY

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During the year more progress has been made with the group's sustainability strategy. 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, environment, socio-economic development and governance. In the interest 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.

PEOPLE

TFG is seen as an employer of choice and we recognise that one of our key strengths remains our staff. We currently have in excess of 17 800 employees, without whom the performance of the past year would not have been possible.

We continue to invest in training as development of key talent is a priority. In the past year, we spent an equivalent of 6,0% of our total payroll cost on training. We are firm supporters of the philosophy that internally developed talent is preferable to acquiring external talent.

In line with our industry, we experience a relatively high level of staff turnover at store level. However, I'm very pleased with the low level of staff turnover at head office, particularly at senior management level. The continuity and experience that this brings to the group is invaluable.

We believe that transformation is a business imperative in South Africa. TFG was ranked third within the retail sector in the 2014 *Mail & Guardian* Most Empowered Companies report, and is currently a level 4 BBBEE contributor.

Employment equity remains an ongoing focus with 90,56% of all employees being from previously disadvantaged groups.

INTERNATIONAL COMPETITION

International competition has and will continue to be a feature of the South African retail environment. Management remains abreast of both local and international competitors, and 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. Many of the new international entrants into our market are in the ladieswear casual product category which represents approximately only 7% of our group turnover. Notwithstanding the new players in this market, our casual offering continues to grow.

PROSPECTS

We expect trading conditions in the credit side of our business to remain challenging, whilst we anticipate to continue to benefit from strong cash sales growth. The credit environment is unlikely to improve until the current level of consumer indebtedness normalises, which we only expect to see the first signs of towards the end of this year.

BI

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

In line with our strategy of investing for long term growth, we will continue to open new stores in all of our formats. We anticipate opening in excess of 180 new stores in the year ahead which will increase trading space by approximately 7%. We will launch our online trading platform towards the end of this year using a phased approach across all our retail brands.

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THANKS

My thanks to my colleagues on the operating board for their input and support during this past year.

I'd also like to thank our chairman, David Nurek, and all members of the supervisory board for their wisdom, guidance and direction.

I would like to welcome Stuart Baird to the operating board. Stuart has been with the group for many years and is currently head of the Foschini division.

My thanks to the RCS management team led by Schalk van der Merwe and to my operating board colleague Peter Meiring who has overseen the RCS Group for many years and who played a key role in the discussions around the RCS Group transaction.

Finally my thanks go to the group's 17 800 employees without whom the success of the past year would not have been possible.

Doug Murray
Chief Executive Officer

27 June 2014

CHIEF FINANCIAL OFFICER'S REPORT

R STEIN
CHIEF FINANCIAL OFFICER

"HEADLINE EARNINGS PER SHARE INCREASED BY 5,9% TO 908,9 CENTS PER SHARE WHILST DILUTED HEADLINE EARNINGS PER SHARE INCREASED BY 6,0 % TO 902,7 CENTS PER SHARE."

OVERVIEW

The group recorded a solid performance this year, with headline earnings growth of 5,9%. Trading conditions were challenging particularly due to the difficult credit environment. Enhanced credit risk management practices limited credit sales growth to 5,7%. Despite the challenging environment, the group delivered a result in line with expectations with continuing profit after tax of R1 683,6 million, an increase of 3,3%. Headline earnings per share increased by 5,9% to 908,9 cents per share whilst diluted headline earnings per share increased by 6,0% to 902,7 cents per share.

Turnover of R14 159,0 million grew by 9,8% with same store turnover increasing by 4,2%. Cash sales growth of 15,9% was particularly pleasing and increased to 42,2% from 40,0% as a percentage of total sales. We expect a more equitable split of cash and credit sales in future.

The credit environment has remained difficult, with net bad debt as a percentage of closing debtors book growing to 12,4% from 10,5% at the previous year-end. This is within management's expectations and the debtors' book is adequately provisioned at 12,3%, up from 10,4% at the previous year-end.

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

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

	Medium-term targets#	2014	2013	% growth
Turnover (Rm)		**14 159,0**	12 896,4	9,8
Gross margin (%)*	47,0 – 48,0	**46,5**	46,4	
Operating margin (%)*	20,0 – 22,0	**17,9**	18,7	
Profit before tax (Rm)*		**2 375,1**	2 298,9	
Profit after tax (Rm)*		**1 683,6**	1 629,8	
Headline earnings per share (HEPS)				
HEPS (cents) – total		**908,9**	858,6	5,9
HEPS (cents) – continuing operations		**818,7**	780,6	4,9
Diluted HEPS (cents) – total		**902,7**	851,3	6,0
Diluted HEPS (cents) – continuing operations		**813,1**	773,9	5,1
Dividend per ordinary share (cents)		**536,0**	506,0	5,9
Return on average equity – retail (%)	35,0 – 40,0	**27,4**	27,8	
Total gearing (%)*		**36,8**	22,3	
Space growth (%)	5,0 – 7,0	**6,1**	5,1	
Tangible net asset value per ordinary share (cents)*		**3 507,2**	3 322,4	5,6
Stock turn (times)				
– jewellery		**1,7**	1,8	
– homewares and furniture		**2,4**	2,4	
– clothing		**3,2**	3,5	
Number of rewards customers – cash (million)	3,2	**2,1**	1,2	
Number of rewards customers – credit (million)	3,2	**2,6**	1,8	
Number of stores – total	2 900	**2 111**	1 979	
Number of stores – Africa	280 – 300	**120**	104	

* Restated where appropriate to take account of RCS Group exclusion and amended cost of sales definition

Medium-term target reflects objectives by 2018

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

ACCOUNTING POLICIES AND STANDARDS

The annual financial statements have been prepared in accordance with our 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, disclosures required by the Companies Act No. 71 of 2008 and the JSE Listings Requirements. Our group's principal accounting policies are consistent with those applied in the previous year except as described below.

The following revised accounting standards were adopted by our group during the year:

- IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and financial liabilities)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements
- IAS 19 Employee Benefits: Defined benefit plans
- Revised IAS 28 (2011) Investments in Associates and Joint Ventures

During the year our group refined its accounting policy relating to the definition of gross profit to include only those costs directly related to the cost of merchandise sold in order to facilitate more meaningful industry comparison. The prior year has been restated accordingly.

Previously the group consolidated the cell captives in terms of SIC 12. In terms of IFRS 10 Consolidated Financial Statements the cell captives do not meet the definition of a deemed separate entity and are therefore no longer consolidated. The cell captive arrangement with the insurer is accounted for as an in-substance reinsurance contract issued by the group. In terms of IFRS 4 the group therefore changed its accounting policy for this year-end for the accounting of cell captive arrangements. The net assets of the insurance cells are included as part of other receivables and prepayments. The prior year has been restated accordingly.

During the year, the group reassessed the estimated useful lives of certain of its computer equipment and software assets. The impact on these financial statements is not material.

INCOME STATEMENT

RETAIL TURNOVER AND GROSS MARGIN

Retail turnover had a satisfactory growth of 9,8% to R14,2 billion whilst same store turnover growth was 4,2%. Due to the difficult credit enhancement practises introduced, credit sales were limited to 5,7%. On the other hand, cash sales did well in the current climate with growth of 15,9%. The table below indicates the growth in the various merchandise categories:

RETAIL TURNOVER BY MERCHANDISE CATEGORY	**March 2014 (Rm)**	March 2013 (Rm)	% growth	% same store growth
Clothing	**9 481,9**	8 658,4	9,5	3,4
Jewellery	**1 387,8**	1 308,8	6,0	2,0
Cellphones	**1 306,1**	1 148,6	13,7	7,3
Homeware and furniture	**1 073,6**	945,4	13,6	9,7
Cosmetics	**909,6**	835,2	8,9	4,9
Total	**14 159,0**	12 896,4	9,8	4,2

Product inflation averaged 7% for the year. Our gross margin was largely the same as the previous year at 46,5%. Our stores in Africa performed extremely well increasing their turnover by 26,0% with same store turnover growth of 15,0%.

As part of our ongoing strategy of investing for the longer term, the group added 165 new stores across all our brands taking the total number of stores to 2 111, representing a total increase in trading space of 6,1%. This included 16 new stores in Africa and increased our stores in Africa to 120.

INTEREST INCOME

Due to the impact of the National Credit Act capping formula, interest yields remain at historically low levels. This, together with higher average book ageing and the increase in the balances attracting interest, resulted in an increase in interest income from our trade receivables book of 14,9% to R1 130,5 million. Currently 88,9% of balances attract interest, up from 87,8% last year.

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

OTHER REVENUE

Other revenue increased by 22,4% to R1 055,8 million, driven in the main by good performances from customer value added products:

- Insurance income
- Publishing income
- Mobile one2one airtime

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

Collection cost recovery increased to R287,6 million as a result of collection costs being incurred and passed on to customers in line with the provisions of the Debt Collectors Act.

EXPENSES

Expenses before bad debts were well controlled, growing by 11,3% and included a number of non-comparable items that have inflated expense growth. These include employee and other operating costs relating to new stores as well as additional discounts as a result of further roll-out of our rewards programme.

Depreciation and amortisation grew by 15,4% reflecting the costs associated with new stores as well as enhanced IT systems.

Employment costs of R2 048,3 million are our group's biggest operating cost, and were extremely well controlled increasing by 8,7% over the previous year. The increase in these costs is due to normal staff salary increases, which this year averaged 6,0%, as well as the appointment of new staff to service new store openings. Staffing efficiencies at store level assisted in containing this cost growth.

Store occupancy costs, the group's second-largest operating cost, increased by 13,3% to R1 393,0 million, and as a percentage of sales increased to 9,8% from 9,5%. Whilst lease escalations average 7% – 8%, the balance of this cost is due to the opening of new stores. During the year 165 new stores were opened whilst 33 stores were closed.

Net bad debt and movement in provisions in our debtors' book increased by 39,5% to R935,5 million on a 11,3% book growth. Having regard to the difficult credit environment and the high levels of unsecured lending, bad debt as a percentage of closing debtors' book was within management expectations, increasing to 12,4% from 10,5% in the previous year and 11,4% at the half year. 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 49,3% to R161,8 million from R108,4 million. This increase relates to higher borrowing levels as a result of share repurchases as well as investment in debtors and capex.

OPERATING MARGIN

Our group's operating margin for the year was 17,9%, down from 18,7% largely due to the increase in bad debts as a result of the difficult credit environment.

TAXATION

The group's effective tax rate remained stable at 29,1%.

EARNINGS

Headline earnings increased by 4,2% to R1 872,3 from R1 796,6 million, whilst headline earnings per ordinary share increased by 5,9% from 858,6 cents per share to 908,9 cents per share. Continuing headline earnings per ordinary share which exclude the RCS Group, increased by 4,9% from 780,6 cents per share to 818,7 cents per share. Headline earnings per share has been calculated on the weighted average number of ordinary shares in issue of 206,0 million down from 209,2 million in the prior year.

Diluted headline earnings per share increased from 851,3 cents to 902,7 cents, an increase of 6,0% and continuing diluted headline earnings per ordinary share increased 5,1% from 773,9 cents per share to 813,1 cents per share.

Our group's retail return on equity (ROE) (excluding RCS) of 27,4% is marginally down on the 27,8% of the previous year.

DIVIDENDS

Our final dividend has been increased to 293,0 cents per share. Accordingly the dividend declared in respect of the full year amounts to 536,0 cents per share, an increase of 5,9%. The final dividend of 293,0 cents per share increased by 8,5% mirroring improved performance in the second half.

STATEMENT OF FINANCIAL POSITION

The tangible net asset value per share grew by 5,6% to 3 507,2 cents per share. Total assets of continuing operations now amount to R11,5 billion.

ASSETS

Property, plant and equipment

Property, plant and equipment increased to R1 696,1 million primarily due to the opening of new stores, store enlargements and refurbishments in line with our strategy to increase trading space.

Trade receivables - retail

The group's net retail trade receivables increased by 11,3% to R5 796,6 million from R5 207,7 million. The book growth was ahead of credit turnover growth reflecting a lengthening of the book in this difficult credit environment. In terms of our strategy of pursuing new accounts, we opened 574 576 new accounts with our acceptance rate dropping by 10,7% to 43,9%. As a result, our active accounts base grew by 2,2% during the year.

Net bad debt as a percentage of credit transactions is 7,1%, whilst the net bad debt write-off as a percentage of the debtors' book increased to 12,4% from 10,5%, within management expectations. The book is adequately provisioned at the year-end with the doubtful debt provision as a percentage of the debtors' book at 12,3%, up from 10,4% 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 13,6% to R2 775,9 million from R2 444,0 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 1,7 is considered good in terms of world benchmarks, whilst the group's stock turns on homewares at 2,4 and clothing at 3,2 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. As a result of the transaction with BNP Paribas Personal Finance SA the RCS Group has been reflected as a discontinued operation. The RCS Group performed well this year growing net profit before tax by 10,6% to R458,7 million.

	March 2014 (Rm)	March 2013 (Rm)	% change
Interest income	**1 118,7**	998,7	12,0
Other income	**634,5**	535,6	18,5
Total credit income	**1 753,2**	1 534,3	14,3
Net bad debt	**(373,6)**	(269,8)	38,5
Operating costs	**(668,7)**	(622,0)	7,5
EBIT	**710,9**	642,5	10,6
Finance costs	**(252,2)**	(227,7)	10,8
Profit before tax	**458,7**	414,8	10,6

Their arrear debt (60 days plus) as a percentage of total debt moved from 11,1% to 12,8%. Provisions as a percentage of non-performing loans is appropriate at 105,5%. The reduction in NPL cover 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 8,5% from 6,9%. 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 12,7% to R4 745,0 million from R4 210,7 million.

RCS Group asset quality statistics	**March 2014**	March 2013
Number of active accounts ('000)	**1 020**	898
Net debtors' book (Rm)	**4 745**	4 211
Arrear debt as percentage of total debt	**12,8%**	11,1%
Non performing loans as percentage of total debt	**8,5%**	6,9%
Net bad debt write-off as percentage of average debtors' book	**7,8%**	6,6%
Doubtful debt provision as percentage of debtors' book	**8,9%**	8,5%
Provisions as percentage of non-performing loans ("NPL coverage")	**105,5%**	121,7%
Percentage of applicants granted credit on card portfolios	**47,0%**	48,1%

EQUITY

The group's attributable equity increased to R7 228,6 million from R7 043,8 million, translating into a tangible net asset value of 3 507,2 cents per share. At the financial year-end, treasury shares held by subsidiaries, including the share trust, amounted to 17,8 million shares.

At the annual general meeting of the company held on 2 September 2013 shareholders gave approval, by way of a general authority, for the company to acquire its own shares from time to time, subject to the memorandum of the company, the provisions of the Companies Act and the Listings Requirements as presently constituted.

During the year, 5 385 811 ordinary shares were acquired at an average price of R111,50 per share, whereafter the shares were cancelled and restored to authorised share capital.

On 30 July 2013, 3 335 401 shares were delisted reducing the total shares in issue from 228 498 241 shares to 225 162 840 shares.

CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

On 6 December 2013 a further 3 157 786 shares were delisted reducing the total shares in issue to 222 005 054.

For further details on this and other repurchase transactions, please refer to note 14 in our summary financial information elsewhere in this report.

NON-CONTROLLING INTEREST

The non-controlling interest of R861,3 million relates primarily 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

	March 2014 (Rm)	March 2013 (Rm)
Interest-bearing debt	**2 960,4**	1 938,4
Less: Cash	**(301,3)**	(371,0)
Borrowings	**2 659,1**	1 567,4

Our group's operations are financed primarily by means of its own cash flow as well as banking facilities. Debt net of cash totals R2 659,1 million and represents net retail gearing of 36,8% (2013: 22,3%). At March 2014 this debt includes term funding of R900,0 million.

TRADE AND OTHER PAYABLES

Trade and other payables of continuing operations increased to R1 853,0 million from R1 788,5 million and to a partial extent finances the group's stockholding.

CAPITAL EXPENDITURE

Total capital expenditure for the year amounted to R554,2 million, most of which relates to the opening of new stores and refurbishments as well as investment in IT systems.

In line with our strategy of investing for the longer term, budgeted capital expenditure for 2015 is approximately R600 million. This includes the investment in our new omni-channel strategy for online sales. We anticipate opening in the region of 180 new stores in the year ahead, increasing floor space by approximately 7%.

4

CASH FLOW

Cash flows from operating activities before working capital changes amounted to R3 000,6 million, a decrease from the previous year's R3 466,9 million due to the RCS cash flows being excluded in the current year. Cash generated by operations amounted to R2 070,3 million and the majority of our spend related to investment in future growth, with a R669,5 million increase in our retail debtors' book and other debtors. In addition a further R600,5 million was utilised to repurchase shares.

FINANCIAL TARGETS

Our group's financial targets have been included in the Key Performance Indicators on page 24.

Ronnie Stein
Chief Financial Officer

27 June 2014

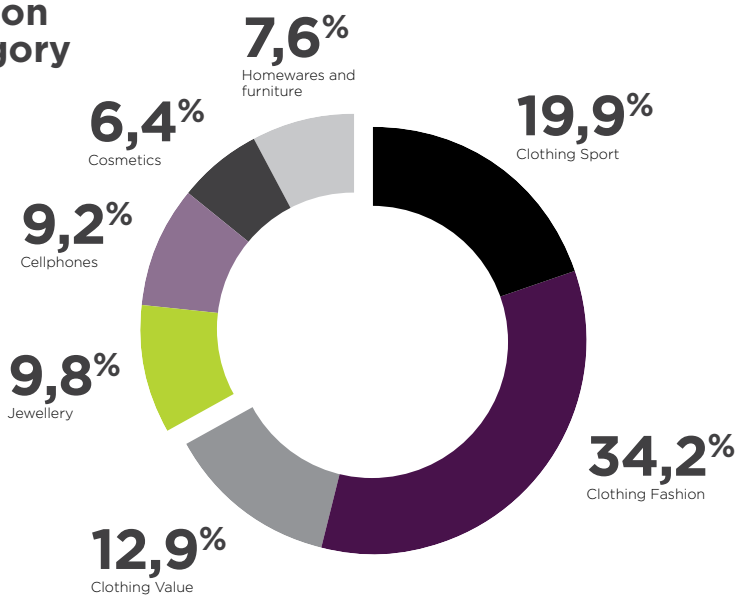
BRAND PROFILE

TFG = HOUSE OF LEADING OWN BRANDS

TFG offers 17 primarily own retail brands which are leading household names. Our group trades out of 2 111 stores of which 1 991 are in South Africa and 120 in the rest of Africa.

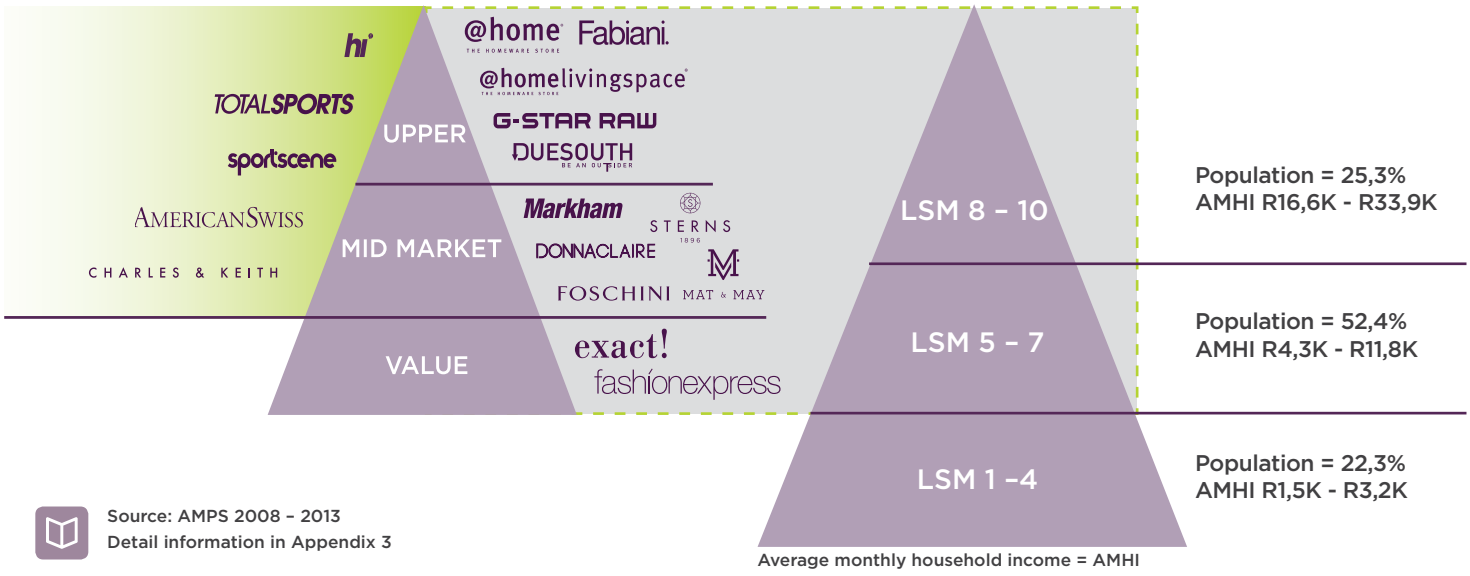
We have a broad product offering across various merchandise categories, including apparel, footwear and sporting goods (67,0%), cellphones (9,2%), jewellery (9,8%), cosmetics (6,4%) and homeware and furniture (7,6%).

% Turnover contribution by merchandise category



Our brands appeal to a broad customer base of diverse LSM groupings from value to upper end. This, together with our diversified product offering, supports our vision of being the leading fashion lifestyle retailer in Africa.

The brands in the upper end of the LSM groupings include our most recent acquisitions Fabiani and G-Star which are growing at a fast rate. Our more traditional brands DonnaClaire, Foschini, Markham and Sterns is aimed at the mid market grouping with brands such as ASJ, Totalsports and Sportscene straddling both the mid and upper markets.



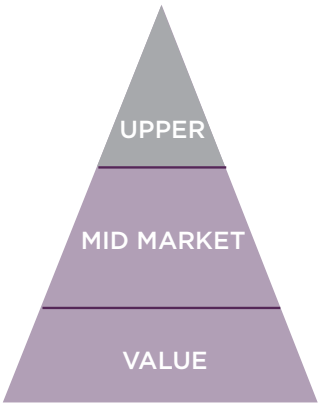
Source: AMPS 2008 – 2013
Detail information in Appendix 3

Further detail with regards to the 2014 performance of these brands per the various LSM groupings follows.

BRAND REVIEW – UPPER LSM CATEGORY

Average monthly household income = R16,6K - R33,9K

Population = 25,3%



	@home THE HOMEWARE STORE	@homelivingspace THE HOMEWARE STORE
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.
Brand offering	Homeware needed to equip and decorate a stylish modern home	Homeware and furniture for lounge, dining, bedroom, office and outdoor
Primary LSM category	**Upper**	**Upper**
Target audience	**Males and females of all ages**	**Males and females of all ages**

	@home THE HOMEWARE STORE		@homelivingspace THE HOMEWARE STORE	
	2014	**2013**	**2014**	**2013**
Turnover (Rm)	**567,9**	541,3	**505,7**	404,1
Number of stores	**78**	76	**19**	15
Floor area (gross m²)	**28 084**	28 583	**32 845**	28 965
2015 projected number of stores	**84**		**22**	
2016 projected number of stores	**99**		**24**	

DUESOUTH BE AN OUTSIDER	Fabiani.	G-STAR RAW
Duesouth caters for the modern, hi-tech, outdoor consumer, who demands a clearly differentiated retail environment suited to their outdoor lifestyle.	The leading, premium menswear retailer in Southern Africa. Fabiani is renowned for its combination of style, quality, passion and the unexpected pop.	Just the Product- G-Star Raw is the leading, authentic denim brand for men and women.
Apparel, footwear, equipment and accessories for the outdoor	Renowned for the exceptional cut of its suit, high-quality fabric and powerful design details. Offering expanded to include exclusive casual and accessory brands.	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.
Upper	**Upper**	**Upper**
Males and females of all ages	**Upper-income males**	**Males and females Aged 20 - 35 years**

2014	2013
207,8	182,1
41	42
10 481	10 722
48	
54	

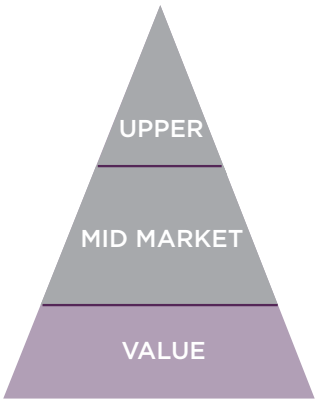
2014	2013
89,2	56,8
15	12
2 618	1 915
17	
18	

2014	2013
38,1	26,9
4	3
765	571
5	
6	

BRAND REVIEW – MID TO UPPER LSM CATEGORY

Average monthly household income = R6,8K – R33,9K

Population = 61,3%



	AMERICANSWISS	CHARLES & KEITH
Brand summary	Ultimate destination for diamonds and fashionable brands of jewellery, watches and personal accessories which allow the image conscious customer to express their status.	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 seven stores in South Africa.
Brand offering	Latest international jewellery designs and watch brands	International ladies footwear, handbags and accessories
Primary LSM category	**Mid to upper**	**Mid to upper**
Target audience	**Males and females of all ages**	**Females of all age groups**

	AMERICANSWISS		CHARLES & KEITH	
	2014	**2013**	**2014**	**2013**
Turnover (Rm)	**913,1**	852,4	**24,1**	9,8
Number of stores	**227**	222	**7**	3
Floor area (gross m^2)	**15 745**	15 535	**973**	448
2015 projected number of stores	**240**		**12**	
2016 projected number of stores	**253**		**16**	

hi

A standalone 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.

Mid to upper

Males and females of all ages

2014	2013
46,0	19,7
3	1
236	87
3	
3	

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

Mid to upper

Male and female youth

2014	2013
1 092,5	879,2
173	161
39 167	36 534
190	
200	

TOTALSPORTS

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

Focus on football, running, fitness and rugby with a broad range of apparel, footwear and equipment

Mid to upper

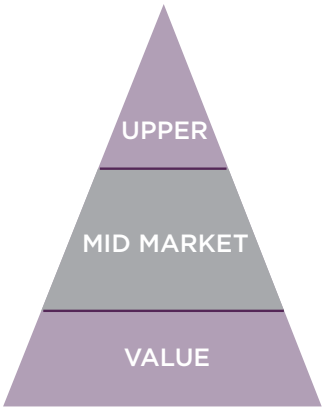
Males and females of all ages

2014	2013
1 699,7	1 475,2
260	227
68 506	59 882
284	
313	

BRAND REVIEW – MID MARKET LSM CATEGORY

Average monthly household income = R6,8K – R16,6K

Population = 44,8%



	DONNACLAIRE	FOSCHINI
Brand summary	Donnaclaire offers shapely women stylish, high-quality fashion, accessories and shoes. It targets all women sizes 16-28.	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 40-year-old women.
Brand offering	Sizes 16 - 28, smart casual clothing, accessories, lingerie and footwear	Smart, casual, denim and leisurewear, accessories, lingerie, footwear, cellular, cosmetics, fine jewellery, kidswear in selected stores
Primary LSM category	**Mid market**	**Mid market**
Target audience	**Fuller-figured females of all ages**	**Females aged 25 – 40**

	2014	2013	2014*	2013*
Turnover (Rm)	**387,4**	378,1	**3 573,3**	3 408,3
Number of stores	**86**	86	**261**	261
Floor area (gross m²)	**23 090**	23 393	**187 519**	182 209
2015 projected number of stores	**93**		**289**	
2016 projected number of stores	**101**		**304**	

* Now includes Luella

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.

In-house brands, Relay (jeanswear) and Cignal (smartwear) as well as branded jeans e.g. Guess and Levi, shoes and accessories

Mid market

Males aged 25 - 35 years

2014	2013
2 347,8	2 187,3
288	267
87 758	82 461
311	
334	

STERNS 1896

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

Contemporary and classic jewellery, well known for high quality diamonds

Mid market

Males and females of all ages

2014	2013
538,4	505,8
168	161
10 570	10 174
177	
189	

MAT & MAY

Mat & May offers trendy lifestyle accessories including bags, sunglasses and cellphones to the urban, fashion-savvy male and female market.

Over 14 international eyewear brands and all top cellphone brands

Mid market

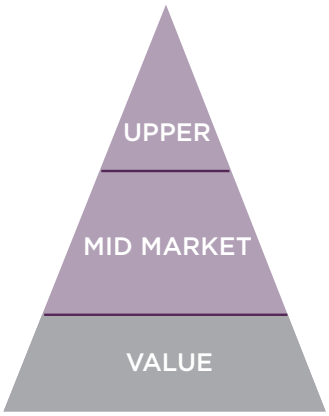
Males and females of all ages

2014	2013
51,8	56,0
28	25
800	703
31	
33	

BRAND REVIEW – VALUE LSM CATEGORY

Average monthly household income = R4,3K – R11,8K

Population = 52,4%



	exact!	fashionexpress
Brand summary	"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.	A ladies fashion retailer catering to the value mass market, empowering women to express their style. Express yourself for less!
Brand offering	Modern, contemporary clothing for families. Childrenswear an important aspect	Smart and casual clothing, footwear, accessories and lingerie across the entire size curve
Primary LSM category	**Value**	**Value**
Target audience	**Family store**	**Females of all aged groups**

	exact!		fashionexpress	
	2014	**2013**	**2014**	**2013**
Turnover (Rm)	**1 293,5**	1 227,5	**782,7**	685,9
Number of stores	**242**	227	**211**	190
Floor area (gross m^2)	**75 981**	71 748	**61 527**	55 481
2015 projected number of stores	**261**		**229**	
2016 projected number of stores	**279**		**256**	

TFG FINANCIAL SERVICES

P S MEIRING
GROUP DIRECTOR

> FINANCIAL SERVICES DIVISION HAS RESPONSIBILITY FOR ACTIVELY GROWING AND MANAGING THE DEVELOPMENT OF BOTH THE GROUP, CASH AND ITS CREDIT CUSTOMER BASE

The core function of TFG financial services is the management of the group's store credit offering and its expanding base of cash customers. In addition, through its publishing and insurance business unit, TFG financial services make available a wide range of magazine and insurance benefits to customers of TFG. The group marketing, communication and customer relationship management business unit resides within TFG financial services and is responsible for the management of various group marketing campaigns, the group's REWARDS & MORE programme and is leading the development of the group's online services and e-commerce capabilities.

The group holds a controlling stake in the RCS Group, a company that provides financial products and services to other retailers and customers external to TFG. Subsequent to year-end, an agreement to dispose of the group's interest in the RCS Group was concluded.

KEY STRATEGIC INITIATIVES

BI

As part of the group's strategic plans the financial services division has responsibility for actively growing and managing the development of both the group cash and its credit customer base. The intent is to grow the number of customers that regularly shop with the group whether their preference is to purchase for cash or on credit. A key part of this strategy is achieving greater parity between credit and cash sales as a percentage of total sales. This will enable the group to better capitalise on economic cycles that favour either cash or credit. During the year, further progress was made in achieving this objective as the efforts in promoting cash sales activity saw the cash ratio improve to 42,2% of total sales (2013: 40,0%).

4

Strategic objective	Implementation progress during 2014
Customer relationship management focus	• Rewards cash customer base grown to 2,1 million customers • Rewards extended to entire credit and cash database to bring total membership to 4,7 million members • Rewards customers spend 22,5% more than non-reward customers
Execution of the Omni-channel strategy	• Framework and processes introduced in 2013 to support online purchasing, stock management and fulfilment • First two divisions preparing for a "go live" during 2015

5*

Sustainability objective	Implementation progress during 2014
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.	• Financial services employs 1 787 people. HR recruits, monitors and evaluates competency to predefined standards
Optimisation: With a focus on reducing the environmental footprint of our stores and head offices, and reducing packaging from source to customer.	• A reduced dependency on paper is being promoted throughout financials services as more transactions and interactions with customers take place via electronic means
Socio-economic development: With a focus on promoting job creation and enhancing employability in the communities in which TFG operates.	• Through intensive training schemes, the group trains school leavers in disciplines such as: New Account Management, Credit Forensics, Customer Services, Collections and Debt Recovery Services
Governance: Ensuring that relevant key performance indicators (KPI's) are in place for each of these pillars of the sustainability dashboard, which are being regularly measured.	• A comprehensive system of measurement and KPI's exist for all disciplines in the Financial Service area. These are formally reviewed at management meetings to ensure business sustainability

REVIEW OF THE YEAR – CREDIT UNIT

As expected, 2014 proved to be a difficult year for credit providers with the credit environment deteriorating significantly resulting in a general increase in bad debts and impairment on the receivables of credit providers.

Over-indebted consumers struggled to meet their financial commitments. Unfavourable economic circumstances conspired to deepen the crisis for debt stressed consumers as GDP growth slipped to 2,4%, constraining employment growth. Industrial action in several sectors was experienced. Fuel, energy and administered prices continued to escalate. Added to this, unsecured loans which had been readily accessible in the recent past, became increasingly scarce. These conditions promoted delinquency and default amongst mature accounts. Payment performance weakened substantially.

Focus areas	Progress during 2014
Improving collection efficiency	• Insourced collections from third party agencies improves late stage collection efficiency • Focus on pre-delinquency effort secures lower default rate
Expanding new account acquisitions	• Focussed effort applied to sourcing better quality accounts
Enhanced credit measures	• Scorecards introduced in November 2012 prove successful in assessing credit risk • Higher risk categories of new accounts deselected causing overall average accept rates to decrease to 43,9% (2013: 54,6%), and the active account base growth levels reduce to 2,2% (2013: 6,0%)
Use of external data	• External customer credit bureau data sourced more frequently and with greater detail, enables better decisions on TFG collections efforts, credit extension and contraction decisions

As a result of the adverse credit climate, the TFG net book balances grew by 11,3% (2013: 14,0%) as the incidence of short payments increased. Arrear instalments increased to 25,2% (2013: 22,4%). Net bad debt as percentage of closing debtors' book rose to 12,4% (2013: 10,5%).

Despite the weak economy, the group remains committed to responsible credit granting. Given the nature and scale of the deterioration evidenced in the market, the group actively sought to apply stricter credit criteria through a series of enhanced credit management practices. These practises by their very nature reduced the number of new accounts granted credit as well as restricted the amount of credit extended to existing customers of the group. Consequently credit sales growth reduced to 5,7% (2013: 9,1%).

TFG FINANCIAL SERVICES (CONTINUED)

Key facts about the credit unit:

	2014	2013	↓ / ↑
Interest income (Rm)	**1 130,5**	983,6	↑
Net bad debt (Rm)	**(935,5)**	(670,8)	↑
Credit cost (Rm)	**(184,9)**	(224,8)	↓
Profit before tax (Rm)	**10,1**	88,0	↓
Number of active accounts ('000s)	**2 668,9**	2 611,6	↑
Credit sales as a percentage of total retail sales (%)	**57,8**	60,0	↓
Net debtors' book (Rm)	**5 796,6**	5 207,7	↑
Arrear debtors as a percentage of debtors' book (%)	**25,2**	22,4	↑
Net bad debt write-off as a percentage of credit transactions (%)	**7,1**	5,7	↑
Net bad debt write-off as a percentage of debtors' book (%)	**12,4**	10,5	↑
Doubtful debts provision as a percentage of debtors' book (%)	**12,3**	10,4	↑
Provision value (Rm)	**816,0**	604,1	↑
Percentage able to purchase (%)	**79,3**	79,7	↓

INTEREST INCOME

Credit is extended to customers with terms ranging from 6 to 18 months. These products are interest bearing and interest is billed in accordance with the National Credit Act (NCA). In respect of 6-month plans, interest will be waived, provided the account holder pays the required monthly instalment by the due date. The growth in interest income of 14,9% (2013: 15,2%) was mainly as a result of book growth. The repo rate remained at historic lows for most of the year before a rate increase in the last quarter. The average nominal rate was 21,1% (2013: 21,4%).

NET BAD DEBT AND PROVISIONS

Net bad debt increased by 39,5% (2013: 10,4%). The policies regarding write off and provisioning have remained consistent and conservative. The group models doubtful debt provisioning on a recognised statistical basis that considers the payment performance and default levels to determine the probability of write off. The provision ratio increased to 12,3% (2013: 10,4%) reflecting a closing provision of R816,0 million (2013: R604,1 million). Credit performance and profitability metrics are reviewed on an ongoing basis to ensure that the book is managed to mandated risk levels.

CREDIT COSTS

With the expansion of the collections operation to accommodate all late stage collection efforts internally, credit costs increased during the year. This was compounded by the continued increase of accounts in collections as well as the expansion of early stage collections tactics. The group levies debt collection fees on delinquent accounts and these fees mitigated the escalation in debt collection costs. Despite the lower new account approval rates, application volumes increased during the year, resulting in higher new accounts costs. Similarly account service and distribution costs increased ahead of the rate of CPI.

CREDIT REGULATION

During the year the NCA regulations were amended to allow for certain credit information to be expunged from the Credit Bereaus. In terms of this regulation all references to paid up judgements and subjective negative information arising before 1 April 2014, were removed from consumers' records. Further amendment to the NCA requires the ongoing deletion of paid judgements from consumers' records. Although payment profiles will remain, and negative markers and enforcement actions arising subsequent to 1 April 2014 will appear on consumers' records in the future, the deletion of relevant credit information increases credit risk, and this will impact credit costs in the future.

REVIEW OF THE YEAR – CUSTOMER VALUE ADDED PRODUCTS

PUBLISHING, INSURANCE AND O2O

Key facts about the Publishing, Insurance and one2one (O2O) unit:

	2014	2013	↓ / ↑
Net income (Rm)	**453,9**	392,5	↑
Growth in net income from publishing (%)	**11,7**	9,4	↑
Growth in net income from insurance activities (%)	**14,2**	17,3	↓
Growth in net income from O2O (%)	**32,3**	21,2	↑
Number of new product/service launches	**2**	3	↓

The group offers a diverse Club programme which offers customers a range of monthly magazines and benefits to suit the needs of each niche segment identified. In addition, insurance products covering both personal and product losses have been developed. Currently these products are almost exclusively available to TFG account holders.

During the year, higher levels of delinquency reduced the number of subscribers in a position to be billed. In addition, falling new account volumes constrained sales of new subscriptions. Net income from the publishing and insurance unit excluding one2one increased by 13,0% (2013: 13,0%).

Publishing

Overall net income from publishing grew 11,7% (2013: 9,4%). New innovative offerings are continuously being explored to add to the existing range of titles including *Club, Sports, Soccer, Kidz, Club X, Livingspace, Balanced Life, TFGMan* and *Escapes*. During the year a new magazine, *TFGTech* was launched, bringing the total number of titles to 11. TFGTech focuses on new technologies and gadgets. The total average monthly circulation of all club titles is 1,8 million. Existing club benefits were refreshed and enhanced, with the launch of the *Platinum Club* and the launch of an Afrikaans Klub.

Insurance

Net income from insurance increased by 14,2% (2013: 17,3%). The range of products offered was augmented by the introduction of a travel policy, Personal Accident Insurance. Available products now number 12. Existing product offerings were enriched with improved benefits and spousal options. All group insurance offerings are optional, and no mandatory credit life cover is required.

O2O

One2One is the contract mobile airtime offering made available to customers of the group through telemarketing. The net income from this channel grew by 32,3% on the back of a revised selection model. This remains a popular and competitively priced product that finds great appeal with customers of the group.

TFG FINANCIAL SERVICES (CONTINUED)

4 REVIEW OF THE YEAR – MARKETING, COMMUNICATIONS AND CRM

Key facts about marketing, communications and CRM:

	2014	2013	↓ / ↑
Growth in the sale of gift cards (%)	27%	23%	↑
Number of rewards programme customers	4 742 819	3 095 992	↑
Number of dormant customers as a % of total book (%)	9,3	9,9	↑

This unit is responsible for the customer relationship management (CRM) strategy and its implementation across the group. These strategies include methods of sourcing new credit and cash customers for the group and providing a range of benefits under the REWARDS & MORE programme that appeal to customers and give them reason to increase the frequency of their shopping visits and their average spend at group stores.

The REWARDS & MORE programme which was launched in November 2011 to our cash customers and then in November 2012 to our credit customers has proved to be an enormous success, based on the feedback from customers, the take up of offers and the incremental additional spend by REWARDS customers. Offers made through this programme are immediately available for redemption, but with use restricted to a limited time. In addition these offers are structured to be attractive and in keeping with the individual customer's previous purchases. By the end of the year, 4,7 million customers, were registered on the programme, up from 3 million in the previous period. The bulk of the growth comes from new cash customers attracted to the programme through its simplicity, convenience and immediacy. Data regarding the purchasing preferences of cash customers has doubled in size during the year, and enables TFG to target specific merchandise offers together with incentives to these customers.

During the period under review renewed focus on gift cards specifically in the areas of in-store livery, print advertorials and digital communication saw gift card sales rise by 27%.

In October 2013 a customer application was released on personal computers, tablets and mobile phones. This application allows both credit and cash customers to interact with the brands across the following functions:

- manage contact details
- view balances and transaction history
- pay accounts online
- purchase financial service products
- manage REWARD offers
- find the nearest store

By year-end 80 000 customers had registered to use this application.

TFG FINANCIAL SERVICES PROSPECTS AND STRATEGY

The group expects the current adverse credit environment to persist during the year ahead. Bad debt is likely to remain high and credit costs generally will continue to increase ahead of inflation. Therefore, the strategies implemented during the year continue to be appropriate and will be entrenched during the months ahead.

Every effort will be made to ensure early identification of account holders experiencing difficulty paying both their TFG and external debts. The group has recognised the power of data analysis and will seek further application in credit management throughout the account's life cycle. In addition, the analytical capabilities that the business has developed will be enhanced and made available to the group for non credit applications. To this end the business will pilot the implementation of more flexible front end data analysis tool, which is intended to make business intelligence more widely available and at a pace that is required for modern business agility. The telemarketing models utilised in telemarketing will also be redeveloped during the year.

Resources will be dedicated to the modification of account acquisition processes to accommodate the demands of the recently enacted credit amnesty requirements as well as potential changes that may be required in terms of the affordability proposals. Combined with the general sluggishness of the macro environment, new account growth is expected to be slow, and some contraction in the active account base is possible. This implies that credit sales growth is expected to remain muted.

The publishing and insurance unit is expected to expand its range of products with the release of a new title as well as an additional insurance product.

Following on from the successful launch of TFG online, the e-commerce platform will be launched which will enable on-line trade, as well as on-line account application.

The rewards programme will continue to receive focus with emphasis on the recruitment of cash subscribers, as well as the frequency of reward card "swipes" in-store. Rewards offers and other CRM campaigns will be refreshed and expanded on an ongoing basis to ensure the relevance of the programme and to drive additional cash and credit turnover.

PROFILE OF SUPPORT DIVISIONS

The following divisions are centralised support divisions to the trading, credit and customer value added product divisions of our group. Their divisional strategies and objectives are aligned to those of our group and can be categorised as follows:

SUPPLY CHAIN
- Prestige Clothing
- TFG Design
- TFG Logistics
- TFG Merchandise Procurement

EXPANSION
- TFG Property

EMPLOYEES
- TFG Human Resources

SYSTEMS
- TFG Infotec

GOVERNANCE
- TFG Finance & Advisory
- TFG Internal Audit

FACILITIES
- TFG Services

4 BI

As supply chain is one of our group's strategic objectives and linked to one or more of our material issues, we provide further information on this area of our business. We also provide further detail on TFG Human Resources and TFG Infotec as we believe that having appropriate systems and people are necessary to achieve our key business imperatives and our key strategic objectives.

SUPPLY CHAIN

KEY FACTS

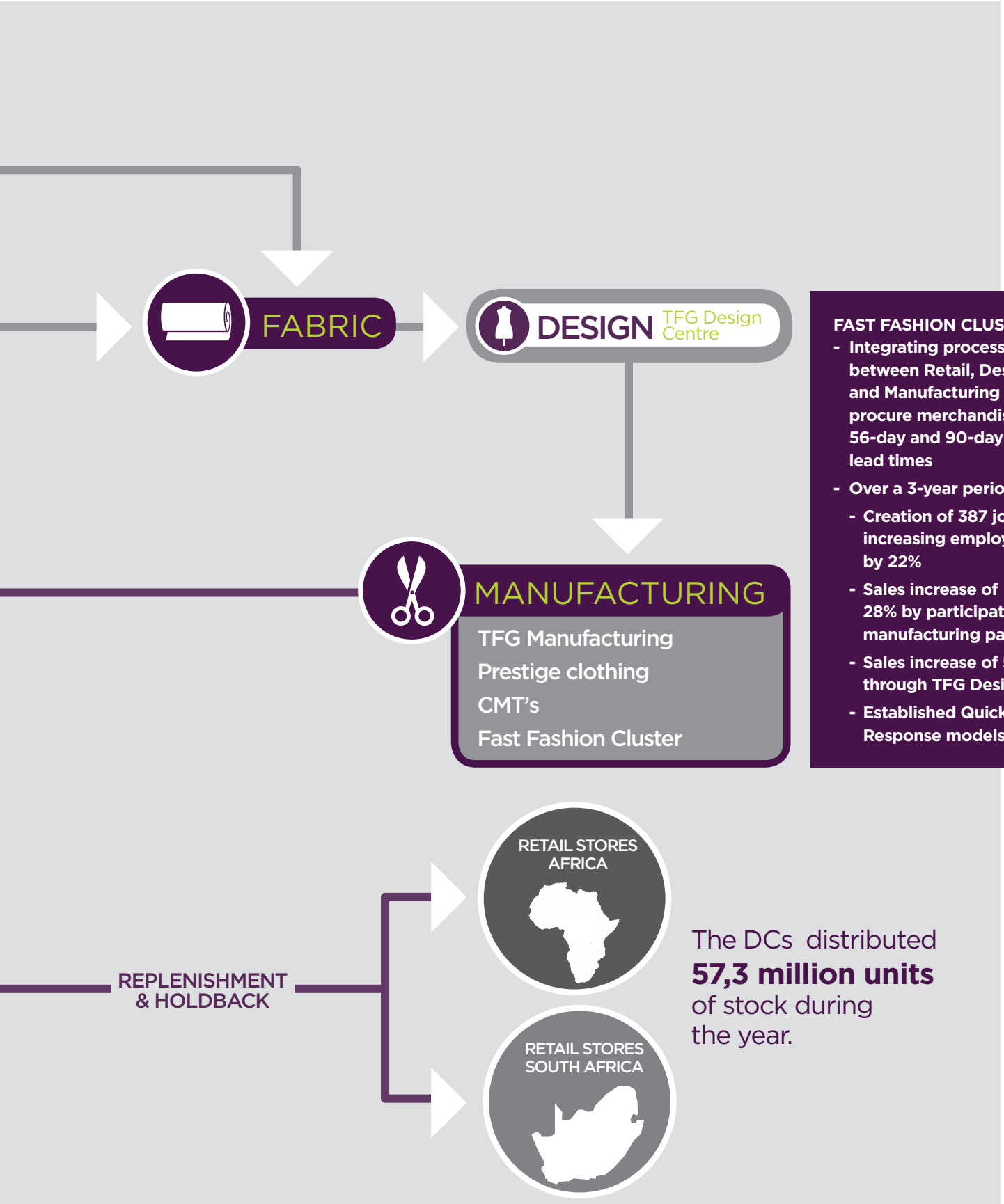
- China remains a significant source
- Increasing volumes are being sourced from Mauritius
- Robust supplier rating system
- Sound quality and shipping processes

SUPPLY CHAIN MATERIAL ISSUES

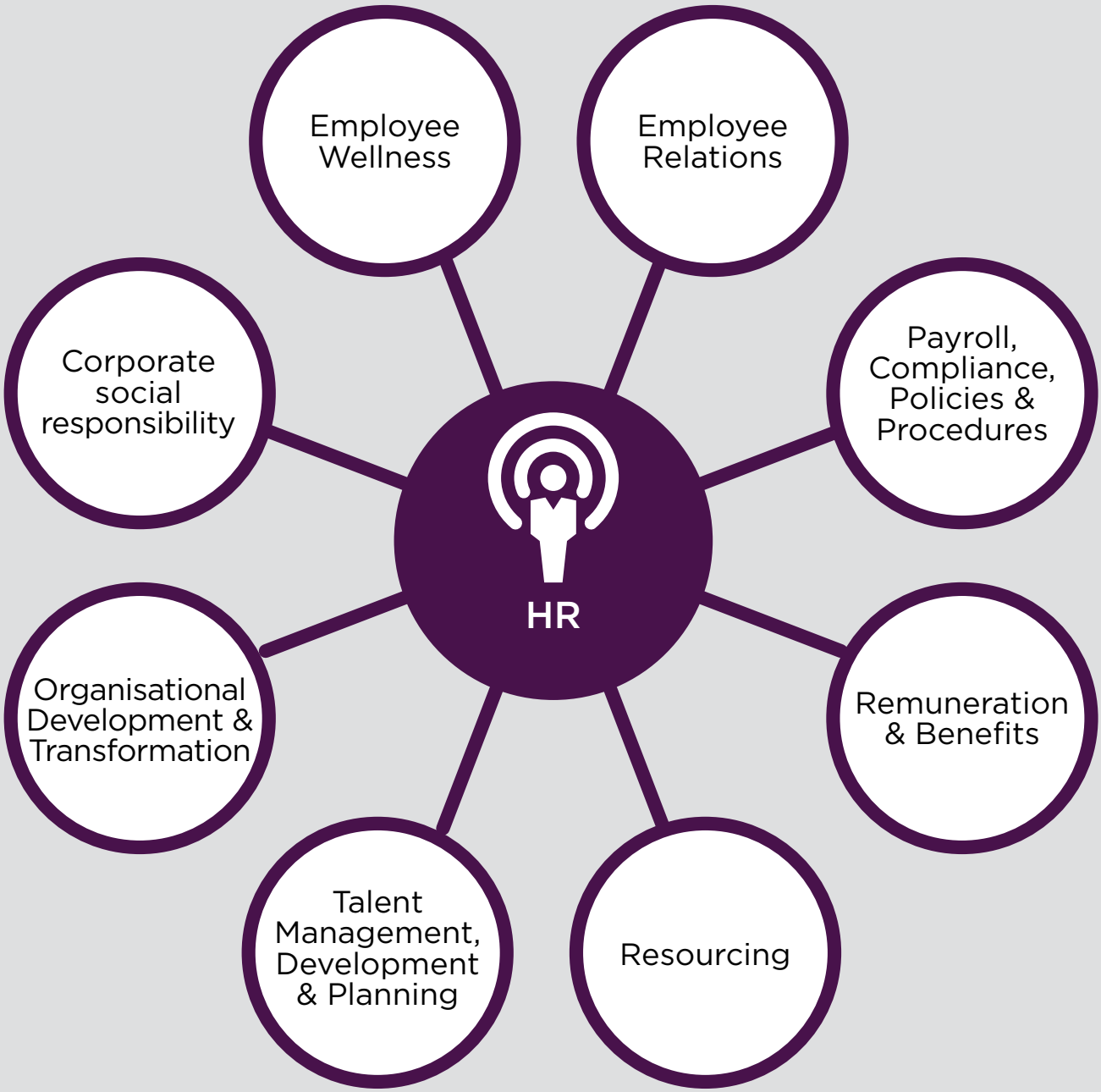
- Supply chain localisation
- Reduce lead times
- Supplier environment, social and governance (ESG) performance
- Optimising freight and logistics operations
- Preferential procurement and enterprise development

SUSTAINABILITY OBJECTIVES

- Support development of local clothing, footwear, textile and jewellery industry
- Reduce the use of fuel in the local supply chain


FABRIC
DESIGN TFG Design Centre
MANUFACTURING
TFG Manufacturing
Prestige clothing
CMT's
Fast Fashion Cluster
FAST FASHION CLUSTER
- Integrating processes between Retail, Design and Manufacturing to procure merchandise in 56-day and 90-day lead times
- Over a 3-year period
  - Creation of 387 jobs increasing employment by 22%
  - Sales increase of 28% by participating manufacturing partners
  - Sales increase of 50% through TFG Design
  - Established Quick Response models
REPLENISHMENT & HOLDBACK
RETAIL STORES AFRICA
RETAIL STORES SOUTH AFRICA
The DCs distributed 57,3 million units of stock during the year.

TFG HUMAN RESOURCES DIVISION



EMPLOYEE STATISTICS

13 265
2013 - 12 657
PERMANENT FULL TIME

110
2013 - 175
PERMANENT PART TIME

3 435
2013 - 3 807
FLEXITIME

953
2013 - 920
CONTRACT

135
2013 - 146
CASUAL EMPLOYEES

17 898
2013 - 17 705
TOTAL

Representation of women

73,6%
(previous 74,8%)

Age Profile

82,07%
(previous 81,86%)

<40 years

The workforce has a relatively young age profile.

Average age
31,3 years

Age Distribution

0 – 20yrs — **2,14%**
(previous 4,3%)

21 – 29yrs — **49,95%**
(previous 48,19%)

30 – 39yrs — **29,98%**
(previous 29,31%)

40 – 49yrs — **12,28%**
(previous 12,05%)

50 – 59yrs — **5,25%**
(previous 5,21%)

60 – 99yrs — **0,40%**
(previous 0,43%)

TFG HUMAN RESOURCES DIVISION (CONTINUED)

TALENT MANAGEMENT

Talent management strategy focuses on employee engagement; succession planning; leadership development and coaching; and targeted training programmes.

Centrally driven training

96%

TRAINING PLAN DELIVERY

(previous 86%)

Expenditure on employee training & development reached

R117,6 million

↑6% increase on the previous year.

LEADERSHIP DEVELOPMENT

Executive Development Programme

2013 — **40** participants

2014 — **76** participants

In 2014, there were

2 426

training interventions for Store Leadership

91% were completed by black employees (2013 Annual Report: 91%)

72% were completed by black female employees (2013 Annual Report: 63%).

SUCCESSION MANAGEMENT FOR SENIOR LEADERSHIP

4 NEW HEADS OF BUSINESS APPOINTMENTS

within the measurement period resulting from internal promotions.

=

IMPORTANCE OF SKILLS RETENTION AND DEVELOPMENT

TRAINEE DEVELOPMENT PROGRAMME

Produced over

300 QUALIFIED TRAINEES

over the past decade

with approximately

70% RETENTION

SKILLS DEVELOPMENT

The group remains committed to investing in the development of skills, knowledge and capability of its employees, as well as in the skills development of the unemployed youth in South Africa by hosting learners and providing coaching, mentoring and training.

During 2014

539 LEARNERS

participated in programmes across IT, HR, garment technology, marketing and stores.

EMPLOYEE BURSARIES

TFG also assisted employees with formal education via study support.

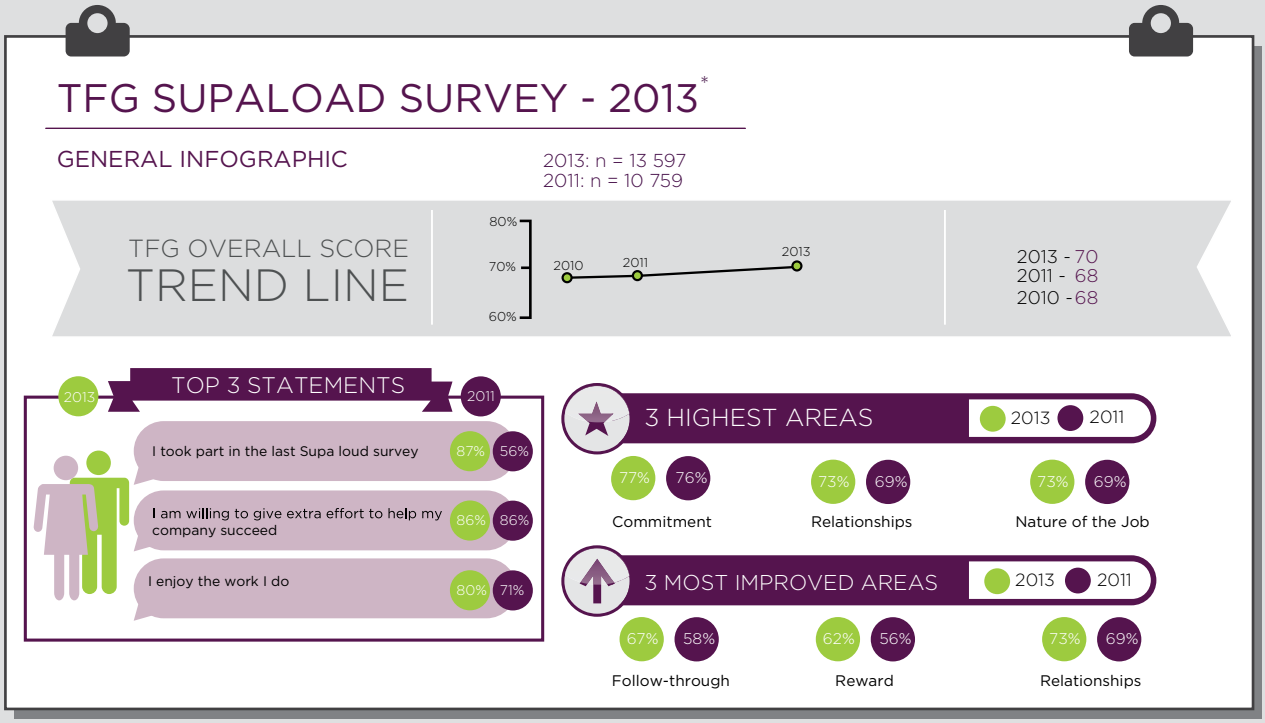
DURING 2014 OUR BURSARY SPEND AMOUNTED TO R0,5 million

ASSISTED 79 EMPLOYEES TO FURTHER THEIR CAREERS

the majority of which were equity candidates.

EMPLOYEE ENGAGEMENT

Over 13 000 employees across TFG participated in the **Employee Engagement Survey** administered by an independent company. Trends show a high level of commitment from employees (at 70%) with a pride in what they do and who they work with.



*Refers to calendar year

TFG HUMAN RESOURCES DIVISION (CONTINUED)

TFG RESOURCING

VISION:
TO DELIVER TOP TALENT FOR TOMORROW, TODAY

1 767
placements across its head office and field operations (excluding stores)

19% growth in the number of placements made

Strategic and innovative recruitment initiatives

- **TFG's Employee Referral Programme**
- **Mobile recruitment platform**
- **TFG Career Open Days**

The programme effectively **DRIVES TRANSFORMATION**
86% of referral placements are equity candidates.

Significant cost saving of more than **R1,1 million** through the programme.

TFG was proud to receive multiple awards for its Graduate programme and recruitment campaigns at the annual **2013 SAGRA Awards**, including Employer of Choice in the Retail Industry, Gold Award for Best Print Campaign and Silver Award for Best Digital Campaign.

EMPLOYEE RELATIONS

TFG AIMS TO COMPLY FULLY WITH LEGISLATION & BEST PRACTICES APPLICABLE IN THE EMPLOYMENT ARENA.

OCCUPATIONAL HEALTH

Occupational injuries and diseases

Number of days lost	1 685
Number of incidents	330
Average cost per incident	R268
Total cost	**R88 490**

EMPLOYEE BENEFITS

- Preferential discount
- Long-service gifts
- Maternity benefits
- Disability insurance
- 13 leave types

MEDICAL AID

- 2 895 principal members
- Fund has solvency ratio of 52,6%

RETIREMENT FUND

- Fund achieved return of 20,4% during its financial year
- Disability benefit of 75% of qualifying staff member's pensionable salary

TFG HUMAN RESOURCES DIVISION (CONTINUED)

EMPLOYEE WELLNESS

2 full-time clinics

3 satellite clinics

17 368 appointments were catered for during the past financial year

Further wellness offerings include an HIV testing and treatment benefit for all permanent employees, psycho-social support for all employees via a Helpline, and face-to-face counselling with a social worker at the head office and distribution centres. Trauma support and counselling services are also provided through the Helpline to stores affected by armed robberies. Whilst there has been a small increase in the number of armed robberies, the number of staff affected has reduced.

80 Total no. of armed robberies

1 447 Average no. of employee visits to clinic per month

100 Average no. of calls to the helpline

43 Total no. of HIV+ employees registered for treatment

382 Average no. of active psycho-social cases managed by helpline per month

CORPORATE SOCIAL INVESTMENT

NPO/NGO funding

The TFG Foundation disbursed funds totalling **R5,3 million** across **72 ORGANISATIONS** nationally this past year

DISASTER RELIEF IN 2014 TFG PROVIDED ASSISTANCE TO 13 636 PEOPLE.

STAFF PARTICIPATION

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.

Merchandise donations for the benefit of **The Feel Good Project** **R35 million**

FLAGSHIP PROJECTS

- The Feel Good Project
- UCT 100Up+ Programme
- Africa
- Honouring Mandela
- TFG Is A Nation Builder!

TFG INFOTEC DIVISION

POSITIONING

TFG Infotec is responsible for the information and communication technology (ICT) function for the entire group, with the objective of adding value by improving operational efficiencies, researching technology trends to enhance the business processes and to support business growth strategies.

INVESTMENT

Total ICT capital expenditure in the past year

R154,4m

with operating expenses of

R289,5m

2,1% OF TURNOVER

This percentage is slightly higher than the international average of 1,8% for the Wholesale and Retail sector, as reported by the Gartner research organisation.

4 PAST YEAR

SUPPLY CHAIN	• Implementation of a replenishment and forecasting system named Logility for the Sports, Foschini and Cosmetics Divisions. • Continuation of the implementation of an ICT solution named iSync, which is a comprehensive manufacturing suite for the manufacturing division.
OMNI-CHANNEL	• Commenced with the group's Omni-Channel Digital Strategy Project.
CRM	• Implementation of a digital customer self help information centre, using a mobile application. • Development and implementation of a debt recovery solution for the TFG Financial Services division. • Enhancements to the group's customer rewards programme. • Development and enhancement of various credit systems to cater for new financial products and offerings in the TFG Financial Services division.
EXPANSION	• Implementation of the SAP real estate system for the management of the group property rentals.
STORES	• Successful implementation of a system named *In Touch*, using the Microsoft Share Point technology, as the communication and collaboration system across all the group's stores. • Continuation with the store hardware replacement programme ensuring that the store's equipment is up to date to meet business requirements. • Continuation of a store systems replacement project of the group known as POS@NOVA.

4 KEY INITIATIVES FOR 2015

OMNI-CHANNEL

- Launch the group's first online trading sites (@home and the Mobile division)

SUPPLY CHAIN

- Continuing the roll-out of the Logility replenishment and forecasting system into the @home and TFG Mobile division.
- Implementation of a new shipping system.
- Consolidation of a number of merchandise solutions onto a single platform.
- Implementation of the @home livingspace store/customer furniture ordering system.

STORES

- Implementation of a store loss prevention system.
- Continuation of the store systems replacement project for the group known as POS@NOVA.

EMPLOYEES

- Commencement with the implementation of a new HR system.
- Implementation of an enterprise knowledge and collaboration solution for group employees.

CRM

- Implementation of a customer digital account opening solution, using mobi and online technologies.
- Development of a Publishing & Insurance Management System (PIMS).

GOVERNANCE

REGULAR DISASTER RECOVERY EXERCISES AND VULNERABILITY TESTS

The division endorses an international library of **best practices** for service delivery known as the **ITIL framework,** as well as another framework known as the **Cobit model** for ICT governance. Its policies and operations are aligned with the King III IT governance principles.

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 of all 75 King III principles is on TFG's website (www.tfglimited.co.za). TFG's application of chapter 2 of King III follows:

KING III PRINCIPLES: CHAPTER 2: BOARDS AND DIRECTORS

Principle	Principle description	Applied/ Partially Applied/ Not Applied
2.1	The board should act as the focal point for, and custodian of corporate governance	•
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	•
2.3	The board should provide for effective leadership based on an ethical foundation	•
2.4	The board should ensure that the company is, and is seen as, a responsible corporate citizen	•
2.5	The board should ensure that the company's ethics are managed effectively	•
2.6	The board should ensure that the company has an effective and independent board audit committee	•
2.7	The board should be responsible for the governance of risk	•
2.8	The board should be responsible for information technology (IT) governance	•
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	•
2.10	The board should ensure that there is an effective risk-based internal audit	•
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	•
2.12	The board should ensure the integrity of the company's integrated report	•
2.13	The board should report on the effectiveness of the company's internal controls	•
2.14	The board and its directors should act in the best interests of the company	•
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company may be financially distressed as defined in the Companies Act The board has not had to consider business rescue proceedings or turnaround mechanisms because the group is not financially distressed. The board has ensured that the company remains solvent and liquid as defined in section 4 of the Companies Act.	n/a
2.16	The board should elect a chairman of the board who is an independent non-executive director. The Chief Executive Officer (CEO) of the company must not also fulfil the role of chairman of the board	•
2.17	The board should appoint the CEO and establish a framework for the delegation of authority	•

KING III PRINCIPLES: CHAPTER 2: BOARDS AND DIRECTORS

Principle	Principle description	Applied/ Partially Applied/ Not Applied
2.18	The board should compromise a balance of power, with a majority of non-executive directors. The majority of non-executive directors must be independent	•
2.19	Directors should be appointed through a formal process	•
2.20	The induction of and ongoing training, as well as the development of directors should be conducted through a formal process	•
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	•
2.22	The evaluation of the board, its committees and individual directors should be performed every year	•
2.23	The board should delegate certain functions to well-structured committees without abdicating from its own responsibilities	•
2.24	The board should ensure that the company is, and is seen to be, a responsible corporate citizen	•
2.25	The company should remunerate directors and executives fairly In making decisions regarding share incentives, the remuneration committee considers the mix of remuneration components between base pay, short-term incentives and long-term incentives	#
2.26	The company should disclose the remuneration of each individual director and prescribed officer	•
2.27	The shareholders should, by way of a non-advisory vote, approve the company's remuneration policy At each annual general meeting shareholders are required to vote on the remuneration policy. At the AGM held on 2 September 2013, the non-binding advisory vote on remuneration was not passed. A full review of the remuneration policy has subsequently been undertaken and amendments made where necessary to take into account certain of the concerns which were raised. This process has included engagement with significant shareholders as well as external benchmarking.	Refer to comment

Key: #: partially applied
•: applied
n/a: not applicable

CORPORATE GOVERNANCE REPORT (CONTINUED)

GOVERNANCE STRUCTURES

The non-executive board of TFG embraces the responsibilities imposed by King III and acknowledge that it is ultimately accountable for the strategy, direction, leadership, governance and performance of TFG. Day-to-day management and operations is the responsibility of the operating board.

The scope and functioning of the board and board committees are governed by formal board charters. These charters are reviewed and updated regularly. They outline the relevant authority, responsibilities, powers, composition and functioning of the board and its committees.

COMPOSITION

In accordance with King III requirements, the board of directors of TFG comprises a majority of non-executive directors with the majority being independent. The nomination committee gives due consideration to succession planning for all main board directors, and ensures that all committees are appropriately constituted and chaired. The current board structure comprises 11 directors, 8 of whom are non-executive directors of which 7 are independent directors. The remaining 3 directors are executive directors, namely the Chief Executive Officer, the Chief Financial Officer and Group Director: TFG Financial Services and are salaried employees of TFG.

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

Ms B L M Makgabo-Fiskerstrand was appointed to the remuneration committee effective 14 November 2013. Mr E Oblowitz was appointed as chairman of the risk committee (effective 14 November 2013) and Mr D Friedland was appointed as a non-executive director, effective 14 November 2013. Mr Friedland was also appointed as a member of the risk committee and remuneration committee, and is an invitee at audit committee meetings.

Five sub-committees assist the board in discharging its duties. The committees are: the remuneration, risk, audit, social and ethics, and nomination committees. An overview of the functions of these sub-committees appears later in this report. The composition of the board and its committees appears on page 43.

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 appears on pages 40 to 43.

Director appointment and induction

Potential new non-executive directors go through a thorough interview procedure until a suitable candidate is chosen, and appointed. Newly appointed non-executive directors hold office only until the next annual general meeting at which time their original appointment is confirmed and they stand for re-election at that meeting. Each year, one third of the existing non-executive directors are subject to retirement by rotation. This is in line with King III and the memorandum of incorporation. The nomination committee recommends re-election by the shareholders after due consideration is given to the 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 non-executive directors is in place with the objective of maximising their understanding of the group and enabling them to immediately provide input and make well-informed decisions.

Changes to the board

As mentioned previously, Mr D Friedland was appointed as a non-executive director on 14 November 2013. He is an invitee to audit committee meetings and is a member of the risk committee and the remuneration committee. Ms B L M Makgabo-Fiskerstrand was appointed to the remuneration committee on 14 November 2013 and Mr E Oblowitz replaced Mr D M Nurek as chairman of the risk committee on 14 November 2013. Mr D M Nurek remains a member of the risk committee.

Independence assessment

All directors are required to complete an independence questionnaire to establish whether they meet the objective independence criteria in King III. Seven of the non-executive directors are independent according to the King III definition of independence.

It is believed to be prudent to not regard Mr Friedland as an independent non-executive director despite the fact that whilst at KPMG, he was not TFG's designated auditor or the managing director of KPMG.

Of the seven directors that satisfy the objective independence requirements, four have served a term in excess of 9 years. The board reviewed the independence of Mr D M Nurek, Ms S E Abrahams. Mr M Lewis and Prof F Abrahams and after due consideration (during the relevant meeting the aforementioned directors recused themselves), concluded that their long association with the group 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' interest 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 way of 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 able 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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
D M Nurek	4	3	4	3#	1	2
F Abrahams	4	3				2
S E Abrahams	4			3	1	
D Friedland*	-	1	1	1#		
M Lewis	4				1	
B L M Makgabo-Fiskerstrand	4	1				
E Oblowitz	4		4	2		
N V Simamane	4			3		
W V Cuba##	1			1		
A D Murray	4	3#	4	3#	1#	2
R Stein	4		4	3#		2#
P S Meiring	4					

*: appointed 14 November 2013

#: invitee

##: resigned 1 June 2013

BOARD EVALUATIONS

An annual evaluation of the board and each of the committees is undertaken by way of comprehensive questionnaires 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 and its committees as a whole. The evaluation in respect of the current year has recently been completed. The outcome of the recent process as well as agreed actions were tabled at the May 2014 board meeting.

COMPANY SECRETARY

The company secretary, Ms D Sheard, is accountable to the board and all directors have access to her advice and services as the company secretary. She maintains an arm's length relationship with the board and is not a director of the company. The company secretary's duties include but are not limited to those listed in section 88 of the Companies Act.

Every year, as part of the annual board evaluation process, the directors assess whether the company secretary has fulfilled her obligations and duties. The board believes that the company secretary is a suitably qualified, competent and experienced company secretary who is able to provide the board with the requisite support for its efficient functioning and discharge of its duties as prescribed by the Companies Act, King III and the JSE Listings Requirements.

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 annually 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, minutes of all committee meetings are included in the main board packs 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 committee's functioning and responsibilities follows.

Audit Committee	Scheduled meetings	Responsibility
Members: S E Abrahams (Chairperson) E Oblowitz N V Simamane **Invitees** D M Nurek D Friedland* A D Murray R Stein *appointed 14 November 2013	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 representation on internal control are submitted to the board annually by all heads of trading and service divisions (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 (Chairperson) Prof F Abrahams A D Murray **Invitee** R Stein	Twice 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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk Committee	Scheduled meetings	Responsibility
Members E Oblowitz (Chairperson)* D M Nurek D Friedland** A D Murray R Stein *with effect from 14 November 2013 ** appointed 14 November 2013	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 Prof F Abrahams (Chairperson) D M Nurek B L M Makgabo-Fiskerstrand* D Friedland* **Invitee** A D Murray *appointed 14 November 2013	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 main 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 the blend of skills that consistently achieves predetermined objectives and targets

Nomination Committee	Scheduled meetings	Responsibility
Members D M Nurek (Chairperson) S E Abrahams M Lewis **Invitee** A D Murray	Once 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

LEGAL COMPLIANCE

The board is ultimately responsible for establishing an effective compliance framework and processes. The board ensures that the compliance framework and processes are implemented by management. 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:

- National Credit Amendment Act and amended Regulations, Code of Conduct to Combat Over-indebtedness, affordability assessment guidelines and credit amnesty Regulations
- Labour Relations Act Amendment Bill
- Basic Conditions of Employment Amendment Act
- Various new Financial Advisory and Intermediary Services Act board notices
- Treating Customers Fairly framework
- Broad-Based Black Economic Empowerment Amendment Act and amended Codes of Good Practice
- Draft Licensing of Businesses Bill
- Protection of Personal Information Act

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Based on key laws that are effective as at 31 March 2014, there are no material areas of non-compliance.

The group is impacted by, adheres to, or uses as guidance in its operations, non-binding rules, codes, standards, initiatives and frameworks, which includes the following:

- Advertising Standards Authority Code of Conduct
- Information Technology (IT) ISO Standards and IT Governance Frameworks
- Payment Card Industry Data Security Standard (PCI DSS)
- Europay, MasterCard and Visa (EMV) Standard for credit and debit payment cards based on chip card technology
- Carbon and Water Disclosure Project (CDP & WDP)
- The Kimberley Process
- Global Reporting Initiative (GRI)
- The International <IR> Framework
- JSE Socially Responsible Investment (SRI) Index
- King Code of Governance (King III)

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 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 Industry context section of this report.

BOARD AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 March 2014 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 (the Act) 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 Act. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the board.

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

DUTIES OF THE COMMITTEE

The duties of the audit committee are, *inter alia*:

Statutory duties

The committee has the following duties as prescribed in the Act:

General

- 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 and to ensure that such appointment is in terms of the provisions of the Act and any other legislation;
- to approve the audit fee and fees in respect of any non-audit services; and
- to determine the nature and extent of any non-audit services that the auditor may provide to the group and pre-approve any proposed agreements for non-audit services.

Financial results

- to make submissions to the board on any matter concerning the group's accounting policies, financial control, records and reporting; and
- to provide as part of the integrated report, a report by the audit committee.

DUTIES ASSIGNED AND DELEGATED BY THE BOARD

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; and
- to assist the board in carrying out its risk management and IT responsibilities.

External auditors

- 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 management's assessment of going concern and make a recommendation to the board that the going concern concept be adopted by the group; and
- 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.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

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

MEETING ATTENDANCE:

Name of member	Qualifications	27 May 2013	4 November 2013	10 March 2014
S E Abrahams	FCA CA(SA)	Present	Present	Present
W V Cuba*	BSc (Survey) BSc (Info. Systems) MBA	Present	N/A	N/A
E Oblowitz	BComm CA(SA) CPA(Isr)	Present	Present	Apologies
N V Simamane	BSc(Biochem) (Hons)	Present	Present	Present

* resigned 1 June 2013

The committee held three meetings during the 2014 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 the Remuneration Report.

The chief executive officer, the chief financial officer, the head of TFG Internal Audit, the company secretary and the external auditor partner attend meetings at the invitation of the committee. David Friedland, a non-executive director also attends the meetings at the 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/March 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. The head of internal audit reports directly to the audit committee.

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.

BOARD AUDIT COMMITTEE REPORT (CONTINUED)

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 the board audit committee charter and 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 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 AND INTERNAL AUDIT

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 2014 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 attend 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 2014 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.

RCS GROUP

The group has had a 55% shareholding in RCS and the audit committee has been operating for many years to deal with RCS specific issues. A representative of the minority shareholder has been a member of the committee since inception. The workings of the RCS audit committee mirrored the workings of the group audit committee and has met immediately prior to these meetings. As has been advised to shareholders the group and the minority shareholder has disposed of RCS as a going concern. The finalisation of the agreement and the fulfilment of the various conditions including regulatory approval contained in the agreement are being dealt with by a specific ad hoc committee appointed by the board to overview the RCS disposal process. The RCS audit committee will remain in situ until the conclusion of the deal to overview compliance with the terms and conditions of the disposal.

THE FINANCIAL AND BUSINESS ENVIRONMENT

The concern of the ability of credit retail customers to service their debts, given the tightening of credit facilities made available to these customers continued throughout the year under review. The Foschini Group Limited (TFG) recognised the need to monitor credit trends carefully and, as anticipated, bad debts continued to escalate during the year under review. Since the audit committee identified this issue as the single most significant financial risk facing TFG, considerable time was expended in questioning, assessing and evaluating the year end carrying value of receivables (including those of RCS). The audit committee interrogated those charged with the management and administration of the various categories of accounts customers. This overview included the external auditors who independently reviewed the adequacy of the provisioning/allowance

BOARD AUDIT COMMITTEE REPORT (CONTINUED)

applied and therefore the efficacy of the year-end balances. From our perspective I can report that it is our view that management has made adequate provision for those of our customers who have and are experiencing credit pressures.

The other major business associated risk which is drawn to the attention of all stakeholders is the ever increasing volumes of fraud and IT associated activity, including cyber crime which continues to escalate in a significant manner. This risk is certainly not a TFG specific matter, it is of concern to all entities throughout the world.

The audit committee noted the increased trend in losses emanating from fraud related activity, burglaries, armed robberies, etc. We received regular reports analysing the losses and noted management vigilance in attempting to alleviate losses from these activities.

In addition, as required, by King III we reviewed the levels of corporate governance in relation to the IT support division.

Although we remain concerned by the increased levels of losses being incurred, we believe that the appropriate level of senior management time and effort is being devoted to bolstering and strengthening the control environment. Although senior IT skilled resources remains scarce in South Africa, our committee believes that TFG management is approaching recruitment as a high priority.

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 2015 financial year, having satisfied itself that the audit firm and designated auditor are accredited by the JSE.

FINANCIAL STATEMENTS

The committee has reviewed the annual 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 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 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 report to the board.

S E Abrahams
Chairman: Audit committee

27 June 2014

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee is pleased to present its report for the financial year ended 31 March 2014 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 and specifically regulation 43 (5) of the Act's Regulations which requires the committee to monitor matters relating to:

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

TFG's online sustainability report deals with some of the aspects falling within the mandate of the committee, such as the environment.

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 2013	27 November 2013
D M Nurek	Present	Present
Prof F Abrahams	Present	Present
A D Murray	Present	Present
R Stein (by invitation)	Present	Present

The committee held two meetings during the 2014 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. The committee is broadly satisfied with the efforts and activities undertaken by TFG in each of the areas falling within the committee's mandate. 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.

SOCIAL AND ETHICS COMMITTEE REPORT (CONTINUED)

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 with the Broad-based Black Economic Empowerment Act (as amended) 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*. Sub-committees for each of the seven BBBEE elements have been established.

Note:

*The amended BBBEE codes of good practice were gazetted in October 2013 and become effective on 30th April 2015. The transformation sub-committee is presently reviewing its transformation strategy and will ensure that an appropriate transformation strategy, including targets, is put in place that is aligned with the Broad-based Black Economic Empowerment Act (as amended) and the associated codes of good practice.

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 2013). Our performance over the past two years is recorded below.

We are pleased to report that TFG was ranked 3rd within the retail sector in the 2014 *Mail & Guardian's* Most Empowered Companies survey.

BBBEE ELEMENT	Maximum	2013 Achieved	2012 Achieved
DIRECT EMPOWERMENT			
Ownership	20	9,3	9,2
Management Control	10	5,1	4,8
INDIRECT EMPOWERMENT			
Employment Equity	15	6,6	6,4
Skills Development	15	12,4	12,1
Preferential Procurement	20	17,5	17,1
Enterprise Development	15	15,0	15,0
Socio-economic Development	5	5,0	5,0
TOTAL	**100**	**70,9**	**69,6**
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 9,3 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 become effective.

MANAGEMENT CONTROL

In respect of 2013, TFG scored 5,1 out of a maximum of 10 points which is indicative of the representivity achieved through securing black non-executive directors and senior executives through a continued focus on diversity in the succession planning and talent management processes.

The board is satisfied with the progress being made in this area.

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 90,56% in 2014. Employment equity progress at a senior management level continues to be a key strategic focus area with development opportunities being aligned with the selection of equity candidates. A key contributor to our talent pipeline, the Trainee Programme, boasts 21 equity candidates out of the 30 trainees placed in

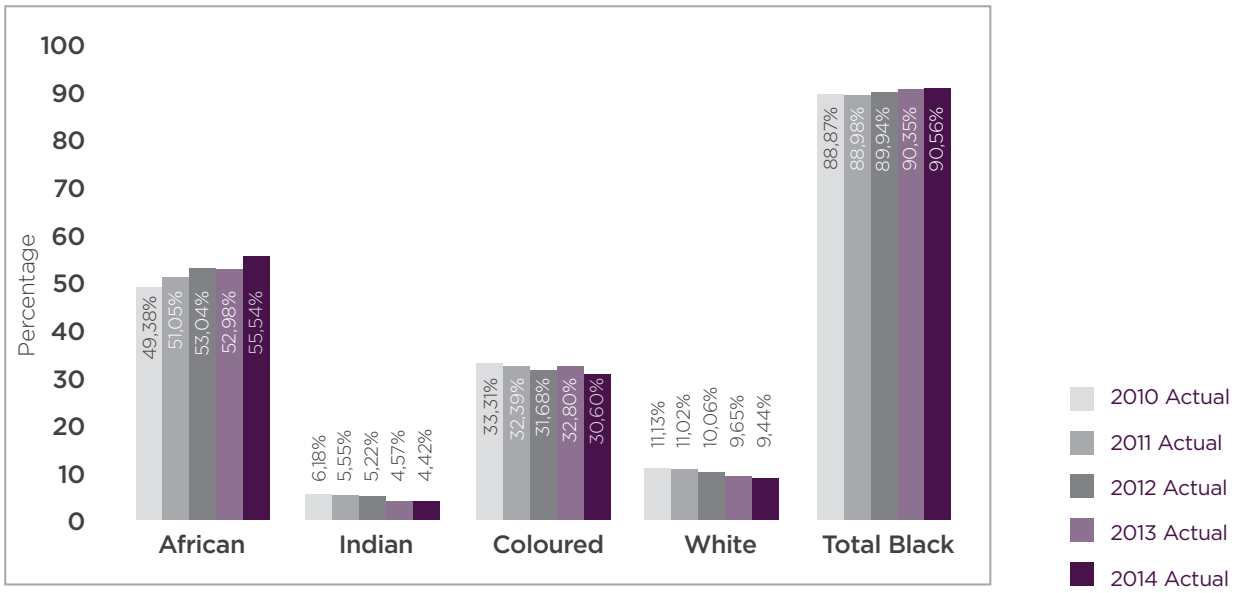
the reporting period. Up to February 2014, 92% of all candidates placed via TFG's Employee Referral Programme (ERP) were equity candidates. The allocation of shares to recognise and retain key individuals in professional middle management is a continued focus in our talent management strategy and shows an increase in both our Coloured and African employee base. The employment of disabled employees through learnerships continues to be a key focus.

SUMMARY OF OUR SOUTH AFRICAN WORKFORCE AS AT 31 MARCH 2014

	Male				Female				Foreign national		Grand total
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	
Permanent	2 487	1 202	160	361	6 223	3 913	538	1 102	25	19	16 030
1. Top Management				9			1				10
2. Senior Management	1	13	10	82	1	11	5	79	1		203
3. Prof. Middle Management	38	102	26	142	43	173	52	347	11	4	938
4. Skilled, Junior Management	357	265	46	70	890	953	167	436	8	8	3 200
5. Semi-skilled	2 005	735	78	56	5 260	2 650	312	239	4	7	11 346
6. Unskilled	86	87		2	29	126	1	1	1		333
Non permanent	123	121	12	6	370	262	15	37			946
Grand total	**2 610**	**1 323**	**172**	**367**	**6 593**	**4 175**	**553**	**1 139**	**25**	**19**	**16 976**

*The information provided in this table relates to TFG South African workforce only

The bar graph below illustrates the workplace profile in terms of racial representation for the period from 2010 to 2014.



SOCIAL AND ETHICS COMMITTEE REPORT (CONTINUED)

Progress in overall terms is positive with black employees making up 90,56% of total TFG employees (Annual Report 2013: 90,35%).

	African	Indian	Coloured	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%
2014 Actual	55,54%	4,42%	30,60%	9,44%	90,56%

From a Namibian perspective, there was an increase in employment equity employees from 360 employees last year to 376 this year, with the overall percentage increasing to 96,66% of total employees (Annual Report 2013: 94%).

SKILLS DEVELOPMENT

TFG continues to play a role in supporting government's strategy of job creation and skills development. Accredited learning interventions comprising of either registered skills programmes or learnerships focusses on skills development of both employed and unemployed learners. During the reporting period unemployed workplace experience was a significant focus with over 308 individuals participating in various programmes.

Examples of the skills development projects are as follows:

- Special project in partnership with W&R SETA – Critical Skills Unemployed Youth Northern Cape: 58 learners have been placed in various TFG stores in the Northern Cape and will be hosted for 12 months to complete a NQF 4 Retail Operations learnership;
- Managerial Action Plan (MAP) programme: this programme will enable 154 managers to gain credits towards a Retail Operations qualification, at an NQF 5 level;
- Critical Skills Rural Youth project, in partnership with W&R SETA, Retail Relate and Mhinga community: This programme focuses on Rural Youth in Mhinga, Limpopo, where 68 learners will obtain a full qualification in Retail Operations at NQF level 5.
- Prestige Clothing in partnership with the FP&M SETA: Learnerships for 20 unemployed learners at the Caledon and Maitland factories, to provide theoretical training and practical workplace training.

Although the total percentage of training interventions for black employees remained at 91%, there has been good progress with training interventions for black female employees, increasing to 72% in 2014.

	2014	2013
Total number of training interventions for all employees	**117 341**	126 021
Total number of training interventions for black employees	**106 907 (91% of total)**	114 886 (91% of total)
Total number of training interventions for black female employees	**84 847 (72% of total)**	79 814 (63% of total)
Overall cost of training	**R117 553 778**	R 110 899 791

PREFERENTIAL PROCUREMENT

In respect of 2013, TFG achieved a score of 17.5 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. 42% of our BBBEE procurement spend applied to merchandise purchases and 46% to non-merchandise goods and services.

ENTERPRISE DEVELOPMENT

In respect of 2013, 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.

The specific 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 are still in place and continue to be successful.

SOCIO-ECONOMIC DEVELOPMENT

In respect of 2013, TFG again achieved the maximum score of 5.0 points. An overview of our activities aimed at promoting socio-economic development is provided in both the Strategic Agenda and Review of Operations and Services sections. Further detail is also available in the Sustainability Overview report which may be found at wwwtfglimited.co.za.

RISK REPORT

The Foschini Group has an established enterprise risk management (ERM) framework that provides a structured and consistent approach to risk management which is in line with the King III principles. This aligns strategy, process, people, technology and knowledge for the purpose of evaluating and managing the uncertainties that the business faces. The ERM framework ensures that business-specific operational and strategic risks, emerging risks, as well as risks posed by the external environment are adequately and timeously identified and mitigated at least annually. These risks are documented in a risk register and are rated according to the likelihood of occurrence and impact.

The supervisory board confirms that the group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

INTERNAL CONTROL

The board is responsible for the group's systems of internal control. Effective internal control systems have been implemented and are continuously evaluated:

- to ensure the effectiveness and efficiency of operations
- 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
- to review compliance with applicable legislation and regulations

The internal control systems are governed by a comprehensive internal control standards manual. Compliance with these standards rests within each division and is monitored by the board audit committee, the risk committee, and 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 board audit 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 board audit committee and conforming to the International Standards for the Professional Practice of Internal Auditing, determines the mission and scope of the function.

INFORMATION TECHNOLOGY GOVERNANCE

The risk committee considers the effectiveness of IT controls, policies and processes where these may pose a risk to the financial reporting process, and the effectiveness of financials controls; and monitors IT initiatives to ensure that these do not pose a risk to the continuity of the group's operations.

LEGISLATIVE COMPLIANCE

There have been no instances of non-compliance. No fines were incurred during this period, and there were no instances of prosecutions of directors or officials for failure to comply with any applicable legislation or codes of conduct.

CODE OF ETHICS

The board has adopted a code aimed at creating a culture of the highest standards of ethics and uncompromising honesty amongst all employees. 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 the 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. Requirements of the code include:

- 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.

During the period, incidents of non-compliance by employees with the group's policy on ethical conduct were reported and dealt with in terms of the group's disciplinary procedures. These resulted in formal warnings and in some instances employees were dismissed and cases were reported to the SA Police Service.

RISK REPORT (CONTINUED)

TOP RISKS

The top risks to the group have been identified and are listed below together with our strategies to manage them. The overall risk profile of the group has not changed materially in the period under review.

RISK	HOW WE MANAGE THIS RISK
1. Bad debts The increase in affordability based delinquency from our customers who have been directly impacted by aggressive unsecured lending since 2008. Customers have also been impacted by the subsequent contraction in lending since 2012.	• Account origination: Ongoing review of credit applications for fraud indicators and assessment against NCA-compliant internal scorecards, credit bureau scorecards and verification of employment. • Account management: Analytic decision systems determine appropriate collection strategies, approved credit line adjustments and authorisations by utilising internal behavioural and credit bureau scorecards. Systems and strategies are subject to ongoing management review within both of the above risk areas.
2. Sales Current debt levels inhibit credit and cash sales.	• Utilising rewards programmes to continue to stimulate credit and cash sales including the improvement of our reward card usage. • Allowing extended terms that accommodate lower instalments. • Creating opportunities for additional credit optimisation. • Reviewing available credit products with the potential to attract less debt vulnerable accounts.
3. Global financial instability The impact of global financial instability and the affect on fluctuating exchange rates.	• Constantly monitoring financial indicators and considering their potential impact on our business model. • Ensuring that the strategy for purchasing forward cover remains relevant and provides the best possible protection against currency fluctuations for committed and future orders.
4. Local financial instability The high levels of unemployment negatively affects our 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. • Implementing credit scorecard models for collections and follow-ups to assist customers to maintain an "open-to-buy" position.
5. Supply chain The inability to provide TFG 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 events and factors that can cause a disruption in the supply chain. • Examining scenarios from past experience and analysing changing market forces. • Creating solutions that culminate in improved stock-turn and customer satisfaction. • Implementing changes in the supply chain methodology within achievable timeframes. • Enhancing our supplier assessment processes to ensure responsible practice. This includes updated quality assurance and quality control processes that ensure our contractual obligations are met. • Continuing significant support for our local apparel base to ensure sustained merchandise manufacture and supply. • Undertaking projects in conjunction with certain key manufacturers to expand local production utilising "fast fashion" models.

RISK	HOW WE MANAGE THIS RISK
6. Account base Our customer base and average credit spend does not grow sufficiently to support our turnover targets and the competitive advantage of in-house credit is reduced.	• Continuing with objectives and strategies that are in place to substantially grow TFG's account base and the average spend per account over the next 3 years. • Continuing with existing initiatives to grow the accounts base and prevent existing accounts from closing by applying creative marketing and communication strategies, supported by data analysis, modelling techniques and appropriate systems and processes.
7. Fashion trends The merchandising teams misread the fashion trends	• Continuing to develop and retain talented merchandise teams who keep abreast of global fashion trends. • Drawing upon extensive input from international fashion fairs, consultants, the internet as well as local fashion research. • Continuing to benefit from the knowledge of the forthcoming season's successful trends in the northern hemisphere. • Utilising advanced merchandise systems to ensure that purchasing volumes are correct. • Ongoing development of Quick Response models.

WHISTLE-BLOWING

The group promotes a culture of openness and transparency throughout the organisation, in accordance with the group's values of trust and mutual respect.

A whistle-blowing facility has been in place since February 1998 for the reporting of suspected fraud and unethical behaviour through the use of an outsourced, anonymous, toll-free hotline. All reports are submitted to the enterprise risk management department for investigation. Employees are eligible for a reward of up to R10 000 when follow-up confirms evidence of fraud or unethical behaviour. 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 financial period the group continued to promote awareness of the hotline and of the policies that deal with fraud and unethical behaviour through regular distribution of informational cards, e-mails and posters.

During the year 81 reports were received, resulting in 9 dismissals and 6 resignations before enquiry.

REMUNERATION REPORT

INTRODUCTION

This report summarises the philosophy, principles and approach to remuneration at TFG as is applicable to executive directors, non-executive directors and other employees.

It details the policy and principles set by the remuneration committee for each of the primary components of remuneration.

In addition, it expands and explains the implementation of this policy in each of the pay components, depicting the resultant remuneration mix and remuneration structures in detail. Due to the continuous need to revise and improve remuneration practice as well as feedback from certain shareholders, changes were made to these components in the past year. These changes are disposed in this report.

The remuneration and shareholding of directors and prescribed officers of TFG Limited is disclosed.

Appointments of and the remuneration of non-executive directors are disclosed.

In line with emerging global and local practice, the remuneration report is segmented into two parts, separating the disclosure of policy (Part 1) and its implementation (Part 2).

PART 1: REMUNERATION POLICY

PRINCIPLES

TFG's remuneration policy, as determined by the TFG remuneration committee, aims to attract, engage and retain the talent that is essential for the implementation of its business strategy and the achievement of its 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;
- Performance alignment, ensuring that executives and employees are aware of the requirements of strong short-term and long-term performance as well its rewards; and
- An appropriate remuneration mix, establishing a balance between guaranteed pay, short-term incentives and long-term incentives.

Remuneration must be balanced with attractive benefits, an enjoyable working environment and the opportunity for employees to develop and grow.

REMUNERATION COMMITTEE

The role and membership of the remuneration committee is detailed in the governance section of the integrated report.

KEY ITEMS CONSIDERED BY THE REMUNERATION COMMITTEE DURING THE YEAR

- Annual Increase Guidelines
- Approval of executive remuneration from Paterson Grade E4 upwards.
- Approval of the Group Annual Bonus Scheme targets at divisional and group level
- Allocation of long-term incentives, namely Share Appreciation Rights and Forfeitable Shares
- Confirmation of divisional and group performance and resultant bonus payments
- Confirmation of group performance, and resultant authority to convert share appreciation rights and vesting of forfeitable performance shares
- Confirmation of a wage mandate for union negotiations (which were successfully concluded).
- Recommendation of board fees for non-executive directors with effect from 1 April 2014 pending approval at the AGM
- Share scheme structures reviewed and retesting removed for future allocations.
- Share allocation mix reviewed and resolved that share appreciation rights (SARs) are only awarded to the CEO and members of the operating board. Other senior participants who previously would have received SARs had their allocation mix adjusted, remuneration-neutral, to forfeitable performance shares
- Share allocation valuation model reviewed to confirm the present economic value of allocations. This model is reviewed periodically.
- Share incentive scheme limits set as follows:
  - 1,0% individual limit
  - 7,5% total limit

REMUNERATION MIX

Designed to achieve an appropriate mix between base pay, short-term incentives and long-term incentives.

SUMMARY OF REMUNERATION MIX

Remuneration	Mechanism	Changes in the year under review	Subject to performance criteria	Applicable performance criteria	Performance condition	Minimum performance period	Re-testing	On target % of Guaranteed Pay – CEO	On target % of Guaranteed Pay – operating board
Base pay	Guaranteed Pay	None	Yes	Performance review	Merit increase approved by remuneration committee	n/a	n/a	39%	46%
Short-term incentives (STI)	Group Annual Bonus scheme	Additional KPI's	Yes	HEPS growth and various KPI's	Set by remuneration committee each year	One year	n/a	28%	21%
Long-term incentives (LTI)	Share appreciation rights	No re-testing Only allocate at operating board level	Yes	HEPS growth	From 2014 – CPI Pre 2014 – CPI plus 2%	3 years from date of grant	From 2014 – No retesting*	33%	33%
	Forfeitable shares – performance	No re-testing	Yes	HEPS growth	CPI plus 2%	3 years from date of grant	From 2014 – No re-testing*		
	Forfeitable shares – restricted	None	n/a	n/a	n/a	3 years from date of grant	n/a		

*Pre-2014 re-test in year 4 and 5

In determining the mix and structure of remuneration 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.

REMUNERATION REPORT (CONTINUED)

Each component, as well as the mix between components, is benchmarked against comparable peers and the market using external, objective market median information, King III Principles and expert guidance surrounding best practice.

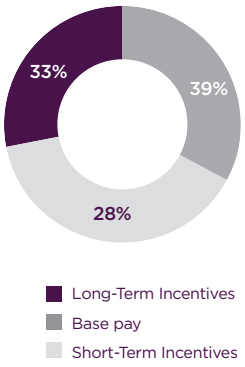
The remuneration mix comprises base pay (total guaranteed package), short-term incentives (STI) and long-term incentives (LTI). The STI and LTI components of remuneration are designed relative to base pay, in order to achieve an appropriate mix between base pay, short-term incentives and long-term incentives.

Remuneration mix varies by organisational level, with incentive pay (short- and long-term) forming a larger portion of remuneration at higher organisational levels.

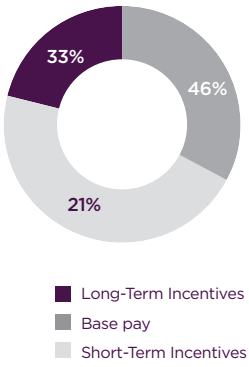
The targeted pay mix at varying levels of organisational performance is approved by the remuneration committee. The tables below depict the mix of remuneration components for the CEO and operating board, taking the following into account:

- Current base pay levels as negotiated and agreed.
- Short-term Incentive pay is at performance tier "on target" levels.
- As is common practice, the share scheme grants are shown at their expected value on the date of grants determined with the use of option pricing formulae and probability factors coinciding with laid down performance conditions.

TFG CEO – REMUNERATION MIX



TFG OPERATING BOARD – REMUNERATION MIX



BASE 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 (dependent on organisational level)
- Employer contributions to:
  - TFG retirement fund
  - Provident fund (for executives and senior managers)
  - 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 comparable market survey statistics.
- Base pay increases are awarded based on guidelines determined with reference to peers, independent market surveys and national economic indicators. The remuneration committee also takes past and current group trading performance and current economic indicators into account when determining the annual increase guidelines.
- Each role is benchmarked against the market taking accepted operating sector and job family factors into account as well as demographic measures such as market capitalisation, turnover, employees, payroll size and profit measures.

BENEFITS

INFLUENCES ATTRACTION AND RETENTION OF KEY TALENT

Retirement, Group Life and Disability Benefits are provided in proportion to pensionable salary.

Medical-aid is income-rated, providing identical cover to employees on the same plans, but requiring lower contributions from lower earning employees. Employees on one of the in-house schemes receive a 50% subsidy for all approved dependents.

Vehicle benefits are provided linked to organisational level and role, as defined by our car allowance and fleet policies.

Chronic illness cover for executives and senior managers, that provides cover in addition to medical aid, is in place.

SHORT-TERM INCENTIVES (STI)

REWARDS EMPLOYEES FOR PERFORMANCE EXCEEDING EXPECTATIONS

STI Overview

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. These levels are defined as threshold, target and stretch.

This structure exists for the following reasons:

- To drive collaboration between divisions to the overall benefit of the group; and
- To reward strong divisional performance whilst moderating payments where group performance targets have not been met and thus cannot be fully funded.

Scheme rules are communicated to, and signed by, each participating employee. Any approved bonus payments, and confirmation to employees of the underlying performance measures, are made shortly after publication of annual financial results.

STI Performance Metrics

Multiple performance metrics are used to set targets for payment of short-term incentives. These measures include, but are not limited to, the following:

Performance metric	Weighting	
	Executive management and shared services	Trading divisions
HEPS growth (primary measure)	90%	40%
Divisional profit growth (primary measure)		48%
Group key performance indicators (secondary measure)	10%	
Departmental and divisional key performance indicators (secondary measure)		12%
Total	**100%**	**100%**

It is important to note that Return on Equity or a similar measure is not used as divisions do not have sufficient line of sight and influence over group assets and functions, such as debtors.

Secondary measure KPI's are closely aligned to deliverables within each area of the business. Secondary measure KPI's include but are not limited to, merchandise efficiencies, service levels, expense control, systems uptime and staff development. Secondary measure KPI's are reviewed on an annual basis to ensure alignment to deliverables in each area of the business.

REMUNERATION REPORT (CONTINUED)

STI Target Setting

Using annual profit forecasts as a benchmark, the remuneration committee approves group bonus targets annually, in advance of communication to participants, and recommends these to the board.

STI Payment Multiples

Short-term Incentive benchmarks are reviewed regularly to ensure that bonus payment levels at each organisational level and performance tier are appropriate, and form the appropriate part of overall pay mix. Changes to the payment multiples or structure are made only with remuneration committee approval.

Bonus multiples, before the influence of any individual factors is taken into account, are calculated as a factor of:

- each individual's pensionable salary, i.e. their basic salary excluding allowances and company contribution
- the level of their role in the organisation
- for ease of comparison and reporting, bonus multiples are shown as % base pay in this report

The TFG operating board and TFG human resources consider individual performance factors and measures, and may recommend modified individual payments for approval by the remuneration committee. The remuneration committee checks and confirms the achievement of approved group and divisional targets and then recommends the appropriate bonus payment to the board.

The remuneration committee has an overriding discretion in exceptional circumstances to recommend adjustments to bonus payments and bonus targets to the board as a result of changed business conditions.

STI Tiers of Performance and related bonus multiple

The following rationale is applied to each tier of performance when determining and approving targets:

Threshold

- Performance marginally under On Target, that is nevertheless satisfactory, and substantially aligned with forecasted trading performance.
- Performance at this level, or anywhere between Threshold and On Target, warrants and justifies up to a maximum of 50 % of the On Target bonus value.
- Threshold is thus the point under which no payment, regardless of size, is warranted.

On Target

- Strong performance that is above forecasted trading performance

Stretch

- A superior level of performance that is sufficient to warrant and justify the maximum potential bonus payment (200% of the On Target value).
- This is a payment cap by design.

Remuneration committee guidelines dictate that the performance range between Threshold and On Target be substantially smaller than the range between On Target and Stretch, to prevent payment for under-performance.

Threshold and On-Target are paid on an "all-or-nothing" basis, to limit bonus payments at performance below strong levels, and to create a significant incentive to achieve On Target performance levels.

Performance between On Target and Stretch is rewarded proportionately, and payments are capped at the Stretch level.

Bonus multiples for the CEO and operating board are detailed below:

Performance tier	Bonus multiples as a % of annual guaranteed package
CEO	
• Threshold	34%
• Target	69%
• Stretch (maximum)	137%
Operating board members (average for all members)	
• Threshold	24%
• Target	47%
• Stretch (maximum)	95%

The resultant bonus structure for CEO and executive board members, expressed as a percentage of Annual Guaranteed Package, is indicated below.

CEO and operating board bonus payments

* Figures in brackets reflect % of Annual Guaranteed Package if KPI's are not met.

HEPS peformance tier achievement	% of payment at target	Multiple of Annual Guaranteed Package	
		CEO	OPERATING BOARD (AVERAGE)
Stretch	200%	137% (123%*)	95% (85%*)
On Target	100%	69% (62%*)	47% (43%*)
Threshold	50%	34% (31%*)	24% (21%*)
Under threshold	No bonus payment	0%	0%

Sliding scale between Stretch and On Target

LONG-TERM INCENTIVES (LTI)

ALIGNS EXECUTIVE AND KEY MANAGEMENT INTERESTS WITH THOSE OF SHAREHOLDERS

LTI Allocation Policy

Allocations are made using pre-defined multiples for each share incentive type based on:

- Organisational level
- Total guaranteed package
- Targeted pay mixes given market guidelines appropriate for each organisational level

Allocations are made annually, on a consistent basis to establish the grants as an accumulating asset in the hands of eligible employees likely then to retain them in service for a natural cycle. Ad hoc, once-off allocations are exceptional, and will normally represent upfront compensation approved when an employee is first employed. Any such exceptional grants to executive directors are disclosed to shareholders.

New allocations are not adjusted to compensate for any existing allocations that may be underwater.

Benchmarks for the fair value of share awards are reviewed regularly. No changes are made without approval by the remuneration committee, and in turn by the board.

100% of share allocations made to the CEO, operating board and senior executive management have group performance criteria attached to them. Shares vest based on the performance criteria applicable to that scheme.

No re-testing takes place other than shares allocated prior to April 2014.

Despite limits detailed as part of each scheme's rules, remuneration committee guidelines do not permit the total number of shares issued, allocated across all schemes, to exceed the following limits:

- 1% individual limit (reduced from 3% previously)
- 7,5% company limit (reduced from 15% previously)

As part of TFG's 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.

Newly appointed executives and managers may have their allocations initially increased to ensure that an appropriate holding for their role is reached over time, to create parity in the incentivising of long-term performance across similar categories of employees.

All allocations are recommended to the board by the remuneration committee. The remuneration committee confirms that fair principles and scheme rules have been applied in determining each individual's allocation, and also ensures that the overall share capital dilution and costs are within the defined guidelines.

REMUNERATION REPORT (CONTINUED)

Two Share Incentive Schemes exist at TFG, namely Share Appreciation Rights and Forfeitable Shares. Both use HEPS growth as a performance target. The use of the HEPS performance target is considered ideal as it establishes a basis for long term financial planning and team-based effort between share scheme participants.

Share Appreciation Rights

(Foschini 2007 Share Incentive Scheme)

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

All shares issued under this scheme are subject to group performance criteria, which are tested against inflation-linked group HEPS targets over a period of between three and five years. The minimum period between grant and conversion is three years, and all rights expire after six years.

In the past, re-testing was viewed as an appropriate structure for a cyclical industry such as retail, as it encouraged recipients to recover any one year's lost performance in successive years, which is to the benefit of shareholders. Previous allocations therefore allow for re-tests to occur in year four and five if appropriate.

However, the remuneration committee has resolved to amend the next allocation made under this scheme to have a single performance criterion test after three years. Failing achievement of this, all shares will lapse with no re-testing. In line with industry norms and after consulting with remuneration experts, performance criterion has been set at HEPS growth of CPI. Further detail of this is included in the summary of remuneration committee decisions made during the year.

During the year under review, it was decided that in future, only the CEO and members of the operating board will receive Share Appreciation Rights as part of their allocation. This is because of the high leverage of this instrument and in recognition that lower organisational levels do not have sufficient influence on share price.

Forfeitable Shares

(Foschini 2010 Share Incentive Scheme)

A Forfeitable Share Scheme was implemented, after shareholder approval, in 2010. The first allocation in terms of 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 (forfeitable shares)	Restricted shares (forfeitable shares)
Performance shares issued under this scheme are subject to group performance criteria which are tested against inflation linked HEPS targets over a period of three years. Performance Shares previously vested after a minimum of three years, subject to inflation-linked group HEPS criteria, but only lapsed after 5 years if performance criteria were not achieved. In the year under review, the remuneration committee resolved to change this for all future allocations to have a single performance factor criterion test after three years with no re-testing. Vesting will take place after 3 years if a performance criterion of HEPS growth of CPI plus 2% is met. Linear vesting will take place if HEPS growth is between CPI and CPI plus 2% with no vesting taking place if HEPS growth is less than CPI. Further detail of this is included in the summary of remuneration committee decisions made during the year.	Restricted shares are issued with the specific objective of improving the retention of key senior talent, whilst still utilising an instrument that aligns the interests of recipients with that of shareholders. Restricted Shares vest after three years.

Share allocation guidelines, vesting and measurement criteria for share allocations made from April 2014 onwards are summarised below:

	Participants	Allocation frequency	Performance target	Measurement period	Vesting summary
Share Appreciation Rights	CEO and operating board only	One allocation per annum	HEPS growth of at least CPI, compounded annually over the measurement period.	Three years. No re-testing. Expiry period 6 years from date of grant	100% vest if performance target is met. All lapse if performance target is not met.
Performance Shares (Forfeitable Shares)	CEO, operating board and senior management above Paterson D2	One allocation per annum	HEPS growth of CPI + 2%, compounded annually over the measurement period. Target reviewed and set annually by remuneration committee.	Three years. No re-testing. Expiry period 3 years from date of grant	100% vest if Performance Target is met. Linear vesting takes place between HEPS growth of CPI, and CPI + 2%. Any shares that do not meet this criteria lapse.
Restricted Shares (Forfeitable Shares)	Senior management above Paterson D2 (excluding CEO, operating board and any employee with a restraint of trade and minimum service agreement)	One allocation per annum	No performance target – retention only	Three years	Participants not employed by TFG will not be eligible for share vesting.

VESTING ON EARLY TERMINATION

All shares and rights are forfeited upon an employee's resignation or dismissal in terms of scheme rules.

In line with scheme rules, the remuneration committee must consider and rule on any shares potentially vesting as a result of early termination. In the case of normal retirement, death, ill health or retrenchment, all shares vest. In the case of early retirement, the remuneration committee applies defined decision-making guidelines in determining if all, some or no shares will vest.

RETENTION STRATEGY

Specific programmes are in place to ensure that business continuity and delivery of strategy is supported through risk-management of the loss of key employees.

RESTRAINTS AND MINIMUM SERVICE AGREEMENTS

Restraints and minimum service agreements exist for the CEO and all operating board members. These agreements are in place for the duration of employment and were issued prior to the year under review.

EX-GRATIA OR OTHER LUMP-SUM PAYMENTS ON SEVERANCE OR RETIREMENT.

No agreements currently in place provide for ex-gratia or other lump-sum payments on severance or retirement.

REMUNERATION REPORT (CONTINUED)

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 derived based on the number of meetings. These fees are benchmarked to the market for similar size companies in a similar sector.

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. However, remuneration committee members are not involved in decision-making regarding their own fees.

Fees are approved by shareholders at the Annual General Meeting in advance of being implemented each year.

PART 2: IMPLEMENTATION OF POLICIES FOR THE 2014 YEAR

The remuneration report that follows provides further detail regarding the practical implementation of the remuneration policy in relation to senior executives.

KEY ITEMS BY PAY COMPONENT DURING THE YEAR UNDER REVIEW

Base Pay

During the year under review the guideline given by the remuneration committee for increases to all staff (other than unionised staff which are subject to negotiation with the union) in April 2013 was set at 5,5%.

Car allowances for eligible employees were adjusted by 6% in April 2013.

Short-term Incentives (TFG Annual Bonus Scheme)

The HEPS growth target for 2014 as approved by the remuneration committee was met and bonuses were paid to qualifying employees. Divisional bonuses were also paid if divisional profit targets were met. Not all divisions made target.

Share-based/Long-term Incentives

All shares allocated to CEO, executive board and senior executive management this year were performance based shares contingent on the achievement of company performance criteria.

Outstanding share instruments awarded to employees and executives at 31 March 2014 is as follows:

Share Appreciation Rights	3 571 450
Forfeitable Shares	2 085 835
Total	5 657 285

The above total is 2,6% of total issued shares. This is lower than the total limit percentage set by the remuneration committee of 7,5%.

SHORT-TERM INCENTIVE OUTCOMES

During the year under review, the remuneration committee decided that no threshold would be set for the year under review and that bonuses would only be paid once target had been met. TFG met the HEPS growth target set by the remuneration committee and bonus payments were made to qualifying employees.

The following graphic indicates actual performance vs target and resultant bonus paid for Messrs Murray, Stein and Meiring.

Short-term Incentive Outcome	Weighting	Threshold	Target	Stretch
2014 HEPS Growth Performance Tier Set (no threshold set for year under review)			▲	▲
2014 HEPS Growth Actual	90%		▲	
Individual KPI	10%			
D Murray		Met		
R Stein		Met		
P Meiring		Not met		

Bonus payable as % base pay if target met and KPI met	
D Murray	69%
R Stein	54%
P Meiring	54%
Actual bonus paid as % base pay	
D Murray	74%
R Stein	57%
P Meiring	51%

REMUNERATION REPORT (CONTINUED)

LONG-TERM INCENTIVE SCHEME OUTCOMES

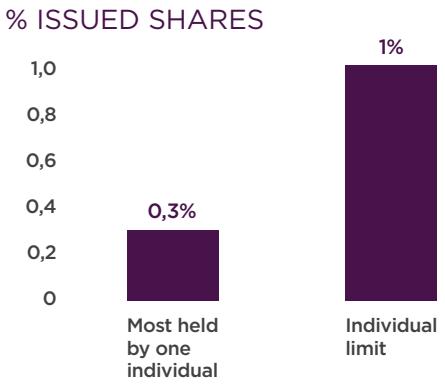
The expected value of share allocations to the CEO and operating board members is detailed below as well as the resultant Total Remuneration Mix. As is common practice, share scheme grants are shown at their expected value on the date of grants determined with the use of option pricing formulae and probability factors coinciding with laid down performance conditions. The expected value of the grant is expressed as a percentage of their base pay (Annual Guaranteed Package).

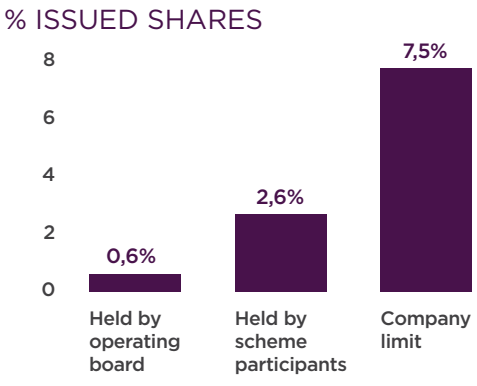
	Expected value of annual share allocation as % base pay	Resultant total remuneration		
		Base Pay	STI	LTI
CEO	85%	39%	27%	34%
Operating board	70-75%	46%	21%	33%

For the balance of participating employees, the total expected value of shares allocated, expressed as a percentage of annual guaranteed package, ranges from 60% to 20%, based on organisational level.

CURRENT ALLOCATION VS POLICY LIMITS

In terms of the policy set by the remuneration committee, it is evident below that both at an individual level and overall level, shares incentives in allocation are within the defined limits. The CEO is the highest individual holder of share incentives, and is thus compared against the individual limit.





EXECUTIVE DIRECTORS' REMUNERATION

For the year under review, the board determined that Prescribed Officers are the CEO, CFO and Group Director Financial Services. Messrs Murray, Stein and Meiring all serve as executive directors on the TFG Limited Board. These individuals exercise general executive control and management of the business.

Executive directors	Remuneration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Guaranteed Pay R'000	Performance bonus# R'000	Total 2014 R'000	IFRS Share Allocation Fair Value R'000
A D Murray	5 203,3	702,4	379,2	51,2	6 336,1	4 615,1	**10 951,2**	11 878.5
R Stein	2 955,1	396,3	290,7	44,6	3 686,7	2 096,8	**5 783,5**	2 768,9
P S Meiring	2 680,7	361,9	290,7	44,6	3 377,9	1 712,0	**5 089,9**	2 520,7
Total	10 839,1	1 460,6	960,6	140,4	13 400,7	8 423,9	**21 824,6**	17 168,1

Performance bonus included in 2014 remuneration paid in 2015 but accrued in 2014.

Executive directors	Remuneration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Guaranteed Pay R'000	Performance bonus** R'000	Total 2013 R'000	IFRS Share Allocation Fair Value R'000
A D Murray	5 064,0	683,6	359,4	49,3	6 156,3	–	**6 156,3**	11 036,6
R Stein	2 876,0	388,3	275,5	42,3	3 582,1	–	**3 582,1**	2 112,8
P S Meiring	2 609,0	352,2	275,5	42,3	3 279,0	–	**3 279,0**	1 904,7
Total	10 549,0	1 424,1	910,4	133,9	13 017,4	–	**13 017,4**	15 054,1

* Other benefits include housing allowance and medical aid
** No performance bonus included in 2013 remuneration. Performance targets not met.

REMUNERATION REPORT (CONTINUED)

DIRECTORS' INTERESTS

As at 31 March 2014, directors had the following interests in company issued shares:

	Non-executive					Executive			
	D M Nurek 000's	M Lewis 000's	E Oblowitz 000's	D Friedland 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	1 150,0	697,5	196,0	2 047,0
Indirect beneficial	10,0	–	–	27,5	–	450,0	275,7	294,9	1 058,1
Associates	–	9 104,1	–	–	–	–	–	–	9 104,1
	10,0	9 104,1	2,0	27,5	1,5	1 600,0	973,2	490,9	12 209,2

As at 31 March 2014, directors had accepted the following share appreciation rights:

			Director			
Financial year of original grant	Financial year of earliest delivery	Price per instrument	A D Murray 000's	R Stein 000's	P S Meiring 000's	Total SARs 000's
2011	**2015**	R64,47	173,0	86,0	77,0	336,0
2012	**2015**	R86,62	85,2	43,7	40,0	168,9
2013	**2016**	R136,22	62,8	32,2	29,5	124,5
2014	**2017**	R96,86	133,4	67,9	62,7	264,0
			454,4	229,8	209,2	893,4

As at 31 March 2014, directors had accepted the following forfeitable shares:

		Director			
Financial year of original grant	Financial year of earliest delivery	A D Murray 000's	R Stein 000's	P S Meiring 000's	Total SARs FS 000's
2012	**2015**	229,6	–	–	229,6
2012	**2015**	22,3	11,4	10,5	44,2
2012	**2015**	15,6	8,0	7,3	30,9
2013	**2016**	16,4	8,4	7,7	32,5
2013	**2016**	11,5	5,9	5,4	22,8
2014	**2017**	21,7	11,0	10,2	42,9
		317,1	44,7	41,1	402,9

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR-END

1) Acceptance of SARs in June 2014:

	SARs accepted 000's	Price per SAR R
A D Murray	89,4	111,10
R Stein	45,5	111,10
P S Meiring	41,7	111,10

2) Acceptance of FS in June 2014:

	Shares accepted 000's#	Estimated Value Rm*
A D Murray	38,3	4,3
R Stein	19,5	2,2
P S Meiring	17,9	2,0

* Estimated value based on closing share price of R111,47 on 10 June 2014.

3) During June 2014, associates of M Lewis purchased 80 800 ordinary shares to the value of R9,1 million.

4) On 4 June 2014, the executive directors sold ordinary shares previously granted on 3 June 2011 with performance based restrictions in terms of the group's 2010 share incentive scheme:

	Shares sold 000's	Value Rm
A D Murray	8,9	1,0
R Stein	4,6	0,5
P S Meiring	4,2	0,5

5) On 4 June 2014, A D Murray sold 58 615 ordinary shares previously granted on 1 June 2011 with time restricted conditions in terms of the group's 2010 share incentive scheme. The total value of the transaction was R6,4 million.

6) On 4 June 2014 the executive directors sold ordinary shares previously granted on 3 June 2011 with time restricted conditions in terms of the group's 2010 share incentive scheme:

	Shares sold 000's	Value Rm
R Stein	3,2	0,3
P S Meiring	2,9	0,3

NON-EXECUTIVE DIRECTORS

Proposed fee increases for non-executive directors is 6,5%. Certain directors' fee increases are higher than this because their committee membership was for a part of 2014 and in 2015 will be for a full year.

The fees for last year as well as the fees for shareholder approval are presented below:

Non-executive directors	Fees paid in respect of 2014 R'000	Fees proposed in respect of 2015 R'000 **
D M Nurek	1 277,0	1 360,0
Prof F Abrahams	383,2	408,0
S E Abrahams	414,9	442,0
M Lewis	251,4	268,0
E Oblowitz	355,0	387,0
N V Simamane	284,6	303,0
B L M Makgabo – Fiskerstrand	238,2	296,0
D Friedland*	140,7	415,0
WV Cuba#	57,4	–
Total	3 402,4	3 879,0

* D Friedland was appointed 14 November 2013.
**Note fees for 2015 estimated on the basis of current committee structures.
WV Cuba resigned 1 June 2013

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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These summary consolidated financial statements comprise a summary of the audited annual financial statements of the group for the year ended 31 March 2014. The annual financial statements were approved by the board on 27 June 2014. The annual financial statements were prepared by the TFG Finance & Advisory 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.tfglimited.co.za, or a hard copy can be requested on the site or using the following link: www.tfglimited.co.za/ar_request.asp, or upon request from the TFG Finance & Advisory department care of : PO Box 6020, Parow East, 7501, Tel: +27 21 938 1911

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	2014 Rm	Restated 2013 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**1 696,1**	1 548,4
Goodwill and intangible assets	**63,4**	120,3
RCS Group card receivables	**–**	856,4
RCS Group loan receivables	**–**	643,7
Participation in export partnerships	**23,9**	30,0
Deferred taxation asset	**337,1**	304,7
	2 120,5	3 503,5
Current assets		
Inventory (note 4)	**2 775,9**	2 444,0
Trade receivables – retail	**5 796,6**	5 207,7
RCS Group card receivables	**–**	2 250,0
RCS Group loan receivables	**–**	460,6
Other receivables and prepayments	**465,5**	816,8
Participation in export partnerships	**11,9**	18,4
Cash	**301,3**	593,4
	9 351,2	11 790,9
Assets associated with disposal group (note 5) – RCS Group	**5 631,5**	–
Total assets	**17 103,2**	15 294,4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of The Foschini Group Limited	**7 228,6**	7 043,8
Non-controlling interest	**861,3**	705,5
Total equity	**8 089,9**	7 749,3
LIABILITIES		
Non-current liabilities		
Interest-bearing debt	**1 584,7**	1 041,9
RCS Group external funding	**–**	1 651,1
Operating lease liability	**208,2**	187,5
Deferred taxation liability	**42,7**	65,6
Post-retirement defined benefit plan	**180,4**	104,5
	2 016,0	3 050,6
Current liabilities		
Interest-bearing debt	**1 375,7**	896,5
RCS Group external funding	**–**	1 298,0
Trade and other payables	**1 853,0**	2 234,3
Operating lease liability	**8,0**	9,0
Taxation payable	**59,4**	56,7
	3 296,1	4 494,5
Liabilities associated with disposal group (note 5) – RCS Group	**3 701,2**	–
Total liabilities	**9 013,3**	7 545,1
Total equity and liabilities	**17 103,2**	15 294,4

SUMMARY CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2014 Rm	Restated 2013 Rm	%
Continuing operations			
Revenue (note 6)	**16 362,9**	14 757,0	
Retail turnover	**14 159,0**	12 896,4	9,8
Cost of turnover (note 15.2)	**(7 579,4)**	(6 906,1)	
Gross profit	**6 579,6**	5 990,3	
Interest income (note 7)	**1 148,1**	997,9	
Other revenue (note 8)	**1 055,8**	862,7	
Trading expenses (note 9)	**(6 246,6)**	(5 443,6)	
Operating profit before finance charges	**2 536,9**	2 407,3	
Finance costs	**(161,8)**	(108,4)	
Profit before tax	**2 375,1**	2 298,9	
Income tax expense	**(691,5)**	(669,1)	
Profit from continuing operations	**1 683,6**	1 629,8	3,3
Discontinued operations			
Profit from discontinued operations, net of tax (note 5) – RCS Group	**321,1**	296,8	8,2
Profit for the year	**2 004,7**	1 926,6	4,1
Attributable to:			
Continuing operations	**1 683,1**	1 629,1	
Discontinued operations	**176,5**	162,9	
Equity holders of The Foschini Group Limited	**1 859,6**	1 792,0	3,8
Non-controlling interest	**145,1**	134,6	
Profit for the year	**2 004,7**	1 926,6	4,1
Earnings per ordinary share (cents)			
Total			
Basic	**902,8**	856,4	5,4
Headline	**908,9**	858,6	5,9
Diluted (basic)	**896,6**	849,1	5,6
Diluted (headline)	**902,7**	851,3	6,0
Continuing operations			
Basic	**817,1**	778,4	5,0
Headline	**818,7**	780,6	4,9
Diluted (basic)	**811,5**	771,8	5,1
Diluted (headline)	**813,1**	773,9	5,1
Discontinued operations			
Basic	**85,7**	78,0	9,9
Headline	**90,2**	78,0	15,6
Diluted (basic)	**85,1**	77,3	10,1
Diluted (headline)	**89,6**	77,4	15,8
Weighted average ordinary shares in issue (millions)	**206,0**	209,2	

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2014 Rm	Restated 2013 Rm
Profit for the year	**2 004,7**	1 926,6
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Actuarial losses on post-retirement defined benefit plan	**(69,8)**	–
Items that are or may be reclassified subsequently to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**40,6**	9,7
Continuing operations	**6,9**	9,7
Discontinued operations	**33,7**	–
Foreign currency translation reserve movements	**(3,2)**	9,4
Continuing operations	**(5,0)**	9,4
Discontinued operations	**1,8**	–
Other comprehensive income for the year before tax	**(32,4)**	19,1
Deferred tax on movement in other comprehensive income	**8,2**	(2,7)
Other comprehensive income for the year, net of tax	**(24,2)**	16,4
Total comprehensive income for the year	**1 980,5**	1 943,0
Attributable to:		
Continuing operations	**1 632,8**	1 645,5
Discontinued operations	**191,6**	162,9
Equity holders of The Foschini Group Limited	**1 824,4**	1 808,4
Non-controlling interest	**156,1**	134,6
Total comprehensive income for the year	**1 980,5**	1 943,0

SUPPLEMENTARY INFORMATION

	2014	Restated 2013
Net ordinary shares in issue (millions)	**204,3**	210,1
Weighted average ordinary shares in issue (millions)	**206,0**	209,2
Tangible net asset value per ordinary share (cents)	**3 507,2**	3 322,4

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 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			
Continuing operations	1 629,1	0,7	1 629,8
Discontinued operations	162,9	133,9	296,8
Other comprehensive income			
Continuing operations			
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 other comprehensive income	(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)
Acquisition 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)
Current tax on shares purchased	8,0	–	8,0
Deferred tax on shares purchased	16,0	–	16,0
Equity at 31 March 2013	**7 043,8**	**705,5**	**7 749,3**
Total comprehensive income for the year	**1 824,4**	**156,1**	**1 980,5**
Profit for the year			
Continuing operations	**1 683,1**	**0,5**	**1 683,6**
Discontinued operations	**176,5**	**144,6**	**321,1**
Other comprehensive income			
Continuing operations			
Actuarial losses on post-retirement defined benefit plan	**(69,8)**	**–**	**(69,8)**
Movement in effective portion of changes in fair value of cash flow hedges	**6,9**	**–**	**6,9**
Foreign currency translation reserve movements	**(5,0)**	**–**	**(5,0)**
Deferred tax on movement in other comprehensive income	**17,6**	**–**	**17,6**
Discontinued operations			
Movement in effective portion of changes in fair value of cash flow hedges	**18,5**	**15,2**	**33,7**
Foreign currency translation reserve movements	**1,8**	**–**	**1,8**
Deferred tax on movement in other comprehensive income	**(5,2)**	**(4,2)**	**(9,4)**
Contributions by and distributions to owners			
Share-based payments reserve movements	**90,3**	**–**	**90,3**
Dividends paid	**(1 066,9)**	**(0,3)**	**(1 067,2)**
Cancellation of issued shares	**(0,1)**	**–**	**(0,1)**
Repurchase of shares	**(600,5)**	**–**	**(600,5)**
Proceeds on delivery of shares by share trust	**45,5**	**–**	**45,5**
Shares purchased in terms of share incentive schemes	**(127,5)**	**–**	**(127,5)**
Current tax on shares purchased	**6,5**	**–**	**6,5**
Deferred tax on shares purchased	**13,1**	**–**	**13,1**
Equity at 31 March 2014	**7 228,6**	**861,3**	**8 089,9**

	2014	2013
Dividend per ordinary share (cents)		
Interim	**243,0**	236,0
Final	**293,0**	270,0
Total	**536,0**	506,0
Dividend cover	**1,7**	1,7

SUMMARY CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2014 Rm	Restated 2013 Rm
Cash flows from operating activities		
Operating profit before working capital changes (note 10)	**3 000,6**	3 466,9
Increase in working capital	**(930,3)**	(1 695,3)
Cash generated from operations	**2 070,3**	1 771,6
Interest income	**17,6**	22,7
Finance costs	**(161,8)**	(327,9)
Taxation paid	**(730,7)**	(808,4)
Dividends paid	**(1 067,2)**	(1 057,4)
Net cash inflows (outflows) from operating activities	**128,2**	(399,4)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(554,2)**	(580,7)
Acquisition of assets through business combinations	**–**	(19,4)
Proceeds from sale of property, plant and equipment	**4,1**	8,4
Repayment of participation in export partnerships	**12,6**	18,0
Net cash outflows from investing activities	**(537,5)**	(573,7)
Cash flows from financing activities		
Proceeds on delivery of shares by share trust	**45,5**	186,6
Repurchase of shares	**(600,5)**	(129,3)
Shares purchased in terms of share incentive schemes	**(127,5)**	(145,5)
Decrease in non-controlling interest loans	**–**	(242,4)
Increase in RCS Group external funding	**–**	1 182,7
Increase in interest-bearing debt	**1 022,0**	209,6
Net cash inflows from financing activities	**339,5**	1 061,7
Net (decrease) increase in cash during the year	**(69,8)**	88,6
Cash at the beginning of the year	**593,4**	504,7
Cash at the beginning of the year – discontinued operations (note 5)	**(222,4)**	–
Effect of exchange rate fluctuations on cash held	**0,1**	0,1
Cash at the end of the year – continuing operations	**301,3**	593,4

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Retail trading divisions Rm	Customer value added products Rm	Credit Rm	Central and shared services Rm	Total Retail Rm	Discontinued operations RCS Group Rm	Consolidated Rm
Year ended 31 March 2014							
External revenue#	**14 159,0**	**763,1**	**287,6**	**5,1**	**15 214,8**	**634,5**	**15 849,3**
External interest income	**–**	**–**	**1 130,5**	**17,6**	**1 148,1**	**1 118,7**	**2 266,8**
Total revenue*	**14 159,0**	**763,1**	**1 418,1**	**22,7**	**16 362,9**	**1 753,2**	**18 116,1**
Inter-segment revenue				**53,5**	**53,5**	**8,3**	**61,8**
External finance costs				**(161,8)**	**(161,8)**	**(252,2)**	**(414,0)**
Depreciation and amortisation				**(365,5)**	**(365,5)**	**(17,4)**	**(382,9)**
Group profit before tax					**2 375,1**	**458,7**	**2 833,8**
Segmental profit (loss) before tax#	**3 078,4**	**453,9**	**10,1**	**(1 052,3)**	**2 490,1**	**456,9**	**2 947,0**
Other material non-cash items							
Foreign exchange transactions					**(5,0)**	**1,8**	**(3,2)**
Share-based payments					**(90,3)**	**–**	**(90,3)**
Operating lease liability adjustment					**(19,7)**	**–**	**(19,7)**
Capital expenditure					**554,2**	**22,9**	**577,1**
Segment assets					**11 471,7**	**5 631,5**	**17 103,2**
Segment liabilities					**5 312,1**	**3 701,2**	**9 013,3**
Restated year ended 31 March 2013	Rm	Rm	Rm	Rm	Rm	Rm	Rm
External revenue#	12 896,4	670,8	186,1	5,8	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	670,8	1 169,7	20,1	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 (loss) before tax#	2 810,1	392,5	88,0	(909,5)	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					10 309,0	4 985,4	15 294,4
Segment liabilities					4 142,7	3 402,4	7 545,1

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

\# March 2014 reflects a change in reportable segments as defined by the board, being the chief operating decision-maker. TFG Financial Services have now been split to reflect credit separately from other customer value added products. In addition mobile one2one airtime income previously reported under central and shared services is now reported within customer value added products. The March 2013 comparatives have been restated accordingly.

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 2014 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 and disclosures required by the Companies Act No. 71 of 2008 and the JSE Listings Requirements, and have been consistently applied to the prior year except as described in note 2 and 15.

2. During the year, the group adopted the following revised accounting standards:

   IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and financial liabilities)
   IFRS 10 Consolidated financial statements
   IFRS 11 Joint arrangements
   IFRS 12 Disclosure of interest in other entities
   IFRS 13 Fair value measurement
   IAS 1 Presentation of Financial Statements
   IAS 19 Employee Benefits: Defined benefit plans

   Revised IAS 28 (2011) Investments in associates and joint ventures

   Previously the group consolidated the cell captives in terms of SIC 12 special purpose entities. In terms of IFRS 10 Consolidated financial statements, the cell captives do not meet the definition of a deemed separate entity, i.e. it is not legally ring-fenced from the insurer and will therefore no longer be consolidated. The cell captive arrangement with the insurer is accounted for as an in-substance reinsurance contract issued by the group. In terms of IFRS 4 the group therefore changed its accounting policy for the year ended 31 March 2014 for the accounting of cell captive arrangements. The net assets of the insurance cells are included as part of other receivables and prepayments and are no longer consolidated. Refer to note 15 for more detail on this accounting policy changes. The adoption of these standards had no material impact on these results except as described above. During the year, the group reassessed the estimated useful lives of certain of its computer equipment and software assets. The impact on these financial statements is not material.

3. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control. For the year ended 31 March 2014, the RCS Group is treated as a discontinued operation held for sale in terms of IFRS 5 (refer note 5 below). The prior year comparatives in the income statement and statement of comprehensive income have been restated accordingly.

		2014 Rm	Restated 2013 Rm
4.	**Inventory**		
	Inventory at year-end	**2 775,9**	2 444,0
	Inventory write-downs included above	**140,4**	110,8

		2014 Rm	Restated 2013 Rm
5.	**Discontinued operations (RCS Group)**		
	As was announced on SENS on 10 April 2014, the group together with The Standard Bank of South Africa Limited, has entered into agreements which will result in BNP Paribas Personal Finance SA becoming the 100% shareholder of the RCS Group. The group has a 55% shareholding in the RCS Group. The effective date of the proposed transaction is expected to be on or about 31 July 2014, subject to the fulfilment of certain conditions precedent.		
	Accordingly, the RCS Group has been treated as a discontinued operation in terms of IFRS 5. The profits from the ordinary activities of the discontinued operations for the year together with the corresponding amounts for the prior period are presented below.		
	INCOME STATEMENT		
	Interest income	**1 118,7**	998,7
	Other revenue	**634,5**	535,6
	Total credit income	**1 753,2**	1 534,3
	Net bad debt	**(373,6)**	(269,8)
	Trading expenses	**(668,7)**	(622,0)
	Operating profit before finance charges	**710,9**	642,5
	Finance costs	**(252,2)**	(227,7)
	Profit before tax	**458,7**	414,8
	Income tax expense	**(137,6)**	(118,0)
	Profit for the year	**321,1**	296,8
	STATEMENT OF FINANCIAL POSITION		
	Assets and liabilities		
	Assets of disposal group		
	Property, plant and equipment	**40,5**	35,6
	Goodwill and intangible assets	**56,9**	56,9
	RCS Group card receivables	**3 785,0**	3 106,4
	RCS Group loan receivables	**960,0**	1 104,3
	Deferred taxation asset	**15,1**	27,8
	Other receivables and prepayments	**348,7**	432,0
	Cash	**421,9**	222,4
	Tax receivable	**3,4**	–
		5 631,5	4 985,4
	Liabilities of disposal group		
	RCS Group external funding	**3 315,8**	2 949,1
	Deferred taxation liability	**–**	7,1
	Trade and other payables	**385,4**	445,8
	Taxation payable	**–**	0,4
		3 701,2	3 402,4
	CASH FLOW STATEMENT		
	Net cash outflows from operating activities – discontinued operations	**(144,9)**	(884,6)
	Net cash outflows from investing activities – discontinued operations	**(22,3)**	(16,7)
	Net cash inflows from financing activities – discontinued operations	**366,7**	940,3
		199,5	39,0

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

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

		2014 Rm	Restated 2013 Rm
6.	**Revenue**		
	Retail turnover	**14 159,0**	12 896,4
	Interest income (refer note 7)	**1 148,1**	997,9
	Other revenue (refer note 8)	**1 055,8**	862,7
		16 362,9	14 757,0
7.	**Interest income**		
	Trade receivables – retail	**1 130,5**	983,6
	Sundry	**17,6**	14,3
		1 148,1	997,9
8.	**Other revenue**		
	Publishing income	**379,0**	336,2
	Collection cost recovery	**287,6**	186,1
	Insurance income	**299,6**	267,1
	Mobile one2one airtime income	**84,5**	67,4
	Sundry income	**5,1**	5,9
		1 055,8	862,7
9.	**Trading expenses**		
	Depreciation	**(365,5)**	(316,6)
	Employee costs	**(2 048,3)**	(1 885,2)
	Occupancy costs	**(1 393,0)**	(1 230,0)
	Net bad debt	**(935,5)**	(670,8)
	Other operating costs	**(1 504,3)**	(1 341,0)
		(6 246,6)	(5 443,6)
10.	**Operating profit before working capital changes**		
	Profit before tax	**2 375,1**	2 713,7
	Finance cost	**161,8**	327,9
	Operating profit before finance charges	**2 536,9**	3 041,6
	Interest income – sundry	**(17,6)**	(22,7)
	Non-cash items	**481,3**	448,0
	Depreciation	**365,5**	334,8
	Amortisation	**–**	0,2
	Operating lease liability adjustment	**19,7**	24,7
	Share-based payments	**90,3**	65,8
	Post-retirement defined benefit medical aid movement	**6,1**	6,6
	Foreign currency translation reserve movement	**(5,0)**	9,4
	Loss on disposal of property, plant and equipment	**4,8**	6,7
	Profit on disposal of property, plant and equipment	**(0,1)**	(0,2)
	Operating profit before working capital changes	**3 000,6**	3 466,9

		2014 Rm	Restated 2013 Rm
11.	**Reconciliation of profit for the year to headline earnings**		
	Profit for the year attributable to equity holders of The Foschini Group Limited	**1 859,6**	1 792,0
	Adjusted for:		
	Profit on disposal of property, plant and equipment	**(0,1)**	(0,2)
	Loss on disposal of property, plant and equipment	**4,8**	6,7
	Impairment of loan receivables	**12,9**	–
	Adjusted headline earnings before tax	**1 877,2**	1 798,5
	Tax on headline earnings adjustments	**(4,9)**	(1,9)
	Headline earnings	**1 872,3**	1 796,6

12. **Contingent liabilities**

The Foschini Group has provided RCS Group with a total facility of R835,3 million (March 2013: R835,3 million) in respect of their domestic medium-term notes (DMTN) programme. As at 31 March 2014, the utilised portion of this facility was Rnil (March 2013: Rnil).

The unused liquidity facility at this date was R835,3 million (March 2013: R835,3 million), which constitutes a contingent liability.

This facility is only available untill the effective date of the proposed transaction referred to in note 5.

13. **Related parties**

Related party transactions similar to those disclosed in the group's annual financial statements for the year ended 31 March 2013 took place during the year. There are no significant related party transactions which took place in the current financial year.

14. **Repurchase of shares**

At the annual general meeting of the company held on 2 September 2013 shareholders approved, by way of a general authority, that the company may acquire its own shares from time to time, subject to the memorandum of the company, the provisions of the Companies Act and the Listings Requirements as presently constituted.

During the year, 5 385 811 ordinary shares were acquired at an average price of R111,50 per share, whereafter the shares were cancelled and restored to authorised share capital.

On 30 July 2013, 3 335 401 shares were delisted reducing the total shares in issue from 228 498 241 shares to 225 162 840 shares.

On 6 December 2013 a further 3 157 786 shares were delisted reducing the total shares in issue to 222 005 054.

15. **Change in accounting policies**

15.1 **Accounting for insurance cells**

Previously the group consolidated the cell captives in terms of SIC 12 Special purpose entities. In terms of IFRS 10 Consolidated financial statements, the cell captives do not meet the definition of a deemed separate entity, i.e. it is not legally ring-fenced from the insurer and will therefore no longer be consolidated. The cell captive arrangement with the insurer is accounted for as an in-substance reinsurance contract issued by the group. In terms of IFRS 4 the group therefore changed its accounting policy for the year ended 31 March 2014 for the accounting of cell captive arrangements. The net assets of the insurance cells are included as part of other receivables and prepayments and are no longer consolidated.

The change in accounting policy had no effect on basic or headline earnings per share, or on diluted basic or diluted headline earnings per share.

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

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

15. **Change in accounting policies** (continued)

15.1 **Accounting for insurance cells** (continued)

	As reported 31 March 2012 Rm	31 March 2012 Adjustment Rm	As restated 31 March 2012 Rm
Other receivables and prepayments	226,4	140,4	366,8
Cash	710,9	(206,2)	504,7
Trade and other payables	(1 827,0)	35,3	(1 791,7)
Taxation payable	(57,3)	30,5	(26,8)

The effect of the change is as follows:

	As reported 31 March 2013 Rm	31 March 2013 Adjustment Rm	As restated 31 March 2013 Rm
Other receivables and prepayments	594,3	222,5	816,8
Cash	908,1	(314,7)	593,4
Trade and other payables	(2 282,5)	48,2	(2 234,3)
Taxation payable	(100,7)	44,0	(56,7)

15.2 **Cost of turnover**

During the year under review, the group refined its calculation of cost of turnover to only include those costs directly related to the cost of merchandise. Certain costs (promotional and related) previously included in cost of turnover have now been included in trading expenses.

This change was done for easier comparison with others in the industry. Accordingly, the gross profit previously reported at March 2013 changes from 41,9% to 46,4% on the new basis. This change in accounting policy had no effect on basic or headline earnings per share, or on diluted basic or diluted headline earnings per share. There is also no impact on the statement of financial position.

The effect of the change is as follows:

	As reported 31 March 2013* Rm	31 March 2013 Adjustment Rm	As restated 31 March 2013 Rm
Cost of turnover	7 492,3	(586,2)	6 906,1
Trading expenses	4 857,4	586,2	5 443,6

* The 31 March 2013 reported figures exclude the RCS Group.

15.3 **IAS 19 Employee Benefits: Defined benefits plan**

During the year under review, the group adopted IAS 19 Employee benefits: Defined benefits plan. The group has adopted the standard retrospectively and all actuarial gains and losses which would have been recognised through profit and loss have been recognised through other comprehensive income. The group raised a R69,8 million actuarial loss in the current financial year. The change had no effect on the prior years as there were no actuarial gains or losses recognised through profit and loss.

16. **Changes to directors**

The following changes took place during the current year and up to the date of these summary consolidated financial statements:

W V Cuba	Resigned 1 June 2013
D Friedland	Appointed 14 November 2013

17. **Post-balance sheet events**

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

APPENDIX 1: SUBSIDIARY COMPANIES AS AT 31 MARCH 2014

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

APPENDIX 2: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED

ANALYSIS OF SHAREHOLDINGS

Compiled by J P Morgan Cazenove utilising the company's transfer secretaries' records as at 28 March 2014.

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	4 786	64,3	1 760 600	0,8
1 001 – 10 000 shares	1 828	24,6	5 578 328	2,5
10 001 – 100 000 shares	596	8,0	20 580 319	9,3
100 001 – 1 000 000 shares	187	2,5	54 174 464	24,4
1 000 001 shares and over	48	0,6	139 911 343	63,0
	7 445	100,0	222 005 054	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	Percentage of shares in issue
Unit trusts/mutual funds and other managed funds	91 687 801	41,3
Pension funds	67 252 419	30,3
Corporate holding*	14 100 059	6,4
Private investors	21 334 034	9,6
Sovereign wealth	9 002 999	4,1
Insurance companies	8 285 118	3,7
Investment and employee trusts*	3 837 837	1,7
Custodians	3 325 761	1,5
Other	3 179 026	1,4
	222 005 054	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 2014.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	34 938 567	15,8
Foschini Stores (Pty) Ltd	12 049 824	5,4
Lewis Family	9 100 000	4,1
Coronation Top 20 Fund	6 755 115	3,0
	62 843 506	28,3

FUND MANAGERS' HOLDINGS GREATER THAN 3%

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

	Holding	% of shares in issue
Coronation Asset Management (Pty) Ltd	46 838 799	21,1
Government Employees Pension Fund (PIC)	27 032 928	12,2
Foord Asset Management	9 015 309	4,1
Allan Gray Investment Council	7 260 901	3,2
	90 147 937	**40,6**

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	7 161	96,2	192 044 007	86,5
Directors and associates	9	0,1	12 612 228	5,7
Trust	1	0,0	3 613 495	1,6
Subsidiary	1	0,0	12 049 824	5,4
Employees of TFG	273	3,7	1 685 500	0,8
Total	**7 445**	**100,0**	**222 005 054**	**100,0**

APPENDIX 3: DEFINITIONS

Current ratio	Current assets divided by current liabilities
Debt: equity ratio	Net borrowings expressed as a percentage of total equity
Dividend cover	Basic earnings per share divided by dividend declared
Doubtful debt provision as a % of debtors' book	Provision for doubtful debts expressed as a percentage of gross receivables
EBITDA	Earnings before finance cost, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
Finance charge cover	Operating profit before finance charges divided by finance cost
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 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 which have traded for the full current and previous financial years out of the same trading area
Tangible net asset value per ordinary share	Total net asset value, after non-controlling interest, excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at the year-end
Trading expenses	Trading expenses are costs incurred in the normal course of business, and includes amongst others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs

SA ADULT (15+) POPULATION SPLIT BY LSM: AVERAGE MONTHLY HOUSEHOLD INCOME

Source: AMPS 2008 - 2013

Notes:

All adults aged 15+
Average income is calculated using the midpoint of the income bands provided by AMPS
LSM refers to: SAARF Universal Living Standards Measure
All Rand values are nominal (inflation is not taken into account)

LSM	Population 2013	% Population 2008	% Population 2009	% Population 2010	% Population 2011	% Population 2012	% Population 2013	2012 Average monthly household income R	2013 Average monthly household income R
LSM 1	526 171	3,4	3,5	2,4	1,9	1,6	1,4	1 641	1 480
LSM 2	1 342 229	8,7	7,3	5,7	5,1	4,1	3,6	2 155	2 202
LSM 3	2 139 685	9,4	7,8	7,0	6,1	6,2	5,7	2 465	2 585
LSM 4	4 332 275	14,6	14,2	14,0	12,2	13,0	11,6	3 355	3 205
LSM 5	6 086 879	15,5	15,2	16,6	17,4	17,1	16,4	4 259	4 344
LSM 6	8 835 839	17,9	19,5	20,3	22,4	22,6	23,7	6 680	6 821
LSM 7	4 571 948	9,4	10,2	10,6	11,4	11,4	12,3	11 252	11 839
LSM 8	3 275 650	6,9	7,6	8,3	8,4	8,6	8,8	15 818	16 555
LSM 9	3 703 279	8,1	8,4	8,9	8,9	9,4	10,0	21 862	22 788
LSM 10	2 400 361	6,1	6,3	6,2	6,2	6,0	6,5	32 737	33 895
Total	**37 214 316**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**9 606**	**10 318**

APPENDIX 4: CONSOLIDATED PERFORMANCE TABLE

PERFORMANCE INDICATOR	% change	2014	Restated 2013
Economic and related core baseline indicators			
Retail turnover (Rm)	9,8	**14 159,0**	12 896,4
Operating profit before finance charges (Rm)	5,4	**2 536,9**	2 407,3
EBITDA (Rm)	6,6	**2 902,4**	2 723,9
Headline earnings (Rm)	4,2	**1 872,3**	1 796,6
Earnings per ordinary share (cents)	5,4	**902,8**	856,4
Headline earnings per ordinary share (cents)	5,9	**908,9**	858,6
Dividend declared per ordinary share (cents)	5,9	**536,0**	506,0
Value added	5,7	**5 013,2**	4 744,9
Total number of stores	6,7	**2 111**	1 979
Total number of distribution centres	–	**8**	8
Total procurement from BBBEE sources (%)*	(0,5)	**88,0**	88,4
Number of environmental, health and safety and/or governance legal incidents	none	**none**	none
Employee issues			
Total number of employees:			
Permanent full-time employees	4,8	**13 265**	12 657
Permanent part-time employees	(37,1)	**110**	175
Flexitime employees	(9,8)	**3 435**	3 807
Contract employees	3,6	**953**	920
Casual employees	(7,5)	**135**	146
Employee turnover (excluding contractors) %	(4,1)	**30,8**	32,1
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	(9,9)	**10,0**	11,1
Senior management	1,5	**20,2**	19,9
Specialists and middle management	1,1	**46,3**	45,8
Skilled technical and junior management	1,5	**83,7**	82,5
Semi and unskilled employees	(2,2)	**97,4**	99,6
Investment in employee training and development			
Total expenditure (Rm)	6,0	**117,6**	110,9
% of payroll	3,4	**6,0**	5,8
Total number of employees trained#	(6,9)	**117 341**	126 021
Work-related fatalities	none	**none**	none
Number of classified injuries			
Number of days lost	16,5	**1 585**	1 360
Number of incidents	7,8	**330**	306
Number of incidents where days off three or less	(1,3)	**223**	226
Number of work days lost due to industrial action	–	**13**	–
Corporate social investment			
CSI total spend (Rm)	6,0	**5,3**	5,0
Merchandise donations for the benefit of the Feel Good Project (Rm)	(25,5)	**35,0**	47,0
Environmental issues	**% change**	**2014**	**2013**
Energy usage (kilowatt hours) (stores, distribution centres and offices)	0,7	**151 558 784**	150 493 816
Carbon footprint (tonnes CO^2e)			
Total emissions	2,7	**207 332**	201 837
Scope 1	0,2	**3 419**	3 413
Scope 2	(0,3)	**148 528**	148 989
Scope 3	11,1	**53 781**	48 411
Non-kyoto	56,6	**1 604**	1 024
Intensity: emissions per m^2 (including stores)	–	**0,29**	0,29
Water consumption (kilolitres) (head offices and distribution centres)	13,8	**76 618**	67 302

* Note: Data in respect of BBBEE and environmental issues is presented one year in arrears. Prior year data restated as a result of change in boundary

Refers to attendees and not individual employees

APPENDIX 5: VALUE ADDED STATEMENT

	Note	2014 Rm	%	2013* Rm	%
Retail turnover		**14 159,0**		12 896,4	
Paid to suppliers for goods and services		**(9 145,8)**		(8 151,5)	
Value added		**5 013,2**	**100,0**	4 744,9	100,0
Applied as follows:					
Employees					
Remuneration to employees		**2 048,3**	**40,9**	1 885,2	39,7
Providers of capital					
To lenders as finance charges		**161,8**	**3,2**	108,4	2,3
To shareholders as dividends		**1 067,2**	**21,3**	1 057,4	22,3
Taxation					
Taxation		**749,2**	**14,9**	709,6	15,0
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**986,7**	**19,7**	984,3	20,7
Employment of value added		**5 013,2**	**100,0**	4 744,9	100,0
Notes to the Value Added Statement					
1. Reinvested in the group to finance future expansion and growth					
Depreciation and amortisation		**365,5**	**7,3**	316,6	6,7
Deferred taxation		**55,3**	**1,1**	79,6	1,7
Retained income		**565,9**	**11,3**	588,1	12,4
		986,7	**19,7**	984,3	20,8
2. State taxes					
Direct taxation as above		**749,2**		709,6	
Net value added taxation		**459,0**		392,3	
Employees taxation		**289,7**		547,5	
Channelled through the group		**1 497,9**		1 649,4	

APPENDIX 6: FINANCIAL HIGHLIGHTS, SALIENT FEATURES AND SHARE PERFORMANCE

FINANCIAL HIGHLIGHTS and SALIENT FEATURES	% change	2014	Restated 2013
Profit before tax (Rm) – continuing operations#	3,3%	**2 375,1**	2 298,9
Profit attributable to equity holders of The Foschini Group Limited (Rm)	3,8%	**1 859,6**	1 792,0
Total shareholders' interest (Rm)	2,6%	**7 228,6**	7 043,8
Total equity (Rm)	4,4%	**8 089,9**	7 749,3
Total liabilities (Rm)	19,5%	**9 013,3**	7 545,1
Net borrowings (Rm)	69,7%	**2 659,1**	1 567,4
Tangible net asset value per ordinary share** (cents)#	5,6%	**3 507,2**	3 322,4
Dividend per share (cents) – interim	3,0%	**243,0**	236,0
Dividend per share (cents) – final	8,5%	**293,0**	270,0
Dividend per share (cents) – total	5,9%	**536,0**	506,0
Gross number of shares in issue (millions)		**222,0**	228,5
Net number of shares in issue (millions)		**204,3**	210,1
Weighted average number of shares in issue (millions)		**206,0**	209,2
Closing US$ conversion rate		**10,61**	9,21
Average US$ conversion rate		**10,13**	8,54

* based on the weighted average number of shares in issue
** based on the net actual number of shares in issue
# 2013 restated to reflect RCS Group as discontinued operation

SHARE PERFORMANCE	2014	2013
Market price per share (cents)		
– at year-end	**10 715**	11 280
– highest	**11 736**	14 737
– lowest	**8 694**	10 056
– average	**10 149**	12 739
Number of beneficial shareholdings	**7 445**	6 833
Price/earnings ratio at year-end	**11,87**	13,17
Dividend yield	**5,0**	4,4
Number of shares traded during the year (millions)	**387,7**	275,2
Volume traded/number of shares in issue (%)	**174,6**	120,4
Market capitalisation (Rm)	**23 787,8**	25 774,6

@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

Ultimate destination for diamonds and fashionable brands of jewellery, watches and personal accessories which allow the image conscious customer to express their status.

CHARLES & KEITH

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 seven stores in South Africa.

DONNACLAIRE

Donnaclaire 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 40-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.

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

Mat & May offers 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 street brands that are trend relevant, providing the street-conscious youth with a unique environment where Sneakers are King. We stay relevant by being part of the urban youth landscape through various initiatives. Local and international brands are key to our business, giving us credibility and differentiating us from our competitors.

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.

Administration

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

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SHAREHOLDERS' CALENDAR

Financial year-end	31 March 2014
Annual report publication date	30 July 2014
Annual general meeting (77th)	1 September 2014
Interim profit announcement (2015)	6 November 2014
Dividend payments during 2014	
Ordinary – final 2014	July 2014
– interim 2015	January 2015
Preference – interim 2015	September 2014
– final 2015	March 2015

Queries regarding this report to be addressed to:

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