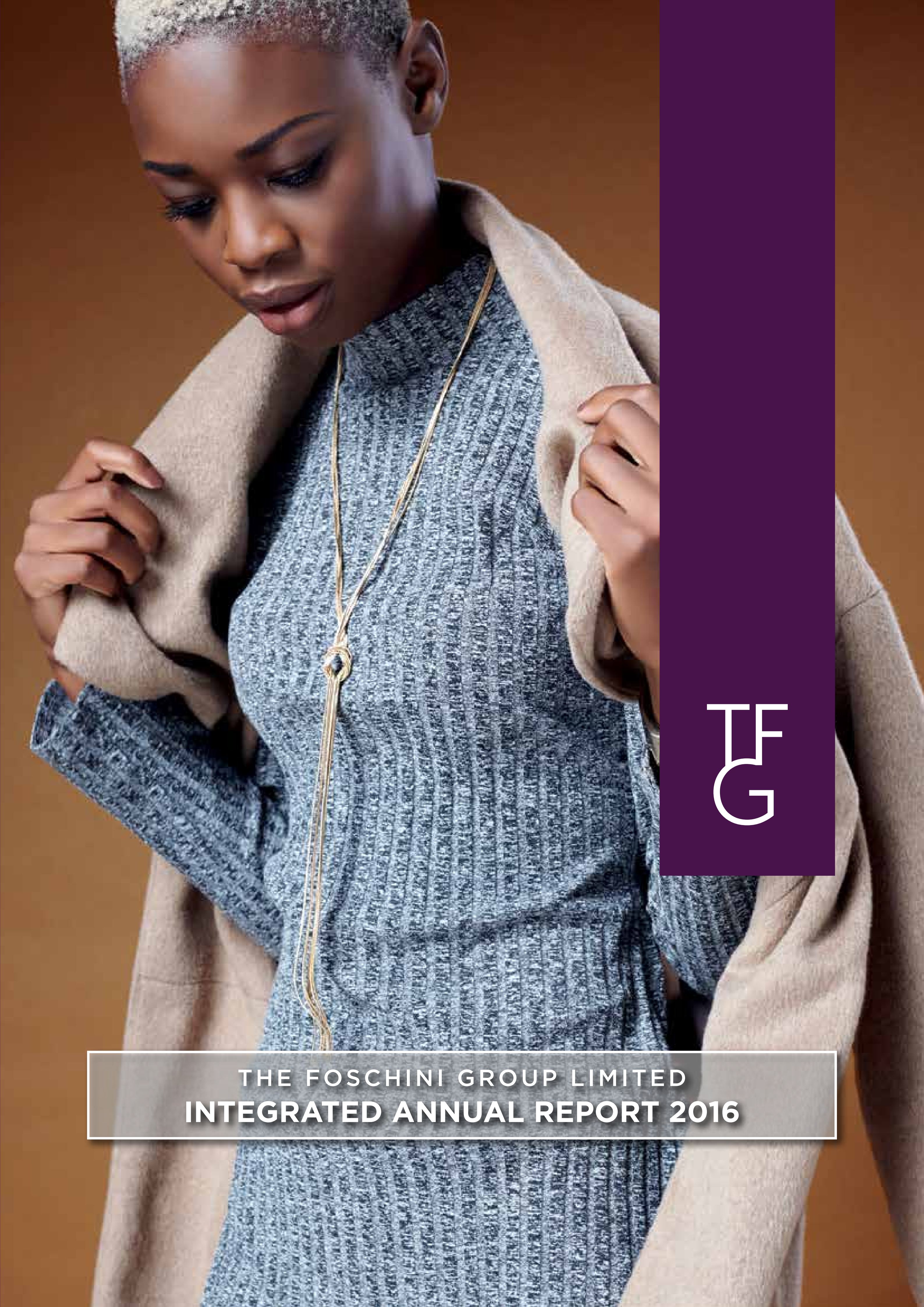


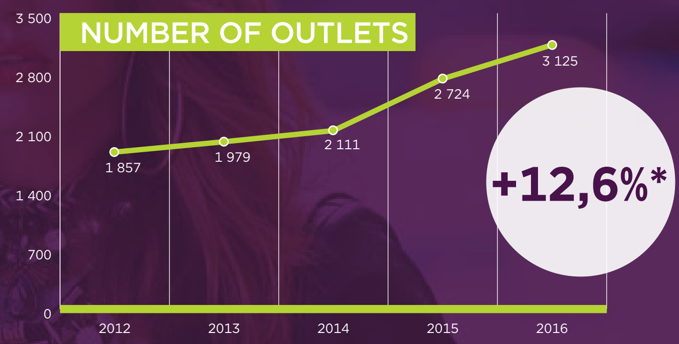
THE FOSCHINI GROUP LIMITED

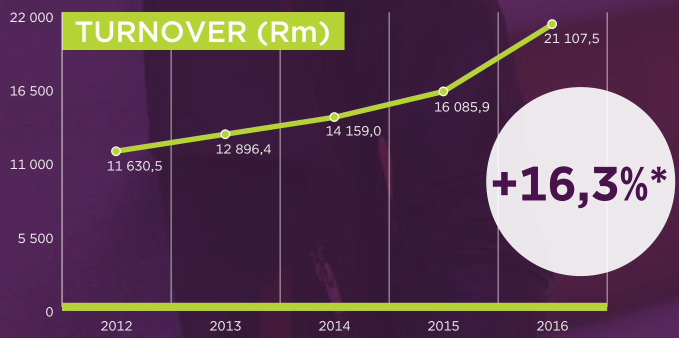
INTEGRATED ANNUAL REPORT 2016

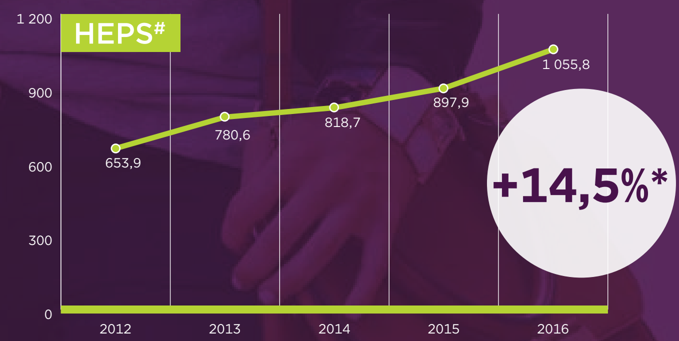
CONTENTS

INVESTMENT CASE

TFG HAS BEEN LISTED ON THE JSE FOR 75 YEARS, DELIVERING CONSISTENT GROWTH AND SHAREHOLDER RETURNS.







* *Numbers relate to a 5-year compound annual growth rate.*

\# *Excluding once-off acquisition costs.*

CUSTOMER

- Over 8,3 million Rewards customers
- Successful Rewards programme across cash and credit customers
- 22 fashion-forward brands trading out of 3 125 outlets in 31 countries globally
- Customer base primarily LSM 5–10 group
- Full in-house credit management capability supported by a 1 500-seat call centre
- 7 brands available online

LEADERSHIP

- Focus on professionalism, resilience, integrity, dignity and respect, empowerment and excellent service
- Strong corporate social investment strategy empowering and sustaining the communities in which we operate
- Experienced executive management team (average of 21 years' service)
- Highly structured succession aided by multibrand corporate structure
- Ongoing talent development and strong performance management culture

PROFIT

- 5-year headline earnings per share from continuing operations' compounded growth rate of 14,5% (excluding once-off acquisition costs)
- Return on equity of 23,9% at March 2016
- Cash sales growth of 18,4% for the 2016 financial year (including Phase Eight: 59,8%)
- Market-leading in-house capabilities for store design and upgrades, fashion design and manufacturing
- State-of-the-art fabric and pattern optimisation systems
- Quick interpretation of fashion trends
- Offshore partnerships optimise the sourcing of finished goods in the Far East

GROWTH

- 5-year compounded turnover growth rate of 16,3%
- 5-year compounded growth in distributions to shareholders of 14,6%
- Trading through 3 125 outlets globally and projected to trade through approximately 4 240 outlets by 2021
- Compounded space growth in Africa of 6,5% over 5 years

KEY PERFORMANCE INDICATORS AND SALIENT FEATURES

+31,2%
Group turnover up 31,2% to R21,1 billion (including Phase Eight)

+18,4%
Strong cash sales growth of 18,4% now representing 48,3% of turnover (excluding Phase Eight)

+57,2%
Total cash contribution (including Phase Eight)

+17,6%
Headline earnings per share from continuing operations (excluding once-off acquisition costs) up 17,6% to 1 055,8 cents

+18,5%
Final distribution of 385,0 cents per share – an 18,5% increase

+17,5%
Total distribution of 691,0 cents per share – a 17,5% increase

ONGOING FOCUS ON OUR KEY STRATEGIC OBJECTIVES ENABLED THE GROUP TO PRODUCE EARNINGS GROWTH WELL IN EXCESS OF THAT SUGGESTED BY THE CURRENT ECONOMIC CLIMATE

49,7%
GROSS MARGIN

17,0%
OPERATING MARGIN

92,3%
EMPLOYMENT EQUITY
(TFG South Africa)

+6,6%
ANNUAL SPACE GROWTH
(excluding international)

3 125
TOTAL NUMBER OF OUTLETS

23,9%
RETURN ON EQUITY

ABOUT THIS REPORT

We take pleasure in presenting our shareholders, investors and wider stakeholder community with the 2016 integrated annual report for The Foschini Group Limited and its subsidiaries (collectively referred to as "TFG" or "the group"). The report covers the financial year from 1 April 2015 to 31 March 2016. It includes operations in South Africa, Botswana, Ghana, Lesotho, Namibia, Swaziland and Zambia, and globally in the UK, Ireland and 22 other international countries under the various TFG retail brands. 78% of turnover is contributed by South Africa, our home market. All data apply to the group, unless specifically indicated otherwise.

This report aligns with the following requirements:

- The King Code of Governance for South Africa (King III)
- The Companies Act of South Africa, No. 71 of 2008, as amended
- The International Integrated Reporting Council's <IR> Framework (referred to as "the Framework")
- The "core" reporting requirements of the G4 Sustainability Reporting Guidelines

In accordance with the stated objectives of integrated reporting, our report focuses on those matters that have a material impact on TFG's ability to create and sustain value, and outlines how these matters were integrated and considered in our business strategy. Read more about the process we followed to determine these matters on page 41.

Although we further refined this report's structure for 2016, all data which collectively provide a consolidated review of the group's financial, social, economic and environmental performance, remain comparable and consistent other than indicated below.

KEY EVENTS FOR 2016

In reading the report and making assessments of our performance and prospects, readers should take the following key events into account as it may affect the comparability of financial and non-financial information:

- The full year's results for Phase Eight are included for 2016, compared to only two months of trading that were included in the previous comparable year.
- Following the disposal of the RCS Group in August 2014, trading for three months was still included in the 2015 group financial results as a discontinued operation.
- TFG acquired 100% of Whistles, a British contemporary fashion brand, through its UK subsidiary, Phase Eight, in March 2016. As the acquisition was at the end of our financial year, these results do not include any trading related to Whistles for this financial year. However, their at-acquisition balance sheet has been consolidated as at 31 March 2016.

Read more about the impact and scope of these events in the Chief Financial Officer's report on page 50.

OUR REPORTING SUITE

Guided by the Framework, this report aims to be a concise communication, with content developed according to the principle of materiality. The investor centre on our website contains the full suite of financial reporting elements. Additional information, aimed at a wider audience, has been made available on our website and includes the following:

ELEMENT AND PURPOSE	WEBSITE LINK
Sustainability overview report detailing our sustainability strategy, focus areas and non-financial data relevant to a wide range of stakeholders	www.tfglimited.co.za/sustainability/sustainability overview
Detailed King III compliance checklist setting out TFG's application of the governance principles and giving explanations of where these are not fully applied, aimed at shareholders	www.tfglimited.co.za/investor-relations/integrated reporting centre
Detailed index responding to each of the G4 criteria of the Global Reporting Initiative (GRI), aimed at a wide range of stakeholders	www.tfglimited.co.za/investor-relations/integrated reporting centre
The full set of annual financial statements for 2016 for the use of shareholders, investors and analysts	www.tfglimited.co.za/investor-relations/financial_results

Feedback on the integrated annual report and requests for printed copies of the report can be addressed to the Company Secretary, whose contact details are on the inside back cover of this report.

Should you elect to receive regular investor-related electronic communication from TFG, kindly provide your email address by emailing our investor relations department at investor_relations@tfg.co.za.

NAVIGATIONAL ICONS

The following icons are used throughout the report to improve ease of reference, highlight connectivity and direct readers to additional information:

AFRICA Information specific to our African operations, which includes South Africa, Botswana, Ghana, Lesotho, Namibia, Swaziland and Zambia

Page reference

Website (www.tfglimited.co.za unless otherwise specified)

DISCLAIMER

This report contains certain forward-looking statements regarding the results and operations of TFG, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future.

These forward-looking statements have not been reviewed or reported on by the group's external auditors.

INDEPENDENT ASSURANCE

In respect of the 2016 financial year, we obtained external assurance of the following aspects of our integrated annual report:

ELEMENTS ASSURED	OUTPUT FROM ASSURANCE	STATUS	ASSURANCE PROVIDER
Financial			
Annual financial statements	External audit report	Audited	KPMG Inc.
Empowerment			
BBBEE credentials	BBBEE scorecard verified at level 4	Assured	Empowerdex
Human resources			
Employee satisfaction	Supaloud survey results reported on in the sustainability overview report	Independently verified	Pure Survey

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

COMBINED ASSURANCE

Our internal process to ensure the reliability and completeness of the information in the integrated annual report involves the following:

- Review of the draft report by TFG's senior management and executives prior to submitting the report to our supervisory board for approval.
- Review of the effectiveness of our system of internal financial control by our internal auditors who formally report to the board audit committee.

APPROVAL

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

The board approved the 2016 integrated annual report on 29 June 2016.

M Lewis
Chairman

A D Murray
CEO

CHAIRMAN'S REPORT

The financial year under review has witnessed significant developments in our group. There was continued and substantial investment in South Africa and Africa, new brands were added, further progress in respect to the integration of Phase Eight was made, and Whistles, a contemporary fashion brand based in the UK, was acquired. In addition, our omnichannel continued its successful roll-out.

Against this backdrop, I am pleased to introduce our 2016 integrated annual report.

INTEGRATED REPORTING

We seek to continually improve our integrated reporting and, with this in mind, made some refinements to the structure of this year's report. Our integrated report presents a holistic view of the group, its operations and the broader societal matters that impact our business. We strive to communicate through our report all the factors that materially affect our ability to create value for all our stakeholders over time.

We believe we provided sufficient context in our report to enable our stakeholders to understand the key socio-economic, governance and environmental trends that may affect the group and to appreciate, from a balanced perspective, the impact of our operations on the resources and relationships we rely on in order to create value for our stakeholders.

In reading the report, I would like to draw your attention to the fact that, while the geographical spread of our operations is far broader than in previous years, the commentary in this report remains focused on the African (and in particular South African) operating environment as this continues to be the most significant geographical region for the group. Furthermore, certain products and services such as credit and customer value-added products are not available internationally. Certain key performance indicators such as Broad-based Black Economic Empowerment (BBBEE) targets and sustainability initiatives like local supply chain development are also unique to our South African operating environment. To assist the reader, we will make use of the following icon to identify report content that pertains only to our African operations. This has also been included in the navigational icons on the previous page.

AFRICA

ECONOMY AND OPERATING ENVIRONMENT

The economic environment during the past financial year proved most challenging. The global economic outlook remained uncertain, dominated by many factors including the outcome of the British referendum and concerns about the Chinese economy, with their impact on global growth, commodity prices and currencies.

The domestic economy likewise faced headwinds. The outlook for consumer spending remains weak as consumers face rising inflation, interest rate hikes and high unemployment rates. As a result, consumer confidence is

at low levels. Of further concern is the political uncertainty in South Africa and the related volatility of the Rand. The outlook for the South African economy weakened with the Bureau for Economic Research (BER) projecting gross domestic product (GDP) growth for the 2016 calendar year of 0,4%. In addition, the expectation is that inflation will remain outside the 4% – 6% target range for some time.

PERFORMANCE OVERVIEW OF THE YEAR

The economic conditions referred to above provided a challenging trading environment during the past year. Despite this, our group performed well and produced a strong result with growth in adjusted headline earnings per share from continuing operations of 17,6%. Our turnover grew by 31,2% to R21,1 billion, which included turnover growth of 11,6% from our African operations.

The board is pleased with the performance of the group during the year and the progress that was made with our various strategic initiatives. Further details on our strategy and performance are provided in our Chief Executive Officer's report on page 44, while our detailed financial performance is discussed in our Chief Financial Officer's report on page 50.

VALUE CREATION

While value creation relates to all our stakeholder groupings, our shareholders are the primary group at which this report is aimed. We achieved shareholder value creation through the following:

- Ongoing focus on key strategic objectives, which enabled the group to produce earnings growth well in excess of that suggested by the current economic climate (5-year CAGR in HEPS of 14,5% against GDP growth in the same period of 2,1%), through:
  - our growth strategy that encompasses both organic growth and acquisitions that supported a healthy top-line growth and was assisted by investment in our customer Rewards programme in South Africa;
  - strict margin management and focus on local manufacturing that ensured the effect of exchange rate volatility on margin was curbed; and
  - a focus on cost control, while not forsaking investment required to support future expansion.

CHAIRMAN'S REPORT CONTINUED

- Key strategic decisions over the last few years, which fundamentally shifted the business from being purely South African based (albeit with an expanding African footprint) with an independent financial services business (in the form of the RCS Group) to a more focused retail business with a far broader geographical spread. In so doing:
  - the understanding of our business by investors as a purely retail business rather than a combination of retail and financial services improved;
  - the business diversified in terms of geographical spread, market segment (Phase Eight appeals to the upper market segment) and cash sales contribution; and
  - the group, through the Phase Eight business, created a platform for further international expansion, a good example of which is the recent bolt on acquisition of Whistles.

The board believes that the strategic initiatives undertaken over the last two years position the group well to deliver increased shareholder value over the medium to long term.

GOVERNANCE AND LEADERSHIP

TFG remains committed to high standards of corporate governance, with accountability and transparency being key guiding principles in all decision-making. As is outlined more fully in the corporate governance report, management and the board continue to be guided by the principles contained in the King III code and the Listings Requirements of the Johannesburg Stock Exchange (JSE). Our detailed compliance with the King III principles is available on our website and we remain abreast of developments in relation to the draft King IV.

In addition to its usual oversight of governance, the board placed particular focus this year on the integration of Phase Eight. While good progress was made, this will continue to receive focus next year as the Whistles operations are fully integrated.

As announced on SENS, we appointed Graham Davin as an independent non-executive director effective from 5 November 2015. Graham has extensive international financial and broad business experience. We believe this experience will be particularly useful given the expanded geographical footprint of our business. We welcome him to the board and look forward to his contribution.

I would also like to take this opportunity to thank Dee Sheard, our previous Company Secretary, for her contribution to our group and the key role she played over many years. As was announced on SENS, Dee resigned as Company Secretary with effect from 22 May 2016 and Darwin van Rooyen has been appointed in this role from 23 May 2016.

PROSPECTS

It gives me great pleasure to note that this year marks the 75th year of TFG trading on the JSE. The business has weathered many storms in its history and despite the muted growth prospects for the South African economy in the year ahead, the board is firmly of the view that the group is well-poised for success in the future, with clear strategies in place under the direction of sound leadership.

APPRECIATION

On behalf of the board I would like to thank:

- Doug Murray for his outstanding leadership of the group during the year;
- the senior executive team members for their skilled and professional management;
- all our employees for their excellent performance, commitment 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.

Michael Lewis
Chairman

29 June 2016

OUR PROFILE

OUR TIMELINE

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
RCS established

1999
Pages rebranded as Exact

ACQUIRED LAUNCHED

2000
Matrix launched

2000
Totalsports acquired

2001
@home launched

2001
Fashion Express launched

2004
Duesouth launched

2005
@homelivingspace launched

2005
Luella launched

2010
Foschini Limited changed to TFG Limited

2011
Fabiani and franchise rights for G-Star Raw acquired

2011
Charles & Keith franchise partnership

2012
Prestige Clothing acquired

2013
Matrix rebranded as Mat & May

2014
Luella incorporated within Foschini stores

2015
Phase Eight acquired

2015
RCS disposal

2016
SODA Bloc launched

2016
Franchise rights for Colette acquired

2016
Franchise rights for Next acquired

2016
Fashion Express rebranded as The FIX

2016
Whistles acquired

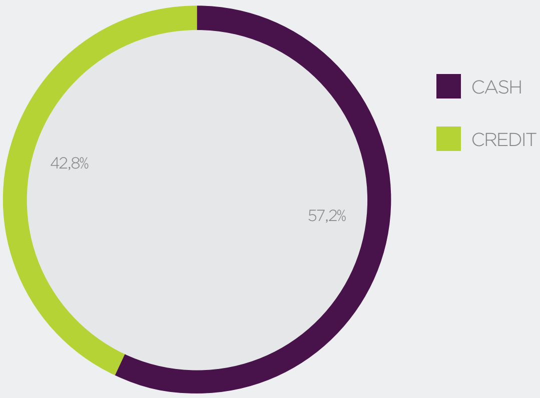
OUR PROFILE

TFG offers prominent lifestyle brands to consumers across the majority of LSM groups, from value to upper market. We are one of the foremost independent chain-store groups in South Africa, with the company established in 1924 and listed on the JSE in the soft goods retail sector since 1941 – a legacy of 75 years as a listed entity.

Our range of 22 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture. 57,2% of the 2016 turnover is in the form of cash sales to customers, with the balance being from our own in-house credit offering. Credit is currently offered to our customers in South Africa and in Namibia, Botswana, Lesotho and Swaziland. In addition to retail turnover, revenue is also generated from interest received on customers' store cards and through various customer value-added products, which are primarily sold through our 1 500-seat call centre. Seven of our brands offer goods for sale through our e-commerce channel. For a graphical representation of our 2016 turnover split by cash and credit sales, as well as by merchandise category, please refer to the graphs below.

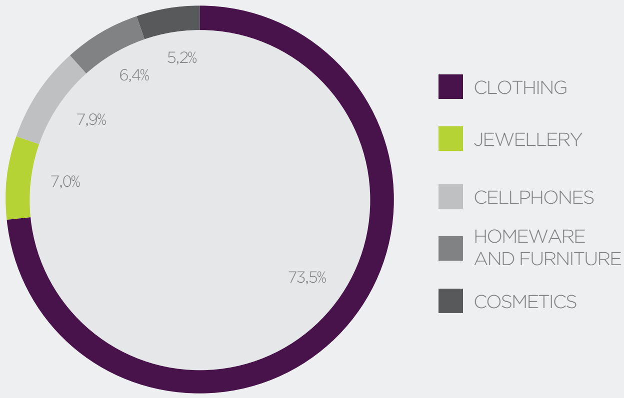
TFG has a physical presence in 31 countries spanning five continents. Our most significant markets are South Africa, Namibia and the United Kingdom, including Ireland. In South Africa we operate through 2 286 stores, with the majority of merchandise sold under our own brand names.

We have an in-house design and manufacturing facility, which coordinates production through our own factories and through various independent cut, make and trim (CMT) factories.

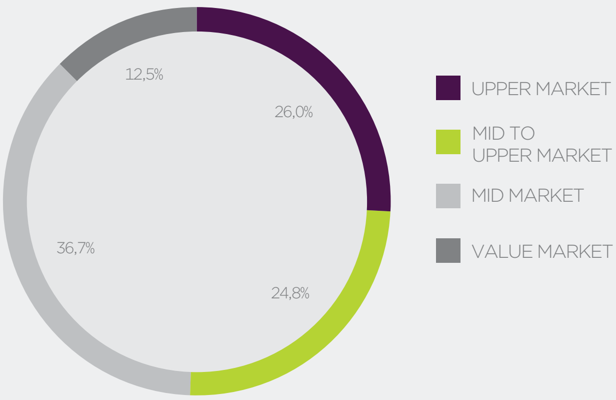


CASH vs CREDIT* TURNOVER CONTRIBUTION (TFG incl. Phase Eight)

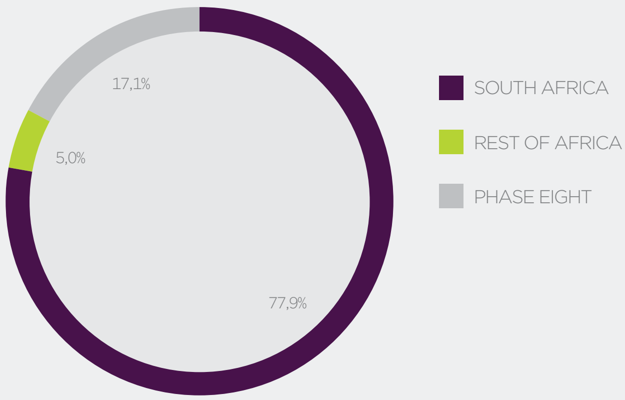
* *Credit turnover in Africa only.*



MERCHANDISE CATEGORY CONTRIBUTION (TFG incl. Phase Eight)



TURNOVER BY LSM CATEGORY CONTRIBUTION (TFG incl. Phase Eight)



TURNOVER BY GEOGRAPHIC SEGMENT CONTRIBUTION* (TFG incl. Phase Eight)

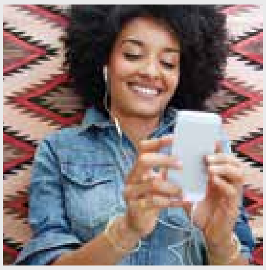
* *E-commerce turnover included based on brand location.*

OUR PROFILE CONTINUED

OUR VISION

TO BE THE **LEADING FASHION LIFESTYLE RETAILER IN AFRICA** WHILST GROWING OUR INTERNATIONAL FOOTPRINT

OUR STRATEGY AT A GLANCE

STRATEGIC PILLAR	CUSTOMER	LEADERSHIP	PROFIT	GROWTH
				
OBJECTIVE	We will offer our customers a range of compelling rewards. Alternative credit products will be investigated that will appeal to our changing customer base. We will deliver superior customer experiences across our retail brands.	We are committed to embedding a performance-based culture that will ensure that we attract and retain the best talent in the industry.	Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response. We will optimise the flow of goods from source to customer to enhance the customer experience.	We will be the leading lifestyle retailer in Africa whilst growing our international footprint. We will deliver an integrated, secure omnichannel customer experience across our various brands.

OUR SHARED VALUE SUSTAINABILITY STRATEGY IS AIMED AT SUPPORTING OUR BUSINESS STRATEGY BY DEVELOPING TANGIBLE LINKS WITH OUR STRATEGIC ENABLERS, NAMELY:

01 Local supply chain development

02 Employee empowerment

03 Resource efficiency

04 Socio-economic development

05 Governance, ethics and accountability

For further details about our shared value sustainability strategy, please refer to pages 68 to 69 as well as our sustainability overview report.

OUR BUSINESS MODEL

TFG creates value for our stakeholders based on the concept of shared value, which aims to address economic and social issues directly impacting the performance in the countries in which we operate. Shared value innovates across the value chain to increase productivity and create new markets or enabling environments. To qualify as shared value, initiatives must produce measurable results in both financial and social terms.

WE CREATE SUSTAINABLE VALUE IN THE FOLLOWING WAYS:

01

FOR CUSTOMERS:

- providing a choice of local and international brands that are desirable, innovative and creative
- giving access to responsible and affordable credit

02

FOR MERCHANDISE SUPPLIERS, LANDLORDS AND CONCESSION PARTNERS AND KEY SERVICE PROVIDERS:

- creating a profitable and sustainable market
- developing an ethical local supply chain and optimised logistics
- ensuring a reliable tenant with a long-term location strategy

03

FOR EMPLOYEES:

- investing in employee training and development
- providing a rewarding work environment
- offering market-related compensation

04

FOR COMMUNITIES:

- providing small business support
- promoting entrepreneurial opportunities
- providing employment in local communities

05

FOR GOVERNMENT AND REGULATORS:

- participating in the development and supporting of new regulations and legislation
- participating in initiatives to improve competitiveness of the industry
- contributing to fiscal revenue through our tax payments

06

ULTIMATELY, FOR SHAREHOLDERS:

- delivering long-term returns supported by good governance

Our business model presented on the following page aims to show how our group’s activities are aligned with our key strategic objectives and the six capitals as defined by the Framework. These capitals are the resources and relationships we employ or maintain in our operations.

OUR BUSINESS MODEL CONTINUED

THE SIX CAPITALS

FINANCIAL

TFG's pool of funds consists of funds reinvested in the group, revenue generated, interest income and a combination of long-term and short-term loans and capital providers.

MANUFACTURED

The stores, distribution network and general infrastructure throughout our markets, which enable us to procure, import, manufacture, deliver and sell our products and services.

INTELLECTUAL

The intangibles that constitute our product or service offerings and provide our competitive advantage.

HUMAN

The skills and experience vested in our employees that enable us to implement our strategy and deliver our products and services.

SOCIAL AND RELATIONSHIP

The key long-term relationships we cultivated with clients, suppliers and business partners, particularly to enhance Broad-based Black Economic Empowerment and facilitate job creation.

NATURAL

The resources we use for the production of goods, such as cotton, gold, silver and diamonds, monitored and managed to optimise our procurement practices and integrate sustainability enablers across the group.

CUSTOMER

Creating superior omnichannel experiences, compelling rewards and alternative credit products

GROWTH

Becoming the leading fashion retailer in Africa whilst growing our international footprint, and delivering an integrated customer experience across all our brands

RETAIL OPERATIONS

CREDIT

MERCHANDISE PROCUREMENT

CUSTOMER VALUE-ADDED PRODUCTS

LEADERSHIP

Embedding a performance-based culture that attracts, retains and develops key talent

PROFIT

Optimising our supply chain capability and flow of goods to enhance the customer experience

STATEMENT OF VALUE CREATION

We deliver quality branded fashion, accessories, jewellery, sporting and outdoor apparel, homeware and furniture, and cellular goods and services at prices appropriate to each market segment we target, while providing shopping experiences at convenient locations, including online.

AFRICA

OUR LOCAL SUPPLY CHAIN >

PRODUCT DESIGN AND SPECIFICATIONS

A combination of in-house and outsourced design, with the aim of increasing own-sourced product and maximising in-house design and manufacturing capability to drive profits.

MERCHANDISE PROCUREMENT

Merchandise including:
- Clothing
- Jewellery
- Homeware and furniture

IMPORTED (Finished goods/ fabric)

Imported fabric

LOCAL (Enabling local supply chain development)

OUTPUTS

PRODUCTS, SERVICES, BY-PRODUCTS AND WASTE

- Branded clothing, homeware and furniture, jewellery, cosmetics and cellphones
- Branded outlets for our 22 retail brands
- Services include credit, insurance, publishing, mobile airtime and a Rewards programme
- Waste includes excess raw materials, rejects and customer returns, which are repurposed via The Feel Good Stores

OUTCOMES

INCREASED, DECREASED OR TRANSFORMED CAPITALS

CREATING VALUE FOR SHAREHOLDERS

As per our value-added statement (Appendix 6 to this report), R1,8 billion was reinvested in the group to finance future expansion and growth, with distributions to the value of R1,3 billion paid to shareholders.

LOCAL SUPPLY CHAIN DEVELOPMENT

By optimising our supply chain and boosting our in-house capacity, TFG is on track to reduce logistics and shipping costs and improve lead times. This will save time and money and leave us with more capacity to feed back into our business. This increases financial, manufactured, as well as social and relationship capital.

EMPLOYEE EMPOWERMENT

Rewarding, training and incentivising our people ensures a skilled and motivated workforce dedicated to meeting customers' needs. This increases human capital, generates revenue and contributes to a sustainable business. In 2016, R125 million was invested in training, with R3 210,8 million paid out as remuneration.

RESOURCE EFFICIENCY

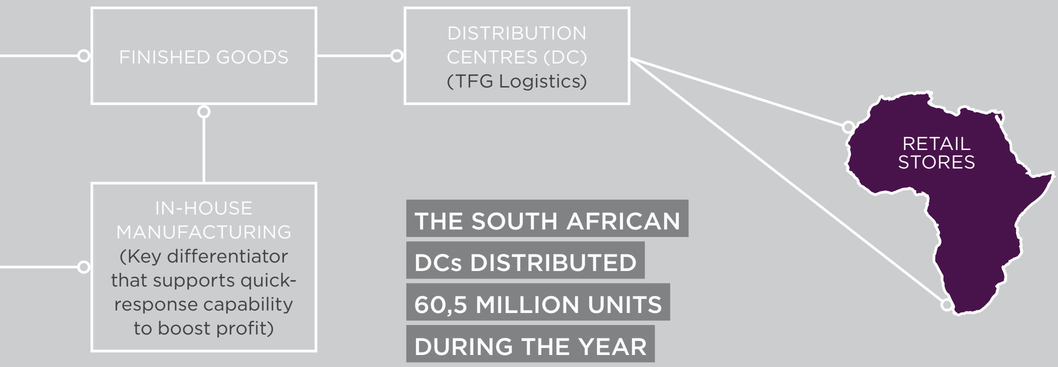
We safeguard the environment by integrating resource efficiency initiatives across the group. These efforts contribute to a decrease in natural capital and carbon emissions.

SOCIO-ECONOMIC DEVELOPMENT

Through our in-house manufacturing, TFG created 191 jobs in South Africa, with further job creation at head office and store level. The TFG Foundation also donated goods to the value of R27,4 million to The Feel Good Store project and made donations of R7,0 million across 49 organisations. In this way communities benefit from job creation and income flow, contributing to public good and earning us the trust of the communities in which we operate.

GOVERNANCE

We have a whistle-blowing facility supported by TFG's anti-corruption policy, which encourages transparency, ethics and accountability among our leaders and employees. In 2016, we received 141 reports through our whistle-blowing facility.



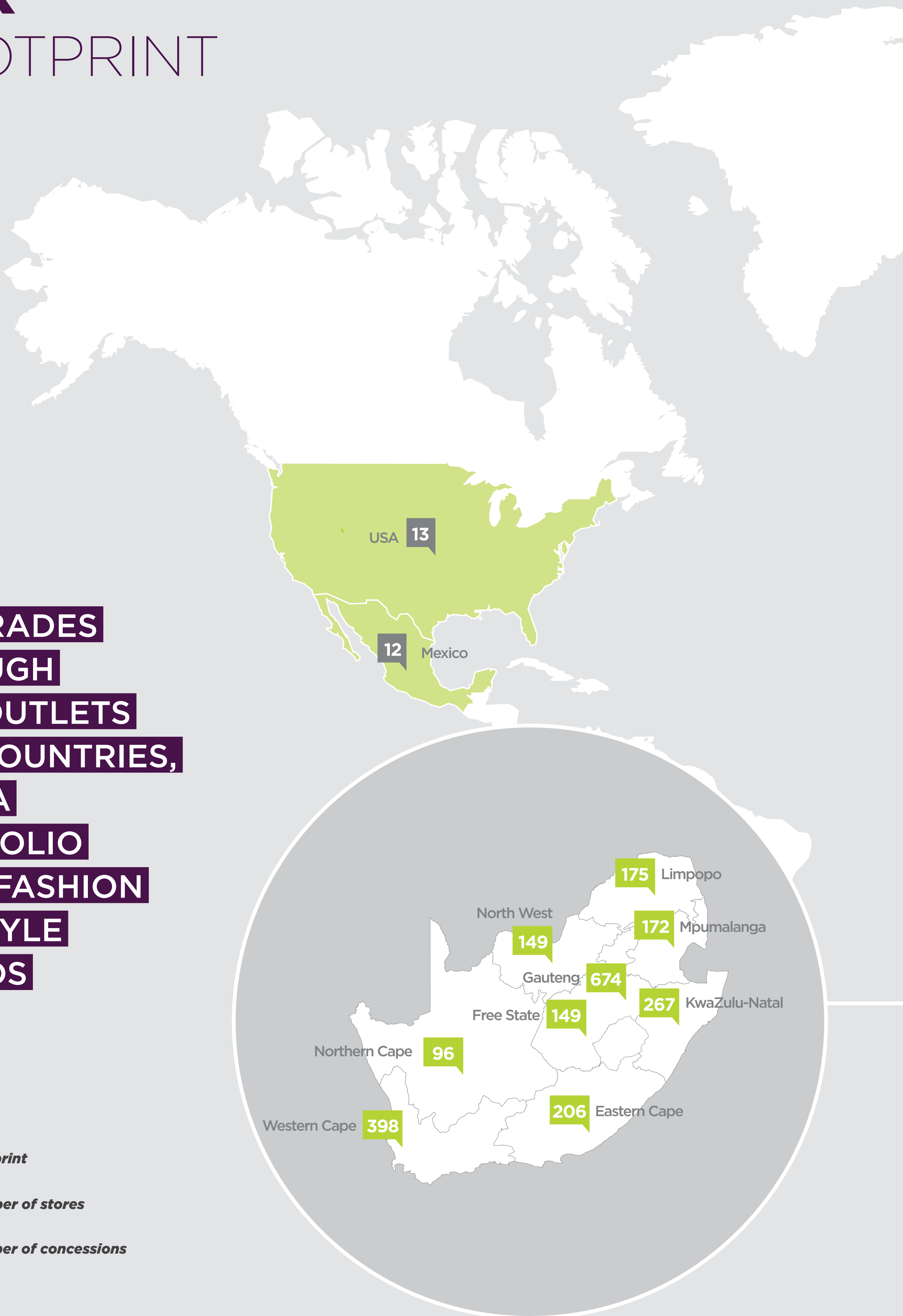
THE SOUTH AFRICAN DCs DISTRIBUTED 60,5 MILLION UNITS DURING THE YEAR

RETAIL OPERATIONS INCLUDE:

- Sales (online and in-store)
- Financial services/credit
- Brand identity
- Store design and roll-out
- Promotions/rewards
- In-store marketing

OUR FOOTPRINT

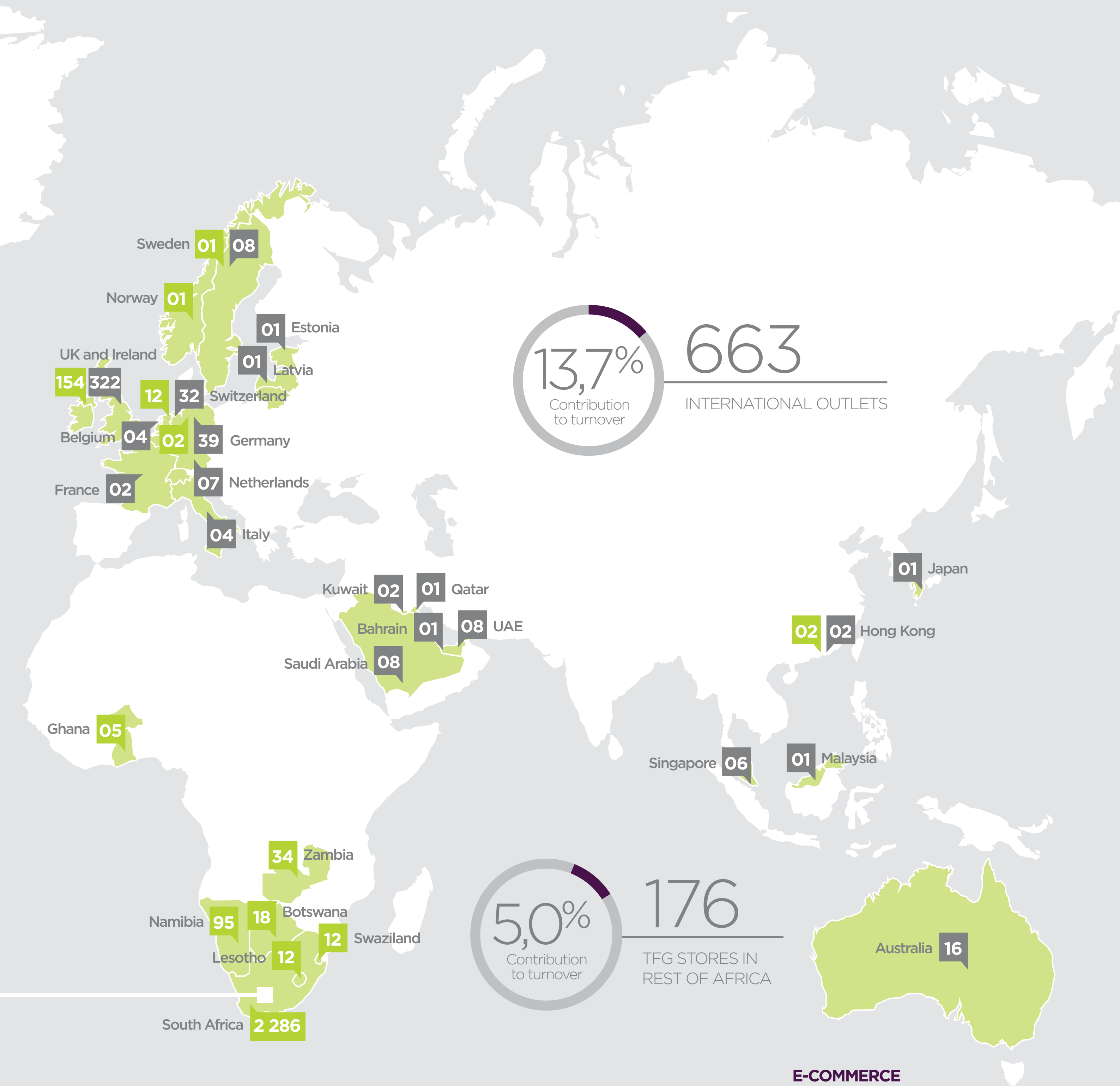
TFG TRADES THROUGH 3 125 OUTLETS IN 31 COUNTRIES, WITH A PORTFOLIO OF 22 FASHION LIFESTYLE BRANDS



TFG's footprint

TFG's number of stores

TFG's number of concessions



77,6% Contribution to turnover

2 286

TFG STORES IN SOUTH AFRICA

E-COMMERCE

3,7% Contribution to turnover

@home DUESOUTH hi Phase Eight sportscene TOTALSPORTS WHISTLES

OUR STRUCTURE

DIRECTORATE
THE FOSCHINI GROUP LIMITED
(“supervisory board” or “board”)

CHIEF EXECUTIVE OFFICER

OPERATING BOARD
TFG

FINANCIAL SERVICES

PROVIDE GROUP-WIDE CREDIT-RELATED PRODUCTS AND SERVICES TO CUSTOMERS IN SOUTHERN AFRICA

- CREDIT
- CUSTOMER VALUE-ADDED PRODUCTS

CENTRALISED FUNCTIONS

THE RETAIL TRADING BRANDS ARE SUPPORTED BY A NUMBER OF CENTRALISED SERVICE FUNCTIONS

EMPLOYEES	FACILITIES
TFG Human Resources	TFG Services

ACCOUNTING AND GOVERNANCE	SUPPLY CHAIN	SYSTEMS
TFG Finance & Advisory	Prestige Clothing	TFG Infotec
TFG Internal Audit	TFG Design	
	TFG Logistics	
	TFG Merchandise Procurement	

MARKETING	EXPANSION
TFG Marketing	TFG Africa
E-commerce	TFG Property

INTERNATIONAL OPERATIONS

LOCAL MANAGEMENT STRUCTURE WITH THEIR OWN, INDEPENDENT, CENTRALISED SUPPORT FUNCTIONS

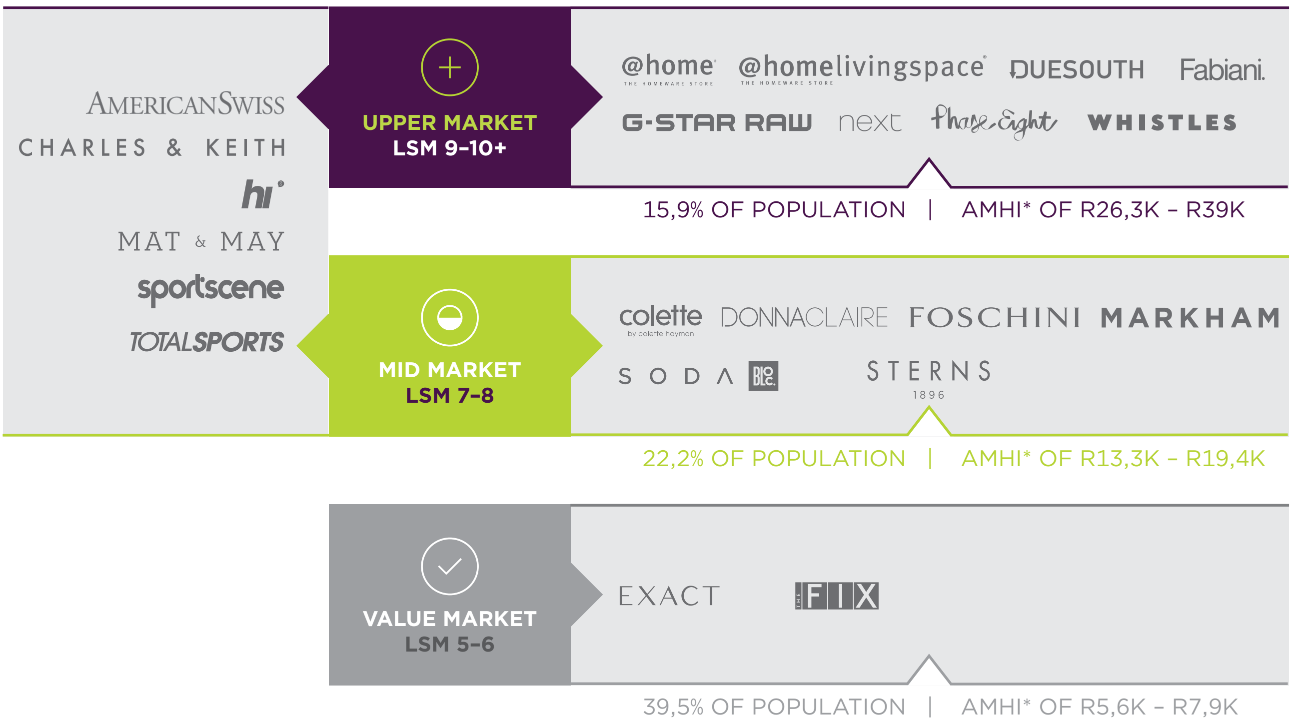
RETAIL BRANDS

@HOME	@home THE HOMEWARE STORE, @homelivingspace THE HOMEWARE STORE
EXACT	EXACT
THE FIX	THE FIX
FOSCHINI DIVISION	FOSCHINI, DONNACLAIRE, CHARLES & KEITH, colette by colette hayman, next
INTERNATIONAL DIVISION	Phase Eight, WHISTLES
JEWELLERY DIVISION	AMERICANSWISS, STERNS 1896, MAT & MAY
MARKHAM DIVISION	MARKHAM, Fabiani, G-STAR RAW
SODA BLOC	SODA BLOC
SPORTS DIVISION	sportscene, TOTALSPORTS, DUESOUTH
TFG MOBILE	hi
E-COMMERCE	@home THE HOMEWARE STORE, DUESOUTH, hi, Phase Eight, sportscene, TOTALSPORTS, WHISTLES

OUR BRANDS

The majority of our 22 brands are own brands and it remains our intention to continually expand this range by strategic acquisitions and by developing new brands in-house. In 2016, we acquired Whistles and the franchise rights to Colette and Next, rebranded Fashion Express as The FIX and launched SODA Bloc.

OUR BRANDS OFFER FASHIONABILITY FROM RELATIVELY LOW-RISK TO HIGHER-RISK FASHION, AND APPEAL TO A BROAD CUSTOMER BASE ACROSS A RANGE OF LSM GROUPS:



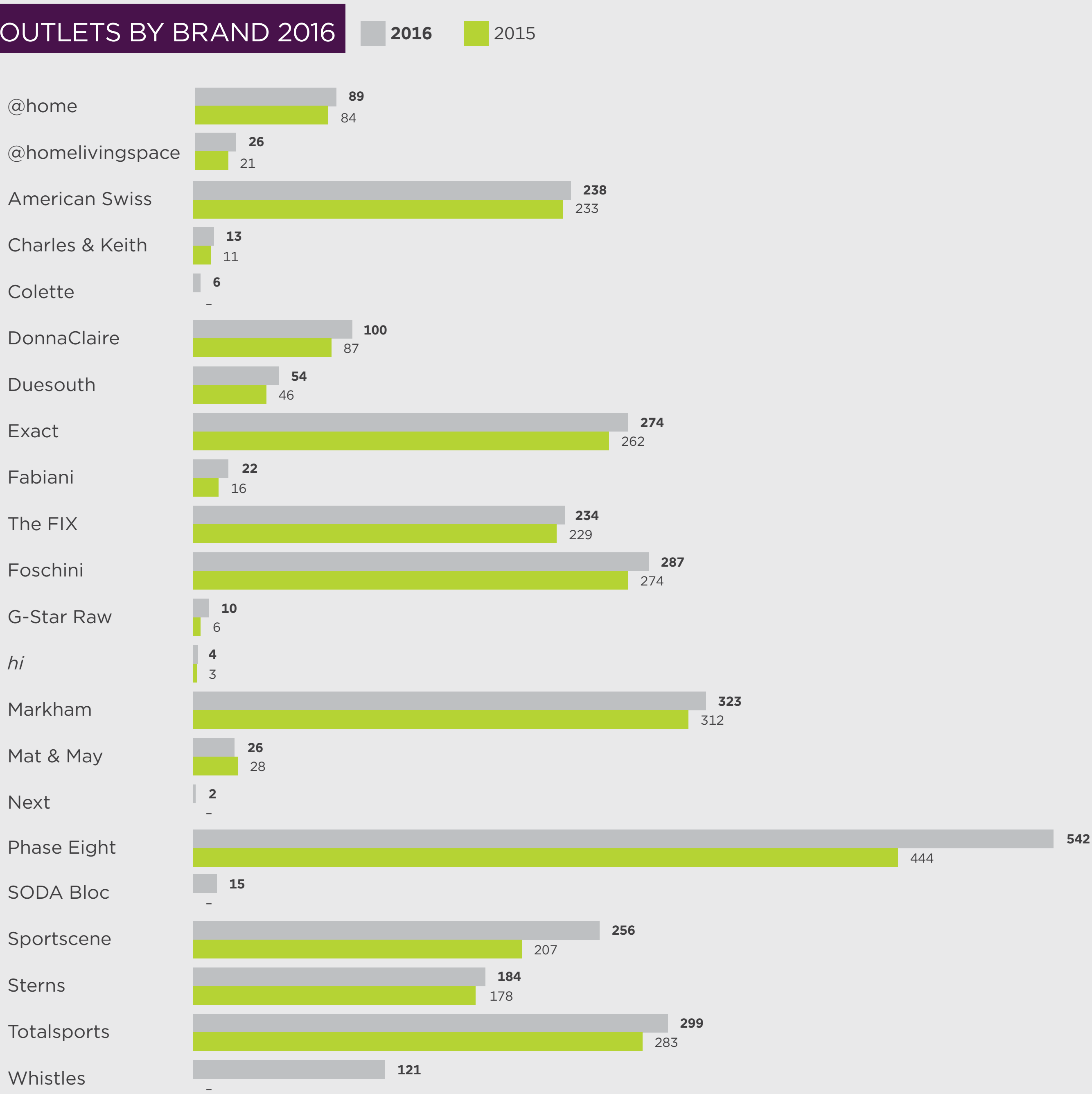
* *AMHI: Average monthly household income.*
Source: AMPS Individual Databases (2014B, 2015B).

MERCHANDISE CATEGORY	BRANDS	% CONTRIBUTION TO TURNOVER
CLOTHING* – FASHION	Charles & Keith, Colette, DonnaClaire, Fabiani, Foschini, G-Star Raw, Markham, Next, Phase Eight, SODA Bloc	43,7%
CLOTHING – SPORT	Duesouth, Sportscene, Totalsports	18,8%
CLOTHING – VALUE	Exact, The FIX	11,0%
COSMETICS	Foschini	5,2%
HOMEWARE AND FURNITURE	@home, @homelivingspace	6,4%
JEWELLERY	American Swiss, Foschini, Mat & May, Sterns	7,0%
CELLPHONES	American Swiss, Charles & Keith, DonnaClaire, Duesouth, Exact, Fabiani, Foschini, G-Star Raw, *hi*, Markham, Mat & May, SODA Bloc, Sportscene, Sterns, The FIX, Totalsports	7,9%

* *From the 2017 financial year, Whistles will add to the clothing merchandise category.*

OUR BRANDS CONTINUED

OUTLETS BY BRAND 2016



TOTAL OUTLETS
3 125
2016

TOTAL OUTLETS
2 724
2015

BRAND OVERVIEW

Brand offering Target audience

UPPER LSM CATEGORY

@home offers a comprehensive range of premium fashion homeware needed to equip and decorate a stylish modern home.

Men and women

@homelivingspace offers a comprehensive range of contemporary homeware and furniture for lounge, dining, bedroom, office and outdoor.

Men and women

Duesouth offers apparel, footwear, equipment and technology to the informed, urban adventurer who shares a passion for the freedom of the outdoors.

Men and women

Fabiani offers high-quality fabric and exceptionally cut suits and is renowned for its combination of style, quality, passion and the unexpected pop.

Men

OUR BRANDS CONTINUED

BRAND OVERVIEW CONTINUED

Brand offering Target audience

UPPER LSM CATEGORY

G-star RAW offers authentic denim wear and is renowned for its fusion of high-level craftsmanship with street-level edge.

Men and women

Next offers exquisitely designed and premium quality apparel and accessories for children, inspired by the latest trends.

Boys and girls (ages 0 – 12)

Phase Eight offers stylish and contemporary daywear, bridal wear, occasion wear, evening wear, holiday wear and accessories and is renowned for its high-quality fabric used for an impeccable cut and fit.

Women

Whistles offers contemporary fashion and is renowned for its quality and luxury detail.

Men and women

Brand offering Target audience

MID TO UPPER LSM CATEGORY

American Swiss offers luxury jewellery, watches and accessories and is renowned for its inspirational, exciting and indulgent retail experience.

Men and women

Charles & Keith offers international footwear, handbags and accessories and is renowned for its unique fashion-forward collection for the urban trendsetter.

Women

hi offers a range of connected lifestyle products and is renowned for its must-have mobile technology hardware and related accessories including cellular phones, notebooks, tablets, headphones, accessories, data, prepaid and contract airtime.

Men and women

Mat & May offers lifestyle accessories including leather bags, wallets, sunglasses and cellphones for the urban, fashion-savvy consumer.

Men and women

OUR BRANDS CONTINUED

BRAND OVERVIEW CONTINUED

Brand offering   Target audience

MID TO UPPER LSM CATEGORY

Sportscene offers sports-inspired footwear, apparel and accessories and is renowned for its blend of street-credible sports brands.

Men and women

Totalsports offers a broad range of apparel, footwear and equipment that focuses on football, running, fitness and rugby.

Men and women

Brand offering Target audience

MID MARKET LSM CATEGORY

Colette has become the essential destination for accessories and is renowned for jewellery and statement bags that embrace the pace of fast fashion.

Women

DonnaClaire offers smart casual clothing, accessories, lingerie, footwear, cellular and cosmetics that is dedicated to fuller-figure women and is renowned for its plus-size expertise.

Women

Foschini offers good value smart, casual, denim, leisurewear, accessories, lingerie, footwear, cellular, cosmetics, fine jewellery and kidswear, and is renowned for its fashionable and contemporary clothing in a modern environment.

Women and children

Markham offers on-trend smart and casual wear, including footwear, accessories, cellphones and fragrances and is renowned for its cool, youthful, fresh, vibrant and fun environment.

Men

OUR BRANDS CONTINUED

BRAND OVERVIEW CONTINUED

Brand offering   Target audience

MID MARKET LSM CATEGORY

SODA Bloc offers denim, tees, dresses, skirts, shorts, gadgets and stationery, shoes and accessories to kit out tweens and is renowned for its coolest fashion fits for their generation.

Boys and girls (ages 9 – 16)

Sterns offers contemporary and classic bridal and gift jewellery and is renowned for its exceptional quality, craftsmanship and design.

Men and women

Brand offering   Target audience

VALUE LSM CATEGORY

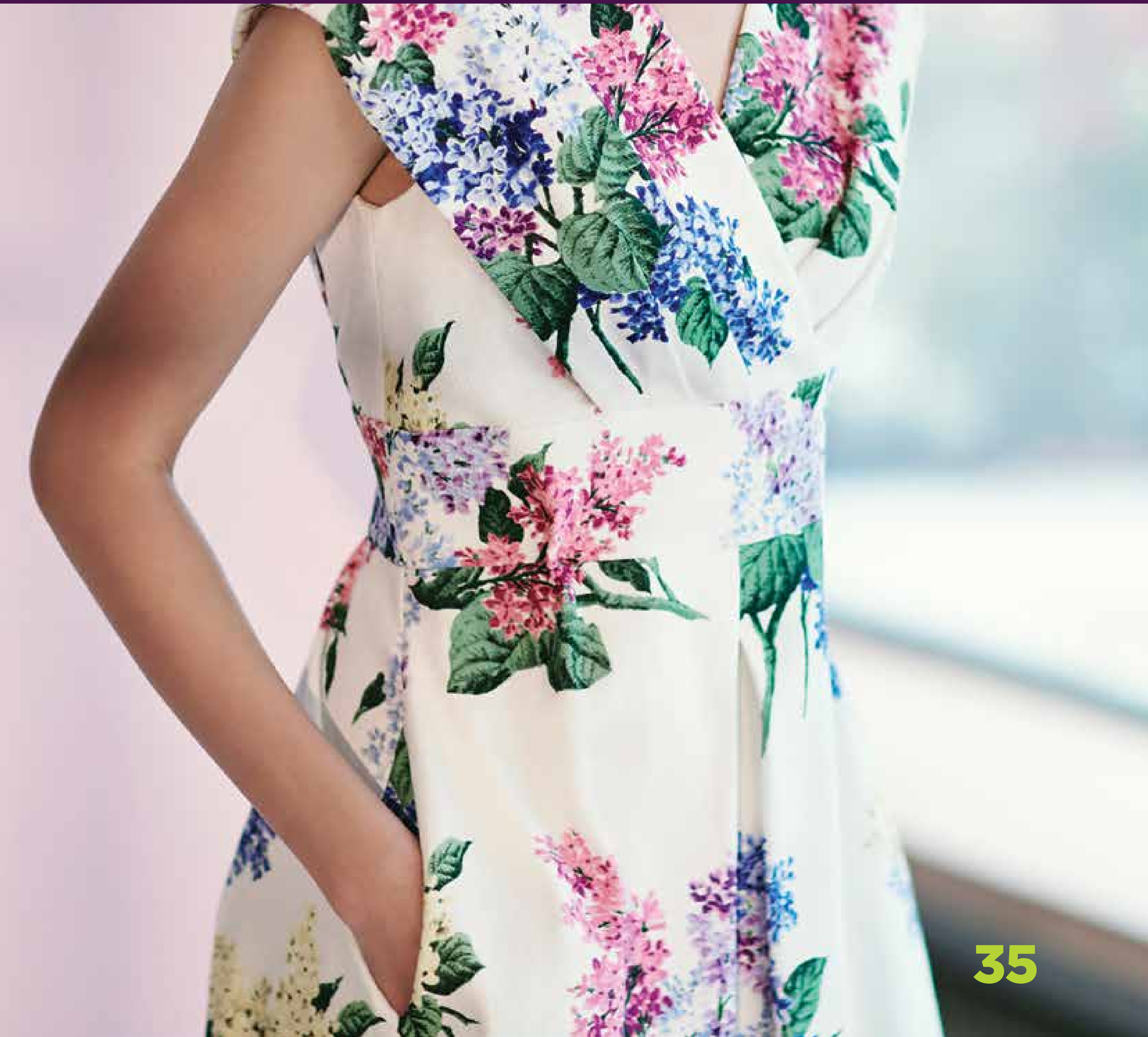
Exact offers great value everyday essentials and is renowned for its trend-appropriate range of quality, well-priced contemporary fashion for the whole family.

Men, women and children

The FIX offers on-trend fashion, footwear and accessories and is renowned for its hot products at great prices.

Women

OUR OPERATING CONTEXT



OUR OPERATING CONTEXT

SOUTH AFRICAN CONTEXT

GDP growth in the local market remains lacklustre and business confidence is at a five-year low. The upward interest rate cycle is gaining momentum, having increased by 200 bps over the past two years. In addition, unemployment and political uncertainty remain a concern.

According to the Bureau of Economic Research (BER), inflation is expected to average 6,6% in 2016 and 6,4% in 2017, while GDP is expected to slow even more in the next 12 months. Risks to inflation remain high, including rising food prices, potentially rising oil prices and continued exchange rate volatility. Underlying market conditions therefore remain unsupportive of any meaningful acceleration in consumer spending, and rising interest rates put pressure on credit consumers.

South Africa's fiscal policy is tightening, but short-term expectations continue to be challenging, with growth forecast generally being downgraded.

Sustainability continue to receive focus and according to a recent PWC article, *Make it your business: Engaging with the Sustainable Development Goals (A South African perspective – March 2016)*, businesses in South Africa are currently prioritising the following sustainable development goals:

- Inclusive and sustainable economic growth
- Inclusive and equitable quality education and the promotion of lifelong learning opportunities for all
- Sustainable consumption and production patterns
- Resilient infrastructure, inclusive and sustainable industrialisation and innovation
- Urgent action to combat climate change and its impact

Clothing retail

In the South African retail sector, profitability remains under pressure due to sharp increases in purchase prices, which are being driven upward as a result of a weak and volatile Rand. Accelerated consumer price inflation is forecasted for the 2017 financial year. This places further emphasis on the need to drive local production and to continue to optimise supply chain and sourcing arrangements.

Growth in real consumer spending improved slightly after the mining strikes in 2015, but remains slow. Most retailers are reporting lower volumes, which is expected to continue and worsen as consumers experience subdued growth in disposable income. Low levels of consumer confidence will also dampen overall spending.

The semi-durable sector is particularly sensitive to interest rate hikes, credit growth and consumer confidence levels.

Credit

The pressure on credit customers from the upward interest rate cycle, together with the negative impact of the Affordability Regulations on new accounts, limit the ability of credit retailers to achieve meaningful growth in credit turnover.

Risks and opportunities

Clothing retail and credit

While current consumer debt levels inhibit credit sales, our Rewards programme is aimed at stimulating both cash and credit sales, with the latter improving card usage. In addition, our online strategy and focus on local production continue to benefit customers. As part of ongoing bad debt management, an internal review of available credit products was undertaken to ensure we attract accounts that are less vulnerable to debt. Credit applications are reviewed for fraud indicators and assessed against NCA-compliant scorecards, credit bureau scores and employment details.

EMERGING MARKET CONTEXT

At a macroeconomic level, Africa offers significant opportunities for economic growth and for retailers due to its large and relatively young population, continuing rapid urbanisation, and its wealth of natural resources.

However, optimism about the growth potential of sub-Saharan Africa's consumer market is tempered by a combination of economic and political risk. Growth decelerated to roughly 3% in 2015, down from 4,5% in 2014. It is expected to hover around 3% in 2016. Currency depreciations raise the cost of imported goods, and difficulty in sourcing products due to small, local manufacturing sectors challenges the growth of retail markets. This is coupled with underdeveloped and poor connective infrastructure. Corruption, an often opaque regulatory landscape and the threat of government upheaval are further sources of political headwinds, with many countries carrying moderate to high political risk ratings.

Growing urban centres and a rising middle class do not necessarily translate into higher levels of economic growth and consumer spending. The vast majority of people are still exposed to poverty with high levels of unemployment. In most countries the focus will be on the fast-moving consumer goods (FMCG) segment, as most people are not able to afford durable or luxury goods.

Risks and opportunities

Careful consideration of the correct geographical location strategy in Africa and other emerging market territories is essential. We have demonstrated our ability to tailor the group's risk management appetite to specific business activities and contexts. Our group operates in six African countries outside of South Africa, including Ghana and Zambia. These countries generally have well-established shopping cultures, a substantial middle class and developed infrastructure, and provide us with a solid foundation to expand into other countries at different stages of development. From countries with relative political and economic stability, the group can manage the scale of its expansion along Africa's development curve in line with our risk appetite. Leveraging key partnerships and the ability to utilise the appropriate business model ensure that compliance risk is reduced.

DEVELOPED MARKET CONTEXT

The outlook for growth in developed and advanced economies remains modest and uneven. Risks to global growth relate to the outcome of the British referendum and the slowdown in China, followed by geopolitical instability and debt defaults.

In the EU, the immigration crisis and the concomitant rise of right-wing populist parties create financial uncertainty, exacerbated by negative interest rates. The US is similarly challenged by politics and simmering conflict in the Middle East. Developed market growth slowed sharply at the end of 2015 as Japan contracted and the US and Europe gained only 1%. Since then, global manufacturing has been struggling, while inventories are building. At the same time, developed market household spending has slowed to its lowest level in three years as financial and geopolitical uncertainties counter the benefits of the energy price windfall.

Analysts believe that critical success factors for retailers in developed markets include improving existing supply chain, incorporating digital technology into the physical store experience and identifying innovative ways to leverage existing real estate.

Risks and opportunities

Our expanding footprint into developed markets through the acquisition of well-established brands such as Phase Eight and Whistles provides opportunities for growth through diversification, while their unique business models facilitate further expansion. Key concession partnerships further support the expansion strategy. At the same time, the group is subject to the risk of customers, in most markets, being under pressure and the group potentially not being able to meet the demand for their desired merchandise at the right price and the right time. We thus continue to focus on stimulating demand through creative communication campaigns, data analysis, modelling techniques and appropriate systems and processes.

In addition, our strategic focus on creating integrated, secure omnichannel experiences will enable us to meet customers' expectations in developed markets.

GOVERNANCE

According to the Corporate Governance Network in its article, *Governance issues for boards to consider in 2016*, the following themes are particularly relevant in the governance landscape:

- **Cybersecurity:** An increase in the number, cost and sophistication of attacks on business operations, which requires an understanding of data protection, storage and sharing requirements.
- **Emerging technologies:** Technological and digital developments are impacting the customer experience and the method of delivering products and services. This demands changing business processes, which brings complexity and new risks.
- **Shareholder activism:** Shareholders are increasingly influencing and impacting businesses through their compliance and communication demands.
- **Corporate and integrated reporting:** By issuing an integrated report, a company increases the trust and confidence of its stakeholders and the legitimacy of its operations. The use of and need for integrated reporting is growing fundamentally.
- **Compensation:** There is a growing demand for increasing disclosure on remuneration.
- **Value creation and strategy:** Successful strategy must be engaged, focused, results-oriented and disciplined with appropriate committee structures to support it.
- **Risk oversight:** A balanced risk approach is necessary to enable businesses to progress, develop and grow. The board's risk appetite is critical.
- **Crisis management:** Strategic planning should ensure that crisis scenarios be anticipated or pre-empted, with the necessary assurance that the business has a robust response.
- **Overlegislated and overregulated landscape:** Legal compliance requirements are increasing and demand a strategic understanding to be able to integrate into business management and planning.
- **Social media:** As an effective stakeholder communication tool, social media can promote and inform, but needs to be appropriately managed to protect a company's reputation.
- **Sustainability:** Maintaining a balance between the complex interplay of nature, society and business demands requires ongoing focus.

OUR OPERATING CONTEXT CONTINUED

As a result of this changing landscape, the business environment requires a matching and appropriate skill set from a board. Business will benefit from leadership that is diverse in its composition and able to drive progressive and forward thinking. With this in mind, we made changes to the board this year to supplement the existing skills to ensure the combined skill sets support our growing international presence. We have a diverse, dynamic and well-qualified board to lead our group responsibly towards our growth targets.

Our business continues to be affected by growing government policy changes and requirements. Similarly, our business is affected by numerous voluntary frameworks, directives, rules and guidelines, many of which focus on social, environmental and governance aspects.

Key regulatory and non-binding instruments affecting and influencing our South African business includes the following:

- Consumer protection legislation, such as the National Credit Act, Consumer Protection Act and the Protection of Personal Information Act (partly effective)
- Labour law legislation, such as the Labour Relations Act, Employment Equity Act, Basic Conditions of Employment Act and the Broad-based Black Economic Empowerment Act
- Tax legislation, such as the Income Tax Act, Value-added Tax Act and employment-related tax legislation;
- Legislation and instruments on companies and good corporate governance, such as the Companies Act, the JSE Listings Requirements and the King Code of Corporate Governance (King III and the draft King IV)
- Non-binding initiatives, such as the Carbon Disclosure Project, Water Disclosure Project, Kimberley Process and the Global Reporting Initiative (GR4)

Key regulatory and non-binding instruments affecting and influencing our African business includes the following:

- Consumer protection legislation, such as the Consumer Protection Act in Botswana, the draft Consumer Credit Bill in Swaziland and the Data Protection Act in Ghana;
- Labour law legislation, such as the Employment Services Act in Namibia
- Tax legislation and legislation on companies, such as the various Value-added Tax Acts, employment-related tax legislation and Companies Acts in the African countries in which our business trades
- Empowerment initiatives and legislation, such as the New Equitable Economic Empowerment Framework and the National Equitable Economic Empowerment Bill in Namibia and the Citizens Economic Empowerment Bill in Swaziland
- Voluntary charters to promote local procurement, such as the Namibian Retail Charter

Key regulatory and non-binding instruments affecting our international business includes the following:

- Data protection legislation
  - Data Protection Act – Phase Eight processes customer and employee data which are processed fairly and stored for as long as required to fulfil the purpose for which it was gathered. Any loss/publication of personal data (whether of customers or employees) due to a cyber incident, negligence or failure to comply with the Data Protection Act could lead to negative press and fines.
  - Payment Card Industry Data Security Standard (PCI DSS) – this is not a regulatory requirement; however, Phase Eight is categorised as a “Level 3” merchant due to credit card transaction numbers. As such, Barclaycard measures its compliance towards certification. PCI DSS gives customer confidence when making online purchases – the consequences of losses/fraud are reputational damage and fines.
- Consumer Rights Act – this governs statutory implied terms and remedies in consumer contracts for goods, enforcement of consumer protection law, clarified periods for repair, replacement and refunds for goods.
- Consumer Credit Act – Phase Eight is registered for limited permission because certain department store partners with whom there are concessions offer store credit cards, and Phase Eight staff may assist the stores by informing customers about the benefits of store credit cards and where to sign up; this may be deemed to be an introductory service and therefore a secondary broking activity. A lower standard of reporting and compliance with the Consumer Credit Act is required for limited permission.
- UK Companies Act – Phase Eight (Fashion & Designs), the UK operating company, and 12 of its subsidiaries are UK-registered companies and therefore subject to the provisions of the UK Companies Act on statutory filings and accounting, and a patchwork of legislation/regulations that apply to all UK companies (e.g. environmental, supply chain (Modern Slavery Act, etc.)).
- Employment legislation (Phase Eight has approximately 1 800 UK employees) – the introduction of The National Minimum Wage (Amendment) Regulations 2016 (since 1 April 2016) by law, means that all workers within the UK are now entitled to an increased national minimum wage per hour.

New legislative requirements have a cost implication on our business, as does new non-binding measures and policy instruments. Where our business is not directly affected by a new measure, it is often the case that it is indirectly affected because the measure may have the effect of reducing a consumer’s discretionary income, thereby potentially slowing consumer spending.

OUR STAKEHOLDERS

The board is the ultimate custodian of the corporate reputation of TFG and its relationships with stakeholders. Therefore, we acknowledge the importance of proactive engagement.

Our stakeholder engagement approach is based on the principle of shared value. We want to create partnerships with a strong focus on public/private sector collaboration, knowing that our ability to succeed as a business is based on partnerships, including relationships with national employer bodies, trade unions, government ministries, higher education and revenue services, and relationships with our various suppliers. By working effectively with these stakeholders, we will not only contribute towards improving the lives of our customers, but also enhance our supply chain and its ability to support the competitive advantage of our brands.

We believe that value creation depends on the interactions of many stakeholders and that value delivery must turn this into a virtuous cycle. Therefore, our intent in engaging with our primary stakeholders is summarised as follows:

STAKEHOLDER GROUP	ENGAGEMENT INTENT
EMPLOYEES	To maximise employee productivity, innovation and efficiency, and to minimise employee turnover by investing in training and development. We want to provide a rewarding work environment with market-related remuneration, attractive incentive schemes and supportive environments that contributes towards making us an employer of choice.
SHAREHOLDERS	To maintain a positive relationship with current and potential investors through our transparent reporting, and by ensuring consistency in our trading performance.
CUSTOMERS	To understand and respond to their preferences through a strong customer relationship management focus, our Rewards programme and online platforms. Customer insights allow us to grow our customer base and actively manage customer credit limits and account payments.
COMMUNITIES	To strengthen and resurrect the South African clothing industry by investing in local procurement activities. We are committed to support the communities in the markets in which we operate.
GOVERNMENT AND REGULATORS	To maintain constructive relationships with key government departments, closely monitor policy developments and submit comments on new legislation, either directly, or through industry bodies.
MERCHANDISE SUPPLIERS	To actively engage with suppliers to maximise buying efficiencies, improve speed to market and reduce potential external risks.
KEY SERVICE PROVIDERS	To ensure consistency and reliability of supply.
LANDLORDS AND CONCESSION PARTNERS	To optimise our location strategy for our various brands in the markets in which we operate.

OUR MATERIAL MATTERS

TFG's material matters are a combination of risks, opportunities and issues that can, directly or indirectly, affect the group's ability to create value in the short, medium and long term. These matters were first identified through a formal process in 2014, and are reviewed at the beginning of each reporting cycle.

Our material matters influence the content emphasis for a specific period as they are informed by what our stakeholders regard as material at the time. They also change with our expanding footprint and increasing international exposure.

MATERIAL MATTER	READ MORE ...
Credit and consumer spending trends	Performance review: Credit, Our operating context
Crime-related losses	Chief Financial Officer's report, Board audit committee report, Risk report
Exchange rate volatility and rising input costs	Strategy performance report, Performance review: Retail operations
Expansion (markets and channels)	Chief Executive Officer's report, Chief Financial Officer's report, Strategy performance report
Fashion trends and stock management	Chief Executive Officer's report, Chief Financial Officer's report
Investor confidence and shareholder relations	Chairman's report, Our operating context, Strategy performance report, Remuneration report
Political environment	Chairman's report, Our operating context, Chief Executive Officer's report, Strategy performance report
Regulatory change	Our operating context, Strategy performance report, Our governance profile

OUR STRATEGY AND PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REPORT

The group produced a good result for the year, coming in above management's expectation. This is particularly pleasing against the background of the current macroeconomic environment in which we operate. This performance comes on the back of several years of solid results with compounded HEPS growth of 14,5% over the past five years, excluding the acquisition costs that were incurred in the Phase Eight and Whistles acquisitions.

The key features of our performance during the year were the following:

- Group turnover up 31,2% to R21,1 billion (excluding Phase Eight: 11,6%)
- Strong cash sales growth of 18,4% in our African operations
- Total cash sales including Phase Eight now represents 57,2% of total turnover
- Headline earnings per share from continuing operations (excluding once-off acquisition costs) up 17,6% to 1 055,8 cents
- A final distribution of 385,0 cents per share, which represents an increase of 18,5%
- A total distribution of 691,0 cents per share, a 17,5% increase compared to last year

Although the credit cycle remains tough, we achieved credit sales growth of 5,9% compared to growth of 4,3% in the previous year.

Further information on our financial results is provided in our Chief Financial Officer's report on page 50.

VALUE ADDED DURING THE YEAR

We declared two scrip distributions in the past financial year, both with a cash dividend alternative. The final distribution was 385,0 cents per share, an increase of 18,5%. Total distribution for the year amounted to 691,0 cents per share, an increase of 17,5% for the year. This distribution reflects the growth in the underlying continuing operations of the group.

At the year end, our share price was trading at R141,44, reflecting a historic price earnings ratio of 13,58 and a dividend yield of 4,9% (based on the year-end share price).

STRATEGIC DEVELOPMENTS DURING THE YEAR

The 2016 financial year was a busy year for the group, especially in terms of our **growth** strategy.

Our ongoing store expansion resulted in space growth of 6,6% in Africa for the year through the opening of 209 stores across South Africa and the rest of Africa. A further net 98 Phase Eight outlets were added during the year.

In addition to this we also:

- launched SODA Bloc, our tweens brand;
- acquired the franchise rights for Colette;
- acquired the franchise rights for Next;
- commenced the rebranding of Fashion Express to The FIX; and
- acquired Whistles, a UK fashion brand.

THIS PERFORMANCE COMES ON THE BACK OF SEVERAL YEARS OF SOLID RESULTS, WITH COMPOUNDED HEPS GROWTH OF 14,5% OVER THE PAST FIVE YEARS, EXCLUDING THE ACQUISITION COSTS THAT WERE INCURRED IN THE PHASE EIGHT AND WHISTLES ACQUISITIONS.

DOUG MURRAY
CHIEF EXECUTIVE OFFICER

All of these developments will strengthen and benefit the group and create value for our shareholders through:

- leveraging our retail experience;
- providing the right merchandise to our respective target markets;
- positioning the group more defensively through the retail cycles by broadening our customer base across the various LSM categories;
- driving a more equitable cash vs credit turnover contribution (our international subsidiaries are cash only retailers); and
- providing some risk mitigation in that international earnings from outside of South Africa act as a natural Rand hedge.

We also continued our e-commerce roll-out with a further three brands launching their online selling, being Totalsports, Duesouth and Sportscene. This has proved to be successful with results ahead of expectation.

Further key developments during the year with regard to the other strategic objectives were the following:

Customer
- Launch and acquisition of additional brands, which will appeal to our customer base
- Further roll-out of e-commerce to provide extended brand offering to our customers
- Leverage data analytics to ensure more desirable rewards offers and, in doing so, achieve gains in our Rewards customer base across our cash and credit customers
- Roll-out of card verification value (CVV) cards that offers greater security benefits to customers while also reducing fraud risk

Leadership
- Significant investment in senior talent development programmes, with a number of key senior executives attending international development programmes during 2016
- Continued investment in training for our employees, with 116 043 training interventions during the year at a total cost of R124,9 million
- Addition of individual performance criteria as a key metric in respect of performance incentives to further embed and drive a performance-based culture

Profit
- Continued store roll-out, focus on same store growth, new brand introduction, coupled with appropriate investment in our Rewards programme are initiatives aimed at driving top-line growth – particularly in an environment where GDP growth is low and interest rates are in a rising cycle

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

- Strict margin management is the lifeblood of our business and particularly important in an environment of volatile exchange rates
  - Our focus on local manufacturing assists in reducing the impact of imported inflation and remains a priority
  - Efforts include the construction of a new factory in Caledon which, combined with our facility in Maitland, will significantly increase our in-house manufacturing capability once complete
- While investment to drive future growth is a necessity, strict cost control remains a key focus

More details on our performance with regard to our strategic objectives are provided in our strategy performance report on page 56.

WHISTLES ACQUISITION

We acquired, through Phase Eight, 100% of the shareholding of Whistles Holdings Limited at the end of our financial year. Whistles is a leading British contemporary fashion brand for men and women and was established in London in 1974. They currently operate through 121 outlets in the UK and internationally both through stand-alone stores as well as concessions in department stores such as Harrods and Bloomingdales, and have an online presence.

The acquisition was opportunistic, but supported by the following rationale:

- Their strong brand equity
- Their unique product proposition
- Clear growth opportunities
- Obvious synergies with Phase Eight

During the 2017 financial year, the focus will be on realising synergies and economies of scale and on leveraging the existing Phase Eight management and business model to maximise returns. We believe that, through Whistles, we will further increase our international footprint by utilising the Phase Eight platform and we expect to extract efficiencies by replicating the Phase Eight business model, which is both capital light and low risk.

BRAND PERFORMANCE

Our Sports division, in particular Sportscene, and our Exact division performed extremely well during the year. At the other end of the spectrum Fashion Express had a difficult year. With the transition of the Fashion Express brand into The FIX (now a brand aimed at a younger fashion-value customer), we foresee good growth for this division in ensuing years.

Homeware had a reasonable year with good furniture growth. However, the homeware category proved more difficult towards the end of the year against a backdrop of significant discounting within the industry.

Menswear, headed up by Markham, had a good year, with particularly strong growth in Fabiani and G-Star Raw.

Jewellery performed well in this competitive market segment.

The Foschini division trades in the most difficult area of fashion retail and we are pleased with the significant progress that was made in repositioning the brand and its product offering. While this is not fully reflected in their 2016 performance, we are confident that the brand is on the correct path and will produce good results on the back of this strategy in the short to medium term.

Cellphones had a difficult year mainly due to sporadic supply of desired handsets while cosmetics yet again had a solid result on the back of several similar performances in recent years.

Internationally, the performance of Phase Eight met our expectations and all our strategic targets that were set for the year were achieved.

RISK OVERVIEW

Our key strategic risks that receive ongoing focus are:

KEY STRATEGIC RISK	OUR RESPONSE
Changes in the economic environment and the impact on our customers	The group manages its Rewards programme to stimulate cash and credit sales and continues to review available credit products with the potential to attract less debt-vulnerable accounts (LSM 8+). The group continues to increase its footprint, improving accessibility to a broad spectrum of the market in varied locations. In addition, the group continues to refine its credit score models for collections and follow-ups, assisting customers in maintaining an open-to-buy position.
Changes in the economic environment and the impact on our suppliers	The group's supply chain strategy includes maintaining existing and sourcing alternate suppliers and maintaining relationships with relevant government, industry and trade union organisations. This includes building sustainable relationships with local suppliers and continuous performance measurement and grading of suppliers.
Increasing complexity of the South African regulatory environment	We have an in-house legal and compliance department. This department monitors relevant legislation and management are regularly updated on significant risks to the business.
Introduction of credit legislation hampering ability to increase credit limits and customer base	The group strategy and related initiatives are in place to grow TFG's account base and the average spend per account.
A fire, flood or other natural disaster affecting a warehouse or head office building	Business continuity plans were developed across the group.

In addition to the key strategic risks highlighted above (for which further information can be obtained on page 111 in our risk report), another key risk any retailer faces is its ability to ensure that its merchandise remains appealing to its target market. This risk is continually managed and receives significant focus in our business. Our business model of in-house design and manufacturing is a key differentiator in this regard.

SUSTAINABILITY

During the year we initiated a strategic shift towards shared value, which emphasises the link to the growth and profit drivers of the business strategy. Our shared value strategy prioritises local supply chain development, which enables us to focus on the creation of shared value – in both financial and social terms – within our core supply chain operations. The local supply chain focus is supported by four strategic enablers that contribute to the societal value delivered by our operations, namely employee empowerment, resource efficiency, socio-economic development and governance, ethics and accountability.

Our sustainability reporting framework highlights our drive to create shared value for our stakeholders, with a sustained focus on addressing and reporting on the material environmental, social and governance (ESG) issues associated with our operations.

Further information on our strategy, progress against our strategic enablers and our future approach can be found in our sustainability overview report, which is available on our website.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

PEOPLE

Our performance this year would not have been possible without our more than 22 800 employees. Their talent and commitment to our group remain a key strength and a key differentiator.

To this end, we continued to invest in the development of our staff and spent the equivalent of 3,9% of our total payroll cost on training this year.

Employment equity and transformation remain a key focus in our group, with 92,25% of our South African staff, as at March 2016, being from designated groups.

We are also pleased to report that TFG was ranked third in the 2015 Business Report Top 100 Most Empowered Companies survey within the retail sector.

PROSPECTS

The global economic environment remains uncertain with the outcome of the British referendum and concerns around the Chinese economy.

In South Africa, the current political uncertainty, coupled with muted growth prospects and the expected higher inflation and interest rates point to a potentially challenging year ahead. However, our strategic objectives are clear and we continue to remain focused on these strategies and investment to support future growth. We believe that continued commitment to our strategy will support our effort to achieve a reasonable result for the coming year in a difficult trading environment.

We plan to open in excess of 150 new stores in sub-Saharan Africa in the year ahead, which will increase our trading space by approximately 6%. Internationally, we plan to open in excess of 50 Phase Eight and 20 Whistles outlets. Our omnichannel roll-out will also continue with the launch of Foschini cosmetics, @home furniture, Markham and Fabiani.

APPRECIATION

I would like to thank our Chairman, Michael Lewis, for his invaluable input and contribution during his first year as Chairman of the group, and I look forward to working with him in the future.

I would also like to thank my colleagues on the supervisory board for their guidance and direction, and my colleagues on the operating board for their input and support during this past year.

To our employees, thank you for your contribution to our group this year. Without you, our performance and success would not have been possible.

Lastly, to our customers, shareholders and stakeholders, thank you for your support of our group this year. I trust your loyalty will continue to be rewarded.

Doug Murray
Chief Executive Officer

29 June 2016

CHIEF FINANCIAL OFFICER'S REPORT

I am pleased to present my first report as the Chief Financial Officer of TFG. The group produced pleasing results across the different geographies in which we now operate and across the diverse areas our overall business now spans.

In order to put our performance for the year into context, I would like to remind you that the following events need to be taken into account:

- The acquisition of Phase Eight in January 2015: The 2015 comparative numbers included two months of trading of Phase Eight, being February and March 2015. The 2016 financial year includes 12 months of trading.
- The acquisition of Whistles in March 2016 (further information will be provided elsewhere in my report): As the acquisition was at the end of our financial year, these results do not include any trading related to Whistles for this financial year. However, Whistles' at-acquisition balance sheet has been consolidated as at 31 March 2016.
- In addition to Whistles, we launched SODA Bloc, our tweens brand, and acquired the franchise rights for Colette and Next during the year. We also rebranded Fashion Express to The FIX.
- The Sports division (Sportscene, Totalsports and Duesouth) launched their online selling during the year.

OUR PERFORMANCE DURING THE YEAR

	2016 Rm	2015 Rm
Retail turnover	**21 107,5**	16 085,9
Operating profit before finance charges and once-off acquisition costs – continuing operations	**3 596,1**	2 807,1
Profit before tax – continuing operations	**3 021,2**	2 286,6
Profit attributable to equity holders of The Foschini Group Limited	**2 155,6**	1 858,0
Adjusted headline earnings*	**2 185,2**	1 881,9

* *Headline earnings from continuing operations, excluding once-off acquisition costs.*

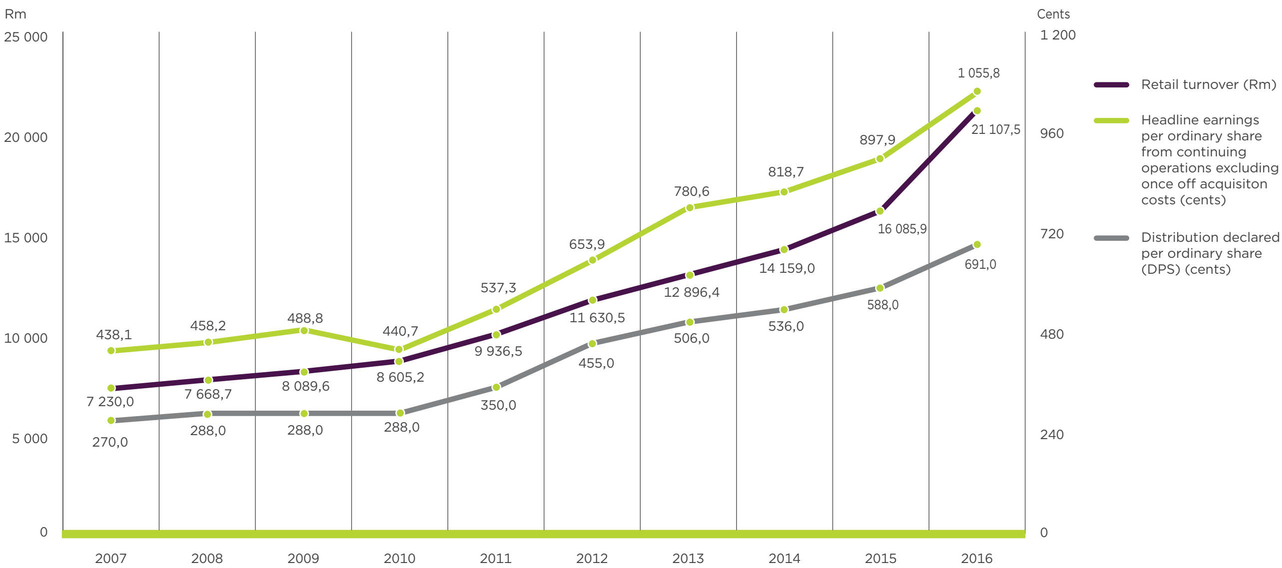
While we are satisfied with the achievement of our results for the year, it should be noted that the group continued to simultaneously invest back into the business and the brands we trade through to ensure that the group can continue to produce strong results in the future. The current year's results were produced on the back of the following key drivers:

THE GROUP PRODUCED PLEASING RESULTS ACROSS THE DIFFERENT GEOGRAPHIES IN WHICH WE NOW OPERATE **AND ACROSS THE DIVERSE AREAS OUR OVERALL BUSINESS NOW SPANS.**

ANTHONY THUNSTRÖM
CHIEF FINANCIAL OFFICER

- Turnover growth: We had good turnover growth in South Africa, the rest of Africa and in our international operations through Phase Eight.
- Continued focus on costs: We continue to focus on cost control at all levels through the group, and costs are reviewed and, where required, challenged on an ongoing basis.
- Continued reinvestment: Our results achieved during the current year reflect the cumulative effect of the ongoing reinvestment in the business the group made over both the current and past years. During the current year alone, R2,7 billion was reinvested back into the business.

Reinvesting back into our group has, over the last few years, enabled us to deliver a continued, strong performance as illustrated below:



Further details on these key drivers and other current year material financial statement items now follow.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Retail turnover and gross margin

Retail turnover growth was pleasing at 31,2% (excluding Phase Eight: 11,6%), with total retail turnover of R21,1 billion and strong cash sales growth of 18,4%. The group's overall gross margin improved from 47,3% to 49,7%, mainly as a result of the higher Phase Eight clothing margin. The margin in all other product categories remained consistent with the prior year.

Interest income

Interest income from our debtors' book increased by 12,9%. The majority of this increase was driven by the four interest rate increases that occurred during the financial year. Our debtors' book increased by 8%, with 89% of our customers choosing interest-bearing accounts, which extend beyond six months.

Other revenue

Other revenue increased by 1,4% to R1,1 billion. The slowdown in the opening of new credit accounts due to the recently introduced Affordability Regulations limited our ability to market our customer value-added products to our credit customer base, resulting in lower growth in these revenue streams. The group is developing and testing a number of new initiatives in the customer value-added product area to address the impact of the slowdown in new accounts.

Expenses

	Incl. Phase Eight March 2016 Rm	Excl. Phase Eight March 2016 Rm	Incl. Phase Eight March 2015 Rm	Excl. Phase Eight March 2015 Rm	Incl. Phase Eight % change	Excl. Phase Eight % change
Depreciation and amortisation	**(464,7)**	**(347,1)**	(428,1)	(412,7)	8,5	(15,9)
Employee costs	**(3 210,8)**	**(2 595,5)**	(2 325,2)	(2 248,5)	38,1	15,4
Occupancy costs	**(2 043,2)**	**(1 758,7)**	(1 585,0)	(1 548,0)	28,9	13,6
Other net operating costs	**(2 870,8)**	**(2 012,0)**	(1 890,8)	(1 769,0)	51,8	13,7
Comparable		**(1 819,2)**		(1 769,0)		2,8
Non-comparable		**(192,8)**				
Trading expenses before net bad debt	**(8 589,5)**	**(6 713,3)**	(6 229,1)	(5 978,2)	37,9	12,3
Net bad debt	**(947,7)**	**(947,7)**	(1 023,6)	(1 023,6)	(7,4)	(7,4)
Total trading expenses	**(9 537,2)**	**(7 661,0)**	(7 252,7)	(7 001,8)	31,5	9,4

The continued focus on expenses and cost control resulted in our expenses increasing by 9,4% for the year, excluding Phase Eight.

Depreciation and amortisation, excluding Phase Eight, decreased with 15,9%. During the year, as required by IAS 16, the group reassessed the useful lives of its property, plant and equipment and determined that certain asset categories had generally longer useful lives than was being used for depreciation purposes. Based on this reassessment, management revised certain useful lives of shopfitting assets from five years to seven years in accordance with IAS 8, effective 1 April 2015, to better reflect the reality of our capital expenditure cycle.

Employee costs grew by 15,4%, excluding Phase Eight. The increase is due to annual staff increases, which approximated 7,5% in the current financial year, new store staff required for the stores opened during the year and additional head office staff needed to support a number of strategic initiatives including e-commerce, analytics and African expansion.

Store occupancy costs, excluding Phase Eight, increased by 13,6% during the year. Rental escalations averaged 7% in the current financial year, with the balance of the increase relating to new stores. During the year, 209 stores were opened while 27 stores were closed.

Other net operating costs increased by 13,7% for the year. Our like-for-like cost growth was approximately 3%, with the balance made up of non-comparative items. These relate to investments to support our future growth in areas such as:

- our Rewards programme;
- brand-specific marketing to support the repositioning of a number of our brands;
- the accelerated use of our international merchandise consultants to ensure that our offerings remain relevant and appealing to our customer base; and
- the roll-out of our new account cards (further details on these cards are provided in our credit report).

Utilities grew in excess of inflation and continued crime-related losses are a particular concern to the group.

Following our continuing investment in credit analytics and other capabilities, net bad debt reduced by 7,4% compared to an increase of 9,4% in the previous year. Net bad debt as a percentage of our closing debtors' book reduced to 13,4% from 13,6% at the previous year end, and from 14,0% at our interim period, well within management's expectations. More details on our net bad debt and provisioning are provided in our credit review on page 78.

Finance costs

Finance costs grew by 93,8%, excluding Phase Eight. The four interest rate increases during the year negatively impacted our average cost of borrowing. This, coupled with the increased level of term funding, which the group views as prudent given the current economic cycle, resulted in higher finance charges for the year.

Once-off acquisition costs

A total of R65,9 million was expensed in the current year in respect of the Whistles acquisition and R292,4 million was incurred in respect of the Phase Eight acquisition in the prior financial year. While these costs are required to and were expensed in order to aid comparability of the group's underlying operations, a measure of headline earnings from continuing operations excluding these once-off costs was reflected.

Earnings

Headline earnings increased from R1 594,2 to R2 119,3 million, reflecting the full year trading of Phase Eight and the once-off impact of the Whistles and Phase Eight acquisitions. Adjusted headline earnings increased from R1 881,9 to R2 185,2 million. Headline earnings per share from continuing operations, excluding the once-off acquisition costs incurred in relation to the acquisition of Whistles during the current year and Phase Eight during the prior year, increased by 17,6% to 1 055,8 cents per share from 897,9 cents per share in the previous year.

Distributions

The final distribution in the form of scrip with a cash dividend alternative of 385,0 cents per share was declared, representing an increase of 18,5%. Accordingly, the distribution in respect of the full year amounts to 691,0 cents per share, an increase of 17,5%, reflecting the growth in the underlying continuing operations.

OUR STATEMENT OF FINANCIAL POSITION

Our statement of financial position is summarised below:

	2016 Rm	2015 Rm
Non-current assets	**8 448,9**	6 925,3
Current assets	**13 646,2**	11 608,1
Total assets	**22 095,1**	18 533,4
Total shareholders' interest	**9 896,7**	8 130,9
Non-controlling interest	**4,0**	2,7
Non-current liabilities	**5 973,8**	4 491,4
Current liabilities	**6 220,6**	5 908,4
Total equity and liabilities	**22 095,1**	18 533,4

The key items on our balance sheet are as follows:

Property, plant and equipment

Property, plant and equipment increased by 21,3% to R2 335,7 million. The increase is largely due to:

- the increase in new stores in line with our expansion strategy, which included significant new store openings in the Mall of Africa and Mall of the South;
- ongoing investment in our IT retail and financial services systems;
- investment in additional capacity through the expansion of our Caledon factory; and
- the inclusion of the take-on balances of property, plant and equipment related to the Whistles acquisition.

During the year, there was a reclassification of property, plant and equipment to goodwill and intangible assets. The group previously accounted for software under property, plant and equipment. In order to provide a more detailed disclosure, software previously disclosed under property, plant and equipment with a net book value of R271,8 million (2015) and R226,5 million (2014) was reclassified to goodwill and intangible assets. The reclassification had no effect on basic or headline earnings per share, nor on diluted basic or diluted headline earnings per share.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Trade receivables – retail

The group's net retail trade receivables increased by 8,0% to R6 695,0 million. Growth in our book was higher than growth in our credit turnover due to a slight lengthening of the book (three days) and the impact of the interest rate increases during the year. Our book continues to be well managed and adequately provisioned, with net bad debt write-off as a percentage of debtors' book at 13,2%, down from 13,6% at the previous year end.

Further details on our trade receivables are provided in our credit review on page 78.

Inventory

Excluding Phase Eight and Whistles, our inventory increased by 25,9% this year. This was as a result of the opening of new stores, merchandise inflation that averaged between 8% – 9%, a number of new brands that were launched and investment in our faster-growing and repositioned brands. Although this growth is at a high level, we have no concern over either the quality of our stock or the levels of markdown.

Interest-bearing debt

	2016 Rm	2015 Rm
Interest-bearing debt	**8 165,7**	7 042,5
Less: Cash	**(888,8)**	(800,4)
Net borrowings TFG including international subsidiaries*	**7 276,9**	6 242,1
Less: International subsidiaries* net borrowings (non-recourse)	**(1 770,1)**	(1 639,2)
TFG borrowings excluding international subsidiaries*	**5 506,8**	4 602,9

* *International subsidiaries: Phase Eight and Whistles.*

Our net borrowings at year end increased by approximately R1 billion to R5,5 billion primarily due to investment in our working capital, which supported the group's growth during the year, capital expenditure in relation to new stores and IT systems, and the acquisition of new brands and franchise rights. This represents a recourse debt to equity ratio of 55,6%, with total gearing including our international subsidiaries at 73,5%.

Equity

The group's equity attributable to ordinary shareholders increased to R9 896,7 billion during the year, translating into a tangible net asset value of 2 063,5 cents per share.

At the year end, our return on equity ratio was 23,9% and our recourse debt to equity ratio, as stated in the previous paragraph, was 55,6%. As has been stated post the acquisition of Phase Eight, it remains our intention to bring this recourse debt to equity ratio from its current level closer to our medium-term target of 40%.

Accordingly, one further and final scrip distribution with a cash dividend alternative was declared.

Going forward, given our growth and expansion prospects, the group intends to increase its dividend cover to approximately 1,6 times.

CASH FLOW

The key components of our cash flow during the year were as follows:

	Rm	March 2016 Rm
Net borrowings at beginning of the year		**(6 242,1)**
Cash EBITDA	3 640,5	
Increase in creditors	116,8	
Other net investing activities	22,9	
Cash generated		**3 780,2**
Taxation paid	(921,8)	
Funds reinvested in the business for growth	(2 679,6)	
Receivables increase	(534,2)	
Inventory increase	(1 092,0)	
Capital expenditure	(901,0)	
Acquisition of Whistles and Colette, net of cash	(152,4)	
Net cash flows from share incentive scheme transactions	(175,5)	
Cash utilised		**(3 776,9)**
Forex (movement on revaluation of Phase Eight debt)		(290,3)
		(6 529,1)
Dividends paid		(747,8)
Net borrowings at the end of the year		**(7 276,9)**

We generated R3,6 billion worth of cash EBITDA in the current financial year, which is 27,8% higher than the R2,8 billion generated in the prior year. As referred to above, a total of R2,7 billion was reinvested back into the business for growth. This includes R0,5 billion invested to fund the growth in our book, which is key to our credit turnover, R1 billion invested in inventory to support the areas of our business where growth has accelerated, and R0,9 billion invested in capex to support future expansion. A total of R152,4 million was spent on the Whistles and Colette acquisitions, net of cash acquired.

WHISTLES

As referred to above, the group acquired 100% of Whistles Holdings Limited, which trades as Whistles. The acquisition was funded through cash resources and was at an enterprise value of GBP8,8 million (R191,1 million), with an equity value of GBP4,6 million (R100,8 million) after taking net debt into account. The acquisition was converted using a ZAR:GBP exchange rate of R21,78 being the ruling rate on the transaction date.

No goodwill has arisen from the acquisition and the Whistles brand, which is valued at GBP1,7 million (R35,9 million), was recognised as an intangible asset at acquisition. As indicated before, once-off acquisition costs of R65,9 million related to the acquisition were expensed in the current year. No profit or loss attributable to Whistles was included in the group's results in the current financial year as the acquisition was at the end of our financial year.

FINANCIAL TARGETS

Further information on our financial targets are provided in our strategy and performance review on pages 56 to 67 of this report.

Anthony Thunström
Chief Financial Officer

29 June 2016

STRATEGY PERFORMANCE REPORT

The key pillars of our strategy, being customer, profit, leadership and growth, remain and there were no changes to these strategic pillars during the year. This follows a formal annual review of our strategy by our operating board, with further review and ratification by our supervisory board in addition to monitoring and measuring its performance, and executive management, against key performance indicators. The formal review is supplementary to the ongoing operating board and supervisory board's review of strategy and related performance measures. To assist in the measurement of performance against strategy, all strategic imperatives underpinning the strategic pillars are driven by members of our operating board.

TARGET SETTING

During every financial year, we undertake a five-year Vision planning process where we, based on current planned initiatives and expansion plans driven by our strategy and current market conditions, prepare a view of our expected earnings for the respective financial years. This plan is used to establish the medium-term targets for each strategic pillar and underlying strategic imperative against which performance will be measured.

Our Vision 2021 plan does not differ materially from our Vision 2020 plan. Our performance for the year, against these targets, is indicated in the content that follows:

VALUES

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

PRIDE^2

- **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 the way we want to be treated
- **Empowerment**
  We embrace diversity and create equal opportunity for all in a supportive environment
- **Excellent service**
  Our customers are our future – we look after them


CUSTOMER
GROWTH
TO BE THE LEADING FASHION LIFESTYLE RETAILER IN AFRICA WHILST GROWING OUR INTERNATIONAL FOOTPRINT
TFG
LEADERSHIP
PROFIT

STRATEGY PERFORMANCE REPORT CONTINUED

CUSTOMER

01

Factors impacting customer experience during the year

- New brands introduced to South Africa:
  - SODA Bloc and Next mean customers have access to more childrenswear brands
  - Colette gives female customers access to a great accessories destination
- New international brands and ranges:
  - Acquisition of Whistles will complement the Phase Eight business and give international customers a wider range of brands
  - Introduction of new ranges such as Studio 8 within Phase Eight broadened the brand appeal for existing and new customers of Phase Eight

STRATEGIC INTENT AND POSITIONING STATEMENT

We will offer customers a range of compelling rewards as part of an integrated, secure omnichannel customer experience across our retail brands.

CUSTOMER	MEDIUM-TERM TARGET	MARCH 2016	MARCH 2015	% CHANGE
Number of Rewards customers (million)				
– Cash	5,0	5,4	3,6	50,0
– Credit	3,5	2,9	2,7	7,4
Net bad debt/closing debtors' book (%)	< 15,0	13,4	13,6	(1,5)

STRATEGIC OBJECTIVES AND TARGETS

- 3,5 million active credit customers by 2021
- 5,0 million active cash customers by 2021

BUSINESS IMPERATIVES

- Ensure a more equitable split of cash vs credit turnover contribution across all African territories
- Improve the take-up of reward offers
- Grow the basket size in excess of local inflation

- Store expansion in existing and new territories means our brands are now more easily accessible to more customers
- More targeted cash and credit rewards offers in South Africa supported by better data analytics
- Online roll-out means our South African customers could access more of our brands online
- Launch of Phase Eight's "One Stock" model resulted in UK customers having greater availability of our product range
- Introduction of Affordability Regulations in South Africa means account opening process required more supporting customer information than previously:
  - Since such information is personal in nature (related to proof of income), it could have been negatively perceived by potential new customers
  - Informally employed and self-employed potential new customers may have also found it more difficult to comply with proof of income requirement
  - We rolled out extensive training to all our store and call centre staff to make this as secure and easy for our customers as possible, together with the development of a digital application process

02

Risks and opportunities

- Risks:
  - Low GDP growth (in South Africa and other African territories)
  - Interest rate increases in South Africa put pressure on credit consumers
  - Introduction of Affordability Regulations in South Africa impacted our ability to open new accounts at the same pace as previously
- Opportunities:
  - Better data analytics in South Africa means more targeted rewards offers
  - Card verification value (CVV) card roll-out in South Africa means better customer protection and reduced fraud risk
  - Territories were identified where our brands are still under-represented – continued expansion opportunities in existing and new territories

03

Performance indicators

- Number of cash customers in South Africa increased due to more targeted rewards (using better data analytics)
- Number of credit customers relatively stable – growth hampered initially by introduction of Affordability Regulations
- Net bad debt statistic improved:
  - Slowdown in gross write-offs and operational improvements in collections' efforts
  - Improvement in recoveries yield due to system changes, which facilitated better management of post write-off recoveries
- Number of stores/space growth:
  - Increased due to targeted expansion strategy
  - Phase Eight expanding to new territories

04

Focus areas for next year

- Continued online roll-out in South Africa with the launch of Foschini cosmetics, @home furniture, Markham and Fabiani
- Further planned initiatives in our Rewards programme in South Africa
- Greater focus on customer service with continued training provided through our Retail Academy

STRATEGY PERFORMANCE REPORT CONTINUED

LEADERSHIP

01

Factors impacting leadership during the year

- Ongoing succession planning with key senior changes this year:
  - Appointment of a new Chairman
  - Additional non-executive director with international experience
  - Retirement of two senior executive directors
  - Appointment of new Chief Financial Officer
- Integration of new businesses/international acquisitions placed additional demands on leadership teams to ensure these businesses are properly integrated into the existing TFG business

STRATEGIC INTENT AND POSITIONING STATEMENT

We are committed to embedding a performance-based culture that will ensure that we attract and retain the best talent in the industry.

LEADERSHIP	MEDIUM-TERM TARGET	MARCH 2016	MARCH 2015	% CHANGE
Staff turnover – permanent head office employees (%)*	12,0 – 18,0	9,0	7,3	23,3
Employment equity (% representation of previously disadvantaged groups among permanent employees) – South Africa only	> 90,0	92,3	91,7	0,7

* *March 2015 excluded Phase Eight as it was only acquired in January 2015.*

STRATEGIC OBJECTIVES AND TARGETS

- The identification and development of critical and key skills required for the future of our group
- Further development and enhancement of the pay for performance link

BUSINESS IMPERATIVES

- Develop and grow diverse talent to ensure the continuous supply of a capable, competent workforce
- Retain key talent through appropriate recognition and reward
- Prioritise the development of customer-facing employees through enhanced training programmes and performance-based incentives

- Ongoing talent development across the business – particularly at senior level where a number of executives attended international development programmes
- Ongoing focus on embedding a performance culture into the business, with individual performance criteria being measured and acting as moderator in the group annual bonus scheme incentive

02

Risks and opportunities

- Risks:
  - Ability to attract and retain desirable talent addressed through incentives and restraints
- Opportunities:
  - Unique group structure (multiple brands) facilitates career opportunities for key talent and ensures succession planning is optimised
  - Recent international acquisitions provide further opportunities for talent development
  - New talent at senior levels provides an opportunity to bring fresh ideas into the business

03

Context to performance indicators

- Head office staff turnover in Africa and internationally remains at similar level to last year – although low, provides opportunity to introduce new talent to the group
- Employment equity remains a focus in South Africa and is at similar levels to last year – Heads of business units are measured on the achievement of employment equity targets

04

Focus areas for next year

- Integration of the Whistles business
- Continued senior executive talent development, with further executives earmarked to attend international programmes
- Employment equity and transformation remains a key focus in our group

STRATEGY PERFORMANCE REPORT CONTINUED

PROFIT

01

Factors impacting profit during the year

- Non-comparable items that had a positive impact on profit in 2016:
  - Acquisition of Phase Eight part-way through 2015 means 2016 profits included an additional 10 months of trading for Phase Eight
  - 2016 profit improved due to non-recurrence of the once-off costs associated with the Phase Eight acquisition in 2015
- Part of the business is now in foreign currency, serving as a natural hedge against the continued Rand volatility

STRATEGIC INTENT AND POSITIONING STATEMENT

Our brands will optimise their supply chain capability – including their suppliers, buying process and quick responses – to enhance the customer experience.

PROFIT	MEDIUM-TERM TARGET	MARCH 2016	MARCH 2015	% CHANGE
In-house production (Rm)	400	390,0	362,6	7,6
Gross margin (%)	47 – 48	49,7	47,3	5,1
Operating margin (%)	17 – 19	17,0	17,5	(2,9)

STRATEGIC OBJECTIVES AND TARGETS

- Lead time, stock turn and clearance target reporting and focus
- Quick-response initiatives to continue

BUSINESS IMPERATIVES

- Improve trading densities
- Manage gross margins
- Enhance quick-response capability through supply chain innovations
- Ensure ongoing focus on cost control

- The business achieved a healthy growth in profits:
  - Turnover growths pleasing despite the difficult trading environment
  - Margins were protected
  - Continued cost control

02

Risks and opportunities

- Risks:
  - The depreciation of the Rand puts pressure on our input margins
- Opportunities:
  - Continue to take advantage of new brand opportunities
  - Expansion into territories outside Africa means more diversified business with better risk profile
  - Diversified locations across both emerging and developed markets means growth of the business is not solely reliant on South African market dynamics or the UK market and GDP
  - Localisation assists in the management of the impact of exchange rate volatility on price inflation

03

Context to performance indicators

- Gross margin improved:
  - Careful management of product inflation caused by exchange rate volatility by boosting localisation and ongoing international sourcing and supply chain initiatives
  - Higher Phase Eight margin (which is now a greater proportion due to the inclusion of an additional 10 months' trading)
- Operating margin in line with last year and target

04

Focus areas for next year

- Continue to roll out new stores and seek out expansion opportunities locally and internationally
- Continue localisation efforts to offer protection from exchange rate volatility
- Continued focus on cost control
- Manage stock levels to ensure it is appropriate to the expansion and turnover growth requirements for each brand

STRATEGY PERFORMANCE REPORT CONTINUED

GROWTH

01

Factors impacting growth during the year

- South Africa and other African territories: Low GDP growth
- South Africa: Interest rate increases and Affordability Regulations inhibit credit turnover growth and impact credit consumers and their ability to open new accounts
- Introduction of new brands
- Acquisitions management believes have good growth prospects

STRATEGIC INTENT AND POSITIONING STATEMENT

We will be the leading fashion lifestyle retailer in Africa whilst growing our international footprint.

GROWTH	MEDIUM-TERM TARGET	MARCH 2016	MARCH 2015	% CHANGE
Retail turnover (Rm)	R39 bn	21 107,5	16 085,9	31,2
Cash sales contribution (%)	58,0 – 62,0	57,2	46,9	22,0
Number of outlets	4 240	3 125	2 724	14,7
Space growth – TFG excluding international (%)	6,0	6,6	6,7	(1,5)

STRATEGIC OBJECTIVES AND TARGETS

- 10% turnover contribution from Africa
- Ongoing omnichannel roll-out of all brands

BUSINESS IMPERATIVES

- Diversify our product offering across a broad range of merchandise categories
- Diversify our product appeal to a broader range of customers
- Grow through further innovation in publishing and insurance products
- Grow through space expansion
- Grow through the introduction of new retail brands

02
Risks and opportunities

- Risks:
  - International competition:
    - New entrants into South Africa present limited risk as they compete directly with a very small part of our business
    - New entrants require retailers to remain abreast of international retailer trends
  - The impact of the Affordability Regulations on new account openings in South Africa
  - Local ownership legislation in Africa could hamper expansion plans
- Opportunities:
  - Continue to open new stores in territories where we are under-represented
  - Continue to supplement existing brands with additional brands we believe are complementary and have good future growth prospects

03
Context to performance indicators

- Turnover growth of 31,2% (excluding Phase Eight: 11,6%) – very pleasing despite current trading environment
- Cash sales growth:
  - Rewards programme focus and Phase Eight being a cash business resulted in greater proportion of sales being cash based, in line with our stated intention to ensure a more equitable split of cash vs credit to position the business well through the cycles
- Credit sales growth:
  - In line with expectation given difficult credit environment
- Number of stores and concessions increased in line with expectation as we continued to roll out existing brands in territories where we are under-represented and new territories globally
- Space growth
  - In line with management's expectation and commensurate with new outlet openings

04
Focus areas for next year

- Continue to expand existing brands and seek new brand opportunities
- Continue to seek out opportunities for trading in new territories
- Explore further acquisition opportunities that complement our strategy
- Continue to focus on Rewards programme in South Africa to drive both credit and cash sales

STRATEGY PERFORMANCE REPORT CONTINUED

INVESTOR INFORMATION

01

Factors impacting investors during the year

The board took action to ensure the debt to equity ratio moved closer to the long-term optimal level by:

- Utilising a scrip distribution with a cash dividend alternative to lower the debt to equity ratio
- Broadening and strengthening the funding base towards a greater long-term component

STRATEGIC INTENT AND POSITIONING STATEMENT

The overall purpose of our strategy is to ensure that the ultimate outcome is increased shareholder returns that meet shareholders' expectations.

INVESTOR INFORMATION	MEDIUM-TERM TARGET	MARCH 2016	MARCH 2015	% CHANGE
HEPS (continuing operations excluding once-off acquisition costs) (cents)		1 055,8	897,9	17,6
Final distribution (cents)		385,0	325,0	18,5
Total distribution (cents)		691,0	588,0	17,5
ROE (%)	28,0 – 30,0	23,9	23,4	2,1
Debt to equity ratio – recourse (%)	40,0	55,6	56,6	(1,8)

02

Risks and opportunities

- Risk:
  - South African equity and debt markets are subject to volatility as a result of fluctuating exchange rates, rising interest rates, political risk and the threat of a ratings downgrade
- Opportunities:
  - Further focus on debt mix and optimal capital allocation and working capital management can improve the debt to equity ratio

03

Context to performance indicators

- Recourse debt to equity improved to 55,6% in line with expectation as a result of the decision to offer scrip distributions (with a cash alternative) to bring the ratio closer to the medium-term target of 40%
- Total distribution to shareholders increased by 17,5% for the year in line with continuing HEPS growth, a pleasing return for shareholders

04

Focus areas for next year

- Based on shareholder engagement, introduce a secondary performance criteria to our long-term incentive programme – this measurement, ROCE (return on capital employed), will be included in our performance criteria in future
- Continue to engage with shareholders and international investors (we undertook our first international roadshow in 2015)
- Strengthen the balance sheet by increasing the dividend cover to 1,6 times over a period of time – no intention to declare further scrip distributions

SUSTAINABILITY

AFRICA

STRATEGIC ENABLERS

In 2014 the group, together with its external advisers, undertook a comprehensive review of its original sustainability strategy, which was formulated in 2011.

During the year under review, we initiated a strategic shift towards shared value, which emphasises the link to the growth and profit drivers of the business strategy.

The shared value strategy prioritises local supply chain development, which enables us to focus on creating shared value – in both financial and social terms – within our core supply chain operations.

The local supply chain focus is supported by four strategic enablers that contribute to the societal value delivered by our operations, namely:

01	02	03	04
Employee empowerment	Resource efficiency	Socio-economic development	Governance, ethics and accountability

The sustainability reporting framework highlights TFG's drive to create shared value for its stakeholders, with a sustained focus on addressing and reporting on the material environmental, social and governance (ESG) issues associated with its operations.

For further information on the strategy, progress against our strategic enablers and our future approach, we refer you to our sustainability overview report.

Local fashion retailers continue to face major sustainability challenges such as:

1. How can our growth help the thousands of people across our value chain improve their lives?
2. Global supply chains remain in focus with issues arising such as ethics, human rights, worker health and safety, fair wage initiatives and environmental management.
3. Nationally, initiatives to support local supply chain development continue to be hampered by policy fragmentation.
4. The increasing number and complexity of compliance-related ESG initiatives places significant demand on the resources of the sustainability team, limiting the time available to drive more transformative and innovative initiatives.
5. South Africans face continued pressure on disposable household income.

TO ADDRESS THESE CHALLENGES, TFG HAS PRIORITISED THE FOLLOWING:

- Greater focus on shared value in our sustainability strategy, demonstrating a clear mix of social, business and financial value.

- Continued focus on local supply chain development, with the expansion of TFG's manufacturing operations and the societal value associated with it.

- Engagement with regulators on local supply chain development efforts, the need to address policy fragmentation (including import duties on raw materials) and the establishment of long-term public-private partnerships.

- Address the challenges associated with the amended BBBEE codes and the anticipated revisions to King III.

- Developing a sustainability data management reporting system to ensure our metrics accurately reflect our social, business and financial values.

- Enhancing our ability to deal with compliance challenges in other countries.

10-YEAR STATISTICS

YEARS ENDED	2016	2015
Profitability		
Retail turnover (Rm)	**21 107,5**	16 08 5,9
Operating profit before finance charges – continuing operations (Rm)*	**3 596,1**	2 807,1
Profit before tax – continuing operations (Rm)	**3 021,2**	2 286,6
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**2 155,6**	1 858,0
Adjusted headline earnings (Rm)**	**2 185,2**	1 881,9
Statement of financial position		
Non-current assets (Rm)	**8 448,9**	6 925,3
Current assets (Rm)	**13 646,2**	11 608,1
Assets of disposal group (Rm)	**–**	–
Total assets (Rm)	**22 095,1**	18 533,4
Total shareholders' interest (Rm)	**9 896,7**	8 130,9
Non-controlling interest (Rm)	**4,0**	2,7
Non-current liabilities (Rm)	**5 973,8**	4 491,4
Current liabilities (Rm)	**6 220,6**	5 908,4
Liabilities of disposal group (Rm)	**–**	–
Total equity and liabilities (Rm)	**22 095,1**	18 533,4
Cash flow statement		
Cash flows from operating activities – continuing operations (Rm)	**461,5**	(61,7)
Cash flows from investing activities – continuing operations (Rm)	**(1 030,5)**	(1 779,6)
Cash flows from financing activities – continuing operations (Rm)	**585,1**	2 328,5
Net increase (decrease) in cash (Rm)	**16,1**	487,2
Cash at the beginning of the year (Rm)	**800,4**	301,3
Cash at the end of the year – discontinued operations (Rm)	**–**	–
Effect of exchange rate fluctuations on cash held (Rm)	**72,3**	11,9
Cash at the end of the year – continuing operations (Rm)	**888,8**	800,4
Performance measures/ratios		
Turnover growth (%)	**31,2**	13,6
Same store turnover growth (excluding Phase Eight) (%)	**5,7**	5,5
Operating margin – continuing operations (%)	**17,0**	17,5
Debt to equity ratio – continuing operations (%)	**73,5**	76,8
Total liabilities to shareholders' interest (times)	**1,2**	1,3
Total liabilities to shareholders' interest – continuing operations (times)	**1,2**	1,3
Net retail borrowings (Rm)	**7 276,9**	6 242,2
Current ratio – continuing operations (times)	**2,2**	2,0
Headline earnings per ordinary share (HEPS) – continuing operations** (cents)	**1 055,8**	897,9
Change in HEPS from continuing operations (%)	**17,6**	9,7
Distribution declared per ordinary share (DPS) (cents)	**691,0**	588,0
Tangible net asset value per ordinary share (cents)	**2 063,5**	1 701,0
Market capitalisation (Rm)	**30 459,2**	38 101,2
Statistics		
Number of ordinary shares in issue (millions)	**215,4**	211,0
Number of ordinary shares on which headline earnings per share is calculated (millions)	**207,0**	204,3
Net number of ordinary shares on which net asset value per share is calculated (millions)	**209,3**	205,4
Closing share price (cents)	**14 144**	18 057
Number of outlets	**3 125**	2 724
Floor area (excluding Phase Eight) (gross square metres)	**735 367**	690 190

Notes

When an accounting policy changed, comparative figures were restated in accordance with the new policy.

2013 and prior years were restated where appropriate to reflect the RCS Group as a discontinued operation.

* *Operating profit before finance charges excludes the impact of the once-off acquisition costs of the current year Whistles acquisition and the prior year Phase Eight acquisition.*

** *Adjusted headline earnings is calculated to remove the impact of the once-off acquisition costs of the current year Whistles acquisition and the prior year Phase Eight acquisition.*

Restated, as insurance cells are no longer consolidated and their cash flow is now included in working capital as part of the insurance receivables.

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

	2014	2013	2012	2011	2010	2009	2008	2007
	14 159,0	12 896,4	11 630,5	9 936,5	8 605,2	8 089,6	7 668,7	7 230,0
	2 536,9	2 407,3	2 232,6	1 845,1	1 559,3	1 686,4	1 521,5	1 478,5
	2 375,1	2 298,9	2 156,4	1 775,5	1 485,2	1 573,2	1 515,8	1 459,6
	1 859,6	1 792,0	1 582,1	1 301,8	1 085,6	1 145,8	1 128,4	1 119,2
	1 872,3	1 796,6	1 584,2	1 305,6	1 085,6	1 145,8	1 128,4	1 119,2
	2 120,5	1 883,1	1 623,8	1 353,1	1 380,5	1 363,3	1 284,4	1 204,7
	9 351,2	8 425,9	7 281,2	6 156,0	4 949,9	4 608,7	3 982,1	3 755,5
	5 631,5	4 985,4	3 912,9	3 164,3	2 883,7	2 679,7	1 897,7	1 823,5
	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1	8 651,7	7 164,2	6 783,7
	7 228,6	7 043,8	6 293,1	5 462,9	5 058,3	4 496,3	3 845,2	3 823,6
	861,3	705,5	571,1	485,6	427,0	359,2	290,9	181,3
	2 016,0	1 392,4	1 048,4	1 251,7	1 226,4	1 301,6	1 036,7	1 282,4
	3 296,1	2 750,3	2 284,8	1 417,3	764,3	769,4	712,1	212,9
	3 701,2	3 402,4	2 620,5	2 055,9	1 738,1	1 725,2	1 279,3	1 283,5
	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1	8 651,7	7 164,2	6 783,7
	128,2	485,2	(77,9)	190,8	352,0	640,3	(47,8)	492,3
	(537,5)	(557,0)	(377,2)	(353,9)	(264,0)	(517,1)	(15,6)	(98,2)
	339,5	121,4	666,9	179,4	(131,1)	(17,2)	20,3	(386,6)
	(69,8)	49,6	211,8	16,3	(43,1)	106,0	(43,1)	7,5
	593,4	504,7#	338,5	284,0	296,2	169,5	202,3##	62,5
	(222,4)	39,0	160,5	38,2	30,9	20,7	10,3	1,1
	0,1	0,1	0,1	–	–	–	–	–
	301,3	593,4	710,9	338,5	284,0	296,2	169,5	71,1
	9,8	10,9	17,0	15,5	6,4	5,5	6,1	12,4
	4,2	5,8	10,6	10,8	–	–	2,2	8,0
	17,9	18,7	19,2	18,6	18,1	20,8	19,8	20,4
	36,8	22,3	20,7	20,1	14,4	20,1	26,5	9,5
	1,2	1,1	0,9	0,9	0,7	0,8	0,8	0,7
	0,7	0,6	0,5	0,5	0,5	0,6	0,5	0,4
	2 659,1	1 567,4	726,1	237,6	(169,4)	18,7	253,7	(360,1)
	2,8	3,1	3,2	4,3	6,5	5,9	5,5	17,8
	818,7	780,6	653,9	537,3	440,7	488,8	458,2	438,1
	4,9	19,4	21,7	21,9	(9,8)	6,7	4,6	10,4
	536,0	506,0	455,0	350,0	288,0	288,0	288,0	270,0
	3 396,3	3 205,0	2 918,9	2 598,3	2 316,7	2 075,3	1 809,5	1 751,5
	23 787,8	25 774,6	29 744,8	20 480,8	16 113,4	10 567,5	9 261,6	16 618,4
	222,0	228,5	240,5	240,5	240,5	240,5	240,5	240,5
	206,0	209,3	205,2	206,5	208,2	204,8	206,3	209,5
	204,3	210,1	206,4	205,3	209,0	207,3	204,6	212,0
	10 715	11 280	12 368	8 465	6 700	4 394	3 851	6 910
	2 111	1 979	1 857	1 727	1 627	1 539	1 393	1 332
	646 665	609 411	579 365	537 951	505 676	467 420	410 378	380 615

PERFORMANCE REVIEW
RETAIL OPERATIONS

The performance of TFG this year must be seen against the backdrop of the operating environment and actions taken in respect of strategy execution.

OPERATING ENVIRONMENT

While some context is given to the operating environment in the operating context section on page 36 of this report, it is again noted that the review of operations should be seen against that backdrop. While the traditional TFG business was previously primarily based in South Africa with a growing African footprint, the geographical reach of the business now extends to many territories outside of the African continent (in developed and emerging market economies).

STRATEGY EXECUTION

As mentioned in the strategy section on page 57, one of TFG's four key strategies is growth and strides were made this year through:

- a combination of new store openings of existing brands (in existing territories and in new territories where we have not had a presence previously);
- the launch of a new in-house developed brand in South Africa in the form of SODA Bloc, which caters for the tween market;
- the acquisition of franchise rights for South Africa for the two international brands Colette (ladies accessories brand) and Next (international childrenswear brand); and
- the acquisition of a further international brand Whistles at the end of our 2016 financial year.

In relation to Phase Eight, it is again noted that any comparison of retail operations between 2015 and 2016 should take cognisance of the fact that 2015 includes two months of trading, whereas 2016 includes a full 12 months of trading for Phase Eight.

Furthermore, the acquisition of Phase Eight resulted in the following fundamental changes to the combined business:

- A business that was previously primarily based in South Africa (with a growing African footprint) now reaches across many international territories through the Phase Eight brand (and in future, Whistles).
- As Phase Eight (and in future, Whistles) are cash-based businesses, the overall contribution of cash vs credit turnover of the new combined business will shift over time. It remains TFG's strategy to achieve an equitable cash vs credit split to provide a more defensive position through the credit cycle.
- The Phase Eight brand gave TFG greater representation in the upper market segment.
- As the reporting currency of the Phase Eight (and in future, Whistles) business is GBP, the business acts as a natural Rand hedge to the South African-based operations.
- Phase Eight's unique operating model provides significant, low-risk expansion opportunities, which are not capital intensive in nature.

In light of this backdrop, the commentary on the performance of our retail operations for 2016 is as follows:

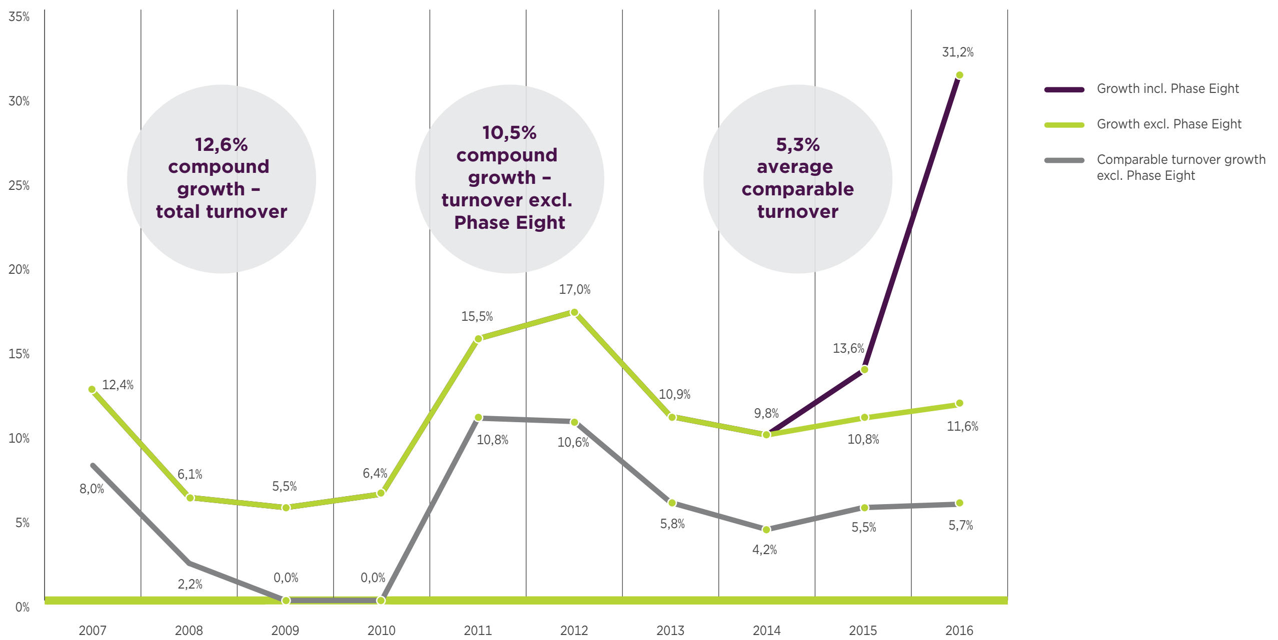
- As has been indicated in other sections of this report, the group reported good turnover growth of 31,2% this year. Excluding the impact of Phase Eight, the group achieved pleasing turnover growth of 11,6%, with comparable sales growth of 5,7%.
- Cash sales growth was strong at 18,4% (excluding Phase Eight) while credit turnover growth at 5,9% was in line with our expectation in the current economic climate.
- Cash sales now make up 57,2% of total group sales.

MERCHANDISE CATEGORIES

Our turnover growth in the various merchandise categories is as follows:

	% TURNOVER GROWTH (EXCLUDING PHASE EIGHT)	% SAME STORE TURNOVER GROWTH (EXCLUDING PHASE EIGHT)	% TURNOVER GROWTH (INCLUDING PHASE EIGHT)
Clothing	13,0	6,9	41,8
Jewellery	7,0	3,4	7,0
Cellphones	7,4	3,5	7,4
Homeware and furniture	11,7	3,1	11,7
Cosmetics	9,2	6,6	9,2

10-YEAR TURNOVER GROWTH



PERFORMANCE REVIEW RETAIL OPERATIONS CONTINUED

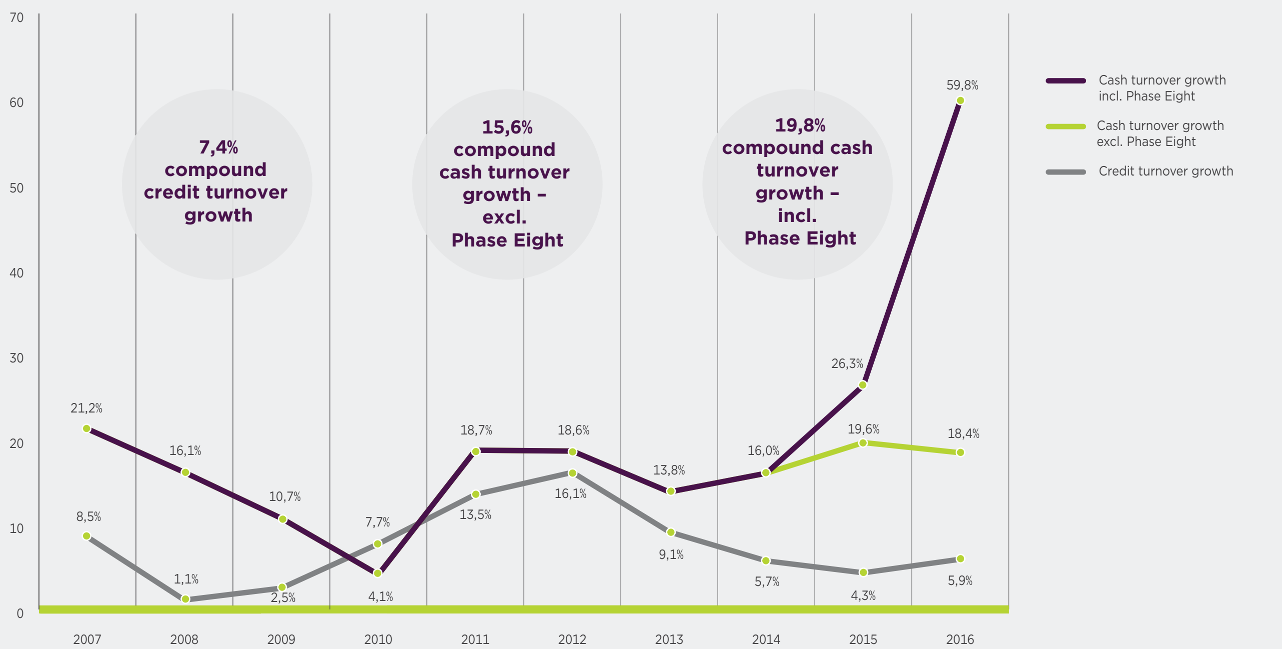
We are pleased with the performance of clothing's full year growth of 13,0% (including Phase Eight: 41,8%), up from 10,2% in 2015. Jewellery performed well, growing by 7% in a very competitive market, up from 5,7% in the prior year.

Cellphones achieved full year growth of 7,4% against 19,2% in the prior year, but had a much improved performance in the second half of 12,6% after reporting a growth of only 1,6% for the first half. The performance in the first half was affected by the MTN strike, which impacted on our stock deliveries, as well as by a system implementation towards the end of the 2015 financial year, which impacted trading during April and May 2015.

Homeware and furniture reflect growth of 11,7% and this is a good result coming off several years of very strong growth. Homeware's performance during the year was negatively impacted by significant discounting in the market place. While we responded with some promotional activity, we do not intend to change our discounting strategy and will continue to ensure that our product offering meets our customers' needs.

Cosmetics grew by 9,2%, which is at similar levels to the prior year.

CASH VS CREDIT TURNOVER GROWTH



LSM APPEAL

The addition of Phase Eight (and in future, Whistles) resulted in the overall business now having a greater exposure to the upper market segment and less exposure to the mid market segment, which contributed 36,7% of overall group turnover in 2016. This again positions the business well through the various retail cycles.

GEOGRAPHICAL FOOTPRINT

As expected, the inclusion of Phase Eight trading for a full 12 months resulted in the international contribution increasing to 17,1%. As noted elsewhere in this report, the group believes that geographical diversification provides risk mitigation as the combined business is no longer subject primarily to South African dominated market conditions and further offers protection from exchange rate volatility. This will increase further in the 2017 financial year with the inclusion of Whistles. The contribution from the rest of the African countries at 5,0% remains consistent with the prior year.

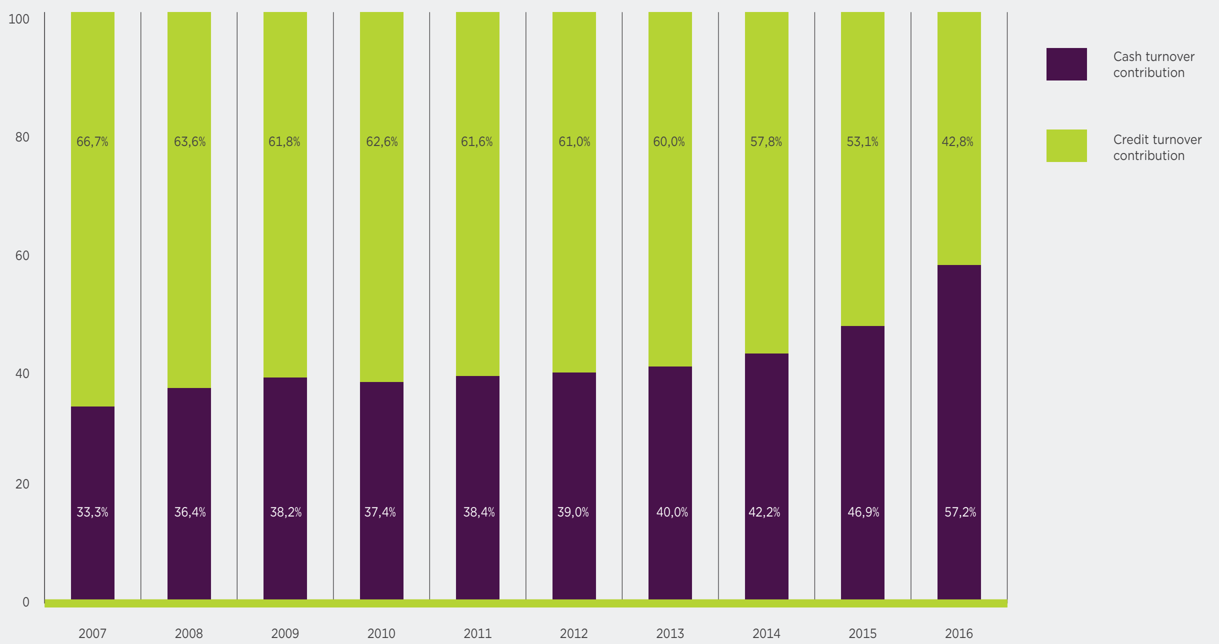
E-COMMERCE

This year, our Sports division launched their online selling platform with good results. Our omnichannel roll-out will continue in the 2017 financial year with the online launch of Foschini cosmetics, @home furniture, Markham and Fabiani.

GROSS MARGIN

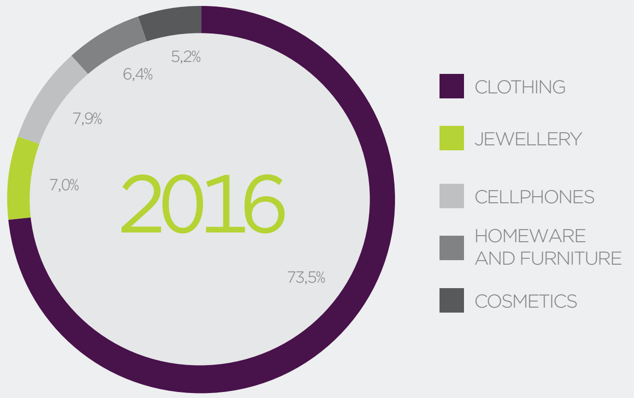
Our gross margin across the combined business improved primarily as Phase Eight operates at a slightly higher margin than our traditional business. As in the past, gross margin is carefully managed, with much effort being invested to ensure that the effect of any exchange rate volatility is minimised. It is noted that our effort to ensure that products are locally manufactured as far as possible assists in managing the impact of foreign exchange and the focus on supplier negotiation and measurement.

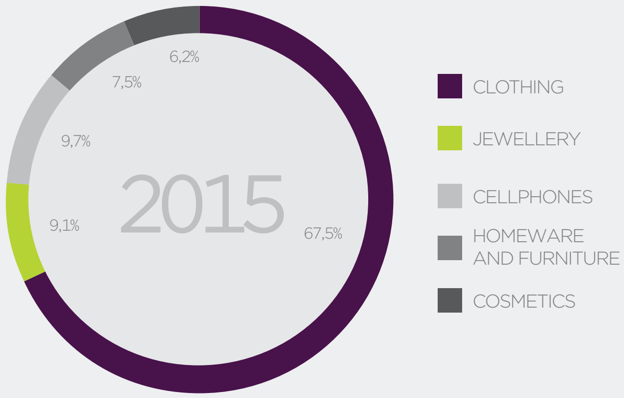
CASH VS CREDIT TURNOVER CONTRIBUTION – INCLUDING PHASE EIGHT



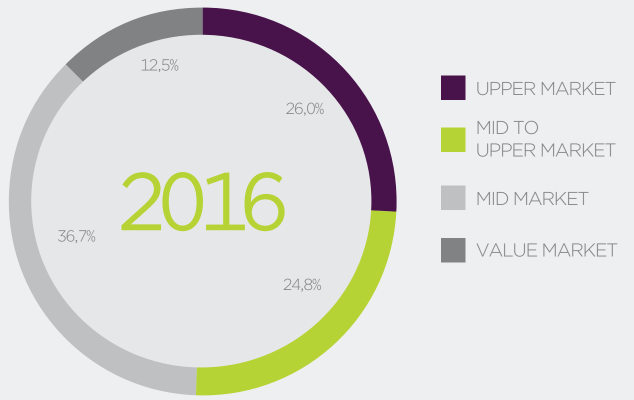
PERFORMANCE REVIEW RETAIL OPERATIONS CONTINUED

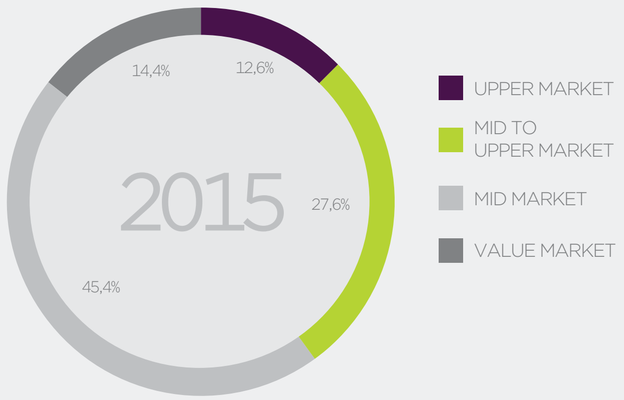
TURNOVER BY MERCHANDISE CATEGORY CONTRIBUTION



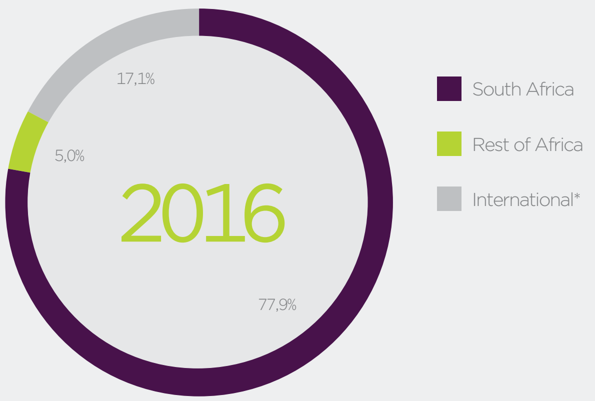


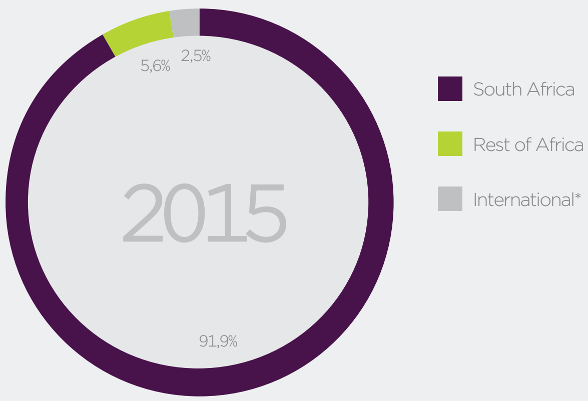
TURNOVER BY LSM CATEGORY CONTRIBUTION





TURNOVER BY GEOGRAPHIC SEGMENT CONTRIBUTION





* *International turnover for 2015 represents two months since the acquisition of Phase Eight (February – March 2015).*

PERFORMANCE REVIEW CREDIT

AFRICA

CREDIT HIGHLIGHTS

The credit environment remained challenging during the year under review. Significant changes to credit legislation were implemented during the course of the year, the most impactful being the implementation of the Affordability Regulations along with the practical complexity of proof of income requirements from a customer perspective. This necessitated major IT changes, a complete redesign of business processes, and a comprehensive training exercise that encompasses stores across the whole of South Africa. This is on top of a difficult macroeconomic environment where recent interest rate increases, higher levels of unemployment and inflationary impacts led to reduced disposable income and increased pressure on credit consumers.

Notwithstanding these pressures, consistent, deliberate and prudent risk management strategies, coupled with operational improvements in collections efforts, led to further positive movements in most key metrics and numbers, including bad debts.

Process refinement and workforce optimisation resulted in improvements in customer service measures, with reductions in average query handling times, abandonment rates and customer response rates.

PERFORMANCE OVERVIEW

The growth of interest income of 12,9% (2015: 18,3%) is reflective of a net book growth of 8,0% and interest rate increases during the course of the year. During the year, the average nominal rate in South Africa increased to 23,3% (2015: 22,5%), following repo rate increases in July 2015 (25 bps), November 2015 (25 bps), January 2016 (50 bps) and March 2016 (25 bps). The interest yield on the portfolio increased from 19,4% to 20,4%.

Net bad debt contracted by 7,4% (2015: +9,4%), which is a very pleasing result. This is due to a continued slowdown in the growth of gross write-offs and significant improvements in yields from post write-off recoveries. The investment in the prior financial year in a new recovery system and related processes enabled significant improvements in the agility and ability of data-driven strategies that were deployed this year.

Write-off, provisioning and re-age/restructure policies remain consistent with prior years. The ratio of overdue values to the book improved to 14,0% (2015: 14,6%).

Credit costs increased by 10,2% (2015: 19,2%), reflecting our continued efforts in running an optimised workforce, which is right-sized for our business needs, and our strategic investment in key capabilities. During the course of the year, and as part of our fraud prevention strategies, we rolled out new card verification value (CVV) cards to our entire credit base. This had the effect of reducing the value of our disputed fraud transactions by 67,3%. We also continued to invest in the evolution of our group analytics team to employ data analytics to optimise commercial decisions across the group.

CREDIT PERFORMANCE

INTEREST INCOME
R1 510,7m
(2015: R1 337,7m)
12,9% CHANGE

NET BAD DEBT
R947,7m
(2015: R1 023,6m)
(7,4%) CHANGE

CREDIT COST
R242,9m
(2015: R220,4m)
10,2% CHANGE

PROFIT BEFORE TAX
R320,1m
(2015: R 93,7m)
241,6% CHANGE

New regulations prescribing the affordability assessment that has to be undertaken when a consumer applies for credit were introduced by the Department of Trade and Industry (dti) and were effective from 13 September 2015 (the Regulations). These Regulations required all credit providers to undertake prescribed affordability assessments by, among others, verifying an applicant's income by means of three months' worth of payslips, bank statements or other acceptable proof of income, which had to be provided by the consumer at the time of opening the account.

These new requirements had a significant impact on the business and contributed to a drop in new account openings from 13 September 2015. The population most affected was consumers informally employed who could not readily provide acceptable proof of income (as per the Regulations) and were, as a consequence, denied credit.

As a result, the overall active account base contracted slightly, down by 4,4%. In spite of this contraction and a consistent risk appetite, credit sales increased by 5,9% (2015: 4,3%) over the financial year.

Key credit statistics	2016	2015	↑/↓
Number of active accounts ('000)	**2 560,7**	2 677,5	↓
Credit sales as a percentage of total retail sales (excluding Phase Eight)	**51,7**	54,4	↓
Net debtors' book (Rm)	**6 695,0**	6 199,9	↑
Overdue value as a percentage of debtors' book (%)	**14,0**	14,6	↓
Net bad debt write-off as a percentage of credit transactions (%)	**8,0**	8,0	↔
Net bad debt write-off as a percentage of debtors' book (%)	**13,4**	13,6	↓
Doubtful debts provision as a percentage of debtors' book (%)	**13,2**	13,6	↓
Provision value (Rm)	**1 015,0**	976,3	↑
Percentage able to purchase (%)	**81,0**	80,9	↑

FUTURE FOCUS

01

Ease of opening new accounts, given the Affordability Regulations, remains a focus for the forthcoming financial year. In order to continuously improve our customer experience, we have expedited the deployment of our digital application channel, which enables customers to apply for an account online. This approach is aimed at improving the quality of application data submitted while reducing the turnaround time to respond to customers.

02

Given the improvement in our collection and recoveries results, and enhancements in our ability to employ data and analytics when opening new accounts, we will look to test changes in our account acquisition strategies. In addition, we will focus on process efficiencies related to the opening of new accounts, leverage internal customer bases and focus on digital acquisition initiatives. This will enable us to continue to grow our credit sales in a responsible and sustainable manner.

03

The advancement of credit rewards remains a key focus and we will continue to test various initiatives in this space. A number of ideas have been implemented during the financial year and we continue to actively monitor and evaluate these results to determine the optimal approach.

04

Investment in group analytics remains a focus to assist the credit division and to provide analytics to drive our vision of being the leading fashion retailer in Africa whilst growing our international footprint through becoming a more customer-centric omnichannel retailer.

PERFORMANCE REVIEW
CUSTOMER VALUE-ADDED PRODUCTS

AFRICA

Key facts about the publishing, insurance and one2one (O2O) division:

	2016	2015	↑/↓
Net income (Rm)	**437,6**	450,9	↓
Growth in net income from publishing (%)	**3,0**	1,3	↑
Growth in net income from insurance activities (%)	**(3,5)**	(1,8)	↓
Growth in net income from O2O (%)	**(16,6)**	(2,3)	↓
Number of new product/service launches	**2**	2	↔

Most of the customer value-added products are currently offered exclusively to credit account holders. The difficult macroeconomic environment, coupled with the implementation of Affordability Regulations, impacted the growth of this unit. In this respect, the year under review proved especially challenging. The pool of potential new customers available to the product sales teams was reduced following muted new account growth. As a result, the overall net income decreased by 2,9%.

PUBLISHING PORTFOLIO INSURANCE PORTFOLIO O2O PORTFOLIO

HIGHLIGHTS

This portfolio offers 13 titles to 1,3 million account holders on a monthly basis. The current bouquet of titles covers a wide range of themes that target various segments in our customer base. The launch of the *Motor* magazine late in the year was successful, reaching 14 500 subscriptions per month by March 2016, while *MyKitchen* doubled its circulation in the last year to almost 80 000 per month.

This portfolio offers short-term and long-term insurance products mainly to account holders. Fraud Alert, a product that provides purchase alerts on account transactions, was successfully launched in the last quarter of the financial year. In addition, certain existing products were extended to include benefits for family members.

This portfolio provides airtime contracts to existing account holders via the telemarketing channel. A review of the existing business model, taking into account a competitive and rapidly changing industry landscape, required the business be extended to include the selling of bundled products (combining airtime/data contracts with cellphone units and insurance products).

CHALLENGES

Consumption of media across a variety of multimedia platforms remains a significant challenge for the printing/publishing industry. Challenging economic times are forcing consumers to be more selective on where they spend their financial resources and exchange rates had an adverse impact on production costs. A further challenge to the industry is the decrease in advertising spend in print media as marketers allocate advertising budgets across alternative media channels.

The impact of the new Affordability Regulations, coupled with a difficult economic environment and increasing cost of compliance, posed significant challenges to the execution of the insurance growth strategy.

This industry will continue to be extremely competitive, with the major networks competing on price and putting pressure on margins. In the current economic climate, the challenge remains to provide a well-differentiated and attractive value proposition.

PERFORMANCE

In spite of the aforementioned industry conditions, the TFG publishing portfolio achieved a growth of 3% in net income. The business continues to retain its position as the market leader in the custom title space. Nine of the group's 13 publications have the highest circulation in their respective categories. The total average monthly billed circulation of all publishing titles is 1,7 million.

Continued product innovation largely mitigated the challenging market conditions, resulting in a decline of 3,5% in net income.

Net income reduced by 16,6% as a result of pressure on margins and competitive industry pricing. Nevertheless, the business feels confident that the re-engineered business model will result in a greater contribution.

FUTURE FOCUS

The focus will be on penetrating the cash market space and continuing the launch of magazine titles into the niche markets of our credit customer base. Furthermore, the strategy will evolve the current business model, with specific emphasis on playing a more inclusive role across a variety of multimedia platforms.

The focus for insurance will be on penetrating the cash market. The business also recognises the potential of a more pronounced store presence and strategies are being developed in this regard.

The bundled options previously mentioned will create further demand in our account base. A further strategy is to extend the sales channels into the TFG store environment.

OUR GOVERNANCE PROFILE

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

A D MURRAY (59)

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, our CEO, joined the group in 1985, was appointed to the operating board in 1997 and was appointed as an executive director of The Foschini Group Limited in 2007. Doug's extensive retail experience includes holding the positions of Managing Director: Pages (subsequently rebranded Exact) and Managing Director: American Swiss Jewellers. He was Retail Director for the group for 10 years prior to his appointment as CEO in January 2008.

A E THUNSTRÖM (45)

B Comm (Hons Acc), CA(SA)

Appointed: 2015

Member of: Risk committee

Meetings attended by invitation: Audit and social and ethics committees

Joined the group: 2015

Anthony is currently the CFO. He joined the group and was appointed to the operating board in 2015. Prior to this, Anthony had 21 years of professional services experience with KPMG where he held various regional and pan-African leadership positions, including those of Chief Operating Officer for KPMG Africa and board member of KPMG South Africa.

NON-EXECUTIVE DIRECTORS

M LEWIS (57)

Chairman (appointed 19 June 2015)

BA (Econ) (Hons)

Appointed: 1989

Member of: Nomination and remuneration committees

Chairman of: Nomination committee

Meetings attended by invitation: Risk and audit committees

Michael has been involved in investment management since 1983, having worked at Ivory & Sime and Lombard Odier. He is Chairman of Oceana Investment Corporation Limited (UK), The Foschini Group Limited (South Africa) and Strandbags Limited (Australia). He is also a partner of Oceana Investment Partners (UK) and a director of Histogenics Corporation (US).

S E ABRAHAMS (77)

FCA, CA(SA)

Appointed: 1998

Member of: Audit and nomination committees

Chairman of: Audit committee

Open invitation: Risk committee

Also a director of a South African 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 the Chairman of Investec Securities (Pty) Ltd and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

G H DAVIN (60)

B Comm, B Acc, CA(SA), MBA

Appointed: 2015

Graham is a chartered accountant and a career banker with extensive international financial and broad business experience. Graham was a director of Investec for 16 years and of Bank Insinger de Beaufort NV, a Dutch private bank. He was responsible for the listing of Investec on the JSE and of Insinger on the Luxembourg Stock Exchange. In 2003, Graham led the management buyout of United Trust Bank, a fast-growing UK specialist bank of which he is CEO.

PROF F ABRAHAMS (53)

B Econ (Hons), M Comm, D Comm

Appointed: 2003

Member of: Remuneration and social and ethics committees

Chairperson of: Social and ethics committee

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. She has also published a number of accredited articles and academic texts (focusing on human resources issues). In addition, she was a non-executive director of Transnet, B2B Africa (Pty) Ltd and Chairperson of Victoria & Alfred Waterfront Holdings. She has served on the audit and risk committees, transformation and remuneration committees of many of the companies she was involved in, and built up sound business experience over the years.

BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS

D FRIEDLAND (63)

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

Appointed: 2013

Member of: Remuneration, audit and risk committees

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 was a partner at KPMG from 2002. David was Head of Audit and Risk at KPMG (Cape Town) and was the lead audit partner for several listed companies. In 2013, he retired as a partner at KPMG and was appointed to the boards of Investec Limited and Investec PLC in March 2013, serving as the group audit committee Chairman.

E OBLOWITZ (58)

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

Appointed: 2010

Member of: Audit, remuneration and risk committees

Chairperson of: Remuneration and risk committees

Also a director of a South African listed company: 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 Fleming South Africa, which provides multifamily office, wealth management and advisory services to an extensive local and international client base.

B L M MAKGABO-FISKERSTRAND (42)

Appointed: 2012

Member of: Audit and social and ethics committees

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

Tumi is founder and executive director of AfricaWorldwide Media and director of Tumi Makgabo Enterprises, focusing on enterprise development in South Africa and across the African continent. In addition, Tumi served for two years as the Vice Chairperson of the World Economic Forum's Global Agenda Council for Women's Empowerment and as a member of its Council on Africa. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multistakeholder community of exceptional leaders below the age of 40 selected from around the world. She also serves as a non-executive director of South African Tourism and was appointed a member of the Department of Arts and Culture's reference group for Africa Month in 2015.

N V SIMAMANE (57)

BSc (Biochem) (Hons)

Appointed: 2009

Member of: Audit and social and ethics committees

Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance, SA Post Office

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, and a director of various South African companies including Ancestral Connect, Combined Artistic Productions, Digital Space Content Agency (DSCA), Heads Up Effective Market Focus and PNB Investments. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was recently named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

R STEIN (67)

B Comm, CA(SA)

Appointed: 2015

Member of: Risk and nomination committee

Meetings attended by invitation: Audit committee

Ronnie was previously our CFO. He retired from this position at the end of June 2015 after serving 19 years with our group. Prior to joining our group, he was an accountant and auditor in public practice. He was a partner at Kessel Feinstein for 15 years. Following his retirement, Ronnie remains on the board in a non-executive capacity.

COMMITTEES

AUDIT COMMITTEE

S E Abrahams (Chairman)
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane
M Lewis (by invitation)
A D Murray (by invitation)
R Stein (by invitation)
A E Thunström (by invitation)

REMUNERATION COMMITTEE

E Oblowitz (Chairman)
Prof F Abrahams
D Friedland
M Lewis
B L M Makgabo-Fiskerstrand
A D Murray (by invitation)

RISK COMMITTEE

E Oblowitz (Chairman)
D Friedland
A D Murray
R Stein
A E Thunström
S E Abrahams (by invitation)
M Lewis (by invitation)

NOMINATION COMMITTEE

M Lewis (Chairman)
S E Abrahams
R Stein
A D Murray (by invitation)

SOCIAL AND ETHICS COMMITTEE

Prof F Abrahams (Chairperson)
B L M Makgabo-Fiskerstrand
A D Murray
N V Simamane
A E Thunström (by invitation)

OPERATING BOARD

M Maritz (48)
Group Director – Markham division
Joined the group in 2001

B J Curry (54)
Chief Information Officer – TFG Infotec, TFG Logistics, TFG Services
Joined the group in 1988

J Fisher (43)
BSc (Hons) Mathematics and Computing Science
Group Director – Financial Services
Joined the group in 2013

A D Murray (59)
BA, CA
Chief Executive Officer
Joined the group in 1985

M Mendelsohn (57)
Group Director – Exact, *hi*, The FIX, SODA Bloc, Next kids, TFG Manufacturing & Design Centre, TFG Merchandise Procurement
Joined the group in 1982

RESPONSIBILITY

The operating board is responsible for the group's strategy formulation and the day-to-day management of all aspects of the operations of the trading and service divisions.

In addition, they are responsible for deliberating and taking decisions or recommendations on all matters affecting TFG's strategy and operations including risk management, and the succession of executive and senior management. This includes all operational matters such as:

- 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 risk management
- 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
- approvement of transactions regarding investment, disinvestment, refinancing and restructuring in accordance with parameters set by the supervisory board
- adoption and implementation of corporate governance practices and meeting standards set out in King III

A E Thunström (45)

B Comm (Hons Acc), CA(SA)

Chief Financial Officer

Additional areas of responsibility: Publishing & Insurance, TFG Finance & Advisory, TFG Internal Audit

Joined the group in 2015

D B Gedye (57)

Group Director – Sports division, TFG Property, TFG Store Development, TFG Marketing & e-commerce

Joined the group in 1979

G S Naidoo (48)

BSocSc (Hons), MA (Ind Psych)

Group Director – Jewellery division, @home division, TFG Human Resources

Joined the group in 2005

S A Baird (50)

Group Director – Foschini division

Joined the group in 1986

OUR GOVERNANCE PROFILE

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 King III and the Listings Requirements of the JSE. 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 the King III principles in terms of the composition and functioning of its governance structures and the governance of its day-to-day activities. A register of all 75 King III principles is available on our website.

GOVERNANCE STRUCTURES

The non-executive board of TFG embraces the responsibilities imposed by King III and acknowledges that it is ultimately accountable for the strategy, direction, leadership, governance and performance of TFG. It also has oversight of the development, approval and updating of TFG's purpose, value and mission statements, significant policies and goals related to economic, environmental and social impacts. The operating board is responsible for day-to-day management and operations.

The scope and functioning of the board and board committees are governed by 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 mainly comprises non-executive directors, with the majority being independent. The board is committed to have a gender diverse board and will, as required by the Listings Requirements, adopt a policy on this in the next financial year. 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, nine of whom are non-executive directors, of which eight are independent directors and one is not regarded as independent. The remaining two directors are executive directors, namely the Chief Executive Officer and the Chief Financial Officer, and are salaried employees of TFG.

Five committees assist the board in discharging its duties. These committees are the remuneration, risk, audit, social and ethics, and nomination committees. An overview of the functions of these committees appears later in this report. The composition of the board and its committees appears on page 87.

DIRECTORS

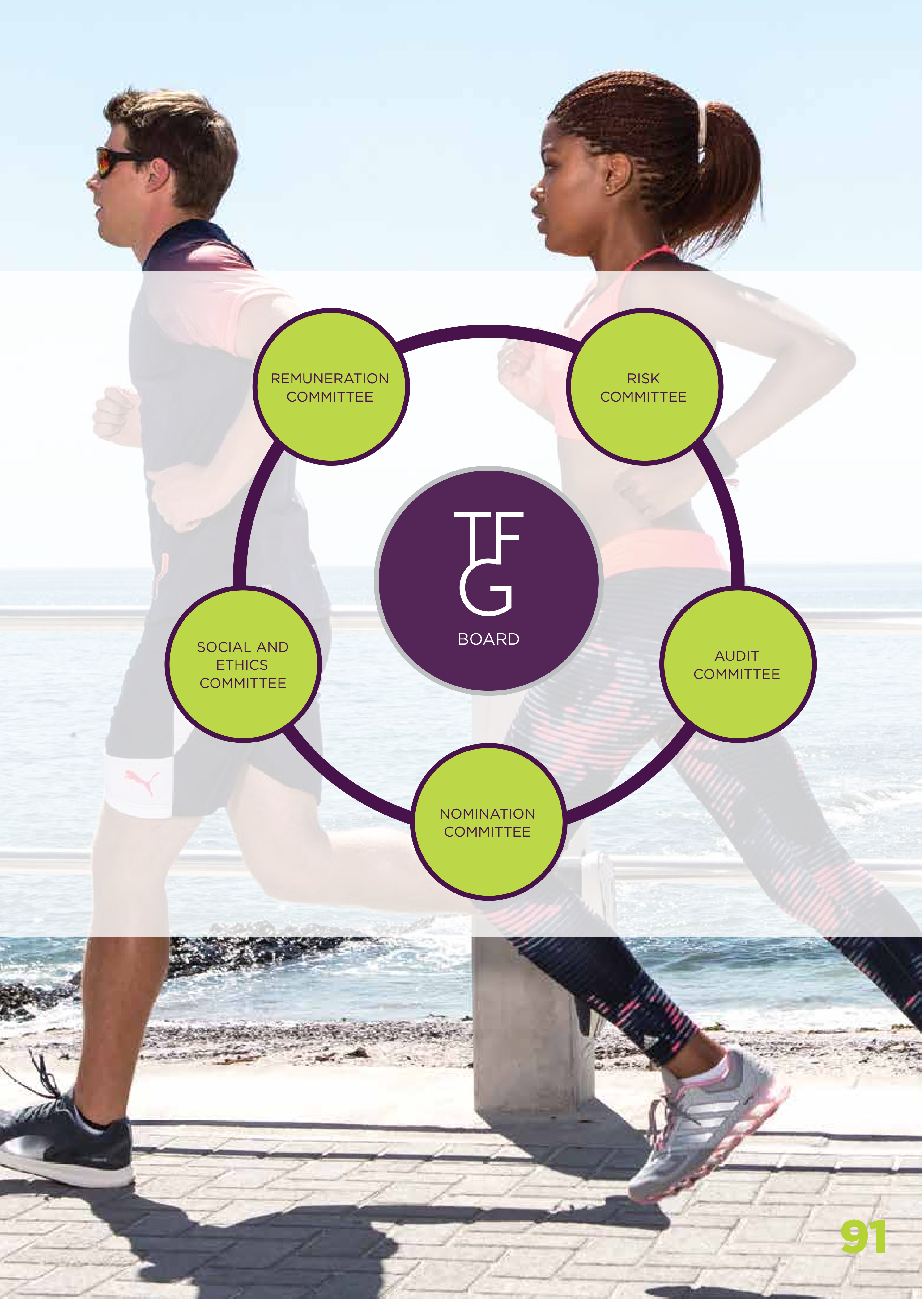
The non-executive directors come from diverse backgrounds in commerce and industry. Their collective experience enables them to provide sound, independent and objective judgement in decision-making that is in the best interests of TFG. They are ultimately responsible for the performance of TFG, its long-term 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 their opinion and advice regarding the group's financial, audit, governance, legal compliance and risk management controls. In order to ensure sustainable leadership, they review transformation and succession planning at senior levels and give input on 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. There exists a balance of power and authority among the directors of the board.

Detailed information on the directors and their credentials appears on pages 84 to 87.

Director appointment and induction

Potential new non-executive directors go through a thorough interview procedure until a suitable candidate is chosen and appointed. The process is contained in a policy detailing the appointment procedure and it ensures that appointments are a matter for the board of directors as a whole, assisted by the nomination committee. Newly appointed 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 shareholders after due consideration is given to the director's attendance at meetings and their performance. Non-executive directors have no fixed terms and the performance of all directors is subject to an annual peer review.


REMUNERATION COMMITTEE
RISK COMMITTEE
TFG
BOARD
SOCIAL AND ETHICS COMMITTEE
AUDIT COMMITTEE
NOMINATION COMMITTEE

OUR GOVERNANCE PROFILE CONTINUED

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 and committees since the publication of the previous integrated annual report (dated 22 July 2015)

On 5 November 2015, Mr G H Davin was appointed to the board as an independent non-executive director. There were the following changes to committee composition:

- Ms B L M Makgabo-Fiskerstrand resigned from the remuneration committee on 1 October 2015.
- Mr R Stein was appointed, effective 1 October 2015, as a member of the nomination committee and the risk committee, and as an invitee to the audit committee.
- Mr E Oblowitz was appointed to the remuneration committee on 1 October 2015 and from this date also as Chairman of the committee.
- As from 1 April 2016, Mr D Friedland is a member of the audit committee as opposed to being an invitee.

Independence assessment

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

Of the eight directors that satisfy the objective independence requirements, three have served a term in excess of nine years. The board reviewed the independence of Mr 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 the length of their association with the group in no way impaired their independence.

Remuneration and shareholding

The remuneration paid to directors during the current year and details of direct and indirect shareholdings are disclosed in the remuneration report, which appears later 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 Listings Requirements of the JSE in relation to restrictions on the trading of TFG's shares by directors and employees during 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 Listings Requirements of the JSE for directors to obtain prior clearance before dealing in TFG's shares. All transactions are conducted at the ruling market price on the JSE.

Details of directors' share dealings are disclosed on SENS.

Directors' interests in contracts

In addition to a formal annual disclosure process, directors are required to make ongoing disclosures of any interests in contracts. During the year under review, the directors had no interest 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 an agenda. The proposed agenda is circulated in advance of the meeting to allow board members the opportunity to request additional agenda items.

In addition, a comprehensive board pack is distributed to all members prior to 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.

During the current financial year, the board, *inter alia,* approved projections and results, approved scrip distributions, approved acquisitions, reviewed strategy at various levels, focused on current performance and considered report-backs from board committees.

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	5	4	5	3	3	3
D M Nurek**	2	–	1	1#	1	–
F Abrahams	5	4	–	–	–	3
S E Abrahams	5	–	4#	3	3	–
D Friedland	5	4	5	2#	–	–
M Lewis	5	4	2#	–	3	–
B L M Makgabo-Fiskerstrand	4	1****	–	2*****	–	3
E Oblowitz	5	2*****	5	3	–	–
N V Simamane	5	–	–	3	–	2
G H Davin*	2	–	–	–	–	–
A D Murray	5	4#	5	3#	3#	3
R Stein	5	–	4	3#	1*****	–
P S Meiring^	2	–	–	–	–	–
A E Thunström***	5	–	5	3#	–	3#

* *Appointed to the board on 5 November 2015.*
** *Resigned from the board on 19 June 2015.*
*** *Appointed to the board on 1 July 2015, any prior meetings attended as invitee.*
**** *Resigned from the committee on 1 October 2015.*
***** *Appointed to the committee on 1 October 2015.*
^ *Retired from the board on 30 June 2015.*
# *Invitee.*

BOARD EVALUATIONS

An annual evaluation of the board, its members 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 his/her feedback and any areas of concern. The Chairman provides feedback to the full board on any actions arising from the evaluation process.

The 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 previous calendar year was completed towards the end of last year and all action items were attended to, which included ongoing training for non-executive directors, more board and management interaction, extended time for strategic discussions at board meetings and the appointment of an additional independent non-executive director, namely Mr G H Davin.

The next evaluation cycle will shift to a more suitable time later in the year. The process will commence in June and will be finalised by October, with feedback being given to the board at its November meeting. This year the process will be entirely conducted by secure electronic means.

COMPANY SECRETARY

The Company Secretary is accountable to the board and all directors have access to the Company Secretary's advice and services. An arm's length relationship with the board is maintained and the Company Secretary is not a director of the company. The Company Secretary is independent and functionally reports to the board on company secretarial matters.

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 the required obligations and duties. The annual

OUR GOVERNANCE PROFILE CONTINUED

assessment questionnaire gives directors the opportunity not only to rate the Company Secretary, but to raise any concerns they may have.

The board believes that the Company Secretary is suitably qualified, competent and an experienced individual 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 Listings Requirements.

On 22 May 2016, Ms D Sheard resigned as Company Secretary and Mr D Van Rooyen assumed the position.

MAIN BOARD COMMITTEES

The main board of directors delegated specific responsibilities to board committees, each with its own charter that defines its responsibilities. The committees aim to review their charters annually and 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 concerns or questions arising from these minutes.

The directors confirm that the committees functioned in accordance with their written terms of reference as contained in their charters during the financial period. An overview of each committee's functioning and responsibilities follows.

AUDIT COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS S E Abrahams (Chairman) D Friedland* B L M Makgabo-Fiskerstrand**** E Oblowitz N V Simamane INVITEES M Lewis A D Murray D M Nurek*** R Stein** A E Thunström	Three times per annum	The focus areas of the committee are: • 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 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 on 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 coordinated; and • to review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate.

* *Independent as from 31 March 2016.*
** *Became a non-executive director on 1 July 2015.*
*** *Resigned from the board on 19 June 2015.*
**** *Appointed to the committee on 1 October 2015.*

SOCIAL AND ETHICS COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS F Abrahams (Chairperson)* B L M Makgabo-Fiskerstrand A D Murray D M Nurek# N V Simamane INVITEES R Stein*** A E Thunström**	Three per annum	The focus areas of the committee are: • social and economic development; • good corporate citizenship; • the environment, health and public safety; • consumer relationships; • labour and employment; and • transformation.

\# *Resigned from the board on 19 June 2015.*
* *Appointed to the committee and as Chairperson on 1 October 2015.*
** *Invitee from 1 July 2015.*
*** *Invitee until 30 June 2015.*

RISK COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS E Oblowitz (Chairman) D Friedland A D Murray D M Nurek# R Stein A E Thunström* INVITEES S E Abrahams M Lewis	Five times per annum	The committee ensures that: • appropriate risk and control policies are in place and are communicated throughout the group; • the process of risk management and the system of internal control are regularly reviewed for effectiveness; • there is an ongoing process of identifying, evaluating and managing the significant risks faced by the group, and that this is in place throughout the year; • a formal risk assessment is undertaken annually; • there is an adequate and effective system of internal control in place to manage the more significant risks faced by the group to an acceptable level; • there is a documented and tested process in place that will allow the group to continue its critical business processes in the event of a disaster, *inter alia*, the destruction of a distribution centre, head office or computer facility that affects its activities; • a risk register is maintained and kept up to date; and • appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

\# *Resigned from the board on 19 June 2015.*
* *Appointed 1 July 2015.*

OUR GOVERNANCE PROFILE CONTINUED

REMUNERATION COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS E Oblowitz (Chairman)* F Abrahams D Friedland M Lewis B L M Makgabo-Fiskerstrand** D M Nurek# INVITEE A D Murray	Four times per annum	The remuneration committee sets the group's remuneration strategy, policies and practices. Main focus areas include: • recommending, reviewing and approving all remuneration for non-executive directors, executive directors and senior executives; • ensuring a fair balance between fixed and variable remuneration within the company's financial constraints; • reviewing the short-term and long-term incentive to ensure it is market related and supports shareholder value creation; and • overseeing the setting of remuneration at all levels in the group.

* *Appointed as Chairperson on 1 October 2015.*
** *Resigned from the committee on 1 October 2015.*
# *Resigned from the board on 19 June 2015.*

NOMINATION COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS M Lewis (Chairman)* S E Abrahams D M Nurek# R Stein** INVITEE A D Murray	Three times per annum	Main functions include: • reviewing the board structure, size and composition; • reviewing the nature, size and composition of the board committees; • succession planning; • reviewing the balance between non-executive and executive directors; • ensuring the directors have the required blend of experience, skills and knowledge to support the continued success of the group; and • ensuring the existence of a formal process of performance evaluation.

Resigned from the board on 19 June 2015.
* *Chairperson from 19 June 2015.*
** *Appointed to the committee from 1 October 2015.*

LEGAL COMPLIANCE

Ultimate accountability for legal compliance rests with the board. The board is responsible to establish an effective legal compliance framework. Management implements this legal compliance framework and related processes to manage legal compliance risks as an integral part of enterprise-wide risk management. In addition, the board receives regulatory updates and legal compliance reports at the audit, risk and social and ethics committee meetings. 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 management of legal compliance risk refers to the current and future risk of damage or harm to TFG's business model or objectives, reputation and financial soundness arising from non-adherence with regulatory requirements.

The responsibilities of the legal compliance function include:

- reporting to the audit, and social and ethics committees;
- identifying, assessing 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;
- assigning responsibility for areas of legal compliance;
- facilitating legal compliance with internal policies, rules, guidelines and procedures;
- drafting legal compliance risk management plans for key pieces of legislation;
- monitoring regulatory legal compliance by the business and reporting on findings to management;
- drafting and submitting statutory legal compliance reports to regulators; and
- liaising with various regulators regarding regulatory reporting and legislative changes.

During 2016, additional effort was applied to:

- continuing facilitation of compliance with amendments to credit legislation into business processes, policies and documentation;
- attending Parliament, meeting with regulators and legislators (both in South Africa and elsewhere in Africa) to positively impact the legislative landscape taking the practicalities of the retail and financial services sectors into account;
- obtaining regulatory frameworks and rolling out increased regulatory legal compliance measures to stores in African countries and monitoring adherence thereto;
- supplementing legal compliance systems and procedures with technological tools to increase access to legal compliance information across divisions;
- establishing and advocating measures that support legal compliance risk management in line with TFG's consumer-centric focus; and
- monitoring adherence to legal compliance in call centres, stores and head office.

TFG recently focused on the following new, amended or draft laws:

- National Credit Amendment Act and Affordability Regulations, as well as amendments to interest rates and fees applicable to credit advanced by TFG to consumers
- Twin peaks regulatory regime including the Financial Sector Regulation Bill
- Amendments to the Broad-based Black Economic Empowerment Act Codes and Draft Regulations
- Amendments to the Financial Intelligence Centre Act
- Insurance Draft Bill
- Protection of Personal Information Act (partly effective)
- National Equitable Economic Empowerment Framework and Bill in Namibia
- Consumer Credit Bill in Swaziland
- EU Regulation on Data Protection (not effective) and the UK Modern Slavery Act

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 and WDP)
- Kimberley Process
- Global Reporting Initiative (GR4)
- King Code on Corporate Governance (King III)

TFG has working groups and project boards in place to ensure there are impact assessments for significant new laws and amendments. Thereafter, timelines, implementation areas and the business owners to implement changes are agreed.

Based on key laws that are effective as at 31 March 2016, there were no material areas of non-compliance.

BOARD AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 March 2016 to the shareholders of 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 recently been reviewed and which incorporates all 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 as prescribed in the Act

General

- to receive and deal appropriately with any concerns or complaints (whether internal or external) or on its own initiative relating to the accounting practices and internal audit of TFG, the content or auditing of TFG's financial statements, the internal financial controls of TFG or any related matter.

External auditors

- to evaluate the independence, effectiveness and performance of the external auditors;
- to obtain assurance from the auditors that adequate accounting records are being maintained and appropriate accounting policies 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 the auditor may provide to the group and pre-approve 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 annual 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 coordinated 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 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 audit function;
- to review and approve the annual internal audit plan and the internal audit charter;
- 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; and
- to review, specifically in the current year, that appropriate internal controls and an internal audit plan are prepared to cover the Phase Eight operations.

Finance function

- to consider the appropriateness of the expertise and experience of the Chief Financial Officer; 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 and estimates 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 annual report, as well as the 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 the Chairman of the committee is not the Chairman of the board. The following directors served on the committee during the year under review:

NAME OF MEMBER	DATE APPOINTED TO COMMITTEE
S E Abrahams (Chairman)	29 January 1999
N V Simamane	24 February 2010
E Oblowitz	1 October 2010
B L M Makgabo-Fiskerstrand	1 October 2015

On 1 April 2016, Mr D Friedland was co-opted as a member.

Meeting attendance

NAME OF MEMBER	QUALIFICATIONS	25 MAY 2015	7 NOVEMBER 2015	4 MARCH 2016
S E Abrahams	FCA CA(SA)	✓	✓	✓
E Oblowitz	B Comm CA(SA) CPA(Isr)	✓	✓	✓
N V Simamane	BSc (Biochem) (Hons)	✓	✓	✓
B L M Makgabo-Fiskerstrand*		n/a*	✓	✓
D Friedland (by invitation)	B Comm, Certificate in the Theory of Accountancy CA(SA)	✓	✓	✓

* *Appointed to the committee on 1 October 2015.*

The committee held three formal meetings during the 2016 financial year. In addition, the Chairman held ad hoc meetings with management, the Head of Internal Audit and the external auditors from time to time. The committee considered the draft interim and annual financial reports prepared by management and recommended its adoption to the board subject to certain amendments. The Chairman provided written reports to the main board that summarise the committee's findings and recommendations.

Details of fees paid to committee members appear in note 34 of the annual financial statements.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Company Secretary and the external audit partner and staff attended meetings invitation of the committee by regular invitation.

David Friedland and Ronnie Stein, non-executive directors, also attend the meetings by 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

The annual board evaluation (which includes an evaluation of all subcommittees) in respect of the previous calendar year was completed last year. This evaluation formally assessed the performance of audit committee members during the past year, as well as their independence 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.

BOARD AUDIT COMMITTEE REPORT CONTINUED

ELECTION OF COMMITTEE MEMBERS

The following members made themselves available for election to the committee. Such election was recommended by the nomination committee and will be proposed to shareholders at the upcoming annual general meeting:

S E Abrahams
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

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, *inter alia*, comprising:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by management including:
  - compliance and legal,
  - IT governance,
  - internal audit,
  - loss statistics, and
  - fraud.

The Chairman of this committee has an open invitation to attend meetings of the board risk committee (BRC).

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 for the year ending 31 March 2017 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 proposed agreements with KPMG Inc. for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements and in the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and
- performing such other oversight functions as may be determined by the board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

Based on the assessment of the system of internal financial controls conducted by 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 2016 financial year, the committee was not made aware of any:

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

RISK MANAGEMENT

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

As reported last year, the continued cooperation with the board risk committee (BRC) resulted in further clarification and delineation in the roles and responsibilities of both committees. The strategies adopted by each committee ensure timely review of any internal control weakness identified by any of the assurance providers. In addition, there were significant improvements in the development of Enterprise Risk Management (ERM) methodologies, which will further enhance the group's risk management coverage and focus.

Further details on the risk management approach and process are included in the risk report, which appears on page 111.

PHASE EIGHT

This acquisition received continuing attention during the year and various workshops were arranged and will continue to be convened with the object of fully integrating the Phase Eight operations into the overall risk management framework of the group. Internal audit drew up an audit plan to cover the major risks identified and audits were conducted to cover those risks. No major concerns surfaced from their initial audit work, although it must be appreciated that it is still work in progress to achieve full integration into the group's risk management framework.

The focus for the 2016 year end was directed at verifying the carrying values of stock and trade debtors. Both internal and external audit provided the board audit committee with positive reports on these significant asset classes.

WHISTLES

As the Whistles operations were acquired by TFG Brands (London) Limited (previously Dress Holdco B Limited) at the end of the financial year, only review work was undertaken by the external auditors. Further to the review on the Phase Eight operations earlier in this report, it is the intention to apply the same procedures to the Whistles operations, with the initial combined workshop to be held in July 2016.

THE FINANCIAL AND BUSINESS ENVIRONMENT

As presented in the previous years' integrated annual reports, the concerns expressed in this report that relate to the financial and business environment remain relevant and are accordingly once again presented in this report.

The South African political turmoil, which triggered the uncertainty in December 2015 that was caused by the "ins and outs" of finance ministers, the lack of GDP growth and hence the inability to increase job creation, the increased regulatory landscape and intermittent interest rate increases, put our credit customers under immense pressure. It is therefore pleasing to report that, despite the unstable and unfavourable macroeconomic environment, TFG in South Africa achieved an improvement in bad debt statistics. This is as a result of a concerted effort to be vigilant to trends and not to attempt to increase customer numbers by lowering the credit granting criteria. Going forward, the board audit committee will continue to focus on the ability of the group to curtail bad debts. Supported by an in-depth review undertaken by the external auditors, I can confirm that, in the opinion of the board audit committee, the provision for doubtful debts is adequate to sustain the year-end carrying value of trade receivables.

During the year, group management has been able to negotiate more favourable terms for future funding requirements by having an improved balance among short-term, medium-term and longer-term facilities. Although there had always been a significant funding headroom, the quality of the headroom is much improved currently.

The group continues to place importance on IT risk management and consistently reviews the measures to curb the threat of cybercrime and IT fraud in general. The governance over the IT support system is considered to be best of breed and complies with the recommendations contained in King III.

Regrettably, the group continues to suffer from ever-increasing financial loss arising from increased levels of crime-related incidents. Senior management is continuing to explore ways to reduce or curtail these operating losses. The introduction of a specialist ERM division soon to be bolstered by the hiring of a forensics expert are some of the initiatives being introduced to examine ways to make our stores, distribution centres, etc. more secure.

BOARD AUDIT COMMITTEE REPORT CONTINUED

EXTERNAL AUDITORS

The group's external auditors are KPMG Inc. and the designated auditor is Mr P Farrand. 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 P Farrand, 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 nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Mr P Farrand as designated auditor for the 2017 financial year, having satisfied itself that the audit firm is accredited by the JSE.

FINANCIAL STATEMENTS

The committee reviewed the financial statements of the company and the group and is satisfied that they comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

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

INTEGRATED ANNUAL REPORT

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

The committee considered the sustainability information as disclosed in the integrated annual report, assessed its consistency with the annual financial statements and is satisfied that the sustainability information is in no way contradictory to that disclosed in the annual financial statements.

EXPERTISE OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee considers the appropriateness of the expertise and experience of the Chief Financial Officer and finance function on an annual basis.

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

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

APPROVAL

The committee recommended the approval of the annual financial statements and the integrated annual report to the board.

S E Abrahams
Chairman: Audit committee

29 June 2016


NEW YORK
ANGELES

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee is pleased to present its report for the financial year ended 31 March 2016 to the shareholders of 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, 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;
- transformation; and
- consumer relationships.

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

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee comprises three independent non-executive directors and one executive director, being the CEO. In addition, the CFO and other TFG executives attend meetings of this committee by invitation.

During the financial year, a subcommittee of the social and ethics committee, the transformation subcommittee, was absorbed into the main committee. Therefore, transformation is an agenda item of the social and ethics committee.

The committee held three meetings during the 2015 financial year. At each of these meetings the committee received reports detailing matters relevant to each of the areas within its mandate. The committee specifically dealt with the following aspects: compliance with consumer laws; wage negotiations and labour law developments; environmental metrics for waste, electricity consumption, paper use and recyclables; implementation of action items arising from the United Nations Global Compact principles; corporate social investment initiatives; and a review of TFG's sustainability strategy and its implementation including approval of TFG's sustainability overview report.

At this stage, there are no specific matters the committee would like to bring to the attention of shareholders. The committee is satisfied with the efforts and activities undertaken by TFG in each of the areas falling within the committee's mandate.

Details of fees paid to committee members appear in the remuneration report on page 133.

TRANSFORMATION REPORT

AFRICA

The board recognises the critical role it has to play in the transformation process. The board's social and ethics committee, through its governance and oversight role, ensures that an appropriate transformation strategy exists that is aligned with the Broad-based Black Economic Empowerment Act (BBBEE) (as amended) and the associated codes of good practice.

At its meetings during the 2016 financial year, the committee received feedback detailing matters relevant to each of the functional areas within its transformation mandate. The committee specifically dealt with the following aspects: TFG's BBBEE scorecard and related matters, the alignment of TFG's transformation strategy with the Broad-based Black Economic Empowerment Act (as amended) and each of the individual BBBEE elements, in particular employment equity and skills development and the various transformation surveys, which TFG participated in.

Transformation strategy

The role of the committee is to achieve sustainable empowerment through alignment with the five elements of the BBBEE codes, being ownership, management control, skills development, enterprise and supplier development, and socio-economic development.

Clear guidelines were defined for each of the five elements of BBBEE, and the committee has an ongoing responsibility to govern and oversee all aspects of the group's BBBEE strategies.

Meeting attendance

NAME OF MEMBER	21 JULY 2015	14 OCTOBER 2015	8 DECEMBER 2015
F Abrahams (Chairperson)	✓	✓	✓
N V Simamane	✓	x	✓
B L M Makgabo-Fiskerstrand	✓	✓	✓
A D Murray	✓	✓	✓
A E Thunström (by invitation)	✓	✓	✓

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 2015). Our performance over the past two years is recorded below.

We are pleased to report that TFG was ranked third in the 2015 Business Report Top 100 Most Empowered Companies survey within the retail sector.

BBBEE ELEMENT	MAXIMUM	2015 ACHIEVED	2014 ACHIEVED
DIRECT EMPOWERMENT			
Ownership	20	10,5	8,8
Management control	10	4,7	4,8
INDIRECT EMPOWERMENT			
Employment equity	15	6,8	6,7
Skills development	15	14,2	10,6
Preferential procurement	20	18,2	17,8
Enterprise development	15	15,0	15,0
Socio-economic development	5	5,0	5,0
TOTAL	**100**	**74,4**	**68,7**
BBBEE RECOGNITION LEVEL CONTRIBUTOR	**–**	**Level 4**	**Level 4**

* *Note: As per the Broad-based Black Economic Empowerment Act (as amended) and the associated codes of good practice, TFG was rated under the old codes of good practice for the financial year ended 31 March 2015.*

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 that originate from mandated investments. A score of 10,5 points was achieved and included in our verification certificate.

Management control

In respect of 2015, TFG scored 4,7 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

Employment equity remains a key focus of TFG's transformation agenda. The group continues to ensure that there is alignment between the national economically active population and the targets set within the divisions.

TFG's representation of employees in designated groups to the total employee workforce continues to increase year on year (from 90,36% in 2013 to 92,25% in 2016). Employment equity progress at a senior management level remains a key strategic focus area, with development opportunities aligned to the selection of employees from designated groups. In the last financial year, TFG applied a new sourcing strategy specific to senior management talent attraction, which resulted in the acquisition of top equity female talent appointments across the group.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Summary of demographic representation of South African employee complement*

	AFRICAN	COLOURED	INDIAN	WHITE	FOREIGN NATIONAL	TOTAL BLACK
2013 Actual	52,98%	32,81%	4,57%	9,21%	0,43%	90,36%
2014 Actual	54,21%	32,39%	4,27%	8,87%	0,26%	90,87%
2015 Actual	56,54%	31,36%	3,75%	8,03%	0,32%	91,65%
2016 Actual	58,64%	30,08%	3,53%	7,45%	0,30%	92,25%

* *TFG's South African workforce profile as at 31 March 2016.*

A key contributor to our talent pipeline, the trainee programme, boasts 32 equity trainees out of the 40 trainees placed for 2016 – a total of 80%. In addition, the programme consists of a significant portion (70%) of female employees appointed. The progress over the last three years was exceptional, with a 22% increase in "Total Black placements as a percentage of total placements" and the most notable increase seen from 2015 to 2016. This was due to a targeted approach in our sourcing and selection methods, which focused on attracting and securing African black talent in the market.

Trainee programme demographics as at 31 March 2016

	RACE						GENDER	
	AFRICAN	COLOURED	INDIAN	FOREIGN NATIONAL	WHITE	TOTAL BLACK	FEMALE	MALE
2013	17,24%	37,93%	10,34%	6,90%	27,59%	65,51%	68,97%	31,03%
2014	15,62%	43,75%	3,13%	3,13%	34,37%	62,50%	71,87%	28,13%
2015	20,69%	27,59%	10,34%	0,00%	41,38%	58,62%	68,97%	31,03%
2016	37,50%	37,50%	5,00%	0,00%	20,00%	80,00%	70,00%	30,00%

Another key initiative geared at acquiring top equity talent is our Employee Referral Programme. 84% of appointments through this programme in the last financial year were equity, thereby supporting our transformation agenda.

Executive development and retention initiatives, including the allocation of shares, were part of the drive to recognise and retain key individuals in professional middle management and remain a strategic area of our talent management strategy.

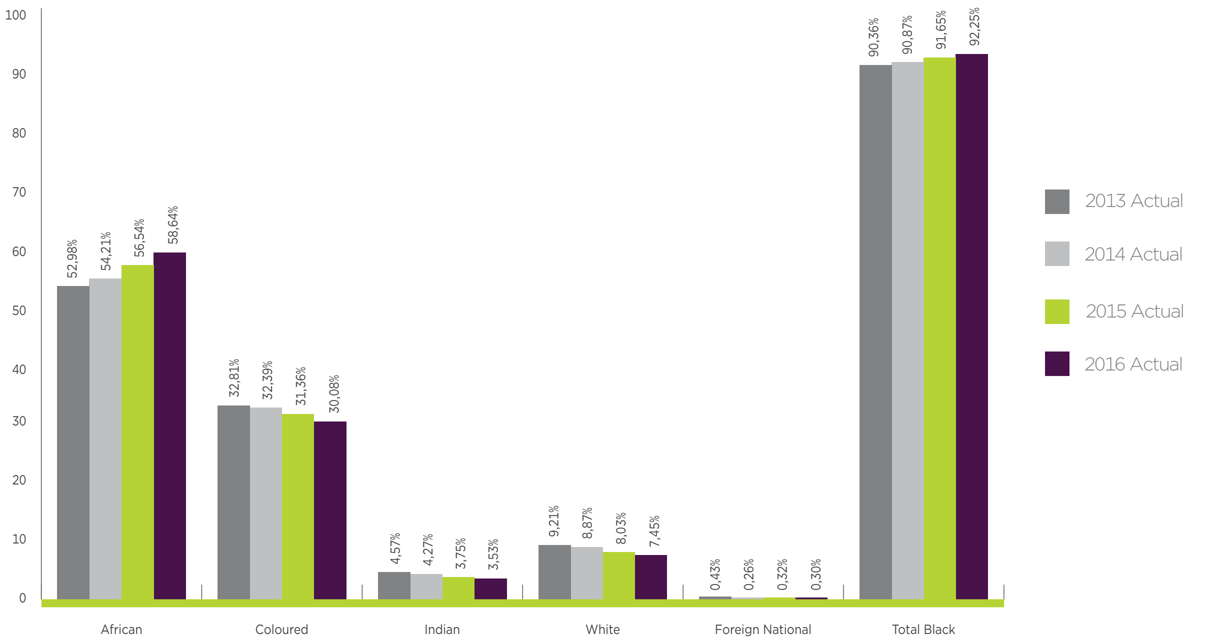
In terms of disabilities, we are committed to seek opportunities for disabled employees and secured this through various initiatives such as learnerships.

Summary of our South African employee complement as at 31 March 2016*

	MALE				FEMALE				FOREIGN NATIONAL		GRAND
OCCUPATIONAL LEVELS	A	C	I	W	A	C	I	W	MALE	FEMALE	TOTAL
Permanent	**3 332**	**1 406**	**167**	**379**	**7 496**	**4 142**	**494**	**1 023**	**32**	**24**	**18 495**
1. Top management				7			1			1	9
2. Senior management	4	13	12	87	4	14	6	94	1		235
3. Professional middle management	48	128	34	170	65	207	53	352	13	5	1 075
4. Skilled junior management	478	297	46	61	1 122	945	145	414	8	5	3 521
5. Semi skilled	2 703	895	75	53	6 211	2 818	288	163	9	13	13 228
6. Unskilled	99	73		1	94	158	1		1		427
Temporary	**86**	**30**	**3**	**2**	**209**	**128**	**5**	**10**			**473**
Total	**3 418**	**1 436**	**170**	**381**	**7 705**	**4 270**	**499**	**1 033**	**32**	**24**	**18 968**

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

The bar graph below illustrates the workplace profile in terms of racial representation for the period from 2013 to 2016.



Skills development

TFG continues to support the government's strategy of job creation and skills development by investing in key skills needed to sustain and grow the retail sector and its own workforce. Learning interventions comprising skills programmes, learnerships and non-accredited in-house training focuses on unemployed and employed learners. The recruitment and training of learners with disabilities continues to be a key focus in this area. The reporting period reflected an 8% increase in skills development numbers to 910 individuals participating in various funded interventions across departments, brands and levels.

The total percentage of training interventions attended by black employees increased by 2% from 2015 to 2016.

The skills spend strategy to support leadership and management development in 2016 resulted in more quality interventions at higher costs increasing overall spend.

	2016	**2015**	**2014**	**2013**
Total number of training interventions attended by all employees	**115 907**	117 737	117 341	126 021
Total number of training interventions attended by black employees	**107 707 (93% of total)**	107 619 (91% of total)	106 907 (91% of total)	114 886 (91% of total)
Total number of training interventions attended by black female employees	**83 045 (72% of total)**	88 303 (75% of total)	84 847 (72% of total)	79 814 (63% of total)
Overall cost of training	**R 124 047 452**	R120 569 000	R117 553 778	R 110 899 791

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

PREFERENTIAL PROCUREMENT

In respect of 2015, TFG achieved a score of 18,2 points out of a maximum of 20 points and remains pleased with the progress that was made in this area through an ongoing focus on the supply base. 38% of our BBBEE procurement spend applied to merchandise purchases (South Africa only) and 42% to non-merchandise goods and services (South Africa only).

ENTERPRISE DEVELOPMENT

In respect of 2015, TFG achieved a score of 15,0 points out of a maximum of 15 points, reflecting the commitment that was made to ensure the development of our local supply base.

The development of our local supply base is supported by a number of supply chain enhancement initiatives which are in place.

In addition, during the year under review, we continued to engage with a number of service providers with regard to other opportunities where we can assist in the development of our suppliers.

SOCIO-ECONOMIC DEVELOPMENT

In respect of 2015, we achieved a score of 5,0 points out of a maximum of 5 points.

TFG's main focus is to create opportunities for employment by leading sustainable developments.

A shared value mindset has become increasingly important within our business and therefore we have strategically partnered with a number of organisations to successfully implement our strategy.

TFG also moved towards a value-added approach where our employees are involved in conveying their knowledge and expertise onto the beneficiaries. This ensures that our investment is more than just monetary as we encourage our employees to be part of our journey. After all, doing good never goes out of fashion!

Further information on our projects can be found in the TFG sustainability overview report.

Prof F Abrahams

Chairperson: Social and ethics committee

29 June 2016

NOMINATION COMMITTEE REPORT

The nomination committee is pleased to provide a report of their activities for the 2016 financial year.

NOMINATION COMMITTEE MANDATE

The committee is governed by a charter which sets out its mandate and key responsibilities, and reports are provided to the supervisory board on a quarterly basis.

DUTIES OF THE COMMITTEE

The key responsibilities of the committee are to ensure the following:

- There is appropriate board composition by:
  - complying with the King Code of Governance for South Africa 2009 (King III) recommended mix of executive and non-executive directors;
  - complying with the King III recommended practice that the majority of non-executive directors are independent by:
    - ensuring that annual disclosures are completed by each director, and
    - reviewing the independence status of non-executive directors at least annually and ensuring that they are subjected to review by the whole board where required by King III;
  - ensuring that the individual directors possess the relevant skills and experience;
  - ensuring that collectively the board comprises directors with a mix of relevant skills and experience; and
  - ensuring that board diversity (age, gender and race) receives appropriate focus.
- The board is supported by an appropriate committee structure and committees are chaired by suitably qualified non-executive directors.
- The composition of the various subcommittees is in accordance with King III recommendations as far as practically possible.
- The performance of the individual directors, committees and the board as a whole is evaluated from time to time.
- A recommendation is made to the board in respect of directors who are due to retire by rotation.
- There is a programme for director induction and a focus on continued education of non-executive directors.
- Succession planning for the board and its subcommittees and for key senior executives is in place.
- Talent development of senior executives is taking place and the committee remains abreast of all proposed senior staffing changes.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

At the year end, the committee comprised two independent non-executive directors and one non-executive director. In addition, the CEO attends meetings of this committee by invitation.

Meeting attendance

NAME OF MEMBER	4 MAY 2015	31 AUGUST 2015	8 MARCH 2016
M Lewis (Chairman)	✓	✓	✓
S E Abrahams	✓	✓	✓
R Stein	✓	✓	✓
A D Murray (by invitation)	✓	✓	✓

The committee held three meetings during the 2016 financial year. The key issues which were considered by the committee during the current year included the following:

- Appointment of a Chairman following Mr D M Nurek's resignation on 19 June 2015
- Recommendation that Mr R Stein remains on the board as a non-executive following his retirement in June 2015
- Appointment of new CFO, Mr A E Thunström in July 2015
- Following board changes this year, review and amendment of committee composition to ensure appropriate mix of skills
- Oversight of board evaluation process with a key action being the recommended appointment of an additional director with international experience (completed with the appointment of Mr G H Davin in November 2015)
- CEO and general succession

M Lewis
Chairman

29 June 2016

RISK REPORT

The risk committee is pleased to present its report for the financial year ended 31 March 2016 to the shareholders of TFG.

The TFG Enterprise Risk Management (ERM) framework provides a structured, dynamic and consistent approach to risk management. It is an integrated approach to strategy, risk and performance. The framework is in line with the King Code on Corporate Governance 2009 (King III) and relevant international standards, including ISO 31 000 and the COSO framework.

The ERM framework ensures that emerging risks that could affect the group's strategy and achievement of objectives are identified and managed in accordance with acceptable risk levels. Identified risks are documented in a risk register and are assessed on the basis of likelihood of occurrence and impact. The group continuously seeks to improve and enhance the risk management process and made progress in developing its risk appetite for managing significant risks that could have a material impact on the business.

The board confirms that the group's risk management, mitigation and monitoring processes were effective in limiting the potential impact of risks on the business during the period. While the board is ultimately responsible to maintain an effective risk management process, it is assisted by the risk and audit committees.

INFORMATION TECHNOLOGY GOVERNANCE

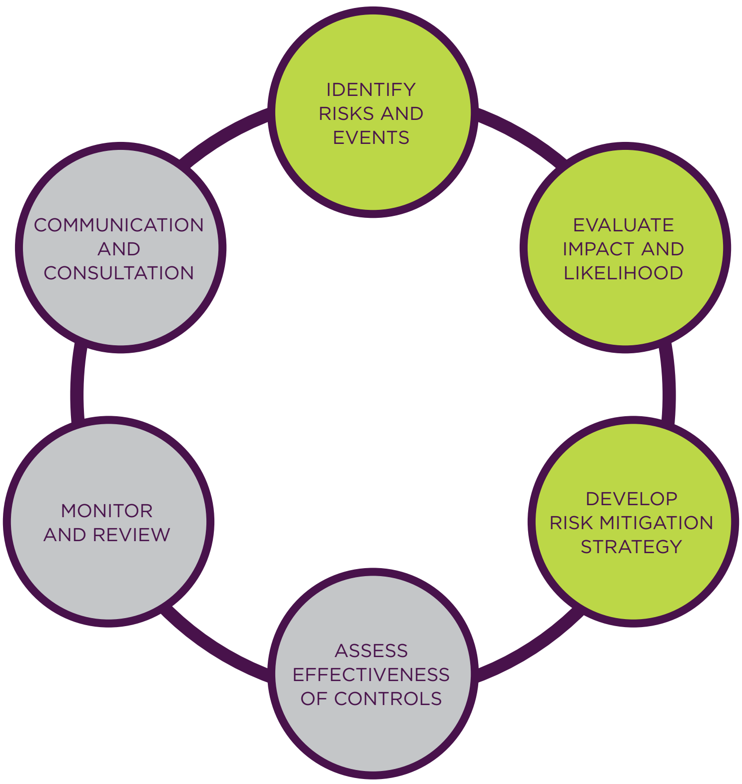
An IT steering committee was established, which includes representatives from the various trading and services divisions. The committee meets quarterly and reviews the emerging IT-related risks, disaster recovery plans and other significant initiatives. The risk committee receives feedback on matters discussed and monitors IT initiatives to ensure these do not pose a risk to the continuity of the group's operations.

LEGISLATIVE COMPLIANCE

The risk committee is updated on all matters of compliance. No fines and/or censures 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.

RISK MANAGEMENT PROCESS

The TFG risk management process is continuous and is depicted in the diagram below:



Risks are monitored continuously and are discussed formally once a year, with quarterly reviews by the executive management. The risk process includes South Africa, Africa and UK operations.

The audit committee focuses on the financial risks and all other risks are reviewed by the risk committee.

RISK REPORT CONTINUED

The landscape in which the group operates changed during the year under review. At this stage last year, the country experienced a significant number of power outages. This situation stabilised and, although the group mitigations remain in place, the risk decreased. Recent events led to instability in the economy, which influences available capital and affects consumers. Our consumer have less disposable income and this increases the risk to turnover and debtor delinquencies.

The group has identified the following key risks:

ENTERPRISE RISK	RESPONSE AND CONTROLS
REGULATORY RISKS	
Increasing complexity of the South African regulatory environment	The legal and compliance department monitors significant risks and provides the business with updates and training as required. Regular reports are provided to senior management and the audit and risk committees respectively.
Introduction of credit legislation hampering ability to increase credit limits and customer base	The group strategy and related initiatives are in place to grow TFG's account base and the average spend per account.
Increasing footprint of the group into other jurisdictions including Africa and those operated by Phase Eight and Whistles	The compliance department was restructured to give advice and support to new territories, including Africa and Phase Eight.
ECONOMIC RISKS	
Our customer base and average credit spend do not grow sufficiently to support our turnover targets and the competitive advantage of in-house credit is reduced	The group manages its Rewards programme to stimulate cash and credit, and continues to review available credit products with the potential to attract less debt-vulnerable accounts (LSM 8+).
Instability of the South African financial market influences available funding and increases cost of capital	Treasury meetings are held monthly to review funding requirements and options. The funding strategy is presented to and reviewed by the board at each meeting.
The impact of global financial instability and the effect of fluctuating exchange rates on purchasing power and the ability to remain price competitive	The strategy for purchasing forward cover is reviewed regularly to ensure it remains relevant and provides the best possible protection against currency fluctuations for committed and future orders.
Current consumer debt levels inhibit credit and cash sales	The group manages its Rewards programme to stimulate cash and credit, and continues to review available credit products with the potential to attract less debt-vulnerable accounts (LSM 8+).
Increase in bad debts and delinquencies	Credit applications are reviewed for fraud indicators and assessed against NCA-compliant internal scorecards, credit bureau scores and verification of employment where necessary. Collection strategies are reviewed regularly with the assistance of internal behavioural and credit bureau scorecards.
The weakening economy, increasing cost of living and high level of retrenchments negatively affects TFG's customers' purchasing power	The group continually strives to increase accessibility to a broad spectrum of the market by growing its footprint in varied locations. In addition, it continues to refine credit score models for collections and follow-ups to assist customers in maintaining an open-to-buy position.
The weakening economy leads to the collapse of key suppliers	The group's supply chain strategy includes sourcing alternate suppliers and maintaining relationships with relevant government, industry and trade union organisations. This includes building sustainable relationships with local suppliers and the continuous performance measurement and grading of suppliers.

ENTERPRISE RISK	RESPONSE AND CONTROLS
OPERATIONAL RISKS	
Continued high levels of crime (i.e. burglaries and armed robberies but excluding credit fraud) reducing the operating margin	The group subscribes to a culture of zero tolerance and recently appointed a Head of Forensics to coordinate investigation, engage with anti-crime forums, other retailers, mobile providers, industry bodies and South African Police Service (SAPS). Various analytical tools are employed to identify trends. The group has also embarked on the roll-out of a revised and enhanced security strategy.
The destruction of head office buildings or distribution centres (including international operations)	Business continuity plans were developed across the group. These plans are reviewed annually.
Failure of IT infrastructure	Disaster recovery plans are in place across the group.
Power outages' impact on the stores' ability to trade	The group continues to monitor Eskom's announcements to proactively anticipate power outages. Generators were installed at the head office and main warehouses, and selected stores are fitted with phase inverters.

WHISTLE-BLOWING

The group has adopted a zero tolerance approach to fraud, corruption and other forms of crime or dishonesty. Measures were implemented to assist in minimising the number of incidents:

- The board promotes a culture of openness and transparency throughout the organisation in accordance with the group's values of trust and mutual respect.
- Encourage whistle-blowing through the outsourced Deloitte tip-off anonymous line. A whistle-blowing facility for the reporting of suspected fraud and unethical behaviour has been in place since February 1998. Reports are submitted to the group forensics department for investigation.
- Conduct forensic investigations and recommend corrective action where applicable.

During the year, 141 reports were received (2015: 114). These matters were independently investigated leading to appropriate disciplinary action including dismissals.

E Oblowitz
Chairman: Risk committee

29 June 2016

REMUNERATION REPORT

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE TO SHAREHOLDERS

We are pleased to present the remuneration report for the 2016 financial year. This report summarises the philosophy, principles and approach to remuneration at TFG as it applies to executive directors, non-executive directors and other employees. It details the policy and principles set by the remuneration committee (Remco) for each of the primary components of remuneration.

In addition, it expands on and explains the implementation of this policy for each of the pay components, depicting the resulting remuneration mix and remuneration structures in detail. We disclosed the changes made to each component in the past year as part of the continuous need to revise and improve our remuneration practices to align with our strategy and respond to current trends and specific circumstances.

TFG operated in a difficult economic environment in light of the slow pace of growth in the domestic market. Despite this, our group turnover increased by 31,2%. We experienced strong cash sales growth and pleasing HEPS growth levels. More details are disclosed in the Chief Executive Officer's report on page 44.

Mr D M Nurek retired from the board and Remco on 19 June 2015 and was replaced by Mr M Lewis. We acknowledge the valuable role Mr Nurek played in the Remco over many years, and we welcome the international experience and insights Mr Lewis brings to the committee.

The CEO, Mr A D Murray, reaches the normal retirement age of 60 in March 2017. Mr Murray agreed not to retire at that date and agreed to extend his tenure as part of our succession strategy. Consequently, and in consultation with the nomination committee, Remco structured his remuneration package to facilitate, *inter alia*, an orderly and smooth transition to his successor. This matter is covered in more detail in part 1 of this report.

The remuneration and shareholdings of the directors and prescribed officers of TFG Limited are disclosed, as well as the fees paid to non-executive directors. When setting and reviewing the remuneration policy, we have taken into account the best practice requirements of corporate governance, including the draft King IV report on corporate governance (King IV). In addition, the remuneration packages for directors and senior executives are determined after due consideration of their specific performance, experience and responsibilities. This determination includes engaging external remuneration consultants and performing an extensive independent benchmarking exercise of similar roles in companies comparable to TFG's size, industry, complexity and risk profile.

The remuneration report is segmented into two parts. The remuneration policy is set out first (part 1), followed by the implementation of the remuneration policy in our 2016 financial year (FY2016) (part 2). We are of the view that the implementation of the policy achieved its FY2016 strategic objectives.

We took note of comments received from shareholder advisors and our investors that arose from the shareholder approval of the remuneration report for the 2015 financial year. Some of the comments from shareholder advisors and our investors, and our responses to those comments, are set out in the table alongside.

As in previous years, we will submit our remuneration report for shareholder approval at our annual general meeting (AGM) through a non-binding advisory vote. We request that you demonstrate your support of our policy, and we welcome any comments and/or suggestions for improvement that you may have.

E Oblowitz
Chairperson of the remuneration committee

SHAREHOLDER ADVISOR/INVESTOR COMMENT	RESPONSE FROM TFG REMCO
There should be more than one performance measure for short-term incentives (STI) and long-term incentives (LTI).	• STI has multiple performance measures, namely divisional profit before tax (PBT), group earnings before interest and tax (EBIT) and individual performance rating. • As from April 2016, we introduced return on capital employed (ROCE) as a secondary LTI performance condition for performance shares (forfeitable shares).
There was inadequate disclosure of performance criteria for STI and LTI, and a lack of disclosure of weightings.	The weightings and performance conditions are disclosed under part 1 of the report.
The performance criteria for the long-term incentive plan should be reviewed.	The performance criteria is reviewed on an annual basis and we are confident that the performance conditions for the FSP and SAR respectively are sufficiently stretching and robust. Taking into account various macroeconomic and retail economic forecast, Remco has decided that the FSP HEPS vesting of CPI +2% will remain unchanged.
Basic parameters of executive contracts should be disclosed.	The basic parameters of executive contracts were disclosed in part 1 of the report.
Share usage limit is set at 7,5%, which is above the ISS recommended limit of 5% for mature companies.	In response to comments received from investors and shareholder advisors, Remco further reduced the share usage limit to 5%.

REMUNERATION REPORT CONTINUED

PART 1: REMUNERATION POLICY

Principles

TFG's remuneration policy, as determined by the TFG Remco, aims to attract, engage and retain the best talent that is essential for the implementation of its business strategy and the achievement of its performance objectives while it operates within the group's approved risk and governance frameworks. The remuneration policy is an enabler for creating sustainable and long-term positive returns for shareholders.

Remuneration of executives seeks to achieve the following principal objectives:

- External equity, ensuring executives are rewarded in line with the practice in national and retail markets, taking all relevant and appropriate factors into account
- Internal equity, ensuring executives are remunerated correctly in relation to each other, in recognition of their individual contributions and accountabilities
- Performance alignment, ensuring executives and employees are aware of the requirements of strong short-term and long-term performance and its rewards
- An appropriate remuneration mix, establishing a balance between base pay, short-term incentives (STI) and long-term incentives (LTI)

Remuneration must be balanced with attractive benefits, an enjoyable, ethical and values-based working environment and the opportunity for employees to develop and grow. The Remco is also committed to fair and responsible remuneration. The Chairperson of the social and ethics committee is also a member of the remuneration committee and due cognisance is paid to appropriate recommendations from the social and ethics committee in this regard.

Role of remuneration committee

The Remco's primary function is to set the group's remuneration strategy, policies and practices. The committee is responsible for recommending, reviewing and approving all remuneration components such as base pay (including non-executive directors' fees), STI and LTI. The Remco implements its board subcommittee mandate through its consultative interaction with board members, external consultants, management (including dedicated human resource specialists) and shareholders. In line with King IV, the majority of members are independent non-executive directors.

In addition to members of the Remco, an independent advisor attends meetings on a regular basis. The CEO attends meetings by invitation and is not present when his remuneration is discussed.

Further details on the role and membership of the Remco are detailed in the corporate governance section of this integrated annual report on page 96.

The terms of reference for the Remco, which are reviewed at least annually to ensure appropriateness and compliance, are available on our website.

Key items considered by the remuneration committee during the year under review

Base pay

- Approval of annual merit increase guidelines for pensionable salary
- Approval of annual increases in travel and housing allowances
- Approval of increases for union members (in line with the two-year agreement signed in the 2015 financial year)
- Review and analysis of an external independent remuneration benchmarking exercise for senior executives and directors
- Approval of merit increases and promotions for senior executives and directors

STI

- Confirmation of divisional and group performance criteria and resultant annual bonus payments
- Approval of the Group Annual Bonus Scheme targets at group and divisional levels for the 2016 financial year
- Approval of individual performance ratings for senior executives and directors
- Approval of the overall distribution curve based on the individual performance ratings for all participants in the scheme
- Review and approval of STI payment multiples linked to guaranteed pay (base pay) effective in the 2017 financial year

LTI

- Confirmation of group performance, and resultant authority to convert share appreciation rights and vesting of forfeitable shares
- Approval of June 2015 share award allocation for share appreciation rights and forfeitable shares (including the share award mix and performance conditions)
- Conducted an assessment to include a secondary measure (returns-based) for the Forfeitable Share Scheme (performance shares)
- Review and approval of LTI allocation multiples linked to guaranteed pay (base pay) effective in the 2017 financial year (June 2016)
- Approval of the change in the share scheme usage limit from 7,5% to 5%

Non-executive directors

- Noted that the recommendation of board fees and change in the annual increase cycle for non-executive directors (including foreign non-executive directors), effective from 1 October 2015 to 30 September 2016, was approved by shareholders at the AGM in September 2015
- Subsequent to the year under review, approval of a recommendation of board fees for the period 1 October 2016 to 30 September 2017, for approval by shareholders at the 2016 AGM

REMUNERATION REPORT CONTINUED

Remuneration mix

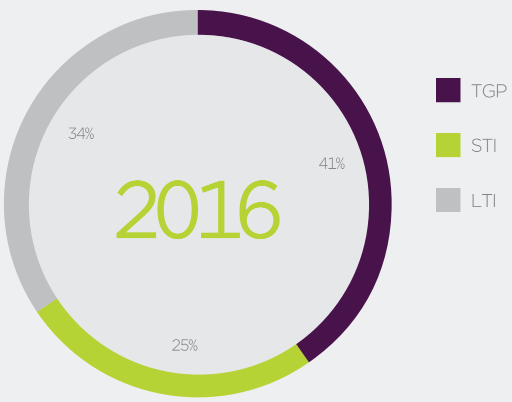
Designed to achieve an appropriate mix between base pay, short-term incentives and long-term incentives

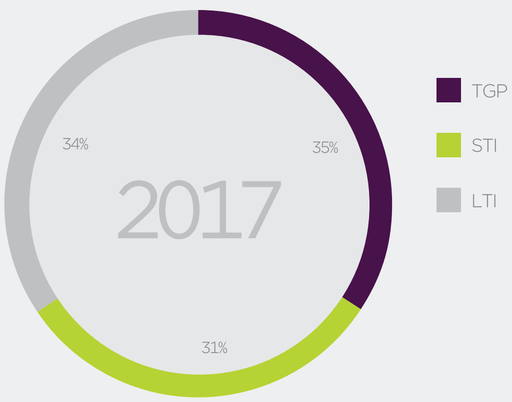
Summary of remuneration mix

REMUNERATION COMPONENT	MECHANISM	CHANGES TO POLICY IN THE YEAR UNDER REVIEW	SUBJECT TO PERFORMANCE CRITERIA
Base pay	Guaranteed pay	None	Yes
STI	Group Annual Bonus Scheme	Change in STI multiples linked to guaranteed pay*	Yes
LTI	Share appreciation rights	Change to LTI multiples linked to guaranteed pay*	Yes
	Forfeitable shares – performance	• Change to LTI multiples linked to guaranteed pay* • Introduction of a secondary measure	Yes
	Forfeitable shares – restricted	Change to LTI multiples linked to guaranteed pay*	No

* *See comparable graphs below illustrating effective change in the remuneration mix.*

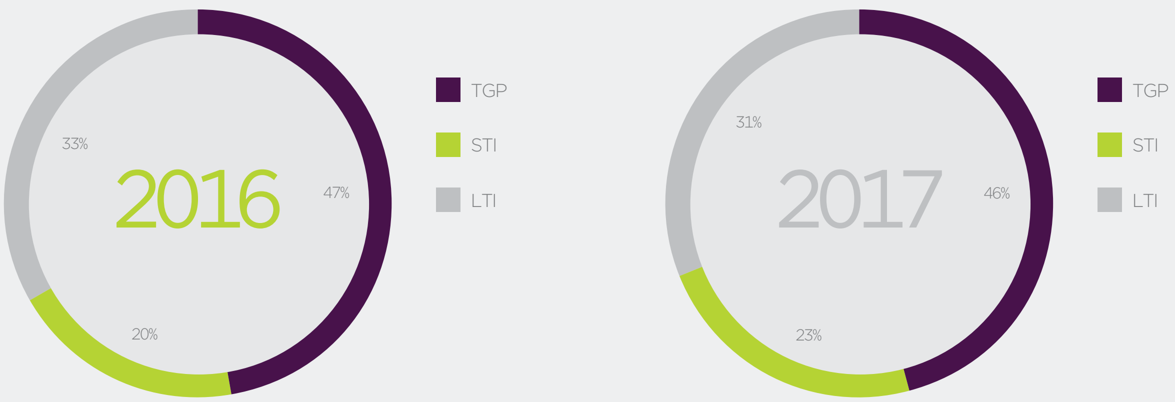
TFG CEO – FINANCIAL YEAR REMUNERATION MIX





	APPLICABLE PERFORMANCE CRITERIA	PERFORMANCE CONDITION	MINIMUM PERFORMANCE PERIOD	STRATEGIC PURPOSE OF COMPONENT
	Performance review	Merit increase approved by Remco	n/a	Attracts and retains key talent, with dual focus on external market equity and internal equity
	Earnings before interest and tax (EBIT), individual performance and divisional profit growth	Set by Remco each year	One year	Rewards employees for achieving or exceeding targeted performance levels
	HEPS growth (continuing operations)	CPI	3 years from date of grant	Aligns executive and key management interests with shareholders' interests
	• HEPS growth (continuing operations) • ROCE	• CPI plus 2% • Set by Remco each year	3 years from date of grant	
	n/a	n/a	3 years from date of grant	

TFG OPERATING BOARD – FINANCIAL YEAR REMUNERATION MIX



REMUNERATION REPORT CONTINUED

During the year under review, STI and LTI multiples were adjusted marginally to bring the multiples more in line with current market benchmarks and peers. The comparative graphs on the previous page illustrate the change in the remuneration mix effective from 1 April 2016.

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

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

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

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

- Current base pay levels
- Short-term incentive pay at performance tier On Target levels
- Share scheme awards at expected value, for benchmarking purposes, on the date of award

The face value of share scheme awards is determined using industry standard option pricing formulae and probability factors, together with established performance conditions.

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 permanent employees:
  - A pensionable salary
  - Travel and housing allowance (depending on organisational level)
  - Employer contributions to:
    - TFG retirement fund
    - Provident fund (dependent on organisational level)
    - Group life and disability benefits
    - TFG medical aid scheme (where applicable)
- 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, such as REMchannel salary survey, Hay's salary survey and national economic indicators. The Remco also takes past and current group trading performance and current economic indicators into account when determining the annual merit increase guidelines.
- Each role is benchmarked against the market using proven job evaluation and benchmarking methods.
- TFG is sensitive to paying fair, market-related remuneration for all employees and fully supports the concept of equal pay for work of equal value in line with the Employment Equity Act 55, as amended, (the EEA). TFG monitors salary differentials for all employees performing work of equal value, and pay inequality is addressed by providing training to employees and ensuring that extensive career mapping and talent management strategies are in place.

Benefits

Influences attraction and retention of key talent

Vehicle benefits are provided based on the employee's organisational level and role, as defined by our travel allowance and fleet policies.

Retirement, group life and disability benefits are provided in proportion to pensionable salary. To this end, TFG contributes 12% of pensionable salary to the TFG Retirement Fund for all employees eligible for membership of the fund. Members are required to contribute 7,5% to the fund. In addition to being members of the TFG Retirement Fund, executives are also members of a provident fund. The employer contributes 1,5% of pensionable salary to the provident fund and there is no compulsory contribution required of the employee. Contributions to TFG Retirement Fund and provident fund are based on pensionable salary and no element of variable pay is regarded as pensionable.

Medical aid is income related, 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. In this way, TFG seeks to ease the burden of the increased cost of living on its employees.

Short-term incentives (STI)

Rewards employees for achieving or exceeding targeted performance levels

STI overview

The Group Annual Bonus Scheme defines three targeted tiers of performance at 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
- To reward strong divisional performance while it moderates payments where group performance targets have not been met and thus cannot be fully funded

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

STI performance metrics

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

PRIMARY MEASURE	EXECUTIVE MANAGEMENT AND CENTRALISED FUNCTIONS	RETAIL BRANDS
Earnings before interest and tax (EBIT)	100% weighting	40% weighting
Divisional profit before tax	0% weighting	60% weighting
Total weighting	100% weighting	100% weighting

The bonus pool for executive management and centralised functions is weighted 100% to EBIT, while the bonus pool for retail brands is weighted 60% to divisional profit before tax and 40% to EBIT.

After calculating the bonus pool using the primary measure, a secondary measure of individual performance is applied to an individual's base bonus. The purpose of having individual performance as a secondary measure is to support a pay-for-performance culture. This secondary measure is determined by using the employee's performance rating. The range is on a five-point scale between "1" = 0% (very poor performance) to "5" = 120% (exceptional performance) with 100% bonus paid at a "3" rating. In line with good practice, these ratings are calibrated to ensure the group achieves a reasonable distribution curve within the total bonus pool.

The CEO and CFO's performance measures are aligned with TFG's strategic agenda as detailed on pages 56 to 69 of the report. CEO objectives are set and assessed by the Chairman of the board. CFO and operating board members' objectives are set and assessed by the CEO.

By way of an illustrative example, a participant who is eligible to qualify for a bonus pool payment of R100 000, could have this bonus payment modified from a zero payment to a maximum payment of R120 000 depending on individual performance.

STI target setting

The Remco approves group bonus targets, using annual profit forecasts as a benchmark (primary measure).

It is important to note that return on capital employed or a similar measure is not currently used as divisions presently do not have sufficient line of sight and influence over group assets and funding functions such as debtors.

As a major retailer and in accordance with attaining effective operational monitoring, TFG's profits and other key retail metrics are reported on in detail on a weekly and monthly basis. This real-time reporting of profit (the cornerstone of the EBIT measure) and review by management support the robust STI design principles of divisional profit before tax and EBIT.

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 an appropriate part of the overall pay mix. Changes to the payment multiples or structure require prior Remco approval.

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

- each individual's annual base pay; and
- each organisational level.

For ease of comparison and reporting, bonus multiples are shown as a percentage of annual base pay in this report.

REMUNERATION REPORT CONTINUED

The Remco reviews and assesses the achievement of approved group and divisional targets and then recommends the appropriate bonus payments to the board.

The Remco has an overriding discretion in exceptional circumstances to recommend any adjustments to bonus targets and payments to the board as a result of changed business conditions, including where a payment is inappropriate given the company's financial circumstances.

STI tiers of performance and related bonus multiple

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

Threshold

- Performance marginally below **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 forecast trading performance

Stretch

- A superior level of performance that is sufficient to warrant and justify the maximum potential bonus payment (double the On Target value)
- Performance above Stretch target does not result in additional bonus payment; payment cap by design is achieved once stretch targets are achieved

Remco 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 underperformance.

Threshold and On Target is 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.

As mentioned earlier in this report, STI multiples have been adjusted to bring the multiples more in line with the market and TFG's peers. As from the 2017 financial year, the On Target multiple for the CEO was increased from 62% to 90% and the average On Target multiple for the operating board was increased from 43% to 49%.

WE HAVE TAKEN NOTE OF COMMENTS RECEIVED FROM SHAREHOLDER ADVISORS AND OUR INVESTORS THAT AROSE FROM THE SHAREHOLDER APPROVAL OF THE REMUNERATION REPORT FOR THE 2015 FINANCIAL YEAR.

As of 1 April 2016, the resultant bonus structure for the CEO and operating board members, expressed as a percentage of annual base pay, is indicated below.

CEO and operating board bonus payments for financial year 2017

		% ANNUAL BASE PAY ASSUMING INDIVIDUAL PERFORMANCE MODIFIER OF 3 (MET ALL EXPECTATIONS)		% ANNUAL BASE PAY ASSUMING MAXIMUM INDIVIDUAL PERFORMANCE MODIFIER OF 5 (EXCEEDED ALL EXPECTATIONS)	
DIVISIONAL PROFIT/EBIT PERFORMANCE LEVEL	SLIDING SCALE	CEO	OPERATING BOARD (AVERAGE)	CEO	OPERATING BOARD (AVERAGE)
Stretch	Sliding scale between target and stretch	180%	97%	216%*	116%*
On Target		**90%**	**49%**	**108%**	**58%**
Threshold	No sliding scale between threshold and target	45%	24%	54%	29%
Under Threshold	No payment	0%	0%	0%	0%

* *216% and 116% is the maximum resultant bonus payment expressed as a percentage of annual base pay for the CEO and average operating board respectively.*

Long-term incentives (LTI)
Aligns executive and key management interests with those of shareholders

Share Appreciation Rights (SARs)
(Foschini 2007 Share Incentive Scheme)
Participants are entitled to receive resultant shares in value equal to the growth in the share price on a defined number of rights between the date of grant and the date of conversion to resultant shares.

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 three years with no retesting. The minimum period between grant and conversion is three years, and all rights expire after six years.

Forfeitable Shares
(Foschini 2010 Share Incentive Scheme)
Two instruments form part of this scheme, namely Performance shares and Restricted shares.

Performance Shares (Forfeitable Shares)
Performance shares issued under this scheme are subject to group performance criteria, which are tested against inflation-linked HEPS targets and ROCE targets over a period of three years with no retesting.

The weighting between HEPS and ROCE as performance measures is 80%/20% respectively, with linear vesting for both measures.

Share awards prior to June 2016
100% vesting will take place after three 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.

Share awards after June 2016
100% vesting will take place after three years if performance criteria of HEPS growth of CPI plus 2% is met and the upper ROCE target is met. On a weighted basis, linear vesting will take place if HEPS growth is between CPI and CPI plus 2% and if ROCE is between the lower limit and the upper limit. No vesting of the HEPS weighted shares takes place if HEPS growth is less than CPI. No vesting of the ROCE weighted shares takes place if ROCE is at or below the ROCE lower limit. FY2017 share awards will be the first year that ROCE targets have been introduced as a secondary measure. Stretching and robust targets will be proposed by management for Remco approval before the end of September 2016. These targets will be disclosed in the 2017 integrated annual report.

Restricted Shares (Forfeitable Shares)
Restricted shares are issued with the specific objective of improving the retention of key senior talent, while still utilising an instrument that aligns the interests of recipients with those of shareholders. Restricted shares vest after three years and are subject to continued employment.

REMUNERATION REPORT CONTINUED

LTI allocation policy
Allocations are made using predefined multiples for each share incentive type based on:

- organisational level;
- annual base pay; and
- targeted pay mixes, given market guidelines appropriate for each organisational level.

Allocations are made annually on a consistent basis to establish the awards as an accumulating asset in the hands of eligible employees with the objective to incentivise them to create growth and retain such employees in service for at least three years. With annual allocations, each allocation has a three-year vesting period, resulting in each new LTI allocation providing a further three-year incentive/retention period. Ad hoc, once-off allocations are exceptional, and will normally represent upfront remuneration approved when an employee is first employed. Any such exceptional awards to executive directors are disclosed to shareholders.

The allocation levels per role for LTI (as percentage of annual base pay) are outlined below:

ROLE	EXPECTED VALUE OF ANNUAL SHARE ALLOCATION LEVEL (AS A % OF ANNUAL BASE PAY)
CEO	100%
Operating board executives	75% – 60%
Balance of participating employees	55% – 15%

Benchmarks for the expected value of share awards are reviewed regularly. No changes are made without approval by the Remco and in turn by the board.

As mentioned earlier in this report, LTI multiples were adjusted to bring the multiples more in line with the market and TFG peers. As from the 2017 financial year, the expected value of annual share allocation level for the CEO was increased from 85% to 100% and operating board reduced from a range of 75% to 70% to a range of 75% to 60%. The balance of participating employees reduced from a range of 60% to 20% to a range of 55% to 15%.

100% of LTI allocations made to the CEO, operating board executives and senior executive management are subject to group performance criteria. LTI shares vest based on the performance criteria applicable to the relevant LTI scheme.

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

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 and to create parity in the incentivising of long-term performance across similar categories of employees.

All allocations are approved by the Remco. The Remco confirms that fair principles and scheme rules were applied in determining each individual's allocation, and also ensures that the overall share capital dilution and costs are within the defined guidelines.

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

- 1% individual limit
- 5% company limit

LTI shares are settled through market purchase and are therefore not resulting in a dilution to shareholders. The usage of the dilution limit in FY2016 is set out in part 2 of the report.

Performance conditions (current and forward looking)
A best practice review was undertaken to evaluate the current LTI performance criteria against the market for forfeitable performance shares. After consultation with external remuneration advisors and a review of recommendations, Remco introduced a secondary measure for forfeitable performance shares as from the 2017 financial year.

Forfeitable performance shares
From 2017 financial year, HEPS growth of CPI plus 2% and a stretching and robust ROCE (return on capital employed) target will be used as performance measures for share awards. ROCE is the secondary measure for forfeitable share awards made to the CEO and operating board members. The use of the HEPS performance target is considered appropriate as it establishes a basis for long-term financial planning and team-based effort between share scheme participants. ROCE has been introduced as a secondary measure to further align the vesting of share awards to the board strategy. ROCE targets as proposed by management will be approved by Remco during the first half of the 2017 financial year.

Eligibility, allocation guideline, performance conditions for vesting (weighing and vesting levels) for LTI are detailed below:

	PARTICIPANTS	ALLOCATION FREQUENCY	PERFORMANCE TARGET* HEPS	PERFORMANCE TARGET* ROCE	MEASUREMENT PERIOD	VESTING SUMMARY
SHARE APPRECIATION RIGHTS	CEO and operating board	One allocation per annum	HEPS growth of at least CPI, compounded annually over the measurement period Weighting 100%		Three years Expiry period six years from date of grant	100% vest if performance target is met and participant is employed by TFG All lapse if performance target is not met
PERFORMANCE SHARES (FORFEITABLE SHARES)	CEO, operating board and executives (Paterson scale E1 and above)	One allocation per annum	HEPS growth of CPI plus 2%, compounded annually over the measurement period Weighting 80% Target reviewed and set annually by Remco	ROCE target as set by Remco Weighting 20%	Three years Expiry period three years from date of grant	100% vest if performance targets are met and participant is employed by TFG Linear vesting takes place between HEPS growth of CPI and CPI plus 2% and ROCE of between lower and upper target On a weighted basis, 100% shares that do not meet minimum HEPS criteria will lapse and 100% shares that do not meet minimum ROCE criteria will lapse
RESTRICTED SHARES (FORFEITABLE SHARES)	Senior management above the entry level of middle management i.e. Paterson scale D3, (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	100% vest once measurement period has expired and participant is employed by TFG

* *Note that ROCE will be introduced as a secondary measure for the first time in 2017 financial year, with a weighting of 20% ROCE and 80% HEPS. Prior to 2017 financial year, FSP share award has one performance measure, namely HEPS.*

REMUNERATION REPORT CONTINUED

Vesting on termination
In line with scheme rules, the Remco must consider and resolve whether, based on the circumstances, a portion of the unvested LTI may vest 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 Remco applies defined decision-making guidelines in determining if a portion of the shares will vest.

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

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
It is TFG's practice to have restraint of trade and minimum service agreements in place for the CEO and operating board members. These agreements are in place for the duration of employment and contain notice periods of between 6 and 12 months. In the event of summary dismissal on grounds of misconduct (for example dishonest or fraudulent conduct), notice periods do not apply.

Ex gratia or other lump sum payments on severance or retirement
Apart from the CEO transitional agreement (see alongside), there are no other agreements currently in place that provide for *ex gratia* or other lump sum payments to executives on severance or retirement. Executives who depart after having performed poorly are not awarded "golden handshakes". There are no *ex gratia* payments made in the event of a merger or takeover.

Outcome of executive benchmarking
As reported last year, the CEO received a base pay increase of 12% for the 2016 financial year.
This 12% increase was the initial step in a series of steps intended to reduce the gap between historical base pay and that of comparable industry-specific peers. During the year under review, Remco once again commissioned external remuneration experts to conduct a comprehensive benchmarking survey and a specific evaluation of the complexity and increased span of responsibilities of the various executive director job functions within TFG. As a result of this survey, further steps were taken to ensure that levels of remuneration are market related.

Taking into account market benchmarking, the complexity of the job, his increased responsibilities both domestically and internationally, commensurate with the international expansion of the group and the CEO's extensive retail experience (31 years in the retail sector and nine years as CEO of TFG), Remco considered and approved an increase to the CEO's annual base pay to bring it in line with a market-related annual base pay of R10 million for the 2017 financial year.

Remco reviewed and approved an increase in the CFO's annual base pay to a market-related annual base pay of R4,23 million for the 2017 financial year. Both the CEO and CFO's pay mixes weightings remain geared towards variable pay, which contains robust performance metrics aimed at realising TFG's overall business strategy.

We believe that TFG has now closed the gap between current annual base pay and that of comparable market peers. However, to ensure that annual base pay remains market related and competitive (supported by good remuneration governance), annual benchmarking will continue to be conducted.

Transition and succession for the CEO
Mr Murray will reach the normal TFG retirement age of 60 in March 2017. In order to ensure completion of a number of strategic initiatives currently underway and to enable a smooth transition to his successor, Mr Murray agreed to extend his tenure as CEO to at least the completion of the 2018 financial year and will not retire before that date. Mr Murray agreed that future annual increases to his annual base pay will only be linked to inflationary market guideline increases, if applicable.

In terms of an agreement with Mr Murray to extend his tenure until at least the completion of the 2018 financial year and for him to facilitate a smooth transition to his successor, the Remco agreed to award Mr Murray forfeitable restricted shares to the value of R20 million. This award will vest no earlier than June 2019 and will be subject to Mr Murray meeting a number of objectives set by the nomination committee regarding, *inter alia*, his successor and the smooth transition from Mr Murray to his successor.

Remco's approach is to ensure an effective and deliberate handover and succession plan that preserves and builds on the value and momentum that Mr Murray and his executive team achieved. It is further aimed at ensuring active mentorship of the replacement CEO and to ensure that Mr Murray's long-term decision-making extends beyond his retirement date. The Remco believes that the award will maximise the long-term value of TFG's business strategy for shareholders and assist in attaining the business objectives for the duration of his extended tenure.

In the event that the specific performance criteria set are not achieved by Mr Murray, this once-off award will lapse in June 2019.

Non-executive directors

Non-executive directors are appointed for a term of three years. The nomination 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 nomination committee before reappointment is recommended.

Non-executive directors are paid a base fee, plus a committee fee derived based on the number of meetings. 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. None of the non-executive directors has service contracts with the group.

Non-executive directors' remuneration (comprising base fees and committee fees) is regularly benchmarked to the market for companies of a similar size in a similar sector. Fee proposals are put to shareholders at the annual general meeting for approval in terms of the Companies Act requirements.

Engagement with investors

Investor feedback is an integral part of Remco's ongoing review of remuneration policy and TFG actively engages with investors on an annual basis. Remco maintains a proactive approach to consider all emerging and relevant remuneration trends.

PART 2: IMPLEMENTATION OF REMUNERATION POLICIES FOR THE YEAR UNDER REVIEW

The remuneration report that follows provides further details 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	The guideline given by the Remco for increases to all staff (other than unionised staff subject to negotiation with the union) in April 2015 was set at 6,5% or a minimum Rand amount. The minimum increase resulted in an effective increase of more than 10% for lower-paid employees. Car allowances for eligible employees were adjusted by 6,5% in April 2015.
STI	The Remco set the EBIT target for 2016.
LTI	All shares allocated to the CEO, operating 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 2016 are as follows: Share appreciation rights: 2 501 500 Forfeitable shares: 2 542 650 Total: **5 044 150** The above total is 2,3% of total issued shares. This is lower than the total limit of 5% set by the Remco and approved by shareholders.

REMUNERATION REPORT CONTINUED

Five-year performance vs incremental remuneration increase

	HEADLINE EARNINGS Rm	CEO AND PRESCRIBED OFFICERS TOTAL REMUNERATION** Rm	REMUNERATION AS PERCENTAGE OF HEADLINE EARNINGS %	FIVE-YEAR CAGR IN HEPS (CONTINUING OPERATIONS)*** %	FIVE-YEAR CAGR IN TSR**** %
2016*	2 185,2	29,7	1,36	14,5	14,8
2015*	1 881,9	36,0	1,91		
2014	1 872,3	39,0	2,08		
2013	1 796,6	28,1	1,56		
2012	1 584,2	43,7	2,76		

* Adjusted headline earnings excluding once-off acquisition costs.

** Includes all CEO and prescribed officers' total guaranteed package (TGP), STI and LTI at IFRS fair value (excludes exceptional bonus payment made to P Meiring in 2015).

*** Five-year compound annual growth rate (CAGR) in HEPS calculated from base year 2011 (537,3 cents) to 2016 (1 055,8 cents)

**** Five-year compound annual growth rate (CAGR) in total shareholder return (TSR) calculated using closing share price 2016 of 14 144 cents plus dividends declared for the five years ending 2016 of 2716 cents compared to base share price in 2011 of 8 465.

Considering the HEPS growth and TSR created for investors over the five-year period in comparison to the incremental total remuneration over the same period, progression of total remuneration is considered fair and reasonable.

Short-term incentive outcomes

During the year under review, actual TFG EBIT was measured against the target set by the Remco and bonus payments were then made to qualifying eligible employees.

The following graphic indicates actual performance vs target, and the resultant bonuses paid to Messrs Murray and Thunström.

SHORT-TERM INCENTIVE OUTCOME	THRESHOLD	TARGET	STRETCH
2016 earnings before interest and tax performance tiers set			
2016 earnings before interest and tax actual			
Actual bonus paid as % annualised base pay* A D Murray A E Thunström		 88% 62%	

* As at March 2016.

Long-term incentive scheme outcomes

The expected value of share allocations to the CEO and operating board members for FY2016 are detailed below. The share scheme awards are shown at their expected value on the date of awards to ensure meaningful comparisons for benchmarking. Internally, the share scheme awards are communicated to participants at their face value. The expected value of the award is expressed as a percentage of their annual base pay (guaranteed pay).

	EXPECTED VALUE OF ANNUAL SHARE ALLOCATION AS % BASE PAY
CEO	85%
Operating board	75% – 70%
Balance of participating employees	60% – 20%

LTI performance outcomes

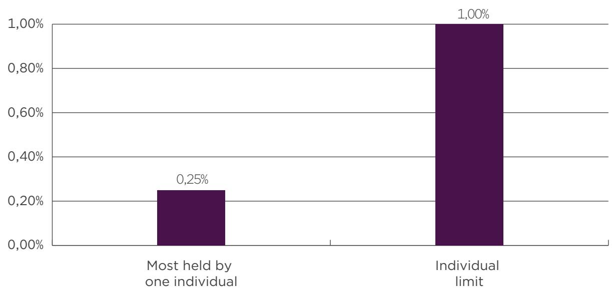
The 2013 FSP share award performance target was measured over the three-year performance period. The actual three-year cumulative HEPS growth of 35% exceeded the target cumulative HEPS growth of 24% and consequently 100% of share awards vested.

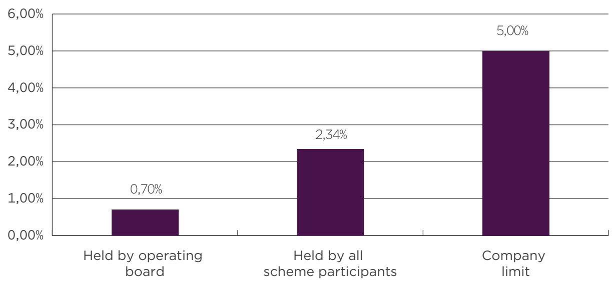
The 2013 SAR share award performance target was measured over the three-year performance period. The actual three-year cumulative HEPS growth of 35% exceeded the target cumulative HEPS growth of 24% and consequently 100% of SARs are available for conversion.

Current allocation vs policy limits

In terms of the policy set by the Remco, it is evident that both at an individual level and overall level, share awards held by scheme participants are within the defined limits. The CEO is the highest individual holder of share awards, and is thus compared against the individual limit.

% ISSUED SHARES





REMUNERATION REPORT CONTINUED

Executive directors' remuneration

For the year under review, the board determined that the Prescribed Officers are the CEO and CFO. Messrs Murray and Thunström serve as executive directors on the TFG Limited board and they exercise general executive control and management of the business.

2016

EXECUTIVE DIRECTORS	REMU-NERATION R'000	PENSION FUND R'000	TRAVEL ALLOWANCE R'000	OTHER BENEFITS R'000**	GUARANTEED PAY R'000	PER-FORMANCE BONUS R'000#	IFRS SHARE ALLOCATION FAIR VALUE R'000
A D Murray	6 431,9	868,3	428,0	52,8	**7 781,0**	6 959,7	6 088,6
A E Thunström*	2 194,3	296,2	246,1	41,8	**2 778,4**	2 308,4	829,8
R Stein***	856,3	115,6	82,0	12,5	**1 066,4**	–	–
P S Meiring***	776,8	104,9	82,0	12,5	**976,2**	–	–
Total	**10 259,3**	**1 385,0**	**838,1**	**119,6**	**12 602,0**	**9 268,1**	**6 918,4**

\# *Performance bonus included in 2016 remuneration paid in 2017 but accrued in 2016.*

* *A E Thunström joined TFG on 1 February 2015 as CFO-elect and was appointed as a director of Foschini Retail Group (Pty) Ltd. On 1 July 2015, he was appointed as an executive director of TFG Limited. In addition to his remuneration paid for the year under review, he received a once-off payment of R6,5 million as consideration for accepting a service agreement and restraint of trade contract.*

*** *R Stein and P S Meiring both retired from the group on 30 June 2015. Remuneration paid for the year under review is from April 2015 to June 2015.*

** *Other benefits include housing allowance and medical aid subsidy.*

2015

EXECUTIVE DIRECTORS	REMU-NERATION R'000	PENSION FUND R'000	TRAVEL ALLOWANCE R'000	OTHER BENEFITS R'000	GUARANTEED PAY R'000	PER-FORMANCE BONUS R'000	IFRS SHARE ALLOCATION FAIR VALUE R'000
A D Murray	5 716,5	771,7	401,9	51,0	**6 941,1**	5 651,3	6 195,6
R Stein	3 216,2	434,2	308,1	47,7	**4 006,2**	2 749,9	2 448,2
P S Meiring	2 917,6	393,9	308,1	47,7	**3 667,3**	12 078,8	2 226,2
Total	**11 850,3**	**1 599,8**	**1 018,1**	**146,4**	**14 614,6**	**20 480,0**	**10 870,0**

Directors' interests

As at 31 March 2016, directors had the following interests in company issued shares:

	M Lewis '000	E Oblowitz '000	D Friedland '000	N V Simamane '000	R Stein '000	EXECUTIVE A D Murray '000	EXECUTIVE A E Thunström '000	Total shares '000
Direct beneficial		2,1	41,1	1,6	751,6	1 207,1		2 003,5
Indirect beneficial					281,7	699,6		981,3
Indirect non-beneficial	9 799,8							9 799,8
Total	**9 799,8**	**2,1**	**41,1**	**1,6**	**1 033,3**	**1 906,7**	**–**	**12 784,6**

As at March 2016, executive directors had accepted the following share appreciation rights and forfeitable shares:

	FINANCIAL YEAR OF AWARD	FINANCIAL YEAR OF EARLIEST DELIVERY	FINANCIAL YEAR OF LATEST DELIVERY	STRIKE PRICE PER INSTRUMENT	NUMBER OF INSTRUMENTS AWARDED '000	NUMBER EXERCISED IN YEAR '000	CLOSING NUMBER OF UNVESTED AND/OR UNEXERCISED INSTRUMENTS '000
AD Murray							
SARs	2012	2017	2018	R86,32	85,2		85,2
	2013	2017	2019	R136,22	62,8		62,8
	2014	2017	2020	R96,86	133,4		133,4
	2015	2018	2021	R111,10	89,4		89,4
	2016	2019	2022	R148,15	76,4		76,4
FSs	2013	2016	–		27,9	27,9	–
	2014	2017	–		21,7		21,7
	2015	2018	–		38,3		38,3
	2016	2019	–		32,8		32,8
A E Thunström							
SARs	2016	2019	2022	148,15	31,2		31,2
FSs	2015	2019	–		11,8		11,8
	2016	2019	–		13,4		13,4

REMUNERATION REPORT CONTINUED

Changes to directors interests after year end

1. Acceptance of SARs in June 2016:

	SARs ACCEPTED '000	PRICE PER SAR R
A D Murray	119,0	142,72
A E Thunström	37,8	142,72

2. Acceptance of FS in June 2016:

	SHARES ACCEPTED '000	INDICATIVE VALUE Rm*
A D Murray	54,9	8,1
A D Murray**	142,9	21,0
A E Thunström	17,4	2,6

* *Estimated value based on closing share price of R147,00 on 2 June 2016.*
** *Special share award of R20 million restricted shares granted. Vesting of this share award subject to specific number of objectives being met. Refer to earlier details on the CEO's transition.*

3. On 2 June 2016, an executive director sold ordinary shares previously granted on 13 June 2013, with performance-based restrictions in terms of the group's 2010 share incentive scheme:

	SHARES SOLD '000	VALUE Rm
A D Murray	21,7	3,2

4. On 8 June 2016, a non-executive director converted share appreciation rights (previously granted to him in capacity as an executive director on 3 June 2011, 19 July 2012, 13 June 2013 and 10 June 2014) into ordinary shares and sale thereof in open market:

	SHARES SOLD '000	VALUE Rm
R Stein	61,5	9,2

Non-executive directors

As reported last year, a comprehensive market benchmarking exercise was performed utilising independent external remuneration consultants to determine whether current non-executive director fees are market related. The benchmarking exercise determined that certain committee fees are significantly below market levels. Shareholders approved the proposal that fees will be adjusted using a staggered approach over a three- to five-year period subject to shareholder approval on an annual basis. Fees are based on an assessment of the responsibility placed on non-executive directors arising from increased requirements for regulatory oversight and TFG's international expansion. It is proposed that, rather than using a staggered approach, fees are adjusted to fair market value from October 2016, reviewed on an annual basis and approved by shareholders on an annual basis. The proposed base fee increase from October 2016 is proposed at R278 000 per annum (8,2% increase) and market-related increases in committee fees.

The following table sets out the proposed fees for approval at the annual general meeting in September 2016 for the period 1 October 2016 to September 2017:

ROLE	CURRENT APPROVED FEES	PROPOSED FEES
Chairman (all inclusive)	R850 000	R900 000
Director (South African)	R257 000	R278 000
Director (foreign)	R500 000	R540 000
Board audit committee Chairperson	R195 000	R240 000
Risk committee Chairperson	R95 000	R160 000
Remuneration committee Chairperson	R90 000	R120 000
Social and ethics committee Chairperson	R84 000	R110 000
Member of board audit committee	R75 000	R120 000
Member of risk committee	R60 000	R80 000
Member of remuneration committee	R60 000	R75 000
Member of social and ethics committee	R42 000	R60 000
Member of nomination committee	R30 000	R40 000

The fees for the 2016 financial year and the 2017 financial year fees (based on current committee membership) are presented below:

NON-EXECUTIVE DIRECTORS	NOTE	FEES PAID IN RESPECT OF 2016 R'000	BASE FEES PROPOSED R'000	COMMITTEE FEES PROPOSED R'000	TOTAL FEES PROPOSED IN RESPECT OF 2017# R'000
M Lewis	1	712,5	875,0	–	875,0
Prof F Abrahams	2	419,0	267,5	164,5	432,0
S E Abrahams		477,8	267,5	292,5	560,0
D Friedland		448,3	267,5	235,0	502,5
B L M Makgabo-Fiskerstrand		368,0	267,5	148,5	416,0
E Oblowitz	3	465,8	267,5	330,0	597,5
N V Simamane		371,8	267,5	148,5	416,0
R Stein	4	275,3	267,5	202,5	470,0
G H Davin	5	202,4	520,0	–	520,0
D M Nurek	6	364,0	–	–	–
Total		**4 104,9**	**3 267,5**	**1 521,5**	**4 789,0**

Proposed total fee increases for non-executive directors (after taking into account committee structures, new appointments and market adjustments) will increase by 16,7%.

Notes
1. *M Lewis appointed as Chairman of TFG Limited board on 19 June 2015.*
2. *Prof F Abrahams stepped down as Chairperson of remuneration committee to become a member on 1 October 2015.*
3. *E Oblowitz appointed as Chairperson of remuneration committee on 1 October 2015.*
4. *R Stein appointed as a non-executive director on 1 July 2015 and became a member of the risk and nomination committees on 1 October 2015.*
5. *G H Davin appointed as a non-executive director on 5 November 2015.*
6. *D M Nurek resigned from the board on 19 June 2015.*

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS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SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	2016 Rm	Restated 2015 Rm
ASSETS		
Non-current assets		
Property, plant and equipment (note 17)	**2 335,7**	1 925,2
Goodwill and intangible assets (note 17)	**5 577,8**	4 637,0
Participation in export partnerships	**8,2**	8,4
Deferred taxation asset	**527,2**	354,7
	8 448,9	6 925,3
Current assets		
Inventory (note 4)	**5 116,1**	3 813,9
Trade receivables – retail	**6 695,0**	6 199,9
Other receivables and prepayments	**592,9**	624,2
Concession receivables	**347,2**	156,5
Participation in export partnerships	**6,2**	13,2
Cash	**888,8**	800,4
	13 646,2	11 608,1
Total assets	**22 095,1**	18 533,4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of The Foschini Group Limited	**9 896,7**	8 130,9
Non-controlling interest	**4,0**	2,7
Total equity	**9 900,7**	8 133,6
LIABILITIES		
Non-current liabilities		
Interest-bearing debt	**5 026,3**	3 709,5
Put option liability	**48,1**	20,3
Cash-settled share incentive scheme	**8,5**	0,7
Operating lease liability	**238,2**	223,1
Deferred taxation liability	**435,4**	345,2
Post-retirement defined benefit plan	**217,3**	192,6
	5 973,8	4 491,4
Current liabilities		
Interest-bearing debt	**3 139,4**	3 333,0
Trade and other payables	**3 046,7**	2 553,0
Operating lease liability	**10,8**	9,0
Taxation payable	**23,7**	13,4
	6 220,6	5 908,4
Total liabilities	**12 194,4**	10 399,8
Total equity and liabilities	**22 095,1**	18 533,4

SUMMARY CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

Continuing operations	2016 Rm	2015 Rm	% change
Revenue (note 5)	**23 746,4**	18 544,0	
Retail turnover	**21 107,5**	16 085,9	31,2
Cost of turnover	**(10 613,1)**	(8 484,2)	
Gross profit	**10 494,4**	7 601,7	
Interest income (note 6)	**1 533,0**	1 367,7	
Other income (note 7)	**1 105,9**	1 090,4	
Trading expenses (note 8)	**(9 537,2)**	(7 252,7)	
Operating profit before once-off acquisition costs and finance costs	**3 596,1**	2 807,1	28,1
Once-off acquisition costs	**(65,9)**	(292,4)	
Finance costs	**(509,0)**	(228,1)	
Profit before tax	**3 021,2**	2 286,6	
Income tax expense	**(863,9)**	(748,8)	
Profit from continuing operations	**2 157,3**	1 537,8	40,3
Discontinued operations			
Profit from discontinued operations, net of tax – RCS Group	**–**	86,2	
Profit on disposal of discontinued operation – RCS Group	**–**	273,2	
Profit for the year	**2 157,3**	1 897,2	13,7
Attributable to:			
Continuing operations	**2 155,6**	1 537,4	
Discontinued operations	**–**	320,6	
Equity holders of The Foschini Group Limited	**2 155,6**	1 858,0	
Non-controlling interest	**1,7**	39,2	
Profit for the year	**2 157,3**	1 897,2	
Earnings per ordinary share (cents)			
Total			
Basic	**1 041,5**	909,4	14,5
Headline	**1 024,0**	780,3	31,2
Diluted (basic)	**1 031,9**	901,7	14,4
Diluted (headline)	**1 014,5**	773,7	31,1
Weighted average ordinary shares in issue (millions)	**207,0**	204,3	

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2016 Rm	2015 Rm
Profit for the year	**2 157,3**	1 897,2
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Actuarial losses on post-retirement defined benefit plan	**(11,8)**	–
Deferred tax on items that will never be reclassified to profit or loss	**3,3**	–
Items that are or may be reclassified to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**(70,3)**	32,9
Continuing operations	**(70,3)**	41,1
Discontinued operations	**–**	(8,2)
Foreign currency translation reserve movement	**464,0**	66,0
Continuing operations	**464,0**	66,0
Deferred tax on items that are or may be reclassified to profit or loss	**19,7**	(9,2)
Other comprehensive income for the year, net of tax	**404,9**	89,7
Total comprehensive income for the year	**2 562,2**	1 986,9
Attributable to:		
Continuing operations	**2 560,5**	1 633,0
Discontinued operations	**–**	317,4
Equity holders of The Foschini Group Limited	**2 560,5**	1 950,4
Non-controlling interest	**1,7**	36,5
Total comprehensive income for the year	**2 562,2**	1 986,9

SUPPLEMENTARY INFORMATION

	2016	Restated 2015
Net ordinary shares in issue (millions)	**209,3**	205,4
Weighted average ordinary shares in issue (millions)	**207,0**	204,3
Tangible net asset value per ordinary share (cents)	**2 063,5**	1 701,0

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2014	**7 228,6**	**861,3**	**8 089,9**
Total comprehensive income for the year	1 950,4	36,5	1 986,9
Profit for the year			
Continuing operations	1 537,4	0,4	1 537,8
Discontinued operations	320,6	38,8	359,4
Other comprehensive income			
Continuing operations			
Movement in effective portion of changes in fair value of cash flow hedges	41,1	–	41,1
Foreign currency translation reserve movement	66,0	–	66,0
Deferred tax on movement in other comprehensive income	(11,5)	–	(11,5)
Discontinued operations			
Movement in effective portion of changes in fair value of cash flow hedges	(4,5)	(3,7)	(8,2)
Deferred tax on movement in other comprehensive income	1,3	1,0	2,3
Contributions by and distributions to owners			
Share-based payments reserve movements	97,4	–	97,4
Dividends paid	(1 146,9)	–	(1 146,9)
Realisation of non-controlling interest on disposal of discontinued operations	–	(895,1)	(895,1)
Realisation of reserves on disposal of discontinued operations	24,2	–	24,2
Cancellation of issued shares	(0,1)	–	(0,1)
Proceeds from sale of shares in terms of share incentive schemes	132,6	–	132,6
Shares purchased in terms of share incentive schemes	(175,7)	–	(175,7)
Increase in the fair value of the put option liability	(15,8)	–	(15,8)
Current tax on shares purchased	12,1	–	12,1
Deferred tax on shares purchased	24,1	–	24,1
Equity at 31 March 2015	**8 130,9**	**2,7**	**8 133,6**

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2015	8 130,9	2,7	8 133,6
Total comprehensive income for the year	2 560,5	1,7	2 562,2
Profit for the year			
Continuing operations	2 155,6	1,7	2 157,3
Other comprehensive income			
Continuing operations			
Actuarial losses on post-retirement defined benefit plan	(11,8)	–	(11,8)
Movement in effective portion of changes in fair value of cash flow hedges	(70,3)	–	(70,3)
Foreign currency translation reserve movement	464,0	–	464,0
Deferred tax on movement in other comprehensive income	23,0	–	23,0
Contributions by and distributions to owners			
Share-based payments reserve movements	114,7	–	114,7
Dividends paid	(1 327,2)	(0,4)	(1 327,6)
Scrip distribution: share capital issued and share premium raised	579,8	–	579,8
Proceeds from sale of shares in terms of share incentive schemes	18,1	–	18,1
Shares purchased in terms of share incentive schemes	(193,6)	–	(193,6)
Increase in the fair value of the put option liability	(27,2)	–	(27,2)
Current tax on shares purchased	13,6	–	13,6
Deferred tax on shares purchased	27,1	–	27,1
Equity at 31 March 2016	9 896,7	4,0	9 900,7

	2016	2015
Distribution per ordinary share (cents)		
Interim	306,0	263,0
Final	385,0	325,0
Total	691,0	588,0

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2016 Rm	2015 Rm
Cash flows from operating activities		
Operating profit before working capital changes (note 9)	**4 127,2**	3 047,4
Increase in working capital	**(1 509,4)**	(998,4)
Cash generated from operations	**2 617,8**	2 049,0
Interest income	**22,3**	30,0
Finance costs	**(509,0)**	(228,1)
Taxation paid	**(921,8)**	(765,7)
Dividends paid	**(747,8)**	(1 146,9)
Net cash inflows (outflows) from operating activities	**461,5**	(61,7)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(901,0)**	(669,8)
Acquisition of assets through business combinations, net of cash	**(152,4)**	(2 576,9)
Proceeds from sale of property, plant and equipment	**14,6**	10,2
Repayment of participation in export partnerships	**7,2**	14,2
Proceeds from disposal of investment	**1,1**	–
Proceeds from disposal of discontinued operations	**–**	1 442,7
Net cash outflows from investing activities	**(1 030,5)**	(1 779,6)
Cash flows from financing activities		
Shares purchased in terms of share incentive schemes	**(193,6)**	(175,7)
Proceeds from sale of shares in terms of share incentive schemes	**18,1**	132,6
Increase in interest-bearing debt	**760,6**	2 371,6
Net cash inflows from financing activities	**585,1**	2 328,5
Net increase in cash during the year	**16,1**	487,2
Cash at the beginning of the year	**800,4**	301,3
Effect of exchange rate fluctuations on cash held	**72,3**	11,9
Cash at the end of the year	**888,8**	800,4

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	International divisions** Rm	Total retail Rm
2016						
External revenue	**17 504,4**	**778,4**	**312,4**	**15,1**	**3 603,1**	**22 213,4**
External interest income	**–**	**–**	**1 510,7**	**22,3**	**–**	**1 533,0**
Total revenue*	**17 504,4**	**778,4**	**1 823,1**	**37,4**	**3 603,1**	**23 746,4**
External finance costs				**(409,5)**	**(99,5)**	**(509,0)**
Depreciation and amortisation				**(347,1)**	**(117,6)**	**(464,7)**
Group profit before tax						**3 021,2**
Segmental profit (loss) before tax	**3 683,4**	**437,6**	**320,1**	**(1 531,0)**	**241,3**	**3 151,4**
Other material non-cash items						
Foreign exchange transactions						**1,4**
Share-based payments						**(114,7)**
Operating lease liability adjustment						**(16,9)**
Capital expenditure						**901,0**
Segment assets						**22 095,1**
Segment liabilities						**12 194,4**
2015						
External revenue	15 683,8	775,1	304,1	11,2	402,1	17 176,3
External interest income	–	–	1 337,7	30,0	–	1 367,7
Total revenue*	15 683,8	775,1	1 641,8	41,2	402,1	18 544,0
Inter-segment revenue				9,7		9,7
External finance costs				(209,3)	(18,8)	(228,1)
Depreciation and amortisation				(412,7)	(15,4)	(428,1)
Group profit before tax						2 286,6
Segmental profit (loss) before tax	3 380,9	450,9	93,6	(1 233,0)	(287,7)	2 404,7
Other material non-cash items						
Foreign exchange transactions						(4,8)
Share-based payments						(97,4)
Operating lease liability adjustment						(15,9)
Capital expenditure						669,8
Segment assets						18 533,4
Segment liabilities						10 399,8

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

** *Phase Eight operating division has been renamed to international divisions. Whistles was acquired on 23 March 2016 and is reflected under the international operating division as defined by the board being the chief operating decision-maker.*

Discontinued operations – RCS Group#	**2016 Rm**	**2015 Rm**
External revenue	–	164,5
External interest income	–	298,2
Total revenue*	–	462,7
Inter-segment revenue	–	2,7
External finance costs	–	(65,0)
Depreciation and amortisation	–	(4,8)
Segmental profit before tax	–	480,4
Capital expenditure	–	4,9
Segment assets	–	–
Segment liabilities	–	–

Year ended 31 March 2015 represents three months of trading prior to the disposal of RCS Group.
* *Includes retail turnover, interest income and other income.*

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

The summary consolidated financial statements for the year ended 31 March 2016 and these summary consolidated financial statements were audited by the company's auditors, KPMG Inc. Their unqualified audit opinion on these financial statements is available for inspection at the company's registered office.

1. **Basis of preparation**
   These summary consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting and the requirements of the Companies Act applicable to summary financial statements.

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

   - Defined Benefit Plans: Employee Contributions (amendments to IAS 19)
   - Annual Improvements to IFRS 2010–2012 Cycle – various standards
   - Annual Improvements to IFRS 2011–2013 Cycle – various standards

   The adoption of these standards had no material impact on these results.

3. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has control. The accounting policies applied in the preparation of the consolidated financial statements from which the summary financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as noted in note 2. In the prior year, the RCS Group was treated as a discontinued operation and was disposed of on 30 June 2014.

	2016 Rm	2015 Rm
4. INVENTORY		
Inventory at year end	**5 116,1**	3 813,9
Inventory write-downs included above	**174,9**	154,0
5. REVENUE		
Retail turnover	**21 107,5**	16 085,9
Interest income (note 6)	**1 533,0**	1 367,7
Other income (note 7)	**1 105,9**	1 090,4
	23 746,4	18 544,0
6. INTEREST INCOME		
Trade receivables – retail	**1 510,7**	1 337,7
Sundry	**22,3**	30,0
	1 533,0	1 367,7

	2016 Rm	2015 Rm
7. OTHER INCOME		
Publishing income	**399,4**	388,2
Collection cost recovery	**312,4**	304,1
Insurance income	**297,8**	300,3
Mobile one2one airtime income	**81,2**	86,6
Sundry income	**15,1**	11,2
	1 105,9	1 090,4
8. TRADING EXPENSES		
Depreciation and amortisation	**(464,7)**	(428,1)
Employee costs	**(3 210,8)**	(2 325,2)
Occupancy costs	**(2 043,2)**	(1 585,0)
Net bad debt	**(947,7)**	(1 023,6)
Other operating costs	**(2 870,8)**	(1 890,8)
	(9 537,2)	(7 252,7)
9. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Profit before tax	**3 021,2**	2 286,6
Finance costs	**509,0**	228,1
Operating profit before finance charges	**3 530,2**	2 514,7
Adjustments for:		
Interest income – sundry	**(22,3)**	(30,0)
Non-cash items	**619,3**	562,7
Depreciation and amortisation	**464,7**	428,1
Operating lease liability adjustment	**16,9**	15,9
Share-based payments	**114,7**	97,4
Post-retirement defined benefit medical aid movement	**12,9**	12,2
Foreign currency translation reserve movement	**1,4**	(4,8)
Cash-settled share incentive scheme	**7,7**	0,7
Profit on disposal of investment	**(1,1)**	–
Loss on disposal of property, plant and equipment	**7,1**	13,5
Profit on disposal of property, plant and equipment	**(5,0)**	(0,3)
	4 127,2	3 047,4

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2016 Rm	2015 Rm
10. RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS		
Profit for the year attributable to equity holders of The Foschini Group Limited	**2 155,6**	1 858,0
Adjusted for:		
Profit on disposal of property, plant and equipment	**(5,0)**	(0,3)
Loss on disposal of property, plant and equipment	**7,1**	13,5
Profit on disposal of investment	**(1,1)**	–
Profit on disposal of discontinued operations	**–**	(273,2)
Adjusted headline earnings before tax	**2 156,6**	1 598,0
Tax on headline earnings adjustments	**(37,3)**	(3,8)
Headline earnings	**2 119,3**	1 594,2
Once-off acquisition costs	**65,9**	292,4
Tax impact of adjustments	**–**	(4,7)
Adjusted headline earnings*	**2 185,2**	1 881,9

* *Adjusted headline earnings is calculated to remove the impact of the once-off acquisition costs of the current year Whistles acquisition and the prior year Phase Eight acquisition.*

Earnings per ordinary share (cents)	2016	2015
Continuing operations (excl. once-off acquisition costs)		
Basic	**1 073,3**	893,3
Headline	**1 055,8**	897,9
Diluted (basic)	**1 063,4**	885,7
Diluted (headline)	**1 046,0**	890,3
Total		
Basic	**1 041,5**	909,4
Headline	**1 024,0**	780,3
Diluted (basic)	**1 031,9**	901,7
Diluted (headline)	**1 014,5**	773,7
Discontinued operations		
Basic	**–**	156,9
Headline	**–**	23,2
Diluted (basic)	**–**	155,6
Diluted (headline)	**–**	23,0

11. ACQUISITIONS DURING THE YEAR

11.1 Colette acquisition

With effect from 2 August 2015, the group acquired six Colette franchise stores in South Africa. These stores will be managed within the Foschini division.

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

	Rm
Property, plant and equipment	7,0
Inventory	2,0
Total identifiable assets	**9,0**
Trade and other payables	(0,2)
Total identifiable net assets	**8,8**
Intangible asset	6,2
Total purchase price	**15,0**

11.2 Whistles acquisition

On 23 March 2016, the group acquired 100% of Whistles Holdings Limited, which trades as Whistles.

The acquisition was funded through cash resources. The acquisition of Whistles was at an enterprise value of GBP8,8 million (R191,1 million), with an equity value of GBP4,6 million (R100,8 million) after taking into account net debt. The acquisition was converted using a ZAR:GBP exchange rate of R21,78 at the relevant transaction date.

TFG measured the identifiable assets and liabilities of Whistles at their acquisition-date fair values.

The provisional values are presented below:

	Rm	£m
Non-current assets	**159,5**	**7,3**
Property, plant and equipment	116,2	5,3
Deferred tax	7,4	0,3
Intangible assets	35,9	1,7
Current assets	**274,0**	**12,5**
Inventory	157,8	7,2
Other receivables and prepayments	116,2	5,3
Non-current liabilities	**6,5**	**0,3**
Deferred tax	6,5	0,3
Current liabilities	**326,2**	**14,9**
Interest-bearing debt	90,4	4,1
Trade and other payables	199,2	9,1
Bank overdraft	36,6	1,7
Total identifiable net assets at fair value	**100,8**	**4,6**
Goodwill arising from acquisition	–	–
Purchase consideration	**100,8**	**4,6**
Cash and cash equivalents acquired (bank overdraft)	36,6	1,7
Cash outflow on acquisition	**137,4**	**6,3**

SELECTED EXPLANATORY NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

11. ACQUISITIONS DURING THE YEAR continued

11.2 Whistles acquisition continued

No goodwill has arisen from the acquisition, and the Whistles brand amounting to GBP1,7 million (R35,9 million) has been recognised as an intangible asset at acquisition. Once-off acquisition costs of R65,9 million related to the acquisition have been expensed in the current year. For the purpose of comparability, headline earnings per share from continuing operations, excluding these once-off acquisition costs, has been calculated. No profit and loss has been included within the group's results in the current financial year.

12. RELATED PARTIES

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 31 March 2015 took place during the year. There are no significant related-party transactions which took place in the current year.

13. FAIR VALUE

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature. The group only has level 2 financial instruments. There are no level 1 or level 3 financial instruments within the group and there were no transfers between levels during the year.

14. SUBSEQUENT EVENTS

No further significant events took place between the year ended 31 March 2016 and date of issue of this report.

15. CHANGES IN DIRECTORS

- Mr M Lewis was appointed as Deputy Chairman on 28 May 2015 and as Chairman on 19 June 2015.
- Mr D M Nurek resigned from the board on 19 June 2015.
- Mr P S Meiring retired at the end of June 2015 and resigned from the board.
- Mr R Stein retired as an executive director at the end of June 2015 and remains on the board in a non-executive capacity.
- On 1 July 2015, Mr A E Thunström was appointed as CFO and as an executive director.
- On 5 November 2015, Mr G H Davin was appointed as an independent non-executive director.

16. CHANGE IN ESTIMATE

Property, plant and equipment

As required by IAS 16, the group reassessed the useful lives of its property, plant and equipment during the year. The group determined that certain asset categories generally had longer useful lives than was being used for depreciation purposes. In the current year, management revised certain useful lives of shopfittings assets from five years to seven years in accordance with IAS 8, effective 1 April 2015.

The change in estimate results in a (decrease) increase in the depreciation expense for the current and future years is disclosed below:

Financial year	**(Decrease) increase in depreciation for the year ended 31 March**
2016	(115,2)
2017	(69,6)
2018	(12,7)
2019	37,6
2020	75,0
2021	64,9
2022	20,0

17. RECLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT TO GOODWILL AND INTANGIBLE ASSETS

The group previously accounted for software under property, plant and equipment. In order to provide a more detailed disclosure, software in property, plant and equipment with a net book value of R271,8 million (2015) and R226,5 million (2014) has subsequently been reclassified to goodwill and intangible assets.

The reclassification had no effect on basic or headline earnings per share, or on diluted basic or diluted headline earnings per share.

The effect of the change is as follows:

	31 March 2014 As reported	31 March 2014 Adjustment	31 March 2014 As restated
Property, plant and equipment	1 696,1	(226,5)	1 469,6
Goodwill and intangible assets	63,4	226,5	289,9

	31 March 2015 As reported	31 March 2015 Adjustment	31 March 2015 As restated
Property, plant and equipment	2 197,0	(271,8)	1 925,2
Goodwill and intangible assets	4 365,2	271,8	4 637,0

APPENDICES


STANDARDS
VINTAGE
MENS DEPT

APPENDIX 1: DEFINITIONS

Concession arrangement	In addition to their own stand-alone stores, our international division operates through concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product
COSO	Committee of Sponsoring Organisations
Current ratio	Current assets divided by current liabilities
Debt to equity ratio	Net borrowings expressed as a percentage of total equity
Dividend cover	Basic earnings per share divided by dividend declared
Doubtful debt provision as a % of debtors' book	Provision for doubtful debts expressed as a percentage of gross receivables
EBITDA	Earnings before finance costs, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
Finance charge cover	Operating profit before finance charges divided by finance costs
Gross square metres	Comprises the total leased store area including stock rooms
Headline earnings	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
Headline earnings – adjusted	Headline earnings adjusted for the impact of once-off acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
LSM	Refers to the SAARF Universal Living Standards Measure, which is a unique means of segmenting the South African market by dividing the population into 10 LSM groups, 1 (lowest) to 10 (highest) – refer to table 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 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
Non-recourse debt	Debt where lenders cannot seek compensation from TFG parent companies, their sponsors or guarantors, and is typically debt raised by our international companies
Omnichannel	Describes multichannel retailing (e-commerce, online sales, mobile application sales)
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Overdue values as a % to debtors' book	Overdue portion of debtors at statement month end as a percentage of debtors' book
Outlets	Our international division trades through a combination of stand-alone stores and concession arrangements resulting in their operations being referred to as outlets rather than the traditional stores

Recourse debt	Recourse debt is amounts owing to TFG companies in Africa (excluding our international subsidiaries) where the lenders have the ability to claim for damages from the borrower's parent, sponsor or guarantor
Recourse debt to equity ratio	Recourse debt reduced by preference share investment (where relevant) and cash expressed as a percentage of total equity
Return on capital employed (ROCE)	Earnings before interest and tax (EBIT)/capital employed
Same store	Stores which have traded out of the same trading area for the full current and previous financial years
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, among others, depreciation and amortisation, employee costs, occupancy costs, net bad debt and other operating costs

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

Source: AMPS Individual Databases (2014B, 2015B)

Notes:
All adults aged 15+

Average income is calculated using the midpoint of the income bands provided by AMPS. Maximum category in 2014B and 2015B is R60 000+, and the value R60 000 was used in this instance.

LSM refers to SAARF Universal Living Standards Measure

All Rand values are nominal (inflation is not taken into account)

LSM	Population 2015B	% Population 2010	% Population 2011	% Population 2012	% Population 2013	% Population 2014	% Population 2015B	Average monthly household income 2015B	Average monthly household income 2014B
LSM 1	**423 803**	2,4%	1,9%	1,6%	1,4%	1,6%	**1,1%**	**R2 225**	R2 168
LSM 2	**1 033 699**	5,7%	5,1%	4,1%	3,6%	3,3%	**2,7%**	**R3 353**	R2 886
LSM 3	**2 196 284**	7,0%	6,1%	6,2%	5,7%	5,2%	**5,7%**	**R3 358**	R3 307
LSM 4	**4 908 513**	14,0%	12,2%	13,0%	11,6%	12,3%	**12,8%**	**R4 157**	R4 068
LSM 5	**6 408 562**	16,6%	17,4%	17,1%	16,4%	15,9%	**16,8%**	**R5 636**	R5 016
LSM 6	**8 707 403**	20,3%	22,4%	22,6%	23,7%	23,6%	**22,8%**	**R7 869**	R7 387
LSM 7	**5 193 862**	10,6%	11,4%	11,4%	12,3%	13,0%	**13,6%**	**R13 285**	R12 923
LSM 8	**3 300 143**	8,3%	8,4%	8,6%	8,8%	8,8%	**8,6%**	**R19 397**	R17 224
LSM 9	**3 705 911**	8,9%	8,9%	9,4%	10,0%	10,0%	**9,7%**	**R26 337**	R24 292
LSM 10	**2 380 729**	6,2%	6,2%	6,0%	6,5%	6,3%	**6,2%**	**R38 970**	R36 838
Total	**38 258 909**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**R12 459**	**R11 276**

APPENDIX 2:
CONSOLIDATED PERFORMANCE TABLE

Performance indicator	% change	**2016**	**2015**
Economic and related core baseline indicators			
Retail turnover (Rm)	31,2	**21 107,5**	16 085,9
Operating profit before finance costs and once-off acquisition costs (Rm)	28,1	**3 596,1**	2 807,1
EBITDA (Rm)**	25,5	**4 060,8**	3 235,2
Adjusted headline earnings (Rm)	16,1	**2 185,2**	1 881,9
Earnings per ordinary share from continuing operations excluding once-off acquisition costs (cents)	20,2	**1 073,3**	893,3
Headline earnings per ordinary share from continuing operations excluding once-off acquisition costs (cents)	17,6	**1 055,8**	897,9
Distribution declared per ordinary share (cents)	17,5	**691,0**	588,0
Value added (Rm)	43,7	**7 782,5**	5 417,6
Total number of outlets	14,7	**3 125**	2 724
Total number of distribution centres*	–	**8**	8
Number of environmental, health and safety and/or governance legal incidents	–	**zero**	zero
Employee indicators			
Total number of employees			
Permanent full-time employees	5,4	**15 053**	14 277
Permanent part-time employees	41,3	**2 207**	1 562
Flexitime employees	10,6	**4 721**	4 268
Contract employees	53,4	**747**	487
Casual employees	13,4	**152**	134
Employee turnover excluding contractors (%)	3,6	**37,1**	35,8

* *South Africa only.*

	% change	2016	2015
Employee indicators (continued)			
Employment equity (% representation of previously disadvantaged groups among permanent employees) – South African only			
Top management	33,7	**11,1**	8,3
Senior management	9,7	**22,6**	20,6
Specialists and middle management	5,5	**49,8**	47,2
Skilled technical and junior management	1,5	**86,1**	84,8
Semi-skilled and unskilled employees	0,3	**98,2**	97,9
Investment in employee training and development			
Total expenditure (Rm)	3,6	**124,9**	120,6
% of payroll	(27,8)	**3,9**	5,4
Total number of employees trained#	(1,4)	**116 043**	117 737
Work-related fatalities	–	**zero**	zero
Number of classified injuries			
Number of days lost	(12,3)	**1 415**	1 614
Number of incidents	26,0	**538**	427
Number of incidents where days off were three or less	17,6	**374**	318
Number of work days lost due to industrial action	–	**zero**	zero
Corporate social investment – TFG excluding international			
CSI total spend (Rm)	(18,6)	**7,0**	8,6
Merchandise donations for the benefit of the Feel Good Project (Rm)	(14,6)	**27,4**	32,1
Environmental matters – TFG excluding international			
Purchased electricity usage (kilowatt-hours) (stores, distribution centres and offices) (millions)	(0,1)	**156,1**	156,2
Carbon footprint (tonnes CO_2e) – TFG excluding international			
Total emissions	(2,8)	**207 301**	213 382
Scope 1	5,6	**3 574**	3 385
Scope 2	(2,1)	**152 020**	155 354
Scope 3	(6,4)	**49 585**	52 959
Non-kyoto	26,0	**2 122**	1 684
Intensity: emissions per m^2 (including stores)	(3,7)	**0,26**	0,27
Water consumption (kilolitres) (head offices and distribution centres)	(8,6)	**58 924**	64 481

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

** *Excludes once-off acquisition costs.*

\# *Refers to attendees and not individual employees.*

APPENDIX 3: SUBSIDIARY COMPANIES

Name of subsidiary	Country of registration	Issued share capital R
Trading subsidiaries		
Customer Arrear Solutions Proprietary Limited	South Africa	18 200
Dress Holdco A Limited	UK	31 894 676
Fashion Retailers Proprietary Limited	Namibia	250 006
Fashion Retailers (Zambia) Limited	Zambia	75
Foschini Finance Proprietary Limited	South Africa	6
Foschini (Lesotho) Proprietary Limited	Lesotho	1 000
Foschini Retail Group Proprietary Limited	South Africa	2
Foschini Services Proprietary Limited	South Africa	10
Foschini Stores Proprietary Limited	South Africa	1
Foschini (Swaziland) Proprietary Limited	Swaziland	2
Markhams Proprietary Limited	South Africa	1
Pienaar Sithole and Associates Proprietary Limited	South Africa	100
Prestige Clothing Proprietary Limited	South Africa	10
TFG Apparel Supply Company Proprietary Limited	South Africa	1
The Foschini Group Ghana Limited	Ghana	10 746 800
What U Want To Wear Proprietary Limited	South Africa	66 200

APPENDIX 4: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED

ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 1 April 2016.

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	4 951	65,4	1 603 054	0,7
1 001 – 10 000 shares	1 764	23,3	5 165 481	2,4
10 001 – 100 000 shares	613	8,1	20 117 120	9,3
100 001 – 1 000 000 shares	206	2,7	63 859 979	29,7
1 000 001 shares and over	38	0,5	124 605 251	57,9
	7 572	100,0	215 350 885	100,0

DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	Number of shares held	% of shares in issue
Unit trusts/mutual funds	70 984 153	33,0
Pension funds	68 747 631	31,9
Private investor	20 540 750	9,5
Other managed funds	15 921 988	7,4
Sovereign wealth	12 058 418	5,6
Insurance companies	6 136 879	2,9
Custodians	5 797 125	2,7
Employees	5 035 150	2,3
Trading position	3 000 829	1,4
Exchange-traded fund	2 669 601	1,2
Hedge fund	1 654 437	0,8
Corporate holding	1 070 624	0,5
Other	1 733 300	0,8
	215 350 885	100,0

BENEFICIAL SHAREHOLDINGS GREATER THAN 3%

Beneficial interests, direct and indirect, as per share register and information supplied by nominee companies as at 1 April 2016.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	35 346 900	16,4
Lewlef Investments (Pty) Ltd	9 652 445	4,5
	44 999 345	20,9

APPENDIX 4: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED CONTINUED

FUND MANAGERS' HOLDINGS GREATER THAN 3%

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

	Holding	% of shares in issue
Coronation Asset Management (Pty) Ltd	41 575 049	19,3
Government Employees Pension Fund (PIC)	28 064 929	13,0
Sanlam Investment Management (Pty) Ltd (SIM)	12 053 243	5,6
Old Mutual PLC	6 768 668	3,2
	88 461 889	41,1

SHAREHOLDING SPREAD

CATEGORY	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	7 253	95,8	196 717 126	91,3
Directors	7	0,1	12 890 699	6,0
Trust	1	–	2 150 586	1,0
Subsidiary	1	–	1 049 824	0,5
Employees of TFG	310	4,1	2 542 650	1,2
Total	7 572	100,0	215 350 885	100,0

APPENDIX 5:
EXCHANGE RATE AND SHARE PERFORMANCE INFORMATION

EXCHANGE RATE INFORMATION	2016	2015
Closing US$ conversion rate	**14,69**	12,15
Average US$ conversion rate	**13,85**	11,12
Closing GBP conversion rate	**21,15**	18,01
Average GBP conversion rate	**20,73**	17,85

SHARE PERFORMANCE	2016	2015
Market price per share (cents)		
– at year end	**14 144**	18 057
– highest	**20 178**	18 198
– lowest	**10 205**	10 014
– average	**14 452**	12 983
Number of beneficial shareholdings	**7 572**	7 424
Price/earnings ratio at year end	**13,58**	19,86
Dividend yield (%)	**4,9**	3,3
Number of shares traded during the year (millions)	**285,9**	283,8
Volume traded/number of shares in issue (%)	**132,8**	134,5
Market capitalisation (Rm)	**30 459,2**	38 101,2

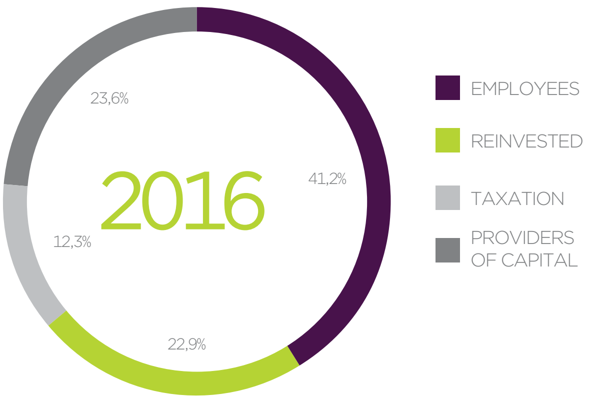
APPENDIX 6:
VALUE-ADDED STATEMENT

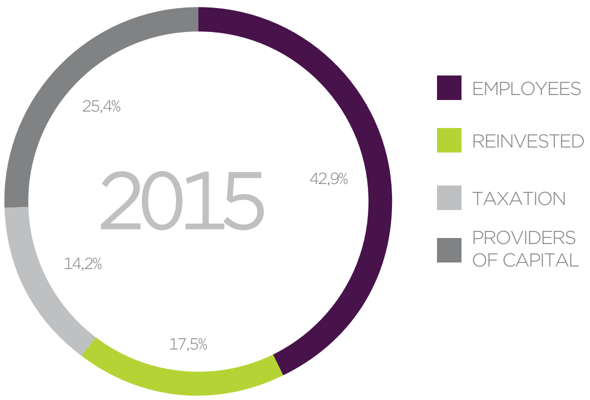
	Note	2016 Rm	2016 %	2015 Rm	2015 %
Retail turnover		**21 107,5**		16,085,9	
Paid to suppliers for goods and services		**(13 325,0)**		(10,668,3)	
Value added		**7 782,5**	**100,0**	5 417,6	100,0
Applied as follows:					
Employees					
Remuneration to employees		**3 210,8**	**41,2**	2 325,2	42,9
Providers of capital					
To lenders as finance charges		**509,0**	**6,5**	228,1	4,2
To shareholders as dividends		**1 327,6**	**17,1**	1 146,9	21,2
Taxation					
Taxation		**954,8**	**12,3**	770,7	14,2
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**1 780,3**	**22,9**	946,7	17,5
Employment of value added		**7 782,5**	**100,0**	5 417,6	100,0

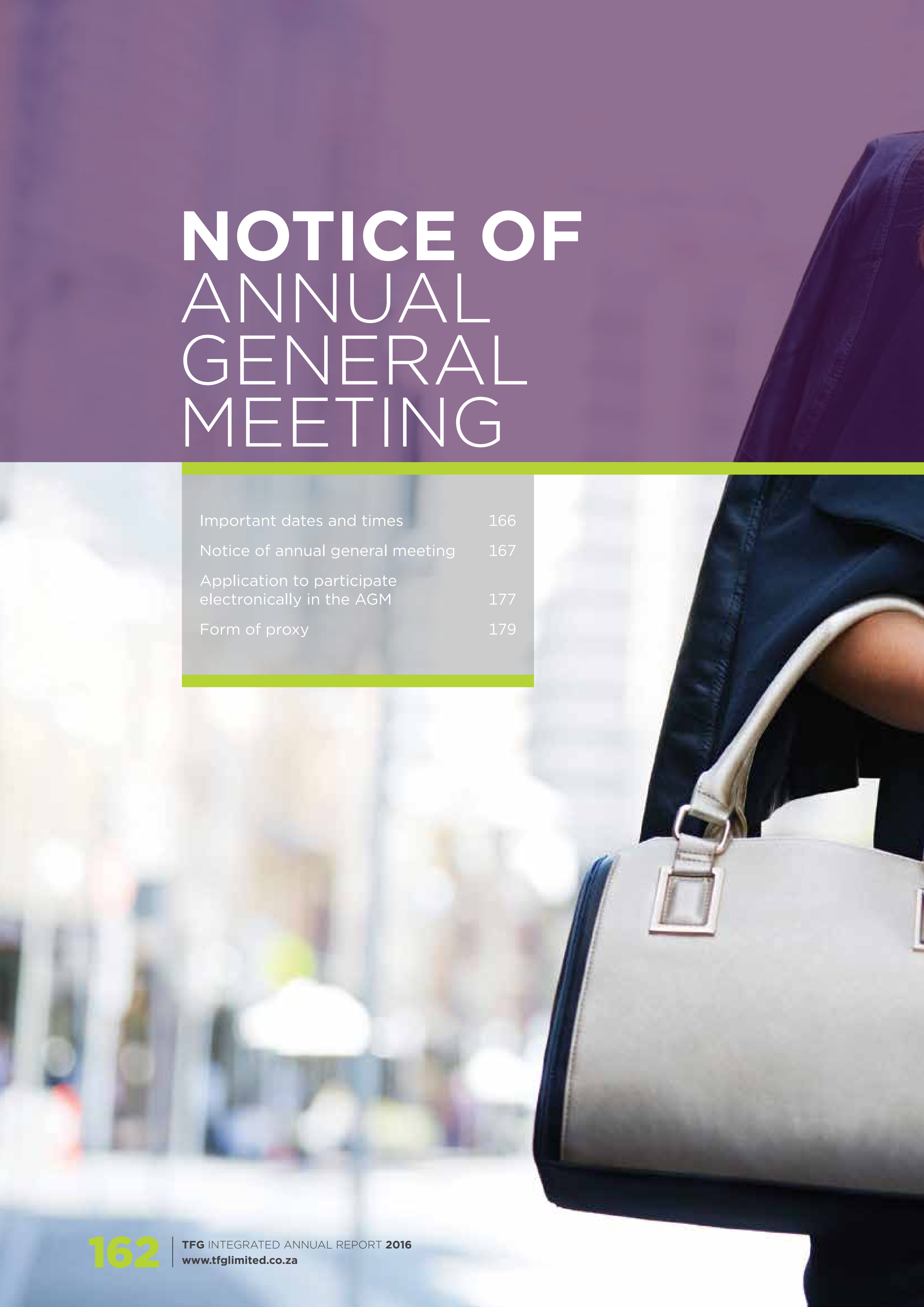
NOTES TO THE VALUE-ADDED STATEMENT

	2016 Rm	2016 %	2015 Rm	2015 %
1. Reinvested in the group to finance future expansion and growth				
Depreciation and amortisation	**464,7**	**6,0**	428,1	7,9
Deferred taxation	**82,3**	**1,1**	(284,9)	(5,2)
Retained income	**1 233,3**	**15,8**	803,5	14,8
	1 780,3	**22,9**	946,7	17,5
2. State taxes				
Direct taxation as above	**954,8**		770,7	
Net value added taxation	**515,0**		497,7	
Employees taxation	**473,3**		379,6	
Channelled through the group	**1 943,1**		1 648,0	

VALUE-ADDED STATEMENT







NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT DATES AND TIMES

Record date to determine which shareholders are entitled to receive the notice	Friday, 8 July 2016
Post and email 2016 integrated annual report with notice of annual general meeting	Monday, 18 July 2016
Last day to trade in order to be able to attend, participate and vote at the annual general meeting	Tuesday, 23 August 2016
Record date in order to be able to attend, participate and vote at the annual general meeting and last date to apply for electronic participation by 12h15	Friday, 26 August 2016
Proxy forms for the annual general meeting to be received by 12h15	Monday, 5 September 2016
Annual general meeting to be held at 12h15	Tuesday, 6 September 2016
Results of annual general meeting released on SENS	Tuesday, 6 September 2016

The dates and times provided for in this document are subject to amendment. Any amendment will be published on SENS. All times are South African times.

NOTICE OF ANNUAL GENERAL MEETING

THE FOSCHINI GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1937/009504/06
Share code: TFG – TFGP
(ISIN: ZAEOOO148466 – ZAE000148516)
("TFG" or "company")

Notice is hereby given that the 79th annual general meeting of shareholders of TFG will be held at Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town on Tuesday, 6 September 2016, at 12h15 to:

1. deal with such business as may lawfully be dealt with at the meeting; and

2. consider and, if deemed fit, pass with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act and the company's memorandum of incorporation (MOI), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 26 August 2016.

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

ORDINARY RESOLUTION NUMBER 1 (PRESENTATION OF ANNUAL FINANCIAL STATEMENTS)
To receive and adopt the annual financial statements of the company and the group for the year ended 31 March 2016. The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board), incorporating the independent auditor's report, the directors' report and the board audit committee's report for the year ended 31 March 2016 as well as the social and ethics committee's report contained in the 2016 integrated annual report have been made available and will be presented.

ORDINARY RESOLUTION NUMBER 2 (REAPPOINTMENT OF EXTERNAL AUDITOR)
That upon the recommendation of the board audit committee, KPMG Inc. be reappointed as auditors (and Mr P Farrand as the designated partner) of the company until the following annual general meeting.

ORDINARY RESOLUTION NUMBER 3 (RE-ELECTION OF DIRECTOR)
That upon the recommendation of the nomination committee and the board, to elect MR S E ABRAHAMS who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; MR S E ABRAHAMS being eligible, offers himself for re-election as an independent non-executive director.

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

ORDINARY RESOLUTION NUMBER 4 (RE-ELECTION OF DIRECTOR)
That upon the recommendation of the nomination committee and the board, to re-elect MR M LEWIS who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; MR M LEWIS being eligible, offers himself for re-election as an independent non-executive director.

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

ORDINARY RESOLUTION NUMBER 5 (RE-ELECTION OF DIRECTOR)
That upon the recommendation of the nomination committee and the board, to re-elect PROF F ABRAHAMS who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; PROF F ABRAHAMS being eligible, offers herself for re-election as an independent non-executive director.

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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

ORDINARY RESOLUTION NUMBER 6 (ELECTION OF DIRECTOR)
That upon the recommendation of the nomination committee and the board, to elect MR G H DAVIN as an independent non-executive director in accordance with the provisions of the MOI; MR G H DAVIN being eligible, offers himself for election as an independent non-executive director.

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

ORDINARY RESOLUTION NUMBER 7 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER)
That upon the recommendation of the nomination committee and the board, shareholders elect MR S E ABRAHAMS, an independent non-executive director, as a member of the board audit committee.

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

ORDINARY RESOLUTION NUMBER 8 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER)
That upon the recommendation of the nomination committee and the board, shareholders elect MS B L M MAKGABO-FISKERSTRAND, an independent non-executive director, as a member of the board audit committee.

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

ORDINARY RESOLUTION NUMBER 9 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER)
That upon recommendation of the nomination committee and the board, shareholders elect MR E OBLOWITZ, an independent non-executive director, as a member of the board audit committee.

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

ORDINARY RESOLUTION NUMBER 10 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER)
That upon recommendation of the nomination committee and the board, shareholders elect MS N V SIMAMANE, an independent non-executive director, as a member of the board audit committee.

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

ORDINARY RESOLUTION NUMBER 11 (ELECTION OF BOARD AUDIT COMMITTEE MEMBER)
That upon recommendation of the nomination committee and the board, shareholders elect MR D FRIEDLAND, an independent non-executive director, as a member of the board audit committee.

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

ORDINARY RESOLUTION NUMBER 12 (NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY)
That shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out in the remuneration report on pages 116 to 127 of this document.

SPECIAL RESOLUTION NUMBER 1 (NON-EXECUTIVE DIRECTOR REMUNERATION)
To approve the remuneration to be paid to non-executive directors for the year ending 1 October 2016 to 30 September 2017, details of which are as follows:

Chairman	R900 000
Director (South African)	R278 000
Director (foreign)	R540 000
Board audit committee Chairperson	R240 000
Risk committee Chairperson	R160 000
Remuneration committee Chairperson	R120 000
Social and ethics committee Chairperson	R110 000
Member of board audit committee	R120 000
Member of risk committee	R80 000
Member of remuneration committee	R75 000
Member of social and ethics committee	R60 000
Member of nomination committee	R40 000

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 1
To approve the remuneration to be paid to non-executive directors for the calendar year commencing 1 October 2016 until 30 September 2017.

SPECIAL RESOLUTION NUMBER 2 (GENERAL AUTHORITY TO ACQUIRE SHARES)
That the company and/or any subsidiary of the company is hereby authorised, by way of a general authority from time to time, to acquire ordinary shares in the share capital of the company upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the MOI of the company, the provisions of the Companies Act and the Listings Requirements as presently constituted and which may be amended from time to time, and subject to the following:

1. The repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).
2. Approval by shareholders in terms of a special resolution of the company, in annual general/general meeting, which shall be valid only until the next annual general meeting or for fifteen (15) months from the date of the resolution, whichever period is shorter.
3. Repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five (5) business days immediately preceding the date on which the transaction is effected.
4. At any point in time, a company may only appoint one agent to effect any repurchase/s on the company's behalf.
5. Issuers may only undertake a repurchase of securities, if, after such repurchase, it still complies with paragraph 3.37 of the Listings Requirements concerning shareholder spread requirements.
6. An issuer or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period.
7. The aggregate of acquisitions by subsidiaries of the company may not result in the subsidiaries holding more than 10% of the number of issued shares of any class of shares of the company.
8. The general repurchase by the company of its own securities may not, in the aggregate in any one financial year, exceed 10% of the company's issued share capital of that class in any one financial year.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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

1. The intention of the directors of the company is to use the general authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such use is in the interests of shareholders.
2. In determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the board will ensure that:

    1. the company and the group will be able to pay their debts as they become due in ordinary course of business for the next twelve (12) months;
    2. the assets of the company and the group will be in excess of the liabilities of the company and the group for the next twelve (12) months, and for this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
    3. the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for the next twelve (12) months; and
    4. the working capital available to the company and the group will be sufficient for the group's requirements for next twelve (12) months.

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

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

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

Listings Requirements disclosures
Paragraph 11.26 of the Listings Requirements require the following disclosures:

- Major shareholders (paragraph 11.26 (b)(i) – refer to pages 157 and 158 of this document)
- Share capital of the company (paragraph 11.26(b)(iii) – refer to note 11 of the 2016 annual financial statements)

Update on directors' interests in terms of paragraph 7.B.20 of the Listings Requirements
Please refer to page 92 of this document.

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

Material changes
Other than the facts and developments reported on in this document, there were no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of this document.

Directors' responsibility statement
The directors whose names are given on pages 84 to 87 of this document collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that were omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts were made and that this special resolution contains all information required by law and the Listings Requirements.

SPECIAL RESOLUTION NUMBER 3 (FINANCIAL ASSISTANCE)
The shareholders approve that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation provided that such financial assistance may only be provided within two (2) years from the date of the adoption of this special resolution and subject further to sections 44 and 45 of the Companies Act.

REASON AND EFFECT OF SPECIAL RESOLUTION NUMBER 3
Section 44 of the Act applies to financial assistance provided by a company to related or interrelated companies in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

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

Thus both sections 44 and 45 of the Companies Act provide that the financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two (2) years.

The passing of this special resolution will have the effect of authorising the company to provide financial assistance to related and interrelated companies and corporations.

ORDINARY RESOLUTION NUMBER 13
Any director of the company is authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of ordinary resolutions 1 to 12 and special resolutions 1 to 3 proposed at the company's annual general meeting to be held on Tuesday, 6 September 2016.

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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

- you may attend and vote at this meeting; alternatively
- you may appoint a proxy to represent you at this meeting by completing the attached form of proxy and lodging it with the transfer secretaries of TFG by 12h15 on Monday, 5 September 2016.

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

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

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

CSDPs, brokers or their nominees recorded in the company's uncertificated securities register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached form of proxy in accordance with the instructions thereon and lodging it with the transfer secretaries of the company by 12h15 on Monday, 5 September 2016.

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

Should you wish to participate in the annual general meeting by telephone conference call, you or your proxy must complete the application form attached to this document and return it to the transfer secretaries of the company by no later than 12h15 on Friday, 26 August 2016.

By order of the board

D van Rooyen
Group Company Secretary

29 June 2016

NOTICE OF ANNUAL GENERAL MEETING
ANNEXURE 1

BRIEF CURRICULUM VITAE OF DIRECTORS STANDING FOR RE-ELECTION

In terms of the MOI, each year, one third (or a number closest to) of the non-executive directors are subject to retirement by rotation and are eligible for re-election.

The nomination committee has considered the confirmation, performance and attendance of the following directors retiring by rotation:

- Mr S E Abrahams
- Mr M Lewis
- Prof F Abrahams

The nomination committee has also considered the re-election of Mr G H Davin.

The nomination committee has no hesitation in recommending these directors for reappointment by the shareholders.

S E ABRAHAMS (77)

FCA, CA(SA)

Appointed: 1998

Member of: Audit and nomination committees

Chairman of: Audit committee

Open invitation: Risk committee

Also a director of a South African 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 the Chairman of Investec Securities (Pty) Ltd and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

M LEWIS (57)

Chairman (appointed 19 June 2015)

BA (Econ) (Hons)

Appointed: 1989

Member of: Nomination and remuneration committees

Chairman of: Nomination committee

Meetings attended by invitation: Risk and audit committees

Michael has been involved in investment management since 1983, having worked at Ivory & Sime and Lombard Odier. He is Chairman of Oceana Investment Corporation Limited (UK), The Foschini Group Limited (South Africa) and Strandbags Limited (Australia). He is also a partner of Oceana Investment Partners (UK) and a director of Histogenics Corporation (US).

NOTICE OF ANNUAL GENERAL MEETING

ANNEXURE 1 CONTINUED

PROF F ABRAHAMS (53)

B Econ (Hons), M Comm, D Comm

Appointed: 2003

Member of: Remuneration and social and ethics committees

Chairperson of: Social and ethics committee

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. She has also published a number of accredited articles and academic texts (focusing on human resources issues). In addition, she was a non-executive director of Transnet, B2B Africa (Pty) Ltd and Chairperson of Victoria & Alfred Waterfront Holdings. She has served on the audit and risk committees, transformation and remuneration committees of many of the companies she was involved in, and built up sound business experience over the years.

G H DAVIN (60)

B Comm, B Acc, CA(SA), MBA

Appointed: 2015

Graham is a chartered accountant and a career banker with extensive international financial and broad business experience. Graham was a director of Investec for 16 years and of Bank Insinger de Beaufort NV, a Dutch private bank. He was responsible for the listing of Investec on the JSE and of Insinger on the Luxembourg Stock Exchange. In 2003, Graham led the management buyout of United Trust Bank, a fast-growing UK specialist bank of which he is CEO.

NOTICE OF ANNUAL GENERAL MEETING
ANNEXURE 2

BRIEF CURRICULUM VITAE OF DIRECTORS PROPOSED FOR ELECTION TO THE BOARD AUDIT COMMITTEE

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

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

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

- Mr S E Abrahams
- Mr D Friedland
- Ms B L M Makgabo-Fiskerstrand
- Mr E Oblowitz
- Ms N V Simamane

Brief details of their qualifications and experience follow.

S E ABRAHAMS (77)

FCA, CA(SA)

Appointed: 1998

Member of: Audit and nomination committees

Chairman of: Audit committee

Open invitation: Risk committee

Also a director of a South African 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 the Chairman of Investec Securities (Pty) Ltd and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

D FRIEDLAND (63)

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

Appointed: 2013

Member of: Remuneration, audit and risk committees

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 as a partner at KPMG from 2002. 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 to the boards of Investec Limited and Investec PLC in March 2013, serving as the group audit committee Chairman.

NOTICE OF ANNUAL GENERAL MEETING
ANNEXURE 2 CONTINUED

B L M MAKGABO-FISKERSTRAND (42)

Appointed: 2012

Member of: Audit and social and ethics committees

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

Tumi is founder and executive director of AfricaWorldwide Media and director of Tumi Makgabo Enterprises, focusing on enterprise development in South Africa and across the African continent. In addition, Tumi served for two years as the Vice Chairperson of the World Economic Forum's Global Agenda Council for Women's Empowerment and as a member of its Council on Africa. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multistakeholder community of exceptional leaders below the age of 40 selected from around the world. She also serves as a non-executive director of South African Tourism and was appointed a member of the Department of Arts and Culture's reference group for Africa Month in 2015.

E OBLOWITZ (58)

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

Appointed: 2010

Member of: Audit, remuneration and risk committees

Chairperson of: Remuneration and risk committees

Also a director of a South African listed company: 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 Fleming South Africa, which provides multifamily office, wealth management and advisory services to an extensive local and international client base.

N V SIMAMANE (57)

BSc (Biochem) (Hons)

Appointed: 2009

Member of: Audit and social and ethics committees

Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance, SA Post Office

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, and a director of various South African companies including Ancestral Connect, Combined Artistic Productions, Digital Space Content Agency (DSCA), Heads Up Effective Market Focus and PNB Investments. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was recently named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM

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

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

Participants are advised that they will not be able to vote during the meeting. Participants, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained on page 169 to 170 of this notice.

Shareholders must take note of the following:

- A limited number of telecommunication lines will be available.
- Each participant will be contacted between 09:00 and 11:00 on Tuesday, 6 September 2016, via email and/or SMS. Participants will be provided with a code and the relevant telephone number to allow them to dial in.
- The cost of the shareholder's phone call will be for his/her own expense.
- The cut-off time for dialling in on the day of the meeting will be at 12:10 on Tuesday, 6 September 2016, and no late dial-in will be possible.

To be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) as soon as possible and to be received by no later than 12h15 on Friday, 26 August 2016.

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

Please take note of the terms and conditions overleaf.

APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM CONTINUED

Terms and conditions for participation in the annual general meeting via electronic communication

1. The cost of dialling in using a telecommunication line to participate in the annual general meeting is for the expense of the participant and will be billed separately by the participant's own telephone service provider.

2. The shareholder/participant acknowledges that the telecommunication lines are provided by a third party and indemnifies TFG against any loss, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the shareholder/participant or anyone else.

3. Shareholders who wish to participate in the meeting by dialling in must note that they will not be able to vote during the meeting. Such shareholders, should they wish to have their votes counted at the meeting, must act in accordance with the general instructions contained in this notice of annual general meeting by:

   (a) completing the form of proxy; or
   (b) contacting their CSDP/broker.

4. The application will only be successful if this application form has been completed in full and signed by the shareholder/proxy, and the terms and conditions have been complied with.

FORM
OF PROXY

TFG

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

To be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) as soon as possible and which is to be received by no later than 12h15 on Monday, 5 September 2016.

FORM OF PROXY (NB FOR USE ONLY BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS)
ANNUAL GENERAL MEETING: TUESDAY, 6 SEPTEMBER 2016

I/We (full names)________________________________

of (address)________________________________

Tel (home): ________________ Cell:________________ Email: ________________

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

hereby appoint ________________________________

or failing him/her ________________________________

or failing him/her the Chairperson of the meeting as my/our proxy to act for me/us at the annual general meeting of the company to be held at 12h15 on Tuesday, 6 September 2016, at Stanley Lewis Centre, 340 Voortrekker Road, Parow East and at any adjournment thereof as follows:

		Insert X in appropriate block		
		For	Against	Abstain
Ordinary resolution No. 1	Presentation of annual financial statements			
Ordinary resolution No. 2	Reappointment of external auditor			
Ordinary resolution No. 3	Election of Mr S E Abrahams as a director			
Ordinary resolution No. 4	Election of Mr M Lewis as a director			
Ordinary resolution No. 5	Election of Prof F Abrahams as a director			
Ordinary resolution No. 6	Election of Mr G H Davin as a director			
Ordinary resolution No. 7	Election of Mr S E Abrahams as a member of the audit committee			
Ordinary resolution No. 8	Election of Ms B L M Makgabo-Fiskerstrand as a member of the audit committee			
Ordinary resolution No. 9	Election of Mr E Oblowitz as a member of the audit committee			
Ordinary resolution No. 10	Election of Ms N V Simamane as a member of the audit committee			
Ordinary resolution No. 11	Election of Mr D Friedland as a member of the audit committee			
Ordinary resolution No. 12	Non-binding advisory vote on remuneration policy			
Special resolution No. 1	Non-executive directors' remuneration			
Special resolution No. 2	General authority to acquire shares			
Special resolution No. 3	Financial assistance			
Ordinary resolution No. 13	General authority of directors			

Signed this ________________ day of ________________ 2016

Signature ________________________________

Assisted by (where applicable) ________________________________

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

FORM
OF PROXY CONTINUED

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, the Chairperson shall be deemed to be appointed as the proxy.

2. Unless otherwise instructed above, a proxy is entitled to vote as he/she thinks fit.

3. A proxy appointed by a shareholder to attend, speak and vote in his/her stead need not also be a shareholder of the company.

4. In order to be effective, this proxy form and the power of attorney or other authority (if any) under which it is signed, must be RECEIVED by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, not less than twenty-four (24) hours before the time appointed for the holding of the meeting or any adjournment thereof, as the case may be, at which the proxy proposes to vote, excluding Saturdays, Sundays and South African public holidays.

5. Any alteration or correction made to this proxy form must be initialled by the signatory(ies), but may not be accepted by the Chairperson.

6. If you hold shares in certificated form (i.e. you have not dematerialised your shares) or are registered as an own-name dematerialised shareholder, you may attend and vote at this meeting; alternatively, you may appoint a proxy to represent you at the meeting by completing the attached form of proxy and lodging it with the transfer secretaries of the company to be RECEIVED at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and South African public holidays.

7. If you have dematerialised your shares and are not registered as an own-name dematerialised shareholder (i.e. specifically instructed your CSDP to hold your shares in your own name), then subject to the custody agreement between yourself and your CSDP or broker:

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

8. Brokers or their nominees recorded in the company's register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company may vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached form of proxy in accordance with the instructions thereon, which must be RECEIVED by the transfer secretaries of the company at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and South African public holidays.


LUNCH

ADMINISTRATION

The Foschini Group Limited
Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Registered office
Stanley Lewis Centre
340 Voortrekker Road
Parow East 7500
South Africa

Head office
Stanley Lewis Centre
340 Voortrekker Road
Parow East 7500
South Africa
Telephone +27(0) 21 938 1911

Company Secretary
D van Rooyen, B Acc (Hons), CA(SA)
Stanley Lewis Centre
340 Voortrekker Road
Parow East 7500
South Africa
PO Box 6020, Parow East 7501
South Africa

Sponsor
UBS South Africa Proprietary Limited
64 Weirda Road East, Weirda Valley
Sandton 2196
South Africa

Auditors
KPMG Inc.

Attorneys
Edward Nathan Sonnenbergs Inc.

Principal banker
FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
South Africa
PO Box 61051, Marshalltown 2107
South Africa
Telephone +27(0) 11 370 5000

United States ADR Depositary
The Bank of New York Mellon
620 Avenue of the Americas
New York, NY 10011

Website
www.tfglimited.co.za

Shareholders' calendar

Financial year end	31 March 2016	
Integrated report publication date	18 July 2016	
Annual general meeting (79th)	6 September 2016	
Interim profit announcement (2017)	10 November 2016	
Upcoming distribution payments		
Ordinary	– final 2016	July 2016
	– interim 2017	January 2017
Preference	– interim 2017	September 2016
	– final 2017	March 2017

Queries regarding this report to be addressed to:
D van Rooyen (Company Secretary)
Email: company_secretary@tfg.co.za

GREYMATTER & FINCH # 9748

@home
THE HOMEWARE STORE

@homelivingspace
THE HOMEWARE STORE

AMERICAN SWISS

CHARLES & KEITH

colette
by colette hayman

DONNACLAIRE

DUESOUTH

EXACT

Fabiani.

THE FIX

FOSCHINI

G-STAR RAW

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MARKHAM

MAT & MAY

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Phase Eight

SODA BLOC

sportscene

STERNS
1896

TOTALSPORTS

WHISTLES

TFG