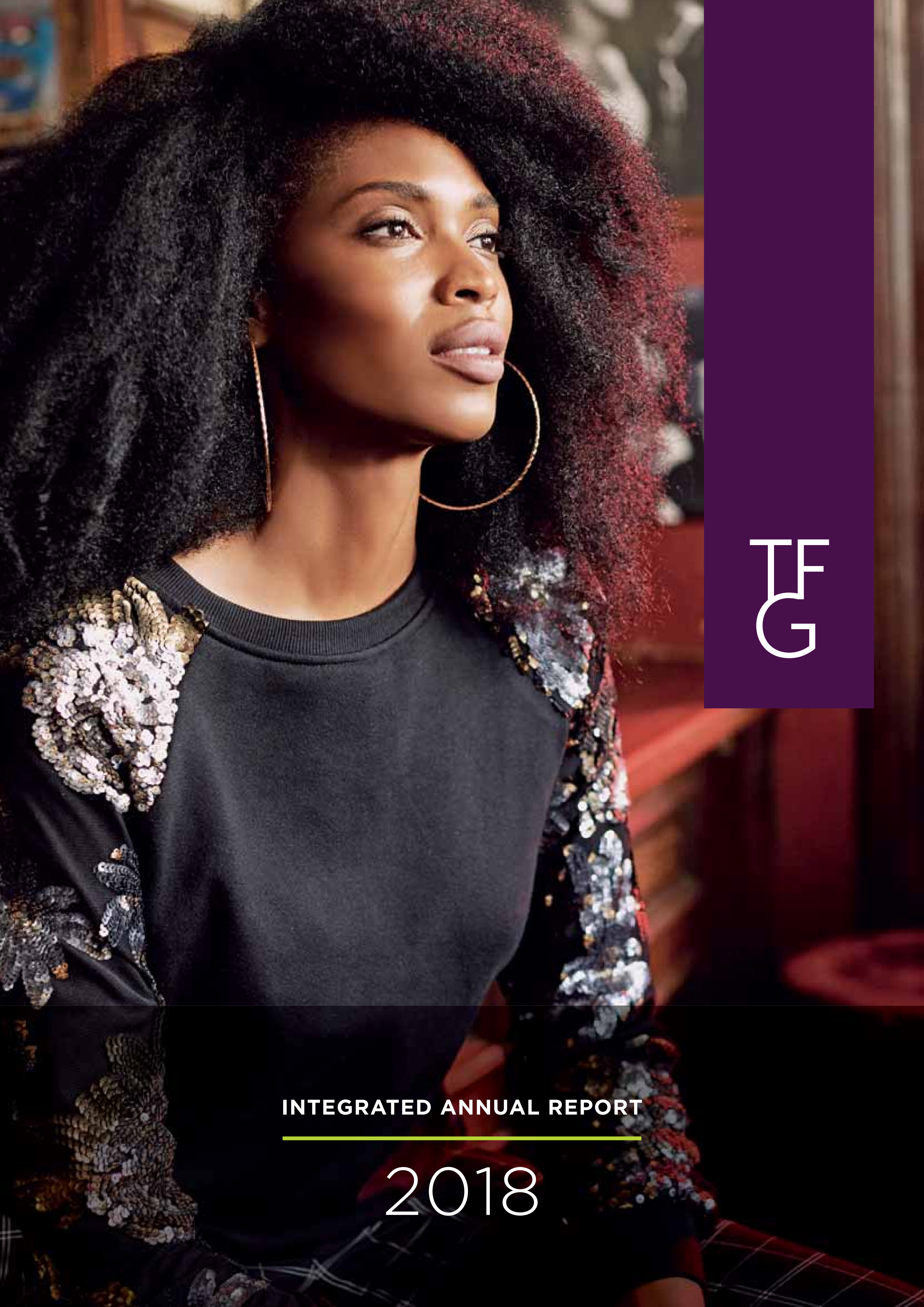


TFG

INTEGRATED ANNUAL REPORT

2018

STRATEGIC SNAPSHOT

OUR VISION AND MISSION

To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint by providing innovative products, creative customer experiences and by leveraging our portfolio of diverse brands to differentiate our offering.

Our talented and engaged people will always be guided by our values, social conscience and customer-centric mindset.

OUR VALUES

PRIDE²

- **Passionate about service**
  We passionately and truly believe that the customer comes first
- **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 & 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 performance**
  We are accountable and drive performance in a creative and innovative way

WHAT DIFFERENTIATES US

1. Through our 28 fashion-forward brands trading out of 4 034 outlets in 32 countries globally, we offer our customers clothing (men, ladies and kids), jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel, as well as homeware and furniture.

2. Diversification through cash and credit turnover, physical and online sales channels and a portfolio of brands spread across different merchandise categories and geographies.

3. Consistent performance with a compound annual growth rate in turnover of 17,3% and compound growth rate in headline earnings per share of 7,8% over five years.

4. Experienced executive management team with an average of 22 years' service.

5. Market-leading in-house capabilities for store design and upgrades, fashion design and manufacturing.

6. A unique online platform where customers can shop across all our TFG Africa online brands and only check out once, choosing from multiple payment options such as their TFG account card, credit or debit cards, eGift cards or SnapScan.

7. The Group's technology partnership programme, which sees TFG work with a number of start-up companies, provides TFG access to scarce technology talent and innovation.

8. Through sustainable supply chain optimisation, lean manufacturing and increased local employment, the Group delivers tangible social and financial results for our stakeholders.

CONTENTS

www.tfglimited.co.za

@home THE HOMEWARE STORE

@homelivingspace THE HOMEWARE STORE

AMERICANSWISS

ARCHIVE

CHARLES & KEITH

colette by colette hayman

CONNOR

donna

DUESOUTH

EXACT

Fabiani.

THE FIX

FOSCHINI

G-STAR RAW

hi

HOBBS LONDON

Johnny BIGG BY TAROCASH

MARKHAM

MAT & MAY

Phase Eight

ROCKWEAR ACTIVEWEAR SINCE 1991

SODA BLOC.

sportscene

STERNS 1896

TAROCASH

TOTALSPORTS

WHISTLES

yd.

SALIENT FEATURES

+21,4%
GROUP RETAIL TURNOVER
Group retail turnover up 21,4% (constant currency +23,0%) to R28,6 billion

52,5%
GROSS MARGIN
Gross margin improved to 52,5% (March 2017: 49,7%)

+9,6%
HEADLINE EARNINGS
Headline earnings excluding acquisition costs up 9,6% (constant currency +10,2%) to R2,5 billion

+3,4%
HEADLINE EARNINGS PER SHARE
Headline earnings per share excluding acquisition costs up 3,4% (constant currency +4,0%) to 1 136,5 cents

+44,8%
FREE CASH FLOW
Free cash flow up 44,8% to R1,9 billion

+5,0%
FINAL DIVIDEND
Final dividend of 420,0 cents per share – a 5,0% increase

+3,5%
TOTAL DIVIDEND
Total dividend of 745,0 cents per share – a 3,5% increase

STRATEGIC PILLARS

CUSTOMER

We will deliver superior customer experiences across our retail brands.

We will grow our customer base through an appropriately targeted customer acquisition strategy.

We will leverage data science to improve our customer experience and engagement across all our retail brands.

LEADERSHIP

We will embed a performance-based culture that ensures we attract, retain and develop the best talent in the industry.

PROFIT

Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response capability.

We will optimise the flow of goods from source to customer to enhance the customer experience.

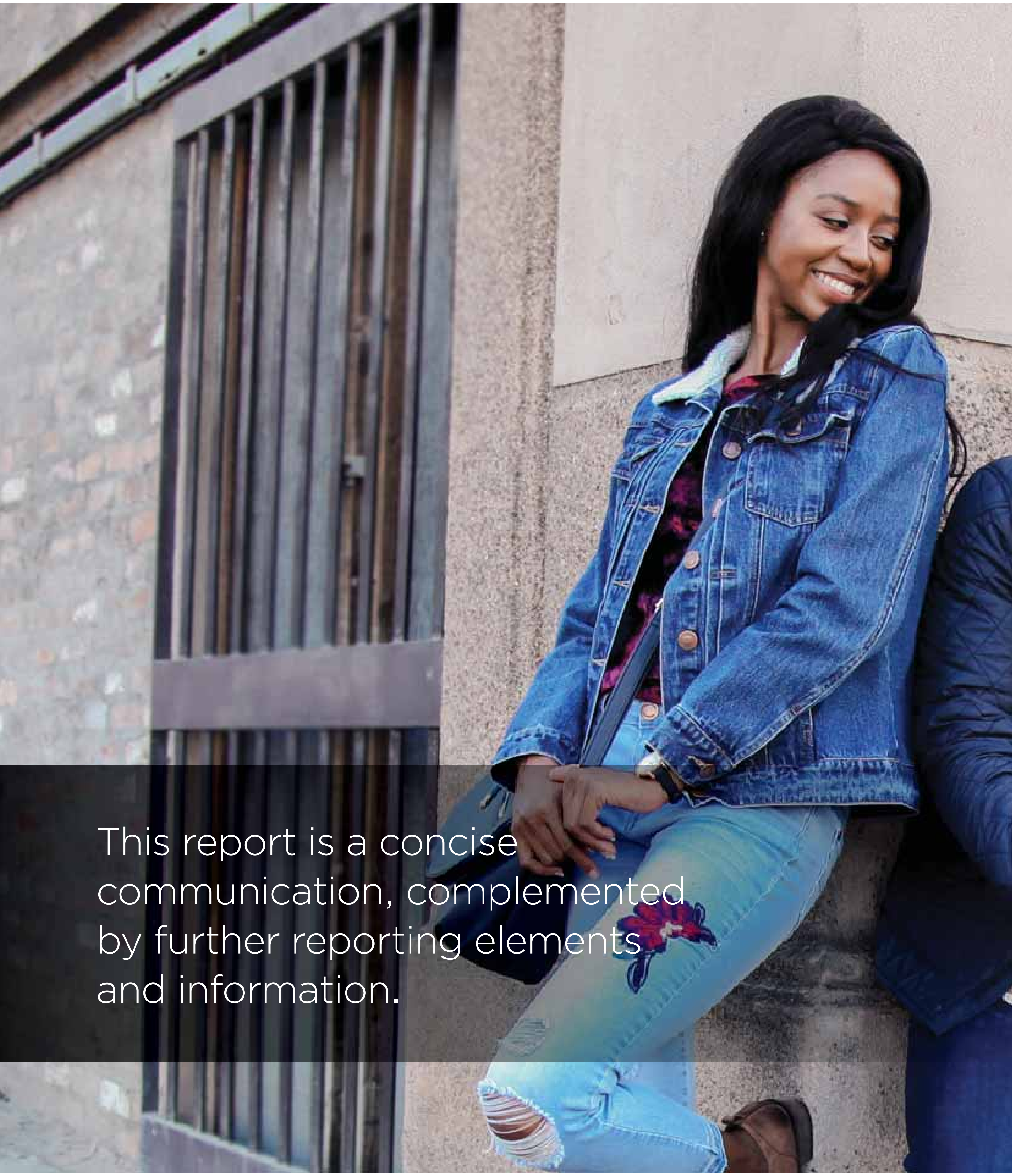
We will enhance Return on Capital Employed (ROCE) by optimising profitability and capital management.

GROWTH

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

We will deliver a customer-focused, digital omnichannel ecosystem.

Read more in our strategy overview on page 56.



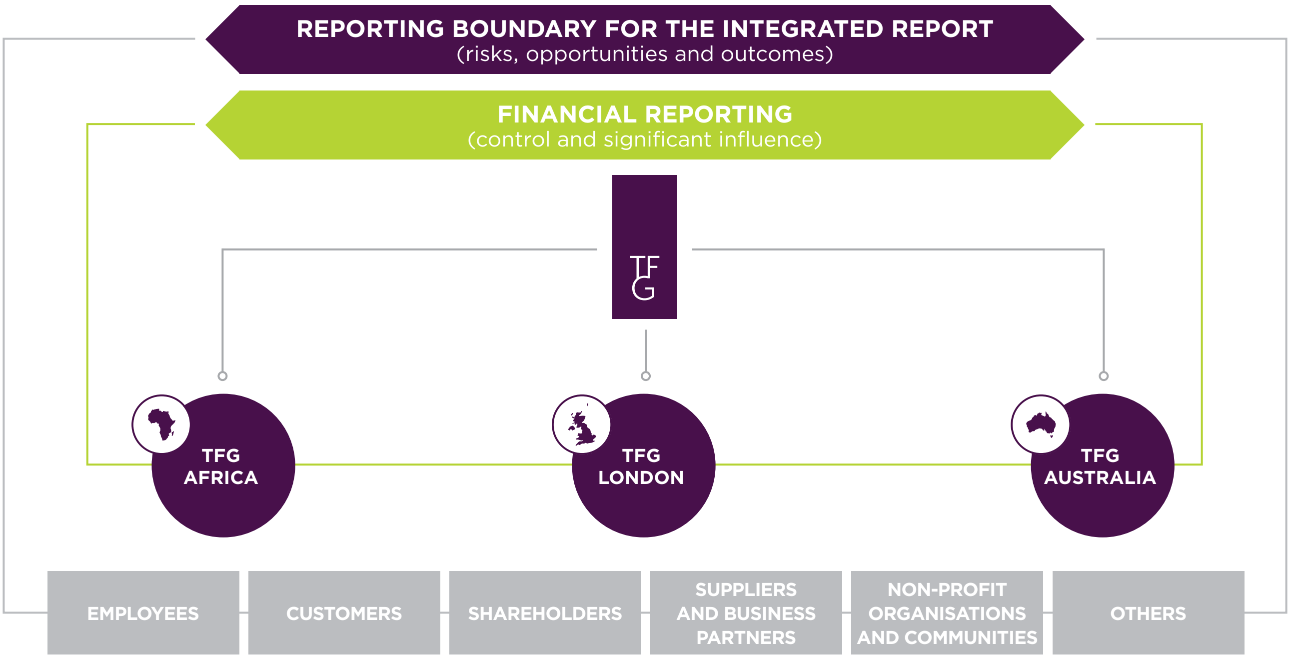
This report is a concise communication, complemented by further reporting elements and information.

ABOUT THIS REPORT

SCOPE AND BOUNDARY OF THE REPORT

We are pleased to present our shareholders with the 2018 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 2017 to 31 March 2018. Our expanding international footprint resulted in a change to our reporting structure to now include three business segments:

- TFG Africa, referring to all our operations on the African continent through 20 established brands (refer to page 14).
- TFG London, referring to the consolidated performance of Phase Eight, Whistles and Hobbs.
- TFG Australia, referring to the consolidated performance of Connor, Johnny Bigg, Rockwear, Tarocash and yd. – collectively Retail Apparel Group ("RAG") – and selected G-Star RAW franchise stores in Australia.



All data applies to the Group, unless specifically indicated otherwise.

The report aligns with the following requirements:

- King IV Report on Corporate Governance™ for South Africa 2016 (King IV™)
- The Companies Act of South Africa, No. 71 of 2008, as amended
- JSE Listings Requirements
- The International Integrated Reporting Council's <IR> Framework (referred to as "the Framework")

The content of 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 have been integrated into and considered against our business strategy, risks and opportunities, while considering stakeholder perspectives. Matters were identified using the Framework's process guidance and apply to the Group, albeit with different levels of likelihood and impact.

Read more about our process and relevant matters on page 38.

Data in this report, relating to financial, economic, social and environmental indicators, remains comparable and consistent to our previous report for 2017. However, the following events should be taken into account while reading the report and assessing our performance and prospects as they may affect the comparability of financial and non-financial information:

- The acquisition of RAG in Australia effective 24 July 2017, included for eight months in the 2018 financial year.

- The accelerated bookbuild launched on 31 July 2017 to fund the acquisition of RAG, which resulted in the issue of 17,2 million ordinary shares.
- The acquisition of Hobbs in the United Kingdom effective 25 November 2017, included for four months in the 2018 financial year.
- The acceleration by the Group of the put/call arrangement to acquire the remaining c.15% shareholding owned by management in TFG Brands (London) Limited effective 15 December 2017.

Read more about the impact and scope of these events in the Chief Financial Officer's report on page 66.

OUR REPORTING SUITE

This report is a concise communication, complemented by further reporting elements and information available in the investor centre on our website at www.tfglimited.co.za.

Non-financial information provided in this report was not assured externally, other than indicated below.

REPORTING ELEMENT AND PURPOSE	TARGET AUDIENCE	EXTERNAL ASSURANCE STATUS AND PROVIDER
Annual financial statements	**Shareholders, investment community and analysts**	Audited by Deloitte & Touche (see external audit report)
King IV™ register	**All stakeholders**	No external assurance
The Foschini Group Limited Remuneration Committee report and charter	**Shareholders, investment community and analysts**	No external assurance
TFG sustainability overview report	**All stakeholders**	No external assurance
B-BBEE credentials and scorecard	**All stakeholders**	Assured by Empowerdex

COMBINED ASSURANCE

The Group refined its approach to combined assurance during the year, aligning its process with King IV™. The combined assurance process continues to enhance risk management governance and oversight. The five lines of defence approach identifies those responsible for internal controls, risk management and independent assurance.

Refer to the Audit Committee's report on page 96 and the Risk Committee's report on page 106 for more information.

FEEDBACK

Feedback on and requests for printed copies of the integrated annual 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.

DISCLAIMER

This report contains certain forward-looking statements regarding the results and business activities 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.

APPROVAL

The Audit Committee recommended the approval of the integrated annual report and the annual financial statements to the Supervisory Board. The Supervisory Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and collectively reviewed and assessed the content thereof. The Supervisory Board believes that the integrated annual report presents the material matters that impact the Group and that it is a fair representation of TFG's integrated performance, presented in accordance with the Framework.

The Supervisory Board approved the 2018 integrated annual report on 29 June 2018.

M Lewis
Chairman

A D Murray
CEO

CHAIRMAN'S REPORT

MICHAEL LEWIS

I am pleased to present the 2018 Integrated annual report, and gratified to be able to report to shareholders another year of growth at TFG, as is evident from the salient features highlighted on page 7.

GOVERNANCE

TFG remains committed to the highest standards of corporate governance, with accountability and transparency being key guiding principles in all business activities conducted. The Group has a zero tolerance approach to unethical behaviour and given the potential for poor governance to result in negative outcomes, we continue to apply appropriate levels of thinking to governance execution, thereby enhancing value for all stakeholders.

Given this zero tolerance approach, the concerns raised during the past financial year regarding the audit firm KPMG forced the Group to end KPMG's engagement as the Group's auditors and Deloitte & Touche were subsequently appointed as auditors on 9 October 2017.

TFG fully supports the governance outcomes and principles contained in King IV™ and the Listings Requirements of the JSE. During the year the Group reviewed its governance practices, structures and processes against the practices recommended by King IV™. An application register, demonstrating how TFG is applying our specific governance structures, processes and practices in order to achieve the 16 King IV™ principles and the desired governance outcomes, is available on our website.

TRANSFORMATION

TFG recognises its responsibility in terms of South Africa's transformation process. The Supervisory Board's Social and Ethics Committee ensures that the Group has an appropriate transformation strategy, aligned with the Broad-Based Black Economic Empowerment Act (B-BBEE) and associated codes of good practice.

The Group focuses particularly on its investment in training, as a means of promoting diversity. While TFG looks at B-BBEE scoring and recognises its importance, the Group believes that what is achieved in the medium to longer term is more important than short-term targets. The focus is therefore on investing for the longer term to develop appropriate skills at every level of employment within the Group.

ECONOMY AND OPERATING ENVIRONMENT

The 2018 financial year was again marked by economic and political uncertainty across most of the territories in which TFG trades. In South Africa, political developments impacted the economy for most of the year while the economic conditions in the United Kingdom affected consumer spending and investment. Stronger growth performance in some of the advanced economies, particularly the United States, leads to monetary tightening which is having an impact on emerging markets. Geopolitical risks are also adding to uncertainty.

Against this backdrop, the Supervisory Board is pleased with the Group's results, both domestically and internationally.

Looking ahead, the outlook for South Africa has improved with the inauguration of President Ramaphosa in mid February 2018. The Group is gratified and relieved that the ANC has made the decision to embrace the country's future in a different way to the previous administration. Through Business Leadership South Africa (BLSA), we will however be watching and are willing to assist to ensure that good words become good deeds.

SALIENT FEATURES

The 2018 financial year was another successful one for the Group which continued to deliver on its strategic objectives set for the year, including:

- the further roll-out of our online offering through the launch of @homelivingspace, Exact, Foschini and SODA Bloc;
- significant investment in the Group's digital transformation strategy; and
- continued investment in TFG's international footprint through the acquisition of RAG, a leading speciality menswear retailer in Australia and New Zealand, and Hobbs, a contemporary British womenswear brand.

Gratifyingly, the Group has also been included in the JSE Top 40 index, an index with the 40 largest companies by market capitalisation, listed on the Johannesburg Stock Exchange (JSE).

While the domestic and global economic conditions have informed the Group's view on the level of debt with which it is comfortable, as a business we will continue to invest for the future, especially in digital transformation. The Supervisory Board believes that this will position the Group well for its next phase of growth and development.

REVIEW OF THE YEAR

As indicated above, the Supervisory Board is pleased with the Group's performance during the year in difficult trading conditions. Key highlights include:

- a growth of 9,6% in headline earnings excluding acquisition costs;
- a growth of 3,4% in headline earnings per share, excluding acquisition costs;
- gross margin of 52,5%, up from 49,7% at March 2017; and
- an increase of 44,8% in free cash flow.

Further information on the Group's financial performance is available in the Chief Financial Officer's report on page 66.

In terms of the Group's strategic objectives, good progress was made on all four strategic pillars. Key activities during the year include:

- the establishment of a TFG Australia platform through the acquisition of RAG;
- the successful launch of a R2,5 billion accelerated bookbuild in July 2017, resulting in the issue of 17,2 million shares; and
- the acquisition of Hobbs, facilitated by the TFG London platform that the Group has established.

Further information on the Group's strategic performance is available in the Chief Executive Officer's report on page 52.

LEADERSHIP SUCCESSION

As was announced on SENS on 12 March 2018, Doug Murray will step down as Chief Executive Officer (CEO) of the Group on 3 September 2018 after 33 years' service, 11 of which were as CEO. Doug's tenure as CEO was transformational for the Group. During this time, TFG grew:

- turnover from R7,2 billion in 2007 to R28,6 billion in 2018 – a compound annual growth rate of 13,4%;
- outlets from 1 332 in four countries to 4 034 in 32 countries; and
- brands from 14 in 2007 to 28 in 2018.

This growth in the Group led to a share price increase for TFG from R52,00 in September 2007 to R223,75 on 29 March 2018, with the Group's market capitalisation at end March 2018 being R52,9 billion.

This success was achieved through hard work, innovation and collaboration from Doug and his leadership team, both in terms of strategy and execution.

Doug's success is not only measured in numbers, but it is also evident in his contribution to the Group's culture and people development – key strengths of and differentiators for TFG.

Given his wealth of knowledge and experience, the Board has decided to appoint Doug as a consultant to the end of September 2019 and as a non-executive director from 1 October 2019.

The Supervisory Board expresses its immense gratitude for the significant contribution made by Doug during his tenure and looks forward to his continued involvement with the Group.

CHAIRMAN'S REPORT

My association with Doug as a non-executive director and later as Chairman, has been productive and pleasurable. Doug's place in the magnificent TFG story is both acknowledged and secure. He has been a transformational CEO. I extend my personal good wishes and thanks to him and look forward to continued collaboration as the Group moves into its next phase of development.

As indicated, Anthony Thunström, currently Chief Financial Officer (CFO), became the CEO Designate on 12 March 2018 and will assume the position of CEO on 3 September 2018. Anthony, who has been with TFG since February 2015, is uniquely positioned to lead the Group into its next phase of development and, together with the support of the Operating Board, will ensure that the strategic objectives of TFG continue to be met.

The process to recruit a new CFO is currently well advanced.

PROSPECTS

While signs of improved levels of confidence are evident in South Africa, the Group still anticipates a difficult economic year ahead. Measures introduced by government to deal with budget deficits, which include a VAT increase of 1%, will impact the consumer while the upcoming elections in 2019 also create uncertainty. In the United Kingdom, the unpredictability of the outcome of the Brexit negotiations also continues to impact consumers.

The Supervisory Board, however, believes that the Group's commitment to its strategic pillars of Customer, Leadership, Profit and Growth, together with its diversification and the additional focus on and investment in digital transformation, will continue to support TFG's future resilience and success.

APPRECIATION

I would like to thank:

- Doug Murray, for his exceptional leadership of the Group during the year and over his long and impactful career at TFG;
- my colleagues on the Supervisory Board for their valuable input, insight and guidance throughout the year;
- the respective Chairpersons of the Board Committees for their dedicated effort and leadership, guidance and direction;
- senior management teams and all of the almost 28 000 men and women who have given so much of themselves in a very difficult and uncertain year;
- our valued customers for their continued loyal support;
- our shareholders for their support and confidence in the future of the Group; and
- our suppliers, advisors and business associates for their contribution to the growth of the business.

Michael Lewis
Chairman

29 June 2018

CLIVE HIRSCHSOHN

TFG mourns the passing of Clive Hirschsohn, a former Managing Director of our Group, on 16 February 2018.

Clive was integral to TFG's acquisition of the Hirschsohn-family business, American Swiss, in 1967. At acquisition, he joined the Group as Managing Director of American Swiss Jewellers. His career, spanning almost 30 years, continued to grow within the Group and he subsequently became Joint Managing Director and then Managing Director, a position from which he retired in 1994. From 1994 to 1996, he was a non-executive director of our Supervisory Board.

He will be greatly missed and all at TFG extend their condolences to the Hirschsohn family.

The company was established in 1924 and listed on the Johannesburg Stock Exchange (JSE) in the general retailers sector in 1941.

WHO WE ARE

OUR CORPORATE PROFILE

TFG is a diverse group with a portfolio of 28 leading fashion retail brands across various lifestyle and merchandise categories. We are one of the foremost independent chain-store groups in South Africa. The company was established in 1924 and has been listed on the Johannesburg Stock Exchange (JSE) in the general retailers sector since 1941. TFG has recently been included in the JSE Top 40, an index of the 40 largest companies listed on the JSE.

Our retail brands offer clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, and homeware and furniture from value to upper market segments.

The majority of our turnover is in the form of cash sales to customers, with the balance being from our own in-house credit offering. Currently, credit is offered to our customers in South Africa as well as in Namibia, Botswana, Lesotho and Swaziland/Eswatini. In addition to retail turnover, revenue is also generated from interest received on customers' store cards and through various value-added services, available to our TFG Africa customers.

South Africa and Namibia are TFG Africa's most significant markets, with the United Kingdom, including Ireland, being the most significant market for TFG London. TFG Australia is focused on Australia and New Zealand. Refer to Our Footprint on page 26 for a graphical representation of our outlet locations as well as the respective geographic contributions to turnover.

Our product offering is sourced both locally and offshore, with strong in-house design teams across all business segments. In TFG Africa, our manufacturing capabilities, which coordinates production through our own factories and various independent cut, make and trim (CMT) factories, provide the Group with significant quick response capabilities, which is a key differentiator for the Group.

	31 MARCH 2018	31 MARCH 2017
Market capitalisation (Rm)	**52 974,3**	33 912,9
Market price per share at year end (cents)	**22 375**	15 449
Average market price per share for the year (cents)	**16 128**	14 832
Number of shares traded during the year (millions)	**391,8**	378,8
Number of beneficial shareholdings	**12 211**	7 935

TFG IN NUMBERS

17,3%
FIVE-YEAR COMPOUND TURNOVER GROWTH RATE

7,8%
FIVE-YEAR COMPOUND GROWTH RATE IN HEPS

8,0%
FIVE-YEAR COMPOUND GROWTH RATE IN DISTRIBUTIONS TO SHAREHOLDERS

5,4%
FIVE-YEAR COMPOUND SPACE GROWTH RATE IN TFG AFRICA

66:34
CASH TO CREDIT TURNOVER RATIO

4 034
OUTLETS

32
COUNTRIES

5
CONTINENTS

27 825
EMPLOYEES

28
LEADING FASHION LIFESTYLE RETAIL BRANDS

20
OMNICHANNEL BRANDS

12,3 million
TFG AFRICA REWARDS CASH AND CREDIT CUSTOMERS

OUR CORPORATE BRAND ESSENCE

Our corporate brand essence is captured in the word: OPPORTUNITY. We create opportunities for our customers, employees and community in the following ways:

- For our customers, it's the opportunity to shop conveniently across a range of quality brands, online or in our stores. Our TFG Africa customers have the opportunity to shop using one card, be rewarded and gain access to unique experiences and products.
- TFG has a unique multi-brand and multi-function Group structure that creates career opportunities in an environment of support, collaboration and respect. We believe that a positive corporate culture translates directly to a positive customer experience and is therefore fundamental to achieving success.
- In TFG Africa, through our sustainability initiatives, we create opportunities for local supply chain development, by focusing on increasing capacity, productivity and competitiveness of local design and manufacturing. By driving environment efficiency, in particular water conservation and recycling, we will help to shape a better future for all. Our mantra – Educate to Empower – will uplift the local communities in which we operate.

OUR BRANDS

TFG is grouped into three business segments, TFG Africa, TFG London and TFG Australia, each with their own local management teams, reporting into the Group head office in Cape Town. Within these business segments are our trading brands, grouped into retail trading divisions, and supported by a centralised support services structure within TFG Africa as well as TFG Australia, while the centralisation of TFG London's support services is currently underway.

Merchandise categories:

- Clothing: fashion
- Clothing: value
- Clothing: sport
- Homeware and furniture
- Jewellery
- Cellphones
- Cosmetics

TFG AFRICA 69,7% Contribution to turnover

@HOME

FOSCHINI

EXACT

JEWELLERY

THE FIX

MARKHAM

SPORT

TFG MOBILE

Each of our brands offers a distinctive proposition to its customers, set out in detail in the pages that follow.

TFG LONDON 13,2% Contribution to turnover

HOBBS

PHASE EIGHT

WHISTLES

TFG AUSTRALIA 10,6% Contribution to turnover

CONNOR

G-STAR RAW

JOHNNY BIGG

ROCKWEAR

TAROCASH

yd.

E-COMMERCE 6,5% Contribution to turnover

@home, @homelivingspace, ARCHIVE, DUESOUTH, EXACT, Fabiani, FOSCHINI, hi, MARKHAM, SODA BLOC, sportscene, TOTALSPORTS — TFG AFRICA

HOBBS, Phase Eight, WHISTLES — TFG LONDON

CONNOR, Johnny Bigg, ROCKWEAR, TAROCASH, yd. — TFG AUSTRALIA

@HOME

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

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women of all age groups

Number of outlets
2018: 90 (2017: 91)

@HOMELIVINGSPACE

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

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women of all age groups

Number of outlets
2018: 34 (2017: 27)

AMERICAN SWISS

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

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women of all age groups

Number of outlets
2018: 243 (2017: 239)

ARCHIVE

Archive is a destination sneaker store that specialises in exclusive and limited edition sneaker, apparel and accessories drops.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 18 to 25

Number of outlets
2018: 46 (2017: 30)

CHARLES & KEITH

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

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Women aged 18 to 40

Number of outlets
2018: 10 (2017: 14)

COLETTE

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

Business segment
TFG Africa

Income category
Mid market

Target audience
Women aged 18+

Number of outlets
2018: 8 (2017: 8)

CONNOR

Connor is one of the fastest growing on-trend menswear brands.

Business segment
TFG Australia

Income category
Value market

Target audience
Men aged 18 to 40

Number of outlets
2018: 145

DONNA

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

Business segment
TFG Africa

Income category
Mid market

Target audience
Women of all age groups

Number of outlets
2018: 102 (2017: 105)

DUESOUTH

Duesouth offers casual lifestyle apparel, footwear, accessories and a curated range of the latest gadgets to all customers who want to live life with intent; for those who enjoy the wherever whenever.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women aged late 20s to early 40s

Number of outlets
2018: 77 (2017: 70)

EXACT

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

Business segment
TFG Africa

Income category
Value market

Target audience
Men, women, children and babies

Number of outlets
2018: 297 (2017: 287)

FABIANI

Style since 1978 – Fabiani offers high-quality fabric and exceptionally cut suits and is renowned for its combination of style, quality, passion and the unexpected pop.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men aged 25 to 40

Number of outlets
2018: 32 (2017: 25)

THE FIX

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

Business segment
TFG Africa

Income category
Value market

Target audience
Women aged 18 to 25

Number of outlets
2018: 184 (2017: 197)

FOSCHINI

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

Business segment
TFG Africa

Income category
Mid market

Target audience
Women and children aged 18 to 40

Number of outlets
2018: 319 (2017: 331)

G-STAR RAW

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

Business segment
TFG Africa, TFG Australia

Income category
Upper market

Target audience
Men and women aged 20 to 35

Number of outlets
2018: 11 (TFG Africa)
2018: 16 (TFG Australia)
(2017: 12) (TFG Africa)

Hi

Hi offers a range of connected lifestyle products and is renowned for its must-have mobile technology hardware and related accessories, including smartphones, laptops, TVs, audio, fitness and smart home accessories as well as prepaid data and airtime.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women of all age groups

Number of outlets
2018: 24 (2017: 12)

HOBBS

Timeless British elegance for smart, busy women. With a 35-year history, Hobbs is an established global, affordable luxury brand with a focus on luxurious fabrics and quality craftmanship.

Business segment
TFG London

Income category
Upper market

Target audience
Women aged 35 to 50

Number of outlets
2018: 198

JOHNNY BIGG

Johnny Bigg is an on-trend big & tall menswear brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 18 to 45

Number of outlets
2018: 38

MARKHAM

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

Business segment
TFG Africa

Income category
Mid market

Target audience
Men aged 18 to 35

Number of outlets
2018: 356 (2017: 337)

MAT & MAY

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

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 25 to 40

Number of outlets
2018: 26 (2017: 26)

PHASE EIGHT

Phase Eight offers stylish and contemporary day wear, 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.

Business segment
TFG London

Income category
Upper market

Target audience
Women aged 35 to 55

Number of outlets
2018: 590 (2017: 600)

ROCKWEAR

Rockwear is a differentiated on-trend women's athleisurewear brand.

Business segment
TFG Australia

Income category
Value market

Target audience
Women aged 18 to 40

Number of outlets
2018: 32

SODA BLOC

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.

Business segment
TFG Africa

Income category
Mid market

Target audience
Boys and girls aged 2 to 14

Number of outlets
2018: 31 (2017: 30)

SPORTSCENE

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

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 18 to 25

Number of outlets
2018: 251 (2017: 247)

STERNS

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

Business segment
TFG Africa

Income category
Mid market

Target audience
Men and women of all age groups

Number of outlets
2018: 188 (2017: 182)

TAROCASH

Tarocash is a leading on-trend menswear apparel brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 18 to 35

Number of outlets
2018: 116

TOTALSPORTS

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

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women of all age groups

Number of outlets
2018: 323 (2017: 317)

WHISTLES

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

Business segment
TFG London

Income category
Upper market

Target audience
Women and men aged 25 to 45

Number of outlets
2018: 147 (2017: 139)

yd.

yd. is a leading fashionable younger menswear brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 14 to 27

Number of outlets
2018: 100

OUR FOOTPRINT

TFG's number of stores

TFG's number of concessions

6,5%
Contribution to turnover

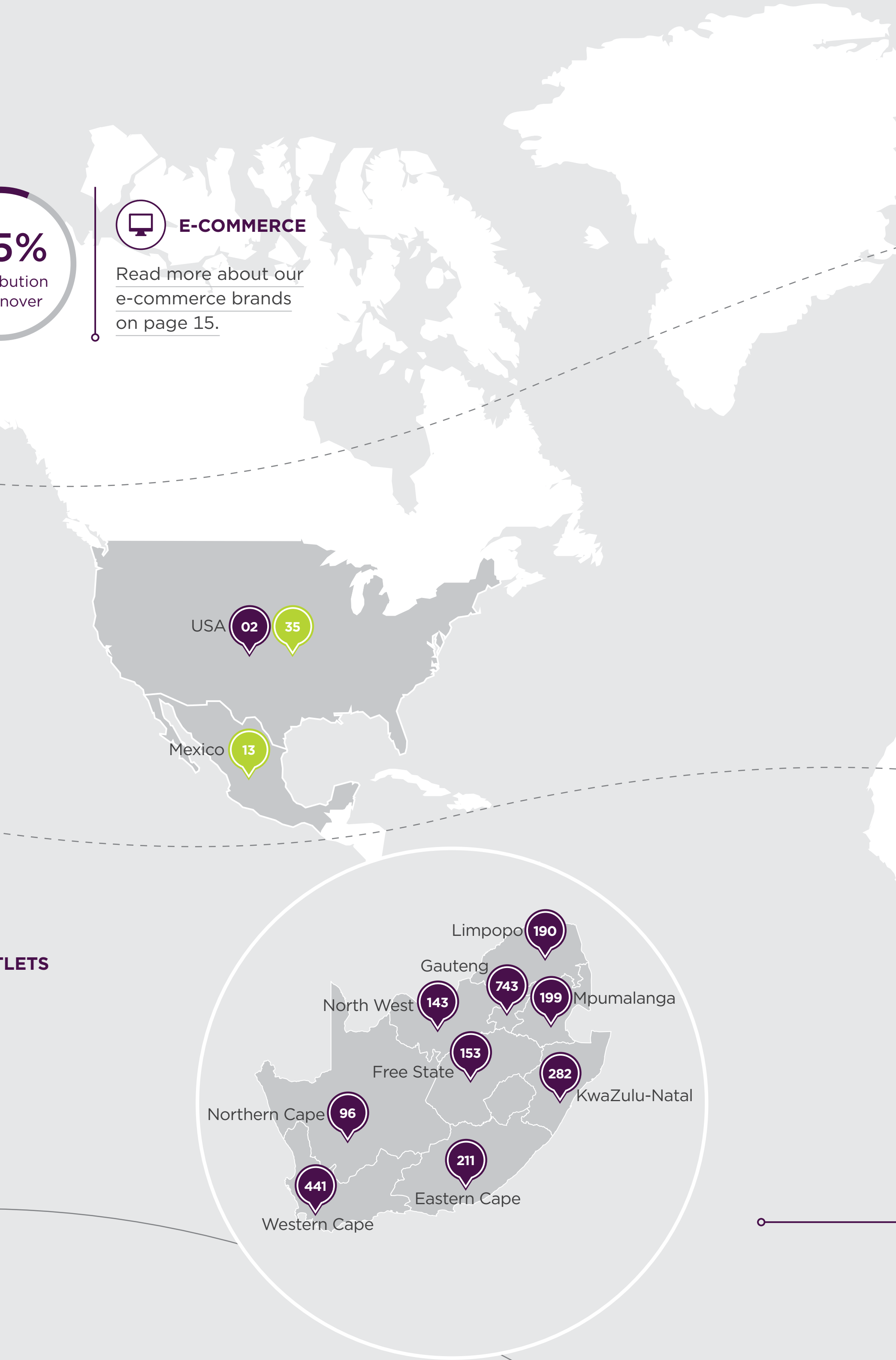
E-COMMERCE

Read more about our e-commerce brands on page 15.

TFG LONDON

TFG AFRICA

TFG AUSTRALIA

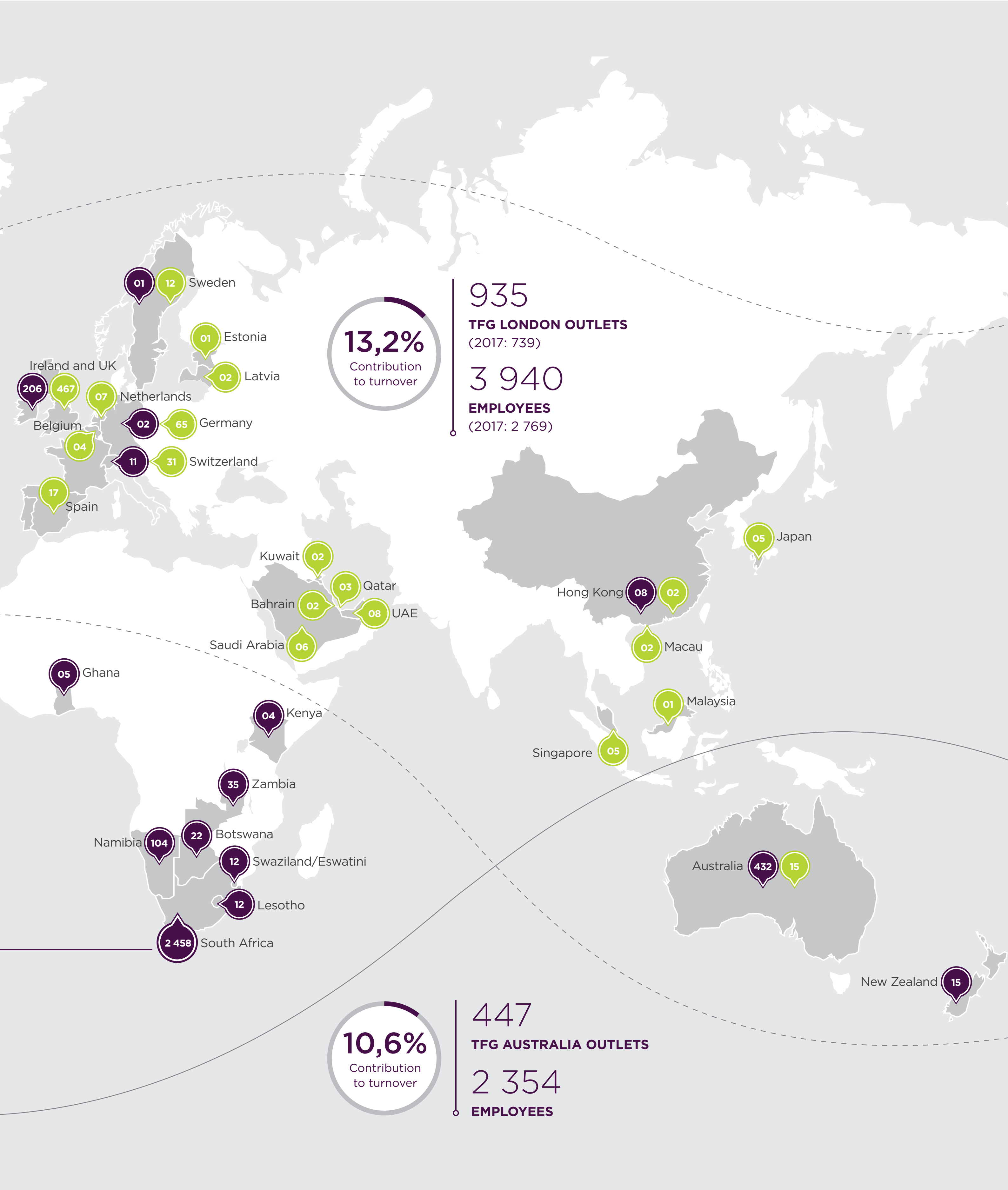


69,7%
Contribution to turnover

2 652
TFG AFRICA OUTLETS
(2017: 2 589)

21 531
EMPLOYEES
(2017: 20 637)

TFG trades through 4 034 outlets in 32 countries, with a portfolio of 28 fashion lifestyle retail brands.


01
12
Sweden
01
Estonia
02
Latvia
Ireland and UK
206
467
07
Netherlands
Belgium
02
65
Germany
04
11
31
Switzerland
17
Spain
13,2%
Contribution to turnover
935
TFG LONDON OUTLETS
(2017: 739)
3 940
EMPLOYEES
(2017: 2 769)
Kuwait
02
03
Qatar
Bahrain
02
08
UAE
Saudi Arabia
06
05
Ghana
04
Kenya
35
Zambia
Namibia
104
22
Botswana
12
Swaziland/Eswatini
12
Lesotho
2 458
South Africa
05
Japan
Hong Kong
08
02
02
Macau
01
Malaysia
Singapore
05
Australia
432
15
New Zealand
15
10,6%
Contribution to turnover
447
TFG AUSTRALIA OUTLETS
2 354
EMPLOYEES

OUR TIMELINE

OUR HISTORY AT A GLANCE

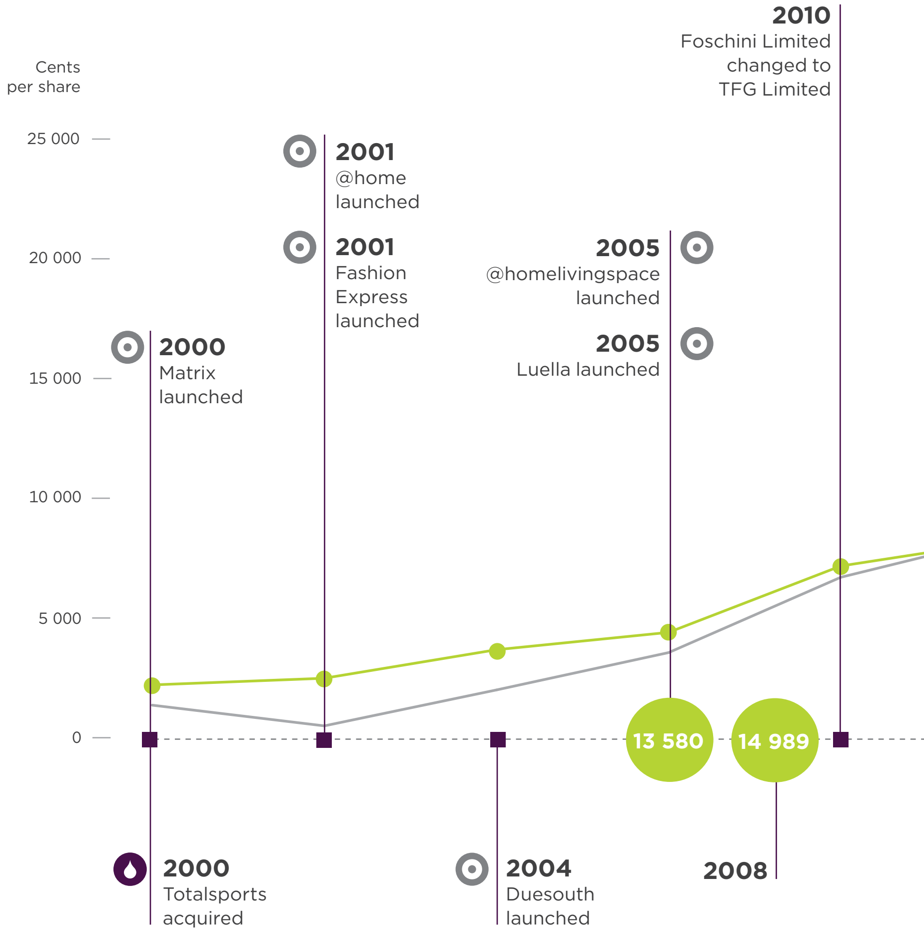
George Ivan Rosenthal founded TFG in 1924. He started out in clothing retail in America, but became interested in other markets when the boom days in America ended. His research showed that, while South Africa was very much an underdeveloped country, it had a traditional fondness for American goods and know-how, and so he set sail for South Africa with little money, a lot of confidence and a grand plan. When naming his company, he decided on an old Italian name, Foschini.

He found that Johannesburg was one of the best shopping areas in South Africa and started leasing premises. On 27 November 1925, the first Foschini store opened on Pritchard Street, Johannesburg and more stores soon followed across South Africa. For the first time, South African women had access to fashion garments – garments that were affordable, well-made, up-to-date and accessible to a wider public.

Foschini had arrived.

He continued to expand the business and within two years after opening, Foschini had nine branches across South Africa. In 1941, George registered Foschini Dresses (Pty) Ltd on the Johannesburg Stock Exchange, the first clothing retailer to do so.

Since then, the Group has continued to grow. Today, it consists of 28 brands in over 4 000 outlets in 32 countries selling a broad range of merchandise categories to customers both in-store and online.



BEFORE 2000

1924
Founded

1941
Listed on the JSE

1958
Stanley Lewis buys major shareholding

1967
American Swiss Watch Company acquired

1968
Markham acquired

1969
Pages launched

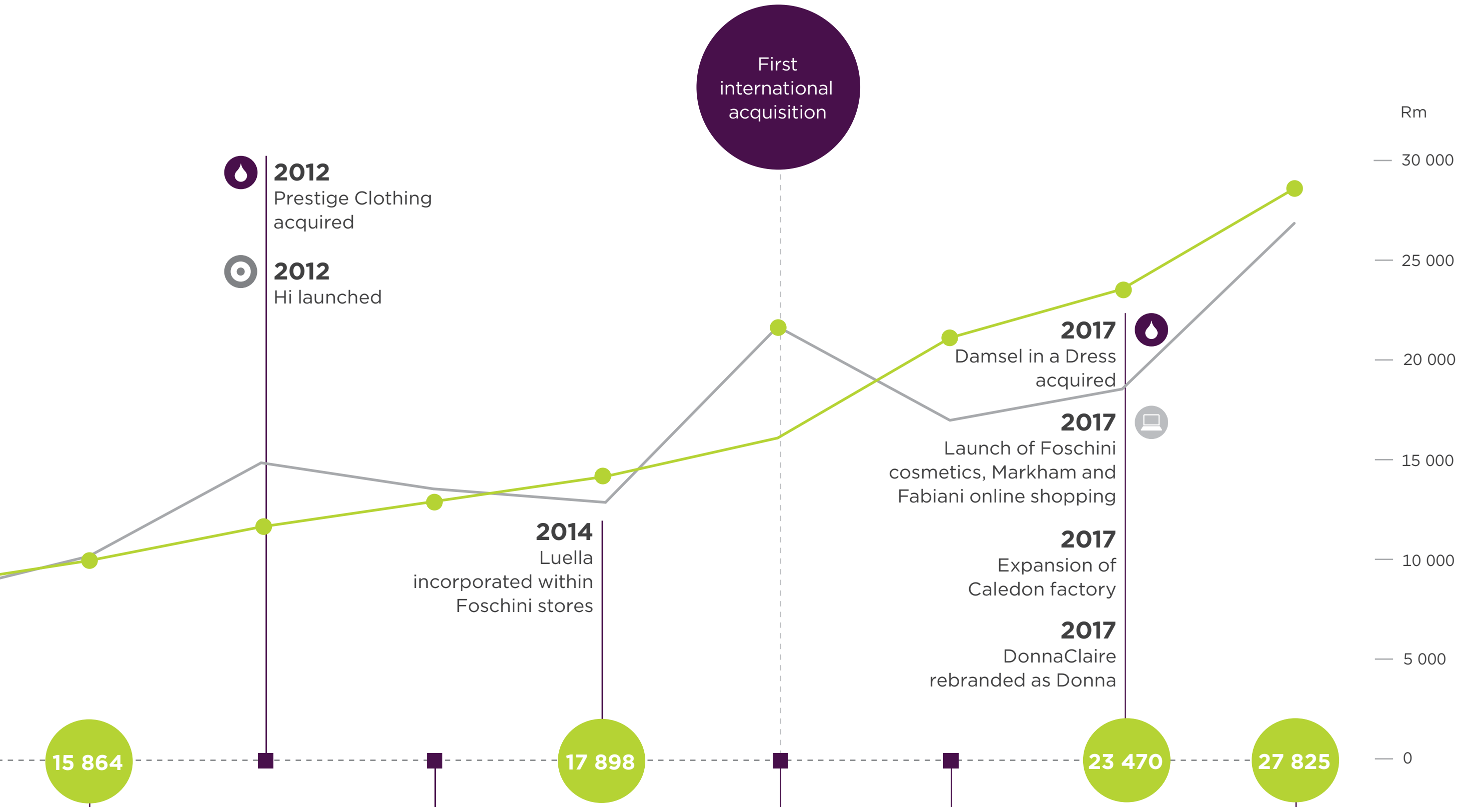
1993
Sterns acquired

1994
DonnaClaire launched

1996
Sportscene acquired

1999
Pages rebranded as Exact
RCS established

Acquired | Launched brand | Launched online shopping | Number of employees | Turnover | Closing share price



2011
Fabiani acquired

2011
Charles & Keith franchise partnership

2011
Franchise rights for G-Star RAW in South Africa acquired

2012
Prestige Clothing acquired

2012
Hi launched

2013
Matrix rebranded as Mat & May

2014
Luella incorporated within Foschini stores

2015
Phase Eight acquired

2015
RCS disposal

2015
Launch of @home and Hi online shopping

2016
Launch of Totalsports, Sportscene and Duesouth online shopping

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

2017
Damsel in a Dress acquired

2017
Launch of Foschini cosmetics, Markham and Fabiani online shopping

2017
Expansion of Caledon factory

2017
DonnaClaire rebranded as Donna

2018
RAG acquired

2018
Launch of @homelivingspace, Exact, Foschini and SODA Bloc online shopping

2018
Hobbs acquired

2018
Soda Bloc incorporated within Foschini stores

2018
Franchise rights for selected G-Star RAW stores in Australia acquired

2018
Next franchise rights ended

2018
Archive launched as stand-alone brand (previously included in Sportscene)

Our core business activities focus on delivering quick-response and quality outputs, reducing manufacturing waste and implementing lean systems.

OUR BUSINESS MODEL AND OPERATING ENVIRONMENT

OUR BUSINESS MODEL SUMMARY

OUR VISION

To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint by providing innovative products, creative customer experiences and by leveraging our portfolio of diverse brands to differentiate our offering.

KEY RESOURCES

We ensure that our key resources remain available and replenished to support sustainable business activities.

Read more about our key resources on page 40.

- **Financial capital**
- **Physical footprint and infrastructure**
- **Intangible and intellectual resources**
- **Human capital**
- **Relationships and society**
- **Natural resources**

OUR CORE BUSINESS AND OUTCOMES

We offer a portfolio of 28 diverse retail brands through three business segments: TFG Africa, TFG London and TFG Australia. The brands in the portfolio cover a range of products that are designed, manufactured and procured in South Africa and abroad. Customers transact with us through physical and online platforms. The outcomes of our business activities include the internal and external consequences for our stakeholders and our resources, acknowledging that these can be positive or negative, and collectively result in the value that we create over time.

Read more about the value created by the Group in 2018 on page 48.

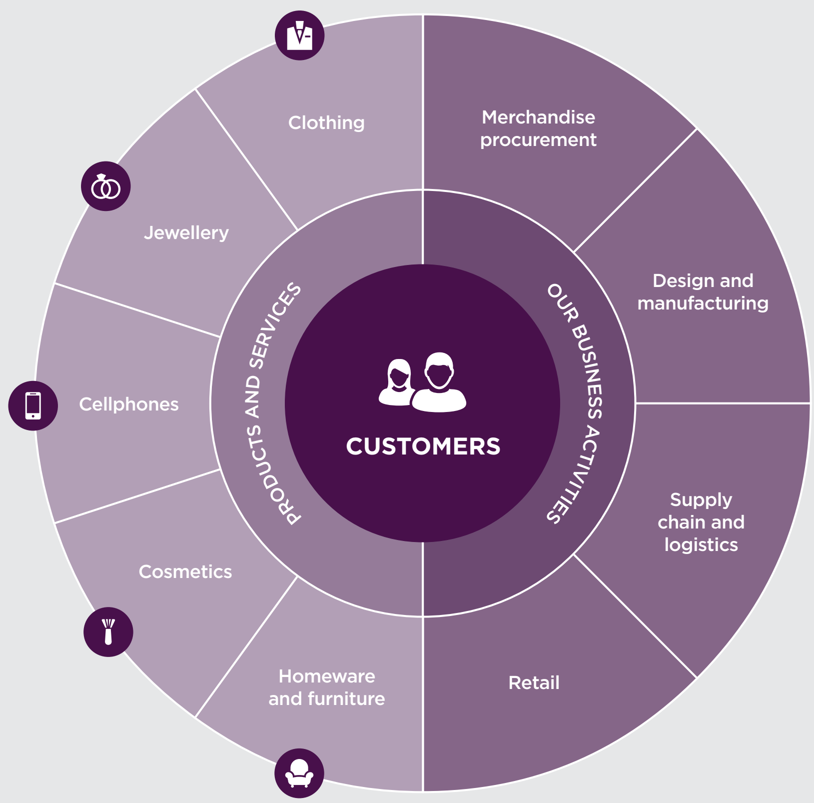
OUR ACTIVITIES AND OUTPUTS

Our core business activities focus on delivering quick-response and quality outputs, reducing manufacturing waste and implementing lean systems.

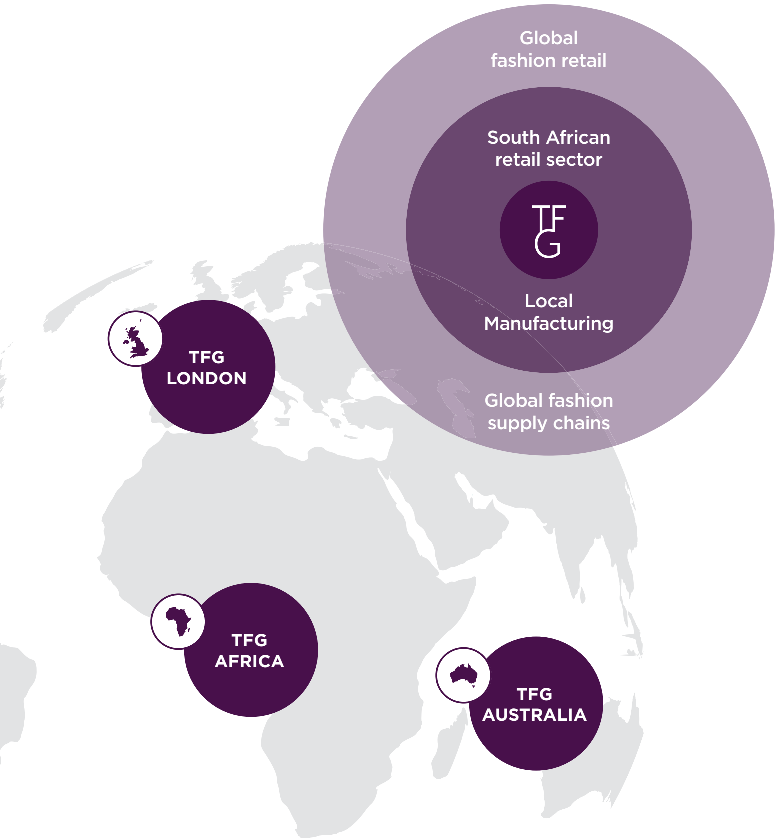
Read more about our corporate profile on page 12 and our infrastructure on pages 40 and 41.

Our outputs constitute the products and services that are shaped by customer requirements and brand offerings.

Read more about our merchandise category offering on page 14.



OUR OPERATING ENVIRONMENT



Market conditions, macroeconomic factors and retail trends in the regions in which we operate create an environment for growth but also impact the degree to which we are able to create value.

Read more about our operating context on page 34.

OUR STAKEHOLDERS

Our stakeholders participate in our shared value creation through a range of engagements and relationships.

Read more about our stakeholder engagement on page 45.

- **01 Customers**
- **02 Shareholders**
- **03 Employees**
- **04 Suppliers**
- **05 Governments, legislators and regulators**
- **06 Non-profit organisations and communities**

OUR MATERIAL RISKS AND OPPORTUNITIES

Our material risks and opportunities constitute the key elements to monitor through our governance and management systems to ensure continued shared value creation:

- **Volatility of economic and political climate**
- **Fashion trends and supply chain**
- **Growth across our various markets and channels**
- **Talent management: attracting, retaining and developing key talent**
- **Reliance on information technology**
- **Financial loss due to crime and shrinkage related losses**
- **Exchange rate volatility**
- **Complexity of the regulatory environment**

Read more about our material risks and opportunities on page 38.

TFG's ability to create value is based on the concept of shared value, which aims to address economic and social issues directly 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.

Our differentiating factors are set out on the inside front cover.

OUR STRATEGIC RESPONSE

Our key resources, combined with our core business activities, are applied according to our four strategic pillars to deliver products, services and positive outcomes for our stakeholders.

Read more about our strategy on page 56.

CUSTOMER **LEADERSHIP**

GROWTH **PROFIT**

We prioritise some resources and outcomes in our strategic and tactical choices, resulting in trade-offs to enable value creation.

Read more about our resource and stakeholder trade-offs on page 40.

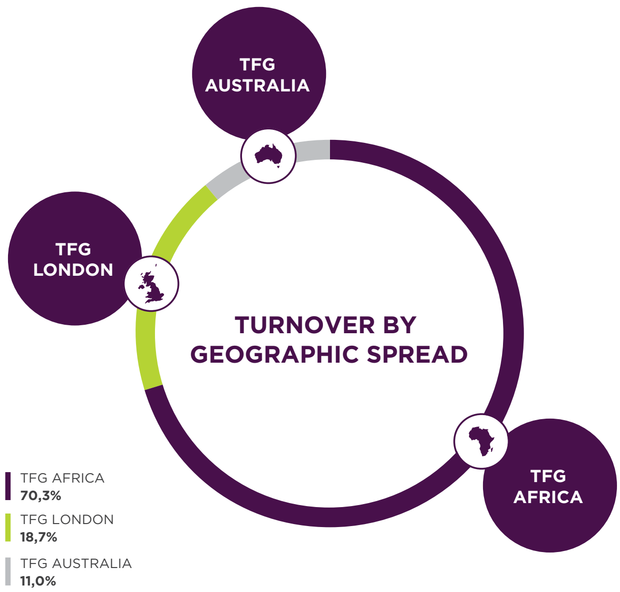
OUR OPERATING CONTEXT

FASHION RETAIL INDUSTRY TRENDS*

- Traditional retail formats and requirements are transforming. Customers are increasingly dictating how they want to shop, where they want to shop and when they want to shop. Retailers have to adapt their business models accordingly to ensure they remain market-related, in line with changes in customers' shopping behaviour and their demand for digitalisation.
- A result of the shift to digital retail is the requirement for supply chain optimisation and shortened lead times by retailers to ensure speed to market and to meet customer demands.
- Global economic uncertainty and volatility remains, with retailers in developed countries seeking new growth opportunities as sales and profitability outlooks in their core markets are stagnating.
- While the fashion industry remains uncertain and challenging, there is a renewed sense of optimism with stronger sales growth forecasted globally across most categories, including apparel and footwear.
- Watches and jewellery sales are forecasted to return to growth, albeit at a slow pace, while the athleisure trend is still expected to be the fastest growing category with continued strong demand, even though demand may have peaked in some markets.

* *Source: The State of Fashion 2018 (The Business of Fashion and McKinsey & Company); Global Powers of Retailing 2018 (Deloitte).*

While, as the graph below illustrates, TFG's revenue is still largely generated by TFG Africa, and in particular South Africa, the Group's operating context is influenced by factors across all three business segments:



The geographic turnover contribution above includes each business segment's e-commerce turnover contribution.

As varying symptoms of economic and political uncertainty across the globe continued, trading conditions remained challenging. Key factors impacting the Group during the year were:

TFG AFRICA

CPI%*
3,8%
(previous 6,1%)

GDP*
1,3%
(previous 0,6%)

CONSUMER CONFIDENCE INDEX*
26
(previous -5)

BUSINESS CONFIDENCE INDEX*
45
(previous 40)

South Africa

- Political uncertainty in South Africa continued to impact the economy for most of the financial year. However, the outlook, particularly in respect of consumer confidence, has improved with the inauguration of Mr Cyril Ramaphosa as President of South Africa on 15 February 2018.
- South Africa's foreign and local currency credit ratings were affirmed by rating agency Moody at investment grade, and they revised their outlook on ratings from negative to stable.
- The Monetary Policy Committee of the South African Reserve Bank reduced the repo interest rate twice during the past financial year. The first cut was 25 basis points in July 2017, with a further cut of 25 basis points in March 2018. The current repo rate in South Africa is 6,5% and the prime lending rate is 10,0%.
- The Rand strengthened against major currencies following the political developments that have occurred since the change in ANC leadership in December 2017. However, it remained volatile for the majority of the Group's financial year.

Rest of Africa

- The impact of the severe drought as well as commodity price pressures weakened economies in Namibia and Zambia. In Namibia the annual GDP growth rate was negative in five out of six quarters between June 2016 and December 2017. In Zambia, the annual GDP growth rate decreased from 5% in 2014 to 4,1% in 2017.
- Both Zambia and Kenya were also impacted by political instability during the past year with their presidential elections. In Zambia, elections took place in August 2016 that were contested and led to a state of emergency from July to October 2017. The Kenya elections in August 2017 were coupled with civil unrest in certain areas and the first results were contested, resulting in a second election in November 2017.
- Interest rates in the African territories the Group trades in showed a downward trend during the past year with interest rate cuts in all these countries. However, Lesotho subsequently had an interest rate increase towards the end of the financial year.
- The number of African jurisdictions the Group trades in increases the complexity of the regulatory environment which is addressed by a dedicated Africa tax and regulatory team.

* *Sources: Statistics South Africa, Bureau for Economic Research (BER)*
CPI: year-on-year growth March 2018 versus March 2017
GDP: 2017 year-on-year growth versus 2016 year-on-year growth
FNB/BER consumer confidence index Q1 2018 vs Q1 2017
RMB/BER business confidence index Q1 2018 vs Q1 2017

TFG LONDON

CPI%^
2,5%
(previous 2,3%)

GDP%^
1,8%
(previous 1,9%)

GfK CONSUMER SENTIMENT^
-7
(previous -6)

CBI BUSINESS OPTIMISM^
-4
(previous 1)

- Economic growth slowed during 2017 as growth in consumer spending moderated and consumer price inflation increased.
- The interest rate increased to 0,5% from 0,25% on 2 November 2017, the first increase in more than a decade, with further increases likely in 2018.
- The Pound remains weak and volatile compared to its pre-Brexit levels, particularly against the Euro.
- The increased complexity of the United Kingdom regulatory environment (with a particular focus on the General Data Protection Regulation) resulted in additional compliance activities.
- A continued channel shift in customers' shopping habits from physical stores to online was experienced, particularly within the United Kingdom.

^ *Sources: Office for National Statistics, GfK, Tradingeconomics.com*
CPI: year-on-year growth March 2018 versus March 2017
GDP: 2017 year-on-year growth versus 2016 year-on-year growth
GfK consumer sentiment barometer March 2018 versus March 2017
CBI business optimism indicator Q2 2018 vs Q2 2017

TFG AUSTRALIA

CPI%#
1,9%
(previous 2,1%)

GDP%#
2,1%
(previous 2,8%)

CONSUMER SENTIMENT#
3,2
(previous 0,6)

BUSINESS CONFIDENCE#
7
(previous 6)

- Consumer confidence in Australia remains subdued but stable, as consumers are impacted by low levels of real wage growth.
- Unemployment levels remain low and stable. This remains a key metric for TFG Australia.
- Interest rates remain at a record low.
- Within the retail sector, declining traffic in major landlord centres is evident, partially attributable to customers shifting to online sales channels.
- Competitive behaviour is increasing with the internationalisation of retail, including the entry of Amazon and other internationals.

Sources: Australian Bureau of Statistics, Westpac-Melbourne Institute, Tradingeconomics.com, National Australia Bank, Reserve Bank of Australia
CPI: year-on-year growth March 2018 versus March 2017
GDP: 2017 year-on-year growth versus 2016 year-on-year growth
Westpac-Melbourne Institute Index of Consumer Sentiment year-on-year March 2018 versus March 2017
NAB Business Confidence March 2018 versus March 2017

OUR RESPONSE

The Group's mitigating activities in response to external factors, both regulatory or economic, are indicated in the Risk Committee report on page 106.

TFG's strategic pillars, with their underlying objectives, are positioned to enable the Group's long-term sustainable growth. Strategic initiatives such as those listed below, also provide the Group the required agility and diversification to trade through tough economic cycles:

CUSTOMER

- We continue to invest in and enhance our TFG Rewards loyalty programme in order to improve our customers' experience, deliver increased customer value and grow our customer base.
- Our continued investment in data analytics provides direct input into optimising strategies for our TFG Africa retail trading divisions, which improves our customer experience and engagement.

LEADERSHIP

The investment in the development of our employees at all levels within the Group, and the Group's performance-based culture, ensures that we attract and retain quality employees who are well-equipped to execute the Group's strategic objectives.

PROFIT

Through a focus on cost control and the elimination of waste, working capital optimisation and our capital allocation model, we are strengthening our financial position and optimising profitability.

GROWTH

- We continue to expand and enhance our customers' omnichannel experience through customer-led innovation.
- TFG Australia:
  - Growth through expansion of existing brands both in Australia and New Zealand.
  - Enhanced emphasis on digital sales channels with further investment in technology and people.
  - Launch of a TFG Africa brand.
- TFG London:
  - Consolidation and integration of shared support services across the three brands to enable greater operating efficiency and control.
  - Once completed, this will largely replicate the structure of TFG Africa and TFG Australia and facilitate further bolt-on acquisitions.

Our diversification – across cash and credit turnover, physical and online sales channels, geography, portfolio of brands and merchandise categories – positions us well for future growth.

MATERIAL RISKS AND OPPORTUNITIES

TFG's material matters, summarised in this section, are a combination of risks, opportunities and issues that can, directly or indirectly, affect the Group's ability to create sustainable value in the short, medium and long term.

The material matters are discussed with specialists and senior management as part of the annual enterprise risk cycle. The process includes revisiting our previously identified material matters and reviewing the Group strategy.

Matters were identified using the <IR> Framework's process guidance and applies to TFG Africa, TFG London and TFG Australia, albeit with different levels of likelihood and impact. The material matters, set out below, are grouped according to their nature and indicate the following:

- an increasing or constant level of likelihood and impact;
- the applicable term for the material matter; and
- our strategic response according to the four pillars: Customer, Leadership, Profit and Growth.

The material matters identified for this year remain aligned with the Group's material matters reported in 2017, with the addition of one matter – reliance on information technology (IT). This is in line with the additional focus the Group is placing on digital transformation, as indicated in the strategy overview on page 56.

STRATEGIC

Volatility of economic and political climate

TFG is predominantly exposed to uncertain and, at times, unstable economic and political environments in South Africa and the United Kingdom, which may result in constrained growth. A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.

In South Africa, the impact of the recent 1% VAT hike, as well as youth unemployment and social inequality remain concerning as the country prepares for elections in 2019. These factors all impact interest rates, inflation and the Group's ability to raise and afford capital.

Read more about our operating environment as context to this material matter on page 34.

The recent political changes in South Africa have led to improved confidence levels in the country. However, the Group remains cautiously optimistic around the country's outlook, but still foresees a difficult economic year ahead.

In the United Kingdom, the unpredictability of the Brexit negotiations has impacted consumer confidence and this will remain the case until the Brexit terms are finalised.

S-M

Fashion trends and supply chain

As TFG aspires to be the leading fashion lifestyle retailer, our ability to offer, predict and deliver according to the latest trends, is essential for value creation. Our brands are positioned as fashion-forward, premised on our market-leading in-house capabilities in clothing and store design. Our ability to generate profits furthermore relies on being able to quickly interpret fashion trends – supported by a quick response capability in the TFG Africa supply chain. Quick response units have grown to represent 57,1% of total TFG Africa manufactured units.

Read more about quick response, localisation and our supply chain in our sustainability overview report, available on www.tfglimited.co.za.

S-M

Growth across our various markets and channels

Growing our international footprint and delivering an integrated, secure omnichannel customer experience across our various brands are all strategic objectives for TFG. Diversification is one of the drivers of growth, but this remains premised on the ability of our customers to maintain growing levels of disposable income, and for TFG to maintain and grow market share. Changing retail trends demand that we are flexible in the ways in which we engage with our customers, and that we are able to meet their expectation for positive experiences and value including their experience on our digital platforms. Strategic investment in digital transformation will be a key focus area for the Group in the short to medium term to support our future resilience and success.

Read more about growth and performance in the Chief Executive Officer's report on page 52.

S-M-L

Talent management: attracting, retaining and developing key talent

We realise that our ability to create value depends on our people. The Group has to retain and develop its core and critical skills pool, but also has to attract the best talent in the industry. The South African specific imperative is to ensure that we attract and retain employment equity candidates.

The highly competitive retail market requires a strong focus on talent management. This includes both talent acquisition by way of proactively identifying future incumbents for leadership positions in the pipeline and talent development programmes developing our future leaders.

At March 2018, TFG Africa employed 21 531 employees and 6 294 employees were employed by TFG London and TFG Australia.

Read more about employee empowerment in our sustainability overview report online.

S-M-L

Reliance on Information Technology (IT)

Information technology (IT) continues to change the environment in which TFG operates and is a vital and integral part of the business. IT is used to create, process and disseminate information that is critical to business performance. TFG recognises the importance of technology and continues to invest in this area. The stability of the IT environment is crucial and understanding the effect of innovation critical to the future growth and success of the Group.

M-L

OPERATIONAL

Financial loss due to crime and shrinkage related losses

Retailers the world over battle with inventory shrinkage, and in South Africa, retailers are, in addition, subjected to high levels of physical crime, including shoplifting, burglaries and armed robbery. These are operational security challenges, mainly at store and warehouse level, and are best managed through a culture of zero tolerance, high awareness among employees and physical security measures. TFG continues to invest in its dedicated Forensics department, which monitors and implements loss-combating technologies and processes.

S-M

Exchange rate volatility

Exchange rate volatility has a significant impact on profitability for TFG and affordability for customers. Global financial instability therefore impacts purchasing power and could limit our ability to remain price competitive. Geographic diversification, the concomitant diversification of currency and revenue streams, and localisation, combined with international sourcing and supply chain initiatives, assist in mitigating this. Our policy in respect of purchasing forward cover is reviewed regularly.

S-M

REGULATORY

Complexity of the regulatory environment

The South African regulatory environment is becoming increasingly complex and costly, while our expanded international footprint further heightens compliance and risk profiles for the Group. We have to understand, interpret and apply differing regulatory requirements in multiple jurisdictions.

The potential implications of Brexit are closely monitored by our United Kingdom operations. We recognise that non-compliance can lead to fines, business interruption, financial loss and reputational damage.

Read more about regulation and compliance in the legal compliance report on page 94.

S-M

Increasing likelihood and impact
Consistent likelihood and impact
Customer
Leadership
Profit
Growth
S-M Short to medium term
M-L Medium to long term
S-M-L Short, medium and long term

KEY RESOURCES

- Financial capital
- Physical footprint and infrastructure
- Intangible and intellectual resources
- Human capital
- Relationships and society
- Natural resources

We access and use our resources responsibly in order to deliver our products and services. These resources have evolved over the years as the Group expanded and diversified.

RESOURCE AND STAKEHOLDER TRADE-OFFS

In our strategic and tactical business decisions, we have to prioritise some resources and some stakeholder outcomes above others. Examples of these decisions include:

- We have more than one brand offering in each market segment – each with a different investment requirement. Due to stringent capital allocation disciplines, financial support will be directed in favour of the brand that is able to generate the greatest returns for the Group. The trade-off will create value for the brand and its customers, but might reduce financial resources available for other brands in the short term.
- When we aim to attract, retain and develop the best talent, there is a trade-off between hiring less experienced employees at a lower employment cost and the impact of their lower experience levels and additional training costs required.
- The financial capital invested by the Group in training our employees reduces our financial capital, but increases the skills of our employees and ultimately improves our customer service and our customers' experience.
- While corporate social investment reduces the Group's financial capital, it increases social and relationship capital by uplifting communities and improving youth education, which is ultimately an investment in the leaders of our future.
- The investment in local supply chain development reduces financial capital but increases manufactured capital while improving our customers' experience by providing the right product at the right time.

FINANCIAL CAPITAL

TFG's sources of funds consist of funds reinvested in the Group, retail profit generated, interest income, income from our value-added services, share capital and a combination of long-term and short-term borrowings. It is used to fund the growth of the Group, to pay interest on borrowed funds as well as for capital expenditure and expansion. When appropriate, it is also used to pay dividends to our shareholders.

Key inputs of financial capital into our business activities

- Total equity
- Interest-bearing debt
- Cash

Read more about how we generate, use, invest and transform this capital in the Chief Financial Officer's report on page 66.

PHYSICAL FOOTPRINT AND INFRASTRUCTURE

TFG Africa

We use a range of physical sites and facilities throughout our markets in Africa and internationally, which enable us to procure, import, manufacture, sell and deliver our products and services.

TFG Africa's distribution of goods throughout South Africa and into African markets is managed via eight distribution centres. A mixed model of own and outsourced road transport is applied. Online order dispatch is managed through an outsourced third party from two warehouses.

TFG Africa procures merchandise both locally in South Africa as well as through imports. In South Africa, TFG Design directs the manufacturing of clothing, with about 19% of local clothing procured from TFG Manufacturing (Prestige) and other local CMT factories whom they have strategic alliances with.

Prestige manufactures in two factories, namely Maitland and Caledon.

During the year, the Group invested a further R10 million in automated and semi-automated energy-efficient equipment at our Caledon factory to improve our manufacturing ability while reducing our carbon footprint. To facilitate best practice processes, improve speed and create better visibility, a new warehouse management system was implemented in our Jewellery distribution centre, while capacity in our Midrand distribution centre was expanded to improve the overall efficiency of our Logistics network.

Merchandising, such as visual elements and displays, is executed through brand teams, with promotions determined by a team consisting of planners, buyers and marketers.

The Group has 2 652 outlets in TFG Africa, which constitute 69,7% of Group turnover. These outlets are leased on longer-term contracts with an average period of five years.

TFG London and TFG Australia

Warehousing and distribution for TFG London and TFG Australia is based on an outsourced model.

Manufacturing for TFG London and TFG Australia is performed by an established long-term global supply base.

Merchandising, such as visual elements and displays, is executed through brand teams, with promotions determined by a team consisting of planners, buyers and marketers.

The Group has 935 outlets in TFG London and 447 in TFG Australia, which constitutes 13,2% and 10,6% of Group turnover respectively. TFG London outlets consist of stores and concessions, with stores leased on contract with an average period of three years. Concessions are arrangements with key department store partners from whom the Group occupies an agreed floor space area (referred to as "mat") dedicated to our product. TFG Australia's outlets are leased with an average period of five years.

Key inputs

- Property, plant and equipment
- Outlets
- Distribution centres
- Factories
- Logistics infrastructure

INTANGIBLE AND INTELLECTUAL RESOURCES

These resources enable us to develop, continuously improve and effectively manage and govern our product or service offerings. It includes innovation across all our trading and service divisions to ensure a brand-appropriate customer experience is realised.

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

- broad retail experience;
- continued expansion of footprint;
- strong operational support; and
- market-leading store design capabilities.

Examples of our intangible resources, which constitute our competitive capabilities, include:

Our buying process and quick response model: We have an established process for selecting fabrics and ensuring that stock purchases are planned in accordance with the projected levels of turnover. A portion of the required stock is procured upfront from local suppliers and through imports. The balance of required stock is procured through the use of replenishment and quick response models and processes (mainly local procurement), based on actual trading patterns and sales trends. In-house manufacturing increases the quick response capabilities for TFG Africa. TFG London and TFG Australia procure their own stock based on a similar methodology with the exception of replenishment. TFG London has an open-to-buy policy which allows for flexibility and freedom within season.

Our design process: Our in-house design capability ensures that we are able to develop signature styles per brand and adapt our offering according to developing trends.

Our brand portfolio: Our portfolio of 28 leading fashion lifestyle retail brands across various lifestyle and merchandise categories is a key resource, further enhanced by our online trading capability.

Our customer rewards programme: TFG Africa offers TFG Rewards, which provides customers the ability to be rewarded, across 20 TFG Africa retail brands, with a single card and customer profile. It is a rewards programme intended to suit every lifestyle and life stage. All account holders are automatically registered on the programme, while cash customers may choose to register.

Our e-commerce site: TFG Africa offers customers the opportunity to shop across multiple brands on a single website, with one checkout, and the option to pay either via credit card (Visa and Mastercard), EFT (i-Pay), SnapScan, TFG eGift card or their TFG account card. We also provide our customers with multiple delivery options according to their preference:

- Courier delivery at their preferred location;
- A free Collect-in-Store option; or
- Pargo pick-up which enables customers to conveniently collect their parcel at any one of over 400 local pick-up points.

The Group also offers a customer review service across all TFG Africa e-commerce brands that allows customers to add their own reviews, images, videos and selfies to our product pages.

E-commerce constituted 6,5% of Group turnover for the 2018 financial year.

Our governance structures: The Supervisory Board is ultimately accountable for the strategy, direction, leadership, governance and performance of the Group. The Supervisory Board also has oversight of the development and approval of, and updates made on, TFG's vision, mission and value statements, significant policies and goals related to economic, environmental and social impacts.

CASE STUDY

INNOVATION

The new format Customer Experience Lab (CX Lab) was launched this year, showcasing nine different solutions or technologies that create innovative customer experiences. Of the solutions reviewed by the business, six have been approved as the business cases have indicated a solid return on the projected investments. Infotec, our IT division, annually visits strategic partners' innovation labs, to review technologies that support the Group's strategy.

HUMAN CAPITAL

Human capital constitutes the skills and experience vested in our employees that enable us to implement our strategy and deliver our products and services. Leadership is one of our four strategic pillars while attracting, retaining and developing key talent is also one of our material matters, and employees one of our material stakeholder groups.

Recruitment: To reduce the time and cost associated with recruitment, we implemented the talent acquisition solution used by head office functions, for store operations this year. Nine hundred and sixty-four South African retail store employees were placed via our high-volume assessment centre. At TFG London, an applicant tracking system was launched to improve speed of recruitment for stores.

Due to low unemployment levels, the recruitment of key talent continues to be extremely competitive for TFG London. We have the opportunity to leverage talent and career opportunities across our three United Kingdom brands, but recognise that Brexit may have an impact on talent acquisition – particularly of our customer-facing and distribution centre employees – as recruitment of individuals from outside of the United Kingdom becomes more onerous.

Attracting new employees with the necessary skills in business analytics, IT and apparel production management remains challenging throughout the Group. We are also focusing on implementing initiatives to improve the recruitment and development of people with various disabilities.

We do biannual talent planning across TFG Africa to ensure that we have a pipeline of retail and specialist skills.

Development: Our development programmes focus on technical competence as well as leadership development. During the year, TFG received accreditation status as a training provider for retail qualifications in South Africa. The TFG Retail Academy, launched in 2016, provided development opportunities for 404 employees. Thirty factory employees completed the sewing machinist programme with an NQF level 2 qualification.

The Academy enables us to achieve B-BBEE skills development targets at lower costs than using outsourced service providers.

A Retail Executive Programme, in partnership with Duke Corporate Education, was run successfully for a number of senior executives and as a result, four new business projects were proposed and accepted for implementation.

Four bursary recipients who graduated in 2017 were placed in pipeline positions across the Group while 71 store managers completed their accredited generic management qualification and 32 managers graduated from the University of Stellenbosch.

We plan to improve performance against our B-BBEE skills development targets for South Africa, with particular attention to rolling out more skills development programmes for customer-facing employees. We are also aiming to enhance technology-facilitated learning and communication platforms for African operations.

Transformation: The South African specific imperative for TFG Africa is to ensure that we attract and retain employment equity candidates.

Our Youth Opportunity team in South Africa facilitates valuable work experience across many different disciplines within the retail cycle. For the current financial, year we managed to achieve our absorption target of 70% with a strong focus on transformation. Local communities in which we operate are becoming more vocal regarding job opportunities, requiring a different approach to engagement with communities and job creation.

While we are seeing an improvement, we require more focus on senior management transformation in line with our B-BBEE and employment equity targets. We want to make a progressive shift in transformation of our middle and senior managers.

Engagement and industrial relations: We encourage employees to share ideas that could increase turnover and reduce costs as well as voice views regarding culture and leadership. A “Voice of Employee” (VoE) platform was launched for all employees in African operations during 2017. Regular employee engagement through feedback and idea submissions ensure we remain in tune with our people.

We will continue to market the platform and communicate ideas implemented to ensure a consistent stream of ideas and feedback. We also plan to measure continued engagement levels of employees in African operations going forward.

During the year, we decided that employee communication and employee training tools need to be mobile-friendly for wider access to all employees, particularly customer-facing employees.

Employees at our South African head office, manufacturing factories and distribution centres are able to participate in focused wellness days presented in partnership with Old Mutual, Incon, Discovery Health and Octogen. Store-based employees in South Africa, Namibia and Botswana are able to participate in wellness days organised in a number of shopping centres through collaboration with Retailers Unite.

We continue to enjoy low unionisation levels in South Africa. In the other African countries where we operate, we have recognition agreements with a union in both Zambia and Lesotho and enjoy a cordial relationship with both. In Namibia, we have recently implemented a consultative forum with employee representatives.

No time was lost due to industrial action for the reporting period.

We recognise that high unemployment rates and wage gaps in South Africa could impact union discussions and engagements with communities.

Performance management and rewards: Our high-performing teams are evaluated by way of a robust performance management system including key performance indicators (KPIs) linked directly to our Supervisory Board-approved strategy. Performance scores for senior executives are calibrated at Supervisory Board level.

For international operations, all minimum benefits as required by legislation are applied. Harmonisation of benefits and terms and conditions across our United Kingdom operations has commenced. We also ensure that all employees in non-South African countries are receiving market-related benefits.

In South Africa, additional benefits have been introduced for flexitime employees in line with legislative requirements. During the year, we also implemented a more user-friendly HR Connect system, allowing self-service functionality for managers and employees (including access to online payslips and online leave authorisation).

At TFG London, the consolidation of Group structures across our three brands has commenced with planned productivity and efficiency gains. Brexit created much uncertainty for business and employees and was exacerbated by a number of significant legislative changes which introduced additional cost and requires further work force management focus.

Read more about our employees under relationships and society further in this section.

Key inputs

- TFG's skilled and experienced employees
- Internal bursaries granted to employees
- Internship and learnership opportunities provided by TFG Africa in retail and manufacturing
- Students hosted for vacation work experience

CASE STUDY

SOCIAL VALUE CREATED THROUGH HUMAN CAPITAL DEVELOPMENT

Four TFG employees who participated in the TFG Retail Academy this year shared their experiences on the personal and career value they gained:

Sherwin Temmers
The pillars of the TFG Retail Academy – Learn, Grow and now Achieve – have significantly improved my leadership skills and had a positive impact on my life. I have learnt so much throughout this incredible journey, culminating in a much sought-after promotion to the role of Senior Store Manager for Sportscene Promenade. I have been motivated by my passion for delivering exceptional customer experience and working with incredible people. TFG has changed my life; my life would have not turned out the same if TFG did not see the potential in me.

Melina Jackson
The TFG Retail Academy has had a profound impact on me in an exceptionally positive manner. It has given me the guidance I required on how to achieve my key objectives at work. I feel the TFG Retail Academy has given me the knowledge to manage the difficulties I face as a Manager in the retail environment. I feel better equipped to deal with everyday concerns and able to manage things better as the learning I have received has guided and supported me throughout. For me, the future looks brighter than ever before.

Imraan Williams
The knowledge I gained has given me the tools to reduce my store shrinkage and increase profit in my store. It has also demonstrated the importance of employee development. The programme illustrates TFG's investment in my growth and development. I feel I have accomplished so much just because TFG has taken the time to invest in me personally. I am only 23 years old and already I am a store manager. Going forward, there is still much more I can accomplish during my career with TFG.

Morgan Gcwabaza
I applaud TFG for providing me with the opportunity to gain a formal qualification. The information given and provided was structured very well. It enabled me to practically implement the knowledge and skills taught to me. My line manager could see a positive change in my performance after returning from training. I would recommend this programme to all TFG employees. I have thoroughly enjoyed this journey and would love to continue learning. My personal circumstances have improved and I am in a better position to financially care for my three-year old daughter due to my promotion. I love TFG – it is a good company to work for.

RELATIONSHIPS AND SOCIETY

Our stakeholder engagement approach directs the relationships that enable us to create value within our broader context. As a responsible corporate citizen, we invest in these relationships as a way to create shared value.

Our Supervisory Board is the ultimate custodian of the corporate reputation of TFG and its relationships with stakeholders.

Our stakeholder engagement approach aims to create partnerships with a strong focus on public/private sector collaboration. Our ability to succeed as a business is based, *inter alia*, on 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 contribute towards improving the lives of our customers while enhancing our supply chain. Engagement with our stakeholders provides valuable input into what TFG considers as material. We believe that continued engagement with our stakeholders will ensure that we remain a competitive, sustainable business.

Our engagement with key stakeholders is summarised below:

Customers

Our customers are a strategic priority, as they provide our income through the sales of our products and services. We aim to offer them a diverse range of fashion, lifestyle and homeware offerings through brand experiences that encompass their channel of preference.

We engage with our customers through our call centre, digital media, online and in-store experiences as well as through focus groups and surveys. Customers most frequently raise specific issues relating to in-store experiences or credit queries. They also engage with us regarding merchandise and fashion trends.

Customers form part of communities, which we support through our extensive social investment projects and, in South Africa, through our supplier and enterprise development programmes.

Shareholders

Shareholders, as our major source of capital, require sustainable growth. We meet their expectations through consistent performance delivery and dividend payments, and by implementing a strategy that creates shared value and ensures sustainability. We engage with shareholders through presentations, roadshows and meetings where we receive feedback and discuss their matters of interest.

Employees

We engage with our 27 825 employees daily to facilitate employee empowerment (one of our sustainability focus areas) by driving transformation, leadership and skills development, and promoting a sustainable employee pipeline through learnerships, bursaries and workplace experiences. We invest in people through training and skills development, technology upgrades, market research and brand support, and by opening new outlets.

Read more about our people and our various employee-focused initiatives on page 43 and about remuneration in the Remuneration Committee report on page 112.

Employee engagement focus areas include communication about training and development, human resource policies, remuneration and performance management. We also engage with our employees through our VoE platform, encouraging employees to share ideas that could enhance profitability and allowing them the opportunity to voice their views regarding the Group's culture and leadership.

As per our Leadership strategic pillar, we are committed to embedding a performance-based culture that attracts, retains and develops the best talent in the industry.

Suppliers

TFG's suppliers consist of merchandise suppliers and non-merchandise suppliers, including service providers, landlords and concession partners. Partnerships with our suppliers are key in ensuring that we deliver merchandise of high standards, at the right price, in locations convenient to our customers.

TFG's primary sustainability focus is on local supply chain development. This enables economic empowerment, job creation and socio-economic improvement, and also supplies us with a sustainable source of quality merchandise.

Through supplier take-on procedures and audits, and international supplier societal audits, we ensure that we source ethically and that suppliers are able to invest over the long term.

A formal process is in place to evaluate existing and potential suppliers and monitor supplier performance. This process includes supplier visits and supplier audits to ensure adherence to our code of business principles.

Further information on our local supply chain development and ethical sourcing can be found in our sustainability overview report on our website as well as in our Social and Ethics Committee report on page 102 of this report.

RELATIONSHIPS AND SOCIETY (continued)

Governments, legislators and regulators

Government requires businesses to participate in growing the economy, to create jobs and to comply with all relevant and material laws. We engage with government through business and industry associations such as Business Leadership South Africa, as well as the Retail Association and the National Clothing Retail Federation of South Africa. We also provide verbal and written submissions on proposed legislative changes and attend meetings at Parliament.

Non-profit organisations and communities

We have a responsibility to contribute to the societies in which we operate, which we fulfil through the creation of shared value from our business activities, through the education and empowerment of communities and through disaster relief as required. Further information on our CSI projects can be found in our sustainability overview report on our website.

Key input

- Corporate social investment spend

NATURAL RESOURCES

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

Read more in the online sustainability overview report.

CASE STUDY

TFG SEW GOOD

In 2015 TFG launched the Sew Good Project and over the past three years it has grown significantly while maintaining its impact. This is the story of how a simple blanket changed the lives of more than 80 000 people in different ways.

Core business and existing resources

The TFG Prestige factories in Maitland and Caledon create quality products for some of the TFG brands and were identified as a platform to launch Sew Good.

"At TFG, Shared Value is not just a buzzword, it's part of our business strategy. Investing in local production was something the business was already doing and so we considered ways to combine this business function to positively impact local communities," says Mymoena Mooradd, CSI manager at TFG.

Creating opportunity through skills transfer

Every year, 120 women are trained to make the blankets and in 2018 the range extended to include baby blankets, beanies and hooded tops for children from the off-cut fabric to decrease waste. To date more than 350 women have been trained to create these items, providing them with valuable skills.

Sew Good warms up the community

All the items in the Sew Good range are donated to those in need across the country. Mooradd and her team have partnered with Gift of the Givers who assist with distribution to those most in need, which included the victims of the Knysna fire and the Gauteng storms in 2017. To date, over 80 000 blankets have been distributed and this year the project reaches its first milestone. "This year we'll officially make and distribute our 100 000th blanket and we're proud of the work our employees are doing," concludes Mooradd.

TFG's Sew Good Project forms part of its overall CSI strategy, #Educate2Empower, by upskilling Prestige employees in order to educate and empower them.

CASE STUDY

WATER

The Western Cape province in South Africa, and in particular the City of Cape Town where TFG's head office campus is located, is currently experiencing one of the worst droughts since 1933. Every corporate organisation and every citizen has a responsibility to conserve and protect our scarce water resource to ensure sustainability of our water resources. During the past year, TFG invested in excess of R5 million in the following initiatives to save water:

- Waterwise plants were planted at our head office campus, factories and distribution centres.
- Boreholes, purification plants, wellpoints and back-up water tanks have been installed, while remaining ASIB (The Automatic Sprinkler Inspection Bureau) compliant.
- Hand sanitizers were placed in bathrooms to replace soap and the majority of bathroom tap water were turned off to limit handbasin usage.
- Water collection containers were placed in our canteens for waste water.
- On-campus car wash services were discontinued.
- Posters and other communication drives remind employees to save water and provide Day Zero updates and tips for water saving.

Our continued efforts resulted in a saving in the Group's water consumption in excess of 25% compared to the prior financial year.

Where possible, we will look to implement the above initiatives countrywide in South Africa across our various locations as part of our philosophy to operate sustainably.

VALUE CREATED DURING THE YEAR

The outcome of our business activities include the internal and external consequences for our stakeholders and our resources, acknowledging that these can be positive or negative, and collectively result in the value that we create over time. The outputs and outcomes that created value during the past year for our stakeholders are summarised below.

FINANCIAL CAPITAL

	MARCH 2018	MARCH 2017	% CHANGE
Total equity	**R13,3 billion**	R10,5 billion	26,2
Group gearing (total debt to equity)	**61,4%**	65,3%	
Free cash flow	**R1,9 billion**	R1,3 billion	44,8
Earnings attributable to equity holders of TFG	**R2,4 billion**	R2,3 billion	3,5
Dividend declared per share	**745 cents**	720 cents	3,5
Headline earnings per share (excluding acquisition costs)	**1 136,5 cents**	1 099,2 cents	3,4
Value added	**R9,4 billion**	R8,1 billion	16,7

Overall value for shareholders increased during the year as evident above.

Further information is provided in the Chief Financial Officer's report on page 66 while the detailed value-added statement is provided in appendix 6 on page 163.

PHYSICAL FOOTPRINT AND INFRASTRUCTURE

	MARCH 2018	MARCH 2017	% CHANGE
Capital expenditure	**R896,6 million**	R883,5 million	1,5
Group footprint – number of outlets	**4 034**	3 328	
Net space growth in TFG Africa outlets*	**3,5%**	4,4%	
New space growth in TFG Africa outlets*	**4,9%**	5,7%	
Closed space growth in TFG Africa outlets*	**2,3%**	1,6%	
E-commerce – brands available to customers for online selling	**20 of 28 brands**	10 of 22 brands	

TFG's increased number of outlets now provides customers the opportunity to shop conveniently in more locations. Net space growth for TFG Africa was lower due to a focus on profitability per square meter, in line with our capital allocation model, and an increased digital presence, in line with our Growth strategic pillar.

The Group increased its manufacturing capacity following the opening of our Caledon factory in the prior year.

Further information is provided in our online sustainability overview report.

INTANGIBLE AND INTELLECTUAL RESOURCES

	MARCH 2018	MARCH 2017	% CHANGE
Quick response manufacturing*	**3,6 million units**	2,4 million units	50,0
Intangible assets	**R7,7 billion**	R4,7 billion	64,0
Number of TFG Rewards customers*	**12,3 million**	10,3 million	
TFG brands	**28**	22	

TFG created increased value for customers through a more diversified offering supported by an optimised manufacturing capability which ensures in-season replenishment.

More customers joined the TFG Rewards programme earning increased benefits.

* *Relates to TFG Africa only*

HUMAN CAPITAL

	MARCH 2018	MARCH 2017
Total number of employees	**27 825**	23 470
Internal bursaries granted*	**25**	11
Internship opportunities in retail and manufacturing operations*	**154**	148
Learnership opportunities in retail operations and factories*	**1 019**	446
Number of training interventions during the year	**132 166**	126 806
Staff turnover – total (excluding contractors)	**35,1%**	37,8%
Employment equity % representation of previously disadvantaged groups among permanent employees (South Africa only)*	**93,9%**	93,2%

TFG increases human capital by providing stable employment and a supportive work environment. Employees benefit from increased investment in employee training and development which results in career path opportunities. More unemployed and inexperienced people are absorbed into the TFG talent pipeline through internships and learnerships creating more employable people within our community.

Staff turnover was lower, indicating a workforce that is well remunerated, supported and developed.

Further information on the Group's reward and recognition is provided in the Remuneration Committee report on page 112.

RELATIONSHIPS AND SOCIETY

	MARCH 2018	MARCH 2017	% CHANGE
Taxation paid to governments	**R2,0 billion**	R1,5 billion	35,3
CSI spend*	**R21,5 million**	R25,2 million	(14,7)
B-BBEE status*	**7**	7	

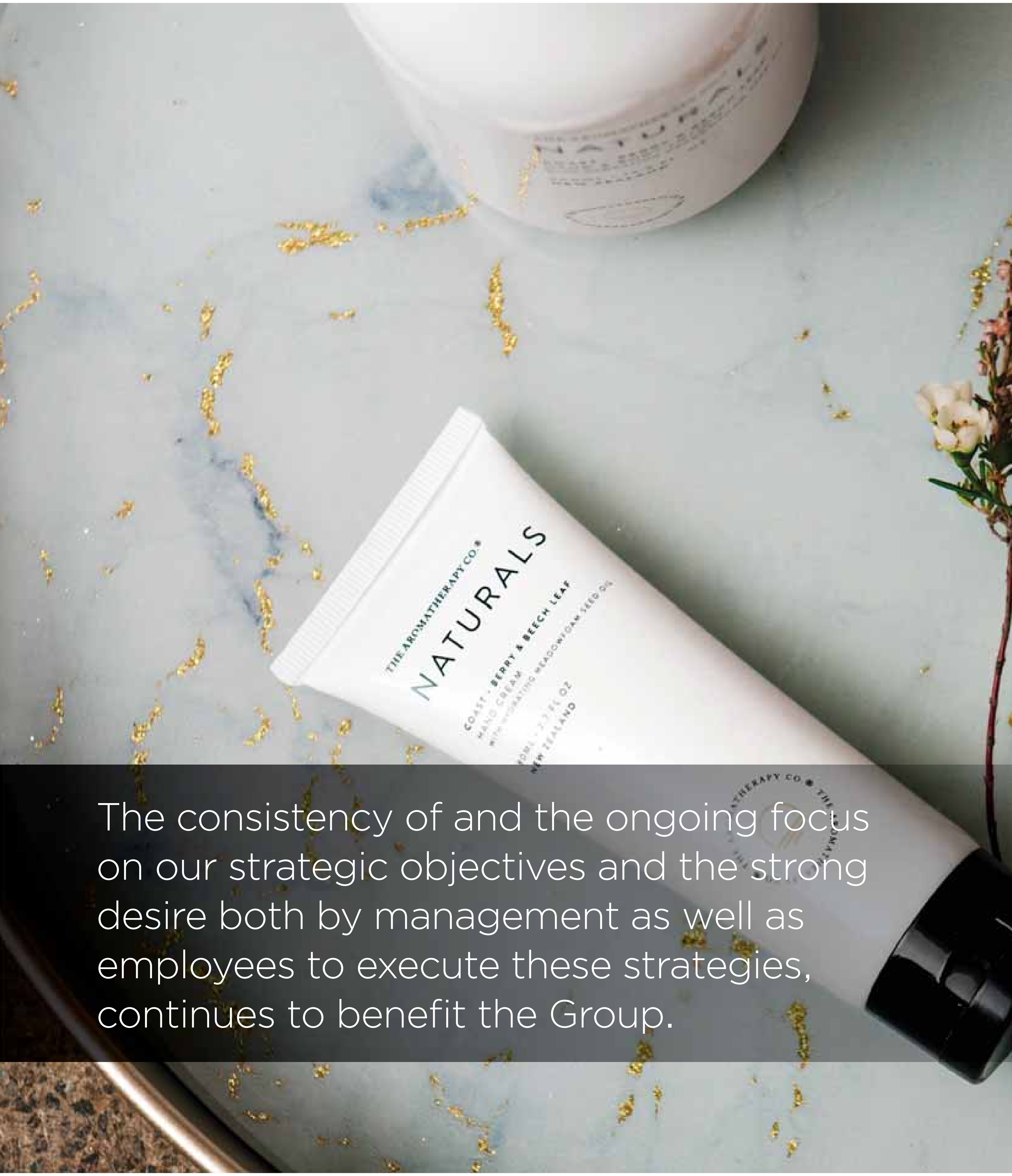
TFG increased relationship and society capital by supporting local communities and empowerment. Read more on our TFG Sew Good programme on page 46. The Group's governance and values ensure that we create an ethical culture, deliver good performance, promote effective control and earn legitimacy through our engagement with all stakeholders.

NATURAL RESOURCES

	MARCH 2018	MARCH 2017	% CHANGE
Carbon emission intensity – total CO_2E metric tonnes*	**237 919**	231 083	3,0
Water consumption (kilolitres)*	**44 988**	60 626	(25,8)

Natural resources are precious and limited. As these resources decline, it becomes increasingly important to use these resources responsibly to ensure its sustainability, but also to limit the cost thereof to business. Our overall impact to natural capital is not fully replenished. The Group however limit its impact by monitoring its use, optimising its efficiencies to ensure we use the resources responsibly and that we continue to be a sustainable business. Read more on our water-saving initiatives on page 47 and on our responsible resource initiatives in our online sustainability overview report.

* *Relates to TFG Africa only*



The consistency of and the ongoing focus on our strategic objectives and the strong desire both by management as well as employees to execute these strategies, continues to benefit the Group.

OUR STRATEGY AND PERFORMANCE REVIEW

CHIEF EXECUTIVE OFFICER'S REPORT

DOUG MURRAY

I am pleased to present my 11th and last report as Chief Executive Officer of TFG. After 33 years with the Group, I will step down as CEO at our AGM on 3 September 2018 and retire from the Group at the end of September 2018. I do, however, look forward to continuing to be involved in the Group, initially as a consultant through to September 2019 and thereafter as a non-executive director.

The 2018 financial year marked a very challenging trading environment, with political and economic uncertainty clouding both the South African as well United Kingdom economies, two of the three major economies in which we trade. High unemployment and low GDP growth continued to constrain South Africa's growth while the country remained politically unsettled for the majority of the year with corruption continuing to negatively impact business and consumer confidence.

While we are encouraged by the recent political events which are positive for the country, we acknowledge that the economic fundamentals of a country do not change overnight and continued effort is required both by government as well as business to restore the country's economy.

Against the backdrop of these challenging trading circumstances, we are pleased with the good results produced by the Group for the year, which come on the back of several years of good turnover and earnings growth. The salient features of the year are highlighted on page 53, with further detailed information on our financial performance provided in our Chief Financial Officer's report on page 66.

SIGNIFICANT CHANGES DURING THE YEAR

The following significant changes occurred within the Group during the year:

- As was announced on SENS on 25 May 2017, with a further update on 14 July 2017, the Group acquired, through a wholly owned subsidiary, the entire issued ordinary and preference share capital of Retail Apparel Group (RAG). The effective date of the acquisition was 24 July 2017 and as a result, eight months' trading of RAG has been included in the Group's 2018 performance.
- A R2,5 billion accelerated bookbuild was successfully launched on 31 July 2017 to fund the acquisition of RAG. As a result, 17 241 380 ordinary shares were issued at R145 per share, a 0,9% premium to the 30-day VWAP of R143,68 as at the close of trade on 31 July 2017.
- In addition, and as was announced on SENS on 7 November 2017, the Group acquired, through its United Kingdom subsidiary TFG Brands (London) Limited, the entire issued share capital of Hobbs. The effective date of the acquisition was 25 November 2017 and four months' trading of Hobbs has been included in the Group's 2018 performance.
- The Group accelerated the put/call arrangement to acquire the remaining c.15% shareholding owned by management in TFG Brands (London) Limited. The transaction was effective 15 December 2017.

SALIENT FEATURES

R28,6 billion

GROUP TURNOVER

+9,6%

GROWTH IN HEADLINE EARNINGS EXCLUDING ACQUISITION COSTS

+3,4% to 1 136,5 cents

HEPS (EXCLUDING ACQUISITION COSTS)

+5,0% to 420,0 cents

FINAL DIVIDEND PER SHARE

+3,5% to 745,0 cents

TOTAL DIVIDEND PER SHARE

R223,75

SHARE PRICE AT 31 MARCH
(March 2017: R154,49)

20,67

PRICE EARNINGS RATIO AT 31 MARCH
(March 2017: 13,94)

R52,9 billion

MARKET CAPITALISATION AT 31 MARCH
(March 2017: R33,9 billion)

STRATEGIC DEVELOPMENTS DURING THE YEAR

The consistency of and the ongoing focus on our strategic objectives and the strong desire both by management as well as employees to execute these strategies, continues to benefit the Group.

The key highlights of our strategic performance during the past financial year were the following:

CUSTOMER

- The Group's continued investment in analytics created further opportunities to improve our customer experience and customer engagement levels.
- Our customers were provided with additional online brand offerings as we continued the e-commerce roll-out during the year.
- Our loyalty programme, TFG Rewards, was further entrenched with both our existing customers and new customers acquired during the year.
- The Group's Voice of Customer (VoC) programme was expanded to include all TFG Africa's brands.

LEADERSHIP

- The succession for the Chief Executive Officer position was finalised in March 2018 with the appointment of Anthony Thunström, our current Chief Financial Officer, as CEO Designate.
- The process to recruit a new Chief Financial Officer is currently well advanced.
- The Group received accreditation status as a training provider offering a retail qualification for customer-facing employees.
- Our Voice of Employee (VoE) platform was introduced during the year, encouraging employees to freely share their ideas and feedback for business improvement.

PROFIT

- Gross margin was expanded in TFG Africa as well as in the Group despite tough trading conditions.
- The Group's free cash flow significantly improved coming off a high base in the previous year.
- Quick response units within TFG Manufacturing grew by 50% to 3,6 million units for the year.

GROWTH

- The acquisition of RAG enabled the Group to establish an Australian TFG platform.
- The iconic British brand Hobbs was acquired, complementing the current brands in the Group's TFG London platform.
- An additional four brands launched their online selling during the year, bringing the total number of brands available online to our customers throughout the Group to 20.
- Trading space within TFG Africa grew by 3,5% net (4,9% new) during the year.
- The Group now trades through 4 034 outlets in 32 countries across five continents.

The strategic achievements listed above cannot be achieved without good communication throughout the business, quality management teams and quality employees executing the strategy. A key enabler and focus area for the Group going forward will be continued investment in digital transformation, to ensure that the Group is well positioned to continue to deliver on its strategic pillars and objectives.

PERFORMANCE REVIEW TFG AFRICA

TFG Africa had pleasing turnover growth during the year in a difficult trading environment. We are particularly satisfied with the performance of clothing, growing at 9,4% for the year on the back of 8,6% turnover growth in the previous year. Overall, TFG Africa achieved turnover growth of 6,3% for the year with same store turnover growth of 2,2%.

Gross margin also improved to 47,8% from 46,4% at March 2017, a good performance in a deflationary product price environment and in a market categorised by high levels of discounting.

PERFORMANCE REVIEW TFG LONDON

As has been well publicised, retail trading conditions in the United Kingdom have been extremely tough against a background of difficult Brexit negotiations and constrained economic growth. Against this backdrop, we consider the performance of TFG London to be satisfactory.

Encouragingly, our online turnover continued to grow at a fast pace, enabling us to largely offset the declining footfall in standalone outlets. The ongoing implementation of Phase Eight's business model into Whistles, underpinned their continuing positive turnaround while the acquisition of Hobbs in November last year has now created a substantial retail platform for TFG London.

The focus going forward will be on creating a shared service structure, similar to that of TFG Africa and TFG Australia, and the continued implementation of the business model into Whistles and Hobbs.

PERFORMANCE REVIEW TFG AUSTRALIA

We were delighted to acquire RAG during the year which we believe is a quality asset with a quality management team. Despite the perceived negativity around Australian retail, RAG produced a good result for the year with consistent strong growth, ahead of our expectation and ahead of peer groups.

The transition of the business into TFG has gone well and we are confident about the future growth prospects of the five brands: Connor, Johnny Bigg, Rockwear, Tarocash and yd.

Furthermore, we are excited that we will be testing one of our TFG Africa brands in Australia later this year.

SUSTAINABILITY

We continued to position our sustainability strategy in the shared value space, with a strong focus on supply chain development. This enables us to focus on the creation of shared value – in both financial and social terms – within our core supply chain operations.

Our strategy is underpinned by four pillars:

- Local Supply Chain Development
- Environment Efficiency
- Accountability, Ethics and Governance
- Drive Empowerment

The links between our business strategy and sustainability strategy are highlighted on page 57 of this report. Further information on our sustainability initiatives, progress and approach can be found in our sustainability overview report, which is available on our website.

RISK OVERVIEW

The most significant risks to the Group, identified in the 2018 report, are similar to those identified in previous years and are listed in the Risk Committee report on page 110. The following risks increased in significance during the year:

- Threat of cyber attacks: Globally, the risk related to IT environments continues to increase with the introduction of further legislation, threat of cyber attacks and the increased reliance on technology. TFG continues to invest in and improve IT processes, providing regular updates to the Operating Board and Risk Committee.
- The change in the VAT rate and the limited transitional period: The increase in the VAT rate was identified as a significant risk to TFG Africa. The risk was successfully reduced through establishing dedicated project teams to handle the transition.

Managing the risk of fashion and ensuring the desirability of merchandise remain key risks for all retailers.
The Group's buying processes, in-house design and manufacturing capability, and focus on quick response and replenishment, are key differentiators in the mitigation of these risks.

Further information on our risks, risk methodologies and combined assurance process can be found in our Risk Committee report on page 106.

OUR PEOPLE

A key strength and differentiator for TFG remains our culture and our people. We recognise the talent and commitment of our more than 27 800 employees without whom the Group's performance this year would not have been possible.

We continue to invest in the development of our people through training, both externally as well as through our TFG Retail Academy, in order to develop the appropriate skills at every level of employment within the Group.

Employment equity and transformation remain key focus areas for TFG Africa with 93,9% of our South African employees, as at March 2018, being from designated groups.

OUTLOOK

We remain cautiously optimistic around the outlook for South Africa given the inauguration of President Ramaphosa in February 2018. While the recent court ruling with regard to the Affordability Regulations signals an improved outlook for the credit environment within South Africa, caution is required regarding future regulatory developments in this sector.

In the United Kingdom, the uncertainty relating to the outcome of Brexit negotiations remains and this, among other factors, continues to impact consumer and business confidence. Through the consolidation of the back office functions of the respective brands in the United Kingdom, and the continued implementation of Phase Eight's business model into Whistles and Hobbs, the Group will continue to build the TFG London platform to enable sustainable profitability.

The Group's TFG Australia platform will be strengthened through the continued store roll-out of existing TFG Australia brands, as well as through the test launch of a TFG Africa brand in October 2018.

Our continued commitment to our strategic pillars of Customer, Leadership, Profit and Growth together with our diversification across cash and credit turnover, our portfolio of brands, geographies and sales channels, will support the Group's future resilience and success. In particular, our focus on existing strategic initiatives – superior customer experiences, cost control, working capital management and capital optimisation – will continue in the year ahead. A key driver and focus for the Group will be our ongoing investment in digital transformation. This will ensure that we are able to provide a complete retail experience for our customers according to their preferred channel, while delivering quality product.

I am delighted to hand over the CEO reigns to Anthony Thunström, our current CFO. It is gratifying that an appointment of this importance and stature has come from within the Group given our focus on executive development. He is an extremely capable leader and inherits outstanding management teams in Africa, London and Australia. I believe the Group is well positioned to achieve continued growth well into the future in the ever-changing retail environment.

APPRECIATION

In concluding my final CEO report, I would like to record my sincere appreciation and thanks to every member of staff whom I have had the pleasure of interacting with over my 33 years with the Group and in particular the last 11 as CEO.

I would also like to thank our Chairman, Michael Lewis, for his invaluable input, wisdom and support over many years and my colleagues on the Supervisory Board for their guidance and direction.

To my colleagues on the Operating Board, a massive thank you. Together we have achieved much success over the past years, and I have no doubt this will continue under Anthony's leadership.

In addition, a heartfelt thank you to our executive and operating teams in TFG London, lead by Ben Barnett, and in TFG Australia, lead by Gary Novis, who have played a pivotal role in the ongoing diversification and success of our Group.

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

Doug Murray
Chief Executive Officer

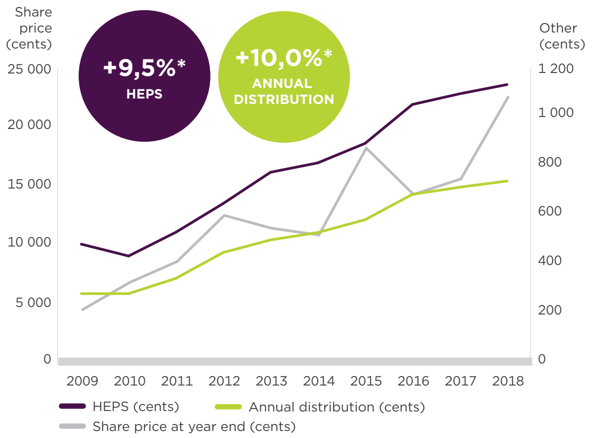
29 June 2018

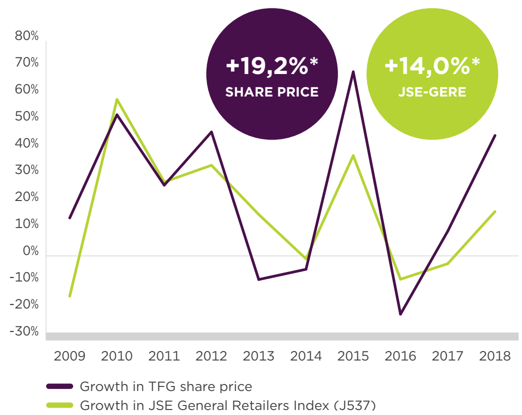
STRATEGY OVERVIEW

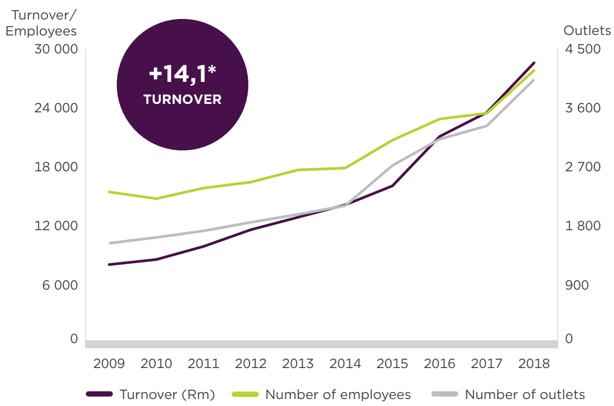
CUSTOMER	**LEADERSHIP**
GROWTH	**PROFIT**

Our strategy is informed by our vision, mission and values, as defined in the strategic snapshot on the inside front cover. We remain committed to our strategic pillars of Customer, Leadership, Profit and Growth, which have remained unchanged since our 2015 financial year.

Our 10-year key performance indicators are evidence of strategies that have been well-executed and adapted to ensure growth while creating shared value.







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

Each pillar has specific strategic objectives which were determined by the Operating Board and approved by the Supervisory Board.

A rolling, five-year strategic overview, which we refer to as our "5 Year Vision", is updated annually. This Vision includes financial targets, where relevant, against the strategic objectives and is based on current market conditions, planned initiatives and expansion plans.

The strategic pillars together with its respective objectives apply to the Group as a whole. The international expansion strategy of the Group commenced in January 2015 and the performance and strategic objectives of these business segments continue to be included within the Growth pillar. This includes TFG London and TFG Australia (refer to page 64).

HOW OUR SUSTAINABILITY STRATEGY SUPPORTS OUR BUSINESS STRATEGY

The links between our business strategy and sustainability strategy are highlighted in the diagram below. These linkages continue to be developed as we progress the elements of our strategy.

CUSTOMER

- We will build trust with our customers and other stakeholders by delivering measurable progress on social and environmental challenges.
- We will promote transparency and accountability, encouraging ethical practices across our value chain.

LEADERSHIP

- Our training programmes will develop employee potential, delivering a capable and competent pipeline of talent.
- By empowering women and black South Africans, we will enhance diversity, support transformation efforts and reduce the risk of gaps in our strategy.

GROWTH

- We will support local communities to ensure our business has a greater chance of success in the long term.
- We will respond to societal challenges that impact our operating environment by innovating to create shared value.

PROFIT

- We will develop and support local supplier, manufacturing and design capabilities to enhance quality, flexibility and speed of delivery.
- We will reduce waste and resource use by applying lean principles at TFG Manufacturing, mentoring local suppliers and changing behaviour at head office and distribution centres.

The Group's shared value sustainability strategy is underpinned by four pillars – Local Supply Chain Development, Environment Efficiency, Accountability, Ethics and Governance and Drive Empowerment. The outcomes and initiatives for each of these focus areas are indicated below:

TFG SUSTAINABILITY
FOCUS AREAS 2019 TO 2021

LOCAL SUPPLY CHAIN DEVELOPMENT	ENVIRONMENT EFFICIENCY	ACCOUNTABILITY, ETHICS AND GOVERNANCE	DRIVE EMPOWERMENT
Increase capacity, productivity and competitiveness of local design and manufacturing	**Increase efficiencies and reduce costs**	**Promote transparency, accountability and compliance**	**Empower our people and support positive social change**
OUTCOMES			
• Local economic development through increasing local fabric conversion and supply • Increased employment opportunities for local communities	• Reduction of TFG's carbon footprint • 5% reduction of our electricity consumption (kilowatts) per m² per annum • A minimum recycling of 85% of all waste • Minimum 80% of the cartons sent to stores are re-used supplier cartons • Reduction in waste to landfill	• Ethical and effective leadership • Ensuring good governance • Encouraging ethical business practice and building social trust • Effective stakeholder engagement • Increased levels of trust between TFG and key stakeholder groups	• Develop, grow and retain diverse talent to ensure the continuous supply of a capable and competent work force • Maximise our societal impact within the communities we operate in (social development) • Achievement of B-BBEE targets • Access to opportunities through skills development
INITIATIVES			
• Sourcing with integrity • South Africa B-BBEE Enterprise Development and Supplier Development	• Carbon footprint reporting • Energy efficiency initiatives • Water management • Waste management	• Continuous enforcement and refinement of policies, procedures and governance structures • Embracing King IV™ principles	• TFG Retail Academy • Youth opportunities created • Educate2Empower

CUSTOMER

Objectives

- We will deliver superior customer experiences across our retail brands.
- We will grow our customer base through an appropriately targeted customer acquisition strategy.
- We will leverage data science to improve our customer experience and engagement across all our retail brands.

Our customer context

- Through our 28 fashion-forward brands trading out of 4 034 outlets in 32 countries globally, we offer our customers clothing (men, ladies and kids), jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel, and homeware and furniture.
- 20 of our brands are available to our customers online.
- Our loyalty programme for TFG Africa customers, TFG Rewards, has over 12,3 million cash and credit customers.
- TFG Rewards provides our customers with the ability to be rewarded, with only one card and customer profile, across 20 TFG Africa retail brands – a rewards programme intended to suit every lifestyle and life stage.
- Our customer base spans markets from value to upper market.
- We have a cash to credit turnover ratio of 66:34.
- We offer credit to our customers in South Africa, Namibia, Botswana, Lesotho and Swaziland/Eswatini.
- We have a full in-house credit management capability for our TFG Africa customers supported by a 1 500 seat call centre.

Review of the year

- During the year, the Group's Voice of Customer (VoC) tool grew to include more brands and territories, with VoC surveys launched in Namibia and Zambia and eight additional brands added to the platform. All TFG Africa's brands now use VoC to listen to their customers' point of view on a daily basis.
- Following on from VoC, we have successfully implemented Voice of Employee (VoE) during the past year. Employee ideas are escalated to senior management meetings for implementation consideration. The need to cultivate customer obsession among employees is now recognised as a key to delivering a great customer experience. Read more on page 43.
- Customer obsession has been cultivated within the Group through workshops to ensure and enhance our customers' experience. "Delivering superior customer experience" is now embedded in the strategic objectives of all TFG Africa brands during the year.
- More than 800 store managers, area managers and sales assistants have gone through our TFG Retail Academy which focuses on delivering a good customer journey. Read more on page 43.
- Customer conversion measurements are being rolled out by the Group per area and brand. Foot traffic counters have been installed in over 400 stores to date.
- Customer acquisition was added during the year as a new objective within the Customer strategic pillar. This is to ensure there is a joined-up strategy across both the cash and credit rewards acquisition channels.
- As indicated last year, the Group focused on and invested in a Group Analytics division that uses data science to identify opportunities to improve customer experience and customer engagement levels. Given the early success of this division, we continue to invest in both people and technology in order to deliver against these accountabilities.
- The responsibilities of the Group Analytics division have recently been extended to include the TFG Rewards (previously Rewards & More) programme, using data science to further refine and enhance the rewards offering to stay relevant to our customers.
- The conversion of ordinary cash customers to the TFG Rewards programme has resulted in a higher percentage of Group turnover being tracked at a customer level, which enhances our customer knowledge level and the relevance of our engagement strategies.

How we measure customer success

Customer	MEDIUM-TERM TARGET	MARCH 2018	MARCH 2017	MARCH 2016
TFG Rewards customers (million)	16,5	**12,3**	10,3	8,3
Rewards voucher take-up (%)	9,6	**8,2**	9,3	9,6

FOCUS AREAS INDICATED IN PRIOR YEAR REPORT

- Continued enhancement of our customer experiences and relationships through service and offering improvements based on feedback from the VoC process.
- Equal focus on the acquisition, conversion, growth and retention of our customers through targeted customer experience initiatives.
- Training and upskilling interventions for all our customer-facing employees through the TFG Retail Academy.
- Rolling out Rewards & More (now TFG Rewards) enhancements that will further improve personalisation and the digital experience, optimise processes, enhance in-store visibility, upgrade our reporting capability and drive increased cross-shopping opportunities (cross-shopping is defined as the average number of brands that a customer shops into over a 12-month period).

Risks and opportunities

- Customer feedback and the use of group analytics provide customer insights that enable the retail trading divisions to continually improve their merchandise strategies and rewards offerings, ensuring that the Group remains competitive and relevant as a lifestyle retailer.
- Consumers remain under pressure due to local and global economic challenges, which impact their purchasing power and ability to settle or open accounts.
- In South Africa, new credit legislation regarding Debt Intervention is currently being debated in Parliament – difficult to assess the impact until the final Bill is published.
- Customer experience skills development through the TFG Retail Academy will ensure that employees are competent to implement our strategic objectives.
- The use of foot traffic counters within stores will provide the ability to more efficiently optimise staffing levels, ultimately enhancing customer service and the customer's experience.
- Through our Growth strategic pillar, we continue optimising our supply chain management process, as this is critical to provide our customers with their desired merchandise at the right price and time.
- Business demand for data science initiatives is growing at a fast rate, and it is a challenge to keep up with the demand in terms of the ability to recruit and train new people as well as implement the new technologies required.
- The constant growth in digital disruption and customer's desire for instant gratification requires innovative and agile ways in delivering relevant benefits to customers through the rewards programme, while continuously improving the programme, especially as the younger customer base expands.

FUTURE FOCUS AREAS

- We will continue to look for ways to improve and enhance our customer experience and, in particular, the ease and convenience of the new account application process for new credit customers.
- New marketing channels for credit will be tried and tested during the course of the financial year in order to ensure that we remain relevant for both potential and existing customers. These campaigns will focus on the fact that customers can access 20 TFG Africa brands with just one card, underpinned by a rewards programme, and while accessing affordable credit.
- We will continue to enhance our rewards programme to deliver increased customer and business value while focusing on the acquisition, conversion, growth and retention of our customers. We will further improve personalisation and the digital experience and processes to enhance in-store visibility and engagement level.
- We will continue to broaden the coverage of VoC to listen to our customers at as many points as possible, while we continue to educate and focus on customer experience across the Group.
- We will continue to focus on a "single view of customer" which enables the integration and utilisation of all customer-related data. This information can be used to improve both customer experience and engagement.
- Delivering customer insight initiatives to the retail trading divisions will remain a key focus of the Group Analytics team for the forthcoming year. The analytical insights provided are used to further improve business strategies as well as ultimately enhance the customer experience.

LEADERSHIP

Objectives

We will embed a performance-based culture that ensures we attract, retain and develop the best talent in the industry.

Our leadership context

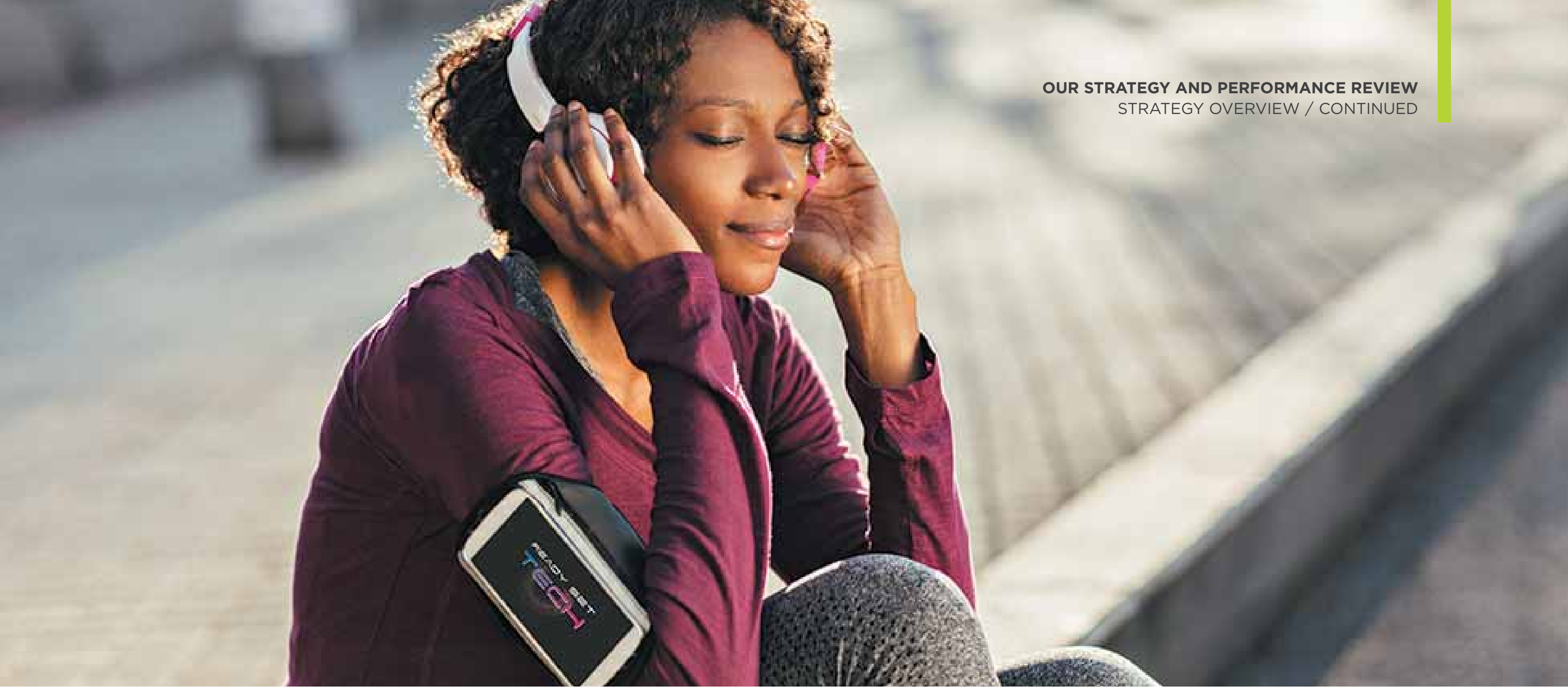
- We are committed to our values of PRIDE[2] (see inside front cover).
- We have an experienced executive management team (average of 22 years' service).
- Our unique, growing multi-brand Group structure creates career opportunities for key talent and ensures optimised succession planning.
- We nurture ongoing structured talent development and a strong performance management culture.
- We believe that the youth are the future leaders and it is our collective responsibility to train and develop them into leaders who will positively impact our future.
- Our CSI mission is to "Educate to Empower (E2E)" across educational levels – from early childhood development to post-school education. Our skills strategy is to "Educate to Employ" and supports our CSI mission.

Review of the year

- Leaders within the Group continued to focus on lean thinking and efficiency mindsets during the year by encouraging smarter working through efficient structures and by tracking employees' productivity measures.
- As the Group continues to expand, additional demands are placed on leadership teams to ensure that all opportunities are properly researched, all risks are assessed and all acquisitions are well integrated.
- A number of executives attended international development programmes and/or local business schools with international footprints as part of our ongoing leadership talent development, while the focus on ongoing talent development across the business at all levels continued.
- The succession for the Chief Executive Officer was finalised in March 2018 with the appointment of Anthony Thunström, the current Chief Financial Officer, as CEO Designate. We are delighted that an appointment of this importance and stature has come from within the Group, given our focus on executive development and succession planning. The process of appointing a new Chief Financial Officer is well advanced.
- We continue to retain key talent through appropriate recognition and reward initiatives and our unique Group culture.
- A key focus during the year has been on the reduction in "time to hire" of customer-facing employees, while the development of these employees is prioritised through enhanced training programmes and performance-based incentives.
- We continue to embed a performance culture to ensure that individual performance criteria are measured and applied as moderator in the Group annual bonus scheme incentive. Read more in the Remuneration Committee report on page 112.
- The launch of our Voice of Employee (VoE) platform gave our people the opportunity to submit ideas for business improvement as well as tell our leaders what they think about working at TFG.

FOCUS AREAS INDICATED IN PRIOR YEAR REPORT

- Our leadership capacity to ensure that any new acquisition is well integrated.
- Continued development of our customer-facing employees through the TFG Retail Academy and our merchants through the TFG Merchant Academy.
- Continued leadership capacity building.
- Continued focus on transformation and diversity.
- Implementing "Voice of Employee".



How we measure leadership success

	MEDIUM-TERM TARGET	MARCH 2018	MARCH 2017	MARCH 2016
Number of training interventions during the year	130 000 – 150 000	**132 166**	126 806	116 043
Staff turnover – total %	30,0	**35,1**	37,8	37,1
Staff turnover – permanent TFG Africa head office employees (%)	10,0 – 15,0	**4,7**	8,6	9,0
Employee equity (% representation of previously disadvantaged groups among permanent employees) – South Africa only	>90,0	**93,9**	93,2	92,3

Risks and opportunities

- The theme OPPORTUNITY identifies our unique TFG Employee Value Proposition (EVP). It relates to the opportunities created for employees across the Group, allowing them to grow and succeed in any of our retail brands or in our service divisions in an environment of support, collaboration and respect. Our unique Group structure and international footprint facilitates career options and enables succession planning, in turn mitigating recruitment and retention risk.
- The evolving complexity of the Group requires leaders to lead increasingly bigger teams, and to lead across functional and geographic boundaries.
- Retail is a large employer both in Africa and in our International business. We promote retail careers throughout the Group through brand profiling, social media, career fairs and talent search strategies, targeting both customer-facing and head office employees.
- As high unemployment in Africa continues to be challenging, we work within communities to offer learnerships for work experience and skills building.
- Labour laws in the African markets in which we operate continue to place pressure on employee costs.
- We value diversity and develop talent in a proactive way, which includes a continued focus on promoting attendance at our retail academies.

FUTURE FOCUS AREAS

- We will continue to increase our leadership capacity to ensure that any new acquisition is well integrated.
- Continued development of our customer-facing employees and merchants, facilitated by the TFG Retail Academy.
- Development of our manufacturing capability with a specific focus on our factory employees.
- A continuation of our focus on transformation and diversity.
- Linking Voice of Employee data to our Voice of Customer data for retail brands and wider communication of “Ideation” (submission of ideas and feedback).

PROFIT

Objectives

- Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response capability.
- We will optimise the flow of goods from source to customer to enhance the customer experience.
- We will enhance Return on Capital Employed (ROCE) by optimising profitability and capital management.

Our profit context

- We have market-leading in-house capabilities for store design and upgrades, apparel design and manufacturing.
- Our well-developed fabric and pattern optimisation systems support quick response capabilities to repeat "winners" in-season and implement quick interpretation of in-demand trends and fashion.
- The Group has a natural currency hedge through TFG London and TFG Australia's growing contribution.
- We protect our income streams through the diversification of our footprint across numerous economies.
- We continuously seek to optimise cost-efficiencies.
- We have a compound growth rate of 7,8% in headline earnings per share from continuing operations over five years.

Review of the year

- System changes were implemented during the year to enhance cross-docking. This enabled the Group to pre-pack 4% of total product received in our South African distribution centres during the year.
- A project has commenced to increase product visibility across the product life – current deliverables are tracking according to plan with implementation planned in a modular, phased approach.
- ROCE and ROCE levers were introduced as KPI measures and significant effort was put into working with each division on their respective targets, which are now being tracked monthly. This, along with other initiatives such as workshops and communication drives, as well as management leading by example, ensured that ROCE has been entrenched as a way of thinking in the Group. A responsible approach was, however, taken with the introduction of ROCE to avoid unintended consequences that could impact our customers' experience.
- Group procurement opportunities realised during the year resulted in savings of 38% over the prior year.
- Significant progress has been made on enhanced margin management, expense optimisation, working capital management and Group procurement initiatives during the year, but the focus on these elements will continue.
- There was a greater adoption of quick response initiatives across our retail trading divisions during the year, aided by the strong performance of quick response products within our stores. TFG Design Centre and TFG Manufacturing have continued to expand on their ability to deliver this product, while the ability of our Maitland and Caledon factories to manufacture and deliver quick response products continues to grow.
- Our quick response clearances and margins are above expectation and well above non-quick response product.
- Our focus on sourcing initiatives continued with a number of new key suppliers introduced across the Group, while we continued to expand our share of direct sourcing.

FOCUS AREAS INDICATED IN PRIOR YEAR REPORT

- Enhanced gross margins through sourcing initiatives, supplier relationships and optimisation of markdown.
- Increased focus on clearances and the prevention of stock ageing.
- TFG Design, TFG Manufacturing and TFG Merchandise Procurement initiatives to continue.
- Continued focus on expense optimisation and the elimination of waste.
- Improved focus on working capital management and the enhancement of the current capital allocation model.

How we measure profit success

Profit	MEDIUM-TERM TARGET	MARCH 2018	MARCH 2017	MARCH 2016
Number of quick response units (million)	4,0 – 5,0	**3,6**	2,4	1,9
Gross margin (%)	50,0 – 51,0	**52,5**	49,7	49,7
ROCE – TFG Africa (%)	23,0 – 25,0	**24,6**	25,3	26,8
Pre-pack units as % of product received		**4,0%**	3,2%	2,9%
Free cash flow – R million		**1 880,6**	1 298,8	644,1
Free cash flow – % of net profit		**77,2%**	55,2%	29,9%

Risks and opportunities

- An inability to expand quick response due to the reliance on a single supplier (our own factories) and the lack of access to local raw material suppliers and finishes.
- Visibility of accurate stock information will assist in replenishment processes and improve stock availability in store at a size level, resulting in an improved customer experience, additional turnover and stock control.
- Direct sourcing will improve our margins and access to appropriate product and ensure we are able to manage compliance and sustainability matters.

FUTURE FOCUS AREAS

- Continued focus on expense optimisation, elimination of waste, enhanced capital allocation and working capital management.
- We will focus on improved stock accuracy and improve the customers' experience through the introduction of radio frequency identification tags (RFID) tags. This is a complex multi-year project.

GROWTH

Objectives

- We will be the leading lifestyle retailer in Africa whilst growing our international footprint.
- We will deliver a customer-focused, digital omnichannel ecosystem.

Our growth context

- We achieved a five-year compound turnover growth rate of 17,3% and a five-year compound growth in distributions to shareholders of 8,0%.
- TFG Africa achieved a compound space growth of 5,4% over five years.
- Our TFG Africa e-commerce site offers our customers a mall-like experience with our site's unique cross-shopping functionality.
- A further four brands launched their online selling during the year, bringing the Group's total number of brands available online to 20.
- Our continued strategic international expansion creates value for our shareholders through geographic diversification, the leveraging of our existing retail experience and additional revenue and profit.

Review of the year

- The Group continued its expansion into Kenya and is now trading with four stores in two centres.
- Botswana, Lesotho and Swaziland/Eswatini traded to expectations and continue to perform well. Namibia, Zambia and Ghana were, however, under pressure and performance was muted in line with their underlying economic growth.
- A relatively small number of new stores (2018: 14; 2017: 9) were opened in African countries other than South Africa during the year, as we took a more measured approach when reviewing new locations.
- The Group successfully concluded the following international acquisitions during the year:
  - RAG, a leading speciality menswear apparel retailer in Australia, effective 24 July 2017; and
  - Hobbs, a contemporary British womenswear brand, effective 25 November 2017.

  These acquisitions have already resulted in a positive contribution to bottom line Group earnings for the year.
- With the Group's additional expansion and acquisition activities this year, TFG is now represented in 32 countries on five continents.
- Exact, @homelivingspace, SODA Bloc and Foschini launched their online selling during the year, bringing the total number of brands online to 20.
- The following innovation was implemented to enhance our customers' digital experience:
  - E-Receipts, E-Gift Card and digital payment solutions (both in-store and online).
  - A product fit guide for online sales.
  - The continued roll-out of WiFi to stores.
- Online transactions across the United Kingdom continue to grow as customers prefer this retail channel ahead of brick and mortar. TFG London's online turnover now represents 33% of their total turnover.

FOCUS AREAS INDICATED IN PRIOR YEAR REPORT

- Creating growth momentum through the international roll-out of Phase Eight, concession store roll-out for Whistles and Damsel in a Dress and e-commerce options across all United Kingdom brands.
- Continue driving strategic cost savings identified for Whistles and the implementation of its clearly defined turnaround strategy.
- Further roll-out of our brands in the TFG eMall.
- Continued focus on enhancing our customers' experience in our TFG eMall, ensuring that it is as convenient and easy as possible, while providing the luxury of choice.
- Integration of the Retail Apparel Group (RAG).

How we measure growth success

Growth	MEDIUM-TERM TARGET	MARCH 2018	MARCH 2017	MARCH 2016
Retail turnover (Rbn)	43,0	**28,6**	23,5	21,1
E-commerce turnover (Rbn)	2,6	**1,8**	1,3	0,7
Cash turnover contribution (%)	70,0	**65,9**	60,7	57,2
Number of outlets	4 761	**4 034**	3 328	3 125
Space growth TFG Africa (%)	5,0	**3,5**	4,4	6,6
TFG Africa turnover contribution to total Group turnover (%)		**70,3**	80,3	82,9

Risks and opportunities

- The volume of jurisdictions in which the Group is present and the more onerous requirements of the various regulations increases the complexity of the Group's regulatory environment.
- Further opportunity for cost optimisation and margin improvement through the centralisation of shared support services within TFG London.
- The Group is well positioned to benefit from further acquisitions, should the opportunity exist. We will, however, continue to apply our stringent acquisition criteria of a proven, profitable track record, a strong management team with a commitment to staying on to continue to grow the business, good future growth prospects and a strong position in a niche product category.
- Further expansion opportunities across sales channels and territories are explored within TFG Australia and TFG London.
- Under-performing department stores may impact some of the Group's concession outlets.

FUTURE FOCUS AREAS

- Further expansion opportunities in Botswana and Kenya are being explored in addition to exploring the launch of online selling in Namibia.
- The launch of the Group's commercialised e-commerce market place in TFG Africa, called myTFG.Shop, as well as the launch of a new mobile application for TFG Africa.
- While progress has been made on the centralisation of shared support services within TFG London during the year, focus on this will continue in order to optimise cost efficiencies and share expertise across the different brands within TFG London.
- Continued optimisation and enhancement of online channels within TFG London in order to provide customers with their desired merchandise at the right price and time via their preferred channel.
- The Group continues to monitor developments around Brexit to ensure detailed consideration of the implications in order to progress responses as clarity emerges.
- Store optimisation and new store expansion across the TFG Australia brands.
- Launch of a TFG Africa brand within Australia.

CHIEF FINANCIAL OFFICER'S REPORT

ANTHONY THUNSTRÖM

The Group achieved growth in retail turnover of 21,4%, together with growth in headline earnings of 9,6% for the year, despite generally depressed consumer confidence and challenging economic conditions both locally and internationally. This earnings growth, together with an ongoing focus on capital optimisation, resulted in a 44,8% growth in free cash flow, on the back of a 100% growth in the previous year's free cash flow.

Notwithstanding the rigorous control exercised over like-for-like expense growth and capex, the Group continued to invest in both new and upgraded stores as well as in strategic IT and data analytics projects to position the Group for future growth.

These results were underpinned by the following key elements:

INCOME STATEMENT

- SOLID TURNOVER GROWTH
- GROSS MARGIN EXPANSION
- LIKE-FOR-LIKE EXPENSE CONTROL
- POSITIVE PERFORMANCE FROM ACQUISITIONS

OUR PERFORMANCE DURING THE YEAR

	GROUP MARCH 2018	GROUP MARCH 2017	GROUP % CHANGE
Retail turnover (Rm)	**28 593,0**	23 548,7	21,4
Gross margin (%)	**52,5**	49,7	
Operating margin (%)	**14,6**	16,2	
Headline earnings growth (excluding acquisition costs) (%)	**9,6**	6,8	
HEPS (excluding acquisition costs) (cents)	**1 136,5**	1 099,2	3,4
Total dividend per share (cents)	**745,0**	720,0	3,5
Free cash flow (Rm)	**1 880,6**	1 298,8	44,8
Total debt to equity (%)	**61,4**	65,3	

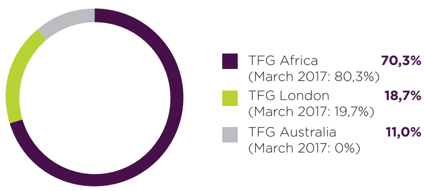
Solid turnover growth

The Group achieved solid turnover growth for the year with performance across all territories ahead of respective peer group turnover growth. TFG London achieved turnover growth of 23,5% (GBP), including Hobbs, and turnover growth of 4,2% (GBP), excluding Hobbs. TFG Africa achieved turnover growth of 6,3% (ZAR) with comparable store turnover growth of 2,2%. The balance of the growth in turnover was achieved through TFG Australia.

Group cash turnover growth of 31,9% was achieved for the year with growth of 7,3% (ZAR) in TFG Africa. This growth achieved in TFG Africa is pleasing, considering the high base in the prior year of 14,1% turnover growth. The balance of Group cash turnover growth was achieved through TFG London, driven mostly by online channels, and TFG Australia.

Group credit turnover growth at 5,3% was driven in part by the growth in the active account base. This growth was in line with expectation as the negative impact of the Affordability Regulations is now in the base.

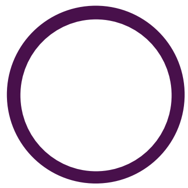
Key facts on turnover:

	GROUP
Segmental contribution	

Note:
1. The segmental contribution to turnover above includes each segment's e-commerce turnover.

Solid turnover growth (continued)

Key facts on turnover (continued):

	GROUP	TFG AFRICA	TFG LONDON
Cash turnover growth	**+31,9%** (March 2017: +18,5%)	**+7,3%** (March 2017: +14,1%)	**+23,5%** (March 2017: +45,0%)
Credit turnover growth	**+5,3%** (March 2017: +2,3%)	**+5,3%** (March 2017: +2,3%)	
Cash vs credit turnover contribution	 Cash turnover 65,9% (March 2017: 60,7%) Credit turnover 34,1% (March 2017: 39,3%)	 Cash turnover 51,5% (March 2017: 51,1%) Credit turnover 48,5% (March 2017: 48,9%)	 Cash turnover 100,0% (March 2017: 100,0%) Credit turnover 0,0% (March 2017: 0,0%)

Notes:

1. *TFG London and TFG Australia have cash turnover only.*
2. *Financial year ended March 2018 is TFG Australia's first year of inclusion in the Group, therefore turnover growth is not applicable for this business segment in the Group context.*
3. *TFG London's turnover growth for the financial year ended March 2018 includes non-comparable Hobbs' turnover (acquired November 2017).*
4. *TFG London's turnover growth for the financial year ended March 2017 includes non-comparable Whistles' turnover (acquired March 2016).*

Gross margin expansion

Gross margin for the Group improved to 52,5% at March 2018, up from 49,7% in the previous year. This improvement was driven in part by the gross margin expansion in TFG Africa to 47,8% from 46,4% in the previous year. It is pleasing to report that this expansion was achieved across all merchandise categories, with the exception of cosmetics, during a period characterised by unusually high levels of discounting in the market. The strong performance of our clothing category within Africa is particularly gratifying. Product price deflation for the year in TFG Africa averaged 3,5% across all merchandise categories, with price deflation of 3,8% in clothing.

This improvement was achieved in part due to the continued expansion of our quick response manufacturing through our Caledon and Maitland factories. Quick response product generally results in lower markdown, as was evident in our apparel divisions this year.

Further information on the progress made with quick response manufacturing as a strategic initiative, is provided in the strategy overview on page 62.

TFG London's gross margin at 61,9% was slightly down on last year. This movement was as a result of the difficult trading conditions experienced in the United Kingdom during the year, as well as the shift in consumer spend from offline to online sales, which traditionally results in a lower gross margin due to additional promotion and logistics costs.

TFG Australia's gross margin was 65,5%.

Like-for-like expense control

While expense control is always of great importance to the Group, it is even more critical during periods when turnover levels are muted as a consequence of tough economic conditions. The Group contained total like-for-like expense growth in TFG Africa to 5,1% with like-for-like store expense growth in TFG Africa at only 4,2%.

Occupancy costs, a significant component of our overall operating costs, has been a key focus area within TFG Africa, and it is gratifying to report that normal lease escalations now average 5,8%, down from a 7,2% average escalation in the previous year. The rent reversion average was -2,5% for the year, compared to +4% in the previous year.

Positive performance from acquisitions

The Group concluded two further substantial acquisitions during the year, being RAG and Hobbs (refer to note 11 on page 147 of the summary consolidated financial statements for further details). It is pleasing to report that both RAG and Hobbs were earnings accretive for their first year, a positive development considering that neither were included for the full year.

The Group's international segments, TFG London and TFG Australia, now contribute 17% to Group EBITDA and there are further opportunities to increase this contribution in the future.

In December 2017, the Group accelerated the put/call arrangement to acquire the remaining c.15% shareholding owned by management in TFG Brands (London) Limited. The transaction was effective 15 December 2017.

Further information on the performance of the Group's three business segments, TFG Africa, TFG London and TFG Australia, is provided in the segmental performance review on page 72.

STATEMENT OF FINANCIAL POSITION

REDUCED GEARING

WORKING CAPITAL MANAGEMENT

ENHANCED FREE CASH FLOW

Reduced gearing

The past financial year saw a number of corporate activities with the buyout of TFG London's minorities, two further acquisitions and a capital raise. Given these activities, it is pleasing that the Group ended the year with reduced gearing levels with total debt to equity ratio at 61,4%, down from 65,3% at March 2017.

The R2,5 billion capital raise, by way of a successful accelerated bookbuild launched on 31 July 2017, resulted in the issue of 17 241 380 ordinary shares at R145 per share. This was a premium of 0,9% to the 30-day VWAP of R143,68 as at the close of trade on 31 July 2017.

Working capital management

The Group's focus on working capital management continued this year with pleasing results.

TFG Africa's trade receivables were up 8,2% at the end of March supported by credit turnover growth of 5,3%, and growth in net bad debt of -6,5%. Active accounts increased by 1,1%.

Group inventory was up 22,9% with TFG Africa inventory only increasing by 3,3%, well below turnover growth.

The growth in other receivables and trade and other payables of 10,0% and 31,1% (Group) and 3,7% and 9,2% (TFG Africa) respectively related mostly to the timing of payments.

Enhanced free cash flow

Free cash flow has been a key strategic focus in recent years, with positive results for the Group. Following a 100% increase in free cash flow in the previous year, there was an additional increase of 44,8% this year, to R1,9 billion. This converts to 77,2% of the Group's net profit for the year, a significant improvement on the Group's conversion average of approximately 40% over the previous ten years.

The Group's increased focus on capital optimisation, including the focused capital allocation to outlets, supported this improvement in free cash flow. In total, 281 outlets were opened during the year (TFG Africa: 146, TFG London: 91, TFG Australia: 44) while an increased number of 177 outlets (TFG Africa: 83, TFG London: 83, TFG Australia: 11) were closed during the year as a result of the specific focus placed on underperforming outlets as part of this capital allocation model. Within TFG Africa in particular, capital expenditure on outlets decreased from R438,9 million in the 2017 financial year to R389,7 million this year. This is in part due to the decrease in number of stores opened (146 versus 206 in the prior year) as well as the tight control exercised over build rates, which were held flat for the year.

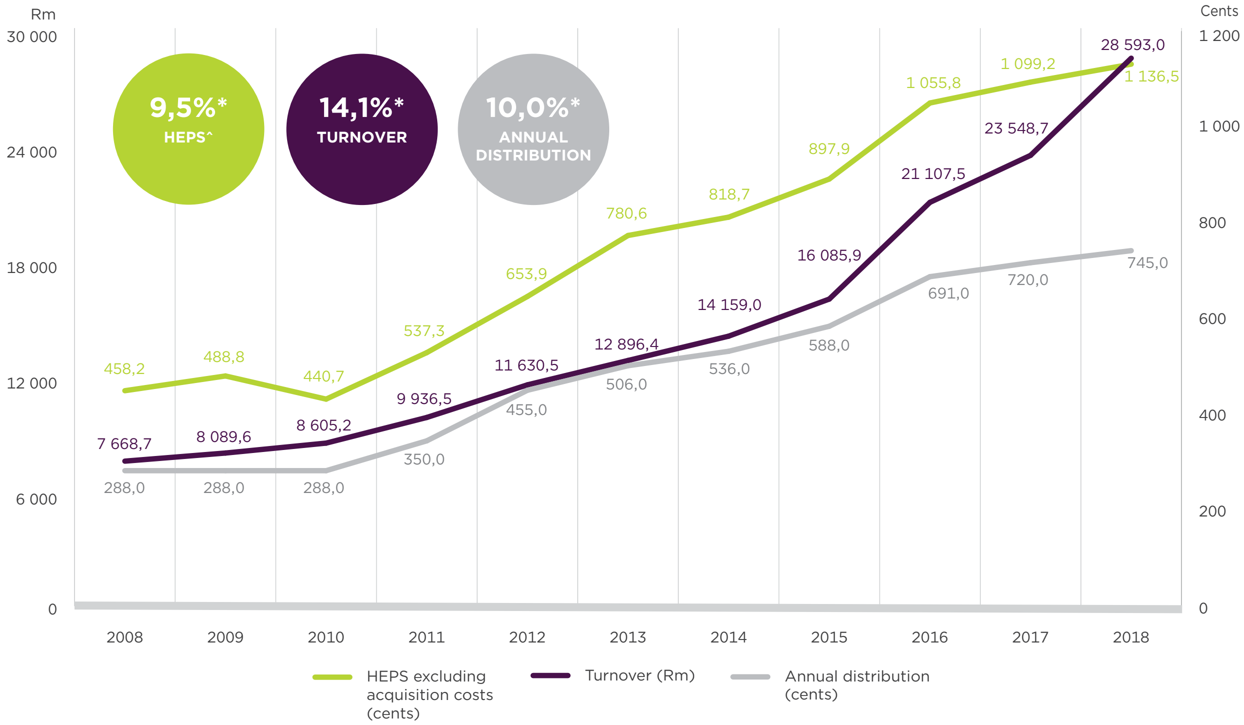
TFG London's capex decreased despite the non-comparable inclusion of Hobbs. Due to the shift in consumer spend from offline to online channels experienced in the United Kingdom, fewer new outlets were opened during the year.

While capital expenditure has been tightly controlled, the Group continued to invest in IT and technology solutions, with a strong focus on return on investment. This IT investment will increase over the short term as the Group strategically invests in digital transformation to position the Group for future growth and success.

VALUE CREATED DURING THE YEAR

The performance of the Group during the year resulted in a growth in headline earnings of 9,6% to R2,5 billion and a growth in headline earnings per share of 3,4% to 1 136,5 cents per share. In line with this growth in earnings, our shareholders were rewarded with a total dividend declared for the year of 745,0 cents per share, an increase of 3,5%. The dividend comprised of an interim dividend of 325,0 cents per share (a 1,6% increase) and a final dividend of 420,0 cents per share (a 5,0% increase).

The strong performance of the Group in the past year, in difficult trading environments, comes on the back of several years of solid performance and is a result of the success already achieved through TFG's diversification strategies:



* *Numbers relate to a 10-year compound annual growth rate.*
^ *Headline earnings per share excluding acquisition costs.*

FOCUS AREAS FOR 2019

While significant progress has been made in respect of key financial drivers including cost optimisation, procurement, working capital management, capital allocation and cash flow generation, there are clearly identified opportunities for further improvement in a number of these areas.

The Group will, over the next few years, be investing significantly in our digital transformation strategy, to ensure that the Group is well positioned to offer our customers new interactions and retail experiences and remain relevant in a rapidly evolving sector. Over and above the allocation of senior executive and management effort, this will result in a shift of capex allocation, in order to accelerate the implementation of these digital strategies.

Anthony Thunström
Chief Financial Officer

29 June 2018

SEGMENTAL PERFORMANCE REVIEW

TFG AFRICA

Salient features

	MARCH 2018	MARCH 2017	% CHANGE
Retail turnover (Rm)	**20 111,7**	18 912,8	6,3
Gross margin (%)	**47,8**	46,4	
EBITDA excluding acquisition costs (Rm)	**4 074,9**	3 823,0	6,6
New outlets	**146**	206	
Closed outlets	**83**	79	
Total outlets at the end of the year	**2 652**	2 589	
Net bad debt movement (%)	**(6,5)**	(5,4)	
Net bad debt as a % of debtors' book (%)	**10,0**	11,3	
Growth in net income from value-added services (%)	**3,5**	1,5	

PERFORMANCE OVERVIEW

Retail

- The Group had pleasing growth in retail turnover relative to a very tough market. Second half turnover growth of 7,6% was particularly gratifying, following turnover growth of 5,0% in the first half.
- Turnover growth in the various merchandise categories was as follow:

	TFG AFRICA % CHANGE ZAR	TFG AFRICA % SAME STORE GROWTH
Clothing	**9,4**	**4,8**
Jewellery	**0,6**	**(1,7)**
Cellphones	**(0,2)**	**(3,2)**
Homeware and furniture	**0,1**	**(2,3)**
Cosmetics	**(2,4)**	**(3,8)**
Total	**6,3**	**2,2**

- Clothing had especially strong turnover growth for the year coming off a high base of 8,6% in the previous year.
- Jewellery, the most discretionary category in our merchandise offering which is particularly sensitive to market conditions and consumer confidence levels, continued to gain market share in a tough environment.
- Cellphone turnover growth at -0,2% comes off a high base in the previous year of 15,3%. Turnover growth for the year was impacted by product price deflation and stock availability.
- Homeware and furniture and cosmetics were both impacted by significant discounting in the market during the year. Homeware and furniture strategically reduced promotional activity compared to the previous year and focused on the repositioning of the brand as well as margin efficiencies, which positions them well for the year ahead.

PERFORMANCE OVERVIEW (CONTINUED)

- Inventory levels for the year were planned taking into consideration the expected tough trading environment as a result of the current market conditions. This proved to be the appropriate approach given the lack of consumer confidence that was evident in South Africa for much of the year.
- Gross margin improved to 47,8% from 46,4%, a very good performance in a deflationary product inflation environment, characterised by significant discounting in the market. The Group's supply chain strategy in respect of sourcing and quick response clearly contributed to this improved result.

Credit and value-added services

- Stronger credit turnover growth of 5,3% was achieved for the year (2017: 2,3%). Improvement was expected given that the impact of the Affordability Regulations was in the prior year base. We are however pleased to note the recent court ruling which set aside these regulations.
- Net bad debt contracted by 6,5% (2017: 5,4%) due to a further slowdown in the growth of write-offs combined with a strong recoveries yield. Write-off, provisioning and re-age policies remain consistent with prior years.
- Two new insurance products and an additional data product were launched in the value-added service portfolio during the year.
- The publishing business unit strategically focused on product mix during the year, leading to higher conversion rates and profitability.
- In the second half of the financial year, an additional sales channel was launched for four of the Group's current magazines. These magazines, *Soccer*, *MAN*, *FitLife* and *Balanced Life*, are now available through a national retail network of supermarkets and bookstores.

WHAT DIFFERENTIATES US

Retail

- The Group's speciality store format enables us to deliver a better and more focused customer experience.
- Our customers have the choice to shop across a portfolio of 20 established brands in TFG Africa via their preferred channel of choice (store or online) with multiple payment options such as one TFG account card, credit or debit cards, eGift cards or SnapScan.
- The Group's focus on supply chain optimisation, quick response and product sourcing enables us to deliver quality merchandise to our customers at the right price and the right time.

Credit and value-added services

- TFG credit is managed such that credit-related costs are kept as low as possible, in order to make credit as affordable as possible for consumers and to enable merchandise sales. The National Credit Act allows a number of fees to be charged, such as initiation fees or monthly service fees, but TFG only implements a nominal monthly service fee and no initiation or upfront fee. We also offer a six-month interest-free product which attracts no interest, providing the customer keeps the account in good order.
- Various value-added services are offered to customers at competitive pricing.

FUTURE FOCUS AREAS

Retail

- Focus on supply chain optimisation, sourcing and quick response initiatives will continue.
- We will continue to monitor and seek ways to improve our customer's experience through the use of a number of customer feedback channels, including "Net Promoter Score" and "Voice of Customer".
- Continued emphasis will be placed on capital allocation and working capital optimisation as well as on cost control and elimination of waste.
- The Group's investment in technology will create the platform to position the Group well for the digitalisation of future retail.

Credit and value-added services

- We will continue to look for ways to improve our customer experience, and in particular the ease and convenience of opening an account.
- New marketing channels for credit will be tried and tested during the course of the financial year in order to ensure that we remain relevant to both potential and existing customers.
- Maintaining the quality of our debtors' book while enabling responsible credit growth will always be a key focus area for the Credit division. We continue to invest in our data analytics capability both in terms of people and technology required to deliver against this objective.
- Significant resources are being allocated to the implementation of the new accounting standard, IFRS 9, which replaces IAS 39 and is required to be implemented for all financial years which starts on or after 1 January 2018. The principal difference between the accounting standards is that IFRS 9 is based on an "expected loss" principle versus IAS 39, which was premised on an "incurred loss" principle. This has the net result of credit providers expecting to increase their provisioning levels. TFG remains conservative in its approach to provisioning and we expect a significant initial adjustment given the forward-looking view implied by IFRS 9. Annual impacts on earnings, given the introduction of IFRS 9, are not expected to be material going forward (in the absence of any meaningful change in the economic outlook).
- Continued consideration will be given to new processes, product innovation and new technology platforms to complement the current value-added service offerings.

TFG LONDON

Salient features

	MARCH 2018	MARCH 2017	% CHANGE
Retail turnover (GBPm)	**310,9**	251,8	23,5
Gross margin (%)	**61,9**	63,0	
EBITDA excluding acquisition costs (GBPm)	**24,8**	28,9	(14,2)
Underlying EBITDA (GBPm)	**28,0**	27,8	0,7
New outlets	**91**	125	
Closed outlets	**83**	49	
Total outlets at the end of the year	**935**	739	
Online turnover % contribution to TFG London turnover	**33,0**	29,0	

PERFORMANCE OVERVIEW

- EBITDA growth for the year was adversely impacted by cost pressures driven by government minimum wage inflation, an acceleration of channel shift to online, exchange rate movements as a result of Brexit, as well as proactively re-shaping the store estate.
- Online turnover growth continues to outstrip that of stores and now represents 33% of total TFG London sales.
- In line with the Group's focus on ROCE, there has been a continued focus on the performance within the TFG London store portfolio, resulting in reduced lease lengths on renewal and selected store closures where continued channel shift renders these unprofitable.
- The implementation of the post-acquisition plan for Whistles, acquired in March 2016, continues to deliver sales and profit growth.
- The acquisition of Hobbs was successfully concluded with an effective date of 25 November 2017 and current performance is in line with expectations.
- The remaining 15% stake in TFG London, previously held by United Kingdom management, was acquired by the Group during the year and concluded in December 2017.

WHAT DIFFERENTIATES US

- TFG London has built a portfolio of premium brands, with significant brand loyalty and recognition due to their longstanding British heritage.
- True omnichannel retailer, with a broad portfolio of physical stores and concessions matched by a rapidly growing online presence, both in the United Kingdom and internationally.
- Shared learnings, resources, management and strong capital base within TFG London.

FUTURE FOCUS AREAS

Short term:
- Further development of a scalable and sustainable shared support services platform within TFG London in order to streamline processes, facilitate knowledge sharing and provide a stable platform on which to build.

Medium term:
- Continued extraction of revenue and operational synergies across Whistles and Hobbs, building on the strong operational and omnichannel model of the core Phase Eight brand.
- Continue to seek value-accretive or complementary brands where strategic benefits can be achieved.
- Broad-based international growth with an equal emphasis on developing our online and offline channels.
- Continue to seek opportunities, and minimise risk from the channel shift online through:
  - Expansion of online routes to market (own and third-party sites).
  - Close management of our store portfolio with a focus on leasehold flexibility.

TFG AUSTRALIA

Salient features

	MARCH 2018
Retail turnover (AUDm)	**312,1**
Gross margin (%)	**65,5**
EBITDA excluding acquisition costs (AUDm)	**39,6**
New outlets	**44**
Closed outlets	**11**
Total outlets at the end of the year	**447**

PERFORMANCE OVERVIEW

- Seamless integration with TFG post the acquisition of RAG by the Group in July 2017.
- Over the eight months since acquisition RAG's total number of stores, excluding G-Star, grew by a net 31 to 431.
- Record profits driven by top line turnover growth in excess of 14% on the prior corresponding period as well as strong like-for-like turnover growth. The gross profit percentage was higher than plan and prior year through maintaining input margins and controlling markdowns. Cost of doing business as a % was better than plan and slightly lower than prior year. Overall this resulted in an EBIT that significantly outperformed plan and prior year.
- Strong performance despite pressure on consumer spend and increased competitive behaviour with international retailers continuing their expansions in the Australian market.
- With two brands already in New Zealand, RAG has now successfully launched a third brand in New Zealand, with Johnny Bigg opening two new stores there pre-Christmas 2017.
- All the brands within the RAG portfolio performed ahead of management's expectation with EBIT growth ahead of last year and plan.
- RAG outperformed both its peer group and the general retail market in Australia.

WHAT DIFFERENTIATES US

- All the brands within the RAG portfolio are speciality retailers offering superior customer service in a great store environment.
- Each brand within the RAG portfolio is extremely customer-focused with its own unique identity and target market.
- Our brands are positioned to serve the value and mid market segments.

FUTURE FOCUS AREAS

- Maximise our existing brands store portfolio across Australia and New Zealand.
- Testing of a TFG Africa brand in Australia.
- Continued investment in the online channels.


ROCK
WEAR

TFG remains committed to the highest standards of corporate governance that add value to the business.

OUR GOVERNANCE

SUPERVISORY BOARD

EXECUTIVE DIRECTORS

A D MURRAY (61)
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 Chief Executive Officer, 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 of the Group for 10 years prior to his appointment as CEO. Doug will be retiring as CEO in September 2018.

A E THUNSTRÖM (47)
BCom (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, our Chief Financial Officer, joined the Group and was appointed as an executive director of the Group in 2015. Prior to this, he had 21 years' professional services experience with KPMG where he held various regional and pan-African leadership positions. Anthony will assume the position of CEO on Doug Murray's retirement in September 2018.

M LEWIS (59)
Chairman
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 more than 35 years' experience in the investment management and retail sectors. He is the Chairman of Strandbags Holdings Proprietary Limited (Australia) and Oceana Investment Corporation Limited (UK). He is also a director of Histogenics Inc. (USA) and United Trust Bank Limited (UK). Michael served on the supervisory board of Axel Springer AG (Germany) and on the board of Cheyne Capital Management LLP (UK). He previously worked at fund managers Ivory & Sime and Lombard Odier.

INDEPENDENT NON-EXECUTIVE DIRECTORS

S E ABRAHAMS (79)
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 public 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 Proprietary Limited and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

G H DAVIN (62)
BCom, BAcc, 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 N.V., 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 (55)
BEcon (Hons), MCom, DCom

Appointed: 2003

Member of: Audit, Remuneration and Social and Ethics Committees

Chairperson of: Social and Ethics Committee

Also a director of South African listed companies: Clicks Group Limited and Lewis Group Limited

Fatima is a Senior Professor (part-time) and was Dean of the Economic and Management Sciences Faculty at the University of the Western Cape (UWC). She is a registered industrial psychologist and has built up extensive expertise in the human capital field. She was also a non-executive director of Transnet, B2B Africa (Pty) Ltd and Chairperson of Victoria & Alfred Waterfront Holdings. She has served and continues to serve on the Audit and Risk Committees and Transformation and Remuneration Committees of several companies, and has built up sound business experience over the years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

D FRIEDLAND (65)
BCom, Certificate in the Theory of Accountancy, CA(SA)

Appointed: 2013

Member of: Audit, Remuneration and Risk Committees

Also a director of South African listed as well as public companies: Pick n Pay Stores Limited, Investec Limited and Investec Bank Limited

Also a director of foreign listed as well as public companies: Investec plc and Investec Bank plc

David is a chartered accountant and a former partner of both Arthur Anderson and KPMG Inc. He 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 Invested plc. He has served and continues to serve on the Audit and Risk Committees of several companies.

E OBLOWITZ (60)
BCom, CA(SA), CPA(Isr)

Appointed: 2010

Member of: Audit, Remuneration and Risk Committees

Chairman of: Remuneration and Risk Committees

Also a director of a South African listed company: Trencor Limited

Eddy has considerable audit, finance 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. He also served as a member of the firm's worldwide Retail and Distribution Industry Team. In addition to serving as a non-executive director and trustee to various companies and trusts, he is the Executive Chairman of Stonehage Fleming South Africa, which provides multi-family office, wealth management and advisory services to an extensive local and international client base.

B L M MAKGABO-FISKERSTRAND (44)
BA

Appointed: 2012

Member of: Audit, Risk 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 as the Vice Chairperson of the World Economic Forum's Global Agenda Council on Women's Empowerment and as a member of its Council on Africa for two years. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multi-stakeholder community of exceptional leaders below the age of 40, selected from around the world.

N V SIMAMANE (59)
BSc (Chemistry & Biology) (Hons)

Appointed: 2009

Member of: Audit, Risk and Social and Ethics Committees

Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance and the South African 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 she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was also named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

NON-EXECUTIVE DIRECTOR

R STEIN (69)
BCom, CA(SA)

Appointed: 2015

Member of: Risk and Nomination Committees

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 the Group. Prior to joining the 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 Supervisory Board in a non-executive capacity.

OPERATING BOARD

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 retail trading and service divisions.

In addition, they are responsible for deliberating and making 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

OUR OPERATING BOARD OF DIRECTORS FROM LEFT TO RIGHT:

S A BAIRD (52)
Group Director – Foschini division, TFG London
Joined the Group in 1986

A E THUNSTRÖM (47)
BCom (Hons Acc), CA(SA)
Chief Financial Officer
Joined the Group in 2015

G S NAIDOO (50)
BSocSc (Hons), MA (Ind Psych)
Group Director – Jewellery division, @home division, Digital Transformation
Joined the Group in 2005

M MENDELSOHN (59)
Group Director – Exact, Hi, The FIX, TFG Design, TFG Merchandise Procurement
Joined the Group in 1982

D B GEDYE (59)
Group Director – Sport division, TFG Property, TFG Store Development
Joined the Group in 1979

S E MORLEY (48)
BSocSc
Group Director – TFG Human Resources
Joined the Group in 2002

B J CURRY (56)
Chief Information Officer – TFG Infotec, TFG Logistics, TFG Services, TFG Marketing & E-commerce, Digital Transformation
Joined the Group in 1988

J FISHER (45)
BSc (Hons) Mathematics and Computing Science
Group Director – Financial Services, TFG Rewards
Joined the Group in 2013

A D MURRAY (61)
BA, CA
Chief Executive Officer
Joined the Group in 1985

M MARITZ (50)
Group Director – Markham division, TFG Australia
Joined the Group in 2001

- 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
- approval 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 IV™

CORPORATE GOVERNANCE REPORT

The Supervisory Board of TFG remains committed to the highest standards of corporate governance and supports the governance outcomes and principles set out in the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) and the Listings Requirements of the JSE.

The Supervisory Board is committed to exercising ethical and effective leadership towards the achievement of the following desired governance outcomes as stated in King IV™:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

Our value creation process supports these outcomes in the short, medium and long term. Executive and senior management aims to create and maintain a culture of good governance throughout the Group, thereby extending governance beyond merely regulatory compliance. Transparency and accountability remain the key principles on which all TFG's business activities are conducted.

A King IV™ application register is available on our website and demonstrates how TFG is applying specific governance structures, processes and practices to achieve the 16 King IV™ principles and, as a result, the desired governance outcomes.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

TFG aims to create an enjoyable, ethical and values-based working environment and the opportunity for employees to develop and grow in a respectful, collaborative, high-performing, career-oriented environment. The TFG code of good ethical conduct guides how we do business and maintain a workplace that is free from all forms of discrimination and where we ensure fair and ethical practices for all employees.

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

The Group has a zero tolerance approach to fraud, corruption and other forms of crime or dishonesty. During the year, the Group continued to invest in measures to minimise the number of incidents. A whistle-blowing facility has been in place since February 1998 for the reporting of suspected fraud and unethical behaviour. Whistle-blowing is encouraged through the outsourced Deloitte tip-off anonymous line. Reports are submitted to the Group Forensics department for investigation. The line is promoted among employees and suppliers.

During the year, 202 reports were received (2017: 234). All these reports were investigated and appropriate action was taken as required. There were no significant issues during the year.

202

WHISTLE-BLOWING REPORTS

(2017: 234)

STRATEGY, PERFORMANCE AND REPORTING

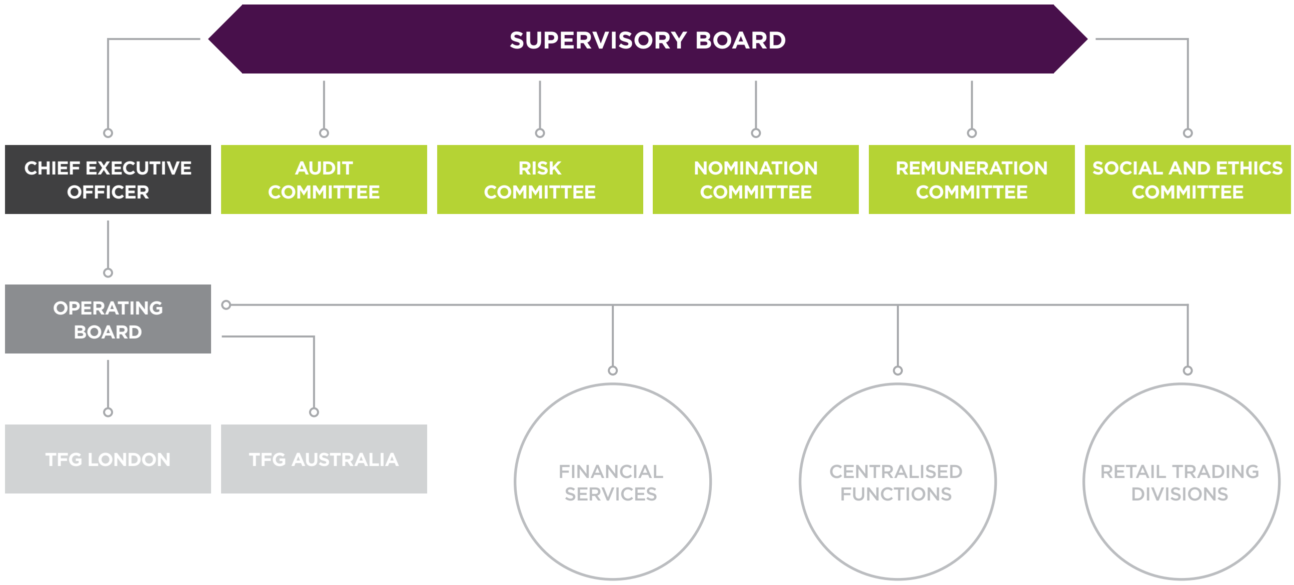
The Supervisory Board appreciates that TFG's vision, values and differentiating factors, combined with the four strategic pillars, material risks and opportunities, business model and sustainability strategy, are all inseparable elements of our value creation process.

Supplementary information and archives relating to our financial and non-financial performance are available online, and include:

- SENS announcements
- Investor presentations
- Notice of 2018 AGM
- Voting results of the 2017 AGM
- Minutes of the 2017 AGM

Read more about the reporting frameworks and approval process for our financial reporting in the scope and boundary of the report on page 4. Our combined assurance approach is set out in the Risk Committee report on page 108.

GOVERNING STRUCTURES AND DELEGATION



The Supervisory Board 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 vision, mission, and value statements, and significant policies and goals related to economic, environmental and social impacts. The Operating Board is responsible for day-to-day management and operations. The Operating Board's responsibilities are set out on page 84.

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

The Supervisory Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2018 financial year.

A Group governance framework assists in setting the direction for how the relationships and exercise of power within the Group should be approached and conducted.

The Supervisory Board has established a framework for the delegation of authority. In terms of this framework, certain matters are reserved for final decision-making by or require the consent of the Supervisory Board or committees. The Supervisory Board has delegated authority, not expressly reserved for the Supervisory Board, to the CEO and executive management and continuously monitors the activities of individuals with such delegated authority. The Supervisory Board is satisfied that the delegation of authority framework contributed to role clarity and the effective exercise of authority.

Five committees assist the Supervisory Board in discharging its duties. An *ad hoc* Finance Committee, comprising both non-executive and executive directors and chaired by Mr G H Davin, is also tasked from time to time to assist the Supervisory Board in a number of areas, including making dividend recommendations to the Supervisory Board and specifically considering and investigating all potential acquisition opportunities and their funding.

SUPERVISORY BOARD COMPOSITION

The Supervisory Board mainly comprises non-executive directors, with the majority being independent.

The Supervisory Board is committed to having a diverse board and, as required by the JSE Listings Requirements, has adopted a policy on the promotion of gender and race diversity at Supervisory Board level. In terms of this policy, the Supervisory Board acknowledges the following:

- that diversity is important in order to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management of the company and TFG as a whole; and
- that a truly diverse board will include and make good use of different skills, regional and industry expertise, background, race, gender and other distinctions between directors.

The Nomination Committee gives due consideration to succession planning for all Supervisory Board directors and ensures that all committees are appropriately constituted and chaired, and will address gender and race diversity as an explicit element of its oversight work.

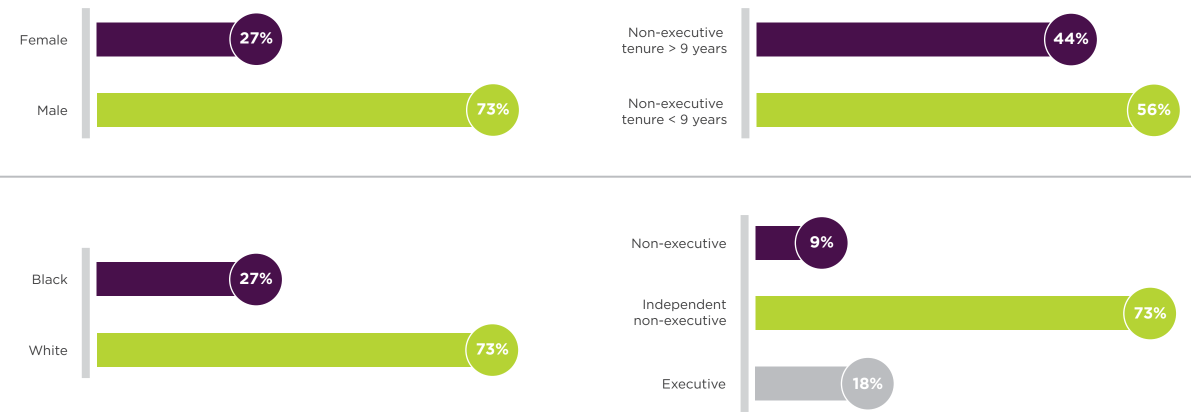
The current Supervisory Board comprises 11 directors, nine of whom are non-executive directors, of which eight are independent directors and one is not regarded as independent. The remaining two directors are executive directors, namely the Chief Executive Officer and the Chief Financial Officer, and are salaried employees of TFG.

DIRECTORS

The non-executive directors come from diverse backgrounds in commerce and industry and have both South African and international experience (detailed information on the directors and their credentials appears on pages 80 to 83). 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 shared value for all stakeholders. They review and ratify TFG's strategy in addition to monitoring and measuring its performance and the Operating Board members against key performance indicators (refer to Remuneration Committee report on page 112 and Leadership strategy review on page 60).

The Supervisory Board is accountable for strategy, direction, leadership, governance and performance of the Group.

The graphics below provide a visual summary of our Supervisory Board's diversity:



The directors 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 members of the Supervisory Board.

Director appointment, induction and ongoing education

Potential new non-executive directors go through a thorough interview process until a suitable candidate has been chosen and appointed. The process is contained in a policy that details the appointment procedure and ensures that appointments are a matter for the Supervisory 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 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 his/her performance. Non-executive directors have no fixed terms and the performance of all directors is subject to an evaluation process as recommended by King IV™ (read more about these evaluations on page 90).

A formal induction programme for new non-executive directors is in place to maximise their understanding of the Group and enable them to provide input and make well-informed decisions as quickly as possible.

All non-executive directors are exposed to the key aspects of the Group on a regular basis and are invited to proactively participate in this process.

The following Supervisory Board members will stand for re-election at the 2018 AGM:

- B L M Makgabo-Fiskerstrand
- E Oblowitz
- G H Davin

Changes to the Supervisory Board and committees

There were no changes to the Supervisory Board or any of its committees during the financial year.

As previously indicated on 7 June 2016 and as was announced on SENS on 12 March 2018 and 24 May 2018, Mr A D Murray will retire as CEO of the Group on 3 September 2018 after 33 years' service, 11 of which were as CEO. Mr Murray will retire from the Group at the end of September 2018. Given his wealth of knowledge and experience in the international retail sector in general and TFG in particular, the Supervisory Board has decided to appoint Mr Murray as a consultant to the end of September 2019 and as a non-executive director from 1 October 2019.

As indicated, Mr A E Thunström, currently the CFO of the Group, became the CEO Designate on 12 March 2018 and will assume the position of CEO on 3 September 2018. Mr Thunström will then be appointed to the Social & Ethics Committee and will be an invitee to the Remuneration and Nomination Committees. The process to recruit a CFO is well advanced.

97,4% average Supervisory Board meeting attendance

There were no changes to the composition of the Supervisory Board or committees during the financial year.

1,3% total Supervisory Board members' shareholding

Supervisory Board performance evaluation process

Independence and performance evaluation

In accordance with King IV™ recommended practices, the Supervisory Board of TFG categorises non-executive directors as independent if it concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of TFG. The Supervisory Board considers the King IV™ and other indicators holistically, and on a substance-over-form basis when performing this assessment, and is aided by an annual independence questionnaire completed by each non-executive director.

On this basis, eight of the nine non-executive directors are categorised as independent and one, Mr R Stein, is not yet considered to be independent. Mr R Stein is expected to be categorised as an independent non-executive director from 1 April 2019. Of the eight independent non-executive directors, four have served a term in excess of nine years. The Supervisory Board reviewed the independence of Mr S E Abrahams, Mr M Lewis, Prof F Abrahams and Ms N V Simamane and after due consideration (during the relevant meeting the aforementioned directors recused themselves) concluded that the length of their association with the Group does not impair their independence.

A formal board evaluation process is followed every two years as is recommended by King IV™. In terms of this process, comprehensive questionnaires are sent to all Supervisory Board members to evaluate the performance of the Supervisory Board, its committees, its chair and its individual 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 Supervisory Board on any actions arising from the evaluation process. This formal process was last followed in the 2017 financial year and will therefore be undertaken again in the 2019 financial year.

The Nomination Committee appointed Mr S E Abrahams, an independent non-executive director with substantial board experience, to lead the evaluation of the Chair's performance.

In the 2018 financial year the Supervisory Board, with the assistance of the Nomination Committee, scheduled an opportunity for consideration, reflection and discussion of its performance and that of its committees, its Chair and its members as a whole. The themes discussed included succession planning, diversity at board level, strategy formulation and board performance.

The Supervisory Board is satisfied that the evaluation process is improving its performance and effectiveness.

Remuneration and shareholding

The remuneration paid to directors during the current year as well as details of direct and indirect shareholdings are disclosed in the Remuneration Committee 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 Supervisory Board complies with the Listings Requirements of the JSE in relation to restrictions on directors and employees trading with TFG shares 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 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.

COMPANY SECRETARY

The Company Secretary, Mr D van Rooyen, is accountable to the Supervisory Board, and all directors have access to his professional corporate governance advice and services. He has unfettered access to the Supervisory Board, but at the same time maintains an arm's length relationship with it and is not a director of the company. The Company Secretary is independent and functionally reports to the Supervisory 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 Supervisory Board evaluation process, the directors assess whether the Company Secretary has fulfilled the required obligations and duties. The assessment questionnaire also gives directors the opportunity to not only evaluate the Company Secretary, but to raise any concerns they may have.

The Supervisory Board believes that the Company Secretary is objective, suitably qualified, competent and an experienced individual who is able to provide the Supervisory Board with the requisite support for its effective and efficient functioning and discharge of its duties as prescribed by the Companies Act, King IV™ and the JSE Listings Requirements. The Supervisory Board further believes that the office of the Company Secretary is empowered and that the position carries the necessary authority.

SUPERVISORY BOARD MEETINGS

The Supervisory Board typically meets five times per year in Cape Town and further meetings are held as required. Proceedings at meetings are directed by way of an agenda. The proposed agenda is circulated in advance of the meeting to allow Supervisory 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, 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 Supervisory Board *inter alia*:

- approved projections and results;
- approved dividends;
- approved acquisitions;
- considered compliance and governance matters (including the application of King IV™);
- approved the King IV™ application register;
- approved the Stakeholder Engagement Policy as recommended by King IV™;
- considered the independence of non-executive directors;
- considered and implemented enhanced governance structures for TFG London and TFG Australia;
- finalised succession planning for the CEO;
- considered and approved the change of external auditor from KPMG Inc. to Deloitte & Touche;
- reviewed and updated the board charter;
- reviewed strategy at various levels;
- focused on current performance; and
- considered report backs from board committees.

Supervisory Board committees

The Supervisory Board 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 Supervisory Board through their chairpersons. In addition, minutes of all committee meetings are included in the Supervisory 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. All committee charters are available on the website.

An overview of each committee's functioning and responsibilities follows later in this report.

Supervisory Board and committee attendance

The attendance of the directors at Supervisory Board and committee meetings for the financial year was as follows:

	SUPERVISORY BOARD	REMUNERATION COMMITTEE	RISK COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
Number of meetings	7	4	4	4	3	2
F Abrahams	7	4	–	3^	–	2
S E Abrahams	7	–	4#	4	3	–
G H Davin	7	–	–	–	–	–
D Friedland	7	2^	3^	4	–	–
M Lewis	7	4	3#	4#	3	–
B L M Makgabo-Fiskerstrand	6^	–	4	4	–	2
A D Murray	7	4#	4	4#	2#	2
E Oblowitz	7	4	4	4	–	–
N V Simamane	7	–	3^	4	–	2
R Stein	7	–	3^	4#	3	–
A E Thunström	6^	–	4	4#	–	2#

Invitee.
^ *Absent with apology.*

LEGAL COMPLIANCE REPORT

The Supervisory Board recognises that it is ultimately accountable for legal compliance and for establishing an effective legal compliance framework for TFG. Management, with the assistance of TFG's legal compliance team, implements this legal compliance framework, monitors legal compliance and implements processes to ensure that legal compliance risk management is part of an integrated risk management framework within TFG.

The legal compliance team monitors compliance with regulatory requirements and, where required, assist and guide management. They are considered an integral part of the combined assurance process. The team meets with management to refine or rethink processes to ensure compliance. This includes encouraging a proactive culture and attitude to legal compliance among staff, reviewing or amending training material for staff, assisting quality assurance team members in addressing legal compliance matters, training staff members at head office and assisting internal audit by analysing data from the store self-assessments. The above, and the roles and responsibilities set out below, provide a means to ensure that legal compliance is effective.

TFG is impacted by, adheres to, or uses as guidance in its operations, numerous non-binding rules, codes, standards, initiatives and frameworks.

KEY AREAS OF FOCUS DURING THE REPORTING PERIOD

Over the past financial year, legal compliance (for TFG Africa, TFG London and TFG Australia) focused on the following regulatory key matters:

- Proposed amendments to credit and competition legislation.
- Proposed localisation legislation with regards to TFG Africa.
- Financial sector changes affecting optional customer insurance products.
- Protection of personal information or data.
- Monitor the progress on Brexit and related implications.
- Anti-corruption, money-laundering and criminal finances legislation.

ROLES AND RESPONSIBILITIES

- Reporting to the Audit, Risk, and Social and Ethics Committees.
- Providing assurance to the Audit and Risk Committees as the second line of defence under combined assurance.
- Creating a culture of compliance with regulatory requirements.
- Identifying, reviewing and advising TFG on existing, new or draft legislation, including giving recommendations on applicable rules.
- Facilitating legal compliance and assigning responsibility for legal compliance.
- Drafting legal compliance risk management plans for key pieces of legislation, including compiling legal compliance risk registers which form part of the wider risk management process within TFG.
- Monitoring legal compliance by the business and reporting on findings to management.
- Advising on regulatory developments that could affect or present opportunities for TFG by attending parliamentary meetings.

KEY FUTURE FOCUS AREAS

TFG will continue to focus on the areas listed above over the next financial year as well as any other relevant legislative developments that may arise.

LEGAL COMPLIANCE STRUCTURE

TFG SUPERVISORY BOARD

Ultimately accountable for legal compliance and the legal compliance framework

AUDIT, RISK AND SOCIAL AND ETHICS COMMITTEES

Reviews the effectiveness of legal compliance and reporting to the Supervisory Board

TFG OPERATING BOARD

Oversees the implementation of the framework, which includes monitoring legal compliance as an integral part of TFG's risk management framework

LEGAL COMPLIANCE FUNCTION AND MANAGEMENT'S ROLE

Responsible for facilitating legal compliance, providing regulatory landscape updates and reports to the Audit, Risk and Social and Ethics Committees. Management implements legal compliance.

Based on key laws that were effective as at 31 March 2018, there were no material areas of non-compliance. During the past financial year, there were no monitoring or legal compliance inspections by environmental regulators, no findings of non-compliance with environmental laws and no criminal sanctions or prosecutions for non-compliance with environmental legislation.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2018 to the shareholders of TFG. This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended, (the Act), and the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™).

- ***Meeting attendance for the committee is set out on page 92. All members of the committee continue to meet the independence requirements of the Companies Act and King IV™.***
- ***Each member's qualifications and experience are set out in the profiles on pages 80 to 83.***
- ***Details of fees paid to committee members appear in note 32 of the annual financial statements.***

COMMITTEE MANDATE AND FUNCTIONING

The committee is governed by a formal Audit Committee charter that is reviewed regularly and 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 Supervisory Board. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

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

The committee typically meets three times per year and further meetings are held as required. Internal audit reports are discussed at each meeting. In addition, the following is addressed at each respective meeting:

- Review of enterprise risk management and combined assurance methodology and consideration of outcome of financial risk assessment (typically in March each year)
- Approval of annual results (typically in May each year)
- Approval of interim results (typically in November each year)

The committee considered the draft interim and annual financial reports prepared by executive and senior management and recommended the adoption of these reports to the Supervisory Board subject to certain amendments. The Chairman provided written reports to the Supervisory Board that summarise the committee's findings and recommendations.

The committee held four formal meetings during the 2018 financial year. To further strengthen the Group's governance structures, a joint Audit and Risk Committee was constituted for both TFG London and TFG Australia. This committee met once this financial year.

Independently of executive 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 of an Audit Committee pack to each attendee, comprising *inter alia*:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by executive and senior management including:
  - taxation,
  - compliance and legal,
  - governance over technology and information management,
  - internal audit,
  - loss statistics, and
  - enterprise risk management (ERM).

MEMBERS AND APPOINTMENT DATES

S E Abrahams (Chairman)	29 January 1999
D Friedland	1 April 2016
B L M Makgabo-Fiskerstrand	1 October 2015
E Oblowitz	1 October 2010
N V Simamane	24 February 2010
F Abrahams	1 October 2016

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Head of Enterprise Risk Management, the Company Secretary and the external audit partner and staff attended meetings of the committee by regular invitation. Additional attendees, including Mr R Stein, a non-executive director, and members of executive management, are invited to attend meetings on an *ad hoc* basis. The Chairman of the Group has an open invitation to attend meetings of the Audit Committee.

ROLES AND RESPONSIBILITIES

Statutory duties as prescribed in the Act

General

- to receive and deal appropriately with any concerns or complaints (whether internal, 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 that 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 auditors may provide to the Group and to pre-approve proposed agreements for non-audit services.

Financial results

- to make submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- to provide, as part of the integrated annual report and annual financial statements, a report by the Audit Committee.

Duties assigned and delegated by the Supervisory Board

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated;
- to assess the effectiveness of the arrangements in place for combined assurance; and
- to assist the Supervisory Board in carrying out its risk management, technology and information management responsibilities.

External auditors

- to consider and respond to any questions from the Supervisory Board and shareholders regarding the resignation or dismissal of the external auditors, 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 executive 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 controls, reporting procedures and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal controls are submitted to the Supervisory 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 executive management and that there is no impairment on its independence; and
- to review that appropriate internal controls and an internal audit plan are prepared to cover the TFG International operations.

Finance function

- to consider the appropriateness of the expertise and experience of the Chief Financial Officer; and
- to satisfy itself with 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 executive management's assessment of going concern and to make a recommendation to the Supervisory 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 Supervisory Board.

COMMITTEE EVALUATION

A formal Supervisory Board evaluation (which includes an evaluation of all subcommittees) was followed in the 2017 financial year and will be undertaken again in the 2019 financial year. In the 2018 financial year the Supervisory Board, with the assistance of the Nomination Committee, scheduled an opportunity for consideration, reflection and discussion of its performance and that of its committees, its Chair and its members as a whole. All action items were attended to. 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 IV™ and the Act.

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 (AGM):

- S E Abrahams (Chairman)
- D Friedland
- B L M Makgabo-Fiskerstrand
- E Oblowitz
- N V Simamane
- F Abrahams

SPECIFIC RESPONSIBILITIES

The committee confirms that it has carried out its functions in terms of the Audit Committee charter and section 94(7) of the Act, by:

- confirming the nomination of Deloitte & Touche as the Group's registered auditor for the year ending 31 March 2019 and being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to Deloitte & Touche (and previously KPMG);
- ensuring that the appointment of Deloitte & Touche (and previously KPMG) complies with the provisions of the 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 Deloitte & Touche (and previously KPMG) for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements and the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints, if any;
- making submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- performing other oversight functions as determined by the Supervisory Board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

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

In addition, during the 2018 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.

Internal audit continues to develop and refine its approach to analytically examine and interrogate the store data in an attempt to highlight weaknesses. This work has involved the development of IT software to enable intelligent scrutiny of stores' data. Although this is still work in progress, the Audit Committee, the Risk Committee and senior management believe this initiative is essential to achieve better coverage of critical issues, particularly given the sizeable growth in new stores that has occurred both in Southern Africa and via our recent international acquisitions.

The committee believes that Mr H Nell, the Head of Internal Audit, possesses the appropriate expertise and experience to meet his responsibilities in that position and that the internal audit function is operating and performing effectively.

COMBINED ASSURANCE

The Audit Committee reviewed the combined assurance process and related methodologies and the outcomes thereof and considers this process to be effective.

For further information, refer to the Risk Committee report on page 106.

RISK MANAGEMENT

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 technology and information management risks as they relate to financial reporting.

The strategies adopted by the Audit Committee and the Risk Committee ensure timely review of any internal control weakness identified by any of the assurance providers. In addition, there continues to be significant improvements in the development of 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 Committee report, which appears on page 106.

TFG INTERNATIONAL OPERATIONS

The Group continues to focus on fully integrating the TFG International operations into the overall risk management and governance framework of the Group. As reported last year, good progress was made in respect of the Phase Eight and Whistles operations in the United Kingdom, and the various workshops and processes have now been expanded to include the recently acquired Hobbs operations in the United Kingdom and the G-Star RAW Australia and RAG operations in Australia.

Internal audit continues to draw up an audit plan to cover the major risks identified and audits were conducted during the year to cover those risks. No major concerns surfaced from their audit work, although it must be appreciated that it is still work in progress to achieve full integration into the Group's risk management and governance framework.

The focus for the 2018 year end was directed at verifying the carrying values of inventory and trade debtors as well as considering the acquisition accounting for the Hobbs, G-Star RAW Australia and RAG acquisitions. Both internal and external audit provided the Audit Committee with positive reports on these significant focus areas.

In addition, to further strengthen the governance structures in respect of the TFG International operations, a joint Audit and Risk Committee was constituted for both TFG London and TFG Australia. These committees will meet twice a year and will provide feedback to the Audit and Risk Committees as well as to the Supervisory Board. The Chairmen of both these committees will also review the results of the TFG International operations and provide feedback to the Audit and Risk Committees as well as to the Supervisory Board.

THE FINANCIAL AND BUSINESS ENVIRONMENT

Happily most of the political turmoil referred to in the 2017 Integrated Annual Report has subsided and the Audit Committee believes there is room for positive sentiment in the South African political stage.

President Cyril Ramaphosa has already demonstrated his determination to improve governance and competency through the appointment of widely accepted Ministers to the portfolios of Finance and State-owned Enterprises, being individuals with international reputation. The assignment for the Ramaphosa Government is far reaching and demanding. It is essential that government expenditure is valid and curtailed and that initiatives to increase GDP growth and alleviate poverty and unemployment are given the highest priority. Hopefully we will be able to persuade the rating agencies to give the Government, as newly constituted, an opportunity to resuscitate the economy.

The year from a TFG international expansion perspective has been both exciting and challenging. The Hobbs acquisition in London and RAG in Australia together with the integration of the acquired G-Star RAW Australian franchise has meant that the senior executives have been stretched to bed down these acquisitions.

Regrettably the United Kingdom political situation, with Brexit's unresolved issues, is of concern as uncertainty of the ultimate outcome of Brexit makes business planning complicated with differing strategies to be considered for diverse scenarios.

In South Africa the regulations relating to the impediment of credit granting has been alleviated as the onerous conditions relating to proof of income have been successfully challenged. It remains to be seen what, if any, additional requirements will be introduced by the National Credit Regulator. As the position stands at present the granting of credit to new customers has been normalised and clothing retailers can once again provide credit to those customers meeting their lending criteria.

We continue to see an improvement in the status of the TFG debtors' book and, as always, the review of the carrying value of year end receivables receives the close scrutiny of the Audit Committee as well as external audit.

Group management has continued with the strategy of balancing funding requirements among short-term, medium-term and longer-term facilities.

The Group continues to place importance on IT risk management as well as the governance over technology and information management and consistently reviews the measures to curb the threat of cybercrime and IT fraud in general. The governance over technology and information management is considered to be best in class and complies with the recommendations contained in King IV™.

The Group continues to suffer from financial loss arising from crime-related incidents. The growth in these losses however has slowed in the current year. The forensic initiatives to address crime have been encouraging.

EXTERNAL AUDITORS

Following the well publicised governance issues and concerns raised during the course of last year, relating to KPMG South Africa, the Audit Committee met and after careful consideration took the decision to change auditors with immediate effect to Deloitte & Touche on a worldwide basis.

The Audit Committee records its appreciation to KPMG Inc. and particularly the partners and staff of the Cape Town office (and its predecessors) for their service and dedication to TFG over many decades.

The date of the change in the Group's auditors was 9 October 2017 which the Committee felt would provide sufficient time for an effective transition to the 2018 year end. Numerous meetings were held with Deloitte & Touche to ensure a seamless take-over of auditor responsibilities and that a complete and comprehensive audit was achievable.

Deloitte & Touche is afforded unrestricted access to the Group's records and management, and presents any significant issues arising from the annual audit to the committee. In addition, Mr M van Wyk, the designated audit partner, 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 Deloitte & Touche is independent of the Group and executive and senior management and therefore able to express an independent opinion on the Group's annual financial statements. The Committee specifically considered the nature and extent of non-audit services. Non-audit services of R0,4 million (KPMG) and R1,5 million (Deloitte & Touche) were provided in the current year.

The committee has nominated, for approval at the AGM, Deloitte & Touche as the external auditor and Mr M van Wyk as designated audit partner for the 2019 financial year, having satisfied itself (as required by the JSE Listings Requirements):

- that the audit firm is accredited by the JSE; and
- that the quality of the external audit is satisfactory (after referencing the most recent inspection reports issued by the Independent Regulatory Board for Auditors (IRBA) in respect of both the audit firm and the designated audit partner).

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 Act.

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

As recommended by King IV™ the Committee has concentrated primarily on the following financial captions with the actions taken to address the risks listed.

FINANCIAL CAPTIONS WITH THE ACTIONS TAKEN TO ADDRESS THE RISKS LISTED

1) Recovery of Trade Receivables

During the year we receive detailed presentations from the Group Director responsible for Credit on the progress being made in controlling the collection of receivables, which reports detail trends in recoveries, bad debt write-offs and other matrices associated with TFG's customer accounts status. In addition to reports provided to the Audit Committee, similar presentations are made to the Supervisory Board at regular intervals.

The Audit Committee receives reports from the external auditors on their work. Robust discussions take place on their findings.

2) Inventory

The Audit Committee members receive monthly reports from the CEO, which reports include comments made by each divisional head on:

i) their inventory holdings, stock turn statistics and write-down information; and
ii) the adequacy or otherwise of the overall quantum of their inventory holdings per business unit.

Internal audit performs selected reviews to provide assurance regarding the adequacy and effectiveness of the ongoing cyclical inventory counts and reports on their findings to the Audit Committee. In addition, the detailed internal audit reports relating to inventory counts are reviewed throughout the year by the Risk Committee.

The external auditors provide a detailed year-end report on their work to satisfy themselves that this critical caption is fairly stated.

INTEGRATED ANNUAL REPORT

The committee fulfils an oversight role in respect of the 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 in all aspects of our business.

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

The committee has also been receiving regular reports from TFG Finance and Advisory on the readiness to introduce the substantial changes in accounting that will result from the introduction of IFRS 9 (which is at an advanced stage of completion), 15 and 16 over the next few years. It is confidently anticipated that we will be ready to meet the timetables for the introduction of all these revised accounting standards.

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 Supervisory Board.

S E Abrahams
Chairman: Audit Committee

29 June 2018

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee is pleased to present its report for the financial year ended 31 March 2018 to the shareholders of TFG.

- ***Meeting attendance for the committee is set out on page 92.***
- ***Each member's qualifications and experience is set out in the profiles on pages 80 to 83.***
- ***Details of fees paid to committee members appear in note 32 of the annual financial statements.***

COMMITTEE MANDATE AND FUNCTIONING

The committee is responsible for assisting the Supervisory Board with the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship and assisting the Group in discharging its business responsibilities in relation thereto.

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, as well as those of King IV™. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

The committee held two meetings during the 2018 financial year. At each of these meetings the committee received reports detailing matters relevant to each of the areas within its mandate.

The focus areas of the committee are:

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

In discharging its duties, the committee takes into consideration any relevant legislation, other legal requirements or prevailing codes of best practice.

TFG's sustainability overview report deals with and provides more detail in respect of some of the aspects falling within the mandate of the committee. This report is available on our website.

SOCIAL AND ETHICS COMMITTEE MEMBERSHIP

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.

Members

F Abrahams (Chairperson)
B L M Makgabo-Fiskerstrand
A D Murray
N V Simamane

Invitees

A E Thunström

KEY AREAS OF FOCUS FOR THE REPORTING PERIOD

- local supply chain development;
- employee empowerment;
- transformation;
- wage negotiations and labour law developments;
- resource efficiency, which included environmental metrics for waste, electricity consumption, paper use and recyclables;
- corporate social investment initiatives;
- governance, ethics and accountability;
- implementation of action items arising from the United Nations Global Compact principles;
- compliance with consumer laws;
- an assessment of the application of King IV™ (specifically in respect of the roles and responsibilities of the committee);
- approval of TFG's Stakeholder Engagement Policy as recommended by King IV™ (refer to page 45 for more detail on stakeholder engagement); 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. However, additional details on transformation are provided as this remains a key focus area.

TRANSFORMATION REPORT

The Supervisory Board recognises the critical role it has to play in the transformation process in South Africa. The Supervisory 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 (B-BBEE) and the associated codes of good practice.

The role of the committee is to achieve sustainable empowerment and it has an ongoing responsibility to govern and oversee all aspects of the Group's B-BBEE strategy and implementation. At its meetings during the 2018 financial year, the committee received feedback detailing matters relevant to each of the functional areas within its transformation mandate.

Transformation strategy

Each year, the transformation strategy is reviewed and clear guidelines are defined for each of the five pillars of the B-BBEE scorecard. By delivering shared value through our empowerment initiatives, we are making a meaningful contribution to many of our stakeholders, while ensuring the long-term stability and profitability of our business.

Our B-BBEE performance

B-BBEE element	MAXIMUM	2018 ACHIEVED	2017 ACHIEVED
Ownership	25,0	**11,15**	12,31
Management control	19,0	**6,65**	6,15
Skills development	20,0	**15,32**	13,95
Enterprise and supplier development	40,0	**21,93**	18,55
Socio-economic development	5,0	**5,00**	5,00
Total	**109,0**	**60,05**	**55,96**
B-BBEE contributor level		**Level 7**	Level 7
Empowering supplier		**Yes**	Yes

SOCIAL AND ETHICS COMMITTEE REPORT (CONTINUED)

The commitment of the Group to transformation has yielded a Level 7 rating with a score of 60,05 points out of 109. We have also achieved a recognition rating of 50% for preferential procurement and Empowering Supplier status in terms of the dti's B-BBEE scorecard.

A detailed review of our performance against the full scorecard is provided in our online sustainable development report. Some highlights of our 2018 performance:

Ownership

We maintained our black shareholding with black rights originating from mandated investments. A score of 11,15 (2017: 12,31) was achieved.

Management control

The black representation at both the Operating Board and executive and senior management levels is being secured through a continued focus on diversity in the succession planning and talent management processes.

Employment equity remains a critical aspect of the Group's transformation agenda. In line with this, the alignment of Group and divisional targets with the national economically active population of South Africa remains a key focus. While reasonable progress continues to be made in transforming our managerial ranks, employment equity progress at the senior management level remains a key strategic focus area. A number of initiatives has been put in place to build a pipeline of talent to assist us in reaching our targets. Development opportunities at senior management level continue to be aligned to the selection of employees from designated groups. This year saw the completion of our first Retail Executive Programme in partnership with Duke Corporate Education.

A total score of 6,65 (2017: 6,15) was achieved.

Skills development

The Group continues to support the government's strategy of job creation and skills development by investing in key skills required to sustain and grow the retail sector and its own workforce. As with the employment equity scorecard, the skills development targets are based on racial demographics of the economically active population.

The committee is very pleased to report that TFG was accredited as a training provider this year and as such, accredited training for our customer-facing employees is now available. Our other key initiatives this year included the provision of bursaries to 25 of our employees towards the study of a formal qualification as well as eight external bursaries. The establishment of a Talent Acquisition team resulted in the placement of 139 internship opportunities in our retail operations, 859 learnership opportunities in our retail operations and 160 learnership opportunities in our factories.

A score of 15,32 (2017: 13,95) was achieved.

Enterprise and supplier development

The collection of supplier B-BBEE certificates for preferential procurement remains a focus, as well as reviewing possible opportunities for black-owned and black women-owned suppliers.

Our main contribution to enterprise development continues to be clothing, fabric and machinery donations. Supplier development initiatives included loans and advances, donation of machinery and fabric, preferential payment terms and human resources capacity support. R19,2 million was spent on Supplier Development and R22,5 million on Enterprise Development. A score of 21,93 (2017: 18,55) was achieved.

Socio-economic development

Socio-economic development expenditure continued to be directed towards initiatives that meet the needs of the communities in which we operate. The focus remained on educating to empower. Recognising the impact of the drought in the Western Cape, we increased effort to enhancing quality of life though the provision of water within these communities.

One of our flagship initiatives, The Sew Good programme, continued to assist on average 100 women annually by providing training to previously unemployed women to create tens of thousands of purple blankets that are distributed to those in desperate need.

R21,5 million was distributed through socio-economic development activities this year, to beneficiaries that have a black base of at least 75%.

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

F Abrahams
Chairperson: Social and Ethics Committee

29 June 2018

NOMINATION COMMITTEE REPORT

The Nomination Committee is pleased to provide a report of their activities for the 2018 financial year.

- ***Meeting attendance for the committee is set out on page 92.***
- ***Each member's qualifications and experience is set out in the profiles on pages 80 to 83.***
- ***Details of fees paid to committee members appear in note 32 of the annual financial statements.***

COMMITTEE MANDATE AND FUNCTIONING

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. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

The committee typically meets twice per year and further meetings are held as required. The committee held three meetings during the 2018 financial year.

NOMINATION COMMITTEE MEMBERSHIP

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.

NOMINATION COMMITTEE MEMBERSHIP	ROLES AND RESPONSIBILITIES
MEMBERS M Lewis (Chairman) S E Abrahams R Stein **INVITEES** A D Murray	• reviewing the Supervisory Board structure, size and composition; • reviewing the nature, size and composition of the Supervisory 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.

KEY AREAS OF FOCUS FOR THE REPORTING PERIOD

- review of all the Supervisory Board committees' composition to ensure appropriate mix of skills and experience;
- consideration of the diversity of the Supervisory Board and its committees (including gender and race diversity);
- review of the charter;
- review and update of the Director Appointment Policy;
- assessment of the application of King IV™ (specifically in respect of the roles and responsibilities of the committee);
- oversight of the Supervisory Board evaluation process; and
- CEO and general succession.

M Lewis
Chairman: Nomination Committee

29 June 2018

RISK COMMITTEE REPORT

The Risk Committee is pleased to present its report for the financial year ended 31 March 2018.

The committee is governed by a formal Risk Committee charter that is reviewed regularly. This charter guides the committee in terms of its objectives, authority and responsibilities, as assigned by the Supervisory Board. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

The Foschini Group Enterprise Risk Management (ERM) framework provides a structured, integrated, dynamic and consistent approach to risk management. This integrated approach recognises that effective risk management is critical to the achievement of strategic objectives and the long term sustainable growth of the business. The process by its nature is continuous and interactive such that risks are reviewed throughout the year, updating both the risk registers and combined assurance model. The framework is in line with relevant standards including ISO 31 000, the COSO framework and King IV™.

- ***Meeting attendance for the committee is set out on page 92.***
- ***Each member's qualifications and experience is set out in the profiles on pages 80 to 83.***
- ***Details of fees paid to committee members appear in note 32 of the annual financial statements.***

COMMITTEE MANDATE AND FUNCTIONING

Overall, the Supervisory Board remains accountable to ensure that risks are effectively managed and it has delegated the oversight of risk management to the Risk and Audit Committees in terms of two separate but aligned mandates. The Risk Committee reviews significant risks and their related mitigations and reports back to the Supervisory Board at each meeting, while the Audit Committee focuses predominantly on the financial risks and reviews the effectiveness of the risk process. Each business area is responsible for identifying, assessing and managing the risks in their respective area. The combined assurance process optimises assurance coverage and ensures that significant risks are adequately addressed, enabling an effective control environment and ensuring the integrity of information used for decision-making and reporting.

Risks and opportunities are identified throughout the year and assessed on the basis of likelihood of occurrence and potential impact to the Group (risk exposure). Mitigations are identified against each risk and the remaining residual risk assessed based on defined criteria. Annual workshops are held across the business to review critical strategic risks, significant trends in the operating environment and relevant interests of key stakeholders.

The risks with the highest exposure attribution for the Group are presented to the Operating Board to be reviewed and challenged ahead of being submitted to the Risk Committee and ultimately the Supervisory Board for review and approval. This process is facilitated by the Group Enterprise Risk function.

The committee meets four times a year. Quarterly updates on identified risks, related mitigations and emerging risks are provided to the Group Risk management committee for consideration. Significant matters and any revisions to risks are reported to the Risk Committee. The Group continuously seeks to improve and enhance the risk management process, while at the same time maintaining a practical and business minded approach.

The Supervisory Board adopts a conservative approach to risk appetite without inhibiting or unduly restricting the Group's ability to utilise and capitalise on risk-adjusted opportunities. During the year the Group further defined its risk appetite and tolerance thresholds while considering the expectations of key stakeholders. The Group seeks to mitigate and minimise risk through mechanisms such as standardised processes, regular reporting, risk transfer and diversification. Decisions are underpinned by the Group values (PRIDE[2]), maintaining good legal standing, protecting reputation and an appropriate balance of risk versus reward. The Group annually reviews the level of risk it is willing to accept to achieve its strategic objectives, and in pursuit of creating and maintaining value for all stakeholders.

The Supervisory Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the potential impact of risks on the business during the year under review.

1 Risks highlighted through workshops, assurance reviews, management, third parties and other resources are documented in a centrally managed risk register.

2 Risks are assessed in terms of likelihood of occurrence and potential impact on the Group.

3 Mitigating actions are agreed and responsibilities assigned.

4 The effectiveness of the mitigating actions is evaluated and the residual risk determined.

5 Risks are reviewed by the Risk Committee, discussing emerging risks and changes in the risk assessment.

RISK COMMITTEE MEMBERSHIP

MEMBERS
E Oblowitz (Chairman)
D Friedland
B L M Makgabo-Fiskerstrand
A D Murray
N V Simamane
R Stein
A E Thunström

INVITEES
M Lewis
S E Abrahams

ROLES AND RESPONSIBILITIES

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 at least 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.

TECHNOLOGY AND INFORMATION GOVERNANCE

A technology and information governance steering committee has been established, which includes representatives from the various trading and services divisions. The committee meets quarterly and reviews the emerging technology and information governance-related risks, disaster recovery plans and any significant initiatives. The Risk Committee receives feedback on matters discussed and monitors technology and information governance initiatives to ensure these do not pose a risk to the continuity of the Group's operations.

LEGISLATIVE COMPLIANCE

At each Risk Committee meeting, an update on legal compliance is presented. This update includes a legislative radar or forecast of significant legislative developments in all of the countries in which the Group has a footprint. Key areas of non-compliance, if any, are also brought to the attention of this committee. During the year, no material fines and/or other forms of sanction were issued against the Group and no directors or senior management were accused of or held liable for non-compliance with any laws, regulations or codes of conduct.

Further information on legislative compliance is provided in the Legal Compliance report on page 94.

COMBINED ASSURANCE

During the year the Group updated its combined assurance process to align with the principles as outlined in King IV™. The Committee reviewed the revised framework and considers the approach to be adequate and appropriate for TFG. Regular reports are provided to the Audit and Risk Committees on the outcome of the process. The Risk Committee remains responsible to ensure that significant risks are adequately mitigated across the Group while the Audit Committee is focused on risks with financial implication, and assurance over the financial control environment.

During the year no significant matters of concern were highlighted.

Refer to the diagram below for a summary of the combined assurance methodology.

TFG COMBINED ASSURANCE MODEL

EXAMPLES OF THE APPLICABLE GOVERNANCE FRAMEWORKS:

- Companies Act 71 of 2008, JSE Listings Requirements, King IV Code on Corporate Governance™
- External governance frameworks and legislation
- TFG Supervisory Board charter
- TFG Audit and Risk Committee charters
- Internal TFG policies and procedures

Assurance providers are increasingly engaged and meet more frequently.

LEVEL

1. **Operations management with regular reporting to Operating Board**
2. **Governance functions such as risk, legal and compliance**
3. **Internal audit with regular reporting to the Audit Committee**
4. **Various external, accreditation, certification and assurance providers**
5. **Supervisory Board**

Refer to Legal Compliance, Audit Committee and Risk Committee reports for further detail.

Line management is responsible for managing, measuring and mitigating operational risk and performance.

Specialised and independent functions assist and guide management in executing its duties and provide assurance through monitoring. The Operating Board, Audit and Risk Committees provide oversight.

Internal audit operates independently from management with oversight by the Audit and Risk Committees. The Head of Internal Audit reports directly to the Audit Committee.

In accordance with the Group's governance framework, independent external assurance providers are appointed as required on an *ad hoc* basis. The external auditors are appointed by shareholders on recommendation of the Audit Committee.

The Supervisory Board has an overall oversight role. Refer to page 87 for a description of TFG's governance structure.

Assurance providers are increasingly independent.

Both the Audit and Risk Committees oversee the combined assurance model as well as related methodology and assurance outcomes.

Objective

Co-ordinated approach to assurance activities related to significant risks facing the Group.

KEY RISKS AND SIGNIFICANT UNCERTAINTIES

The landscape – including five continents and 32 countries – in which the Group operates is impacted by the expansion into new territories. Global and local events continue to influence the stability of the relevant economies which influences available capital and discretionary spend of our consumer. This trend increases the risk to turnover and debtor delinquencies. The Group continues to monitor the progress of Brexit and to consider the implications it may have for our United Kingdom businesses. TFG's material matters on page 38 further elaborate on the risks, opportunities and issues that can affect the Group's ability to create shared and sustainable value.

The eight most significant risks to the Group are outlined below:

RISK DESCRIPTION	MITIGATING ACTIVITIES
The complexity of the South African regulatory environment continues to increase. This risk is also heightened as the Group expands internationally, and is faced with understanding and applying differing regulatory requirements in multiple jurisdictions.	• The Group's Legal Compliance department monitors significant risks and provides the business with updates and training as and when required. • Regular reports are provided to senior management and the Audit and Risk Committees, respectively, addressing significant aspects across all jurisdictions in which the Group has a footprint.
The introduction of revised credit legislation continues to pose challenges in terms of compliance and our TFG Africa customer base.	• The Group strategy and related initiatives are in place to grow TFG Africa's account base and the average spend per account. • Regular compliance monitoring. • Submissions of comments and lobbying on proposed credit changes.
A fire, flood or other natural disaster affecting warehouses or head office campus.	• Business continuity plans have been developed across the Group. These plans are reviewed annually and tested on a regular basis. • Group insurance policy in place to mitigate losses.
Failure of IT environment. The increased reliance on IT systems has raised the significance of this risk across the Group.	• Disaster recovery plans are in place across the Group.
A weakening economy and/or a financial and/or catastrophic disaster leads to the collapse of key suppliers.	• The Group's supply chain and procurement strategies include 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. • Recommended improvements are discussed and the progress of implementation is regularly assessed.
Instability in economies both locally and globally influence available capital and our consumers.	• The funding strategy is presented to and reviewed by the Supervisory Board annually in addition to specific attention applied by the Finance Committee which meets on an *ad hoc* basis to consider and provide recommendation on funding matters of the Group. • Treasury meetings are held monthly to review funding requirements and options. • The Group has an increasingly diversified business model.

RISK DESCRIPTION	MITIGATING ACTIVITIES
The impact of global financial volatility 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 that it remains relevant and provides the best possible protection against currency fluctuations for committed and future orders.
A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.	• The Group continually strives to increase accessibility to a broad spectrum of the market by growing its footprint in varied locations. • The Group continues to refine credit score models for collections and follow-ups to assist customers in maintaining an open-to-buy position. • 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 regularly reviewed with the assistance of internal behavioural and credit bureau scorecards.

The Group's risks continues to evolve as new risks emerge and appropriate mitigating activities are introduced to reduce the overall residual risk. The following risks increased in significance during the year:

RISK DESCRIPTION	MITIGATING ACTIVITIES
Threat of cyber attacks.	• A cyber security operations centre has been established. • Best practice approach adopted including various security measures and targeted awareness campaigns.
The change in VAT rate and the limited transitional period.	• A project team was formed to handle the transition. No significant issues were noted during the process.

The following risk, although still relevant, has reduced in significance:

Continued high levels of crime (i.e. burglaries and armed robberies but excluding credit fraud) reduces operating margin – the crime levels across South Africa continue to be of concern. However, TFG has managed to reduce the number and value of incidents experienced compared to the prior year. There continues to be a focused effort to further reduce the impact of crime on the business.

E Oblowitz
Chairman: Risk Committee

29 June 2018

REMUNERATION COMMITTEE REPORT

The Remuneration Committee report comprises three sections:

SECTION A	Letter from the Chairman of the Remuneration Committee summarising key remuneration considerations and decisions as well as highlighting internal and external factors influencing remuneration during the year under review.
SECTION B	The remuneration philosophy, policy and framework.
SECTION C	The application of the remuneration policy during the year under review.

- ***Meeting attendance for the committee is set out on page 92.***
- ***Each member's qualifications and experience is set out in the profiles on pages 80 to 83.***
- ***Details of fees paid to committee members appear in note 32 of the annual financial statements.***

REMUNERATION COMMITTEE MEMBERSHIP

MEMBERS
E Oblowitz (Chairman)
F Abrahams
D Friedland
M Lewis

INVITEES
A D Murray

SECTION A: Letter from the Chairman of the Remuneration Committee

Dear Shareholders

I present to you the Remuneration Committee report for the 2018 financial year (FY) on behalf of the Remuneration Committee (Remco). This report summarises the philosophy, principles and approaches to remuneration at TFG as it applies to executive directors, non-executive directors (NEDs) and other employees. It details the Remco-approved policy and principles for each of the primary components of the remuneration policy. The structure and content of the report is aligned with the King IV Report on Corporate Governance™ (King IV™) and the JSE Listings Requirements.

THE YEAR IN REVIEW

Locally and internationally, retailers face an extremely competitive environment; in the domestic context, the recent sovereign downgrades, political uncertainty and sluggish economy have had an effect on the industry. Despite these conditions, TFG has performed relatively well. For the year ended 31 March 2018, the Group achieved positive results, with a 21,4% increase in Group turnover, 3,4% increase in headline earnings per share, and a 44,8% increase in the generation of free cash flow. More information on TFG's performance is set out in the Chief Executive Officer's (CEO's) report on page 52 of the integrated annual report. Variable pay is linked to the Group's financial performance. As a result, the financial performance target for the short-term incentive (STI) was achieved. The long-term incentive (LTI) performance metrics were achieved as well, with 100% vesting in respect of the share appreciation rights (SARs) award and 100% vesting of performance shares awarded under the forfeitable share plan. More detail in this regard is set out in section C of this report.

+44,8%
INCREASE IN THE GENERATION OF FREE CASH FLOW

KEY ACTIVITIES UNDERTAKEN BY THE REMCO DURING FY2018:

The key activities of the Remco in FY2018 are summarised below.

- Total remuneration was benchmarked by external remuneration advisors (PwC) for executives and board members. The findings were presented at the Remco meeting in November 2017.
- Reviewed the total reward structures of our International operations.
- Reviewed and approved the remuneration report, incorporating King IV™ practices and the JSE Listings Requirements, for publication in the 2018 integrated annual report.
- Considered and approved salary increases for our South African, African and International operations.
- Reviewed NED fees (VAT exclusive) to be approved by shareholders at the 2018 annual general meeting (AGM).
- As set out in the 2017 integrated annual report, ROCE targets were taken into consideration and targets for the period FY2017 to FY2019 and the period FY2018 to FY2020 were approved by Remco.
- TFG supports the principle of fair and responsible pay and to this end, the Remco reviewed the practices in the business to ensure that the applicable processes have been implemented.
- After conducting a review of TFG's internal salary levels, the Remco satisfied itself that TFG salary ranges at all pay grades are fairly aligned to the market. Remco is also satisfied that there are no unjustified differentials in salary across gender and race for similar jobs within the Group.
- A pay differential analysis across the six occupational categories for the last three years was presented to Remco and to the Social and Ethics Committee showing a year-on-year improvement in the identified focus areas. This exercise will be conducted on an annual basis with a particular focus on tracking progress on remuneration for our customer-facing employees.
- Designed and implemented an incentive programme and reviewed the commission structure for selected divisions.

FUTURE AREAS OF FOCUS

The Remco considers the remuneration policy to be aligned with TFG's overall business strategy and long-term objectives, and we continuously examine areas of advancement considering shareholder feedback and market best practice. The table below contains several forward-looking considerations, as determined by the Remco.

FORWARD-LOOKING CHANGE	RATIONALE
Further embed ROCE as a performance measurement in the business by introducing it to the next tier of management.	It is important to further align employee performance to the ROCE targets set by the board by incorporating these targets into the employees' key performance indicators (KPIs) for the new financial year.
Define the peer group for benchmarking purposes by categorising the comparator companies into retail sector and market capitalisation respectively.	Affords TFG the opportunity to benchmark against the two categories.
In line with the Group's strategic focus, one entry level of pay will be introduced for our customer-facing employees that are aligned to the market.	TFG believes that the introduction of the TFG minimum range supports the Group's commitment to fair and responsible pay and will ensure that employees are paid above the retail sector minimum wage.

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SHAREHOLDER ADVISORY SERVICES AND INVESTOR ENGAGEMENT

We actively engage with investors on at least an annual basis and this process informs best practice and related enhancements to our remuneration policy. We have taken note of the engagement feedback received from shareholder advisors and investors as part of the 2017 AGM process.

The key engagement points raised, and our responses to each, are set out in the table below.

	SHAREHOLDER ADVISOR/INVESTOR COMMENT	RESPONSE FROM TFG REMCO/ACTIONS TAKEN
GENERAL	Good level of disclosure in the report.	We will continue to enhance and improve the report in line with best practice.
STI TARGET AND INDIVIDUAL PERFORMANCE INDICATOR (IPM)	Discretion applied when STI targets are not met.	The Remco made an exceptional decision to declare a discretionary bonus in FY2017, in order to specifically reward the contribution of executive directors for the successful implementation of the Group's international expansion plans. The Remco also took into account the fact that the earnings before interest and tax (EBIT) target was missed by a narrow margin and relative to peers, TFG performed well.
	The focus is placed on STI performance when executive directors should ideally be rewarded for long-term sustainability of results.	Refer to the pay mix diagrams on page 126 which illustrate the LTI component. The Remco believes that the pay mix is appropriate for TFG and aligned to the Group's strategy. In addition, the independent PwC benchmarking exercise performed at the end of the 2017 financial year demonstrated that TFG's LTI component at executive level is slightly higher than market and STI slightly lower, which supports our fundamental philosophy of having a bias towards rewarding long-term results. The stretch earning potential for the STI is only achievable for exceptional performance, which is designed to motivate outperformance in a difficult trading environment. Overall, TFG's total reward aligns to market.
	A single performance condition, easily manipulated, applied for awarding STI bonuses.	In addition to EBIT (at Group level) and operating profit (at divisional level), TFG also incorporates non-financial targets into the STI targets through measurement of individual KPIs. Refer to page 118 of the Remuneration Committee report.
	No details regarding the individual modifier scores for FY2017 performance.	TFG has enhanced the relevant disclosure in this year's report. Please refer to the disclosure on page 123.
	The bonus opportunity has been significantly increased immediately following the large increase in the CEO's fixed remuneration last year.	TFG has increased the potential maximum bonus multiplier from 1,2x bonus outcome to 1,5x bonus outcome for all participants in the TFG annual bonus scheme. The purpose of this change is to further embed the pay for performance culture within the Group by making the bonus more leveraged. As previously mentioned, the stretch earnings potential is only achievable for exceptional performance.

	SHAREHOLDER ADVISOR/INVESTOR COMMENT	RESPONSE FROM TFG REMCO/ACTIONS TAKEN
LTI TARGET	For the forfeitable share plan, the performance target of HEPS growth of CPI + 2% is not stretched enough. Apply nominal gross domestic product (GDP) plus a factor to LTI earnings growth rates rather than CPI plus 2%.	The South African retail sector is currently trading in a challenging environment and we believe HEPS growth of CPI + 2% over a three-year period will provide a robust stretch.
	Disclosure of return on capital employed (ROCE) targets as a secondary measure with a 20% weighting, but no actual targets were provided. The decision to retrospectively set ROCE targets for the 2016 and 2017 cycles of forfeitable share awards raises concerns, given that a significant portion of the respective performance periods for the awards has already lapsed.	ROCE targets are set on the fundamental objective of attaining long-term incremental improvement in ROCE and are detailed in this report on page 124. In light of the international acquisition activity over the past two financial years, the Remco was of the opinion that it would be practically inappropriate to set and disclose ROCE targets. During FY18 the Remco was able to set ROCE targets that it considers to be stretched, while achievable in the context of the Group's strategy.
	Include a free cash flow (FCF) conversion metric in the LTI performance metrics.	The introduction of ROCE as a secondary measure contributed to TFG's free cash flow improvement of 44,8% in the last year. We believe that ROCE is the appropriate measure to focus on.
	Cumulative HEPS growth target is a soft target in good cyclical years. Apply HEPS relative to peers instead.	The Remco has reviewed the HEPS growth target and strongly believes that it is appropriate given the past number of years' tough economic environment and trading conditions.

ANNOUNCEMENTS

As previously indicated on 7 June 2016 and as was announced on SENS on 12 March 2018 and 24 May 2018, Doug Murray will retire as CEO of the Group on 3 September 2018 after 33 years' service, 11 of which were as CEO. Doug will retire from the Group at the end of September 2018. Given his wealth of knowledge and experience in the international retail sector in general and TFG in particular, the Board has agreed to appoint Doug as a consultant to the end of September 2019 and as an NED from 1 October 2019. The Board expresses its immense gratitude for the significant contribution made by Doug during his tenure and look forward to his continued involvement with the Group.

As indicated, Anthony Thunström, currently the CFO of the Group, became the CEO Designate on 12 March 2018 and will assume the position of CEO on 3 September 2018. At the date of this report, the process to recruit a CFO is well advanced.

EXTERNAL ADVISORS

The Remco has maintained PwC as independent specialist advisors on certain retained matters of remuneration (i.e. King IV™ compliance, best practice, JSE Listings Requirements and benchmarking). We are satisfied that PwC acted independently and objectively in providing their advice and services to TFG.

ANNUAL GENERAL MEETING (AGM)

At the AGM held on 6 September 2017, TFG received a 69,71% non-binding advisory vote in favour of the remuneration policy. This is a material improvement on the prior year's results, and reflects the results of our continued and responsive engagement with our shareholders.

During FY18 we took a proactive approach to review our remuneration policy in light of investor feedback and made a number of changes which we believe support TFG's business strategy. The Remco is satisfied that the remuneration policy achieved its stated objectives in the year under review. Furthermore, sections B and C of this report (containing the 2019 remuneration policy and 2018 implementation report respectively) will be put to two separate non-binding votes at the 2018 AGM, in line with the JSE Listings Requirements. We look forward to your positive vote in favour of our policy and implementation thereof.

E Oblowitz
Chairman: Remuneration Committee

29 June 2018

SECTION B: Remuneration policy

THE REMCO

The Remco is an authorised board committee, that reviews and makes remuneration policy recommendations for final approval by the Supervisory Board.

The Remco's responsibilities are set out in the TFG Remco Charter which is available on the TFG website at www.tfglimited.co.za. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

The Remco members, all of whom are independent NEDs, and their meeting attendance details are set out on page 92.

In line with best practice, the Remco meets four times per annum. On certain topics relating to remuneration, the Remco may observe contributions of key individuals invited to attend these meetings, including:

- the CEO;
- relevant Group directors;
- the Head of TFG Remuneration, Benefits and Wellness; and
- appointed external advisors.

PRINCIPLES AND PHILOSOPHY

Remco determines TFG's remuneration policy which 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. The remuneration policy is an enabler for creating sustainable and long-term returns for shareholders and conforms to TFG's approved risk and governance framework.

The policy seeks to achieve the following principal objectives:

- External equity – employees are rewarded in line with the benchmarks in national and retail markets, taking all relevant and appropriate factors into account;
- Internal equity – employees are remunerated fairly in relation to each other, in recognition of their individual contribution and accountability;
- Performance alignment – ensuring employees are aware of the requirements of strong short-term and long-term performance as well as its rewards; and
- An appropriate remuneration mix – establishing a balance between base pay, benefits, STI and LTI.

FAIR AND RESPONSIBLE REMUNERATION

Remuneration must be balanced with attractive benefits, an enjoyable, ethical and values-based working environment and the opportunity for employees to develop and grow in a respectful, collaborative, competitive, career-oriented environment. TFG believes that a sound employee value proposition (EVP) ensures a healthy balance between remuneration (financial rewards) and non-financial rewards.

TFG continues to support the South African government's strategy of job creation and skills development by investing in key skills needed to sustain and grow the retail and manufacturing sectors and its own workforce. The focus has been on driving development for our customer-facing employees and merchants via The TFG Retail Academy. Our Prestige factories offer key manufacturing support to the Group and our training schools ensure our employees are formally trained and can graduate with an NQF level 2 qualification. In addition, our Sector Education and Training Authorities (SETA) initiatives are also incorporated into our Academy giving our customer-facing employees an opportunity to develop their retail and leadership skills. Supporting this, TFG has been accredited as a training provider with the Wholesale and Retail SETA and the Department of Education (DoE) enabling us to employ, train and develop 350 customer-facing employees each year and award them with a retail qualification.

TFG is committed to fair and responsible remuneration across all levels of employees within the Group. The Group provides all employees with the opportunity to grow their career with TFG through training, upskilling and opportunity to apply for positions internally. As such, employees who join the Group at an entry level salary are provided with opportunities to grow their earnings well above the entry level. Customer-facing employees' remuneration is further supplemented with store and brand-based STIs and commissions.

To ensure that employees are rewarded appropriately for their contribution in upholding the four strategic pillars and in line with their individual performance metrics, the remuneration policy is designed to recognise and fairly reward individual performance, behaviour and responsibility.

TFG IS COMMITTED TO FAIR AND RESPONSIBLE REMUNERATION THAT SUPPORTS THE IMPLEMENTATION OF OUR FOUR STRATEGIC PILLARS

	SHORT-TERM INCENTIVES (STI)			LONG-TERM INCENTIVES (LTI)
STRATEGIC PILLARS	INDIVIDUAL METRICS (EXAMPLES)	BUSINESS AREA METRICS	GROUP METRICS	SHAREHOLDER METRICS
Customer	Cash customer base	OPERATING PROFIT	GROUP EBIT	HEPS
	Net promoter score			
	Quick response			
Leadership	ROCE			
	Employee engagement			
Profit	African expansion			
	Basket size			
Growth	Voice of customer			ROCE

The TFG remuneration policy is designed to achieve a fair and sustainable balance between guaranteed pay, STIs and LTIs for all TFG employees. The remuneration policy is applicable to all employees of the Group and participation in STI and LTI schemes are dependent on the individual's organisational level within the Group.

To support the principle of fair and responsible remuneration TFG conducts the following:

- A performance review is conducted biannually with all employees from which talent maps are produced to identify high-performing employees who demonstrate potential. Training and development initiatives are identified to advance these employees' careers as well as pay progression aligned with their actual performance and experience.
- An annual exercise is undertaken to identify and address unjustified income differentials between employees doing work that is the same or substantially the same, or work of equal value, as part of the Employment Equity Report (EEA4) submission to the Department of Labour.
- Annual monitoring of TFG's internal Gini coefficient (i.e. the ratio of income dispersion between the different levels) to ensure it is within reasonable benchmarks nationally and within the SA retail industry benchmark.
- Regular total remuneration benchmarking against selected peer groups is conducted by external remuneration specialist advisors (PwC) for executives and board members.
- The selected peer groups for benchmarking purposes include companies from the retail sector and companies with a similar market capitalisation.

REMUNERATION MIX CATEGORIES

The remuneration mix includes various elements categorised as follows:

- **TGP:** Made up of base pay and benefits
- **STI:** A variable component of remuneration, comprising performance-driven incentive bonuses
- **LTI:** A variable component of remuneration, comprising SARs and full shares

Total guaranteed pay (TGP)

Base pay

Attracts and retains key talent, with focus on external market equity, internal equity as well as equal pay for work of equal value

Base pay consists of the following, and applies to all permanent employees:

- Pensionable salary;
- Tenure-based 13th cheque for permanent employees Peromnes* Grade 6 and below.

Base pay is determined by taking into account various salary ranges, which define a maximum, midpoint and minimum salary acceptable for each role.

* *TFG has two grading structures in place i.e. a Peromnes grading for employees falling in level Grade 6 and below and Paterson grading for employees falling in level D3 and above.*

External and internal equity

TFG seeks to create both external and internal equity when determining base pay, taking into consideration TFG's affordability and trading conditions.

External equity: best practice remuneration strategy, processes and guidance that position TFG salary ranges at the most appropriate levels to ensure that we are competitive to market for each role.

Internal equity: best practice talent processes that ensure that employees are placed within TFG ranges at the most appropriate position, with equitable and appropriate differentiation relative to each other.

In order to achieve external and internal equity, TFG relies on market information (job evaluation and identification of job families) and TFG's pay position strategy (50th percentile). An employee's positioning in the salary scale will depend on (among other factors) performance and/or proficiency in the role. TFG also considers external and internal equity when employees are being promoted or when conducting annual reviews and/or merit increases.

Base pay increases are awarded based on guidelines determined with reference to direct comparable industry peers, independent market surveys such as the PwC REMchannel® salary survey and Korn Ferry Hay Group'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 increase guidelines.

Benefits

Influences attraction and retention of key talent

Benefits consist of the following, and applies to all permanent employees:

EMPLOYEE BENEFITS

TFG RETIREMENT FUND^ PROVIDENT FUND (EXECUTIVES ONLY)^	VEHICLE BENEFITS GROUP LIFE AND DISABILITY BENEFITS	TFG MEDICAL AID SCHEME (WHERE APPLICABLE)
All permanent employees are eligible to participate. TFG Retirement Fund contribution – 12% company contribution and 7,5% member contribution. Executives also participate in a Provident Fund (1,5% company contribution, no contribution from the employee).	Vehicle benefits – depend on the employee's organisational level and role. All permanent employees participate in Group life and disability benefits.	Income-related, but lower contributions are required from employees in lower salary bands. TFG provides a 50% subsidy for all approved dependants on the in-house medical aid (eases the cost of living for employees).

^ *Contributions to retirement savings are based on pensionable salary and no element of variable pay is regarded as pensionable.*

Variable pay

Variable pay (STIs and LTIs) is linked to performance in order to support sustainable growth and responsible corporate citizenship. In line with King IV™, the table below sets out the positive outcomes of the performance measures across the economic, social and environmental context in which TFG operates.

VARIABLE PAY COMPONENT	PERFORMANCE CRITERIA	POSITIVE OUTCOMES OF PERFORMANCE
STI	EBIT (Group metric)	**Financial capital:** Meeting the budgeted EBIT places TFG in a position to determine how effectively the Group generates profit from its operations, which serves as one of the foundations to raise capital.
	Operating profit (divisional metric)	**Financial capital:** Encourages employees to meet TFG's liquidity profile and future cash requirements with a specific focus on ROCE and cost-saving initiatives for a more profitable business, ultimately increasing shareholder value. **Physical footprint and infrastructure:** Ensuring that the infrastructure that forms part of TFG's business is used efficiently in order to achieve revenue targets.
	Individual performance	**Financial capital, physical footprint and infrastructure:** The strategic metrics in the balanced scorecards of the members of executive management encourage executives to manage the Group's liquidity profile to meet current and future cash requirements; as well as to maintain profit margins and manage, grow and diversify the local and international asset base. **Human capital:** Deepens staff engagement and encourages employees to grow and succeed in an environment of support, collaboration and respect.
LTI	HEPS	**Financial capital:** Drives the increase in the value of the shares over a significant period of time through operational and capital investment activities.
	ROCE	**Financial capital:** Drives the responsible investment of capital in order to return financial capital in the form of sustainable distributions and interest payments at responsible levels of risk.

Short-term incentives (STIs)

Rewards employees for achieving or exceeding targeted performance levels

STI overview

There were no changes to the STI policy in the year under review.

The Group annual bonus scheme defines three targeted tiers of performance at both divisional and Group level, with commensurate bonus payments at each of these levels. These levels are defined as threshold, target and stretch.

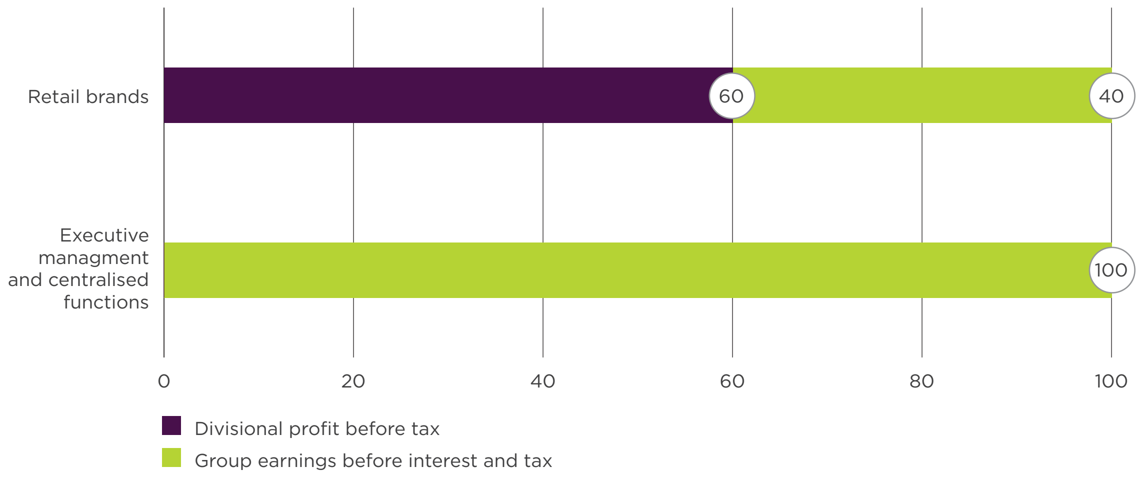
This structure exists for the following reasons:

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

Permanent employees from Peromnes Grade 7 (middle management) and above are eligible to participate. 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 STIs. These measures include the following:



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.

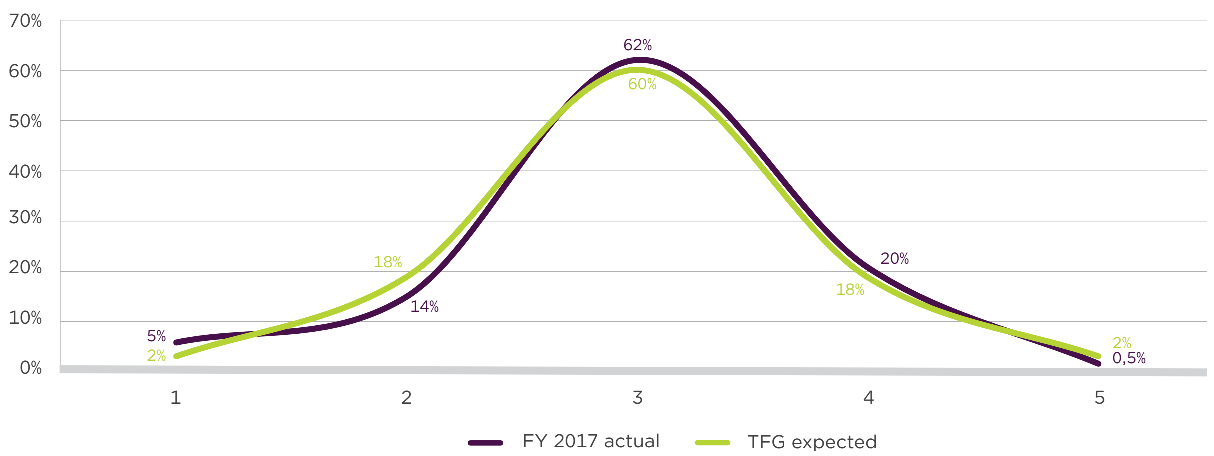
After calculating the bonus pool using the primary measure, a secondary measure of individual performance is applied to an individual's base bonus. The purpose of having individual performance as a secondary measure is to support a pay for performance culture. This secondary measure is determined by using the employee's performance rating.

The range is on a five-point scale as follows:

PERFORMANCE SCORE (PS)	MODIFIER APPLIED TO ON-TARGET EARNING POTENTIAL
1 (Meets minimal or no expectations)	0%
2 (Meets most but not all expectations)	75%
3 (Meets all expectations)	100%
4 (Meets all and exceeds some expectations)	125%
5 (Consistently exceeds all expectations)	150%
0 (Not able to rate – new employee)	100%

In line with good practice, these ratings are calibrated to ensure the Group achieves a reasonable distribution curve within the total bonus pool.

The below graph is the actual distribution curve achieved for the previous financial year.



Performance measures for all Operating Board members (including the CEO) as well as all heads of retail brands and heads of functions are aligned with the TFG strategic agenda as detailed on page 56 of the integrated annual report. CEO objectives are set and assessed by the Chairman of the Supervisory Board. The CFO and Operating Board members' objectives are set and assessed by the CEO.

STI target setting, STI tiers of performance and related bonus multiple and STI payment multiples

The Remco approves Group bonus targets, using annual profit forecasts as a benchmark (primary measure). The Remco reviews and assesses the achievement of approved Group and divisional targets and then recommends the appropriate bonus payments to the Supervisory Board.

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

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

	BELOW THRESHOLD	THRESHOLD	TARGET	STRETCH
Target setting	Performance below threshold level.	Performance marginally below On Target that is nevertheless satisfactory, and substantially aligned with forecasted trading performance.	Strong performance that is above forecast trading performance and results in the payment of the On Target bonus value.	A superior level of performance that is sufficient to warrant and justify the maximum potential bonus payment.
Bonus payment % of payment multiple	**0%**	**50%** Payment between 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.	**100%** Performance between On Target and Stretch is rewarded proportionately, and payments are capped at the Stretch level.	**200%** Performance above Stretch target does not result in an additional bonus payment. The payment cap by design is achieved once Stretch targets are achieved.
Payment multiples	STI benchmarks are reviewed regularly to ensure that bonus payment levels at each organisational level and performance tier are appropriate and form a fitting part of the overall pay mix. Any changes to the payment multiples or structures require prior approval from the Remco. 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.			

OPERATING BOARD

	BELOW THRESHOLD		THRESHOLD		TARGET		STRETCH	
CEO payment multiple before applying performance score		**0%**		**45%**		**90%**		**180%**
CEO payment multiple after applying performance score (PS)	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**
	1	0%	1	0,00%	1	0,00%	1	0%
	2	0%	2	33,75%	2	67,50%	2	135%
	3	**0%**	**3**	**45,00%**	**3**	**90,00%**	**3**	**180%**
	4	0%	4	56,25%	4	112,50%	4	225%
	5	0%	5	67,50%	5	135,00%	5	270%
CFO payment multiple before applying performance score		**0%**		**27,5%**		**55%**		**110%**
CFO payment multiple after applying performance score (PS)	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**
	1	0%	1	0,00%	1	0,00%	1	0,00%
	2	0%	2	20,63%	2	41,25%	2	82,50%
	3	**0%**	**3**	**27,50%**	**3**	**55,00%**	**3**	**110,00%**
	4	0%	4	34,38%	4	68,75%	4	137,50%
	5	0%	5	41,25%	5	82,50%	5	165,00%
Operating board average payment multiple before applying performance score		**0%**		**24%**		**48%**		**96%**
Operating board average payment multiple after applying performance score (PS)	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**	**PS**	**Modifier**
	1	0%	1	0%	1	0%	1	0%
	2	0%	2	18%	2	36%	2	72%
	3	**0%**	**3**	**24%**	**3**	**48%**	**3**	**96%**
	4	0%	4	30%	4	60%	4	120%
	5	0%	5	36%	5	72%	5	144%

Long-term incentives (LTI)

LTI schemes include SARs and forfeitable shares which align executive and key management interests with those of shareholders.

There were no changes to LTI policy in the year under review.

Share appreciation rights (SARs)

(Foschini 2007 Share Incentive Scheme)

Participants are entitled to receive resultant shares equal in value 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. The minimum period between grant and conversion is three years, and all rights expire after six years.

INSTRUMENT	PARTICIPANTS	ALLOCATION FREQUENCY	PERFORMANCE TARGET	MEASUREMENT PERIOD	VESTING SUMMARY
Share appreciation rights (SARs)	CEO and Operating Board	One allocation per annum	HEPS growth (continuing operations) of at least CPI compounded annually	Three years with no retesting. Expiry period six years from grant date	100% vesting if HEPS growth of at least CPI 0% vesting if HEPS growth of less than CPI

Forfeitable shares

(Foschini 2010 Share Incentive Scheme)

Two instruments form part of this scheme, namely Performance Shares and Restricted shares.

INSTRUMENT	PARTICIPANTS	ALLOCATION FREQUENCY	PERFORMANCE CRITERIA	TARGET RANGE	VESTING PROFILE
Performance shares (forfeitable shares) – Awards before 2016	CEO, Operating Board and executives (Paterson scale E1 and above)	One allocation per annum	Subject to Group performance criteria which are tested against inflation-linked HEPS targets tested over a period of three years with no retesting	HEPS growth of CPI plus 2%	100% vesting after three years
				HEPS growth of between CPI and CPI plus 2%	Linear vesting after three years
				HEPS growth less than CPI	No vesting
Performance shares (forfeitable shares) – Awards after 2016	CEO, Operating Board and executives (Paterson scale E1 and above).	One allocation per annum	HEPS [weighting 80%] ROCE [weighting 20%] for Operating Board HEPS [weighting 100%] for levels below Operating Board	**HEPS** • HEPS growth of CPI plus 2% • HEPS growth of between CPI and CPI plus 2% • HEPS growth of less than CPI	• 100% vesting after three years • Linear vesting after three years • 0% vesting
				ROCE • ROCE between or greater than target range of 23% to 25% • ROCE less than 23%	• 100% vesting after three years • 0% vesting

INSTRUMENT	PARTICIPANTS	ALLOCATION FREQUENCY	PERFORMANCE CRITERIA	TARGET RANGE	VESTING PROFILE
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	Issued with the specific objective of improving the retention of key senior talent, while still utilising an instrument that aligns the interests of participants with those of shareholders.		Subject to continued employment, vests after three years

Performance criteria and weightings are reviewed on an annual basis and are subject to change as approved by the Remco.

LTI allocation policy

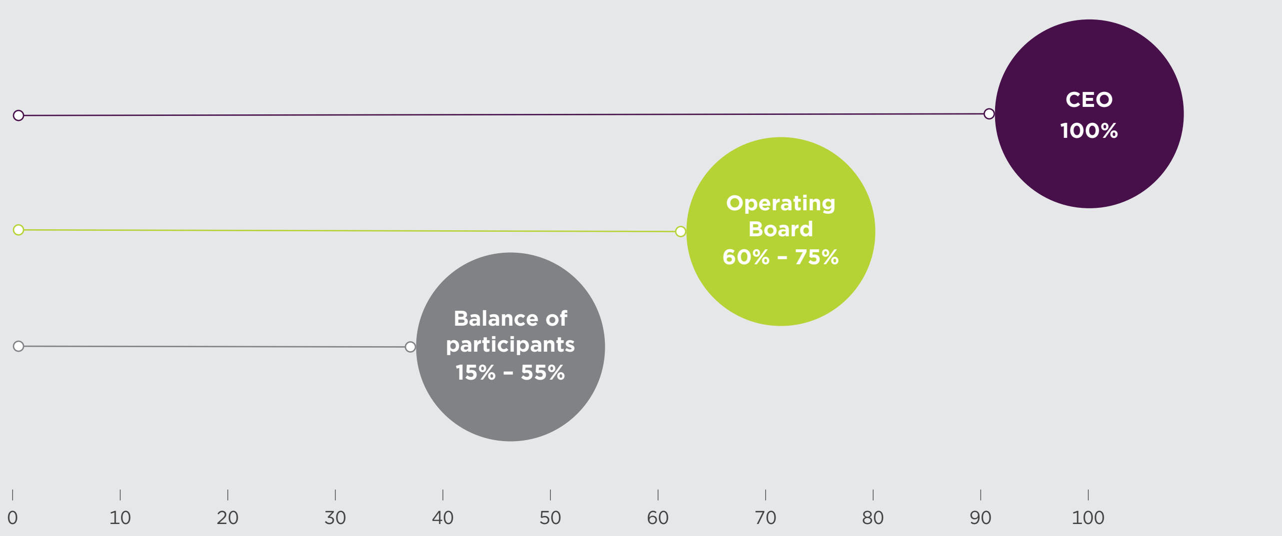
Allocations are made using predefined multiples for each share incentive type based on:

- 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 of incentivising 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 approved remuneration usually when a senior employee is first employed. Any such exceptional awards to executive directors are disclosed to shareholders.

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

EXPECTED VALUE OF ANNUAL SHARE ALLOCATION LEVEL AS A % OF ANNUAL BASE PAY



Benchmarks for the expected value of share awards are reviewed on an annual basis. No changes are made without approval by the Remco, and in turn by the Supervisory Board.

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 financially 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/or a minimum service agreement.

All allocations are approved by the Remco. The Remco confirms that the principles and scheme rules have been fairly 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 and manner of settlement

Despite the dilution limits detailed as part of each share scheme's rules, the 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 on-market purchases, therefore not resulting in a dilution to shareholders. The usage of the dilution limit in FY2018 is set out in section C of the report.

Vesting on termination and retirement

In line with the 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 when determining if all or a portion of the shares will vest.

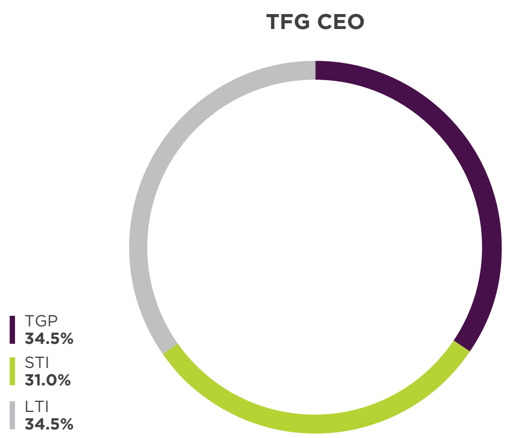
All shares and rights are forfeited upon an employee's resignation or dismissal in terms of the scheme rules.

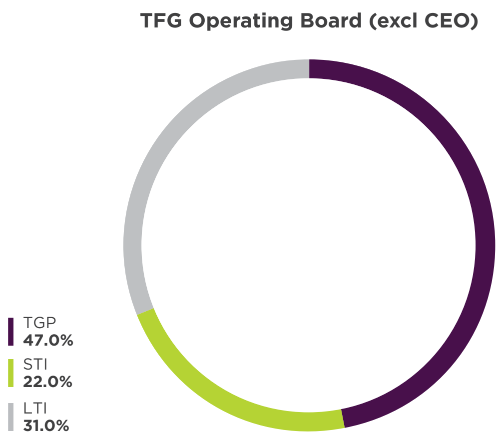
REMUNERATION MIX: CEO AND OPERATING BOARD

The remuneration mix comprises guaranteed pay (base pay and benefits), STI, and LTI for the CEO and the Operating Board. The STI and LTI components of remuneration are designed relative to base pay, in order to achieve an appropriate mix between base pay and STIs and LTIs that drives performance and is aligned to TFG's business strategy.

Illustration of the CEO and Operating board remuneration mix:

The illustration below depicts the remuneration mix for the CEO and Operating Board, taking into account the current annualised base pay levels; the STI payment at performance tier **on target** levels; and the annual LTI allocations at expected value on the date of award (for benchmarking purposes). The expected value of the LTI annual allocations is determined using industry standard option pricing formulae and probability factors, together with established performance conditions.





The remuneration mix varies by organisational level (as approved by Remco) with variable pay (STI and LTI) which is at risk of forfeiture if set performance targets are not met, being the significant component at more senior operational levels.

Service agreements and retention strategy

Executive directors have service agreements with TFG as well as specific programmes 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 six and twelve 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's transitional agreement as disclosed in the 2016 remuneration committee report, 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.

Malus and clawback

TFG subscribes to the principles of malus and clawback for both STI and LTI.

NON-EXECUTIVE DIRECTORS (NEDS)

NED fees are based on market benchmarks and on an assessment of the responsibility placed on NEDs arising from increased requirements for regulatory oversight and TFG's international expansion. The arrangements pertaining to TFG's NEDs (resident and non-resident) are set out below:

- NEDs are appointed for a three-year term on recommendation by the nominations committee.
- NEDs may be eligible for re-election depending on their annual performance evaluation.
- NEDs are paid a base fee as well as a committee fee based on the number of committees on which they serve.
- NEDs are reimbursed by TFG for all travel expenses incurred during the course and scope of their duties.
- NEDs do not receive any form of variable pay, i.e. payments linked to organisational performance, or any LTI share schemes.
- None of the NEDs has service contracts with the Group.

Taking into account market benchmarks and increased requirements for regulatory oversight and TFG international expansion, the Remco proposed NED fees* for FY2019, to be approved at the AGM in September 2018 for the period 1 October 2018 to September 2019, are as follows:

	FEES FOR PERIOD 1 OCTOBER TO 30 SEPTEMBER		
	CURRENT NED FEES	PROPOSED NED FEES	% INCREASE
Chairman (all inclusive)	R954 000	R999 800	4,8%
Director (South African)	R295 000	R349 000	18,3%
Director (Foreign)	R572 500	R600 000	4,8%
Audit Committee chairperson	R254 500	R320 000	25,7%^
Risk Committee chairperson	R170 000	R235 000	38,2%^
Remco chairperson	R127 500	R135 000	5,9%
Social and Ethics Committee chairperson	R117 000	R124 000	6,0%
Member/Invitee Audit Committee	R127 500	R135 000	5,9%
Member/Invitee of Risk Committee	R85 000	R103 000	21,2%
Member of Remco	R79 500	R84 500	6,3%
Member of Social and Ethics Committee	R64 000	R68 000	6,3%
Member of Nomination Committee	R42 500	R45 000	5,9%
Ad hoc Finance Committee	R42 500	R45 000	5,9%

* *All NED fees are VAT exclusive as from 1 October 2017.*
^ *Increase % includes a non-comparable component in relation to increased requirements in respect of TFG London and TFG Australia.*

SHAREHOLDER ENGAGEMENT AND VOTING PROCEDURES

TFG will table its remuneration policy (as set out in section B) and the implementation report (set out in section C) for two separate non-binding advisory votes by shareholders from the 2018 AGM and onwards. It is expected that shareholders will support both the remuneration policy and the implementation thereof. In the event of 25% or more of the shareholders voting against either or both the remuneration policy and implementation report, the Remco will set out to engage with TFG's shareholders (in particular, the dissenting shareholders) to examine their vote and address their legitimate concerns. The Remco may consider various manners of engagement, including extending an invitation to dissenting shareholders in the SENS announcement of the AGM results with the manner and timing of engagement; and/or communicate with dissenting shareholders via email, telephone calls, meetings and roadshows.

The Remco will consider legitimate shareholder concerns and provide constructive feedback. Given the results of the shareholder engagement, the Remco may use its discretionary powers to amend components of the remuneration policy to further align it to market practice and/or shareholder value creation.

SECTION C: Implementation of the remuneration policy for FY2018

The implementation report that follows provides further detail, in line with King IV™, regarding the application of the remuneration policy.

KEY ITEMS BY PAY COMPONENT DURING THE YEAR UNDER REVIEW

Guaranteed pay (Base pay and benefits)	The guideline given by the Remco for increases to all employees (other than unionised employees whose increases are subject to negotiation with the union) in April 2018 was set at 6% for executives and middle management and 6,5% or a minimum Rand amount of R400 per month for other employees. The minimum increase resulted in an effective increase of more than 9,3% for lower-paid employees. Car allowances for eligible employees were adjusted by 6% in April 2018. Housing allowance was not adjusted Medical aid company contributions increased by 5,5% on average Pension fund and death and disability contributions are based on 12% of the employee's basic pay. Executives also participate in provident fund – contributions are 1,5% of the employee's basic pay. **CEO base pay** As disclosed in the 2016 integrated annual report, future increases to the annual base pay of the Mr A D Murray will be linked to inflationary market guideline increases. Therefore, the Remco approved an increase of 6% on base pay for FY2018.
STI	EBIT target is set by the Remco each year.
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 2018 are as follows: SARs 1 298 600 Forfeitable shares 3 100 600 **Total** **4 399 200** The above total is 1,86% of total issued shares. This is lower than the total limit of 5% set by the Remco and approved by shareholders.

STI OUTCOMES

During the year under review, the Group achieved positive results, with a 21,4% increase in Group turnover, 3,4% increase in headline earnings per share and a 44,8% increase in the generation of free cash flow. Actual TFG EBIT was measured against the target set by the Remco and target was achieved.

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

STI OUTCOME	THRESHOLD	TARGET	STRETCH
2018 earnings before interest and tax performance tiers set			
% annualised base pay per performance tier			
– A D Murray	45,00%	90,00%	180,00%
– A E Thunström	27,50%	55,00%	110,00%
2018 earnings before interest and tax actual			
Bonus pool as % annualised base pay			
– A D Murray		90,00%	
– A E Thunström		55,00%	

Individual performance modifier

The CEO and CFO's individual performance modifier is calculated by measuring their performance against the four strategic pillars namely Customer, Leadership, Profit and Growth. As a result, an overall performance rating is achieved, which is converted to an individual performance modifier as per the variable pay policy.

The CEO achieved an overall performance rating of 4 which resulted in a performance modifier of 125%.
The CFO achieved an overall performance rating of 4 which resulted in a performance modifier of 125%.

Actual bonus paid (after applying individual performance modifier) as % annualised base pay:

– A D Murray – 112,5%
– A E Thunström – 68,75%

LTI SCHEME OUTCOMES

The expected value of share allocations to the CEO and Operating Board members for FY2018 is set out under the LTI allocation policy on page 125. 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).

LTI performance outcomes

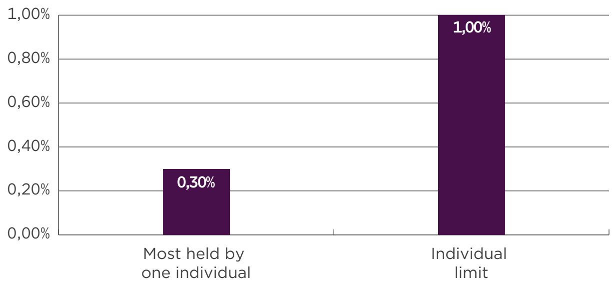
LTI OUTCOME – SARs	TARGET	
SARs award 2015		
HEPS three-year compound annual growth (CAGR) of CPI		
Target CAGR	5,39%	
Actual CAGR		8,17%
Vesting		100,00%

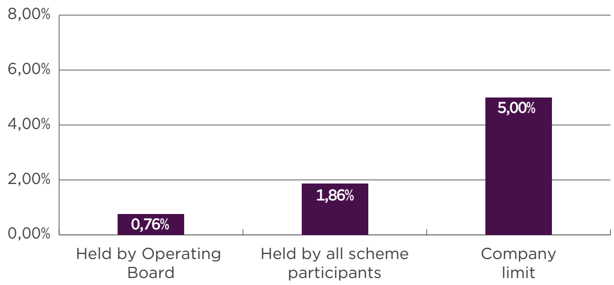
LTI OUTCOME – FSP	THRESHOLD	TARGET	
FSP award 2015			
HEPS three-year compound annual growth of CPI plus 2%			
Target CAGR	5,39%	7,39%	
Actual CAGR			8,17%
Vesting			100,00%

Current allocation versus policy limits

In terms of the policy set by the Remco, it is evident that, both at an individual 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





EXECUTIVE DIRECTORS' REMUNERATION

For the year under review, the Supervisory Board has determined that the Prescribed officers are the CEO and CFO. Messrs Murray and Thunström serve as executive directors on the Supervisory Board, and they exercise general executive control and management of the business.

2018

Executive Directors	Salary R'000	Benefits* R'000	Guaranteed Pay R'000	STI** R'000	LTI*** R'000	Total Remuneration R'000
A D Murray	8 865,9	1 733,7	10 599,6	11 923,1	15 170,5	**37 693,2**
A E Thunström	4 026,6	972,9	4 999,5	3 436,1	8 432,1	**16 867,7**

* *Benefits include travel allowance, housing allowance, pension fund and medical aid subsidy*
** *STI include a performance bonus included in 2018 remuneration to be paid in 2019 but accrued in 2018*
*** *LTI include 100% of SARs and FS due to vest in June 2018, based on FY2016 to FY2018 performance, valued at VWAP of R223,19 at 31 March 2018 plus total dividend accrued from all unvested FS allocations during the FY*

2017 (LTI restated in line with King IV™ guidelines)

Executive Directors	Salary R'000	Benefits* R'000	Guaranteed Pay R'000	STI** R'000	LTI*** R'000	Total Remuneration R'000
A D Murray	8 362,9	1 637,6	10 000,5	4 500,0	11 774,8	26 275,3
A E Thunström	3 368,4	862,1	4 230,5	1 163,8	300,3	5 694,6

* *Benefits include travel allowance, housing allowance, pension fund and medical aid subsidy*
** *STI include a performance bonus included in 2017 remuneration to be paid in 2018 but accrued in 2017*
*** *LTI include SARs and FS due to vest June 2017, based on FY2015 to FY2017 performance, valued at VWAP of R155,14 on 31 March 2017 plus total dividend accrued from all unvested FS allocations during the FY*

DIRECTORS' INTERESTS

	M Lewis 000's	E Oblowitz 000's	D Friedland 000's	N V Simamane 000's	R Stein 000's	Total non-executive 000's	A D Murray 000's	A E Thunström 000's	Total executive 000's	Total shares 000's
Direct beneficial		2,2		1,6	266,6	270,3	508,2		508,2	778,5
Indirect beneficial			20,4		70,1	90,6	722,5		722,5	813,1
Indirect non-beneficial	1 591,7					1 591,7				1 591,7
Total	**1 591,7**	**2,2**	**20,4**	**1,6**	**336,7**	**1 952,6**	**1 230,7**		**1 230,7**	**3 183,3**

As at March 2018, directors had accepted and/or exercised the following SARs and forfeitable shares. The table below also depicts the indicative value of the unvested FSPs and/or unexercised SARs as at year end:

	Financial year of award	Financial year of earliest delivery	Financial year of latest delivery	Strike price per instru-ment	Number of instru-ments awarded '000	Number exercised and delivered in year '000	Number lapsed in year	Closing number of unvested and/or un-exercised instru-ments '000	Share price at which instru-ments were exercised cents	Result in number of shares issued '000	Value of shares on exercise R'000	Indicative value of unvested and/or un-exercised instru-ments R'000
AD Murray												
SARs	2013	2016	2019	R136,22	62,8	62,8	–	–	186,5	12,3	2 289,3	–
	2014	2017	2020	R96,86	133,4	133,4	–	–	233,6	77,5	18 104,1	–
	2015	2018	2021	R111,10	89,4	–	–	89,4				10 021,3
	2016	2019	2022	R148,15	76,4	–	–	76,4				5 733,4
	2017	2020	2023	R142,72	119,0	–	–	119,0				11 651,3
	2018	2021	2024	R138,30	132,8	–	–	132,8				13 612,0
FSPs	2015	2018			38,3	38,3	–	–	138,8		5 315,7	–
	2016	2019			32,8	–	–	32,8				7 320,8
	2017	2020			54,9	–	–	54,9				7 964,7
	2018	2021			61,3	–	–	61,3				8 893,2
FSRs	2017	2020			142,9	–	–	142,9				31 894,6
AE Thunström												
SARs	2016	2019	2022	R148,15	31,2	–	–	31,2				2 341,4
	2017	2020	2023	R142,72	37,8	–	–	37,8				3 701,1
	2018	2021	2024	R138,30	47,0	–	–	47,0				4 817,5
FSPs	2015	2019			11,8	–	–	11,8				2 633,7
	2016	2019			13,4	–	–	13,4				2 990,8
	2017	2020			17,4	–	–	17,4				2 524,3
	2018	2021			21,7	–	–	21,7				3 148,2

* *SARs vested and not yet delivered, valued at YE VWAP of R 223,19.*
** *Unvested SARs valued using the YE VWAP of R223,19 applying a fair value calculation using Binomial pricing method and expected vesting percentages.*
*** *Unvested FS is valued using the YE VWAP of R223,19 and applying expected vesting percentages.*

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR END

1. Acceptance of SARs in June 2018:

	SARS ACCEPTED 000'S	PRICE PER SAR R
A D Murray*	–	–
A E Thunström**	77,0	R183,89

2. Acceptance of FSPs in June 2018:

	SHARES ACCEPTED 000'S	INDICATIVE VALUE Rm***
A D Murray*	–	–
A E Thunström**	35,6	6,6

* *No awards, due to retirement September 2018.*
** *Awards based on CEO multiple and projected TGP October 2018.*
*** *Estimated value based on closing share price of R186,31 on 1 June 2018.*

NON-EXECUTIVE DIRECTORS

The proposed NED fees (VAT exclusive), per role, from October 2018 are detailed in section B on page 127 of this report.

The actual NED fees (VAT exclusive) for the 2018 financial year and the proposed NED fees (VAT exclusive) for the financial year 2019, based on current committee membership, are presented below:

	FEES FOR FINANCIAL YEAR 1 APRIL TO 31 MARCH			
NON-EXECUTIVE DIRECTORS	FEES PAID IN RESPECT OF FY2018	BASE FEES PROPOSED	COMMITTEE FEES PROPOSED	TOTAL FEES PROPOSED IN RESPECT OF FY2019#
M Lewis	R927 000	R976 900	–	R976 900
Prof F Abrahams	R601 000	R322 000	R333 750	R655 750
S E Abrahams	R678 750	R322 000	R468 750	R790 750
E Oblowitz	R720 250	R322 000	R508 750	R830 750
N V Simamane	R554 750	R322 000	R291 250	R613 250
B L M Makgabo-Fiskerstrand	R554 750	R322 000	R291 250	R613 250
D Friedland	R570 000	R322 000	R307 250	R629 250
R Stein	R534 000	R322 000	R269 000	R591 000
G Davin	R556 250	R586 250	–	R586 250
Total	**R5 696 750**	**R3 817 150**	**R2 470 000**	**R6 287 150**

\# *Proposed total fee increases for NEDs (after taking into account committee structures, new appointments and market adjustments) will increase by 10,4%.*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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Summary consolidated statement of financial position

As at 31 March

The Foschini Group Limited and its subsidiaries

	March 2018 Audited Rm	March 2017 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**2 861,9**	2 469,0
Goodwill and intangible assets	**7 667,2**	4 675,9
Deferred taxation asset	**620,6**	483,6
	11 149,7	7 628,5
Current assets		
Inventory (note 4)	**6 773,6**	5 511,2
Trade receivables – retail	**7 573,8**	7 000,7
Other receivables and prepayments	**821,8**	771,0
Concession receivables	**296,8**	246,1
Cash and cash equivalents	**1 206,1**	878,5
	16 672,1	14 407,5
Total assets	**27 821,8**	22 036,0
EQUITY AND LIABILITIES		
Equity attributable to equity holders of The Foschini Group Limited (note 14)	**13 267,8**	10 515,3
Non-controlling interest	**4,5**	4,2
Total equity	**13 272,3**	10 519,5
LIABILITIES		
Non-current liabilities		
Interest-bearing debt	**4 825,7**	4 442,2
Put option liability	**72,7**	74,7
Cash-settled share incentive scheme	**–**	6,8
Operating lease liability	**335,1**	255,7
Deferred taxation liability	**829,4**	337,9
Post-retirement defined benefit plan	**215,8**	233,1
	6 278,7	5 350,4
Current liabilities		
Interest-bearing debt	**4 524,9**	3 307,0
Trade and other payables	**3 608,2**	2 751,3
Operating lease liability	**30,7**	15,2
Taxation payable	**107,0**	92,6
	8 270,8	6 166,1
Total liabilities	**14 549,5**	11 516,5
Total equity and liabilities	**27 821,8**	22 036,0

Summary consolidated income statement

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Year ended 31 March 2018 Audited Rm	Year ended 31 March 2017 Audited Rm	% change
Revenue (note 5)	**31 536,5**	26 413,6	
Retail turnover	**28 593,0**	23 548,7	21,4
Cost of turnover	**(13 591,9)**	(11 845,2)	
Gross profit	**15 001,1**	11 703,5	
Interest income (note 6)	**1 755,8**	1 736,9	
Other income (note 7)	**1 187,7**	1 128,0	
Trading expenses (note 8)	**(13 779,0)**	(10 757,2)	
Operating profit before acquisition costs and finance costs	**4 165,6**	3 811,2	9,3
Acquisition costs	**(79,4)**	–	
Finance costs	**(696,6)**	(607,4)	
Profit before tax	**3 389,6**	3 203,8	
Income tax expense	**(953,5)**	(851,3)	
Profit for the year	**2 436,1**	2 352,5	
Attributable to:			
Equity holders of The Foschini Group Limited	**2 434,8**	2 351,4	
Non-controlling interest	**1,3**	1,1	
Profit for the year	**2 436,1**	2 352,5	
Earnings per ordinary share (cents)			
Total			
Basic	**1 082,6**	1 108,0	(2,3)
Diluted (basic)	**1 072,3**	1 098,6	(2,4)
Earnings per ordinary share (excluding acquisition costs) (cents) – (note 10)			
Headline	**1 136,5**	1 099,2	3,4
Diluted (headline)	**1 125,7**	1 089,9	3,3

Summary consolidated statement of comprehensive income

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Year ended 31 March 2018 Audited Rm	Year ended 31 March 2017 Audited Rm
Profit for the year	**2 436,1**	2 352,5
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Actuarial gain on post-retirement defined benefit plan	**34,2**	–
Deferred tax on items that will never be reclassified to profit or loss	**(9,6)**	–
Items that are or may be reclassified to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**27,2**	24,2
Foreign currency translation reserve movements	**(555,7)**	(793,1)
Deferred tax on items that are or may be reclassified to profit or loss	**(8,6)**	(6,8)
Other comprehensive loss for the year, net of tax	**(512,5)**	(775,7)
Total comprehensive income for the year	**1 923,6**	1 576,8
Attributable to:		
Equity holders of The Foschini Group Limited	**1 922,3**	1 575,7
Non-controlling interest	**1,3**	1,1
Total comprehensive income for the year	**1 923,6**	1 576,8

Supplementary information

	March 2018 Audited	March 2017 Audited
Net number of ordinary shares in issue (millions)	**231,3**	214,0
Weighted average number of ordinary shares in issue (millions)	**224,9**	212,2
Tangible net asset value per ordinary share (cents)	**2 421,4**	2 728,7

Summary consolidated statement of changes in equity

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2016 – audited	**9 896,7**	**4,0**	**9 900,7**
Total comprehensive income for the year	1 575,7	1,1	1 576,8
Profit for the year	2 351,4	1,1	2 352,5
Other comprehensive income			
Movement in effective portion of changes in fair value of cash flow hedges	24,2	–	24,2
Foreign currency translation reserve movements	(793,1)	–	(793,1)
Deferred tax on movement in other comprehensive income	(6,8)	–	(6,8)
Contributions by and distributions to owners			
Share-based payments reserve movements	131,4	–	131,4
Dividends paid	(1 508,1)	(0,9)	(1 509,0)
Scrip distribution: share capital issued and share premium raised	542,9	–	542,9
Proceeds from sale of shares in terms of share incentive schemes	151,3	–	151,3
Shares purchased in terms of share incentive schemes	(234,8)	–	(234,8)
Increase in the fair value of the put option liability	(39,8)	–	(39,8)
Equity at 31 March 2017 – audited	**10 515,3**	**4,2**	**10 519,5**

Summary consolidated statement of changes in equity (continued)

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2017 – audited	**10 515,3**	**4,2**	**10 519,5**
Total comprehensive income for the year	**1 922,3**	**1,3**	**1 923,6**
Profit for the year	2 434,8	1,3	2 436,1
Other comprehensive income			
Actuarial gain on post-retirement defined benefit plan	34,2	–	34,2
Movement in effective portion of changes in fair value of cash flow hedges	27,2	–	27,2
Foreign currency translation reserve movements	(555,7)	–	(555,7)
Deferred tax on movement in other comprehensive income	(18,2)	–	(18,2)
Contributions by and distributions to owners			
Share-based payments reserve movements	155,0	–	155,0
Dividends paid	(1 626,2)	(1,0)	(1 627,2)
Share capital issued and share premium raised (note 14)	2 473,0	–	2 473,0
Proceeds from sale of shares in terms of share incentive schemes	91,7	–	91,7
Shares purchased in terms of share incentive schemes	(231,6)	–	(231,6)
Increase in the fair value of the put option liability	(31,7)	–	(31,7)
Equity at 31 March 2018 – audited	**13 267,8**	**4,5**	**13 272,3**

	Year ended 31 March 2018 Audited	Year ended 31 March 2017 Audited
Dividend per ordinary share (cents)		
Interim	**325,0**	320,0
Final	**420,0**	400,0
Total	**745,0**	720,0

Summary consolidated cash flow statement

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Year ended 31 March 2018 Audited Rm	Year ended 31 March 2017 Audited Rm
Cash flows from operating activities		
Operating profit before working capital changes (note 9)	**5 068,8**	4 488,6
Increase in working capital	**(976,3)**	(1 156,5)
Cash generated from operations	**4 092,5**	3 332,1
Interest income	**48,0**	33,1
Finance costs	**(696,6)**	(607,4)
Taxation paid	**(960,2)**	(777,5)
Dividends paid	**(1 627,2)**	(966,1)
Net cash inflows from operating activities	**856,5**	1 014,2
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(896,6)**	(883,5)
Acquisition of assets through business combinations (note 11)	**(2 898,9)**	(33,8)
Acquisition of management buy-out (note 11)	**(41,3)**	–
Proceeds from sale of property, plant and equipment	**40,4**	32,0
Repayment of participation in export partnerships	**–**	14,4
Net cash outflows from investing activities	**(3 796,4)**	(870,9)
Cash flows from financing activities		
Shares purchased in terms of share incentive schemes	**(231,6)**	(234,8)
Proceeds on issue of share capital (note 14)	**2 473,0**	–
Proceeds from sale of shares in terms of share incentive schemes	**91,7**	151,3
Increase in interest-bearing debt	**1 067,9**	36,8
Net cash inflows (outflows) from financing activities	**3 401,0**	(46,7)
Net increase in cash during the year	**461,1**	96,6
Cash at the beginning of the year	**878,5**	888,8
Effect of exchange rate fluctuations on cash held	**(133,5)**	(106,9)
Cash at the end of the year	**1 206,1**	878,5

Condensed consolidated segmental analysis

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

Year ended 31 March 2018	Retail trading divisions Audited Rm	Value added services Audited Rm	Credit Audited Rm	Central and shared services Audited Rm	TFG London Audited Rm	TFG Australia Audited Rm	Total Audited Rm
External revenue	20 111,7	806,6	364,2	16,7	5 348,9	3 132,6	29 780,7
External interest income	–	–	1 707,8	47,3	–	0,7	1 755,8
Total revenue*	20 111,7	806,6	2 072,0	64,0	5 348,9	3 133,3	31 536,5
External finance costs				(617,1)	(66,5)	(13,0)	(696,6)
Depreciation and amortisation				(510,2)	(132,2)	(103,1)	(745,5)
Group profit before tax							3 389,6
Segmental profit (loss) before tax	3 967,6	459,7	656,1	(1 933,8)	202,1	253,1	3 604,8
Reconciling items to Group profit before tax							
Foreign exchange transactions							(13,2)
Share-based payments							(155,0)
Operating lease liability adjustment							(47,0)
Capital expenditure							896,6

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

Condensed consolidated segmental analysis (continued)

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

Year ended 31 March 2017	**Retail trading divisions Audited Rm**	**Value added services Audited Rm**	**Credit Audited Rm**	**Central and shared services Audited Rm**	**TFG London Audited Rm**	**TFG Australia Audited Rm**	**Total Audited Rm**
External revenue	18 912,8	783,3	331,5	13,2	4 635,9	–	24 676,7
External interest income	–	–	1 703,8	33,1	–	–	1 736,9
Total revenue*	18 912,8	783,3	2 035,3	46,3	4 635,9	–	26 413,6
External finance costs				(526,8)	(80,6)	–	(607,4)
Depreciation and amortisation				(437,6)	(102,7)	–	(540,3)
Group profit before tax							3 203,8
Segmental profit (loss) before tax	3 802,1	444,0	571,9	(1 802,2)	345,3	–	3 361,1
Reconciling items to Group profit before tax							
Foreign exchange transactions							(4,0)
Share-based payments							(131,4)
Operating lease liability adjustment							(21,9)
Capital expenditure							883,5

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

The previously named International division, comprising of the Phase Eight and Whistles brands, has been renamed to the TFG London segment.

During the current year, the Group acquired the Retail Apparel Group (RAG) and certain G-Star RAW Australia franchise stores, which forms part of the new TFG Australia reportable segment as defined by the Operating Board, being the chief operating decision-maker.

During the current year, the Group also acquired Hobbs Fashion Holdings Limited (Hobbs), which forms part of the TFG London reportable segment as defined by the Operating Board, being the chief operating decision-maker.

Selected explanatory notes to the summary consolidated financial statements

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

1. Basis of preparation

The summary consolidated financial statements for the year ended 31 March 2018 are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, IAS 34: *Interim Financial Reporting* and the requirements of the Companies Act of South Africa. The accounting policies and methods of computation applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except as noted otherwise. These results were prepared by the TFG Finance and Advisory department acting under supervision of Anthony Thunström CA(SA), CFO of The Foschini Group Limited.

The summary consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 31 March 2018. The annual financial statements of the Group for the year ended 31 March 2018 have been audited by Deloitte & Touche, in compliance with the applicable requirements of the Companies Act of South Africa. The preparation of the audited annual financial statements of the Group was supervised by Anthony Thunström, CA(SA). The summary consolidated financial statements have not been audited, but have been extracted from the audited annual financial statements. The directors of the Group take full responsibility for the summary consolidated financial statements and ensuring the financial information is correctly extracted from the underlying audited annual financial statements. A copy of the full audited annual financial statements and the unmodified auditor's report thereon is available on www.tfglimited.co.za or may be requested from the company secretary at Stanley Lewis Centre, 340 Voortrekker Road, Parow East during business hours.

2. During the year, the Group adopted the relevant accounting standards that are in issue and which have become effective. The adoption of these standards had no material impact on the results.

3. These summary consolidated financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

	Year ended 31 March 2018 Audited Rm	**Year ended 31 March 2017 Audited Rm**
4. Inventory		
Inventory at year-end	**6 773,6**	5 511,2
Inventory write-downs included above	**260,2**	233,0
5. Revenue		
Retail turnover	**28 593,0**	23 548,7
Interest income (note 6)	**1 755,8**	1 736,9
Other income (note 7)	**1 187,7**	1 128,0
	31 536,5	26 413,6

	Year ended 31 March 2018 Audited Rm	Year ended 31 March 2017 Audited Rm
6. Interest income		
Trade receivables – retail	**1 707,8**	1 703,8
Sundry	**48,0**	33,1
	1 755,8	1 736,9
7. Other income		
Publishing income	**412,7**	400,8
Collection cost recovery	**364,2**	331,5
Insurance income	**313,4**	289,0
Mobile one2one airtime income	**80,5**	93,5
Sundry income	**16,9**	13,2
	1 187,7	1 128,0
8. Trading expenses		
Depreciation and amortisation	**(745,5)**	(540,3)
Employee costs	**(4 948,0)**	(3 669,8)
Occupancy costs	**(3 411,5)**	(2 431,8)
Net bad debt	**(837,5)**	(896,1)
Other operating costs	**(3 836,5)**	(3 219,2)
	(13 779,0)	(10 757,2)
9. Operating profit before working capital changes		
Profit before tax	**3 389,6**	3 203,8
Finance costs	**696,6**	607,4
Operating profit before finance costs	**4 086,2**	3 811,2
Interest income – sundry	**(48,0)**	(33,1)
Non-cash items	**1 030,6**	710,5
Depreciation and amortisation	**745,5**	540,3
Operating lease liability adjustment	**47,0**	21,9
Share-based payments	**155,0**	131,4
Post-retirement defined benefit medical aid movement	**16,9**	15,8
Foreign currency translation reserve movements	**13,2**	4,0
Cash-settled share incentive scheme	**0,1**	–
Loss on disposal of property, plant and equipment	**54,4**	12,2
Profit on disposal of property, plant and equipment	**(1,5)**	(15,1)
	5 068,8	4 488,6

Selected explanatory notes to the summary consolidated financial statements

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Year ended 31 March 2018 Audited Rm	Year ended 31 March 2017 Audited Rm
10. Reconciliation of profit for the year to headline earnings		
Profit for the year attributable to equity holders of The Foschini Group Limited	**2 434,8**	2 351,4
Adjusted for:		
Profit on disposal of property, plant and equipment	**(1,5)**	(15,1)
Loss on disposal of property, plant and equipment	**54,4**	12,2
Headline earnings before tax	**2 487,7**	2 348,5
Tax on headline earnings adjustments	**(11,0)**	(15,7)
Headline earnings	**2 476,7**	2 332,8
Acquisition costs	**79,4**	–
Headline earnings excluding acquisition costs*	**2 556,1**	2 332,8

Earnings per ordinary share (cents)	Year ended 31 March 2018 Audited	Year ended 31 March 2017 Audited	% change
Total			
Basic	**1 082,6**	1 108,0	(2,3)
Headline	**1 101,2**	1 099,2	0,2
Diluted (basic)	**1 072,3**	1 098,6	(2,4)
Diluted (headline)	**1 090,7**	1 089,9	0,1
Total (excluding acquisition costs)*			
Basic	**1 117,9**	1 108,0	0,9
Headline	**1 136,5**	1 099,2	3,4
Diluted (basic)	**1 107,2**	1 098,6	0,8
Diluted (headline)	**1 125,7**	1 089,9	3,3

* *Headline earnings excluding acquisition costs is calculated to remove the impact of the acquisition costs of RAG, G-Star RAW and Hobbs acquisitions as well as the management buy-out.*

This pro forma financial information has been prepared for illustrative purposes only to provide information on the headline earnings excluding acquisition costs per share. Because of its nature, the pro forma financial information may not be a fair reflection of the Group's results of operation, financial position, changes in equity or cash flows. There are no events subsequent to the reporting date which require adjustment to the pro forma information. The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information. The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies in place for the year ended 31 March 2018. The pro forma information should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' report thereon, which is available for inspection at the company's registered offices, at no charge, during normal business hours.

11. Acquisitions during the year

G-Star RAW franchise stores

With effect from 3 April 2017, the Group acquired 14 G-Star RAW franchise stores in Australia for AUD13,9 million (R141,8 million). An intangible asset and goodwill of AUD0,6 million (R6,0 million) and AUD6,3 million (R64,4 million) was recognised at acquisition respectively.

Retail Apparel Group (RAG)

The Group has acquired 100% of the share capital and voting rights of the Retail Apparel Group Pty Ltd (RAG) effective from 24 July 2017. RAG is a leading speciality menswear retailer in the Australian market. The purchase price has been capped at the lower of 7 times RAG's audited normalised EBITDA, for the year ending June 2017, and AUD302,5 million, which was adjusted for normalised working capital and net debt at acquisition. The Group has obtained 100% control of RAG and is exposed to variable returns from its involvement with RAG.

The acquisition of RAG was at an enterprise value of AUD293,9 million (R3 000,2 million) with an equity value of AUD263,2 million (R2 685,5 million) after taking into account net debt and related adjustments.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. The at-acquisition AUD values have been translated at the closing exchange rate at 24 July 2017 of AUD1:R10,21. These results include eight months of RAG trading.

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

The provisional at-acquisition values are presented below:

	Audited Rm	Audited AUDm
Non-current assets	**2 217,8**	**217,4**
Property, plant and equipment	251,7	24,7
Intangible assets	1 781,8	174,6
Deferred taxation asset	184,3	18,1
Current assets	**751,7**	**73,6**
Inventory	619,5	60,7
Other receivables and prepayments	17,2	1,6
Cash and cash equivalents	115,0	11,3
Non-current liabilities	**1 001,2**	**98,1**
Interest-bearing debt	416,4	40,8
Operating lease liability	55,2	5,4
Deferred taxation liability	529,6	51,9
Current liabilities	**555,0**	**54,4**
Trade and other payables	519,2	50,9
Taxation payable	35,8	3,5
Total identifiable net assets at fair value	**1 413,3**	**138,5**
Goodwill arising from acquisition	1 272,2	124,7
Purchase consideration	**2 685,5**	**263,2**
Cash and cash equivalents acquired	(115,0)	(11,3)
Cash outflow on acquisition	**2 570,5**	**251,9**

Selected explanatory notes to the summary consolidated financial statements

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

Goodwill of AUD124,7 million (R1,3 billion) and the RAG brands of AUD173,0 million (R1,8 billion) has been recognised as intangible assets at acquisition. Goodwill represents the value paid in excess of the provisional fair value of the net assets. This consists largely of the value assigned to the unique operating business model and future growth prospects. Retail turnover and profit and loss for the eight-month trading post acquisition amounted to R2 936,8 million and R223,9 million respectively. Acquisition costs related to the acquisition of R53,4 million have been expensed in the current year.

Hobbs Fashion Holdings Limited (Hobbs)

The Group acquired 100% of the share capital and voting rights of Hobbs Fashion Holdings Limited (Hobbs) effective from 25 November 2017. Hobbs is an affordable luxury women's clothing, footwear and accessories brand in the UK market and a growing presence internationally as well. The total implied purchase price was GBP24,3 million. The Group has obtained 100% control of Hobbs and is exposed to variable returns from its involvement with Hobbs.

The acquisition of Hobbs was at an enterprise value of GBP24,3 million (R449,9 million) with an equity value of GBP15,0 million (R278,1 million) after taking into account net debt and related adjustments.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. The at-acquisition GBP values have been translated at the closing exchange rate at 25 November 2017 of GBP1:R18,55. These results include four months of Hobbs trading.

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

The provisional at-acquisition values are presented below:

	Audited Rm	Audited GBPm
Non-current assets	**365,8**	**19,7**
Property, plant and equipment	173,8	9,4
Intangible assets	178,2	9,6
Deferred taxation asset	13,8	0,7
Current assets	**647,2**	**34,9**
Inventory	402,5	21,7
Other receivables and prepayments	77,0	4,2
Concession receivables	76,2	4,1
Cash and cash equivalents	91,5	4,9
Non-current liabilities	**202,1**	**10,9**
Interest-bearing debt	171,8	9,3
Deferred taxation liability	30,3	1,6
Current liabilities	**592,0**	**31,9**
Trade and other payables	584,4	31,5
Taxation payable	7,6	0,4
Total identifiable net assets at fair value	**218,9**	**11,8**
Goodwill arising from acquisition	59,2	3,2
Purchase consideration	**278,1**	**15,0**
Cash and cash equivalents acquired	(91,5)	(4,9)
Cash outflow on acquisition	**186,6**	**10,1**

Goodwill of GBP3,2 million (R59,2 million) and the Hobbs brand of GBP9,6 million (R178,2 million) has been recognised as intangible assets at acquisition. Goodwill represents the value paid in excess of the provisional fair value of the net assets. This consists largely of the value assigned to the unique operating business model and future growth prospects. Retail turnover and profit and loss for the four-month trading post acquisition amounted to R833,5 million and R33,7 million respectively. Acquisition costs related to the acquisition of R9,0 million have been expensed in the current year.

Acquisition of the remaining c.15% shareholding owned by TFG Brands (London) Limited management

In the current year, the Group accelerated the put/call arrangement to acquire the remaining shares owned by management in TFG Brands (London) Limited. The Group acquired the remaining c.15% shareholding owned by management on 15 December 2017 for GBP2,4 million (R41,3 million). After the transaction, the Group owns 100% of the share capital in TFG Brands (London) Limited. Total acquisition costs amounted to R17,0 million.

12. Related parties

The Group entered into related party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the Group's annual financial statements for the year ended 31 March 2017.

13. Subsequent events

The directors have declared a gross final ordinary dividend of 420,0 cents per ordinary share from income reserves, for the period ended 31 March 2018. No further significant events took place between the year ended 31 March 2018 and date of issue of this report.

14. Changes in authorised share capital

On 4 August 2017, the Group made an application to the JSE for a listing of 17 241 380 ordinary shares at an issue price of R145,00 per ordinary share for a total consideration of R2,5 billion. The shares were allotted and issued as a result of an accelerated bookbuild offering that was launched and concluded after close of market on 31 July 2017. On 4 August 2017, the total shares in issue increased from 219 515 434 shares to 236 756 814 shares. Total transaction costs relating to the share issue amounted to R27,0 million.

15. Change in auditors

In October 2017, the Group appointed Deloitte & Touche as their external auditors for the year ended 31 March 2018.

16. Changes in directors

There were no changes in directors during the current year.

APPENDICES

APPENDIX 1: DEFINITIONS

Concession arrangement	In addition to their own stand-alone stores, TFG London has 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 margin	EBITDA expressed as a percentage of retail turnover
EBITDA finance charge cover	EBITDA divided by finance costs
Finance charge cover	Operating profit before finance costs divided by finance costs
Free cash flow	Earnings before finance costs and tax plus depreciation and amortisation net of changes in net working capital and capital expenditure
Gross square metre	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 acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
Market capitalisation	The market price per share at year-end multiplied by the number of ordinary shares in issue at year-end
Net bad debt as a % of debtors' book	VAT-exclusive bad debts, net of recoveries and including provision movement as percentage of gross receivables
Net bad debt write-off	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 multi-channel retailing (e-commerce, online sales, mobile app sales)
Operating margin	Operating profit before finance costs 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 gross receivables
Outlets	TFG London trades through a combination of stand-alone stores and concession arrangements resulting in their presence being referred to as outlets rather than the traditional stores
Recourse debt	Amounts owed by 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 finance costs and tax (EBIT)/average capital employed
Same store	Stores that 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 year end
Trading expenses	Costs incurred in the normal course of business including among others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs

APPENDIX 2: 10-YEAR STATISTICS

Years ended	2018	2017
Profitability		
Retail turnover (Rm)	**28 593,0**	23 548,7
Operating profit before finance charges – continuing operations (Rm)*	**4 165,6**	3 811,2
Profit before tax – continuing operations (Rm)	**3 389,6**	3 203,8
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**2 434,8**	2 351,4
Adjusted headline earnings (Rm)**	**2 556,1**	2 332,8
Statement of financial position		
Non-current assets (Rm)	**11 149,7**	7 628,5
Current assets (Rm)	**16 672,1**	14 407,5
Assets of disposal group (Rm)	**–**	–
Total assets (Rm)	**27 821,8**	22 036,0
Total shareholders' interest (Rm)	**13 267,8**	10 515,3
Non-controlling interest (Rm)	**4,5**	4,2
Non-current liabilities (Rm)	**6 278,7**	5 350,4
Current liabilities (Rm)	**8 270,8**	6 166,1
Liabilities of disposal group (Rm)	**–**	–
Total equity and liabilities (Rm)	**27 821,8**	22 036,0
Cash flow statement		
Cash flows from operating activities – continuing operations (Rm)	**856,5**	1 014,2
Cash flows from investing activities – continuing operations (Rm)	**(3 796,4)**	(870,9)
Cash flows from financing activities – continuing operations (Rm)	**3 401,0**	(46,7)
Net increase (decrease) in cash (Rm)	**461,1**	96,6
Cash at the beginning of the year (Rm)	**878,5**	888,8
Cash at the end of the year – discontinued operations (Rm)	**–**	–
Effect of exchange rate fluctuations on cash held (Rm)	**(133,5)**	(106,9)
Cash at the end of the year – continuing operations (Rm)	**1 206,1**	878,5

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 acquisition costs.*
** *Adjusted headline earnings is calculated to remove the impact of acquisition costs.*
# *Restated as insurance cells are no longer consolidated and their cash flow is now included in working capital as part of the insurance receivables.*

2016	2015	2014	2013	2012	2011	2010	2009
21 107,5	16 085,9	14 159,0	12 896,4	11 630,5	9 936,5	8 605,2	8 089,6
3 596,1	2 807,1	2 536,9	2 407,3	2 232,6	1 845,1	1 559,3	1 686,4
3 021,2	2 286,6	2 375,1	2 298,9	2 156,4	1 775,5	1 485,2	1 573,2
2 155,6	1 858,0	1 859,6	1 792,0	1 582,1	1 301,8	1 085,6	1 145,8
2 185,2	1 881,9	1 872,3	1 796,6	1 584,2	1 305,6	1 085,6	1 145,8
8 448,9	6 925,3	2 120,5	1 883,1	1 623,8	1 353,1	1 380,5	1 363,3
13 646,2	11 608,1	9 351,2	8 425,9	7 281,2	6 156,0	4 949,9	4 608,7
–	–	5 631,5	4 985,4	3 912,9	3 164,3	2 883,7	2 679,7
22 095,1	18 533,4	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1	8 651,7
9 896,7	8 130,9	7 228,6	7 043,8	6 293,1	5 462,9	5 058,3	4 496,3
4,0	2,7	861,3	705,5	571,1	485,6	427,0	359,2
5 973,8	4 491,4	2 016,0	1 392,4	1 048,4	1 251,7	1 226,4	1 301,6
6 220,6	5 908,4	3 296,1	2 750,3	2 284,8	1 417,3	764,3	769,4
–	–	3 701,2	3 402,4	2 620,5	2 055,9	1 738,1	1 725,2
22 095,1	18 533,4	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1	8 651,7
461,5	(61,7)	128,2	485,2	(77,9)	190,8	352,0	640,3
(1 030,5)	(1 779,6)	(537,5)	(557,0)	(377,2)	(353,9)	(264,0)	(517,1)
585,1	2 328,5	339,5	121,4	666,9	179,4	(131,1)	(17,2)
16,1	487,2	(69,8)	49,6	211,8	16,3	(43,1)	106,0
800,4	301,3	593,4	504,7#	338,5	284,0	296,2	169,5
–	–	(222,4)	39,0	160,5	38,2	30,9	20,7
72,3	11,9	0,1	0,1	0,1	–	–	–
888,8	800,4	301,3	593,4	710,9	338,5	284,0	296,2

Years ended	2018	2017
Performance measures/ratios		
Turnover growth (%)	**21,4**	11,6
Same store turnover growth (TFG Africa) (%)	**2,2**	2,8
Operating margin – continuing operations (%)	**14,6**	16,2
Debt to equity ratio – continuing operations (%)	**61,4**	65,3
Total liabilities to shareholders' interest (times)	**1,1**	1,1
Total liabilities to shareholders' interest – continuing operations (times)	**1,1**	1,1
Net retail borrowings (Rm)	**8 144,5**	6 870,7
Current ratio – continuing operations (times)	**2,0**	2,3
Headline earnings per ordinary share (HEPS) – continuing operations** (cents)	**1 136,5**	1 099,2
Change in HEPS from continuing operations (%)	**3,4**	4,1
Distribution declared per ordinary share (DPS) (cents)	**745,0**	720,0
Dividend yield (%)	**3,3**	4,7
Tangible net asset value per ordinary share (cents)	**2 421,4**	2 728,7
Price/earnings ratio at year end (multiple)	**20,67**	13,94
Share statistics		
Number of ordinary shares in issue (millions)	**236,8**	219,5
Number of ordinary shares on which headline earnings per share is calculated (millions)	**224,9**	212,2
Net number of ordinary shares on which net asset value per share is calculated (millions)	**231,3**	214,0
Number of shares traded during the year (millions)	**391,8**	378,8
Volume traded/number of shares in issue (%)	**165,5**	172,6
Closing share price (cents)	**22 375**	15 449
Market capitalisation (Rm)	**52 974,3**	33 912,9
Outlet information		
Number of outlets – TFG	**4 034**	3 328
Number of outlets – TFG Africa	**2 652**	2 589
Number of outlets – TFG London	**935**	739
Number of outlets – TFG Australia	**447**	–
Floor area (gross square metre) (TFG Africa)	**794 232**	767 347

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 acquisition costs.*
** *Adjusted headline earnings is calculated to remove the impact of acquisition costs.*
# *Restated as insurance cells are no longer consolidated and their cash flow is now included in working capital as part of the insurance receivables.*

2016	2015	2014	2013	2012	2011	2010	2009
31,2	13,6	9,8	10,9	17,0	15,5	6,4	5,5
5,7	5,5	4,2	5,8	10,6	10,8	–	–
17,0	17,5	17,9	18,7	19,2	18,6	18,1	20,8
73,5	76,8	36,8	22,3	20,7	20,1	14,4	20,1
1,2	1,3	1,2	1,1	0,9	0,9	0,7	0,8
1,2	1,3	0,7	0,6	0,5	0,5	0,5	0,6
7 276,9	6 242,2	2 659,1	1 567,4	726,1	237,6	(169,4)	18,7
2,2	2,0	2,8	3,1	3,2	4,3	6,5	5,9
1 055,8	897,9	818,7	780,6	653,9	537,3	440,7	488,8
17,6	9,7	4,9	19,4	21,7	21,9	(9,8)	6,7
691,0	588,0	536,0	506,0	455,0	350,0	288,0	288,0
4,9	3,3	5,0	4,4	3,3	3,6	4,3	6,6
2 063,5	1 701,0	3 396,3	3 205,0	2 918,9	2 598,3	2 316,7	2 075,3
13,58	19,9	11,9	13,2	16,0	13,4	12,9	7,9
215,4	211,0	222,0	228,5	240,5	240,5	240,5	240,5
207,0	204,3	206,0	209,3	205,2	206,5	208,2	204,8
209,3	205,4	204,3	210,1	206,4	205,3	209,0	207,3
285,9	283,8	387,7	275,2	259,1	261,6	371,3	253,0
132,8	134,5	174,6	120,4	107,7	108,8	154,4	105,2
14 144	18 057	10 715	11 280	12 368	8 465	6 700	4 394
30 459,2	38 101,2	23 787,8	25 774,6	29 744,8	20 480,8	16 113,4	10 567,5
3 125	2 724	2 111	1 979	1 857	1 727	1 627	1 539
2 462	2 280	2 111	1 979	1 857	1 727	1 627	1 539
663	444	–	–	–	–	–	–
–	–	–	–	–	–	–	–
735 367	690 190	646 665	609 411	579 365	537 951	505 676	467 420

APPENDIX 3: CONSOLIDATED PERFORMANCE TABLE

Performance indicator	% change	2018	2017
Economic and related core baseline indicators			
Retail turnover (Rm)	21,4	**28 593,0**	23 548,7
Operating profit before finance costs and acquisition costs (Rm)	9,3	**4 165,6**	3 811,2
EBITDA (Rm)*	12,9	**4 911,1**	4 351,5
Adjusted headline earnings (Rm)	9,6	**2 556,1**	2 332,8
Earnings per ordinary share excluding acquisition costs (cents)	0,9	**1 117,9**	1 108,0
Headline earnings per ordinary share excluding acquisition costs (cents)	3,4	**1 136,5**	1 099,2
Distribution declared per ordinary share (cents)	3,5	**745,0**	720,0
Value added (Rm)	16,7	**9 405,5**	8 059,7
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		**16 223**	14 987
Permanent part-time employees		**2 848**	2 297
Flexitime employees		**5 634**	4 834
Contract employees		**1 472**	1 288
Casual employees		**1 648**	64
Employee turnover (excluding contractors) (%)		**35,1**	37,8
Investment in employee training and development			
Total expenditure (Rm)	3,8	**143,5**	138,2
% of payroll		**2,9**	3,8
Total number of employees trained^		**132 166**	126 806
Work-related fatalities		**zero**	zero
Number of classified injuries			
Number of days lost		**1 968**	1 671
Number of incidents		**1 101**	1 263
Number of incidents where days off three or less		**1 036**	1 024
Number of work days lost due to industrial action		**zero**	zero
Corporate social investment – TFG Africa			
CSI total spend (Rm)##	(14,7)	**21,5**	25,2

* *Excludes acquisition costs.*
\# *South Africa only.*
^ *Refers to attendees and not individual employees.*
\## *Includes corporate social investment spend through TFG Foundation as well as Foschini Retail Group Proprietary Limited.*

Performance indicator	2018	2017
Number of outlets		
TFG	**4 034**	3 328
TFG Africa	**2 652**	2 589
TFG London	**935**	739
TFG Australia	**447**	–
Carbon footprint (tonnes CO_2e) – TFG Africa and TFG London**		
Total emissions	**237 919**	231 083
Scope 1	**4 564**	4 263
Scope 2	**163 247**	158 735
Scope 3	**69 780**	66 184
Non-Kyoto	**1 935**	1 901
Water consumption (kilolitres) (head offices and distribution centres)	**44 988**	60 626

** *TFG London has been included in the TFG carbon footprint reporting boundary for the first time. A phased approach has been undertaken.*

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 29 March 2018.

Spread analysis	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	9 294	76,1	2 446 772	1,0
1 001 – 10 000 shares	2 004	16,4	5 679 152	2,4
10 001 – 100 000 shares	664	5,4	22 631 124	9,6
100 001 – 1 000 000 shares	203	1,7	58 687 547	24,8
1 000 001 shares and over	46	0,4	147 312 219	62,2
	12 211	100,0	236 756 814	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Unit trusts	82 362 534	34,8
Pension funds	70 830 862	29,9
Sovereign wealth	19 915 428	8,4
Other managed funds	17 695 930	7,5
Insurance companies	10 500 691	4,4
Private investors	8 134 044	3,4
Trading position	7 445 311	3,1
Exchange-traded funds	6 983 517	2,9
Employees	4 433 283	1,9
Custodians	2 027 994	0,9
Corporate holdings	1 102 399	0,5
Hedge funds	1 068 108	0,5
Other	4 256 713	1,8
	236 756 814	100,0

MAJOR SHAREHOLDINGS GREATER THAN 5%

Beneficial interests – direct and indirect, as per share register and information supplied by nominee companies as at 29 March 2018.

	Number of shares held	% of shares in issue
Government Employees Pension Fund (PIC)	33 938 226	14,3

FUND MANAGERS' HOLDINGS GREATER THAN 5%

According to disclosures made, the following fund managers administered client portfolios which included more than 5% of the company's issued shares

	Number of shares held	% of shares in issue
Government Employees Pension Fund (PIC)	26 585 461	11,2
Investec Asset Management	12 621 747	5,3
	39 207 208	16,5

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	11 868	97,2	228 093 732	96,4
Directors	6	–	3 183 283	1,3
Trust	1	–	1 298 600	0,5
Subsidiary	1	–	1 080 599	0,5
Employees of TFG	335	2,8	3 100 600	1,3
Total	12 211	100,0	236 756 814	100,0

GEOGRAPHICAL SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding	% of shares in issue
South Africa	121 470 444	51,3
United States of America and Canada	40 421 055	17,1
United Kingdom	39 797 368	16,8
Rest of Europe	12 055 404	5,1
Rest of world*	23 012 543	9,7
Total	236 756 814	100,0

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	116 842 965	49,3
United States of America and Canada	42 671 505	18,0
United Kingdom	20 522 452	8,7
Rest of Europe	31 472 288	13,3
Rest of world*	25 247 604	10,7
Total	236 756 814	100,0

* *Represents all shareholdings except those in the above regions.*

APPENDIX 5: SHARE PERFORMANCE AND ADDITIONAL INFORMATION

Exchange rate information	2018	2017
Closing US $ conversion rate	**11,83**	13,42
Average US $ conversion rate	**12,98**	14,04
Closing GBP conversion rate	**16,59**	16,84
Average GBP conversion rate	**17,20**	18,41
Closing AUD conversion rate	**9,08**	10,24
Average AUD conversion rate	**10,04**	10,56

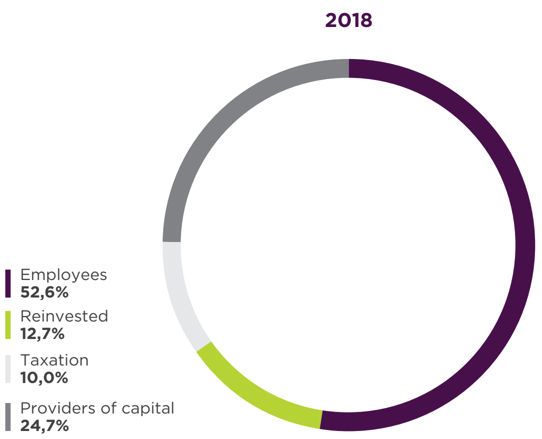
Share performance	2018	2017
Market price per share (cents)		
– at year end	**22 375**	15 449
– highest	**24 080**	17 577
– lowest	**12 821**	12 344
– average	**16 128**	14 832
Number of beneficial shareholdings	**12 211**	7 935
Price/earnings ratio at year end	**20,67**	13,94
Dividend yield	**3,3**	4,7
Number of shares traded during the year (millions)	**391,8**	378,8
Volume traded/number of shares in issue (%)	**165,5**	172,6
Market capitalisation (Rm)	**52 974,3**	33 912,9

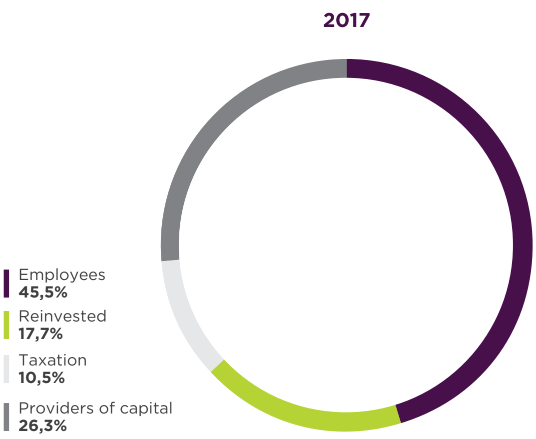
APPENDIX 6: VALUE-ADDED STATEMENT

	Note	2018 Rm	%	2017 Rm	%
Retail turnover		**28 593,0**		23 548,7	
Paid to suppliers for goods and services		**(19 187,5)**		(15 489,0)	
Value added		**9 405,5**	**100,0**	8 059,7	100,0
Applied as follows:					
Employees					
Remuneration to employees		**4 948,0**	**52,6**	3 669,8	45,5
Providers of capital					
To lenders as finance charges		**696,6**	**7,4**	607,4	7,6
To shareholders as dividends		**1 627,2**	**17,3**	1 509,0	18,7
Taxation					
Taxation		**935,1**	**10,0**	845,9	10,5
Reinvested					
Reinvested in the Group to finance future expansion and growth	1	**1 198,6**	**12,7**	1 427,6	17,7
Employment of value added		**9 405,5**	**100,0**	8 059,7	100,0

NOTES TO THE VALUE-ADDED STATEMENT

	2018 Rm	%	2017 Rm	%
1. Reinvested in the Group to finance future expansion and growth				
Depreciation and amortisation	**745,5**	**7,9**	540,3	6,7
Deferred taxation	**(354,5)**	**(3,8)**	44,9	0,6
Retained income	**807,6**	**8,6**	842,4	10,4
	1 198,6	**12,7**	1 427,6	17,7
2. State taxes				
Direct taxation as above	**935,1**		845,9	
Net value-added taxation	**1 089,5**		650,4	
Employees taxation	**704,7**		564,5	
Channelled through the Group	**2 729,3**		2 060,8	





NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT DATES AND TIMES

Record date to determine which shareholders are entitled to receive the notice	Friday, 6 July 2018
Post and email 2018 integrated annual report with notice of annual general meeting	Friday, 13 July 2018
Last day to trade in order to be able to attend, participate and vote at the annual general meeting	Tuesday, 21 August 2018
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, 24 August 2018
Proxy forms for the annual general meeting should (but are not required to) be received by 12h15	Friday, 31 August 2018
Annual general meeting to be held at 12h15	Monday, 3 September 2018
Results of annual general meeting released on SENS	Monday, 3 September 2018

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 81st annual general meeting of shareholders of TFG will be held at the company's registered office at Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town on Monday, 3 September 2018, 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, 24 August 2018.

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 2018. The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the Supervisory Board), incorporating the independent auditors' report, the directors' report and the Audit Committee's report for the year ended 31 March 2018 as well as the Social and Ethics Committee's report contained in the 2018 integrated annual report have been made available and will be presented.

ORDINARY RESOLUTION NUMBER 2 (APPOINTMENT OF EXTERNAL AUDITORS)

That upon the recommendation of the Audit Committee, Deloitte & Touche be appointed as auditors (and Mr M van Wyk 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 Supervisory Board, shareholders re-elect Ms B L M Makgabo-Fiskerstrand who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; Ms B L M Makgabo-Fiskerstrand being eligible, offers herself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1.

ORDINARY RESOLUTION NUMBER 4 (RE-ELECTION OF DIRECTOR)

That upon the recommendation of the Nomination Committee and the Supervisory Board, shareholders re-elect Mr E Oblowitz who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; Mr E Oblowitz being eligible, offers himself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1.

ORDINARY RESOLUTION NUMBER 5 (RE-ELECTION OF DIRECTOR)

That upon the recommendation of the Nomination Committee and the Supervisory Board, shareholders re-elect Mr G H Davin who is retiring by rotation as an independent non-executive director in accordance with the provisions of the MOI; Mr G H Davin being eligible, offers himself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1.

ORDINARY RESOLUTION NUMBER 6 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon the recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Mr S E Abrahams, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

ORDINARY RESOLUTION NUMBER 7 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon the recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Ms B L M Makgabo-Fiskerstrand, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

ORDINARY RESOLUTION NUMBER 8 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Mr E Oblowitz, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

ORDINARY RESOLUTION NUMBER 9 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Ms N V Simamane, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

ORDINARY RESOLUTION NUMBER 10 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Mr D Friedland, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

ORDINARY RESOLUTION NUMBER 11 (ELECTION OF AUDIT COMMITTEE MEMBER)
That upon recommendation of the Nomination Committee and the Supervisory Board, shareholders elect Prof F Abrahams, an independent non-executive director, as a member of the Audit Committee.

A brief curriculum vitae is included in annexure 2.

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 Committee report on pages 117 to 128.

ORDINARY RESOLUTION NUMBER 13 (NON-BINDING ADVISORY VOTE ON REMUNERATION IMPLEMENTATION REPORT)
That shareholders endorse, by way of a non-binding advisory vote, the company's remuneration implementation report as set out in the Remuneration Committee report on pages 128 to 132.

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 2018 to 30 September 2019, details of which are as follows:

	Excl. VAT
Chairman	R999 800
Director (South African)	R349 000
Director (foreign)	R600 000
Audit Committee Chairperson	R320 000
Risk Committee Chairperson	R235 000
Remuneration Committee Chairperson	R135 000
Social and Ethics Committee Chairperson	R124 000
Member/Invitee of Audit Committee	R135 000
Member/Invitee of Risk Committee	R103 000
Member of Remuneration Committee	R84 500
Member of Social and Ethics Committee	R68 000
Member of Nomination Committee	R45 000
Member of *ad hoc* Finance Committee	R45 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 2018 until 30 September 2019.

SPECIAL RESOLUTION NUMBER 2 (GENERAL AUTHORITY TO ACQUIRE TFG 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. 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 have been submitted to the JSE in writing prior to the commencement of the prohibited period. The issuer must instruct an independent third party, which makes its investment decisions in relation to the issuer's securities independently of, and uninfluenced by, the issuer prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
6. 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.
7. 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.
8. A resolution by the Supervisory Board of Directors that it has authorised the repurchase, that the company and its subsidiary(ies) have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

Statement by the Supervisory Board

Pursuant to and in terms of the Listings Requirements, the Supervisory 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 interest 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 Supervisory 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 the next twelve (12) months.

The Supervisory 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.

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 160 and 161)
- Share capital of the company (paragraph 11.26(b)(iii) – refer to note 10 of the 2018 annual financial statements)

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 80 to 83 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 omitted that 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 Companies Act applies to financial assistance provided by a company to related or interrelated companies in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Section 45 of the Companies Act 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 14 (GENERAL AUTHORITY OF DIRECTORS)

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 13 and special resolutions 1 to 3 proposed at the company's annual general meeting to be held on Monday, 3 September 2018.

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 licences and passports.

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

- you may attend and vote at this meeting; alternatively
- you may appoint a proxy to represent you at this meeting by completing the attached form of proxy and lodging it with the transfer secretaries of TFG by 12h15 on Friday, 31 August 2018. Any forms of proxy not lodged by this time may be handed to the Chairperson of the annual general meeting immediately prior to its commencement. The completion of a proxy form will not preclude a shareholder from attending the annual general meeting.

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 that 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 Friday, 31 August 2018.

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, 24 August 2018.

By order of the Supervisory Board

D van Rooyen
Group Company Secretary

29 June 2018

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:

- Ms B L M Makgabo-Fiskerstrand
- Mr E Oblowitz
- Mr G H Davin

The Nomination Committee has no hesitation in recommending these directors for reappointment by the shareholders.

B L M MAKGABO-FISKERSTRAND (44)

BA

Appointed: 2012

Member of: Audit, Risk 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 as the Vice Chairperson of the World Economic Forum's Global Agenda Council on Women's Empowerment and as a member of its Council on Africa for two years. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multi-stakeholder community of exceptional leaders below the age of 40, selected from around the world.

E OBLOWITZ (60)

BCom, CA(SA), CPA(Isr)

Appointed: 2010

Member of: Audit, Remuneration and Risk Committees

Chairman of: Remuneration and Risk Committees

Also a director of a South African listed company: Trencor Limited

Eddy has considerable audit, finance 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. He also served as a member of the firm's worldwide Retail and Distribution Industry Team. In addition to serving as a non-executive director and trustee to various companies and trusts, he is the Executive Chairman of Stonehage Fleming South Africa, which provides multi-family office, wealth management and advisory services to an extensive local and international client base.

G H DAVIN (62)

BCom, BAcc, 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 N.V., 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 AUDIT COMMITTEE

In terms of the MOI and section 94(2) of the Companies Act, the Audit Committee is required to be elected by shareholders at each annual general meeting.

In terms of King IV™, all the members of the Audit Committee must be 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 Supervisory Board that the Supervisory Board propose the following candidates to shareholders:

- Mr S E Abrahams
- Ms B L M Makgabo-Fiskerstrand
- Mr E Oblowitz
- Ms N V Simamane
- Mr D Friedland
- Prof F Abrahams

S E ABRAHAMS (79)

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 public 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 Proprietary Limited and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

B L M MAKGABO-FISKERSTRAND (44)

BA

Appointed: 2012

Member of: Audit, Risk 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 as the Vice Chairperson of the World Economic Forum's Global Agenda Council on Women's Empowerment and as a member of its Council on Africa for two years. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multi-stakeholder community of exceptional leaders below the age of 40, selected from around the world.

E OBLOWITZ (60)

BCom, CA(SA), CPA(Isr)

Appointed: 2010

Member of: Audit, Remuneration and Risk Committees

Chairman of: Remuneration and Risk Committees
Also a director of a South African listed company: Trencor Limited

Eddy has considerable audit, finance 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. He also served as a member of the firm's worldwide Retail and Distribution Industry Team. In addition to serving as a non-executive director and trustee to various companies and trusts, he is the Executive Chairman of Stonehage Fleming South Africa, which provides multi-family office, wealth management and advisory services to an extensive local and international client base.

N V SIMAMANE (59)

BSc (Chemistry & Biology) (Hons)

Appointed: 2009

Member of: Audit, Risk and Social and Ethics Committees

Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance and the South African 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 she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was also named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

D FRIEDLAND (65)

BCom, Certificate in the Theory of Accountancy, CA(SA)

Appointed: 2013

Member of: Audit, Remuneration and Risk Committees
Also a director of South African listed as well as public companies: Pick n Pay Stores Limited, Investec Limited and Investec Bank Limited

Also a director of foreign listed as well as public companies: Investec plc and Investec Bank plc

David is a chartered accountant and a former partner of both Arthur Anderson and KPMG Inc. He 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 Invested plc. He has served and continues to serve on the Audit and Risk Committees of several companies.

PROF F ABRAHAMS (55)
BEcon (Hons), MCom, DCom

Appointed: 2003

Member of: Audit, Remuneration and Social and Ethics Committees

Chairperson of: Social and Ethics Committee
Also a director of South African listed companies: Clicks Group Limited and Lewis Group Limited

Fatima is a Senior Professor (part-time) and was Dean of the Economic and Management Sciences Faculty at the University of the Western Cape (UWC). She is a registered industrial psychologist and has built up extensive expertise in the human capital field. She was also a non-executive director of Transnet, B2B Africa (Pty) Ltd and Chairperson of Victoria & Alfred Waterfront Holdings. She has served and continues to serve on the Audit and Risk Committees, Transformation and Remuneration Committees of several companies, and has built up sound business experience over the years.

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 171 to 172 of this notice.

Shareholders must take note of the following:

- A limited number of telecommunication lines will be available.
- Each participant will be contacted between 09h00 and 11h00 on Monday, 3 September 2018 via email and/or SMS. Participants will be provided with a code and the relevant telephone number to allow them to dial in.
- The cost of the shareholder's phone call will be for his/her own expense.
- The cut-off time for dialling in on the day of the meeting will be at 12h10 on Monday, 3 September 2018, and no late dial-in will be possible.

To be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) as soon as possible and to be received by no later than 12h15 on Friday, 24 August 2018.

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.

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

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, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107) as soon as possible and should (but is not required to) be received by no later than 12h15 on Friday, 31 August 2018.

FORM OF PROXY (NB FOR USE ONLY BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS)
ANNUAL GENERAL MEETING: MONDAY, 3 SEPTEMBER 2018

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 Monday, 3 September 2018, 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	Appointment of external auditors			
Ordinary resolution no. 3	Re-election of Ms B L M Makgabo-Fiskerstrand as a director			
Ordinary resolution no. 4	Re-election of Mr E Oblowitz as a director			
Ordinary resolution no. 5	Re-election of Mr G H Davin as a director			
Ordinary resolution no. 6	Election of Mr S E Abrahams as a member of the Audit Committee			
Ordinary resolution no. 7	Election of Ms B L M Makgabo-Fiskerstrand as a member of the Audit Committee			
Ordinary resolution no. 8	Election of Mr E Oblowitz as a member of the Audit Committee			
Ordinary resolution no. 9	Election of Ms N V Simamane as a member of the Audit Committee			
Ordinary resolution no. 10	Election of Mr D Friedland as a member of the Audit Committee			
Ordinary resolution no. 11	Election of Prof F Abrahams as a member of the Audit Committee			
Ordinary resolution no. 12	Non-binding advisory vote on remuneration policy			
Ordinary resolution no. 13	Non-binding advisory vote on remuneration implementation report			
Special resolution no. 1	Non-executive directors' remuneration			
Special resolution no. 2	General authority to acquire TFG shares			
Special resolution no. 3	Financial assistance			
Ordinary resolution no. 14	General authority of directors			

Signed this ______________ day of ______________ 2018

Signature ______________________________

Assisted by (where applicable) ______________________________

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

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, should 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. Any forms of proxy not lodged by this time may be handed to the Chairperson of the annual general meeting immediately prior to its commencement.

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. Any forms of proxy not lodged by this time may be handed to the Chairperson of the annual general meeting immediately prior to its commencement.

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.

COMPANY INFORMATION

THE FOSCHINI GROUP LIMITED
Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Registered office
Stanley Lewis Centre
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Parow East 7500
South Africa

Head office
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Telephone +27(0) 21 938 1911

Company Secretary
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Parow East 7500
South Africa
PO Box 6020, Parow East 7501
South Africa

Sponsor
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64 Wierda Road East, Wierda Valley
Sandton 2196
South Africa

Auditors
Deloitte & Touche

Attorneys
Edward Nathan Sonnenbergs Inc.

Principal banker
FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
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New York, NY 10011

Website
www.tfglimited.co.za

SHAREHOLDERS' CALENDAR

Financial year end	31 March 2018
Integrated report publication date	13 July 2018
Annual general meeting (81st)	3 September 2018
Interim profit announcement (2019)	8 November 2018

Upcoming distribution payments

Ordinary	
– final 2018	July 2018
– interim 2019	January 2019
Preference	
– interim 2019	September 2018
– final 2019	March 2019

Queries regarding this report can be addressed to:
D van Rooyen (Company Secretary)
Email: company_secretary@tfg.co.za

GREYMATTER & FINCH # 12163


TFG