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

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

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

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

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

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

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

STRATEGIC DEVELOPMENTS DURING THE YEAR
The 2016 financial year was a busy year for the group, especially in terms of our growth strategy.

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

In addition to this we also:

- launched SODA Bloc, our tweens brand;
- acquired the franchise rights for Colette;
- acquired the franchise rights for Next;
- commenced the rebranding of Fashion Express to The FIX; and
- acquired Whistles, a UK fashion brand.
All of these developments will strengthen and benefit the group and create value for our shareholders through:

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

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

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

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

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

**Profit**
- Continued store roll-out, focus on same store growth, new brand introduction, coupled with appropriate investment in our Rewards programme are initiatives aimed at driving top-line growth – particularly in an environment where GDP growth is low and interest rates are in a rising cycle
• Strict margin management is the lifeblood of our business and particularly important in an environment of volatile exchange rates
  - Our focus on local manufacturing assists in reducing the impact of imported inflation and remains a priority
  - Efforts include the construction of a new factory in Caledon which, combined with our facility in Maitland, will significantly increase our in-house manufacturing capability once complete
• While investment to drive future growth is a necessity, strict cost control remains a key focus

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

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

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

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

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

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

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

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

Jewellery performed well in this competitive market segment.

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

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

Internationally, the performance of Phase Eight met our expectations and all our strategic targets that were set for the year were achieved.
RISK OVERVIEW
Our key strategic risks that receive ongoing focus are:

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

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

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

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

Further information on our strategy, progress against our strategic enablers and our future approach can be found in our sustainability overview report, which is available on our website.
PEOPLE
Our performance this year would not have been possible without our more than 22,800 employees. Their talent and commitment to our group remain a key strength and a key differentiator.

To this end, we continued to invest in the development of our staff and spent the equivalent of 3.9% of our total payroll cost on training this year.

Employment equity and transformation remain a key focus in our group, with 92.25% of our South African staff, as at March 2016, being from designated groups.

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

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

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

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

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

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

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

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

Doug Murray
Chief Executive Officer
29 June 2016