

CHAIRMAN'S REPORT



During the 2017 financial year, our Group has continued to grow and expand through the following key initiatives:

- The further roll-out of our online offering through the launch of Foschini cosmetics, Markham and Fabiani
- The opening of an additional 331 outlets while closing 128 less profitable outlets
- The continued integration of Whistles into TFG International
- The acquisition of Damsel in a Dress (February 2017)
- The post-year-end acquisition of 14 G-Star Raw franchise stores in Australia
- The post-year-end acquisition of 100% of the share capital of the Retail Apparel Group Pty Ltd (RAG), a leading speciality menswear retailer in Australia and New Zealand

Against this backdrop, I am pleased to introduce our 2017 integrated annual report.

INTEGRATED REPORTING

The integrated annual report provides a holistic view of our Group, its activities and the broader societal matters that impact our business. Through the report, we strive to communicate all the factors that materially affect our ability to create value for all our stakeholders over time. As we seek to constantly improve the integrated reporting, we continued to make further refinements to this year's report.

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

In reading the report, I would like to draw your attention to the fact that, while the Group is geographically diversified across 34 countries, the commentary in this report remains primarily focused on the African (and in particular South African) operating environment as this continues to be the most significant geographic region for the Group. Furthermore, certain Group products and services such as credit and customer value-added products are not available internationally. Various key performance indicators such as broad-based black economic empowerment (BBBEE) targets and sustainability initiatives like local supply chain development are also unique to our South African operating environment.

ECONOMY AND OPERATING ENVIRONMENT

The challenging conditions in South Africa, and the political and associated volatility internationally referred to in last year's integrated annual report, continued through the 2017 financial year. In addition, the troubling political developments in South Africa have led to further constrained economic growth and, in these circumstances, our results both domestically and internationally are particularly pleasing.

The ineffective and corrupt leadership that the country is currently experiencing is negatively impacting confidence and growth. This reduces the resources available to government and the private sector to alleviate the three structural ills of poverty, unemployment and inequality that the government claims it wishes to address. The art of leadership in this context is to strike the right balance between fundamental change and the maintenance of confidence. In the interest of all South Africans, it is to be hoped that a new generation and type of leadership can be found that possesses the wisdom, ability and vision to strike this delicate balance and resist the populism that will lead to inevitable economic decline of which there are many examples for all to see.



NOTWITHSTANDING THE MANY UNCERTAINTIES,
CLEAR STRATEGIES ARE IN PLACE WHICH,
UNDER THE DIRECTION OF SOUND LEADERSHIP,
ENSURE THAT THE GROUP IS WELL POISED
FOR FUTURE SUCCESS.



MICHAEL LEWIS

As a member and keen supporter of the CEO initiative, TFG associates itself with the comments on corruption, state institution governance and economic policy made in its statement of 10 June 2017:

“The CEO initiative has always maintained that true, sustainable economic empowerment and transformation will only be achieved through structural reforms that drive inclusive growth. Populist policies that focus on short-term solutions with no regard for the liabilities that we bestow on future generations will only result in the economy slipping further away from providing opportunities that benefit all who live in the country.

If we are to prevent further negative impacts, it is of crucial importance that we continue with our fiscal plan and apply strict discipline in managing the country's finances. We also need to demonstrate to investors that we are serious about dealing with corruption and improving governance and service delivery at our state-owned institutions, which would enable these organisations to work for the benefit of all who live in South Africa and not place further strain on the fiscus.”

The implementation of the Affordability Regulations in South Africa have had, and will continue to have, a severe impact on our credit turnover but also across the retail industry. TFG considers itself a responsible and professional granter of credit. Many creditworthy consumers are being impacted as they can no longer access credit responsibly. The Group feels so strongly about this that it, together with two other major listed retailers, has initiated legal action against the National Credit Regulator (NCR) and Department of Trade and Industry (dti) in connection with the Affordability Regulations. The matter is due to be heard in the High Court on 7 August 2017.

REVIEW OF THE YEAR

Despite the backdrop of the tough economic environment referred to above, the Group had a satisfactory result for the year with growth in headline earnings per share excluding acquisition costs of 4,1%. The Supervisory Board is pleased with this performance of the Group during the year.

Good progress was also made on various strategic initiatives during the year. Further international expansion, in pursuit of long-term growth, was made with the Damsel in a Dress, G-Star Raw Australia and RAG acquisitions, while expansion into Africa continued with the opening of our first outlet in Kenya. The Group also continued its e-commerce roll-out with the online launch of Foschini cosmetics, Markham and Fabiani, bringing the total number of brands selling online to 10.

The expansion of our Group has required greater focus on the development of entrepreneurial skills of our executive and senior management to ensure that sufficient leadership capacity is created to continue to grow the business. Further information in this regard can be found in Our people on page 38.

Post year-end, on 31 May 2017, the Group officially opened its newly renovated and expanded clothing factory in Caledon. We are excited about the opportunities it will create for the Group, as well as for the local community and local clothing manufacturing industry. Further information on the Caledon factory is provided on page 72.



CHAIRMAN'S REPORT CONTINUED

GOVERNANCE AND LEADERSHIP

TFG remains committed to the highest standards of corporate governance, with accountability and transparency being key guiding principles in all business activities conducted. As is outlined in more detail in the Corporate governance report on page 92, the Group fully supports the governance principles contained in King III, King IV and the Listings Requirements of the JSE. Our detailed compliance with the King III principles is available on our website.

We are in the process of assessing the principles of King IV and will include the required corporate governance disclosures in our integrated annual report for the year ending 31 March 2018.

PROSPECTS

The multiple uncertainties mentioned above will add further caution to our planning of the Group's future growth and funding requirements. However, the Supervisory Board believes that the strategic initiatives undertaken over the last three years position the Group well to deliver increased shareholder value over the medium to long term. Clear strategies are in place which, under the direction of sound leadership, ensure that the Group is well poised for future success.

APPRECIATION

On behalf of the Supervisory Board I would like to thank:

- Doug Murray for his outstanding leadership of the Group during the year;
- the senior executive team members for their skilled and professional management;
- all our employees for their excellent performance, commitment and hard work during the year;
- our customers for their continued loyal support;
- our shareholders for their support and confidence in the future of the Group;
- our suppliers, advisors and business associates for their contribution to the growth of the business; and
- my fellow directors for their insight, guidance and valuable input.

Michael Lewis
Chairman

29 June 2017

ELIOT OSRIN



TFG mourns the passing of Eliot Osrin, a former Chairman and non-executive director of our Group, on 15 February 2017.

Eliot played an inspiring role in the growth of TFG for 31 years, 12 of those as Chairman. After retiring in 2009, his energy, guidance and support were still felt. He will be greatly missed and all at TFG extend their condolences to the Osrin family.

