CHIEF FINANCIAL OFFICER'S REPORT

The 2017 financial year has seen the further, profitable expansion of the Group as we continue to grow and reinvest in our business. In order to put our performance for the year in context, the following needs to be taken into account:

- Phase Eight is fully comparable for this financial year, with 12 months' trading included in both the 2017 and 2016 financial year. Phase Eight was acquired in January 2015.
- Trading related to Whistles, which was acquired by the Group at the end of March 2016, is included for the full 12 months of the 2017 financial year. No trading was included for them in the prior financial year; however, their at-acquisition statement of financial position was consolidated as at 31 March 2016.
- On 3 February 2017, the Group acquired 100% of the inventory and the brand of Damsel in a Dress. They will be managed within TFG International and two months' trading have been included in these results.
- During the year, Foschini cosmetics, Markham and Fabiani launched their online selling platforms.
- Interest rate changes: There were no changes to interest rates in South Africa during the current financial year. However, in the prior year, there were four interest rate increases, totalling 125 bps. On 4 August 2016, the interest rate in the United Kingdom reduced to 0,25% from 0,5%.

OUR PERFORMANCE DURING THE YEAR

	2017	2016	% CHANGE
Revenue (Rm)	**26 413,6**	23 746,4	11,2
Retail turnover (Rm)	**23 548,7**	21 107,5	11,6
Gross margin (%)	**49,7**	49,7	
Total trading expenses (Rm)	**10 757,2**	9 537,2	12,8
Operating margin (%)	**16,2**	17,0	
Headline earnings – total (Rm)	**2 332,8**	2 119,3	10,1
Headline earnings – excluding acquisition costs (Rm)	**2 332,8**	2 185,2	6,8
HEPS – excluding acquisition costs (cents)	**1 099,2**	1 055,8	4,1
Total distribution per share (cents)	**720,0**	691,0	4,2

The Group produced a satisfactory performance for the year in a challenging trading environment. This was aided by the significant efforts put into the three main financial priorities for the Group during the year:

- Cost control
- Capital optimisation
- Working capital management

LOOKING AT OUR PERFORMANCE OVER THE LAST FEW YEARS, OUR DIVERSIFICATION STRATEGIES HAVE ALLOWED US TO CONTINUE TO DELIVER STRONG PERFORMANCE DESPITE DIFFICULT TRADING CONDITIONS.

ANTHONY THUNSTRÖM

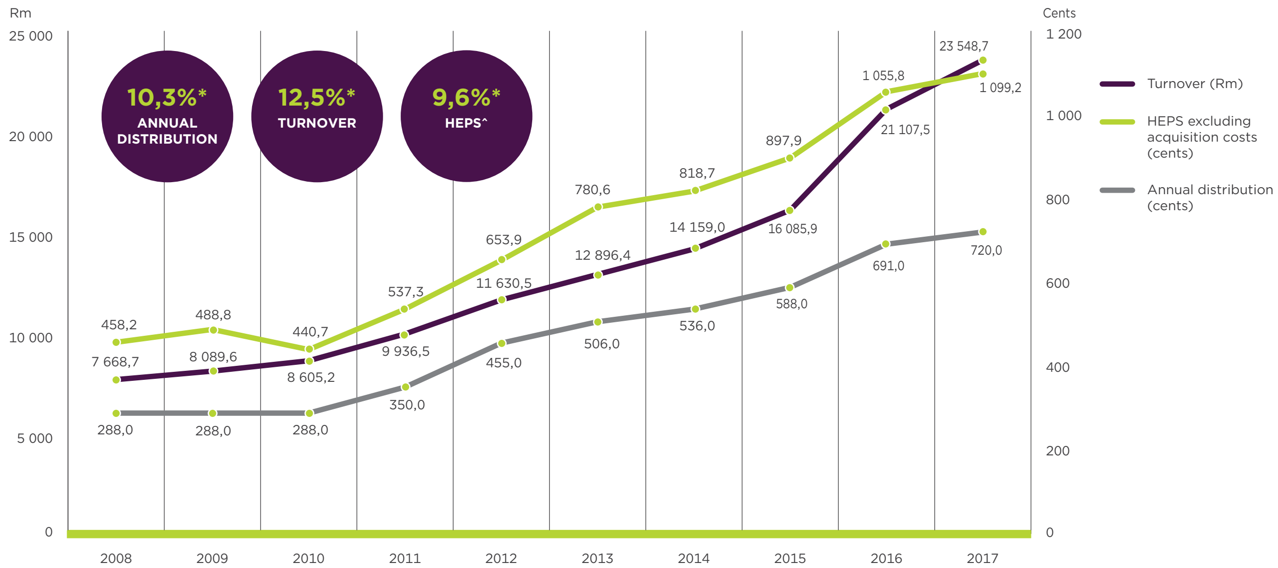
Through the focus on and commitment to cost control, we have achieved growth of 5,6% in our branch-level comparable expenses in TFG Africa. We are pleased with this growth, which is below South African inflation, and will continue our commitment in this area.

The focus placed on our statement of financial position had encouraging results. Both our recourse (TFG Africa) and Group debt to equity ratios reduced to 53,6% and 65,3% respectively compared to last year (March 2016: 55,6% and 73,5%) and our free cash flow increased by just over 100%.

Despite the challenging conditions in the South African and UK economies, we have achieved pleasing growth of 10,1% in our total headline earnings. Headline earnings excluding the acquisition costs incurred in the prior year (related to the Whistles acquisition) grew by 6,8%. The resulting growth in headline earnings per share was 4,1% to 1 099,2 cents per share, up from 1 055,8 cents per share last year.

We have continued to reward our shareholders in line with our earnings growth and have accordingly increased our total dividend for the year to 720,0 cents per share, a 4,2% increase. The final dividend was 400,0 cents per share, up from 385,0 cents per share declared at March 2016.

Looking at our performance over the last few years, our diversification strategies have allowed us to continue to deliver strong performance despite difficult trading conditions:



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

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

EXCHANGE RATE MANAGEMENT

The year under review was the first year we had comparative numbers for TFG International in our base. Consequently, the impact of foreign exchange volatility is more significant than in prior years. Our Group turnover growth of 11,6% would have been 14,3% in constant currency. Our headline earnings per share growth (excluding acquisition costs) of 4,1% would have been 5,7% in constant currency.

Fluctuating exchange rates also have an impact on various other areas of our business, including the purchase of merchandise. To mitigate the impact of exchange rate valuation on our business, we regularly review our strategy of purchasing forward cover to ensure that it remains relevant and that we are protected, as far as possible, for committed and future orders.

OVERVIEW OF KEY FINANCIAL STATEMENT ITEMS

Income statement

Revenue

Retail turnover for the Group grew by 11,6% to R23 548,7 billion. Turnover growth in TFG Africa was 8,0% with 2,8% same store turnover growth, while turnover growth in TFG International was 45,0% in GBP (ZAR growth: 28,7%).

Cash turnover grew strongly at 18,5%, now representing 60,7% of total turnover. Credit turnover growth at 2,3% was negatively impacted by the reduction in new accounts as a result of the Affordability Regulations in South Africa.

Interest income from our debtors' book in TFG Africa increased by 12,8%. This is mainly due to the compound effect of the four interest rate increases in the prior financial year (totalling 125 basis points) as well as growth of 2,9% in our gross debtors' book.

Other revenue from customer value-added products (TFG Africa) increased by 2,0% to R1 128,0 billion. Due to the impact of the Affordability Regulations on our new account base, we had limited growth in our publication and insurance income of 0,4% and -3,0% respectively. Further information on planned initiatives to stabilise the performance of these respective portfolios is provided in the Performance review: Customer value-added products on page 82. A significant improvement in supplier service delivery, coupled with the bundling of new products, ensured growth of 15,1% in mobile One2One airtime income.

Gross margin

The Group's gross margin remained consistent at 49,7% (March 2016: 49,7%) with the gross margin for TFG Africa at 46,4% (March 2016: 46,9%). Gross margins across all merchandise categories remained broadly consistent except for clothing. The clothing margin was down mainly due to the expected impact of the relaunch of The FIX from Fashion Express. The margin mix in the Group was impacted by the strongly improved cellular sales (+15,3%), which trades at a lower margin than our other merchandise categories.

Trading expenses

	TFG GROUP MARCH 2017 Rm	TFG AFRICA MARCH 2017 Rm	TFG GROUP MARCH 2016 Rm	TFG AFRICA MARCH 2016 Rm	% CHANGE TFG GROUP	% CHANGE TFG AFRICA
Depreciation and amortisation	**(540,3)**	**(437,6)**	(464,7)	(347,1)	16,3	26,1
Employee costs	**(3 669,8)**	**(2 837,9)**	(3 210,8)	(2 595,5)	14,3	9,3
Occupancy costs	**(2 431,8)**	**(2 019,0)**	(2 043,2)	(1 758,7)	19,0	14,8
Other net operating costs	**(3 219,2)**	**(2 072,7)**	(2 870,8)	(2 012,0)	12,1	3,0
Trading expenses before net bad debt	**(9 861,1)**	**(7 367,2)**	(8 589,5)	(6 713,3)	14,8	9,7
Net bad debt	**(896,1)**	**(896,1)**	(947,7)	(947,7)	(5,4)	(5,4)
Total trading expenses	**(10 757,2)**	**(8 263,3)**	(9 537,2)	(7 661,0)	12,8	7,9

Due to the inclusion of Whistles, the Group numbers in the table on the previous page and the numbers for TFG International are distorted. My commentary will therefore focus on TFG Africa's expense growth.

As mentioned above, significant efforts were put into cost control by the Group during the year. This included initiatives such as the centralisation of our procurement function, which led to greater discipline in contracts going out to tender on a regular basis and better alignment of input cost increases to our budgetary processes. This, and other initiatives, resulted in growth of only 3% in other net operating costs (March 2016: +13,7%). Our cost-saving initiatives and discipline will continue as we continue to expand our business.

Depreciation and amortisation increased by 26,1%. This growth is due to the change made in the prior financial year relating to the useful lives of certain asset categories within property, plant and equipment. Excluding this change, the growth in depreciation would have been 9,7%.

Employee costs grew by 9,3% to R2 837,9 million. Our annual salary and promotional increases were approximately 7,5%, with the balance made up of new outlets.

Occupancy costs increased by 14,8% during the year. Our normal lease escalations average approximately 7%, with the remainder made up of new outlets and some strategic new openings in higher than average rental space. We have also increased our Midrand DC and Maitland factory space during the year, which resulted in increased rental expense for these buildings.

Net bad debt decreased by 5,4% as a result of improved collection results and strong growth in recoveries. As a consequence of the modest growth of the debtors' book and the lower credit turnover growth, net bad debt as a percentage of the debtors' book was 11,3%, down from 12,3% at March 2016.

Finance costs

Finance costs for the Group grew by 19,3% with a growth of 28,6% in TFG Africa. This is in line with management's expectation. The growth in TFG Africa's finance costs is a result of the compound impact of the four interest rate increases during the 2016 financial year, an increased level of term funding and higher interest rate spreads, caused by the economic and political uncertainty experienced in South Africa.

The interest rate in the United Kingdom decreased from 0,5% to 0,25% during the year.

Statement of financial position

Property, plant and equipment

As part of our capital optimisation efforts referred to earlier in my report, there was an increased focus on capital expenditure during the year. While property, plant and equipment increased to R2 469,0 at year end, there was a decrease in capital expenditure during the year to R883,5 million, down from R901,0 million in the prior year. The majority of this spend (c60%) relates to the expansion of our Group, while the remaining c40% relates to the maintenance of existing assets.

Included in the above capital expenditure is an amount of R53 million that was incurred during the expansion of our clothing factory in Caledon. This state-of-the-art facility that officially opened post year end on 31 May 2017 is now equipped with the latest sewing machine technology globally available and will enable the Group to increase its quick response capabilities. Further information on our Caledon factory is provided in our Strategy performance review on page 72.

Inventory

Our focus on working capital management during the year resulted in our stock levels being well controlled with growth of 7,7% in inventory at March 2017 (March 2016: +34,1%). This growth number was slightly higher than projected due to the soft January and February trading months not only for TFG but across the South African industry. Growth was also impacted by the shift in Easter weekend and the March school holiday. However, we are pleased with the positive results yielded by the increased focus placed on inventory and supply chain during the year, which has also led to our product inflation being only 7,2% for the year, well below the current industry average.

Trade receivables

Growth in our TFG Africa net debtors' book slowed to 4,6% (March 2016: +8,0%) for the year due to lower new account growth as well as an improved payment behaviour. The number of active accounts was severely impacted by the Affordability Regulations and the challenging economic environment, resulting in a decrease of 5,4%. Our book continues to be conservatively provisioned at 11,8%, down from 13,2% at March 2016.

Further information on our trade receivables is provided in the Performance review: Credit on page 80.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Interest-bearing debt

	TFG GROUP MARCH 2017 Rm	TFG GROUP MARCH 2016 Rm
Interest-bearing debt	**7 749,2**	8 165,7
Less: cash	**(878,5)**	(888,8)
Net borrowings TFG Group	**6 870,7**	7 276,9
Less: TFG International net borrowings (non-recourse)	**(1 237,7)**	(1 770,1)
TFG Africa borrowings	**5 633,0**	5 506,8
TFG Africa (recourse debt) gearing	**53,6%**	55,6%
TFG Group gearing	**65,3%**	73,5%

Our interest-bearing debt at year end decreased by R416,5 million to R7,7 billion. TFG International reduced its net borrowings in both GBP and ZAR due to positive cash flows as well as the reduced exchange rate used for the conversion of its statement of financial position as at March (16,84 March 2017 vs 21,15 March 2016).

At year end, our Group gearing was 65,3%, down from 73,5% at March 2016. Our recourse gearing was 53,6%, down from 55,6% at the previous year end.

Equity

During the year, as part of our strategic pillar Profit, return on capital employment (ROCE) was introduced to optimise profitability and capital management. This will be a medium to long-term project of the Group; however, several milestones have already been accomplished in the first year:

- Accurate determination of current ROCE metrics for each trading division within the Group
- Launch of an extensive ROCE training programme to educate appropriate levels of management throughout the Group on how their actions and behaviour impact divisional and Group ROCE metrics
- Monthly reporting and monitoring of ROCE performance
- Use of ROCE as a key decision support tool for internal capital projects and in respect of potential acquisitions

As a result of our ROCE focus, we closed 128 outlets that were identified as being marginal in respect of our profitability and ROCE – 37 of which were converted to other brands within the Group. Our normal outlet closures range between 20 – 30 outlets per year.

Cash flow statement

	TFG GROUP MARCH 2017 Rm	TFG GROUP MARCH 2016 Rm
Operating profit before acquisition costs and finance costs (EBIT)	**3 811,2**	3 596,1
Add back: depreciation and amortisation	**540,3**	464,7
EBITDA	**4 351,5**	4 060,8
Less: taxation*	**(1 012,7)**	(1 006,3)
Operating profit before depreciation and amortisation after taxation	**3 338,8**	3 054,5
Less: capex	**(883,5)**	(901,0)
Less: working capital movement	**(1 156,5)**	(1 509,4)
Free cash flow	**1 298,8**	644,1

* *Effective tax rate used.*

With our increased focus on cost control, working capital management and capital optimisation this year, increased focus was also placed on our free cash flow. Through the resultant increase in operating profit, reduced capital expenditure and reduced working capital outflow, the Group has doubled its free cash flow during the year from R644,1 million at March 2016 to R1 298,8 billion at March 2017.

Acquisitions

On 3 February 2017, the Group acquired 100% of the inventory and the brand of Damsel in a Dress Limited for £2 million. Damsel in a Dress will be managed within TFG International and will trade as a sub-brand of Phase Eight.

With effect from 3 April 2017, the Group acquired 14 G-Star Raw franchise stores in Australia for AUD13,9 million.

Post year end, the Group announced that it has entered into an agreement to acquire 100% of the share capital of the Retail Apparel Group (Pty) Ltd (RAG), a leading speciality menswear apparel retailer in Australia. The purchase is capped at the lower of seven times RAG's audited normalised EBITDA, for the year ending June 2017, and AUD302,5 million, which will then be adjusted for normalised working capital and net debt at acquisition.

TFG will use a combination of its own funds and a short-term bridge facility to pay the purchase price due in terms of this acquisition. It is the Group's intention to refinance this bridge facility with longer-term funding at an appropriate time as well as to retain the flexibility to potentially issue new ordinary shares to refinance all or part of the bridge facility, whether by way of a vendor consideration placing or otherwise.

The expected purchase price for the acquisition of RAG has been hedged.

Anthony Thunström
Chief Financial Officer

29 June 2017