STRATEGY PERFORMANCE REPORT

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

TARGET SETTING

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

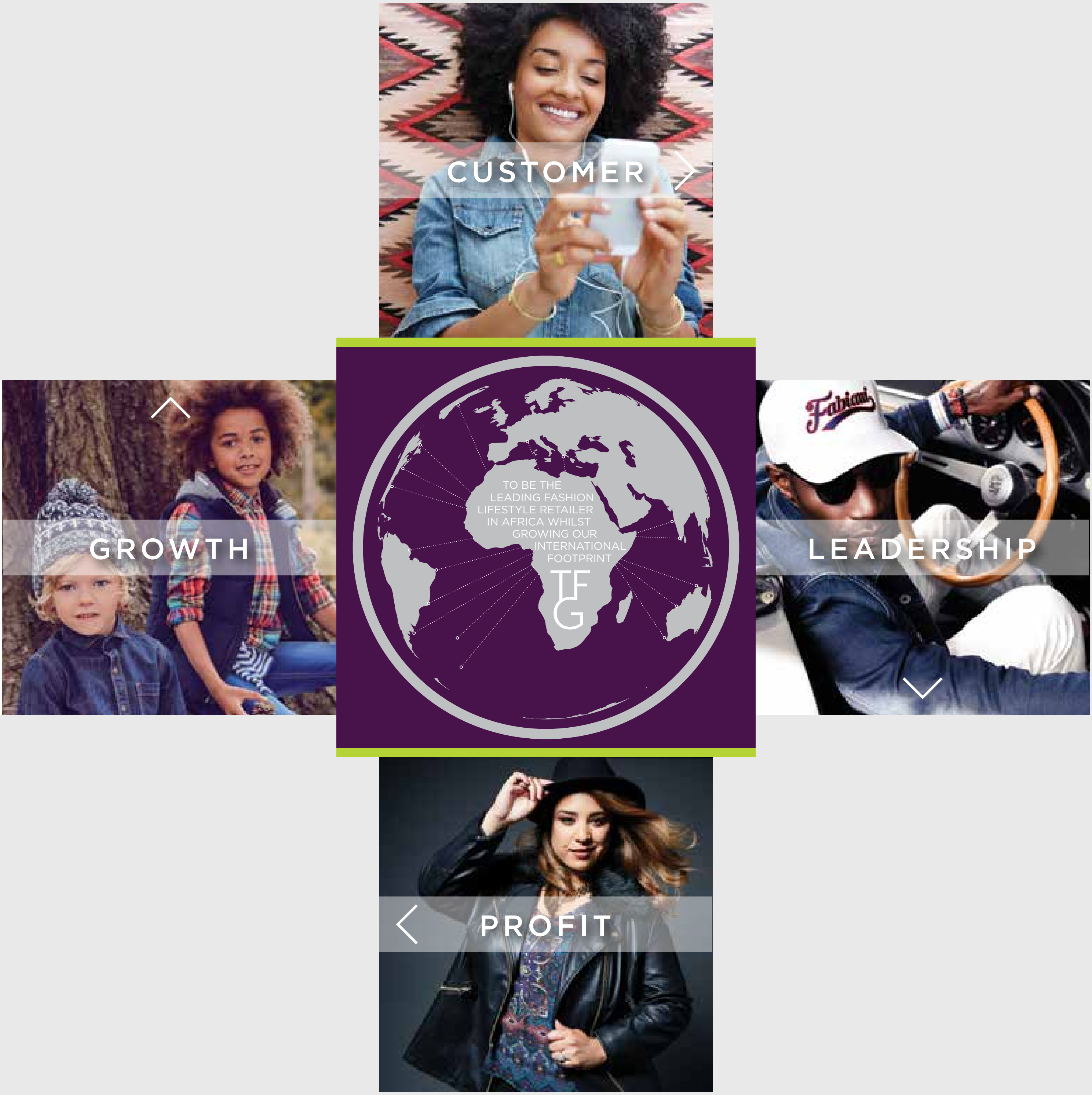
Our Vision 2021 plan does not differ materially from our Vision 2020 plan. Our performance for the year, against these targets, is indicated in the content that follows:

VALUES

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

PRIDE^2

- **Professionalism**
  We are accountable and drive performance in a creative and innovative way
- **Resilience**
  We have the courage of our convictions and the boldness to constructively challenge
- **Integrity**
  Our word is our honour, we are honest and ethical
- **Dignity and respect**
  We treat everyone the way we want to be treated
- **Empowerment**
  We embrace diversity and create equal opportunity for all in a supportive environment
- **Excellent service**
  Our customers are our future – we look after them


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

STRATEGY PERFORMANCE REPORT CONTINUED

CUSTOMER

01

Factors impacting customer experience during the year

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

STRATEGIC INTENT AND POSITIONING STATEMENT

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

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

STRATEGIC OBJECTIVES AND TARGETS

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

BUSINESS IMPERATIVES

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

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

02

Risks and opportunities

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

03

Performance indicators

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

04

Focus areas for next year

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

STRATEGY PERFORMANCE REPORT CONTINUED

LEADERSHIP

01

Factors impacting leadership during the year

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

STRATEGIC INTENT AND POSITIONING STATEMENT

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

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

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

STRATEGIC OBJECTIVES AND TARGETS

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

BUSINESS IMPERATIVES

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

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

02
Risks and opportunities

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

03
Context to performance indicators

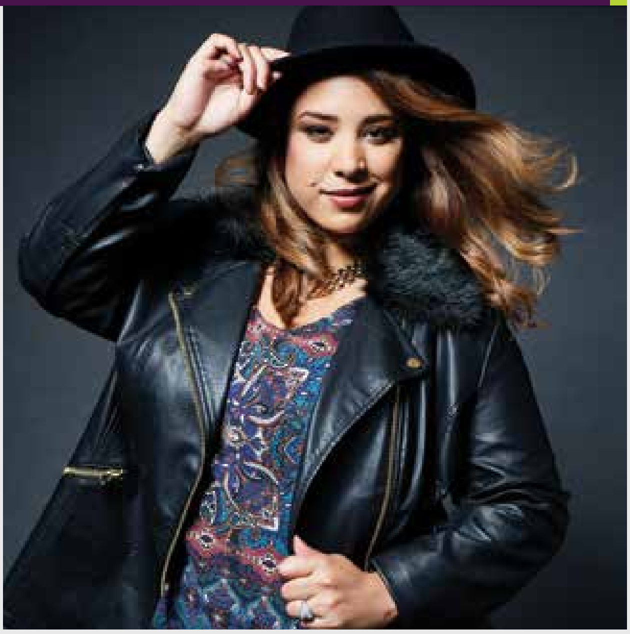
- Head office staff turnover in Africa and internationally remains at similar level to last year – although low, provides opportunity to introduce new talent to the group
- Employment equity remains a focus in South Africa and is at similar levels to last year – Heads of business units are measured on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

04
Focus areas for next year

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

STRATEGY PERFORMANCE REPORT CONTINUED

PROFIT



01

Factors impacting profit during the year

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

STRATEGIC INTENT AND POSITIONING STATEMENT

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

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

STRATEGIC OBJECTIVES AND TARGETS

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

BUSINESS IMPERATIVES

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

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

02

Risks and opportunities

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

03

Context to performance indicators

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

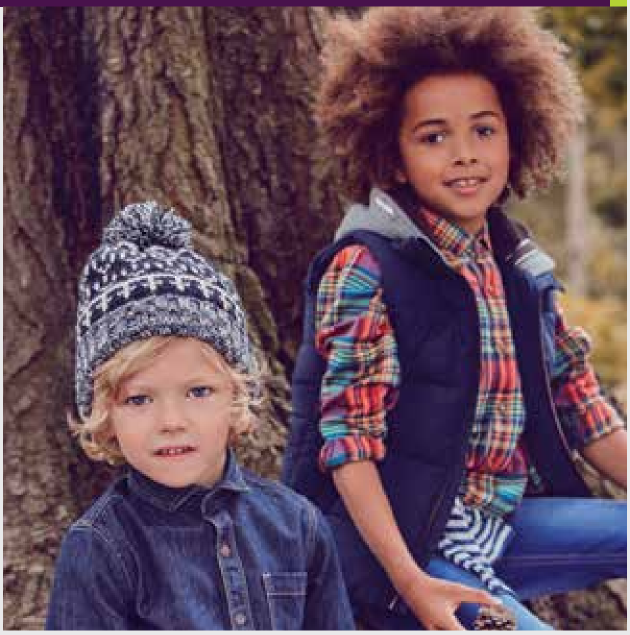
04

Focus areas for next year

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

STRATEGY PERFORMANCE REPORT CONTINUED

GROWTH



01

Factors impacting growth during the year

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

STRATEGIC INTENT AND POSITIONING STATEMENT

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

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

STRATEGIC OBJECTIVES AND TARGETS

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

BUSINESS IMPERATIVES

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

02

Risks and opportunities

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

03

Context to performance indicators

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

04

Focus areas for next year

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

STRATEGY PERFORMANCE REPORT CONTINUED

INVESTOR INFORMATION

01

Factors impacting investors during the year

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

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

STRATEGIC INTENT AND POSITIONING STATEMENT

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

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

02

Risks and opportunities

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

03

Context to performance indicators

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

04

Focus areas for next year

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