
ELECTRONIC TRANSMISSION DISCLAIMER

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission disclaimer applies to the attached rights offer circular (the “**Circular**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Circular. In accessing this electronic transmission disclaimer and the attached Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that the delivery of this electronic transmission disclaimer and the attached Circular is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission disclaimer or the attached Circular to any other person other than in compliance with the attached Circular if you have disposed of all of your ordinary shares (“**TFG Shares**”) in The Foschini Group Limited (“**TFG**” or the “**Company**”).

The securities referred to in this electronic transmission disclaimer and the attached Circular (the “**Securities**”) may only be distributed (i) outside the United States in reliance on Regulation S under the US Securities Act of 1933 (the “**US Securities Act**”) and (ii) within the United States to qualified institutional buyers (“**QIBs**”) as defined in Rule 144A under the US Securities Act (“**Rule 144A**”). Any forwarding, distribution or reproduction of this electronic transmission disclaimer or the attached Circular in whole or in part, other than in compliance with the attached Circular if you have disposed of all of your TFG Shares, is unauthorised. Failure to comply with this notice may result in a violation of the US Securities Act or the applicable laws of other jurisdictions. Nothing in this electronic transmission disclaimer and the attached Circular constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

The Securities have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except (i) to a person that the holder and any person acting on its behalf reasonably believes is a QIB, pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, or (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the US Securities Act, in each case in accordance with any applicable securities laws of any state or jurisdiction of the United States. Investors who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix A to the attached Circular prior to taking up or transferring rights in the Rights Offer (as defined below) or subscribing for rights offer shares in the Rights Offer.

The Securities have also not been and will not be registered under the securities laws and regulations of any jurisdiction, including Australia, Canada or Japan and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within Australia, Canada, or Japan or any other jurisdiction where it is unlawful to do so, except pursuant to an applicable exemption.

This electronic transmission disclaimer, the attached Circular and the rights offer to the relevant holders of TFG Shares that are Qualifying Shareholders (as such term is defined in the attached Circular) (the “**Rights Offer**”) are only addressed to and directed at persons in member states of the European Economic Area (the “**EEA**”) who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation (Regulation 2017/1129 as amended) (“**Qualified Investors**”). In addition, in the United Kingdom, this electronic transmission disclaimer and the attached Circular are being distributed only to, and are directed only at, (i) investment professionals who are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or (ii) who are high net worth entities falling within Articles 49(2)(a) to (d) of the Order, and (iii) other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This electronic transmission disclaimer and the attached Circular must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this electronic transmission disclaimer and the attached Circular relates is available only to relevant persons (i) in the United Kingdom and (ii) Qualified Investors in any member state of the EEA other than the United Kingdom, and will be engaged in only with such persons. The information in this electronic transmission disclaimer and the attached Circular is not intended to be viewed by or distributed or passed on (directly or indirectly) to, and should not be acted upon by any other class of persons, save for such persons or class of persons contemplated herein.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities the subject of the Rights Offer have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the securities may decline and investors could lose all or part of their investment; the securities offer no guaranteed income and no capital protection; and an investment in the securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators and Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the securities.

Each distributor is responsible for undertaking its own target market assessment in respect of the securities and determining appropriate distribution channels.

Confirmation of Your Representation: This electronic transmission disclaimer and the attached Circular are delivered to you on the basis that you are deemed to have represented to TFG; each of Absa Bank Limited (acting through its Corporate and Investment Banking division) (“**Absa**”), Rand Merchant Bank (a division of FirstRand Bank Limited) (“**RMB**”) and The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) (“**SBSA**”) in their capacities as joint global coordinator, bookrunner and/or underwriter, as applicable (the “**Joint Global Coordinators and Underwriters**”), that: (i) you are a QIB acquiring such Securities for your own account or for the account of another QIB; (ii) you are acquiring such Securities in offshore transactions in compliance with Regulation S under the US Securities Act; (iii) if you are in the United Kingdom, you are a relevant person; (iv) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor; (v) you are an institutional investor that is eligible to receive this electronic transmission disclaimer and the attached Circular; (vi) you are not a resident of, or located in, Australia, Canada (except for the provinces of Ontario and Quebec) or Japan, or any jurisdiction where it is unlawful to receive this electronic transmission disclaimer and the attached Circular; and (vii) you consent to delivery by electronic transmission disclaimer and the attached Circular.

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and dependencies, any state or jurisdiction of the United States and the District of Columbia), Australia, Canada, Japan or in any other jurisdiction where the direct or indirect distribution of these materials is unlawful. There will be no public offering of any Securities in the United States, Canada, Australia, Japan or any other jurisdiction.

You are reminded that you have received this electronic transmission disclaimer and the attached Circular on the basis that you are a person into whose possession this electronic transmission disclaimer and the attached Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this electronic transmission disclaimer or the attached Circular, electronically or otherwise, to any other person.

The Joint Global Coordinators and Underwriters are acting exclusively for the Company and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of this Circular) as their respective client in relation to the Rights Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein. No representation or warranty, express or implied, is made by the Joint Global Coordinators and Underwriters as to the accuracy, completeness or verification of the information set forth in this Circular, and nothing contained in this Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Joint Global Coordinators and Underwriters assume no responsibility for the accuracy, completeness or verification of this Circular and, accordingly, disclaim, to the fullest extent permitted by applicable law, any and all liability which they might otherwise be found to have in respect of this Circular or any such statement.

This Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Global Coordinators and Underwriters, any person who controls any of the Joint Global Coordinators and Underwriters or the Company, any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Circular distributed to you in electronic format and the hard copy version of the Circular. If verification is required, please request a hard copy of the Circular.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The “Definitions and Interpretations” commencing on page 123 of this Circular apply throughout this Circular, including this cover page.



The Foschini Group Limited

(Registration number 1937/009504/06)
(Incorporated in the Republic of South Africa)
Ordinary share code: TFG
Preference share code: TFGP
Ordinary share ISIN: ZAE000148466
Preference share ISIN: ZAE000148516
 (“TFG” or the “Company”)

40 FOR 100 RIGHTS OFFER OF 94,270,486 NEW TFG SHARES AT R41.90 PER NEW TFG SHARE

The implementation of the renounceable Rights offered by TFG to Qualifying Shareholders to subscribe for new TFG Shares (as defined below) (“**Rights Offer Shares**”) will take place through the issuance by TFG of the Letters of Allocation to Qualifying Shareholders, which shall trade as “nil paid” rights in accordance with the timetable set out on page 20. The Letters of Allocation to which Qualifying Certificated Shareholders are entitled have been created and can only be traded in electronic form. To facilitate such trading in electronic form, an electronic record for Qualifying Certificated Shareholders is being maintained by Computershare Investor Services Proprietary Limited (the “**Transfer Secretaries**”), which has made it possible for Qualifying Certificated Shareholders to enjoy the same rights and opportunities as Qualifying Dematerialised Shareholders in respect of the Letters of Allocation. Qualifying Dematerialised Shareholders will have their Letters of Allocation credited to their accounts at their Central Securities Depository Participant (“**CSDP**”) or any person registered as a broking member (equities) in terms of the listings requirements (the “**Listings Requirements**”) of the exchange operated by JSE Limited (the “**JSE**”) made in accordance with the provisions of the Financial Markets Act (“**Broker**”). The rights that are represented by the Letters of Allocation are negotiable and may be traded in dematerialised form on the exchange operated by the JSE under **Share Code TFGN and ISIN ZAE000288353**. If a Qualifying Certificated Shareholder wishes to dispose of all or part of his or her rights under the Letters of Allocation, the relevant Form of Instruction enclosed in this Circular must be completed and returned to the Transfer Secretaries, if by hand: Rosebank Towers, 15 Biermann Avenue Rosebank, Johannesburg, 2196, South Africa; if by post: PO Box 61763, Marshalltown, 2107, South Africa in accordance with the instructions contained therein; or if by email: corporate.events@computershare.co.za.

Qualifying Shareholders are also referred to page 11 of this Circular, which sets out the detailed actions required of them with regard to the Rights Offer (as defined below). If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

This Circular to Qualifying Shareholders relates to:

A renounceable rights offer (“**Rights Offer**”) to Qualifying Shareholders, being TFG Shareholders (excluding Restricted Shareholders) recorded as such in TFG’s securities register (the “**Register**”) at the close of business (SAST) on the Record Date being, Friday, 24 July 2020. Qualifying Shareholders who hold par value of 1.25c (one comma two five South African cents) ordinary shares in the issued share capital of TFG (“**TFG Shares**”) on the Record Date will receive 40 Rights for every 100 Existing TFG Shares held. Each Right entitles the holder to subscribe for one new TFG Share at a subscription price of R41.90 (“**Rights Offer Share Price**”) per Rights Offer Share.

Excess applications for Rights Offer Shares will be permitted, pursuant to which Qualifying Shareholders may apply to subscribe for additional Rights Offer Shares over and above their *pro rata* entitlements to Rights Offer Shares under the Rights Offer Shares. Qualifying Shareholders are referred to page 11 of this Circular, which sets out the actions required of them with regard to the excess applications.

This Circular includes a Form of Instruction in respect of the Letters of Allocation (to be completed by Qualifying Certificated Shareholders only; Qualifying Dematerialised Shareholders should refer to “7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer” on page 43 of this Circular for instructions on how to participate in the Rights Offer).

TFG has entered into an Underwriting Agreement with the Joint Global Coordinators and Underwriters, pursuant to which the Joint Global Coordinators and Underwriters have severally agreed (and not jointly or jointly and severally), subject to customary terms and conditions, to underwrite the remaining Rights Offer Shares offered by TFG for which (i) Rights under the Letters of Allocation are not exercised and (ii) excess applications for additional Rights Offer Shares have not been made and/or allocated (the “**Rump Shares**”). See “13 Underwriting Arrangements” commencing on page 100 of this Circular. In the event that there are Rump Shares that the Joint Global Coordinators and Underwriters are required to purchase in terms of the Underwriting Agreement, such Rump Shares may be offered by the Joint Global Coordinators and Underwriters in an international private placement to institutional investors, or, failing which, will be subscribed for by the Joint Global Coordinators and Underwriters themselves in accordance with their agreed proportions.

You are advised to examine all the risks and legal requirements that might be relevant in connection with acquiring the Letter of Allocation or subscribing for the Rights Offer Shares. Acquiring the Letters of Allocation or subscribing for the Rights Offer Shares involves risk. See “6 Risk Factors” commencing on page 23 of this Circular for a discussion of selected risk factors you should carefully consider before acquiring the Letters of Allocation or subscribing for the Rights Offer Shares.

Subject to the restrictions set out below, if you have disposed of all your TFG Shares, then this Circular (including the Form of Instruction) should be handed to the purchaser of such shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected. Neither this Circular nor any Letter of Allocation should be distributed in, forwarded to or transmitted in or into or from the United States, or in, into or from Australia, Canada or Japan or any other jurisdiction where to do so might constitute a violation of local securities laws or regulations (the “**Restricted Territories**”) (except in the absolute discretion of TFG pursuant to any exemption from such laws or regulations).

This Circular is issued in compliance with the Listings Requirements and the South African Companies Act, No. 71 of 2008, as amended, (“**Companies Act**”) for the purpose of providing information to the TFG Shareholders regarding the Rights Offer and is not an invitation to the public in any jurisdiction to subscribe for securities in the Company.

TFG does not accept responsibility, and will not be held liable, for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the details of this Circular.

The Rights Offer Shares will be listed and admitted to trading on the JSE under the trading symbol “TFG”. The Issuer Regulation Division of the JSE has approved the listing of the Letters of Allocation in respect of all of the Rights Offer Shares with effect from the commencement of trading on Wednesday, 22 July 2020 (SAST) to the close of trade on Tuesday, 4 August 2020 (SAST), both days inclusive, and all of the Rights Offer Shares with effect from the commencement of trade on Wednesday, 5 August 2020 (SAST).

Rights Offer opens at 09:00 (SAST) on Monday, 27 July 2020
Rights Offer closes at 12:00 (SAST) on Friday, 7 August 2020

The TFG directors (the “**Directors**”), whose names are given on pages 101 to 110 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted from this Circular which would make any statement in this Circular false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements.

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act of 1933 (the “**US Securities Act**”), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Letters of Allocation or the Rights Offer Shares in the United States.

The Letters of Allocation and the Rights Offer Shares are being offered and sold in offshore transactions in compliance with Regulation S under the US Securities Act (“**Regulation S**”) and within the United States only to qualified institutional buyers (“**QIBs**”) as defined in Rule 144A under the US Securities Act (“**Rule 144A**”) pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Investors who are located in the United States will be required to execute and deliver the Investor Letter set forth in Appendix A to this Circular prior to taking up or transferring Rights in the Rights Offer or subscribing for Rights Offer Shares in the Rights Offer. Purchasers are hereby notified that sellers of Rump Shares will be relying on the exemption from Section 5 of the US Securities Act provided by Rule 144A.

The Letters of Allocation and the Rights Offer Shares will also not be registered under the securities laws and regulations of any jurisdiction, including the Restricted Territories and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption. In particular, subject to certain exceptions, this Circular, the Letters of Allocation and any other such documents should not be distributed in, forwarded to or transmitted in or into the United States or the Restricted Territories.

This Circular is available in English only. An electronic copy of this Circular may be obtained from TFG’s website, being www.tfglimited.co.za, from the date of this Circular up to and including 7 August 2020. Save as expressly stated elsewhere in this Circular, information contained on the Company’s website is not incorporated by reference in this Circular and does not form a part of this Circular.

Joint Global Coordinators and Underwriters



Legal advisers to TFG as to
South African law



Legal advisers to TFG as to US law



Legal advisers to the Joint Global
Coordinators and Underwriters as to
South African law

WEBBER WENTZEL
in alliance with > Linklaters

Legal advisers to the Joint Global
Coordinators and Underwriters as to US law

Linklaters

Independent auditors of TFG

Deloitte

Transfer Secretaries of TFG

Computershare

CORPORATE INFORMATION AND ADVISERS

DIRECTORS OF TFG

Executive

A E Thunstrom (*Chief Executive Officer*)
B Ntuli (*Chief Financial Officer*)

Non-executive

M Lewis* (*Chairman*)
S E Abrahams*
G H Davin*
F Abrahams*
D Friedland*
E Oblowitz*
B L M Makgabo-Fischerstrand*
N V Simamane*
C Coleman*
R Stein
A D Murray

*independent

Company secretary

D van Rooyen
Stanley Lewis Centre
340 Voortrekker Road
Parow East
Cape Town 7500
(PO Box 6020, Parow East, 7501)

Registered office of TFG

Stanley Lewis Centre
340 Voortrekker Road
Parow East
Cape Town 7500
(PO Box 6020, Parow East, 7501)

Date of incorporation of TFG

19 April 1937

Place of incorporation of TFG

South Africa

Joint Global Coordinator and Underwriter

Absa Bank Limited
(acting through its Corporate and Investment Banking Division)
15 Alice Lane
Sandton 2196

Joint Global Coordinator and Underwriter

The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking division)
30 Baker Street
Rosebank 2916

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue Rosebank
Johannesburg, 2196, South Africa
(Private Bag X9000, Saxonwold, 2132)
Tel: +27 11 370 5000
Fax: +27 11 688 5248
Email: web.queries@computershare.co.za

Legal advisers to TFG as to South African law

Edward Nathan Sonnenbergs Incorporated
The MARC | Tower 1
129 Rivonia Road
Sandton, Johannesburg 2196

Legal advisers to the Joint Global Coordinators and Underwriters as to South African law

Webber Wentzel
90 Rivonia Road
Sandton, 2196, South Africa
(PO Box 61771, Marshalltown, 2107, South Africa)

Independent auditors of the Group

Deloitte & Touche
Unit 11 Ground Floor
La Gratitude,
97 Dorp Street
Stellenbosch, 7600
South Africa

Joint Global Coordinator and Underwriter

Rand Merchant Bank
(a division of FirstRand Bank Limited)
1 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton 2196

Transaction Sponsor

Rand Merchant Bank (a division of
FirstRand Bank Limited)
(Registration Number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 650149 Benmore, 2010)

Legal advisers to TFG as to US law

Shearman & Sterling (London) LLP
9 Appold Street
London EC2A 2AP
United Kingdom

Legal advisers to the Joint Global Coordinators and Underwriters as to US law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

JSE Sponsor to TFG

UBS South Africa Proprietary Limited
(Registration number: 1995/011140/07)
64 Wierda Road East
Wierda Valley
Sandton, 2196
(PO Box 652863, Benmore, 2010)

NOTICE TO INVESTORS

The Rights Offer is being made in accordance with the Companies Act and is only addressed to persons to whom it may lawfully be made. By subscribing for any Rights Offer Shares or purchasing any Letters of Allocation, you will be deemed to have represented and agreed that: (i) you are not (and any person for whom you are acting is not) a Restricted Shareholder or otherwise (a) a resident in any jurisdiction in which such offer would be unlawful or (b) a person to whom the Rights Offer may not lawfully be made; and (ii) you have received all necessary information required to make an informed investment decision.

This Circular is not an offer of new TFG Shares, or an invitation to exercise any of the Rights pursuant to the Letters of Allocation, in any jurisdiction in which such offer would be unlawful. In a number of countries, in particular in the United States and the Restricted Territories, the distribution of this Circular, the exercise of Rights pursuant to the Letters of Allocation, the offer of the Rights Offer Shares, as well as the sale of the Rights Offer Shares, are subject to restrictions imposed by law (such as registration, admission or other regulations). No action has been or will be taken by TFG or by the Joint Global Coordinators and Underwriters to permit the possession or distribution of this Circular (or any Letter of Allocation) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

Accordingly, neither this Circular nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will be in compliance with applicable laws and regulations. Persons into whose possession this Circular may come are required to inform themselves about and comply with such restrictions, in particular not to publish or distribute this Circular in violation of applicable securities regulations. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. This Circular does not constitute an offer to sell the Letters of Allocation or the Rights Offer Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Letters of Allocation or the Rights Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

No person is or has been authorised to give information or to make any representation regarding the Rights Offer other than those contained in this Circular and, if given or made, such information or representations shall not be relied upon as having been so authorised. In particular, save as expressly stated elsewhere in this Circular, the contents of TFG's website are not incorporated by reference in this Circular and do not form a part of this Circular, and investors should not rely on them. No representation or warranty, express or implied, is made by the Joint Global Coordinators and Underwriters as to or in respect of the contents of this Circular, or in relation to the accuracy, completeness or verification of the information contained in this Circular, and nothing contained in this Circular is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators and Underwriters in this respect, whether as to the past or the future. The Joint Global Coordinators and Underwriters assume no responsibility for its accuracy, completeness or verification of the information contained in this Circular and, accordingly, disclaim to the fullest extent permitted by applicable law any and all liability, whether arising in tort (delict), contract or otherwise, which they might otherwise be found to have in respect of this Circular or any such statement. Information given or representations made in connection with the Rights Offer or the subscription or the sale of the Letters of Allocation or the Rights Offer Shares that are inconsistent with those contained in this Circular are invalid.

Investors acknowledge that: (i) they have not relied on the Joint Global Coordinators and Underwriters or any person affiliated with the Joint Global Coordinators and Underwriters in connection with any investigation of the accuracy of any information contained in this Circular or their investment decision; and (ii) they have relied only on the information contained in this Circular, and that no person has been authorised to give any information or to make any representation concerning the Group, the Letters of Allocation or the Rights Offer Shares (other than as contained in this Circular) and, if given or made, any such other information or representation should not be relied upon as having been authorised by TFG or the Joint Global Coordinators and Underwriters.

The distribution of this Circular does not mean that the data contained herein is current as of any time after the date of this Circular. In particular, neither the delivery of this Circular nor the offer, sale or delivery of the Letters of Allocation or the Rights Offer Shares means that no adverse changes have occurred or no events have happened after the date of this Circular which may or could result in an adverse effect on the Group's business, financial condition or results of operations.

Nothing contained in this Circular is intended to constitute investment, legal, tax, accounting or other professional advice. This Circular is for your information and nothing in this Circular is intended to endorse or recommend a particular course of action. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Group and the terms of the Rights Offer, including the merits and risks involved. Neither TFG, nor any of the Joint Global Coordinators and Underwriters, nor any of their respective representatives or affiliates, is making any representation to any offeree, subscriber or purchaser of the Letters of Allocation or the Rights Offer Shares regarding the legality of an investment in Letters of Allocation for the Rights Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisers before acquiring the Letters of Allocation or subscribing for or purchasing the Rights Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of acquiring the Letters of Allocation or subscribing for or purchasing the Rights or the Rights Offer Shares. They are also required to make their independent assessment of the risks involved in acquiring the Letters of Allocation or the Rights or subscribing for the Rights Offer Shares.

The Joint Global Coordinators and Underwriters are acting exclusively for TFG and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of this Circular) as their respective client in relation to the Rights Offer and will also not be responsible to anyone other than TFG for providing the protections afforded to their clients or for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein.

In connection with the Rights Offer, each of the Joint Global Coordinators and Underwriters and any of their respective affiliates, acting as an investor for its own account, may exercise Rights in terms of the Letters of Allocation in the Rights Offer and in that capacity may retain, purchase or sell for its own account such securities and any Letters of Allocation or Rights Offer Shares or related investments and may offer or sell such securities or other investments otherwise than in connection with the Rights Offer. Accordingly, references in this Circular to shares or securities being offered should be read as including any offering of Letters of Allocation or Rights Offer Shares to any of the Joint Global Coordinators and Underwriters or any of their respective affiliates acting in such capacity. None of the Joint Global Coordinators and Underwriters intend to disclose the extent of such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NOTICE TO INVESTORS IN THE UNITED STATES

The Letters of Allocation and the Rights Offer Shares offered hereby have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, exercised, transferred or delivered, directly or indirectly, in or into the United States at any time except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state and other securities laws of the United States. The Letters of Allocation are being issued and the Rights Offer Shares are being offered in the United States only to QIBs in reliance on exemptions from registration under the US Securities Act.

THE LETTERS OF ALLOCATION AND THE RIGHTS OFFER SHARES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE MERITS OF THE OFFERING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Circular has been provided by TFG or obtained from the other sources identified herein. Distribution of this Circular to any person other than the offeree specified by TFG and those persons, if any, retained to advise such offeree with respect to this Circular, is unauthorised, and any disclosure of the contents of this Circular, without the prior written consent of TFG, is prohibited. Any reproduction or distribution of this Circular in the United States, in whole or in part, and any disclosure of its contents to any other person in the United States is prohibited. This Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Rights Offer Shares described herein. Investors agree to the foregoing by accepting delivery of this Circular.

If, at any time, TFG is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934 (the “**US Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, it will furnish, upon request, to any owner of the Rights Offer Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act. In such cases, TFG will also furnish to each such owner all notices of shareholders’ meetings and other reports and communications that are made generally available by TFG to its shareholders.

NOTICE TO INVESTORS IN SOUTH AFRICA

The Rights Offer will not constitute an “offer to the public”, as envisaged in Chapter 4 of the Companies Act and, accordingly, (i) this Circular does not, nor does it intend to, constitute a “registered prospectus”, as contemplated in Chapter 4 of the Companies Act, and (ii) no prospectus has been filed with the Companies and Intellectual Property Commission in respect of the Rights Offer. As a result, this Circular does not comply with the substance and form requirements for a prospectus set out in the Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the Commission, or any other South African authority, save for the JSE. The Circular has been submitted to the Financial Surveillance Department of the South African Reserve Bank (“**SARB**”) as part of the exchange control approval process, but not separately approved by SARB. Should any person who is not a Qualifying Shareholder (or its renouncee) receive this Circular, they should not, and will not be entitled to, subscribe for any Rights Offer Shares or acquire Letters of Allocation or Rights or otherwise act thereon.

The information contained in this Circular constitutes factual information as contemplated in section 1(3)(a) of the (South African) Financial Advisory and Intermediary Services Act, No. 19 of 2012, as amended, (“**FAIS Act**”) and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Rights Offer Shares or Letters of Allocation or in relation to the business or future investments of the Company, is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Circular should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act and the Company’s advisors are acting for the Company only in respect of the Rights Offer and is not giving or purporting to have given any financial advice as contemplated in the FAIS Act to any investor of the Company.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Circular is only being distributed to and is only directed at persons in the United Kingdom who are qualified investors as defined in the Prospectus Regulation and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Rights Offer Shares are only available to, and any invitation, offer or agreement to subscribe for such Rights Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Circular or any of its contents.

NOTICE TO INVESTORS IN AUSTRALIA, CANADA AND JAPAN AND CERTAIN OTHER JURISDICTIONS

Subject to certain exceptions, the Rights Offer will not be made to persons who are residents of Australia, Canada and Japan or in any jurisdiction in which such offering would be unlawful.

MEMBER STATES OF THE EUROPEAN ECONOMIC AREA

In relation to other member states of the European Economic Area (the “EEA”) and the United Kingdom (a “Relevant State”), an offer to the public of any Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant State prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in the Relevant State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State may be made under the following exemptions under the Prospectus Regulation:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors, as defined in the Prospectus Regulation), subject to obtaining the prior written consent of the Underwriter for any such offer; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Rights Offer Shares shall result in a requirement for the publication by the Company or any of the Joint Global Coordinators and Underwriters of a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Rights Offer Shares or Letters of Allocation in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for any Rights Offer Shares or take transfer of any Letters of Allocation.

NOTICE TO NOMINEES, CUSTODIANS AND FINANCIAL INTERMEDIARIES

Any person, including nominees, custodians and other financial intermediaries who would, or otherwise intends to, or has a contractual or legal obligation to forward this Circular or any information relating to this Rights Offer to any jurisdiction outside of South Africa, should adhere to the restrictions set out above and in the section entitled “7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.13 Overseas Shareholders” on page 47 of this Circular. In connection with any subscriptions for the Rights Offer Shares or any sales or purchases of the Letters of Allocation, nominees, custodians and financial intermediaries will be deemed to have represented and warranted that they have complied with the terms of the Rights Offer.

ENFORCEMENT OF CIVIL LIABILITIES

The ability of an Overseas Shareholder to bring an action against TFG may be limited under law. The rights of TFG Shareholders are governed by South African law, the Listings Requirements and by TFG’s memorandum of incorporation (the “MOI”). An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and/or executive officers. It may not be possible for an Overseas Shareholder to effect service of process upon the Directors and/or executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and/or executive officers judgements of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurances that an Overseas Shareholder will be able to enforce any judgements in civil and commercial matters or any judgements under the securities laws of countries other than South Africa against the Directors and/or executive officers who are residents of countries other than those in which judgment is made. In addition, South African or other courts may not impose civil liability on the Directors and/or executive officers in any original action based solely on foreign securities laws brought against TFG or its Directors and/or executive officers in a court of competent jurisdiction in South Africa or other countries.

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular includes certain “forward-looking statements” that reflect the current views or expectations of the Company with respect to future events and future financial and operational performance. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the economic outlook for the industry; the scope, scale and duration of the impact of outbreaks of a pandemic disease, such as COVID-19 (coronavirus); use of the proceeds of the Rights Offer; the Group’s ability to implement its strategy; the competitive environments in which the Group operates; trends in the industries and markets in which the Group operates; future operating results, growth prospects and outlook for the operations of the Group, individually or in the aggregate; and the Group’s liquidity and available capital resources and expenditure. Such forward-looking statements generally reflect the Group’s current plans, estimates, projections and expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases. Similarly, statements that describe the Group’s objectives, plans or goals are or may be forward-looking statements. Forward-looking statements are included in, among other sections, “2 Background to and Reasons for the Rights Offer”, “3 Use of Proceeds”, “4 Dividends and Dividend Policy”, “6 Risk Factors”, “9 Operating and Financial Review” and “10 Business Description”. Any forward-looking statement has not been reviewed nor reported on by the Company’s external auditors.

Although the Company believes that the expectations reflected in these and other forward-looking statements are reasonable, no assurances can be given that such expectations will materialise or prove to be correct. These forward-looking statements are based on various estimates and/or assumptions subject to known and unknown risks, uncertainties and other factors that may cause future events or the Group’s actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements.

These risks, uncertainties and other factors include, among others:

- the outbreak of COVID-19, government responses thereto and their impact on the Group's retail turnover (or "sales") and operations;
- unfavourable economic conditions and changes in other macroeconomic factors and their impact on consumer spending;
- failure to maintain, or failure by third parties to provide, a functioning supply chain and manufacturing capacity;
- dependency on certain facilities for the distribution of the Group's products to their points of sale;
- changes in laws and regulation, including credit, data protection, labour and other laws and regulations, and the complexity of regulatory monitoring;
- failures in the Group's information technology systems, network disruptions and breaches of cyber security;
- exposure to credit, financial and compliance risk from TFG Africa's credit business;
- failure to maintain compliance with applicable data collection and privacy laws;
- the Group's inability to realise its objective of rationalising its existing store network, reducing its cost base and increasing operating efficiencies in its supply chain;
- changes in the price of raw materials and other input costs used in manufacturing and distributing the Group's products;
- failure to accurately identify or respond to changing customer preferences;
- the Group may not be able to implement its e-commerce business and digital transformation initiatives;
- an increase in negative public perceptions of TFG, its suppliers or the brands it sells;
- inability to attract customers to the Group's stores and maintain footfall;
- the Group's marketing campaigns and communications strategy may prove ineffective;
- changes in credit and debit card provider requirements or applicable regulations;
- the ability to retain its existing senior management team or attract qualified new personnel;
- managing the Group's inventory balances and their impact on cash flow;
- weaker sales during peak trading periods;
- failure to compete successfully and maintain a competitive position;
- exposure to litigation which may have an adverse effect on the Group's business;
- a finding that the Group has infringed upon the trademarks or other intellectual property rights of third parties;
- exchange rate fluctuations;
- internal controls and policies may be insufficient to prevent unethical, criminal or illegal acts by the Group's employees, partners or suppliers;
- risks and costs associated with the Group's predominantly leasehold property portfolio;
- inability to identify suitable acquisition targets and/or complete acquisitions on acceptable terms and exposure to unforeseen risks and costs relating to acquisitions;
- natural disasters, public health crises, political crises, terrorist attacks or other catastrophic events;
- the Group's insurance policies may not cover all losses;
- changes in tax laws or challenges to the Group's tax position could adversely affect its results of operations and financial condition;
- an increase in export or import duties and controls;
- changes in the financial condition or popularity of the Group's concession partners, including department stores, and the impact on sales made by the Group's concession outlets;
- risks associated with investing and conducting business in emerging markets;
- South African exchange control regulations may restrict the Group's ability to make foreign investments and procure foreign denominated finance;
- sovereign rate risks in South Africa may have an adverse effect on the Group's ability to secure financing or to renegotiate or obtain acceptable insurance policies;
- any change to the Group's B-BBEE rating may have an impact on its reputation, business operations and relationship with the government;
- labour disputes and changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees;
- increases in energy or water costs, electricity shortages or reductions in the availability of water in the Group's operation in South Africa;
- legal, political and economic uncertainty surrounding the exit of the UK from the EU;
- inability to raise or drawdown further financing or refinancings on economically favourable terms or at all;
- limitations on operating and financial flexibility as a result of conditions and covenants contained in the Group's financing arrangements;
- a significant default by a counterparty; and
- interest rates fluctuations and the restructuring of credit facilities may have a material impact on the Group's interest expense.

Additional factors that could cause the Group's actual results, performance or achievements to differ materially from those contained herein include, but are not limited to, those discussed herein and under "6 Risk Factors". Consequently, investors are cautioned not to place undue reliance on the forward-looking statements.

Qualifying Shareholders should carefully review all information included in this Circular, including the historical consolidated financial statements and the notes thereto available on the Company's website (<https://tfglimited.co.za/investor-information/financial-reports-and-presentations/>). The forward-looking statements included in this Circular are made only as of the date of this Circular. TFG undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of future events. All subsequent written and oral forward-looking statements attributable to TFG or any person acting on its behalf are qualified by the cautionary statements above.

IMPORTANT INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

This Circular presents the historical consolidated financial information for the Group for the years ended 31 March 2020, 2019 and 2018. In particular, this Circular incorporates by reference the following:

- the reviewed provisional condensed consolidated financial statements as of and for the year ended 31 March 2020, including the notes thereto, which have been reviewed by Deloitte & Touche (“**Deloitte**”) (the “**2020 Reviewed Financial Statements**”) and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) and the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended. The 2020 Reviewed Financial Statements have been reviewed in accordance with International Standard on Review Engagements (“**ISRE**”) 2410 by Deloitte and their review report is also incorporated by reference herein.

The 2020 Reviewed Financial Statements are available on the Company’s website (https://tfglimited.co.za/wp-content/uploads/2020/06/TFG-year-end-results-announcement_March-2020.pdf),

- the audited consolidated financial statements as of and for the year ended 31 March 2019, including the notes thereto, which have been audited by Deloitte (the “**2019 Audited Financial Statements**”) and have been prepared in accordance with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board (“**IFRS**”) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2019 Audited Financial Statements have been audited in accordance with International Standards on Auditing (“**ISA**”) by Deloitte and their audit report is also incorporated by reference herein

The 2019 Audited Financial Statements are available on the Company’s website (<https://tfglimited.co.za/wp-content/uploads/2020/02/Annual-Financial-Statements-2019.pdf>),

- the audited consolidated financial statements as of and for the year ended 31 March 2018, including the notes thereto, which have been audited by Deloitte (the “**2018 Audited Financial Statements**”) and have been prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2018 Audited Financial Statements have been audited in accordance with ISA by Deloitte and their audit report is also incorporated by reference herein,

The 2018 Audited Financial Statements are available on the Company’s website (https://tfglimited.co.za/wp-content/uploads/2020/02/TFG-AFS-2018_WEB.pdf).

References to the website are included in this Circular as inactive textual reference only.

During the year ended 31 March 2020, IFRS 16 (Leases) (“**IFRS 16**”) was adopted by the Group applying the full retrospective approach. This change in accounting policy resulted in a restatement of the comparative period consolidated statements of financial position as of 31 March 2019 and 2018 and a restatement of the comparative period income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 March 2019 in the 2020 Reviewed Financial Statements. At the date of initial application in the consolidated statement of financial position as of 31 March 2018, the Group recognised right-of-use assets for R6.9 billion and lease liabilities for R7.8 billion. See Note 15 to the 2020 Reviewed Financial Statements for resulting restatements. The 2019 Audited Financial Statements and the 2018 Audited Financial Statements incorporated by reference into this Circular do not reflect the changes from the application of IFRS 16. Those financial statements applied International Accounting Standard (“**IAS**”) 17 (Leases), which was the accounting standard in effect at that time for those periods.

During the year ended 31 March 2019, the Group adopted IFRS 15 (Revenue from Contracts with Customers) (“**IFRS 15**”). The Group adopted this standard fully retrospectively with a transition date of 1 April 2017, as is permitted in the transitional arrangements. The Group previously accounted for lay-by revenue on the initiation of the contract. With the adoption of IFRS 15, the Group now accounts for the revenue once the contract is concluded and risks and rewards have been transferred to the customer. The change in accounting policy therefore resulted in a restatement of the comparative figures on the statement of financial position, income statement, statement of changes in equity and cash flow statement as of and for the year ended 31 March 2018 in the 2019 Audited Financial Statements. See Note 39 in the 2019 Audited Financial Statements for resulting restatements. The 2018 Audited Financial Statements incorporated by reference in this Circular do not reflect the changes from the application of IFRS 15. Those financial statements applied IAS 18 (Revenue) and IAS 11 (Construction Contracts), which were the accounting standard in effect at that time for that period.

During the year ended 31 March 2019, the Group adopted IFRS 9 (Financial Instruments) (“**IFRS 9**”) from 1 April 2018 with an adjustment to the Group’s opening retained earnings balance which decreased the balance by R517.4 million. This standard incorporated amendments to the classification and measurement of financial instruments, hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and fair value through other comprehensive income (“**FVTOCI**”). As permitted by IFRS 9, the Group elected not to restate its comparative financial information. Comparability will therefore not be achieved due to the fact that the comparative financial information for the year ended 31 March 2018 applied IAS 39 (Financial Instruments: Recognition and Measurement) which was the standard applicable at that time for that period and does not reflect changes as a result of the adoption of IFRS 9.

Unless otherwise indicated, the financial information for the year ended 31 March 2018 included in this Circular is derived from the 2019 Audited Financial Statements and the financial information as of and for year ended 31 March 2019 and the statement of financial position as of 31 March 2018, included in this Circular is derived from the 2020 Reviewed Financial Statements.

The financial information presented in this Circular, including in a number of tables, has been rounded to the nearest decimal place. Therefore, when presented in a table, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Non-IFRS Measures

This Circular contains certain measures which are not measures defined by IFRS and which are used by the Group to assess the financial performance of its businesses. Certain of these measures are termed “Non-IFRS Measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. For the Group, these measures include Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted EBITDA margin, operating profit before acquisition costs and finance costs, headline earnings, headline earnings per ordinary share, net borrowings, free cash flow and free cash flow conversion.

Adjusted EBIT refers to profit for the year, excluding acquisition costs, finance cost, income tax expense and excluding IFRS 16 impact (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets).

Adjusted EBIT margin refers to Adjusted EBIT expressed as a percentage of retail turnover.

Adjusted EBITDA refers to profit for the year, excluding acquisition costs, finance costs, income tax expense, depreciation and amortisation, and excluding IFRS 16 impacts (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets).

Adjusted EBITDA margin refers to Adjusted EBITDA expressed as a percentage of retail turnover.

Operating profit before acquisition costs and finance costs refers to profit before tax excluding acquisition costs and finance costs.

Headline earnings refers to profit for the year attributable to ordinary shareholders adjusted for the effect, after tax, of headline earnings adjustments as defined in the JSE circulars.

Headline earnings per ordinary share refers to headline earnings divided by the weighted average number of shares in issue for the year.

Net borrowings refers to interest-bearing debt less cash and cash equivalents. This measure does not include lease liabilities.

Free cash flow refers to net cash inflows from operating activities, plus dividends and taxation paid, less non-cash items, plus finance costs, excluding IFRS 16 impacts (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets), plus depreciation and amortisation, acquisition costs, less IAS 17 impact, taxation and capital expenditure.

Free cash flow conversion refers to free cash flow as a percentage of profit for the year.

In addition, certain financial information presented in this Circular includes, where applicable, financial information as adjusted to exclude the impact of IFRS 16. In particular, such information includes the pre-IFRS 16 information, IFRS 16 adjustments and the post-IFRS 16 information (together, the “**IFRS 16 Adjustments**”) of the Group’s consolidated statements of financial position as of 31 March 2019 and 2018, the Group’s consolidated income statement and related notes for the year ended 31 March 2019 and the Group’s consolidated cash flow statement for the year ended 31 March 2019. For further information, see “9 *Operating and Financial Review – 9.10 Recent Accounting Pronouncements*”.

The Non-IFRS Measures are considered to be pro forma financial information as set forth in the JSE Listing Requirements. 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 pro forma financial information below has been prepared for illustrative purposes only to provide additional information which the Group uses to assess financial performance. 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.

The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies that comply with IFRS. These are consistent with those applied in the reviewed provisional condensed consolidated financial statements as of and for the year ended 31 March 2020, other than for the year ended 31 March 2018, whereas IFRS 16 had not yet been effective at the time.

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

The pro forma financial information as shown below should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants’ report thereon, issued on 13 July 2020, which is available for inspection at the Group’s registered office.

These Non-IFRS Measures are supplemental, non-IFRS measures often utilised to evaluate the performance of similarly situated companies. The Non-IFRS Measures are used as supplemental financial performance measures by management and by external users of the Group’s financial statements, such as investors and commercial banks. Set forth below is additional detail on how management uses these Non-IFRS Measures as measures of performance.

Management uses Non-IFRS Measures in a number of ways to assess the Group's condensed and consolidated financial and operating performance, and TFG believes these measures are helpful to management and external users in identifying trends in Group performance. For example:

- Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help the Group meet its current financial goals and optimise its financial performance, while neutralising the impact of capital structure on results.
- Net borrowings is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of cash and cash equivalents within the Group's business that could be utilised to pay down the outstanding borrowings. Management believes that net borrowings can assist securities analysts, investors and other parties in evaluating the Group.
- The Group bases its internal cash flow objectives on free cash flow. Management believes free cash flow is meaningful to investors because it is the measure of the Group's funds available for acquisition related payments, dividends to shareholders, share repurchases and debt repayment. The purpose of presenting free cash flow is to indicate the ongoing cash generation within the control of the Group after taking account of the necessary cash expenditures of maintaining the capital and operating structure of the Group (in the form of working capital, corporate taxation and capital expenditure).

The non-IFRS measures presented herein are not recognised measures of financial performance under IFRS, but measures used by management to monitor the underlying performance of the Group's business and operations. In particular, the non-IFRS financial measures should not be viewed in isolation or as substitutes for retail turnover, gross profit, operating profit before finance costs, profit for the year, cash flows from operating activities or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet the Group's cash requirements and may not be indicative of the Group's historical operating results and financial position, nor are such measures meant to be predictive of the Group's future results.

These non-IFRS measures are included because the Company believes that these measures enhance an investor's understanding of the Group's results of operations and financial performance as they present additional financial measures regularly used by the management of the Group to assess operating performance. These measures are not uniformly defined by all companies and, accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. Reconciliations of the measures discussed above to their nearest IFRS measures are provided in "8 Selected Financial and Other Information—8.6 Reconciliation of Non-IFRS Measures".

Information Incorporated by Reference

This Circular should be read and construed in conjunction with the information set out in the table below. Copies of the documents incorporated by reference in this Circular are available for inspection at the registered offices of TFG and the Transaction Sponsor at no charge during business hours.

- The 2020 Reviewed Financial Statements, which can be accessed at https://tfglimited.co.za/wp-content/uploads/2020/06/TFG-year-end-results-announcement_March-2020.pdf;
- The 2019 Audited Financial Statements, which can be accessed at <https://tfglimited.co.za/wp-content/uploads/2020/02/Annual-Financial-Statements-2019.pdf>;
- The 2018 Audited Financial Statements, which can be accessed at https://tfglimited.co.za/wp-content/uploads/2020/02/TFG-AFS-2018_WEB.pdf;
- A signed copy of the unmodified Deloitte independent reporting accountants' report on the pro forma financial information, which can be accessed at <https://www.tfglimited.co.za/shareholder-information-and-circulars/>.

Industry Information

Information included in this Circular relating to markets and other industry data pertaining to the Group's business consists of information from data reports compiled by professional third-party organisations and analysts, data from external sources, TFG's knowledge of the industries in which it operates and TFG's own calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate industry-related analyses and estimates, thus requiring TFG to rely on internally developed estimates. While TFG has compiled, extracted and reproduced industry data from external sources, including third-party or industry or general publications, TFG has not independently verified the data. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Internal surveys, estimates and market research, while believed to be reliable, have not been independently verified. TFG does not make any representation as to the accuracy or completeness of such data and information and/or the veracity or appropriateness of the research methodology, findings or information. While TFG believes its internal estimates to be reasonable, they have not been verified by any independent sources, and TFG cannot assure you as to their accuracy or completeness.

Trademarks

The Group owns or has the right to use certain trademarks, trade names or service marks that it uses in connection with the operation of its business. TFG asserts, to the fullest extent under applicable law, its rights to these trademarks, trade names or service marks. Each trademark, trade name or service mark of any other company appearing in this Circular belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Circular are listed without the TM, ® and © symbols.

Tax consequences

No TFG Shareholder or any other interested party should construe the contents of this Circular and the documentation accompanying it as tax or other advice, including in relation to the issue, exercise or transfer of the Rights and the subsequent subscription for, holding of and/or dealing in Rights Offer Shares.

TFG Shareholders are advised to consult their tax and financial advisers regarding any tax consequences applicable to them as a result of receiving, exercising and disposing of the Rights and subscribing for Rights Offer Shares in terms of the Rights Offer. Additional information is provided in the section entitled "12 Taxation".

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION AND ADVISERS	1
1. ACTION REQUIRED BY QUALIFYING SHAREHOLDERS	11
1.1 Action required by Qualifying Certificated Shareholders	11
1.2 Action required by Qualifying Dematerialised Shareholders	12
1.3 Overseas Shareholders and Restricted Shareholders	13
1.4 Action required if you have already disposed of your TFG Shares	13
2. BACKGROUND TO AND REASONS FOR THE RIGHTS OFFER	14
2.1 Background to the Rights Offer	14
3. USE OF PROCEEDS	15
4. DIVIDENDS AND DIVIDEND POLICY	16
4.1 Dividends	16
4.2 Dividend Policy	16
5. SUMMARY	17
5.1 Introduction	17
5.2 Information on the Group	17
5.3 Recent Developments	17
5.4 Principal Terms of the Rights Offer	19
5.5 Rights Offer Statistics	19
5.6 Rights Offer Timetable	20
5.7 Summary Financial Information of the Group	21
5.8 Summary Consolidated Income Statement	22
5.9 Summary Consolidated Statement of Financial Position	22
5.10 Summary Consolidated Cash Flows	22
6. RISK FACTORS	23
6.1 Risks related to the Group's business and industry	23
6.2 Risks related to South Africa and other regions in which the Group conducts its business operations	36
6.3 Risks related to the Group's liquidity and financial condition	39
6.4 Risks related to the Rights Offer and the Rights Offer Shares	40
7. CIRCULAR TO QUALIFYING SHAREHOLDERS	43
7.1 Introduction	43
7.2 Rationale and Use of Proceeds of the Rights Offer	43
7.3 Particulars of the Rights Offer	43
8. SELECTED FINANCIAL AND OTHER INFORMATION	53
8.1 Selected Financial Information of the Group	53
8.2 Selected Consolidated Income Statement	54
8.3 Selected Consolidated Statement of Financial Position	54
8.4 Selected Consolidated Cash Flows	54
8.5 Other Selected Figures	54
8.6 Reconciliation of Non-IFRS Measures	55
9. OPERATING AND FINANCIAL REVIEW	57
9.1 Overview	57
9.2 Key Factors Affecting Results of Operations	57
9.3 Material Developments after 31 March 2020	61
9.4 Key Income Statement Line Items	62
9.5 Key Financial Metrics	63
9.6 Critical Accounting Policies	64
9.7 Results of Operations	65
9.8 Liquidity and Capital Resources	71
9.9 Financial Risk Management	74
9.10 Recent Accounting Pronouncements	75

10.	BUSINESS DESCRIPTION	78
10.1	Overview	78
10.2	History and Development	79
10.3	Strengths	80
10.4	Strategy and prospects	80
10.5	Overview of Business Divisions	81
10.6	E-commerce Offering and Digital Transformation	85
10.7	Customer Targeting and Pricing	85
10.8	Design, Supply Chain and Logistics	86
10.9	Marketing	86
10.10	TFG Rewards Loyalty Programme	87
10.11	TFG Credit Offering	87
10.12	Employees	87
10.13	Broad-Based Black Economic Empowerment (B-BBEE)	87
10.14	Health, Safety and Environment	88
10.15	Intellectual Property	88
10.16	Information Technology	88
10.17	Insurance	88
10.18	Property	88
10.19	Legal Proceedings	88
11.	REGULATORY MATTERS	89
11.1	Introduction	89
11.2	Personal Information and Data	89
11.3	Consumer Protection	90
11.4	Credit Agreements	90
11.5	Broad-Based Black Economic Empowerment	91
11.6	Employees	91
11.7	Competition	93
11.8	Export and Import Control	93
12.	TAXATION	94
12.1	South Africa	94
12.2	United States	97
13.	UNDERWRITING ARRANGEMENTS	100
14.	ADDITIONAL INFORMATION	101
14.1	Information on the Directors and Senior Management of TFG	101
14.2	Stated Capital and Major TFG Shareholders	111
14.3	Estimated Expenses in Relation to the Rights Offer	114
14.4	Disclosure of conflict	114
14.5	Litigation Statement	114
14.6	Material Funding Agreements	116
14.7	Related Party Transactions	121
14.8	Directors' Responsibility Statement	121
14.9	Consents	121
14.10	Documents Available for Inspection	122
15.	DEFINITIONS AND INTERPRETATIONS	123
	Annexure 1 – Table of Rights	127
	Annexure 2 – Information on the Joint Global Coordinators and Underwriters	128
	Annexure 3 – Trading History	130
	Annexure 4 – Corporate Governance	131
	APPENDIX A – Form of Investor Letter	135
	APPENDIX B – Form of Instruction In Respect of Letters of Allocation	137

1. ACTION REQUIRED BY QUALIFYING SHAREHOLDERS

NOTE:

Please take careful note of the following provisions regarding the action required by Shareholders.

If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

1.1 Action required by Qualifying Certificated Shareholders

If you are a Qualifying Certificated Shareholder, the Form of Instruction enclosed with this Circular is applicable to you. The Rights allocated to you under the Letter of Allocation issued to you as reflected in the Form of Instruction will be created in electronic form with the Transfer Secretaries to afford you the same rights and opportunities as those who have already dematerialised their TFG Shares. Please note that the Letters of Allocation commence trading on Wednesday, 22 July 2020 and the last day to trade Letters of Allocation is Tuesday, 4 August 2020.

If you do not wish to subscribe for all or part of the Rights Offer Shares or wish to dispose of all or part of your Rights

If you do not wish to subscribe for all of the Rights Offer Shares to be issued to you in terms of the Rights allocated to you as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your Rights in the following manner:

If you wish to dispose of all or part of your Rights:

If you wish to dispose of all or part of your Rights, you must complete Form A in the enclosed Form of Instruction and return it to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Tuesday, 4 August 2020. The Transfer Secretaries will endeavour to procure the sale of your Rights on the JSE on your behalf and to remit the proceeds less any fees paid to the Transfer Secretaries and any applicable taxes, withholdings or other costs in accordance with your instructions. In this regard, neither the Transfer Secretaries nor TFG will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such Rights.

If you wish to renounce all or part of your Rights:

If you wish to renounce all or part of your Rights in favour of any named renounee, you must complete Form B in the enclosed Form of Instruction, and the renounee must complete Form C in the enclosed Form of Instruction, and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Friday, 7 August 2020.

If you wish to take up part of your Rights or you wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares

If you wish to take up part of your Rights, or you wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and remit sufficient funds to cover your total application. Qualifying Certificated Shareholders are referred to referred to 7.3.8 *Excess Applications* of this Circular for further information regarding excess applications.

Payment

Payment for the Rights Offer Shares subscribed for: (i) must be made in full by a bank-guaranteed cheque drawn on a South African bank or banker's draft drawn on a registered commercial bank (each of which should be crossed and marked "not transferable", and in the case of a cheque with the words "or bearer" deleted), or electronic funds transfer ("EFT") (into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634, in favour of "Foschini Group Limited Transfer Secretaries"; (ii) must be paid in Rand; (iii) if made by bank-guaranteed cheque or banker's draft, the bank-guaranteed cheque or banker's draft must be lodged or posted, as the case may be, together with the completed Form of Instruction and (iv) if made by EFT, proof of payment must be lodged, posted or e-mailed, as the case may be, together with the completed Form of Instruction, as follows:

By hand or courier to:

**The Foschini Group Limited – Foschini Group Limited
Transfer Secretaries**

c/o Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue Rosebank,
South Africa

By post to:

**The Foschini Group Limited – Foschini Group Limited
Transfer Secretaries**

c/o Computershare Investor Services Proprietary Limited
PO Box 61763
Marshalltown, 2107, South Africa

By email to:

corporate.events@computershare.co.za

In the backdrop of the COVID-19 pandemic and subsequent impact in South Africa, as well as the general uncertainty occasioned by this and the related restrictions imposed, or which may be imposed, by the South African Government on movement in South Africa, Qualifying Certificated Shareholders' are encouraged to (i) return completed Forms of Instruction to the Transfer Secretaries by e-mail and (ii) to pay for the Rights Offer Shares subscribed for by EFT with the proof of payment returned by e-mail together with the completed Form of Instruction. If Qualifying Certificated Shareholders elect to return completed Forms of Instruction and payment by hand, by courier or by post, Qualifying Certificated Shareholders are encouraged to contact the Transfer Secretaries to confirm receipt thereof.

If you have any queries, please contact the Transfer Secretaries via email on corporate.events@computershare.co.za or telephonically on Telephone: +27 11 370 5000 and, in South Africa only, 086 1100 634. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside South Africa will be charged at the applicable international rate. The helpline is open between 8.00am – 5.00pm (SAST), Monday to Friday, excluding public holidays in South Africa).

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of delivered, posted or emailed Forms of Instruction or owing to Forms of Instruction being forwarded or delivered to any physical address, postal address or email address other than that provided above. Qualifying Shareholders posting their Forms of Instruction to the Transfer Secretaries should take note of postal delivery times so as to ensure that the Forms of Instruction are received by the Transfer Secretaries timeously. Notwithstanding anything to the contrary, it is the Qualifying Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries timeously.

If the required documentation and payment have not been received in accordance with the instructions contained in the enclosed Form of Instruction, either from the Qualifying Certificated Shareholder or from any person in whose favour the Rights have been renounced, by 12:00 (SAST) on Friday, 7 August 2020, then the Rights of that Qualifying Certificated Shareholder to those unsubscribed Rights Offer Shares will be deemed to have been declined and the Rights will lapse for such Qualifying Certificated Shareholder.

1.2 Action required by Qualifying Dematerialised Shareholders

If you are a Qualifying Dematerialised Shareholder, the printed Form of Instruction is not applicable to you. Your CSDP or Broker will credit your account with the number of Rights to which you are entitled and you should receive notification from your CSDP or Broker in this regard. If your CSDP or Broker does not contact you, you should contact your CSDP or Broker and provide them with your instructions. Please note that the Letters of Allocation commence trading on Wednesday, 22 July 2020 and the last day to trade Letters of Allocation is Tuesday, 4 August 2020.

If you do not wish to subscribe for all or part of the Rights Offer Shares or wish to dispose of all or part of your Rights

If you do not wish to subscribe for all of the Rights Offer Shares to be issued to you in terms of the Rights allocated to you, you may either dispose of or renounce all or part of your Rights, in the following manner:

If you wish to dispose of all or part of your Rights:

If you wish to dispose of all or part of your Rights, you are required to instruct your CSDP or Broker as to the number of Rights of which you wish to dispose.

If you wish to renounce all or part of your Rights:

If you wish to renounce all or part of your Rights in favour of any named renounee, you are required to instruct your CSDP or Broker as to the number of Rights you wish to renounce and in favour of whom you wish to renounce those Rights.

If you wish to take up part of your Rights, or wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares

If you wish to take up part of your Rights, or wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares, you are required to instruct your CSDP or Broker as to the number of additional Rights Offer Shares for which you wish to subscribe. Qualifying Dematerialised Shareholders are referred to paragraph 7.3.8 *Excess Applications* of this Circular for further information regarding excess applications.

Payment

CSDPs effect payment on a delivery versus payment basis.

Instructions to your CSDP or Broker:

Instructions to your CSDP or Broker must be provided in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker. If your CSDP or Broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, your Rights may lapse.

TFG does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to dispose of the Rights allocated.

Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

1.3 Overseas Shareholders and Restricted Shareholders

Additional information for Overseas Shareholders is provided in “7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.13 Overseas Shareholders” and “7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.15 Representations and warranties”.

Additional information relevant to the treatment of Restricted Shareholders’ Rights is provided in “7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.11 Lapse of Rights”.

1.4 Action required if you have already disposed of your TFG Shares

If you have disposed of all of your TFG Shares, this Circular should be forwarded to the purchaser to whom, or the CSDP, Broker, banker or agent through whom, you disposed of such shares, but not if the purchaser or transferee is in the United States, a Restricted Territory or any other jurisdiction where to do so may constitute a violation of local securities laws or regulations.

2. BACKGROUND TO AND REASONS FOR THE RIGHTS OFFER

2.1 Background to the Rights Offer

As mentioned in TFG's trading updates, released on SENS on 15 May 2020 and 13 July 2020 respectively, and in its short-form announcement of its financial results for the year ended 31 March 2020, released on SENS on 18 June 2020, the impact of the COVID-19 pandemic affected all of TFG's operations from the beginning of March 2020, with the introduction of stringent lockdown measures having a significant impact on retail turnover in the second half of March.

In TFG Africa, approximately 80% of the stores re-opened from 1 May 2020, with all stores adhering to strict COVID-19 safety protocols. Performance was strong in May 2020 and TFG Africa achieved retail turnover growth of 0.6% as compared to May 2019, notwithstanding the fact that 447 jewellery stores were still closed during the month due to the prevailing lockdown restrictions. All TFG Africa stores re-opened from 1 June 2020 with trading more subdued in the month of June (retail turnover declined 13.8% compared to the same period in the previous financial year) with lower levels of footfall observed in the regional shopping centres.

TFG London's store and concession estate gradually re-opened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return.

In TFG Australia, the re-opening of outlets commenced in April and all outlets re-opened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the Victorian Government announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters.

Across all three territories, there was strong online trading on the Group's own e-commerce platforms throughout the outlet closures and this level of online trading has continued.

Notwithstanding the resumption of trading, the Company expects that material uncertainty, trading disruption and risk will continue in all three of the Group's major territories – South Africa, the United Kingdom and Australia. In responding to the crisis, the Company acted in a swift and decisive manner and took a number of pre-emptive measures, as outlined previously in the trading update, to protect staff, customers and the business. Additionally, the Company reduced non-essential expenditure, managed working capital appropriately and enhanced and increased TFG's banking facilities.

The Company believes it is prudent and necessary to reduce the Company's financial indebtedness now and has received the authority to implement a fully underwritten, renounceable rights offer to raise targeted gross proceeds of up to R3.95 billion. This will allow TFG to strengthen its relative position through the recovery and insulate the balance sheet against potential future shocks while at the same time positioning itself for future growth and for market opportunities.

3. USE OF PROCEEDS

The size of the Rights Offer has been informed by an extensive scenario planning exercise. The Board intends to use the net proceeds of the Rights Offer, amounting to approximately R3.8 billion after offering expenses, to:

- reduce the debt of the Group and insulate the balance sheet ahead of an expected sustained period of economic uncertainty;
- pursue the Group's organic growth strategy and further leverage the Group's existing brands to gain market share;
- continue to invest in the Group's retail platform and digital transformation journey, particularly in its e-commerce offering; and
- ensure that the Company and the Group has the ability to take advantage of market opportunities in line with its current strategy and which meet its investment criteria.

4. DIVIDENDS AND DIVIDEND POLICY

4.1 Dividends

For the financial year ended 31 March 2020, TFG declared an interim dividend of 335.0 cents per TFG share. As announced on SENS on 18 June 2020, in light of the current subdued economic environment and the heightened levels of uncertainty posed by COVID-19, the Supervisory Board decided that it would be prudent not to declare a final dividend for the financial year ended 31 March 2020. Dividends will be resumed when appropriate to do so.

For the financial years ended 31 March 2019 and 2018, TFG declared a total ordinary dividend of 780.0 cents and 745.0 cents per TFG Share, respectively.

4.2 Dividend Policy

TFG has not applied a narrowly defined dividend policy in the past. Rather, TFG has endeavoured to match the growth in total dividends for the year to the growth in headline earnings per share for that particular year. As previously signalled, TFG does believe that a higher dividend cover would be more appropriate given the sector in which it operates, and TFG will seek to gradually raise its cover in a responsible manner and when earnings growth is conducive to this.

5. SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this Circular. Qualifying Shareholders are advised to consider this Circular as a whole before making any investment decision, and such decision should not be based solely on this summarised information.

5.1 Introduction

TFG announced on Thursday, 18 June 2020 that it intends to implement a capital raise, targeting gross proceeds of up to R3.95 billion by way of a fully underwritten, renounceable rights offer to TFG Shareholders.

5.2 Information on the Group

TFG is one of the foremost independent non-food chain-store groups in South Africa, with 36.2% of its operations in Australia and the United Kingdom. The Group, which is headquartered in Cape Town, has a portfolio of 29 leading retail brands, with over 4,000 outlets in 32 countries, on five continents. TFG's brands offer a variety of lifestyle products including clothing, jewellery, cell phones, accessories, cosmetics, sporting apparel, homeware and furniture from value to upper market segments. Each brand offers a distinctive proposition to its customers.

The Group's material international business segments include TFG Australia (located primarily in Australia and New Zealand) and TFG London (which is located primarily in the United Kingdom and Ireland), and which maintain their own management teams.

5.3 Recent Developments

As previously announced on SENS on 15 May 2020, 18 June 2020 and 13 July 2020, the impact of the global COVID-19 pandemic has been felt across all of TFG's operations since the beginning of March 2020. It had a significant effect on TFG's businesses and on retail turnover for the three months ended 27 June 2020. Scenario planning continues to be critical to the Group's forward planning.

Trading update for the three months ended 27 June 2020

The Group's consolidated retail turnover declined 43.0% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, with significant trading disruptions caused by Government-enforced lockdowns and regulations on social distancing in all three of TFG's major operating territories – South Africa, the United Kingdom and Australia. The global economic environment remains constrained and consumers continue to experience significant economic pressure.

TFG Africa

TFG Africa's retail turnover declined 38.4% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, predominantly as a result of all TFG Africa's South African operations being closed from 27 March 2020 to 30 April 2020. Approximately 80% of the stores re-opened from 1 May 2020, with all stores adhering to strict COVID-19 safety protocols. Performance was strong in May and TFG Africa achieved retail turnover growth of 0.6% compared to the same period in the previous financial year, notwithstanding the fact that 447 jewellery stores were still closed during the month due to the prevailing lockdown restrictions. All TFG Africa stores re-opened from 1 June 2020 with trading more subdued in the month of June (retail turnover declined 13.8% compared to the same period in the previous financial year) with lower levels of footfall observed in the regional shopping centres.

Within TFG Africa, the retail turnover decline when compared to the same period in the previous financial year in the respective merchandise categories was as follows:

Merchandise category	Total retail turnover decline / growth ⁽¹⁾					Contribution to TFG Africa retail turnover (1 April – 27 June)
	April	May	June	1 April – 27 June	3 May – 27 June	
Clothing	(92.7%)	(0.2%)	(21.8%)	(41.4%)	(12.0%)	69.8%
Homeware	(91.9%)	2.6%	22.3%	(25.0%)	13.0%	8.8%
Cosmetics	(92.0%)	(23.4%)	(32.0%)	(51.5%)	(27.7%)	3.6%
Jewellery	(98.5%)	(89.9%)	(16.3%)	(70.3%)	(53.8%)	2.9%
Cellphones	(83.7%)	88.6%	39.2%	5.1%	63.0%	14.9%
Total	(92.1%)	0.6%	(13.8%)	(38.4%)	(7.1%)	100.0%

Note:

⁽¹⁾ Given the number of store closures at various periods during the three months ended 27 June 2020, providing a comparable retail turnover number for the period is not considered to be meaningful.

For the three months ended 27 June 2020, cash retail turnover declined 31.8% when compared to the same period in the previous financial year. E-commerce retail turnover growth for the period was significantly stronger than expected at 109.8% compared to the same period in the previous financial year, contributing 5.0% to total retail turnover for the period.

TFG Africa credit

A conservative credit appetite and restricted approval criteria remain in place. Credit retail turnover contracted by 47.1% for the three months ended 27 June 2020 compared to the same period in the previous financial year.

As previously announced on SENS on 15 May 2020, cash collections in respect of the Group's debtors' book were strong in the month of May, the month from which customers could again make account payments in TFG stores and as a result of customers continuing to adopt the electronic and other alternative payment channels made available to them.

For the three months ended 27 June 2020, cash collections were above expectation but still down on the same period in the previous financial year.

TFG London

TFG London's pound sterling-denominated retail turnover declined 68.5% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, against the backdrop of a disrupted environment, characterised by Government-enforced lockdowns that temporarily prevented all physical store and concession sales in almost all of TFG London's UK, European and Rest of the World operations. The store and concession estate gradually re-opened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return. TFG London's own branded websites traded up 2.4% in the quarter compared to the same period in the previous financial year, supported by strong sales of casual clothing. Third party online channels were however weaker, driving an overall reduction in total e-commerce pound sterling denominated retail turnover of 21.2% for the period when compared to the same period in the previous financial year.

TFG Australia

TFG Australia's Australian dollar-denominated retail turnover declined 42.4% for the three months ended 27 June 2020 when compared to the same period in the previous financial year. All stores were closed on 27 March 2020 in response to Government restrictions and regulations on social distancing and the re-opening of outlets commenced in April, with all outlets re-opened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the Victorian Government announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters. E-commerce retail turnover growth for the three months ended 27 June 2020 was strong in Australian dollar terms at 74.0% when compared to the same period in the previous financial year.

The retail turnover decline during the three months ended 27 June 2020 when compared to the same period in the previous financial year in each of TFG's business divisions was as follows:

Business division	Currency	Total retail turnover decline	Contribution to Group retail turnover
TFG Africa ⁽¹⁾	R	(38.4%)	66.9%
TFG London ⁽²⁾	£	(68.5%)	15.4%
TFG Australia ⁽¹⁾	A\$	(42.4%)	17.7%
Group⁽¹⁾	R	(43.0%)	100.0%

Notes:

⁽¹⁾ Given the number of store closures at various periods during the three months ended 27 June 2020, providing a comparable retail turnover number for the period is not considered to be meaningful.

⁽²⁾ TFG London trades, inter alia, through department store concessions. As concessions by nature change floor space on a continuous basis, a comparable retail turnover number is not calculated.

Submission of conditional offer to acquire selected JET stores and related assets

On 10 July 2020, TFG submitted a conditional offer to acquire certain commercially viable stores and selected assets of JET, a division of Edcon Limited ("**Edcon**") for a cash purchase consideration of R480 million ("**Proposed Transaction**"). Edcon is currently in business rescue in terms of the Companies Act. Edcon's business rescue practitioners have accepted the terms of TFG's conditional offer. TFG has been granted exclusivity to negotiate and finalise the terms and conclude the Proposed Transaction.

JET is a leading Southern African retailer (by brand recognition and market share) and would provide TFG with a strategically important expansion into the value segment of the Southern African retail apparel market. The Proposed Transaction enables TFG to acquire selected parts of the JET business, a unique opportunity which previously was not possible and is expected to give TFG significant scale at an attractive price. The transaction construct provides TFG with structural risk mitigants, as detailed below, and establishes a value retail pillar for the TFG business that would be costly and difficult to replicate organically. The Proposed Transaction will also include the transfer of selected key executives and staff of JET to ensure sufficient management capacity and continuity to deliver on the current turnaround plan for JET and discussions are well advanced in terms of a proposed transition plan.

TFG's conditional offer envisages:

- the acquisition of the JET brand;
- the assumption of a minimum of 371 commercially viable JET stores ("**Commercially Viable Stores**"). Included in the Commercially Viable Stores, is a distribution centre located in Durban, South Africa and certain stores in Botswana, Lesotho, Namibia and Eswatini;
- the acquisition of the associated property, plant and equipment for the Commercially Viable Stores and the Durban distribution centre;
- the acquisition of the rights in and to the JET Club; and
- all existing stock holdings with a minimum stock value of no less than R800 million ("**Minimum Stock Value**"). In the event that value of the stock on hand is less than the Minimum Stock Value at the closing date, TFG will proportionately adjust the purchase consideration by the percentage by which the actual stock value is less than the Minimum Stock Value.

As part of the conditional offer, TFG will assume the operational commitments associated with the Commercially Viable Stores only, such as employee and lease commitments, albeit on a renegotiated basis. Certain head office staff and functions will also be assumed. TFG is finalising its assessment of the capital requirements of the business and currently does not believe this would result in a significant change in the capital requirements for the overall TFG Group.

TFG are actively engaging with the business rescue practitioners and other key stakeholders in order to progress to a binding offer on an accelerated basis. The Proposed Transaction is subject to customary conditions precedent for a transaction of this nature, including amongst others, the renegotiation of store leases, requisite transitional services arrangements being agreed, TFG Board approval and the approval by the relevant regulatory authorities.

TFG does not anticipate that the Proposed Transaction will be a categorised transaction in terms of the Listings Requirements of the JSE Limited.

TFG will keep shareholders informed of developments relating to the Proposed Transaction.

5.4 Principal Terms of the Rights Offer

The Rights Offer will be made on the basis of: 40 Rights for every 100 Existing TFG Shares held on the Record Date by Qualifying Shareholders and/or such proportionate lower number of TFG Shares in respect of a holding of less than 100 Existing TFG Shares ("**Ratio of Entitlement**"), offered for subscription at a price of R41.90 per Rights Offer Share. In this regard, Qualifying Shareholders are referred to Annexure 1 of this Circular.

The gross proceeds of the Rights Offer are expected to amount to R3.95 billion. The Rights Offer Share Price represents a discount of 42.5% to the closing share price of TFG Shares on Wednesday, 15 July 2020. The Rights Offer is fully underwritten by the Joint Global Coordinators and Underwriters subject to customary terms and conditions. Additional information on the Joint Global Coordinators and Underwriters and the underwriting agreement is provided in "*13 Underwriting Arrangements*".

It is expected that the TFG Shares will trade ex-Rights on the JSE from 09:00 (SAST) on Wednesday, 22 July 2020.

The Letters of Allocation in respect of the Rights Offer are negotiable and will be listed on the JSE on Wednesday, 22 July 2020, under the JSE code TFGN and ISIN ZA ZAE000288353.

The Rights Offer will open at 09:00 (SAST) on Monday, 27 July 2020 and will close at 12:00 (SAST) on Friday, 7 August 2020.

Each Rights Offer Share will, upon issue, rank *pari passu* with each other Existing TFG Share, and shall be fully paid up and freely transferable.

5.5 Rights Offer Statistics

The price per Rights Offer Share ("**Rights Offer Share Price**") is R41.90.

The total number of TFG Shares in issue at the date of this Circular is 236,756,814. The number of Rights Offer Shares to be issued by the Company will be 94,270,486.

The total number of TFG Shares in issue immediately following completion of the Rights Offer will be 331,027,300.

The Rights Offer Shares will represent 28.5% of the total number of issued shares in the Company immediately following completion of the Rights Offer.

The estimated gross proceeds receivable by the Company are R3.95 billion. The Board intends to use the net proceeds of the Rights Offer as described in "*3 Use of Proceeds*".

The estimated expenses of the Rights Offer are R142,375,000. For a detailed breakdown of the estimated expenses of the Rights Offer, see "*14 Additional Information—14.3 Estimated Expenses in Relation to the Rights Offer*".

5.6 Rights Offer Timetable

The timetable for the Rights Offer is as follows:	2020
Declaration announcement released on SENS on	Tuesday, 14 July
Finalisation announcement released by 11:00 (SAST) on SENS on or about	Thursday, 16 July
Rights Offer Circular made available on the Company's website on or about	Monday, 20 July
Rights Offer Circular and Form of Instruction posted to Qualifying Certificated Shareholders on or about	Monday, 20 July
Last day to trade in TFG Shares in order to qualify to participate in the Rights Offer (<i>cum</i> Rights) on	Tuesday, 21 July
TFG Shares commence trading on the JSE ex-Rights at 09:00 (SAST) on	Wednesday, 22 July
Record Date for the Rights Offer	Friday, 24 July
Rights Offer opens at 09:00 (SAST) on	Monday, 27 July
Rights Offer Circular posted to Qualifying Dematerialised Shareholders on or about	Monday, 27 July
Letters of Allocation credited to an electronic account held at the Transfer Secretaries in respect of Qualifying Certificated Shareholders on	Monday, 27 July
Letters of Allocation credited to CSDP or Broker accounts in respect of Qualifying Dematerialised Shareholders on	Monday, 27 July
Last day for trading Letters of Allocation on the JSE in order to participate in the Rights Offer	Tuesday, 4 August
Last day to lodge Form of Instruction with the Transfer Secretaries in respect of Qualifying Certificated Shareholders (or their renounees) wishing to sell all or some of their Letters of Allocation by 12:00 (SAST) on	Tuesday, 4 August
Listing of Rights Offer Shares and trading therein on the JSE commences at 09:00 (SAST) on	Wednesday, 5 August
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Qualifying Certificated Shareholders wishing to exercise all or some of their Rights by 12:00 (SAST) on	Friday, 7 August
Rights Offer closes at 12:00 (SAST) on	Friday, 7 August
Record Date for the Letters of Allocation on	Friday, 7 August
Rights Offer Shares issued on	Tuesday, 11 August
CSDP or Broker accounts of Qualifying Dematerialised Shareholders (or their renounees or purchasers of their Letters of Allocation) debited with Rights Offer Share Price and credited/updated with Rights Offer Shares at 09:00 (SAST) on	Tuesday, 11 August
Share certificates posted to Qualifying Certificated Shareholders (or their renounees or purchasers of their Letters of Allocation) by registered post on or about	Tuesday, 11 August
Results of the Rights Offer and basis of allocation of excess Rights Offer Shares announced on SENS on or about	Tuesday, 11 August
In respect of successful excess applications, if applicable, CSDP or Broker accounts of Qualifying Dematerialised Shareholders debited with Rights Offer Share Price and credited/updated with Rights Offer Shares	Thursday, 13 August
In respect of successful excess applications, if applicable, share certificates posted to Qualifying Certificated Shareholders by registered post on or about	Thursday, 13 August
In respect of unsuccessful excess applications, if applicable, refunds made to Qualifying Certificated Shareholders on or about	Thursday, 13 August

Notes:

- ⁽¹⁾ Share certificates in respect of TFG Shares may not be dematerialised or rematerialised in the case of TFG Shares listed on the JSE, between Wednesday, 22 July 2020 and Friday, 24 July 2020, both days inclusive.
- ⁽²⁾ CSDPs effect payment on a delivery versus payment (DvP) basis in respect of Dematerialised Shares.
- ⁽³⁾ Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.
- ⁽⁴⁾ All of the above dates and times have been determined based on certain assumptions in relation to the Rights Offer and are subject to change. TFG Shareholders will be notified of any amendments to the above dates and times on SENS.
- ⁽⁵⁾ Qualifying Certificated Shareholders must complete the Form of Instruction attached to this Circular and dispatch their Form of Instruction to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Tuesday, 4 August 2020 if they wish to dispose of a part or all of their Rights. The Transfer Secretaries will endeavour to procure the sale of your Rights on the JSE on your behalf and to remit the proceeds less any fees paid to the Transfer Secretaries and any applicable taxes, withholdings or other costs in accordance with your instructions. If you wish to renounce all or part of your Rights in favour of any named renounee, you must complete Form B in the enclosed Form of Instruction, and the renounee must complete Form C in the enclosed Form of Instruction, and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Friday, 7 August 2020.

5.7 Summary Financial Information of the Group

This Circular presents the historical consolidated financial information for the Group for the years ended 31 March 2020, 2019 and 2018. In particular, this Circular incorporates by reference the following:

- the 2020 Reviewed Financial Statements, including the notes thereto, which have been reviewed by Deloitte and have been prepared in accordance with IAS 34 and the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended. The 2020 Reviewed Financial Statements have been reviewed in accordance with ISRE 2410 by Deloitte and their review report is also incorporated by reference herein.

The 2020 Reviewed Financial Statements are available on the Company's website (https://tfglimited.co.za/wp-content/uploads/2020/06/TFG-year-end-results-announcement_March-2020.pdf);

- the 2019 Audited Financial Statements, including the notes thereto, which have been audited by Deloitte and have been prepared in accordance with International Financial Reporting Standards and interpretations as issued by IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2019 Audited Financial Statements have been audited in accordance with ISA by Deloitte and their audit report is also incorporated by reference herein.

The 2019 Audited Financial Statements are available on the Company's website (<https://tfglimited.co.za/wp-content/uploads/2020/02/Annual-Financial-Statements-2019.pdf>);

- the 2018 Audited Financial Statements, including the notes thereto, which have been audited by Deloitte and have been prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2018 Audited Financial Statements have been audited in accordance with ISA by Deloitte and their audit report are also incorporated by reference herein.

The 2018 Audited Financial Statements is available on the Company's website (https://tfglimited.co.za/wp-content/uploads/2020/02/TFG-AFS-2018_WEB.pdf).

During the year ended 31 March 2020, IFRS 16 was adopted by the Group applying the full retrospective approach. This change in accounting policy resulted in a restatement of the comparative period consolidated statement of financial position as of 31 March 2019 and 2018 and a restatement of the comparative period income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 March 2019 in the 2020 Reviewed Financial Statements. At the date of initial application in the consolidated statement of financial position as of 31 March 2018, the Group recognised right-of-use assets for R6.9 billion and lease liabilities for R7.8 billion. See Note 15 to the 2020 Reviewed Financial Statements for resulting restatements. The 2019 Audited Financial Statements and the 2018 Audited Financial Statements incorporated by reference into this Circular do not reflect the changes from the application of IFRS 16. Those financial statements applied IAS 17 (Leases), which was the accounting standard in effect at that time for those periods.

During the year ended 31 March 2019, the Group adopted IFRS 15. The Group adopted this standard fully retrospectively with a transition date of 1 April 2017, as is permitted in the transitional arrangements. The Group previously accounted for lay-by revenue on the initiation of the contract. With the adoption of IFRS 15, the Group now accounts for the revenue once the contract is concluded and risks and rewards have been transferred to the customer. The change in accounting policy therefore resulted in a restatement of the comparative figures on the statement of financial position, income statement, statement of changes in equity and cash flow statement as of and for the year ended 31 March 2018 in the 2019 Audited Financial Statements. See Note 39 in the 2019 Audited Financial Statements for resulting restatements. The 2018 Audited Financial Statements incorporated by reference in this Circular do not reflect the changes from the application of IFRS 15. Those financial statements applied IAS 18 (Revenue) and IAS 11 (Construction Contracts), which were the accounting standard in effect at that time for that period.

During the year ended 31 March 2019, the Group adopted IFRS 9 from 1 April 2018 with an adjustment to the Group's opening retained earnings balance which decreased the balance by R517.4 million. This standard incorporated amendments to the classification and measurement of financial instruments, hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and FVTOCI. As permitted by IFRS 9, the Group elected not to restate its comparative financial information. Comparability will therefore not be achieved due to the fact that the comparative financial information for the year ended 31 March 2018 applied IAS 39 (Financial Instruments: Recognition and Measurement) which was the standard applicable at that time for that period and does not reflect changes as a result of the adoption of IFRS 9.

Unless otherwise indicated, the financial information for the year ended 31 March 2018 included in this Circular is derived from the 2019 Audited Financial Statements and the financial information as of and for year ended 31 March 2019 and the statement of financial position as of 31 March 2018, included in this Circular is derived from the 2020 Reviewed Financial Statements.

5.8 Summary Consolidated Income Statement

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Retail turnover	35,323.3	34,101.4	28,519.5
Cost of turnover	(16,700.1)	(15,820.8)	(13,557.5)
Gross Profit	18,623.2	18,280.6	14,962.0
Interest income	1,759.7	1,764.0	1,755.8
Other income	1,393.5	1,262.8	1,187.7
Net bad debt	(1,275.5)	(992.8)	(837.5)
Trading expenses	(15,816.2)	(15,432.0)	(12,941.5)
Operating profit before acquisition costs and finance costs	4,684.7	4,882.6	4,126.5
Acquisition costs	–	–	(79.4)
Finance costs	(1,335.4)	(1,304.5)	(696.6)
Profit before tax	3,349.3	3,578.1	3,350.5
Income tax expense	(905.5)	(937.8)	(942.3)
Profit for the year	2,443.8	2,640.3	2,408.2

5.9 Summary Consolidated Statement of Financial Position

<i>(R millions)</i>	As at 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Non-current assets	21,403.4	20,087.5	18,254.6
Current assets	20,755.3	17,553.6	16,598.9
Total assets	42,158.7	37,641.1	34,853.5
Total equity	15,942.6	14,049.1	12,878.4
Non-current liabilities	12,447.1	12,877.3	11,151.4
Current liabilities	13,769.0	10,714.7	10,823.7
Total liabilities	26,216.1	23,592.0	21,975.1
Total equity & liabilities	42,158.7	37,641.1	34,853.5

5.10 Summary Consolidated Cash Flows

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Net cash inflows from operating activities	3,954.1	3,987.3	856.5
Net cash outflows from investing activities	(1,100.9)	(868.4)	(3,796.4)
Net cash (outflows)/inflows from financing activities	(1,101.5)	(3,293.8)	3,401.0
Net increase/(decrease) in cash & cash equivalents	1,751.7	(174.9)	461.1
Cash and cash equivalents at the beginning of the year	1,111.0	1,206.1	878.5
Cash held in non-controlling interest	–	(6.4)	–
Effect of exchange rate fluctuations on cash held	106.4	86.2	(133.5)
Cash and cash equivalents at end of the year	2,969.1	1,111.0	1,206.1

6. RISK FACTORS

The following risks should be considered carefully by Qualifying Shareholders and the investors before making any investment decision.

This section addresses the existing and future material risks to the business of the Group. The risks below are not the only ones that the Group will face. Some risks are not yet known and some that are not currently deemed material could later prove to be material. For example, the current uncertainty created by the COVID-19 pandemic is causing major disruptions in economies and markets around the world, including the Group's key markets. The order in which the categories of risks are presented below is not necessarily an indication of the likelihood of the risks actually materialising, or the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial condition.

All of these risks could materially adversely affect the Group, its reputation, business, financial condition, results of operations and prospects. In such cases, the market price of TFG Shares or the Letters of Allocation may decline and Qualifying Shareholders could lose all or part of their investment. Qualifying Shareholders should read this section in conjunction with "7 Circular to Qualifying Shareholders", "9 Operating and Financial Review" and "10 Business Description".

6.1 Risks related to the Group's business and industry

The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.

Stores

The outbreak of COVID-19 and the measures implemented to prevent its spread, including restrictions on travel, closures of shopping centres, the imposition of quarantines, prolonged closures of workplaces and other businesses and the related cancellation of events has had, and may continue to have, an adverse impact on the Group's performance. In South Africa, as a result of the initial lockdown announced by President Ramaphosa, all of the Group's operations (including stores, e-commerce, head office, distribution centres and manufacturing facilities) were closed from 27 March 2020 to 30 April 2020. As of 30 June 2020, all TFG Africa stores had reopened. In the United Kingdom, Government-enforced lockdowns were put in place on 23 March 2020, mandating the closure of all of the Group's stores in the United Kingdom. TFG London's store and concession estate gradually re-opened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return. TFG London's e-commerce activity remained operational throughout the lockdown. TFG Australia closed all of its stores on 27 March 2020 in response to Government restrictions and regulations on social distancing and the re-opening of outlets commenced in April, with all outlets re-opened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the Victorian Government announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters.

The temporary closure of the Group's stores, online businesses, distribution centres and offices has had and may continue to have, an adverse impact on the Group's results of operations, financial position and liquidity. For example, although the Group's day-to-day operations have been disrupted, it has incurred and may continue to incur labour costs during these closures.

From 1 March 2020 to 14 March 2020, TFG Africa experienced an increase in retail turnover of 8.1% as compared to the corresponding period in 2019. In addition, TFG Australia experienced an increase of 7.7% (AUD) between 2 March 2020 to 15 March 2020. However, over the following 14 days, TFG Africa and TFG Australia experienced decreases in retail turnover of 34.2% (ZAR) and 57.6% (AUD), respectively, as compared to the corresponding periods in 2019. The impact of COVID-19 was felt earlier for TFG London, with retail turnover decreasing by 22.9% (GBP) between 1 March 2020 to 14 March 2020 as compared to the corresponding period in 2019, and 94.7% (GBP) between 15 March 2020 and 28 March 2020 as compared to the corresponding period in 2019. Mainly as a result of the measures implemented to prevent the spread of COVID-19, retail turnover on the Group level decreased by 86.3% in April 2020 as compared to the corresponding period in 2019 and by 16.3% in May 2020 as compared to the corresponding period in 2019. For information on the impact of COVID-19 on the Group's retail turnover for the three months ended 27 June 2020, see "5 Summary – 5.3 Recent Developments".

Initially, the Group experienced a significant decline in demand for its products and services as customers responded to the calls for social distancing and more recently because of lockdowns and store closures in most of the Group's countries of operation. Although this initial decline in demand has now started to reverse as stores have re-opened in the various territories, it is unclear whether this trend will continue, or whether further restrictive measures will be imposed in the future. In certain countries where the Group operates, fear of a second wave of COVID-19 has prompted governments to suspend, and in some cases even reverse, the easing of lockdown measures in specific areas.

Additionally, as stores and facilities reopen, new practices or protocols could impact the Group's business and may continue and/or increase occupancy limitations. Any significant reduction in customers' willingness to shop as a result of health concerns may impact the Group and its results of operations. Furthermore, any reduction in consumer purchasing power or disposable income as a result of COVID-19, is likely to have a material adverse effect on the Group's business, results of operations or financial condition.

Supply Chain

The Group's supply chain has also experienced disruptions from COVID-19. Although steps have been taken in recent years to diversify the Group's supply chain, and reduce reliance on China, approximately 37% of TFG Africa's orders continue to be sourced from China. When the initial news of COVID-19 and its impact on China became clear, the Group worked with its own factories and regional suppliers to limit the impact of COVID-19 disruptions on its supply chain, although the closure of plants in China did ultimately impact TFG Africa's ability to source its products. In addition, the effect of COVID-19 on the Group's suppliers has exposed the Group to the risk of default by suppliers that have been adversely effected as a result of COVID-19.

As the impact of COVID-19 continues to evolve, the outbreak may continue to have a negative impact on the Group's performance. The Group expects that material uncertainty, trading disruption and risk will continue in all three of its major markets. Although it is currently too early to estimate, the Group expects that the ultimate significance of the impact of these disruptions, including the extent of their adverse impact on the Group's financial and operational results, will be determined by the length of time that such disruptions continue which will, in turn, depend on the duration of COVID-19 and the impact of governmental regulations that might be imposed in response to COVID-19. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Any future epidemics may also have similar, or more severe, effects on global economic activity and the Group's business, results of operations or financial condition.

As the Group manages through the effects of the COVID-19, its level of indebtedness may increase substantially.

Unfavourable economic conditions and changes in other macroeconomic factors may have an adverse impact on consumer spending and the Group's business operations and financial results.

The Group's sales, profitability, cash flow and future growth are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence, spending patterns market disruptions and changes in consumers' purchasing power and disposal income, particularly in Africa, the United Kingdom and Australia, which are the Group's largest markets. The Group's business and results of operations are particularly affected by economic conditions in South Africa, which remains its single largest market, accounting for R21,418.7 million, or 60.6%, of the Group's retail turnover, on a consolidated basis after intercompany eliminations, for the year ended 31 March 2020. See "*—There are risks associated with investing in and conducting business in emerging markets.*" The Group's TFG London operations are also subject to certain macroeconomic risks related to the United Kingdom's decision to leave the EU ("**Brexit**"). See "*—Legal, political and economic uncertainty surrounding the exit of the UK from the EU may be a source of instability in international markets, create significant currency fluctuations, adversely affect the Group's operations in the UK and pose additional risks to its business, retail turnover, financial condition, and results of operations.*"

The Group may also be adversely affected by negative local, regional, national or international political or economic actual or perceived trends or developments that reduce the consumers' ability or willingness to spend, including levels of unemployment, inflation or deflation, levels of real disposable income, changes in interest rates and/or VAT, the availability of consumer credit, consumer debt, consumer confidence and general uncertainty regarding the overall future economic environment. In addition, market disruptions due to severe or unseasonal weather conditions, natural disasters, health hazards, pandemics or other major events or the prospect of these events could also impact consumer spending and confidence levels. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*" Consumer spending on discretionary items, including the Group's merchandise, often decline during periods when disposable income is adversely affected or there is economic uncertainty. Although the Group's brands range across the value to upper-income market segments, in such circumstances, the Group (particularly its operations in TFG London) may experience a loss of market share in certain of its higher margin brands as consumers "trade-down" to lower-margin products, or to value products offered by some of the Group's competitors or purchase less.

Adverse changes in the global economy or in any of the regions in which the Group sells its products could reduce consumer confidence and spending patterns, and thereby could negatively affect profit for the year and have a material adverse effect on our results of operations. If the current economic conditions deteriorate, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected, in particular if customers reduce or eliminate discretionary spending.

In addition, any unfavourable change in economic conditions could result in the tightening of credit, disruption in the financial markets and/or financial difficulties, thereby disrupting or delaying deliveries by the Group's suppliers and contractors as well as increasing prices from suppliers. Dislocations in the credit or financial markets could also limit the availability and size of additional financing, making it more difficult to amend or renew the Group's existing credit arrangements when required, as well as affecting the Group's ability to finance new investments and expansions.

The Group cannot predict whether or when economic circumstances may worsen or improve, or what impact if any, such circumstances could have on its business. Any of these trends may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Failure to maintain, or failure by third parties to provide, a functioning supply chain and manufacturing capacity may adversely affect the Group's business, financial condition and results of operations.

Although the Group manufactures certain of its products, it sources the majority of the products it sells from various third-party manufacturers, which source or produce the merchandise according to the Group's specifications, or in the case of large retail brands such as Adidas and Nike, provide products according to their own specifications.

In TFG London, in particular, customers expect the Group to offer products reflecting current fashion trends, which means that disruptions to the supply chain are likely to have a negative impact on certain brands' competitive positions, and thus may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Furthermore, any delays in receiving products from suppliers (including due to marine issues, port delays and customs delays) may lead to a shortfall in the Group's inventory or products. Such inventory shortages may cause lost sales, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

If the Group experiences significant increases in demand or needs to replace an existing supplier or production at one of its existing manufacturing facilities, additional manufacturing capacity may only be available at prices that are much higher than those currently paid by the Group. The Group has in the past incurred increased costs when switching to or engaging with new suppliers or manufacturing sources, especially when doing so on short notice. Although the Group has not experienced any significant similar increased costs as a result of COVID-19, there is no assurance that similar cost increases will not occur in the future, for reasons related to COVID-19 or for any other reasons. Moreover, in the event of a significant disruption in its supply chain, or a material increase in the demand, for the fabrics or raw materials used by suppliers in the manufacture of the Group's products, those suppliers might only be able to locate alternative suppliers of raw materials of comparable quality at significantly higher prices. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*" Any increased costs in the supply and manufacture of the Group's products could result in lower net income.

The Group's manufacturing footprint has grown in recent years as part of TFG's quick response strategy to reduce its reliance on foreign suppliers as well as to create job opportunities in the local economy. Many of the Group's manufacturing facilities are strategically located near Maitland and Caledon, Cape Town, and are heavily relied upon by the Group for supplying products to TFG Africa. In the event of any loss at or disruption to its in-house manufacturing facilities in South Africa, the Group may incur additional cost in order to replace such facilities and to meet the sales demand.

For example, a mill belonging to one of the Group's suppliers had to shut down due to a fire in 2016 and consequently the Group had to source from Mauritius, Madagascar and other locations. In addition, instead of fabrics provided by its suppliers, the Group had to source finished products directly from its suppliers, which resulted in its own manufacturing facilities' running at loss. As a result, the Group's costs increased. The loss or disruption of manufacturing capabilities at any of its in-house manufacturing facilities, or disruptions at any of the local mills or facilities that supply its manufacturing facilities in the future, could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

In addition, while the Group has a fairly diversified supplier base, its largest suppliers (including branded suppliers such as Nike and Adidas, as well as mobile suppliers such as MTN) provide a significant proportion of its merchandise in certain of the Group's outlets. As a result, the Group may suffer significant disruption to its supply chain if those suppliers were to fail to meet its supply obligations for whatever reason, or if the Group loses one of its major branded suppliers due to competition from other retail chains or as a result of the branded suppliers changing their preferred channel to market. Such incidents could in turn have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is dependent on a number of facilities for the distribution of its products to its points of sale. Interruptions in distribution at any facility or any delay or failure in the delivery of the Group's products could have a material adverse effect on its business.

While in South Africa the Group manages its own warehouses, TFG London and TFG Australia are dependent on a number of distribution facilities for the majority of their supply chain interactions, including receiving products from their suppliers, or processing and packaging products while the stock is present in the distribution facilities, or distributing products to the Group's points of sales. The Group faces the risk that the delivery of its products could be delayed or fail due to technical problems, cyber attacks, strikes, work stoppages, global pandemics or other national or international emergencies or natural events, including adverse weather conditions. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*" Furthermore, any major breakdown of plant or equipment, or accident such as a serious fire, at any of the Group's warehouses or distribution centres might significantly impact the Group's ability to distribute products to its stores and maintain an adequate product supply chain.

Changes in laws and regulation, including credit, data protection, labour and other laws and regulations, and the complexity of regulatory monitoring in all jurisdictions in which the Group operates, could adversely affect the Group's business, financial condition and results of operations.

The Group is subject to numerous laws and regulations which apply to retailers and financial service businesses generally and which govern the operation of the Group's businesses, including, among others, credit regulations (as discussed below), data protection regulations (see "*—Failure to maintain compliance with applicable data collection and privacy laws may adversely affect the Group's business and reputation.*"), other consumer protection legislation and labour regulations (see "*—Labour disputes and changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees.*") in all jurisdictions in which the Group operates. Any changes in applicable laws and regulations may materially increase the direct and indirect compliance and other expenses of doing business, and could have a material adverse effect on the Group's business, financial conditions and results of operations. In addition, changes in the Group's business structure or offerings may, intentionally or unintentionally, require that additional legislation or regulation be considered or that certain legislation or regulation becomes applicable to additional parts of the Group's operations, for example regarding consumer credit. See "*—TFG Africa's credit business may be exposed to increased credit, financial and compliance risk, which may adversely affect the Group's financial condition and results of operations.*" This may entail transition costs for the Group, which may affect the Group's operations in the short term.

In South Africa, the National Credit Amendment Act 7 of 2019 ("NCA Amendment Act") (the commencement date for which is yet to be proclaimed), although still being contested, is expected to introduce a debt intervention regime for consumers who are subject to the National Credit Act 34 of 2005. The regime will entitle a consumer who earns an average of less than R7,500.0 (seven thousand five hundred Rand) per month, corresponding to approximately \$450 per month, and who owes money in terms of an unsecured debt to make an application to the regulatory bodies for debt intervention. If deemed appropriate by the regulatory bodies, they can declare all or part of the debt under the qualifying credit agreements of the applicant extinguished. See "*11—Regulatory Matters—11.4 Credit Agreements.*" This introduces risk to the Group's credit business and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

It is difficult to predict with certainty whether any proposed legislation or regulatory changes will be adopted, or what impact, if any, such proposals or, if enacted, such laws could have on the Group's business, results of operations and financial condition. However, failure to comply with applicable laws and regulations, may be subject to investigations, criminal penalties or civil remedies, including fines, injunctions, loss of an operating license or approval, increased scrutiny or oversight by regulatory authorities, the suspension of individual employees, limitations on engaging in a particular business or redress to customers. The cost of compliance and the consequences of non-compliance could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, failure to comply with applicable laws and regulations could have a material adverse effect on the Group's business, results of operations and financial condition by exposing it to negative publicity and reputational damage or by harming its customer or employee relationships.

The Group's operations in international markets subject it to risks related to the differing legal, political, social and regulatory environments in the countries in which the Group operates. Regulatory risks inherent within the international operations include, among others, unexpected adverse changes in foreign laws or regulatory requirements and compliance with a variety of tax regulations, VAT rules, foreign laws and regulations. Therefore, the Group's international operations expose the Group to increased risks associated with regulatory monitoring, making it more difficult for the Group to stay abreast of recent developments in legislation, as well as to comply with a broader array of legislation. The time and cost incurred to ensure that the Group complies with, and continues to comply with, legislation in a multitude of jurisdictions may divert time and resources away from more beneficial uses.

In addition, Government regulatory authorities have the power to interpret and amend applicable laws and regulations, and have discretion to grant, renew and revoke the various licenses and approvals. Such authorities may require TFG to incur substantial costs in order to comply with such laws and regulations. Regulatory statutes are broad in scope and subject to differing interpretation. In some areas of the Group's businesses, it acts on the basis of its own or the industry's interpretations of applicable laws or regulations, which may conflict from jurisdiction to jurisdiction. In the event those interpretations eventually prove different from the interpretations of regulatory authorities, the Group may be penalised or precluded from carrying on its previous activities.

The Group may be subject to information technology systems failures, network disruptions and breaches of cyber security. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

The Group and other entities in the Group's industry have become increasingly dependent on information technology to conduct certain operational and processing activities. For example, the Group depends on information technology to trade both in-stores and on its e-commerce offering platforms. See "*—The Group faces risks in connection to its e-commerce business and digital transformation initiatives.*" At the same time, cyber incidents, including deliberate attacks, have increased. The technologies, systems and networks utilised by the Group and its vendors, suppliers and other business partners may become the target of cyberattacks or information security breaches that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period.

The systems employed by the Group for protecting against cyber security risks may not be sufficient. As cyber incidents continue to evolve, the Group will likely be required to expend additional resources to continue to enhance the sophistication of its protective measures or to investigate and remediate any vulnerability to cyber incidents.

As a result of the social distancing measures and regulations enforced by governments in connection with COVID-19, and the resulting work-from-home policies that were adopted by the Group, there has been additional strain placed on the Group's IT resources. The resulting strain on these resources, and the added need to communicate via electronic means, could subject the Group to higher risks of cybersecurity incidents.

Information technology systems failures on key hardware and software, including risks associated with upgrading the Group's systems, network disruptions and breaches of data security could disrupt the Group's operations by impeding operational efficiencies, delaying the processing of transactions and inhibiting the Group's ability to protect customer or internal information. The Group's computer systems, including backup systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, tornadoes and hurricanes, and/or errors by employees. Although the Group has taken steps to address these concerns by implementing sophisticated network security, backup systems and internal control measures, and while it has redundant and/or highly available capability for critical systems, a system failure or data security breach could occur and materially adversely affect its business, financial condition and results of operations.

TFG Africa's credit business may be exposed to credit, financial and compliance risk, which may adversely affect the Group's financial condition and results of operations.

TFG assumes responsibility for its credit operations. In the year ended 31 March 2020, 26.1% of the Group's sales to retail customers were financed by its credit business (the Group's payment card is available for use in selected countries in Africa). As a result, the Group is exposed to credit, financial and compliance risk, which may adversely affect the Group's financial condition and results of operation.

These risks include:

- the approaches the Group uses to select its customers may not be effective at predicting future write-offs due to changes in the economy, which may result in a higher incidence of delinquencies among its customers;
- material or unexpected changes to the regulations of the Group's credit business may lead to changes in the manner it manages the business or in the manner its consumers behave, and there may be legal, regulatory or other enforcement trends which seek to provide greater protections to consumers, or increased scrutiny of the business practices of companies providing financial services to consumers (see "*—Changes in laws and regulation, including credit, data protection, labour and other laws and regulations, and the complexity of regulatory monitoring in all jurisdictions in which the Group operates, could adversely affect the Group's business, financial condition and results of operations.*"; and
- a variety of social factors may cause changes in store credit card use, including changes in consumer confidence levels, the public's perception of the use of store credit cards, and changing attitudes about incurring debt.

In March 2020, the Group considered in its determination of its bad debt provision of the impacts of COVID-19, resulting in an increased provisioning. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations*" and "*—The Company has implemented certain liquidity and capital measures in response to COVID-19, and the liquidity and capital measures, once implemented, may not be sufficient to ensure that the Group can meet its liquidity and working capital and expenses requirements.*"

In addition, the effectiveness of the Group's credit risk management is affected by the quality and scope of information available. In assessing customers' creditworthiness, TFG Africa relies on credit information available from its own internal databases as well as external credit bureaus. Due to limitations in the availability of information, TFG Africa's assessment of the credit risks associated with a particular customer may not be based on complete, accurate or reliable information. In addition, there can be no assurance that TFG Africa's credit scoring systems collect complete or accurate information reflecting the actual behaviour of its customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, TFG Africa has to rely on other publicly available resources, which may not be complete or accurate. As a result, asset quality may be materially adversely affected by such developments and this could have a material adverse effect on its business, financial condition and results of operations.

Failure to maintain compliance with applicable data collection and privacy laws may adversely affect the Group's business and reputation.

The regulatory environment governing the use of individually identifiable data of customers, employees and others is complex. Privacy and information security laws and requirements change frequently, and compliance with them may require the Group to incur costs to make necessary system changes and implement new administrative processes. If a data security breach occurs, or if there is any theft or misappropriation of employee, supplier or customer data, the Group's reputation could be damaged and it could experience lost sales, fines or lawsuits, which could have a material adverse effect on its business, financial condition and results of operations.

In South Africa, the Protection of Personal Information Act, No. 4 of 2013 ("**POPI**") provides for general information protection rules applicable to organisations in both the public and private sectors. POPI was enacted on 26 November 2013 with a limited number of sections coming into force on 11 April 2014, most notably those establishing the information regulator (the "**Information Regulator**"). The majority of the remainder of POPI's provisions commenced on 1 July 2020. POPI allows a transitional period of one year during which responsible parties (known as data controllers in some jurisdictions, being entities which collect and hold certain types of personal information relating to individuals and legal entities (including suppliers, customers and employees) will have the opportunity to put measures in place to comply with the law. The provisions of POPI will apply to all South African members of the Group.

The general protection that POPI provides may also be supplemented by industry-specific codes of conduct. POPI provides an open-ended definition of "personal information". The definition includes information relating to both individuals and companies, and provides a detailed list of examples. A person's race, age, sexual orientation, marital status, correspondence and identifying symbols are all included as types of personal information protected under POPI.

POPI subjects the processing of "special personal information" to more stringent conditions than the ordinary requirements that apply to the protection of personal information. Special personal information includes a person's religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, sex life or biometric information, and information regarding alleged criminal behaviour. The eight conditions of lawful processing, which inform the lawful processing of personal information, lie at the heart of POPI: accountability; specification of the purpose of processing; limitation on processing; limitation on further processing; information quality; openness; security safeguards; and data subject participation. These conditions ensure, among other things, that the person to whom personal information relates (the "**Data Subject**") is aware and in control of the processing, that the processing is limited to the extent necessary, without unjustifiably infringing on the privacy of the individual, and that it is subject to processes that are secure. In addition to the eight conditions of lawful process, POPI also restricts the manner in which personal information may be transferred outside of South Africa, the manner in which data subjects may be subject to automated decision making and the manner in which responsible parties may conduct direct marketing. A responsible party will generally be held strictly liable for non-compliance with the provisions of POPI.

For the Group's operation in Europe, the General Data Protection Regulation ("**GDPR**") entered into force on May 25, 2018 in the European Union. The GDPR implements stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities.

In Australia, the Group's data practices must comply with the Privacy Act 1998 (Cth) ("**Australian Privacy Act**") and state-based surveillance laws. The Australian Privacy Act regulates the way an individual's personal information is handled. Under the Australian Privacy Act, there is a mandatory scheme requiring entities to report data breaches to the Office of the Australian Information Commissioner ("**OAIC**") and affected individuals if the breach is likely to result in serious harm to an individual whose personal information is involved. In 2019, the Commonwealth Attorney-General and Minister for Communications in Australia announced plans to amend the Australian Privacy Act to provide a new regime of increased penalties for privacy breaches and giving the OAIC greater enforcement powers. These proposed amendments have not yet been enacted.

Although the Group has taken all action required in order to be compliant with POPI, GDPR and the Australia Privacy Act, it operates in an industry in which it processes a considerable amount of personal data and therefore is inevitably more exposed to the risk of being penalised for failing to comply with the regulations imposed. In addition, POPI may have an adverse impact on outbound credit granting campaigns by the Group. If the Group fails to maintain compliance with applicable data collection and privacy laws or with credit card industry standards or other applicable data security standards, it could be exposed to fines, penalties, restrictions, litigation or other expenses, which could adversely affect the reputation of the Group and its brands. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to the Group, damage its reputation, and adversely affect its business and operations.

TFG may not be successful in realising, or it may take longer than expected to realise, its objective of rationalising its existing store network, reducing its cost base and increasing operating efficiencies in its supply chain.

TFG's future growth and financial performance will depend, in part, on the successful implementation of its business objective, including the ability to: (i) render its existing store footprint more efficient, (ii) reduce operating costs and (iii) increase operating efficiencies in its supply chain. There is no assurance that the Group will be able to achieve these objectives successfully or at all. TFG's failure to achieve any of these objectives as a result of competitive difficulties, cost increases or other factors may limit its ability to implement its business strategy successfully.

In particular, the Group's success and strategy depends, in part, on its ability to rationalise the make up of its trading outlets and to efficiently manage more than 4,000 trading outlets in 32 countries. In order to rationalise and improve the efficiency of its trading outlets, the Group reallocates brands and opens and closes certain trading outlets on an ongoing basis depending on each particular situation and capital expenditure requirements. In addition, as part of the Group's business activities, it is monitoring opportunities to transform selected trading outlets to formats which may potentially attract more interest from consumers and improve its sales and profitability. While the execution of this plan has been expedited as a result of COVID-19, the Group may not be able to implement its rationalisation objective successfully and at the envisaged pace in the future. If it fails to identify attractive store locations on acceptable terms or to refurbish or position current trading outlets, the rationalisation plan may be unsuccessful or advance at a slower pace and the intended consolidation or increase of the Group's market share, or the intended reduction of the Group's cost base and improvements in its operating efficiency, may fail to materialise. The success of repositioning current trading outlets may also be affected if the Group fails to correctly estimate customer demand in the local market or is unable to successfully establish its brand.

Should the Group not be successful in effectively meeting such challenges, this could adversely affect the Group's ability to render its existing store footprint more efficient in a timely and cost-effective manner. The cost base may increase, operating efficiency may be sacrificed and generally the success of business may be negatively affected. Should any such failures occur, the Group's business, financial position and results of operations could be materially adversely affected.

The Group is exposed to certain risks related to raw materials and other input costs across several jurisdictions incurred in manufacturing and distributing its products, which may result in higher costs or reduced sales.

The Group's products are composed of certain key raw materials, such as fabrics and packaging materials, which are subject to availability constraints and price volatility caused by factors such as the high demand for fabrics, fuel prices, weather, supply conditions, government regulations, crop yields, foreign exchange and interest rate fluctuations, war, terrorism, labour unrest, global health concerns, the economic climate and other unpredictable factors. The price and availability of certain raw materials have fluctuated in the past and may fluctuate in the future. An increase in the price of certain raw materials, such as fabrics, may significantly impact the Group's operating costs and thereby reduce its margins. If the raw materials required for production are not immediately available at the Group's suppliers, this may cause delays and longer lead times between ordering and taking delivery of the products. This in turn may affect the Group's ability to promptly respond to changing fashion trends and lead to lower sales than it could have realised. If products arrive in the stores once a certain fashion trend has passed or the season has changed, the Group may also experience lower margins if it is required to mark down prices to clear its inventory of slow selling products.

Price is a key driver of customers' purchasing decisions. If the Group is unable to pass cost increases related to raw materials and other costs on to its customers, the Group may experience pressure on its gross margins and a material adverse effect on its business, results of operations, financial condition and prospects. Conversely, the Group may experience a decline in sales volume or may lose a share of its customer base if it chooses to pass on such costs through increased prices. The Group's competitors may have hedged themselves against increases in costs or otherwise protected themselves against such cost increases. While the Group seeks to offset inflationary cost pressure through ongoing cost management initiatives, it may not be able to achieve cost efficiencies and savings of a sufficient magnitude or any cost efficiencies and savings at all to offset cost inflationary pressures in its supply chain.

In addition, although the Group has long-term relationships with all of its logistic providers (including RTT and On The Dot in South Africa, Noatum Logistics in the UK and TOLL in Australia), delivery expenses are subject to variation in fuel price. As such, any increase in the cost of fuel, which is beyond the Group's control, could result in higher delivery fees for the Group and can adversely affect the Group's gross margins.

Failure to accurately identify or respond to changing customer preferences could negatively affect the Group's relationship with its customers, the demand for its products and its market share.

The Group's success depends on its ability to accurately predict customer preferences or demands. Failure to accurately identify or effectively respond to changing customer preferences or demand could negatively affect its relationship with customers, the demand for its products and its market share. For example, in recent years, there has been a rise in customers' preference and expectation for value retail. While the Group has launched certain value retail brands in TFG Africa and bought value retail brands in TFG Australia, the shift in consumer preferences when they trade down could have an adverse effect on other brands offered by the Group, especially TFG London's brands, which are generally "luxury brands," and in turn, the Group's business.

In addition, as a result of evolving consumer preference, the retail sector is generally facing a convergence in the sector, both of in-store shopping and digital offerings, as well as of the types of products offered by retailers. If the Group is unable to adapt to such changes in customer behaviour and expectation, the Group's business, financial condition and results of operations may be adversely affected.

In the future, if consumer preference and behaviour is misjudged or if the future of retail trend is not accurately predicted by the Group, its stores may build up excess inventory for certain products, which could result in a decrease in sales prices for those products and inefficient working capital management which, if material, could have an adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks in connection with its e-commerce business and digital transformation initiatives.

The Group faces certain risks in relation to its e-commerce business, including strong competition from e-commerce providers as well as new digital start-ups in certain geographies in which it operates. The development of e-commerce business and digital transformation initiatives has been the Group's focus in order to address the general shift away from the brick and mortar retail selling to online sales. As part of the Group's focus areas in addressing the challenges posed by COVID-19, the Group is further prioritising e-commerce offerings and its digital transformation initiatives. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*" Therefore, although the Group does not obtain a significant amount of its annual retail turnover through e-commerce sales, it has experienced higher rates of retail turnover from online sales over the past several years and expects the e-commerce retail turnover contribution to further increase across all operating segments in the future. The Group's e-commerce sales is particularly significant in the United Kingdom, where 31.4% of TFG London's retail turnover for the year ended 31 March 2020 was generated from online sales.

A significant portion of the Group's online sales are derived from online retailers concessions in which third parties, including Bloomingdales in the United States and John Lewis, Debenhams and House of Fraser in the United Kingdom, offer the Group's products through their e-commerce channels. If, for any reason, including by reason of bankruptcy or insolvency, any third-party retailer were to limit or discontinue sales of the Group's products through their e-commerce channels, the resulting reduction in sales could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See "*—Changes in the financial condition or popularity of the Group's concession partners, including department stores, could have an impact on sales made by the Group's concession outlets.*"

As part of the Group's digital transformation initiatives, the Group has expanded its e-commerce offering in recent years, including the launch of myTFGworld.com in 2019, which offers a one-stop online shop including products from almost all of TFG Africa's brands (all merchandise categories except for jewellery). The successful operation of the Group's e-commerce business as well as its ability to provide a positive shopping experience that will encourage subsequent visits and generate orders depends on a variety of factors, including the efficient and uninterrupted operation of order-taking and fulfilment operations. Risks associated with e-commerce business include:

- uncertainties associated with the Group's e-commerce website including changes in required technology interfaces, website downtime and other technical failures, costs and technical issues relating to an upgrade of website software, payment gateways, failure of third party platforms and domains, inadequate system capacity, computer viruses, human error and security breaches;
- power outages;
- reliance on third parties for computer hardware and software;
- rapid technology changes;
- credit or debit card fraud and other payment processing related issues;
- changes in applicable regulations;
- liability for online content; and
- cybersecurity and consumer data protection.

In addition, when facing accelerated e-commerce demand in the retail industry generally, the Group must keep up to date with competitive technology trends, including the use of new or improved technology, creative user interfaces and other e-commerce marketing tools. Ensuring the ability to adapt to remain competitive may require the Group to invest in additional research and development, which could increase the Group's operating expenses and other costs, as well as capital expenditures incurred to implement the plans arising from such research and development. See "*—The Group may be subject to information technology systems failures, network disruptions and breaches of cyber security. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.*" Failure to keep pace with developments in technology could impair the Group's operations or competitive position.

Additionally, in order for the Group to remain competitive, it needs to adapt to consumer preferences and expectations in terms of its e-commerce offering. See "*—The Group's performance is subject to its ability to adapt to evolving customer preference and behaviour.*" There can be no assurance that customers will find the Group's digital offering satisfactory or sufficient and the Group may need to continue to invest substantially in order to meet the evolving preferences of its current and potential customers. Any failure from the Group to meet consumer expectations or preferences regarding its digital offering, could negatively impact the Group's ability to compete effectively within the retail industry in the countries in which it operates, and have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group's reputation could be jeopardised by negative public perceptions of TFG or its suppliers and any events that negatively impact the reputation of the brands it sells could adversely affect the Group's business.

The Group's success depends on the value of the brands it sells as well as its corporate reputation. These brands and the Group's corporate reputation are integral to its business. The ability to add value and maintain the reputation of TFG's brands and its services with respect to quality, fashion attributes, design of products, value for money and customer service are important factors in earning and maintaining customer goodwill. Further, because of the Group's high profile, its actions tend to draw close scrutiny in the press. Unfavourable publicity concerning the Group, its products, its stores, its suppliers, its key personnel or its e-commerce platform, failure to deliver consistency in the Group's product ranges or substantial erosion in the reputation of its brands for whatever reason could adversely affect the Group's business, results of operations, financial condition and prospects. For example, any negative publicity relating to the Group's lack of use of the funding received from the South African Department of Trade, Industry and Competition (the "**DTIC funding**") as part of financial relief related to the COVID-19 pandemic could impact TFG's corporate reputation as well as damage its relationship with the government.

The Group's reputation could also be harmed if it fails to maintain ethical standards for the manufacture of its products. Any negative publicity regarding these types of concerns may reduce demand for its merchandise. The Group's products are manufactured by suppliers based locally in South Africa, in Asia and in other foreign jurisdictions, including but not limited to Madagascar, Romania and Macedonia. The working conditions and living standards of employees in some of these countries historically have been and continue to be subject to criticism from international bodies, such as the International Labour Organization. Different legal systems and political and cultural influences in some of these countries make it more difficult to introduce acceptable living standards. Failure to comply with ethical, social, product, labour, health and safety or environmental standards, or related political considerations, could damage the brands' reputation and potentially lead to various adverse consumer actions, including boycotts.

While the Group seeks to ensure that its suppliers operate in an ethical manner, including by working with Sedex to improve and monitor the ethical business practices in the Group's supply chain, the Group cannot absolutely control its suppliers or their employment practices. For example, there is a risk that the Group's suppliers do not comply with customary practices or rules in jurisdictions such as Lesotho, eSwatini, Mauritius and Madagascar. In addition, for TFG London and TFG Australia, there have been increasing concerns around "modern slavery" issues in the United Kingdom and Australia, which require the Group to have heightened scrutiny on the ethical business practices of the suppliers in those jurisdictions. It may be possible that the Group's suppliers or their subcontractors may not comply with its standards, or may otherwise fail to operate their businesses in an appropriate ethical manner. The quality standards the Group imposes on its suppliers may also not be sufficiently rigorous as a result of heightened public demand for ethical business practices. Unfavourable publicity concerning its own ethical practices or those of its suppliers could lead to substantial erosion in the reputation of, or value associated with, the Group's brands, customer boycotts and the incurrence of costs and potential shortfall in the supply of products as the Group addresses the underlying concern with the supplier.

Failure to comply with local laws and regulations or other matters affecting compliance with corporate governance best practice could also harm the Group's corporate reputation. Damage to the Group's corporate reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on its business, results of operations, financial condition and prospects, as well as require additional investment to rebuild its reputation. Public perceptions about the Group's brands, products or stores, whether justified or not, could impair its reputation, involve the Group in litigation, damage its brands and have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's ability to attract customers to its stores depends on factors which are not within its control and any decrease in footfall at its retail destinations could adversely impact the Group's retail turnover.

In order to generate customer traffic, the Group has located certain of its stores in areas that expect to generate customer footfall or prominent locations, especially for the stores in the United Kingdom and Australia. Its net retail turnover at these and other stores and concessions are dependent, to a certain extent, on the volume of consumer traffic in those retail destinations and the surrounding areas and the continuing popularity of those areas as retail destinations. All these factors may impact the level of customer footfall in the Group's stores and could have a material adverse effect on its business, results of operations, financial condition and prospects. For further detail on how the decrease in customer footfall as a result of COVID-19 store closures has negatively impacted the Group, see "*— The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*"

In addition, increased customer activity on the e-commerce platforms may result in reduced footfall in its stores, particularly in the United Kingdom where 31.4% of TFG London's retail turnover for the year ended 31 March 2020 was generated from online sales, and as customers take advantage of home delivery services for certain products. While the Group is focusing on creating seamless shopping experience among different channels, any reduction in customer footfall may result in reduced sales and net retail turnover in stores. If the Group is not able to reduce the costs and expenses of operating its store base, including personnel expenses, commensurate with any such reduction in customer activity in its stores in a sufficiently rapid manner or at all, a reduction in footfall in the Group's stores may reduce the profitability of its stores, and may have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's marketing campaigns and its communications strategy may prove ineffective and could adversely affect the Group's business.

The Group's sales, especially in the United Kingdom and Australia, depend to some extent on the success of its marketing approach and communication strategy. The Group uses various marketing platforms as part of its marketing approach, focusing primarily on in-store displays, social media and visual merchandising. The Group does not rely heavily on traditional print, television, promotional or radio advertising. From time to time, the Group will need to refresh or reinvent its marketing campaigns, which will require additional expense.

If one of the Group's marketing campaigns fails, the investments made will turn out to be ineffective and it could face a decrease in customer demand and a resulting decline in sales which, especially if marketing campaigns repeatedly prove ineffective, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in credit and debit card provider requirements or applicable regulations could adversely affect the Group's business.

Approximately 7.7%, 46.1% and 30.2% of the sales in TFG Africa, TFG London and TFG Australia, respectively, are made to customers that pay for their purchases with credit cards and 37.4%, 45.0% and 46.8% of the sales in TFG Africa, TFG London and TFG Australia, respectively, are made to customers that pay for their purchases with debit cards. As such, the Group is exposed to a variety of risks associated with credit and debit cards. For credit and debit card payments, the Group pays interchange and other fees. These fees may increase over time and thus increase the Group's operating expenses and adversely affect its business, results of operations, financial condition and prospects.

TFG is also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for the Group to comply. Any failure to comply with applicable requirements or regulations may subject the Group to fines and higher transaction fees, the loss of its ability to accept credit and debit card payments from customers or the cessation of payments from credit and debit card providers for purchases already made. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

If the Group fails to retain its existing senior management team or attract qualified new personnel, such failure could have a material adverse effect on its business, financial condition, and results of operations.

A significant part of the Group's continued success is dependent on its ability to retain the services of its management team, directors, senior management and regional and brand managers, as well as other talents. The Group generally has employment agreements with, but does not maintain any "key man" life insurance for, members of senior management. The loss of one such key personnel, or the failure to attract and retain additional key personnel, could result in a loss of institutionalised knowledge and key intellectual capital, and also have a material adverse impact on the Group's business, financial condition and results of operations.

In addition, the Group's future growth and success also depends on its ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. In the era of rising importance of disruptive technology (robotic process automation, artificial intelligence and data science), it is also key and challenging to attract and train staff with skills necessary to carry out the Group's digital transformation initiatives. In South Africa, it is further essential that the Group attracts and retains employment equity candidates.

As a result of COVID-19, the Group has furloughed staff in the United Kingdom, and has initiated a voluntary severance package ("VSP") process in TFG Africa, by which the Group has offered employees in specific roles the option to leave their employment with the Group in exchange for severance. The Group is continually reviewing areas with additional capacity, and is undertaking an ongoing process to rationalise its headcount and employment expenses. However, the Group may not be successful in its efforts to rationalise its headcount, and any failure to reduce employment expenses or any litigation arising out of the termination of employees may result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Identifying, recruiting, training, integrating and retaining qualified individuals requires significant time, expense and attention. From time to time, there may be changes in the Group's management team that may be disruptive to its business. If the management team, including any new hires that are made, fails to work together effectively and to execute the Group's plans and strategies on a timely basis, the Group's ability to achieve its strategic objectives may be adversely affected, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's profitability and cash flows may be negatively affected if it is not successful in managing its inventory balances and inventory shrinkage.

Efficient inventory management, especially inventory for the goods sourced from non-branded suppliers, is important to enable the Group to manage its retail turnover and margins. The Group's inventory consists of a broad range of products in a variety of sizes and colours and if the Group does not cater to customers' perception of value goods (in South Africa) or accurately predict customer demand in general or at particular stores (in the UK and Australia) when making buying and distribution decisions, it may have to offer markdowns and discounts or even recall stock to its distribution centres to clear excess inventory. As a result of COVID-19, the Group was unable to meet its expected sales, thereby increasing its inventory levels. Any further increase in the Group's inventory levels could increase storage costs or require the Group to offer markdowns and discounts, thereby reducing the Group's margins which could in turn have a material adverse effect on the Group's business, results of operations and financial condition. Conversely, if future demand for a particular product is underestimated, or if the Group does not respond quickly enough to replenish its best performing products, it may experience a shortfall in inventory of such products.

Constraints on the Group's inventory management systems or processes may cause excess inventory in one location and insufficient inventory in another. In South Africa, for example, this has presented a significant challenge to the in-store offering of cosmetic products. In response, the Group may be forced to mark down or discount stock, or incur additional costs to move inventory from one store to another. Maintaining adequate inventory requires significant attention and monitoring of market trends, local markets, developments with suppliers and the Group's distribution network. It also requires the Group to dedicate resources to design efficient inventory management systems, such as the programme currently in place in TFG Africa aiming to reduce lead times and to improve inventory days. There is no assurance that the Group will be effective in its inventory management.

Furthermore, any delays in receiving products from suppliers (including due to marine issues, port delays and customs delays) may lead to a shortfall in the Group's inventory or products. Such inventory shortages may cause unfulfilled orders, particularly with respect to online offerings, and reduced retail turnover, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group is subject to the risk of inventory loss and theft, including heightened risk of armed robberies and burglaries in South Africa. While the Group has not experienced significant levels of inventory shrinkage in the past, there can be no assurance that incidences of inventory loss or theft will not increase in the future or that the measures being taken will effectively decrease inventory shrinkage. If the Group were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft and burglaries, its business, results of operations, financial condition and prospects could be adversely affected.

The Group's business is subject to seasonal peaks, with higher sales and Adjusted EBITDA generated during certain peak trading periods. Weak sales during such peak trading periods, or as a result of extreme or unseasonal weather conditions, could adversely affect the Group's business, results of operations or financial conditions.

The Group's business is subject to seasonal peaks, with higher sales and Adjusted EBITDA generated during certain peak trading periods. For TFG Africa and Australia, retail sales experience high peaks from November to January due to Black Friday, the Christmas period and summer sales season, as well as in other periods of the year including Easter and July sale periods. For TFG London, sales experience high peak from November to January due to Black Friday, the Christmas period and winter sales periods, as well as a peak in July and August, as a result of the summer sales season.

In connection with these peak trading seasons, the Group incurs additional expenses in anticipation of higher sales during such periods, including costs of sourcing additional inventory, increases in advertising spend and, in the case of the Christmas trading period, costs associated with hiring additional employees. Procurement of inventory for these periods in TFG London and TFG Australia is done in advance and the Group has to anticipate trends in consumer preferences and the level of likely demand for its products in these periods to avoid an excess or a shortage of inventory.

If sales during peak trading periods prove to be significantly lower than expected for any reason, the Group may be unable to adjust its respective expenses in a timely fashion and may be left with substantial amounts of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, the Group may be forced to rely on markdowns or promotional sales to dispose of excess inventory, which may not offset additional occupancy and wage costs, and could have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group may experience a reduction of sales during periods of inclement weather due to reduced customer footfall. The number of customers visiting the stores may also decline during periods of extreme weather conditions affecting the relevant local area. Extreme weather conditions may also result in orders placed online being unable to be delivered. Prolonged unseasonal weather conditions, or temporary severe weather during the Group's peak trading periods, could have a material adverse effect on its business, financial condition and results of operations.

As the retail industry is highly competitive and trend-sensitive, failure to compete successfully and maintain a competitive position can affect the Group's business, financial condition and results of operations.

Certain segments and geographies in which the Group operates are highly competitive, including most notably the Group's brands in the United Kingdom and certain of its brands in South Africa. Across the sectors and geographies in which the Group operates, it competes with a wide variety of companies of varying sizes and covering different price points, product categories, distribution channels and geographic markets. In addition, the Group faces increasing competition from new digital start-ups entering into the retail market, especially in Europe where non-brick and mortar stores are gaining popularity. Such competition places pressure on the Groups' retail turnover, pricing strategy, margins and profitability. The Group faces several competitive pressures, including:

- offering streamlined shopping experiences on e-commerce platforms (see “—*The Group faces risks in connection to its e-commerce business and digital transformation initiatives.*”);
- offering value and consistent quality products and services across the price spectrum;
- sourcing merchandise efficiently and cost effectively;
- competitively pricing the Group's products and services and successfully meeting the customer perception of value;
- adapting the Group's store network to the changing needs of the Group's customers and securing the most appropriate mix of multi-channel distribution;
- website design and mobile platform (including user-friendly interfaces incorporating recent technological advancements) and maintaining a positive online presence across various social media platforms; and
- competing against new web-based competitors and other new entrants with low barriers to entry.

Some of the Group's competitors offer a broad range of product categories while others are specialist retailers that compete only in certain product categories. Although the Group is generally a leader in the markets in which it operates, certain of the Group's competitors may have greater market presence and brand recognition than certain TFG brands, especially in the United Kingdom, or may be perceived to offer higher quality products at the same or lower prices or similar quality products at lower prices and therefore offer greater value for money than certain of the Group's brands.

The Group may become subject to litigation which may have an adverse effect on its business.

The Group may be the subject of complaints and litigation from its customers, employees and other third parties, alleging intellectual property infringement, injury, breaches of data protection or health, environmental, safety, privacy, tax or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. These claims, even if successfully defended, could have a material adverse effect on the Group's reputation and divert the attention of its management team. In addition, if the Group were to be found liable under any such claims, its business, results of operations, financial condition and prospects could be materially adversely affected.

The Group may be subject to liability if it is found to have infringed upon the trademarks or other intellectual property rights of third parties.

The Group is at risk of infringing third-party intellectual property rights, especially as it strives to develop products that capture certain trends in fashion. The Group is, from time to time, subject to claims by third parties suggesting that products it sells infringe their intellectual property rights. If the Group is found liable for any such infringement, it could be required to pay substantial damages, destroy offending merchandise or comply with injunctions against it to prevent further infringement. Any payments that may be required to be made and any injunctions with which the Group may be required to comply as a result of such infringement actions could materially adversely affect its business, results of operations, financial condition and prospects. In addition, such infringement claims could harm customers' perception of the Group or otherwise harm the images and reputations of its brands.

In addition, the Group is subject to the risk of third parties counterfeiting its products or otherwise infringing its intellectual property rights, including trademarks and design rights. The Group may need to resort to litigation in the future to enforce its intellectual property rights. Any litigation could result in substantial costs and a diversion of resources. The Group may not be successful in securing protection for its intellectual property rights, particularly in developing countries or in new markets. Combating the production and sale of counterfeit products and preventing or halting other infringements of the Group's intellectual property rights may be costly and may not yield expected results. Any failure by the Group to protect and enforce its intellectual property rights could have a material adverse effect on its business, results of operations, financial conditions and prospects.

The Group is exposed to the risk of exchange rate fluctuations.

The Group is exposed to foreign currency exchange rate risk with respect to its sales, profits, assets and liabilities denominated in currencies other than its reporting currency, the Rand. In the year ended 31 March 2020, 39.4% of the Group's retail turnover was denominated in sales other than the Rand (20.8% in pound sterling ("**GBP**"), 15.4% in Australian dollars ("**AUD**") and the remaining 3.2% in other African currencies). In addition, the Group's purchases are subject to volatility and the Group's hedging strategy, and the impact of foreign events, such as Brexit, may increase the risk of exchange rate fluctuations. See "*—Legal, political and economic uncertainty surrounding the exit of the UK from the EU may be a source of instability in international markets, create significant currency fluctuations, adversely affect the Group's operations in the UK and pose additional risks to its business, retail turnover, financial condition, and results of operations.*" As a result, fluctuations in currency exchange rates, including due to COVID-19, may significantly increase the amount of Rand required for foreign currency expenses or significantly decrease the Rand received from foreign currency retail turnover.

The Group also has exposure to currency translation risk. The financial statements for the Group's foreign subsidiaries have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the market-based foreign currency exchange rate at the date of the transaction, as applicable, and all other items, including monetary items, denominated in foreign currencies are retranslated at the market-based foreign currency exchange rate at the reporting date, with the resultant translation differences being credited or charged to profit or loss as foreign currency translation differences affecting other comprehensive income. In addition, the Group has an intercompany loan from TFG Africa to TFG London, which is subject to currency translation risk as the loan is denominated in GBP rather than Rand. As a result, the Group is subject to foreign currency risk, transaction costs, credit requirements and counterparty risk.

The Group's policies and internal controls may be insufficient to prevent unethical, criminal or illegal acts by the Group's employees, partners or suppliers.

The Group is required to comply with a number of anti-bribery and money laundering regulations, which generally prohibit it from making improper payments, including bribes or facilitation payments. In addition, as a result of doing business in certain foreign countries, the Group is exposed to a potential compliance risk with respect to anti-corruption laws and sanctions regulations applicable in those countries in which the Group, its partners, suppliers and agents operate.

Although the Group enforces and monitors controls to prevent violations of applicable laws, including internal control procedures and compliance policies, the Group may be liable for an unauthorised or improper payment or offer of payments made by an employee or agent, even if the parties are not subject to the Group's control. The risks associated with potential violations of such regulations may negatively affect future results of operation or subject the Group to criminal or civil enforcement actions and penalties, including fines, denial of export privileges, injunctions, asset seizures, and revocations or restrictions of licenses.

In addition, any major violations could have a significant impact on the Group's reputation and consequently on its ability to conduct business. The Group could also be exposed to a variety of other negative consequences as a result of any potential violations of law, such as costs in connection with internal or external investigations of any potential violations of which it has become aware, costs to undertake additional compliance training and programs to ensure it has effective policies and procedures in place and the focus on such matters by senior management that could impinge on the time they have available to devote to other matters relating to the Group's operations. Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's business is subject to the risks and costs associated with its predominantly leasehold property portfolio.

All of the Group's stores are leased. The Group may be unable to maintain or renew leases for its stores when they expire on acceptable terms or at all. The Group may not be able to lease other suitable locations on acceptable terms, or it may face increased costs resulting from store relocation. Such matters could have a material adverse effect on the Group's business.

The Group's ability to effectively renew its existing store leases or obtain store leases to open new stores depends on the availability of store leases that meet its criteria for traffic, square footage, lease economics, demographics and other factors. The Group may not be able to renew its existing store leases on acceptable terms or at all including, for example, when the landlord is able to establish statutory grounds for non-renewal or if the leases do not have the benefit of statutory or contractual rights of renewal.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of retail real estate properties. This could impact the quality of the Group's decisions regarding whether or not to obtain new leases and renew expiring leases at negotiated rents. These factors may result, among other things, in significant alterations to rental terms (including increasing rental rates), an inability to effect site renewals or a failure to secure real estate locations that are desirable, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group currently leases a number of its distribution centres and warehouses in South Africa. If the Group is unable to renew its leases, the ability to lease a suitable replacement logistics location on favourable terms can be subject to many factors that are not within the Group's control, such as conditions in the local real estate market, competition for desirable properties and the Group's relationships with current and prospective landlords. If the Group's lease payments in these geographical markets increase or if it is unable to renew existing leases or lease suitable alternative locations, the Group may incur significant increase in its cost base and its profitability may be adversely harmed.

The recent store closures during the COVID-19 lockdown have also led to numerous discussions with the Group's landlords in the jurisdictions in which TFG operates. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*" In particular, TFG Africa stopped payments for its South African store's rent in April, on the basis of a legal opinion obtained by the Group. TFG Africa later retroactively paid certain of the rental costs – while negotiation is ongoing with many landlords, some agreements have been reached to provide for rent payable during and post lock-down. In addition, there are ongoing discussions between the retail industry forum and the landlord industry forum in South Africa, aiming to address both the non-payment of rental during the COVID-19 lockdown and the rental payment process going forward. There is no assurance that such discussions can be concluded in a manner satisfactory to the Group.

In modernizing or refurbishing its existing stores, the Group may also require consents from its landlords or local authorities. If any such works are carried out, or have been carried out previously, without such consents, disputes may arise which may result in the Group having to undertake reinstatement works or the landlord seeking forfeiture of the relevant lease. As a result of the Group's periodic review and the restructuring of its store portfolio, particularly its intention to continue to relocate or close marginally profitable and unprofitable stores or stores in undesirable locations, the Group may face dilapidation claims from its landlords which (whether founded or unfounded) may require the Group to make unforeseen payments to its landlords and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may not be able to identify suitable acquisition targets and/or complete acquisitions on acceptable terms and it may incur unforeseen risks and costs relating to acquisitions.

The Group has in the past and may in the future seek to acquire or invest in businesses that it believes could complement or expand its current offering. The identification, evaluation and negotiation of potential acquisitions or potential divestitures may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. If the Group acquires additional businesses, it may not be able to successfully integrate the acquired personnel, operations and technologies, or effectively manage the combined business following an acquisition. Regulatory constraints, particularly competition regulations, and inherent business risks in the acquired businesses (both known and unknown) may also affect the extent to which the Group can maximise the value of the acquisitions or investments. In addition, the Group may spend time and money on acquisitions or investments that do not increase retail turnover, and it may have to write down goodwill from the Group's statement of financial position if initial estimates of the value of an acquired business are higher than actual results. Any failure of an acquired business to meet expectations could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business operations could be adversely affected by natural disasters, public health crises, political crises, terrorist attacks or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; or other catastrophic events, could disrupt the Group's operations or the operations of one or more of its suppliers. In particular, these types of events could impact the Group's product supply chain, its technology supply and publishing business from or to the impacted region and could impact its ability or the ability of third-parties to operate its stores or websites. In addition, these types of events could negatively impact consumer spending in the impacted regions or, depending upon the severity, globally.

To the extent that such events were to result in the closure of one or more of the Group's offices, distribution centres or stores, or impair its ability to purchase, receive or replenish inventory, the Group's business, results of operations, financial condition and prospects could be materially adversely affected. See "*—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations.*"

In addition, acts of terrorism could result in the Group experiencing a decline in its retail turnover if consumers are deterred from shopping in general or if one or more of its stores, due to their location, are perceived to be particularly at risk from such acts of terrorism. In addition, any of these events could result in price increases for, or shortages of, fuel, delays in opening new stores, and/or temporary or long-term disruption to the Group's supply chain. In addition, these events can have indirect consequences such as increases in the cost of insurance if they result in significant loss of property or other insurable damage. Moreover, the Group's disaster recovery plans may be insufficient to cope adequately with such unforeseen circumstances. To the extent any of these events occur, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group's insurance policies may not cover all losses.

The Group's insurance policies include insurance to cover risks associated with its business, particularly insurances covering events or accidents of catastrophic nature. The Group believes that the types and amounts of insurance coverage that it maintains is consistent with customary industry standards in the jurisdictions in which it operates, including with respect to COVID-19 related coverage. The Group's insurance policies are, however, subject to exclusions and limitations of liability.

Historically, insurance coverage in the retail industry has not covered shortfalls or business interruption as a result of pandemics, and as such, the Group may not receive insurance proceeds for lost sales caused by COVID-19. The Group is currently monitoring the status of insurance litigation in the jurisdictions where it operates, as there are several cases before the courts that are of a similar factual nexus to the claims that the Group may seek to assert. However, there can be no assurance that the Group will be successful in claiming any amounts under its insurance policies, and to the extent that its insurance policies are not able to cover loss of sales as a result of COVID-19, the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

Following multiple claims or after one major claim, insurance premiums may be increased or the terms and conditions of the Group's insurance coverage may change for the worse. The Group's policies are expected to be renewed on 1 October 2020, and there is a risk that general changes in insurance markets may lead to less favourable policies. There can be no assurance that the Group will continue to be able to obtain sufficient insurance for the risks incurred in connection with its business operations on terms and under conditions that are believed to be economically justifiable. If the Group sustains damages for which it has insufficient or no insurance coverage, or if it experiences higher insurance premiums or restrictions on insurance coverage, this could have a material adverse effect on the Group's business, results of operations and financial condition.

Changes in tax laws or challenges to the Group's tax position could adversely affect its results of operations and financial condition.

Due to the global nature of the Group's operations, the Group is subject to income taxes in multiple jurisdictions. Significant judgment and estimation is required in determining the Group's worldwide provision for income taxes. In the ordinary course of business, there are various transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination is uncertain or otherwise subject to interpretation. The Group is regularly audited by tax authorities who may disagree with its tax estimates or judgments.

Although management believes that the Group's tax estimates are reasonable, the final determination of any such tax audits could differ from the Group's historical income tax provisions and accruals and any additional tax liabilities, including applicable penalties and interest resulting from such final determination could have a material adverse effect on the Group's financial position. In addition, the Group is currently and may in the future become involved in proceedings with national or regional tax authorities. While the Group attempts to assess in advance the likelihood of any adverse judgments or outcomes to these proceedings or claims, it is difficult to predict final outcomes with any degree of certainty.

In addition, changes in tax legislation or guidance could affect the Group's tax rate, the carrying value of deferred tax assets or its deferred tax liabilities. Any tax audit, tax proceeding or changes in tax legislation or guidance could, as a result of any of the above risks, materially adversely affect the Group's business, financial condition and results of operation.

An increase in export or import duties and controls may have an adverse effect on the Group's business.

While the Group has historically been able to locate and purchase quality merchandise at prices which offer a higher margin, such merchandise may become subject to higher import taxes than applied as at the date of this Circular.

In addition, foreign trade policies, tariffs and other impositions and requirements on imported goods, which may depend on the product's place of origin, the product's nature and specifications and other factors relating to the foreign trade of the countries in which the Group operates are beyond the Group's control and could result in difficulties in obtaining quality, low-cost merchandise from these countries. Consequently, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in the financial condition or popularity of the Group's concession partners, including department stores, could have an impact on sales made by the Group's concession outlets.

The Group has concession arrangements with major department stores and shopping malls in Europe, Asia, North America and Australia. As of 31 March 2020, 752 out of the total 4,083 TFG outlets are concession outlets. For the year ended 31 March 2020, 7.3% of the Group's sales are through its brick-and-mortar concessions located within department stores and shopping malls, and the Group benefits from the ability of those locations to generate consumer traffic. In addition, a significant component of the Group's online sales are derived through the use of online retailers in which third parties, including Bloomingdales in the United States and John Lewis, Debenhams and House of Fraser in the United Kingdom, offer the Group's products through their e-commerce channels. See "*—The Group faces risks in connection to its e-commerce business and digital transformation initiatives.*" A substantial decline in department store, mall or online traffic to the Group's concession partners may negatively impact the Group's ability to maintain or increase its sales in existing stores, and could have an adverse effect on the Group's business and results of operations.

The popularity of department stores has been in decline in recent years, with several large department store retailers having recently filed for bankruptcy, insolvency, or other creditor protection. Although TFG has not been materially affected by any of these recent events, and management believes that the Group's debt and receivables with these stores are generally well collateralised and provisioned for, the bankruptcy or insolvency of any stores or online platforms in which its concessions operate could result in bad debt that concession partners owe to the Group and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

6.2 Risks related to South Africa and other regions in which the Group conducts its business operations

There are risks associated with investing in and conducting business in emerging markets.

The Group has operations in several African countries including South Africa and a few other Southern African countries. As a result, the Group faces political and economic risks and other uncertainties with respect to its operations in these countries. In the countries in which the Group operates, corporations have in the past experienced difficulties resulting from currency fluctuations, high interest rates, increases in corporate bankruptcies, political instability, stock market declines, corruption, threats and ransom demands, epidemics and other factors that may materially adversely affect the Group's business.

As the Group's operations are primarily in emerging markets, they are typically thought to be subject to many risks, including:

- adverse changes in economic and governmental policy;
- future downgrades of the debt ratings of the countries in which the Group operates, particularly in South Africa, where the three major rating agencies have all downgraded South Africa's sovereign debt credit rating below investment-grade status;
- abrupt changes in currency values;
- abrupt currency shortages;
- high levels of unemployment;
- high levels of inflation;
- relatively low levels of disposable consumer income;
- relatively high levels of crime;
- large-scale involuntary migration caused by violence or economic decline;
- volatility in capital markets;
- relatively unstable institutions;
- exchange controls;
- government interventions;
- unpredictable changes in the legal and regulatory environment;
- difficulties in staffing and managing operations and ensuring the safety of the Group's employees;
- greater risk of uncollectible accounts and longer collection cycles; and
- inconsistent application of existing laws and regulations; and
- slow or insufficient legal remedies.

Moreover, financial turmoil in any emerging market country tends to adversely affect prices in the financial markets of other emerging market countries, as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in any of the countries in which the Group operates and adversely affect any such jurisdiction's economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the economy of one of the countries in which the Group operates remains relatively stable, financial turmoil in any emerging market country could adversely affect its business. Companies with operations in countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Any of the foregoing factors, as well as other political, economic, social and other developments in the countries in which the Group operates, could have a material adverse effect on its business, financial condition, results of operations and prospects.

South African exchange control regulations may restrict the Group's ability to make foreign investments and procure foreign denominated finance.

As a South African resident company, the Group is subject to South Africa's exchange control regulations (the "**Exchange Control Regulations**"), which effectively place limitations on the export of capital from Lesotho, Namibia, South Africa and eSwatini (the "**Common Monetary Area**"). Transactions between South African residents (including companies) and non-residents of the Common Monetary Area are subject to exchange controls administered by the South Africa Reserve Bank. As a result, the Group's ability to raise and deploy capital outside the Common Monetary Area is restricted. These restrictions could affect the Group's financial and strategic flexibility. In general, South African companies are not permitted to export capital from South Africa or to hold foreign currency unless exemption has been granted for a category of transaction or without the approval of the South African Reserve Bank. Although there has been ongoing relaxation of exchange controls since 1995, these regulations or changes to the regulations may limit the Group's financial flexibility and hinder its ability to make foreign currency denominated investments or procure foreign currency denominated financing, all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Sovereign rate risks in South Africa may have an adverse effect on the Group's ability to secure financing or to renegotiate or obtain favourable insurance policies.

On 3 April 2017, Standard & Poor's Rating Services ("**S&P**") downgraded South Africa's sovereign credit rating to non-investment grade (BB with a negative outlook) due to, among other things, political risk and continued economic underperformance. On 7 April 2017, Fitch Ratings, Inc. ("**Fitch**") also downgraded South Africa's sovereign credit rating to non-investment grade (BB+ with a negative outlook) for similar reasons. In June 2017, Moody's Investors Service, Inc. ("**Moody's**") revised its long-term foreign and local currency debt ratings to Baa3 from Baa2 and affirmed a negative outlook citing a weakening institutional framework and reduced growth prospects. On 27 March 2020, Moody's further downgraded South Africa's sovereign credit rating to the non-investment grade credit rating of Ba1 with a negative outlook, citing the continuing deterioration in fiscal strength and structurally very weak growth. On 3 April 2020, Fitch downgraded its outlook from BB+ to BB for South Africa's sovereign credit rating with a negative outlook.

Any further downgrading of South Africa's sovereign credit rating may adversely affect the Group by making it more difficult to obtain external financing, or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available. South Africa's sovereign credit rating downgrade could also result in increased difficulty for the Group to renegotiate or obtain favourable insurance policies. The recent downgrades of South Africa's sovereign credit rating could also have a material adverse effect on the South African economy, as many pension funds and other large investors are required by internal rules to sell bonds once two separate agencies rate them as non-investment grade. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A change to the Group's B-BBEE rating may adversely affect its reputation, business operations and relationship with the government.

The Group has invested significant effort to meet the objectives of the B-BBEE Act and to implement the principles embodied in the B-BBEE Codes. The Group's B-BBEE strategy is centred around a wholesome approach to B-BBEE and touches on all aspects of its organisation.

The Group previously obtained a level 6 B-BBEE rating (or contributor level) for its South African operations, however, there can be no assurances that the Group will again achieve or be able to maintain such a B-BBEE rating and there is a risk that it may achieve an inferior B-BBEE rating in subsequent measurement periods. Following any legislative changes to the B-BBEE Codes, the Group may be required to incur additional costs in maintaining or improving its B-BBEE rating under the B-BBEE Codes or may change or discontinue existing initiatives.

A company's B-BBEE rating is an important factor considered by the South African government, and may influence the Group's relationships with the government, including but not limited to any incentives which the Group receives from the government. Failure to comply with B-BBEE laws, the B-BBEE Codes and regulations could have a material adverse effect on the Group's business, operations and reputation.

Labour disputes and changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees.

The Group is required to comply with an extensive list of labour regulations in South Africa (see "*11—Regulatory Matters—11.6 Employees*"), including with respect to wages and other minimum conditions of employment, social security benefits and termination payments. In particular, South African laws relating to labour regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies. These could result in significant costs.

All production staff in TFG Africa's manufacturing, clothing and textile operations are covered by collective bargaining agreements, while approximately 4% of the Group's other employees are covered by union agreements. Although management believes that the Group presently has good relations with its employees, it cannot assure that a work slowdown, a work stoppage or a strike will not occur, and the effect of any such work slowdown, work stoppage or strike cannot be estimated. Due to the financial losses caused by the lockdown measures introduced in response to the COVID-19 pandemic, the Group may have to implement temporary layoffs, short-term salary reductions or other temporary measures in order to maintain profitability. The Group may also have to consider more long-term solutions, such as the reduction of its workforce (i.e. through a restructuring of its business for operational reasons, which may result in large scale retrenchments). In addition, in light of the current regulations relating to COVID-19 and the impact such regulations have on employment generally, labour unions have become more vocal in defending the interests of members and this, together with the possibility of job losses, could potentially lead to further volatility in labour relations in South Africa.

The Group has announced that it has sought derecognition of the South African Commercial, Catering and Allied Workers Union ("**SACCAWU**"), providing all employees with three months' notice of its derecognition. Although the number of employees belonging to SACCAWU is not significant and thus not likely to impact the Group's operations, this could potentially lead to strike actions and resulting negative publicity.

In recent times, amendments to labour legislation in South Africa have introduced more stringent requirements in relation to the relationship with employees. For example, the Labour Relations Act, No. 66 of 1995 (as amended) (the "**LRA**"), provides protections for employees earning below a certain threshold and who are employed on an 'atypical' basis (ie for a fixed-term part-time or via a third party temporary employment service or 'labour broker'). An employee engaged on a fixed term contract or via a 'labour broker' will be deemed to be permanently employed by the employer unless the employer can establish justification for employment on that basis. The reasons available to an employer to justify such employment are limited. Part-time employees are required to be treated no less favourably than comparable full-time employees which may include the same pay and benefits. The LRA remedies to employees where employers fail to comply with these requirements, and in instances where employment is terminated unfairly, or employees are subjected to unfair labour practices (such as unfair treatment relating to promotion, demotion and benefits). These remedies include reinstatement, reemployment and the award of compensation to employees. In certain instances, breaches of the labour legislation amount to a criminal offense.

Furthermore, the Employment Equity Act, No. 55 of 1998 (as amended) (the “**Employment Equity Act**”) creates obligations and administrative requirements in respect of non-discrimination and equity in employment matters. Fines of up to 10% of turnover related to the South African operations may be imposed in the event of repeated non-compliance with certain provisions of the Employment Equity Act.

In addition, there could be significant risks for the Group if it has not taken appropriate steps to eliminate sexual harassment or other forms of discrimination in the workplace. Employees who are victims of sexual harassment or discrimination may resign, claim constructive dismissal and be awarded compensation up to the equivalent of 24 months’ remuneration. The Group could also be liable to pay damages or compensation to the victim of sexual harassment or discrimination in terms of the Employment Equity Act, either as a consequence of any discriminatory practices or as a result of a failure to take necessary steps to eliminate conduct in contravention of the Employment Equity Act. Apart from the financial risk, there is also a risk of reputational damage if any allegations that the Group did not address issues of sexual harassment are made known to external parties.

Any significant increase in labour costs, extensive work slowdowns, work stoppages or strike actions, whether caused by the factors described above or otherwise, could have a material adverse effect on the Group’s business, financial condition and results of operations.

The Group’s operation in South Africa may be adversely affected by increases in energy or water costs, electricity shortages or reductions in the availability of water.

Increases in energy or other commodity costs, including electricity, gas, and water may adversely affect consumer spending and demand for the Group’s products and increase the cost of sales, adversely impact its result of operations due to consequential increases in operating costs and will divert financial and management resources from more beneficial uses.

Energy and water costs in Africa have fluctuated significantly in the past and may fluctuate in the future. For example, in South Africa, electricity tariffs charged by Eskom (South Africa’s state-owned energy provider) have significantly increased in recent years, with a 2.2% average tariff increase in 2017 for direct users, a 5.23% average tariff increase in 2018 for direct users and a 13.87% average tariff increase in 2019 for direct users. In March 2020, the National Energy Regulator of South Africa approved an 8.76% average tariff increase for electricity for the financial year 1 April 2020 to 31 March 2021. Any future fluctuations in petrol / diesel costs may result in an increase in the Group’s transportation costs for distribution, utility costs for stores and costs to purchase merchandise from third-party manufacturers. The Group may not be able to pass all or a portion of these higher costs on to its customers, which could adversely affect its margins, have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

In addition, the Group relies upon an uninterrupted flow of electrical power to operate its stores. South Africa has experienced national electricity shortages with intermittent power outages and the government has occasionally implemented electricity rationing and planned blackouts (referred to locally as “**load shedding**”). Eskom has advised that the national power grid may remain under strain for a number of years until new power stations come online, and load shedding remains a possibility during this time. Eskom sometimes carries out load shedding, which completely stops the power supply and could result in the Group’s stores, manufacturing facilities and warehouses being shut down. Any such disruption in electricity supply or reductions in the availability of other essential services may have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

Furthermore, following three consecutive years of limited rainfall, in January 2018, South African governmental officials announced that Cape Town was suffering from a widespread, drought-induced municipal water failure. The local government increased water tariffs and enforced prohibitions on heavy users. By the end of 2018, these emergency efforts, coupled with the return of average rainfall in June 2018, largely stabilised the water supply, though concerns relating to the level and consistency of water quality remain. Dam levels in various areas in South Africa remain below pre-drought levels and there can be no assurance that another water supply crisis or other disruption will not occur in the future, which may have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

Legal, political and economic uncertainty surrounding the exit of the UK from the EU may be a source of instability in international markets, create significant currency fluctuations, adversely affect the Group’s operations in the UK and pose additional risks to its business, retail turnover, financial condition, and results of operations.

The Group’s TFG London operations are also subject to certain specific risks related to Brexit, including the possible imposition of customs duties, trade and supplier disruptions, worsened macroeconomic conditions and changes in consumer purchasing power.

On 23 June 2016, the UK held a referendum in which a majority of the eligible members of the electorate voted to leave the EU, commonly referred to as Brexit. Pursuant to Article 50 of the Treaty on EU, the UK ceased being a Relevant State of the EU on 31 January 2020. However, the terms of the withdrawal have yet to be fully negotiated. The implementation period began 1 February 2020 and will continue until 31 December 2020. During this 11-month period, the UK will continue to follow all of the EU’s rules and the UK’s trading relationship will remain the same. However, regulations (including financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws, immigration laws and employment laws) have yet to be addressed. This lack of clarity on future UK laws and regulations and their interaction with the EU laws and regulations may negatively impact foreign direct investment in the UK, increase costs, depress economic activity and restrict access to capital.

However, the uncertainty concerning the UK’s legal, political and economic relationship with the EU after Brexit may be a source of instability in international markets, create currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the date of Brexit.

These developments, or the perception that any of them could occur, may have a significant adverse effect on the markets in which TFG London operates. In particular, it could also lead to a period of considerable uncertainty in relation to the UK financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates and credit ratings may also be subject to increased market volatility.

If the UK and the EU are unable to negotiate acceptable agreements or if other Relevant States pursue withdrawal, barrier-free access between the UK and other Relevant States or among the EEA overall could be diminished or eliminated. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, any arrangements for the UK to retain access to EU markets either during a transitional period from 1 January 2021 or more permanently.

TFG London monitors the impact of Brexit on an ongoing basis and produces regular impact updates for executive management. However, such a withdrawal from the EU is unprecedented, and it is unclear how the UK's access to the European single market for goods, capital, services and labour within the EU, or single market, and the wider commercial, legal and regulatory environment, will impact the Group's current and future operations in the United Kingdom. In addition, TFG London's operations support the Group's current and future operations, especially e-commerce offerings in the EU and the EEA, and these operations could be disrupted by Brexit.

6.3 Risks related to the Group's liquidity and financial condition

The Company has implemented certain liquidity and capital measures in response to COVID-19, and the liquidity and capital measures, once implemented, may not be sufficient to ensure that the Group can meet its liquidity and working capital and expenses requirements.

In response to COVID-19, the Company has assessed and implemented, and expects to continue to assess and implement, various liquidity and capital measures to help ensure that the Group's business can withstand this uncertain time from the perspective of meeting the Group's liquidity, working capital and expenses requirements, including (among others): the completion of this Rights Offer; securing additional committed facilities of R3.3 billion; waiving covenant testing in September 2020 and resetting covenants for March 2021; fast-track business optimisation initiatives; temporarily suspending dividends; zero salary increases for the financial year ended 31 March 2021; temporary reduction of board fees and salaries; reduction of forecast non-essential capital expenditure; and obtaining government support initiatives, including the COVID-19 TERS benefit in South Africa, Coronavirus Job Retention Scheme and 12-month business rates holiday in the UK, and Job Keeper Payment subsidy in Australia. See "9 Operating and Financial Review—9.7 Liquidity and Capital Resources."

There can be no assurance that any of these measures and initiatives will be successful or provide the Group with sufficient working capital to meet the Group's obligations in the longer term, even if the Rights Offer is successfully completed and the net proceeds applied as described in "Use of Proceeds". The overall operational and financial impact of COVID-19 on the operations of the Group going forward is highly dependent on the breadth and duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors the Group is not currently able to predict. See "—The outbreak of COVID-19 has had and may continue to have a negative impact on the Group's sales and operations."

Further, the Group could experience an increase in its longer term capital and/or liquidity requirements in excess of the amount the Company had anticipated for a number of reasons, including due to unexpected capital expenditure commitments, higher than projected finance costs as a result of refinancing, unexpected breakage or termination costs and/or failure to meet working capital targets. The Group may also incur higher costs than it currently expects in connection with the implementation of the measures described above or fail to meet the cost savings targets envisioned thereunder. The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The conditions and covenants contained in the Group's financing arrangements limit its financial and operating flexibility and subject it to significant adverse consequences in the event of a breach and/or event of default.

The Group's existing facilities and debt arrangements contain conditions and covenants, including debt to Adjusted EBITDA ratios (as defined in the relevant funding agreement). These conditions and covenants limit the Group's ability to raise additional or alternative debt finance for its current and future operations and capital needs and its ability to pursue certain business activities that may be value-enhancing for Shareholders. The Group has negotiated the waiver of covenant testing in September 2020 and the resetting of covenants for March 2021. At 31 March 2020, the Group met its banking covenants for all facilities. Although management believes that, following the Rights Offer, the Group will have sufficient headroom under the covenants in its borrowing facilities and sufficient liquidity to manage its operations, there can be no assurance that in the longer term there will not be unforeseen events or circumstances that result in the Group being unable to meet its covenants.

If the Group breaches the conditions or covenants of any financing arrangement and is unable to cure the breach or obtain a waiver from the relevant lenders, it could be in default under the terms of such arrangement and such default could result in cross-defaults and/or cross-accelerations under other facilities. Furthermore, the lenders under its credit lines could terminate their commitments to extend credit or cease making loans. Any such circumstances would have a material adverse effect on the Group business, financial condition, results of operations and prospects, and its ability to operate as a going concern.

The Group may not be able to raise or drawdown further financing or refinancings on economically favourable terms or at all.

The Group may need additional capital to satisfy its undertakings under the existing facilities and maintain and expand its business. Its ability to raise additional funding to pursue its strategy depends on its access to capital markets. Market conditions and other factors, especially large transactions, acquisitions or capital expenditures, may also cause the Group to seek additional financing sooner than it expects.

If the Group fails to generate sufficient funds from operating cash flow and debt or equity financing, it may have to delay or abandon its business plans. If the Group cannot obtain adequate financing on acceptable terms, it may be unable to take advantage of opportunities or to meet unexpected financial requirements.

Unforeseen events or circumstances such as a prolonged economic downturn in one or more of the countries in which the Group operates, the downgrading of the credit rating of one of these countries, significant increased costs, further downward pressure in selling prices or devaluation of the Rand or any of the Group's other functional currencies may reduce the Group's ability to generate sufficient funds from operating cash flow and debt or equity financing, and the Group's liquid funds and existing undrawn committed lines of credit may not be sufficient to cover its refinancing and operational need. The Group continues to depend on future financing and refinancing in the credit and capital markets and may not always be successful in securing such financing on economically favourable terms or at all, which could have a material adverse effect on its business, financial condition, results of operations and prospects. Furthermore, economic unrest and worsened conditions in the capital markets may have an impact on the Group's ability to successfully complete the Rights Offer, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, due to the nature of the Group's borrowing facilities, an event of default (including a failure to achieve a debt reduction milestone) under one facility could result in cross-defaults and/or cross accelerations under other facilities and the acceleration of the payment obligations under the Group's other lending arrangements. This could therefore result in all or some of the Group's other borrowings becoming repayable immediately.

Access to financing and the Group's ability to refinance is dependent on a variety of financial, macro-economic and other qualitative factors, which are, in some instances, beyond the Group's control. The Group's current statement of financial position will affect its ability to raise borrowings in the capital markets or from private lenders in the short-term.

Following the Rights Offer, the Group may incur further indebtedness in response to developments affecting its business and its net indebtedness may increase.

Whilst the Group believes that, following the Rights Offer, it will have sufficient funds to meet its obligations, there can be no assurance that the combination of cash flows generated from its operations and its existing financing arrangements will be sufficient to fund growth opportunities in the longer term, or that the capital expenditure and working capital required to complete its existing projects may not increase beyond expectations. The Group's indebtedness may also increase in response to events affecting its business, such as adverse movements in the Rand/US Dollar exchange rate (or other functional exchange rates) or operational issues.

The Group's future use of debt funding and the resultant payment and repayment obligations may require TFG to dedicate a portion of its cash flows to pay funding obligations. Depending on the level of the borrowings, prevailing interest rates and exchange rate fluctuations, these may materially reduce funds available for planned capital expenditure, operating expenditure and other purposes.

A significant default by a counterparty could adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is dependent upon the performance of counterparties, such as customers, concession partners, suppliers and financial institutions (such as banks and insurance providers), in order to meet its obligations as they fall due. For example, the Group faces credit risk in the normal course of business with customers who buy its products on credit terms. Defaults by a large number of credit customers for a prolonged period of time could reduce retail turnover, increase bad debt write-offs and have a material adverse effect on the Group's business, financial condition, results of operations and prospects. If any counterparties were to default on material payments or delivery obligations, the Group may be unable to meet its obligations to other counterparties.

If a counterparty were to become insolvent or otherwise be unable to meet its obligations, the Group may need to find a replacement to carry out that party's obligations, which may increase costs or reduce its retail turnover. A significant default by any of the Group's counterparties could have a material adverse effect on its business, financial condition, results of operations and prospects.

Furthermore, if various credit insurers were to reduce exposure to its credit risk, certain of the Group's suppliers may not be able to provide it with credit terms and it may need to find additional replacement funding.

Movements in interest rates and the restructuring of credit facilities may have a material impact on the Group's interest expense and could adversely affect the Group's business, financial condition, results of operations and prospects.

All of the interest on the Group's finance debt is indexed at a spread to benchmark rates. Certain of the Group's variable rate instruments also contain an interest step-up provision. With variable interest rates comes the risk of increasing interest rates while the risk associated with fixed interest rates lies in a possible decline in interest rate levels, giving rise to the Group paying more than it otherwise would. As a consequence, movements in interest rates can have a material impact on the Group's interest expense in respect of indebtedness and may have a material adverse effect on its business, financial condition, results of operations and prospects.

6.4 Risks related to the Rights Offer and the Rights Offer Shares

The Rights Offer and Rights Offer Shares are subject to the following risks which are typical for a capital raise of this nature:

- risk of fluctuation in the price of the Shares, which may fluctuate below the Rights Offer Share Price;
- the Company cannot give any assurance that there will be an active trading market for the Letters of Allocation or Rights Offer Shares (once issued);
- if Shareholders do not exercise their Rights in a proper and timely manner, there is a risk that they may not be able to subscribe for Rights Offer Shares and they may not receive any compensation for their unexercised Rights;
- due to various legal restrictions, Shareholders in certain jurisdictions may not be able to participate in the Rights Offer and their percentage ownership and voting interests in the Company's share capital will accordingly be diluted; and
- the Rights Offer Shares may not be freely transferable in the Restricted Territories.

Even though the Rights Offer is being underwritten, the underwriting is subject to customary provisions allowing the Joint Global Coordinators and Underwriters to terminate the underwriting in certain limited circumstances.

The Joint Global Coordinators and Underwriters have agreed to procure subscribers for, or failing which to subscribe and pay for the Rump Shares. However, the Underwriting Agreement includes certain customary termination events, which permit the Joint Global Coordinators and Underwriters to terminate the Underwriting Agreement if those circumstances arise at any time prior to the date of settlement of the Rights Offer. See “13 Underwriting Arrangements.” If the Joint Global Coordinators and Underwriters terminate the Underwriting Agreement, the amount of proceeds the Group may raise from the Rights Offer could be substantially reduced.

Because the exercise of the Rights will be irrevocable upon exercise and may not be cancelled or modified after such time, Qualifying Shareholders who have exercised their Rights will be required to complete their purchase of Rights Offer Shares even if the Underwriting Agreement is terminated.

The market price of the TFG Shares may fluctuate.

The market price of the TFG Shares is subject to fluctuations due to changes in sentiment in the market in response to various facts and events, any regulatory changes affecting its operations, variations in its results of operations and the business developments of the Group or its competitors or changes in financial estimates by securities analysts. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to its operating performance or prospects. Furthermore, the Group's operating results and prospects may, from time to time, be below the expectations of market analysts and investors. Any of these events could adversely affect the market price of TFG Shares, and the Group cannot ensure that the public trading market prices of its Shares will not decline below the Rights Offer Share Price.

The Group may be vulnerable to takeover offers, which may not reflect the full value of the Group.

The Group believes that its share price over recent months has not fully reflected the value of the Group and accordingly that any takeover offer, even at a premium to its current share price, for the Group may not deliver what it believes to be full value to the Shareholders. In addition, the current share price may make the Company more vulnerable to any such takeover offers.

In the future, the Group may not pay dividends at recent levels or at all.

The Group pays dividends to its Shareholders only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available, the funding required for its existing projects and the timing at which they become cash generative, its financing costs and other cash requirements existing at the time. Under South African law, the Group is entitled to pay a dividend to its Shareholders only if it meets the solvency and liquidity tests set out in the Companies Act. Given these factors and the Board's discretion to declare a cash dividend, in the future the Group may not pay dividends for any given period.

An active trading market in the Letters of Allocation may not develop and, if a market does develop, the Letters of Allocation may be subject to greater volatility than TFG Shares.

The Letters of Allocation are expected to be traded on the JSE from Wednesday, 22 July 2020 to Tuesday, 4 August 2020. The Group does not intend to apply for the Letters of Allocation to be traded on any other exchange. An active trading market in the Letters of Allocation may not develop on the JSE during the trading period. If a market does develop, there is no assurance of the nature of such trading market. In particular, because the trading price of the Letters of Allocation depends on the trading price of TFG Shares, any volatility in the price of its Shares may cause even greater volatility in the price of the Letter of Allocation.

TFG's Shareholders' ability to sell a substantial number of the Letters of Allocation or the Shares may be restricted by the limited liquidity of the Letters of Allocation or Shares traded on the JSE.

The principal trading market for the Letters of Allocation and TFG Shares is the JSE. Historically, aggregate trading volumes and liquidity of shares listed on the JSE have been lower in comparison with other major developed international trading markets. During the period between 2 January 2020 and 30 June 2020, a daily average of 2,780,766 of TFG Shares were traded on the JSE, representing 1.2% of its issued share capital per day as at 30 June 2020. The liquidity of its Shares or the Letters of Allocation traded on the JSE could affect TFG's Shareholders' ability to sell the Letters of Allocations or TFG Shares.

Qualifying Shareholders who do not acquire Rights Offer Shares will experience dilution in their ownership of TFG.

If TFG's Shareholders do not take up the offer for Rights Offer Shares, then the percentage that their TFG Shares will represent, of all issued TFG Shares, will be reduced. Even if such a TFG Shareholder elects to sell their unexercised Letter of Allocation, or if such Letter of Allocation is sold on their behalf, the consideration they receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of TFG's issued share capital that results from the Rights Offer.

Any future issues of TFG Shares will further dilute the holdings of current TFG Shareholders and could adversely affect the market price of TFG Shares.

Other than the proposed issue of TFG Shares under the Rights Offer, the Group has no current plans for an offering of TFG Shares. However, the Group may, subject to the necessary shareholder approvals, decide to offer or otherwise issue additional TFG Shares in the future either to raise capital or for other purposes. These offers and issues may or may not be made to TFG Shareholders on a *pro rata* basis. If not made on a *pro rata* basis, or if Shareholders do not take up such a *pro rata* offer of TFG Shares or are not eligible to participate in such offering, the percentage that their TFG Shares represent of TFG's total issued shares would be reduced accordingly. An additional offering or issue, or significant sales of shares, could have a material adverse effect on the market price of TFG Shares as a whole.

Shareholders outside South Africa may not be able to receive the Rights Offer Shares and their shareholding may be diluted.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in the Rights Offer. Shareholders who are located in the United States may not be able to exercise their Rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Offer will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict the Group's ability to allow participation by its Shareholders in such jurisdictions in any future issue of shares carried out by TFG. Qualifying Shareholders who have a registered address in, who are resident in, or who are citizens of, countries other than South Africa should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to receive the Letter of Allocation and the Rights Offer Shares.

Shareholders in countries with currencies other than the Rand face additional investment risk from currency exchange rate fluctuations in connection with their holding of TFG's Shares.

TFG Shares are quoted only in Rand and any future payments of dividends on TFG Shares (including the Rights Offer Shares) will be denominated in Rand. The US Dollar or other currency equivalent of any dividends paid or received in connection with TFG Shares (including the Rights Offer Shares) could be adversely affected by the fluctuations of the Rand against other currencies.

7. CIRCULAR TO QUALIFYING SHAREHOLDERS

7.1 Introduction

TFG announced on Thursday, 18 July 2020 that it intends to proceed with a capital raise, targeting gross proceeds of up to R3.95 billion by way of a fully underwritten, renounceable rights offer to TFG Shareholders. In this regard, TFG intends to implement the Rights Offer to Qualifying Shareholders pursuant to the announced capital raise.

Pursuant to the terms of the Rights Offer, 94,270,486 Rights Offer Shares will be offered for subscription to Qualifying Shareholders recorded in the Register at the close of trade (SAST) on Friday, 24 July 2020. Qualifying Shareholders will receive Rights to subscribe for Rights Offer Shares on the basis of 40 Rights Offer Shares for every 100 TFG Shares held, at a subscription price of R41.90 per Rights Offer Share.

At the extraordinary general meeting (“**EGM**”) of TFG Shareholders held on Thursday, 16 July 2020, TFG Shareholders approved, among other things:

- (i) the authorisation of the Directors, in terms of the provisions of Section 41(3) of the Companies Act and article 10.4 of the MOI, to allot and issue such number of TFG Shares in the authorised but unissued share capital of TFG as are required pursuant to and for the purposes of implementing the Rights Offer, such TFG Shares being the Rights Offer Shares, which are anticipated to exceed 30% of the voting rights of all TFG Shares immediately prior to such issue. Such authority includes the authority to allot and issue any TFG Shares in the authorised but unissued share capital of TFG to any Underwriter(s) of the Rights Offer (whether or not any such underwriter is a related party to TFG (as defined in the Listings Requirements)) and/or a person falling within the ambit of Section 41(1) of the Companies Act, being a Director, future director, prescribed officer or future-prescribed officer of TFG or a person related or inter-related to the Company or related or interrelated to a Director or prescribed officer of TFG (or a nominee of any of the foregoing persons); and
- (ii) placing of a number of TFG Shares in the authorised but unissued share capital of TFG as may be required and as determined by the Board, in its discretion, specifically for the purpose of implementing the Rights Offer, under the control of the Directors, subject to the provisions of the Companies Act, the MOI and the Listings Requirements.

The JSE has agreed to the listing of the Rights Offer Shares and the Letters of Allocation. The purpose of this Circular is to furnish Qualifying Shareholders with relevant information relating to the Rights Offer, the action required of Qualifying Shareholders and the implications of the Rights Offer, in accordance with the Companies Act and the Listings Requirements.

7.2 Rationale and Use of Proceeds of the Rights Offer

Details of TFG’s rationale for the Rights Offer and use of proceeds are set out under “2 Background to and Reasons for the Rights Offer” and “3 Use of Proceeds.”

7.3 Particulars of the Rights Offer

7.3.1 Terms of the Rights Offer

TFG hereby offers Qualifying Shareholders a total of 94,270,486 Rights Offer Shares for subscription, upon the terms and conditions set out in this Circular and, insofar as Qualifying Certificated Shareholders are concerned, also as set out in the Form of Instruction. The Rights Offer is made by way of Rights offered by TFG to Qualifying Shareholders to subscribe for Rights Offer Shares, through the issuance by TFG of the Letters of Allocation to Qualifying Shareholders, at a Rights Offer Share Price of R41.90 per Rights Offer Share on the basis of the Ratio of Entitlement.

The aforementioned Rights Offer Share Price represents a discount of approximately 40.6% to the prevailing 30-day Volume Weighted Average Price of the Shares as at Wednesday, 15 July 2020.

Qualifying Shareholders recorded in the Register at 17:00 (SAST) on the Record Date will be entitled to participate in the Rights Offer.

The enclosed Form of Instruction contains details of the Rights to which Qualifying Certificated Shareholders are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those Rights. Qualifying Dematerialised Shareholders will be advised of the Rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those Rights by their CSDP or Broker in terms of the custody agreement entered into between the Qualifying Shareholder and his CSDP or Broker, as the case may be. TFG does not accept responsibility, and will not be held liable, for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the details of this Circular.

The Rights Offer is underwritten, subject to customary conditions, as detailed in “—7.3.6 Underwriting” and “13 Underwriting Arrangements”.

Qualifying Shareholders may apply for excess Rights Offer Shares not taken up by other Qualifying Shareholders on the basis described in paragraph “—7.3.8 Excess applications”.

The Rights Offer Share Price is payable in full, in Rand, by Certificated Shareholders on acceptance of the Rights Offer on the basis described in paragraph “—7.3.9 Procedures for acceptance of Rights”. CSDPs will make payment, on a delivery versus payment basis, in respect of Qualifying Dematerialised Shareholders who have accepted the Rights Offer. Dematerialised Shareholders who have accepted the Rights Offer must ensure that the necessary funds are deposited with the relevant CSDP or Broker, as the case may be.

The Rights Offer Shares will, upon allotment and issue, rank *pari passu* with all other Existing TFG Shares and shall be fully paid up and freely transferable.

Certain TFG Shareholders have entered into irrevocable undertakings in favour of TFG to subscribe for, and/or recommend to their clients to subscribe for, and pay for in full, all of the Rights Offer Shares which such TFG Shareholders are entitled to as of the Record Date, representing 14.5% of net shares in issue (specifically excluding the treasury shares held by Foschini Stores Proprietary Limited). Copies of these undertakings will be available for inspection at the registered offices of TFG and from the offices of the Transaction Sponsor. In consideration for providing this undertaking, certain of such TFG Shareholders have agreed that their respective funds under management and advisement and/or underlying clients, which are beneficial holders of TFG Shares, shall be entitled to receive a fee equal to 1% of the aggregate subscription price paid by such TFG Shareholders to the Company for the respective irrevocable Rights Offer Shares

Pursuant to the terms of the Underwriting Agreement, TFG will pay the Joint Global Coordinators and Underwriters an underwriting fee equal to 2.75% of the aggregate of (A) the Capital Raise Amount less (B) any amount, capped at 20% of the Capital Raise Amount, ultimately paid by the shareholders pursuant to any irrevocable commitments concluded prior to the date of the Underwriting Agreement (the “**Committed Amount**”), in respect of which Committed Amount a reduced fee of 1.375% will be payable.

7.3.2 Rights Offer period

The Rights Offer will open at 09:00 (SAST) on Monday, 27 July 2020 and will close at 12:00 (SAST) on Friday, 7 August 2020. The Letters of Allocation will be listed on the JSE from 09:00 (SAST) on Wednesday, 22 July 2020 until close of business (SAST) on Tuesday, 4 August 2020 under Code TFGN and ISIN ZAE000288353.

7.3.3 Rights

Qualifying Shareholders will receive Letters of Allocation conferring Rights to subscribe for Rights Offer Shares on the basis of the Ratio of Entitlement.

The table of entitlement illustrating the number of Rights Offer Shares to which Qualifying Shareholders will be entitled is set out in Annexure 1 to this Circular. The entitlement of each Qualifying Certificated Shareholder is reflected in the appropriate block in the Form of Instruction, which is enclosed with this Circular. If you are a Qualifying Dematerialised Shareholder you will not receive a printed Form of Instruction. Qualifying Dematerialised Shareholders will have their accounts with their CSDP automatically credited with their entitlements in accordance with Annexure 1.

7.3.4 Fractional entitlements

The allocation of Rights Offer Shares will be such that Qualifying Shareholders will not be allocated a fraction of a Rights Offer Share and only whole numbers of Rights Offer Shares will be issued to Qualifying Shareholders. Fractional entitlements to Rights Offer Shares of 0.5 or greater will be rounded up and fractional entitlements of Rights Offer Shares of less than 0.5 will be rounded down.

7.3.5 Holdings of odd lots in multiples other than 100 shares

Qualifying Shareholders holding less than 100 Existing TFG Shares (if any), or not a whole multiple of 100 Existing TFG Shares, will be entitled, in respect of such holdings, to participate in the Rights Offer in the Ratio of Entitlements in accordance with the Table of Rights in Annexure 1.

7.3.6 Underwriting

The Rights Offer will be fully underwritten by the Joint Global Coordinators and Underwriters. For additional information on the Underwriting Agreement, see “13 Underwriting Arrangements”.

7.3.7 Minimum subscription

The Rights Offer is not conditional on a minimum subscription. The Rights Offer is fully committed due to the irrevocable undertakings and underwriting commitments as discussed in “—7.3.1 Terms of the Rights Offer”, and in “—7.3.6 Underwriting” and “13 Underwriting Arrangements”, respectively.

7.3.8 Excess applications

Qualifying Shareholders will have the right to apply for any excess Rights Offer Shares not taken up by other Qualifying Shareholders, subject to such Rights being transferable upon renunciation of the Letters of Allocation, and the pool of excess Rights Offer Shares will be allocated equitably by the Board to Qualifying Shareholders that make excess applications in accordance with the following principles:

- if not all of the Rights Offer Shares are taken up in the Rights Offer, the pool of the excess Rights Offer Shares will be allocated equitably to Qualifying Shareholders that make excess applications, taking cognisance of the number of Existing TFG Shares held by each applicant just prior to such allocation, being the Record Date, including those taken up as a result of the Rights Offer and the number of excess applications applied for by such applicant;

- the Board shall allocate Rights Offer Shares to Qualifying Shareholders who have applied pursuant to an excess application in an equitable manner unless such allocation would: (i) result in fractional shares, in which case such allocation shall be rounded to the nearest multiple of one Rights Offer Share (unless the application of the Ratio of Entitlement results in a fractional share of less than 0.5, in which case such allocation will be rounded down to zero); or (ii) result in a violation of applicable law or the rules or regulations of a South African governmental authority or the Listings Requirements; and
- if all the Rights Offer Shares are taken up in the Rights Offer, then no additional Rights Offer Shares will be made available for allocation to applicants.

Qualifying Certificated Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, may do so by indicating the number of additional Rights Offer Shares that they wish to subscribe for in Blocks (7) and (8) on the Form of Instruction and by enclosing payment, in accordance with “–7.3.12 Payments” of this Circular, for such additional Rights Offer Shares with their subscription. The completed Form of Instruction, together with payment, should be lodged with the Transfer Secretaries at the addresses set out under “1 Action Required by Qualifying Shareholders—1.1 Action Required by Qualifying Certificated Shareholders”, so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Friday, 7 August 2020.

Qualifying Dematerialised Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, should advise their CSDP or Broker in terms of the agreement entered into between them and their CSDP or Broker, as to the number of additional Rights Offer Shares for which they wish to apply and ensure that they have sufficient funds in their account.

An announcement will be released on SENS on or about Tuesday, 11 August 2020, and published in the South African press, stating the results of the Rights Offer and the basis of allocation of any additional Rights Offer Shares for which application is made.

Cheques refunding monies in respect of unsuccessful applications for additional Rights Offer Shares by Certificated Shareholders will be posted to the relevant applicants, at their risk, on or about Thursday, 13 August 2020. No interest will be paid on monies received in respect of unsuccessful applications.

Any Rights Offer Shares not taken up after excess applications will be placed by the Joint Global Coordinators and Underwriters or allocated to the Joint Global Coordinators and Underwriters themselves subject to the terms and conditions of the Underwriting Agreement.

7.3.9 Procedures for acceptance of Rights

Certificated Shareholders

If you are a Qualifying Certificated Shareholder and/or have had Rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed Form of Instruction, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and lodge it together with payment of the Rights Offer Share Price with the Transfer Secretaries at the addresses set out under paragraph “1 Action Required by Qualifying Shareholders—1.1 Action Required by Qualifying Certificated Shareholders” of this Circular so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Friday, 7 August 2020. Once received by the Transfer Secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received by 12:00 (SAST) on Friday, 7 August 2020, the day of the closing of the Rights Offer, the Qualifying Certificated Shareholder or renounee concerned will be deemed to have declined the Rights Offer to acquire Rights Offer Shares pursuant to the Rights Offer.

Qualifying Certificated Shareholders are advised to take into consideration postal delivery times when posting their Forms of Instruction, as no late postal deliveries will be accepted. Qualifying Certificated Shareholders are advised to deliver their completed Forms of Instruction together with their bank-guaranteed cheques or banker’s drafts, or EFT swift reference number by courier or by e-mail, where possible to the Transfer Secretaries as set out in the enclosed Form of Instruction.

Dematerialised Shareholders

If you are a Qualifying Dematerialised Shareholder, you will not receive a printed Form of Instruction. You should receive notification from your CSDP or Broker regarding the Letters of Allocation conferring Rights to which you are entitled in terms of the Rights Offer. The CSDP or Broker appointed by you is obliged to contact you to ascertain: (i) whether you wish to follow your rights in terms of the Rights Offer or renounce your rights and in respect of how many Rights Offer Shares; (ii) whether you wish to apply for excess Rights Offer Shares and if so, how many excess Rights Offer Shares you wish to apply for; and (iii) if you do not wish to follow all or any of your Rights, whether you wish to sell your Rights and how many of your Rights you wish to sell.

If you are not contacted by your CSDP or Broker, you should contact your CSDP or Broker and furnish them with your instruction. Should a CSDP or Broker not obtain instructions from a Qualifying Dematerialised Shareholder, they are obliged to act in terms of the mandate granted to them by such Qualifying Dematerialised Shareholder, or if the mandate is silent in this regard, they are obliged not to accept the Rights on behalf of such Shareholder.

TFG does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to act in accordance with any instructions obtained from you and/or to sell the Rights allocated.

7.3.10 **Procedures for sale or renunciation of Rights**

Certificated Shareholders

If you are a Qualifying Certificated Shareholder and do not wish to subscribe for all of the Rights allocated to you as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete **Form A** in the enclosed Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 (SAST) on Tuesday, 4 August 2020. The Transfer Secretaries will endeavour to procure the sale of Rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries nor the Group will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement or any part thereof in favour of any named renounee, you must complete **Form B** in the enclosed Form of Instruction, and the renounee must complete **Form C** in the enclosed Form of Instruction and return it to the Transfer Secretaries, to be received by no later than 12:00 (SAST) on Friday, 7 August 2020, **together with a bank-guaranteed cheque or bank draft or proof of payment that payment was effected by way of EFT accompanied by an EFT swift reference number for the appropriate subscription amount.** If you wish to renounce parts of your entitlement in favour of different renounees, you may copy **Form B** and use a copied **Form B** for each additional renounee.

Dematerialised Shareholders

If you are a Qualifying Dematerialised Shareholder and wish to renounce or sell some or all of the Rights allocated to you as a holder of Qualifying Dematerialised Shares, you should make the necessary arrangements with your CSDP or Broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker.

7.3.11 **Lapse of Rights**

Qualifying Shareholders

If you are a Qualifying Certificated Shareholder and fail to instruct the Transfer Secretaries as to what action you intend to take with regard to your Rights, or fail to comply with the procedures set out in this section, within the timelines stipulated, your Rights will lapse and you will not be entitled to any payment under the terms of the Rights Offer.

If you are a Qualifying Dematerialised Shareholder and fail to subscribe for, sell or renounce your Rights, you risk your Rights lapsing if you fail to act in terms of the instructions received from your CSDP or Broker. Should such Rights lapse, you will not be entitled to any payment under the terms of the Rights Offer.

None of TFG, the Joint Global Coordinators and Underwriters, the Transfer Secretaries or any Broker appointed by them will be responsible for any loss or damage whatsoever suffered by such Qualifying Shareholders in relation to the lapsing of their Rights.

Restricted Shareholders

In respect of the Rights of Restricted Shareholders, the Transfer Secretaries will endeavour to sell such Rights on the JSE. If a premium can be obtained over the expenses of the sale of the Rights of Restricted Shareholders, such premium shall be remitted to such Restricted Shareholder, less any transfer and withholding taxes and any other cost related to or incurred as a result of such sale.

None of TFG, the Transfer Secretaries, the Joint Global Coordinators and Underwriters or any Broker appointed by them will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales or the remittance of the net proceeds of such sales.

7.3.12 **Payment**

The amount due on acceptance of the Rights Offer is payable in Rand.

Payment by Qualifying Certificated Shareholders (i) must be made in full by a bank-guaranteed cheque drawn on a South African bank or banker's draft drawn on a registered commercial bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted), or EFT (into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634, in favour of "Foschini Group Limited Transfer Secretaries"; (ii) must be paid in Rand; (iii) if made by bank-guaranteed cheque or banker's draft, the bank-guaranteed cheque or banker's draft must be lodged or posted, as the case may be, together with the completed Form of Instruction and (iv) if made by EFT, proof of payment must be lodged, posted or e-mailed, as the case may be, together with the completed Form of Instruction as follows:

By hand or courier to:
**The Foschini Group Limited – Foschini Group
Limited Transfer Secretaries**
c/o Computershare Investor Services
Proprietary Limited
Ground Floor
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
South Africa

By post to:
**The Foschini Group Limited – Foschini Group
Limited Transfer Secretaries**
c/o Computershare Investor Services
Proprietary Limited
PO Box 61763
Marshalltown, 2107
South Africa

By email to: *corporate.events@computershare.co.za*

Payment must be received by no later than 12:00 (SAST) on Friday, 7 August 2020.

In the backdrop of the COVID-19 pandemic and subsequent impact in South Africa, as well as the general uncertainty occasioned by this and the related restrictions imposed, or which may be imposed, by the South African Government on movement in South Africa, Qualifying Certificated Shareholders are encouraged to (i) return completed Forms of Instruction to the Transfer Secretaries by e-mail and (ii) to pay for the Rights Offer Shares subscribed for by EFT with the proof of payment returned by e-mail together with the completed Form of Instruction. If Qualifying Certificated Shareholders elect to return completed Forms of Instruction and payment by hand, by courier or by post, Qualifying Certificated Shareholders are encouraged to contact the Transfer Secretaries to confirm receipt thereof.

If you have any queries, please contact the Transfer Secretaries via email on *corporate.events@computershare.co.za* or telephonically on, Telephone: +27 11 370 5000 and, in South Africa only, 086 1100 634. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside South Africa will be charged at the applicable international rate. The helpline is open between 8.00am – 5.00pm (SAST), Monday to Friday, excluding public holidays in South Africa).

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of delivered, posted or emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any physical address, postal address or email address other than that provided above. Qualifying Shareholders posting their Forms of Instruction to the Transfer Secretaries should take note of postal delivery times so as to ensure that the Forms of Instruction are received by the Transfer Secretaries timeously. Notwithstanding anything to the contrary, it is the Qualifying Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries timeously.

All bank-guaranteed cheques or banker's drafts received by the Transfer Secretaries will be deposited immediately for payment. The payment will constitute an irrevocable acceptance by the shareholder or renounee of the Rights Offer upon the terms and conditions set out in this Circular and in the enclosed Form of Instruction. In the event that any bank-guaranteed cheque or banker's draft is dishonoured, TFG, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant Rights Offer Shares to which it relates against payment in cash, in Rand, of the issue price for such shares.

Money received in respect of an application that is rejected or otherwise treated as void by TFG, or which is otherwise not validly received in accordance with the terms stipulated, will be posted by registered post by way of a cheque drawn, without interest, in Rand to the applicant concerned, at the applicant's risk, on or about Thursday, 13 August 2020. If the applicant concerned is not a Qualifying Shareholder and gives no address in the enclosed Form of Instruction, then the relevant refund will be held by TFG until collected by the applicant and no interest will accrue to the applicant in respect thereof.

Payment by Qualifying Dematerialised Shareholders will be effected on the Qualifying Shareholders' behalf by the CSDP or Broker. The CSDP or Broker will effect payment on a delivery versus payment basis.

7.3.13 Overseas Shareholders

General

The making or acceptance of the proposed grant of the Letters of Allocation and/or the offer of the Rights Offer Shares to persons who have registered addresses outside South Africa, or who are resident, or located, in, or citizens of, countries other than South Africa, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Rights.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside South Africa wishing to take up Rights under the Rights Offer or to transfer their Rights, to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtainment of any governmental or other consents which may be required, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. This section is intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

Receipt of this Circular or the crediting of the Letter of Allocation to a CSDP or Broker account will not constitute an offer to sell the Letters of Allocation or Rights Offer Shares to any person in any jurisdiction in which it would be unlawful to make such offer to such person, or a solicitation of an offer to buy the Letters of Allocation or the Rights Offer Shares in those jurisdictions in which it would be unlawful to make to do so and, in those circumstances, this Circular must be treated as sent for information purposes only and should not be copied or redistributed.

Rights Offer Shares will be provisionally allotted (nil paid) to all TFG Shareholders on the Register at the Record Date. However, the Form of Instruction will not be sent to Restricted Shareholders. Although Letters of Allocation may be credited to the CSDP or Broker accounts of Dematerialised Shareholders: (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to such Dematerialised Shareholders and such Dematerialised Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Circular and/or Form of Instruction and/or receiving a credit of a Letter of Allocation to a CSDP or Broker account may treat the same as constituting an invitation or offer to him or her, nor should either he or she in any event use the Form of Instruction, unless such an invitation or offer could lawfully be made to him or her or the Letter of Allocation or Form of Instruction could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this Circular and the Form of Instruction are to be treated as sent for information purposes only and should not be copied or redistributed. Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular and/or a Form of Instruction or whose CSDP or Broker account is credited with Letters of Allocation should not, in connection with the Rights Offer, distribute or send the same or transfer Letters of Allocation in or into any jurisdiction where to do so would or might contravene local securities laws or regulations, including, but not limited to, the United States and the Restricted Territories. If a Form of Instruction or a credit of a Letter of Allocation is received in his or her CSDP or Broker account by any person in any such territory, or by his or her agent or nominee, he or she must not seek to take up the Rights referred to in the Form of Instruction or in this Circular or renounce the Form of Instruction or transfer the Letter of Allocation unless TFG determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Circular or a Form of Instruction or transfer a Letter of Allocation into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph and "*—7.3.15 Representations and warranties*".

Further, it is the responsibility of any TFG Shareholder (including, without limitation, custodians, nominees and trustees) outside South Africa wishing to exercise their Rights under the Rights Offer (including a transfer of their Rights) to inform itself about, and observe, the laws and regulations of any relevant territory in connection therewith, including the obtainment of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. This section is intended as a general guide only and any Overseas Shareholder who is in doubt as to its position should immediately consult its professional advisor.

The Company reserves the right to treat as invalid and will not be bound to allot or issue a Letter of Allocation or any Rights Offer Shares in respect of any acceptance or purported acceptance of the offer of Rights Offer Shares which:

- appears to the Company or its agents to have been executed, effected or dispatched from the United States or any Restricted Territory or executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction;
- in the case of a Form of Instruction, provides an address for delivery of share certificates in, or, in the case of a credit of Rights Offer Shares in Strate, to a person with a CSDP or Broker account in Strate who is a Restricted Shareholder or TFG Shareholder whose registered address is in the United States or any Restricted Territory or any other jurisdiction outside South Africa in which it would be unlawful to deliver such Form of Instruction or make such a credit; or
- purports to exclude the warranties required by "*—7.3.15 Representations and warranties*".

The attention of Overseas Shareholders who are Restricted Shareholders is drawn to this paragraph and to "*—7.3.15 Representations and warranties*".

Subject to certain limited exceptions, the Letters of Allocation and the Rights Offer Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States.

Member States of the European Economic Area

In relation to each Relevant State that has implemented the Prospectus Regulation, an offer to the public of any Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant State prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in the Relevant State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State may be made under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), as permitted under the Prospectus Regulation, subject to obtaining the prior written consent of the Joint Global Coordinators and Underwriters for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Rights Offer Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Rights Offer Shares or Letters of Allocation in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for or purchase any Rights Offer Shares or Letters of Allocation, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

United Kingdom

In relation to the United Kingdom, an offer of any Rights Offer Shares or Letters of Allocation contemplated by this Circular is only directed at persons who are qualified investors as defined in the Prospectus Regulation and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”).

United States

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Investors who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix A to this Circular prior to taking up or transferring Rights in the Rights Offer or acquiring Rights Offer Shares in the Rights Offer.

Accordingly, TFG is not extending the Rights Offer into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, this Circular neither constitutes nor will it constitute an offer or an invitation to apply for, or an offer or an invitation to acquire, any Letters of Allocation or Rights Offer Shares in the United States. Subject to certain exceptions, this Circular will not be sent to any Overseas Shareholder in, or with a registered address in, the United States.

Subject to certain exceptions, any person who acquires Letters of Allocation or the Rights Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Circular, taking up their Rights or accepting delivery of the Letters of Allocation or the Rights Offer Shares, that it is not, and that at the time of acquiring the Letters of Allocation or the Rights Offer Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States or any state of the United States.

In addition, until 40 days after the commencement of the Rights Offer, an offer, sale or transfer of the Rights Offer Shares or the Letters of Allocation within the United States by a dealer (whether or not participating in the Rights Offer) may violate the registration requirements of the US Securities Act.

Subject to certain exceptions, TFG Shareholders with a registered address in the United States will be treated as unexercising holders and TFG expects that the applicable Rights will be sold by the Transfer Secretaries on behalf of such TFG Shareholders. The cash proceeds therefrom will be distributed to such TFG Shareholders (net of applicable fees, expenses, taxes and charges), in proportion to such TFG Shareholder’s Right to the Rights Offer Shares. There can be no assurances as to what price such TFG Shareholders will receive for such disposal or the timing or exchange rate conversion of such receipt, to the extent applicable.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders: (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and such Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Restricted Territories

Subject to certain exceptions, the Letters of Allocation and the Rights Offer Shares may not be transferred or sold to, or renounced or delivered in, the Restricted Territories. No offer of Rights Offer Shares is being made by virtue of this Circular into the Restricted Territories. No person may forward or otherwise transmit this Circular to any territory other than where it is lawful to make the Rights Offer contemplated in this Circular.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders: (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Subject to certain exceptions, TFG Shareholders with a registered address in the Restricted Territories will be treated as unexercising holders and TFG expects that the applicable Rights will be sold by the Transfer Secretaries on behalf of such TFG Shareholders. The cash proceeds therefrom will be distributed to such TFG Shareholders (net of applicable fees, expenses, taxes and charges) in proportion to such TFG Shareholder's Right to the Rights Offer Shares. There can be no assurances as to what price such TFG Shareholders will receive for such disposal or the timing or exchange rate conversion of such receipt to the extent applicable.

7.3.14 Rump Shares

With respect to any Rump Shares for which subscribers are being procured by the Joint Global Coordinators and Underwriters or, failing which, will be subscribed for severally by the Joint Global Coordinators and Underwriters in their agreed proportions, such Rump Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

This Circular does not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for Rump Shares in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation of an offer to buy and/or subscribe for, shares as defined in the Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the Companies Act. Accordingly, in South Africa, Rump Shares will only be offered to (i) persons falling within the exemptions set out in section 96(1)(a) or (ii) persons who subscribe, as principal, for shares at a minimum aggregate subscription price of R1,000,000, as envisaged in section 96(1)(b), of the Companies Act (all such persons in (i) and (ii) being referred to as "relevant persons"). Any investment activity relating to the Rump Shares to which this Circular relates will only be available to, and will only be engaged with, relevant persons. Any person who is not a relevant person should not act on this Circular or any of its contents. This Circular does not, nor does it intend to, constitute a "registered prospectus", as contemplated by the Companies Act.

The Rump Shares are being offered and sold outside of the United States in compliance with Regulation S. The Underwriting Agreement provides that the Joint Global Coordinators and Underwriters may, directly or through their respective US broker-dealer affiliates, arrange for the offer and resale of the Rump Shares within the United States only to QIBs in reliance on Rule 144A.

In addition, for a period of 40 days after the commencement of the offering of Rump Shares, an offer or sale of the Rump Shares within the United States by any dealer may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of the Rump Shares within the United States pursuant to Rule 144A, by accepting delivery of this Circular, will be deemed to have represented, agreed and acknowledged that:

- (i) it is: (i) a QIB; (ii) acquiring such Rump Shares for its own account or for the account of a QIB; and (iii) acquiring the Rump Shares for investment purposes, and not with a view to further distribution; and (iv) aware, and each beneficial owner of such Rump Shares has been advised, that the sale of such Rump Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- (ii) it understands that the Rump Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except: (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB; (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States;
- (iii) notwithstanding anything to the contrary in the foregoing, (i) the Rump Shares may not be deposited into any unrestricted depositary receipt facility in respect of TFG Shares established or maintained by a depositary bank; (ii) the Rump Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 under the US Securities Act or any other exemption for any reoffer, resale, pledge or other transfer of the Rump Shares; and (iii) the Company may not recognise any offer, sale, resale pledge or other transfer of the Rump Shares other than in compliance with the above-stated restrictions; and
- (iv) TFG, the Transfer Secretaries, the Joint Global Coordinators and Underwriters and their respective affiliates, agents and representatives and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Rump Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

The Company, the Joint Global Coordinators and Underwriters and their respective affiliates will rely on the truth and accuracy of the foregoing representations, agreements, and acknowledgements. Prospective purchasers are hereby notified that sellers of the Rump Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

7.3.15 Representations and warranties

Qualifying Certificated Shareholders

Any person accepting and/or renouncing their Rights by completing the Form of Instruction represents and warrants to the Company and the Joint Global Coordinators and Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Form of Instruction, the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing their Rights from within the United States or the Restricted Territories; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares and/or transfer the Letters of Allocation; (iii) such person is not accepting or renouncing for the account of a person located within the United States unless (a) the instruction to accept or renounce was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or the Restricted Territories. The Company may treat as invalid any acceptance or purported acceptance of the allotment of Rights Offer Shares comprised in the Form of Instruction or renunciation or purported renunciation of the Rights if it: (i) appears to the Company to have been executed in or dispatched from the United States or the Restricted Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States or the Restricted Territories for delivery of definitive share certificates for Rights Offer Shares (or any jurisdiction outside South Africa in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the warranty required by this paragraph.

Qualifying Dematerialised Shareholders

Any person who makes a valid acceptance in accordance with the procedures set out in this section "7.3—Particulars of the Rights Offer" represents and warrants to the Company and the Joint Global Coordinators and Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing their Rights from within the United States or the Restricted Territories; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares; (iii) such person is not accepting for the account of a person located within the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S under the US Securities Act; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or the Restricted Territories.

7.3.16 Exchange Control Regulations

The following summary is intended only as a guide and is, therefore, not comprehensive. If Qualifying Shareholders are in any doubt as to the appropriate course of action, they are advised to consult their professional advisers.

Pursuant to the Exchange Control Regulations, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- (i) take up Rights in terms of the Rights Offer;
- (ii) purchase Letters of Allocation on the JSE; and
- (iii) subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE, *provided* payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents of the Common Monetary Area for the above purposes must be made through an Authorised Dealer. Electronic statements issued in terms of Strate and any share certificates issued pursuant to such applications will be endorsed "non-resident".

Where a Right becomes due to a former resident of the Common Monetary Area, which Right is based on shares blocked in terms of the Exchange Control Regulations, then only emigrant blocked funds may be used to:

- (i) take up the Rights in terms of the Rights Offer;
- (ii) purchase Letters of Allocation on the exchange operated by the JSE; and
- (iii) subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the exchange operated by the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the Authorised Dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed “non-resident” and placed under the control of the Authorised Dealer through whom the payment was made. The proceeds due to emigrants from the sale of the Letters of Allocation, if applicable, will be returned to the Authorised Dealer for credit to such emigrants’ blocked accounts. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed “non-resident” and placed under the control of the Authorised Dealer through whom the payment was made. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any Qualifying Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.

New share certificates issued pursuant to the Rights Offer to an emigrant will be endorsed “non-resident” and forwarded to the address of the relevant Authorised Dealer controlling such emigrant’s blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant’s shares are in dematerialised form with a CSDP or Broker, the electronic statement issued in terms of Strate will be dispatched by the CSDP or Broker to the address of the emigrant in the records of the CSDP or Broker.

The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this Circular and Form of Instruction should not be forwarded or transmitted by you to any person in any territory other than where it is lawful to make such an offer.

Restricted Shareholders should consult their professional advisers to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the Rights Offer or trade their Rights.

Qualifying Shareholders holding TFG Shares on behalf of persons who are Restricted Shareholders are responsible for ensuring that taking up the Rights Offer, or trading in their Rights under the Rights Offer, does not breach regulations in the relevant overseas jurisdictions.

7.3.17 South African law

No TFG Shareholder should construe the contents of this Circular and the documentation accompanying it as legal or other advice. TFG Shareholders should make their own enquiries and consult their own professional advisers as to the content of this Circular and the documentation accompanying it regarding the acceptance of their Rights in terms of the Rights Offer.

All transactions arising from the provisions of this Circular and the documentation accompanying it will be governed by and be subject to the laws of South Africa. TFG Shareholders agree that any legal action or proceeding arising out of or in connection with this Circular or otherwise shall be brought in the High Court of South Africa (Gauteng Local Division, Johannesburg) and irrevocably consent and submit to the non-exclusive jurisdiction of such court.

7.3.18 Tax consequences

No TFG Shareholder should construe the contents of this Circular and the documentation accompanying it as tax or other advice.

TFG Shareholders are advised to consult their tax, legal and financial advisers regarding any taxation implications pertaining to them regarding the acceptance of their Rights in terms of the Rights Offer. Additional information (which is provided for information purposes only) is provided in the section entitled “12 Taxation”.

7.3.19 Estimated expenses in relation to the Rights Offer

The estimated expenses in relation to the Rights Offer are set out in “14 Additional Information – 14.3 Estimated Expenses in Relation to the Rights Offer”.

7.3.20 Documents of title

New share certificates to be issued to Qualifying Certificated Shareholders or their renounees in respect of those Rights Offer Shares to which they were entitled and for which they have subscribed will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Tuesday, 11 August 2020. Such Certificated Shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

Qualifying Dematerialised Shareholders will have their accounts at their CSDP or Broker updated with the Rights Offer Shares to which they were entitled and for which they have subscribed on Tuesday, 11 August 2020.

7.3.21 Listings

The JSE has approved the listings of:

- (i) the Letters of Allocation in respect of all of the 94,270,486 Rights Offer Shares with effect from the commencement of trade (SAST) on Wednesday, 22 July 2020 to the close of trade (SAST) on Tuesday, 4 August 2020, both days inclusive; and
- (ii) 94,270,486 Rights Offer Shares with effect from the commencement of trade (SAST) on Wednesday, 5 August 2020.

8. SELECTED FINANCIAL AND OTHER INFORMATION

8.1 Selected Financial Information of the Group

This Circular presents the historical consolidated financial information for the Group for the years ended 31 March 2020, 2019 and 2018. In particular, this Circular incorporates by reference the following:

- the 2020 Reviewed Financial Statements, including the notes thereto, which have been reviewed by Deloitte and have been prepared in accordance with IAS 34 and the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended. The 2020 Reviewed Financial Statements have been reviewed in accordance with ISRE 2410 by Deloitte and their review report is also incorporated by reference herein.

The 2020 Reviewed Financial Statements are available on the Company's website (https://tfglimited.co.za/wp-content/uploads/2020/06/TFG-year-end-results-announcement_March-2020.pdf),

- the 2019 Audited Financial Statements, including the notes thereto, which have been audited by Deloitte and have been prepared in accordance with International Financial Reporting Standards and interpretations as issued by IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2019 Audited Financial Statements have been audited in accordance with ISA by Deloitte and their audit report is also incorporated by reference herein.

The 2019 Audited Financial Statements are available on the Company's website (<https://tfglimited.co.za/wp-content/uploads/2020/02/Annual-Financial-Statements-2019.pdf>),

- the 2018 Audited Financial Statements, including the notes thereto, which have been audited by Deloitte and have been prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The 2018 Audited Financial Statements have been audited in accordance with ISA by Deloitte and their audit report is also incorporated by reference herein.

The 2018 Audited Financial Statements are available on the Company's website (https://tfglimited.co.za/wp-content/uploads/2020/02/TFG-AFS-2018_WEB.pdf).

During the year ended 31 March 2020, IFRS 16 was adopted by the Group applying the full retrospective approach. This change in accounting policy resulted in a restatement of the comparative period consolidated statements of financial position as of 31 March 2019 and 2018 and a restatement of the comparative period income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 March 2019 in the 2020 Reviewed Financial Statements. At the date of initial application in the consolidated statement of financial position as of 31 March 2018, the Group recognised right-of-use assets for R6.9 billion and lease liabilities for R7.8 billion. See Note 15 to the 2020 Reviewed Financial Statements for resulting restatements. The 2019 Audited Financial Statements and the 2018 Audited Financial Statements incorporated by reference into this Circular do not reflect the changes from the application of IFRS 16. Those financial statements applied IAS 17 (Leases), which was the accounting standard in effect at that time for those periods.

During the year ended 31 March 2019, the Group adopted IFRS 15. The Group adopted this standard fully retrospectively with a transition date of 1 April 2017, as is permitted in the transitional arrangements. The Group previously accounted for lay-by revenue on the initiation of the contract. With the adoption of IFRS 15, the Group now accounts for the revenue once the contract is concluded and risks and rewards have been transferred to the customer. The change in accounting policy therefore resulted in a restatement of the comparative figures on the statement of financial position, income statement, statement of changes in equity and cash flow statement as of and for the years ended 31 March 2018 in the 2019 Audited Financial Statements. See Note 39 to the 2019 Audited Financial Statements for resulting restatements. The 2018 Audited Financial Statements incorporated by reference in this Circular do not reflect the changes from the application of IFRS 15. Those financial statements applied IAS 18 (Revenue) and IAS 11 (Construction Contracts), which were the accounting standard in effect at that time for that period.

During the year ended 31 March 2019, the Group adopted IFRS 9 from 1 April 2018 with an adjustment to the Group's opening retained earnings balance which decreased such balance by R517.4 million. This standard incorporated amendments to the classification and measurement of financial instruments, hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and FVTOCI. As permitted by IFRS 9, the Group elected not to restate its comparative financial information. Comparability will therefore not be achieved due to the fact that the comparative financial information for the year ended 31 March 2018 applied IAS 39 (Financial Instruments: Recognition and Measurement) which was the standard applicable at that time for that period and does not reflect changes as a result of the adoption of IFRS 9.

Unless otherwise indicated, the financial information for the year ended 31 March 2018 included in this Circular is derived from the 2019 Audited Financial Statements and the financial information as of and for year ended 31 March 2019 and the statement of financial position as of 31 March 2018, included in this Circular is derived from the 2020 Reviewed Financial Statements.

8.2 Selected Consolidated Income Statement

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Retail turnover	35,323.3	34,101.4	28,519.5
Cost of turnover	(16,700.1)	(15,820.8)	(13,557.5)
Gross Profit	18,623.2	18,280.6	14,962.0
Interest income	1,759.7	1,764.0	1,755.8
Other income	1,393.5	1,262.8	1,187.7
Net bad debt	(1,275.5)	(992.8)	(837.5)
Trading expenses	(15,816.2)	(15,432.0)	(12,941.5)
Operating profit before acquisition costs and finance costs	4,684.7	4,882.6	4,126.5
Acquisition costs	–	–	(79.4)
Finance costs	(1,335.4)	(1,304.5)	(696.6)
Profit before tax	3,349.3	3,578.1	3,350.5
Income tax expenses	(905.5)	(937.8)	(942.3)
Profit for the year	2,443.8	2,640.3	2,408.2

8.3 Selected Consolidated Statement of Financial Position

<i>(R millions)</i>	As at 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Non-current assets	21,403.4	20,087.5	18,254.6
Current assets	20,755.3	17,553.6	16,598.9
Total assets	42,158.7	37,641.1	34,853.5
Total equity	15,942.6	14,049.1	12,878.4
Non-current liabilities	12,447.1	12,877.3	11,151.4
Current liabilities	13,769.0	10,714.7	10,823.7
Total liabilities	26,216.1	23,592.0	21,975.1
Total equity & liabilities	42,158.7	37,641.1	34,853.5

8.4 Selected Consolidated Cash Flows

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Net cash inflows from operating activities	3,954.1	3,987.3	856.5
Net cash outflows from investing activities	(1,100.9)	(868.4)	(3,796.4)
Net cash (outflows)/inflows from financing activities	(1,101.5)	(3,293.8)	3,401.0
Net increase/(decrease) in cash & cash equivalents	1,751.7	(174.9)	461.1
Cash and cash equivalents at the beginning of the year	1,111.0	1,206.1	878.5
Cash held in non-controlling interest	–	(6.4)	–
Effect of exchange rate fluctuations on cash held	106.4	86.2	(133.5)
Cash and cash equivalents at end of the year	2,969.1	1,111.0	1,206.1

8.5 Other Selected Figures

The measures presented below are considered non-IFRS measures. A reconciliation of these measures to their nearest IFRS measure is provided in “– 8.6 Reconciliation of Non-IFRS Measures” below.

	For the year ended 31 March		
	2020	2019	2018
Adjusted EBIT ⁽¹⁾ (in R millions)	4,268.8	4,339.5	4,126.5
Adjusted EBIT margin	12.1%	12.7%	14.5%
Adjusted EBITDA ⁽¹⁾ (in R millions)	5,097.3	5,183.6	4,872.0
Adjusted EBITDA margin	14.4%	15.2%	17.1%
Headline earnings (in R millions)	2,717.4	2,745.1	2,448.8
Headline EPS (in R cents)	1,174.4	1,187.9	1,088.8
Free cash flow (in R millions)	2,252.3	2,244.4	1,891.5
Net borrowings ⁽¹⁾ (in R millions)	8,360.4	8,102.4	8,144.5

Note:

⁽¹⁾ Adjusted EBIT, Adjusted EBITDA and net borrowings are calculated on pre-IFRS 16 basis.

8.6 Reconciliation of Non-IFRS Measures

This Circular contains certain measures which are not measures defined by IFRS and which are used by the Group to assess the financial performance of its businesses. For the Group, the Non-IFRS Measures include Adjusted EBIT, Adjusted EBIT margin, Adjusted EBITDA, Adjusted EBITDA margin, operating profit before acquisition costs and finance costs, headline earnings, headline EPS, free cash flow, free cash flow conversion and net borrowings.

In addition, certain financial information presented in this Circular include, where applicable, financial information as adjusted to exclude the impact of IFRS 16. In particular, such information includes the IFRS 16 Adjustments of the Group's consolidated statement of financial position as of 31 March 2019 and 2018, the Group's consolidated income statement and related notes for the year ended 31 March 2019 and the Group's consolidated cash flow statement for the year ended 31 March 2019. For further information, see "9 Operating and Financial Review – 9.10 Recent Accounting Pronouncements".

The Non-IFRS Measures are considered to be pro forma financial information as set forth in the JSE Listing Requirements. 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 pro forma financial information below has been prepared for illustrative purposes only to provide additional information which the Group uses to assess financial performance. 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.

The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies that comply with IFRS. These are consistent with those applied in the reviewed consolidated provisional results for the year ended 31 March 2020, other than for the year ended 31 March 2018, whereas IFRS 16 had not yet been effective at the time.

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

The pro forma financial information as shown below should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' report thereon, issued on 13 July 2020, which is available for inspection at the Group's registered office.

For additional information on the definition of these measures and the reasons for their inclusion, see "Important Information – Non-IFRS Measures". For a summary of the IFRS 16 Adjustments, see "9 Operating and Financial Review – 9.10 Recent Accounting Pronouncements".

The table below sets forth, by geographical location and on the Group level, the reconciliation of profit before tax to operating profit before acquisition costs and finance costs, Adjusted EBIT and Adjusted EBITDA for each of the years indicated below. TFG Africa includes both TFG Africa Retail and Credit segments.

Year ended 31 March (R millions)	TFG Africa			TFG London			TFG Australia			TFG Group		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Profit before tax⁽¹⁾	2,759.5	2,926.6	2,895.3	137.7	236.0	202.1	452.1	415.5	253.1	3,349.3	3,578.1	3,350.5
Finance costs ⁽¹⁾	1,110.3	1,071.0	617.1	134.3	143.4	66.5	90.8	90.1	13.0	1,335.4	1,304.5	696.6
Acquisition costs ⁽²⁾	-	-	13.2	-	-	25.9	-	-	40.3	-	-	79.4
Operating profit before acquisition costs and finance costs⁽¹⁾	3,869.8	3,997.6	3,525.6	272.0	379.4	294.5	542.9	505.6	306.4	4,684.7	4,882.6	4,126.5
IFRS 16 impacts:												
Depreciation on right-of-use assets ⁽¹⁾	1,850.9	1,802.5	-	394.6	412.9	-	754.6	589.7	-	3,000.1	2,805.1	-
Occupancy costs lease reversal ⁽²⁾	(2,241.1)	(2,161.7)	-	(527.0)	(531.4)	-	(816.1)	(653.4)	-	(3,584.2)	(3,346.5)	-
Profit on termination of leases ⁽²⁾	(18.5)	(1.7)	-	(2.6)	-	-	-	-	-	(21.1)	(1.7)	-
Impairment of right-of-use assets ⁽²⁾	79.1	-	-	102.2	-	-	8.0	-	-	189.3	-	-
Adjusted EBIT⁽³⁾	3,540.2	3,636.7	3,525.6	239.2	260.9	294.5	489.4	441.9	306.4	4,268.8	4,339.5	4,126.5
Depreciation and Amortisation ⁽¹⁾	562.9	557.9	510.2	165.2	185.0	132.2	100.4	101.2	103.1	828.5	844.1	745.5
Adjusted EBITDA⁽³⁾	4,103.1	4,194.6	4,035.8	404.4	445.9	426.7	589.8	543.1	409.5	5,097.3	5,183.6	4,872.0

Notes:

⁽¹⁾ Information for the years ended 31 March 2020 and 31 March 2019 is derived from the 2020 Reviewed Financial Statements, and information for the year ended 31 March 2018 is derived from the 2019 Audited Financial Statements.

⁽²⁾ Information obtained from the TFG's management accounts. Management is satisfied with the quality of the management accounts.

⁽³⁾ Adjusted EBIT and Adjusted EBITDA are calculated on pre-IFRS 16 basis.

The table below sets forth, on the Group level, the reconciliation of net cash inflows from operating activities to free cash flow for each of the years indicated below.

<i>(R millions)</i>	For the year ended 31 March		
	2020	2019	2018
Net cash inflows from operating activities ⁽¹⁾	3,954.1	3,987.3	856.5
Dividends paid ⁽¹⁾	1,839.3	1,756.1	1,627.2
Taxation paid ⁽¹⁾	1,148.0	947.1	960.2
Less: non-cash items ⁽¹⁾	(4,134.2)	(3,900.4)	(1,030.6)
Finance costs ⁽¹⁾	1,335.4	1,304.5	696.6
IFRS 16 impacts:			
Occupancy costs reversal ⁽¹⁾	(3,584.2)	(3,346.5)	–
Depreciation on right-of-use assets ⁽¹⁾	3,000.1	2,805.1	–
Impairment on right-of-use assets ⁽¹⁾	189.3	–	–
Profit or termination of leases ⁽¹⁾	(21.1)	(1.7)	–
Depreciation & Amortisation ⁽¹⁾⁽²⁾	828.5	844.1	745.5
Acquisition costs ⁽¹⁾	–	–	79.4
IAS 17 impact ⁽³⁾	–	(11.7)	–
Taxation ⁽⁴⁾	(1,183.5)	(1,197.1)	(1,146.7)
Capital expenditure ⁽¹⁾	(1,119.4)	(942.4)	(896.6)
Free Cash Flow	2,252.3	2,244.4	1,891.5

Notes:

- ⁽¹⁾ Information for the years ended 31 March 2020 and 31 March 2019 is derived from the 2020 Reviewed Financial Statements, and information for the year ended 31 March 2018 is derived from the 2019 Audited Financial Statements.
- ⁽²⁾ Relates to depreciation of property, plant and equipment and amortisation of intangible assets.
- ⁽³⁾ Information obtained from the TFG's management accounts. Management is satisfied with the quality of the management accounts.
- ⁽⁴⁾ Tax calculated on EBIT excluding IFRS 16 adjustments.

The table below sets forth the reconciliation of interest-bearing debt to net borrowings for each of the years indicated below.

<i>(R millions)</i>	For the year ended 31 March		
	2020	2019	2018
Interest-bearing debt⁽¹⁾	11,329.5	9,213.4	9,350.6
Minus:			
Cash and cash equivalents ⁽¹⁾	(2,969.1)	(1,111.0)	(1,206.1)
Net borrowings	8,360.4	8,102.4	8,144.5

Note:

- ⁽¹⁾ Information for the years ended 31 March 2020 and 31 March 2019 is derived from the 2020 Reviewed Financial Statements, and information for the year ended 31 March 2018 is derived from the 2019 Audited Financial Statements.

The table below sets forth headline earnings for each of the years indicated below.

<i>(R millions)</i>	For the year ended 31 March		
	2020	2019	2018
Profit for the year attributable to ordinary shareholders⁽¹⁾	2,443.8	2,640.1	2,406.9
Minus:			
Income tax on headline earnings adjustments ⁽¹⁾	(38.7)	(30.7)	(11.0)
Adjusted for:			
Profit on disposal of non-controlling interest ⁽¹⁾	–	(1.4)	–
Loss on disposal of business ⁽¹⁾	–	23.8	–
Loss on disposal of property, plant and equipment and intangible assets ⁽¹⁾	68.7	44.1	54.4
Impairment of property, plant and equipment ⁽¹⁾	55.7	79.3	–
Profit on disposal of property, plant and equipment and intangible assets ⁽¹⁾	(1.4)	(10.1)	(1.5)
Impairment of right-of-use-assets ⁽¹⁾	189.3	–	–
Headline earnings	2,717.4	2,745.1	2,448.8

Note:

- ⁽¹⁾ Information for the years ended 31 March 2020 and 31 March 2019 is derived from the 2020 Reviewed Financial Statements, and information for the year ended 31 March 2018 is derived from the 2019 Audited Financial Statements.

9. OPERATING AND FINANCIAL REVIEW

The following review of the Group's financial position and operating results should be read in conjunction with the financial information of the Group included elsewhere in this Circular, "Important Information – Presentation of Financial Information", "6 Risk Factors", "10 Business Description" and the respective financial statements and related notes which have been prepared in accordance with IFRS and included in this Circular.

This review contains forward-looking statements based on current expectations and assumptions about the Group's future business. The actual results of the Group may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Circular, including under "6 Risk Factors" and "Certain Forward-looking Statements".

9.1 Overview

TFG is one of the foremost independent non-food chain-store groups in South Africa, with 36.2% of its operations in Australia and the United Kingdom. The Group, which is headquartered in Cape Town, has a portfolio of 29 leading retail brands, with over 4,000 outlets in 32 countries, on five continents. TFG's brands offer a variety of lifestyle products including clothing, jewellery, cell phones, accessories, cosmetics, sporting apparel, homeware and furniture from value to upper market segments. Each brand offers a distinctive proposition to its customers.

The Group's material international business segments include TFG Australia (located primarily in Australia and New Zealand) and TFG London (which is located primarily in the United Kingdom and Ireland), and which maintain their own management teams.

9.2 Key Factors Affecting Results of Operations

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Group's results in the periods under review and which it expects may affect the financial results in the future. Factors other than those set forth below could also have a significant impact on the Group's results of operations and financial position.

9.2.1 COVID-19 Pandemic

The COVID-19 pandemic and the government measures implemented to contain it have significantly impacted the global economy and strained the retail industry. The impact of COVID-19 is being felt in all of the Group's operational jurisdictions. Since the first week of March 2020, the Group has experienced a significant decline in footfall in its physical stores and concession partners and consequently a reduction in demand for its products and services, initially resulting from the customers responding to the calls for social distancing and more recently because of extended periods of lockdowns and government store closures in most of the Group's countries of operation. The initial decline in demand has now started to reverse as the stores have partially re-opened in the Group's various territories.

In South Africa, as a result of the initial level 5 lockdowns announced in the last week of March, all of TFG's operations (stores, e-commerce, head office, distribution centres and manufacturing facilities) were closed from 27 March 2020 to 30 April 2020. The Group's Maitland manufacturing facility in Cape Town recommenced operations during the week of 27 April 2020 in a phased manner in order to start manufacturing protective face masks for the Group's staff. Clothing production recommenced steadily in May 2020. The rest of the Group's operations in South Africa (including stores and e-commerce) opened on 1 May 2020 in a phased and risk-adjusted manner in order to support the provision of permitted goods and services under Level 4 of the lockdown. As of 1 June 2020, all of the Group's stores in South Africa were trading under Level 3 of the lockdown.

TFG Africa has been significantly impacted by the measures implemented in response to COVID-19 starting from the second half of March 2020. For the period between 15 March 2020 and 28 March 2020, retail turnover decreased by 34.2% as compared to the corresponding period in March 2019. For April 2020, retail turnover decreased by 92.1% as compared to the corresponding period in 2019 as a result of all the South African stores being closed. However, for May 2020, retail turnover increased by 0.6% as compared to May 2019, notwithstanding the fact that the Group's 447 Jewellery stores were still closed during the month. For information on the impact of COVID-19 on the TFG Africa's retail turnover for the three months ended 27 June 2020, see "5 Summary – 5.3 Recent Developments".

In the UK and European operations, government-enforced lockdowns have been in place since the beginning of March, with the United Kingdom (the largest TFG operational region in the northern hemisphere) closing down on 23 March 2020. TFG London has successfully accessed UK government funding to support furloughed staff, business rates and other property reliefs. TFG London's operations in other countries have similarly been impacted by lockdowns and store closures. TFG London's store and concession estate gradually re-opened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return. TFG London's e-commerce activity remained operational throughout the lockdown.

TFG London's results of operations were impacted by the measures implemented in response to COVID-19 from the first week of March 2020. The segment's retail turnover in March 2020 decreased by 58.9% (GBP) as compared to March 2019. For April 2020, retail turnover decreased by 76.7% (GBP) as compared to April 2019 and for May 2020, retail turnover decreased by 66.7% (GBP) as compared to May 2019. For information on the impact of COVID-19 on the TFG London's retail turnover for the three months ended 27 June 2020, see "5 Summary – 5.3 Recent Developments".

TFG Australia closed all of its stores on 27 March 2020 in response to government restrictions and regulations on social distancing. While its stores were closed, the business continued to trade online and performance was above expectations. TFG Australia began reopening all its stores with COVID-19 Policies and Procedures in April and all stores had re-opened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the Victorian Government announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters.

TFG Australia's results of operations were impacted by the measures implemented in response to COVID-19 from the second week of March 2020. For the period between 16 March 2020 and 29 March 2020, retail turnover decreased by 57.6% (AUD) as compared to the corresponding period in 2019. For April 2020, retail turnover decreased by 86.8% (AUD) as compared to the corresponding period in 2019 and for May 2020, retail turnover decreased by 28.5% (AUD) as compared to the corresponding period in 2019. For information on the impact of COVID-19 on the TFG Australia's retail turnover for the three months ended 27 June 2020, see "5 Summary – 5.3 Recent Developments".

As a result of the impact felt in March 2020, the measures implemented in response to COVID-19 have had an adverse impact on the Group's results for the year ended 31 March 2020 and are expected to continue the negative impact on the Group's results over the next year. On the Group level, retail turnover in April 2020 decreased by 86.3% as compared to the corresponding period in 2019 and for May 2020, retail turnover decreased by 16.3% as compared to the corresponding period in 2019. For information on the impact of COVID-19 on the Group's retail turnover for the three months ended 27 June 2020, see "5 Summary – 5.3 Recent Developments". The outlook for trading conditions is uncertain across all three of the Group's business segments. While all three business segments are focused on COVID-19 recovery, the impact of COVID-19 on the financial year ended 31 March 2021 is expected to be significant across all territories, the extent of which is difficult to predict with accuracy.

Although the Group has been managing the impact of COVID-19 on its supply chain since early February 2020, COVID-19 and related containment and mitigation measures may interfere with the ability of the Group's suppliers to carry out their assigned tasks or supply materials and services at ordinary levels of performance.

The Group has continued to engage with key stakeholders to navigate through this crisis. It has also taken a number of strategic initiatives to minimise the financial impact of COVID-19 on the business. See "9.8.1 Liquidity and COVID-19 Initiatives" for a detailed discussion of the measures taken to contribute to the Group's ability to generate and secure cash resources and liquidity in the current uncertain environment.

9.2.2 Consumer demand and macroeconomic conditions in South Africa and other regions in which the Group operates

The Group's results of operations are affected by global economic and political conditions as well as specific conditions in South Africa and other regions in which the Group operates. Changes in macroeconomic conditions in South Africa, as well as in other regions in which the Group operates, including the gross domestic product ("GDP") growth rate, unemployment rate, wages (including minimum wages), individual consumption, consumer confidence, interest rates, inflation and access to credit, could impact the overall affluence of the society, consumers' purchasing power and disposable income, thus shaping consumer spending habits. These factors also affect the Group's product prices and value of sales, and thereby affect the financial performance.

In particular, the Group's results of operations are directly correlated with the general condition of the retail market, which is in turn affected by the GDP growth rate of the regions in which the Group operates. South Africa remains the Group's largest geographic market – in the year ended 31 March 2020, South Africa contributed 60.6% to the Group's total retail turnover. For this reason, South Africa's macroeconomic conditions, driven by the economic environment in the region and the global economy, have significant importance for the Group's results of operations. South Africa has faced challenging economic conditions in recent years, with the GDP growth rate of 0.8% in calendar year 2018 and 0.2% in calendar year 2019. On 27 March 2020, Moody's downgraded South Africa's sovereign credit rating to the non-investment grade credit rating of Ba1 with a negative outlook, citing the continuing deterioration in fiscal strength and structurally very weak growth. On 3 April 2020, Fitch downgraded its outlook from BB+ to BB for South Africa's sovereign credit rating with a negative outlook. The overall economic outlook in South Africa has been negatively impacted by the possibility of additional credit rating downgrades amid economic and political tensions, continued power outages and ever-increasing electricity prices, further compounded by the effects of COVID-19 as described above. See "–9.2.1 COVID-19 Pandemic".

The Group's in-house credit offering, which offers credit to customers in the Group's South African business, is particularly exposed to the ever-changing credit regulatory environment in South Africa. The latest proposed change to the consumer credit regulation will introduce a new credit intervention regime for consumers who face material adverse changes to their financial circumstances. Such consumers will be able to apply to the credit regulator for assistance, and if the consumer meets the prescribed criteria (See "11 – Regulatory Matters – 11.4 Credit Agreements"), the regulator may suspend the consumer's repayment obligations for a specified period (up to a period of 12 (twelve) months). If the consumer's financial situation does not improve, all or part of the consumer's debt may be written off. This new regime is in addition to the existing debt review regime in terms of which the courts may be approached to restructure the consumer's debt repayment obligations. The introduction of this proposed statutory write off will negatively impact the Group's credit business and thereby affect its financial performance.

9.2.3 Ability to sustain and grow like-for-like sales

The Group's retail turnover is primarily driven by the performance of its existing store network, as measured by growth in like-for-like sales, the pace at which it opens new stores and the growth in e-commerce sales.

The Group's definition of like-for-like sales or same store retail turnover relates to retail turnover from stores that have been open for at least a full comparative financial year. Accordingly, like-for-like sales refer to sales from own stores that operated under the same conditions in comparable months year-on-year, and

excludes stores opened, closed, or which incurred major upgrade works in one of the periods. The Group's like-for-like sales performance is determined by sales volumes and sales prices. In the financial years ended 31 March 2020, 2019 and 2018, the year-on-year growth in TFG Africa's like-for-like sales amounted to 1.5%, 5.6% and 2.2%, respectively. The strong like-for-like sales growth in 2019 was driven by the performance of the clothing merchandise category. In 2020, the tough trading conditions as well as loss of trade due to COVID-19 reduced clothing like-for-like sales to 1.9%. In the financial years ended 31 March 2020 and 2019, the year-over-year growth in TFG Australia's like-for-like sales amounted to 2.8% and 7.8%, respectively. TFG London trades, *inter alia*, through department store concessions. The 2019 result was driven by strong organic growth, especially in the newer brands while in 2020 the result was impacted by COVID-19. As department store concessions by nature change floor space on a continuous basis, a comparable retail turnover number is not calculated.

In recent years, the fashion retail market has been characterised by intense competition, with significant increases in supply driven by growth in the number of independents, international and online competitors and the demise of some of its trading partners in the countries in which the Group operates. The slow economic growth and in the case of certain brands, intense competition, has had the effect of limiting price increases, in part through increasing levels of promotional activity. Against this backdrop, maintaining and slightly increasing the Group's like-for-like volumes has enabled the Group to continue to grow its market share. The Group's ability to maintain and grow its like-for-like volumes is dependent upon its understanding of the consumers, gained from years of experience and enhanced by data from the TFG Africa loyalty rewards programme ("**TFG Rewards**"), which allows TFG Africa to continually anticipate trends in consumer preferences and tailor its value proposition accordingly.

9.2.4 **Store expansion and rationalisation**

The Group's retail turnover is also impacted by its store network expansion and rationalisation strategy – through the organic expansion of its brand portfolio; via opening new stores for existing brands; and by rationalising existing real estate. The Group's brand portfolio has grown from 28 to 29 and the number of outlets has grown from 4,034 to 4,083 from the financial year ended 31 March 2018 to the financial year ended 31 March 2020. In the financial years ended 31 March 2020, 2019 and 2018, 228, 230 and 281 new stores were opened under the Group's existing and new brands, respectively. In the financial years ended 31 March 2020, 2019 and 2018, 230, 179 and 177 stores were closed in line with the rationalisation objective, respectively.

The table below sets forth the Group's total number of stores by segment for the periods indicated.

	For the year ended 31 March		
	2020	2019	2018
TFG Africa	2,577	2,631	2,652
TFG London	972	971	935
TFG Australia	534	483	447
Total	4,083	4,085	4,034

The Group identifies new sites based on a variety of clear investment criteria, including demographics, proximity to the locations of existing stores and competitors, availability of suitable retail space and local economic conditions. The Group follows a stringent assessment and selection process and only invests in new stores if its estimated internal rate of return meets the predetermined thresholds.

In light of COVID-19, the Group's new projects and developments are currently on hold. See "**—9.2.1 COVID-19 Pandemic**" and "**—9.8.1 Liquidity and COVID-19 Initiatives**".

9.2.5 **E-commerce/online sales**

The Group's e-commerce platforms contribute to a seamless customer experience across online and bricks-and-mortar channels. In the financial years ended 31 March 2020 and 2019, the growth in the Group's online sales, in comparison with the prior financial year, amounted to -1.9% and 58.5% respectively. The contribution of online sales to total sales continues to increase and in the financial years ended 31 March 2020, 2019 and 2018, the contribution of online sales to total Group sales amounted to 8.4%, 8.8% and 6.7% respectively.

9.2.6 **Cost management**

The Group's costs of doing business are impacted by a number of factors, including the group structure (especially niche specialty brands), transportation and logistics, costs associated with the Group's store network (including occupancy costs, employment costs and depreciation), costs associated with the Group's regional and head office structures as well as general economic conditions and conditions in the retail industry. In order to minimise the Group's cost of doing business, management has implemented an efficient sourcing policy to manage production and distribution costs with senior management close to the purchasing and design decision and engaged in stock control processes. The Group has dedicated sourcing teams by brand and product across its different geographies but with centralized control of its supply chain to maximize synergies across suppliers. The Group actively manages its supplier base, including analysing suppliers across all its brands and with seasonal and yearly analyses of supplier profitability and research of new suppliers.

The continued improvement in the Group's supply chain, especially local and regional manufacturing, has assisted the Group to maintain its gross margins. TFG Africa has a central group merchandising team and TFG's own local manufacturing facilities (Prestige and Maitland) produce at least 26% of TFG Africa's apparel.

In South Africa, the Group's strategy is to locally source vertically its supply chain to reduce reliance on long lead time international suppliers where it makes sense to do so. Together with South African Government support, the Group has expanded manufacturing facilities locally, creating world-class manufacturing in its strategic hubs of the Western Cape and KwaZulu-Natal. The Group manufactures in excess of 11.7 million units per annum (26% of the TFG Africa's apparel units) in its local manufacturing facilities and will continue to expand its local production and invest in its Quick Response ("QR") capability. QR is a retail model based on speed and flexibility, enabling retail to quickly identify and react to emerging trends, and is based on shortening lead times from order receipt to delivery. The contribution of QR units to the total units manufactured by the Group's African operations is 73% and this contribution is expected to grow even further. This strategy has resulted in a number of efficiency improvements, including a reduction in the average lead time, a reduction in the cost of supply, and margin improvement.

The Group embarked on a business optimisation drive in 2019 to reduce the overhead cost and consequently has managed its employee costs to remain stable as a percentage of the retail turnover as part of its profitability improvement strategy to improve efficiency. For the financial years ended 31 March 2020, 2019 and 2018, the Group's employee costs represented 17.9%, 18.1% and 17.3% of the Group's retail turnover, respectively. The Group can also control employee costs in its points of sale by varying staffing levels in anticipation of customer traffic. The employee costs can, however, also be impacted by changes in prevailing wage levels, such as adjustments to national or local minimum wages, especially for employees that are employed pursuant to standard collective bargaining agreements.

The Group has also managed occupancy costs to remain stable as a percentage of the retail turnover as part of its strategy to rationalise its existing store network to improve efficiency. This includes closing or repurposing non-profitable stores as well as negotiating market-related rentals in all of its territories of operations, which has resulted in significant rental reversions in respect of lease renewals and reduced annual escalation rates. For the financial years ended 31 March 2020, 2019 and 2018, the Group's occupancy costs represented 12.1%, 12.1% and 12.0% of the Group's retail turnover, respectively.

In the UK, TFG London has largely completed the harmonisation and consolidation of the back-office functions and systems for the three brands.

9.2.7 Brand awareness, customer loyalty and customer preferences

The Group believes that its customer engagement is one of the strongest elements of its brand strategy. The awareness and perception of, and customer loyalty to, its brands have a significant impact on the Group's sales performance. These factors are driven by the Group's marketing efforts as well as the TFG Rewards loyalty programme. At all of the Group's major brands, maintaining awareness of the brands in the market with a consistent brand image that speaks to the Group's target customers and increasing engagement with the Group's core target customers are key elements in driving sales within the brands. For details of the Group's brands, see "10.5 Overview of Business Divisions."

In addition to brand awareness, TFG Africa also seeks to increase customer loyalty and allow more targeted marketing to customers through the TFG Rewards loyalty programme. As of 31 March 2020, the Group had 16.1 million cash and credit members, an increase from 14.5 million cash and credit members as of 31 March 2019. Through the TFG Rewards loyalty programme, the Group is able to gain knowledge of its customers and utilise this data with analytics to manage promotions that are targeted to specific customers. These tools increase loyalty among TFG's African customer base and allow it to focus on its most valuable customers. In addition, these tools allow the Group to reduce advertising costs through direct contacts and allow for cross-selling from understanding customer behaviour. The Group also utilise its loyalty programme to understand customer behaviour and help forecast customer preferences.

TFG's core customers shop primarily based on quality, selection and accessible pricing. This makes the Group less exposed to fashion risk than certain of its retail competitors that have a high fashion focus. In addition, menswear, which also has a lower fashion focus than womenswear, comprises a significant contribution of the Group's total sales. The success of TFG's product range depends on a variety of factors, including the attractiveness and desirability of the product concept, pricing, perceived product quality and competition from other comparable products. TFG's products are either sourced from well-known international brands or are created by the design teams for each brand, who monitor competitors to adapt winning attributes to its own brand portfolio, in view of TFG's target customers and their needs. The Group also conducts exhaustive analysis of the market, including analytics on the performance of past products during its planning processes to guide design and product planning. The Group's senior management maintains close contact with the design teams to supervise the product range and ensure they follow the identity of each brand. The Group believes that its multi-brand strategy with a differentiated merchandise product identity, special collections for certain local markets, customer engagement through the TFG Rewards loyalty programme and analytical approach to product planning aimed at maximizing sales and profitability, all help mitigate the Group's exposure to fashion risk.

9.2.8 Foreign currency exchange rate fluctuations

A significant portion of the Group's operations is conducted in functional currencies other than its reporting currency, which is Rand, including the British pound and the Australian dollar. The Group also has assets and liabilities, including those that are payable or receivable by consolidated subsidiaries, denominated in a variety of foreign currencies. In the year ended 31 March 2020, 39.4% of the Group's retail turnover were denominated in currencies other than Rand. As a result, fluctuations in currency exchange rates, including due to COVID-19, may significantly increase the amount of Rand equivalent for foreign currency expenses or significantly decrease the Rand equivalent from foreign currency retail turnover.

The Group also has exposure to currency translation risk. The financial statements for the Group's foreign subsidiaries have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the market-based foreign currency exchange rate at the date of the transaction, as applicable, and all other items, including monetary items, denominated in foreign currencies are retranslated at the market-based foreign currency exchange rate at the reporting date, with the resultant translation differences being credited or charged to profit or loss as foreign currency translation differences affecting other comprehensive income. Transactions in currencies other than the Group's functional currency are translated at the rates of exchange ruling on the transaction date. Monetary assets and liabilities denominated in such foreign currencies are translated at the rates of exchange ruling on the reporting date.

As a result, when comparing the Group's results of operations between periods, there may be a significant fluctuation in foreign currency translation differences between periods, resulting in corresponding movements to the Group's total comprehensive income for such periods. For the year ended 31 March 2020, foreign currency translation differences were R1,103.8 million (6.9% of equity), as compared to R923.5 million (6.6% of equity) for the year ended 31 March 2019. For more information on how the Group manages the foreign exchange risk, see "—9.9.4 Currency Risk".

9.2.9 Seasonality

The retail sector is generally subject to seasonality, although TFG has slowly migrated its model to "less seasonal merchandise" (i.e. a seasonal). For all three retail segments of the Group, sales experience high peaks from November to January due to Black Friday, the Christmas period and winter / summer sales season, as well as in other periods of the years including Easter and July sale periods.

The Group has historically realised a higher portion of its retail turnover, Adjusted EBITDA and operating cash flows in the second half of its financial year, largely attributable to increased consumer spending during the Black Friday and Christmas periods. TFG has consistently achieved record sales during Black Friday in the past three years. The consolidated retail turnover of the Group for the three months ended 31 March 2020, 31 December 2019, 30 September 2019 and 30 June 2019 was R6,757.3 million, R11,610.8 million, R8,359.3 million and R8,595.9 million, respectively. The percentage of the Group's annual retail turnover attributable to each of these periods was 19%, 33%, 24% and 24%, respectively.

As a result of these factors and due to the significant stocking and de-stocking pre- and post-Black Friday, Christmas and winter and summer sales, the Group's working capital requirements fluctuate during the year in response to seasonal trends in its business, and are normally at their highest in October and November when building up inventory for the peak Black Friday and Christmas season. See "—9.8.2 Working Capital".

9.2.10 Inventory write-off provision

The Group's results of operations could be affected by the level of inventory write-off. Inefficiency in managing the Group's inventory balances, failure to predict consumer preference or retail trend, as well as weaker sales during peak trading periods could all result in excess inventory. An increase in inventory write-off would lead to an increase in cost of turnover, and as a result, have negative impact on the Group's results of operations.

TFG Africa uses the retail inventory method ("RIM") for the South African operations. The retail inventory method of valuation is complex, contains significant assumptions relating to the average margin and level at which the average margin is applied, is also impacted by the timing of markdowns, which could affect the gross margin. Due to the expected impact of COVID-19 on the end of the season summer stock as a result of lost sales in March and April, the markdown assumption was increased to effectively apply an additional provision to reduce the net realizable value of inventory.

TFG London and TFG Australia uses the standard cost method to value inventory. A provision calculated in anticipation of aged stock being sold below cost. This reduces the net realizable value of inventory by applying specific write off percentages based on the age and season of the stock. No specific additional provisions were applied due to COVID-19 as any growth in aged inventory is consistently provided for.

9.2.11 Increase in bad debt provision

Increase in bad debt provision could increase the Group's expenses and result in a negative trend in operating profit.

In the financial year ended 31 March 2020, the Group's net bad debt increased by R282.7 million, 28.5%, from R992.8 million for the year ended 31 March 2019 to R1,275.5 million for the year ended 31 March 2020. The increase was mainly due to an increase in write offs as well as increase provisions (partially due to COVID-19).

In the financial year ended 31 March 2019, the Group's net bad debt increased by R155.3 million, 18.5%, from R837.5 million for the year ended 31 March 2018 to R992.8 million for the year ended 31 March 2019, primarily resulting from the growth in the debtors book and increase in provision for debt intervention.

9.3 Material Developments after 31 March 2020

As previously announced on SENS on 15 May 2020 and 18 June 2020, the impact of the global COVID-19 pandemic has been felt across all of TFG's operations since the beginning of March 2020. It had a significant effect on TFG's businesses and on retail turnover for the three months ended 27 June 2020. Scenario planning continues to be critical to the Group's forward planning. For a trading update for the three months ended 27 June 2020 and information on the potential acquisition of certain commercially viable assets of JET, see "5 Summary – 5.3 Recent Developments".

Rentals Agreements: As a result of store closures, the Group communicated to various landlords with respect to concessions or reductions in rental arrangements, but no agreements had been reached at year end. Subsequent to year end rentals due for the months of April and onwards were withheld or only partially paid in selected circumstances. In particular, TFG Africa stopped payments for its South African store's rent in April, on the basis of a legal opinion obtained by the Group. TFG Africa later retroactively paid certain of the rental costs – while negotiation is ongoing with many landlords, some agreements have been reached to provide for rent payable during and post lock-down. In addition, there are ongoing discussions between the retail industry forum and the landlord industry forum in South Africa, aiming to address both the non-payment of rental during the COVID-19 lockdown and the rental payment process going forward.

Previously, IFRS 16 required the lessee to assess whether a change in lease payments is a lease modification by considering whether there has been a change in the scope of a lease or the consideration for a lease. In April 2020, the International Accounting Standards Board (IASB) issued Exposure Draft *ED/2020/2 COVID-19-Related Rent Concessions*, which becomes effective for periods 1 June 2020 with earlier application permitted. The proposed amendment allows lessees to apply a practical expedient whereby they will not be required to assess whether rent reductions or concessions are lease modifications. The amendment was issued on 28 May 2020. Reductions in lease payments will be treated as a negative variable lease payment. This means a lessee would generally recognise a concession or reduction in rental arrangements in profit or loss in the month it occurs and the portion of the lease liability that is extinguished by the forgiveness of lease payments would be derecognised. Due to the uncertainty of timing and extent of these negotiations, management are not currently able to quantify the impact this will have on the results of the Group.

The Group's debt service and covenants requirements: The Group has complied with its financial covenants for the reporting period. In light of the anticipated challenging economic environment triggered by COVID-19, management has proactively engaged with the Group's primary lenders to restructure the future debt maturity profile and debt covenants in order to avoid a possible breach of its currently agreed debt covenants requirements for the year ending 31 March 2021, which were agreed in a pre-COVID-19 environment. To date, the engagements with the primary lenders have been positive and the Group has negotiated the waiver of covenant testing in September 2020 and the resetting of covenants for March 2021.

The Group's working capital requirements and access to short-term funding: The Group is managing its cash resources through rental negotiations, minimising expenditure and capex, cutting back on purchases in line with expected demand and securing government assistance where available.

9.4 Key Income Statement Line Items

9.4.1 Retail turnover

Retail turnover represents the invoiced value of retail sales, excluding intra-group sales and value-added tax. Retail turnover is recognised based on the satisfaction of performance obligations, which occurs when control of goods transfers to a customer.

9.4.2 Cost of turnover

Cost of turnover is calculated as the cost of goods sold, including all costs of purchase, costs of conversion and other costs, including costs incurred in bringing inventories to their present location and condition. Costs of purchase include royalties paid, import duties and other taxes, and transport costs. Costs of conversion are immaterial. Inventory write-downs are recognised in cost of turnover.

9.4.3 Interest income

Interest income primarily reflects interest received on retail trade receivables.

9.4.4 Other income

Other income comprises other income from ordinary activities, such as value-added services (publishing, insurance income and airtime income), collection cost recovery and service fees and sundry income.

9.4.5 Net bad debt

Measurement of ECLs

Impairment in terms of IFRS 9 is determined based on an ECL model, as opposed to an incurred loss model applied in terms of IAS 39. The ECL model applies to all financial assets measured at amortised cost. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the best forward looking information available to the Group at reporting date. The Group measures ECLs by projecting the probability of write-off, exposure at write-off, timing of when write-off is likely to occur and loss given write-off. The ECLs are calculated by multiplying these components together. For variable rate financial instruments, the ECLs are discounted using the current effective interest rate applicable to the portfolio of financial assets. For fixed rate financial instruments, the ECLs are discounted using the original effective interest rate applicable to the portfolio of financial assets.

The Group has adopted the simplified approach which recognises lifetime ECLs regardless of stage classification. A financial asset can move in both directions through the stages of the impairment model. The Group uses past due information to assess changes in credit risk since initial recognition. The Group considers that a change in credit risk has occurred when a trade receivables – retail account customer is in arrears with one contractual payment and is classified as stage 2 as opposed to stage 1. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired and therefore classified as stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group's definition of credit-impaired is aligned to the Group's internal definition of default. IFRS 9 does not define default. The Group has adopted the rebuttable presumption that default is evident where a trade receivables – retail account customer is in arrears for more than 90 days based on contractual payment requirements. Trade receivables – retail accounts which have been identified as belonging to customers who are sequestered, placed under administration or debt review, are classified as being in default regardless of past due status.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less impairment allowance) based on the effective interest rate. The contractual interest income calculated on the gross carrying amount of the financial asset is suspended and is only recognised in interest income if and when the financial asset is reclassified out of stage 3. Any difference in the estimated stage 3 interest in a subsequent financial reporting period is recognised as an adjustment to the carrying value of the allowance for impairment and not as interest income.

9.4.6 **Trading expenses**

Trading expenses are costs incurred in the normal course of business and includes, among others, depreciation amortisation, depreciation on right-of-use assets, employee costs, occupancy costs, net bad debt and other operating costs.

Variable lease payments based agreements that do not depend on an index or rate are not included in the measurement of the right-of-use asset and lease liability. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur. Other variable lease payments that depend on an index or rate are included in the measurement of the right-of-use assets and lease liabilities.

For leases of short-term and low-value assets, the Group has opted to recognise a lease expense on a systematic basis over the lease term. The expense is presented within trading expenses on the face of the consolidated income statement.

9.4.7 **Finance costs**

Finance costs comprise interest paid and payable on borrowings calculated using the effective interest method. All borrowing costs are recognised in profit or loss.

Finance costs on lease liabilities comprise interest on lease liabilities calculated using the effective interest method and are recognised in profit or loss.

9.4.8 **Income tax expense**

Income tax expense mainly consists of South African current and deferred taxation, as well as non-South African current and deferred taxation.

9.5 **Key Financial Metrics**

9.5.1 **Adjusted EBITDA**

Adjusted EBITDA is a supplemental, non-IFRS measure often utilised to evaluate the performance of companies in the retail industry. The Group defines Adjusted EBITDA as profit for the year, excluding acquisition costs, finance costs, income tax expense, depreciation and amortisation, and excluding IFRS 16 impacts (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets). Adjusted EBITDA is used as supplemental financial performance measure by management and by external users of the Group's financial statements, such as investors and commercial banks. The Group tracks Adjusted EBITDA on a pre-IFRS 16 basis. For further information on IFRS 16, see "*—9.10 Recent Accounting Pronouncements.*" Set forth below is additional detail on how management uses Adjusted EBITDA as a measure of performance.

The Group's management uses Adjusted EBITDA in a number of ways to assess its condensed and consolidated financial and operating performance, and the Group believes this measure is helpful to management and external users in identifying trends in its performance.

Adjusted EBITDA helps management identify controllable expenses and make decisions designed to help the Group meet its current financial goals and optimise its financial performance, while neutralizing the impact of capital structure on results. Accordingly, the Group believes this metric measures its financial performance based on operational factors that management can impact in the short-term, namely its cost structure and expenses.

The Group believes that the presentation of Adjusted EBITDA in this Circular provides information useful to investors in assessing its financial condition and results of operations. The IFRS measure most directly comparable to Adjusted EBITDA is operating profit before acquisition costs and finance costs. Adjusted EBITDA is not used as measure of the Group's liquidity and should not be considered alternative to operating profit before acquisition costs and finance costs or any other measure of financial performance presented in accordance with IFRS. The Group's Adjusted EBITDA may not be comparable to the Adjusted EBITDA of other companies due to the fact that not all companies use the same definitions of Adjusted EBITDA. Accordingly, there can be no assurance that the Group's basis for computing these non-IFRS measures is comparable with that of other companies. A reconciliation of profit for the year to Adjusted EBITDA is included in the table under "*8 Selected Financial and Other Information—8.6 Reconciliation of Non-IFRS Measures*".

The following table sets forth the Group's Adjusted EBITDA for the periods presented.

<i>(R millions)</i>	For the year ended 31 March		
	2020	2019	2018
TFG Africa	4,103.1	4,194.6	4,035.8
TFG London	404.4	445.9	426.7
TFG Australia	589.8	543.1	409.5
Total	5,097.3	5,183.6	4,872.0

For the year ended 31 March 2020, the Adjusted EBITDA for the Group and also all of the segments were significantly impacted by the loss in trade due to COVID-19. Adjusted EBITDA margin (i.e. Adjusted EBITDA divided by retail turnover) also deteriorated in the month of March 2020. Prior to the March 2020 trade impact, TFG Africa had a stable Adjusted EBITDA margin and TFG Australia's Adjusted EBITDA margin had improved significantly compared to the prior year.

For the year ended 31 March 2019, the growth of the Adjusted EBITDA for TFG Africa due to retail turnover growth was tempered by a tough credit environment. Adjusted EBITDA for TFG London was flat as compared to the year ended 31 March 2018, as a result of major one-off expenses due to the write-off of House of Fraser balances of £2.5 million and restructuring cost of £1 million.

9.5.2 Free Cash Flow

Free cash flow is a supplemental, non-IFRS measure often utilised to evaluate the performance of companies in the retail industry. The Group defines free cash flow as net cash inflows from operating activities, plus dividends and taxation paid, less non-cash items, plus finance costs, excluding IFRS 16 impacts (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets), plus depreciation and amortisation, acquisition costs, less IAS 17 impact, taxation and capital expenditure. Free cash flow is used as supplemental financial performance measure by management and by external users of the Group's financial statements, such as investors and commercial banks. For additional detail on how management uses free cash flow as a measure of performance see "Important Information – Non-IFRS measures".

The Group believes that the presentation of free cash flow in this Circular provides information useful to investors in assessing its financial condition and results of operations. A reconciliation of net cash inflows from operating activities to Free Cash Flow is included in the table under "8 Selected Financial and Other Information – 8.6 Reconciliation of Non-IFRS Measures".

The following table sets forth the Group's free cash flow for the periods presented.

(R millions)	For the year ended 31 March		
	2020	2019	2018
	2,252.3	2,244.4	1,891.5

The free cash flow improved in the year ended 31 March 2020 despite the lower Adjusted EBITDA and higher capital expenditure, primarily attributable to slower growth in retail debtors and inventory, as well as reduction in concession debtors.

9.6 Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management and directors to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the Group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

9.6.1 Trade receivables impairment

When measuring the expected credit losses ("ECLs") of financial assets for the Group, the following judgement and estimates are employed:

- Probability of Write-off ("PW") constitutes a key input in measuring ECLs. PW is an estimate of the likelihood of write-off over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Write-off ("LGW") is an estimate of the loss arising on write-off of financial assets. It is based on the difference between the contractual cash flows due from a financial asset and those that the Group would expect to receive.
- Exposure at Write-off ("EAW") is an estimate of the expected exposure at a future write-off date.
- The Group uses reasonable and supportable forward-looking information, which is based on assumptions and expert opinion for the future movement of different economic drivers and how these drivers will affect each other. As these assumptions and expert opinions pertain to uncertain future events, significant judgement is present. Forward-looking information can include the impact of potential future legislation. The impact on ECLs is assessed based on the latest information available regarding the applicable legislation. Estimates and judgements are required to assess the impact on the PW and EAW, and the timing of the anticipated credit loss.

9.6.2 Inventory valuation

RIM inherently requires management judgements and estimates, such as the amount and timing of permanent markdown to clear unproductive or slow moving inventory, which may impact the ending inventory valuation as well as gross margins.

9.6.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables – retail, concession receivables and payables is assumed to approximate their fair values due to their short-term nature.

9.6.4 Taxation

The Group is subject to income tax in more than one jurisdiction. Judgement is required in determining the provisions for income taxes due to the complexity of legislation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on whether the particular tax treatment is acceptable to the respective revenue authorities. If the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines its taxable profit (tax losses), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax credits and tax rates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

9.6.5 Other

Further estimates and judgements that are not significant, but are areas in the financial statements that exist. These relate to residual values, useful lives and depreciation and amortisation methods; goodwill impairment assessments; estimating the fair value of share incentives granted; pension fund and employee obligations and calculation of the right-of-use assets and lease liabilities.

9.7 Results of Operations

The following table sets out selected income statement line items for the financial years ended 31 March 2020, 2019 and 2018, as extracted from the Group's consolidated financial statements included elsewhere in this Circular.

<i>(R millions)</i>	For the year ended 31 March		
	2020 <i>(reviewed)</i>	2019 <i>(restated)</i>	2018 <i>(restated)</i>
Retail turnover	35,323.3	34,101.4	28,519.5
Cost of turnover	(16,700.1)	(15,820.8)	(13,557.5)
Gross Profit	18,623.2	18,280.6	14,962.0
Interest income	1,759.7	1,764.0	1,755.8
Other income	1,393.5	1,262.8	1,187.7
Net bad debt	(1,275.5)	(992.8)	(837.5)
Trading expenses	(15,816.2)	(15,432.0)	(12,941.5)
Operating profit before acquisition costs and finance costs	4,684.7	4,882.6	4,126.5
Acquisition costs	–	–	(79.4)
Finance costs	(1,335.4)	(1,304.5)	(696.6)
Profit before tax	3,349.3	3,578.1	3,350.5
Income tax expenses	(905.5)	(937.8)	(942.3)
Profit for the year	2,443.8	2,640.3	2,408.2

9.7.1 Comparison of the year ended 31 March 2020 with the year ended 31 March 2019

For the year ended 31 March 2020, the Company recorded R35,323.3 million in retail turnover, R4,684.7 million in operating profit before acquisition costs and finance costs and R2,443.8 million in profit for the year, compared to R34,101.4 million in retail turnover, R4,882.6 million in operating profit before acquisition costs and finance costs and R2,640.3 million in profit for the year ended 31 March 2019. Overall the Group's result was impacted by COVID-19 in the month of March 2020. See "–9.2.1 COVID-19 Pandemic".

Retail turnover

Retail turnover increased by R1,221.9 million, 3.6%, from R34,101.4 million for the year ended 31 March 2019 to R35,323.3 million for the year ended 31 March 2020. The increase was primarily due to a strong performance in TFG Australia and cash sales for TFG Africa, partially offset by the impact of COVID-19. Credit sales was constrained in TFG Africa while TFG London was negatively impacted by lower concession online sales.

Cost of turnover

Cost of turnover increased by R879.3 million, 5.6%, from R15,820.8 million for the year ended 31 March 2019 to R16,700.1 million for the year ended 31 March 2020. The increase in cost was driven by the impact of additional COVID-19 related provisioning due to COVID-19 on gross margins as well as weaker TFG London due to the mix of sales. The COVID-19 provisioning relates to additional provisions applied to inventory due to the impact of lost sales during the closure period in relation to end of season stock.

Interest income

Interest income decreased by R4.3 million, 0.2%, from R1,764.0 million for the year ended 31 March 2019 to R1,759.7 million for the year ended 31 March 2020. Interest income from the retail debtors book was largely flat due to the decrease in interest rates offsetting the growth in the underlying debtors book.

Other income

Other income increased by R130.7 million, 10.4%, from R1,262.8 million for the year ended 31 March 2019 to R1,393.5 million for the year ended 31 March 2020. The increase was mainly due to an increase in collection charges on the retail debtors book.

Net bad debt

Net bad debt increased by R282.7 million, 28.5%, from R992.8 million for the year ended 31 March 2019 to R1,275.5 million for the year ended 31 March 2020. The increase was mainly due to an increase in write offs as well as increased provisions (partially due to COVID-19).

Trading expenses

Trading expenses increased by R384.2 million, 2.5%, from R15,432.0 million for the year ended 31 March 2019 to R15,816.2 million for the year ended 31 March 2020. The increase was mainly due to the expansion in TFG Australia.

The table below sets forth the breakdown of trading expenses for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March	
	2020	2019
	(reviewed)	(restated)
Trading expenses		
Occupancy costs	(4,269.8)	(4,129.0)
Occupancy costs lease reversal	3,584.2	3,346.5
Depreciation on right-of-use assets	(3,000.1)	(2,805.1)
Depreciation and amortisation	(828.5)	(844.1)
Employee costs	(6,311.6)	(6,181.0)
Other operating costs	(4,990.4)	(4,819.3)
Total	(15,816.2)	(15,432.0)

Occupancy costs (considering occupancy costs lease reversal) increased by R96.9 million, 12.4%. The decrease was primarily attributable to the expansion in TFG Australia offset by savings due to lower rent reversions.

Depreciation and amortisation and depreciation on right-of-use assets increased by R179.4 million, 4.9%, from R3,649.2 million for the year ended 31 March 2019 to R3,828.6 million for the year ended 31 March 2020. The increase was mainly due to an increase in IFRS 16 ROU Asset depreciation as the remainder of the depreciation reduced.

Employee costs increased by R130.6 million, 2.1%, from R6,181.0 million for the year ended 31 March 2019 to R6,311.6 million for the year ended 31 March 2020. The increase was driven by the expansion in TFG Australia offset by a reduction in incentive payments due to the performance impact of COVID-19.

Other operating costs increased by R171.1 million, 3.6%, from R4,819.3 million for the year ended 31 March 2019 to R4,990.4 million for the year ended 31 March 2020. The increase in cost was driven by expansion in TFG Australia and the exit closure of the ASA brand offset by a reduction in incentive payments due to the performance impact of COVID-19.

Operating profit before acquisition costs and finance costs

Operating profit before acquisition costs and finance costs decreased by R197.9 million, 4.1%, from R4,882.6 million for the year ended 31 March 2019 to R4,684.7 million for the year ended 31 March 2020. The decrease was driven by the loss of retail turnover and corresponding gross profit due to the impact of the closure of stores due to COVID-19.

Finance Costs

Finance costs increased by R30.9 million, 2.4%, from R1,304.5 million for the year ended 31 March 2019 to R1,335.4 million for the year ended 31 March 2020. The increase was attributable to the increase in interest on the capitalized lease assets. Normal finance cost increase were flat.

Income tax expenses

Income tax expense decreased by R32.3 million, 3.4%, from R937.8 million for the year ended 31 March 2019 to R905.5 million for the year ended 31 March 2020, primarily driven by a decrease in profits and the increase in the UK tax rate.

Profit for the year

Profit for the year decreased by R196.5 million, 7.4%, from R2,640.3 million for the year ended 31 March 2019 to R2,443.8 million for the year ended 31 March 2020. The decrease was primarily due to lower retail turnover and lower margins due to COVID-19 as well as higher debtors' write-off charges and provisions.

9.7.2 Comparison of the year ended 31 March 2019 with the year ended 31 March 2018

For the year ended 31 March 2019, the Company recorded R34,101.4 million in retail turnover, R4,882.6 million in operating profit before acquisition costs and finance costs and R2,640.3 million in profit for the year, compared to R28,519.5 million in retail turnover, R4,126.5 million in operating profit before acquisition costs and finance costs and R2,408.2 million in profit for the year ended 31 March 2018. The growth in comparison to 2018 is impacted by the acquisition of Hobbs – 4 months' trading included in 2018 (effective date 25 November 2017) and the Retail Apparel Group – 8 months' trading included in 2018 (effective date 24 July 2017).

Retail turnover

Retail turnover increased by R5,581.9 million, 19.6%, from R28,519.5 million for the year ended 31 March 2018 to R34,101.4 million for the year ended 31 March 2019. Retail turnover for the Group increased by 19.6% compared to March 2018 with retail turnover growth of 8.9% (ZAR) for TFG Africa, 31.3% (GBP) for TFG London and 58.3% (AUD) for TFG Australia.

Cost of turnover

Cost of turnover increased by R2,263.3 million, 16.7%, from R13,557.5 million for the year ended 31 March 2018 to R15,820.8 million for the year ended 31 March 2019. Group gross margin expanded to 53.6% from 52.5% for the year ended 31 March 2018. This improvement is the result of specific focus placed on key initiatives to improve input margin and decrease markdowns, as well a greater contribution from the international brands which has higher margins on average.

Interest income

Interest income increased by R8.2 million, 0.5%, from R1,755.8 million for the year ended 31 March 2018 to R1,764.0 million for the year ended 31 March 2019. The increase was primarily attributable to 25 basis points rate increase and an increase in the retail debtors book.

Other income

Other income increased by R75.1 million, 6.3%, from R1,187.7 million for the year ended 31 March 2018 to R1,262.8 million for the year ended 31 March 2019. The increase was mainly due to increase in recoveries and service fees charged.

Net bad debt

Net bad debt increased by R155.3 million, 18.5%, from R837.5 million for the year ended 31 March 2018 to R992.8 million for the year ended 31 March 2019. The increase was mainly due to the growth in the debtors book and increase in provision for debt intervention.

Trading expenses

Trading expenses increased by R2,490.5 million, 19.2%, from R12,941.5 million for the year ended 31 March 2018 to R15,432.0 million for the year ended 31 March 2019. Refer to segmental breakdown for the reasons for the increase.

The table below sets forth the breakdown of trading expenses for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March	
	2019	2018
	(restated)	(restated)
Trading expenses		
Occupancy costs	(4,129.0)	(3,411.5)
Occupancy costs lease reversal	3,346.5	–
Depreciation on right-of-use assets	(2,805.1)	–
Depreciation and amortisation	(844.1)	(745.5)
Employee costs	(6,181.0)	(4,948.0)
Other operating costs	(4,819.3)	(3,836.5)
Total	(15,432.0)	(12,941.5)

Occupancy costs (considering occupancy costs lease reversal) decreased by R2,629.0 million, 77.1%, from R3,411.5 million for the year ended 31 March 2018 to R782.5 million for the year ended 31 March 2019. The decrease was primarily attributable to the adoption of IFRS 16.

Depreciation and amortisation increased by R98.6 million, 13.2%, from R745.5 million for the year ended 31 March 2018 to R844.1 million for the year ended 31 March 2019. The increase was mainly due to a combination of new store expansion across all territories and investment in infrastructure over the past few years.

Employee costs increased by R1,233.0 million, 24.9%, from R4,948.0 million for the year ended 31 March 2018 to R6,181.0 million for the year ended 31 March 2019. The increase was driven by normal increases in TFG Africa, introduction of National Living Wage and the introduction of the group incentive scheme for TFG London. For TFG Australia, it was due to store expansion and management incentive costs.

Other operating costs increased by R982.8 million, 25.6%, from R3,836.5 million for the year ended 31 March 2018 to R4,819.3 million for the year ended 31 March 2019. The increase in cost was driven by the online strategy and store expansion.

Operating profit before acquisition costs and finance costs

Operating profit before acquisition costs and finance costs increased by R756.1 million, 18.3%, from R4,126.5 million for the year ended 31 March 2018 to R4,882.6 million for the year ended 31 March 2019. The increase was driven by the acquisition of RAG and Hobbs being included for the full period, but the growth was lower than the retail turnover growth due to the impact of the lower operating margins for the international businesses and lower Credit income in TFG Africa.

Finance Costs

Finance costs increased by R607.9 million, 87.3%, from R696.6 million for the year ended 31 March 2018 to R1,304.5 million for the year ended 31 March 2019. The increase was attributable to increases in the interest rate and higher borrowing levels in TFG Africa and IFRS 16 impact in the year ended 31 March 2019.

Income tax expenses

Income tax expense decreased by R4.5 million, 0.5%, from R942.3 million for the year ended 31 March 2018 to R937.8 million for the year ended 31 March 2019, primarily driven by a lower average tax rate due to tax rate decreases in TFG London and recognition of some previously unrecognised capital allowances and a reduction in non-deductible expenditure.

Profit for the year

Profit for the year increased by R232.1 million, 9.6%, from R2,408.2 million for the year ended 31 March 2018 to R2,640.3 million for the year ended 31 March 2019. The increase was primarily due to the acquisition of RAG, and strong retail performance in TFG Africa and TFG Australia.

9.7.3 Result of operations by Segment

The Group discloses its results of operations by operating segments, which comprise of TFG Africa retail, Credit, TFG London and TFG Australia.

TFG Africa retail

TFG Africa retail comprises of the @home division, Exact division, the FIX division, the Foschini division, the Jewellery division, the Markham division, the Sport division and the TFG Mobile division. These divisions include clothing, jewellery, cosmetics, cellphones and homeware and furniture merchandise categories.

The following table summarises TFG Africa retail's key results for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
External revenue	23,285.1	22,588.6	20,861.5
External interest income	24.4	15.7	47.3
Total segment revenue ⁽¹⁾	23,309.5	22,604.3	20,908.8
Depreciation and amortisation	(562.9)	(557.9)	(510.2)
Depreciation on right-of-use assets	(1,850.9)	(1,802.5)	–
Segmental profit before tax	2,296.5	2,291.1	2,378.9

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG Africa retail's total segment revenue increased by R705.2 million, 3.1%, from R22,604.3 million for the year ended 31 March 2019 to R23,309.5 million for the year ended 31 March 2020, primarily driven by growth in retail turnover and collection fee income.

TFG Africa retail's total segment revenue increased by R1,695.5 million, 8.1%, from R20,908.8 million for the year ended 31 March 2018 to R22,604.3 million for the year ended 31 March 2019, mainly attributable to near double digit growth in in cash sales prior to the sales contraction in March 2020 due to the impact of COVID-19.

The table below sets forth the breakdown of TFG Africa retail's total segment revenue by geographical information (i.e. the location of the customers) for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
South Africa	21,814.8	21,202.7	19,542.5
Rest of Africa	1,128.3	1,154.0	1,187.3
E-commerce	366.4	247.6	179.0
Total segment revenue⁽¹⁾	23,309.5	22,604.3	20,908.8

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG Africa retail's segmental profit before tax increased by R5.4 million, 0.2%, from R2,291.1 million for the year ended 31 March 2019 to R2,296.5 million for the year ended 31 March 2020, primarily driven by the lost retail turnover and higher provisioning levels due to the impact of COVID-19.

TFG Africa retail's segmental profit before tax decreased by R87.8 million, 3.7%, from R2,378.9 million for the year ended 31 March 2018 to R2,291.1 million for the year ended 31 March 2019, primarily driven by the lost retail turnover and higher provisioning levels due to the impact of COVID-19.

Credit

Credit manages the Group's trade receivables and related functions with regard to the granting of credit.

The following table summarises Credit's key results for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
External revenue	640.2	487.6	364.2
External interest income	1,735.3	1,748.3	1,707.8
Total segment revenue ⁽¹⁾	2,375.5	2,235.9	2,072.0
Segmental profit before tax	539.1	713.7	731.6

Note:

⁽¹⁾ Total segment revenue includes interest income and other income.

Credit's total segment revenue increased by R139.6 million, 6.2%, from R2,235.9 million for the year ended 31 March 2019 to R2,375.5 million for the year ended 31 March 2020, primarily driven by higher services fees and recoveries.

Credit's total segment revenue increased by R163.9 million, 7.9%, from R2,072.0 million for the year ended 31 March 2018 to R2,235.9 million for the year ended 31 March 2019, mainly attributable to higher interest income, services fees and recoveries.

The table below sets forth the breakdown of Credit's total segment revenue by geographical information (i.e. the location of the customers) for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
South Africa	2,305.1	2,151.7	1,995.0
Rest of Africa	70.4	84.2	77.0
Total segment revenue⁽¹⁾	2,375.5	2,235.9	2,072.0

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

Credit's segmental profit before tax decreased by R174.6 million, 24.5%, from R713.7 million for the year ended 31 March 2019 to R539.1 million for the year ended 31 March 2020, primarily driven by increase in net bad debt with an additional COVID-19 provision required whilst controlling expenses growth.

Credit's segmental profit before tax decreased by R17.9 million, 2.4%, from R731.6 million for the year ended 31 March 2018 to R713.7 million for the year ended 31 March 2019, primarily driven by increase in net bad debt with an additional debt intervention provision, partially offset by controlling expenses growth and a growth in fee income.

TFG London

TFG London comprises the Phase Eight, Whistles and Hobbs retail brands, which operate internationally in the retail sector. The retail brands operate across Europe, Asia, the Middle East, Australasia and North America.

The following table summarises TFG London's key results for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
External revenue	7,330.9	7,345.8	5,348.9
External interest income	–	–	–
Total segment revenue ⁽¹⁾	7,330.9	7,345.8	5,348.9
Depreciation and amortisation	(165.2)	(185.0)	(132.2)
Depreciation on right-of-use assets	(394.6)	(412.9)	–
Segmental profit before tax	137.7	236.0	202.1

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG London's total segment revenue decreased by R14.9 million, 0.2%, from R7,345.8 million for the year ended 31 March 2019 to R7,330.9 million for the year ended 31 March 2020, primarily driven by the impact of COVID-19 and weaker concession online performance.

TFG London's total segment revenue increased by R1,996.9 million, 37.3%, from R5,348.9 million for the year ended 31 March 2018 to R7,345.8 million for the year ended 31 March 2019. Hobbs was acquired in November 2017, thus resulting in having the full 12 months of Hobbs retail turnover in the year ended 31 March 2019 as compared to only 4 months in the prior year.

The table below sets forth the breakdown of TFG London's total segment revenue by geographical information (i.e. the location of the customers) for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
United Kingdom and Ireland	3,962.5	3,658.5	2,839.3
Australia	16.5	35.5	39.9
Rest of the World	1,053.5	1,106.7	835.1
E-commerce	2,298.4	2,545.1	1,634.6
Total segment revenue⁽¹⁾	7,330.9	7,345.8	5,348.9

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG London's segmental profit before tax decreased by R98.3 million, 41.7%, from R236.0 million for the year ended 31 March 2019 to R137.7 million for the year ended 31 March 2020, primarily driven by impact of COVID-19 on retail turnover and margin. Gross margin was negatively impacted by significant promotional activity in the market, adverse foreign exchange movements, impact of continued online growth on logistics costs and higher COVID-19 related stock provisioning. Strong store cost control and the head office rationalisation resulted in a reduction in trading expenses.

TFG London's segmental profit before tax increased by R33.9 million, 16.8%, from R202.1 million for the year ended 31 March 2018 to R236.0 million for the year ended 31 March 2019. Hobbs was acquired in November 2017, thus resulting in having the full 12 months of Hobbs retail turnover in the year ended 31 March 2019 as compared to only 4 months in the prior year. There were also material one-off costs for House of Fraser impairment and restructuring.

TFG Australia

TFG Australia comprises the Retail Apparel Group ("RAG"), which includes the Connor, Tarocash, Johnny Bigg, Rockwear and yd. retails brands. RAG operates through retail outlets throughout Australia and New Zealand.

The following table summarises TFG Australia's key results for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
External revenue	5,460.6	4,942.2	3,132.6
External interest income	–	–	0.7
Total segment revenue ⁽¹⁾	5,460.6	4,942.2	3,133.3
Depreciation and amortisation	(100.4)	(101.2)	(103.1)
Depreciation on right-of-use assets	(754.6)	(589.7)	–
Segmental profit before tax	452.1	415.5	253.1

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG Australia's total segment revenue increased by R518.4 million, 10.5%, from R4,942.2 million for the year ended 31 March 2019 to R5,460.6 million for the year ended 31 March 2020.

TFG Australia's total segment revenue increased by R1,808.9 million, 57.7%, from R3,133.3 million for the year ended 31 March 2018 to R4,942.2 million for the year ended 31 March 2019, mainly attributable to strong performance with like-for-like sales ahead of the Australian market at 7.8% and new outlet growth on track. With the acquisition of RAG in the year ended 31 March 2018, the results for the year ended 31 March 2018 only include 8 months for RAG trade since acquisition.

The table below sets forth the breakdown of TFG Australia's total segment revenue by geographical information (i.e. the location of the customers) for the periods indicated.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Australia	4,939.1	4,554.5	2,966.7
Rest of the World	234.1	167.3	78.7
E-commerce	290.1	220.4	87.9
Total segment revenue⁽¹⁾	5,460.6	4,942.2	3,133.3

Note:

⁽¹⁾ Total segment revenue includes retail turnover, interest income and other income.

TFG Australia's segmental profit before tax increased by R36.6 million, 8.8%, from R415.5 million for the year ended 31 March 2019 to R452.1 million for the year ended 31 March 2020, primarily driven by good like-for-like retail turnover growth and store expansion whilst ensuring growth is in line with expansion.

TFG Australia's segmental profit before tax increased by R162.4 million, 64.2%, from R253.1 million for the year ended 31 March 2018 to R415.5 million for the year ended 31 March 2019, mainly attributable to good like-for-like retail turnover growth and store expansion driving the profit growth. With the acquisition of RAG in the year ending 31 March 2018, the results for the year ended 31 March 2018 only includes 8 months for RAG trade since acquisition.

9.8 Liquidity and Capital Resources

9.8.1 Liquidity and COVID-19 Initiatives

The Group's liquidity requirements consist mainly of working capital, capital expenditure and debt and tax servicing requirements. Its primary sources of liquidity are cash generated from operations, cash and cash equivalents and the Group's undrawn credit facilities. For further detail of the Group's credit facilities, including the available headroom under its financing arrangements as of 31 March 2020, see "14 Additional Information—14.6 Material Funding Agreements."

The Group has R11,329.5 million of interest bearing debt and R8,360.4 million of net borrowings as of 31 March 2020. See "8 Selected Financial and Other Information—8.6 Reconciliation of Non-IFRS Measures."

As at 31 March 2020, the Group had total cash and cash equivalents of R2,969.1 million. The Rights Offer is expected to raise net proceeds of R3.8 billion, which will be used to strengthen the balance sheet and ensure continued operations and expansion during COVID-19.

The Group cannot presently estimate the financial impact of COVID-19, which is highly dependent on the severity and duration of the pandemic, but the Group expects it will continue to have a significant adverse impact on its results of operations. As such, due to the uncertainties associated with COVID-19 and the indeterminate length of time it will affect the retail industry, the Group has taken certain proactive measures and strategic initiatives to minimise the financial impact of COVID-19 on the business and to secure the Group's liquidity position to be able to meet its obligations for the foreseeable future, which have included:

- Executing on clearly established business continuity plan;
- Investigating and, where appropriate, utilising government support initiatives in each of the Group's countries of operation;
- Constantly engaging with all of the Group's stakeholders in order to effectively manage the impact of COVID-19, including customers, employees, shareholders, suppliers, vendors, landlords, lenders, trade unions and government ministries in each of the Group's territories;
- Proactively engaging with landlords in each of the Group's territories in order to try to reach agreement on "fair" rentals both during and post the periods during which the Group has not been able to trade;
- Monitoring and managing cash flow and liquidity to maintain and enhance the strength of the Group's balance sheet, including securing additional committed facilities of R3.3 billion as well as waiving of covenant testing in September 2020 and resetting of covenants for March 2021;
- Managing the health of the Group's debtors' book by providing account holders with a range of payment options that can be accessed from the safety of their homes;
- Working with the Group's merchandise suppliers to either cancel or delay merchandise orders in order to respond to the shift in customer demand and to prevent the build-up of inventory;
- Placing new projects and developments on hold, which has reduced forecast capital expenditure by approximately R1 billion;
- Continuing and fast-tracking, where practical, the Group's business optimisation initiatives in order to remove non-essential costs from the business;
- Implementing zero salary increases for the new financial year, while committing to pay full salaries and benefits in South Africa in April and May 2020 and having applied to access the government's COVID-19 relief funding where available, as well as temporarily reducing board fees and salaries; and
- Formulating recovery plans for all the Group's locations post the lockdown period, including how to keep the employees, customers and other stakeholders safe with strict social distancing protocols in place within the supply chain, the stores and in all of the Group's head office buildings.

After considering the Group's approach to liquidity and accessing the available sources of cash, the Group believes that its cash position, after giving effect to the Rights Offer and other initiatives discussed above, will be adequate to meet anticipated requirements for operating and other expenditures, including corporate expenses, payroll and related benefits, taxes and compliance costs and other commitments for an estimated period of up to 12 months, even if current levels of low trade activities were to persist.

9.8.2 Working Capital

TFG defines working capital as the year on year cash flow movements in TFG's capital which are used in its day-to-day trading operations. This includes inventory, trade receivables – retail, other receivables and prepayments and trade and other payables. The Group's working capital requirements are mainly guided by the level of its inventories, trade and other receivables and trade and other payables. With an efficient management of the Group's working capital, it has minimised growth in working capital. For the financial years ended 31 March 2020, 2019 and 2018, the Group's working capital increase amounted to R542.1 million, R788.0 million and R937.2 million, respectively.

As is usual for the retail sector, the Group's working capital fluctuates over the course of the year, with cash inflows peaking at Easter, Black Friday, Christmas, sales seasons and calendar month end, as a result of increased sales, and cash outflows peaking as the Group purchases additional inventory just ahead of these periods.

9.8.3 Cash Flows

The table below sets forth the principal components of the Group's cash flows for the financial years ended 31 March 2020, 2019 and 2018.

<i>(R millions)</i>	For the year ended 31 March		
	2020 (reviewed)	2019 (restated)	2018 (restated)
Net cash inflows from operating activities	3,954.1	3,987.3	856.5
Net cash outflows from investing activities	(1,100.9)	(868.4)	(3,796.4)
Net cash (outflows)/inflows from financing activities	(1,101.5)	(3,293.8)	3,401.0
Net increase/(decrease) in cash & cash equivalents	1,751.7	(174.9)	461.1
Cash and cash equivalents at the beginning of the year	1,111.0	1,206.1	878.5
Cash held in non-controlling interest	–	(6.4)	–
Effect of exchange rate fluctuations on cash held	106.4	86.2	(133.5)
Cash and cash equivalents at end of the year	2,969.1	1,111.0	1,206.1

Cash flow from operating activities

The Group's cash flow from operating activities decreased by R33.2 million in the year ended 31 March 2020, from R3,987.3 million in the year ended 31 March 2019 to R3,954.1 in the year ended 31 March 2020. The decrease was due to the increase in tax paid and dividends paid, partially offset by a decrease in working capital year-on-year.

The Group's cash flow from operating activities increased by R3,130.8 million in the year ended 31 March 2019, from R856.5 million in the year ended 31 March 2018 to R3,987.3 million in the year ended 31 March 2019. The increase was a result of the increase in cash generated from operations, partially offset by increase in finance costs and dividends paid.

Cash flow from investing activities

The Group's cash outflow from investing activities increased by R232.5 million in the year ended 31 March 2020, from an outflow of R868.4 million in the year ended 31 March 2019 to an outflow of R1,100.9 million in the year ended 31 March 2020. The increase was due to expansion across stores and IT, as it is the key focus of the Group to invest in digital initiatives and e-commerce.

The Group's cash outflow from investing activities decreased by R2,928.0 million in the year ended 31 March 2019, from an outflow of R3,796.4 million in the year ended 31 March 2018 to an outflow of R868.4 million in the year ended 31 March 2019. The decrease primarily resulted from the acquisition of assets through business combinations in 2018.

Cash flow from financing activities

The Group's cash flow from financing activities increased by R2,192.3 million in the year ended 31 March 2020, from an outflow of R3,293.8 million in the year ended 31 March 2019 to R1,101.5 million in the year ended 31 March 2020. The increase was due to the increase in interest bearing debt.

The Group's cash flow from financing activities decreased by R6,694.8 million in the year ended 31 March 2019, from an inflow of R3,401.0 million in the year ended 31 March 2018 to an outflow of R3,293.8 million in the year ended 31 March 2019. The decrease was a result the revised IFRS16 treatment of the payment of lease liabilities (R2,747.0 million) as financing activities, and the decrease in interest-bearing debt in 2019.

9.8.4 Interest Bearing Debt and Contractual Obligations

The table below is a breakdown of the Group's interest-bearing debt outstanding as of 31 March 2020.

(R millions)	Current	Non-current	Total
TFG Africa			
Banking facility A	2,080	600	2,680
Banking facility B	428	1,550	1,978
Banking facility C	572	700	1,272
Banking facility D	–	400	400
Banking facility E	469	500	969
Banking facility F	200	–	200
Banking facility G	500	–	500
Banking facility H	450	550	1,000
Banking facility I	300	–	300
Banking facility J	850	–	850
Total – TFG Africa	5,849	4,300	10,149
TFG London			
Banking facility K	–	375	375
Banking facility L	–	375	375
Banking facility M	–	375	375
Total – TFG London	–	1,125	1,125
TFG Australia			
Banking facility N	–	55	55
Total – Group Interest Bearing Debt	5,849	5,480	11,329

For a summary of the Group's borrowing agreements, see "14 Additional Information – 14.6 Material Funding Agreements."

In addition, the Group had R8,597.8 million of lease liabilities as of 31 March 2020.

The table below sets forth the payments the Group is obligated to make on its financial liabilities and the timing of those payments. This table does not include the lease liabilities as disclosed in the above paragraph. The amounts stated in the table are the contractual, undiscounted cash flows.

(R millions)	As of 31 March 2020		
	Less than one year	Between one and two years	More than two years
Non-derivative financial liabilities			
Interest-bearing debt	6,315.2	2,276.8	3,897.0
Trade and other payables	4,439.9	–	–
Derivative financial liabilities			
Put option liability	–	–	54.2
Total	10,755.1	2,276.8	3,951.2

9.8.5 Capital Expenditure

The Group routinely makes capital expenditures to enhance its business. The Group classifies its capital expenditures into: (i) maintenance capital expenditure (i.e. investment to maintain operations, including investment in property, plant and equipment relating to the maintenance and enhancement of existing stores) and (ii) expansion capital expenditure (i.e. investment to expand operations, including investment in property, plant and equipment relating to new stores under development or recently opened).

The following table sets out the Group's capital expenditure for the periods under review. Capital expenditure is defined as cash outflow for the purchase of property, plant and equipment and intangible assets.

(R millions)	Year ended 31 March		
	2020	2019	2018
Maintenance capital expenditure	342.2	384.6	297.9
Expansion capital expenditure	777.2	557.8	598.7
Total capital expenditure	1,119.4	942.4	896.6

The Group's capital expenditures focus on new store openings and also on investments in logistics and distribution, manufacturing, information systems, digital transformation initiatives, e-commerce operations and store refurbishments and rationalisation. In the last two years and going forward, the Group has focused and will increasingly focus capital expenditure on digital transformation and e-commerce initiatives. Capital expenditure in respect of stores will continue to focus on expansion in the locations and for the brands where it makes sense to do so. The rationalisation of the existing store network will continue. Funds to meet future capital expenditure will be financed by net cash inflows from operating activities and existing borrowing facilities. The focus for capital expenditure has shifted to investment in digital technology and this has been partly funded by a reduced spending on store capital expenditure as well as a shift from maintenance expenditure to expansion-related expenditure.

9.9 Financial Risk Management

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Risk Committee reviews the enterprise risk management framework and the related policies and processes annually.

9.9.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on Trade receivables – retail, other receivables, concession receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

9.9.2 Cash Flow and Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure it will always have sufficient cash flow to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

This risk is managed through cash flow forecasts, the optimisation of daily cash management and by ensuring that adequate borrowing facilities are maintained. In terms of its memorandum of incorporation, the Group's borrowing powers are unlimited.

9.9.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

9.9.4 Currency Risk

The Group is exposed to foreign exchange risk. The financial risk activities are governed by appropriate policies and procedures to identify financial risks, measured and managed in accordance with the Group's treasury policy. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Currency risk is the risk that the future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The Group is exposed to currency risk as operating subsidiaries undertake transactions that are denominated in foreign currencies. These currencies are primarily the Australian Dollar (AUD), British Pound (GBP), Chinese Yuan (CNY), Euro and US Dollar (USD).

The hedging instrument used is forward exchange contracts ("**FEC**"). Cash flow hedge accounting is applied to all open FECs. FECs are designated as hedging instruments in cash flow hedges of forecasted transactions and firm commitments. These forecast transactions are used to mitigate the exposure of the variability in cash flows attributable to highly probable forecast transactions and firm commitments to purchase stock denominated in a foreign currency.

There is a direct economic relationship between the hedging instrument and the hedged item. The conclusion is that the changes in fair values of the hedging instrument and the hedged item are moving in opposing directions and the change in fair value of hedging instrument highly offsets the change in fair value of the hedged item. The Group has established a hedge ratio of 1:1 since the notional amount and currency of the hedged item is the same as the notional amount of the foreign currency leg of the hedging instrument. To test the hedge effectiveness, the Group uses a qualitative method.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged instruments;
- The credit risk of the contracting parties differently impacting the fair value movements of the hedging instruments and hedged items;
- The variability of the forecasted amount of cash flows of hedged items and hedging instruments;

The risk of financial loss due to the volatility of the foreign currency transactions arises from:

- Translation exposure – the effect of exchange rate movements on the recorded results of a foreign entity;
- Transaction exposure – the effect of exchange rate movement on the price of goods and services imported/exported.

The Group manages its currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of highly probable forecasted purchases and firm commitments. When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to align to the terms of the hedged exposure in order to ensure that the critical terms are matched. For hedges of highly probable forecast transactions and firm commitments, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the maturity date of the FEC. Any timing mismatches are addressed under the sources of ineffectiveness.

9.9.5 Interest Rate Risk

The Group is exposed to interest rate risk as it borrows funds, provides credit and invests surplus funds. This risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions. There is no interest rate risk on trade payables.

9.9.6 Capital Risk Management

The Supervisory Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence, to sustain future development of business and to ensure that the Group continues as a going concern. The Group primarily makes use of equity for capital management purposes.

Equity consists of ordinary share capital and retained earnings of the Group. The Supervisory Board monitors the return on equity, which the Group defines as profit for the year divided by total average equity. The Supervisory Board also monitors the level of dividends to ordinary shareholders.

The Supervisory Board seeks to maintain a balance between the higher returns that might be attained with higher levels of borrowings and the advantages and security afforded by a sound capital position.

9.9.7 Insurance Risk

The Group is the cell owner in cell captive arrangements with an insurer. The short-term insurance business of TFG customers is housed in the cell captives, which were purchased by the Group by subscribing for ordinary shares in the insurer.

The liabilities in the cell captives represent the insurance claims paid or payable to the Group's customers. The assets represent the assets allocated to the cell captives by the insurer. The underwriting management of the cell captives are performed by the insurer for a fee payable by the Group to the insurer.

The Group manages its insurance risk by reviewing the underwriting management performed by the insurer. This will include a review of the insurer's methodology for estimating claims and a review of the adequacy of the assets allocated to the cell captives by the insurer. Claims development in the cell captives are also reviewed by the Group.

The Group will change the cell captive agreements or insurer if the underwriting of claims are not performed adequately.

9.10 Recent Accounting Pronouncements

IFRS 16 Leases

IFRS 16 has been adopted by the Group retrospectively from 31 March 2018. Accordingly, the comparative information in the provisional condensed consolidated results have been restated.

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 Leases (IAS 17), and related interpretations. IFRS 16 has one model for lessees which will result in the majority of leases being included on the statement of financial position. The only exceptions are short-term and low-value leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions, and requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions), in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. IFRS 16 removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17, and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities.

The Group has adopted the standard fully retrospectively as at the start of the earliest period presented, as permitted by the transitional provisions. At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Group recognises a right-of-use asset and a lease liability at the lease commencement date at a value equal to the present value of future lease payments over the lease term, discounted at an applicable discount rate. The right-of-use asset and lease liability reduce over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group determines the lease term as the non-cancellable period of a lease, together with assessing if the lessee is reasonably certain to exercise an option to extend or terminate the lease. In addition, the right-of-use asset is tested for impairment when there are indicators of impairment and periodically reduced by impairment losses, if required.

The lease liability is initially measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate taking into account duration, country, currency and inception of the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease if the Group is reasonably certain to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The remeasurement results in a corresponding adjustment that is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments based agreements that do not depend on an index or rate are not included in the measurement of the right-of-use asset and lease liability. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur. Other variable lease payments that depend on an index or rate are included in the measurement of the right-of-use assets and lease liabilities.

For leases of short-term and low-value assets, the Group has opted to recognise a lease expense on a systematic basis over the lease term. The expense is presented within trading expenses on the face of the consolidated income statement.

Finance costs comprise interest on lease liabilities calculated using the effective interest rate method and are recognised in profit or loss.

The change in accounting policy has therefore resulted in a restatement of the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement.

Refer to the details below for a summary of the effect of the IFRS 16 change in accounting policy.

The tables below set forth a summary of the effect of the IFRS 16 change in accounting policy extracted from the Group's reviewed provisional condensed consolidated results for the year ended 31 March 2020.

<i>(R millions)</i>	As of 31 March 2018		
	Pre-IFRS 16 (audited)	IFRS 16 Adjustment	Post-IFRS 16 (restated)
Consolidated statement of financial position			
Non-current assets			
Right-of-use assets	–	6,937.2	6,937.2
Deferred taxation assets	663.6	124.7	788.3
Equity			
Total Equity	13,126.0	(247.6)	12,878.4
Non-current liabilities			
Operating lease liability	335.1	(335.1)	–
Lease liabilities	–	5,207.8	5,207.8
Current liabilities			
Trade and other payables	3,724.3	(127.0)	3,597.3
Operating lease liability	30.7	(30.7)	–
Lease liabilities	–	2,594.5	2,594.5

<i>(R millions)</i>	As of 31 March 2019		
	Pre- IFRS 16 (audited)	IFRS 16 Adjustment	Post- IFRS 16 (restated)
Consolidated statement of financial position			
Non-current assets			
Right-of-use assets	–	7,499.5	7,499.5
Deferred taxation assets	1,045.7	132.2	1,177.9
Equity			
Total Equity	14,307.3	(258.2)	14,049.1
Non-current liabilities			
Operating lease liability	363.5	(363.5)	–
Lease liabilities	–	5,611.4	5,611.4
Current liabilities			
Trade and other payables	4,535.0	(171.9)	4,363.1
Operating lease liability	22.5	(22.5)	–
Lease liabilities	–	2,836.4	2,836.4

<i>(R millions)</i>	For the year ended 31 March 2019		
	Pre- IFRS 16 (audited)	IFRS 16 Adjustment	Post- IFRS 16 (restated)
Consolidated income statement and related notes			
Trading expenses	(15,986.8)	554.8	(15,432.0)
Occupancy costs	(4,141.6)	12.6	(4,129.0)
Occupancy costs lease reversal	–	3,346.5	3,346.5
Depreciation on right-of-use assets	–	(2,805.1)	(2,805.1)
Depreciation and amortisation	(844.1)	–	(844.1)
Employee costs	(6,181.0)	–	(6,181.0)
Other operating expenses	(4,820.1)	0.8	(4,819.3)
Finance costs	(749.9)	(554.6)	(1,304.5)
Income tax expense	(939.3)	1.5	(937.8)

<i>(R millions)</i>	For the year ended 31 March 2019		
	Pre- IFRS 16 (audited)	IFRS 16 Adjustment	Post- IFRS 16 (restated)
Consolidated cash flow statement			
Operating profit before working capital changes	5,420.8	3,346.5	8,767.3
Increase in working capital	(743.1)	(44.9)	(788.0)
Finance costs	(749.9)	(554.6)	(1,304.5)
Lease liability payments	–	(2,747.0)	(2,747.0)

10. BUSINESS DESCRIPTION

10.1 Overview

10.1.1 Introduction to TFG's Business

TFG is one of the foremost independent non-food chain-store groups in South Africa, with 36.2% of its operations in Australia and the United Kingdom. The Group, which is headquartered in Cape Town, has a portfolio of 29 leading retail brands, with over 4,000 outlets in 32 countries, on five continents. TFG's brands offer a variety of lifestyle products including clothing, jewellery, cell phones, accessories, cosmetics, sporting apparel, homeware and furniture from value to upper market segments. Each brand offers a distinctive proposition to its customers.

The Group's material international business segments include TFG Australia (located primarily in Australia and New Zealand) and TFG London (which is located primarily in the United Kingdom and Ireland), and which maintain their own management teams.

10.1.2 TFG's Business Segments

TFG's retail business is organised into three retail segments, TFG Africa, TFG London and TFG Australia, as well as one non-retail segment, Credit.

TFG Africa comprises all of TFG's operations on the African continent, through 21 established brands and 2,577 outlets. In the financial year ended 31 March 2020, 2019 and 2018, TFG Africa generated R22,531.8 million, R21,813.4 million and R20,038.2 million of retail turnover, representing 63.8%, 64.0% and 70.2% of the Group's consolidated retail turnover, respectively.

TFG London comprises all of TFG's operations through its three UK brands (Phase Eight, Whistles and Hobbs) and 972 outlets, consisting of 245 stores and 727 concessions (arrangements with key department stores to occupy floor space). In the financial years ended 31 March 2020, 2019 and 2018, TFG London generated R7,330.9 million, R7,345.8 million and R5,348.9 million of retail turnover, representing 20.8%, 21.5% and 18.8% of the Group's consolidated retail turnover, respectively.

TFG Australia consists of TFG's operations through RAG, comprising of Connor, Johnny Bigg, Rockwear, Tarocash, and yd. and 534 outlets, including 25 concessions in Myer department stores. In the financial years ended 31 March 2020, 2019 and 2018, TFG Australia generated R5,460.6 million, R4,942.2 million and R3,132.4 million of retail turnover, representing 15.4%, 14.5% and 11.0% of the Group's consolidated retail turnover, respectively.

10.1.3 TFG's Geographic Presence

The Group has operations in 32 countries and five continents (Africa, Asia, North America, Europe and Australia). The Group's main market is in South Africa, in which its headquarters are located. As of 31 March 2020, the Group employed more than 20,000 individuals in South Africa.

The table below sets forth the number of TFG outlets in each of the continents where it has operations as of 31 March 2020, including a breakdown of stores and concessions.

	Stores	Concessions
Africa	2,577	–
Asia	20	66
North America	2	51
Europe	223	602
Australia	509	33
Total	3,331	752

10.2 History and Development

10.2.1 Incorporation

George Ivan Rosenthal (“George”) founded TFG in 1924. When naming his company, George decided on an old Italian name: Foschini. On 27 November 1925, the first Foschini store opened on Pritchard Street, Johannesburg and more stores across South Africa soon followed. He continued to expand the business and within two years of opening, Foschini had nine branches across South Africa. In 1941, George registered Foschini Dresses Proprietary Limited on the JSE, the first clothing retailer to do so. Since then, the Group has continued to grow. Today, it consists of 29 brands in 4,083 outlets in 32 countries selling a broad range of merchandise categories to customers both in store and online.

10.2.2 Key Milestone Developments

- 1924 – George Ivan Rosenthal founded TFG following his arrival to South Africa from the United States.
- 1925 – the first Foschini store opened on Pritchard Street, Johannesburg and more stores across South Africa soon followed. Within two years after opening, Foschini had nine branches across South Africa.
- 1941 – Mr. Rosenthal registered Foschini Dresses (Pty) Ltd on the Johannesburg Stock Exchange, the first clothing retailer to do so.
- 1958 – Stanley Lewis purchased a major shareholding in the Company.
- 1967 – Under the leadership of Mr. Lewis, the Company acquired American Swiss Watch Company.
- 1968 – the Company acquired Markham.
- 1969 – the Company continued to expand by launching Pages, which has since rebranded as Exact.
- 1993 – the Company acquired Sterns.
- 1994 – DonnaClaire was launched (which has since rebranded as Donna).
- 1996 – the Company acquired Sportscene.
- 2000 – the Company launched Matrix (which has since rebranded as Mat & May) and acquired Total Sports.
- 2001 – @home and Fashion Express (which has since rebranded as The Fix) were launched.
- 2004 – the Company launched Duesouth.
- 2005 – the Company launched Luella and @homelivingspace.
- 2010 – Foschini Limited changed its name to The Foschini Group Limited.
- 2011 – the Company acquired Fabiani, launched a partnership with Charles & Keith and acquired the franchise rights for G-Star RAW in South Africa.
- 2012 – the Company launched Hi, and acquired Prestige Clothing.
- 2015 – TFG launched online shopping platform, with @home and Hi launching online shopping channels. The Company disposed of RCS in the same year. The Company also recorded its first international acquisition in 2015, entering into an agreement to acquire 85% of Poppy Holdco Limited, trading as Phase Eight, for a purchase consideration of £159.0 million. This marked the beginning of TFG London.
- 2016 – TFG acquired Whistles, franchise rights to Next and Collette and launched SODA Bloc. The Group continued to expand its online shopping presence, with Totalsports, Sportscene and Duesouth all launching online shopping channels.
- 2017 – the Group acquired Damsel in a Dress, and continued to expand its online shopping presence with Foschini cosmetics, Markham and Fabiani launching online shopping platforms. 2017 also marked the expansion of the Group’s Caledon factory.
- 2018 – the Group acquired Hobbs in the UK. It also acquired Australian retailer Retail Apparel Group (“RAG”) for R2.7 billion. As in previous years, the Group continued to expand its online presence, with the launch of online shopping platforms for @homelivingspace, Exact, Foschini and SODA Bloc.
- 2019 – the Group continued to expand its online presence with the launch of Donna and the FIX online shopping platform, and also established Relay as a standalone brand (previously part of Markham).
- 2020 – the Group launched RFO and Sneaker Factory as value retail outlets. It also continued to expand its online presence with the launch of My Wedding.

10.3 Strengths

TFG operates a diversified global business across income levels and products.

TFG operates 4,083 trading outlets in 32 countries on five continents offering customers clothing, jewellery, cell phones, accessories, cosmetics, sporting apparel and equipment, as well as homeware and furniture. TFG's diversified brand and product offering spans the value, mid and upper market segments. The Group is thus able to leverage its portfolio of diverse brands to differentiate its offering. Challenges faced in a single geography can be compensated for by growth in its other jurisdictions. Over a number of years, the Group has consciously reduced the contribution of its credit business in South Africa, to levels that it believes are prudent given the current economic outlook. In South Africa, in addition to TFG's core retail offering and its enabling credit function, TFG also operates a sophisticated and increasingly digital Value Added Services business which focuses on the sale of insurance, publishing and data products to its broad customer base. This diversification strategy lessens the Company's dependency on any specific merchandise category, channel, geography or tender type and the Group is able to leverage its scale to enhance its performance.

High levels of brand equity across all jurisdictions.

Each TFG brand offers a distinctive proposition to its customers. TFG Africa's brands consistently rank in the top three for each of their categories. TFG Africa brands are also consistently recognised by customers as great value for money. Within the United Kingdom retail environment, declining footfall combined with continuing online migration and ongoing tough trading conditions have recently proved challenging. Despite this, TFG London's performance remains resilient relative to the rest of the market, owing to the high brand equity that its brands enjoy. TFG Australia is home to five brands, comprising Connor, Johnny Bigg, Rockwear, Tarocash and yd. TFG Australia continues to grow ahead of the market in a challenging economic environment whilst also growing its store footprint on the back of increasing brand equity in Australia and New Zealand.

Strong local manufacturing capability reducing risks associated with global supply chain disruptions and ensuring high degree of vertical integration

TFG continues to develop its local manufacturing and quick response capability in the TFG Africa supply chain where quick response units have grown to represent 73% of TFG Africa's locally manufactured units. Between 2014 and 2020, TFG increased the total number of units produced through TFG Design and Manufacturing from 4.9 million to 11.7 million. In 2020, quick response units have increased to 8.5 million. TFG Africa's manufacturing capabilities coordinate production through its own factories and various independent cut, make and trim (CMT) factories. This provides significant quick response capability and is a key differentiator for the Group. The Group manufactures in excess of 11.7 million units per annum in local manufacturing facilities and is looking to continue expanding its local production. The benefits of this increasingly localised supply chain, with reduced reliance on China and other international suppliers, was shown to be beneficial in largely limiting the impact of COVID-19 disruptions on the TFG Africa supply chain.

Well established and growing e-commerce platform is one example of why TFG is at the forefront of digital transformation, which is relevant now more than ever.

TFG recognises that the traditional retail operating model is in the process of being fundamentally disrupted at almost every level. This is not only in the area of e-commerce, but is rather a pervasive change that impacts virtually every part of the retail business model – from design to sourcing, store operations staffing models, pricing and promotional activity through to a full omni-channel offering. TFG recognises the importance of these changes to the retail landscape and is committed to investing as required to remain on the forefront of digital transformation. The Group strives to provide customers with a seamless experience between “brick and mortar” stores and online (an “omni-channel experience”). Significant and enhanced investment in technology to support every aspect of the Group's activities, aimed at enhancing customer experience and the platforms needed to support it, will continue as a strategic driver. TFG has invested significantly to update and improve its omni-channel capabilities and has experienced a material increase from its online sales in TFG Africa over April and May 2020, a trend which is expected to continue in both the medium and long term.

Solid history of management execution, robust cash flow generation and track record of delivering quality earnings

The Group strives to deliver on its vision of being the leading fashion lifestyle retailer in Africa whilst growing its international footprint. TFG remains committed to its strategic pillars of Customer and Employee Obsession, Leadership, Profit and Growth, which have remained broadly unchanged since 2015. Between FY2010 and FY2019 TFG grew retail turnover and HEPS by a compound average growth rate (CAGR) of 15.5% and 9.3% respectively (in challenging conditions). Annual distributions to owners grew by 10.5% CAGR between FY2010 and FY2019. The Company has also generated robust free cash flow over this period, increasing its free cash flow conversion from 30% in FY16 to 92% in FY2020.

Access to liquidity with management focused on reducing financial leverage

Management has proactively engaged with the Group's primary lenders to restructure the future debt maturity profile and debt covenants. There are adequate liquidity facilities in place including additional committed facilities of R3.3 billion (total liquidity available at the end of May 2020 of approximately R6 billion). Management remains committed to disciplined cash flow management and capital allocation. The Group aims to continue and fast track where practical, its business optimisation initiatives in order to conserve cash and remove non-essential expenditure. The Rights Offer will allow TFG to reduce its gearing levels and provide the Company with the flexibility to continue to invest behind the key strategic pillars of its platform whilst simultaneously providing it with the ability to capitalize on acquisition opportunities that meet the Group's stringent investment criteria, that are expected to arise during this period of economic and retail distress. This will position TFG to grow market share both organically and opportunistically.

10.4 Strategy and prospects

TFG's vision is to be Africa's leading fashion lifestyle retailer whilst growing its international footprint. In doing so, the Group has continued to drive its core strategy which has had proven success and remained broadly unchanged since 2015. The strategic pillars of Customer and Employee Obsession, Leadership, Profit and Growth align to the culture of TFG demonstrating empowerment, performance and integrity.

The Operating Board carefully refines these pillars, underpinned by digital transformation, as the retail environment continuously evolves.

- **Customer and Employee Obsession:** we strive to deliver superior customer and employee experiences across our retail brands and to grow our customer base through a targeted customer acquisition strategy. Data science is a key focus area to improve customer experience and grow this target base and we will continue to invest in our “single view of customer” initiative and the optimisation of the TFG Africa Rewards programme to gain a holistic understanding of our customers’ needs and wants in order to respond appropriately. Consistent with TFG values, the Group is also committed to best practice sustainability, developing a long-term environmental, social and governance (“ESG”) plan.
- **Leadership:** a talented leadership and management team to drive market leading brands, responsible credit quality and deep industry experience is of utmost importance to deliver the TFG strategy. Our culture of high-performance and succession planning allows us to attract and retain talent, with a continuous strive towards empowerment, diversity and inclusivity.
- **Profit:** optimizing brand supply chain channels and quick response capabilities to support profitability and capital management. Our increased focus on localizing product sourcing and manufacturing in South Africa to ensure stability of gross profit margins and significantly reduced reliance on single source supply is closely integrated with our sustainability objectives. We continue to focus on enhancing return on capital employed (“ROCE”) over time through responsible capital allocation and working capital management; and through various initiatives (including our Business Optimisation Programme) to remove non-essential spend from the business and thereby improve profitability.
- **Growth:** TFG is well positioned to increase market share through a focused omni-channel and online offering, an innovative business model and building partnerships across the Africa and international geographies. We are focused on the targeted growth and expansion of our brand and store portfolio, whilst at the same time rationalizing our existing store real estate. We continuously consider various growth and acquisition opportunities and will only pursue these if they meet our stringent investment and acquisition criteria.

Overlaying TFG’s strategic pillars, the Group has committed to a pervasive Digital Transformation of its entire business. Within this context the Group has identified a number of key digital transformation initiatives that will require either additional or accelerated investment to ensure that we maintain and grow these areas of increasingly strategic competitive advantage:

- **E-commerce:** TFG believes that the exponential growth of e-commerce will continue across all its markets and that this will be particularly important in South Africa given that South Africa is coming off a low e-commerce base. TFG has already moved swiftly to position itself as the leading ‘bricks and mortar’ e-commerce retailer in Africa and will increasingly be competing directly with the ‘pure plays’. TFG’s strategy is centred around fully exploiting the collective advantages of its 2,500 plus physical store locations in Southern Africa; its substantial existing customer base and credit offering enabler (i.e. 16.1 million cash and credit TFG Rewards members), together with its continuously upgraded online platforms, to create a best of class OMNI-channel offering. The TFG Africa omni-channel strategy has been strongly influenced by the very successful e-commerce strategies of its UK and Australian operations, where e-commerce already contributes 31.4% and 5.3% to their respective sales for the year ended 31 March 2020.
- **Credit and Value Added Services:** TFG’s responsible and calibrated approach to credit extension over a number of years has recently been further enhanced by the introduction of a number of digital and alternative payment mechanisms to allow account holders to safely and conveniently make their monthly account payments. TFG’s Value Added services offerings have also recently been enhanced with a number of digital offerings including digital magazine, content and data subscriptions.
- **Back office optimisation:** TFG launched a number of business optimisation projects over the past year which largely focused on the efficient use of technology to reduce the cost of doing business. Further investments in robotics; RPAs and AI will assist in limiting the growth of the Group’s cost base and ensure that it supports its trading operations and customers as efficiently as possible.

TFG’s strategy remains aligned to our vision, value and mission. We identify both financial and non-financial indicators to assess the Group’s performance and effective implementation of our core pillars in order to enable growth and create shared value for TFG and its stakeholders.

10.5 Overview of Business Divisions

TFG’s three retail segments each have their own local management teams, which report into the Group’s head office in Cape Town. Within these business segments, TFG’s brands (as listed in the graph below) are grouped into retail trading divisions and each is supported by a centralised support services structure. In addition, the Group also has a non-retail segment, Credit. See “9 Operating and Financial Review” for further detail on the Credit segment.

@home	@homelivingspace	AmericanSwiss	Archive	Colette	Connor	Donna	Duesouth Escapes	Exact	
Fabiani	The Fix	Foschini	G-Star Raw	hi	Hobbs	Johnny Bigg	Markham	Phase Eight	Relay Jeans
RFO	Rockwear	Sneaker Factory	Soda Bloc	Sportscene	Sterns	Tarocash	Totalsports	Whistles	

10.5.1 TFG Africa

TFG Africa consists of the following retail trading divisions:

@Home

@home is a premium homeware and furniture omni-channel retailer with a distinct, sophisticated style. They aim to deliver exceptional guest experience through their people and products, both in-store and online. @home competes in the upper income market segment and its target audience is men and women above the age of 25. As of 31 March 2020, there were 85 @home outlets.

@homelivingspace is a premium homeware and furniture omni-channel retailer with a distinct, sophisticated style. They aim to deliver exceptional guest experience through their people and products, both in-store and online. The brand’s target audience is men and women above the age of 25. As of 31 March 2020, there were 35 @homelivingspace outlets.

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.

Exact competes in the value market segment and its target audience is men, women, children and babies. As of 31 March 2020, there were 307 Exact outlets. Exact is also available online.

The FIX

Fast fashion at incredible value, The FIX is the destination for see-now, buy-now, wear-now fashion. Aligned to international fashion trends as they happen, fashion-forward customers look here to get their latest fashion fix.

The FIX competes in the value market segment and its target audience is women aged 18 to 25. As of 31 March 2020, there were 184 The FIX outlets. The FIX is also available online.

Sporting Goods and Apparel

TFG Africa is home to a variety of sporting goods and apparel retailers, targeting the sport clothing and cell phone merchandise categories.

Archive services a sneaker-conscious consumer and offers a selection of international brands, with a wide range of best level, limited editions and exclusives. The brand competes in the mid to upper income market segment and its target audience is men and women aged 24 to 31. As of 31 March 2020, there were 27 Archive outlets. Archive is also available online.

Sportscene offers sports-inspired streetwear that is trend-relevant. This includes footwear, apparel and accessories. The brand competes in the mid to upper income market segment and its target audience is men and women aged 18 to 25. As of 31 March 2020, there were 287 Sportscene outlets. Sportscene is also available online.

Totalsports offers athletes and sports enthusiasts a broad range of apparel, footwear and equipment from leading sports brands. The brand competes in the mid to upper income market segment and its target audience is men and women of all ages. As of 31 March 2020, there were 317 Totalsports outlets. Totalsports is also available online.

Duesouth Escapes provides accessible quality luggage, leather and contemporary lifestyle accessories for the Commuter, Weekender and Long-haul Traveller. The brand operates in the mid to upper market and targets men and woman aged 28 to 55. As of 31 March 2020, there were 12 Duesouth Escapes outlets. Duesouth Escapes is available online.

Foschini

The Foschini division operates within TFG Africa, and comprises of Charles & Keith, Colette, Donna, Foschini and SODA Bloc, targeting female fashion clothing, youth fashion clothing, cell phone and cosmetics merchandise categories.

Charles & Keith offers international footwear, handbags and accessories and renowned for its unique fashion-forward collection for the urban trendsetter. In 2019, as a result of the Group's performance overview exercise, the Group decided to wind down its Charles & Keith brand in South Africa.

Colette has become the essential destination for accessories and is renowned for jewellery and statement bags that embrace the pace of fast fashion. The brand competes in the middle income market segment and its target audience is women above the age of 18. As of 31 March 2020, there were 8 Colette outlets.

Donna offers a range of plus-size apparel, footwear, lingerie and accessories, with a versatile end use to be able to dress up or down. All garments are developed to deliver a polished, smarter execution and engineered with curve expertise for fuller figured women. The brand competes in the middle income market segment and its target audience is women of all age groups. As of 31 March 2020, there were 75 Donna outlets. Donna is available online.

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. The brand competes in the middle income market segment and its target audience is women aged 18 to 40, as well as children. As of 31 March 2020, there were 302 Foschini outlets. Foschini is available online.

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. The brand competes in the middle income market segment and its target audience is boys and girls aged 2 to 14. As of 31 March 2020, there were 24 Foschini SODA Bloc. SODA Bloc is available online.

Jewellery

TFG Africa is home to several jewellers and luxury leather products, including American Swiss and Sterns, and targeting jewellery and cellphones merchandise categories.

American Swiss is a leading fine jewellery brand, which since 1896 has created jewellery that celebrates life's precious moments, with quality at the heart of everything we do. The brand competes in the upper-middle income market segment and its target audience is men and women of all age groups. As of 31 March 2020, there were 240 American Swiss outlets forming part of TFG Africa.

Since 1896, Sterns has provided customers with gifting solutions to celebrate important milestones in their lives. The brand competes in the middle income market segment and its target audience is men and women of all ages. As of 31 March 2020, there were 192 Sterns outlets.

Markham

The Markham group includes Fabiani, G-Star RAW, Markham and Relay Jeans, targeting male fashion clothing and cellphones merchandise categories.

Fabiani is a luxury apparel brand that delivers on exceptional personalised customer experience by offering curated product collections, as well as a world-class store and online environment. The brand competes in the upper income market segment and its target audience is men aged 25 to 40. As of 31 March 2020, there were 34 Fabiani outlets.

G-Star RAW offers authentic denim wear and is known for its fusion of high-level craftsmanship with street-level edge. The brand competes in the upper income market segment and its target audience is men and women aged 20 to 35. As of 31 March 2020, there were 16 G-Star RAW outlets.

Markham offers on-trend smart and casual wear, including footwear, accessories and fragrances and is renowned for its youthful, current, vibrant store experience. The brand competes in the middle income market segment and its target audience is men aged 18 to 35. As of 31 March 2020, there were 336 Markham outlets. Markham is available online.

Relay Jeans is a South African men's only specialty denim lifestyle brand. The brand is renowned for its youthful, on-trend product and specialist denim store experience. The brand competes in the middle income market segment and its target audience is men aged 18 to 30. As of 31 March 2020, there were 41 Relay Jeans outlets. Relay Jeans is available online.

TFG Mobile

TFG Mobile targets cellphones merchandise category.

Hi is uniquely positioned within retail spaces, to offer inspiration of style and self-expression through tech. They offer a range of connected lifestyle products and are renowned for their must-have mobile technology hardware and related accessories. This includes smartphones, laptops, tablets, TVs, gaming, audio, fitness and smart home accessories, as well as prepaid data and airtime. The brand competes across the value to upper market segments and is targeted to men and women of all ages. As of 31 March 2020, there were 12 Hi outlets.

RFO

RFO aims to offer the best value fashion for the whole family. They offer a range of footwear and apparel. The brand competes in the value segment and targets men, woman and children. As of 31 March 2020, there were 9 outlets.

Sneaker factory

Sneaker Factory is a value branded sneaker destination constantly offering incredible deals to customers. The brand competes in the value segment and targets men, woman and children. As of 31 March 2020, there were 11 outlets.

* Number of outlets for smaller TFG Africa brands now shown separately amounts to 23 outlets.

10.5.2 TFG London

TFG London comprises all of TFG's operations through its three UK brands (Phase Eight, Whistles and Hobbs). As of 31 March 2020, TFG London operates 972 outlets, consisting of 245 stores and 727 concessions.

Hobbs

Hobbs is an emerging global affordable luxury brand with a track record of addressing the wardrobe needs of busy, modern women with a focus on luxurious fabrics and quality craftsmanship. The brand competes in the upper income market segment and its target audience is women. As of 31 March 2020, there were 249 Hobbs outlets (76 stores and 173 concessions). Hobbs is available online.

Phase Eight

Phase Eight offers stylish and contemporary daywear, 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. It is a British women's wear clothing brand with stores and concessions across the United Kingdom, Europe, Australia and the Middle East. The brand competes in the upper income market segment and its target audience is women aged 35 to 55. As of 31 March 2020, there were 552 Phase Eight outlets (115 stores and 437 concessions). Phase Eight is available online.

Whistles

Based in London, Whistles targets female fashion clothing merchandise category. It offers contemporary fashion and is a shopping destination for the busy, dynamic woman, known for timeless pieces with an intelligent sense of design. Whistles is known for its collaborations with independent brands and emphasis on quality and longevity. The brand competes in the upper income market segment and its target audience is women above the age of 30. As of 31 March 2020, there were 166 Whistles outlets (51 stores and 115 concessions). Whistles is available online.

* Number of outlets for TFG London in shared location now shown separately amounts to 5 outlets.

TFG Australia

TFG Australia is home to five brands, including Connor, Johnny Bigg, Rockwear, Tarocash and yd.

Connor

Connor targets value clothing merchandise category. It is one of the fastest growing on-trend menswear brands, delivering the latest fashion for men across Australia & New Zealand. Connor focuses on smart- and casualwear across shirts, suits, tee shirts, pants, shorts and accessories. The brand competes in the value market segment and its target audience is men aged 25 to 34. As of 31 March 2020, there were 169 Connor outlets. Connor is available online.

Johnny Bigg

Johnny Bigg targets male fashion clothing merchandise category. It is the first store of its kind in the Southern Hemisphere providing big and tall men with a one stop destination for fashionable, comfortable and affordable clothing. The brand competes in the middle income market segment and its target audience is men aged 25 to 34. As of 31 March 2020, there were 70 (64 stores and 6 concessions) Johnny Bigg outlets. Johnny Bigg is available online.

Rockwear

Rockwear targets value clothing merchandise category. It is a differentiated on-trend women's athleisurewear brand providing high quality activewear and sporting apparel for women that is functional, technical, fashionable and of exceptional value. The brand competes in the value market segment and its target audience is women aged 25 to 34. As of 31 March 2020, there were 50 Rockwear outlets. Rockwear is available online.

Tarocash

Tarocash targets male fashion clothing merchandise category. It is a leading on-trend menswear apparel brand offering, specialising in men's smart-casual and formalwear clothing. Founded by two brothers in 1987, Tarocash provides accessible and affordable men's fashion, including shirts, suits, blazers, chinos, dress pants, denim, shoes and accessories. The brand competes in the middle income market segment and its target audience is men aged 25 to 34. As of 31 March 2020, there were 118 Tarocash outlets. Tarocash is available online.

yd.

yd. targets male fashion clothing merchandise category. It is a leading fashionable menswear brand for young adults, offering a range of clothing and accessories. The brand competes in the middle income market segment and its target audience is men aged 18 to 24. As of 31 March 2020, there were 127(108 stores and 19 concessions) yd. outlets. Yd. is available online.

10.6 E-commerce Offering and Digital Transformation

TFG's management has expressed its view that the Group's digital transformation strategy is the Group's most important strategic initiative for the future of the business. The Group's digital transformation strategy includes a variety of e-commerce improvements, including the 2019 launch of myTFGworld.com, an integrated online "marketplace" platform offering consumers one-stop shopping for all TFG Africa brands as well as affiliate products. In 2019, the digital transformation strategy also led to the roll-out of radio frequency identification ("RFID") on all group homeware and apparel product. This technology has also been piloted in the Australian stores. In addition, TFG Africa installed over 1,800 conversion counters across TFG Africa's South African stores to allow those stores to track how many customer visits are converted into sales. The roll out of RFID, for all group homeware and apparel product, was completed during the past year, enabling improved unit accuracy, in-store product availability and supporting TFG's multi-channel fulfilment strategy.

The Group has started with the implementation of Robotic Process Automation within the group's repetitive process areas to drive out efficiencies. The in-store customer and employee experiences continues to be enhanced through the rollout of a new Point of Sale solution called OneX and Mobile POS, Piloted Workforce Management in 10 stores, store WiFi implementation and stores mobile visual merchandising control solution, called "Yoobic".

For employees, a mobile HR app called "TFG on the go" was implemented, allowing all group staff to access vital personal data, remotely and a new learning app called "TFG Learn" was implemented allowing employees to developed trading and product skills, via a mobile platform, wherever and whenever they want and the cost of the data is reverse billed to the group.

TFG Australia is investigating automation opportunities within the warehouse environment and during the year has launched targeted email marketing campaigns.

TFG London also invested in a new e-commerce platform and in growing the contribution of online sales.

A number of warehouses are responsible for facilitating the distribution of TFG's online sales in each of three retail segments. In TFG Africa, the continued rollout of OneStock, enabled selling of stock regardless of location through any available sales channel. As of 31 March 2020, 23 of the Group's 29 brands are now available online.

In the year ended 31 March 2020, online retail turnover decreased by 1.9%. E-commerce contributed 8.4%, 8.8% and 6.7% of the Group's retail turnover for the year ended 31 March 2020, 2019 and 2018, respectively.

10.7 Customer Targeting and Pricing

The Group's operating model as a specialty retailer implies generally smaller-format stores targeted at focused consumer segments that each brand understands and appeals to. The Group comprises of a range of brands, spanning various income categories, target demographic markets and products. TFG's retail brands span across the following income categories:



The Group defines the income categories on the basis of the South African Audience Research Foundation Universal Living Standards Measure ("LSM"), which is a means of segmenting the market by dividing the population into ten LSM groups, with 1 being the lowest and 10 being the highest. Specifically, value market equals to LSM 5-6, mid-market means LSM 7-8 and upper market equals to LSM 9-10+.

10.8 Design, Supply Chain and Logistics

The Group sources its product offering locally and offshore, with strong in-house design teams across all business segments. TFG Africa's manufacturing capabilities coordinate production through its own factories, as well as various independent cut, make and trim ("CMT") factories. This provides significant quick response capability and is a key differentiator for the Group.

The Group has dedicated sourcing teams by brand and product across its different geographies. TFG Africa is also equipped with centralized control of its supply chain to maximize synergies across suppliers. For TFG's sports brands, branded suppliers (such as Nike and Adidas) supply a significant portion of products to the Group. The Group actively manages its supplier base, including analysing suppliers across all its brands and with seasonal and yearly analyses of supplier profitability and research of new suppliers.

In South Africa, TFG Design and Manufacturing directs the manufacturing of clothing, with about 26% of TFG Africa's clothing procured from Prestige Clothing and other local CMT factories with whom they have strategic alliances. Approximately 35% of the apparel units procured by TFG Africa are from local suppliers in South Africa. Distribution for TFG Africa throughout South Africa and into African markets is managed via seven distribution centres.

Manufacturing for TFG London and TFG Australia's operations are performed by an established long-term supplier base. Stock for TFG London and TFG Australia is procured through imports. In the United Kingdom, replenishment is replaced by an open-to-buy policy to ensure flexibility and freedom within season. Warehousing and distribution for TFG London and TFG Australia is based on an outsourced model, and manufacturing is done by an established long-term global supply base. TFG London distributes stock for outlets and online orders through four distribution centres while TFG Australia utilises seven distribution centres.

Since 2014, TFG Africa has strategically focused on diversifying its supply chain, with the three-prong goal of increasing efficiency, reducing costs and developing customer-facing, customer-centric teams within the local supply chain. The implementation of TFG Design and Manufacturing's fit-for-purpose quick response model has been critical in this regard. Quick response capabilities increase TFG Africa's speed to market by reducing lead times. Retailers are also able to make style or design-related decisions as late as possible within a season. This means they can be more responsive to what customers want and can more accurately order the correct type and quantity of product. Importantly, quick response makes it easier for retailers to clear stock and achieve full price sales, thereby improving profitability and sales margins.

Together with South African Government support, TFG Africa has expanded manufacturing facilities locally, creating world-class manufacturing in its strategic hubs of the Western Cape and KwaZulu-Natal. The Group manufactures in excess of 11.7 million units per annum in local manufacturing facilities and is looking to continue expanding its local production.

The benefits of this increasing local supply chain, with reduced reliance on China and other international suppliers, was shown to be beneficial in largely limiting the impact of COVID-19 disruptions on the supply chain.

In 2019, as a part of TFG's strategy to promote corporate social responsibility in its supply chain, the Group on boarded Sedex as a responsible business partner. Sedex is one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. The data is used to monitor TFG's compliance with leading labour, health and safety, environmental and business ethics standards. This enables the Group to optimise its manufacturing and in-house design capabilities and adapt its offering according to evolving customer and retail trends.

Marketing

For each of TFG's brands, the Group adopts various marketing strategies. TFG's marketing teams within each brand create and execute marketing strategies to create brand awareness, keep customers informed and drive retail turnover. Branding activities include all visual representation and advertising on various channels for each brand, as well as public relations, digital marketing and social media communication. The Group's brand marketing teams also research trends in the local and global market, ensuring that TFG's maintains a competitive position in the retail sector. In South Africa, there is a centralised focus for marketing on e-commerce and social media platform.

As a part of the Group's digital transformation strategy, TFG Africa is commencing a significant project to develop a "single view of customer" – which is intended to enable the Group to personalise its customer offer and drive targeted campaigns that will enhance its brand offering both online and in store.

The Group's marketing teams use social media platforms as well as existing internal group technology platforms for various marketing and targeted campaign management events.

10.9 TFG Rewards Loyalty Programme

TFG's primary rewards programme is TFG Rewards (TFG Africa), which, as of 31 March 2020 had 16.1 million cash and credit members (including 13.1 million cash rewards customers and 3 million credit rewards customers). This represents an increase of 11.0% over the prior year, whereas of 31 March 2019 TFG Rewards had 14.5 million cash and credit members (including 11.6 million cash rewards customers and 2.9 million credit rewards customers). TFG Rewards is available across the Group's TFG Africa retail brands.

TFG Rewards was launched in November 2011 for cash customers. One year later, in November 2012, it became available for credit customers as well. Since then, credit customers would be automatically enrolled in TFG Rewards, unless they choose to opt out.

Under TFG Rewards, every time a customer shops at TFG's stores, he/she is rewarded with a discount or competition entry for the next purchase, with an expiry date for each voucher. There are also exclusive member-only offers available both in store and online, which are managed as part of the Group's promotional markdown.

TFG Rewards is free, with no annual membership required. It provides exclusive access to in-store promotional offers, as well as instant rewards with purchases.

10.10 TFG Credit Offering

TFG Africa provides its own in-house credit offering, with credit offered to customers in South Africa, Namibia, Botswana, Lesotho and Eswatini. Along with a TFG account card, customers receive automatic membership to TFG Rewards. Turnover is generated from interest and fees received on customers' store cards.

Each customer is offered the option of 6 months interest-free or 12 months repayment terms. The customer can apply through various channels including in store and via the call centre. The application is evaluated against the TFG criteria.

As at 31 March 2020, TFG Africa has 2,788.7 million active credit customers, a 2.3% increase compared to 2,725.9 million active credit customers as of 31 March 2019. The acceptance rate of new accounts, however, has decreased by 8.1%, from 45.0% as of 31 March 2019 to 36.9% as of 31 March 2020. This downward trend of acceptance rate was expected as part of the Group's conservative risk strategy.

10.11 Employees

TFG employed a total of 29,776 employees at the end of March 2020, compared to 29,121 at the end of March 2019 and 27,825 at the end of March 2018. At the end of March 2020, 71% of the Group's employees were female. As of 31 March 2020, 60% of specialists and middle management in South Africa were under employment equity appointments, while 92% of skilled, technical and junior management in South Africa were under employment equity appointments and 99% of semi and unskilled employees in South Africa were under employment equity appointments.

The following table sets forth the breakdown of TFG's employee base (by retail segment) as of each of the dates indicated below.

	Number of Employees as of 31 March		
	2020	2019	2018
TFG Africa (South Africa)	22,217	21,603	20,392
TFG Africa (rest of Africa)	1,051	1,152	1,139
TFG London	3,586	3,845	3,940
TFG Australia	2,922	2,521	2,354
Total	29,776	29,121	27,825

The Group is focused on empowering its employees by prioritising skills development and employment equity. These initiatives are aligned to TFG's "Educate2Empower" strategy, which aims to address youth unemployment while building a strong talent pipeline for the Group. During 2019, TFG Africa continued with the roll out of the Group's e-learning application called "TFG Learn". TFG Africa has a history of good relationships with its employees and has had no significant labour action over the past 3 years.

TFG is committed to fair and responsible remuneration and provides all employees with the chance to grow their earnings through training and upskilling and by leveraging opportunities to apply for internal positions. For example, an employee starting out as a sales associate may well, over a period of three to five years, move into a store management role. In line with their individual performance metrics, and to ensure employees are appropriately rewarded for performance that supports the four strategic pillars, TFG's remuneration policy recognises and fairly rewards individual performance, behaviour and responsibility.

10.12 Broad-Based Black Economic Empowerment (B-BBEE)

The South African government has established a legislative framework for the promotion of B-BBEE, a government policy to advance economic transformation and enhance the economic participation of black people in the South African economy. Achievement of B-BBEE objectives is measured by a "scorecard" which establishes weightings for the various components of B-BBEE, such as ownership, management control, skills development, enterprise and supplier development (which encompasses preferential procurement) and socio-economic development, which is then translated into an entity's "contributor level." An entity's contributor levels are improved when such entities contract with businesses that have earned high B-BBEE contributor levels themselves, and certain corporate, governmental and state-owned enterprises in South Africa have set minimum standards for B-BBEE contributor levels for potential bidders for contracts. It is important for us to achieve applicable B-BBEE objectives from both a compliance and corporate social responsibility standpoint.

The Group, through the Social and Ethics Committee, ensures that an appropriate transformation strategy exists that is aligned with the B-BBEE legislation and which delivers shared value through various empowerment initiatives, while making a meaningful contribution to many of its stakeholders and ensuring the long-term stability and profitability of its business.

10.13 Health, Safety and Environment

In addition to its environmental initiatives, the Group seeks to promote the health and safety of its workers. TFG recognises that are several elements that contribute to its employees overall health and well-being. The Group's wellbeing structures include, amongst other initiatives, a trauma helpline, a disease management programme (that provides support and guidance to employees and line management), an HIV treatment programme as well as on-site clinics supporting occupational and primary health needs for the Group's head office in Cape Town and distribution centre campuses.

In 2019, as part of TFG's wellness strategy, the Group partnered with a leading employee lifestyle and engagement specialist to enhance its employee value proposition over the next three years. The improvements include the introduction of an improved helpline service that is available 24/7 and extends to employees and their families as well as an online service to enable head office employees to book and manage their clinic appointments.

TFG follows the mantra that "doing good never goes out of fashion". The Group supports the United Nations Sustainable Development goals and strives to create opportunities for change in communities.

10.14 Intellectual Property

TFG owns the rights to most of its brands, which has registered with the appropriate authorities in Africa, UK, Australia and other relevant countries. For the remaining four brands (G star, Collette, Mat & May and Charles & Keith), TFG owns the distribution rights to sell the products in certain markets.

The Company regards its trademarks and other intellectual property rights as valuable assets and takes appropriate action to protect and will, when necessary, enforce them.

10.15 Information Technology

TFG has made large investments in recent years, in its information technology capabilities to support its multichannel sales, international growth and expectations from its customers. In the year ended 31 March 2020, 8.4% of the Group's retail turnover were derived from online sales. It also has a number of investments and initiatives to develop and enhance its e-commerce platforms, including investments in back office Financial systems, Merchandise Planning Systems, Distribution and Logistics systems, Clothing Manufacturing Systems, Financial Services Systems, Customer Personalisation solutions using AI, Store Infrastructure and networks and enhanced Cyber Security solutions.

10.16 Insurance

TFG has group wide insurance programme which includes property, business interruption, marine and liability cover for risks like fire, lightning, storms, vandalism, theft and strikes.

The Group believes that it has adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance coverage is reviewed quarterly and adjusted when necessary.

10.17 Property

TFG has commercial lease agreements with respect to its directly operated stores, corporate headquarters and other offices and distribution centres. While TFG leases all its stores, the Group owns certain of its warehouses and head office buildings. As of 31 March 2020, the Group's total area of leased property amounted to 1,027,874 square metres, constituting 3,323 leased properties.

The table below sets out the ten of the largest stores leased by TFG, which are all located in South Africa.

Brand	Location	Size (square metre)
Foschini	Menlyn Park	2,589
@home	East Rand Lifestyle	2,578
Foschini	Church Str Pta	2,360
@home	Canal Walk	2,276
Foschini	Canal Walk	2,265
Foschini	Mall of Africa	2,254
@home	Melrose Arch	2,190
@home	Westrand Lifestyle	2,190
@home	Gateway	2,166
Foschini	Eastgate	2,153

The table below sets out the five largest warehouse and office leased by the Group.

Type	Location	Size (square metre)
Corporate Head office	Stanley Lewis centre	29,486
Warehouse	Midrand DC	22,194
Credit business	Parow FS	13,555
Warehouse	Assegaa DC	5,844
Warehouse	Park Royal DC	5,800

Except for one of Group's trading premises (excluding concessions), all other trading premises are leased under operating leases. Leases on trading premises are contracted for periods of between three and five years, with renewal options for a further five years, wherever possible. Leases for office buildings and warehouses range from five to ten years.

The recent store closures during the COVID-19 lockdown have led to numerous discussions with the Group's landlords in the jurisdictions in which TFG operates. In particular, TFG Africa stopped payments for its South African store's rent in April, on the basis of a legal opinion obtained by the Group. There is ongoing discussion between the retail industry forum and the landlord industry forum in South Africa, aiming to address both the non-payment of rental during the COVID-19 lock-down and the rental payment process going forward. There is no assurance that such discussions can be concluded in a manner satisfactory to the Group.

10.18 Legal Proceedings

The Company is not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had, in the previous 12 months, a material effect on the Group's financial positions.

11. REGULATORY MATTERS

11.1 Introduction

The Group is subject to government regulations that affect all aspects of its operations. In particular, as the Group's retail turnover generating operations are primarily situated in South Africa, government regulations in South Africa have a material effect on the Group's business.

Each of the Group's trading subsidiaries is required to develop risk management procedures that identify and implement the controls necessary to comply with applicable laws and regulations and utilise monitoring procedures to assess and ensure compliance.

The sections below set out the primary laws and regulatory concepts to which the Group is subject. Please also see the part of this document entitled "6. Risk Factors" for a further description of the risks such regulations and laws pose to the Group's business

11.2 Personal Information and Data

The POPI Act was promulgated into law on 26 November 2013 in South Africa. Certain sections of the POPI Act, relating (among other things) to the appointment of the Information Regulator and the making of Regulations, came into effect on 11 April 2014. The Information Regulator was appointed on 1 December 2016 and the final Regulations were published on 14 December 2018. The majority of the remainder of POPI's provisions commenced on 1 July 2020 ("**POPI Commencement Date**").

The provisions of the POPI Act will apply to all South African members of the Group (referred to as the "responsible party" in the POPI Act, i.e. being a public or private body or any other person which, alone or in conjunction with others, determines the purpose of and means for processing personal information), which will then be given a one year transitional period after the POPI Commencement Date to comply with its provisions.

The general protection that the POPI Act provides may also be supplemented by industry-specific codes of conduct. The POPI Act provides an open-ended definition of "personal information". The definition includes information relating to both individuals and companies, and provides a detailed list of examples. A person's race, age, sexual orientation, marital status, correspondence and identifying symbols are all included as types of personal information protected under the POPI Act.

The POPI Act subjects the processing of "special personal information" to more stringent conditions than the ordinary requirements that apply to the protection of personal information. Special personal information includes a person's religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, sex life or biometric information, and information regarding alleged criminal behaviour.

The eight data protection conditions which inform the lawful processing of personal information lie at the heart of the POPI Act: accountability; specification of the purpose of processing; limitation on processing; limitation on further processing; information quality; openness; security safeguards; and data subject participation. These conditions ensure that Data Subject is aware and in control of the processing, that the processing is limited to the extent necessary, without unjustifiably infringing on the privacy of the individual, and that it is subject to processes that are secure. A data controller will generally be held strictly liable for non-compliance with the data protection conditions.

The Data Subject's rights under the POPI Act include the right to request, free of charge, to be informed as to whether or not the responsible party holds personal information about them, as well as a description of the personal information held. Additionally, in the event of a security breach, the responsible party must notify both the Information Regulator and the Data Subject.

The Information Regulator must investigate complaints lodged concerning any breaches of the conditions for lawful processing, non-compliance with the requirements of notification of security compromises, breaches of the direct marketing, directories and automated decision-making provisions of the POPI Act and breaches of the provisions governing the transfers of personal information outside of South Africa.

The Information Regulator must attempt to settle the complaints between the parties concerned, if possible. Once a complaint has been investigated, the Information Regulator may refer it to an enforcement committee which will hear both parties, consider the complaint and make recommendations. The Information Regulator can then, after considering the recommendation of the enforcement committee, issue an enforcement notice compelling the responsible party to take certain steps or to stop processing the personal information. An appeal against an enforcement notice can be made to the High Court of South Africa.

The POPI Act imposes criminal penalties for offences that include the unlawful obstruction, interference with or influence of the Information Regulator, the failure to assist a person executing a warrant in accordance with a search and seizure operation without reasonable excuse and the failure to comply with an enforcement notice. In general, a person convicted of an offence under the POPI Act will be liable to a fine or imprisonment for a period not exceeding 10 years, or both. The Information Regulator may seek to impose an administrative fine on a responsible party who has committed an offence (but who has not been criminally charged for such an offence), in an amount not exceeding R10 million. The responsible party may elect to pay the administrative fine or to be tried in court on a charge of having committed the alleged offence.

In addition, a number of existing South African statutes regulate electronic communications, including the Electronic Communications Act, No. 36 of 2005, as amended, and the Electronic Communications and Transactions Act, No. 25 of 2002, as amended, apply to a number of aspects of our business. These statutes regulate the generation, communication, production, processing, sending, receiving, recording, retaining, storing, displaying and use of any information, document or signature by or in electronic form.

As part of our risk mitigation and compliance procedures, we have evaluated the potential impact of the POPI Act taking into account our existing and planned privacy and data security practices and procedures and we expect that the POPI Act's implementation will have an impact on our data security and business costs, practices and procedures in South Africa. In line with our policy on other regulatory matters, the Group will focus on continued compliance with the POPI, Act which will include implementing changes in processes and controls, general change management and awareness and training.

11.3 Consumer Protection

The Consumer Protection Act, No. 68 of 2007 (the “CPA”) which came into effect on 31 March 2011, consolidated a previously fragmented legislative regime related to consumer protection.

The CPA has far-reaching consequences for both consumers and suppliers of goods and services in South Africa (such as the Group). It provides a comprehensive framework for the rights and the duties of consumers and suppliers. Contracts between consumers and suppliers, the manner in which suppliers interact with consumers, including market-related communications, suppliers’ liability, suppliers’ accountability to consumers and the administration of suppliers and practices are all regulated by the CPA. A “consumer”, for the purposes of the CPA, includes a customer to whom goods or services are marketed, a customer who enters into a transaction with a supplier and the user, recipient or beneficiary of the goods or services (irrespective of whether the consumer was a party to the transaction involving the actual supply of the goods or services). The implication of this qualification is that there need not be a contract between the supplier and the consumer of the goods or services in order for the CPA to apply. Among other exceptions, the CPA generally does not apply to a transaction where the customer is a juristic person with an asset value or turnover above ZAR 2 million at the time of the transaction, or a transaction which constitutes a credit agreement under the National Credit Act, 34 of 2005 (“NCA”) (as discussed in further detail below), although it will continue to apply to the goods or services supplied in terms of that credit agreement.

The CPA introduced some significant departures from the common law. Most notably, section 61 of the CPA does not require fault (i.e., negligence or intent) on the part of a supplier of products to be proven in a claim for loss or harm arising from a faulty product. It also extends the type of loss or damages that may be claimed by a plaintiff beyond what would ordinarily be permitted under the common law, by allowing a plaintiff to institute a claim against not only the supplier who supplied the goods to it, but to other suppliers in the supply chain as well. In addition, this section of the CPA, extends liability to consequential damages (i.e., economic loss). Thus, a consumer will be able to claim indirect damages suffered, such as medical expenses, loss of income and/or loss of profits.

Although the CPA imposes liability on all suppliers in the supply chain irrespective of their fault, the liability imposed is not absolute. A consumer must still prove the other elements necessary to sustain a claim against a supplier in terms of the common law, such as causation (i.e. whether the failure of the product caused the loss allegedly suffered) and loss suffered.

Section 61 also provides for a number of defences which, if proved by a supplier, will exonerate or limit the liability of the supplier.

The National Consumer Commission (“NCC”) has issued consumer product safety recall guidelines that require suppliers to adopt systems that will ensure the efficient and effective recall of unsafe consumer products from consumers and from within the supply chain. Under the CPA, a product recall may either be voluntarily initiated by a supplier or may be directed by the National Consumer Commission.

Other notable provisions of the CPA include, among others, provisions regulating:

- consumer’s rights with respect to delivery and return of goods, product labelling; price disclosure;
- consumers’ rights to receive information in plain and understandable language; and a right to fair,
- just and reasonable terms and conditions;
- consumers’ rights to demand quality service; and
- loyalty programmes, promotional competitions, prepaid vouchers; consumers’ rights to safe, quality goods; an implied warranty of quality; warnings concerning the existence and nature of risks;

In addition, the CPA provides consumers with a number of remedies. If a consumer has a complaint against a supplier, they can take that complaint to the NCC, in certain instances, the National Consumer Tribunal or a Court.

Ongoing compliance with legislation remains a priority for the Group and policies, procedures and controls have been embedded into the daily operations of the business to ensure that the Group remains compliant.

11.4 Credit Agreements

The NCA regulates every aspect of credit granting in South Africa and contains detailed provisions regarding the permissible fees, charges and interest under credit agreements and advertising practices of credit providers.

It also regulates consumer rights to apply for credit, to be provided reasons for credit being refused, to receive information in plain, understandable language and in an official language of South Africa, to receive documents related to their credit, to the protection of their consumer credit rights and to protection against discrimination in respect of the granting of credit. The NCA generally applies to every credit agreement between parties dealing at arm’s length and made in, or having an effect in, South Africa where the consumer is an individual or a juristic person entity with an asset value or annual turnover of less than R1,000,000 and the quantum of the loan is less than R250,000.

A credit agreement is, broadly speaking, an agreement involving the deferral of payment of money and where interest, fees or charges are levied on the amount deferred. The NCA requires that, prior to entering into credit agreements, a credit provider must provide the consumer with a pre-agreement statement and quotation containing certain prescribed information.

In addition, the NCA prescribes the form and/or information that need to be contained in credit agreements and prohibits certain types of credit agreements, the inclusion of unlawful provisions in credit agreements and the extension of reckless credit or credit which will cause the consumer to become over-indebted.

A credit provider is required to conduct a credit assessment in respect of each credit agreement entered into with a consumer. A failure to conduct such assessment could result in the credit agreement becoming unenforceable.

The NCA also makes provision for debt intervention or debt relief mechanisms. Prior to instituting legal proceedings against a defaulting consumer, the credit provider must give the consumer the option to apply for debt review or debt counselling, and a possible outcome of the review process is that a court may order that the consumer's debt be restructured. The NCA Amendment Act (the commencement date for which is yet to be proclaimed) will introduce a debt intervention regime for consumers who are subject to the NCA. The regime will entitle a consumer who earns an average of less than R7,500.00 (seven thousand five hundred Rand) per month and who owes no more than R50,000 (fifty thousand Rand) (or such other amount as may be prescribed) in terms of an unsecured debt to make an application to the National Credit Regulator for debt intervention. The National Credit Regulator is tasked with determining whether the debt intervention applicant should be assisted or not. If the National Credit Regulator is of the view that the applicant requires assistance, the National Credit Tribunal can suspend all qualifying credit agreements in part or in full for a period of 12 (twelve) months. If the financial circumstances of the applicant do not improve, the National Credit Tribunal can declare all or part of the debt under the qualifying credit agreements extinguished. If it commences in its current form, the NCA Amendment Act will introduce statutory write off of consumer debts.

In accordance with the NCA, all credit providers are required to register prior to granting any loans or extending any credit (regardless of the quantum of the loan or the number of credit agreements concluded).

The failure to register as a credit provider prior to extending the loan renders the loan agreement unlawful and void.

The NCA is critical piece of legislation that applies to the Group and the Group is consistently monitoring and improving its compliance with this legislation.

11.5 Broad-Based Black Economic Empowerment

The Constitution places an obligation on the South African government to take legislative and other measures to redress the result of past racial discrimination and to implement a procurement policy providing for categories of preference in the allocation of contracts (for government procurement) and protection or advancements of historically disadvantaged South Africans ("**HDSA**").

As a result of these obligations of the government, and generally in an effort to provide HDSAs with access to property, business opportunities and other benefits generated by the South African economy, the South African government has embarked on a process of implementing a number of statutes aimed specifically at the advancement of HDSAs (and juristic persons owned or controlled by HDSAs). This process is referred to as broad-based black economic empowerment ("**B-BBEE**").

The B-BBEE Act and the B-BBEE Codes published thereunder was enacted to give effect to the constitutional imperative of B-BBEE which is intended to apply generally across all sectors of the South African economy.

There are five elements for measuring an entity's compliance with B-BBEE, namely ownership, management control, skills development, enterprise and supplier development and socio-economic development. Each element has its own scorecard and a measured enterprise's performance in relation to a particular element is scored in terms of the scorecard and formulae specifically created for that element. Measured entities that do not fall within a sector regulated by a charter, such as the retail industry, are measured under the general Codes' generic scorecard ("**Generic Scorecard**").

Under the Generic Scorecard, a measured entity may be scored as a level 1 (135% B-BBEE procurement recognition) to level 8 contributor (10% B-BBEE procurement recognition).

An entity which scores below a relevant threshold on the Generic Scorecard is considered to be a noncompliant contributor (0% B-BBEE procurement recognition).

Entities which achieve an annual turnover in excess of R50 million (such as the Company) must comply with certain sub-minimum requirements for all three priority elements (ownership, skills development and enterprise and supplier development). The B-BBEE status of such entities will be downgraded by one level in the event that such requirements for each priority element are not met.

11.6 Employees

11.6.1 Labour Relations

The Constitution gives every person the right to fair labour practices. The LRA is the principal legislation that gives effect to the framework in which employees, employers and industrial relations at an individual and collective level are regulated. As a premise, the LRA regulates the manner in which employees, employers, trade unions and employer's organisations interact and engage with one another in the work place. This includes processes related to collective bargaining, wage determination, determination of terms and conditions of employment, the formulation of industrial policy and employee participation in the decision-making processes.

The LRA framework is geared at the protection of employee and employer rights through various structures. Principally the LRA allows for the creation of trade unions and employer's organisations. The extent of entitlement of the trade union is subject to the size of its membership base. Depending on the number of employees who are members of the trade union, the trade union will be allowed access to the workplace, representation at the workplace, to have meetings at the workplace and on access to information concerned with the employment of the employees. To be entitled to enter into collective agreements with the employer, the trade union must have as its members the majority of the employees at the workplace.

The LRA does not provide for a statutory duty to bargain collectively or otherwise, which is a purely voluntary decision. It also does not prescribe that bargaining can only be achieved if a trade union reaches a 50% plus 1 majority status in the appropriate bargaining unit or bargaining forum. The LRA endorses a co-operative approach whereby two or more trade unions can aggregate their membership for the purposes of achieving majority status in a collective bargaining unit or forum.

If a dispute between the employer and employee arises the LRA clearly delineates the lawful context in which this may occur. As a premise the LRA strictly stipulates and regulates the requirements for a lawful strike, lockout or picketing. In this regard the LRA expressly identifies who is allowed to engage in industrial action of this nature, which processes must be followed and for which purposes employees and employers may engage in such industrial action. Should the industrial action require the parties to engage in a process of consultation and negotiation, the LRA also prescribes the procedures to be followed.

If the conduct of the parties, for whatever reason, result in the dismissal of employees, the LRA establishes the Commission for Conciliation, Mediation and Arbitration (“**CCMA**”) as a principal forum for the resolution of any disputes resulting from such dismissal. The LRA prohibits unfair dismissals (including automatically unfair dismissals). In summary, there are only three fair grounds to dismiss an employee namely, misconduct, incapacity and operational requirements. The fairness of a dismissal is assessed based on an analysis of both the substantive and procedural aspects thereof. The type of dismissal will depend on the nature thereof and the prevailing circumstances at the time of dismissal.

A process of conciliation is pre-emptory in this regard. Should the dispute remain unresolved, parties will be required to enter into a process of arbitration, and the award or ruling made by the Commissioner would be final and binding. Therefore, an award or ruling is not appealable, it may only be reviewed and set aside by the Labour Court.

11.6.2 Basic Conditions of Employment

The Basic Conditions of Employment Act No. 75 of 1997 (“**BCEA**”) aims to give effect to the constitutional right to fair labour practices by establishing and making provision for the regulation of basic conditions of employment. The BCEA provides minimum terms and conditions of employment pertaining to working hours, leave (including annual, sick, family responsibility, maternity and parental leave), particulars of employment and remuneration, termination of employment, prohibition of forced labour and child labour and the variations of the basic conditions of employment. This BCEA forms part of all contracts of employment of the employees covered by the BCEA unless any other law or the contract itself provides for more favourable terms to the employee and it takes precedence over any agreement between the employer and employee.

11.6.3 Unemployment Insurance

The Unemployment Insurance Act 63 of 2001 serves establish the Unemployment Insurance Fund which provides for the payment of unemployment benefits to certain employees, and for the payment of illness, maternity, parental, adoption, commissioning parental and dependant’s benefits related to the unemployment of such employees. This Act applies to all employers and employees, other than employees employed for less than 24 hours per month, learners, public servants and workers who earn commission only.

11.6.4 Unemployment Insurance Contributions

In order to give effect to the imposition and collection of contributions for the benefit of the Unemployment Insurance Fund, the Unemployment Insurance Contributions Act 4 of 2002 provides that employers are required to deduct 1% of the total worker’s earnings excluding commission every month to contribute to the fund. Employers is also mandated to contribute 1% for every employee that they have. The total contribution required to be paid to the unemployment insurance fund by employers is therefore 2%.

11.6.5 Skills Development

The Skills Development Act, 97 of 1998 (“**Skills Development Act**”) as amended, aims to develop the skills of the South African workforce while improving quality of life and prospects for work and labour mobility. The Skills Development Act also aims to improve productivity in the workplace and the competitiveness of employers while promoting self-employment. It also aims to increase levels of investment in education and training. It governs various bodies, which encourage partnerships between the public and private sectors of the economy and help new entrants to the labour market in finding work. One of these bodies is the National Skills Fund into which those employers who are registered with the South African Revenue Service for Pay As You Earn tax are required to contribute. TFG regards investment in its employees’ skills development as critical for business growth as well as employee individual growth and empowerment.

There has been an increase in TFG’s skills development score due largely to an increased focus on accreditation of training initiatives and better management and delivery of its skills development plan through a well-defined learning academy framework.

11.6.6 Employment Equity

The Employment Equity Act *inter alia*, promotes equity in the workplace by promoting equal opportunity and fair treatment in the workplace, including during recruitment, through elimination of unfair discrimination and implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure equitable representation in all occupational categories and levels in the workforce.

It is imperative that regard must be had of the necessity to remunerate employees equally based on the principle of equal pay for work of equal value. Work will be identified as of equal value when the work done by the employee is the same, substantially the same or of equal value when compared to an appropriate comparator.

To determine whether differentiation between employees occurs, the Employment Equity Act identifies 22 listed grounds upon which an employer could potentially differentiate between employees. Differentiation in this regard is presumed to be unfair discrimination between employees. The Employment Equity Act furthermore identifies an “arbitrary ground” of differentiation as a ground upon which unfair discrimination can take place.

Should an employer be guilty of not remunerating employees equally based on the principle of equal pay for work of equal value, discriminating against an employee on a listed ground, which includes sexual harassment, the Employment Equity Act also identifies the CCMA as the forum of first instance to resolve the dispute through a process of conciliation. Should the dispute remain unresolved after conciliation, the matter may either be referred to the Labour Court for adjudication, or remain with the CCMA for arbitration if the requirements imposed by the Employment Equity Act are met. Failure to comply with the affirmative action provisions of the Employment Equity Act may result in fines of up to R1.5 million and employers who do not comply can also expect to attract a sanction as determined by the Labour Court.

11.7 Competition

The South African Competition Act, No. 89 of 1998 ("**Competition Act**") prohibits anti-competitive restrictive practices and abuses of a dominant position, and requires that transactions resulting in a change of control (a "**merger**") in which the parties exceed certain turnover and asset values must be approved by the relevant competition authority before implementation. The Competition Act established the Competition Commission and the Competition Tribunal ("**Tribunal**") to enforce the Competition Act. The Tribunal may impose an administrative penalty for Competition Act violations of up to 10% of a company's turnover in South Africa and its exports from South Africa. The Competition Act also established the Competition Appeal Court ("**Appeal Court**"), a specialist division of the High Court of South Africa, to adjudicate Tribunal competition law cases. In certain circumstances, competition law cases can be appealed from the Appeal Court to the Constitutional Court of South Africa.

Compliance with the Competition Act is a priority item for the Group. As part of its compliance efforts, an anti-corruption policy has been developed and is reviewed on an annual basis. Training and awareness sessions are conducted in various critical business areas on an ongoing basis.

11.8 Export and Import Control

A variety of legislation and related regulations apply to the export and import of goods, including, the Perishable Products Export Control Act 9 of 1983, which regulates the export of perishable products from South Africa by, among other things, imposing levies on perishable products.

In addition, the Food Stuffs, Cosmetic and Disinfectants Act 54 of 1972, which regulates the sale, manufacture and import of foodstuffs, cosmetics and disinfectants by, among other things, controlling the environment in which these goods are manufactured and distributed and making it a criminal offence to sell, manufacture or import goods that have been treated or which contain a prohibited substance.

Lastly, the International Trade Administration Act 71 of 2002, empowers the International Trade Administration Commission to investigate and evaluate dumping, subsidise exports and safeguard measures, investigate and evaluate the amendment of customs duties in the common customs area and investigate, evaluate and determine applications for rebates and drawbacks.

12. TAXATION

The following summary describes certain income tax consequences of receiving, exercising and disposing of the Rights and acquiring, owning and disposing of the Rights Offer Shares. It is not an exhaustive or complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as in force and as applied in practice on the date of this Circular and is subject to changes to those laws and practices subsequent to the date of this Circular. In the case of persons who are non-residents of South Africa for income tax purposes, it should be read in conjunction with the provisions of any applicable agreement for the avoidance of double taxation concluded between South Africa and their country of tax residence. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of Rights Offer Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

12.1 South Africa

This summary of certain material South African tax consequences only deals with TFG Shareholders that are SA Holders, as defined below, and that will hold the Rights Offer Shares as capital assets. As used herein, the term "SA Holder" means a "shareholder" who is: (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa, but whose physical presence in South Africa exceeds certain minimum thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. The term does not include any person who is deemed to be exclusively the resident of another country for purposes of the application of any agreement for the avoidance of double taxation entered into between South Africa and that other country of residence (the "Treaty"). In general, a "shareholder" means the registered shareholder in respect of a share or, where some person other than the registered shareholder is entitled to all or part of the benefit of the rights of participation in the profits, income or capital attaching to that share, that other person to the extent of that entitlement. TFG Shareholders should consult their tax advisers regarding their tax status

THE SUMMARY OF SOUTH AFRICAN TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL RECIPIENTS OF RIGHTS AND ALL PROSPECTIVE HOLDERS OF RIGHTS OFFER SHARES AS WELL AS THE JOINT GLOBAL COORDINATORS AND UNDERWRITERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND ACQUIRING, OWNING AND DISPOSING OF THE RIGHTS OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

Receipt of Rights

The tax consequences of the receipt of Rights by a SA Holder are generally neutral. TFG cannot deduct any amount associated with the granting of the Rights and the expenditure that is actually incurred by the SA Holders in respect of the acquisition of the Rights will be nil (other than for instance where expenditure is incurred to acquire the rights in the market, as dealt with further below). The receipt of Rights by a SA Holder does not constitute a dividend for purposes of South African tax legislation.

Sale or other disposition of Rights

Upon a sale or other disposition of Rights, a SA Holder will generally recognise a capital gain or loss equal to the difference, if any, between the proceeds of the disposal i.e. the SA Rand value of the amount realised and the SA Holder's base cost in respect of the Rights i.e. the expenditure that the SA Holder incurred in order to acquire the Rights. If a SA Holder is already a shareholder of TFG, the expenditure incurred by such SA Holder will be nil. It will thus be subject to capital gains on the entire proceeds so received on the sale or other disposition of the Rights. The capital gain will be subject to Capital Gains Tax ("CGT").

If a SA Holder has purchased the Rights through the market or otherwise, the amount paid by the SA Holder for the acquisition of the Rights, together with certain legal and other related direct costs that it may have incurred in the process, will form part of the base cost of the Rights.

To the extent that a SA Holder sells or otherwise disposes of the Rights as part of a business in carrying out a profit making scheme, the proceeds associated with the sale or other disposition of the Rights may be subject to income tax instead of CGT. The question whether the proceeds are on capital or revenue account depends on the specific circumstances of the SA Holder.

Expiration of Rights

If a SA Holder allows the Rights to expire without selling or disposing of them in any other manner or exercising them or does not receive any proceeds with respect to the sale of Rights, the SA Holder will not recognise any gain or loss. If the SA Holder sells its Rights to a connected person for a non-arm's length price, it will be deemed to have sold the Rights at their market value on the date of sale. As a result, it may realise a capital gain on the sale, which capital gain will be subject to CGT.

Exercise of Rights

The issue of Rights Offer Shares will be neutral. Accordingly, a SA Holder will not recognise taxable income, a capital gain or capital loss upon the issue to it of Rights Offer Shares pursuant to the exercise of Rights. A SA Holder's expenditure or base cost in respect of the Rights Offer Shares will be equal to the amount paid for the Rights (if any) and the Rights Offer Share Price together with whatever legal and other related direct costs that may have been incurred in the process.

Taxation in Respect of Rights Offer Shares

Distributions

Currently, any amount transferred or applied by a South African resident company for the benefit of or on behalf of any person in respect of any share in that company constitutes a dividend for tax purposes, unless it *inter alia*: (i) results in a reduction of Contributed Tax Capital (“CTC”) (see paragraph “—Distributions of CTC”); (ii) constitutes a capitalisation award; or (iii) constitutes a general open market purchase by a listed company of its own shares on the exchange operated by the JSE.

CTC essentially comprises a company’s stated capital or share capital and share premium immediately before 1 January 2011 (excluding any portion thereof representing capitalised reserves), plus the consideration received by the company for the issue of shares on or after 1 January 2011 reduced by the amount transferred on or after 1 January 2011 to shareholders as a return of CTC which the directors of the company or some person or body of persons with comparable authority have determined to be an amount so transferred.

In general, dividends paid by TFG to SA Holders and Non-SA Holders are exempt from South African income tax in their hands.

Dividends tax

Under current law, TFG Shareholders will, subject to available exemptions, be subject to a tax known as dividends tax (“Dividends Tax”). Dividends Tax is a withholding tax payable in respect of dividends paid by South African resident companies.

Dividends Tax is imposed on the beneficial owner of a dividend in respect of any cash dividend paid by a company. The tax is withheld by the company paying the dividend. Dividends Tax is levied at a rate of 20%.

In relation to a dividend which constitutes a distribution of assets *in specie*, the liability for Dividends Tax falls on the company that declares and pays the dividend.

The Dividends Tax rate of 20% may be reduced in respect of dividends which are paid to non-residents under the provisions of certain Treaties. In addition, the Dividends Tax legislation includes a number of exemptions, including an exemption for dividends paid to South African resident companies and dividends paid to certain exempt entities such as pension funds, *provided* the prescribed administrative requirements are met.

Dividends paid to natural persons who are TFG Shareholders will, however, be subject to the Dividends Tax at the rate of 20%. The rate of tax may be reduced by the provisions of a Treaty.

Distributions of CTC

A distribution by a company of share capital, stated capital or share premium (referred to as CTC) does not constitute a dividend for Dividends Tax purposes. Instead, it constitutes a return of capital.

The company which makes the distribution of CTC is required to determine the extent to which a distribution reduces its CTC. This determination can be made by the directors of the company or a person or body of persons which has comparable authority to that of the directors. Where the determination is made by the directors of a company, the South African Revenue Service envisages this determination to be evidenced by a directors’ resolution. The Company which makes the distribution must first adopt a board resolution that the distribution is funded out of CTC and the company is thereafter obliged to notify the person to whom the distribution is made, in writing and by the time the distribution is made, of the extent to which the distribution constitutes a return of capital (i.e. reduces its CTC).

In terms of the South African tax legislation a return of capital, by way of cash or an asset *in specie*, which is received or accrues on or after 1 April 2012 in respect of shares acquired on or after 1 October 2001, and before the disposal of shares, will firstly serve to reduce the base cost of the shares in respect of which the distribution is made, and only when the base cost of the shares has been exhausted will any excess amount distributed as a return of capital result in a capital gain for the SA Holder.

The CTC provisions are, however, complex and the exact dates of application need to be properly considered.

Taxation of capital gains and losses

SA Holders—individuals

A disposal or deemed disposal or part disposal or part deemed disposal of Rights Offer Shares where such Rights Offer Shares are held on capital account by an individual SA Holder may give rise to a gain (or loss) for CGT purposes. Generally, gains realised on shares disposed of after being held continuously for at least three years are deemed to be subject to CGT.

The capital gain (or loss) on disposal or part disposal of the individual’s Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost of the Rights Offer Shares. The base cost in the Rights Offer Shares will generally be the consideration paid for those Rights Offer Shares (this will include the cost, if any, incurred in acquiring the Rights). It will also include any amount paid in respect of the acquisition of the Rights and/or legal costs incurred. The base cost of the Rights Offer Shares may also be increased by one-third of any interest incurred to finance the cost of acquiring the Rights Offer Shares, and other direct costs incurred in, *inter alia*, acquiring the Rights Offer Shares and 100% of the other direct costs, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income.

A capital gain or capital loss of an individual on a disposal of the Rights Offer Shares, together with other capital gains or capital losses for the individual's tax year, less the annual exclusion (currently R40,000 for a natural person) and less the allowable assessed capital loss brought forward from the prior year of assessment, is included in the individual shareholder's normal income tax calculation at an inclusion rate of 40%. This results in a maximum effective tax rate on capital gains for individuals of 18%, assuming a maximum marginal tax rate of 45% to the extent that it exceeds the annual exclusion (R40,000 for the years of assessment ended 28 February 2021). On the death of a taxpayer, there will be a deemed disposal of the Rights Offer Shares (for CGT purposes) at their market value, unless the Rights Offer Shares are bequeathed to or in favour of a surviving spouse. Deemed disposals to a surviving spouse who is a South African resident are treated, in practical effect, as taking place at no gain or loss. The annual exclusion where death occurs during the year of assessment ending 28 February 2021 is R300,000. Where a taxpayer emigrates (i.e. gives up South African tax residence), there will also be a deemed disposal of the Rights Offer Shares at market value and this may trigger CGT.

SA Holders—corporates

A disposal or part disposal of the Rights Offer Shares where such Rights Offer Shares are held on capital account by a SA Holder who is not a natural person, may give rise to a capital gain (or loss) for CGT purposes. Generally, gains realised on shares disposed of after being held continuously for at least three years are deemed to be subject to CGT.

The capital gain (or loss) on disposal of the corporate's Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost. The base cost in the Rights Offer Shares will generally be the consideration paid for the Rights Offer Shares (which will include the cost, if any, incurred in acquiring the Rights). It will also include any amount paid in respect of the acquisition of the Rights and/or legal costs incurred. The base cost of the Rights Offer Shares may also be increased by one-third of any interest incurred to finance the cost of acquiring the Rights Offer Shares, and other direct costs incurred in, *inter alia*, acquiring the Rights Offer Shares and 100% of the other direct costs of acquisition, to the extent that such amounts are not otherwise allowable for deduction in the determination of taxable income.

A capital gain or a capital loss on disposal of the corporate's Rights Offer Shares, together with other capital gains or capital losses for the tax year less the allowable assessed capital loss brought forward from the prior year of assessment is included in a company's normal income tax calculation at an inclusion rate of 80%. This results in a maximum effective tax rate on capital gains of 22.4%.

Non-South African resident shareholders—individuals and corporates

A disposal of the Rights Offer Shares by a non-South African resident may give rise to a gain (or loss) for the purposes of taxation of CGT to the extent that the gains are realised pursuant to the disposal of any interest in or right to immovable property situated in South Africa or the disposal of assets which are attributable to South African permanent establishment.

An interest in immovable property situated in South Africa includes the Rights Offer Shares if:

- Part 1:** 80% or more of the market value of the Rights Offer Shares, at the time of disposal, is attributable directly or indirectly to immovable property held otherwise than as trading stock; and
- Part 2:** the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly, holds at least 20% of the shares in the company.

Currently, less than 80% of the market value of the Rights Offer Shares is attributable to immovable property and no foreign shareholder holds 20% of the shares in the Company. Consequently, a disposal of the Rights Offer Shares by a non-South African resident should not fall within the ambit of the South African CGT tax legislation in this context.

However, where the Rights Offer Shares are attributable to a permanent establishment of the non-South African resident shareholder in South Africa, a disposal or part disposal of the Rights Offer Shares by such shareholder may give rise to a capital gain (or loss) for the purposes of CGT. Non-resident natural persons pay CGT at a maximum effective rate of 18% and non-resident companies pay CGT at an effective rate of 22.4%. This is however still subject to the terms of a Treaty.

Estate duty

Where a person holds the Rights Offer Shares at the date of his or her death, the market value of such Rights Offer Shares will be included in his/her estate. Estate duty is levied at a rate of 20% on the dutiable amount of a deceased estate that does not exceed R30.0 million and 25% on the dutiable amount of a deceased estate exceeding R30.0 million. The dutiable amount is determined after deducting R3.5 million from the net value of the deceased estate. In determining the dutiable amount of an estate, deductions are, *inter alia*, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including CGT paid on the deemed disposal of the Rights Offer Shares on date of death.

Securities transfer tax

Securities transfer tax ("STT") of 0.25% of the applicable taxable amount is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" as a general rule includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. Consequently, the issue of the Rights Offer Shares by TFG will not be subject to STT. Similarly, the issue of the Rights as well as the dealing in them will not be subject to STT.

A purchase of the Rights Offer Shares from or through the agency of a JSE-registered Broker is subject to STT of 0.25% of the purchase consideration. The STT is payable by the Broker which may recover it from the transferee. Where the Rights Offer Shares are not purchased from or through the agency of a Broker, but the change in beneficial ownership is effected by a CSDP, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares on the date of the transaction is payable by the CSDP, which may recover it from the transferee.

In any other case of a change in beneficial ownership of the Rights Offer Shares, as a general rule, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares is payable by the transferee through the Broker or participant, which holds the Rights Offer Shares in custody or through the company.

Value-added Tax (“VAT”)

The issue of the Rights and/or the acquisition of the Rights Offer Shares constitute an exempt supply for purposes of the (South African) Value-added Tax Act, No. 89 of 1991, as amended. Consequently no VAT is payable on the issue of the Rights and/or the acquisition of the Rights Offer Shares. Similarly, no VAT is payable on the disposal of the Rights or the Rights Offer Shares.

12.2 United States

The following is a summary of certain US federal income tax considerations relevant to the receipt, exercise and disposition of Rights pursuant to the Rights Offer as well as the acquisition, ownership and disposition of Rights Offer Shares. It addresses only Shareholders that are US Holders (as defined below) that receive Rights in the Rights Offer and hold Shares and will hold Rights and Rights Offer Shares as capital assets (generally, property held for investment). The discussion does not consider the circumstances of particular holders subject to special rules, such as banks or other financial institutions, dealers in currencies and securities, traders in securities that elect to mark-to-market, insurance companies, tax-exempt entities, regulated investment companies or real estate investment trusts, US expatriates, holders of 10% or more of the Company’s shares by vote or value, any entity or arrangement treated as a partnership for US federal income tax purposes or investors therein, persons holding Shares, Rights or Rights Offer Shares as part of a hedge, straddle, conversion or other integrated financial transaction, US Holders whose functional currency for US federal income tax purposes is not the US Dollar and persons holding Shares, Rights or Rights Offer Shares in connection with a permanent establishment or fixed base outside of the United States. Further, this summary does not address alternative minimum tax considerations or any US federal tax considerations other than US federal income tax considerations (such as US federal estate and gift tax considerations or the Medicare tax on certain investment income) or any US state and local or non-US tax considerations.

As used herein, the term “US Holder” means a beneficial owner of Rights or Rights Offer Shares that, for US federal income tax purposes, is: (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia or (iii) an estate or trust the income of which is subject to US federal income tax without regard to its source.

The US federal income tax consequences to a partner in a partnership (or other entity or arrangement treated as a partnership) for US federal income tax purposes that receives and disposes of or exercises Rights or acquires, holds and disposes of Rights Offer Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships (or partners therein) should consult their tax advisors concerning the US federal income tax consequences of the receipt of Rights pursuant to the Rights Offer, exercise or disposition of Rights and acquisition, ownership and disposition of Rights Offer Shares.

Except as otherwise noted, this summary assumes that the Company is not a passive foreign investment company (a “PFIC”) for US federal income tax purposes, which the Company believes to be the case for the current taxable year and the immediately preceding taxable year, as well as for the foreseeable future. The Company’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

Each US Holder should read the disclosure regarding taxation in South Africa and consider its possible entitlement to the benefits of the income tax treaty between the United States and South Africa (the “US Treaty”).

This summary is based on the US Internal Revenue Code of 1986, as amended (the “Code”) and US Treasury regulations and judicial and administrative interpretations thereof, as of the date of this offering memorandum. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax considerations described below.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY AND IS NOT A SUBSTITUTE FOR TAX ADVICE. ALL RECIPIENTS OF RIGHTS AND ALL PROSPECTIVE PURCHASERS OF RIGHTS OFFER SHARES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND ACQUIRING, OWNING AND DISPOSING OF RIGHTS OFFER SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE US TREATY AND THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation of Rights

Receipt of Rights

US Holders of Shares on the record date will not recognise taxable income in connection with the receipt of the Rights pursuant to the Rights Offer, provided that the distribution does not have the result of causing some holders of Shares to receive an increase in their proportionate interest in the Company’s assets or its earnings and profits and other holders of Shares to receive cash or property. The distribution of the Rights in the Rights Offer should not have the effect of causing some holders of Shares or Rights to receive an increase in their proportionate interest in the Company’s assets or its earnings and profits and other holders of its stock or Rights to receive cash or property. Therefore, no income should be recognised by any record date holders of Shares in connection with the issuance of Rights pursuant to the Rights Offer and the following discussion assumes the distribution of Rights is not taxable. If the distribution of Rights were treated as taxable, US Holders would be treated as receiving a distribution equal to the fair market value of the Rights and the tax consequences of the receipt of such Rights would generally be as described below under “—Taxation of Rights Offer Shares—Distributions.”

Tax Basis in Rights

If the fair market value of the Rights when received by a US Holder is less than 15% of the fair market value of the US Holder’s Shares, the Rights will have no tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Shares to the Rights in proportion to the relative fair market values of the Shares and the Rights on the date such Rights are received. A US Holder must make this election in a statement attached to its tax return for the taxable year in which it receives the Rights, in respect of all Rights received by the US Holder, and such election is irrevocable.

If the fair market value of the Rights when received by a US Holder is at least 15% of the fair market value of the US Holder's Shares, a US Holder must allocate its adjusted tax basis in its Shares between the Rights Offer Shares and the Rights in proportion to their relative fair market values on the date the Rights are received.

If the Shares with respect to which such Rights were distributed are sold prior to the exercise or the expiration of such Rights, US Holders should consult their tax advisors regarding any such tax basis allocation as well as any corresponding tax consequences.

Sale or Other Disposition of Rights

Subject to the PFIC rules discussed below, upon a sale or other disposition of Rights, a US Holder generally will recognise capital gain or loss equal to the difference, if any, between the US Dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in Rights, determined in US Dollars. Any gain or loss will be US source, and will be long-term capital gain or loss if the US Holder's holding period in Rights exceeds one year. The deductibility of capital losses is subject to limitations under the Code. A US Holder's holding period in Rights will include the holding period in the Shares with respect to which Rights were distributed.

Exercise

A US Holder will not recognise taxable income when it receives Rights Offer Shares by exercising Rights. A US Holder's tax basis in Rights Offer Shares received upon exercising Rights will be equal to the sum of the US Dollar value of the Rights Offer Share Price and the US Holder's tax basis, if any, in the Rights exercised. Subject to the PFIC rules discussed below, a US Holder's holding period for Rights Offer Shares acquired through exercise of Rights received in the Rights offering will begin with and include the date of exercise.

Expiration

If a US Holder allows Rights received in the Rights offering to expire, a US Holder generally will not recognise any gain or loss for US federal income tax purposes upon expiration of the Rights. If a US Holder has tax basis in the Rights and such holder allows the Rights to expire, the tax basis of Shares owned by the US Holder with respect to which such Rights were distributed should be re-allocated to the tax basis of such Shares.

Taxation of Rights Offer Shares

Distributions

Subject to the discussion of the **PFIC** rules below, the gross amount of any distribution with respect to the Rights Offer Shares, including any South African tax withheld therefrom, will be included in a US Holder's gross income as ordinary dividend income from foreign sources when actually or constructively received to the extent such distributions are paid out of the Company's current or accumulated earnings and profits (as determined for US federal income tax purposes). The Company does not maintain calculations of earnings and profits under US federal income tax principles. Therefore, US Holders should expect that the entire amount of any distribution from the Company will be reported as dividend income for US federal income tax purposes. The dividends will not be eligible for the dividends received deduction generally available to US corporations. If the Company qualifies for the benefits of the US Treaty, which the Company believes it does, and the Company is not a PFIC in the year of distribution or the preceding year, dividends received by individuals and certain other non-corporate US Holders that satisfy specified holding period requirements generally should be eligible for the preferential rate applicable to qualified dividend income.

Dividends paid in a currency other than US Dollars will be includable in income in the US Dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, whether or not the foreign currency is converted into US Dollars at that time. A US Holder's tax basis in the foreign currency received will equal the US Dollar value on the date of receipt. Any gain or loss realised on a subsequent conversion or other disposition of the foreign currency for a different US Dollar amount will be foreign currency exchange gain or loss and generally will be treated as US source ordinary income or loss. If a dividend paid in foreign currency is converted into US Dollars on the day the dividend is received, the US Holder will generally not be required to recognise foreign currency exchange gain or loss in respect of the dividend.

A US Holder eligible for benefits under the US Treaty generally may claim a reduced 15% rate of South African withholding tax. US Holders should consult their tax advisors about their eligibility for benefits under the US Treaty and procedures for obtaining a reduction of South African withholding tax. Subject to generally applicable limitations, a US Holder may claim a deduction or a foreign tax credit only for South African tax withheld at the appropriate rate. For purposes of limitations on foreign tax credits, dividends received with respect to Rights Offer Shares should generally constitute "passive category income." The rules governing foreign tax credits are complex and each US Holder should consult its tax advisors regarding the tax consequences to it if South African tax is withheld from dividends on the Rights Offer Shares, including the availability of the foreign tax credit under such US Holder's particular circumstances.

Disposition

Subject to the discussion of the PFIC rules below, a US Holder generally will recognise capital gain or loss on the sale or other disposition of Rights Offer Shares equal to the difference, if any, between the amount realised and the US Holder's adjusted tax basis in the Rights Offer Shares disposed, each determined in US Dollars. A US Holder's tax basis in Rights Offer Shares received upon exercising Rights will be equal to the sum of the US Dollar value of the Rights Offer Share Price on the date of exercise and the US Holder's tax basis, if any, in the Rights exercised. If the Rights Offer Shares are treated as traded on an "established securities market," a cash basis US Holder (or, if it elects, an accrual basis US Holder) will determine the US Dollar value of the cost of such Rights Offer Shares by translating the foreign currency amount paid at the spot rate of exchange on the settlement date. Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder's holding period in the Rights Offer Shares exceeds one year. The deductibility of capital losses is subject to significant limitations.

A US Holder that receives a currency other than US Dollars on the sale or other disposition of Rights Offer Shares will generally realise an amount equal to the US Dollar value of the foreign currency received determined by reference to the exchange rate on the date of sale or other disposition (or, if the Rights Offer Shares are traded on an “established securities market,” in the case of a cash basis or electing accrual basis taxpayer, the settlement date). A US Holder will recognise currency gain or loss if the US Dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A US Holder will have a tax basis in the currency received equal to the US Dollar value of the currency on the settlement date. Any foreign currency gain or loss realised on a subsequent conversion or other disposition of the foreign currency for a different US Dollar amount will be exchange gain or loss and generally will be treated as US-source ordinary income or loss.

Passive Foreign Investment Company Rules

The Company believes that it was not classified as a PFIC for its most recent taxable year and that, based on the Company's current gross assets and income (including the income and assets of the Group) and the manner in which the Company expects the Group to operate its business in future years, it should not be classified as a PFIC for the Company's current taxable year or in the foreseeable future. In general, a non-US corporation is a PFIC for any taxable year in which, taking into account a *pro rata* portion of the income and assets of 25% or more owned subsidiaries, either (1) at least 75% of its gross income consists of passive income or (2) at least 50% of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For this purpose, cash is considered a passive asset and passive income generally includes, among other things, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions) and other property that produces passive income. Whether the Company is classified as a PFIC for any taxable year is a factual determination made annually, and the Company's status could change depending upon, among other things, changes in the composition and relative value of its gross receipts and assets, which may be dependent on the market value of the Rights Offer Shares, and the manner in which the Company otherwise conducts its business. Accordingly, no assurance can be given that the Company will not be a PFIC in the current or any future taxable year.

If the Company were a PFIC for any taxable year during a US Holder's holding period for Rights Offer Shares (including, under proposed US Treasury regulations issued in 1992 with proposed effective date of April 1, 1992, the US Holder's holding period for the Rights with respect to which such Rights Offer Shares were issued) or Rights, gain recognised by a US Holder on a sale or other taxable disposition of Rights Offer Shares (or Rights), including certain pledges, generally would be allocated ratably over the US Holder's holding period for the Rights Offer Shares (or Rights) disposed. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest marginal rate in effect for individuals or corporations for that year, as appropriate, and an interest charge would be imposed. Further, to the extent that any distribution received by a US Holder on its interest in a PFIC exceeds 125% of the average of the annual distributions on such interest received during the preceding three years or the US Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described immediately above.

If, contrary to current expectations, the Company were a PFIC for US federal income tax purposes, a mark-to-market election may be available to US Holders with respect to Rights Offer Shares (but not Rights) that may mitigate some of the adverse tax consequences resulting from PFIC treatment. The Company does not intend to comply with the reporting requirements necessary to permit US Holders to elect to treat the Company as a “qualified electing fund.”

US Holders are encouraged to consult their tax advisors as to the Company's possible status as a PFIC and, if the Company were a PFIC, the consequences to them.

Backup Withholding and Information Reporting

Dividends on Rights Offer Shares and payments of proceeds from the sale of Rights, or Rights Offer Shares acquired upon exercise of the Rights, may be reported to the US Internal Revenue Service (“IRS”) unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting unless a US Holder provides its taxpayer identification number or otherwise establishes a basis for exemption. Backup withholding is not an additional tax. A US Holder can claim a credit against its US federal income tax liability for amounts withheld, and a refund of amounts in excess of its tax liability by timely providing the appropriate information to the IRS. Prospective investors should consult their tax advisors about qualifying for an exemption from backup withholding.

US Holders are required to report information with respect to their acquisition of the Rights and subscription of Rights Offer Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information are subject to substantial penalties. Potential investors are encouraged to consult with their tax advisors regarding the implications of these reporting requirements on their receipt of Rights and ownership of Rights Offer Shares.

Certain US Holders may be required to comply with certain reporting requirements relating to the Rights or Rights Offer Shares, including filing IRS Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as the Company), either directly or through certain foreign financial institutions, if the aggregate value of all such assets exceeds US \$50,000 on the last day of the tax year or US \$75,000 at any time during the tax year. US Holders who fail to report the required information could be subject to substantial penalties. US Holders should consult their own tax advisors regarding the application of these rules to their ownership of the Rights and Rights Offer Shares.

13. UNDERWRITING ARRANGEMENTS

TFG has entered into the Underwriting Agreement with the Joint Global Coordinators and Underwriters, dated 16 July 2020, with respect to the Rights Offer Shares. Pursuant to the terms of the Joint Global Coordinators and Underwriting Agreement, if there are any Rump Shares the Joint Global Coordinators and Underwriters may elect to offer such Rump Shares in an international private placement to institutional investors on TFG's behalf, otherwise such Rump Shares will be subscribed for by the Joint Global Coordinators and Underwriters themselves as principal (or by other subscribers procured by the Joint Global Coordinators and Underwriters) severally but not jointly (or jointly and severally) in the following proportions:

Absa: 28.6% of the Rump Shares;

RMB: 40.7% of the Rump Shares; and

SBSA: 30.7% of the Rump Shares.

As indicated above, if and to the extent that the Joint Global Coordinators and Underwriters have not procured any subscribers for the Rump Shares by way of an international private placement in the market, the purchase and any resale, or the procurement of any sub-underwriter or persons to take up any Rump Shares, by the Joint Global Coordinators and Underwriters will be for their own account and not on behalf of TFG or on behalf of any Qualifying Shareholder who does not exercise its subscription rights. Any transaction carried out by the Joint Global Coordinators and Underwriters pursuant to the Underwriting Agreement in relation to the issue of Letters of Allocation or Rights Offer Shares will constitute a transaction carried out in the capacity of agent at the request of TFG and not in respect of the Joint Global Coordinators and Underwriters' own accounts.

The obligations of the Joint Global Coordinators and Underwriters pursuant to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, among others, the accuracy of the representations and warranties in the Underwriting Agreement, the receipt of opinions on certain legal matters from counsel and other conditions customary in international capital markets transactions.

TFG has agreed to indemnify the Joint Global Coordinators and Underwriters and their affiliates against certain losses and liabilities arising out of or in connection with the Rights Offer, including liabilities under the US Securities Act and the US Exchange Act. In addition, TFG has agreed to reimburse the Joint Global Coordinators and Underwriters for their costs and expenses incurred in connection with the Rights Offer and the purchase and sale of any Rights Offer Shares.

TFG has agreed that it will not, for a period of 180 days following the execution of the Underwriting Agreement, without the prior written consent of the Joint Global Coordinators and Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of): (i) any shares of TFG or securities convertible, or exchangeable into, or exercisable for, shares of TFG or (ii) warrants or other rights to purchase shares of TFG or (iii) any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options. This restriction does not apply to: (i) the issuance of Rights Offer Shares to be issued in the context of the Rights Offer; and (ii) issuances or trades from time to time pursuant to share option plans or other employee or management incentive plans of TFG.

In addition, any offer and sale of the Rump Shares within the United States will be made by affiliates of the Joint Global Coordinators and Underwriters that are broker-dealers registered under the US Securities Exchange Act. Until the expiration of 40 days after the commencement of the Rights Offer, an offer or sale of Rump Shares within the United States by a dealer, whether or not participating in the underwritten offering, may violate the registration requirements of the US Securities Act if such offer or sale is made other than pursuant to an available exemption from such registration requirement.

The Underwriting Agreement provides that, until the settlement of the Rights Offer, the Joint Global Coordinators and Underwriters may terminate their several commitments under the Underwriting Agreement and demand payment of costs and expenses incurred to date in connection with the Rights Offer upon the occurrence of *inter alia* any of the following customary termination events:

- any of the conditions to the Underwriting Agreement not being satisfied or (to the extent capable of being waived) waived;
- any breach by TFG of any representation or warranty under the Underwriting Agreement; or
- there has occurred or, in the opinion of the Joint Global Coordinators and Underwriters, acting in good faith, it is reasonably likely that there will occur a material adverse change in *inter alia* the financial markets in South Africa, the United States or the United Kingdom,

which the Joint Global Coordinators and Underwriters consider, acting in good faith and following consultation with TFG, is such as to make it unlawful, impossible, impracticable, inappropriate or inadvisable to proceed with the Rights Offer or the underwriting of the Rights Offer Shares.

As is customary in transactions of this nature, TFG will pay the Joint Global Coordinators and Underwriters an underwriting fee equal to 2.75% of the aggregate of (A) the Capital Raise Amount less (B) any amount, capped at 20% of the Capital Raise Amount, ultimately paid by the shareholders pursuant to any irrevocable commitments concluded prior to the date of the Underwriting Agreement (the "**Committed Amount**"), in respect of which Committed Amount a reduced fee of 1.375% will be payable.

The Underwriting Agreement provides that the underwriting fees will not be paid until the underwriting commitments have been met.

The Joint Global Coordinators and Underwriters and their affiliates have from time to time engaged in, and may in the future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with TFG. The Joint Global Coordinators and Underwriters have received and will receive customary fees and commissions for these transactions and services.

The Underwriting Agreement is subject to certain conditions precedent and is terminable by the Joint Global Coordinators and Underwriters in certain circumstances. Notwithstanding these conditions precedent and termination rights, the Underwriting Agreement will not be capable of being unilaterally revoked by the Joint Global Coordinators and Underwriters and consequently the Underwriting Agreement will become irrevocable not later than 11:00 on Thursday, 16 July 2020.

The Directors of TFG have made due and careful enquiry to confirm that at the date of signing the Underwriting Agreement, the Joint Global Coordinators and Underwriters can meet their obligations and commitments in terms of the Rights Offer, subject to and in accordance with the terms of the Underwriting Agreement, and are in a position to meet their underwriting commitments in terms of the Underwriting Agreement in conjunction with any other underwriting or similar agreements running concurrently with the present commitment.

14. ADDITIONAL INFORMATION

14.1 Information on the Directors and Senior Management of TFG

14.1.1 Board of Directors

The full names, positions, business addresses, dates of appointment, ages as at the Last Practicable Date, nationalities, qualifications, experience and other directorships of the Directors are set out below.

Executive

Anthony Edward Thunström

Position	CEO
Appointed	30 June 2015
Age	50
Nationality	South African
Qualifications	BCom (Hons Acc), CA(SA)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Anthony joined TFG in 2015 as Chief Financial Officer and assumed the position of Chief Executive Officer in September 2018. Prior to this, he had 21 years' professional services experience, during which he held various local and international leadership positions.
Other current directorships	None, other than TFG entities
Directorships in the past five years	None, other than TFG entities

Bongiwe Ntuli

Position	Chief Financial Officer
Appointed	14 January 2019
Age	43
Nationality	South African
Qualifications	BCom (Hons Acc), CA(SA), AMP (Harvard)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Bongiwe joined TFG in January 2019 as Chief Financial Officer. Prior to this, she was the Chief Executive Officer of Freight Services at Grindrod Limited and a Grindrod Group Executive Board member. Before Grindrod, she held various finance and treasury positions for Anglo American plc locally and internationally. Bongiwe has over 20 years international commercial, operational and executive management experience. She has worked in South Africa, The United Kingdom and Canada, and has completed the Advanced Management Programme at Harvard Business School.
Other current directorships	Caprisa (s21)
Directorships in the past five years	Grindrod Limited, Adapt IT (Pty) Ltd

Independent non-executive

Michael Lewis	
Position	Chairman
Appointed	12 January 1989
Age	61
Nationality	South African
Qualifications	BA (Econ) (Hons)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	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 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.
Other current directorships	Strandbags Holdings Proprietary Limited, Oceana Investment Corporation Limited, United Trust Bank Limited, UTB Partners Limited, ATR Brands Limited, Oceana Investment Partners LLP, Oceana Capital Partners LLP, Lefic Partners Sarl, Oceana Concentrated Opportunities Fund Limited, Oceana Fund Managers (Jersey) Limited, Institute for Strategic Dialogue
Directorships in the past five years	Oceana Investment Partners LLP, Oceana Capital Partners LLP, Histogenics Inc. (USA), Fundacion Alpe Acondroplasia

Sam Ellis Abrahams	
Position	Independent non-executive director
Appointed	1 April 1998
Age	81
Nationality	South African
Qualifications	FCA, CA(SA)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Sam is an experienced director and was formerly an international partner and South African managing partner of Arthur Andersen. Sam is currently a non-executive director of Investec Securities Proprietary Limited and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa. Sam has acted as a non-executive director for several listed companies, both in the United Kingdom and South Africa.
Other current directorships	Investec Securities (Pty) Ltd, Bevil Investment Holdings (Pty) Ltd
Directorships in the past five years	Investec Bank Limited

Graham Harold Davin	
Position	Independent non-executive director
Appointed	5 November 2015
Age	64
Nationality	South African
Qualifications	BCom, BAcc, CA(SA), MBA
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Graham is a chartered accountant and a career banker with extensive international financial and broad business experience. Graham qualified with Arthur Andersen in Johannesburg and joined Investec Bank after an MBA at UCT. He was a director of Investec Bank 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, after moving to London, Graham led the management buyout of United Trust Bank, a fast-growing UK specialist bank of which he is chief executive officer.
Other current directorships	UTB Partners Limited, United Trust Bank Limited
Directorships in the past five years	New London Children's Choir Limited

Fatima Abrahams	
Position	Independent non-executive director
Appointed	3 March 2003
Age	57
Nationality	South African
Qualifications	BEcon (Hons), MCom, DCom
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	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.
Other current directorships	Clicks Group Limited, New Clicks South Africa (Pty) Ltd, Clicks Retailers (Pty) Ltd, Lewis Group Limited, Monarch Limited, Kapela Investments Holdings (Pty) Ltd, Kapela Holdings (Pty) Ltd, Kapela Investment Holdings (Pty) Ltd, BP Southern Africa (Pty) Ltd, Marsh (Pty) Ltd, Kantar SA (Pty) Ltd, Tsiba Education, Liluye Investments (Pty) Ltd, W&A Investments (Pty) Ltd, Byxicol (Pty) Ltd
Directorships in the past five years	Iliad Africa Limited, Suiderland Development Corporation (Pty) Ltd

David Friedland	
Position	Independent non-executive director
Appointed	14 November 2013
Age	67
Nationality	South African
Qualifications	BCom, CA(SA)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	David is a chartered accountant with extensive audit experience from a broad range of listed retail companies. He served as international partner at Arthur Andersen from 1990 and was a partner at KPMG from 2002. David was Head of Audit and Risk at KPMG (Cape Town) and was the lead audit partner for several listed companies. In 2013, he retired and was appointed to the boards of Investec Limited and Investec plc, serving as the Group Audit Committee Chairman.
Other current directorships	Pick n Pay Stores Limited, Investec Limited, Investec Bank Limited, Investec plc, Investec Bank plc, Presles (Pty) Ltd
Directorships in the past five years	None

Edwin Oblowitz	
Position	Independent non-executive director
Appointed	1 October 2010
Age	63
Nationality	South African
Qualifications	B.Comm, CA(S.A.), C.P.A. (Isr.)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	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 Principal at Contineo Financial Services which provides specialist advisory and fiduciary services to high net worth South African and international families and their entities.

Other current directorships	Alto Wine Estate (Pty) Ltd, Oli Holdings (Pty) Ltd, Stellenzicht Wines (Pty) Ltd, H and R Syndicate (Pty) Ltd, Ludel Construction (Pty) Ltd, Ramatgan Properties (Pty) Ltd, Big Sixteen (Pty) Ltd, BNP Personal Finance South Africa Limited, Blue Ocean Brands (Pty) Ltd, Trialpha Security SPV 1, Trialpha Investments Management (Pty) Ltd, DGB (Pty) Ltd, Clifton Property Holdings (Pty) Ltd, Ernie Els Vineyards (Pty) Ltd, Ernie Els Wines (Pty) Ltd, Trencor Ltd, CT Jewish Community Centre (Pty) Ltd, Sontrad (UK) Limited
Directorships in the past five years	Rand Blasting Excavations (Pty) Ltd, Peterton Estates (Pty) Ltd, Bouley Properties (Pty) Ltd, Arrow Carpet Manufacturers and distributors (Pty) Ltd, Orbmar Properties (Pty) Ltd, Pallisades Property (Pty) Ltd, Trialpha specialist investments II (Pty) Ltd, Gresham Property Investments (Cape) (Pty) Ltd, Bombay Sapphire (Pty) Ltd, Stonehage Fleming Financial Services (Pty) Ltd, Stonehage Fleming Investment Management (Pty) Ltd, Stonehage Fleming Family & Partners Limited (Guernsey), Terra Nova Trustees (Pty) Ltd, United Trust (Pty) Ltd, enX Group Limited, Oli Terminals (Pty) Ltd, Oli Fuels (Pty) Ltd, Mobile Industries Limited, Quickvest 211 (Pty) Ltd, Perfectly Creative Properties (Pty) Ltd, Zookeeper Properties (Pty) Ltd, Dormell Properties 551 (Pty) Ltd, Midnight Feast Properties 78 (Pty) Ltd, South Africa-Israel Forum NPC, Cape Philharmonic Orchestra NPC

Boitumelo Lesego Mokgethwa Makgabo-Fiskerstrand

Position	Independent non-executive director
Appointed	12 November 2012
Age	46
Nationality	South African
Qualifications	BA
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	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.
Other current directorships	Sun International Limited, Tumi Makgabo & Associates, Tumi Makgabo Enterprises, Kutlwano Realty
Directorships in the past five years	Pomegranate Media, Arabella Holdings (Pty) Ltd

Nomahlubi Victoria Simamane	
Position	Independent non-executive director
Appointed	23 February 2009
Age	61
Nationality	South African
Qualifications	BSc (Chemistry & Biology) (Hons)
Business address	Langhams Lifestyle Estate, 1 Tamchele Road, Beverly, Fourways, 2191
Experience	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 chief executive officer 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.
Other current directorships	Urban Link, Hollard Specialist Insurance, Hollard Specialist Life, Waterbearer Resources, Miya Investments, Ancestral Connect, The Hollard Insurance Company, Hollard Life Assurance Company, Oceana Group, Combined Artistic Productions, Cashbuild, Zanusi Marketing Consultants
Directorships in the past five years	South African Post Office, Heads Up Effective Market Focus, Digital Space Content Agency, DSCA, Hillary Consult, Firm Favourite Investments, Song of Africa Music Contest, Kisura Investments, HH Wellness Paradise, Dodo Renewable Energy, Nantso Holdings, Today's Trustee Publishing, Reabuna Investments, Etana Insurance Company, Playmeter Leisure Services, The Oxygen Tank, Pontech International, Primedia Face 2 Face, BLGK Bates

Colin Coleman	
Position	Independent non-executive director
Appointed	22 January 2020
Age	58
Nationality	South African
Qualifications	B(Arch)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Colin is a Senior Fellow and Lecturer at Yale University's Jackson Institute for Global Affairs. He was Chief Executive Officer, Sub-Saharan Africa, of Goldman Sachs up until his retirement at the end of 2019 and before that Head of its South African business and then Head of its Investment Banking Division for Sub-Saharan Africa. He was named a Partner of Goldman Sachs in 2010. Colin was an anti-apartheid activist and deeply involved in South Africa's constitutional transition from apartheid to democracy. He was named one of the World Economic Forum's "Global Leaders for Tomorrow", is a recipient of Harvard Business School's "Business Statesman Award" and was named one of Euromoney's World Top Ten "Financing leaders for the 21st Century." He also serves on the Steering Committee of the CEO Initiative and is Co-Chairman of the Youth Employment Service (YES).
Other current directorships	None
Directorships in the past five years	Goldman Sachs, Business Leadership South Africa

Ronald Stein	
Position	Non-executive director
Appointed	7 September 1999
Age	71
Nationality	South African
Qualifications	BCom, CA(SA)
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Ronnie was previously TFG's Chief Financial Officer. 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.
Other current directorships	National Sea Rescue Institute
Directorships in the past five years	None

Alexander Douglas Murray	
Position	Non-executive director
Appointed	1 October 2019
Age	63
Nationality	British and South African
Qualifications	BA, CA
Business address	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, Cape Town 7500 (PO Box 6020, Parow East, 7501)
Experience	Doug was previously TFG's Chief Executive Officer. He retired from this position in September 2018 after serving 33 years with the Group, 11 of those as Chief Executive Officer. He has a wealth of knowledge and experience in the international retail sector in general and TFG in particular, where he held a number of senior executive roles in the Group before his appointment as Chief Executive Officer. Doug was appointed to the Supervisory Board in a non-executive capacity on 1 October 2019 and also serves on the Group's UK and Australian subsidiaries' boards and committees.
Other current directorships	AJ Chicken (Pty) Ltd, Cost Prop (Pty) Ltd, Bootlegger Kenilworth (Pty) Ltd
Directorships in the past five years	None

All of the Directors have completed Directors' declarations in terms of Schedule 13 of the Listings Requirements. There will be no changes to the Board as a result of the implementation of the Rights Offer.

14.1.2 Company secretary

Darwin van Rooyen	
Appointed	23 May 2016
Age	43
Nationality	South African
Qualifications	BAcc (Hons), CA(SA)

14.1.3 Directors of major subsidiary: Foschini Retail Group (Pty) Ltd

The full names, positions, business addresses, dates of appointment, ages as at the Last Practicable Date, nationalities, qualifications, experience and other directorships of the directors of Foschini Retail Group (Pty) Ltd are set out below.

Ganeswari Shani Naidoo	
Position	Group Director – Fabiani, G-Star RAW, Jewellery division, @home division, Digital Transformation
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 2005
Age	52
Nationality	South African
Qualifications	BSocSc (Hons), MA (Ind Psych), AMP (Harvard)
Experience	Human Resources and Retail
Other current directorships	None

Brent James Curry	
Position	Chief Information Officer – TFG Infotec, TFG Logistics, TFG Services, TFG Marketing & E-commerce, Hi, Digital Transformation
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 1988
Age	58
Nationality	South African
Qualifications	ND Prod Eng, NHD Prod Mng
Experience	Retail
Other current directorships	None

Donald Banfield Gedye	
Position	Group Director – Exact, The FIX, Markham, Sport division, TFG Property, TFG Store Development
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 1979
Age	61
Nationality	South African
Qualifications	Matric
Experience	Retail
Other current directorships	None

Stuart Andrew Baird	
Position	Group Director – Foschini division, TFG Design and Manufacturing, TFG Merchandise Procurement, TFG London
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 1986
Age	54
Nationality	South African
Qualifications	B-Tech Marketing and Business Management
Experience	Retail
Other current directorships	None

Senta Elizabeth Morley	
Position	Group Director – TFG Human Resources
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 2002
Age	50
Nationality	South African
Qualifications	BSocSc
Experience	Human Resources & Retail
Other current directorships	None

Jane Louise Fisher	
Position	Group Director – Financial Services, TFG Rewards
Business Address	340 Voortrekker Road, Parow, 7500
Appointed	Joined the Group in 2013
Age	47
Nationality	British
Qualifications	BSc (Hons) Mathematics and Computing Science
Experience	Banking & Retail
Other current directorships	South African Fraud Prevention Service

14.1.4 **Directors' declarations**

None of the directors mentioned above have:

- (i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- (ii) ever been adjudged bankrupt, insolvent or sequestrated in any jurisdiction;
- (iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;
- (iv) ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);
- (v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;
- (vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);
- (vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (viii) ever been barred from entry into a profession or occupation;
- (ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;
- (x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or
- (xi) ever been declared delinquent or placed under probation in terms of section 162 of the Companies Act or disqualified from taking part in the management of a corporation in terms of section 47 of the Close Corporations Act, or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or section 69 of the Companies Act.

14.1.5 Senior management

The full names, positions, business addresses, ages as at the Last Practicable Date, nationalities and qualifications of the Company's senior management are set out below. Further, the directors of the Company's major subsidiary, Foschini Retail Group (Pty) Ltd, are also considered to be members of senior management and their details have been provided under section 14.1.3.

Gary Novis	
Position	Chief Executive Officer – TFG Australia
Business Address	Lever 2, 409 George Street, Waterloo, NSW, 2017
Appointed	Joined the Group in 2017 (acquisition of RAG)
Age	53
Nationality	Australian
Qualifications	Bachelor of Commerce Honours (UCT)
Experience	Retail
Other current directorships	None

Constantine George Zanolis	
Position	Chief Financial Officer – TFG Australia
Business Address	Lever 2, 409 George Street, Waterloo, NSW, 2017
Appointed	Joined the Group in 2017 (acquisition of RAG)
Age	47
Nationality	Australian
Qualifications	Bachelor of Commerce (acct, fin) (merit) (UNSW), Chartered Accountant, Chartered Governance Institute
Experience	Retail
Other current directorships	None

Benjamin Lawrence Maximillian Barnett	
Position	Chief Executive Officer – TFG London
Business Address	55 Kimber Road, London, SW18 4NX
Appointed	Joined the Group in 2015 (acquisition of Phase Eight)
Age	41
Nationality	British
Qualifications	BA, MiF
Experience	Retail & Financial Services
Other current directorships	All Good Things Group, Pestfield Limited

Catherine Ann Lambert	
Position	Chief Financial Officer – TFG London
Business Address	55 Kimber Road, London, SW18 4NX
Appointed	16 April 2018
Age	54
Nationality	British and New Zealand
Qualifications	Bachelor of Commerce, NZ, CA, ICAEW
Experience	Finance, FMCG and Retail
Other current directorships	M&A Monitor Limited, Sanitary Owl Limited

Lee Eric Harlow	
Position	Managing Director – TFG London
Business Address	55 Kimber Road, London, SW18 4NX
Appointed	Joined the Group in 2015 (acquisition of Phase Eight)
Age	48
Nationality	British
Qualifications	Bachelor of Science (Hons) Information Systems Management
Experience	Retail
Other current directorships	Ratsey Limited, AGT Retail Limited

14.1.6 Senior management declarations

Benjamin Barnett was appointed as a director in the following companies, Pumpster Property Limited, S&L Propco Limited, Yates Propco Limited, Pumpster Property Acquisitions Limited, YS&L Holdco Limited, Pumpster Holdco Limited, Pumpster Property No2 Limited, Pumpster Property Holdings Limited (collectively “PropCos”).

The PropCos were the landlords to subsidiaries of Laurel Pub Equity Holdings Limited. When the tenant had financial difficulties in 2008, the PropCos were either placed in administration or creditor voluntary liquidation.

In addition, Benjamin Barnett was appointed as a director of KCP II (GP) Limited, which was placed under administration. KCP II (GP) Limited was the general partner for the £529m Kaupthing Capital Partners II private equity fund was placed under administration following the failure of Kaupthing Bank hf, a 40% equity investor in the fund.

Other than as disclosed above, none of the senior managers mentioned above have:

- (i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- (ii) ever been declared bankrupt, insolvent or sequestered in any jurisdiction;
- (iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;
- (iv) ever been involved, as a director with an executive function, in any business rescue plans and/or resolutions proposed by any entity to commence business rescue proceedings, applications having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors’ voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);
- (v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;
- (vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership, voluntary arrangements of any partnership where they were partners at the time of, or within 12 month preceding, any such event(s);
- (vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none have ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (viii) ever been barred from entry into a profession or occupation;
- (ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;
- (x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or
- (xi) ever been declared delinquent or placed under probation in terms of section 162 of the Companies Act and/or disqualified from taking part in the management of a corporation in terms of section 47 of the Close Corporations Act or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or section 69 of the Companies Act.

14.1.7 **Qualification, remuneration, borrowing powers and appointment of Directors**

Borrowing powers

The MOI does not impose any limitation on the borrowing powers of the Directors. The borrowing powers of the Group exercisable by the Directors have not been exceeded during the previous three years.

Directors' emoluments

The total remuneration, benefits and fees for the year ended 31 March 2020 was as follows:

Executive Directors	Remuneration	Benefits
AE Thunström (Chief Executive Officer)	R9,923,900	R1,635,400
B Ntuli (Chief Financial Officer)	R13,024,400	R1,154,500

Non-executive Directors	Remuneration	Benefits
M Lewis (Chairman)	R1,074,900	–
SE Abrahams	R885,050	–
F Abrahams	R710,250	–
GH Davin	R609,000	–
D Friedland	R690,000	–
E Oblowitz	R923,900	–
BLM Makgabo-Fiskerstrand	R673,250	–
NV Simamane	R673,250	–
R Stein	R695,550	–
C Coleman	R166,325	–
AD Murray	R951,400	–

There will be no variation in the remuneration receivable by any of the Directors as a consequence of this Rights Offer.

As of the Last Practicable Date, other than certain amounts still owing to Ben Barnett and Lee Harlow under share purchase agreements concluded in 2017 (the “**2017 SPA**”), there were no outstanding loans granted by any member of the Group to any Director, nor by any Director to any member of the Group. For further detail on the 2017 SPA, see “–14.6 Material Funding Agreements –14.6.2 Borrowings–(g) Guarantees Granted by FRG.” In addition, other than a guarantee provided by TFG for the benefit of Ben Barnett and Lee Harlow in terms of Dress Holdco A Limited’s (“**Dress**”) obligations under the 2017 SPA, there were no guarantees which had been provided by any member of the Group for the benefit of any Director, or by any Director for the benefit of any member of the Group, outstanding. Other than these amounts still owing to and guarantees for the benefit of Ben Barnett and Lee Harlow under the 2017 SPA, the Directors, including any director who has resigned from the Company in the last 18 months, had no material beneficial interest, whether direct or indirect, in any transaction effected by the Company during the current or immediately preceding financial year or in an earlier year and which remains in any respect outstanding or unperformed.

14.1.8 **Corporate governance**

The Board is committed to the highest standards of ethical and effective governance, resulting in sustainable organisational performance that creates long-term value for all stakeholders. The Board has adopted and applies the principles of the King Code and fully endorses and cultivates principles set out therein, and the Board is further guided by the Companies Act and the additional requirements of the Listings Requirements. Details of how the Company applies the principles of the King Code are available on the Company’s website (https://www.tfglimited.co.za/wp-content/uploads/2019/12/KING-IV_12163_WEB.pdf) and are incorporated by reference into this Circular.

For more information on the Group’s corporate governance, see Annexure 4.

14.1.9 **Trading history of TFG Shares on the JSE**

A table setting out the trading history of TFG Shares on the JSE has been included in Annexure 3.

14.2 **Stated Capital and Major TFG Shareholders**

14.2.1 **Authorised and issued stated capital**

The authorised and issued shares in TFG, at the Last Practicable Date and after giving effect to the Rights Offer, is set out below:

As at the Last Practicable Date	Number of shares	Par value per share	Value of Stated Capital (R million)
Ordinary Shares			
Authorised	600,000,000	1.25c	7.5
Issued ⁽¹⁾⁽²⁾⁽³⁾	236,756,814	1.25c	3.0
Preference Shares			
Authorised	200,000	R2	0.4
Issued Preference Shares ⁽⁴⁾	200,000	R2	0.4

After the implementation of the Rights Offer	Number of shares	Par value per share	Value of Stated Capital (R million)
Ordinary Shares			
Authorised	600,000,000	1.25c	7.5
Issued ⁽⁵⁾	331,027,300	1.25c	4.1
Preference Shares			
Authorised	200,000	R2	0.4
Issued Preference Shares ⁽⁴⁾	200,000	R2	0.4

Notes:

- ⁽¹⁾ As at 26 June 2020, a subsidiary, Foschini Stores Proprietary Limited, held 1,080,599 TFG Shares, representing 0.5% of the Company's share capital as treasury shares.
- ⁽²⁾ As at 26 June 2020, the Foschini Share Incentive Trust held 1,180,343 TFG Shares, representing 0.5% of the Company's share capital, and employees of TFG held 2,801,452 TFG Shares representing 1.2% of the Company's share capital. The Foschini Share Incentive Trust and employees of TFG hold shares in terms of the share incentive schemes.
- ⁽³⁾ As at the date of this Circular, the share premium account for the Ordinary Shares amounted to R4,098.2 million.
- ⁽⁴⁾ As at the date of this Circular and following the implementation of the Rights Offer, the share premium account for the Preference Shares amounted to R Nil.
- ⁽⁵⁾ Following the implementation of the Rights Offer, the share premium account for the Ordinary Shares will amount to approximately R7,904,6 million.

There are no other classes of securities and no securities of the Company are listed on any stock exchanges other than the JSE.

As at the Last Practicable Date, all TFG Shares rank *pari passu* in every respect. Upon issue, each Rights Offer Share will rank *pari passu* in every respect with each other TFG Share.

All the Preference Shares rank *pari passu* in every respect.

14.2.2 Dividend and voting rights

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per Ordinary Share at meetings of the Company. Holders of the Preference Shares receive a cumulative dividend of 6.5 cents per Preference Share at interim (September) and year end (March) of each year.

14.2.3 Alterations to stated capital

In order to give effect to the Rights Offer, at the Company's recent EGM on 16 July 2020, the Company's shareholders, amongst other things, passed special resolutions to amongst other things, approve the authorisation of the Directors, in terms of the provisions of Section 41(3) of the Companies Act, to allot and issue such number of TFG Shares in the authorised but unissued stated capital of TFG as are required pursuant to and for the purposes of implementing the Rights Offer, even if such number of TFG Shares have voting power equal to or in excess of 30% of the voting rights of all TFG Shares immediately prior to such issue.

14.2.4 Commissions

In August 2017 the Company undertook an accelerated bookbuild offering ("**2017 Bookbuild**"), in terms of which the Company issued 17,241,380 TFG Shares ("Placement Shares") to qualifying investors at a price of R145.0 per TFG Share for a total consideration of R2.5 billion ("**Placement Proceeds**"). The sale price represented a 0.9% premium to the 30-day VWAP of R143.68 of TFG Shares as at the close of trade on 31 July 2017. RMB and Morgan Stanley & Co. International Plc (registration number 02068222) as the bookrunners received a placement fee of 0.75% of the Placement Shares Proceeds and an incentive fee of 0.25% of the Placement Shares Proceeds.

Save as disclosed in "7 Circular to Qualifying Shareholders – 7.3 Particulars of the Rights Offer – 7.3.6 Underwriting", "13 Underwriting Arrangements" and the 2017 Bookbuild, above, no commissions or consideration, including underwriting commission in respect of the allotment or issue of TFG Shares, have been paid by TFG during the three years preceding the Last Practicable Date.

14.2.5 *Interests of Directors*

The interests (both direct and indirect) in TFG Shares held by all the Directors (including their associates and any Director who has resigned during the last 18 months) as at 31 March 2020 are set out below.

There have been no changes to the Directors interests since 31 March 2020 and the Last Practicable Date.

	Direct Shares '000	Forfeitable Shares '000	Indirect Shares '000	Associates '000	Total Shares '000
M Lewis	–	–	–	1,591.7	1,591.7
E Oblowitz	2.2	–	–	–	2.2
D Friedland	–	–	–	20.4	20.4
N V Simamane	1.6	–	–	–	1.6
R Stein	161.6	–	31.7	38.4	231.7
A D Murray	568.2	–	722.5	–	1,290.7
AE Thunström	3.1	106.2	–	–	109.3
B Ntuli	–	38.6	–	–	38.6
Total	736.6	144.8	754.2	1,650.5	3,286.2

In addition, the share appreciation rights under the share incentive schemes for the executive directors as at 31 March 2020 are set out below.

	Shares '000	Share appreciation rights accepted '000	Price per share R	Year of delivery	2020 Total '000
AE Thunström	–	31.2	148.15	2021	31.2
AE Thunström	–	37.8	142.72	2021	37.8
AE Thunström	–	47.0	138.30	2021	47.0
AE Thunström	–	77.0	183.89	2022	77.0
AE Thunström	–	85.6	174.32	2023	85.6
		278.6			278.6
B Ntuli	–	43.9	174.32	2023	43.9

14.2.6 *Controlling shareholders*

As at the date of this Circular, TFG does not have any controlling shareholders as envisaged in the Listings Requirements.

TFG has not had any controlling shareholders for the past five years.

14.2.7 *Treasury Shares*

As at 26 June 2020, a subsidiary, Foschini Stores Proprietary Limited, held 1,080,599 TFG Shares, representing 0.5% of the Company's share capital. Foschini Stores Proprietary Limited will not participate in the Right Offer.

14.2.8 *Shares held by the Share Schemes*

The Foschini Share Incentive Trust and employees of TFG hold shares in terms of the share incentive schemes. As at 26 June 2020, the Foschini Share Incentive Trust held 1,180,343 TFG Shares, representing 0.5% of the Company's share capital, and employees of TFG held 2,801,452 TFG Shares representing 1.2% of the Company's share capital. The Foschini Share Incentive Trust and employees of TFG who hold TFG Shares in terms of the share incentive schemes may follow their Rights in terms of the Rights Offer to the extent possible.

14.2.9 *Major shareholders*

The major beneficial shareholders (other than Directors) holding 5% or more of TFG Shares as at 26 June 2020 are set out below:

Major beneficial shareholders	Number of shares	% of shares
Public Investment Corporation (SOC) Limited	31,058,183	13.12
Old Mutual Limited	18,487,785	7.81
Fairtree Asset Management Proprietary Limited	16,591,481	7.01

14.3 Estimated Expenses in Relation to the Rights Offer

TFG has not incurred any preliminary expenses (within the meaning of the Listings Requirements and the Companies Act) over the last three financial years.

It is estimated that TFG's expenses relating to the Rights Offer will amount to approximately R142,375,000. These expenses will be paid from the proceeds of the Rights Offer. The expenses (including VAT) relating to the Rights Offer are detailed below:

Nature of expense	Paid/payable to	Amount (R'000)
JSE documentation inspection fee	JSE	35
JSE listing fee	JSE	716
Transfer Secretaries	Computershare Investor Services Proprietary Limited	137
Printing and posting costs	GreymatterFinch	163
Legal advisers to TFG as to US law	Shearman & Sterling (London) LLP	6,509
Legal advisers to TFG as to South African law	Edward Nathan Sonnenbergs Incorporated	2,875
Legal advisers to the Joint Global Coordinators and Underwriters as to US law	Linklaters LLP	4,831
Legal advisers to the Joint Global Coordinators and Underwriters as to South African law	Webber Wentzel	2,070
Auditors	Deloitte & Touche	3,067
Transaction Sponsor	RMB	460
Underwriting fee	Absa, RMB and SBSA	121,512
Total		142,375

14.4 Disclosure of conflict

Notwithstanding the fact that the Joint Global Coordinators and Underwriters are also lenders to the Group, and in the case of RMB, Transaction Sponsor, the Joint Global Coordinators and Underwriters are acting only as Joint Global Coordinators and Underwriters for purposes of the Rights Offer. It is the opinion of the Joint Global Coordinators and Underwriters that there are no conflicts of interest that would prevent the Joint Global Coordinators and Underwriters from performing their obligations under the underwriting agreement in respect of the Rights Offer as:

- the underwriting fee is not material in the context of the Joint Global Coordinators and Underwriters' revenues or profits;
- the underwriting fee earned as stated in the Circular, is market-related; and
- in particular in the case of RMB, the interests of the Joint Global Coordinators and the Underwriters are aligned to ensure full compliance with the Listings Requirements and full and accurate disclosures.

In addition, the Joint Global Coordinators and Underwriters do not have and will not have any interest in TFG Shares as a result of being lenders to the Group, or in the case of RMB, Transaction Sponsor, and other than in their capacity as managers of their clients' share portfolios and in other nominee capacities and other than to be acquired in their capacity as Joint Global Coordinators and Underwriters, do not have any interest in TFG Shares.

Notwithstanding that RMB is Joint Global Coordinator to the Rights Offer, this does not compromise RMB's independence to act as Underwriter (and Transaction Sponsor) to TFG for the reasons stated above.

As required in terms of the Listings Requirements, in order to mitigate any perceived conflicts of interest that may arise as a result of RMB's role of both Joint Global Coordinator and Transaction Sponsor, RMB has in place the following procedures:

- The RMB sponsor unit ("**RMB Sponsor**") is comprised of 5 individuals whose sole responsibility is that of fulfilling the functions of equity sponsor. In relation to the Rights Offer, RMB Sponsor is responsible for obtaining the necessary approval of the circular and ancillary documentation ("**Transaction Documentation**") in its role as Transaction Sponsor;
- RMB Sponsor has in place stringent compliance procedures to ensure that all activities are monitored and that effective Chinese Walls are in place, which ensures independence and objectivity in relation to its role as Transaction Sponsor in respect of the Rights Offer;
- RMB Sponsor also has access restrictions to all sponsor information which is stored in a separate drive which only members of RMB Sponsor can access; and
- RMB Sponsor does not have a vested interest in the successful implementation of the Rights Offer, save for the fee charged for acting as Transaction Sponsor and managing the JSE approval process of the Transaction Documentation, which fee is not impacted by the success or otherwise of the Rights Offer.

14.5 Litigation Statement

The Company is not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had, in the previous 12 months, a material effect on the Group's financial positions.

14.6 Material Funding Agreements

(i) SOUTH AFRICA FUNDING AGREEMENTS

(a) RMB FACILITY AGREEMENTS

FNB Senior Facility

On 30 October 2019, TFG and some of its subsidiaries signed and accepted a facility letter in terms of which FirstRand Bank Limited (“**FNB**”) made available certain facilities to various Group entities (“**FNB Senior Facility**”). On 5 June 2020, by way of an amendment, certain of the facilities were increased and removed. Following the 5 June 2020 amendment, the FNB Senior Facility is as follows:

Facility	Amount	Utilised
Short term direct facility of	R50 million	R50 million
Short term direct facility of	R2.1 billion	R1.788 billion
Long Term Contingent guarantee of	R12.5 million	R12.5 million
Long Term Contingent guarantee of	R100 million	R100 million
Short Term Contingent guarantee of	R16 million	R16 million
Short Term Pre Settlement Facility of	R350 million	R350 million
Settlement Facility	R2.8 billion	R2.8 billion

Certain of the facilities are on demand facilities which are repayable upon demand by FNB. The short term direct facility of R2.1 billion is payable within 364 days of a withdrawal notice.

The aforementioned facilities are secured by an unlimited group cross suretyship in favour of FNB for the joint and several obligations of Foschini Retail Group Proprietary Limited (“**FRG**”), TFG Apparel Supply Company Proprietary Limited and TFG. Furthermore, FRG has also provided a suretyship in an amount of R20 million in favour of FNB for the obligations of Prestige Clothing Proprietary Limited under the facilities.

The FNB Senior Facility contains certain financial covenants, including maintenance of a net debt to earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) which shall not exceed 2.5x and maintaining interest cover above 3.2x.

The FNB Senior Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

FNB R250m Term Loan Facility

FRG, TFG and FNB signed a term loan facility agreement (“**FNB R250m Term Loan Facility**”) in terms of which FNB made available a 3-year term loan facility of R250 million, commencing on 18 December 2018, to FRG. TFG has also provided a guarantee in favour of FNB as collateral for the facility. As evidence of FRG’s obligation to repay the facility, FRG has issued a series of 3-month promissory notes to FNB. On the maturity of each promissory note, FNB “rolls” the amount due under the facility into the next promissory note until the final repayment date at the end of the 3-year term. As of 31 March 2020, R250 million has been drawn under the FNB R250m Term Loan Facility.

As at the Latest Practicable Date, the entire facility has been utilized.

The FNB R250m Term Loan Facility contains certain financial covenants, including maintenance of a net debt to earnings before interest, tax, depreciation and amortisation which shall not exceed 2.5x and maintaining interest cover above 3.2x.

The FNB R250m Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

IVUZI Term Loan Facility

FRG, TFG and Ivuzi Investments (RF) Proprietary Limited (with its entire shareholding ultimately beneficially held by FirstRand Bank Limited) (“**Ivuzi**”) signed a term loan facility agreement in terms of which Ivuzi made available a term loan facility A (“**Facility A**”) of R350 million, commencing on 12 December 2019, and term loan facility B (“**Facility B**”) of R350 million, commencing on 12 December 2017, to FRG (“**Ivuzi Term Loan Facility**”). TFG has also provided a guarantee in favour of Ivuzi as collateral for the facilities. As of 31 March 2020, R700 million has been drawn under the Ivuzi Term Loan Facility.

Facility A is repayable after 36 months of first utilisation, Facility B is repayable after 60 months of first utilisation. Interest is payable at a rate per annum equal to the Johannesburg Interbank Agreed Rate (“**JIBAR**”) plus an applicable margin. The Ivuzi Term Loan Facility contains certain financial covenants, including maintenance of a net debt to earnings before interest, tax, depreciation and amortisation which shall not exceed 2.5x and maintaining interest cover above 3.2x.

The Ivuzi Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

(b) **SANLAM**

Sanlam Senior Unsecured Fund 1

On 19 February 2020, FRG and TFG concluded a note in terms of which FRG acknowledged its debt to Sanlam Life Insurance Limited (“**Sanlam**”) of R300 million advanced to FRG. TFG has also provided a guarantee in favour of Sanlam as collateral for the note. As of 31 March 2020, R300 million has been drawn under the Sanlam Senior Unsecured Fund 1.

As of 31 March 2020, the entire amount has been utilised. This note was replaced on 9 April 2020 with a note of R50 million and the outstanding balance of R250 million repaid. The maturity date has been extended for an additional 3 months and the note has a new maturity of 9 October 2020.

The note also contains certain events of default customary for financings of this nature, including payment defaults, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

Sanlam Senior Unsecured Fund 2

On 19 February 2020, FRG and TFG concluded a note in terms of which FRG acknowledged its debt to Sanlam of R150 million advanced to FRG. TFG has also provided a guarantee in favour of Sanlam as collateral for the note. As of 31 March 2020, R150 million has been drawn under the Sanlam Senior Unsecured Fund 2.

The loan is repayable by 18 June 2020 and has been subsequently rolled to 18 September 2020.

The note also contains certain events of default customary for financings of this nature, including payment defaults, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

Sanlam Senior Unsecured Fund 3

On 1 August 2019, FRG and TFG concluded a note in terms of which FRG acknowledged its debt to Sanlam Life Insurance Limited of R300 million advanced to FRG. TFG has also provided a guarantee in favour of Sanlam as collateral for the note. As of 31 March 2020, R300 million has been drawn under the Sanlam Senior Unsecured Fund 3.

The loan is repayable by 23 September 2021.

The note also contains certain events of default customary for financings of this nature, including payment defaults, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

Sanlam Senior Unsecured Fund 4

On 21 November 2018, FRG and TFG concluded a note in terms of which FRG acknowledged its debt to Sanlam Life Insurance Limited of R250 million advanced to FRG. TFG has also provided a guarantee in favour of Sanlam as collateral for the note. As of 31 March 2020, R250 million has been drawn under the Sanlam Senior Unsecured Fund 4.

The loan is repayable by 20 December 2021.

The note also contains certain events of default customary for financings of this nature, including payment defaults, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

Prescient Senior Unsecured Term Note

On 19 February 2020, FRG and TFG concluded a note in terms of which FRG acknowledged its debt to Prescient Investment Management Propriety Limited (“**Prescient**”) of R300 million advanced to FRG. TFG has also provided a guarantee in favour of Prescient as collateral for the note. As of 31 March 2020, R300 million has been drawn under the Prescient Senior Unsecured Term Note.

The loan is repayable by 9 October 2020.

The note also contains certain events of default customary for financings of this nature, including payment defaults, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

(c) **SBSA FACILITY AGREEMENTS**

Standard Bank 13 Month Notice Term Loan Facility Agreement:

On March 2020 (“**Signature Date**”), FRG entered into the 13 Month Notice Term Loan Facility Agreement with SBSA (“**SBSA Facility Agreement**”) pursuant to which SBSA made available a term loan facility in an amount up to R350 million (“**SBSA R350m Facility**”). The funds drawn down from the SBSA R350m Facility shall be utilised towards refinancing a portion of the FRG’s long term banking facilities. As of 31 March 2020, R350 million has been drawn under the SBSA R350m Facility.

FRG had a period of 10 days from the date on which the last of the conditions precedent of the SBSA Facility Agreement were fulfilled to draw down from the SBSA R350m Facility. The SBSA R350m Facility balance outstanding is repayable in full by FRG to SBSA 13 months after the date on which written notice requiring repayment shall have been given by SBSA to FRG.

The SBSA Facility Agreement contains certain financial covenants, including undertakings to ensure that Net Debt (without double counting the aggregate of any contingent liability in the form of corporate guarantees extended by FRG in respect of obligations of any member of the Group's and the FRG's interest bearing Indebtedness (excluding subordinated shareholder loans) less the FRG's cash balances) divided by EBITDA shall not exceed 2.5 times and EBITDA divided by the Gross Interest Expense (being all interest accrued on the Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG) shall not be less than 3.2 times.

The SBSA Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse change.

SBSA R300m Term Loan Facility Agreement

In terms of the SBSA Term Loan Facility Agreement entered into between SBSA, FRG and TFG (as guarantor) dated on or about September 2019 ("**SBSA R300m Term Loan Facility Agreement**"). SBSA made available an amount up to R300million (the "**SBSA R300m Term Loan Facility**") to FRG. The funds drawn down from the SBSA R300m Term Loan Facility are to be utilised towards refinancing a portion of the FRG's long term banking facilities. As of 31 March 2020, R300 million has been drawn under the SBSA R300m Term Loan Facility.

FRG had a period of 10 days from the date on which the last of the conditions precedent of the SBSA Term Loan Facility Agreement were fulfilled to draw down from the SBSA R300m Term Loan Facility. The SBSA R300m Term Loan Facility balance outstanding are repayable in full by FRG to SBSA by no later than the third anniversary of date on which the term loan (by way of drawdown) had been advanced to FRG.

The SBSA R300m Term Loan Facility Agreement contains certain financial covenants, including undertakings to ensure that Net Debt (without double counting, the aggregate of any contingent liability in the form of corporate guarantees extended by the FRG in respect of obligations of any member of the Group's and FRG's interest bearing Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG), excluding subordinated shareholder loans, less FRG's cash balances) divided by EBITDA shall not exceed 2.5 times and EBITDA divided by the Gross Interest Expense (being all interest accrued on the Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG) shall not be less than 3.2 times.

The SBSA R300m Term Loan Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse change.

SBSA R500m Term Loan Facility Agreement

The R500 million SBSA Term Loan Facility Agreement entered into between SBSA, FRG, and TFG (as guarantor) ("**SBSA R500m Facility Agreement**") on or about 5 June 2018. The term loan facility made available to FRG by SBSA is an amount up to R500 million ("**SBSA R500m Facility**"). The funds drawn down from the SBSA R500 million Facility are to be utilised towards refinancing a portion of the FRG's long term banking facilities. As of 31 March 2020, R500 million has been drawn under the SBSA R500m Facility.

FRG had a period of 10 days from the date on which the last of the conditions precedent of the SBSA R500m Facility Agreement were fulfilled to draw down from the R500 million Facility. The SBSA R500m Facility balance outstanding are repayable in full by FRG to SBSA by no later than the fifth anniversary of date on which the term loan (by way of drawdown) had been advanced to FRG.

The SBSA R500m Facility Agreement contains certain financial covenants, including undertakings to ensure that Net Debt (without double counting, the aggregate of any contingent liability in the form of corporate guarantees extended by the FRG in respect of obligations of any member of the Group's and FRG's interest bearing Indebtedness (excluding subordinated shareholder loans) less FRG's cash balances) divided by EBITDA shall not exceed 2.5 times and EBITDA divided by the Gross Interest Expense (being all interest accrued on the Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG) shall not be less than 3.2 times.

The SBSA R500m Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse change.

SBSA R400m Term Loan Facility Agreement

Term Loan Facility Agreement entered into between SBSA, FRG and TFG (as guarantor) dated March 2020 ("**SBSA R400m Facility Agreement**"). The term loan facility made available to FRG by Standard Bank is an amount up to R400 million ("**SBSA R400m Facility**"). The funds drawn down from the SBSA R400m Facility shall be utilised towards refinancing a portion of the FRG's long term banking facilities. As of 31 March 2020, R400 million has been drawn under the SBSA R400m Facility.

FRG had a period of 10 days from the date on which the last of the conditions precedent of the SBSA R400m Facility Agreement were fulfilled to draw down from the Facility. The SBSA R400m Facility balance outstanding are repayable in full by FRG to SBSA by no later than the fifth anniversary of date on which the term loan (by way of drawdown) had been advanced to FRG.

The SBSA R400m Facility Agreement contains certain financial covenants, including undertakings to ensure that Net Debt (without double counting, the aggregate of any contingent liability in the form of corporate guarantees extended by FRG in respect of obligations of any member of the Group's and FRG's interest bearing Indebtedness (excluding subordinated shareholder loans) less FRG's cash balances) divided by EBITDA shall not exceed 2.5 times and EBITDA divided by the Gross Interest Expense (being all interest accrued on the Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG) shall not be less than 3.2 times.

The SBSA R400m Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse change.

(d) *INVESTEC BANK FACILITY AGREEMENTS*

Investec R500m Term Loan Facility Agreement

Term Loan Facility Agreement entered into between Investec Bank Limited ("**Investec**"), FRG, TFG and TFG Apparel Supply Company Proprietary Limited ("**TFG Apparel**") dated 5 March 2019 ("**Investec R500m Facility Agreement**"). The term loan facility made available to FRG by Investec is an amount up to R500 million ("**Investec R500m Facility**") The funds drawn down from the Investec R500m Facility are to be utilised for the general corporate purposes of TFG. As of 31 March 2020, R500 million has been drawn under the Investec R500m Facility.

FRG had a period of 10 days from the date on which the last of the conditions precedent of the Investec R500m Facility Agreement were fulfilled to draw down from the Investec R500m Facility. The Investec R500m Facility balance outstanding are repayable in full by FRG to Investec by no later than the fifth anniversary of date on which the term loan (by way of drawdown) had been advanced to FRG.

The Investec R500m Facility Agreement contains certain financial covenants, including undertakings to ensure that Net Debt (without double counting, the aggregate of all contingent liabilities in the form of corporate guarantees extended by the Borrower in respect of obligations of any member of the Group and the Borrower's interest bearing Indebtedness (excluding subordinated shareholder loans) less the Borrower's cash balances) divided by EBITDA shall not exceed 2.5 times and EBITDA divided by the Gross Interest Expense (being all interest accrued on the Indebtedness (being, amongst other things, moneys borrowed, any acceptance under any acceptance credit facility and any redeemable preference share) of FRG) shall not be less than 3.2 times.

The Investec R500m Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse event.

(e) *ABSA FACILITY AGREEMENTS*

Absa R400m Term Loan Facility

In or around 2018, FRG entered into a term loan facility agreement with Absa for R400 million ("**Absa R400m Term Loan Facility**"). The Absa R400m Term Loan Facility is to be used for settling amounts owed under the bridge facility agreement entered into between FRG and FirstRand Bank Limited in and during December 2014. The Absa R400m Term Loan Facility is repayable on 18 December 2021. The Absa R400m Term Loan Facility is secured by guarantees provided by TFG and TFG Apparel. As of 31 March 2020, R400 million has been drawn under the Absa R400m Term Loan Facility.

The Absa 400m Term Loan Facility contains certain financial covenants, including maintenance of a net debt to EBITDA ratio of not more than 2.50x and EBITDA to gross interest expense (defined as all interest accrued on the indebtedness of FRG ratio of not less than 3.00x. The Absa R400m Term Loan Facility is repayable on 18 March 2024.

The Absa R400m Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, including the failure to maintain unqualified audited financial statements, breach of representations and warranties, cross-default, insolvency, sanctions, cessation of business, repudiation, expropriation, illegality, acceleration, unenforceability and material adverse change.

Absa R300m Term Loan Facility

In or around 2019, FRG entered into a term loan facility agreement with Absa for R300 million ("**Absa R300m Term Loan Facility**"). The Absa R300m Term Loan Facility is to be used for general corporate purposes. The Absa R300m Term Loan Facility is repayable on 18 March 2024. The Absa R300m Term Loan Facility is secured by a guarantee provided by TFG and TFG Apparel. As of 31 March 2020, R300 million has been drawn under the Absa R300m Term Loan Facility.

The Absa R300m Term Loan Facility contains certain financial covenants, including maintenance of a net debt to EBITDA ratio of not more than 2.50 to 1 and EBITDA to gross interest expense (defined as all interest accrued on the indebtedness of FRG, but before taking into account finance costs of FRG under any leases unless such leases would be treated as a finance or capital lease in accordance with IFRS in force prior to 1 June 2019) ratio of not less than 3.20x.

The Absa R300m Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, including the failure to maintain unqualified audited financial statements, breach of representations and warranties, cross-default, insolvency, sanctions, cessation of business, repudiation, expropriation, illegality, acceleration, unenforceability and material adverse change.

Absa R500m Term Loan Facility

On 13 November 2017, FRG entered into a term loan facility agreement with Absa for R500 million as amended ("**Absa R500m Term Loan Facility**"). The Absa R500m Term Loan Facility is repayable on 15 November 2023. The Absa R500m Term Loan Facility is secured by a guarantee provided by TFG and TFG Apparel. As of 31 March 2020, there was R500 million had been drawn under the Absa R500m Term Loan Facility.

The Absa R500m Term Loan Facility contains certain financial covenants, including maintenance of a net debt to EBITDA ratio of not more than 2.50x and EBITDA to gross interest expense (defined as the aggregate of any contingent liability in the form of corporate guarantees extended by FRG in respect of any member of the group of FRG and its interest bearing borrowings less cash balances) ratio of not less than 3x.

The Absa R500m Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, including the failure to maintain unqualified audited financial statements, breach of representations and warranties, cross-default, insolvency, sanctions, cessation of business, repudiation, expropriation, illegality, acceleration, unenforceability and material adverse change.

(f) NEDBANK FACILITY AGREEMENTS

Nedbank R400m Term Loan Facility

On 6 December 2018, FRG entered into a term loan facility agreement with Nedbank Limited for R400 million ("**Nedbank R400m Term Loan Facility**"). The Nedbank R400m Term Loan Facility is to be used for working capital purposes. The Nedbank R400m Term Loan Facility is repayable on 18 December 2021. As of 31 March 2020, R400 million had been drawn under the Nedbank R400m Term Loan Facility.

The Nedbank R400m Term Loan Facility contains certain financial covenants, including maintenance of a net debt to EBITDA ratio of not more than 2.50x and EBITDA to gross interest expense (defined as all interest accrued on the indebtedness of FRG, but before taking into account finance costs of FRG under any leases unless such leases would be treated as a finance or capital lease in accordance with IFRS in force prior to 1 June 2019) ratio of not less than 3.20x.

The Nedbank R400m Term Loan Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, including the failure to maintain unqualified audited financial statements, breach of representations and warranties, cross-default, insolvency, sanctions, cessation of business, repudiation, expropriation, illegality, acceleration, unenforceability and material adverse change.

Nedbank General Banking Facility

On 24 May 2019, FRG entered into a general banking facility agreement with Nedbank Limited for R960 million as amended ("**Nedbank General Banking Facility**"). The Nedbank General Banking Facility is to be used for general corporate purposes. The Nedbank General Banking Facility will be in place until 30 November 2020. The Nedbank General Banking Facility is secured by a guarantee provided by TFG and TFG Apparel. As of 31 March 2020, the Nedbank General Banking Facility had not been utilised.

The Nedbank General Banking Facility contains certain financial covenants, including maintenance of a net debt to EBITDA ratio of not more than 2.50x and EBITDA to gross interest expense (defined as all interest accrued on the indebtedness of FRG, but before taking into account finance costs of FRG under any leases unless such leases would be treated as a finance or capital lease in accordance with IFRS in force prior to 1 June 2019) ratio of not less than 3.20x.

The Nedbank General Banking Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, including the failure to maintain unqualified audited financial statements, breach of representations and warranties, cross-default, insolvency, sanctions, cessation of business, repudiation, expropriation, illegality, acceleration, unenforceability and material adverse change.

(g) GUARANTEES GRANTED BY FRG

Guarantee and indemnity agreement entered into between Benjamin Barnett, Lee Harlow and Judith Bremner (collectively, “**Managers**”) and TFG dated 29 May 2020 (“**Guarantee**”). TFG guarantees the obligations for the aggregate amount of £1,033,485.03, including payment obligations, of Dress to each of the Managers under the sale of shares agreements entered into between Dress and each of the Managers on or about 15 December 2017, as amended by the addenda to each of such sale of shares agreements dated on or about 29 May 2020 (each addendum concluded between TFG and a Manager was on similar terms to the 2017 SPA. Pursuant to the terms of the 2017 SPA, Dress shall pay the purchase price in respect of the shares that were sold pursuant to the 2017 SPA in instalments. The following amounts remain outstanding in the 2017 SPA (which amounts TFG has guaranteed the payment of pursuant to the Guarantee) and are due and payable on 31 March 2022:

- £344,495.01 (inclusive of interest) in respect of Benjamin Barnett;
- £344,495.01 (inclusive of interest) in respect of Lee Harlow; and
- £344,495.01 (inclusive of interest) in respect of Judith Bremner.

(ii) UNITED KINGDOM FUNDING AGREEMENTS

UK £60 million Revolving facility agreement

Amended and restated revolving facility agreement entered into between TFG Brands (London) Limited (“**Borrower**”), the parent and subsidiaries of the Borrower, the parent and subsidiaries of: Dress Holdco 4 Limited, Dress Holdco C Limited, Poppy Holdco Limited, Cameron Topco Limited, Phase Eight (Fashion & Designs) Limited, Phase Eight (Germany) Limited, Phase Eight (UAE) Limited, Phase Eight (SE Asia) LTD, Whistles Limited, Whistles Holdings Limited, Whistles Acquisitions Limited, Hobbs Fashion Holdings Limited, Hobbs Limited, Hobbs Holdings No.2 Limited, Hobbs Holdings No.4 Limited, Inhoco 2756 Limited, Barclays Bank PLC, Lloyds Bank PLC and National Westminster Bank PLC dated on or about February 2020 (“£60 million UK **Facility Agreement**”). The primary term loan facility made available by Barclays Bank PLC, Lloyds Bank PLC, National Westminster Bank PLC and any other banks or financial institution who become party to the £60 million UK Facility Agreement (“**Lenders**”) to the Borrower is an amount up to £60 million or such increased amount in accordance with the Facility Agreement (“£60 million UK Facility”). An ancillary facility may be made available to the Borrower by any Lender instead of all or part of such Lender’s commitment to the original facility (“**Ancillary Facility**”) in accordance with the terms and conditions of the £60 million UK Facility Agreement.

As of 31 March 2020, £50.8 million had been drawn under the £60 million UK Facility.

The Borrower must repay interest on each draw down of a loan made or to be made under the £60 million UK Facility (or the principal amount outstanding for the time being of that loan) (“**Loan**”) on the last day of its interest period (being in relation to a loan, each interest period as determined under the £60 million UK Facility Agreement and, in relation to any sum due and payable but unpaid by an obligor under the Finance Documents (as defined in the £60 million UK Facility Agreement). The term of the £60 million UK Facility is 36 months with the right to extend twice by 12 months, giving an effective 5 year term.

The Borrower must apply all amounts borrowed by it under the £60 million UK Facility and any utilisation of any Ancillary Facility towards:

- firstly, refinancing the existing term loans outstanding immediately prior to the occurrence of the effective date of the £60 million UK Facility Agreement; and
- secondly, the general corporate and working capital purposes of the group of companies of the Borrower (but in the case of any utilisation of any Ancillary Facility, not towards prepayment of any Loan).

The Borrower shall pay accrued interest on each Loan on the last day of its interest period (and, if the interest period is longer than six months, the Borrower shall pay interest on the dates falling at six monthly intervals following the first day of such interest period).

The £60 million UK Facility Agreement contains certain financial covenants, including undertakings to ensure that interest cover (in respect of the relevant period expiring in respect of any relevant period commencing with the relevant period ending 28 December 2019) shall not be less than 5.0:1. Temporary covenants relief has been agreed until June 2020 as a result of the COVID-19 pandemic.

The £60 million UK Facility Agreement also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency, illegality, unenforceability and material adverse event.

Inter-creditor Agreement

Amended and restated inter-creditor agreement entered into between Barclays Bank, Lloyds Bank PLC, National Westminster Bank PLC, Dress, TFG Brands (London) Limited, amongst others, dated 29 May 2020 (“**Inter-creditor Agreement**”).

The Inter-creditor Agreement provides for the ranking of creditors in relation to the payment of debt owed by Dress Holdco 4 Limited, Dress Holdco C Limited, Poppy Holdco Limited, Cameron Topco Limited, Phase Eight (Fashion & Designs) Limited, Phase Eight (Germany) Limited, Phase Eight (UAE) Limited, Phase Eight (SE Asia) LTD, Whistles Limited, Whistles Holdings Limited, amongst others. The senior creditors who are entitled to preferential treatment include, Barclays Bank PLC, Lloyds Bank PLC, National Westminster Bank PLC. The subordinated creditor and subordinated security agent pursuant to the Inter-creditor Agreement includes, Dress Holdco A Limited.

The Inter-creditor Agreement also contains provisions which are typical for agreements of its nature, including, without limitation, provisions regulating the effects of insolvency, enforcement of transaction security, non-distressed disposals and redistribution.

(iii) AUSTRALIAN FUNDING AGREEMENTS

Facility agreement with Commonwealth Bank of Australia

RAG Bidco Pty Limited, RAG Holdco Limited, Commonwealth Bank of Australia (“CBA”) and certain guarantors of Retail Apparel Group (“RAG”) signed a facility agreement dated 22 September 2015, as amended from time to time by various variation deeds, in terms of which CBA made available certain facilities (“CBA Facility”). The CBA Facility provided:

- Three year bullet revolving cash advance facility of A\$65 million at an interest rate of Australian Bid Rate plus the applicable margin or New Zealand bank bill “settlement” bid rates depending on whether the funds are drawn in AUD or NZD. The maturity date for the facility being 19 September 2022.
- Revolving LC Instrument facility of A\$2.5 million. The maturity date for the facility being the earlier of 19 September 2022 or upon demand by CBA.
- Corporate credit card facility of A\$750,000 at an interest rate set out in the corporate card facility terms for each member of the RAG. The maturity date for the facility being 19 September 2022.

As of 31 March 2020, A\$5 million had been drawn under the CBA Facility.

The fourth variation deed was signed September 2019 (“**Fourth Variation Deed**”), extending the CBA Facility agreement for 3 years. The maturity date for the facility being the earlier of 19 September 2022 or upon demand by CBA.

The CBA Facility is secured by the following security provided by the following entities –

- Fixed and Floating Charge and Share Mortgage from RAG Bidco Pty Limited and RAG Holdco Limited.
- Fixed and Floating Charge and Share/Unit Mortgage from Retail and Apparel Group Pty Ltd and others.
- Specific Security Deed over Shares from Retail and Apparel Group Pty Limited (ACN 110 176 077).
- General Security Deed from Tarocash New Zealand Limited.
- Any other form of security or security interest (i.e. guarantees, letters of comfort) obtained from any party or guarantors time to time.

The CBA Facility contains certain financial covenants, including maintenance of total debt to EBITDA ratio of less than or equal to 2.00x and maintenance of a fixed charge cover ratio greater than or equal to 1.30x. The fixed charge cover ratio is the proportion of EBITDA plus rent expense (“**EBITDAR**”) to interest expense and rent expense. In addition, shareholder funds must be greater than or equal to A\$165 million.

The CBA Facility also contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, cessation of business, illegality, unenforceability and material adverse change.

COVID-19 Waiver terms

The CBA agreed on 22 April 2020 with effect from that date, to provide RAG with the following amendment to the CBA Facility agreement:

- Compliance with the financial covenants would be waived for the compliance certificate quarters of 30 June 2020 and 30 September 2020;
- No dividends or distributions of any kind are permitted until further notice;
- Material adverse change as an event of default was waived until 30 September 2020.

14.7 Related Party Transactions

During the year ended 31 March 2020, TFG and its related parties, in the ordinary course of business, entered into various intergroup sale and purchase transactions, the substance of which are similar to those disclosed in the 2019 Audited Financial Statements. These transactions are no less favourable than those arranged with third parties. See Note 32 of the 2019 Audited Financial Statements.

14.8 Directors’ Responsibility Statement

The directors of TFG, whose names appear in the “*Corporate Information and Advisers*” section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this Circular false or misleading, and that they have made all reasonable inquiries to ascertain such facts, and that this Circular contains all information required by law and the Listings Requirements. All the Directors have read, and understand and agree with, the contents of this Circular and have authorised the CEO of the Company, by way of powers of attorney granted to him, to sign this Circular on their behalf.

14.9 Consents

Each of the advisers whose names appear on page vii of the Circular have consented to, and have not, prior to the Last Practicable Date, withdrawn their written consent to, the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

A written consent under paragraph 7.F.10 of the Listings Requirements, or paragraph 8.55 of the Listings Requirements in respect of the reporting accountant, is different from a consent filed with the SEC under Section 7 of the U.S. Securities Act. Deloitte & Touche has not filed and will not be required to file a consent under Section 7 of the U.S. Securities Act.

Deloitte & Touche as the reporting accountant has given and has not withdrawn its written consent to the issue of the circular, containing the reporting accountant’s report in the form and context in which it appears by reference, in compliance with JSE Listings Requirements.

14.10 Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered offices of TFG and from the offices of the Transaction Sponsor during normal business hours (excluding Saturdays, Sundays and gazetted national South African public holidays) at the addresses set out in the “Corporate Information and Advisers” section. Other than the Underwriting Agreement, signed copies of the irrevocable undertakings and copies of the service agreements with the Directors which will not be made available online, the remainder of the documents will be available online at <https://www.tfglimited.co.za/shareholder-information-and-circulars/> from 20 July 2020 to 7 August 2020, both days inclusive:

- (i) a signed copy of this Circular and the Form of Instruction;
- (ii) the MOI and the memorandum of incorporation of each of its major subsidiaries;
- (iii) the Group’ reviewed provisional condensed consolidated financial statements as of and for the year ended 31 March 2020, including the notes thereto;
- (iv) the Group’s consolidated financial statements as of and for the years ended 31 March 2019 and 2018, including the notes thereto;
- (v) the letters of consent referred to in “— 14.9 Consents”;
- (vi) the Underwriting Agreement;
- (vii) the signed copies of irrevocable undertakings;
- (viii) copies of service agreements with Directors; and
- (ix) a signed copy of the unmodified Deloitte independent reporting accountants’ report on the pro forma financial information.

Signed at Cape Town on behalf of TFG in terms of a resolution of the Board.

By order of the Board

20 July 2020



Anthony Edward Thunström
Chief Executive Officer

15. DEFINITIONS AND INTERPRETATIONS

Throughout this Circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meanings stated opposite them in the column on the right below, reference to the singular shall include the plural and vice-versa, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

“1973 Companies Act”	means the (South African) Companies Act, 61 of 1973, as amended from time to time;
“Absa”	means Absa Bank Limited, registration number 1986/004794/06, a public company incorporated with limited liability under the laws of South Africa;
“Adjusted EBITDA”	means profit for the year, excluding acquisition costs, finance costs, income tax expense, depreciation and amortisation, and excluding IFRS 16 impacts (including depreciation on right-of-use assets, occupancy costs lease reversal, profit on termination of leases and impairment of right-of-use assets);
“Authorised Dealer”	means an authorised dealer of the SARB, designated as such in accordance with the Exchange Control Regulations;
“B-BBEE”	means Broad-Based Black Economic Empowerment as per the B-BBEE Act;
“B-BBEE Act”	means the South African Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended from time to time;
“B-BBEE Codes”	means the South African Codes of Good Practice on Broad-Based Black Economic Empowerment, issued under the B-BBEE Act;
“Board”	means the board of directors of TFG at the Last Practicable Date, as reflected in this Circular;
“Broker”	means any person registered as a broking member (equities) in terms of the Listing Requirements and in accordance with the provisions of the Financial Markets Act;
“Capital Raise Amount”	means gross proceeds of the Rights Offer, equal to R3.95 billion;
“CEO”	means chief executive officer;
“Certificated Shareholders”	means a Qualifying Shareholder holding Certificated Shares;
“Certificated Shares”	means Existing TFG Shares that have not been Dematerialised in terms of the requirements of Strate, title to which is represented by the Documents of Title;
“Circular”	means this bound document, dated 20 July 2020, incorporating a Form of Instruction;
“Close Corporations Act”	means the (South African) Close Corporations Act, 69 of 1984, as amended from time to time;
“Code”	means US Internal Revenue Code of 1986, as amended from time to time;
“Companies Act”	means the (South African) Companies Act, No. 71 of 2008, as amended from time to time;
“CSDP”	means a Central Securities Depository Participant, being a “participant” as defined in section 1 of the Financial Markets Act and appointed by individual TFG Shareholders for the purposes of, and in regard to, dematerialisation in terms of the Financial Markets Act;
“CTC”	means Contributed Tax Capital;
“Deloitte”	means Deloitte & Touche, the independent auditors of the Group;
“Dematerialised”	means the process whereby share certificates and any other Documents of Title to shares in a tangible form are Dematerialised into electronic records for the purposes of Strate;
“Dematerialised Shares”	means Existing TFG Shares which have been Dematerialised and which are therefore no longer evidenced by tangible Documents of Title and that have been incorporated into Strate and are recorded on the Company’s sub-register in electronic form, in terms of the Financial Markets Act;
“Directors”	means the TFG directors;
“Dividends Tax”	means a tax imposed on the beneficial owner of a dividend in respect of any dividend paid by a company to the extent it does not constitute an asset in specie;
“Documents of Title”	means share certificates, certified transfer deeds, balance receipts or any other documents of title to TFG Shares;
“EEA”	means the European Economic Area;
“EFT”	means electronic funds transfer;
“Employment Equity Act”	means the (South African) Employment Equity Act, No. 55 of 1998, as amended from time to time;

“ESG”	means environmental, social and governance;
“Exchange Control Regulations”	means the South African Exchange Control Regulations, 1961, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 9 of 1933, as amended from time to time;
“Existing TFG Shares”	means all of the issued TFG Shares as at the Last Practicable Date;
“FAIS Act”	means the (South African) Financial Advisory and Intermediary Services Act, No. 19 of 2012, as amended from time to time;
“Financial Markets Act”	means the (South African) Financial Markets Act, No. 19 of 2012, as amended from time to time;
“Financial Surveillance Department”	means the Financial Surveillance Department of SARB responsible for administering the Exchange Control Regulations;
“Form of Instruction”	means a form of instruction in respect of the Letter of Allocation reflecting the rights of Qualifying Certificated Shareholders and on which Qualifying Certificated Shareholders are entitled to indicate whether they wish to take up, dispose of or renounce all or any portion of their Rights, or apply for additional Rights Offer Shares;
“Group”	means TFG and its subsidiaries;
“IAS”	means the International Accounting Standards, as amended by the IASB from time to time;
“IASB”	means the International Accounting Standards Board;
“IFRS”	means the International Financial Reporting Standards and Interpretations as issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB;
“IRS”	means the US Internal Revenue Service;
“Joint Global Coordinators and Underwriters”	means each of Absa, RMB and SBSA;
“JSE”	means the JSE Limited, registration number 2005/022939/06, a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“King Code”	means the South African Code of Corporate Practices and Conduct as set out in the fourth King Report on Corporate Governance as amended and substituted from time to time;
“Last Practicable Date”	means the date that this circular is published on TFG’s website;
“Letters of Allocation” or “LOAs”	means a renounceable (nil paid) letter of allocation to be issued to Qualifying Shareholders in electronic form relating to the Rights Offer;
“Listings Requirements”	means the Listings Requirements of the JSE, as amended from time to time;
“MOI”	means the memorandum of incorporation of TFG;
“New Ordinary Shares”	means the new TFG Shares proposed to be issued pursuant to the Rights Offer;
“Order”	means the (United Kingdom) Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time;
“Overseas Shareholder”	means a TFG Shareholder resident in, or a citizen of, jurisdictions outside South Africa;
“PFIC”	means “passive foreign investment company” for US federal income tax purposes;
“Prospectus Regulation”	means Regulation 2017/1129 as amended;
“QIBs”	means qualified institutional buyers as defined in Rule 144A under the US Securities Act;
“Qualified Investors”	means a person or entity described in (1) to (4) of Annex II of Directive 2014/65/EU;
“Qualifying Certificated Shareholders”	means a Qualifying Shareholder holding Certificated Shares;
“Qualifying Dematerialised Shareholders”	means a Qualifying Shareholder holding Dematerialised Shares;
“Qualifying Shareholders”	means a TFG Shareholder on the Record Date, excluding holders who are Restricted Shareholders;
“Preference Shares”	means the 6.5% cumulative preference shares with a par value of R2 each in the authorised and issued share capital of TFG;
“R” or “ZAR” or “Rand”	means South African Rand, the official currency of South Africa;

“Ratio of Entitlement”	means the number of Rights Offer Shares to which Qualifying Shareholders are entitled to subscribe for in terms of the Rights Offer, being 40 Rights Offer Shares for every 100 Existing TFG Shares held on the Record Date by Qualifying Shareholders and/or such proportionate lower number of Existing TFG Shares in respect of a holding of less than 100 Existing TFG Shares held on the Record Date;
“Record Date”	means the time and day at and on which Persons must be recorded in the Register in order to be eligible to participate in the Rights Offer, being close of business (SAST) on Friday, 24 July 2020;
“Register”	means the securities register of TFG;
“Regulation S”	means Regulation S of the US Securities Act, as amended;
“Regulation S Transaction”	means an offshore transaction in accordance with Rule 903 or 904 of Regulation S;
“Relevant State”	means member states of the EEA and the UK;
“Restricted Shareholders”	means a TFG Shareholder on the Record Date for the Rights Offer with a registered address, or who is resident or located in, any Restricted Territory (whose Rights will be sold by the Transfer Secretaries on the JSE for the benefit of such Restricted Shareholder);
“Restricted Territories”	means Australia, Canada and Japan and any other jurisdiction where the direct or indirect distribution of this Circular or any accompanying document or material would be unlawful;
“Rights”	means tradeable rights the Qualifying Shareholders will receive to subscribe for the Rights Offer Shares;
“Rights Offer”	means the fully underwritten, renounceable offer by TFG to Qualifying Shareholders of Rights Offer Shares at the Rights Offer Share Price in the Ratio of Entitlement;
“Rights Offer Shares”	means the 94,270,486 TFG Shares, which are the subject of the Rights Offer;
“Rights Offer Share Price”	means the price per new Rights Offer Share to be offered to Qualifying Shareholders in terms of the Rights Offer being R41.90 per Rights Offer Share;
“ROCE”	means return on capital employed.
“Rule 144 Transaction”	means a transaction exempt from the registration requirements of the US Securities Act under Rule 144(e) or Rule 144(k);
“Rule 144A Transaction”	means a transaction meeting the requirements of Rule 144A;
“RMB”	means Rand Merchant Bank, a division of FirstRand Bank Limited, registration number 1929/001225/06, a public company incorporated with limited liability under the laws of South Africa;
“Rump Shares”	means any Rights Offer Shares not subscribed for pursuant to Rights in the Rights Offer;
“SA Holder”	means a Shareholder who is: (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa, but whose physical presence in South Africa exceeds certain minimum thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa;
“SAICA”	means the South African Institute of Chartered Accountants;
“SBSA”	means The Standard Bank of South Africa Limited, registration number 1962/000738/06, a public company incorporated with limited liability under the laws of South Africa;
“SARB”	means the South African Reserve Bank;
“SAST”	means South African Standard Time;
“Securities”	means the securities of TFG referred to in this Circular, being TFG Shares;
“SENS”	means the Stock Exchange News Service of the JSE;
“South Africa” or “SA”	means the Republic of South Africa;
“Strate”	means Strate Proprietary Limited, registration number 1998/022242/07, a private company incorporated with limited liability under the laws of South Africa, which is licensed as a registered central securities depository under the Financial Markets Act responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
“STT”	means securities transfer tax;
“TFG” or “Company”	means The Foschini Group Limited, registration number 1937/009504/06, a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE;

“TFG Africa”	means all operations on African continent, including TFG Africa retail division (retailing clothing, jewellery, cosmetics, cellphones and homeware and furniture within Africa) and Credit (which manages the Group’s trade receivables and related functions with regard to the granting of credit);
“TFG Rewards”	means TFG’s loyalty rewards programme;
“TFG Shareholder” or “Shareholder”	means a Person recorded in the Register as the holder of TFG Shares;
“TFG Shares”, “Shares” or “Ordinary Shares”	means ordinary shares with a par value of 1.25c in TFG;
“Transaction Sponsor”	means RMB being the transaction sponsor of TFG for this Rights Offer;
“Transfer Secretaries”	means Computershare Investor Services Proprietary Limited, (registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa, being TFG’s transfer secretaries;
“Treaty”	means any agreement for the avoidance of double taxation entered into between South Africa and that other country of residence;
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US\$” or “US Dollars”	means the United States Dollar, the lawful currency of the United States;
“US Exchange Act”	means the US Securities Exchange Act of 1934, as amended from time to time;
“US Securities Act”	means the US Securities Act of 1933, as amended from time to time;
“US Treaty”	means the income tax treaty between the United States and South Africa; and
“VAT”	means value-added tax in terms of the (South African) Value-Added Tax Act, No. 89 of 1991, as amended from time to time;

TABLE OF RIGHTS

Table of Rights

The number of Rights Offer Shares to which Qualifying Shareholders will be entitled is set out below, based on Qualifying Shareholders being entitled to 40 Rights Offer Shares for every 100 Existing TFG Share held. Only whole numbers of Rights Offer Shares will be issued and Qualifying Shareholders will be entitled to subscribe for rounded numbers of Rights Offer Shares once the Ratio of Entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

Number of Existing TFG Shares held	Rights Offer Entitlement	Number of Existing TFG Shares held	Rights Offer Entitlement	Number of Existing TFG Shares held	Rights Offer Entitlement	Number of Existing TFG Shares held	Rights Offer Entitlement
1	0	27	11	53	21	79	32
2	1	28	11	54	22	80	32
3	1	29	12	55	22	81	32
4	2	30	12	56	22	82	33
5	2	31	12	57	23	83	33
6	2	32	13	58	23	84	34
7	3	33	13	59	24	85	34
8	3	34	14	60	24	86	34
9	4	35	14	61	24	87	35
10	4	36	14	62	25	88	35
11	4	37	15	63	25	89	36
12	5	38	15	64	26	90	36
13	5	39	16	65	26	91	36
14	6	40	16	66	26	92	37
15	6	41	16	67	27	93	37
16	6	42	17	68	27	94	38
17	7	43	17	69	28	95	38
18	7	44	18	70	28	96	38
19	8	45	18	71	28	97	39
20	8	46	18	72	29	98	39
21	8	47	19	73	29	99	40
22	9	48	19	74	30	100	40
23	9	49	20	75	30	1,000	400
24	10	50	20	76	30	10,000	4,000
25	10	51	20	77	31	100,000	40,000
26	10	52	21	78	31	1,000,000	400,000

INFORMATION ON THE JOINT GLOBAL COORDINATORS AND UNDERWRITERS

The proposed Rights Offer is underwritten by the Joint Global Coordinators and Underwriters.

Details pertaining to the Joint Global Coordinators and Underwriters as required by the Listings Requirements are set out below:

ABSA	
Directors	Wendy Elizabeth Lucas-Bull Aaron Daniel Mminele Jason Patrick Quinn Alex Boama Darko Mark Simon Merson Sipho Mila Pityana Tasneem Abdool-Samad Francis Okomo-Okello
Company secretary	Nadine Rochelle Drutman
Date and place of incorporation	26 November 1986, South Africa
Registration number	1986/004794/06
Bankers	Absa Bank Limited
Authorised share capital	320,000,000 ordinary shares of R1.00 each and 250,000,000 'A' ordinary shares of R0.01 each Authorised preference share capital of 30,000,000 non-cumulative, non-redeemable listed preference shares of R0.01 each
Issued share capital	302,609,369 ordinary shares of R1.00 each and 145,691,959 'A' ordinary shares of R0.01 each Issued preference share capital of 4,944,839 non-cumulative, non-redeemable listed preference shares of R0.01 each

Rand Merchant Bank (a division of FirstRand Bank Limited)	
Directors	Johan Petrus Burger William Rodger Jardine Amanda Tandiwe Nzimande Mary Sina Bomela Grant Glenn Gelink Hetash Surendrakumar Kellan Russell Mark Loubser Paballo Joel Makosholo Francois Knoetze Thandie Sylvia Mashego Hermanus Lambertus Bosman Thomas Winterboer Mary Vilakazi Louis Leon von Zeuner Zelda Roscherr
Company secretary	Carnita Low
Date and place of incorporation	11 January 1929, South Africa
Registration number	1929/001225/06
Bankers	First National Bank
Authorised share capital	2,000,000 shares with a par value of R2 per share
Issued share capital	1,866,836 ordinary shares with a par value of R2 per share

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division)

Directors	Thulani Sikhulu Gcabashe Kgomotso Ditsebe Moroka Myles John Denniss Ruck Simpiwe Kenneth Tshabalala Peter David Sullivan André Charles Parker Atedo Nariatowari Peterside Martin Luke Oduor Otieno Arno Daehnke Geraldine Joslyn Fraser-Moleketi Gesina Maria Beatrix Kennealy John Helenius Maree Nomgando Nomalungelo Angelina Matyumza John Meadway Vice Lubin Wang Lungisa Fuzile Maureen Anne Erasmus Bafelelang Priscillah Mabelane Nonkululeko Merina Cheryl Nyembezi
-----------	--

Company secretary	Zola Stephen
-------------------	--------------

Date and place of incorporation	13 March 1962, South Africa
---------------------------------	-----------------------------

Registration number	1962/000738/06
---------------------	----------------

Bankers	N/A
---------	-----

Authorised share capital	80,000,000 ordinary shares of R1.00 each
--------------------------	--

Issued share capital	59,997,135
----------------------	------------

TRADING HISTORY

The trading history of TFG Shares on the JSE is set out below.

Monthly	High	Low	Value	Volume
2020	<i>(Rand per Ordinary Share)</i>		<i>(Rand in million)</i>	<i>(Ordinary Shares traded)</i>
July (to last practicable date prior to publication of this circular)	66.00	62.18	1,498	23,433,480
June	80.66	63.50	5,537	76,381,418
May	71.98	61.93	5,943	90,203,799
April	87.10	65.50	3,971	53,105,725
March	134.10	65.82	6,596	71,634,370
February	139.58	124.73	3,765	28,037,222
January	155.81	137.80	3,769	25,452,487
2019				
December	157.52	145.69	3,195	21,059,530
November	174.52	153.94	4,255	26,256,314
October	177.33	157.39	3,509	20,741,608
September	173.00	148.85	4,654	28,607,568
August	165.31	144.48	3,992	26,467,995
July	185.35	166.10	1,893	17,498,798

The 30-day trading history prior to publication of this circular is set out below.

Date	High	Low	Value	Volume
2020	<i>(Rand per Ordinary Share)</i>		<i>(Rand in million)</i>	<i>(Ordinary Share traded)</i>
10 June	81.55	75.59	209	2,693,677
11 June	76.82	71.71	129	1,739,079
12 June	74.61	69.85	119	1,628,226
13 June	74.61	69.85	119	1,628,226
14 June	74.61	69.85	119	1,628,226
15 June	70.78	66.51	157	2,321,508
17 June	70.33	66.44	241	3,501,927
18 June	74.16	66.47	529	7,495,228
19 June	79.70	72.60	580	7,478,050
20 June	79.70	72.60	580	7,478,050
21 June	79.70	72.60	580	7,478,050
22 June	77.72	74.33	131	1,740,160
23 June	77.20	73.89	220	2,931,261
24 June	76.91	74.42	104	1,380,136
25 June	75.09	71.10	199	2,744,332
26 June	72.87	67.21	229	3,282,501
27 June	72.87	67.21	229	3,282,501
28 June	72.87	67.21	229	3,282,501
29 June	68.74	65.63	156	2,306,924
30 June	69.22	64.19	477	7,332,528
1 July	66.16	63.94	313	4,815,534
2 July	66.60	63.98	139	2,130,745
3 July	67.28	64.26	76	1,160,791
4 July	67.28	64.26	76	1,160,791
5 July	67.28	64.26	76	1,160,791
6 July	68.69	64.36	96	1,466,151
7 July	65.00	62.63	241	3,809,186
8 July	63.88	62.29	210	3,324,212
9 July	64.28	62.18	131	2,067,023
10 July	63.31	60.29	292	4,659,838

CORPORATE GOVERNANCE

Key roles in corporate governance of the Group

Key roles in the corporate governance of the Group lie mainly in the responsibilities of four functionaries: the interim chairman, the chief executive officer (“**CEO**”), the chief financial officer (“**CFO**”) and the Company secretary.

The CEO: AE Thunström

The role of the CEO is determined by the Supervisory Board, formalised in the Supervisory Board charter and managed through his annual scorecard. The CEO leads the Company and the management team. He is responsible for the day-to-day operations of the Company and is its principal spokesperson.

The CFO: B Ntuli

The role of the CFO is to preserve the assets of the organisation by minimising risk and ensuring a finance operation that is efficient and effective so as to shape the overall strategy and direction of the Company.

The Company secretary: D van Rooyen

The role of the Company secretary is largely determined in section 88 of the Companies Act. The Company secretary’s main duties are as follows:

- guiding the Directors collectively and individually on their duties, responsibilities and powers;
- making Directors aware of any law relevant to or affecting the Company;
- reporting to the Supervisory Board any failure by the Company or a director to comply with the MOI, rules of the Company or the Companies Act;
- ensuring minutes of all Shareholders’ meetings, Supervisory Board meetings and the meetings of any committees of the Directors are properly recorded;
- certifying in the annual financial statements whether the Company has filed the required returns and notices in terms of the Companies Act, and whether all returns and notices appear to be true, correct and up to date; and
- ensuring a copy of the Company’s annual financial statements is sent to every person who is entitled to it.

The Company secretary provides the Supervisory Board as a whole and individual Directors with guidance on discharging their responsibilities. He is a central source of information and advice to the Supervisory Board and the Company on matters of ethics and good governance. He also ensures the proceedings and affairs of the Supervisory Board, its committees, the Company itself and, where appropriate, owners of securities in the Company are properly administered in accordance with pertinent laws. Details of his qualifications and experience appear in “*Additional Information*”. The Supervisory Board evaluates the Company secretary’s performance every two years as part of its formal Supervisory Board evaluation.

The Company secretary is also responsible for compliance with the Listings Requirements and administers the statutory requirements of the Company and its subsidiaries in South Africa.

Supervisory Board of Directors

As at the Last Practicable Date, the Company had a unitary Supervisory Board with 13 members, 11 of whom are non-executive Directors and two of whom are executive Directors. Nine of the non-executive directors are independent as defined in the King Code and the Listings Requirements.

The Supervisory Board is ultimately accountable for the strategy, direction, leadership, governance and performance of the Group. It has oversight of the development, approval and updating of TFG’s vision, value statements and significant policies and goals related to economic, environmental and social impacts. The Supervisory Board is also responsible for adopting strategic plans and setting objectives, appointing the CEO and, through the monitoring of operational performance, monitoring implementation of Board plans and strategies.

The Supervisory Board is guided by a charter which is reviewed annually and reserves to itself the following functions:

- approving and monitoring the implementation of the strategic plan and the annual business plan, the setting of objectives and the review of key risks and performance areas, especially in respect of technology and systems, environmental issues and transformation;
- appointment of the CEO and maintenance of a succession plan;
- the appointment of directors; and
- determination of overall policies and processes to ensure the integrity of the Company’s management of risk and internal control.

The Supervisory Board has established a framework for the delegation of authority. In terms this framework, certain matters are reserved for final decision-making by or require the consent of the Supervisory Board. The Supervisory Board may delegate any of its powers to an executive or other committee (with or without the power to sub delegate), whether consisting of a member or members of their body or not, as they think fit, *provided that*:

- any committee so formed shall, in the exercise of the powers so delegated, conform to the terms of reference that may from time to time be prescribed by the Directors; and
- the meetings and proceedings of any committee consisting of two or more persons shall be governed by the provisions in regard to meetings and proceedings of the Supervisory Board so far as the same are applicable thereto and are not superseded by any regulations made by the Supervisory Board.

While retaining overall accountability and subject to matters reserved to itself, the Supervisory Board delegates authority to the CEO and other executive directors, who together with the Operating Board, run the day-to-day affairs of the Company.

The Supervisory Board

The Supervisory Board considers the allocation of roles and responsibilities and the composition of membership across committees holistically to achieve effective collaboration through cross-membership between committees, coordinated timing of meetings, and the avoidance of duplication or fragmented functioning in so far as possible and in instances. Where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such a matter is defined to ensure complementary rather than competing approaches.

There is a balanced distribution of power in respect of membership across committees so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual. Five committees assist the Supervisory Board with discharging its duties. Each committee is governed by a formal charter, which guides the committee in terms of its objectives, authority and responsibilities. The charters incorporate the requirements of the Companies Act and the King Code as required.

TFG has adopted a policy on the promotion of broader diversity a Supervisory Board level.

Supervisory Board Tenure and Appointment and Re-election of Directors

Potential non-executive directors go through a thorough interview process until a suitable candidate is appointed. The process is contained in a policy that details the appointment procedure and ensures that appointments are a matter for the Supervisory Board, assisted by the Nomination Committee. Newly-appointed directors hold office until the next annual general meeting, at which time their appointment is confirmed and they stand for re-election.

Supervisory Board Committees

The Supervisory Board has five standing committees through which it operates. They are:

- Nomination Committee;
- Audit Committee;
- Risk Committee;
- Social Ethics Committee; and
- Remuneration Committee.

The abovementioned committees (“**Committees**”) play an important role in enhancing good corporate governance, improving internal controls and thus the sustainable performance of the Company. The chairperson of every committee is an independent non-executive Director. In the interest of free information flow and good oversight, full or summary minutes of all committee meetings are included in document packs for Board meetings.

An ad hoc Finance Committee, comprising both non-executive and executive directors is tasked from time to time to assist the Supervisory Board in several areas. This includes making dividend recommendations to the Supervisory Board; implementing and monitoring treasury and liquidity key performance indicators; and specifically considering and investigating all potential acquisition opportunities and their funding.

Nomination Committee

The committee is governed by a charter which sets out its mandate and key responsibilities and reports are provided to the Supervisory Board quarterly. The committee fulfilled its responsibilities in accordance with its charter during the 2020 financial year. The committee typically meets twice a year and further meetings are held as required. The committee held two meetings during the 2020 financial year.

The Nomination Committee recommends directors for re-election by shareholders after due consideration is given to the director's attendance at meetings and his/her performance. 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 Roles and Responsibilities of the Nominations Committee include (but is not limited to):

- 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.

Audit Committee

The committee is governed by a formal Audit Committee charter that is reviewed regularly and incorporates all the requirements of the Companies 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 2020 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. Salient aspects of Internal Audit reviews 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); and
- 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.

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 of 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, insurance and loss statistics and enterprise risk management.

While the Supervisory Board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the Risk Committee, assists the Supervisory Board in the assessment of the adequacy of the risk management process. 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 reviews of any internal control weakness identified by any of the assurance providers.

Risk Committee

The Risk Committee reviews significant risks and their related mitigations and reports back to the Supervisory Board at each meeting. The committee follows a separate but aligned mandate to that of the Audit Committee.

The Risk committee ensures that

- appropriate risk and control policies are in place and are communicated throughout the Group
- the processes of risk management and the systems of internal control are regularly reviewed for effectiveness;
- there is an ongoing process to identify, evaluate and manage the significant risks faced by the Group;
- a formal risk assessment is undertaken annually;
- there is an ongoing process to identify and evaluate opportunities throughout the year;
- assurance providers are aligned to provide adequate assurance over the significant risks across the Group;
- there is an adequate and effective system of internal control in place to manage the more significant risks faced by the Group within an acceptable level;
- a risk register is maintained;
- there is a documented and tested process in place to enable 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; and
- appropriate insurance cover is in place and regularly reviewed and uninsured risks are reviewed and managed.

The joint Audit and Risk Committees continue to significantly enhance the governance oversight of both TFG London and TFG Australia. This committee meets twice a year and provides feedback to the Audit and Risk Committees as well as the Supervisory Board. The Chairmen of both these committees will also review the financial results of the TFG International operations and provide feedback to the Audit and Risk Committees as well as to the Supervisory Board. Internal audit continues to draw up an audit plan to cover the significant risks identified and audits were conducted during the year to cover those risks. No major concerns surfaced from their audit work.

Social Ethics Committee

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 Companies Act regulations, as well as those of King Code. The committee fulfilled its responsibilities in accordance with its charter during the 2020 financial year. The committee held two meetings during the 2020 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.

Remuneration Committee

The Remuneration Committee (“Remco”) reviews and makes recommendations on the remuneration policy to be approved by the Supervisory Board. The Remco’s responsibilities are set out in the Remco charter, which is available at www.tfglimited.co.za. The Remco considers the contributions made by key individuals on certain remuneration-related topics. These individuals are invited to attend meetings and include:

- the Chief Executive Officer (CEO);
- relevant Group directors;
- the Head of TFG Remuneration; and
- independent external advisors.

The relevant individuals do not participate in any discussions pertaining to their own remuneration and are not allowed to vote on remuneration matters tabled at meetings. They recuse themselves as is necessary.

The Remco is focused on enhancing TFG’s remuneration policy to reflect more accurately the spirit of the King Code and to include shareholder feedback. The intended outcome is to develop a holistic framework that ensures fair and responsible remuneration throughout the organization.

Operating Board

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.

Key focus areas of the Operating Board include the Group’s store real estate; credit management; human resource strategies (including transformation); merchandise sourcing, buying, warehousing and distribution; financial management; growth initiatives; and risk management.

FORM OF INVESTOR LETTER

NOTE TO QIBS: IN ORDER TO BE ENTITLED TO EXERCISE YOUR RIGHTS, QIBS MUST **EXECUTE AND RETURN THIS INVESTOR LETTER TO THEIR FINANCIAL INTERMEDIARY, TOGETHER WITH A DULY COMPLETED SUBSCRIPTION FORM, PRIOR TO OR ON 7 AUGUST 2020**. COPIES OF SUCH DOCUMENTS MUST ALSO BE SENT TO TFG IN CARE OF COMPANY SECRETARY (EMAIL: company_secretary@tfg.co.za) BY SUCH TIME.

[Letterhead of Qualified Institutional Buyer in the United States]

The Foschini Group Limited
 Stanley Lewis Centre
 340 Voortrekker Road
 Parow East
 Cape Town, 7500
 Attention: Company Secretary
 Email: company_secretary@tfg.co.za

Date:

Ladies and Gentlemen:

This letter relates to the proposed issue of new Ordinary Shares (the “**New Ordinary Shares**”) and the renounceable (nil paid) letters of allocation to subscribe for the New Ordinary Shares (the “**LOAs**”) by way of rights to Ordinary Shareholders (the “**Rights Offer**”) by The Foschini Group Limited (the “**Company**”) as described in the rights offer circular, dated 20 July 2020 (the “**Rights Offer Circular**”). Unless otherwise stated, or the context otherwise requires, capitalised terms in this letter shall have the same meaning as is given to them in the Rights Offer Circular.

In connection with our exercise of the LOAs and contemplated subscription for the New Ordinary Shares as set forth above, we hereby represent, acknowledge and agree that:

1. We are a “qualified institutional buyer” (“**QIB**”) as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and, if we are subscribing for the New Ordinary Shares as a fiduciary or an agent for one or more investor accounts, each owner of such account is a QIB, we have full investment discretion with respect to each such account, and we have the full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of each such account.
2. We are subscribing for the New Ordinary Shares for our own account, or for the account or accounts of QIBs, in each case, for investment purposes, and not with a view to any distribution (within the meaning of the U.S. federal securities laws) of the New Ordinary Shares or the LOAs.
3. We acknowledge that the Company is not a reporting company under the Securities Exchange Act of 1934 (the “**Exchange Act**”). We have received a copy of the Rights Offer Circular. We acknowledge that neither the Company nor any of its affiliates nor any other person (including the Joint Global Coordinators and Underwriters) has made any representations, express or implied, to us with respect to the Company, the Rights Offer, the LOAs and New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Offer or the LOAs and New Ordinary Shares, other than (in the case of the Company and its affiliates only) the information contained or incorporated by reference in the Rights Offer Circular. We will carefully read and review a copy of the Rights Offer Circular upon its delivery to us. We have had access to and are relying exclusively on, such financial and other information (including the business, financial condition, prospects, creditworthiness, status and affairs of the Company) concerning the Company and the LOAs and New Ordinary Shares including, without limitation, the information noted above, as we have deemed necessary in connection with our own investment decision to exercise our Rights and/or take up the New Ordinary Shares. We acknowledge that our investment decision is based upon our own judgment, due diligence and analysis and not upon any view expressed or information provided by or on behalf of the Joint Global Coordinators and Underwriters or their respective affiliates. We acknowledge that we have not relied on any information contained in any research reports prepared by the Joint Global Coordinators and Underwriters or any of their respective affiliates. We understand that the Rights Offer Circular has been prepared in accordance with South African format, style and content requirements, particularly the listings requirements of the Johannesburg Securities Exchange (“**JSE**”), which differ from US format, style and content requirements. In particular, but without limitation, the financial information contained in the Rights Offer Circular has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles. We understand that there may be certain consequences under United States and other tax laws resulting from an investment in the LOAs and the New Ordinary Shares and we have made such investigation and have consulted our own independent advisors or otherwise have satisfied ourselves concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws, generally, and the Securities Act, specifically.
4. We understand, and each beneficial owner has been advised, that the LOAs and the New Ordinary Shares have not been and will not be registered under the U.S. Securities Act or any other applicable U.S. state securities laws, and are being offered and issued or sold to us (or such beneficial owner) in a transaction not involving a public offering in the United States within the meaning of the U.S. Securities Act, that is exempt from the registration requirements of the U.S. Securities Act.
5. We understand that the LOAs and the New Ordinary Shares are “**restricted securities**” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and may not be deposited into any unrestricted depository receipt facility, including the current ADS facility maintained by The Bank of New York Mellon, unless at the time of deposit such LOAs and New Ordinary Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act. To the extent the New Shares are delivered in certificated form, we understand that the certificate delivered in respect of the New Shares will bear a legend substantially to the following effect for so long as the securities are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE COMPANY, (2) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5) TO ANOTHER QIB IN A PRIVATE TRANSACTION NOT INVOLVING A PUBLIC OFFERING, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR REALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY WILL BE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(A)(3) UNDER U.S. THE SECURITIES ACT AND FOR SO LONG AS SUCH SHARES ARE “RESTRICTED SECURITIES” (AS SO DEFINED) THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY SHARE FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

6. We are not subscribing for the New Ordinary Shares or purchasing the LOAs on the secondary market on the JSE as a result of any general solicitation or general advertising within the meaning of Rule 502 under the U.S. Securities Act, including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio or television; or any seminar or meeting whose attendees have been invited by general solicitation or general advertising within the meaning of Rule 502 under the U.S. Securities Act.
7. We have received and read a copy of the Rights Offer Circular, including the documents incorporated by reference therein. We have not relied on financial or other information supplied to us by any person other than information contained in, or incorporated by reference in, the Rights Offer Circular. We have made our own assessment concerning the relevant tax, legal and other economic considerations relevant to our investment in the LOAs and the New Ordinary Shares.
8. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the New Ordinary Shares, and we have the financial ability to bear the economic risk of investment in the New Ordinary Shares.
9. We agree that if we wish to reoffer, resell, pledge or otherwise transfer any of the LOAs or the New Ordinary Shares, we will not do so except in accordance with any applicable U.S. federal and state securities laws, and we certify that either:
 10. we will transfer the New Ordinary Shares in a transaction exempt from the registration requirements of the U.S. Securities Act under Rule 144(e) or Rule 144(k) (a "**Rule 144 Transaction**") (if available) and provide an opinion of counsel reasonably satisfactory to the Company which states that the transfer is exempt from the registration requirements of the U.S. Securities Act and that the New Ordinary Shares, as the case may be, following such transfer are freely transferable;
 11. we will transfer the LOAs and the New Ordinary Shares to a person who we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act (if available) (a "**Rule 144A Transaction**");
 12. we will transfer the LOAs and the New Ordinary Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act (a "**Regulation S Transaction**"); or
 13. we will transfer the LOAs and the New Ordinary Shares in a transaction exempt from the registration requirements of the U.S. Securities Act other than a Rule 144 Transaction (if available), a Rule 144A Transaction or a Regulation S Transaction and provide an opinion of counsel reasonably satisfactory to the Company which states that the transfer is exempt from the registration requirements of the U.S. Securities Act; *provided* that the person to whom such LOAs and New Ordinary Shares are transferred delivers a letter to the Company making the foregoing acknowledgements, representations and agreements.
14. We understand and acknowledge that the Company shall have no obligation to recognise any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth above and described herein.
15. We acknowledge that the Company its financial advisors and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. We understand that the Company is relying on this letter in order to comply with the U.S. Securities Act and other U.S. state securities laws. We irrevocably authorize any account operator, which includes any nominee, custodian or other financial intermediary through which we hold our LOAs and shares in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the LOAs. We also irrevocably authorize the Company to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters set forth herein.
16. If any of the representations or warranties contained in this letter shall at any time become untrue, we agree immediately to notify the addressee hereof in writing. We also agree that we may not cancel, terminate or revoke this letter.
17. We understand that this letter is not a confirmation of a sale of New Ordinary Shares or the terms thereof, and that any such confirmation will be sent to us separately.
18. The terms and provisions of this letter shall inure to the benefit of the Company and the Joint Global Coordinators and Underwriters and their respective successors and permitted assigns, and the terms and provisions hereof shall be binding on our permitted successors in title, permitted assigns and permitted transferees.

We agree to hold the Rights Offer Circular and any form of instruction with respect to the Rights (the "**Form of Instruction**") we have received or will receive in confidence, it being understood that they are solely for our use and we confirm that we have not and will not duplicate, distribute, forward, transfer or otherwise transmit the Rights Offer Circular, the Form of Instruction or any other presentational or other materials concerning the Rights Offer (including electronic copies thereof) to any persons within the United States.

We understand that this letter is required in connection with the laws of the United States and shall be governed by and construed in accordance with the laws of the State of New York without giving effect to its choice of law principles.

The Company and its financial advisors shall be entitled to rely on this letter (and, if this letter is delivered to our custodian or nominee, to delivery of a copy of this letter on its request) and we irrevocably authorize you to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

By: _____

(Authorised Signature)

Name:

Title:

Address:

Number of Ordinary Shares to be subscribed for:

FORM OF INSTRUCTION IN RESPECT OF LETTERS OF ALLOCATION

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations on page 123 of the accompanying Circular apply, *mutatis mutandis*, to the information contained in the Form of Instruction.

This Form of Instruction in respect of a renounceable (nil paid) Letter of Allocation. If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.

TFG has issued all Letters of Allocation in Dematerialised form and the electronic record for Certificated Shareholders is being maintained by its Transfer Secretaries. This enables Certificated Shareholders to enjoy the same rights and opportunities with respect to the Form of Instruction as Dematerialised Shareholders.

Should you wish to exercise all or some of your Rights or sell or renounce all or some of your Rights, you must complete this Form of Instruction and return it to the Transfer Secretaries at either of the addresses set out below.

Each alteration to this Form of Instruction must be signed in full and not merely initialled.



The Foschini Group Limited

(Registration number 1937/009504/06)
(Incorporated in the Republic of South Africa)

Ordinary share code: TFG

Preference share code: TFGP

Ordinary share ISIN: ZAE000148466

Preference share ISIN: ZAE000148516

("TFG" or the "Company")

A renounceable Rights Offer of 94,270,486 Ordinary Shares at an issue price of R41.90 per Share, in the ratio of 40 Rights Offer Shares for every 100 Ordinary Shares held on the Record Date.

FORM OF INSTRUCTION IN RESPECT OF A LETTER OF ALLOCATION ("FORM OF INSTRUCTION")

Issued only to holders of certificated Ordinary Shares

SALIENT DATES AND TIMES

	2020
Declaration announcement released on SENS	Tuesday, 14 July
Finalisation announcement released by 11:00 (SAST) on SENS on or about	Thursday, 16 July
Rights Offer Circular made available on the Company's website on or about	Monday, 20 July
Rights Offer Circular and Form of Instruction posted to Qualifying Certificated Shareholders on or about	Monday, 20 July
Last day to trade in TFG Shares in order to qualify to participate in the Rights Offer (<i>cum</i> rights)	Tuesday, 21 July
TFG Shares commence trading ex-rights on the JSE at 09:00 (SAST) on	Wednesday, 22 July
Listing of and trading in Letters of Allocation under JSE commences under Share Code TFGN and ISIN: ZAE000288353 on the at 09:00 (SAST) on	Wednesday, 22 July
Record Date for the Rights Offer	Friday, 24 July
Rights Offer opens at 09:00 (SAST) on	Monday, 27 July
Rights Offer Circular posted to Qualifying Dematerialised Shareholders on or about	Monday, 27 July
Letters of Allocation credited to an electronic account held at the	
Transfer Secretaries in respect of Qualifying Certificated Shareholders on	Monday, 27 July
Letters of Allocation credited to CSDP or Broker accounts in respect of Qualifying Dematerialised Shareholders on	Monday, 27 July
Last day for trading Letters of Allocation on the JSE in order to participate in the Rights Offer	Tuesday, 4 August
Last day to lodge Form of Instruction with the Transfer Secretaries in respect of Qualifying Certificated Shareholders (or their renounees) wishing to sell all or some of their Letters of Allocation by 12:00 (SAST) on	Tuesday, 4 August
Listing of Rights Offer and trading therein, on the JSE commences at 09:00 (SAST) on	Wednesday, 5 August
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Qualifying Certificated Shareholders wishing to sell all or some of their Rights by 12:00 (SAST)	Friday, 7 August
Rights Offer closes at 12:00 (SAST) on	Friday, 7 August
Record Date for the Letters of Allocation on	Friday, 7 August
Rights Offer Shares issued on	Tuesday, 11 August
CSDP or Broker accounts of Qualifying Dematerialised Shareholders (or their renounees or purchasers of their Letters of Allocation) debited with Rights Offer Price and credited/updated with Rights Offer Shares at 09:00 (SAST) on	Tuesday, 11 August
Share certificates posted to Qualifying Certificated Shareholders (or their renounees or purchasers of their Letters of Allocation) by registered post on or about	Tuesday, 11 August
Results of the Rights Offer and basis of allocation of excess Rights Offer Shares announced on SENS on or about	Tuesday, 11 August
In respect of successful excess applications, if applicable, CSDP or Broker accounts of Qualifying Dematerialised Shareholders debited with Rights Offer Price and credited/updated with Rights Offer Shares	Thursday, 13 August
In respect of successful excess applications, if applicable, share certificates posted to Qualifying Certificated Shareholders by registered post on or about	Thursday, 13 August
In respect of unsuccessful excess applications, if applicable, refunds made to Qualifying Certificated Shareholders on or about	Thursday, 13 August

Notes:

- ¹ Share certificates in respect of Shares may not be Dematerialised or rematerialised between Wednesday, 22 July 2020 and Friday, 24 July 2020, both days inclusive.
- ² If you are a Qualifying Dematerialised Shareholder you are required to notify your duly appointed CSDP or Broker of your acceptance of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between yourself and your CSDP or Broker.
- ³ CSDPs effect payment on a delivery versus payment method in respect of Qualifying Dematerialised Shareholders.
- ⁴ If you are a Qualifying Certificated Shareholder and have any queries, please contact the Transfer Secretaries via email on corporate.events@computershare.co.za or telephonically on, Telephone: +27 11 370 5000 and, in South Africa only, 086 1100 634. The helpline is open between 8.00am – 5.00pm (SAST), Monday to Friday, excluding public holidays in South Africa).
- ⁵ All times are South African times.

THIS FORM MUST BE COMPLETED IN ITS ENTIRETY AND RETURNED TO THE TRANSFER SECRETARIES:

Transfer Secretaries:

Computershare Investor Services Proprietary Limited
 Rosebank Towers, 15 Biermann Avenue
 Rosebank, 2196
 (PO Box 61763
 Marshalltown, 2107 South Africa)

Name and address of Shareholder	Account number
(1)	<p><i>Enquiries in connection with this Letter of Allocation should be addressed to the Transfer Secretaries, quoting the account number below:</i></p>

Number of Shares deemed to be registered in your name at the close of business on the Record Date	Number of Rights Offer Shares to which you are deemed to be entitled in terms of the Rights Offer	Amount payable for the maximum number of Rights Offer Shares at R41.90 per Rights Offer Share
(2)	(3)	<p>R</p> <p style="text-align: right;">R(4) = (3) x R41.90</p>

Acceptance of Rights Offer Shares	Number of Rights Offer Shares subscribed for	Total amount due at R41.90 per Rights Offer Share
<p><i>(the same or lesser number of Rights Offer Shares as the number in Block (3) of this form of instruction may be accepted)</i></p>	(5)	<p>R</p> <p style="text-align: right;">(6) = (5) x R41.90</p>

Excess application:	Number of excess Rights Offer Shares applied for	Amount due at R41.90 per additional Rights Offer Share
<p><i>(to be completed by applicants wishing to apply for additional Rights Offer Shares)</i></p>	(7)	<p>R</p> <p style="text-align: right;">(8) = (7) x R41.90</p>

Payment	EFT swift reference number (only applicable if payment is made by EFT)	Amount of cheque, banker's draft or EFT
<p><i>(to be received by no later than 12:00 (SAST) on Friday, 7 August 2020)</i></p>		<p>R</p> <p style="text-align: right;">R(9) = (6) + (8)</p>

Applicant's telephone number (office hours): ()

Cellphone number: ()

Facsimile number: ()

Email address:

Signature:

Date:

Dear Shareholder

1. THE RIGHTS OFFER

- 1.1 Shareholders recorded in the Register of the Company at the close of trade on Friday, 24 July 2020, are offered, on the terms and conditions stated in the Circular dated Monday, 20 July 2020 (which shall, if in conflict with the information set out below, take precedence) Rights to subscribe for Rights Offer Shares at a subscription price of R41.90 per Rights Offer Share in the ratio of 40 Rights Offer Shares for every 100 TFG Shares held on the Record Date.

2. ALLOCATION (REFER TO THE FORM ATTACHED)

- 2.1 The Rights Offer Shares stated in Block (3) have been provisionally allocated for issue at a subscription price of R41.90 per Rights Offer Share to the Shareholder whose name is stated in Block (1).

3. ACCEPTANCE AND PAYMENT

- 3.1 If you wish to accept the Rights Offer you must complete **Blocks (5) and (6)** above.
- 3.2 If you are the person(s) in whose name(s) this Form of Instruction was issued and wish to subscribe for all the Rights Offer Shares allocated to you, complete the applicable blocks as stated above. **Form B** and **Form C** of this Form of Instruction need not be completed.
- 3.3 If you are the person(s) in whose favour this Form of Instruction has been renounced and you wish to subscribe for the Rights Offer Shares, complete the applicable blocks as stated above as well as Form C of this Form of Instruction.
- 3.4 Payment of the Rand value of the subscription price may be made by:
- cheque (crossed “not transferable” and with the words ”or bearer” deleted) payable to “**The Foschini Group Limited – Foschini Group Limited Transfer Secretaries**”;
 - banker’s draft (drawn on a registered bank) payable to “**The Foschini Group Limited – Foschini Group Limited Transfer Secretaries**”; or
 - EFT into the designated bank account (kindly contact the Transfer Secretaries’ call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634 to obtain banking details and reference number for the deposits.
- 3.5 If you wish to subscribe for Rights Offer Shares, a properly completed Form of Instruction, together with a cheque, banker’s draft or EFT proof of payment (in accordance with 3.4 above) must be returned to the Transfer Secretaries, so as to be received by no later than Friday, 7 August 2020.
- 3.6 Such payment, when the cheque or banker’s draft has been received and/or the EFT cleared into the designated bank account, will constitute acceptance of the Rights Offer upon the terms and conditions set out in the accompanying Circular and in this Form of Instruction.
- 3.7 No acknowledgement of receipt will be given for a cheque, banker’s draft or EFT received in accordance with the Rights Offer.
- 3.8 **If this Form of Instruction and the cheque, banker’s draft or EFT proof of payment are not received as set out above, then the Rights Offer will be deemed to have been declined and the right to subscribe for the Rights Offer Shares offered to the addressee or renounced in favour of his/her Renouncee will lapse, no matter who then holds it.**

4. RENUNCIATION OF RIGHTS

- 4.1 If you are a Qualifying Certificated Shareholder and you do not wish to subscribe for the Rights Offer Shares allocated to you in terms of the Rights Offer, you may renounce your rights by signing Form B, and the Renouncee who wishes to subscribe for the Rights Offer Shares in terms of the Rights Offer must complete Form C, lodge this Form of Instruction, and make payment, in terms of paragraph 3.4 above, for the number of Rights Offer Shares in respect of which the Rights Offer is accepted.
- 4.2 The lodging of this Form of Instruction, with Form B purporting to be signed by the Shareholder whose name appears thereon, will be taken to be conclusive evidence of the right of the holder:
- to deal with this Form of Instruction; or
 - to have the Rights Offer Shares in question allotted and to receive a certificate for those shares.
- 4.3 Therefore, TFG will not be obliged to investigate whether Forms B and C have been properly signed or completed or to investigate any fact surrounding the signing or lodging of either form.

5. SALE

- 5.1 If you wish to sell all or some of your Rights, you must complete Form A of this Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than Tuesday, 4 August 2020.
- 5.2 The Transfer Secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries, nor any broker appointed by it nor TFG will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such Rights.

6. EXCESS APPLICATIONS

- 6.1** If you wish to accept the Rights Offer you must complete Blocks (7) and (8) above.
- 6.2** Excess Rights Offer Shares will be allocated in an equitable manner.

7. EXCHANGE CONTROL REGULATIONS

- 7.1** Pursuant to the Exchange Control Regulations of South Africa and upon specific approval of SARB, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:
- take up rights allocated to them in terms of the Rights Offer;
 - purchase Letters of Allocation on the JSE; and
 - subscribe for the Rights Offer Shares arising from the Letters of Allocation purchased on the JSE,
- provided payment is received either through normal banking channels from abroad or from a non-resident account.
- 7.2** All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any Ordinary Share certificates issued pursuant to such applications will be endorsed “non-resident”.
- 7.3** Where a right in terms of the Rights Offer becomes due to a former resident of the Common Monetary Area, which right is based on Ordinary Shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:
- take up the rights allocated to them in terms of the Rights Offer;
 - purchase Letters of Allocation on the JSE; and
 - subscribe for the Rights Offer Shares arising from the Letters of Allocation purchased on the JSE.
- 7.4** Any Qualifying Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.
- 7.5** All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed “non-resident” and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the Letters of Allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants’ blocked accounts. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed “non-resident” and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked Ordinary Shares will be credited to the blocked accounts of the emigrants concerned.
- 7.6** New Ordinary Share certificates issued pursuant to the Rights Offer to an emigrant will be endorsed “non-resident” and forwarded to the address of the relevant authorised dealer controlling such emigrant’s blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant’s Ordinary Shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

8. JSE LISTINGS

The JSE has granted a listing for:

- the Letters of Allocation in respect of 94,270,486 Rights Offer Shares with effect from the commencement of trading on Wednesday, 22 July 2020 to the close of trade on Tuesday, 4 August 2020, both days inclusive; and
- 94,270,486 Rights Offer Shares with effect from the commencement of trading on Wednesday, 5 August.

9. DOCUMENTS OF TITLE

- 9.1** Share certificates to be issued to Qualifying Certificated Shareholders (or their Renouncees) in respect of those Rights Offer Shares to which they have validly subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the recipient, on or about Tuesday, 11 August 2020.
- 9.2** Share certificates in respect of additional Rights Offer Shares allocated to Qualifying Certificated Shareholders (where applicable) will be posted to persons entitled thereto, by registered post, at the risk of the recipient, on or about Thursday, 11 August 2020.

10. REFUNDS

Cheques refunding monies in respect of unsuccessful applications by Qualifying Certificated Shareholders for additional Rights Offer Shares will be posted to the relevant applicants, at their own risk, on/about Thursday 13 August 2020.

By order of the Board

THE FOSCHINI GROUP LIMITED

Johannesburg
20 July 2020

GENERAL INSTRUCTIONS AND CONDITIONS

- a) **Married persons:** Married persons wishing to exercise their rights must comply with the provisions of the Matrimonial Property Act (No. 88 of 1984) or the Civil Union Act (Act No. 17 of 2006) or customary law or the applicable matrimonial law, and proof of such person's capacity to exercise such rights may be required by the Transfer Secretary.
- b) **Powers of attorney:** If this form is signed under a power of attorney, then the original, or certified copy thereof, must be sent to the transfer secretaries for noting unless it has already been noted by TFG or the Transfer Secretary.
- c) **Companies, close corporations or other incorporated entities:** A company or close corporation wishing to exercise its rights must send the original or certified copy of the directors' or members' resolution authorising the exercise of such rights to the Transfer Secretaries for noting.
- d) **Stamp of broking member of the JSE:** If any signature to **Form B** is confirmed by the stamp of a broking member of the JSE then (a), (b) or (c) above, as the case may be, will not apply.
- e) **Deceased estates and trusts:** Rights Offer Shares will not be allotted in the name of an estate or a trust. Therefore, where the right to the Rights Offer Shares has accrued to the estate of a deceased holder or a trust, the executor or administrator or trustee (as the case may be) must complete **Form B** in his/her representative capacity and **Form C** must be completed by the person in whose name the Rights Offer Shares are to be allotted without any reference to the estate or the trust.
- f) **Joint holders:** Where applicable, all joint holders of Letters of Allocation must sign.
- g) **Receipts and documents:** No receipts will be given for completed Letters of Allocation and remittances. Original documents accompanying applications will be returned by the Transfer Secretary in due course, at the risk of the applicant.
- h) **Share certificates:** TFG uses the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE and, therefore, will issue only one "block" share certificate for the Rights Offer Shares allotted by it to each acceptor of the offer.

All documentation to be forwarded to:

The Transfer Secretaries

THE FOSCHINI GROUP LIMITED – Foschini Group Limited Transfer Secretaries

c/o Computershare Investor Services Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank, Johannesburg, 2196

(PO Box 61763

Marshalltown, 2107, South Africa)

(Telephone 0861 100 634)

corporate.events@computershare.co.za

Stamp of selling broker (if any)
or stamp or name and address
of lodging agent

FORM A: INSTRUCTION TO SELL

This form is to be signed by the offeree if the rights to the Rights Offer Shares are to be sold.

To the Directors,

THE FOSCHINI GROUP LIMITED

I/We hereby instruct Computershare Investor Services Proprietary Limited to pay the proceeds, if any, of the sale of _____ (insert number) Rights allocated to me/us in terms of this Form of Instruction a dealing administration fee for trades greater than R0.01 up to R40,000.00 equal to R155.84 inclusive of VAT and a further additional fee of 0.35% for trades greater than R40,000.00 plus VAT (+R155.84). A administration fee of R100.00 will be levied in respect of the selling order.

Stamp of selling broker (if any)
or stamp or name and address
of lodging agent

Payment instruction (Tick appropriate box)

1. By cheque, which should be posted at my/our own risk to the following address:
- _____
- _____
- _____
- _____

In order to comply with the requirements of the Financial Intelligence Act, 2001 (Act 38 of 2001), Computershare will be unable to record any change of address mandated unless the following documentation is received from the relevant Shareholder:

- An original certified copy of your identity document,
- An original certified copy of a document issued by the South African Revenue Services to verify your tax number, if you do not have one please submit this in writing and have the letter signed by a Commissioner of Oaths ; and
- An original or an original certified copy of a service bill to verify your residential address.

2. By electronic funds transfer to the following bank account: **(certified copies of the bank statement and identification document must be attached to the Form of Instruction when payment via electronic funds transfer is requested and the same has not been submitted to the transfer secretaries to date).**

Name of bank

Account number

Branch code

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETE OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, A CHEQUE PAYMENT OF THE AMOUNT DUE WILL BE SENT TO THE ADDRESS RECORDED IN TFG'S SHARE REGISTER.

Signed

Signature(s) of offeree selling his/her rights Assisted by me (where applicable) (all joint holders must sign)

Date

FORM B: FORM OF RENUNCIATION

(To be signed by the shareholder named in Block (1) on the first page of this form if the right to the Rights Offer Shares are renounced.)

To the Directors,

The Foschini Group Limited

I/We hereby renounce my/our right to subscribe for (insert number) of the Rights Offer shares allocated to me/us as stated in **Block (3)** on the second page of this form in favour of the person(s) completing the registration application form (**Form C**) in relation to such shares

Signed

Signature(s) of offeree selling his/her rights Assisted by me (where applicable) (all joint holders must sign)

Date

Stamp of selling broker (if any) or stamp or name and address of lodging agent

(Note: Renounees must attach a certified true copy of their identification document to the Form of Instruction when Form B: Form of renunciation is completed.)

FORM C: REGISTRATION APPLICATION FORM (to be accompanied by a cheque or banker's draft)

This form to be completed in respect of the person(s) (ie the renounee(s)) in whose name(s) the Rights Offer shares are to be allotted.

ONCE THIS FORM HAS BEEN COMPLETED THIS FORM OF INSTRUCTION WILL NO LONGER BE NEGOTIABLE.

To the Directors,

THE FOSCHINI GROUP LIMITED

I/We hereby request you to allot the Rights Offer Shares comprised in this Form of Instruction and as indicated in Blocks (5), (6) and (7) hereof in the following name(s) upon the conditions set out in the accompanying circular, dated 20 July 2020 and subject to the Memorandum of Incorporation of TFG.

I/We authorise you to place such name(s) on the register of TFG shareholder in respect thereof. Surname(s) or name of company

Mr/Mrs/Miss/Ms

First names in full

Postal address (preferably a PO Box address)

Postal code

Telephone number (office hours): ()

Cellphone number: ()

Facsimile number: ()

Email address:

Signed

Signature(s) of offeree selling his/her rights Assisted by me (where applicable) (all joint holders must sign)

Date

Stamp of selling broker (if any) or stamp or name and address of lodging agent

FORM D: POSTAL INSTRUCTIONS (to be completed only if you require a share certificate)

Certificated Shareholders accepting all the rights allocated to them in terms of the Rights Offer will receive their Rights Offer Shares in certificated form, which will not be good for delivery until they have been Dematerialised.

Certificated Shareholders should complete the section below.

Kindly post the relevant share certificate to the following address by registered post:

Name

Address

(If no specific instructions are given here, the Certificated Shares will be forwarded to the address as shown on the second page of this Form of Instruction.) A Shareholder wishing to collect his/her/their new share certificate from the Transfer Secretary must tick this block: