INTEGRATED ANNUAL REPORT 2013

TRUWORTHS
INTERNATIONAL

Highlights

Retail sales reach
R10 billion

Sale of merchandise up
10.6%
(52 weeks 12.9%)

Gross margin at
56.6%

Operating margin at
34.5%

Headline earnings per share up
8.4%
(52 weeks 12.1%)

Annual dividend per share up
11%

Commitment to Integrated Reporting

We have pleasure in presenting the Truworths International Integrated Annual Report for the 2013 reporting period. This report builds on the disclosure and content of our integrated reports of the past two years.

We have embraced integrated reporting and view it as a philosophy rather than a set of prescriptive principles. This enables us to demonstrate to stakeholders in our own way how we create and sustain value and work towards ensuring the longer-term viability of Truworths International and its subsidiaries (the Group).

Importantly, through our integrated reporting we aim to provide stakeholders with a greater understanding of the Group's strategy and business model, and its material economic, social and environmental impacts.

Throughout this report we have attempted to demonstrate the relationship between our strategy, performance, targets, remuneration and prospects and how these factors lead to wealth creation. Since the introduction of integrated reporting, we have adopted a longer-term time horizon in our reporting and disclosed more forward-looking information, including financial and non-financial targets.

While several stakeholder groups influence our business, our Integrated Annual Report is aimed primarily at shareholders and the broader investment community, both offshore and locally in South Africa. We do not believe that a single report can meet the differing communication needs of all our stakeholders, and therefore focus principally in our integrated report on the providers of financial capital.

The reporting framework of the International Integrated Reporting Council is expected to be adopted globally by preparers of financial statements within the next year. This framework will introduce new concepts, guiding principles and content elements. One of these concepts relates to reporting in terms of the capitals on which a business depends for its success. These capitals comprise financial, intellectual, human, manufactured, social and relationship, and natural capital.

While we have not early adopted the new framework and will only report formally against these principles once the framework has been approved, activities and performance relating to these capitals are covered throughout our Integrated Annual Report:

- Financial capital is covered primarily in the Chief Financial Officer's Report, the Abridged Annual Financial Statements and Five-year Performance Review, as well as the Group Annual Financial Statements and Ten-year Review.
- The intellectual capital harnessed in the Group is reflected in the Creating Value for Our Stakeholders, Group Brands, Managing the Risk of Fashion, Managing the Risk of Credit, Expanding Retail Presence and Corporate Governance Reports.
- The management of our human capital is incorporated in the Employer of Choice and Remuneration Reports.
- Social and relationship capital is incorporated in the Social and Ethics Committee Report, Employer of Choice and Corporate Social Investment Reports.
- Natural capital as it relates to environmental reporting, is addressed in the Sustainable Future in Fashion Report.

Owing to the nature of our business, we do not at this stage believe that manufactured capital is relevant to our reporting.

We look forward to integrating these new principles into our future financial reporting.

Scope of the report

This report covers the integrated financial and non-financial performance of the Group for the 52-week period ended 30 June 2013. The Group operates primarily in South Africa but has an expanding retail presence in other sub-Saharan African countries. Most (97%) of the Group's revenue and profit is generated in South Africa. There has been no change in the scope of the integrated report from the prior period.

Our reporting complies with International Financial Reporting Standards, as well as the Companies Act and the JSE Listings Requirements in South Africa. Management has applied the principles outlined in the King Code of Governance Principles (King III) of South Africa and has sought to align its reporting with local and international best practice.

Materiality and conciseness

The principle of materiality has been applied in determining both the financial and non-financial content and disclosure in our integrated report.

Management has defined materiality with reference to those issues that could potentially affect the Group's ability to create wealth over time, or that could impact on investors' assessments of our ability to create value. This approach does, however, exclude the disclosure of information that is regarded as giving the Group a competitive advantage.

While we recognise this approach involves subjective judgement, it is aimed at ensuring our reporting remains concise and relevant to investors.

Content of the report

Central to our report is the disclosure of material issues and risks (refer to pages 14 to 29) which management believes could impact on the sustainability of the Group's business. For each of these material issues and risks we have, as in prior reporting periods, disclosed the strategic objectives, associated challenges, risks and mitigation plans, performance for the current and prior financial periods, and the objectives for the 2014 financial period.

The operational reviews again focus on value creation for our three key stakeholder groups, namely our shareholders, our customers and our employees.

We continue to publish abridged financial statements in the Integrated Annual Report. The audited annual financial statements are available on our website and copies are available to shareholders on request.

We are also making increasing use of our website to provide supplementary information to shareholders. The following content is accessible online at www.truworths.co.za under the investor relations tab:

- Integrated Annual Report
- Annual Financial Statements
- Ten-year Review, Ratios, Share Statistics and Definitions
- Corporate Governance Report
- Application of King III Principles
- Corporate Social Investment Report

Independent assurance

Assurance on the annual financial statements has been provided by the external auditor, Ernst & Young Inc. as confirmed in the Independent Auditor's Report. The content of the Integrated Annual Report has not been externally assured.

We remain committed to adopting an assurance process in a phased manner over the medium-term and plan to start with verification of selected content of the report by the Group's Internal Audit department. External verification will be gradually introduced in forthcoming years.

Forward-looking statements

The Integrated Annual Report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These statements by their nature involve risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future.

Factors that could cause actual future results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, the cyclical nature of the retail sector, changes in trading space and interest rates, credit and the associated risks of lending, collections, inventory levels, merchandise clearance rates, gross and operating margins, capital management, and competitive and regulatory factors.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

Report approval

The directors confirm they have collectively assessed the content of the Integrated Annual Report and believe it addresses the Group's material issues and risks, and is a fair representation of the integrated performance of the Group. The Audit Committee, which has oversight responsibility for the Integrated Annual Report, recommended the report for approval by the board of directors. The board has therefore approved the 2013 Integrated Annual Report for release to shareholders.

Hilton Saven
Independent non-executive Chairman

M. Mark

Michael Mark
Chief Executive Officer


YOUNG WILD
FREE
EST 1989

Creating Value for Our Stakeholders

Group Profile

Truworths International Ltd is an investment holding and management company listed on the JSE and the Namibian Stock Exchange. Its principal trading entities, Truworths Ltd and Young Designers Emporium (Pty) Ltd, are engaged either directly or through agencies, franchises or subsidiaries, in the retailing of fashion apparel and related merchandise. The Group operates primarily in South Africa and in other sub-Saharan African countries.

Truworths traces its roots back to 1917 when The Alliance Trading Company opened its first store on a site not far from the Group's present head office in central Cape Town, South Africa. The name changed to Truworths Fashion House in 1935 and over the next eight decades Truworths has become synonymous with fashion apparel retailing in southern Africa.

Internationally inspired fashion is offered through multiple brands to ladies, men, teenagers and children. These brands are mostly internally developed and are therefore exclusive. (Refer to Group Brands on pages 78 to 81.)

During the 1980's the brand portfolio expanded rapidly with the launch of Inwear (1986), Truworths Man (1988) and Truworths Jewellery (1989). This was followed by the creation of LTD (1992), and Identity and Elements (1999). The French designer brand, Daniel Hechter, has been operated by the Group under an exclusive long-term licence agreement in South Africa since 1984.

The strategy of organic brand growth was complemented by the acquisition in 2003 of YDE, a unique retail brand which showcases the fashion of emerging South African designers. Uzzi, the Italian-inspired menswear fashion brand, was acquired in 2006 and integrated into the brand portfolio.

Credit is offered to customers across all brands to facilitate retail sales, and the Group's active customer account base is now approximately 2.6 million. Credit is currently offered in South Africa, Namibia and Swaziland. (Refer to Managing the Risk of Credit Report on pages 87 to 91.)

Truworths introduced the emporium store concept into the local retail market, housing a collection of fashion concepts and lifestyles in a single store. Exciting and visually appealing emporium stores ensure Truworths defines the fashion court in major malls. The Group's retail store footprint has grown to 604. (Refer to Expanding Retail Presence Report on pages 93 to 95.)

In recent years the Group has followed a strategy of cautious expansion into sub-Saharan Africa and currently has 40 corporate stores outside South Africa, with a further five franchise stores.

The Group employs over 10 000 permanent and flexi-time employees, and is committed to supporting the South African clothing and textile manufacturing sector. Qualification for the JSE Socially Responsible Investment (SRI) Index for the past five years highlights the Group's ongoing focus on responsible governance, social and environmental practices. (Refer to Sustainable Future in Fashion Report on pages 12 and 13.)

TRUWORTHS

TRUWORTHS MAN

DANIEL HECHTER PARIS

Inwear

LTD

The quality of the business and its people was acknowledged when Truworths International was voted the Emerging Market Retailer of the Year in 2010 at the World Retail Awards held in Berlin, Germany.

Today the Group holds a market leading position in fashion retailing in South Africa, with a 21.7% ladieswear clothing market share and 22.6% menswear clothing market share based on Retail Liaison Committee data. Retail sales and operating profit now exceed R10 billion and R3.3 billion respectively. The Group has a proud track record of delivering sustained growth in shareholder wealth since listing 15 years ago.

TRUWORTHS elements

TRUWORTHS JEWELLERY

iDENTiTY

UZZI

the young designers emporium

Group Strategy

The Group's strategy is to deliver sustained growth in earnings to enhance long-term shareholder wealth and create value for other stakeholders. The strategy is supported by short-term objectives and plans which are developed and implemented each year, as outlined in the Material Issues and Risks on pages 14 to 29, which aims to achieve the following:

Be the leader in the retail fashion clothing, footwear and accessories industry in South Africa and in selected African countries.

Manage the risk of fashion through a merchandise strategy that offers customers fashion styling of an international standard across a diversified brand portfolio and be first to market with the latest fashion apparel.

Focus on one customer profile, being youthful, fashionable South Africans, and offer products from higher priced aspirational brands to more affordable ranges.

Manage the risk of credit through prudent credit risk management processes, and use in-house credit as an enabler of merchandise sales and to grow the Group's active account base.

Maximise efficiencies in the supply chain by reducing lead times of both local and imported merchandise through close collaboration with suppliers and by enhancing buying processes.

Operate through leased store premises in prime locations in shopping malls and town centres, utilising the emporium concept where appropriate, and expanding the store footprint through growth in trading space to gain market share and promote sales.

Grow the store presence selectively in other African countries showing strong economic growth prospects, political, social and regulatory stability, and an expanding retail real estate market.

Manage capital by investing in the organic growth of the business as well as seeking opportunities for strategic acquisitions, while returning excess funds to shareholders through share buy-backs and dividends.

Be the employer of choice by attracting, developing and retaining top industry talent and by creating a values-driven culture which rewards individual and team performance.

Accelerate transformation across all elements of the broad-based black economic empowerment scorecard to improve opportunities for previously disadvantaged South Africans.

Strive to be an ethical, honest and socially responsible corporate citizen to all our stakeholders.

Strategies are underpinned by sound financial, information and operating systems, as well as people and governance processes, while the Group's business philosophy, values and policies guide all business practices and interactions with stakeholders.

Our Business Philosophy

The Truworths business philosophy is core to the success of our business. It drives our business model and strategy. The Group's track record of sustained growth can largely be attributed to the continued application of this business philosophy.

By harnessing the energy and passion of our employees through the business philosophy, we are able to align their efforts with our strategic purpose and direction.

The Truworths business philosophy is made up of three parts: Our Purpose, Our Values and Our Vision. The purpose defines our customer and key customer offering. The values shape the business culture and employee behaviours required in order to achieve our purpose. Our vision describes our ideal stakeholder expectations and provides a measure for ourselves in determining the success of our business philosophy.

These components work together collectively to define the merchandise, credit and service offering to our customers, how we interact with stakeholders and how delivery to those stakeholders is measured.

Our Business Philosophy

The success of our business philosophy will be core to sustaining value for stakeholders over the short, medium and long-term.

Our Purpose

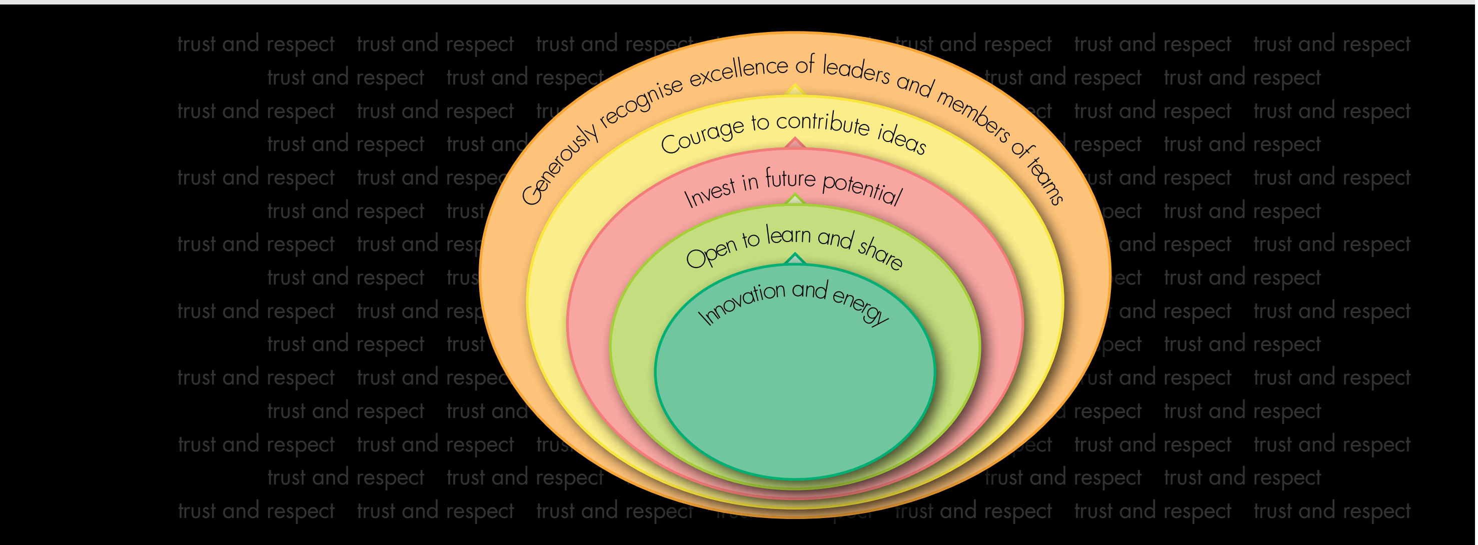
Youthful, fashionable South Africans want to look attractive and successful and feel enthused with confidence. To this end, Truworths entices them into the most exciting and visually appealing real and virtual retail environments where they can shop effortlessly for an innovative and adventurous blend of colour, fabric, value and fashion styling of an international standard.

Our Values

We strive to achieve the highest standards of business ethics and integrity and we drive this through our values. Our values have been developed in conjunction with our employees and have been refined over time to ensure they remain relevant. We aspire to live by our values and to entrench our values in the culture of the business. We place a great emphasis on our values in our induction programmes for new employees, organisational development programmes, and in ongoing performance management reviews to monitor employee commitment and alignment with these values.

Innovation and energy are at the core of the Truworths values system and drive everything we do. By stimulating innovative thinking and positive energy, we encourage openness to share ideas and to be receptive to learning from others. This gives employees the confidence to invest in their personal development and that of their colleagues. This, in turn, builds effective teams and develops leaders. In this environment employees will have the courage to contribute ideas and to engage passionately in the Truworths purpose. Employees will then generously recognise excellence by their colleagues, their teams and their leaders, and celebrate their achievements.

It is our fundamental belief that the outcome of our values system is trust and mutual respect. It is in this environment that the Group's business can prosper and be sustainable.



Our Vision

Our Vision recognises the different needs and requirements of the three key stakeholders in our business: our customers, our shareholders and our employees. As the Vision is the way we measure the business and the success of our business philosophy, we are reporting on our operational performance for the 2013 financial period and our plans for the 2014 financial period according to these stakeholders throughout the Integrated Annual Report.

Vision for our customers (pages 76 to 95)

'Truworths will be the first place I go when I want quality fashion that makes me look attractive and successful and feel enthused with confidence because shopping at Truworths is effortless and I am helped by lively and committed people.'

Vision for our shareholders (pages 50 to 75)

'We are long-term investors in Truworths because we trust in management's capacity to execute innovative strategies which deliver significant real growth year after year.'

Vision for our employees (pages 96 to 109)

'I am totally committed to Truworths because I am always encouraged to offer innovative ideas which contribute to the ultimate purpose of Truworths. As a result Truworths is generous in recognising my role as an effective team member.'

Sustainable Future in Fashion

Material issues and risks

Integrated reporting requires companies to adopt a longer-term time horizon and to focus on factors that could potentially impact on the sustainability of the business.

The Group has identified material issues and risks which it believes are relevant to the business' ability to sustain growth into the future. In determining these material issues and risks, management considered the Group's strategy and business philosophy, and the interests of its key stakeholders.

During the period the material issues and risks were reviewed. The directors and management believe these remain the key issues and risks which affect the performance and longer-term viability of the Group.

The Material Issues and Risks outlined on pages 14 to 29 include reporting against the objectives and plans as outlined in the prior period's Integrated Annual Report, the challenges encountered in 2013, and the risks and objectives for the 2014 financial period.

Stakeholder engagement

The Group recognises that a range of stakeholders can influence the business, including shareholders, the broader investment community, customers, employees, regulatory bodies, retail property lessors, trade unions and the communities in which it operates, as well as suppliers of merchandise and services.

In implementing its business strategy the Group engages and partners with these stakeholder groups to differing degrees. However, the stakeholders who are likely to have a material influence are those identified in the Group's vision, namely customers, shareholders and employees.

		Stakeholder groups		Primary sustainability indicator
Material issue	Page	Primary	Secondary	
Managing the risk of fashion	14	Customers	Suppliers	Economic
Managing the risk of credit	16	Customers	Regulatory bodies	Economic
Maximising supply chain efficiency	18	Customers	Suppliers and other service providers	Economic and environmental
Expanding retail presence	20	Customers	Property landlords	Economic and environmental
Delivering sustained financial performance	22	Shareholders	Broader investment community and regulatory bodies	Economic
Adopting leading information technology systems	24	Shareholders	Broader investment community and customers	Economic
Being the employer of choice	26	Employees	Trade unions	Social
Accelerating transformation	28	Employees	Trade unions	Social

Sustainability practices

The Group's commitment to sustainable business practices is driven by both cost saving and risk management considerations, while being appropriately responsive to social and environmental issues.

The Group qualified for inclusion in the JSE Socially Responsible Investment (SRI) Index for the fifth successive year in the 2013 financial period. Qualification for the Index is based on an independent assessment of the governance, social and environmental practices of listed companies.

Inclusion in the SRI Index is a benchmark of performance relative to listed peers and is an endorsement of the Group's governance and sustainability practices.

Sustainability includes managing impacts on the environment. The Group's direct impact on the environment is limited, with the largest impact being electricity usage across the store network, head office and distribution centres. Carbon emissions from the transportation of merchandise by ship, air and road are another key impact. Approximately 65% of merchandise is procured outside of South Africa and emissions are measured on transportation of merchandise by sea and air freight, as well as on the distribution by road from the warehouses in Cape Town to retail stores.

The indirect impact on the environment includes the natural resources used in the manufacture of merchandise and packaging, and the ultimate disposal of these products when no longer required by customers.

During the period the Group has continued to reduce its direct environmental impacts and improve the measurement of its emissions. A consultancy is retained to ensure measurement tools and techniques are aligned with best industry practice.

Store electricity usage currently accounts for more than 75% of the Group's total direct carbon emissions. An energy efficient lighting initiative is being introduced in over 460 stores in South Africa which is aimed at reducing store electricity consumption, achieving meaningful cost savings and limiting the Group's environmental impact.

The capital costs of implementing this programme are expected to be recovered within 30 months, based on a saving relative to current electricity tariffs. Through this programme the Group is targeting to reduce annual store-related electricity carbon emissions.

An energy efficient lighting project has been successfully completed at the Group's head office, realising an annual saving of approximately 20% in electricity costs and a reduction in carbon emissions. A similar project will be undertaken in the Group's distribution centres during the 2014 financial period.

Performance targets		Targets 2014	Targets Medium-term	Actual 2013	Actual 2012
Social					
Staff turnover for permanent employees	(%)	14 – 17	14 – 17	**15**	14
Employment equity: black employees	(%)	91 – 93	91 – 93	**92**	92
BBBEE rating (self-assessment)	(score)	6	5 – 6	**6**	7
Environmental					
Total carbon emissions	(tons)	79 500	79 000	**79 310**	74 189
Store electricity carbon emissions	(tons)	57 000	55 000	**59 744**	57 067
Integrated sustainability					
Inclusion in JSE Socially Responsible Investment Index		✓	✓	✓	✓

Group financial targets are contained in the Chief Financial Officer's Report on page 54.

JSE SRI Index Scorecard

Sustainability indicators	2013	2012
Governance and related sustainability		
• Result	Met	Met
• Core indicators	32/32	32/32
• Desirable indicators	32/33	33/33
Social sustainability		
• Result	Met	Met
• Core indicators	37/39	37/39
• Desirable indicators	36/49	36/49
Environmental sustainability		
• Result	Best practice	Best practice
• Impact	Medium	Medium
• Policy	Met	Met
• Systems	Met	Met
• Reporting	Met	Met
Climate change		
• Result	Entry level	Entry level

Managing the Risk of Fashion

Refer to Managing the Risk of Fashion Report on pages 83 to 85 for further detail.

Performance against objectives and targets in 2013

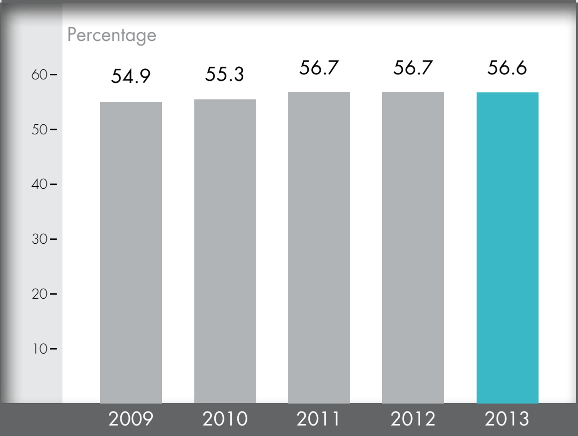
Objectives for 2013	Performance against objectives
Ongoing focus on managing the risk of fashion, including African country specific challenges.	• More strategic approach adopted for fashion forecasting and product direction. • Greater insight into customer buying patterns following another year of trading in Africa. • Ladieswear clothing market share 21.7% (2012: 21.2%) based on Retail Liaison Committee (RLC) data. • Menswear clothing market share 22.6% (2012: 22.4%) based on RLC data.
Continued organic growth through extension of ranges and new concepts.	• Launched Hey Betty, a young surfer brand, in Truworths.
Use technology to enhance processes to manage the risk of fashion.	• Technology introduced to support analysis, planning and control of merchandise ranges.

Target for 2013	Performance against target
Gross margin 54% – 57%	• Gross margin at 56.6% (2012: 56.7%)

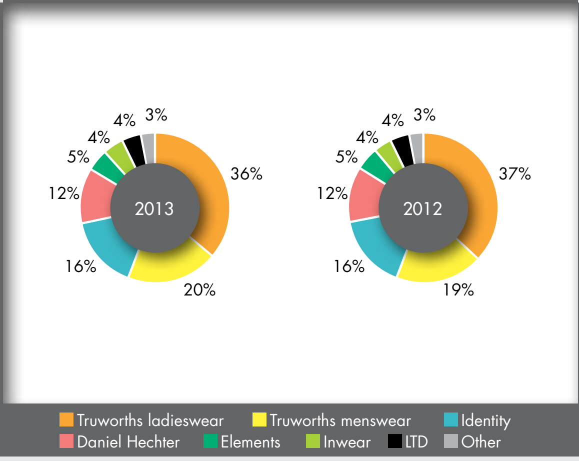
Challenges encountered in 2013

- Managing the impact of exchange rate volatility to ensure an acceptable level of product inflation as approximately 65% of merchandise is imported and US dollar denominated.
- Managing inventory levels with the slowdown in consumer spending.
- Managing seasonality, merchandise allocations and size curves in African countries with warm year-round climates and low brand awareness.

Gross margin trend



Retail sales contribution by brand



Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
As a leading apparel retailer, the Group needs to ensure quality fashion is provided to customers each season at appropriate margins. This covers buying processes, fashion monitoring, supplier relationships and ensuring the Group has skilled buying and planning resources.	• Proven processes and key executive interventions throughout the merchandise life cycle are aimed at managing and mitigating the risk of fashion. • Suppliers are managed to ensure risk is spread across the supply chain. • Gross margin to be held within target range. • Markdowns to be maintained within comparative benchmarks through rigorous inventory management disciplines. • Inventory turn to be managed within revised target range.
Volatility of exchange rate on imported merchandise impacts planning and pricing.	• In response to the depreciation of the Rand, volume orders are negotiated, and the fashion ranges modified to ensure margin is not impacted. • Forward cover is purchased to hedge the risk of currency fluctuations.
The loss of the head office building could affect merchandising service to store operations and impact service levels to customers.	• Business continuity plans for head office. • Disaster recovery plans developed and regularly reviewed. • Fire protection systems installed. • Insurance cover regularly reviewed. • Alternative facilities have been identified and network infrastructure installed.

Objectives and plans for 2014

- Ongoing focus on managing the risk of fashion.
- Continued organic growth through extension of ranges and new concepts.
- Continued technology innovation to enhance merchandise processes.
- Refine relationships with quick response suppliers.
- Continued growth in market share.

Target for 2014

- Gross margin 54% – 57%

Managing the Risk of Credit

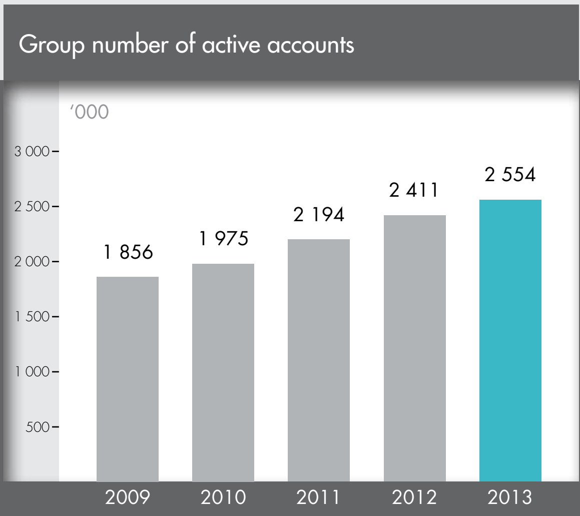
Refer to Managing the Risk of Credit Report on pages 87 to 91 for further detail.

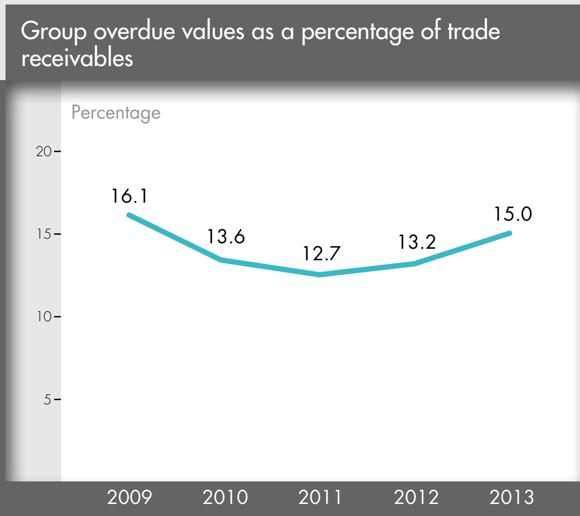
Performance against objectives in 2013

Objectives for 2013	Performance against objectives
Grow in-house collections capacity and capability.	• Collections capacity was enhanced with additional predictive dialler capacity on the outbound call centre. • Increased collections staff complement in Cape Town and Pretoria. • New team established for collections on a component of the Identity portfolio. • International consultants engaged to ensure processes are aligned with best practice.
Redevelop and realign predictive scorecards.	• A number of scorecards were rebuilt. • Various indexes developed to predict debt risk. • The frequency of credit bureau scoring was increased across the portfolio.
Use digital technologies to facilitate customer acquisition, credit limit management and collections.	• Various new technologies were successfully tested. • New digital marketing channels introduced to acquire customers.
Ensure compliance when the proposed Protection of Personal Information (POPI) Bill is enacted.	• Project team has assessed the impact of the proposed POPI legislation and recommended changes to systems and processes.

Challenges encountered in 2013

- Containing rising delinquency levels in the deteriorating consumer credit environment.
- Growing credit sales and the active account base as affordability reduces and bad debt increases nationally.
- Managing increased legislative, regulatory and compliance burden.
- Growth in unsecured lending by other credit providers.





Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
In order to facilitate merchandise sales and grow the active account base, credit facilities need to be granted to customers who meet the minimum credit requirements.	• Credit granting processes consistently applied using advanced analytics, credit scorecards and models. • Use of internationally experienced consultants to advise the Group to ensure the latest best practice and technology is applied. • Regular scorecard development and alignment. • Credit collection strategies constantly refined and capacity increased.
Growing active account base and size of the book in a difficult macro economic environment.	• Greater use of digital marketing channels. • Increased marketing to existing customers to grow the size of the book according to Group risk criteria and predictive scorecards.

Objectives and plans for 2014

- Introduce more regular credit bureau scoring for all accounts in the portfolio.
- Redevelop behavioural scorecards in response to changes in the macro environment.
- Enhance collections capacity and integrate systems with those run by external agencies.
- Focus on reactivating dormant accounts.
- Complete the insurance product pilot studies and roll out the product offering across the portfolio.
- Continue to invest in technology to manage the portfolio.
- Improve new account opening process.

Maximising Supply Chain Efficiency

Refer to Managing the Risk of Fashion Report on pages 83 to 85 for further detail.

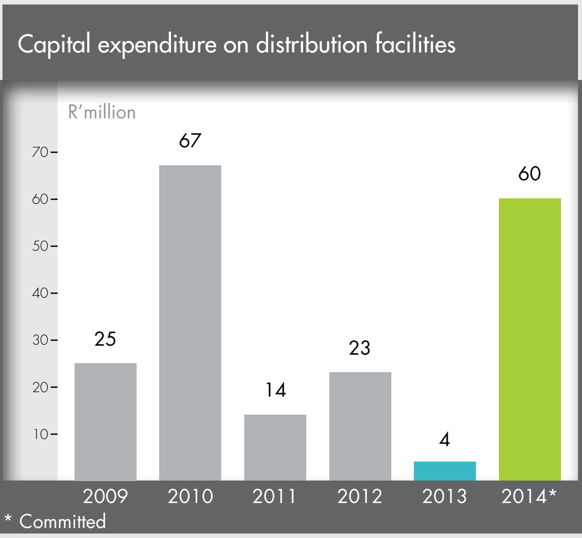
Performance against objectives and targets in 2013

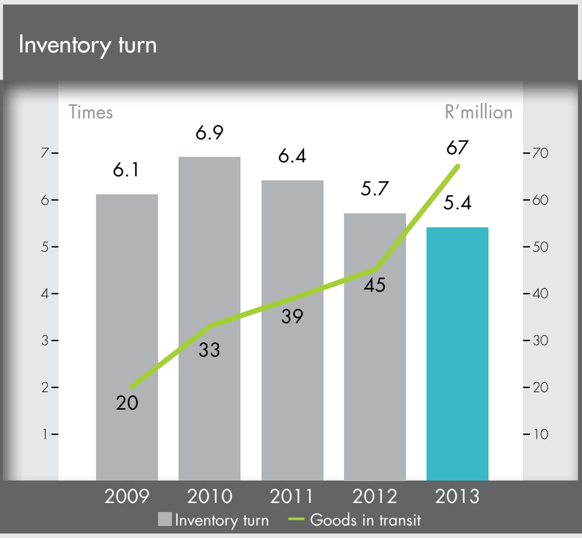
Objectives for 2013	Performance against objectives
Further reduce lead times on local and offshore merchandise.	• Quick response fashion model developed with key suppliers to improve speed to market. • Increasing volumes imported from Southern African Development Community (SADC) countries which has shortened lead times.
Focus on fast fashion and quick response times through alliances and capacity building with local manufacturers.	• Strategic approach adopted to creating relationship based alliances with manufacturers locally and in other SADC countries.
Capital expenditure of R43 million planned for distribution facilities.	• R4 million invested in distribution facilities as expansion plans have been postponed to 2014 in order to fully integrate distribution facilities.
Commence construction of third distribution facility.	• Construction of a third distribution facility will commence during the 2014 financial period.
Use technology to support decision-making with manufacturers.	• System developed to support merchandise replenishment and quick response planning.
Develop and implement methodologies to measure carbon emissions in the supply chain and work towards targets aimed at reducing emissions.	• Carbon emission measurement methodologies developed in collaboration with shipping companies, freight handlers and travel agencies.

Target for 2013	Performance against target
Inventory turn 6.0 times – 6.5 times.	• Inventory turn decreased to 5.4 times as a result of higher levels of goods in transit at period-end.

Challenges encountered in 2013

- Supply chain disruptions and logistical complexities on imported merchandise from Asia.
- Variable quality standards on merchandise sourced from Asia.
- Merchandise supply challenges for stores outside of South Africa, such as port congestion and clearing inefficiencies.
- Local supply chain disruptions resulting from suppliers restructuring or closing down.
- Managing inventory turn with increasing volumes of direct imports.





Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
Key supplier dependency places the Group at risk if the local supply base is eroded and unable to meet demand.	• The Group has a base of committed suppliers. • Suppliers are subject to stringent risk assessment to ensure contingency for loss of production facilities and key personnel. • Alternative suppliers can be sourced locally. • International supply base can be expanded through in-house sourcing expertise. • Merchandise orders are spread across supply base to limit risk of an individual supplier failing. • Management will work in collaboration with local suppliers to improve efficiencies and develop sustainable business models. • Maximum order values to mitigate supply risk.
Organic growth in the business has resulted in the need to expand distribution and warehousing capacity.	• Construction of a third distribution centre will commence during the 2014 financial period. • A third distribution facility will limit the risk of disruption to the supply chain. • Business continuity plan regularly reviewed and tested. • Adequate measures to ensure safety against fire, flooding and crime. • Insurance cover is regularly reviewed.

Objectives and plans for 2014

- Develop further alliances with local and other SADC country manufacturers for regular and quick response merchandise ranges.
- Capital expenditure of R60 million planned for distribution facilities.
- Further technology to support merchandise decision making processes.
- Increased focus on supplier performance and compliance.

Target for 2014

- Inventory turn 5.5 times – 6.5 times

Expanding Retail Presence

Refer to Group Brands on pages 78 to 81 and the Expanding Retail Presence Report on pages 93 to 95 for further detail.

Performance against objectives and targets in 2013

Objectives for 2013	Performance against objectives
Trading space to grow by approximately 9%.	• Trading space growth of 8.1% to 294 000 m² (2012: 6.3%). • 604 stores at period-end (2012: 569).
R211 million committed to store development.	• R215 million invested in store development (2012: R162 million).
Open net 46 new stores, including 24 Identity stores.	• 35 net stores opened, including 19 Identity stores.
Refurbish, relocate and extend 45 stores.	• 35 stores extended, relocated or renovated (2012: 47).
Open corporate stores in Ghana, Nigeria, Lesotho and Zambia.	• 11 stores opened: Lesotho (4), Zambia (3), Ghana (2) and Nigeria (2).
Open franchise stores in Angola.	• Delayed until 2014.
Implement initiatives to reduce electricity consumption in stores.	• Comparable store electricity cost growth of only 4%.

Target for 2013	Performance against target
Store electricity carbon emissions 42 624 tons based on approximately 500 stores participating in an energy efficient lighting initiative.	• Store electricity carbon emissions 59 744 tons as the store energy efficient lighting initiative was delayed until the 2014 financial period.

Challenges encountered in 2013

- Securing trading space in prime locations in good performing shopping centres.
- Expanding in existing centres owing to international brands seeking space in these malls.
- High rental increases from escalating building costs and landlords seeking higher returns.
- Regulatory and logistical complications within the rest of Africa.
- Securing trading space in several major shopping centres where Identity does not yet have a presence.

Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
The Group follows a strategy of increasing trading space to grow sales and without new mall development may not meet expansion and sales targets.	• Mall space is continuously reviewed and, where necessary, existing space is expanded or vacant space secured to increase the store footprint. • The number of new retail developments is increasing, with several of the new malls located in rural areas. • Existing shopping centres being redeveloped to remain competitive.
New retail space may prove to be unproductive or may dilute existing space performance due to diversion of turnover.	• A rigorous viability process is followed to ensure that trading space will be productive. • Performance of stores is continuously evaluated and should it become necessary unproductive stores are closed.

Objectives and plans for 2014

- Trading space expected to grow by approximately 8%.
- R259 million committed to store development.
- Expand into Angola by opening a franchise store.
- Energy efficient lighting initiative to be introduced in over 460 stores.

Target for 2014

- Target store electricity carbon emissions of 55 000 tons over the medium-term.

Delivering Sustained Financial Performance

Refer to Chief Financial Officer's Report on pages 52 to 61 for further detail.

Performance against objectives and targets in 2013

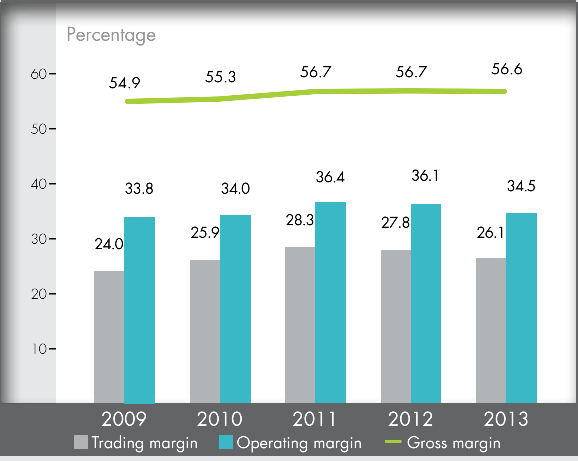
Objectives for 2013	Performance against objectives
Continue to grow shareholder wealth and returns.	• Annual dividends per share increased by 11% to 362 cents (2012: 326 cents). • Return on invested capital at 25% (2012: 26%).
Continue to seek opportunities to utilise cash resources.	• R2.2 billion (2012: R1.4 billion) returned to shareholders in dividends (R1.5 billion) and share buy-backs (R691 million). • Reduced dividend cover to 1.58 times (2012: 1.62 times). • Continued investment in organic growth and in the debtors' book.
Capital expenditure of R315 million committed for 2013.	• Capital expenditure R270 million (2012: R226 million).
Improve efficiency ratios across the business.	• Cash realisation rate 86% (2012: 68%). • Debtors' days increased marginally to 211 days (2012: 210).
Ongoing tight expense control.	• Trading expenses 16% higher, impacted by 39% increase in trade receivable costs. • Excluding trade receivable costs, non-comparable store costs and foreign exchange profits, trading expenses grew 8%.

Targets for 2013	Performance against targets
Operating margin 33% – 36%	• Operating margin 34.5% (2012: 36.1%)
Return on equity 40% – 45%	• Return on equity 39% (2012: 40%)
Return on assets 44% – 48%	• Return on assets 46% (2012: 46%)
Asset turnover 1.2 times – 1.5 times	• Asset turnover 1.3 times (2012: 1.3 times)

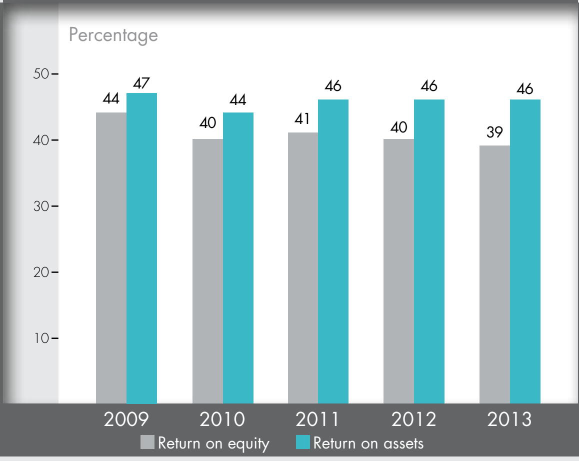
Challenges encountered in 2013

- Effectively managing capital to ensure shareholder returns are not negatively impacted by high level of cash resources.
- Identifying appropriate investment and acquisition opportunities.
- Containing occupancy expenses in an environment of rising rental and utility costs.
- Containing trade receivable costs in a difficult consumer credit and economic environment.

Margin trends



Return on equity and return on assets



Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
The Group has a large capital base and if the capital is not effectively deployed this could impact on returns to shareholders.	• Sourcing potential investment opportunities to complement the current fashion offering. • Continued investment in the debtors' book. • Continued investment in organic growth. • Ongoing share buy-backs at levels that are earnings enhancing. • Regular review of dividend cover.
Sustaining the gross, trading and operating margins at comparatively high levels.	• Margins are continuously reviewed against disclosed target ranges. Corrective action is taken if necessary to ensure margins are sustained through the make-up of merchandise and the reduction in costs where possible.

Objectives and plans for 2014

- Continue to grow shareholder wealth and returns.
- Capital expenditure of R388 million committed for 2014.
- Ongoing tight expense control.

Targets for 2014

- Operating margin 33% – 36%
- Return on equity 38% – 42%
- Return on assets 44% – 48%
- Asset turnover 1.2 times – 1.5 times

Adopting Leading Information Technology Systems

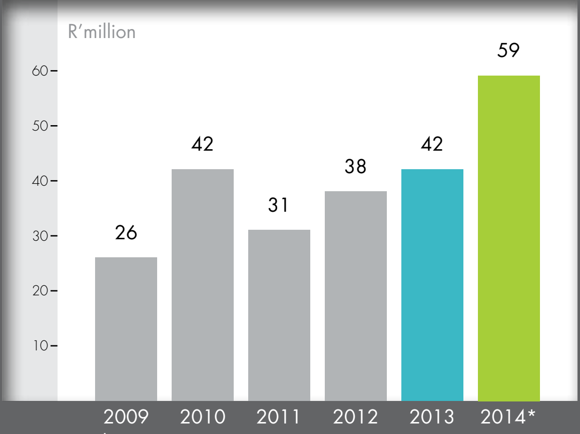
Performance against objectives in 2013

Objectives and plans for 2013	Performance against objectives
Implement new human resources information technology (IT) solution.	• First phase of human resources and payroll system project completed.
Complete implementation phase of the point-of-sale (POS) project.	• POS solution and store inventory management application installed in all stores, excluding YDE.
Continue roll-out of standardised business intelligence systems.	• Implementation and phased roll-out of business intelligence systems.
Continue to implement new or enhanced IT systems relating to merchandise, supply chain and new account acquisition.	• Merchandise and supply chain solutions implemented. • Account acquisition solution upgraded.
Upgrade IT capacity relating to merchandise distribution.	• Distribution centre and warehouse management solutions upgraded.
Ensure improved mainframe operational stability.	• Review of mainframe environment completed. • Maintained operating systems at 100% stability. • Mainframe environment now reviewed quarterly by external consultant.
Capital expenditure of R51 million committed for 2013.	• R42 million invested in information technology.

Challenges encountered in 2013

- Managing increased complexity and demand on resources arising from internationalisation and expansion into Africa.
- Maintaining stability of existing systems and applications while developing and implementing new projects.

Information technology capital expenditure



* Committed

Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
IT systems are critical to enable the Group to trade and to process customer transactions, and these complex systems need to remain stable.	• Business continuity plans, disaster recovery facilities and backup processes are in place. • IT governance processes enhanced. • Alternative support technology to centralised mainframe allows for seamless switching between the two to ensure stores can continue to trade. • Network with multiple levels of redundancy installed. • Stores can trade offline for an extended period.
Growth and expansion in the business has resulted in certain systems requiring upgrade or replacement and increased IT capacity needs.	• Project steering committee prioritises IT projects. • R59 million IT-related capital expenditure committed for 2014 financial period. • External consultants used to advise on new technology.
A new POS system has been introduced in stores. The project had significant change management implications and the success of the system requires acceptance in stores.	• New POS system fully rolled out across the entire chain, excluding YDE. • POS system was installed on a phased basis to limit integration risk. • Ongoing enhancement of the POS system will include further training and effective change management.

Objectives and plans for 2014

- Implement second phase of human resources IT solution.
- Merchandise planning systems upgrade.
- Commence upgrading financial systems in line with human resources IT solution to share a common platform.
- Leverage new POS platform to launch new initiatives.
- Implementation of loss prevention and returns management solution.
- Continue to implement merchandise and supply chain systems.
- Maintain focus on regular testing and improvement of disaster recovery capabilities.
- Capital expenditure of R59 million committed for 2014.

Being the Employer of Choice

Refer to the Employer of Choice Report and the Remuneration Report on pages 98 to 109 for further detail.

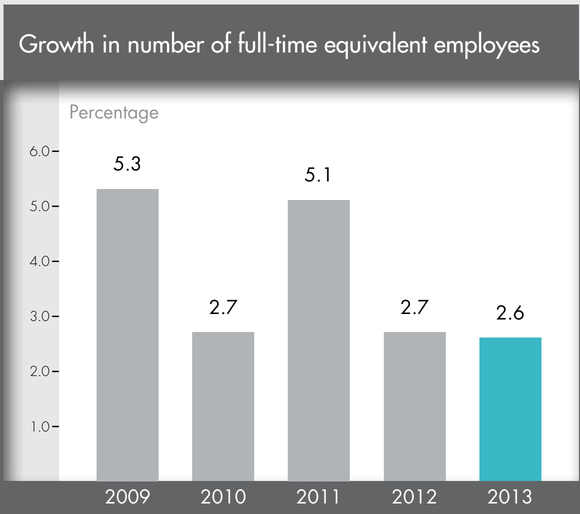
Performance against objectives and targets in 2013

Objectives for 2013	Performance against objectives
Continue to train and support management in employee relations.	• Delivered employee relations training to new managers and refresher courses to existing managers. • Employee relations helpdesk introduced to provide additional support to line managers.
Manage the impact of the proposed labour law amendments.	• Group engaging through Retailers' Association to participate in suggested changes to legislation.
Implement a new share-incentive scheme.	• Obtained shareholder approval at the November 2012 annual general meeting. • First allocation of shares to key executives and employees under the new scheme made in December 2012.

Target for 2013	Performance against target
Staff turnover for permanent employees of 14% – 17%.	• Staff turnover for permanent employees at 15% (2012: 14%).

Challenges encountered in 2013

- Meeting transformation targets at senior management level due to scarcity of skills, low staff turnover at this level and preferred strategy to promote from within the business.



Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
Experienced executives and employees are skilled and in demand both locally and internationally.	• Succession management plans for all key executives. • Competitive remuneration and incentive schemes offered to enhance retention. • Effective contractual arrangements with key executives, including extended notice periods and restraints of trade. • Development programmes to enhance pool of leadership skills. • Trainee programme develops graduates for roles in merchandise and risk functions.
Proposed changes to labour legislation could impact on flexi-time work force and significantly increase remuneration bill.	• Retailers' Association will continue to engage with regulators on behalf of the retail sector, highlighting cost impact and potential job losses from proposed legislation. • Management will continue to assess financial impact and consider alternative plans should legislation be promulgated in its existing form.

Objectives and plans for 2014

- Develop new five-year employment equity plan for 2014 – 2019.
- Manage the impact of the proposed labour law amendments.

Target for 2014

- Staff turnover for permanent employees 14% – 17%

Accelerating Transformation

Refer to the Employer of Choice Report on pages 98 to 103 and the Corporate Social Investment Report on our website at www.truworths.co.za for further detail.

Performance against objectives and targets in 2013

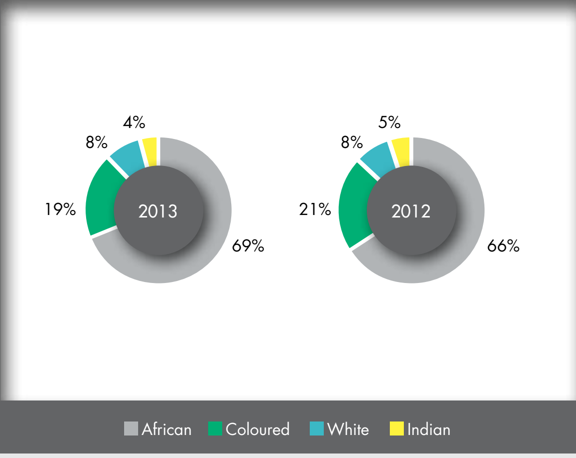
Objectives for 2013	Performance against objectives
Introduce a learnership programme in the credit department with the emphasis on enrolling disabled people.	• 21 people with disabilities registered on learnership programme in credit department.
Focus on recruitment and development of black employees for entry into senior management level.	• Individual development programmes for key black talent. • Optimising learnership programmes offered by W&R SETA. • Black representivity among management at 33% (2012: 34%).
Continue the process of engaging key suppliers on transformation.	• Preferential procurement score (self-assessment) improved to 14.9 points (2012: 11.9 points).

Targets for 2013	Performance against targets
Employment equity: Black employees 90% – 91%	• Employment equity: – Black employees 92% (2012: 92%) – Female employees 71% (2012: 71%). • Black appointments accounted for 95% of new appointments (2012: 94%). • Black promotions accounted for 88% of internal promotions (2012: 84%). • Employment provided for 75 people with disabilities.
Broad-based black economic empowerment (BBBEE) rating (self-assessment) level 6 – 7	• Improved to level 6 BBBEE status, increasing score to 49.39 points (2012: level 7; 40.9 points). • Score on the ownership element improved to 7.12 points following an analysis of black shareholding (2012: 0.09 points). • 2012 BBBEE scorecard verified retrospectively by accredited rating agency and resulted in a score of 46.54 points compared to self-assessment of 40.9 points.

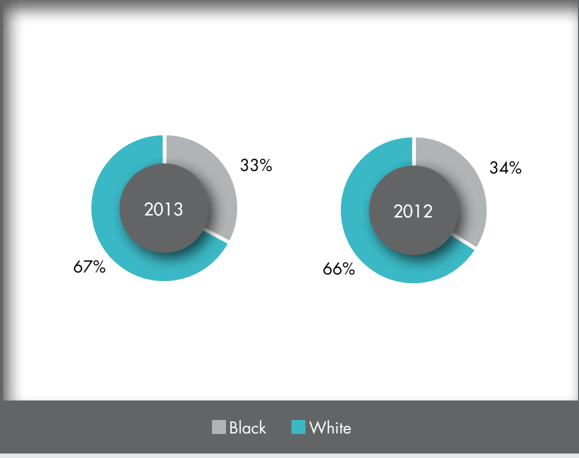
Challenges encountered in 2013

- Attracting black executive employees, specifically females, to meet the new sub-minimums of the BBBEE scorecard.
- Finding suitable enterprise development initiatives in the supply chain which will add value to the business.

Employment equity



Employment equity: management



Key risks and mitigation strategies for 2014

Description of risk	Risk mitigation
Compliance with BBBEE codes and regulations is fundamental to the sustainability of the Group.	• Group adopted a medium-term timeframe to create a diverse workforce rather than implementing short-term solutions. • Employment equity plans and targets to 2014 approved and endorsed by Department of Labour. • Continue progress in BBBEE score. • Management has retained an external consultant to advise the Group with a view to ensuring compliance.

Objectives and plans for 2014

- Improve BBBEE status through incremental improvements across categories.
- Focus on recruitment and development of black employees for entry into senior management level.

Targets for 2014

- Employment equity: black employees 91% – 93%
- Maintain level 6 BBBEE rating

Broad-based black economic empowerment scorecard

BBBEE category	2013 (self-assessment)	2012 (self-assessment)	2012 (externally verified)
Ownership	**7.12**	0.9	7.12
Management control	**3.05**	2.7	2.99
Employment equity	**6.19**	6.2	6.15
Skills development	**12.55**	12.1	12.07
Preferential procurement	**14.90**	11.9	11.97
Enterprise development	**2.40**	4.2	3.34
Socio-economic development	**3.18**	2.9	2.90
Total	**49.39**	40.9	46.54
BBBEE contributor level	**6**	7	6

Investment Case

Truworths International aims to generate sustainable returns for shareholders over the short, medium and longer-term. Our track record of operational and financial performance, together with our growth strategy, makes the Group an attractive prospect for investors seeking equity exposure to the South African retail market and in particular the fashion apparel industry.

This Investment Case should be read in conjunction with the Group Profile (pages 6 and 7), Group Strategy (page 8) and the Material Issues and Risks (pages 14 to 29).

Delivering sustained financial performance

- Headline earnings per share: 5-year compound growth of 14%.
- Dividends per share: 5-year compound growth of 20%.
- Gross and operating margins at globally competitive levels, allowing significant re-investment in the Group and distributions to shareholders.
- Strong free cash flow generation and cash equivalent earnings.
- Capital returned to shareholders through share buy-backs and dividends.
- Capital expenditure of R1.1 billion over past five years.
- Capital expenditure of R388 million planned for 2014.
- Actively seeking acquisition opportunities in fashion related businesses.

Managing the risk of fashion

- Proven ability to manage the risk of fashion with gross margin averaging 56.0% over past five years.
- Growing South African market share based on Retail Liaison Committee (RLC) data, with ladieswear currently at 21.7% and menswear currently at 22.6%.
- Exclusive fashion brands across all retail formats.

Managing the risk of credit

- Credit offered across all brands to facilitate sales.
- Centralised credit granting and approval processes.
- Debtors' book internally funded and managed.
- Active account base of approximately 2.6 million customers.
- 72% of retail sales on credit in 2013.

Maximising supply chain efficiency

- Centralised distribution model using outsourced transport service providers.
- Quick response fashion model with key suppliers ensures speed to market.
- Merchandise imported from southern African countries to shorten lead times.
- Building of third distribution centre to create capacity for expansion.

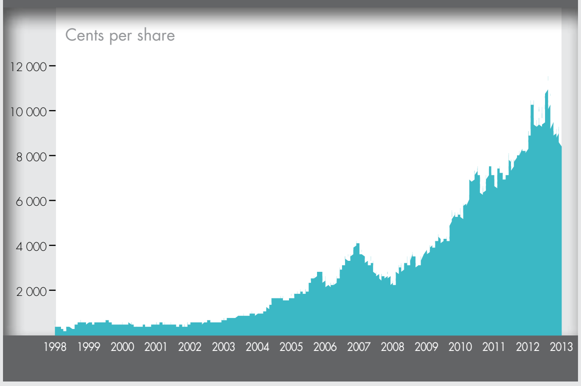
Expanding retail presence

- Strategy of growing trading space to increase market share.
- Portfolio of 564 well located stores across South Africa.
- Currently 40 corporate and 5 franchise stores outside South Africa.
- Trading space to grow approximately 8% in 2014.
- Enticing store environment with store designs regularly updated.
- Significant growth opportunity in medium to long-term in rest of Africa.

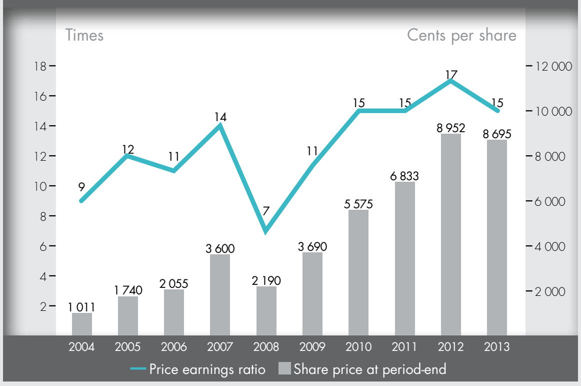
Governance and reporting

- Independent recognition of standards of governance and financial reporting.
- Ranked second in EY Excellence in Integrated Reporting awards for the 2012 Integrated Annual Report.
- Ranked in top 10 in EY financial reporting awards for past six years.
- Included in JSE Socially Responsible Investment (SRI) Index for past five years.

Share price since listing



Price earnings ratio and share price



Five-year Performance Review

Period			2013	2012	2011	2010	2009
Number of weeks			52	53	52	52	52
Returns and margin performance		5-year average					
Gross margin	(%)	56	**57**	57	57	55	55
Operating margin	(%)	35	**35**	36	36	34	34
Trading margin	(%)	26	**26**	28	28	26	24
Return on equity	(%)	41	**39**	40	41	40	44
Return on assets	(%)	46	**46**	46	46	44	47
Inventory turn	(times)	6.1	**5.4**	5.7	6.4	6.9	6.1
Asset turnover	(times)	1.3	**1.3**	1.3	1.3	1.3	1.4
Return on invested capital (ROIC)	(%)	27	**25**	26	28	27	27
Weighted average cost of capital (WACC)	(%)	13	**13**	13	13	13	13
ROIC divided by WACC	(times)	2.1	**1.9**	2.0	2.2	2.1	2.1
Statements of comprehensive income		5-year compound growth (%)					
Sale of merchandise	(Rm)	12	**9 765**	8 830	7 858	6 937	6 247
Trading expenses	(Rm)	11	**(3 202)**	(2 759)	(2 421)	(2 201)	(2 083)
Trading profit	(Rm)	13	**2 548**	2 459	2 223	1 800	1 500
Profit before tax	(Rm)	12	**3 366**	3 190	2 860	2 360	2 114
Headline earnings	(Rm)	14	**2 408**	2 227	1 944	1 605	1 436
Statements of financial position							
Non-current assets	(Rm)	9	**1 280**	1 197	1 093	997	927
Cash and cash equivalents	(Rm)	20	**1 325**	1 560	1 489	1 318	767
Trade and other receivables	(Rm)	13	**3 766**	3 421	3 033	2 561	2 281
Inventories	(Rm)	15	**787**	670	530	450	463
Other current assets	(Rm)	19	**113**	69	79	83	68
Total assets	(Rm)	13	**7 271**	6 917	6 224	5 409	4 506
Total equity	(Rm)	16	**6 219**	5 981	5 046	4 371	3 551
Non-current liabilities	(Rm)	3	**97**	97	84	97	94
Current liabilities	(Rm)	1	**955**	839	1 094	941	861
Total equity and liabilities	(Rm)	13	**7 271**	6 917	6 224	5 409	4 506
Statements of cash flows							
Cash inflow from operations	(Rm)	11	**2 198**	1 618	1 728	1 567	1 252
Capital expenditure	(Rm)	11	**270**	226	186	216	198
Share performance							
Basic earnings	(cents per share)	14	**570.8**	526.3	455.8	377.7	337.2
Headline earnings	(cents per share)	14	**570.8**	526.7	456.0	377.9	337.6
Cash flow	(cents per share)	12	**521**	383	405	369	294
Cash equivalent earnings	(cents per share)	14	**605**	566	499	412	378
Net asset value	(cents per share)	17	**1 489**	1 411	1 192	1 028	836
Dividends declared	(cents per share)	20	**362**	326	262	200	171
Dividend cover	(times)		**1.58**	1.62	1.74	1.89	1.97
Number of shares in issue	(000's)		**463 806**	461 810	459 999	456 109	454 956
Number of shares in issue (net of treasury shares)	(000's)		**417 765**	423 967	423 352	425 258	424 909
Weighted average number of shares	(000's)		**421 905**	422 754	426 289	424 737	425 284
Cumulative shares repurchased*	(Rm)		**2 439**	1 748	1 665	1 271	1 237
Cumulative shares repurchased*	(000's)		**88 842**	81 258	80 062	74 266	73 462

* Includes shares previously repurchased and cancelled: 36 million (cost of R275 million) in 2007 and 7 million (cost of R200 million) in 2006.

A comprehensive ten-year review is available on the website at www.truworths.co.za.

Wealth Creation

A key measure of the sustainability of a business is the level of economic value or wealth created for stakeholders through the efficient operation of the business. Wealth creation is the value generated from the income generating activities of the business and is determined as total revenue, less the cost of merchandise, services and other operational requirements.

In 2013, the Group created wealth of R5.4 billion, which is 8% higher than the R5.0 billion generated during the prior financial period. The table below shows how the total wealth created by the Group was distributed to stakeholders, while retaining sufficient capital for continued investment in the growth of the business.

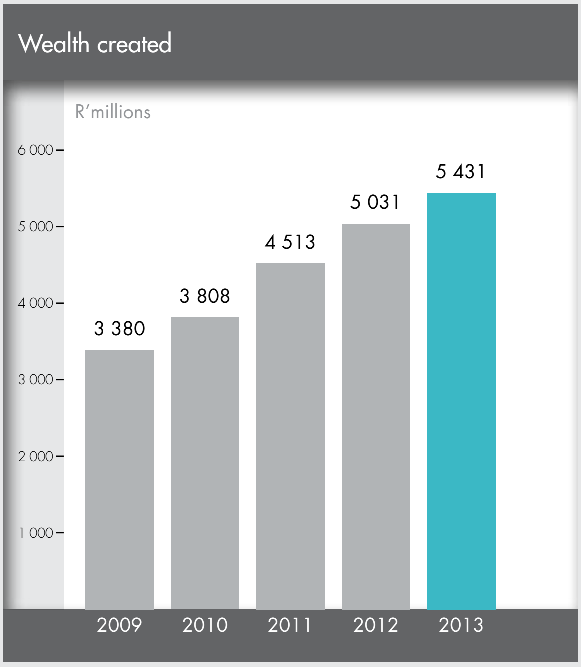
	2013		2012	
	52 weeks Rm	Wealth distributed %	53 weeks Rm	Wealth distributed %
Wealth created:				
Total revenue	10 809		9 769	
Less: Suppliers – purchases of goods and services	(5 378)		(4 738)	
Merchandise	(4 128)		(3 711)	
Other costs and services	(1 250)		(1 027)	
	5 431		5 031	
Wealth distributed:				
Employees	1 002	18	905	18
Salaries and wages	911		821	
Retirement funding	60		54	
Share-based settlements	31		30	
Government	985	18	987	20
South African income tax	964		911	
Foreign taxes	21		19	
Secondary tax on companies (STC)	–		57	
Shareholders – dividends	1 526	28	1 281	25
Lessors	857	16	759	15
Rentals	650		568	
Utilities	207		191	
Reinvested in the Group	1 061	20	1 099	22
Depreciation and amortisation	179		156	
Net earnings retained	882		943	
	5 431	100	5 031	100

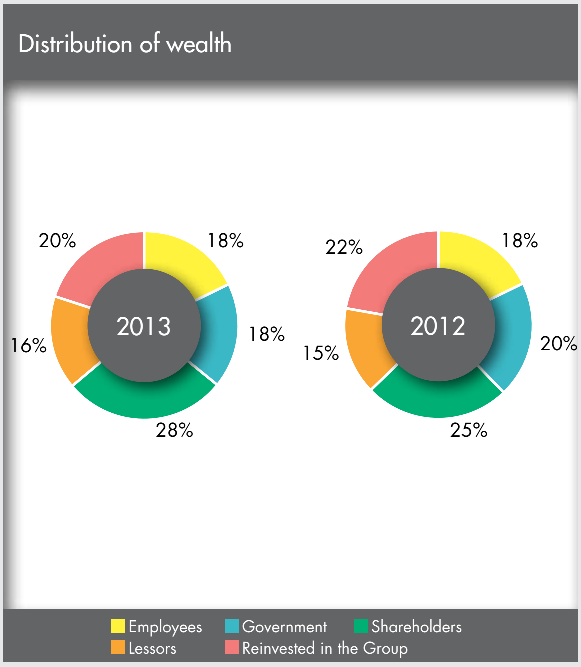
In addition to the wealth distributed to government of R985 million and shareholders of R1 526 million as detailed above, additional amounts which are not reflected in this table were paid to or collected on behalf of these stakeholders.

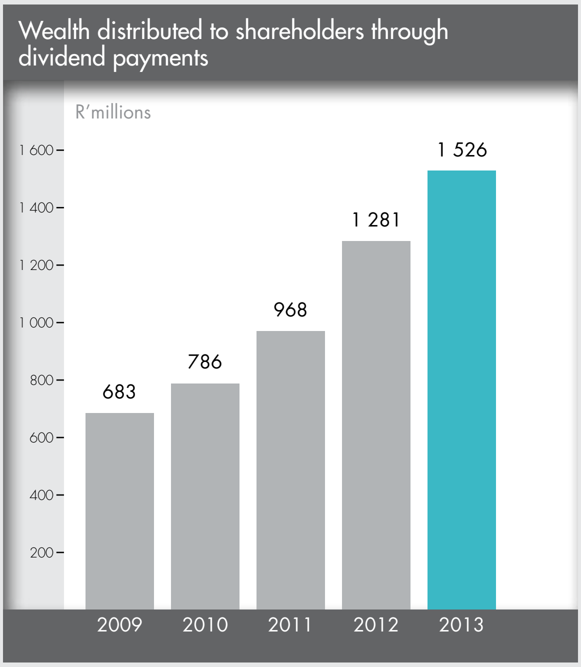
Additional amounts distributed to government include customs duties, value added tax, payroll taxes and regulatory taxes of R995 million (2012: R925 million) bringing the total to R2.0 billion (2012: R1.9 billion).

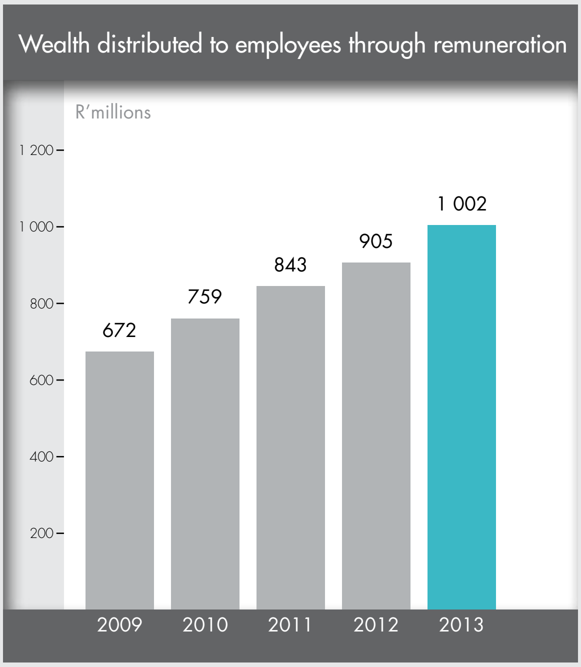
If share buy-backs of R691 million (2012: R83 million) are included, the total wealth distributed to shareholders amounts to R2.2 billion (2012: R1.4 billion).

The Group has created significant wealth for its stakeholders in the past, as evidenced by the 61% increase in wealth created over the past five years, from R3.4 billion in 2009 to R5.4 billion in 2013. However, it is critical to sustain wealth creation into the future and this will be determined by management's ability to effectively implement the Group's strategies, manage the material issues and risks (outlined on pages 14 to 29) and maintain efficient financial and capital controls.









Board and Leadership

Hilton Saven

Chairman's Report

South African trading and economic environment

The credit retail sector has encountered strong headwinds from the tough economy, the deteriorating lending environment and rising levels of consumer indebtedness. Increasing fuel, electricity and living costs continue to erode household disposable income, and the impact is being felt particularly among consumers in the Group's middle-income target market.

In response to the rising debt levels nationally, there has been a marked slowdown in credit extension and a tightening in lending criteria. After a period of rapid expansion in unsecured credit in South Africa since 2009, growth slowed to 2.9% in the year ended March 2013 after increasing by 31.5% off a high base the year before.

The credit health of South Africans has deteriorated for four consecutive quarters, as reflected by the TransUnion Consumer Credit Index. In the second quarter of 2013 the index declined to levels last experienced during the global financial crisis of 2008.

Interest rates are at their lowest levels in over 40 years and have remained unchanged since July 2012 when the central bank reduced its benchmark interest rate, the repurchase (repo) rate, by 50 basis points to 5%. Rates are expected to remain low and stable in the medium-term.

Consumer price inflation (CPI) measured 6.3% in July 2013, rising sharply from 5.5% in June 2013, and breaching the 3% to 6% target range of the SA Reserve Bank (SARB) for the first time in more than a year. This steep increase reflects the impact of recent energy price increases and the depreciation of the Rand, although CPI is expected to moderate in the months ahead.

Consumer confidence remains fragile amidst these increasing financial pressures on South African households. The Consumer Confidence Index fell to a nine-year low in the first quarter of 2013 before recovering in the second quarter of the year. This remains well below the average of the past two decades and is not supportive of a recovery in consumer spending in the short-term.

The Rand has depreciated sharply against major currencies, losing approximately 20% of its value against the US dollar in the financial period. As approximately 65% of the Group's merchandise is imported and US dollar denominated, the currency weakness will be managed to contain inflationary pressures on merchandise as the Group has successfully done in prior periods of currency volatility.

The labour market remains volatile, with high wage demands from trade unions and widespread strike action across several sectors of the economy. The industrial unrest continues to impact productivity negatively.

Unemployment in the country remains at an unacceptably high level, with more than a quarter of the potentially economically active population being jobless. Unemployment increased to 25.6% at June 2013, increasing from 24.9% and 25.2% in the preceding two quarters. The lack of job creation continues to hamper growth and prosperity in the country, and is essential for a sustained economic recovery.

Several of these issues discussed above have contributed to a weaker outlook for economic growth for South Africa. The SARB has reduced its Gross Domestic Product (GDP) growth forecast for 2013 to 2.0%, well below the economic growth rates of our BRIC (Brazil, Russia, India and China) peers.

Sustained financial performance

The Group's strategy is aimed at delivering sustained growth in earnings to enhance long-term shareholder wealth and to create value for other stakeholders. The performance for the financial period reflects that, even in the prevailing adverse retail trading and consumer credit markets, the Group has continued to report competitive returns to shareholders.

Headline earnings per share (HEPS) increased 8.4% to 570.8 cents (2012: 526.7 cents). This would equate to a 12.1% increase if the effect of the additional trading week in the prior 53-week period was excluded. Fully diluted HEPS increased 8.4% to 560.7 cents (2012: 517.1 cents). This equates to a 12.2% increase if the effect of the additional trading week in the prior 53-week period is excluded. HEPS have grown by an annual compound rate of 14% over the past five years.

A final cash dividend in respect of the 2013 reporting period of 158 cents per share has been declared to shareholders, bringing the total dividend for the period to 362 cents per share, an increase of 11% over the prior period.

The directors confirm their commitment to returning surplus funds to shareholders through dividends and share buy-backs. As part of the capital management strategy, dividend cover has been reduced for the past five consecutive years, reducing from 2.05 times in 2008 to the current level of 1.58 times. During the reporting period R2.2 billion (2012: R1.4 billion) was returned to shareholders through dividends and share buy-backs.

Over the past five years the Group has generated R8.4 billion in cash, invested R1.1 billion in capital expenditure and returned R6.6 billion to shareholders.

The Group's track record of consistent growth in shareholder wealth is highlighted in the Business Times Top 100 Companies survey for 2012. In this survey Truworths International was ranked 15th overall and fifth among the JSE's Top 40 Index companies, with a five-year compound growth in shareholder value of 29.7%. Over a 10-year period the Group was the 14th best performer on the JSE, with an investment of R10 000 in 2002 increasing to R245 949 in 2012, a compound annual return of 37.8%.

The Group's trading and financial performance is covered in the Chief Executive Officer's Report on pages 45 to 48 and the Chief Financial Officer's Report on pages 52 to 61.

Corporate governance

The Group aims to achieve best governance practice and recognises that sound governance has a positive impact on long-term equity performance. Governance processes are therefore continually enhanced to ensure compliance with legislation, regulation, governance codes and listings requirements.

The governance framework is based on the King Code of Governance Principles (King lll) and the board confirms that the Group has in all material respects applied the principles of the code during the financial period. A schedule outlining the Group's application of the principles of King lll is available on the website at www.truworths.co.za.

Governance standards in the business are independently evaluated each year as part of the assessment for inclusion in the JSE Socially Responsible Investment (SRI) Index. In 2012 the Group once again attained 100% for the core governance element of the SRI scorecard, and qualified for the Index for the fifth successive year.

Further detail on governance enhancements and processes is included in the Abridged Corporate Governance Report on pages 112 to 119, and in the detailed Corporate Governance Report which is available on the Group's website at www.truworths.co.za.

The board believes the Group's remuneration processes are robust, and that the remuneration policy is aligned to the business strategy and the achievement of performance objectives to ensure continued long-term success.

After engaging with major shareholders locally and offshore, the Group obtained shareholder approval at the annual general meeting in November 2012 to introduce a new share incentive scheme to supplement the current incentive programme. As part of this engagement two significant changes were made to the scheme rules relating to the maximum dilution of the schemes and the performance-based allocations to directors. Details of the scheme and disclosure of executive remuneration are contained in the Remuneration Report on pages 107 to 109.

We believe the new scheme will reward sustained performance and ensure that our executives share a level of personal risk with shareholders.

Integrated reporting

Integrated reporting has brought about a fundamental shift in corporate reporting and it is a change that the Group has embraced. We view integrated reporting as a philosophy rather than a set of prescriptive principles. This allows for more flexibility in communicating the story of how we create and sustain wealth for our shareholders.

The quality of the Group's reporting was recognised when the 2012 Integrated Annual Report was rated second in the country in the annual Ernst & Young (EY) Excellence in Integrated Reporting Awards. The awards are independently adjudicated by the University of Cape Town's College of Accounting and confirm our commitment to high standards of reporting to our shareholders.

The Group has a proud track record in the EY reporting awards where it has been ranked in the top ten for six consecutive years.

Integrated reporting is expected to evolve further with the introduction of the International Integrated Reporting Council's framework later this year which will create a foundation for reporting globally.

South Africa pioneered the concept of integrated reporting and we welcome guidelines which can now be applied by companies internationally to demonstrate how they can create and sustain value. The Group is committed to remaining at the forefront of integrated reporting and we look forward to adopting this framework in our future financial reporting.

Material risks

In an environment of increasing risk awareness locally and internationally, the Group adopts high levels of risk governance and compliance to maintain its competitive advantage and to give shareholders confidence in the Group's ability to sustain value in the longer-term.

Risk processes are aimed at ensuring that material risks which could impact on the sustainability of the business are adequately and timeously identified and mitigated. These include strategic, operational and emerging risks, as well as risks posed by the external environment.

The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the 2013 reporting period.

The risk profile of the Group has not changed materially in the financial period, and based on the Group's risk rating and assessment methodology, none of the material risks identified for 2014 have been upgraded from the prior period.

The Group's key risks and mitigation strategies for 2014 are outlined in the Material Issues and Risks on pages 14 to 29 and in the Risk Report on pages 120 to 123.

Emerging risks are also identified and assessed in line with the Group's risk management principles. These are typically risks that are not likely to impact the business in the year ahead but could become material over time. These include risks such as the threat of increasing levels of competition in fashion retailing, and the compliance impact of the Protection of Personal Information Bill, which is expected to be promulgated during the 2014 financial period.

The Group also faces financial risks through currency, interest rate and market exposures. These risks are managed and mitigated through various measures, including a comprehensive board-approved treasury policy which sets parameters designed to limit any negative impact on financial performance.

Board of directors

The board is pleased to advise shareholders that in November 2012 Michael Mark extended his service contract as Chief Executive Officer until June 2015. Michael has led the principal operating subsidiary Truworths since 1991, and has led the Group with distinction since 1996, and we look forward to continuing to benefit from his astute leadership.

Michael's decision to extend his contract does not lessen the need for succession planning at the most senior level. Succession management is the responsibility of the Non-executive and Nomination Committee of the board and succession plans are documented for all senior positions in the business.

The Group has built a strong senior management team with industry-leading specialists in key positions. This provides the board with several candidates for succession. The depth of talent and experience at senior management level should provide assurance to shareholders on the future leadership of the Group.

Mark Sardi resigned as an executive director and Chief Financial Officer with effect from 12 April 2013 after nearly three years with the Group. David Pfaff joined the Group on 1 April 2013 and was appointed as Chief Financial Officer Designate with effect from 15 April 2013. He has extensive financial experience in a listed company environment both locally and abroad. We welcome David and look forward to benefiting from his business acumen in the years ahead. Subsequent to the end of the reporting period, David was appointed as Chief Financial Officer of the Group and as an executive director of Truworths International, effective from 1 September 2013.

Our board is diverse in its composition and in the insights that each director brings to the boardroom. All of the non-executive directors, including myself as the Chairman, are independent in terms of the King III definition and the JSE Listings Requirements. Tony Taylor, a non-executive director, was reclassified as an independent non-executive director with effect from 1 April 2013, three years after retiring as an executive director of the Group. The independence of long-serving non-executive directors was reviewed, as proposed by King III, and all were considered to be independent.

The annual evaluation of the board, which assesses nine dimensions of the board and its operations, concluded that its overall functioning and governance were excellent. Details of the evaluation process and its outcomes are provided in the Abridged Corporate Governance Report on pages 112 to 119, and in the detailed Corporate Governance Report which is available on the Group's website at www.truworths.co.za.

As a board we continually strive to achieve a balance between governance and entrepreneurship to ensure the Group continues to deliver competitive returns to shareholders.

Acknowledgements

Thank you to my fellow directors for your active involvement, your valuable insight and guidance. I extend my appreciation to the management team under the inspirational leadership of Michael Mark and all our employees for your contribution during the period.

Thank you to our shareholders, our customers, suppliers, industry regulators and advisers for your ongoing support of our business.

Hilton Saven
Independent non-executive Chairman

Truworths International Limited Board

1 2 3 4 5 6 7 8

1 **HILTON SAVEN** (60)
BCom, CA (SA)

Chairman of the board
Independent non-executive director
Chartered accountant and business consultant
Appointed to the board in February 2003
Chairman of Non-executive and Nomination Committee
Member of Remuneration Committee
Managing Partner: Mazars South Africa
Executive Board Member: Mazars International
Director: Lewis Group Ltd, Monarch Insurance Company Ltd, Life Vincent Pallotti Orthopaedic Centre
Trustee: Truworths International Limited Share Trust, Truworths Chairman's Foundation

2 **MICHAEL MARK** (60)
BCom, MBA, ACMA

Chief Executive Officer
Executive director
Appointed to the board in July 1988 and as Chief Executive Officer in July 1996
Executive Chairman: Truworths Ltd (since March 1998)
Director: Truworths Ltd, Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd
Trustee: Truworths Chairman's Foundation

3 **MICHAEL THOMPSON** (70)
BCom, MBA, AMP (Harvard)

Independent non-executive director
Retired banking executive and management consultant
Appointed to the board in March 2004
Chairman of Audit Committee and Social and Ethics Committee
Member of Non-executive and Nomination Committee and Risk Committee
Chairman: SA Select Property Investments Ltd, SA Select Property Asset Managers (Pty) Ltd
Member: Institute of Directors' Audit Committee Forum
Trustee: Truworths International Limited Share Trust

4 **SISA NGEBULANA** (47)
BJuris, CEA (SA), LLB, LLM

Independent non-executive director
Property executive and qualified attorney
Appointed to the board in May 2007
Member of Non-executive and Nomination Committee and Social and Ethics Committee
Chief Executive Officer: Rebosis Property Fund Ltd
Director: Billion Group (Pty) Ltd, Bay West City (Pty) Ltd, Mthatha Mall (Pty) Ltd

5 **ROB DOW** (56)
BSc (Hons), Dip.Acc (Dist), CA

Independent non-executive director
Investment adviser and business consultant
Appointed to the board in February 1998
Chairman of Remuneration Committee
Member of Non-executive and Nomination Committee and Audit Committee
Director: Kensani Capital (Pty) Ltd, Morella Investments (Pty) Ltd, Phetogo Investment Holdings (Pty) Ltd, St Mary's School Waverley (non-profit organisation)
Trustee: Truworths International Limited Share Trust

6 **THANDI NDLOVU** (58)
BSc, MBChB

Independent non-executive director
Construction executive and businesswoman
Appointed to the board in February 2001
Member of Non-executive and Nomination Committee and Social and Ethics Committee
President: Black Business Council in the Built Environment
Executive Chairman: Motheo Construction Group (Pty) Ltd
Director: Baitshepi Development Consulting Services (Pty) Ltd, Mapungubwe Institute for Strategic Reflections (MISTRA)
Business Women's Association (SA) – Business woman of the year 2013 (Entrepreneur)

7 **TONY TAYLOR** (66)
BA

Independent non-executive director
Retail executive and businessman
Appointed to the board in February 1999
Member of Non-executive and Nomination Committee
Director: Pepkor Retail Ltd

8 **RODDY SPARKS** (54)
BCom (Hons), CA (SA), MBA

Independent non-executive director
Director of companies
Appointed to the board in February 2012
Member of Non-executive and Nomination Committee and Audit Committee
Chairman: Atlantic Asset Management (Pty) Ltd, NMC (Pty) Ltd
Director: Trencor Ltd, Imperial Holdings Ltd, Old Mutual Life Assurance Company Zimbabwe Ltd, Regent Life Assurance Company Ltd
Trustee: World Wildlife Fund for Nature, Foodbank Foundation

Truworths Limited Executive Team

1 2 3 4 5 6

1 **MICHAEL MARK** (60)
BCom, MBA, ACMA
Group Chief Executive Officer
Executive Chairman
Appointed to the board in July 1991
Employee since July 1991
Director: Truworths International Ltd, Truworths Ltd, Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd

2 **DOUG DARE** (52)
BBusSc
Director: Buying and Merchandising
Appointed to the board in July 1999
Employee since June 1984
Director: Truworths Ltd, Identity Retailing (Pty) Ltd

3 **EMANUEL CRISTAUDO** (54)
BCom
Director: Customer Relations Management and Information Systems
Appointed to the board in February 2000
Employee since November 1997
Director: Truworths Ltd, Young Designers Emporium (Pty) Ltd, Identity Retailing (Pty) Ltd
Chairman of Risk Committee

4 **DEREK KOHLER** (60)
BA (Econ) (Hons)
Director: Store and Franchise Operations
Appointed to the board in November 1997
Employee since July 1981
Director: Truworths Ltd, Truworths Botswana (Pty) Ltd, Truworths (Mauritius) (Pty) Ltd, Truworths The Look Nigeria Ltd
Member of Transformation Committee

5 **MARK SMITH** (48)
BA (Hons), Higher Diploma in Education, SMP
Divisional Director: Human Resources
Employee since September 2009
In current position since September 2009
Trustee: Truworths Social Involvement Trust and Truworths Community Foundation
Chairman of Transformation Committee
Member of Risk Committee and Sustainability Committee

6 **DAVID PFAFF** (48)
BCom, CA (SA), Dip Soc (Oxon)
Chief Financial Officer Designate
Employee since 1 April 2013
Designate Chief Financial Officer since 15 April 2013
Chief Financial Officer effective 1 September 2013
Member of Risk Committee and Sustainability Committee

7 8 9 10 11 12 13

7 **NEVILLE KOPPING** (50)
BCom
Divisional Director: Merchandise
Employee since March 2006
In current position since March 2008

8 **SARAH PROUDFOOT** (45)
National Diploma in Clothing Design
Divisional Director: Merchandise
Employee since March 2001
In current position since June 2009

9 **TONY MIEK** (50)
PG Diploma in Accounting
Divisional Director: Real Estate, Store Design and Visual Presentation
Employee since December 2005
In current position since August 2006
Chairman of Sustainability Committee

10 **STEVE WIDEGGER** (49)
Diploma in Business Management
Divisional Director: Merchandise
Employee since February 1987
In current position since August 2006

11 **SEAN FURLONG** (52)
Diploma in Marketing Management
Divisional Director: Merchandise and Logistics
Employee since February 1989
In current position since August 2006

12 **MARK FORSTER** (53)
Divisional Director: Merchandise
Employee since May 1999
In current position since March 2008

13 **FRANCOIS BAISSAC** (51)
Diploma in Computer Programming and Project Management
Divisional Director: Information Systems
Employee since June 1988
In current position since February 2011
Member of Risk Committee

Michael Mark

Chief Executive Officer's Report

Financial and trading performance

Against the background of slowing growth in the country's retail sector, the Group has delivered a competitive performance which saw annual retail sales pass R10 billion for the first time while continuing to gain market share and grow its customer base.

Although the performance for the first half of the period was strong, the consumer-led slowdown in the second half was disappointing.

In his Chairman's Report, Hilton Saven has outlined the retail trading environment and factors that have influenced the domestic economy over the past year. The dominant feature has been the deteriorating credit environment with increasing levels of consumer indebtedness. This has impacted our performance as trade receivable costs have risen sharply owing to higher bad debt and provisioning levels.

The following is an analysis of performance for the period against financial targets:

- Gross margin at 56.6% (2012: 56.7%) was again at the upper end of the target range of 54% to 57% and is at an industry-leading level. The gross margin has averaged 56% over the past five years.
- Operating margin declined from 36.1% in 2012 to 34.5%, impacted mainly by the higher trade receivable costs owing to the downturn in the consumer credit market. The margin remains comfortably within the 33% to 36% target range.
- Return on equity at 39% (2012: 40%) was below the targeted range of 40% to 45% owing primarily to the slowdown in earnings growth in the second half of the period.
- Return on assets at 46% was consistent with the prior financial period and within the 44% to 48% target range.
- Inventory turn reduced to 5.4 times (2012: 5.7 times) and was below the 6.0 times to 6.5 times targeted range. This was a result of an increased proportion of direct imports which resulted in higher goods in transit levels at period-end, and purchase prices reflecting the higher Rand/US dollar exchange rate. Excluding goods in transit, the inventory turn would have been 5.9 times compared to 6.1 times in 2012.
- Asset turnover remained at 1.3 times and within the targeted range of 1.2 times to 1.5 times.

Group retail sales increased by 10.7% over the prior 53-week period to R10.1 billion, and by 12.9% on a comparable 52-week pro-forma basis. Like-for-like store retail sales grew by 5.7% while product inflation averaged 2% for the period.

The Truworths ladieswear brand, which accounted for 36% of total retail sales, increased turnover by 9%, Truworths menswear by 13%, Identity by 13%, Daniel Hechter by 11% and LTD by 15%.

The sales performance ensured the Group continued to grow its share of the increasingly competitive fashion apparel market. Based on data from the Retail Liaison Committee, the Group's ladieswear clothing market share increased to 21.7% from 21.2% in 2012 and menswear clothing market share increased to 22.6% from 22.4% in 2012.

Trading space increased by 8.1% to approximately 294 000 m² as the Group opened a net 35 stores, increasing the store footprint to 604. This includes 40 stores outside of South Africa where 11 new stores were opened across Lesotho (4), Zambia (3), Ghana (2) and Nigeria (2).

During the period, 19 stores were either extended or relocated to better trading sites, and a further 16 stores were renovated in their current locations.

An analysis of the Group's financial performance is contained in the Chief Financial Officer's Report on pages 52 to 61.

Managing the risk of credit

In the 2012 Integrated Annual Report we indicated that the consumer credit environment was expected to become more challenging in 2013, and could negatively impact the Group's delinquency experience and active account growth. We again stressed this point to shareholders in our interim results communications in February 2013.

The major challenge during the reporting period has been to grow both credit sales and the number of active customer accounts while containing delinquency levels in the portfolio. Gross trade receivables grew by 11% to R4.2 billion and credit sales grew by 9%, with credit sales accounting for 72% (2012: 73%) of retail sales.

The Group's acceptance rate on new account applications declined to 31% from 38% in the prior period. Despite this high rejection rate, the active account base grew by 6% to approximately 2.6 million which indicates the strong demand for our brands.

All credit strategies were reviewed and credit extension adjusted in some areas to contain bad debt and limit growth in the doubtful debt allowance. The doubtful debt allowance as a percentage of gross trade receivables has been increased to 12.0% from 10.6% in 2012. Net bad debt as a percentage of gross trade receivables grew to 10.4% from 7.9% in 2012.

At period-end, 82% (2012: 84%) of the Group's active account customers were able to purchase on credit as they continued to meet the stringent payment criteria for ongoing purchases.

The Group has extensive experience in managing credit risk in tough market conditions and will apply strategies to ensure the continued health of the debtors' book and profitability of the business.

Refer to the Managing the Risk of Credit Report on pages 87 to 91 for further details.

Managing the risk of fashion

Our challenge as a fashion retailer is to produce winning ranges across all brands every season. While we have multiple brands and styles, the business has one clearly defined customer, youthful fashionable South Africans.

Rigorous processes are followed to manage and mitigate the risk of fashion throughout the merchandise life cycle. A disciplined fashion buying and planning formula is consistently applied season after season.

A real strength of the merchandising process is that teams are able to identify problems early and implement solutions, highlighting the ability to manage the risk of fashion. The buying and planning process has been supplemented with a new merchandise assortment planning system to assist with the analysis, planning and control of the merchandise range. This allows for faster and more accurate decision-making, and improves the productivity of buyers and planners.

As approximately 65% of merchandise is imported and US dollar denominated, managing the volatility of the Rand to maintain acceptable levels of product inflation is a constant challenge for the merchandise team.

The local currency declined by approximately 20% against the US dollar during the period, and has continued to depreciate post the period-end. The merchandise team responds to currency movements by adjusting the fashion range to ensure that the gross margin is maintained and that the basket of prices is acceptable to customers. It is the Group's policy to hedge the risk of currency fluctuations through the purchase of forward exchange cover.

The Group's success in managing the risk of fashion during the financial period is reflected in the competitive increase in retail sales of 10.7%, achieving a gross margin of 56.6% and continued growth in both ladieswear and menswear clothing market share.

Refer to the Managing the Risk of Fashion Report on pages 83 to 85 for further details.

Maximising supply chain efficiency

Building a sustainable supply base, improving speed to market and tightly managing inventory levels are all essential components in managing the risk of fashion.

A quick response model has been implemented by the merchandise team with key suppliers to improve speed to market and to respond rapidly to customer buying patterns. These quick response projects have enabled us to further reduce lead times during the financial period. Lead times vary depending on the product type and location of the supplier, with the majority of our quick response manufacturers being locally based or in neighbouring Southern African Development Community (SADC) countries.

Increasing volumes of merchandise are being imported from SADC countries. This has resulted in shorter lead times owing to the proximity of these countries. China, however, remains the main source of supply for our imported merchandise.

Our quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to prescribed quality, safety and ethical standards. The team is working closely with local and import manufacturers to ensure consistent merchandise quality standards. More frequent visits are being undertaken to China to support international manufacturers owing to variable quality standards in recent times. An increasing amount of time has been invested by the Group's quality and manufacturing experts in visiting factories to ensure that the supply is sustainable.

Strong organic growth in the business in recent years and strategic supply chain initiatives have created the need to expand warehousing and distribution capacity. Construction of a third distribution centre alongside the main Truworths Distribution Centre (TDC) in Epping near Cape Town, South Africa will commence in the 2014 financial period. The project will enable the new facility to be integrated with TDC, while the existing facility will also be enhanced as part of the development. Building is scheduled to be completed in the 2015 financial period.

Refer to the Managing the Risk of Fashion Report on pages 83 to 85 for further details.

Expanding retail presence

The store base has now passed 600 during the period as the Group continued its strategy of investing in new space to gain market share and promote sales growth.

Our emporium store concept continues to differentiate our offering, providing customers with access to multiple brands in a single location. We aim to have a prime presence in the centre of the fashion court in major malls and to be recognised as the leading fashion anchor tenant.

The extensive upgrade of our emporium store in the flagship Sandton City mall was completed in June 2013, expanding the store size by 1 000 m^2 to 4 000 m^2. The store commands an excellent location and dominates the fashion court, spanning from one side of the mall to the other.

The Group's retail trading space is planned to increase by approximately 8% in the 2014 financial period.

We are following a cautious and incremental approach to store expansion outside South Africa to gain a better understanding of the operating environment and the potential market growth. The rate of expansion will be determined by the availability of store locations and continued growth in real estate development. Stores outside South Africa (including franchise stores) accounted for 3.5% of the Group's sale of merchandise during the period.

After opening 11 stores in the 2013 financial period, 2014 will be a period of consolidation for the Group's operations in the rest of Africa. A new franchise store is planned to open in Luanda, Angola. Expansion into the rest of Africa, however, remains a growth opportunity in the medium to long-term.

Refer to the Expanding Retail Presence Report on pages 93 to 95 for further details.

Increasing international competition

International apparel chains have continued to increase their presence in South Africa, while other retailers have signalled their plans to expand into the country.

Increased competition in retail fashion, whether it is from local or international retailers, offers customers more choice and ensures that the industry as a whole becomes stronger. While the Group will not be complacent against the threat of competition, our stance has always been that if the best and most commercial fashion is available in our stores it will continue to attract our customers, regardless of the level of competitor activity.

We believe we have developed an intimate understanding of our customers. The Group has an extensive store network, strong brand appeal, loyal customer base and an established credit offering, all of which makes us resilient against our competition including new entrants into our market.

Employer of choice

The Group aims to be recognised as an employer of choice and we continue to invest in our people to ensure sustainable performance and industry leadership.

David Pfaff was appointed as Chief Financial Officer Designate effective 15 April 2013. David (48) is a former financial director of a large JSE-listed information technology company and has spent the past four years as an independent financial consultant in London. We are pleased to advise that subsequent to the end of the reporting period, the board appointed David as Chief Financial Officer of the Group and as an executive director of Truworths International with effect from 1 September 2013.

During the period R83 million (2012: R81 million) was invested in training over 9 400 employees, with over 8 000 people trained to develop scarce skills. A total of 93% of employees trained during the period were black.

The annual turnover of permanent employees was 15%, while turnover at the senior and top management levels was below 10%.

In order to satisfy its goal of a diverse workforce, the Group's approach to employment equity has been to transform over the medium-term rather than implementing short-term quick fix solutions. An employment equity plan was developed in 2009 to ensure the employee profile more closely reflects the country's demographics by June 2014.

Encouraging progress has been made over the past four years, with 92% (2012: 92%) of employees being black and 71% (2012: 71%) being female at the end of the reporting period. Black employees in our South African operations accounted for 88% (2012: 84%) of internal promotions and 95% (2012: 94%) of new appointments during the period.

The Group's financial performance for the 2013 period was below the target performance which has resulted in reduced incentives for employees. Refer to the Employer of Choice Report on pages 98 to 103 for further details.

Outlook

Predictions are that the economy and consequently the credit environment are unlikely to improve during the 2014 financial period and restrictive credit granting criteria will limit new account growth and credit sales.

Ongoing weakness in the Rand/US dollar exchange rate will be managed to contain inflationary pressures on merchandise as the Group has successfully done in prior periods of currency depreciation.

Against this challenging trading background the Group will aim to build sales growth momentum by delivering high quality, internationally inspired fashion across the brand portfolio.

Capital expenditure of R388 million has been committed and will be used primarily for new stores and expansion and refurbishment of existing stores (R259 million), distribution centres (R60 million), as well as new information systems infrastructure (R59 million).

Appreciation

On behalf of the directors, I thank all our employees at head office, at stores throughout the continent, and at the distribution centres for their contribution to the Group's performance.

Thank you to our Chairman, Hilton Saven, for his leadership of the board, and to my fellow directors of Truworths International and Truworths for their commitment and support. The directors and senior management of Truworths continue to lead by example.

Thank you also to our customers who continue to support our brands and make us their first choice for quality fashion apparel.

M. Mark

Michael Mark
Chief Executive Officer

Shareholders

Group financial performance

2012 53 weeks US dollar	2013 52 weeks US dollar	Financial performance (millions)	2013 52 weeks Rand	2012 53 weeks Rand	Change on prior period %
1 141	**1 108**	Sale of merchandise	**9 765**	8 830	11
318	**289**	Trading profit	**2 548**	2 459	4
412	**382**	Operating profit	**3 366**	3 190	6
288	**273**	Headline earnings	**2 408**	2 227	8
239	**269**	Cash generated from operations	**2 368**	1 851	28
5 085	**4 021**	Market capitalisation	**40 328**	41 341	(2)
		Share performance (cents per share)			
68.0	**64.8**	Headline earnings	**570.8**	526.7	8
66.8	**63.6**	Fully diluted headline earnings	**560.7**	517.1	8
42.1	**41.1**	Dividends	**362**	326	11
173.5	**148**	Net asset value	**1 488.5**	1 410.6	6
1 101	**867**	Closing market price	**8 695**	8 952	(3)

Note: The above extracts from the statements of comprehensive income and cash flows have been translated at an average rate of R8.81/US$1 (2012: R7.74/US$1) and the statements of financial position amounts have been translated at a closing rate of R10.03/US$1 (2012: R8.13/US$1).

David Pfaff

Chief Financial Officer's Report

Our Vision for our shareholders:

'We are long-term investors in Truworths because we trust in management's capacity to execute innovative strategies which deliver significant real growth year after year.'

Against the background outlined in the Chairman's and Chief Executive Officer's Reports, the Group has continued to enhance returns to investors, growing fully diluted headline earnings per share by 8.4% to 560.7 cents (12.2% if the 53rd trading week in the prior period is excluded).

The total dividend has been increased by 11% to 362 cents per share relative to the prior period, comprising an interim dividend of 204 cents and a final dividend of 158 cents. Dividend cover has been reduced to 1.58 times from 1.62 times.

The business remains strongly cash generative, with cash inflow from operations totalling R2.2 billion. At the end of the period the Group had cash holdings of R1.3 billion.

The Group has continued to pursue its active capital management strategy and during the period returned R2.2 billion (2012: R1.4 billion) to shareholders through dividend payments and share buy-backs. Over the past five years R6.6 billion has been returned to shareholders.

Comparison to prior periods

All results for the prior period refer to the 53-week period to 1 July 2012, unless specifically stated that the pro-forma performance for 52 weeks has been included to allow for meaningful comparison.

Reporting excellence

It is pleasing to report that the Group's 2012 Integrated Annual Report was placed second in the annual EY Excellence in Integrated Reporting Awards and the only retailer to be so acknowledged in the Top 10. This is an independent endorsement of the quality of the Group's integrated reporting to shareholders and confirms our commitment to constantly improve disclosure to stakeholders.

The awards target the top 100 companies listed on the JSE and are adjudicated by the University of Cape Town's College of Accounting. The Group has been ranked in the top 10 in EY's financial reporting awards for the past six years, the only retailer to achieve this distinction.

Financial targets

Financial and operating targets are published annually to provide shareholders with a guide as to the Group's performance objectives for the future financial period. Targets and performance are benchmarked against JSE-listed local competitors and best-in-class global listed fashion retailers. Targets are reviewed annually based on actual performance and the outlook for the period ahead. An analysis of the performance relative to the 2013 reporting period targets is covered throughout this Integrated Annual Report.

Target		Target 2014	**Actual 2013**	**Target 2013**	Actual 2012	Local benchmark*	International benchmark**
Gross margin[1]	(%)	54 – 57	**56.6**	**54 – 57**	56.7	42.1	59.6
Operating margin[2]	(%)	33 – 36	**34.5**	**33 – 36**	36.1	19.8	19.0
Return on equity[3] ***	(%)	38 – 42	**39**	**40 – 45**	40	39	34
Return on assets[3] ***	(%)	44 – 48	**46**	**44 – 48**	46	32	31
Inventory turn[3]	(times)	5.5 – 6.5	**5.4**	**6.0 – 6.5**	5.7	4.6	3.6
Asset turnover[3]	(times)	1.2 – 1.5	**1.3**	**1.2 – 1.5**	1.3	1.8	1.6

* Based on the average ratios for comparable JSE-listed apparel retailers for the 2013 period.
** Based on the average ratios for global fashion retailers, H&M and Inditex, for the 2012 period.
*** Targets are materially influenced by high retained earnings and high cash holdings.

Assumptions

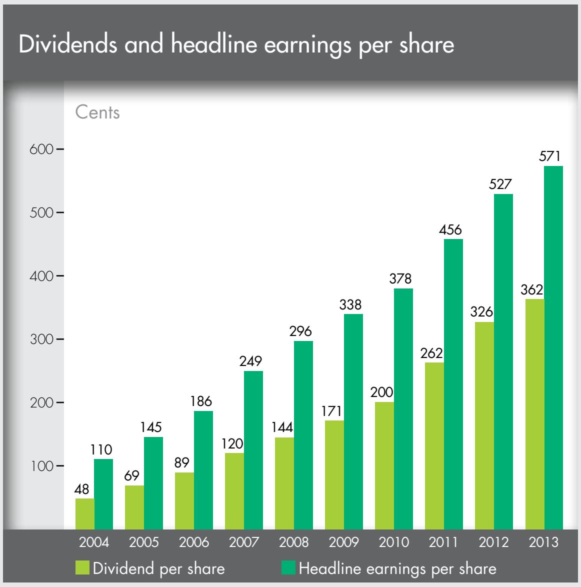
1 Combination of clearance of merchandise, sales mix and tight inventory management.
2 Based on the assumed gross margin and managing operating expense growth below sales growth.
3 Combination of returns achieved in 2013 and execution of capital management strategies.

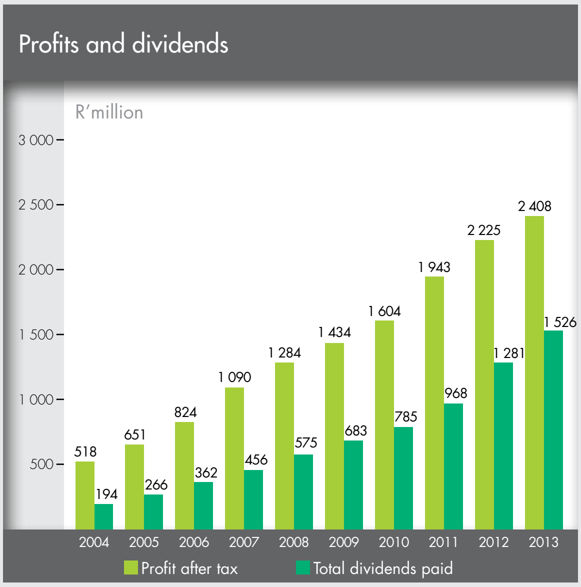
Revised targets

- Return on equity target range has been revised from 40% – 45% to 38% – 42% to align with recent trading conditions.
- Inventory turn target range has been expanded from 6.0 times – 6.5 times to 5.5 times – 6.5 times to take into account the increase in sourcing imports and the resultant increase in goods in transit at period-end.

Analysis of financial performance

The detailed review of the Group's financial performance for the 52-week period ended 30 June 2013 should be read in conjunction with the Audited Abridged Annual Financial Statements which follow on pages 62 to 75, and the information contained in the Audited Annual Financial Statements which are available on the Group's website at www.truworths.co.za. The ten-year review of financial performance, share performance, operating ratios and trade receivable statistics is also available online at www.truworths.co.za.





Statements of comprehensive income

Sale of merchandise

Group sale of merchandise, which comprises retail sales and franchise sales less accounting adjustments, increased by 10.6% to R9.8 billion over the 53-week prior reporting period and by 12.9% compared to the 52-week prior pro-forma period.

Retail sales increased by 10.7% to R10.1 billion (12.9% on a 52-week basis). Like-for-like retail sales grew by 5.7%. Retail sales on a 52-week comparable basis increased by 14.8% for the first half of the period and slowed to growth of 10.7% in the second half, as customers came under increased financial pressure. Historically there has been no material seasonal difference in trading patterns between the first and second halves of the financial period.

Divisional sales	52 weeks 2013 Rm	53 weeks 2012 Rm	% change on prior period 53 weeks	% change on prior period 52 weeks
Truworths ladieswear	**3 661**	3 361	9	11
Truworths menswear	**1 987**	1 757	13	16
Identity	**1 586**	1 407	13	15
Daniel Hechter	**1 206**	1 091	11	13
Elements	**480**	454	6	8
Inwear	**451**	409	10	12
LTD	**405**	353	15	16
Other*	**298**	272	10	12
Retail sales	**10 074**	9 104	11	13
Franchise sales	**9**	24	(63)	(63)
Accounting adjustments	**(318)**	(298)	7	7
Sale of merchandise	**9 765**	8 830	11	13
YDE agency sales	**278**	276	1	2

* Includes cellular, Truworths Jewellery and Truworths Living (discontinued during 2012) divisions.

The Group's South African operations accounted for 96.5% (2012: 97.1%) of sale of merchandise, with the 40 stores in the rest of Africa contributing 3.5% (2012: 2.9%).

Credit retail sales increased by 9% to R7.2 billion (2012: R6.6 billion) and accounted for 72% (2012: 73%) of retail sales for the period. Cash retail sales rose by 16% to R2.9 billion (2012: R2.5 billion).

Product inflation averaged 2% for the reporting period, compared to 8% in the prior reporting period.

Retail sales growth analysis*	Retail sales Rm	Retail sales growth %	Like-for-like store growth %	Product inflation %	Unit growth: Comparable stores %	Unit growth: Non-comparable stores %
June 2013	**10 074**	**13**	**8**	**2**	**6**	**5**
June 2012	8 921	10	6	8	(2)	4
June 2011	8 080	14	9	4	5	5
June 2010	7 118	11	4	4	–	7
June 2009	6 441	12	5	10	(5)	7
June 2008	5 751	13	6	6	–	7

* This table reflects 52-week comparable data.

Trading space increased by 8.1% to 294 000 m² following the opening of a net 35 new stores and the extension, renovation or relocation of a further 35 stores. The Group's trading density increased by 2% from R34 849 m² to R35 656 m².

Following the strategic decision to convert franchise stores outside South Africa to corporate stores, franchise sales declined from R24 million to R9 million. The franchise network in the rest of Africa has been reduced to five stores.

Further detail on the Group's store expansion in South Africa and in the rest of Africa is contained in the Expanding Retail Presence Report on pages 93 to 95.

Gross profit

The gross profit margin at 56.6% (2012: 56.7%) remains at the upper end of management's targeted range of 54% to 57%. The gross margin averaged 56% over the past five years. The allowance for markdown, obsolescence and shrinkage as a percentage of gross inventories was 17% (2012: 18%) primarily as a result of higher goods in transit at the period-end. Refer to note 9 of the Group Annual Financial Statements for further details.

Other income

Other income consists primarily of commission on sales of cellular phones, commission and display fees paid by Young Designers Emporium (YDE) designers, financial services income, lease rental income and royalties from franchisees. Other income increased by 9% to R226 million (2012: R208 million) mainly as a result of increased commission earned from higher cellular phone sales, increased financial services revenue and higher display fees in YDE.

Trading expenses

Analysis of trading expenses	2013 Rm	2012 Rm	Change on prior period %	2013 % of sale of merchandise %	2012 % of sale of merchandise %
Depreciation and amortisation	**160**	138	15.9	1.6	1.6
Employment costs	**986**	890	10.8	10.1	10.1
Occupancy costs	**843**	746	13.0	8.6	8.4
Trade receivable costs	**739**	533	38.6	7.6	6.0
Other operating costs	**474**	452	4.9	4.9	5.1
Trading expenses	**3 202**	2 759	16.1	32.8	31.2

Trading expenses increased by 16% to R3.2 billion, impacted by a 39% increase in trade receivable costs. Excluding trade receivable costs, trading expenses were contained to a growth of 11% for the period. Trading expenses as a percentage of sale of merchandise increased to 32.8% from 31.2% in 2012.

The growth in trading expenses was influenced by the following factors:

- Depreciation and amortisation increased by 16% as a result of capital expenditure of R270 million during the period as well as capital expenditure of the prior period being depreciated for the full period.
- Employment costs increased by 11%. Excluding non-comparable store and other costs, employment costs increased 7%. The number of full-time equivalent employees increased by 2.6% compared to the prior period.
- Occupancy costs increased by 13% mainly arising from the 8.1% growth in trading space, average rental escalations of 8%, and an 11% increase in electricity costs (4% excluding non-comparable stores). Excluding non-comparable store costs, occupancy costs increased 5%.
- Trade receivable costs increased by 39% as a result of the deteriorating consumer credit environment. The doubtful debt allowance increased by R104 million owing to the growth in the debtors' book and the increase in the doubtful debt allowance to 12.0% (2012: 10.6%). The interest earned of R724 million (2012: R630 million) on the debtors' book was R15 million lower than the total trade receivable costs of R739 million (2012: R533 million).

Cost of credit	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Total trade receivables interest	**724**	630	543	491	549
Trade receivables interest charged	**646**	553	469	413	453
Notional interest	**78**	77	74	78	96
Financial services income*	**61**	44	38	31	28
Total income	**785**	674	581	522	577
Total costs	**(877)**	(648)	(503)	(487)	(516)
Internal and external collection costs**	**(335)**	(283)	(243)	(208)	(183)
Net bad debt and change in doubtful debt allowance	**(542)**	(365)	(260)	(279)	(333)
Cost of credit: (cost)/surplus	**(92)**	26	78	35	61

* This includes annual account service fee income which is charged to account customers and is included in the annual financial statements under other income.

** This includes internal collection related costs such as salaries, which are disclosed in the annual financial statements under employment and other operating costs.

- Other operating costs increased by 5%. Excluding non-comparable store costs and foreign exchange profits of R47 million (2012: R10 million), other operating costs increased by 11% over the prior period.

Interest received

Total interest received increased by 12% to R814 million (2012: R728 million). This includes investment income received which was 8% lower at R90 million (2012: R98 million), as a result of lower cash balances and interest rates. Trade receivables interest, excluding notional interest on the interest-free portion of the debtors' book, increased by 17% to R646 million.

Trading and operating profit

Trading profit increased by 4% to R2.6 billion (2012: R2.5 billion) with the trading margin at 26.1% (2012: 27.8%) being negatively impacted by the growth in trade receivable costs.

Operating profit (profit after interest received and before tax) increased by 6% to R3.4 billion and the operating margin declined to 34.5% (2012: 36.1%).

Tax expense

The tax expense declined 1% to R958 million. The Group's effective tax rate decreased to 28.5% (2012: 30.2%) mainly as a consequence of secondary tax on companies (STC) being replaced by dividend withholding tax. No STC was payable for the period compared to a payment of R57 million in 2012.

Statements of financial position

The Group's financial position continued to strengthen over the period with net asset value per share increasing 6% to 1 488.5 cents (2012: 1 410.6 cents).

The return on equity at 39% (2012: 40%) was slightly below the targeted range of 40% to 45% due to the lower growth in earnings compared to the increase in equity balances. The return on assets at 46% (2012: 46%) and the asset turnover at 1.3 times (2012: 1.3 times) were within their respective target ranges.

Non-current assets

Non-current assets increased 7% to R1.3 billion (2012: R1.2 billion).

- Property, plant and equipment increased by 11%. Capital expenditure for the period, excluding intangible assets, was R253 million (2012: R203 million).
- Intangible assets increased by 10% owing mainly to the purchase of computer software of R17 million.
- Loans and receivables decreased by R25 million to R118 million following the partial settlement of loans amounting to R18 million by the Group's charitable trusts, and payments received from the unwinding of the Group's participation in export partnerships. The granting of loans to certain share incentive scheme participants was largely offset by the settlement of these loans.
- The deferred tax asset increased from R58 million to R89 million primarily as a result of the increase in the doubtful debt allowance.

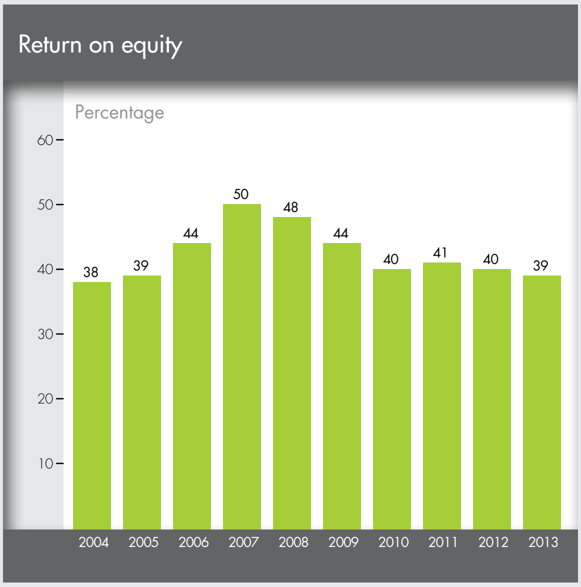
Current assets

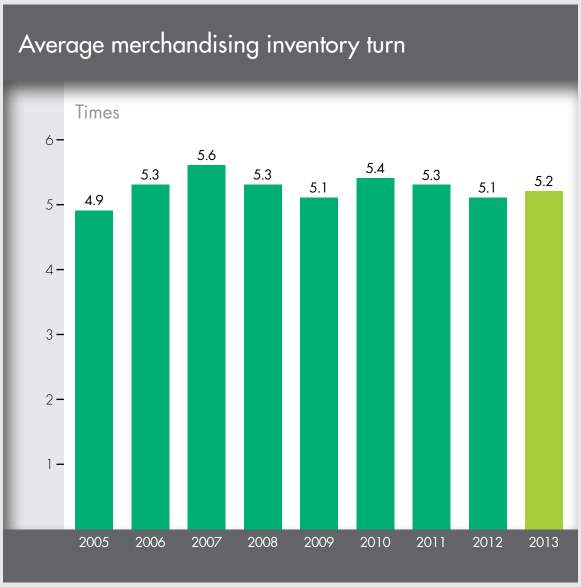
Current assets increased by 5% to R6.0 billion (2012: R5.7 billion).

- Inventories were 17% higher mainly as a result of increased levels of future season inventory in transit at period-end. In addition, inventory for the upcoming summer season was purchased at a higher cost owing to the depreciation of the Rand against the US dollar and the growth in the Group's internal international sourcing component of the imported product mix.

  The increased inventory levels resulted in the inventory turn (measured as cost of sales for the period divided by inventories on hand at period-end) reducing to 5.4 times (2012: 5.7 times) and falling outside of the target range of 6.0 times to 6.5 times. Inventory turn has averaged 6.1 times over the past five years. Excluding goods in transit, the inventory turn would have been 5.9 times compared to 6.1 times in 2012.

  Using an averaging methodology, which is the Group's internally practiced method of measuring inventory turn, inventory turn for the period was 5.2 times. This is calculated as the past 52 weeks retail sales divided by the moving average of the past 53 weeks closing inventory. In other words, using the average 12-month inventory method as opposed to the inventory at period-end method, inventory turn is within historically acceptable norms as shown in the graph below.





- Trade and other receivables increased 10% to R3.8 billion (2012: R3.4 billion) as gross trade receivables grew 11%. The doubtful debt allowance as a percentage of gross trade receivables was increased to 12.0% (2012: 10.6%) and net bad debt as a percentage of gross trade receivables grew to 10.4% (2012: 7.9%). Refer to the Managing the Risk of Credit Report on pages 87 to 91 for further detail.
- Cash and cash equivalents decreased by R235 million to R1.3 billion (2012: R1.6 billion) at period-end. During the period the Group generated R2.2 billion (2012: R1.6 billion) in cash from operating activities. This was used primarily to fund dividend payments, share buy-backs, store development and computer infrastructure and technology.

Total equity and liabilities

The return on equity and capital at 39% and 55% respectively were below the levels of 40% and 58% reported in the prior period.

Total equity

Share capital and share premium increased by R88 million (2012: R46 million) following the issue of shares in terms of the Share Option Scheme of R27 million and in terms of the Restricted Share Scheme of R61 million.

Total liabilities

Total liabilities were R116 million higher at R1.1 billion (2012: R936 million) at period-end.

- Non-current liabilities remained at R97 million. An increase in the post-retirement medical aid benefit obligation of R6 million was offset by a R4 million decrease in the cash-settled compensation liability and a R2 million decrease in the straight-line operating lease obligation.
- Current liabilities increased by R116 million due to the 20% growth in trade and other payables which was reduced by the R5 million decrease in provisions and tax payable. The increase in trade and other payables arose principally from amounts owing in respect of merchandise orders, as reflected in the increase in inventory on hand at period-end.

Statements of cash flows

Cash and cash equivalents decreased by R235 million to R1.3 billion (2012: R1.6 billion) at the end of the period, with cash generated from operations increasing 28% to R2.4 billion (2012: R1.9 billion).

Cash flow from trading and cash earnings before interest received, tax, depreciation and amortisation increased 3% to R2.7 billion.

Movements in working capital reflected an outflow of R352 million compared to an outflow of R802 million in the prior period. The movement in working capital is due to the following:

- Inventories increased by R117 million (2012: R140 million).
- Trade and other receivables and prepayments were R354 million (2012: R399 million) higher.
- Trade and other payables increased by R119 million (2012: decrease of R263 million).

Tax paid in the current period increased 2% from R964 million to R988 million. This low growth is attributable to STC no longer being payable for the reporting period compared to a payment of R57 million in 2012.

Cash dividend payments during the period increased by 19% to R1.5 billion (2012: R1.3 billion) owing to increased profitability and lower dividend cover.

Net cash used in investing activities totalled R242 million compared to R229 million in 2012. This was primarily as a result of the net effect of the following:

- Capital expenditure being R44 million higher for the period.
- Interest-free loans totalling R29 million were repaid by share incentive scheme participants and the Group's charitable trusts, compared to loans of R15 million being advanced in the prior period.
- Loans advanced of R1 million compared to R16 million in the prior period.

Net cash used in financing activities amounted to R664 million compared to R37 million in 2012 owing to the higher levels of share buy-backs.

Cash flow per share increased 36% to 521.0 cents (2012: 382.7 cents) while cash equivalent earnings per share increased 7% to 604.9 cents (2012: 565.8 cents). This translated into a cash realisation rate of 86% (2012: 68%).

The Group's free cash flow totalled R2.1 billion (2012: R1.6 billion). The cash flow analysis in the graph below details the cash generated by the Group and how the cash was deployed during the period. Free cash flow is commonly used to show the remaining cash which can be used to fund growth or be returned to shareholders as dividends or through share buy-backs.

Capital management

The Group's capital management strategy focuses on three key areas:

- Investing in the organic growth of the business.
- Returning excess funds to shareholders through share buy-backs and dividends.
- Seeking opportunities for strategic acquisitions of fashion-related businesses.

During the period capital expenditure of R270 million (2012: R226 million) was incurred to maintain and expand the operations.

The total dividend per share increased 11% to 362 cents (2012: 326 cents) and R2.2 billion (2012: R1.4 billion) was returned to shareholders through dividend payments and share buy-backs.

During the period the Group repurchased 7.6 million shares at an average price of R91.08 at a cost of R691 million. Since the inception of the share buy-back programme in 2002, 89 million shares have been repurchased at a cost of R2.4 billion at an average price of R27.43. In addition, 592 572 shares have been issued at a cost of R61 million and are held as treasury shares under the restricted share incentive scheme.

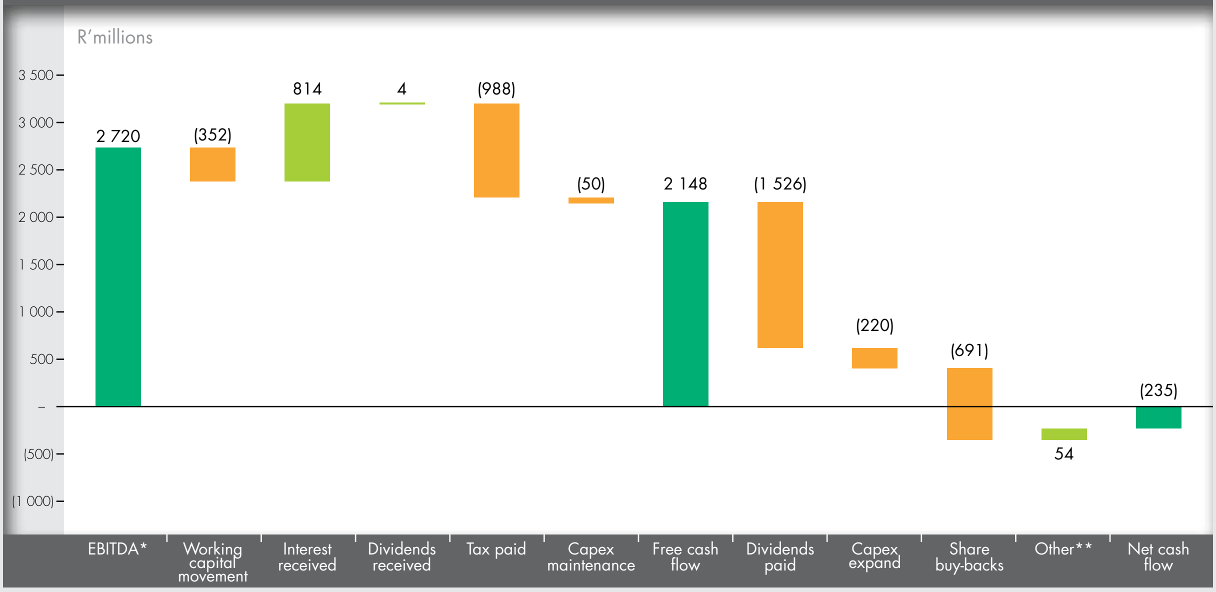
Accounting policies and standards

The accounting policies and standards applied by the Group have remained consistent with those applied during the prior period except for the adoption of IAS 1: Presentation of Financial Statements (Amended). The adoption of these amendments has resulted in minor revisions to accounting policies and disclosures, but has had no impact on the Group's financial position or performance. For further information refer to the Group Annual Financial Statements.

Plans and targets for 2014

The Group's financial targets have been reviewed against the performance for 2013 and in relation to the expected trading conditions and operational environment for the 2014 financial period. Based on the assumption that the current challenging business environment is likely to remain substantially unchanged, the board and management believe the targets largely remain relevant for the 2014 financial period. The return on equity target has been revised to 38% to 42% (previously 40% to 45%) to align with recent trading conditions. The Group regards the revised return on equity target as acceptable against international and domestic benchmarks. Inventory turn target has also been revised from 6.0 times – 6.5 times to 5.5 times – 6.5 times to take into account the increase in sourcing imports and the resultant increase in goods in transit at period-end.

Cash flow analysis



* Earnings before interest received, taxation, depreciation and amortisation.
** Other includes loans advanced to and repaid by employees, proceeds on shares issued and net foreign exchange differences.

Factors which could influence the performance targets include:

- Further deterioration in local and global economic conditions.
- Merchandise clearance levels, sales mix and inventory management.
- Management of operating expenses.
- Prudent credit risk management.
- Efficient deployment of capital.

The Group will continue to return cash that is surplus to operational and capital requirements to shareholders through dividends and share buy-backs.

Management remains committed to investing for growth, and capital expenditure of R388 million has been committed for the 2014 financial period. This includes:

- R259 million for new stores and the expansion and refurbishment of existing stores
- R60 million for the development of distribution centres
- R59 million for information systems infrastructure.

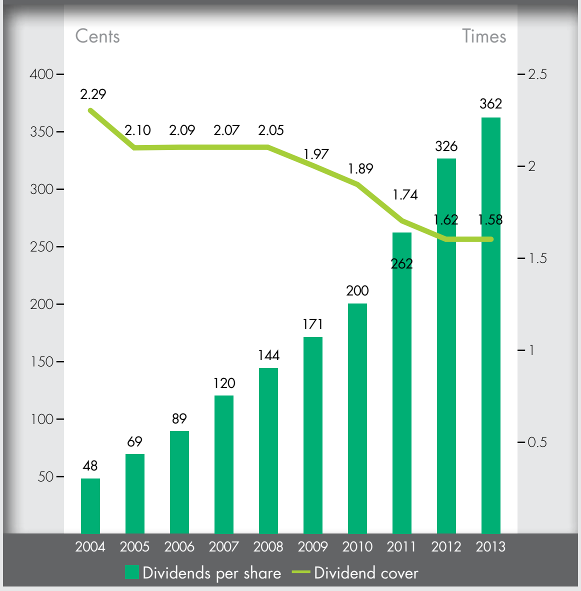
Trading space is anticipated to increase by approximately 8% during the 2014 financial period.

Acknowledgements

Thank you to our local and international shareholders, fund managers and analysts for their ongoing interest and positive engagement with the Group. I also thank my colleagues in the finance department for their support and commitment, and for ensuring that the Group continues to be acknowledged for achieving best practice standards in reporting and disclosure.

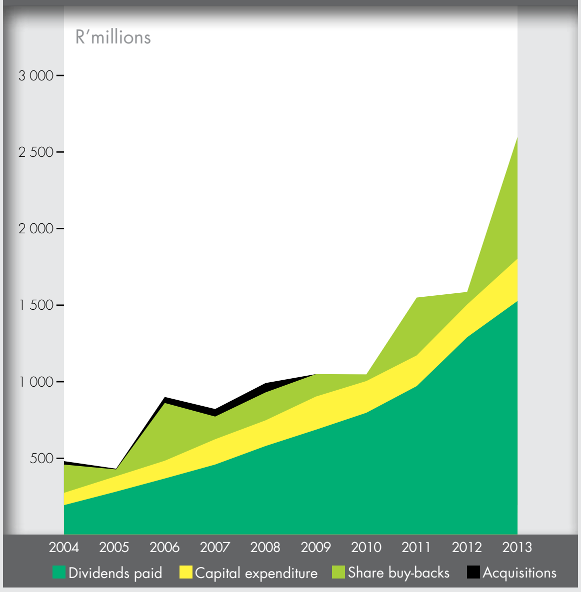
David Pfaff
Chief Financial Officer Designate

Dividends per share and dividend cover



Return on assets and asset turnover

Cash utilisation



Audited Abridged Group Annual Financial Statements at 30 June 2013

These Audited Abridged Group Annual Financial Statements comprise a summary of the Audited Annual Financial Statements of the Group for the period ended 30 June 2013 that were approved by the Truworths International Ltd board on 22 August 2013. The Audited Annual Financial Statements of the Group were prepared by the Group's finance department acting under the supervision of the Chief Financial Officer Designate, DB Pfaff CA (SA). A copy of these financial statements is available on www.truworths.co.za or can be obtained on request, to the Company Secretary (skohlhofer@truworths.co.za, tel +27(21) 460 7956) at PO Box 600, Cape Town, South Africa, 8000.

The Audited Abridged Group Annual Financial Statements consists of:

- Report of the Independent Auditors on the Abridged Annual Financial Statements
- Abridged Group Statements of Financial Position
- Abridged Group Statements of Comprehensive Income
- Abridged Group Statements of Changes in Equity
- Abridged Group Statements of Cash Flows
- Selected Explanatory Notes to the Abridged Group Annual Financial Statements
- Directors' Holdings of Shares and Equity-based Awards
- Extract from Shareholder Information

Report of the Independent Auditors

to the shareholders of Truworths International Limited

The accompanying summary consolidated financial statements of Truworths International Limited, set out on pages 64 to 74, which comprise the summary consolidated statement of financial position as at 30 June 2013, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, and related notes, are derived from the audited consolidated financial statements of Truworths International Limited for the period ended 30 June 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 22 August 2013. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph (see below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Truworths International Limited.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Truworths International Limited for the year ended 30 June 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Other Matter paragraph in our audit report dated 22 August 2013 states that as part of our audit of the consolidated financial statements for the period ended 30 June 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The Other Matter paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The Other Matter paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

Ernst & Young Inc.

Tina Rookledge
Director
Registered Auditor (RA)
Chartered Accountant (SA)

Cape Town
22 August 2013

Abridged Group Statements of Financial Position

		At 30 June 2013 Audited Rm	At 1 July 2012 Audited Rm
ASSETS			
Non-current assets		1 280	1 197
Property, plant and equipment		857	775
Goodwill		90	90
Intangible assets		103	94
Derivative financial assets		19	34
Available-for-sale assets		4	3
Loans and receivables		118	143
Deferred tax		89	58
Current assets		5 991	5 720
Inventories		787	670
Trade and other receivables		3 766	3 421
Derivative financial assets		42	7
Prepayments		71	62
Cash and cash equivalents		1 325	1 560
Total assets		7 271	6 917
EQUITY AND LIABILITIES			
Total equity		6 219	5 981
Share capital and premium		293	205
Treasury shares		(2 028)	(1 274)
Retained earnings		7 825	6 944
Non-distributable reserves		129	106
Non-current liabilities		97	97
Post-retirement medical benefit obligation		53	47
Cash-settled compensation obligation		8	12
Straight-line operating lease obligation		36	38
Current liabilities		955	839
Trade and other payables		719	598
Provisions		71	73
Tax payable		165	168
Total liabilities		1 052	936
Total equity and liabilities		7 271	6 917
Number of shares in issue (net of treasury shares)	(millions)	417.8	424.0
Net asset value per share	(cents)	1 488.5	1 410.6
Key ratios			
Return on equity	(%)	39	40
Return on capital	(%)	55	58
Return on assets	(%)	46	46
Inventory turn	(times)	5.4	5.7
Asset turnover	(times)	1.3	1.3

Abridged Group Statements of Comprehensive Income

	Note	52 weeks to 30 June 2013 Audited Rm	% change	53 weeks to 1 July 2012 Audited Rm
Revenue	3	10 809	11	9 769
Sale of merchandise		9 765	11	8 830
Cost of sales		(4 241)		(3 820)
Gross profit		5 524	10	5 010
Other income		226		208
Trading expenses		(3 202)	16	(2 759)
Depreciation and amortisation		(160)		(138)
Employment costs		(986)		(890)
Occupancy costs		(843)		(746)
Trade receivable costs		(739)		(533)
Other operating costs		(474)		(452)
Trading profit		2 548	4	2 459
Interest received		814		728
Dividends received		4		3
Profit before tax		3 366	6	3 190
Tax expense		(958)		(965)
Profit for the period, fully attributable to owners of the parent		2 408	8	2 225
Other comprehensive income				
Movement in effective portion of cash flow hedge		(3)		11
Deferred tax on movement in effective cash flow hedge		4		(3)
Movement in foreign currency translation reserve		(1)		–
Other comprehensive income for the period, net of tax		–		8
Total comprehensive income for the period, fully attributable to owners of the parent		2 408	8	2 233
Basic earnings per share	(cents)	570.8	8	526.3
Headline earnings per share	(cents)	570.8	8	526.7
Fully diluted basic earnings per share	(cents)	560.7	9	516.6
Fully diluted headline earnings per share	(cents)	560.7	8	517.1
Weighted average number of shares	(millions)	421.9		422.8
Key ratios				
Gross margin	(%)	56.6		56.7
Trading expenses to sale of merchandise	(%)	32.8		31.2
Trading margin	(%)	26.1		27.8
Operating margin	(%)	34.5		36.1

Abridged Group Statements of Changes in Equity

	30 June 2013 Audited Rm	1 July 2012 Audited Rm
Total equity at the beginning of the period	5 981	5 046
Total comprehensive income for the period	2 408	2 233
Profit for the period	2 408	2 225
Other comprehensive income for the period	–	8
Dividends	(1 527)	(1 282)
Premium on shares issued	88	46
Shares repurchased	(691)	(83)
Shares issued in terms of the restricted share scheme	(61)	–
Shares acquired upon forfeiture of equity-based awards	(2)	–
Share-based payment	23	21
Total equity at the end of the period	6 219	5 981
Comprising:		
Share capital and premium	293	205
Treasury shares	(2 028)	(1 274)
Retained earnings	7 825	6 944
Non-distributable reserves	129	106
Total equity	6 219	5 981
Cents per share:		
Dividends	362	326
Final – payable/paid September	158	157
Interim – paid March/April	204	169

Abridged Group Statements of Cash Flows

		52 weeks to 30 June 2013 Audited Rm	53 weeks to 1 July 2012 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from trading and cash EBITDA*		2 720	2 653
Working capital movements		(352)	(802)
Cash generated from operations		2 368	1 851
Interest received		814	728
Dividends received		4	3
Tax paid		(988)	(964)
Cash inflow from operations		2 198	1 618
Dividends paid		(1 526)	(1 281)
Net cash from operating activities		672	337
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment to expand operations		(203)	(166)
Acquisition of plant and equipment to maintain operations		(50)	(37)
Acquisition of computer software		(17)	(23)
Loans advanced		(1)	(16)
Loans repaid		29	15
Acquisition of mutual fund units		–	(2)
Net cash used in investing activities		(242)	(229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on shares issued		27	46
Shares repurchased by subsidiaries		(691)	(83)
Net cash used in financing activities		(664)	(37)
Net (decrease)/increase in cash and cash equivalents		(234)	71
Cash and cash equivalents at the beginning of the period		1 560	1 489
Net foreign exchange difference		(1)	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1 325	1 560
Key ratios			
Cash flow per share	(cents)	521.0	382.7
Cash equivalent earnings per share	(cents)	604.9	565.8
Cash realisation rate	(%)	86	68

* Earnings before interest received, tax, depreciation and amortisation

Selected Explanatory Notes to the Abridged Group Annual Financial Statements

1 Basis of preparation

The information in these abridged annual financial statements has been extracted from the Group's 2013 annual financial statements. The abridged financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, IAS 34: Interim Financial Reporting, the South African Companies Act (71 of 2008, as amended) and the Listings Requirements of the JSE.

The Group's 2013 annual financial statements and these abridged annual financial statements have been audited by the Group's external auditors, Ernst & Young Inc.

The Group's 2013 annual financial statements have been prepared in accordance with the going concern and historical cost bases except where otherwise indicated in the Group's accounting policies. The accounting policies have been applied uniformly throughout the Group and are consistent with those applied in the prior period, except as mentioned in note 2. The presentation currency is the South African Rand (R) and all amounts are rounded to the nearest million. This abridged report has been prepared under the supervision of DB Pfaff CA(SA), the Chief Financial Officer Designate of the Group.

2 Accounting policies

The accounting policies and methods of computation applied in the preparation of this abridged report are consistent with those applied in the preparation of the Group's annual financial statements for the period ended 1 July 2012, except for the adoption of IAS 1: Presentation of Financial Statements (Amended) as described below.

IAS 1: Presentation of Financial Statements (Amended)

The amendments to IAS 1 require items that are recognised in other comprehensive income, that may be reclassified ('recycled') to profit or loss in a future period, to be presented separately from those items that may never be reclassified to profit or loss. The adoption of IAS 1 (Amended) only affects the presentation of the Group's annual financial statements and has had no impact on the Group's financial position or performance.

IFRS, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations not applicable to Group activities

Various other new and amended IFRS and IFRIC interpretations that have been issued and are effective, have not been adopted by the Group as they are not applicable to its activities.

	52 weeks to 30 June 2013 Audited Rm	% change	53 weeks to 1 July 2012 Audited Rm
3 Revenue			
Sale of merchandise	9 765	11	8 830
Retail sales	10 074	11	9 104
Accounting adjustments	(318)		(298)
Franchise sales	9		24
Other income	226	9	208
Commission	112		103
Financial services income	51		39
Display fees	48		45
Lease rental income	7		8
Other	6		10
Royalties	2		3
Interest received	814	12	728
Trade receivables interest	724		630
Investment interest	90		98
Dividends received	4		3
Total revenue	10 809	11	9 769
4 Reconciliation of profit for the period to headline earnings			
Profit for the period, fully attributable to owners of the parent	2 408		2 225
Adjusted for:			
Loss on disposal of fixed assets	–		2
Headline earnings	2 408	8	2 227

5 **Segment reporting**

The Group's reportable segments have been identified as the Truworths and Young Designers Emporium (YDE) business units. The Truworths business unit comprises all the retailing activities conducted by the Group, through which the Group retails fashion apparel comprising clothing, footwear and other fashion products to women, men and children, other than by the YDE business unit. The YDE business unit comprises the agency activities through which the Group retails clothing, footwear and related products on behalf of emerging South African designers.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is reported on an IFRS basis and evaluated based on revenue and profit before tax.

		Truworths Rm	YDE Rm	Consoli-dation entries Rm	Group Rm
2013					
Total third party revenue		10 722	111	(24)	10 809
Third party		10 691	111	7	10 809
Inter-segment		31	–	(31)	–
Depreciation and amortisation		156	4	–	160
Employment costs		973	13	–	986
Occupancy costs		810	33	–	843
Trade receivable costs		739	–	–	739
Other costs		493	15	(34)	474
Interest received		810	1	3	814
Profit for the period		2 367	32	9	2 408
Profit before tax		3 312	45	9	3 366
Tax expense		(945)	(13)	–	(958)
Segment assets		10 125	154	(3 008)	7 271
Segment liabilities		1 154	1	(103)	1 052
Capital expenditure		268	2	–	270
Gross margin	(%)	56.6	–		56.6
Trading margin	(%)	25.6	39.7		26.1
Operating margin	(%)	33.9	40.8		34.5
Inventory turn	(times)	5.4	–		5.4
Credit:cash sales mix	(%)	72:28	25:75		72:28
2012					
Total third party revenue		9 679	107	(17)	9 769
Third party		9 654	107	8	9 769
Inter-segment		25	–	(25)	–
Depreciation and amortisation		134	4	–	138
Employment costs		877	13	–	890
Occupancy costs		715	31	–	746
Trade receivable costs		533	–	–	533
Other costs		463	16	(27)	452
Interest received		722	1	5	728
Profit for the period		2 190	31	4	2 225
Profit before tax		3 143	43	4	3 190
Tax expense		(953)	(12)	–	(965)
Segment assets		9 208	176	(2 467)	6 917
Segment liabilities		1 073	5	(142)	936
Capital expenditure		217	9	–	226
Gross margin	(%)	56.7	–		56.7
Trading margin	(%)	27.4	39.1		27.8
Operating margin	(%)	35.6	40.0		36.1
Inventory turn	(times)	5.7	–		5.7
Credit:cash sales mix	(%)	73:27	25:75		73:27

	2013 Contribution to revenue Rm	2013 %	2012 Contribution to revenue Rm	2012 %
Third party revenue				
South Africa	10 460	96.8	9 501	97.3
Namibia	171	1.6	159	1.6
Swaziland	52	0.5	55	0.6
Botswana	49	0.5	18	0.2
Nigeria	16	0.1	3	–
Zambia	16	0.1	–	–
Ghana	14	0.1	–	–
Lesotho	13	0.1	–	–
Mauritius	9	0.1	9	0.1
Franchise sales	9	0.1	24	0.2
Kenya	8	0.1	10	0.1
Lesotho	1	–	4	–
Botswana	–	–	7	0.1
Zambia	–	–	3	–
Total third party revenue	10 809	100	9 769	100

	2013 R'000	2012 R'000
6 Share capital		
Ordinary share capital		
Authorised		
650 000 000 (2012: 650 000 000) ordinary shares of 0.015 cent each	98	98
Issued and fully paid		
463 806 804 (2012: 461 810 026) ordinary shares of 0.015 cent each	70	69

The company has one class of ordinary shares which carry no rights to fixed income.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company's shareholders.

		2013 Number of shares 000's	2012 Number of shares 000's
Reconciliation of movement in issued shares			
Balance at the beginning of the period		461 810	459 999
Shares issued during the period		2 019	1 811
Balance at the end of the period*		463 829	461 810
Treasury shares held by subsidiaries		(46 064)	(37 843)
Number of shares in issue (net of treasury shares)		417 765	423 967
Treasury shares as a % of the issued shares at the end of the period	(%)	9.9	8.2

The shares issued during the period were allotted for an aggregate nominal value of R303 (2012: R272) and an aggregate premium of R88 060 989 (2012: R45 525 177).

* Includes 22 084 shares issued during the period and to be allotted subsequent to the reporting date.

	30 June 2013 Audited Rm	1 July 2012 Audited Rm
7 Capital commitments		
Capital expenditure authorised but not contracted:		
Store development	259	211
Distribution facilities	60	43
Computer infrastructure	59	51
Motor vehicles	6	6
Head office refurbishment	4	4
Total capital commitments	388	315

The capital commitments will be financed from cash generated from operations and available cash resources and are expected to be incurred in the 2014 reporting period.

8 Events after the reporting date

No event, material to the understanding of this abridged report, has occurred between the reporting date and the date of approval of the report.

9 Impact of the 53rd week in 2012 on year-end financial reporting

In line with the practice generally prevailing in the South African retailing industry, the Group manages its internal accounting and retail operations in accordance with the retail calendar, which treats each financial period as an exact 52-week period. This treatment effectively results in the 'loss' of a day (or two in a leap year) per calendar year. These days are brought to account every 5 to 7 years by including a 53rd week in the financial reporting calendar. The Group's 2012 earnings were higher as a result of trading during this week.

Although the Group reported prior period financial results for 53 weeks to 1 July 2012, it is useful and good governance also to report pro-forma information for a 52-week 2012 comparative period, so as to facilitate comparisons against the prior and current period results.

The preparation of the unaudited pro-forma 52-week financial information is the responsibility of the directors. The table that follows illustrates the unaudited pro-forma statement of comprehensive income for the 52-week period ended 24 June 2012 (the 'pro-forma 52-week information').

The unaudited pro-forma 52-week information for the period ended 24 June 2012 has been prepared for illustrative purposes only, to indicate how such information compares to the actual audited results of the Group for the 52-week period ended 30 June 2013.

The estimated financial impact of the 53rd week in the prior period is shown as follows.

Abridged Group statements of comprehensive income		52 weeks to 30 June 2013 Audited Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	53 weeks to 1 July 2012 Audited Rm	53rd week Adjust-ment Rm	52 weeks to 24 June 2012 Pro-forma Rm
Sale of merchandise		**9 765**	11	13	8 830	(183)	8 647
Cost of sales		**(4 241)**	11	13	(3 820)	79	(3 741)
Gross profit		**5 524**	10	13	5 010	(104)	4 906
Other income		**226**	9	9	208	–	208
Trading expenses		**(3 202)**	16	16	(2 759)	–	(2 759)
Depreciation and amortisation		**(160)**	16	16	(138)	–	(138)
Employment costs		**(986)**	11	11	(890)	–	(890)
Occupancy costs		**(843)**	13	13	(746)	–	(746)
Trade receivable costs		**(739)**	39	39	(533)	–	(533)
Other operating costs		**(474)**	5	5	(452)	–	(452)
Trading profit		**2 548**	4	8	2 459	(104)	2 355
Interest		**814**	12	12	728	–	728
Dividends		**4**	33	33	3	–	3
Profit before tax		**3 366**	6	9	3 190	(104)	3 086
Tax expense		**(958)**	(1)	2	(965)	29	(936)
Profit for the period, fully attributable to owners of the parent		**2 408**	8	12	2 225	(75)	2 150
Basic earnings per share	(cents)	**570.8**	8	12	526.3		508.5
Headline earnings per share	(cents)	**570.8**	8	12	526.7		509.0
Fully diluted basic earnings per share	(cents)	**560.7**	9	12	516.6		499.2
Fully diluted headline earnings per share	(cents)	**560.7**	8	12	517.1		499.7
Key ratios							
Gross margin	(%)	**56.6**			56.7		56.7
Trading expenses to sale of merchandise	(%)	**32.8**			31.2		31.9
Trading margin	(%)	**26.1**			27.8		27.2
Operating margin	(%)	**34.5**			36.1		35.7

Notes:

1. The accounting policies adopted by the Group in the prior period audited annual financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been used in preparing the unaudited pro-forma 52-week information.
2. The '53rd week adjustment column' reflects sale of merchandise, the cost of sales (calculated with reference to the gross profit margin for the 53-week period) and tax expense (calculated with reference to the actual tax rate for the 53rd week period) for the one-week period from 25 June 2012 to 1 July 2012, together with the resultant gross profit, trading profit, profit before tax and profit for that one-week period.
3. The sale of merchandise for the one-week period from 25 June to 1 July 2012 has been extracted from the Group's accounting records.
4. The '53rd week adjustment' column, in the opinion of the directors, fairly reflects the results for the one-week period from 25 June 2012 to 1 July 2012.
5. The calculation of earnings per share and headline earnings per share for the pro-forma 52-week period is based on the weighted average number of shares in issue over that period.
6. The Group's external auditors have issued a limited assurance report on the prior period pro-forma 52-week information. A copy of their report is available at the Group's registered office.

Directors' Holdings of Shares and Equity-based Awards

	RSPs* 000's	PSPs** 000's	Shares 000's	Options 000's	Total 000's
2013					
In aggregate					
Balance at the beginning of the period	–	–	3 053	5 963	9 016
Granted during period	48	49	–	–	97
Exercised during the period	–	–	–	(501)	(501)
Forfeited during the period	–	–	(50)	(9)	(59)
Share movements during the period	–	–	(385)	–	(385)
Balance at the end of the period	48	49	2 618	5 453	8 168
By director The direct and indirect interest of each of the directors in the company's shares, which are held either beneficially or pursuant to the equity-settled share schemes, are as follows:					
Executive director	48	49	2 490	5 453	8 040
Michael Mark	48	49	2 490	5 453	8 040
Non-executive directors	–	–	128	–	128
Thandi Ndlovu	–	–	30	–	30
Hilton Saven	–	–	50	–	50
Tony Taylor	–	–	48	–	48
Balance at the end of the period	48	49	2 618	5 453	8 168
Comprising:					
Direct interest	48	49	2 128	5 453	7 678
Indirect interest	–	–	490	–	490
Total	48	49	2 618	5 453	8 168

* RSPs: Restricted share plan
** PSPs: Performance share plan

Directors' Holdings of Shares and Equity-based Awards (continued)

	Shares 000's	Options 000's	Total 000's
2012			
In aggregate			
Balance at the beginning of the period	4 823	6 043	10 866
Exercised during the period	–	(80)	(80)
Share movements during the period	(1 770)	–	(1 770)
Balance at the end of the period	3 053	5 963	9 016
By director The direct and indirect interest of each of the directors in the company's shares, which are held either beneficially or pursuant to the equity-settled share scheme, are as follows:			
Executive directors	2 540	5 963	8 503
Michael Mark	2 490	5 953	8 443
Mark Sardi	50	10	60
Non-executive directors	513	–	513
Thandi Ndlovu	30	–	30
Edward Parfett	385	–	385
Hilton Saven	50	–	50
Tony Taylor	48	–	48
Balance at the end of the period	3 053	5 963	9 016
Comprising:			
Direct interest	1 735	5 963	7 698
Indirect interest	1 318	–	1 318
Total	3 053	5 963	9 016

There have been no changes to these interests between the reporting date and the date of the directors' report.

It is the Group's policy that all directors and officers, as well as those employees who have access to price-sensitive information, should not deal in company shares, or receive or exercise share options or share appreciation rights of the company during the closed period. The closed periods commence two weeks before the end of the interim (December) and annual (June) reporting periods and end twenty-four hours after announcement of the financial results on the JSE news service.

Loans pursuant to share option scheme

The shares held by executive directors in terms of the Truworths International Ltd share option scheme have been acquired by way of secured loans pursuant to such scheme. The shares are pledged against the outstanding loan balances (refer to note 26.1 of the Group Annual Financial Statements) and will become releasable upon the later of vesting or repayment of the loans (refer to note 7.2 of the Group Annual Financial Statements). Refer to section 3 of Annexure Two for details of options exercised and shares so acquired in terms of such scheme during the reporting period.

Of the 1 990 275 shares held by Mr Mark pursuant to the share scheme, 1 752 775 (2012: 1 865 275) shares have vested at the reporting date. The remaining 237 500 (2012: 625 000) shares will become releasable between 14 October 2013 and 19 March 2014 (2012: 14 October 2012 and 19 March 2014).

Extract from Shareholder Information

Holders of major beneficial interests in shares

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act (71 of 2008, as amended), the following persons had beneficial interests in excess of 3% of the company's shares at the reporting date:

		2013		2012	
	Country	Number of shares	% of issued capital	Number of shares	% of issued capital
Government Employees Pension Fund	South Africa	63 690 010	13.7	61 070 428	13.2
Aberdeen Emerging Opportunities Fund	Australia	37 265 719	8.0	1 571 729	0.3
Aberdeen Emerging Markets	Canada	32 275 543	7.0	1 976 098	0.4
Lazard Emerging Markets Fund	United States of America	10 999 918	2.4	19 202 193	4.2
Aberdeen Emerging Markets Institutional Fund	United States of America	–	–	14 381 737	3.1

Major fund managers

According to the disclosures made by nominee and asset management companies in terms of section 56 of the Companies Act (71 of 2008, as amended), the following fund managers administered portfolios (including those of the holders of the major beneficial interests above) in excess of 3% of the company's shares at the reporting date:

		2013		2012	
	Country	Number of shares	% of issued capital	Number of shares	% of issued capital
Aberdeen Asset Managers Ltd	United Kingdom	103 264 062	22.3	83 527 498	18.1
Public Investment Corporation	South Africa	62 064 848	13.4	61 548 894	13.3
Westwood Global Investments LLC	United States of America	28 965 780	6.2	30 470 812	6.6
Foord Asset Management	South Africa	19 466 467	4.2	11 463 295	2.5
Lazard Asset Management LLC	United States of America	19 241 228	4.1	33 638 075	7.3
Aberdeen Asset Managers Inc	United States of America	16 634 420	3.6	6 460 573	1.4
Capital Research & Management	United States of America	10 683 000	2.3	26 518 952	5.7

Customers

Group Brands

Our Vision for our customers:

'Truworths will be the first place I go when I want quality fashion that makes me look attractive and successful and feel enthused with confidence because shopping at Truworths is effortless and I am helped by lively and committed people.'

The Group has a diversified portfolio of brands each offering a unique handwriting that appeals to the different lifestyles of youthful, fashionable South Africans. The ranges are aligned with international fashion trends and cover ladieswear, menswear and childrenswear.

Core to the brand strategy is the emphasis on the development, promotion and growth of in-house brands that are exclusive to the Group, complemented by a small offering of selected specialist third party brands.

Truworths and Truworths Man are the core brands found in Truworths emporium stores. These are complemented by other brands to meet the various lifestyle needs of our customers, including Inwear (launched in 1986), Truworths Jewellery (launched in 1989), LTD (launched in 1992) and Elements (launched in 1999).

Each brand has a clearly defined profile which ensures the merchandise range carries a distinctive handwriting.

The French designer brand, Daniel Hechter, has been operated by the Group under an exclusive long-term licence agreement in South Africa since 1984.

In 1999 the Group launched Identity as a separate chain offering fashion-forward merchandise at affordable prices to the trendy, value-conscious youth market. Identity offers both a men's and ladies range of outerwear merchandise complemented by shoes, bags, accessories and lingerie. Identity operates through stand-alone stores.

The Uzzi chain of stores was acquired in 2006 and integrated into the Group's portfolio of brands. Uzzi offers a range of Italian inspired menswear, and trades both within Truworths emporium stores as well as in stand-alone Uzzi stores.

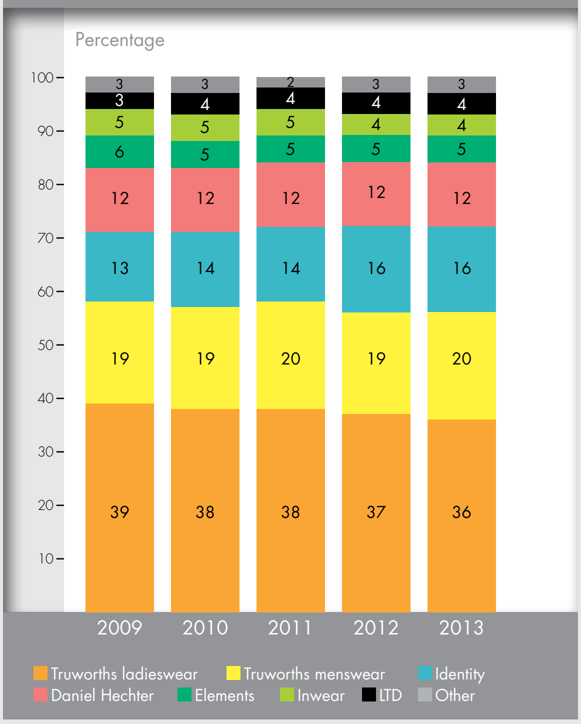
The YDE chain showcases ranges from emerging South African designers that are exclusive to YDE. The brand was acquired in 2003 and operates through stand-alone stores.

Other brands owned by the Group include the eclectic Ginger Mary brand and the Italian-inspired Lucia Rosati range. The LTD brand offers a range of 'leisure time dressing' merchandise for ladies, men and children.

The Group has continued to record market share gains in South Africa and based on data from the Retail Liaison Committee (RLC), the Group increased its ladieswear market share of clothing from 21.2% in 2012 to 21.7%, while its menswear market share of clothing grew from 22.4% in 2012 to 22.6%.

All figures in the graph below as well as the brand synopsis on pages 79 to 81 are measured as 52 weeks in the 2013 period compared to 53 weeks in the 2012 period.

Retail sales contribution



	TRUWORTHS	TRUWORTHS MAN	IDENTITY
Brand description	Truworths ladieswear offers a range of fashionable leisurewear, formalwear, eveningwear, lingerie, shoes and accessories designed for the youthful, modern, fashion-conscious woman.	Truworths menswear caters for the entire wardrobe requirements of modern, fashion-conscious, youthful men by offering a range of exclusive brands that encompass formalwear and leisurewear, in addition to a range of shoes, underwear and accessories.	Identity offers a range of young, affordable trendy forward fashion for men and women and is the brand for those who want to be wearing up-to-date fashion. Identity caters for the fashion-aware and value-conscious youth market.
Brand profile	Ladies across all ages and lifestyles	Men across all ages and lifestyles	Young men and ladies
Supporting brands and ranges	Outback Red, Truworths Casual wear, Ginger Mary, Finnigans, Truworths Collection, Essence, Truworths Glamour, TRS by Truworths, Hey Betty, Zeta, Intrigue, Skiny, Peep, Lucia Rosati, Emily Moon, The Look and Truworths Maternity	Truworths Man, Uzzi, Hemisphere, Hemisphere Sport, Studio, Trench, Moskow and Exstream	Identity man, Identity woman and Identity shoes
Store concept and format	Housed in emporium stores	Housed in emporium stores and as stand-alone stores	Independent stand-alone stores
Retail sales for 2013	R3.7 billion	R2.0 billion	R1.6 billion
Retail sales growth on prior period	9% (52 weeks: 11%)	13% (52 weeks: 16%)	13% (52 weeks: 15%)
Retail sales contribution	36%	20%	16%
Compound retail sales growth over last five years	10%	13%	18%
Number of stores at period-end	298 Truworths emporium stores	32 Truworths Man stand-alone stores 55 Uzzi stand-alone stores 270 Truworths menswear departments within emporium stores 117 Uzzi departments within emporium stores	195 Identity stand-alone stores

	DANIEL HECHTER PARIS	TRUWORTHS elements	Inwear
Brand description	Daniel Hechter is a French designer brand of high-quality and modern yet timeless designs for men and women. The collection offers a refined sense of style combined with a French touch and the sophistication of classic European styling, superior tailoring and luxurious fabrics.	Truworths Elements offers a range of premium international skincare, colour cosmetics and fragrance brands for him and her. Truworths Elements is a fresh and uncluttered beauty destination, focusing on highly sought-after prestigious brands for fashion-conscious customers, where they can enjoy the expertise of trained specialist cosmetic consultants.	Inwear is a forward trending range of casual, formal and glamour outerwear, complemented by shoes, that demands to be noticed. Inwear focuses on the very latest fashion trends, offering an innovative and sexy range of merchandise. The Inwear slogan – 'Own the attitude' – ensures the brand is youthful, fun, fashionable and trendy at all times.
Brand profile	Men and ladies of all ages	Men and ladies	Youthful ladies
Supporting brands and ranges	Daniel Hechter man and Daniel Hechter woman	Brands include MAC, Estée Lauder, Clarins, Revlon, Kangol, Elizabeth Arden, Aramis and Hugo Boss, as well as niche fashion and salon brands	
Store concept and format	Housed in emporium stores and as stand-alone stores	Departments or counters within emporium stores	Housed in emporium stores
Retail sales for 2013	R1.2 billion	R480 million	R451 million
Retail sales growth on prior period	11% (52 weeks: 13%)	6% (52 weeks: 8%)	10% (52 weeks: 12%)
Retail sales contribution	12%	5%	4%
Compound retail sales growth over last five years	11%	7%	7%
Number of stores at period-end	4 Daniel Hechter stand-alone stores 309 Daniel Hechter departments within emporium stores	66 Truworths Elements departments within emporium stores	288 Inwear departments within emporium stores

	LTD	TRUWORTHS JEWELLERY	the young designers emporium
Brand description	LTD is an eclectic collection of easy yet sophisticated leisure-time dressing for women, men, teenagers, children and toddlers. LTD is a versatile leisure-inspired range that has an urban feel with sophisticated undertones. In keeping with this philosophy, LTD captures key international and local trends but always adds its unique handwriting that sets it apart. Extra emphasis is placed on fabric, design and detail.	Truworths Jewellery offers a selection of fashion jewellery, branded watches, quality fine jewellery and sunglasses. The merchandise appeals to youthful men and women, across a broad lifestyle spectrum, who view jewellery and accessories as an integral part of fashion. The range includes high-quality gold and silver jewellery, pewter and trendy fashion jewellery, as well as leading international watch and sunglass brands.	The Young Designers Emporium (YDE) showcases South Africa's young, cutting-edge fashion talent. As an agent, YDE markets the clothing and lifestyle products of emerging designers and suppliers. The unique trading formula of YDE provides an exciting platform for young designers to present their own labelled ranges in a branded space. The emporiums are aimed at fashion-forward customers aged 16 to 35 and offer clothing, shoes, bags and accessories.
Brand profile	Ladies, men, teenagers, children and toddlers	Men and ladies	Young men and ladies in the 16 – 35 age group
Supporting brands and ranges	LTD ladieswear, LTD menswear, LTD childrenswear, LTD babywear and Max and Mia childrenswear		
Store concept and format	Housed in emporium stores and stand-alone stores	Housed in emporium stores	Operates independent stand-alone stores
Retail sales for 2013	R405 million	R95 million	R278 million (agency sales)
Retail sales growth on prior period	15% (52 weeks: 16%)	7% (52 weeks: 8%)	1% (52 weeks: 2%)
Retail sales contribution	4%	1%	Agency sales, so therefore not included in retail sales
Compound retail sales growth over last five years	18%	5%	3%
Number of stores at period-end	2 LTD stand-alone stores 104 LTD departments within emporium stores	136 Truworths Jewellery departments within emporium stores	18 YDE stand-alone stores

Managing the Risk of Fashion

Managing the risk of fashion is about accurately predicting the latest international fashion trends, successfully interpreting these for the local market, and then consistently creating new and enticing merchandise ranges to meet our customers' needs. At the same time the supply chain needs to be carefully managed by building a reliable supply base, improving speed to market of merchandise, and tightly managing inventory levels.

Rigorous processes are followed to manage and mitigate the risk of fashion throughout the merchandise life cycle. These processes have been enhanced during the period with the implementation of systems and technology to support buying processes and merchandise assortment planning, as well as adapting and enhancing buying processes.

The Group's success in managing the risk of fashion in the financial period is reflected in the 11% (13% if the additional trading week in the prior period is excluded) increase in retail sales, the gross margin at 56.6% and growth in both ladieswear and menswear clothing market share based on Retail Liaison Committee (RLC) data.

Internationally styled fashion

Truworths' fashion is aimed at making customers look attractive and successful and feel enthused with confidence, regardless of their age, size or other defining features.

While the Group has multiple brands and styles (as described on pages 78 to 81), the business has one clearly defined customer, youthful fashionable South Africans. This single customer definition eliminates the risk of segmenting the market by targeting merchandise at different customer groups, emphasising their specific needs for different occasions and lifestyles, and is core to managing the risk of fashion.

The merchandise philosophy of buying 'wide not deep' offers customers an extensive range of garments and styles, with limited quantities of each item and size. This ensures exclusivity, heightens fashionability and provides customers with wider choice.

An in-house Fashion Studio is the heartbeat of the merchandise forecasting process. The studio sources information from international fashion fairs and survey institutes, observes street trends, and gains insights from consultants in the major fashion capitals. Fashion trends are analysed by designers to identify what is new and in fashion for the next season. These global fashion themes are then analysed and interpreted for the local market, with colours, fabrics, styles and trims selected for each brand for the new season.

Retailers in the southern hemisphere are fortunate to be able to follow fashion trends in the northern hemisphere which is a season ahead. This enables the merchandise team to confirm fashion trends from Europe and the United States before committing to orders for the next season.

Consistent fashion formula

A disciplined fashion buying and planning formula continues to be evolved and is consistently applied season after season. Designers, merchandise planners and buyers work under the leadership of experienced merchandising executives who are specialists in fashion forecasting, buying and planning. This process marries the creative flair of buyers with the analytical skills of planners.

Executive management interventions at critical stages in the product development life cycle limits the risk of fashion failure and ensures that learnings are passed on to junior members of the team.

The merchandising process has been enhanced with the introduction of a more strategic approach to forecasting fashion and product direction. This involves greater participation by experienced executives and senior merchants in setting overall direction and monitoring the process. Leading the team is the buying and merchandising director and five divisional merchandise directors.

A real strength of the merchandising process is that teams are able to identify problems early and implement solutions, highlighting the ability to manage the risk of fashion. While these processes are consistently and rigorously applied, disappointments inevitably occur.

The buying and planning process has been supplemented with a new merchandise assortment planning system to assist with the analysis, planning and control of the merchandise range. This allows for faster and more accurate decision-making, and improves the productivity of buyers and planners. Systems have also been developed to support both replenishment planning and quick response planning.

Improving speed to market

Improving lead times in the supply chain is a vital aspect of managing the risk of fashion. Following extensive work in recent years to create greater efficiencies, processes such as fabric manufacture, shipping times and garment construction cannot be reduced much further without compromising standards.

The Group has initiated a quick response model with key suppliers to improve speed to market and to react rapidly to sales patterns. These quick response projects have enabled lead times to be shortened further during the financial period. Lead times differ depending on the product type and/or the location of the supplier, with the majority of these suppliers being locally based, or in neighbouring Southern African Development Community (SADC) countries.

Increasing volumes of merchandise are being imported from SADC countries and has resulted in shorter lead times owing to the proximity of these countries. China, however, remains the main source of supply for imported merchandise.

Domestic manufacture offers shorter lead times as local suppliers can respond speedily to restocking popular styles during a season. This offers a distinct advantage over restocking of imported merchandise which can take up to six weeks to be shipped from the East.

Foreign manufacture, however, offers a wider variety and greater technical detail in clothing at reasonable prices. Goods are generally imported in merchandise categories where the Group is unable to source local products that meet the desired quality standards at competitive prices.

Shoes, fashion accessories, knitwear and denim generally have a higher proportion of imports, while the Identity brand has a higher import component owing to its value offering.

Strengthening supplier partnerships

Interaction with the local and international supply base has been increased and the Group's supplier relationship executive engages with both domestic and offshore manufacturers to improve relationships and create alliances.

Local suppliers remain under pressure to compete with their international counterparts, despite government grant support. The Group works in partnership with the local supplier base to improve efficiency to ensure it can provide quick response times to merchandise orders. Merchandise is sourced from several local suppliers and close relationships have been forged with a few key manufacturers. These key suppliers are closely involved in developing and designing ranges with the merchandise team.

Risk in the supply chain is mitigated by monitoring the volume of merchandise being supplied by each manufacturer. Management has placed greater emphasis on diversifying the supplier base and is continuing to work on limiting over-exposure to individual suppliers.

Managing Rand volatility

While strategies and processes are implemented to limit fashion failure, managing the volatility of the Rand to maintain acceptable levels of product inflation is a constant challenge.

Approximately 65% of all merchandise is imported and US dollar denominated, and as a matter of policy the Group purchases forward cover to hedge the risk of currency fluctuations. The local currency declined by approximately 20% against the US dollar during the period.

Merchandise challenges in Africa

Managing merchandise sizing, colours and seasonality in stores outside of South Africa is a challenge.

Following another year of trading in these African countries, the team has gained greater insight into customer buying patterns to enable adjustments to be made to size curves, merchandise categories and colour assortments.

As the majority of the stores outside of South Africa are now Group-owned, the Group's information systems are able to provide more accurate sales data to inform the buying process. While most of the stores in the rest of Africa are in the southern hemisphere where climatic conditions are similar to those of South Africa, managing the product offering in countries with warm year-round climates remains a focus area.

Superior quality fashion

Customers are offered internationally-styled fashion apparel of superior quality. The Group's quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to prescribed quality, safety and ethical standards.

Quality assurance teams work closely with local and import manufacturers to ensure consistent merchandise quality standards. The team has been expanded to undertake more frequent visits to China to support international manufacturers owing to variable quality standards in recent times. All orders are quality assured before being shipped to the Group's distribution centres.

Quality technologists are employed in an in-house laboratory which tests fabric and garments. The laboratory is central to quality control, and during the period more rigorous internal quality assurance processes were adopted.

An increasing amount of time has been invested by the Group's quality and manufacturing experts in visiting factories to ensure the supply is sustainable.

A Truworths code of conduct is incorporated in all supplier agreements and this binds manufacturers to comply with ethical business standards, labour legislation, international health and safety standards, workplace regulations, environmental legislation and treaties to which South Africa is a signatory.

Expanding distribution capacity

Strong organic growth in the business in recent years has created the need to expand warehousing and distribution capacity.

The Group currently operates two distribution centres in Epping near Cape Town, namely the Truworths Distribution Centre (TDC) and Bofors, a highly automated distribution facility opened in 2010. A further warehousing facility is used mainly for footwear and archiving.

Construction of a third distribution centre was planned to start during the 2013 financial period on land acquired alongside the existing TDC facility. Management resolved to delay building the third distribution facility to the 2014 financial period to ensure that integration between the two facilities is optimised and that planning for enhancements to the existing facility can be included in the development project. Building will commence during the 2014 financial period and is scheduled to be completed in the 2015 financial period. The new facility will allow for innovative methods of allocating and distributing merchandise in response to product and customer demand.

Managing the Risk of Credit

Tightening consumer credit cycle

Conditions in the South African consumer credit market over the past 12 months reflect the tough economic climate, which has resulted in a slowdown in credit extension and increased levels of consumer indebtedness.

The TransUnion Consumer Credit Index for the second quarter of 2013 shows that credit health in South Africa has deteriorated for four consecutive quarters. The index has declined to levels last experienced during the credit crisis of 2008, as shown in the graph below. There has also been a sharp rise in impaired accounts, with the number of accounts that are three months or more in arrears climbing above the 2008 levels from a low point in mid 2010.

Credit extension has also slowed, particularly in unsecured lending. Based on statistics from the National Credit Regulator for the quarter ended March 2013, total credit granted in South Africa increased 7.6% year-on-year compared to 28.8% in the prior period. This slowdown was particularly evident in unsecured lending, which increased by 2.9% year-on-year against an increase of 31.5% in the year before, and also in credit facilities which increased 9.4% in 2013 compared to 46.6% in 2012.

The national credit application rejection rate accelerated to 55.7% in the first quarter of 2013 from 50.9% in the prior period and 43.3% in 2011, confirming the credit stress and over-indebtedness of the market.

While interest rates are at their lowest level in over four decades after the South African Reserve Bank's repurchase (repo) rate was reduced by 50 basis points to 5% in July 2012, this has not been sufficient to slow down the increasing delinquency in the consumer credit market.

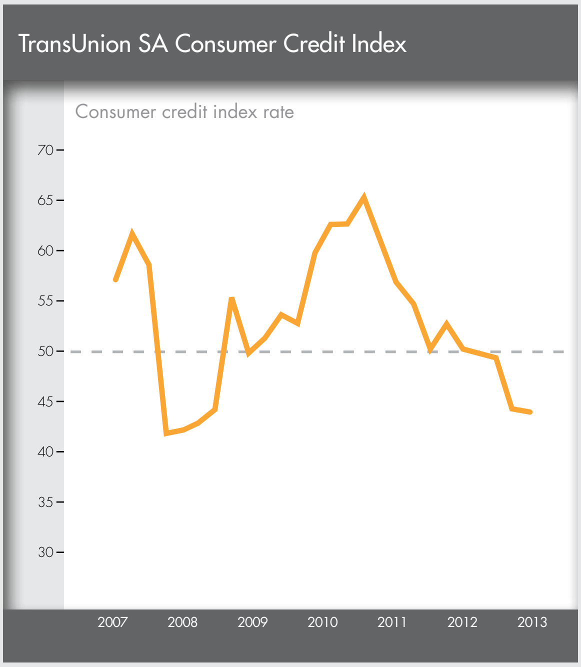
Credit facilitating retail sales

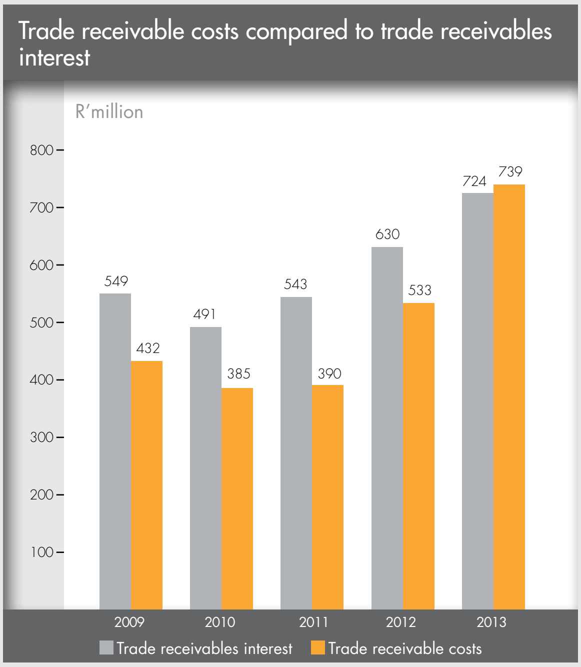
The Group uses credit as an enabler of retail sales. Customer buying behaviour shows that if the right fashion merchandise is available, customers will pay their accounts to be able to purchase more merchandise on credit. Managing the risk of credit is therefore closely aligned with managing the risk of fashion.

Credit is available to customers in South Africa, Namibia and Swaziland, but is not currently offered in the other African countries in which the Group operates. Three credit payment plans are offered across the portfolio: 6-months interest free (only available to Truworths customers) and 9- and 12-months interest-bearing. The trend of customers preferring the 12-month payment plans has continued as this requires lower monthly instalments and makes purchases more affordable.

Credit performance in 2013

In the 2012 Integrated Annual Report management indicated that the consumer credit environment was expected to become more challenging in 2013, and could negatively impact the Group's delinquency experience and active account growth.





Managing the Risk of Credit (continued)

The major challenge during the period has been to contain delinquency levels in the portfolio while growing both credit sales and the number of active customer accounts. All strategies have been reviewed and credit extension adjusted in some areas, to contain bad debt and limit the growth in the doubtful debt allowance.

The Group's active account base increased by 6% to 2.55 million customers (2012: 2.41 million) following growth of 4% in Truworths, 14% in Identity and 4% in the Young Designers Emporium (YDE) books. While the rate of account growth has slowed, this increase is a satisfactory performance in the current credit environment.

The new account acceptance rate declined to 31% (i.e. rejection rate of 69%) from 38% in 2012. The higher rejection rate reflects the pressure on affordability and the indebtedness levels of customers. The monthly qualifying payment to avoid an account moving into arrears remained at 90% and the Group continued to write-off delinquent accounts on a contractual and automated basis.

At the period-end 82% (2012: 84%) of active account holders were able to purchase on credit because they continued to meet the Group's stringent and consistently applied criteria for ongoing purchases. Net bad debt as a percentage of gross trade receivables grew to 10.4% from 7.9% in 2012 while the doubtful debt allowance as a percentage of gross trade receivables was increased to 12.0% from 10.6% in 2012.

An analysis of the cost of credit is included in the Chief Financial Officer's Report on page 57.

Accounts across all categories of ageing in the portfolio are provided for in the doubtful debt allowance, although at different levels based on payment experience. Refer to note 23.4.1 in the Group Annual Financial Statements for further detail.

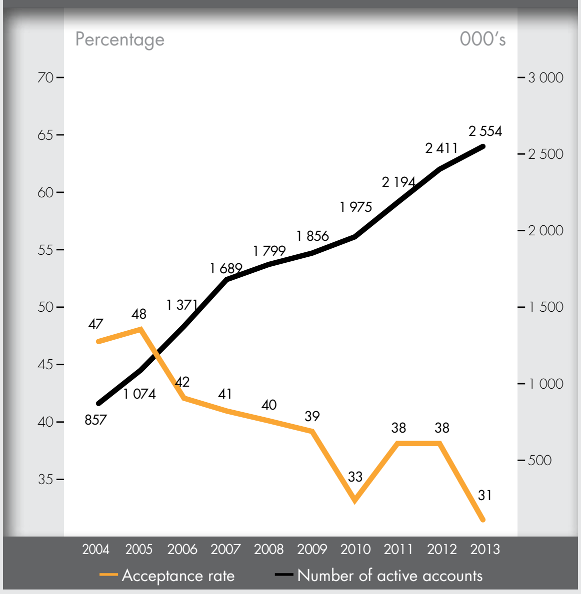
In line with the above, the overdue percentage of the portfolio increased to 15% (2012: 13%). The Group follows a strict policy of contractual and consistent write-off which ensures that non-performing accounts are removed from the portfolio on a consistent basis.

The Group's gross trade receivable portfolio grew by 11% to R4.2 billion. Credit sales increased by 9% compared to a 16% increase in cash sales. Credit sales as a percentage of total sales declined to 72% (2012: 73%).

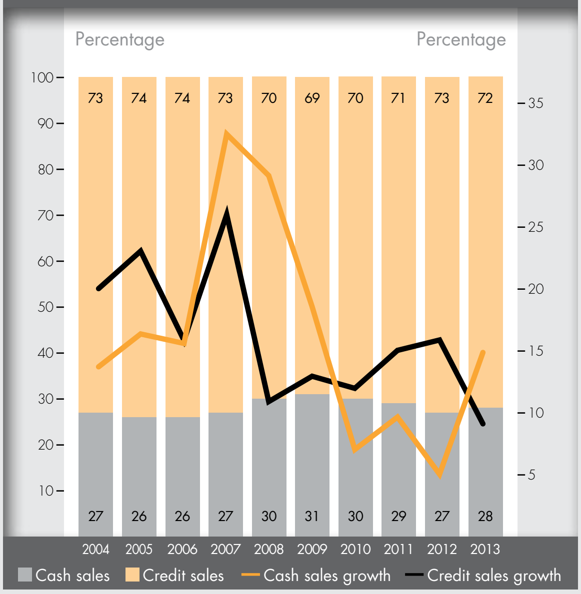
Interest income (excluding notional interest) on the debtors' book increased by 17% to R646 million. The growth was partially due to increased delinquency but also a result of customers continuing to select longer-term interest-bearing payment plans and a greater proportion of the portfolio moving to the higher National Credit Act (NCA) regulated interest rate (compared to the former Usury Act interest rate).

The number of South Africans under the statutory NCA debt review process has increased during the financial period as economic conditions tightened. Standard write-off policies are applied to accounts under debt review where customers fail to make the qualifying payment.

Active account growth compared to acceptance rate



Credit versus cash sales



Enhancing credit risk management

During the financial period account acquisition, collection processes and systems were enhanced to manage risk more effectively in the current credit environment:

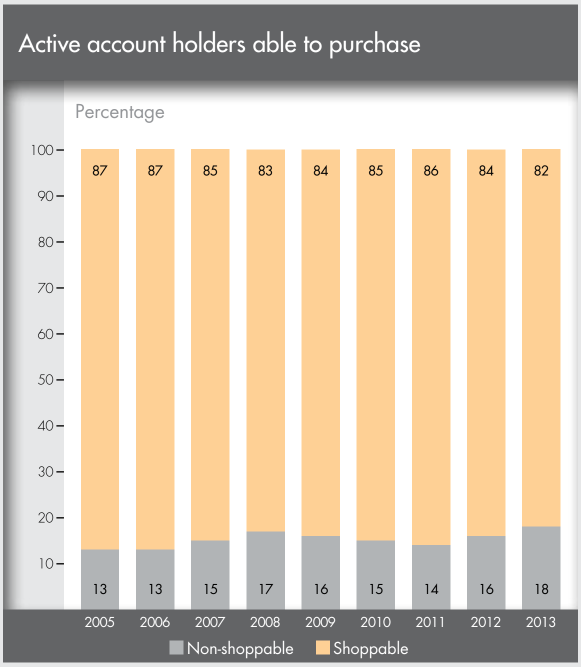
- Collections capacity was enhanced with additional predictive dialler capacity on the outbound call centre, increased collections staff appointed in Cape Town and Pretoria.
- International consultants were engaged to optimise the collections operational environment and ensure that processes are aligned with best practice.
- Additional debt collection agencies were included on the panel.
- A number of scorecards were rebuilt.
- Various indexes developed to predict debt risk.
- The frequency of bureaux scoring was increased across the portfolio.
- New digital marketing channels were introduced to acquire customers, and the Group continued to test other media to identify new markets.

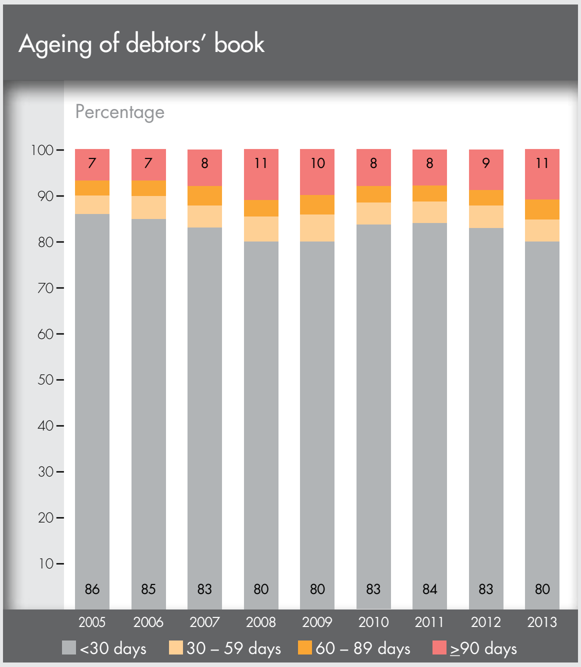
Regulatory and governance environment

The credit industry has come under increased regulatory scrutiny during the financial period. The National Credit Regulator (NCR) issued draft affordability assessment guidelines aimed at assisting credit providers to conduct proper assessments of consumers' affordability and to combat consumer over-indebtedness and reckless lending. These guidelines have been made available for public comment and the Group made a submission to the regulator through the National Clothing Retail Federation (NCRF) of which the Group is a founding member.

In May 2013 the NCR issued codes of conduct aimed at credit providers, payment distribution agencies and debt counsellors. Through the offices of the NCRF the Group proposed changes to this code in line with requirements for clothing retail.

The Department of Trade and Industry and the NCR have proposed a credit amnesty for consumers with adverse records. The NCR believes that adverse credit information is prejudicing many consumers who have settled their debts but continue to be denied access to credit. While the South African government has adopted the proposal, the details of the amnesty, which could benefit millions of consumers, have not yet been finalised. As reported in the NCR's Credit Bureau Monitor report for Q1 2013, 47.5% of South Africa's 20 million credit-active consumers have impaired records for being three or more months in arrears with payments, or have a judgement, administration order or adverse listing on one or more of their accounts.





Managing the Risk of Credit (continued)

Credit providers are required annually to submit a compliance report to the NCR to confirm they have conducted their business in accordance with the NCA. The Group submitted its compliance report to the NCR in December 2012 and no material shortcomings were identified.

The Protection of Personal Information (POPI) Bill is expected to be promulgated during the 2014 financial period. An internal project team, together with external legal consultants, assessed the impact of the proposed legislation and recommended changes to systems and processes. Management is currently confident that the Group will be compliant when the legislation comes into operation.

Managing credit risk in 2014

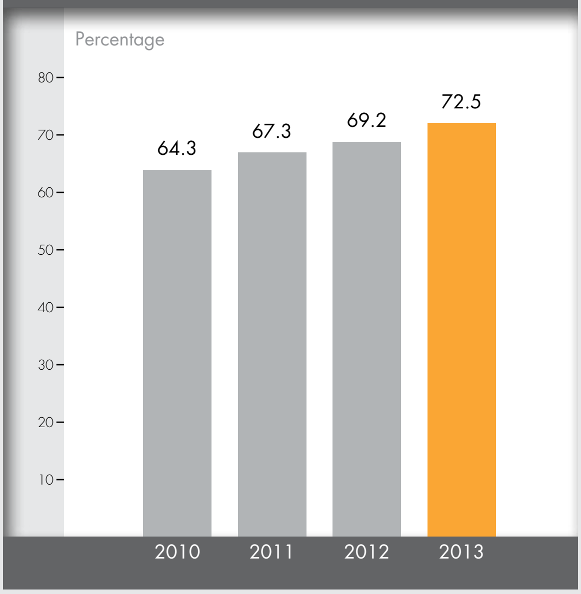
The Group has extensive experience in managing credit risk in tough market conditions and will apply strategies to ensure the continued health of the debtors' book and profitability of the business.

While macro trends in the credit environment and changes in affordability patterns are closely monitored, management is confident that the Group's scorecards and models will predict any deterioration in credit quality enabling strategies to be adjusted as required.

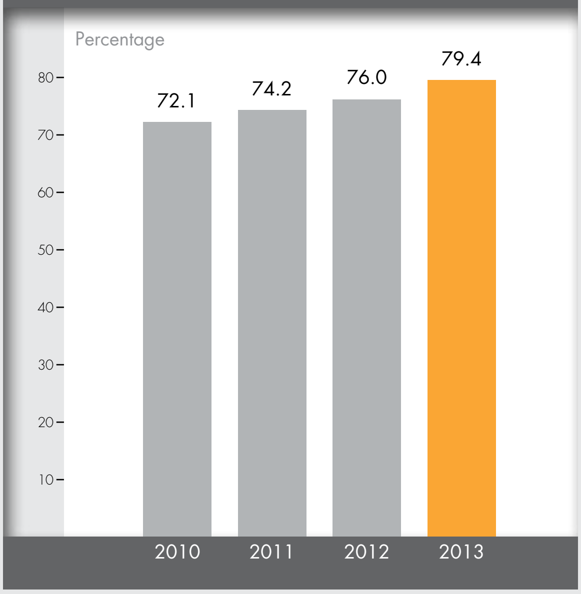
Continued pressure is expected to be placed on levels of account acquisition and credit sales and the Group will focus on aspects that can be controlled internally. This includes modifying strategies across the portfolio to counteract rising delinquency and redeveloping behavioural scorecards to take account of changes in the economy. Collections systems and capacity will be bolstered, further systems implemented to manage credit risk and marketing campaigns implemented to attract and select customers that meet our strict credit granting criteria.

To ensure continued growth in the account base in the longer-term, the Group plans to improve the new account opening process through the implementation of improved scorecards, processes and communications with customers which are aimed at reducing the time to open an account. Increased focus will be placed on reactivating dormant accounts and marketing communication to the existing customer base, including greater use of digital marketing channels.

Percentage of the book on interest-bearing plans



Percentage of the book generating interest



Trade receivables statistics

		2013	2012	2011	2010	2009
Group						
Number of active accounts	(000's)	**2 554**	2 411	2 194	1 975	1 856
Growth in number of active accounts	(%)	**6**	10	11	6	3
Trade receivables (before doubtful debt allowance)	(Rm)	**4 221**	3 794	3 333	2 835	2 550
Credit sales as a % of retail sales	(%)	**72**	73	71	70	69
Qualifying payment	(%)	**90**	90	90	90	90
Applications granted credit	(%)	**31**	38	38	33	39
Active account holders able to purchase at period-end	(%)	**82**	84	86	85	84
Overdue values as a % of trade receivables	(%)	**15.0**	13.2	12.7	13.6	16.1
Net bad debt as a % of credit sales	(%)	**6.0**	4.5	3.9	5.6	6.8
Net bad debt as a % of trade receivables	(%)	**10.4**	7.9	6.8	9.8	11.9
Doubtful debt allowance as a % of trade receivables	(%)	**12.0**	10.6	10.1	10.7	11.9
Trade receivables interest as a % of trade receivables	(%)	**17**	17	16	17	22
Truworths						
Number of active accounts	(000's)	**2 054**	1 971	1 866	1 747	1 668
Growth in number of active accounts	(%)	**4**	6	7	5	1
Trade receivables (before doubtful debt allowance)	(Rm)	**3 584**	3 264	2 961	2 577	2 348
Credit sales as a % of total sales	(%)	**74**	76	75	74	74
Applications granted credit	(%)	**33**	42	41	33	40
Identity						
Number of active accounts	(000's)	**474**	415	305	207	167
Growth in number of active accounts	(%)	**14**	36	47	24	31
Trade receivables (before doubtful debt allowance)	(Rm)	**607**	501	345	233	178
Credit sales as a % of total sales	(%)	**58**	55	47	40	37
Applications granted credit	(%)	**25**	34	32	31	35
YDE						
Number of active accounts	(000's)	**26**	25	23	21	21
Growth in number of active accounts	(%)	**4**	9	10	–	11
Trade receivables (before doubtful debt allowance)	(Rm)	**30**	29	27	25	24
Credit sales as a % of total sales	(%)	**25**	25	24	23	21
Applications granted credit	(%)	**52**	65	63	60	64

Expanding Retail Presence

The Group's store base passed 600 as a net 35 stores were opened in South Africa and the rest of Africa during the period, with total retail trading space increasing by 8.1% to 294 000 m².

The retail footprint in South Africa was expanded to 564 following the opening of a net 24 stores. Expansion into the rest of Africa remains a growth opportunity in the medium to long-term. Eleven new stores were opened in the rest of Africa, bringing the non-South African store footprint to 40. These stores are located in Namibia (12 stores), Botswana (8 stores), Swaziland (5 stores), Nigeria (4 stores), Lesotho (4 stores), Zambia (3 stores), Mauritius (2 stores) and Ghana (2 stores). The Group also operates five franchise stores in Kenya.

Defining the fashion court

Truworths aims to define the fashion court in major malls by trading in the best locations and to be recognised as the leading fashion anchor tenant.

Truworths therefore needs to offer the best fashion relative to its competitors which are usually located in close proximity. This strategy also applies to stores on main streets in cities and towns where Truworths aims to be at the heart of the fashion retail zone.

Enticing stores and quality merchandise position Truworths as an aspirational destination for quality fashion. Creative window displays showcase the latest looks and the breadth of fashion on offer, and are designed to attract customers into stores and encourage them to purchase. Merchandise displays are changed frequently to add freshness and to highlight the latest fashion looks and trends.

Truworths emporium stores

Stores are architecturally designed to offer customers an exciting fashion retail experience where they can shop effortlessly for an innovative and adventurous blend of colour, fabric and fashion styling of international standard.

A key feature of the Truworths offering is the emporium store concept which provides customers with access to multiple fashion brands in a single location.

Customers can shop for mainstream brands such as Truworths, Truworths Man, Uzzi, Daniel Hechter, Inwear, LTD and other brands within one store. Each of these brands, and their sub-brands, retains its unique identity and fashion styling within the emporium. This model encourages cross-shopping between brands, with the mainstream brands being the key attraction to customers. Refer to Group Brands on pages 78 to 81 for further detail.

Emporium stores are located in central positions in shopping malls and generally have three to five entrances, with maximum shop frontage and windows showcasing the broad range of brands and merchandise. Stores are branded 'Truworths emporium' to highlight the multiple formats on offer, and the unique cross-shopping fashion experience that customers can enjoy.

The emporium concept can be adapted to fit the size and location of the store. Large emporium stores offer all brands while smaller stores include a selection of brands, depending on the size and location of the store. Owing to the large trading area, emporium stores are ideally suited to super regional malls (over 100 000 m²), high-density city-strip shopping environments and regional malls (over 50 000 m²).

Truworths Man emporium stores (which include the Truworths Man, Hemisphere, Daniel Hechter Man, Uzzi and various other brands) are opened in premises where space could not accommodate menswear in a full-scale Truworths emporium.

Identity and YDE stores

Identity and YDE are stand-alone independent chain stores and are not included in Truworths emporium stores. These brands generally attract a different customer profile to the emporium shoppers.

Identity caters to the fashion-forward and value-conscious youth market, offering high fashion merchandise at affordable prices. Stores are generally located in prime positions within the fashion court in malls or in key positions on the main streets of major towns, cities and suburbs. Stores average approximately 300 m². The store design creates a vibrant and edgy atmosphere that is exciting and fun. A new-look Identity store design was incorporated into the Eastgate (Johannesburg, Gauteng) and Tubatse Crossing (Burgersfort, Limpopo) stores during the period.

YDE showcases South Africa's emerging fashion designers and is targeted at young fashionable customers who want access to designer labels and styling. These designers are allocated space to present their merchandise, and pay a display fee and a commission on sales.

Stores are located in prime positions in the fashion court in malls and store premises average approximately 350 m². The store design concept combines tactile and industrial finishes, creating a strong point of differentiation from competitors.

Online shopping

The online shopping offering, through the Truworths web and mobi sites, has been expanded to include a broader range of clothing and accessories representing the fashion trend for the season. Online shopping is currently only available to Truworths account customers. Other online services include a fashion delivery service, tracking of online orders, account balance information, updating of personal information and reporting of lost or stolen cards.

Expanding store footprint

The Group continued its strategy of investing in new space to gain market share and promote sales growth. During the period, 44 stores were opened across all brands and nine stores were closed, resulting in a net increase of 35 stores.

Identity continued its strong growth and increased its store base to 195 during the period, following the net opening of 19 stores. Identity does not yet have a presence in several established major shopping centres and this is a growth opportunity for the brand.

A consistent formula is applied in identifying new store locations and comprehensive viability studies are conducted to support each store opening or extension. This includes an evaluation of the shopping centre, covering factors such as location, accessibility, growth prospects, market demographics, proposed tenant mix and potential diversion of turnover from existing stores. The decision to open a new store, or to renovate or expand an existing store, is based on a projected internal rate of return. All new shopping centre locations are considered to ensure new store opportunities are not overlooked.

Most leases have a five-year term, with one or more five-year options to renew the leases. Rental increases averaged between 7% and 8% during the period and are expected to remain at similar levels in the 2014 period.

An ongoing programme to enhance the quality of stores and trading environment ensures that stores are constantly refreshed, expanded to meet growing customer demand, or relocated to improved trading positions.

Extending existing stores that are trading successfully is a profitable means of growing trading space and offering customers greater variety and a better shopping experience.

During the period, 19 stores across all the brands were either extended or relocated, while a further 16 stores were renovated in their current locations.

The emporium store in the flagship Sandton City mall was upgraded and extended. An additional 1 000 m² was added to extend the store size to 4 000 m². The store commands an excellent location providing a 'link' from the one side of the mall to the other. The project included new store design concepts for all brands.

	Truworths		Identity		Uzzi		YDE		Total	
Corporate stores	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gauteng	104	102	61	58	25	27	8	9	198	196
KwaZulu-Natal	44	44	34	34	10	10	2	2	90	90
Western Cape	48	48	24	24	4	4	5	5	81	81
Mpumalanga	29	28	11	11	5	5	–	–	45	44
Limpopo	23	17	16	10	4	4	–	–	43	31
Eastern Cape	22	19	12	9	2	2	2	2	38	32
North West	19	19	10	10	2	2	–	–	31	31
Free State	15	14	6	5	2	1	1	1	24	21
Northern Cape	9	10	5	4	–	–	–	–	14	14
South Africa	313	301	179	165	54	55	18	19	564	540
Rest of Africa	23	16	16	11	1	2	–	–	40	29
Total	336	317	195	176	55	57	18	19	604	569

Reducing store carbon emissions

Store electricity usage accounts for more than 75% of the Group's total carbon emissions. An energy efficient lighting initiative will be introduced in over 460 stores during the 2014 financial period, and is aimed at reducing store electricity consumption, achieving meaningful cost savings and limiting the Group's environmental impact.

The capital costs of implementing the programme are expected to be recovered within 30 months, based on a saving relative to current electricity expenses.

Through this programme, the Group is targeting to reduce store-related electricity carbon emissions to 55 000 tons over the medium-term.

Expansion into the rest of Africa

A cautious and incremental approach has been adopted to store expansion plans outside of South Africa in order to gain a better understanding of the operating environment and the market potential. The Group's strategy is to expand into Africa country by country in each case gaining insight into each local market's unique characteristics. Over the long-term this will allow Truworths to emulate its South African status and evolve into Africa's most successful mass-market fashion retailer.

The African expansion strategy focuses on countries showing strong economic growth prospects. The increasing trend to urbanisation and the growth in the middle class population in these countries should support sustained growth in consumer spending.

Eleven stores were opened during the period to bring the non-South African store base to 40. The new stores are located in Lesotho (4 stores), Zambia (3 stores), Nigeria (2 stores) and Ghana (2 stores). The Group also has 5 franchise stores in Kenya.

The Group has a shareholding of approximately 35% in Truworths Ltd (incorporated in Zimbabwe) which operates 16 Truworths, 25 Topics and 18 Number 1 stores.

Operating conditions in African markets remain difficult. Complex logistics and supply chain processes, high rental costs, complicated regulations, and high duties and tariffs make trading in some of these markets challenging.

The planning and allocation of merchandise in these new markets also poses a challenge, as does managing the product offering in countries with warm year-round climates. However, after another year of trading in these countries, the merchandise teams have gained greater insight into customer buying patterns to enable adjustments to be made to size curves, merchandise ranges and colour options.

The 2014 financial period will be one of consolidation for the Group's operations in the rest of Africa. The planned opening of a new franchise store in Luanda, Angola for 2013 has been delayed until 2014. The pace of store openings in the rest of Africa is dependent on the availability of store locations and the continued growth in real estate development in these countries.

Expansion plans for 2014

The number of new retail developments is increasing, with several of the new malls located in rural areas in South Africa. Existing shopping centres are also being redeveloped to remain competitive and to ensure they are able to accommodate new retailers entering the market.

The Group's retail trading space is planned to increase by approximately 8% in the 2014 financial period. Capital expenditure of R259 million has been committed to the store expansion and upgrading programme.

	Store summary			Trading space (m^2 000's)		
Corporate stores	Projected 2014	**2013**	2012	Projected 2014	**2013**	2012
Truworths emporium	318	**298**	281	238	**222**	207
Identity	215	**195**	176	60	**54**	48
Uzzi stand-alone stores	55	**55**	57	5	**4**	4
Truworths Man emporium	34	**32**	30	9	**8**	7
YDE	20	**18**	19	6	**6**	6
Daniel Hechter	4	**4**	4	*	*****	*
LTD	2	**2**	2	*	*****	*
Ginger Mary	1	**–**	–	*	**–**	–
Total	649	**604**	569	318	**294**	272

* Trading space less than 1 000 m^2.

Employees

Employer of Choice

Our Vision for our employees:

'I am totally committed to Truworths because I am always encouraged to offer innovative ideas which contribute to the ultimate purpose of Truworths. As a result, Truworths is generous in recognising my role as an effective team member.'

Truworths aspires to be the employer of choice and is committed to investing in its human capital to ensure sustainable performance and continued industry leadership.

The Group's employment philosophy is to provide equal opportunities and focuses on investing in talent and recognising excellence. Employees are therefore encouraged to realise their potential irrespective of race or gender, with the Group favouring internal appointments and promotions to reward consistent outstanding performance and overall contribution.

Reward strategies are aimed at attracting, motivating and retaining employees, and at promoting a high performance culture across the business. Remuneration practices are therefore closely linked to the Group's business philosophy, purpose, vision and values, and to the achievement of Group, team and individual performance objectives.

The Group has a recognition agreement in place with the South African Commercial, Catering and Allied Workers Union (SACCAWU) notwithstanding that only 10% (2012: 11%) of the total labour force belongs to the union.

Human capital management

The Group's values underpin its people management strategy and define the way in which management interacts with employees. These values are incorporated in everyday working life at Truworths, from recruitment to training and development, employee relations and recognition programmes. Through regular performance development discussions management not only measures performance against goals, but also monitors how employees are aligned with the Group's values.

Employees can largely be classified into one of three pools:

- **Specialists in the merchandise department:** Part of the Group's success formula is ensuring that it has an exceptional pool with a depth of experience and talent in its merchandise departments. There is significant focus on attracting entry level talent and developing these individuals to resource this area of the business at all levels. Retention of these skills is an area of strategic focus, and the pool is supplemented when exceptional external local and international skills become available.
- **Specialists in support and service departments:** Management aims to attract specialised top-end talent for these roles in addition to focusing on developing talent in this pool as is the case in the merchandise department. There is a strong strategic focus on retention of the talent in this pool.
- **Store operations:** This substantial group comprises customer-facing employees in the more than 600 stores. Management recruits people who have a desire to work in the fashion retail industry, have a passion for customer service and who reflect the Group's values. Through an intensive learnership programme the Group is supported by training grant opportunities offered through the Wholesale and Retail Sector Education and Training Authority (W&R SETA) in South Africa and at the same time ensure that employees are trained for their roles.

  The entry point is generally as a flexi-time employee and it is from this flexible pool that most permanent employees in this category are recruited. Employee turnover in these lower levels is higher than the rest of the business as these roles are generally for younger employees starting out in their careers. The operating model requires a high degree of flexibility in this labour pool as trading patterns vary markedly through the weekly, monthly and annual peaks and troughs.

Succession management

Succession reviews are conducted regularly and high potential employees are identified and placed on individual development programmes to enhance the pool of leadership skills.

The Group has identified senior employees retiring within the next five years and is actively recruiting for some of these positions or has identified internal successors, with development programmes tailored for these individuals.

Many of the senior executives in the Group have been promoted to their current positions from within the business, reflecting the benefits of succession planning, the focus on internal appointments and the importance of skills retention.

Employee profile

At the end of the 2013 reporting period, the Group employed 10 184 people, comprising 3 298 permanent and 6 886 flexi-time employees at its head office, distribution centres and stores throughout Africa.

The annual turnover of permanent employees during the financial period was 15% (2012: 14%). Turnover at the senior and top management levels is below 10% and the average length of service at these levels is over 14 years, ensuring sustainable performance and business continuity.

The Retailers' Association, in which the Group is actively involved, continues to engage with regulatory authorities in South Africa regarding proposed amendments to labour legislation in an attempt to influence the direction of the legislation so that the law offers protection to low income earners without restricting the ability of businesses to create employment.

Employee turnover analysis	2013	2012
Permanent employees at the beginning of the period	3 175	3 103
Add		
Recruitments	627	528
Less		
Terminations	504	456
Resignation	403	368
Dismissal	77	57
Retirement	13	12
Death	5	7
Ill health	3	11
Desertion	2	–
Emigration	1	1
Permanent employees at the end of the period	3 298	3 175
Total employees	10 184	9 719
Permanent employees	3 298	3 175
Flexi-time employees	6 886	6 544
Staff turnover for permanent employees (%)	15	14

Employment equity

In South Africa the Group's approach has been to seek transformation over the medium-term rather than implementing short-term solutions to create a more diverse workforce. An employment equity plan was developed in 2009 to formalise the Group's transformation initiatives and to ensure the employee profile more closely reflects the country's demographics by June 2014.

The sustained and incremental progress made by the Group in achieving realistic targets was acknowledged by the Commission for Employment Equity of the Department of Labour in its 2012/2013 annual report. The Commission highlighted Truworths as one of 8 out of 30 JSE-listed companies which had been reviewed by the Director General to have either surpassed their numerical goals for race and gender, or shown good progress towards achieving them.

Encouraging progress has been made over the past four years, with 92% (2012: 92%) of South African employees being black and 71% (2012: 71%) being female at the end of the 2013 reporting period. Black employees in our South African operations accounted for 88% (2012: 84%) of internal promotions and 95% (2012: 94%) of new appointments during the period.

Employees closely reflect the economically active demographic profile of South Africa at semi-skilled level (97% black representation) and junior management level (86% black representation) against a target of 77%. Strong growth in the business and the significant expansion of the store base in recent years has created opportunities to employ more store managers and employees.

Employee turnover at middle and senior management levels has been low and therefore opportunities for new appointments have been limited. Employment equity progress at these levels has therefore, as anticipated, been slower. The Group will continue to focus on its preferred strategy of growing talent and developing potential from within the business to ensure greater demographic representation from middle to top management.

The Group employs 75 employees with disabilities which is in line with its employment equity plan. This has been achieved through targeted recruitment, and launching an initiative on learnerships for disabled employees. By creating awareness around employees with disabilities, existing employees have declared their disabilities.

As a means of entrenching affirmative action and broader based representation across the business, diversity management training has been offered to all store operations management and this will be extended to head office and store employees in the 2014 financial period.

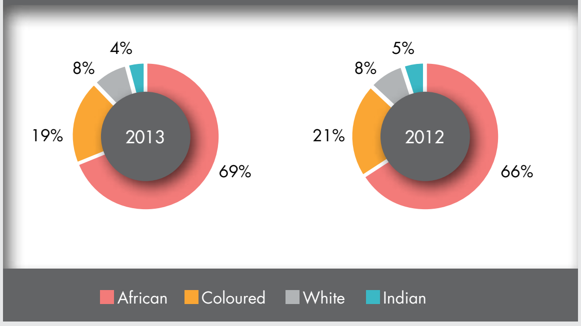
The Group is confident of meeting most of its objectives outlined in its 2009 – 2014 employment equity plan. As this plan concludes in June 2014, work has commenced on the development of a new five-year plan.

Employment equity statistics (apply to South Africa only)

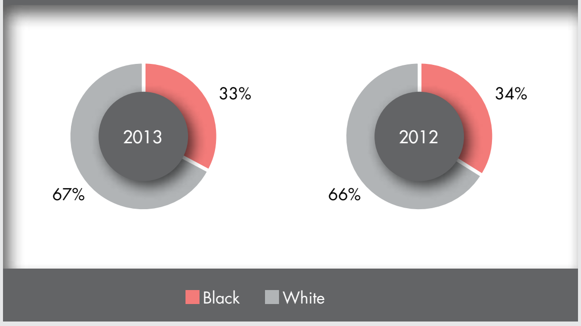
Occupational levels	Designated groups							Non-designated groups			All groups	
	Male			Female				Male	Foreign nationals		Total	
	A	C	I	A	C	I	W	W	Male	Female	2013	2012
Top management (Chief Executive Officer, directors and divisional directors reporting to the Chief Executive Officer)	–	1	–	–	–	–	–	7	–	–	**8**	8
Senior management (other divisional directors, executives and senior managers, including buying, planning and regional managers)	2	8	3	1	6	1	37	49	–	1	**108**	103
Professionally qualified/middle management	22	24	16	24	51	18	188	62	5	5	**415**	386
Skilled technical/junior management	187	65	19	488	202	35	124	34	2	3	**1 159**	1 062
Semi-skilled	1 733	375	128	4 242	1 133	217	204	43	1	3	**8 079**	7 791
Non-permanent employees	1	–	–	–	1	–	8	8	1	–	**19**	110
Total 2013	1 945	473	166	4 755	1 393	271	561	203	9	12	**9 788**	
Total 2012	1 804	501	179	4 433	1 455	281	578	206	11	12		9 460

A=African C=Coloured I=Indian W=White

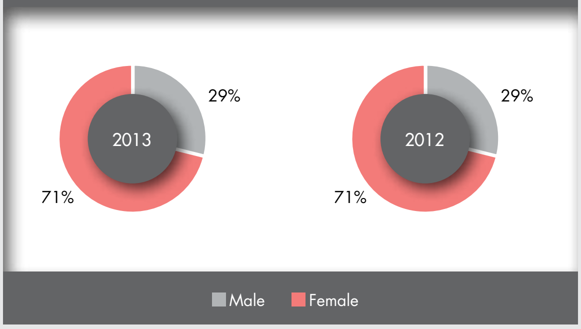
Employment equity



Employment equity: management



Employment equity: gender



Employee remuneration

Reward strategies are aimed at attracting, motivating and retaining employees at all levels and at promoting a high performance culture across the business. Remuneration practices are therefore closely linked to the Group's business philosophy, purpose, vision and values and to the achievement of Group, team and individual performance objectives.

Remuneration packages for the majority of permanent employees comprise a guaranteed salary including 13th cheque, retirement and healthcare contributions, an annual short-term cash incentive bonus linked to performance, and discounts on store purchases. The Remuneration Report on pages 105 to 109 details remuneration philosophy and principles, remuneration governance as well as the remuneration structure and rewards for executive and non-executive directors.

Market surveys are conducted regularly to ensure that employees are competitively rewarded based on their performance, contribution and potential.

Salaries are reviewed annually with effect from 1 March and the level of the increase is based on both Group and individual performance and market benchmarks. Salaries of flexi-time employees are reviewed annually in February in line with sectoral determination requirements and individual performance.

Wages and substantive conditions of employment are negotiated with SACCAWU for South African employees forming part of the bargaining unit. A one-year wage settlement was reached in June 2013.

Incentive schemes

Employees are incentivised and motivated through the following mechanisms:

- A short-term cash incentive scheme which is designed to drive performance and retain key talent. The scheme is linked to the achievement of annual earnings targets approved by the board, provided the returns on assets and equity meet Group targets. Participation in the scheme is at the discretion of the Remuneration Committee and is generally limited to key employees whose role and contribution directly influence the performance of the Group.
- A cash incentive is paid bi-annually and is dependent on Group performance. This incentive scheme applies to all full-time head office and store employees, as well as flexi-time employees who have worked a minimum prescribed number of hours and who are not part of the incentive pool first mentioned. The incentive for store employees is linked to the Group's customer service measurement programme.
- An employee recognition programme which motivates and recognises employees for outstanding achievements in areas such as sales, customer care, account acquisition, personal attitude and contribution.
- A store employee reward programme in which employees are recognised for above-target performance.
- An incentive scheme in the credit collections department based on performance.

Talent and skills development

Training programmes are aimed at developing and retaining employees particularly in areas of scarce skills such as merchandise buying and planning and retail management.

The merchant trainee programme focuses on merchandise buying, planning and designing, garment technology and international sourcing. This programme provides constant succession candidates to fill key roles in the merchandise division. The majority of middle and senior managers in the merchant division have been promoted into their current positions following the completion of this programme and these managers are now involved with the development of the current complement of trainees.

The Group offers tailored leadership development programmes, which include external executive coaching where appropriate, to facilitate the progress of talented employees at all levels.

Training in retail operations during the period focused mainly on the new point-of-sale system that has been implemented in stores. Learnerships, skills programmes and internships provide development opportunities in retail for previously disadvantaged job seekers.

The Group's accreditation as a training provider enables the development of learning programmes which are registered with the South African Qualifications Authority and are focused on addressing scarce skills within the country.

All training and development programmes are benchmarked regularly to ensure the Group continues to be acknowledged as a retailer of international standing.

Employer of Choice (continued)

Skills development summary		2013	2012
Skills development expenditure	(R million)	83	81
Skills development expenditure as a % of payroll	(%)	8.6	9.6
Number of employees trained		9 408	9 829
Black employees as a % of employees trained	(%)	93	93
Number of employees trained in scarce skills		8 006	5 686
Black employees as a % of employees trained on scarce skills	(%)	95	90
Number of learnerships completed		168	209
Number of employees on internships		194	109

Employee health and wellness

HIV and AIDS management

The Group is committed to reducing the impact of HIV and AIDS on the business by empowering employees through education and training. Permanent employees who are members of the Wooltru Healthcare Fund (WHF) or Momentum Health, have access to an HIV programme which includes regular testing, counselling and anti-retroviral (ARV) treatment for themselves and their dependants. Access to day-to-day healthcare and an HIV programme, which includes ARVs, is provided to permanent employees who are members of Occupational Care South Africa as well as monthly flexi-time and YDE employees.

Employees covered on healthcare programmes	2013	2012
Wooltru Healthcare Fund	2 785	2 751
Occupational Care South Africa	796	724
Namibia Medical Care	33	42
Momentum Health	15	27

Management encourages openness, acceptance and support for employees who voluntarily disclose their HIV status. The HIV and AIDS prevalence rate among employees covered by HIV benefits has decreased to 4% (2012: 5%) which is low relative to the national infection rate, despite the Group's employee, gender and age profiles falling into the high risk HIV category. The number of people registered on treatment programmes has increased but the prevalence rate has reduced as a higher number of employees have access to HIV programmes.

An external medical adviser is retained to review statistics, keep the Group abreast of developments in managing the disease in the workplace, and advise on the HIV and AIDS strategy. Policies have been aligned with the revised South African Department of Labour's Code of Good Practice on HIV and AIDS.

Employee wellness

The Group recognises the importance of employee wellness to the sustainability of the business. To encourage a balanced lifestyle through healthy eating and exercise, and to create awareness of lifestyle diseases, employees who are members of the WHF also have access to the Momentum Multiply programme. As part of this programme, free voluntary health assessments, including blood pressure, cholesterol and HIV testing, were conducted at the Group's head office. Further wellness days are planned for the 2014 financial period. The Multiply programme also offers members of the WHF access to online wellness tools, discounted gym memberships and professional fitness assessments as well as a free annual comprehensive health assessment.

Industrial relations

The Group has a formalised relationship agreement in South Africa with SACCAWU which represents 10% (2012: 11%) of the Group's South African employees. The Group negotiates annually, through the human resources executive responsible for employee relations, with SACCAWU on wages and conditions of service for those members who form part of the bargaining unit.

As employees in the Group's operations outside of South Africa are not unionised, there are no formal relationship agreements with any unions in these countries.

Despite the relatively low levels of unionisation, management engages formally with SACCAWU on an annual basis and when required on an ad-hoc basis. Although the engagement is not frequent, the relationship with SACCAWU is healthy and no Group-specific industrial action has taken place in more than two decades in either South Africa or in the operations in the rest of Africa.

The Group has clearly defined processes for disciplinary action and dismissal. A zero tolerance policy is applied to employees found guilty of theft or fraud, and criminal charges are instituted in all cases. During the period, 14% (2012: 25%) of the outcomes of internal disciplinary hearings were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in South Africa, with 90% (2012: 94%) ruled in favour of the Group. The Group does not normally enter into financial settlements at the CCMA and is insured against losses over a specified threshold.

Industrial relations		2013	2012
Total employees who are SACCAWU members	(%)	10	11
Permanent employees who are SACCAWU members	(%)	22	24
Favourable CCMA rulings	(%)	90	94

Health and safety

Health and safety is considered a low risk area for the business. The focus of initiatives in this area is on ensuring adequate representation of trained employees and that accidents and incidents for both customers and employees are timeously reported.

In the 2013 financial period, 64 workman's compensation incidents were reported, while 121 man days were lost as a result of workplace incidents. The Group did not experience any fatal or serious accidents during the financial period. Accountability for health and safety and compliance with the Occupational Health and Safety Act resides with the Divisional Director: Human Resources.

Remuneration Report

Remuneration practices and policies have continued to be enhanced to entrench a high performance culture across the business, and to create a closer alignment between performance and reward.

After extensive engagement with major shareholders, the Group obtained shareholder approval at the annual general meeting (AGM) in November 2012 to introduce an additional share incentive scheme to supplement the current incentive programme.

The new scheme provides for benefits to be linked to Group performance targets and will enable the business to remain competitive in the labour market, reward sustainable performance, and ensure that participants in the scheme share a level of personal risk with shareholders. The first allocation of shares to key executives and employees under this scheme was made in December 2012 (refer to share-based incentive schemes on pages 107 and 108 for further detail).

Shareholders at the AGM also approved the Group's remuneration policy and the fees payable to non-executive directors for the 2013 calendar year.

This Remuneration Report focuses primarily on the remuneration of the Group's executive and non-executive directors. Further detail on employee remuneration is contained in the Employer of Choice Report on pages 98 to 103.

Remuneration philosophy and principles

Reward strategies are aimed at attracting, motivating and retaining key employees. Remuneration practices are closely linked to the Group's business philosophy, purpose, values and vision and to the achievement of Group, team and individual performance objectives.

A 'total remuneration' philosophy underpins the Group's ability to attract potential employees and to retain and motivate current employees. Total remuneration comprises all elements of remuneration, including basic salary, allowances, short and long-term incentives, award programmes and retirement and healthcare contributions. The composition of total remuneration is based on the employee's role in the Group.

The principle of total remuneration has been entrenched in the culture and values of the Group, and there is a strong and sustainable link between performance, contribution and potential on the one hand, and the rewards received by employees on the other.

The Group's remuneration policy is based on the following:

- Internal equity, which ensures employees are rewarded appropriately in relation to one another.
- External equity, to ensure employees are competitively rewarded in relation to the market.
- An appropriate mix of short and long-term incentives to promote ongoing wealth creation and alignment of employee and shareholder interests, without encouraging short-term performance at the expense of longer-term profitability.
- Alignment of risk and rewards, with remuneration practices and schemes designed to encourage superior medium to long-term performance relative to competitors, while operating within prudent risk parameters.

Remuneration governance

The Remuneration Committee has oversight of the Group's remuneration policies and practices and is responsible for reviewing, recommending and approving the remuneration of non-executive directors, executive directors, divisional directors and key executives. Decisions made by the Remuneration Committee consider the accountability of these individuals, business performance, market conditions, reward levels, governance and disclosure to stakeholders.

The committee comprises independent non-executive directors Rob Dow (Chairman of the committee) and Hilton Saven. The Chief Executive Officer (CEO) is a permanent invitee of the committee and is recused for discussions that relate to his performance and remuneration.

The Remuneration Committee ensures the Group's remuneration strategy is aligned to realising shareholder value and is aimed at achieving the following:

- Attracting, retaining and rewarding a high performing executive team.
- Motivating the CEO and executive team to pursue the long-term growth and success of the Group.
- Demonstrating a clear relationship between performance and remuneration.
- Ensuring an appropriate balance between guaranteed and variable remuneration, reflecting the short and long-term objectives of the Group.
- Differentiating pay between higher and average performers through effective performance management.

Further detail on the role and responsibilities of the Remuneration Committee is contained on page 10 of the Corporate Governance Report on the website at www.truworths.co.za.

Executive directors' remuneration

Executive remuneration principles

Executive remuneration is determined according to the nature and responsibilities of the executive's role in relation to market benchmarks and the performance of the individual. Remuneration includes performance-related elements which are aimed at:

- linking executive reward with the Group's performance;
- aligning the interests of executives with shareholders;
- promoting a culture of executive share ownership; and
- supporting the retention of executives.

Internal and external surveys as well as professional advisers are consulted to assist in determining comparable remuneration practices. Remuneration is benchmarked by comparing reward levels against those payable by other JSE-listed retailers and some of the 40 largest companies on the JSE. All data is appropriately aged, and weighted averages, medians and ranges are applied to establish the most appropriate remuneration levels.

The Group subscribes to respected external remuneration surveys which provides job matching and benchmarking data for general employees and for specialist retail positions. These surveys were used during the period to benchmark the remuneration of executive directors.

Performance measurement

The performance of executive directors is reviewed annually by the Remuneration Committee against pre-determined financial and operational targets to ensure alignment with shareholder interests.

The primary performance indicators on which executive directors are measured include:

- Financial indicators:
  - Growth in earnings before interest paid and tax (EBIT)
  - Return on equity (ROE)
  - Return on assets (ROA)

  Targets for ROE and ROA are disclosed in the Integrated Annual Report each year. The target for EBIT is not disclosed as this is considered by the board to be market sensitive information. However, targets for gross profit margin and operating profit margin, two of the key drivers of EBIT growth, are disclosed to shareholders. These targets are disclosed on page 54 together with performance against the targets for the 2013 financial period.

- Strategic goals include:
  - Expansion of the business outside of South Africa.
  - Improving supply chain efficiencies and sustainability.
  - Exploring potential business acquisitions and strategic alliances.

  The weighting of non-financial targets in assessing executive performance is regularly reviewed by the Remuneration Committee.

The CEO's performance is further measured with reference to headline earnings growth, the achievement of strategic goals, including succession planning, and the determination of the overall direction of the business.

Remuneration structure

Executive directors receive a remuneration package, including long-term incentives, on the same basis as all other executives and senior management. A significant portion of executive remuneration is performance related.

Guaranteed remuneration	Variable and performance-related remuneration	
Annual base pay	Short-term performance	Long-term performance
Includes monthly cash salary, car benefit, company contributions to retirement and healthcare funding, group life and disability insurance.	Short-term cash-based incentive scheme.	• Share incentive scheme • High performance share-based scheme • Restricted share plan • Performance share plan • Share appreciation rights plan • Performance appreciation rights plan
Salary is based on performance, contribution and market value relative to responsibilities within the Group.	Incentives are based on Group and individual performance criteria, and are adjusted depending on the Group's level of attainment of its financial targets.	Long-term share-based incentives are aimed at retention and wealth, and are adjusted for the attainment of Group targets and strategic goals with a view to encouraging sustainable shareholder wealth creation.

Incentive schemes

Short-term cash incentive scheme

The short-term cash incentive scheme is designed to drive performance and retain key talent. The scheme is linked to the achievement of annual earnings targets approved by the board, adjusted according to the level of attainment of returns on assets, equity and capital against Group targets.

Participation in the scheme is at the discretion of the Remuneration Committee and is generally limited to employees whose role and contribution could directly influence the performance of the Group. No portion of any executive director's short-term cash incentive is guaranteed.

The scheme rewards participants for both team and individual performance, and employees only qualify if they meet their individual targets. Incentives are adjusted if Group targets are exceeded or not met. No incentives are paid if the minimum targets are not achieved.

Besides certain relocation allowances that were paid, no *ex gratia* payments were made to employees in the period under review, and no extraordinary incentives were paid to retain key employees.

Long-term incentive schemes

Share incentive scheme

The Group's 1998 share option scheme is an equity-settled compensation programme aimed at retaining key employees. The total number of shares and options allocated under all equity-settled schemes may not exceed approximately 46 million, an effective 10% of the company's issued shares at June 2012. Participation by an individual employee in all such schemes is currently limited to the maximum number of shares/options of approximately 11 million equating effectively to 2.4% of the company's issued shares at June 2012.

Participation in the scheme is at the discretion of the Remuneration Committee which ensures that only key employees with a record of consistently high levels of performance are granted options. Options are granted over the company's shares at a purchase price equal to the weighted average trading price of the shares on the JSE over the five-day share trading period immediately preceding the date of the grant.

No consideration is payable on acceptance of the options. The purchase price of the shares becomes payable on exercise of the options unless participants qualify for interest-free loans secured by a pledge over the shares. Shares and options have either a five- or six-year vesting period.

Shares and options not vested are forfeited upon termination of employment, other than on retirement or death. Other than by agreement with the Remuneration Committee acting for the board, options granted before 7 November 2012 lapse after 10 years, while those granted subsequently lapse after 8 years.

High performance share-based scheme (HPSS)

The HPSS makes performance-based cash payments to key senior participants over an extended period to align employee and shareholder interests, and to provide an incentive to grow earnings on a sustainable basis. The payments are linked to the change in the share price, and individuals receive the proceeds on condition that both the Group earnings growth target and individual performance goals have been met.

Options to hedge the Group's cash flow obligations in terms of the HPSS are purchased from recognised financial institutions after tendering for the best rate available. Consequently the cash flow risk associated with share price gains is transferred to the relevant financial institution.

During the period, R4 million (2012: R29 million) was paid to participants in the HPSS based on performance relative to Group and individual targets.

Share-based incentive schemes

The new share scheme, which includes four award plans, was implemented with effect from December 2012 following shareholder approval in November 2012. The scheme evolved after a two year period under the direction of the Group's Remuneration Committee and included lengthy engagement with consultants, examination of similar competitive schemes in South Africa and abroad, and extensive consultation with major shareholders. The four award plans are:

- Restricted share plan (with no Group performance targets on vesting)
- Performance share plan (with Group performance targets on vesting)
- Share appreciation rights plan (with no Group performance targets on vesting)
- Performance appreciation rights plan (with Group performance targets on vesting)

The maximum dilution resulting from this new scheme and the share option incentive scheme is limited to 10% over the life of the schemes, and the annual allocations have been capped at 1.25% in any one year and no more than 5% in any five-year period. At least 50% of executive director and divisional director allocations are performance based.

Performance conditions

The schemes are designed to achieve a balance between employee retention and incentivisation linked to corporate performance. The performance targets are approved by the board and monitored by the Remuneration Committee. These performance targets comprise both financial and strategic targets, and are set with reference to historical Group achievements and current competitive metrics.

Underperformance results in 100% forfeiture of awards i.e. 0% vesting, whereas outperformance can result in a maximum of 150% of awards vesting.

The December 2012 issue of awards comprised the following financial targets (70% weighting):

- Growth in earnings before interest paid and tax (EBIT) (30% weighting)
- Return on equity (ROE) (20% weighting)
- Return on assets (ROA) (20% weighting)

These targets are intended to focus management's attention on growing revenue, constraining the fixed cost base, making well-reasoned and profitable capital expenditure decisions, and maintaining a healthy and efficient balance sheet structure.

Strategic targets (30% weighting) provide a significant incentive for management to pursue fundamental strategic actions that might not have an immediate payoff in relation to either EBIT growth, ROE or ROA. These include:

- Expansion of the business outside of South Africa.
- Improving supply chain efficiencies and sustainability.
- Exploring potential business acquisitions and strategic alliances.
- Expansion of the Group's financial product offering.

Non-executive directors' remuneration

Non-executive directors receive fixed remuneration for services rendered as board and committee members. Fees are based on an assessment of the non-executive director's time, service and expertise as well as legal obligations and risk. All non-executive directors receive the same base board fees, regardless of their length of service.

In line with best governance and remuneration practice, non-executive directors may not participate in incentive schemes and do not receive any other benefits or performance-related pay from the Group. None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to directors during the period.

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee and recommendations for increases are made to the shareholders at the AGM for consideration and approval. Fees are determined in advance for a calendar year. The proposed fees for the 2014 calendar year were benchmarked against fees payable by other JSE-listed companies with a similar profile and are detailed in the table below.

Directorship	Proposed fees for 12 months to December 2014 R'000	Fees approved for 12 months to December 2013 R'000	Proposed % increase
Non-executive chairman	635	575	10
Non-executive director	257.5	235	10
Audit Committee chairman	170	150	13
Audit Committee member	105	95	11
Remuneration Committee chairman	110	100	10
Remuneration Committee member	70	65	8
Risk Committee member	70	60	17
Non-executive and Nomination Committee chairman	35	30	17
Non-executive and Nomination Committee member	17	15	13
Social and Ethics Committee chairman	27.5	25	10
Social and Ethics Committee member	16.5	15	10

Directors' remuneration

R'000	Months paid	Directors' fees	Salaries	Performance bonus*	Allowances	Pension contributions	Interest benefit on financial assistance	Total remuneration	Fair value of equity-settled options granted**	Financial assistance granted pursuant to share scheme#
		Short-term benefits				Post-retirement benefit	Long-term benefits			
2013										
Executive directors										
Michael Mark	12	–	5 686	7 900	297	1 218	2 852	17 953	3 641	44 865
Mark Sardi##	10	–	1 815	–	28	194	132	2 169	237	–
Total		–	7 501	7 900	325	1 412	2 984	20 122	3 878	44 865
Non-executive directors										
Rob Dow	12	430	–	–	–	–	–	430	–	–
Thandi Ndlovu	12	251	–	–	–	–	–	251	–	–
Sisa Ngebulana	12	251	–	–	–	–	–	251	–	–
Hilton Saven	12	651	–	–	–	–	–	651	–	–
Roddy Sparks	12	351	–	–	–	–	–	351	–	–
Tony Taylor	12	236	–	–	–	–	–	236	–	–
Michael Thompson	12	452	–	–	–	–	–	452	–	–
Total		2 622	–	–	–	–	–	2 622	–	–
2012										
Executive directors										
Michael Mark	12	–	5 296	10 750	299	1 139	3 229	20 713	3 128	46 695
Mark Sardi	12	–	2 189	–	830	220	150	3 389	243	2 766
Total		–	7 485	10 750	1 129	1 359	3 379	24 102	3 371	49 461
Non-executive directors										
Rob Dow	12	387	–	–	–	–	–	387	–	–
Thandi Ndlovu	12	222	–	–	–	–	–	222	–	–
Sisa Ngebulana	12	222	–	–	–	–	–	222	–	–
Edward Parfett	11	240	–	–	–	–	–	240	–	–
Hilton Saven	12	590	–	–	–	–	–	590	–	–
Roddy Sparks	5	115	–	–	–	–	–	115	–	–
Tony Taylor	12	222	–	–	–	–	–	222	–	–
Michael Thompson	12	392	–	–	–	–	–	392	–	–
Total		2 390	–	–	–	—	–	2 390	–	–

* Determined on performance for the period ended June and excludes amounts paid in terms of HPSS. An amount of R1.4 (2012: R6.4 million) was paid to Mr Mark, in his capacity as an executive director of the company in terms of the HPSS for the 2013 financial period. An amount of Rnil (2012: Rnil) was paid to Mr Sardi, in his capacity as an executive director of the company in terms of the HPSS for the 2013 financial period.

** The value of equity-settled options granted is the annual expense as determined in accordance with IFRS 2: Share-based Payment, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value was neither received by nor accrued to the directors during the period. Gains made on the exercise of such options are disclosed in note 26.5 of the Group Annual Financial Statements in the period when vesting occurs.

\# The value of financial assistance granted to directors pursuant to the scheme represents the price paid, less any repayments made, for shares allotted pursuant to the said share scheme. Refer to note 7.2 and Annexure Two of the Group Annual Financial Statements for further details on the terms of these loans.

\#\# Resigned effective 12 April 2013.

Corporate Governance

Abridged Corporate Governance Report

Truworths International continues to apply high corporate governance standards aimed at ensuring the ongoing sustainability of the business, the creation of long-term shareholder value and that other stakeholders benefit from the Group's ongoing success.

The Truworths International board is responsible for ensuring that the Group has a clearly defined governance and compliance framework. The board is primarily accountable to shareholders, while also considering the interests of other stakeholders such as customers, employees, suppliers, regulators and community organisations.

In an environment of increasing volume and complexity of regulation, management aims to achieve a balance between the governance expectations of investors and other stakeholders, and the need to generate competitive financial returns.

Governance in the Group extends beyond the minimum requirement of compliance with codes, legislation, regulations and listings requirements. Management adheres to sound corporate governance principles and aims to create a culture of good governance across the business, ensuring that the culture is aligned to the Group's business philosophy.

An independent assessment of the Group's standard of governance is provided by the annual evaluation process for the JSE Socially Responsible Investment (SRI) Index. In the 2012 calendar year the Group once again qualified for inclusion in the Index, and attained 100% (2011: 100%) for the core governance element of the SRI scorecard.

A detailed Corporate Governance Report, from which this report has been extracted, is available on the Group's website at www.truworths.co.za.

Application of King III principles

The directors confirm that during the 2013 financial period, the Group has in all material respects voluntarily applied the 2009 King Code of Governance Principles (King III) and complied with the mandatory corporate governance provisions in the JSE Listings Requirements. A schedule of how the Group has applied the King III principles is available on the Group's website at www.truworths.co.za.

Governance developments in 2013

While the board believes the Group has achieved a suitable level of maturity in relation to governance, its processes, policies and structures are continually reviewed and modified to align with internal requirements and with the aim of ensuring ongoing adherence with legislation, regulation and best governance practices. Enhancements were made to the Group's governance framework during the period as detailed on the next page.

Governance element	Governance development
Social and Ethics Committee	The committee has developed and refined its working methodology, and improved and expanded its monitoring role relating to transformation, skills development, environmental sustainability and customer relations.
Audit Committee	The committee's workings have been enhanced through improved reporting by management on risk management, tax compliance and information security, as well as by more substantive interrogation of accounting provisions and allowances where management judgement has been exercised.
Memorandum of incorporation (MOI)	The company's MOI was amended in response to shareholder feedback regarding the rotation of executive directors, and subsequently adopted by shareholders at the AGM in November 2012. The MOI's of the Group's South African operating subsidiaries were amended to align with the Companies Act, were approved by special resolution of the Group holding companies and submitted to the Companies and Intellectual Property Commission (CIPC) for registration.
Companies Act compliance	Compliance with the Companies Act was further enhanced in terms of: • Revised shareholder and board approval processes for intra-group loans to related parties. • Formal consideration of the solvency and liquidity tests ahead of dividend declarations and share buy-backs by Group companies. • Submission of annual returns accompanied by annual financial statements to CIPC.
Risk governance	Improved reporting by the chairman of the Risk Committee to the board of the company, the Audit Committee and to the board of Truworths Ltd so as to present a more comprehensive and detailed view of risk management activity. Presentation to and consideration by the Risk Committee of Group financial key performance indicators (KPI's) that constitute the Group's risk dashboard.
Information technology (IT) governance	Consolidation and enhancement of IT governance processes, including the introduction of an IT governance scorecard, the involvement of the IT audit manager in promoting and monitoring IT governance, and the inclusion of IT governance as a permanent item on the agendas for the Risk Committee, Audit Committee and Truworths Ltd board meetings.
Director education and development	Adoption and implementation of a more structured and formalised process for making ongoing management presentations at board meetings to foster a broader understanding of the Group's operations and key projects.
Company secretary	Evaluation framework and process implemented and assessment conducted as to the independence, experience, competence and qualifications of the company secretary, as required by the JSE Listings Requirements.
Internal audit	Resources of the internal audit department were reviewed owing to the Group's recent expansion and management decisions were taken to increase the headcount of store auditors and supplement the head office and IT technical audit resources.
Consumer legislation compliance	Management considered, made submissions to regulators on and planned to deal with various items of legislative and regulatory change. These include changes and proposed amendments to the National Credit Act and codes of conduct and affordability assessment guidelines applicable to the credit providers industry; the proposed code of conduct in terms of the Consumer Protection Act for the consumer goods and services industry; and the information privacy and security provisions of the Protection of Personal Information Bill.
Environmental sustainability	Management's interventions aimed at reducing the environmental impact, in the form of carbon emissions from electricity usage, of the Group's operations gained further momentum with the completion of the head office lighting project, the completion of the pilot phase and viability study for the store re-lamping project, and the introduction of the smart shipping programme aimed at reducing carbon emissions from merchandise freighting activities.
Chief Executive Officer (CEO)	The service contract of the CEO, Michael Mark, was extended by a further two years to 30 June 2015.
Chief Financial Officer (CFO)	David Pfaff was appointed CFO Designate with effect from 15 April 2013 following the resignation of the incumbent CFO, Mark Sardi, and was appointed CFO with effect from 1 September 2013.
Director independence	The independence of long-serving non-executive directors was reviewed, as proposed by King III. All non-executive directors are considered to be independent. Tony Taylor, a non-executive director, was reclassified as an independent non-executive director with effect from 1 April 2013, three years after retiring as an executive director of the Group.
Risk committee	The charter of the risk committee was amended to align with its amended composition, meeting frequency and mandate.

Board of directors

Board structure

The complementary roles and responsibilities of the boards of Truworths International, the listed investment holding and management company, and its wholly-owned retailing subsidiary, Truworths Ltd (Truworths), are formally documented.

The Truworths International board provides direction and leadership to the Group and is ultimately accountable for the overall governance, performance, strategy and affairs of the Group. The board focuses on material issues which impact on shareholder value creation and the long-term sustainable growth of the business. This includes corporate and information technology governance, transformation, acquisitions and succession planning, as well as reviewing and monitoring the development and implementation of the strategic plans adopted by the Truworths board.

Operational responsibility for the Group's retailing business has been delegated to the Truworths board which is accountable for the ongoing management of the business.

Board composition

The Group has a unitary board structure with seven non-executive directors and one full-time salaried executive director, being the Chief Executive Officer, at the reporting date.

All non-executive directors, including the Chairman, are independent in terms of the King lll definition and the guidelines outlined in the JSE Listings Requirements. The independence of long-serving non-executive directors was assessed by the board, as recommended by King lll, and the board concluded that these directors remain correctly categorised as independent.

In addition, the roles of the independent non-executive Chairman and the Chief Executive Officer are separate and clearly defined.

Biographical details of the directors appear on page 41.

Board appointments

Directors are appointed by the board in a formal and transparent manner. The Non-executive and Nomination Committee in consultation with the Chief Executive Officer considers suitable candidates and nominates persons for appointment as directors to the boards of both Truworths International and Truworths.

One-third of the directors, both executive and non-executive, are required to retire by rotation at the annual general meeting (AGM) of shareholders. Retiring directors may offer themselves for re-election. Directors appointed by the board of directors since the previous AGM must be elected by shareholders at the following AGM. Details of these directors are given in the Notice of AGM on pages 128 to 133.

Directors generally have no fixed term of appointment, except for the contract of the Chief Executive Officer, Michael Mark, whose service contract was extended during the period by a further two years to 30 June 2015 and is subject to a notice period of nine months. The salient features of this contract are disclosed in note 26.1 of the Group Annual Financial Statements.

Executive directors retire at the age of 60 unless fixed-term contracts are negotiated with the board beyond this age. There is no prescribed retirement age for non-executive directors.

Board and director evaluations

An annual evaluation is conducted to assess the effectiveness of the board as a unit and the individual contributions of the directors.

The Chairman discusses results of the individual director evaluations with the directors individually, and suitable developmental plans are agreed with them. The results of the evaluation of the Chief Executive Officer are distributed to all board members and considered by them.

The evaluation for the 2013 period concluded that the board's overall functioning and governance were excellent. The findings indicate that:

- the board's role and responsibilities have been clearly defined, issues are prioritised and discussed timeously and performance objectives are regularly reviewed in detail;
- the board is independent, and has improved with regards to more clearly articulating its size, composition and eligibility criteria. The board does see a need to improve the race and gender composition as appropriately skilled candidates are identified;
- the directors have effective education on governance and the operations of the Group, but this could be further improved with regards to the orientation of new members;
- leadership, teamwork and management relations on the board are excellent and remains an area of strength;

- board and committee meetings are productive, allow for review of all key aspects of the business and are held at sufficient intervals;

- board members, including the Chief Executive Officer, are suitably compensated, although the evaluation of directors and board committees could be further developed;

- the Non-executive and Nomination Committee, which manages the executive succession plan, is functioning as intended with the appropriate focus on key position succession. The board is satisfied with the level of ethical behaviour and proper compliance standards throughout the organisation; and

- the board is satisfied that there is appropriate consideration of its various constituencies, including shareholders, employees, customers, suppliers and communities.

Chief Financial Officer expertise and experience

The Audit Committee reports in terms of the JSE Listings Requirements that, based on a written evaluation, it was satisfied as to the appropriateness of the expertise and experience of the Group's Chief Financial Officer Designate for the period he was employed during the reporting period.

Company Secretary competence, knowledge and experience

Based on a formal assessment conducted by the Chairman, Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman, the board is of the opinion that the Company Secretary, who is a Fellow of the Institute of Chartered Secretaries and Administrators and holds the Postgraduate Diploma in Advanced Company Law (UCT), suitably fulfils the role as he possesses the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company. In line with the principles of King III, the Company Secretary is not a director of the company and in the view of the board is suitably independent of the board to be an effective steward of the Group's corporate governance framework.

Board and committee attendance

Truworths International Limited

Director	Status	Board	Audit Committee	Remuneration Committee	Non-executive and Nomination Committee	Social and Ethics Committee	Annual General Meeting
Hilton Saven	Independent non-executive	#4/4	##2/3	4/4	#4/4		1/1
Rob Dow	Independent non-executive	4/4	2/3	#4/4	4/4		1/1
Michael Thompson	Independent non-executive	4/4	#3/3		4/4	#4/4	1/1
Thandi Ndlovu	Independent non-executive	4/4			4/4	4/4	1/1
Sisa Ngebulana	Independent non-executive	3/4			3/4	0/4	0/1
Tony Taylor	Independent non-executive*	4/4			4/4		1/1
Roddy Sparks	Independent non-executive	3/4	3/3		3/4		1/1
Michael Mark	Executive	4/4		##4/4			1/1
Mark Sardi	Executive**	3/3					1/1
% meeting attendance 2013		**94**	**83**	**100**	**93**	**67**	**89**
% meeting attendance 2012		95	90	100	93	100	89

* Independent with effect from 1 April 2013
** Resigned with effect from 12 April 2013
# Chairman
Attendance by invitation

Truworths Limited

Director/Executive	Status	Board	Risk Committee	Transformation Committee	Sustainability Committee
Michael Mark	Executive director	#4/4			
Emanuel Cristaudo	Executive director	4/4	#4/4		
Doug Dare	Executive director	4/4			
Derek Kohler	Executive director	4/4		3/4	
Mark Sardi*	Chief Financial Officer	##3/3	3/4		2/3
Michael Thompson	Non-executive director	n/a	4/4		
David Pfaff**	Chief Financial Officer Designate	##1/1	1/1		1/1
Chris Durham	Company Secretary	##4/4	3/4	4/4	4/4
Tony Miek	Divisional director	##4/4			#4/4
Mark Smith	Divisional director	##4/4	4/4	#4/4	3/4
Francois Baissac	Divisional director	##4/4	4/4		
% meeting attendance 2013		**100**	**92**	**92**	**88**
% meeting attendance 2012		97	85	83	83

* Resigned with effect from 12 April 2013
** Appointed 15 April 2013
# Chairman
Attendance by invitation

(Note: Only the attendance of directors and those divisional directors who are members of committees have been reflected, although all divisional directors are invitees to board meetings, and executives and managers are members of certain committees.)

Board committees

The directors have delegated specific responsibilities to committees to assist the boards of Truworths International and Truworths in meeting their oversight responsibilities. The committees are as follows:

Truworths International

- Audit Committee
- Remuneration Committee
- Non-executive and Nomination Committee
- Social and Ethics Committee

Truworths

- Risk Committee
- Transformation Committee
- Sustainability Committee

These committees are chaired by independent non-executive directors, except where the committees perform an executive function. The directors confirm that the committees have functioned in accordance with their written terms of reference during the financial period.

The objectives, functions and composition of these board committees are included in the detailed Corporate Governance Report available online at www.truworths.co.za.

Internal accountability

Risk management

Risk governance and management are integral elements of the Group's corporate governance framework. These elements aim to ensure business specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III Code principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The key risks facing the Group, together with mitigation strategies, are covered in the Material Issues and Risks on pages 14 to 29 and in the Risk Report on pages 120 to 123.

Internal audit

The internal audit function provides assurance to the Truworths International board, via the Audit Committee, on the adequacy and effectiveness of the Group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit also assists management by making recommendations for improvements to the control and risk management environment.

Specific focus is placed on the system of internal control that ensures that assets and information are protected against loss, theft or misuse, as well as on those controls that ensure key transactional information is of high integrity.

The Audit Committee, based on assurance provided by internal audit, reports that during the reporting period:

- internal control procedures were represented by management as having been substantially effective and appropriate;
- no material breach of internal controls and procedures was brought to its attention;
- key risks appeared to be adequately documented by management and appropriately monitored and reported on by the Risk Committee;
- policies and authority levels were represented by management as having been enforced and adhered to; and
- no material breaches of any laws affecting the Group were brought to its attention.

Personal share dealings

Directors and employees are prohibited from dealing in the Group's shares during two formal closed periods. The closed periods commence approximately two weeks before the end of the interim (December) and annual (June) financial periods, and end 24 hours after the financial results are disclosed on the JSE's news service, SENS.

All share dealings by directors, executives, the Company Secretary and other designated persons in possession of price-sensitive information, require prior written approval.

The Company Secretary is advised of any dealings in the company's shares by directors of Truworths International or Truworths, or associates of these directors, and notifies the JSE and the investment community through SENS within 48 hours of the trade being effected, in accordance with the JSE Listings Requirements.

Information technology governance

Information technology (IT) governance remains a responsibility of a number of forums within the Group, including the Audit and Risk Committees:

- the Audit Committee considers the efficacy of IT controls, policies and processes in so far as these might pose a risk to the financial reporting process, and the effectiveness of financial controls; and
- the Risk Committee monitors management's initiatives to ensure that IT risks are managed appropriately so as not to pose a threat to the continuity of the Group's operations.

The head of the Information Systems Department (ISD) is a divisional director reporting to the Customer Relations Management and Information Systems Director of Truworths, and is responsible for elements of IT governance. The ISD has documented its IT governance framework, as well as its objectives and key performance measures in relation to IT governance, and formally reports on IT governance matters to the Truworths board, including progress made as measured by a board-approved IT governance scorecard.

Legislative compliance

Compliance with the Consumer Protection Act, the Companies Act and the National Credit Act has received ongoing attention during the period.

A project team working together with external legal consultants have assessed the impact of the proposed Protection of Personal Information Bill and recommended changes to systems and processes. This Bill will impact the Group in relation to the secure maintenance and transmission of customer and employee data.

The Group had no instances of major non-compliance with legislation during the period and no material fines were incurred, nor were there any instances of prosecutions of Group companies or its directors and/or officials for failure to comply with any applicable legislation or codes of conduct.

Values and ethics

The Group's values are core to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders (refer to pages 10 and 11).

A formalised policy details the Group's code of ethical and acceptable conduct, with the values supporting all aspects of this code.

The Group has a written policy which prohibits the acceptance by employees of gifts of any nature from current or prospective suppliers, and prohibits participation in recreational events, or events purely of an entertainment nature sponsored by these suppliers, unless sanctioned by the Chief Executive Officer. During the period, work commenced on amending Group policies to ensure that involvement in corrupt practices, including the deployment of facilitation payments, was strictly prohibited, with severe sanctions for breach of such policies.

During the period, a number of incidents of non-compliance by employees with the Group's policy on ethical conduct were reported and dealt with in terms of the Group's disciplinary procedures. These resulted in formal warnings, and in serious instances, gave rise to dismissal from employment and cases being reported to the South African Police Service.

Whistle-blowing

King III requires companies to apply mechanisms to combat theft, fraud and other unethical practices. The Group has an ethics hotline which is managed in partnership with an external service provider. Whistle-blowers may call in with anonymous tip-offs which are relayed to the Human Resources department for investigation. Employees are eligible for an award of up to R5 000 for reporting unethical behaviour to the hotline that leads to the prosecution and/or dismissal of the perpetrators. In 2013 seven awards were made (2012: three). A total of 79 reports were received in 2013 (2012: 87).

Competitive conduct

The Group operates in a highly competitive industry which has relatively low barriers to entry and a multitude of customers. As the Group strives to be the retailer of choice in its market segment, it is highly protective of confidential information, trade secrets, methodologies and supplier networks.

Interaction with other retailers is therefore generally restricted to forums in which co-operation at an industry level is necessary for the purposes of making representations to government, or to the sharing of information and ideas about issues facing the industry at large. Such forums typically have a public profile, are open to membership by any retailers, and conduct their activities in a transparent manner in the form of non-profit organisations governed by written constitutions.

The Group is a member of the Retailers' Association (RA) as well as the National Clothing Retail Federation of South Africa (NCRF). The constitutions of these bodies specifically provide that the principle of competition shall not be compromised through their activities. Consequently no sharing of information or co-operation in any form that could lessen the ability of retailers to compete with one another is permitted.

The board is satisfied that the Group has not entered into any arrangements with competitors that unlawfully restrict competition or could be said to constitute collusion, and is confident that it has not entered into any arrangements which could be prohibited by the Competition Act. No fines or prosecutions have been incurred by the Group for anti-competitive practices or non-compliance with that Act, nor has the Group been the subject of any enquiries or investigations by the competition authorities during the period.

Governance priorities in 2014

Incremental improvements will be made to governance structures, policies and processes in 2014. These will include the following:

- Further development of the IT governance framework, through the adoption of enhanced processes and policies, the regular measurement of the progress of IT governance initiatives through the board adopted IT governance scorecard and ongoing work to embed good IT governance practices in the day to day business operations.
- Ensuring the Social and Ethics Committee continues to develop meaningful momentum in relation to management's programmes regarding sustainability, social and environmental issues of material consequence to the Group and its key stakeholders, including disclosure and reporting on such issues.
- Further enhancing the Group's understanding of and compliance with the legislative and regulatory requirements in the foreign territories it has recently commenced or will commence operations, including the development of the functioning and scope of the compliance officer role.

Risk Report

In an environment of increasing risk awareness locally and internationally, the Group adopts industry best practice risk governance and compliance processes to maintain its competitive advantage and to give shareholders confidence in the Group's ability to sustain value in the longer-term.

The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the 2013 financial period.

Risk governance

Risk governance and management are integral elements of the Group's corporate governance framework. These elements aim to ensure operational and strategic risks, emerging risks, and risks posed by the external environment are adequately and timeously identified and mitigated.

The board of Truworths International is accountable for risk governance and has delegated responsibility for risk management to the Truworths board. Specific oversight of risk management is the function of the Risk Committee of the Truworths board.

The Risk Committee is tasked with managing key risks in the business as well as establishing guidelines for monitoring, reporting and mitigating these risks.

The role of the committee is as follows:

- Identify, assess, mitigate and manage significant risks facing the Group.
- Develop risk management mechanisms which enable dynamic risk identification, mitigation and communication, as well as business continuity.
- Ensure the Group has functionally effective systems of internal control which are designed to safeguard group assets and investments and support business sustainability.
- Enable effective communication between the directors, management, the Internal Audit department and the external auditor.
- Provide an objective and independent forum to discuss and debate significant risk management related matters.

The Risk Committee comprises a director of Truworths International, a director of Truworths (Chairman of the committee), Chief Financial Officer, divisional directors of Information Systems and Human Resources, Group Risk Manager, Company Secretary, Finance Executive, and Internal Audit Manager. Executives and senior management attend meetings by invitation to discuss material risk matters in their areas, to assure the committee that these issues are being considered, and that risk mitigation plans are in place.

The chairman of the Risk Committee reports on the committee's activities to the Truworths International and Truworths boards, as well as the Truworths International Audit Committee.

An external risk management consultant from a leading auditing practice is retained to assist with the Group's risk governance and management processes, to ensure the Group is following best practice, and to offer advice to improve the management of risk in the business.

Risk management process

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The Group Risk Manager co-ordinates the risk management process whereby risks, controls and mitigation plans are determined by operating business units at least annually. These risks are documented in a risk register and are rated in terms of likelihood of occurrence and impact. Senior management is required to satisfy the Risk Committee that suitable policies have been adopted and appropriate processes have been implemented to adequately manage the identified risks.

The Group's risk maturity is periodically benchmarked against its peers in South Africa and against the King III risk governance principles.

The overall risk profile of the Group has not changed materially during the period, and the key risks remain unchanged for the 2014 financial period (refer to the table of key risks on pages 122 and 123 for further detail).

Emerging risks

Emerging risks are also identified and assessed in line with the Group's risk management principles. These are typically risks that are not likely to impact the business in the 2014 financial period but could become material over time. The following are examples of emerging risks:

- Fashion retailing is becoming increasingly competitive owing to the entry of foreign apparel chains into the local market, the improving performance of competitors, and the growth of low-cost operators selling clothing through markets. Management's response to this risk is that if the Group has the right fashion in its stores, it will continue to attract customers, regardless of the level of competitor activity.

- The Protection of Personal Information Bill is, after a delay in the parliamentary process, expected to be promulgated during the 2014 financial period. A project team has assessed the impact of the proposed legislation and management is currently confident that the Group will be substantially compliant when the legislation comes into operation.

Financial risks

The Group is exposed to financial risks through currency, interest rate and market exposures. These risks are managed through various measures, including a comprehensive board-approved treasury policy which sets parameters designed to limit any negative impact on financial performance. Compliance with this policy is monitored by the Investment Committee and is subject to periodic review by the Internal Audit department.

Derivative financial instruments are used to hedge foreign exchange exposure resulting from offshore procurement and to meet the Group's obligations under the cash-settled incentive scheme. Exposure to foreign currency exchange rate fluctuations arise from the import of merchandise and certain capital items such as information technology and warehousing equipment into South Africa, as well as from the obligation to make certain payments relating to Group subsidiaries in the rest of Africa in foreign currencies. No speculative foreign exchange trading is permitted and exposures have remained within the board-approved limits of authority throughout the period.

Forward cover contracts are purchased to cover all committed South African import exposures and there were no uncovered foreign currency liabilities at the end of the period.

A summary of the Group's financial risk management and specific exposures is contained in note 23 of the Group Annual Financial Statements which are available on the Group's website at www.truworths.co.za. The Risk Committee believes that the financial risks are sufficiently mitigated so as not to warrant inclusion in the Group's key risks.

Risk ratings and assessment

Risks are assessed and rated in several ways, including determining the status of the risk. Status 1 highlights a risk which poses an immediate and present danger; status 2 indicates that some risk exists but is not imminent; and status 3 shows that an element of risk exists but it is unlikely to occur. None of the key risks have been categorised as status 1 risks.

The committee also assesses the potential impact of a risk on the business, and uses a three-point rating scale to indicate whether the risk would result in intolerable losses, tolerable losses or no loss at all.

During the period, the Risk Committee reviewed both the key risks and emerging risks, and the mitigation plans associated with these risks. The committee was satisfied that risk management across the business was generally well managed, and that risks are being appropriately monitored and mitigated.

Key risks

Risk	Risk status	Impact indicator	Definition of risk	Risk mitigation plans
Managing the risk of credit	2	2	Credit facilities are granted to customers to grow the active account base and to facilitate merchandise sales growth. Credit needs to be granted in a responsible manner without compromising the health of the portfolio and affecting returns to shareholders.	• Credit granting processes consistently applied using advanced analytics, credit scorecards and models. • Credit strategies reviewed in light of current challenging consumer credit environment. • More frequent scoring of portfolio on credit bureau. • Ongoing scorecard alignment. • Credit collection strategies constantly refined and capacity increased. • Use of internationally experienced consultants to advise us and to ensure we apply the latest best practice and technology.
Managing the risk of fashion	2	2	As a leading apparel retailer the Group needs to ensure that quality fashion is provided to customers each season at appropriate margins. This covers buying processes, fashion monitoring, supplier relationships and ensuring the Group has skilled buying and planning resources.	• Proven processes and key executive interventions throughout the merchandise life cycle are aimed at managing and mitigating the risk of fashion. • Suppliers are managed to ensure risk is spread across the supply chain. • Gross margin to be held within target range. • Markdowns to be maintained within comparative benchmarks through rigorous inventory management disciplines. • Inventory turn to be managed within revised target range which takes into account growth in direct imports.
Availability of information technology systems	2	2	IT systems are critical to enable the Group to trade and to process customer transactions, and these complex systems need to remain stable.	• Business continuity plans, disaster recovery facilities and back-up processes are in place. • IT governance processes enhanced. • Alternative support technology to centralised mainframe allows for seamless switching between the two to ensure stores can continue to trade. • Network with multiple levels of redundancy installed. • Stores can trade offline for an extended period.
Warehousing facilities	2	2	Organic growth in the business has resulted in the need to expand distribution and warehousing capacity.	• Capital expenditure of R60 million committed for 2014 for distribution facilities. • Land purchased directly alongside Truworths Distribution Centre (TDC) and construction of a third distribution centre will commence in the 2014 financial period. • A third distribution facility will limit the risk of disruption to the supply chain. • Business continuity plan regularly reviewed and tested. • Adequate measures to ensure safety against fire, flooding and crime. • Insurance cover regularly reviewed.
Key supplier dependency	2	2	Merchandise that is locally sourced could potentially be at risk if the supplier base is eroded and unable to meet demand.	• The Group has a base of committed suppliers. • Suppliers are subject to stringent risk assessment to ensure contingency for loss of production facilities and key personnel. • Alternative suppliers can be sourced locally. • International supply can be expanded through in-house sourcing expertise. • Merchandise orders are spread across supplier base to limit risk of an individual supplier failing. • Maximum order volumes to mitigate supplier risk.

Risk	Risk status	Impact indicator	Definition of risk	Risk mitigation plans
Changes to labour legislation	2	3	Proposed changes to labour legislation in the form of the Labour Relations Amendment Bill and the Basic Conditions of Employment Amendment Bill could impact on flexi-time work force and significantly increase salary expense.	• Retailers' Association engaging with regulators on behalf of the retail sector to debate changes which retailers believe may restrict the ability of businesses to create employment.
Point-of-sale (POS) system implementation	2	3	A new POS system has been introduced into stores to replace a legacy system. The project had significant change management implications and the success of the system requires acceptance in stores.	• New POS system installed in all stores (except YDE). • POS system was installed on a phased basis to limit integration risk. • Project designed to limit impact on merchandise distribution and customer management systems. • Ongoing enhancement of the POS system with training and effective change management.
Transformation	2	3	Compliance with Broad-based black economic empowerment (BBBEE) codes and regulations, together with a commitment to transformation, is fundamental to the sustainability of the Group.	• Group adopted a medium-term timeframe to create a diverse workforce rather than implementing short-term solutions. • Employment equity plans and targets to 2014 approved by Department of Labour. • Management has retained an external consultant to advise the Group with a view to ensuring compliance.
Loss of head office building	3	3	The loss of the head office building could affect service to store operations and impact service levels to customers.	• Business continuity plans for head office. • Disaster recovery plans developed and regularly reviewed. • Fire protection systems installed. • Insurance cover regularly reviewed. • Alternative facilities have been identified and network infrastructure installed.
Loss of key executives and employees	3	3	Executives and employees are skilled and experienced and in demand both locally and internationally.	• Board-approved succession management plans for all key executives. • Competitive remuneration and incentive schemes offered to enhance retention. • Effective contractual arrangements with key executives, including extended notice periods and restraints of trade. • Development programmes to enhance pool of leadership skills. • Merchant trainee programme develops graduates for roles in merchandise functions and support services.

Risk status key

1 Immediate and present danger
2 Some risk but not imminent
3 Some risk but not likely

Impact indicator key

1 Intolerable losses
2 Tolerable losses
3 No losses

Social and Ethics Committee Report

The Chairman of the Social and Ethics Committee reports to shareholders on the matters within the committee's mandate for the period ended 30 June 2013, in accordance with the requirements of the Companies Act (71 of 2008, as amended).

Committee composition

The members of the committee for the period were Michael Thompson (Chairman), Sisa Ngebulana and Thandi Ndlovu, all of whom are independent non-executive directors. At the annual general meeting (AGM) in November 2012 shareholders confirmed the appointments of these members. Permanent attendees at meetings of the committee are the Chairman of the Transformation Committee (Mark Smith – Divisional Director: Human Resources), the Chairman of the Sustainability Committee (Tony Miek – Divisional Director: Real Estate, Store Design and Visual Presentation), and the Company Secretary (Chris Durham), who also acts as the secretary of the committee. The Chief Executive Officer is also an invitee and attends at his discretion. Shareholders will be asked to confirm the appointments of the current committee members at the AGM in November 2013.

Responsibilities

The objectives and responsibilities of the committee are recorded in its written charter and are aligned with the committee's statutory functions as set out in the Companies Regulations 2011. In summary the committee has a duty to:

- monitor social, economic, governance, employment and environmental activities of the Group;
- bring matters relating to these activities to the attention of the board as appropriate; and
- report annually to shareholders on the matters within the scope of its responsibilities.

The specific activities required to be monitored by the committee include the Group's adherence with legislation, regulation and codes of best practice relating to:

- Social and economic development, including the Group's standing relative to the UN Global Compact Principles, the Organisation for Economic Co-operation and Development (OECD) recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the Group's contribution to the development of communities in which it operates or markets its goods and the Group's record of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impacts of the Group's activities and products on the environment and society.
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the Group's standing relative to the International Labour Organisation (ILO) Protocol on decent work and working conditions, and the Group's employment relationships and contribution to the educational development of its employees.

Functioning

The committee met quarterly during the period. These meetings were called by written notice containing detailed agenda items and accompanied by supporting documents such as the committee charter, the minutes of the prior meeting and the reports of the permanent attendees at committee meetings. Detail on meeting attendance is included in the Abridged Corporate Governance Report on page 116, and members of Group management have also been present to make presentations on a variety of relevant topics to the Committee.

The Chairmen of the Transformation and Sustainability Committees made presentations to the committee on the functions and reporting obligations of these two Committees, as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes. Presentations to the committee have included information on the following:

- Policies aimed at preventing, detecting and dealing with fraud and dishonesty, and the Group's fraud response plan.
- Code of ethics governing employee behaviour, and whistle-blowing policy on reporting of inappropriate conduct.
- Structures, processes and reporting channels designed to drive ethical behaviour by employees.
- Sustainability policy, as well the Group's sustainability dashboard which records key sustainability interventions.
- Sustainability scorecard, which maps management's progress in executing agreed sustainability initiatives.
- Focus on five areas of sustainability, being people, customers, social responsibility, strong governance, driving operational efficiencies and supply chain resilience.

- Inclusion in the 2012 Carbon Disclosure Project (CDP), and preparation for the 2013 CDP submission.
- Electricity saving initiatives in stores and head office, aimed at saving costs and reducing carbon emissions.
- Smart freight initiatives in relation to the importation of merchandise, including decreasing the sea freight bill, the use of multi-modal freight transportation, and route rationalisation and carrier cost reduction.
- Initiatives in relation to corporate social investment and the Group's record of donations and charitable giving.
- Inclusion in the JSE's 2012 Socially Responsible Investment (SRI) Index.
- Employment equity plan, and the Group's achievements relative to its targets.
- Performance in regard to black economic empowerment as measured on the Department of Trade and Industry generic broad-based black economic empowerment (BBBEE) scorecard.
- Training and development programme, including the programme philosophy and key initiatives, such as leadership development, trainee programmes, technical and life skills development and retail operations training.
- Consumer relationships, the Group's advertising, public relations and compliance with consumer protection laws, including the customer complaints handling process and the Group's merchandise return policies.

More detail on the aforesaid plans, practices, policies, programmes, scorecards and philosophies are provided in other reports contained in the Group's 2013 Integrated Annual Report or are otherwise available on the Group's website at www.truworths.co.za.

The Committee questioned management during these presentations, sought clarity where necessary, and suggested alternative viewpoints or approaches for consideration in relation to Group policies and initiatives. The committee made recommendations to and brought matters to the attention of management and the board aimed at enhancing the Group's standing as a responsible corporate citizen. Included in these recommendations and matters were that:

- The Group's code of ethics be updated, including taking into account that the Group now operates in multiple jurisdictions with different views on ethical behaviour.
- The Group's whistle-blowing policy be updated to note the obligations in the Prevention of Corruption Act and the Financial Intelligence Centre (FIC) Act to report certain incidents and behaviour to the South African Police Service (SAPS) and the FIC.
- The processes for ensuring awareness of Group policies be reviewed to ensure that they were accessible to and suitably understood by employees, including employees outside of South Africa.
- Policies regarding fraud, ethics and whistle-blowing should be appropriate for the business, and should reflect the culture of the Group.
- Consideration be given to the carbon credit opportunities presented by the Group's electricity saving initiatives.
- The committee endorsed the Group's electricity saving project initiatives.
- The committee expressed satisfaction that the Group's sustainability programme appeared to have suitable structure and appropriate substance, and noted that management's approach would evolve over time.
- The committee commented favourably on the Group's corporate social investment approach and process.
- The committee noted its satisfaction with the efforts currently being made by management as regards sustainability initiatives in relation to the Group's supply chain and the key environmental impacts of the Group.
- The committee concluded that it was satisfied with the Group's skills training and development programmes.
- The training of store and call centre employees in relation to the handling of customer complaints required ongoing attention.
- The Group's response to the call by the National Consumer Commission for comment on the draft consumer goods industry code of conduct in terms of the Consumer Protection Act should be shared with the committee.

Plans for the 2014 period

The committee plans during the 2014 period to extend and develop its monitoring activities, enhance the process for making appropriate recommendations to the board and build its role in facilitating the development of the Group's governance relating to environmental, social and employee development initiatives.

The committee has specifically requested that management arrange a detailed presentation on the Group's sustainability scorecard and sustainability dashboard.

Conclusion

The Committee believes that the Group has continued to assign the necessary importance to its environmental, social and governance responsibilities, and that its initiatives are aligned with the Group's business strategy.

The committee is further of the view that the Group has suitable policies, plans and programmes in place to promote and sustain social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

No material non-compliance with legislation and regulation, or non-adherence with codes of best practice, relevant to the areas within the committee's mandate has been brought to its attention, and, based on its monitoring activities to date, the Committee has no reason to believe that any such non-compliance or non-adherence has occurred.

The committee acknowledges that the areas within its mandate are constantly evolving and that management's responses too will have to be adapted as the environmental, social and governance agenda attracts increasing attention from stakeholders.

MA Thompson
Chairman
Social and Ethics Committee

Notice to Shareholders

Notice is hereby given that the annual general meeting of shareholders of Truworths International Ltd ('the company') will be held in the Auditorium, First Floor, No.1 Mostert Street, Cape Town, South Africa on Thursday, 7 November 2013 at 09:30 for the purpose of conducting the following items of business:

1. To receive and adopt the Group and the company Audited Annual Financial Statements, which include the Directors' Report and the Audit Committee Report, for the period ended 30 June 2013. The audited Group Annual Financial Statements are available on the company's website at www.truworths.co.za or can be obtained upon request to the Company Secretary by calling +27 (0)21 460 7956 or e-mailing skohlhofer@truworths.co.za.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

2. To elect directors of the company in accordance with the Companies Act (71 of 2008, as amended) ('the Act') and the company's memorandum of incorporation which provide that:

   - At least one third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.
   - Any director appointed by the board of directors since the previous annual general meeting must be elected by shareholders.

   Messrs RG Dow, MS Mark and AJ Taylor are required to retire by rotation at the annual general meeting and, being entitled thereto, have offered themselves for re-election. Voting for the directors seeking re-election will be conducted individually.

   Mr DB Pfaff was appointed as an executive director by the board with effect from 1 September 2013 and is required to be elected by shareholders at the annual general meeting.

   A brief *résumé* of each of these directors is attached at the end of this notice.

   The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

3. To renew the directors' general authority, which shall be limited in aggregate to 9 276 136 shares, being 2 (two) percent of the company's shares in issue at 30 June 2013, over both the un-issued and the repurchased ordinary shares of the company until the following annual general meeting, only for the purposes of allotting or selling such shares in connection with an acquisition or empowerment transaction by the Group, and for no other purpose. This general authority shall include the power to allot or to sell, as the case may be, such shares for cash subject to the provisions of the Act and the JSE Listings Requirements ('Listings Requirements'). In particular this ordinary resolution which, if passed, would constitute a waiver by members of their pre-emptive rights, is in terms of the Listings Requirements subject to not less than 75% of the votes of all shareholders entitled to vote and in attendance or represented at the meeting, being cast in favour of the resolution, and is further subject to paragraphs 5.52, 5.75 and 11.22 of the Listings Requirements, which in summary provide as follows:

   - such shares may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements, and not to related parties;
   - such shares may not in the financial year ending 29 June 2014 in the aggregate exceed 69 571 020 shares, being 15% of the company's issued shares at 30 June 2013, the number that may be issued or sold, as the case may be, being determined in accordance with sub-paragraph 5.52(c) of the Listings Requirements;
   - the maximum discount (if any) at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination or agreement of the issue or selling price, as the case may be;
   - after the company has issued shares in terms of this general authority representing, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the company will publish an announcement containing full details of the issue, including:
     – the number of shares issued;
     – the average discount (if any) to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue was determined or agreed by the directors; and
     – the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and diluted earnings and headline earnings per share.

*The **reason** for proposing this resolution is to grant a restricted authorisation to the directors to issue the un-issued shares of the company and to sell the treasury shares held by subsidiaries, such shares together being limited to 2 (two) percent of the shares in issue at 30 June 2013, subject to such authority only being exercised for the purposes of an acquisition or empowerment transaction and applicable regulatory and statutory limitations, either for cash or in respect of the acquisition of assets, or otherwise.*

*The **effect** of this resolution, were it to be passed, would be that the directors will have a restricted authority to issue a limited number of the un-issued shares of the company and to use a limited number of the treasury shares held by subsidiaries only for the stated purposes, subject to the applicable provisions of the Listings Requirements, the Act and the provisions of this resolution.*

4. To consider and if deemed fit to pass, with or without modification, the following as special resolution 1, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Listings Requirements:

   'That the company hereby approves, as a general approval contemplated in the Listings Requirements, the acquisition from time to time, either by the company itself or by its subsidiaries, of up to a maximum of 23 190 340 shares, being 5% of the company's shares in issue at 30 June 2013, and further approves the acquisition by the company of any of its issued shares held by any of its subsidiaries as treasury stock, upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements relating to general repurchases of shares, it being recorded that it is currently required by such Listings Requirements that general repurchases of a company's shares can be made only if:

   (a) the company and its subsidiaries are enabled by their memoranda of incorporation to acquire such shares;

   (b) the company and its subsidiaries are authorised by their shareholders in terms of special resolutions taken at general meetings, to make such general repurchases, such authorisation being valid only until their next annual general meetings or for 15 months from the date of the special resolutions, whichever period is shorter;

   (c) such repurchases are effected through the order book operated by the JSE trading system and without any prior understanding or arrangement between the company and a counterparty, unless the JSE otherwise permits;

   (d) such repurchases are limited to a maximum of 20% per financial year of the company's issued shares of that class at the time the aforementioned authorisation is given, it being noted that in terms of the Act a maximum of 10% in aggregate of the company's issued shares that may have been repurchased are capable of being held by subsidiaries of the company;

   (e) such repurchases are made at a price no greater than 10% above the weighted average market price at which the company's shares traded on the JSE over the five business days immediately preceding the date on which the transaction is effected;

   (f) at any point in time, the company appoints only one agent to effect any repurchase on the company's behalf; and

   (g) such repurchases are not conducted during prohibited periods as defined by the Listings Requirements, unless the company has complied with the conditions set out in paragraph 5.72(h) of the Listings Requirements.'

*The **reason** for this special resolution is to grant a limited authorisation to the company and its subsidiaries generally to repurchase the company's shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

*The **effect** of this special resolution, were it to be passed, would be that the company and its subsidiaries will have been authorised generally to repurchase up to 5% of the company's shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

The intention of the directors is that the repurchase of the company's shares will be effected within the parameters laid down by this resolution as well as by the Act, the JSE and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions. The directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that *the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in the Act and confirming that since such tests were performed there have been no material adverse changes to the financial position of the Group. After considering the effect of a general repurchase within these parameters, the directors are of the view that for a period of at least 12 months after the date of the annual general meeting referred to in this notice:*

- *the company and the Group would in the ordinary course of their business be able to pay their debts;*
- *the consolidated assets of the company and the Group would exceed the consolidated liabilities of the company and the Group respectively, such assets and liabilities being fairly valued and recognised and measured in accordance with the accounting policies used in the 2013 audited Annual Financial Statements of the company and the Group;*
- *the issued capital and reserves of the company and the Group would be adequate for the purposes of the company and the Group's ordinary business; and*
- *the company and the Group's working capital would be adequate for ordinary business purposes.*

Notes:

(i) The company will publish an announcement complying with the Listings Requirements if and when an initial and successive 3% tranche(s) of its shares have been repurchased in terms of the aforementioned general authority.

(ii) The company's sponsor will provide a letter to the JSE, regarding the directors' statement as to the adequacy of the Group's working capital, before the company commences any share repurchases in terms of the general authority being hereby sought.

5. To elect an independent external auditor to audit the company and the Group's annual financial statements for the period ending 29 June 2014.

   The Group's current external auditor is Ernst & Young Inc., which has indicated that Ms Tina Rookledge, being a partner of that firm and a registered auditor, will undertake the audit, and the directors endorse the recommendation of the company's Audit Committee that this firm be re-appointed for the ensuing period, and that the terms of its engagement and fees be determined by such Committee.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

6. To approve by way of special resolution 2, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Act, the proposed fees of the non-executive directors for services as directors for the 12-month period from 1 January 2014 to 31 December 2014, as follows:

   - Non-executive chairman:
     R635 000 (2013: R575 000)
   - Non-executive directors:
     R257 500 (2013: R235 000)
   - Audit Committee chairman:
     R170 000 (2013: R150 000)
   - Audit Committee members:
     R105 000 (2013: R95 000)
   - Remuneration Committee chairman:
     R110 000 (2013: R100 000)
   - Remuneration Committee member:
     R70 000 (2013: R65 000)
   - Risk Committee member:
     R70 000 (2013: R60 000)
   - Non-executive and Nomination Committee chairman: R35 000 (2013: R30 000)
   - Non-executive and Nomination Committee members: R17 000 (2013: R15 000)
   - Social and Ethics Committee chairman:
     R27 500 (2013: R25 000)
   - Social and Ethics Committee members:
     R16 500 (2013: R15 000)

*The **reason** for special resolution 2 is to obtain the approval of the shareholders of the company for the fees of the non-executive directors for their services as directors of the company for the 2014 calendar year, as recommended by the company's Remuneration Committee and as required by the Act. The Act provides that such fees be approved by shareholders in advance.*

*The **effect** of special resolution 2 were it to be passed would be that the company's shareholders will have approved the fees of the non-executive directors for their services as directors of the company for the 2014 calendar year, as recommended by the company's Remuneration Committee and as required by the Act.*

7. Subject where necessary to their re-appointment as directors of the company in terms of the resolutions proposed under agenda item 2 above, to confirm by separate resolutions the appointment of the following qualifying independent non-executive directors to the company's Audit Committee for the period until the next annual general meeting of the company, in terms of the requirements of the Act:

   Messrs MA Thompson, RG Dow and RJA Sparks.

   The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

8. To approve, by way of an advisory non-binding vote, the Group's remuneration policy as set out on pages 105 to 108 of the Group's Integrated Annual Report for the period ended 30 June 2013, in terms of the King III principles.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

9. To consider the report to shareholders of the Social and Ethics Committee, as set out on pages 125 to 127 of the Group's Integrated Annual Report for the period ended 30 June 2013, in accordance with the Companies Regulations, 2011 published in terms of the Act.

10. Subject where necessary to their re-appointment as directors of the company in terms of the resolutions proposed under agenda item 2 above, to confirm by separate resolutions the appointment of the following qualifying directors to the company's Social and Ethics Committee for the period until the next annual general meeting of the company, in terms of the requirements of the Companies Regulations, 2011 published in terms of the Act:

    Messrs MA Thompson and SM Ngebulana and Dr CT Ndlovu.

    The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

Directors' and management's responsibility statement

The directors of the company, whose names are given on page 41 of the Group's Integrated Annual Report in which this notice is incorporated, collectively and individually accept full responsibility for the accuracy of the information given in this notice, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Listings Requirements.

The other general information referred to in paragraph 11.26(b) of the Listings Requirements regarding the company is contained elsewhere in the Group's Integrated Annual Report, as follows:

- *directors of the company and of its material subsidiary, on pages 40 to 43*
- *major shareholders on page 75*
- *material changes since period-end, on page 71*
- *directors' interests in the company's shares, on pages 73 and 74*
- *company's share capital, on page 70*

Furthermore, neither the company nor its subsidiaries is involved in any legal or arbitration proceedings, nor are any such proceedings pending or threatened, that may have or have had any material effect on the Group's financial position.

Record date for receiving this notice

The directors have set the notice record date for the purposes of determining which shareholders are entitled to receive this notice of the company's annual general meeting as 17:00 on Friday, 20 September 2013. The last day to trade in order to be entitled to receive the notice of the meeting will therefore be Friday, 13 September 2013.

Electronic participation in the meeting

Shareholders or their proxies may participate in the meeting by way of teleconference call and, if they wish to do so:

- Must contact the Company Secretary by email to skohlhofer@truworths.co.za no later than 17:00 on Friday, 1 November 2013 to obtain dial-in details.
- Will be required to provide reasonably satisfactory identification when they do dial-in.
- Will be billed separately by their telephone service providers for the dial-in call.
- Will, if they wish to vote at the meeting, still be required to appoint a proxy or a representative to do so on their behalf in accordance with the below provisions, given the current technical limitations relating to remote electronic voting.

Attendance, representation and voting at the meeting

By registered shareholders

Natural persons

Any natural person registered as a shareholder of the company, either as a holder of shares in certificate (i.e. paper) form or as an 'own name' holder of shares in dematerialised (i.e. electronic) form, may in person attend, participate in and vote at the annual general meeting. **The meeting record date for participation and voting by such persons at the meeting is 17:00 on Friday, 1 November 2013. The last day to trade in order to be entitled to vote at the meeting will therefore be Friday, 25 October 2013.**

Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the company, to attend, participate in and vote at the meeting on his/her behalf. Presentation of suitable identification by such persons when registering their attendance at the meeting will be required.

Juristic persons

Any juristic (legal) person or corporate body registered as a shareholder of the company may either appoint a representative to attend the annual general meeting and speak and vote thereat on its behalf, or alternatively may appoint one or more proxies for this purpose.

By non-registered shareholders

Shareholders who have dematerialised their company shareholdings, in such a manner that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs), are not company shareholders as defined. Similarly, shareholders whose shares held in certificate form are registered in the name of nominee companies, are also not company shareholders as defined.

Both such categories of non-registered shareholders who wish to attend the company's annual general meeting in person should arrange with their CSDPs or brokers to be furnished with the necessary authorisation to do so either as the representative or proxy of such CSDPs or brokers.

Both such categories of non-registered shareholders who do not wish, or are unable, to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions.

These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDPs or brokers, to enable the CSDPs or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

Documentary requirements relating to proxies

Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Computershare Investor Services (Pty) Ltd, the transfer secretaries of the company, so as to be received at least forty-eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 5 November 2013. **The meeting record date for participation and voting by shareholders at the meeting through such proxies is 17:00 on Friday, 1 November 2013. The last day to trade in order for shareholders to be entitled to participate and vote at the meeting via such proxies will therefore be Friday, 25 October 2013.** Presentation of suitable identification by the proxy when registering his attendance on the day of the meeting will be required.

Documentary requirements relating to representatives

Where a representative is appointed, proof of such appointment is required to be furnished, to the satisfaction of the directors of the company, to Computershare Investor Services (Pty) Ltd, the transfer secretaries of the company, so as to be received at least forty-eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 5 November 2013. **The meeting record date for participation and voting by shareholders at the meeting through such representatives is 17:00 on Friday, 1 November 2013. The last day to trade in order for shareholders to be entitled to participate and vote via such representatives at the meeting will therefore be Friday, 25 October 2013.**

Such proof can take the form of either a certified copy of a resolution of the juristic person or corporate body or a letter of representation signed by a duly authorised director or officer thereof (other than the representative). Presentation of suitable identification by the representative when registering his/her attendance on the day of the meeting will be required.

By order of the board

CDurham

Chris Durham FCIS
Chartered Secretary
Company Secretary

Cape Town
22 August 2013

Appendix 1

Directors' *résumés*

Directors standing for election

Michael Samuel Mark (60)

BCom, MBA, ACMA
Executive Director
Chief Executive Officer

Michael Mark has been the Chief Executive Officer of Truworths International since 1996, having been appointed as a director of the company in 1988. In 2000 he was appointed as executive chairman of the Group, a position which he relinquished in 2004 when the roles of Chairman and Chief Executive were separated. In 1991 he became Managing Director of the Group's principal operating subsidiary, Truworths Ltd, and in 1998 its executive chairman.

He combines over 30 years of experience in the retail industry with an ability to retain focus on the Group's key competencies and an unrivalled understanding of the dynamics of fashion retailing.

His vision and leadership have enabled the Group to achieve exceptional financial performance, including significant growth in turnover, earnings, and trading density on a consistent basis over an extended period, such that it enjoys international recognition as retailer of excellence.

Robert Gilmour Dow (56)

BSc (Hons), Dip Acc (Dist), CA
Independent Non-executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee
Member of the Non-executive and Nomination Committee

Rob Dow has been a non-executive director of the company and a member of its Remuneration Committee since 1998. He became chairman of the Remuneration Committee in 2000 and was appointed to the Audit Committee in 2002.

He has extensive corporate finance and merchant banking experience, firstly with Standard Corporate and Merchant Bank, and from 1995 until 2002 with African Merchant Bank of which he was a founder. He is an executive director of Morella Investments (Pty) Ltd and Tiradeprops 1079 (Pty) Ltd, which are private equity partnerships, and the finance director of St Mary's School Waverley, Johannesburg (a non-profit organisation).

Currently an investment adviser and business consultant, and a non-executive director of empowerment groups Kensani Capital (Pty) Ltd and Phetogo Investment Holdings (Pty) Ltd, he contributes meaningfully to the company's governance, investment and finance activities.

Anthony Joseph Taylor (66)

BA
Independent Non-executive Director
Member of the Non-executive and Nomination Committee

Tony Taylor has been a non-executive director of Truworths International since 1 April 2010. Prior to that he was the Deputy Managing Director of, the Group's principal operating subsidiary, Truworths Ltd, a position he had occupied with distinction since 1998. He joined Truworths as Merchandise Director in 1992, after directorship roles at Edgars and The Foschini Group.

He has over 40 years experience in the South African retail industry, and has extensive knowledge of store operations, merchandise buying, supply chain management and real estate leasing. He also fulfilled key leadership roles in the Group's investor relations and risk management programmes.

Currently he is an executive director at Pepkor Retail Ltd, responsible for the Jay Jays, Shoe City and John Craig business units.

David Brian Pfaff (48)

BCom, CTA, CA (SA), Dip Soc (Oxon)
Executive Director
Chief Financial Officer
Member of Risk Committee
Member of Sustainability Committee

David Pfaff joined the Group on 1 April 2013, was appointed as Chief Financial Officer Designate with effect from 15 April 2013 and has been appointed as an executive director of the company and as Chief Financial Officer of the Group with effect from 1 September 2013.

He is a chartered accountant by profession carrying the CA (SA) designation.

He previously spent seven years with a large JSE-listed information technology group in the period up to 2008 as chief financial officer. During the four-year period prior to his joining the Group, he operated as an independent consultant in the United Kingdom, where he was instrumental in setting up a number of entrepreneurial ventures.

Form of Proxy

TRUWORTHS INTERNATIONAL

Truworths International Limited

Registration number: 1944/017491/06 JSE Code: TRU NSX Code: TRW ISIN: ZAE000028296

ANNUAL GENERAL MEETING: 7 November 2013

NB: This form of proxy is to be completed only by shareholders who hold their shares in certificated form, and by those shareholders who hold dematerialised shares with 'own name' registration. Other shareholders must give their voting instructions to their CSDP or broker.

I/We (full names) ____

of (address) ____

being a member of Truworths International Limited (the company) and holding ____________ shares therein, hereby appoint ______________________________ or failing him, the chairman of the meeting as my/our proxy to attend, speak, and vote on my/our behalf, as indicated below, at the annual general meeting of shareholders of the company to be held on 7 November 2013 at 09:30 in the Auditorium, First Floor, No. 1 Mostert Street, Cape Town, South Africa and at any adjournment thereof.

		In favour of	Against	Abstain
Item 1	To receive and adopt the annual financial statements, including the Directors' Report and the Audit Committee Report, for the period ended 30 June 2013.			
Item 2	To re-elect by separate resolutions the retiring directors who are available for re-election:			
	• Mr RG Dow			
	• Mr MS Mark			
	• Mr AJ Taylor			
	To elect Mr DB Pfaff, who was appointed by the board as a director of the company with effect from 1 September 2013.			
Item 3	To give the directors limited and conditional general authority over the un-issued and repurchased shares, including the authority to issue or dispose of such shares for cash.			
Item 4*	To give a limited and conditional general mandate for the company or its subsidiaries to acquire the company's shares.			
Item 5	To re-elect Ernst & Young Inc. as auditor for the period to 29 June 2014 and to authorise the Audit Committee to agree the terms and fees.			
Item 6*	To approve the proposed fees of the non-executive directors for the 12-month period from 1 January 2014 to 31 December 2014.			
Item 7	To confirm by separate resolutions the appointment of the following qualifying independent non-executive directors to the company's Audit Committee for the period until the next annual general meeting (subject where necessary to their reappointment as directors of the Company):			
	• Mr MA Thompson			
	• Mr RG Dow			
	• Mr RJA Sparks			
Item 8	To approve by way of non-binding advisory vote the Group's remuneration policy as set out in the company's Integrated Annual Report.			
Item 9	To consider the report of the Social and Ethics Committee for the period ended 30 June 2013.			
Item 10	To confirm the appointment of the following qualifying directors to the company's Social and Ethics Committee for the period until the next annual general meeting (subject where necessary to their re-appointment as directors of the Company):			
	• Mr MA Thompson			
	• Mr SM Ngebulana			
	• Dr CT Ndlovu			

* Special resolution

Signed at ______________________ this ______________ day of ______________ 2013.

Signature ____

Notes:

Attendance, representation and voting at the meeting

By registered shareholders

Natural persons

Any natural person registered as a shareholder of the company, either as a holder of shares in certificate (i.e. paper) form or as an 'own name' holder of shares in dematerialised (i.e. electronic) form, may in person attend, participate in and vote at the annual general meeting. **The meeting record date for participation and voting by such persons at the meeting is 17:00 on Friday, 1 November 2013.**

Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the company, to attend, participate in and, vote at the meeting on his/her behalf.

Presentation of suitable identification by such persons when registering their attendance at the meeting will be required.

Juristic persons

Any juristic (legal) person or corporate body registered as a shareholder of the company may either appoint a representative to attend the annual general meeting and speak and vote thereat on its behalf, or alternatively may appoint one or more proxies for this purpose.

By non-registered shareholders

Shareholders who have dematerialised their company shareholdings, in such a manner that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs), are not company shareholders as defined. Similarly, shareholders whose shares held in certificate form are registered in the name of nominee companies, are also not company shareholders as defined.

Both such categories of non-registered shareholders who wish to attend the Company's annual general meeting in person should arrange with their CSDPs or brokers to be furnished with the necessary authorisation to do so either as the representative or proxy of such CSDPs or brokers.

Both such categories of shareholders, who do not wish or are unable to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions.

These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDPs or brokers, to enable the CSDPs or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

Documentary requirements relating to proxies

Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Computershare Investor Services (Pty) Ltd, the transfer secretaries of the company, so as to be received forty-eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 5 November 2013. **The meeting record date for participation and voting by shareholders through such proxies at the meeting is 17:00 on Friday, 1 November 2013.** Presentation of suitable identification by the proxy when registering his attendance on the day of the meeting will be required.

Documentary requirements relating to representatives

Where a representative is appointed, proof of such appointment is required to be furnished, to the satisfaction of the directors of the company, to Computershare Investor Services (Pty) Ltd, the transfer secretaries of the company, so as to be received at least forty-eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 5 November 2013. **The meeting record date for participation and voting by shareholders via such representatives at the meeting is 17:00 on Friday, 1 November 2013.** Such proof can take the form of either a certified copy of a resolution of the juristic person or corporate body or a letter of representation signed by a duly authorised director or officer thereof (other than the representative). Presentation of suitable identification by the representative when registering his/her attendance on the day of the meeting will be required.

Electronic participation in the meeting

Shareholders or their proxies may participate in the meeting by way of teleconference call and, if they wish to do so:

- Must contact the Company Secretary by email to skohlhofer@truworths.co.za no later than 17:00 on Friday, 1 November 2013 to obtain dial-in details.
- Will be required to provide reasonably satisfactory identification when they do dial-in.
- Will be billed separately by their telephone service providers for the dial-in call.
- Will, if they wish to vote at the meeting, still be required to appoint a proxy or a representative to do so on their behalf in accordance with the above provisions, given the current technical limitations relating to remote electronic voting.

Shareholders' Diary

Annual general meeting

Annual general meeting	7 November 2013

Reports

Annual results for the period ended 30 June 2013 announced	22 August 2013
Integrated report for the period ended 30 June 2013 mailed	by 27 September 2013
Interim results for the period ended 29 December 2013 announced	20 February 2014*
Interim report for the period ended 29 December 2013 mailed	by 14 March 2014*

Dividends

	Dividend declared	Dividend paid
In respect of the period ended 30 June 2013 (Dividend number 31)	22 August 2012	16 September 2013
For the period ended 29 December 2013 (Dividend number 32)	20 February 2014*	10 March 2014*

* These are approximate dates.

Administration

Truworths International Limited
Registration number 1944/017491/06
Tax reference number 9875/145/71/7
JSE code: TRU
NSX code: TRW
ISIN: ZAE000028296

Company secretary
Chris Durham, FCIS, PG Dip. Adv. Co Law (UCT)

Registered office
No. 1 Mostert Street, Cape Town, 8001, South Africa

Postal address
PO Box 600, Cape Town, 8000, South Africa

Contact details
Tel: +27 (21) 460 7911 • Telefax: +27 (21) 460 7132
www.truworths.co.za

Principal bankers
The Standard Bank of South Africa Ltd

Auditors
Ernst & Young Inc.

Attorneys
Bernadt Vukic Potash and Getz
Edward Nathan Sonnenbergs Inc.
MacRobert Inc.

Sponsor in South Africa
One Capital Sponsor Services (Pty) Ltd

Sponsor in Namibia
Old Mutual Investment Services (Namibia) (Pty) Ltd

Transfer secretaries
In South Africa
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001, South Africa
PO Box 61051, Marshalltown, 2107, South Africa
Contact details
Tel: +27 (11) 370 5000 • Telefax: +27 (11) 688 5248
www.computershare.com

In Namibia
Transfer Secretaries (Pty) Ltd
Robert Mugabe Avenue No. 4
Windhoek, Namibia
PO Box 2401, Windhoek, Namibia
Contact details
Tel: +264 (61) 22 7647 • Telefax: +264 (61) 24 8531

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