



INTEGRATED ANNUAL REPORT **2012**

TRUWORTHS
INTERNATIONAL



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HIGHLIGHTS

Sale of
merchandise up

12%

Gross
margin at

56.7%

Operating
margin at

36.1%

Headline earnings
per share up

16%

Annual dividend
per share up

24%

ACHIEVEMENTS

Rated in the top 10 in the inaugural Ernst & Young
Excellence in Integrated Reporting Awards 2012

3rd consecutive year in the JSE Top 40 Index

4th consecutive year of inclusion in the
JSE Socially Responsible Investment Index

COMMITMENT TO INTEGRATED REPORTING

The Truworths International Integrated Annual Report for the 2012 financial period builds on the enhanced disclosure of last year's first integrated report and focuses on sustainable value creation for our key stakeholders.

We support the principle of integrated reporting and throughout this report have attempted to demonstrate how sustainable business practices can ensure the longer-term viability of Truworths International and its subsidiaries (the Group).

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

This Integrated Annual Report is targeted primarily at our shareholders and the broader investment community, both locally and offshore. We are committed to transparent, balanced and relevant disclosure and aim to demonstrate this in our reporting to shareholders.

SCOPE OF THE REPORT

The report covers the operations, as well as the financial, non-financial and integrated sustainability performance of the Group for the 53-week period from 27 June 2011 to 1 July 2012. The Group operates principally in South Africa but has an expanding retail presence in several other African countries. The majority (97%) of the Group's revenue and profit is generated in South Africa. There has been no change from last year in the scope of the report.

The report complies with International Financial Reporting Standards, the South African Companies Act (71 of 2008, as amended) (Companies Act) and the JSE Listings Requirements and has applied the principles set out in the King Code of Governance Principles (King III). Management has also considered the guidelines provided by the Integrated Reporting Committee of South Africa as well as local and international best practice.

Management's interpretation of materiality has again been applied in determining the financial and non-financial content and disclosure in this report.

CONTENT OF THE REPORT

Following the extensive reporting changes made last year when the Group prepared its first integrated report, we have expanded our 2012 reporting on material sustainability topics and our results relative to the key performance indicators set for the reporting period. The operational reviews once again focus on value creation for our three key stakeholder groups, namely our shareholders, our customers and our employees.

We have continued the practice adopted last year of only publishing abridged (i.e. summarised) financial statements. The complete annual financial statements are available on our website, together with supplementary information. Printed copies of the annual financial statements are available to shareholders on request.

The following content is available online at the Group's website www.truworths.co.za:

- Integrated Annual Report
- Annual financial statements
- Ten year financial review
- Share statistics and ratios over 10 years
- Definitions
- Risk Report
- Corporate Social Investment Report
- Global Reporting Initiative Index

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 are committed to adopting an assurance process over time and plan to start with verification of selected content of the report by the Group's Internal Audit department. External verification of sustainability indicators will be gradually introduced in forthcoming years before the Group ultimately moves to external assurance of the report.

FORWARD-LOOKING STATEMENTS

The Integrated Annual Report includes forward-looking statements which relate to the 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 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, interest rates, credit and the associated risk 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 publicly update or revise any of these forward-looking statements, 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.

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The board acknowledges its responsibility for the integrity of this report. The directors confirm they have collectively assessed the content and believe it addresses the material sustainability topics 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 2012 Integrated Annual Report for release to stakeholders.



Hilton Saven
Independent Non-executive Chairman



Michael Mark
Chief Executive Officer



CREATING VALUE FOR OUR STAKEHOLDERS

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HIGHLIGHTS AND TARGETS

GROUP FINANCIAL HIGHLIGHTS

2011 52 weeks US Dollar	2012 53 weeks US Dollar	Financial highlights (millions)	2012 53 weeks Rand	2011 52 weeks Rand	Change on prior period %
1 124	1 141	Sale of merchandise	8 830	7 858	12
318	318	Trading profit	2 459	2 223	11
409	412	Operating profit	3 190	2 860	12
278	288	Headline earnings	2 227	1 944	15
284	239	Cash generated from operations	1 851	1 986	(7)
4 569	5 085	Market capitalisation	41 341	31 432	32
Share performance (cents per share)					
65.2	68.0	Headline earnings	526.7	456.0	16
64.0	66.8	Fully diluted headline earnings	517.1	447.5	16
37.5	42.1	Dividends	326	262	24
173.2	173.5	Net asset value	1 410.6	1 191.8	18
993	1 101	Closing market price	8 952	6 833	31

Note: The above extracts from the statements of comprehensive income and cash flows have been translated at an average rate of R7.74/US\$1 (2011: R6.99/US\$1) and the statements of financial position amounts have been translated at a closing rate of R8.13/US\$1 (2011: R6.88/US\$1).

SUSTAINABILITY PERFORMANCE TARGETS

	Targets		Actual	
	2013	Medium-term	2012	2011
Financial*				
Gross margin (%)	54 – 57	54 – 57	56.7	56.7
Operating margin (%)	33 – 36	33 – 36	36.1	36.4
Return on equity (%)	40 – 45	40 – 45	40	41
Return on assets (%)	44 – 48	44 – 48	46	46
Inventory turn (times)	6.0 – 6.5	6.0 – 6.5	5.7	6.4
Asset turnover (times)	1.2 – 1.5	1.2 – 1.5	1.3	1.3
Social				
Staff turnover for permanent employees** (%)	14 – 17	12 – 17	14	17
BBBEE rating (self-assessment) (level)	6 – 7	6 – 7	7	6
Employment equity: black staff (%)	90 – 91	87 – 91	91	91
Environmental				
Store electricity carbon emissions*** (tons)	42 624	36 061	49 188	°
Head office electricity carbon emissions (tons)	4 402	4 000	5 075	°
Integrated sustainability				
Inclusion in JSE Socially Responsible Investment Index	✓	✓	✓	✓

* Refer to the Chief Financial Officer's Report on page 52 for assumptions used in determining targets.

** Influenced by buoyancy of the economy which influences labour turnover.

*** For approximately 500 stores participating in the store lighting reduction programme.

° Not measured.

OUR BUSINESS



Truworthis International is an investment holding and management company incorporated in South Africa which has been listed in the General Retailers sector on the JSE and the Namibian Stock Exchange since 1998. The two principal trading subsidiaries, Truworthis and Young Designers Emporium (YDE), are retailers of fashion apparel and related merchandise, either directly or through agencies and franchises. Truworthis International and its subsidiaries (the Group) operate primarily in southern Africa.

Founded in 1917 as The Alliance Trading Company, the Group has a leading position in fashion retailing in South Africa with a growing market share in both ladieswear and menswear.

Internationally inspired fashion is offered through multiple exclusive brands to women, men, teenagers and children.

Emporium stores showcase a collection of fashion concepts and lifestyles in a single store. The Group's

corporate store footprint has expanded to 540 in South Africa and 29 corporate and 6 franchise stores in the rest of Africa.

Credit in the form of a store card is offered to customers in South Africa, Namibia and Swaziland across all brands to facilitate retail sales, and the Group's active customer account base now exceeds 2.4 million. Credit is not currently offered in the other African countries.

The Group has more than 9 000 permanent and flexi-time employees, is a strong supporter of the South African clothing and textile manufacturing sector and has been included in the JSE Socially Responsible Investment Index for the past four years.

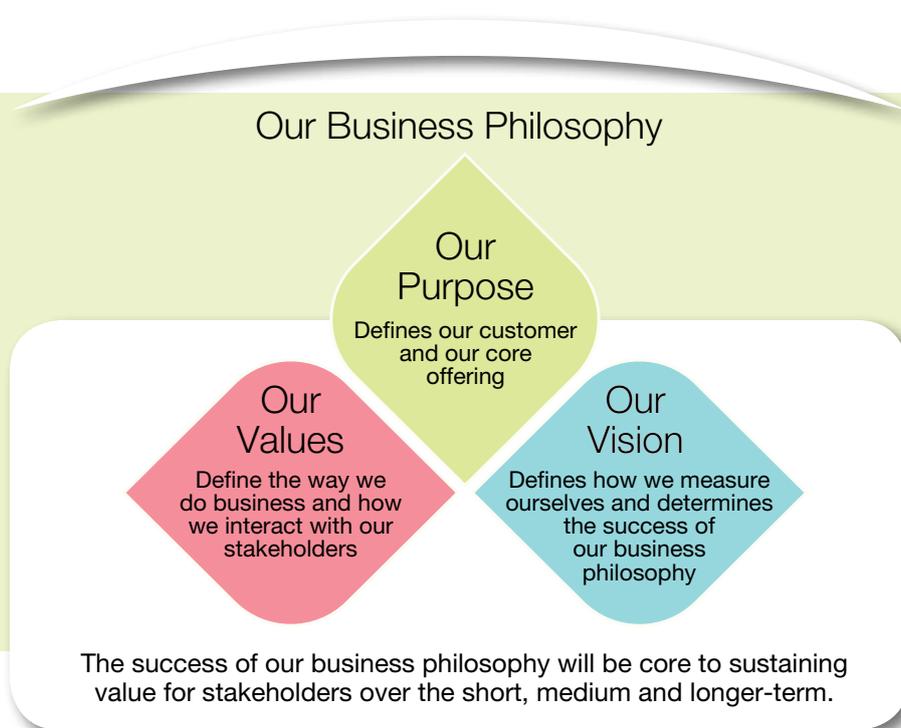
Ranked amongst the top 40 largest companies listed on the JSE, Truworthis International's market capitalisation reached a record level of R43 billion during the period.

OUR BUSINESS PHILOSOPHY

Our business philosophy drives our business model and strategy, and 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.

Our business philosophy comprises three pillars: our purpose, our values and our vision. These components work in tandem to collectively define the merchandise, credit and service offering to our customers, how we interact with stakeholders and how the business is measured on its delivery to these stakeholders. This business philosophy is fundamental to the sustainable growth of the Group.



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.

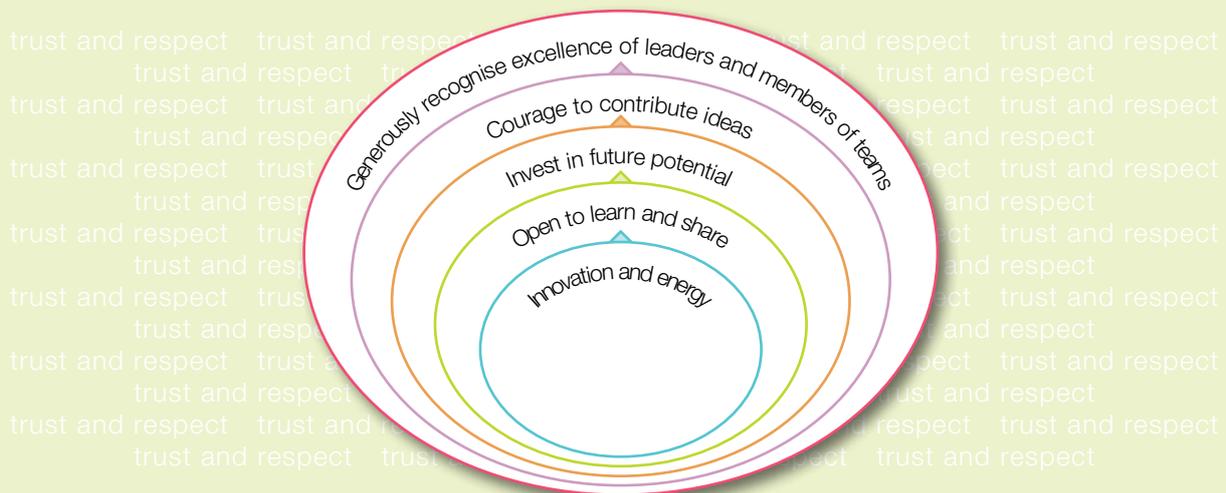
OUR VALUES

Through our values we strive to achieve the highest standards of business ethics and integrity. 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 and to entrench our values in the culture of the business. We place great emphasis on our values both in our induction programmes for new employees 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 these 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.

We believe that by living our values we will create a culture of trust and mutual respect. It is only in this environment that the 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 past financial period and our plans for 2013 with reference to these three main stakeholders.

VISION FOR OUR CUSTOMERS (pages 74 to 91)

'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 48 to 73)

'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 92 to 105)

'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

SUSTAINABILITY PRACTICES

Integrated reporting requires companies to adopt a longer-term strategy and time horizon and focus on factors that are likely to impact on the sustainability of the business. The Group's commitment to sustainable business practices is driven by both risk management and cost reduction considerations, as well as being responsive to social and environmental issues.

The Group qualified for inclusion in the JSE Socially Responsible Investment (SRI) Index for the fourth consecutive year in the 2012 financial period. Qualification for the Index is based on an independent assessment of the environmental, economic and social sustainability practices, and corporate governance 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 sustainability policy and current sustainability practices.

Sustainability includes being accountable for 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 as well as at the head office and distribution centres, the carbon emissions from the transportation of merchandise by sea, air and road, and from business travel of employees.

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 reporting period the Group undertook various initiatives aimed at improving the measurement of, and reducing its direct environmental impacts. The Group's most significant contributor to carbon emissions is electricity usage in its vast store network, which is in excess of 75% of the Group's total direct emissions. As a result of improved electricity management disciplines and the commencement of a programme to replace store lighting with a more energy efficient solution, carbon emissions from store electricity usage are expected to reflect a material reduction in the short- and medium-term notwithstanding growth in store trading area as new stores are opened.

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 both locally and offshore.

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

JSE SRI INDEX SCORECARD

Sustainability indicators	2012	2011
Governance and related sustainability		
• Result	Met	Met
• Core indicators	32/32	32/32
• Desirable indicators	33/33	33/33
Social sustainability		
• Result	Met	Met
• Core indicators	37/39	39/39
• Desirable indicators	36/49	39/49
Environmental sustainability		
• Result	Best practice	Met
• Impact	Medium	Medium
• Policy	Met	Met
• Systems	Met	Met
• Reporting	Met	Met
Climate change		
• Result	Entry level	Entry level

MATERIAL SUSTAINABILITY TOPICS

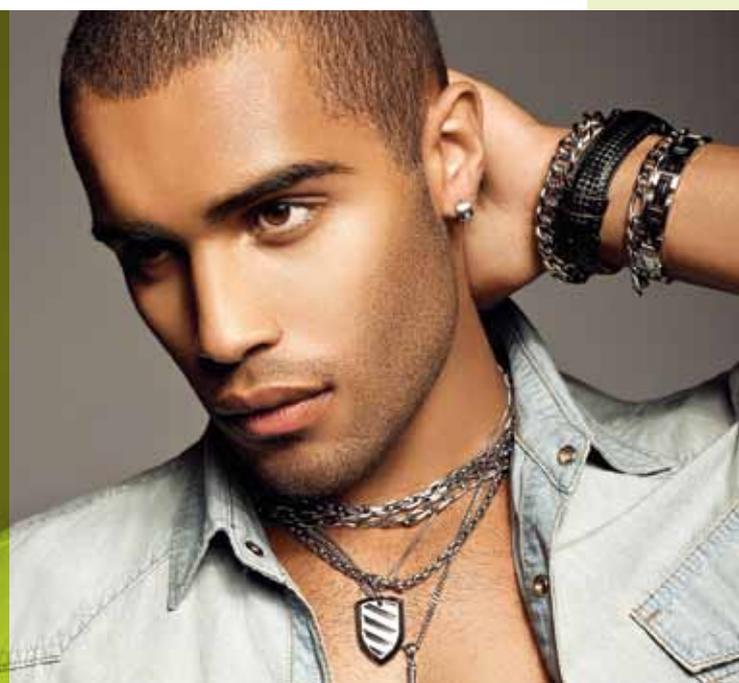
Following the introduction of King III and integrated reporting, material sustainability topics were identified which will enable the Group to sustain growth into the future. This process was informed by the Group's purpose, values and vision (which are encapsulated in our business philosophy), as well as the interests of the three key stakeholders.

During the current reporting period the material sustainability topics identified in 2011 were reviewed.

The directors and management believe these remain the key issues which affect the performance and longer-term viability of the Group.

The Material Sustainability Topics section includes reporting on the Group's performance against the objectives and plans as outlined in last year's Integrated Annual Report, the challenges and risks encountered in 2012, and the objectives for the 2013 financial period. The detailed Risk Report is available on the website.

Material sustainability topic	Page	Stakeholder groups		Primary sustainability indicator
		Primary	Secondary	
1. Managing the risk of fashion	12	Customers	Suppliers	Economic
2. Managing the risk of credit	14	Customers	Regulatory bodies	Economic
3. Maximising supply chain efficiency	16	Customers	Suppliers and other service providers	Economic and environmental
4. Expanding retail presence	18	Customers	Regulatory bodies and property landlords	Economic and environmental
5. Delivering sustained financial performance	20	Shareholders	Broader investment community	Economic
6. Adopting leading information technology systems	22	Customers	Broader investment community	Economic
7. Being the employer of choice in fashion	24	Employees	Trade unions	Social
8. Accelerating transformation	26	Employees	Trade unions	Social



MATERIAL SUSTAINABILITY TOPICS

1

MANAGING THE RISK OF FASHION

Refer to Managing the Risk of Fashion on pages 80 to 82 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Ongoing focus on managing the risk of fashion.	<ul style="list-style-type: none"> Gross margin at 56.7% (2011: 56.7%). Inventory turn at 5.7 times (2011: 6.4 times). Comparable retail sales growth of 8.4% (52 weeks: 6.3%) (2011: 8.9%). Markdowns well controlled through inventory management disciplines.
Continued organic growth through extension of ranges and new concepts.	<ul style="list-style-type: none"> Identity retail sales growth of 24.8%, (52 weeks: 22%) (2011: 16.7%). Identity comparable retail sales growth of 17% (52 weeks: 15%) (2011: 9%). Launched the new LTD childrenswear brand Max and Mia.
Expansion of Ginger Mary brand internationally on a trial basis.	<ul style="list-style-type: none"> Ginger Mary international expansion considered but not progressed at this stage.

CHALLENGES ENCOUNTERED IN 2012

- Managing the impact of exchange rate volatility as a significant portion of total merchandise and fabric purchased is imported and US dollar denominated.
- Managing seasonality, merchandise allocations and size curves in certain African countries with warm year-round climates and low brand awareness.
- Slow-down in retail environment and managing inventory levels.



KEY RISKS AND MITIGATION STRATEGIES FOR 2012

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.	<ul style="list-style-type: none"> • Proven processes and key executive interventions throughout the merchandise life cycle are aimed at managing and mitigating the risk of fashion. • 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 target range.
Volatility of exchange rate on imported merchandise impacts planning and pricing.	<ul style="list-style-type: none"> • When the currency depreciates, garments and trims are re-engineered and the fashion mix is changed to ensure margin is maintained. • Forward cover is purchased to hedge against the risk of currency fluctuations.

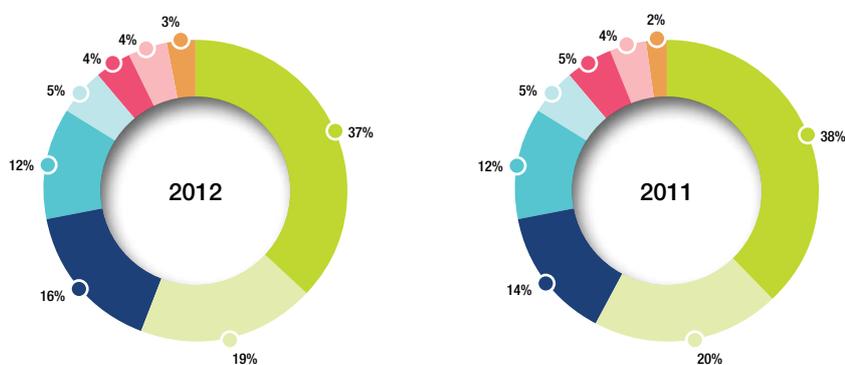
OBJECTIVES AND PLANS FOR 2013

- Ongoing focus on managing the risk of fashion, including African country specific challenges.
- Continued organic growth through extension of ranges and new concepts.
- Use technology to enhance processes to manage the risk of fashion.

TARGETS FOR 2013

- Gross margin 54% – 57%
- Inventory turn 6.0 – 6.5 times

RETAIL SALES CONTRIBUTION BY BRAND



MATERIAL SUSTAINABILITY TOPICS

2

MANAGING THE RISK OF CREDIT

Refer to Managing the Risk of Credit on pages 88 to 91 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Further application of data analytics to improve the predictive power of scorecards.	<ul style="list-style-type: none"> • Net bad debt at 7.9% of gross trade receivables (2011: 6.8%). • Doubtful debt allowance at 10.6% of gross trade receivables (2011: 10.1%). • Credit sales account for 73% of retail sales (2011: 71%). • 84% of active account holders able to purchase at period-end (2011: 86%). • New credit bureau scorecards implemented across the portfolio. • Bespoke account acquisition scorecard redeveloped.
Continued investment in credit systems and processes to manage the risk of credit.	<ul style="list-style-type: none"> • New customer account acquisition system introduced. • Improved ability to enable development of models and scorecards.
Continued acquisition of new customer accounts and growth in active account base.	<ul style="list-style-type: none"> • 10% growth in active accounts to over 2.4 million (2011: 11%).
Ensure the Group is compliant with the proposed Protection of Personal Information Bill.	<ul style="list-style-type: none"> • Project team assessing impact of proposed legislation. • Bill expected to be promulgated in 2013 financial period.
Enhance the digital marketing strategy and customer offering.	<ul style="list-style-type: none"> • New mobi sites launched for Identity and YDE and Truworths mobi site upgraded. • New website for Identity and enhanced functionality added to Truworths website.
Drive operational efficiencies to improve collections.	<ul style="list-style-type: none"> • Collections capacity increased in response to growth in customer base. • Collections management team expanded. • New collections strategies implemented.

CHALLENGES ENCOUNTERED IN 2012

- Growing the active account base after strong growth in recent years.
- Reducing delinquency levels across the portfolio.
- Enhancing credit management systems that interface with the point-of-sale system.
- Managing increased legislative and regulatory burden.
- Managing bad debt levels in a challenging credit environment.
- Rapid growth in unsecured lending by other credit providers.

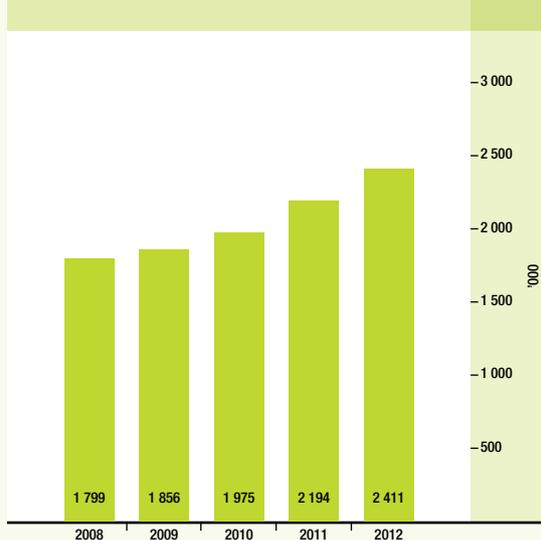
KEY RISK AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
Credit facilities are granted to customers to grow the active account base and facilitate retail sales growth. Credit needs to be granted in a responsible manner without compromising the health of the portfolio.	<ul style="list-style-type: none"> • Ongoing growth in active account base. • Credit granting processes have been consistently applied using credit scorecards. • Regular scorecard development and alignment. • Credit collection strategies constantly refined.

OBJECTIVES AND PLANS FOR 2013

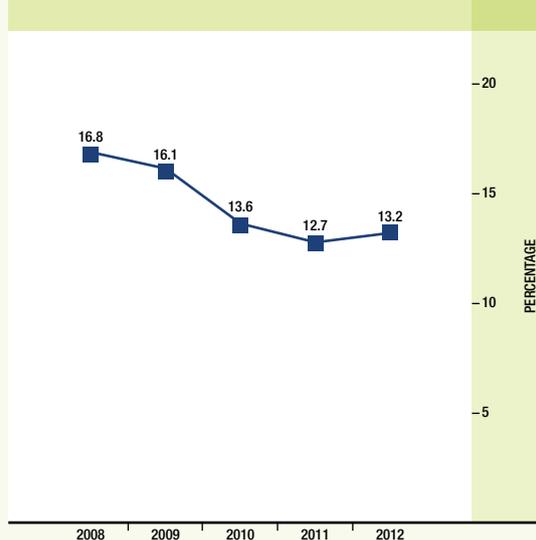
- Grow in-house collections capacity and capability.
- Redevelop and realign predictive scorecards.
- Use digital technologies to facilitate customer acquisition, credit limit management and collections.
- Ensure compliance when the proposed Protection of Personal Information Bill is enacted.

NUMBER OF GROUP ACTIVE ACCOUNTS



GROUP ACTIVE ACCOUNTS

GROUP OVERDUE VALUES AS A % OF DEBTORS' BOOK



GROUP OVERDUE VALUES

MATERIAL SUSTAINABILITY TOPICS

3

MAXIMISING SUPPLY CHAIN EFFICIENCY

Refer to Managing the Risk of Fashion on pages 80 to 82 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Reduce lead times in the merchandising cycle.	<ul style="list-style-type: none"> Offshore lead times reduced by 17% through improved supply chain efficiencies, including new shipping methods. Partnering with local suppliers to ensure quick response times.
Capital expenditure of R20 million planned for distribution facilities.	<ul style="list-style-type: none"> R23 million invested in distribution facilities.
Commence construction of third distribution facility.	<ul style="list-style-type: none"> Construction on intended site postponed owing to the purchase of a new site adjacent to the Truworths Distribution Centre (TDC) for the building of a third distribution centre, the conceptual planning for which has commenced.
Continue to engage with suppliers on sustainability issues.	<ul style="list-style-type: none"> More strategic approach adopted to creating relationship-based alliances with manufacturers. Supplier relationship executive appointed as liaison with manufacturers. Quality assurance team ensures compliance with quality, safety and ethical standards.
Measure and monitor carbon emissions in distribution centres.	<ul style="list-style-type: none"> Commenced process of developing a methodology for reliably measuring electricity usage.

CHALLENGES ENCOUNTERED IN 2012

- Improving lead times on the delivery of imported merchandise.
- Supply chain disruptions and logistical complexities on merchandise imported from China.
- Merchandise supply challenges for stores outside of South Africa, such as port congestion and clearing inefficiencies.

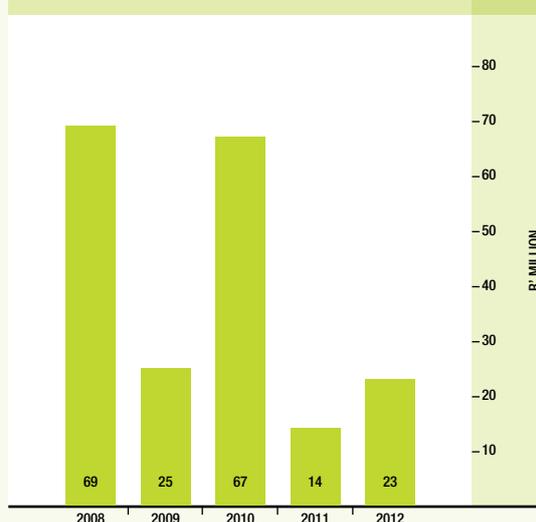
KEY RISKS AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
The local supply base could be eroded and unable to meet demand.	<ul style="list-style-type: none"> 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. International supply base can be expanded through in-house sourcing expertise.
Organic growth in the business has resulted in the need to expand distribution and warehousing capacity.	<ul style="list-style-type: none"> Land purchased adjacent to TDC to build third distribution centre which should limit the risk of disruption to the supply chain. Construction to commence during 2013 financial period.

OBJECTIVES AND PLANS FOR 2013

- Capital expenditure of R43 million planned for distribution facilities.
- Commence construction of the third distribution facility.
- Further reduce lead times on local and offshore merchandise.
- Focus on fast fashion and quick response times through alliances and capacity building with local manufacturers.
- Use technology to support decision-making with manufacturers.
- Complete development and implement methodologies to measure carbon emissions in the supply chain and work towards targets aimed at reducing such emissions.

CAPITAL EXPENDITURE ON DISTRIBUTION FACILITIES



CAPITAL EXPENDITURE ON DISTRIBUTION FACILITIES

MATERIAL SUSTAINABILITY TOPICS

4

EXPANDING RETAIL PRESENCE

Refer to Group Brands on pages 76 to 79 and Expanding Retail Presence on pages 84 to 87 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Trading space to grow by 6%.	<ul style="list-style-type: none"> Trading space growth of 6% to 272 000 m² (2011: 5%). 569 stores at period-end (2011: 543).
R154 million committed to store development.	<ul style="list-style-type: none"> R162 million invested in store development (2011: R120 million).
Open net 22 new stores, including 12 Identity stores.	<ul style="list-style-type: none"> 26 net stores opened, including 12 Identity stores (2011: 20).
Renovate, relocate or extend 41 stores.	<ul style="list-style-type: none"> 47 stores renovated, relocated or extended (2011: 32).
Measure and monitor carbon emissions in stores.	<ul style="list-style-type: none"> Store electricity carbon emissions 49 188 tons
Open either corporate or franchise stores in Mauritius, Botswana, Nigeria, Zambia, Angola and Ghana.	<ul style="list-style-type: none"> 12 corporate stores opened in the rest of Africa: 8 in Botswana, 2 in Mauritius and 2 in Nigeria.

CHALLENGES ENCOUNTERED IN 2012

- Securing additional trading space in certain existing locations.
- Legislative and logistical complications within the rest of Africa.
- Securing trading space where Identity does not yet have a presence in several major shopping centres.

KEY RISKS AND MITIGATION STRATEGIES FOR 2012

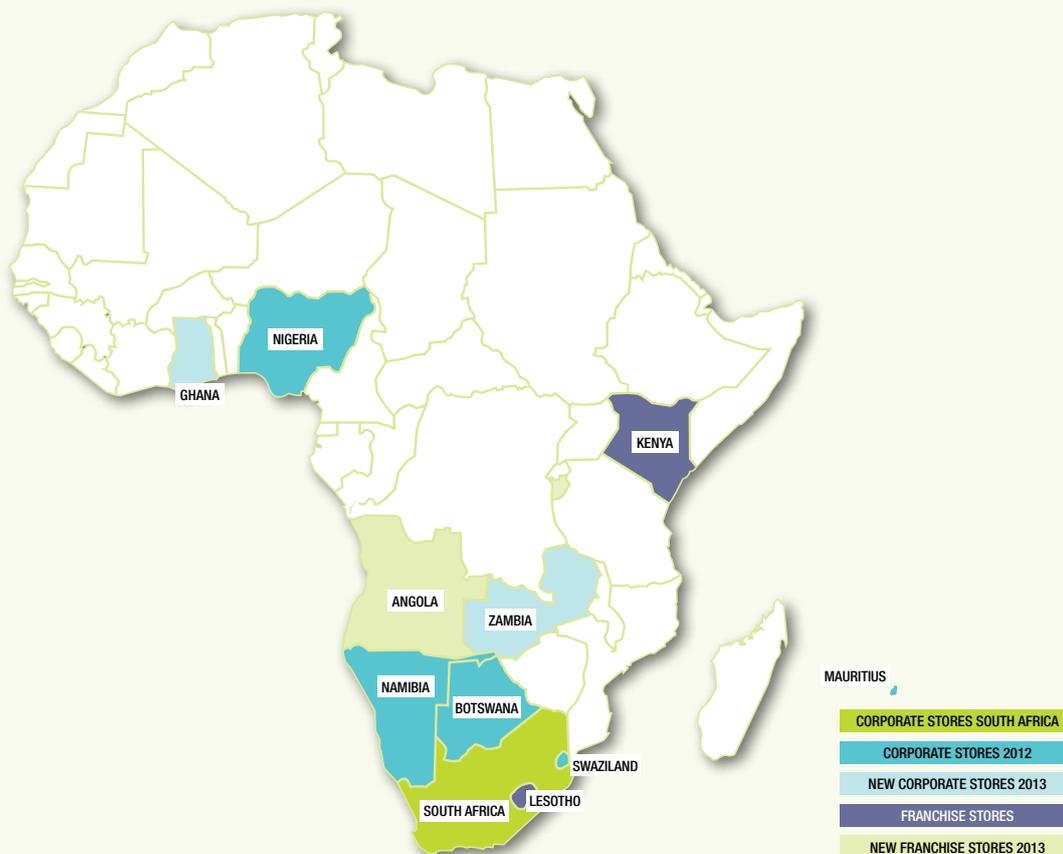
Description of risk	Risk mitigation
The Group follows a strategy of increasing trading space to grow sales and without new mall development may not meet expansion and sales targets.	<ul style="list-style-type: none"> Mall space is continuously reviewed and where necessary existing space is expanded or vacant space secured to increase the brand footprint in malls.
New retail space may prove to be unproductive or may dilute existing space performance due to diversion of turnover (cannibalisation).	<ul style="list-style-type: none"> 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 2013

- Trading space expected to grow by approximately 9%.
- R211 million committed to store development.
- Open net 46 new stores, including 24 Identity stores.
- Refurbish, relocate or extend 45 stores.
- Open corporate stores in Ghana, Nigeria, Lesotho and Zambia.
- Open franchise stores in Angola.
- Implement initiatives to reduce electricity consumption in stores.

TARGETS FOR 2013

- Store electricity carbon emissions 42 624 tons



MATERIAL SUSTAINABILITY TOPICS

5

DELIVERING SUSTAINED FINANCIAL PERFORMANCE

Refer to Chief Financial Officer's Report on pages 50 to 59 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Targets for 2012	Performance in 2012
Operating margin 33% – 36%	• Operating margin 36.1% (2011: 36.4%)
Return on equity 40% – 45%	• Return on equity 40% (2011: 41%)
Return on assets 44% – 48%	• Return on assets 46% (2011: 46%)
Asset turnover 1.2 – 1.5 times	• Asset turnover at 1.3 times (2011: 1.3 times)

Objectives and plans for 2012	Performance in 2012
Continue to seek opportunities to utilise cash resources.	<ul style="list-style-type: none"> • R1.4 billion returned to shareholders through dividends of R1 281 million and share buy-backs of R83 million. • Continued investment in organic growth and in the debtors' book.
Continue to grow shareholder wealth and returns.	<ul style="list-style-type: none"> • R10 billion wealth created for shareholders (growth in market capitalisation and dividends declared). • Annual dividends per share increased by 24% to 326 cents (2011: 262 cents). • Return on invested capital at 26% (2011: 28%).

CHALLENGES ENCOUNTERED IN 2012

- Effective management of capital to ensure shareholder returns are not negatively impacted by increasing cash resources.
- Identifying appropriate investment and acquisition opportunities.
- Containing occupancy costs in an environment of rising rental and utility costs.
- Share price appreciation offsetting earnings enhancements through share buy-backs.

KEY RISKS AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
The Group's capital base continues to grow and if the capital is not effectively deployed this could impact on returns to shareholders.	<ul style="list-style-type: none"> Ongoing repurchase of shares at levels that are earnings enhancing. Sourcing potential investment opportunities to complement the current merchandise offering. Continued investment in the debtors' book. Continued investment in organic growth. Review of dividend cover level as deemed appropriate.
The Group's gross, trading and operating margins are at high levels and the risk exists that these margins cannot be sustained.	<ul style="list-style-type: none"> Margins are continuously reviewed against disclosed target ranges. Corrective action is taken if necessary to ensure margins are sustained through the mix of merchandise and the reduction in costs where possible.

OBJECTIVES AND PLANS FOR 2013

- Continue to grow shareholder wealth and returns.
- Continue to seek opportunities to utilise cash resources.
- Capital expenditure of R315 million committed for 2013.
- Improve efficiency ratios across the business.
- Ongoing tight expense control.

TARGETS FOR 2013

- Operating margin 33% – 36%
- Return on equity 40% – 45%
- Return on assets 44% – 48%
- Asset turnover 1.2 – 1.5 times



MATERIAL SUSTAINABILITY TOPICS

6

ADOPTING LEADING INFORMATION TECHNOLOGY SYSTEMS

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Continued roll-out of new point-of-sale (POS) system in a controlled manner.	<ul style="list-style-type: none"> After a pilot phase, new POS and store inventory management applications installed in over 70 stores by period-end.
Completion and implementation of a customer account acquisition system.	<ul style="list-style-type: none"> New account acquisition system developed in-house and implemented across all account acquisition channels.
Capital expenditure of R40 million committed to information technology (IT).	<ul style="list-style-type: none"> R38 million invested in IT, with POS solution expenditure lower than expected. Main IT projects in 2012 included: <ul style="list-style-type: none"> Upgraded store data network with increased bandwidth capacity. Account acquisition system developed. Developed merchandise assortment system.
Enhance IT governance processes across the business in line with King III.	<ul style="list-style-type: none"> Enterprise-wide IT governance framework implemented, focusing mainly on risk management of IT resources and improvement of IT processes. Quarterly reporting at board meetings against the IT governance scorecard.
Continued development of key merchandise and supply chain IT systems.	<ul style="list-style-type: none"> Several merchandise and supply chain applications introduced during the period.

CHALLENGES ENCOUNTERED IN 2012

- Internationalising systems to operate in African countries which have different currencies, seasons and supply chain lead times.
- Meeting the needs of the business for constant systems innovation within cost and resource constraints.
- Managing the business needs to enhance legacy applications while these are in the process of being replaced or upgraded.

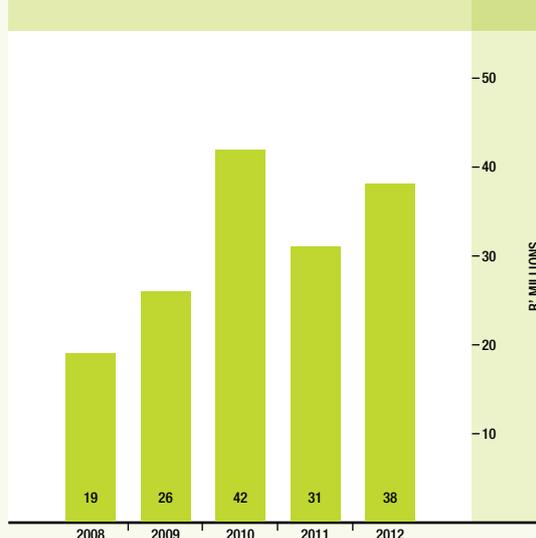
KEY RISKS AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
Growth and expansion in the business has resulted in certain systems requiring upgrade or replacement and IT capacity increases.	<ul style="list-style-type: none"> • Project Steering Committee prioritises IT projects. • R38 million IT-related capital expenditure in the period. • Business continuity plans, disaster recovery facilities and backup processes are in place. • External consultants used to advise on new technology.
The new POS system is being introduced in stores. The project has change management implications and potential implementation risk.	<ul style="list-style-type: none"> • Dedicated project management team with internal and external expertise. • Engaged services of change management consultant. • Extended pilot phase undertaken before POS system rolled-out to stores on a phased basis to limit integration risk. • Project designed to limit impact on merchandise distribution and customer management systems.

OBJECTIVES AND PLANS FOR 2013

- Implement new human resources IT solution.
- Complete implementation phase of the POS project.
- Continue roll-out of standardised business intelligence systems throughout the business.
- Continue to implement new or enhanced IT systems relating to merchandise, supply chain and new account acquisition.
- Upgrade IT capacity relating to merchandise distribution.
- Ensure improved mainframe operational stability.
- Capital expenditure of R51 million committed for 2013.

INFORMATION TECHNOLOGY CAPITAL EXPENDITURE



INFORMATION TECHNOLOGY CAPITAL EXPENDITURE

MATERIAL SUSTAINABILITY TOPICS

7

BEING THE EMPLOYER OF CHOICE IN FASHION

Refer to the Employer of Choice in Fashion and Remuneration Report on pages 94 to 105 for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Focus on attracting talent and developing high potential employees.	<ul style="list-style-type: none"> • 5 686 employees trained in scarce skills (2011: 3 488). • 55 687 learning interventions (2011: 55 184). • 9 829 employees trained (2011: 9 521).
Retain talent by enhancing the employee value proposition.	<ul style="list-style-type: none"> • 14% turnover of permanent employees (2011: 17%).
Progress transformation plans in line with the employment equity plan (2009 – 2014).	<ul style="list-style-type: none"> • Employment equity: <ul style="list-style-type: none"> – Black employees 91% (2011: 91%) – Female employees 71% (2011: 72%) • 93% of employees trained were black (2011: 93%). • 94% of new appointments were black (2011: 94%).
Continue to create a pipeline of succession candidates for key roles in the merchandise division.	<ul style="list-style-type: none"> • Aggressive recruitment and training of young talent to ensure adequate merchandise buyer and planner succession. The programme has been extended to include other key functions in the merchandise division. • Focus on leadership development and retention strategies played an important part in succession process.
Improve human resource and management information systems to enhance decision-making.	<ul style="list-style-type: none"> • New human resources system purchased.
Introduce four additional long-term incentive schemes, subject to shareholder approval.	<ul style="list-style-type: none"> • Proposed schemes were withdrawn prior to the annual general meeting (AGM) in November 2011 following shareholder feedback. • After engagement with external consultants and shareholders, the schemes have been revised and will be proposed for shareholder approval at the AGM in November 2012.

CHALLENGES ENCOUNTERED IN 2012

- Meeting transformation targets at senior management level due to scarcity of skills, low labour turnover at this level and preference to promote from within the business.
- Postponement of introduction of new share-based incentive schemes resulted in a delay in implementing modern reward and retention strategies.

KEY RISKS AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
Experienced executives and employees are skilled and in demand both locally and internationally.	<ul style="list-style-type: none"> • Succession management plans for all key executives. • Competitive remuneration and incentive schemes enhance retention. • Development programmes to enhance pool of leadership skills. • Merchant trainee programme develops graduates for roles in merchandise functions and support services.
Proposed changes to labour legislation could impact on flexi-time work force and significantly increase employment costs.	<ul style="list-style-type: none"> • Proposed legislation open for public comment. • Retailers' Association engaged with legislators on behalf of the retail sector, highlighting cost impact and potential job losses that will result from proposed legislation. • Management has assessed financial impact and considered alternative plans should legislation be promulgated in its existing form.

OBJECTIVES AND PLANS FOR 2013

- Continue to train and support management in employee relations.
- Focus on achieving targets and objectives in the employment equity plan.
- Manage the impact of the proposed labour law amendments.

TARGETS FOR 2013

- Staff turnover for permanent employees 14% – 17%



MATERIAL SUSTAINABILITY TOPICS

8

ACCELERATING TRANSFORMATION

Refer to Employer of Choice in Fashion on pages 94 to 99 and the Corporate Social Investment Report on our website for further detail.

PERFORMANCE AGAINST OBJECTIVES IN 2012

Objectives and plans for 2012	Performance in 2012
Maintain level 6 status on the Department of Trade and Industry generic broad-based black economic empowerment (BBBEE) scorecard.	<ul style="list-style-type: none"> Achieved level 7 BBBEE status on revised 6 to 12-year scorecard which has higher targets for the preferential procurement and employment equity measures.
Continue to analyse shareholding and evaluate black ownership proposals.	<ul style="list-style-type: none"> Board continually reviewed the need for and benefits of proposing a broad-based black share ownership scheme for shareholder consideration.
Implement black enterprise development programme, including local suppliers as beneficiaries.	<ul style="list-style-type: none"> Acceptable model for rolling out black enterprise development programme refined and agreed. Possible partners to implement programme identified. Local cut-make-trim (CMT) operators received grants for machinery upgrades.
Continue to manage corporate social investments prudently.	<ul style="list-style-type: none"> Corporate social investment expenditure of R2.7 million, substantially on public hospital and clinic facility and infrastructure upgrades.
Continue to engage with suppliers on transformation issues.	<ul style="list-style-type: none"> Process of engagement with key suppliers on transformation issues strengthened through direct executive involvement.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT SCORECARD

BBBEE category	2012*	2011	2010
Ownership	0.9	0.9	0.9
Management control	2.7	2.8	3.0
Employment equity	6.2	8.8	6.7
Skills development	12.1	12.1	11.5
Preferential procurement	11.9	13.5	12.1
Enterprise development	4.2	4.9	4.5
Socio-economic development	2.9	5.0	4.8
Total	40.9	48.0	43.5
BBBEE contributor level	7	6	7

* Based on revised scorecard which has more onerous targets for preferential procurement and employment equity.

CHALLENGES ENCOUNTERED IN 2012

- Attracting black executive employees, specifically females.
- Qualifying preferential procurement expenditure reliant on verified scorecards from suppliers.

KEY RISK AND MITIGATION STRATEGIES FOR 2012

Description of risk	Risk mitigation
Compliance with BBBEE codes and regulations is fundamental to the sustainability of the Group.	<ul style="list-style-type: none"> • Employment equity plans and targets to 2014 approved by the Department of Labour. • Management has retained an external consultant to advise the Group with a view to ensuring compliance.

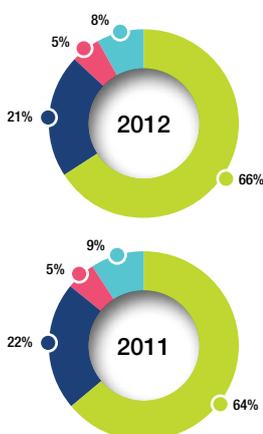
OBJECTIVES AND PLANS FOR 2013

- Improve BBBEE status through incremental improvements and new initiatives.
- Introduce a learnership programme in the credit department with the emphasis on enrolling disabled people.
- Focus on recruitment and development of black staff for entry into senior management level.
- Continue the process of engaging key suppliers on transformation.

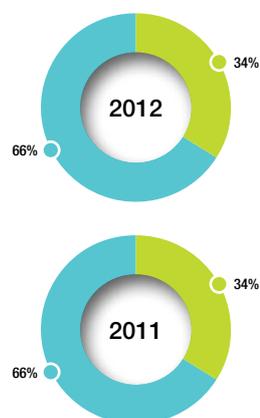
TARGETS FOR 2013

- Employment equity: black staff 90% – 91%
- BBBEE rating (self assessment) level 6 – 7

EMPLOYMENT EQUITY



EMPLOYMENT EQUITY: MANAGEMENT



INVESTMENT CASE

Truworthis International aims to generate sustainable returns for shareholders over the short, medium and longer-term. Our history of operational and financial performance highlights that the Group is an attractive prospect for investors seeking equity exposure to the South African retail market and in particular the fashion apparel industry. The following themes motivate an investment case and should ensure a sustainable future for the Group and competitive returns to shareholders.

The Investment Case should be read together with the Material Sustainability Topics on pages 12 to 27.

FOCUSED STRATEGY AND BUSINESS MODEL

- Focused on core business of fashion retailing
- Focused on one customer profile and not multiple market segments
- Credit offered across all brands to facilitate sales growth
- Low cost operating model and internal culture of cost-consciousness
- Strong organic growth complemented by strategic acquisitions to extend fashion offering

MANAGING THE RISK OF FASHION

- Proven ability to manage the risk of fashion: gross margin averaged 56% over the past five years
- Consistent growth in Retail Liaison Committee (RLC) clothing market share for South Africa
- Exclusive fashion brands across all retail formats
- Diversified and balanced brand portfolio
- Ownership or long-term licence holder of all retail brands

MANAGING THE RISK OF CREDIT

- Integrated credit and marketing strategies
- Centralised credit granting and approval processes
- Debtors' book internally funded and managed
- Active account base of over 2.4 million customers
- High proportion of retail sales on credit: 73% in 2012
- Debtors' book managed to optimise profitability within acceptable risk parameters

EXPANDING RETAIL PRESENCE

- Strategy of growing trading space to increase market share
- Emporium stores house multiple brands in one store which promotes cross-shopping across brands
- Portfolio of 540 well located stores across South Africa
- Targeting net 46 new stores with 9% space growth in 2013

EXPANDING RETAIL PRESENCE IN THE REST OF AFRICA

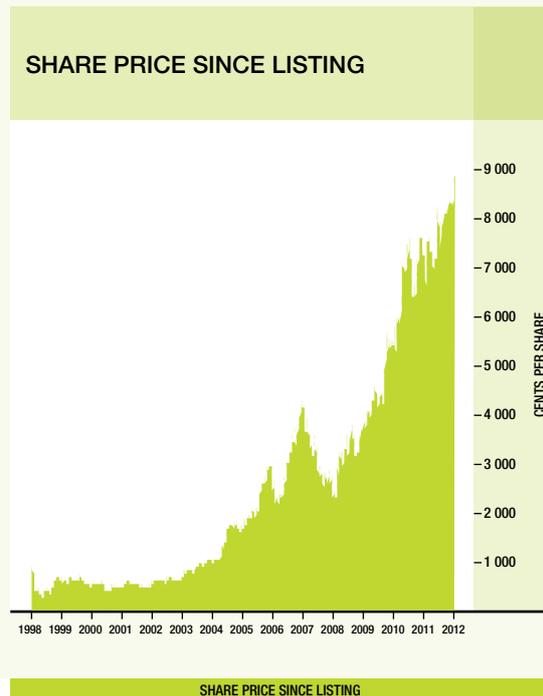
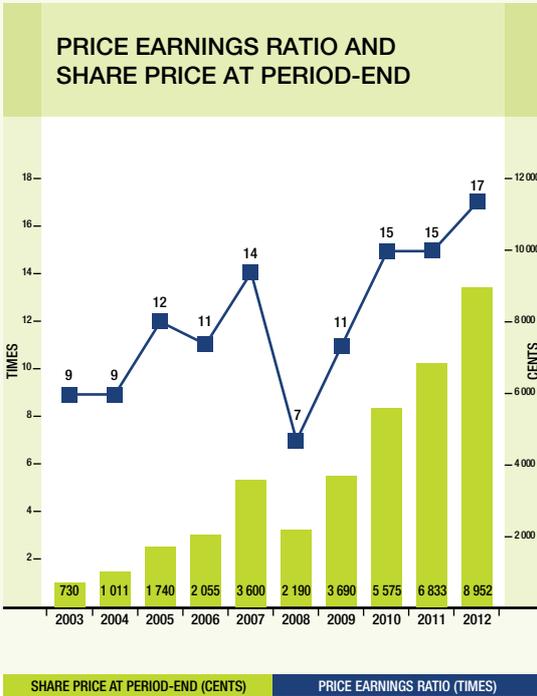
- Significant growth opportunity in medium to long-term in the rest of Africa
- Two operating models applied in the rest of Africa: corporate and franchise
- Store footprint outside South Africa now 35: 29 corporate and 6 franchise stores
- Twelve stores opened in the rest of Africa during 2012 and 11 planned for 2013

DELIVERING SUSTAINED FINANCIAL PERFORMANCE

- Headline earnings per share: 10-year compound growth of 24%
- Dividends per share: 10-year compound growth of 31%
- Gross and operating margins at globally competitive levels
- Strong free cash flow generation
- Strong and continually strengthening financial position
- Created R27 billion in shareholder wealth in past five years (comprising the growth in market capitalisation and dividends declared)
- Capital management programme enhancing returns; surplus capital returned to shareholders through share buy-backs and reducing dividend cover
- Actively seeking acquisition opportunities in fashion related businesses

EMPLOYER OF CHOICE IN FASHION

- Recognised as an employer of choice in fashion retailing
- Stable executive management team with strong blend of company and industry experience
- Directors and divisional directors have a combined 210 years Group experience
- Succession plans for top, senior and middle management



WEALTH CREATION

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

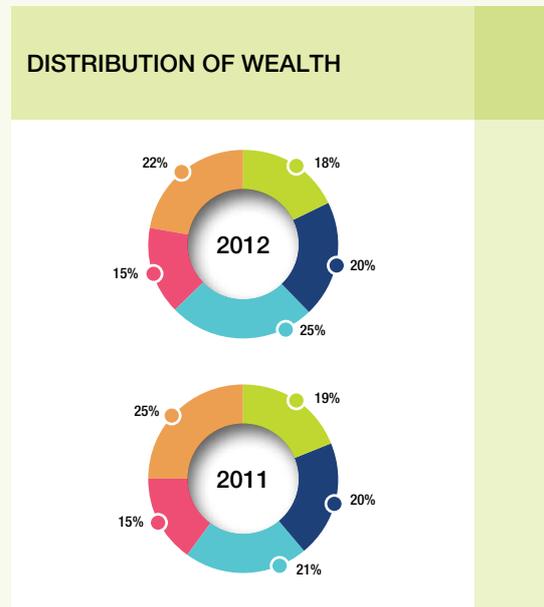
In 2012, the Group created wealth of R5 billion, which is 11% higher than the R4.5 billion generated during the prior financial period. The table below shows how the total wealth created by the Group was distributed to stakeholders, while retaining sufficient capital for continued investment in the growth of the business.

	2012		2011	
	53 weeks Rm	Wealth distributed %	52 weeks Rm	Wealth distributed %
Wealth created:				
Total revenue	9 769		8 684	
Less: Suppliers – purchases of goods and services	(4 738)		(4 171)	
Merchandise	(3 711)		(3 300)	
Other costs and services	(1 027)		(871)	
	5 031		4 513	
Wealth distributed:				
Employees	905	18	843	19
Salaries and wages	821		765	
Retirement funding	54		49	
Share-based settlements	30		29	
Government	987	20	920	20
South African income tax	911		807	
Foreign taxes	19		16	
Secondary Tax on Companies (STC)	57		97	
Shareholders – dividends	1 281	25	968	21
Lessors	759	15	664	15
Rentals	568		520	
Utilities	191		144	
Reinvested in the Group	1 099	22	1 118	25
Depreciation and amortisation	156		143	
Net earnings retained	943		975	
	5 031	100	4 513	100

In addition to the wealth distributed to government of R987 million and shareholders of R1 281 million as detailed above, 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, payroll taxes and regulatory taxes of R925 million (2011: R702 million), bringing the total to R1.9 billion (2011: R1.6 billion).

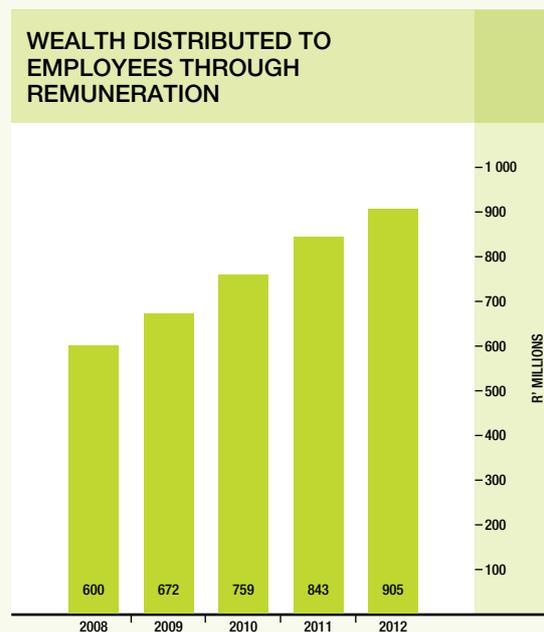
If share buy-backs of R83 million (2011: R394 million) are included, the total wealth distributed to shareholders amounts to R1.4 billion (2011: R1.4 billion).



WEALTH CREATED

EMPLOYEES GOVERNMENT SHAREHOLDERS LESSORS REINVESTED IN THE GROUP

Although the Group has created significant wealth for its stakeholders in the past, as evidenced by the 66% increase in wealth created from R3 billion in 2008 to R5 billion in 2012, of more importance is how it will sustain wealth creation into the future. This will be determined by the Group's ability to manage the material sustainability topics (outlined under the Sustainable Future in Fashion report) and underpinned by the Group's proven business philosophy which guides its strategic purpose and direction.



WEALTH DISTRIBUTED TO SHAREHOLDERS THROUGH DIVIDEND PAYMENTS

WEALTH DISTRIBUTED TO EMPLOYEES THROUGH REMUNERATION

BOARD AND LEADERSHIP

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- 43 | CHIEF EXECUTIVE OFFICER'S REPORT





CHAIRMAN'S
REPORT

ECONOMIC AND TRADING ENVIRONMENT

Global uncertainty and instability relating to ongoing economic woes in the Euro zone, along with fears of the possible contagion effect this could have on emerging markets, has continued to weigh on South Africa's prospects and confidence.

There were early signs of a deceleration in the local economy as the growth in the gross domestic product declined to 2.7% in the first quarter (Q1) of the 2012 calendar year from 3.2% in the last quarter of 2011. However, the growth rate improved again to 3.2% in the second quarter (Q2). The South African Reserve Bank (SARB) has also revised its growth forecast for 2012 downwards from 2.9% to 2.7%.

Interest rates remained low and unchanged during the Group's financial period. The central bank's benchmark interest rate, the repurchase (repo) rate, was reduced by 50 basis points in July 2012, shortly after the end of the reporting period. The repo rate is now at its lowest level in almost four decades.

While the cut in lending rates is positive for consumer spending, this will have a limited impact on the Group's credit customers as the majority do not have mortgage bonds or vehicle finance, and are therefore reliant on store credit. Rising transport, electricity and food costs are the main factors impacting on the disposable income of consumers in the Group's target market.

The credit environment became increasingly challenging in 2012. Statistics from the National Credit Regulator indicate that 9.1 million South Africans, or 46.4% of the credit active population had impaired credit records at the end of Q1, compared to 8.6 million a year earlier. Household debt to annual disposable income remained high at 74.7% in Q1, but encouragingly is showing a downward trend.

The rapid growth in unsecured lending by other credit providers is creating concerns regarding the potential formation of a credit bubble in the country. While unsecured lending does not appear to have impacted the Group's credit performance, further such aggressive lending could put pressure on delinquency levels in future and the situation will be closely monitored.

We welcome calls from the National Credit Regulator for stricter regulations, greater transparency and the tighter monitoring of unsecured lending practices in the country.

An area of concern is the aggressive marketing of debt consolidation products by financial institutions. Cash strapped consumers are being offered financing to consolidate multiple loans with extended



HILTON SAVEN

repayment terms, and the servicing of such financing could consume a high proportion of their disposable incomes.

Consumer price inflation measured 5.5% in June 2012, down from 6.3% in January 2012, and is now well within the upper level of the SARB's target range of between 3% and 6%. While inflation has been relatively stable, it remains sensitive to the weakening of the currency, fuel price hikes and rising food prices.

The job market remains weak with approximately a quarter of the population unemployed. While the unemployment rate of 24.9% at June 2012 was down from 25.7% a year before, this figure remains unacceptably high and the lack of job creation is hampering economic growth in the country.

Consumer confidence levels declined markedly in Q2. The Consumer Confidence Index showed a fall of 8 index points from +5 points in Q1 to -3 points at Q2. A year earlier confidence levels were +11 points. This declining confidence is evident across all income, population, age and gender groups, including the Group's middle income target market. Consumer sentiment is now at its lowest point since the global financial crisis in 2008 and is not supportive of growth in consumer spending.

DELIVERING SUSTAINED FINANCIAL PERFORMANCE

The Group remains committed to its proven business model and despite the challenging trading conditions the Group has continued to deliver competitive returns to shareholders.

CHAIRMAN'S REPORT

Headline earnings for the 53-week period increased by 15% to R2.2 billion (52 weeks: 11%) to exceed R2 billion for the first time. Headline earnings per share (HEPS) were 16% (52 weeks: 12%) higher at 526.7 cents with diluted HEPS increasing 16% (52 weeks: 12%) to 517.1 cents. HEPS has shown an annual compound growth of 16% over the past five years.

A final cash dividend of 157 cents per share was declared to shareholders, bringing the annual dividend to 326 cents per share, an increase of 24% over the prior period. Dividend cover has been steadily reduced over the last four years from 2.05 times in 2008 to the current level of 1.62 times (2011: 1.74 times) to enhance returns to shareholders.

We remain committed to returning surplus capital to shareholders and during the period returned R1.4 billion in dividends and share buy-backs. Over the past five years the Group has generated R7.5 billion of cash, invested R1 billion in organic growth and returned R5.1 billion to shareholders.

The Group's trading and financial performance is covered in the Chief Executive Officer's Report on page 43 and in the Chief Financial Officer's Report on pages 51 to 58.

ENHANCING GOVERNANCE PRACTICES

While we believe the Group's governance standards are in line with best practice prevailing in South Africa and internationally, our processes are continually enhanced to ensure compliance with legislation, regulation, governance codes and listings requirements.

The Group's governance standards are independently assessed each year as part of the evaluation process for inclusion in the JSE Socially Responsible Investment (SRI) Index. In 2011 the Group again attained 100% for the governance element of the SRI scorecard after meeting all the core and desired indicators.

Management and the board continued to focus on the application of the King III principles and on compliance with the Companies Act during the reporting period. The board confirms that the Group has in all material respects applied the King III principles and the corporate governance provisions in the JSE Listings Requirements. The Audit Committee has been reconstituted and the Chairman stood down as a member of the committee, addressing the King III recommendation that the board chairman should not be a member of the Audit Committee.

The Group's remuneration policy was proposed to shareholders for a non-binding advisory vote at the annual general meeting (AGM) in November 2011 for the first time, and was approved by shareholders.

King III also introduced the concept of integrated reporting to South African companies. It is pleasing to report that the Group's 2011 Integrated Annual Report has been rated in the top 10 in the inaugural Ernst & Young Excellence in Integrated Reporting Awards that are independently adjudicated by the University of Cape Town's College of Accounting.

This is an independent endorsement of the quality of our reporting to shareholders and the broader investment community, and recognition of the calibre of the Group's finance team. These awards have replaced the Excellence in Corporate Reporting Awards where the Group has been ranked in the top 10 in South Africa for four consecutive years.

In compliance with the Companies Act, the board formally appointed a Social and Ethics Committee to monitor the relevant activities, including sustainability, social and environmental issues and relationships with key stakeholder groups. Elevating these issues to board level will ensure they receive the rightful importance on the corporate agenda.

Further detail on governance processes and progress is included in the Corporate Governance Report on pages 108 to 123.

As reported to stakeholders in last year's integrated report, new share-based incentive schemes were due to be proposed to shareholders for approval at the AGM in 2011. However, the resolution was withdrawn prior to the meeting following shareholder feedback on specific elements of the scheme.

After extensive engagement by executives with shareholders locally and abroad, the Group will be seeking shareholder approval at the forthcoming AGM in November 2012 for the introduction of the additional schemes that will supplement the current incentive programme. It is anticipated that the proposed incentive schemes will be less dilutive for shareholders. The schemes include a combination of performance targets and will ensure greater alignment of interest between share scheme participants and shareholders. For further details refer to pages 133 to 136.

MATERIAL SUSTAINABILITY RISKS

Risk management is an integral component of the Group's corporate governance framework. 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 business specific operational and strategic risks, 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 2012 financial period.

The overall risk profile of the Group has not changed materially in the period under review. The Labour Relations Amendment Bill and the Basic Conditions of Employment Amendment Bill could impact on the flexi-time work force and significantly increase the Group's employment costs and has therefore been included as a top risk for the new financial period. Management has assessed the financial impact and is considering alternative plans should the legislation be promulgated in its existing form. The Retailers' Association is engaging with the legislators on behalf of the retail sector, highlighting the cost impact and potential job losses of the proposed legislation.

Other risks which have been mitigated or reduced in the past financial period were removed from the key risk register, including the risk posed by the introduction of the Consumer Protection Act.

Emerging risks are also identified and assessed in line with the Group's risk management principles. These emerging risks currently include the increasing levels of competition in the fashion retail sector, the potential impact on shareholder returns if the Group's capital is not effectively utilised and the impact of the Protection of Personal Information Bill on the business.

Details on the Group's risk management processes, key risks and mitigation strategies are included in the Risk Report on the website and in the Material Sustainability Topics on pages 12 to 27.

BOARD OF DIRECTORS

The board strives to create a balance between governance and entrepreneurship. This is achieved by ensuring that the directors meet their oversight responsibilities while delegating accountability for the fashion retailing business to the experienced and highly rated management team.

We welcome Roddy Sparks who was appointed to the board as an independent non-executive director in February 2012. Roddy is a chartered accountant with extensive financial, commercial and strategic experience, and was previously the managing director of Old Mutual South Africa. He has also been appointed to the Audit Committee as well as the Non-executive and Nomination Committee.

Edward Parfett, a former managing director and chairman of the Group, retired as an independent non-executive director in May this year after a 30-year association with the Group. Edward joined Truworths in 1982 and served as a director from 1988 and as a non-executive director since 1995. He has made an enormous contribution to the Group. We will miss his active role in boardroom debate and wish him well in his retirement.

Shortly after the period-end, Mark Sardi resigned as an executive director and Chief Financial Officer. He has been with the Group since July 2010 and will be vacating his position, after serving out a notice period expected to last at least until the end of the 2012 calendar year.

Six of our seven non-executive directors are independent in terms of the King III definition and the guidelines outlined in the JSE Listings Requirements. The seventh non-executive director, Tony Taylor, retired as an executive director in March 2010 and will be classified as independent from April 2013 onwards.

The independence of long-serving non-executive directors is assessed annually by the board, as recommended by King III. Following the assessment during the financial period the board concluded that the length of service of these directors did not limit their judgement nor did it prevent them from acting independently at board level.

An annual self-evaluation is conducted to assess both the effectiveness of the board as a collective unit and the performance of individual directors. The evaluation concluded that the board's overall functioning and governance was excellent and the main findings are set out in the Corporate Governance Report on pages 111 to 112.

ACKNOWLEDGEMENTS

Thank you to the management team under the leadership of Michael Mark and to all our employees for your commitment in what has been a challenging year. I also extend my appreciation to my fellow directors for their strategic guidance and insight.

Thank you to our external stakeholders, including our shareholders, customers, suppliers, industry regulators and advisers for your ongoing support.



Hilton Saven

Independent Non-executive Chairman

TRUWORTHS INTERNATIONAL LIMITED BOARD



HILTON SAVEN

(59)
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 and member
of Remuneration
Committee

Chairman: Mazars
South Africa

Executive Board
Member: Mazars
International

Director: Lewis
Group Ltd, Monarch
Insurance Company
Ltd, Life Vincent Pallotti
Orthopaedic Centre
(Pty) Ltd

Trustee: Truworths
International Limited
Share Trust, Truworths
Chairman's Foundation

MICHAEL MARK

(59)
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: Young
Designers Emporium
(Pty) Ltd and Truworths
(Namibia) Ltd

Trustee: Truworths
Chairman's Foundation

MICHAEL THOMPSON

(69)
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, and
member of Risk Committee
and Non-executive and
Nomination 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

SISA NGBULANA

(46)
BJuris, CEA (SA), LLB,
LLM

**Independent non-
executive director
Property executive
and qualified attorney**

Appointed to the board
in May 2007

Member of Social and
Ethics Committee and
Non-executive and
Nomination Committee

Chief Executive Officer:
Rebosis Property Fund
Limited

Executive Chairman:
Billion Group (Pty) Ltd

Director: Bay West City
(Pty) Ltd and Mthatha
Mall (Pty) Ltd



ROB DOW

(55)
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 and member of Audit Committee and Non-executive and Nomination Committee
Director: Kensani Capital (Pty) Ltd, Morella Investments (Pty) Ltd, St Mary's School Waverley (non-profit company), Phetogo Investment Holdings (Pty) Ltd
Trustee: Truworths International Limited Share Trust

THANDI NDLOVU

(57)
BSc, MBChB

**Independent non-executive director
Construction executive
and businesswoman**

Appointed to the board in February 2001
Member of Social and Ethics Committee and Non-executive and Nomination Committee
Chairman: Motheo Construction Group (Pty) Ltd
President: South African Women in Construction; President: Black Business Council for the Built Environment
Director: Baitshapi Development Consulting Services (Pty) Ltd, Faranani Investment Holdings (Pty) Ltd and Kemano Investment Holdings (Pty) Ltd
Member of the Business Unity SA (BUSA) Transformation Policy Committee

TONY TAYLOR

(65)
BA

**Non-executive director
Retail executive and
businessman**

Appointed to the board in February 1999
Member of Non-executive and Nomination Committee
Director: Mobile Telephone Networks (Pty) Ltd, MTN Service Provider (Pty) Ltd, MTN Business Solutions (Pty) Ltd and Pepkor Retail Ltd

MARK SARDI

(43)
BBusSc (Hons), CA (SA)

**Chief Financial Officer
Executive director**

Appointed to the board in February 2011
Director: Truworths Ltd (incorporated in Zimbabwe) (non-executive), Truworths Botswana (Pty) Ltd, Truworths Mauritius (Pty) Ltd and Truworths The Look Nigeria Ltd

RODDY SPARKS

(53)
BCom (Hons), CA (SA), MBA

**Independent non-executive director
Director of companies**

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

TRUWORTHS EXECUTIVE TEAM



MICHAEL MARK
(59)
BCom, MBA, ACMA

Group Chief Executive Officer

Executive Chairman

Appointed to the board in July 1991

Employee since July 1991

Director: Truworths International Ltd, Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd



DOUG DARE
(51)
BBusSc

Director: Buying and Merchandising

Appointed to the board in July 1999

Employee since June 1984



EMANUEL CRISTAUDO
(53)
BCom

Director: Customer Relations Management and Information Systems

Appointed to the board in February 2000

Employee since November 1997

Chairman: Risk Committee



DEREK KOHLER
(59)
BA (Econ) (Hons)

Director: Store and Franchise Operations

Appointed to the board in November 1997

Employee since July 1981

Member of Transformation Committee



MARK SMITH
(47)
BA (Hons), Higher Diploma in Education, SMP

Divisional Director: Human Resources

Employee since September 2009

In current position since September 2009

Chairman: Transformation Committee



MARK SARDI
(43)
BBusSc (Hons) CA (SA)

Group Chief Financial Officer

Employee since July 2010

In current position since February 2011



NEVILLE KOPPING

(49)
BCom

**Divisional Director:
Merchandise**

Employee since March 2006
In current position since
March 2008



SARAH PROUDFOOT

(44)
National Diploma in Clothing
Design

**Divisional Director:
Merchandise**

Employee since March 2001
In current position since
June 2009



TONY MIEK

(49)
PG Diploma in Accounting

**Divisional Director: Real
Estate, Store Design and
Visual Presentation**

Employee since December
2005
In current position since
August 2006
Chairman: Sustainability
Committee



STEVE WIDEGGER

(48)
Diploma in Business
Management

**Divisional Director:
Merchandise**

Employee since
February 1987
In current position since
August 2006



SEAN FURLONG

(51)
Diploma in Marketing
Management

**Divisional Director:
Merchandise and Logistics**

Employee since
February 1989
In current position since
August 2006



MARK FORSTER

(52)

**Divisional Director:
Merchandise**

Employee since May 1999
In current position since
March 2008

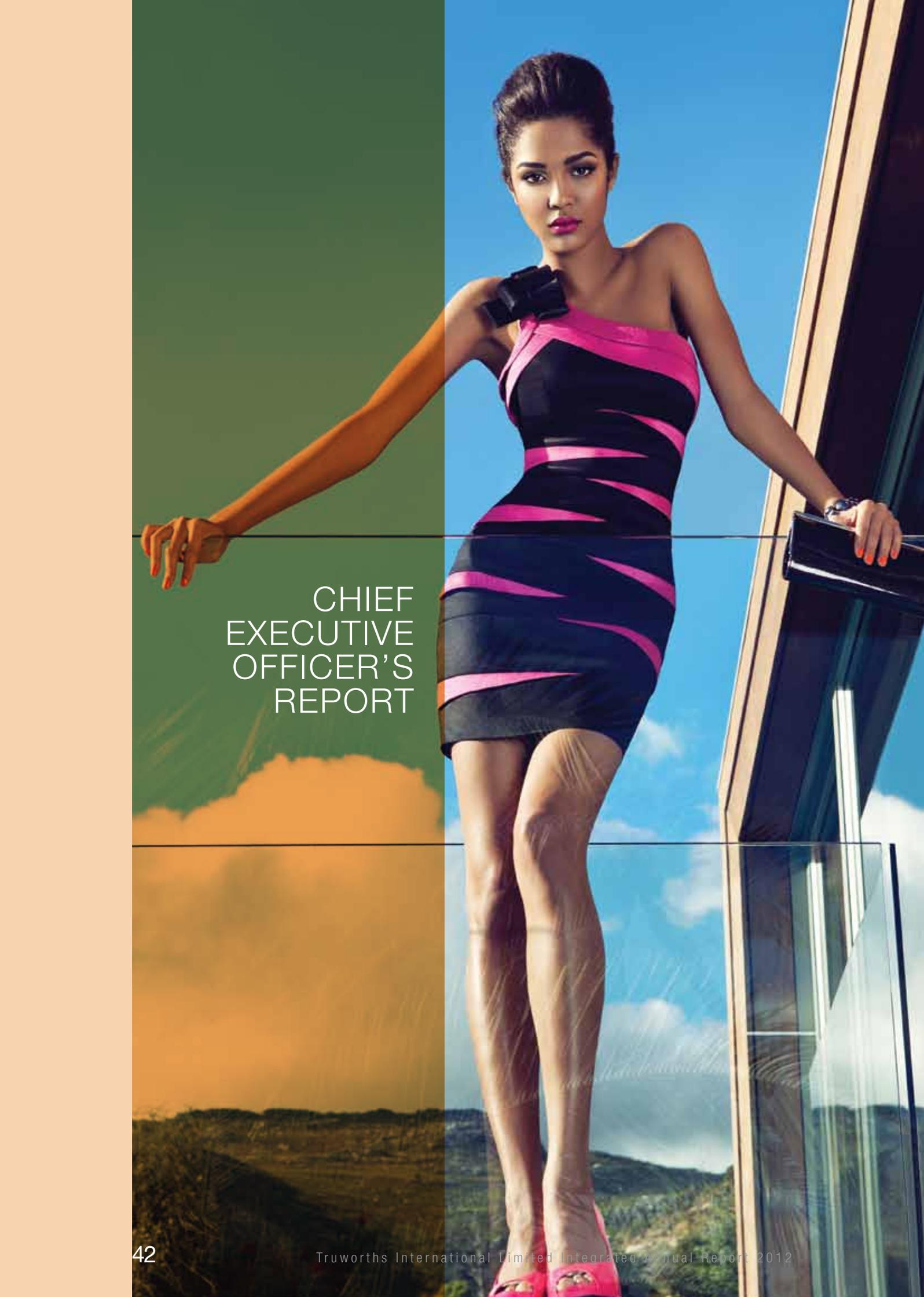


FRANCOIS BAISSAC

(50)
Diploma in Computer
Programming and Project
Management

**Divisional Director:
Information Systems**

Employee since June 1988
In current position since
February 2011



CHIEF
EXECUTIVE
OFFICER'S
REPORT

FINANCIAL AND TRADING PERFORMANCE

In the highly competitive and challenging retail environment the Group has again reported strong margins, grown its customer base, extended the store base locally and into the rest of Africa, and strengthened its financial position.

The Chairman in his report has outlined the economic and trading conditions which prevailed during the financial period. In this challenging environment the Group has produced a competitive performance, with the results enhanced by a lower effective rate of taxation and a 53rd week of sales compared to the prior year.

The Group has prepared pro-forma information for a 52-week period, as it is good governance and useful for comparison against the prior period results. Refer to the Chief Financial Officer's Report on pages 70 to 71 for further detail.

The Group performed well relative to its financial targets for the period which are of a world class standard:

- Gross margin was maintained at 56.7%, with markdowns being well controlled through tight inventory management disciplines. The gross margin was again at the upper end of the targeted range of 54% to 57%.
- Operating margin at 36.1% was 30 basis points lower than the prior period, but still exceeded the target band of 33% to 36%.
- Return on equity at 40% was lower than the 41% in the prior period and the return on assets was consistent at 46%. Both these returns were within their respective target ranges and have been influenced by the Group's high levels of cash holdings.
- Inventory turn reduced from 6.4 times to 5.7 times and was outside of the target range of 6.0 to 6.5 times. This was due to higher future season inventory on hand, African expansion and the timing of the period-end with the 53rd trading week.
- Asset turnover remained at 1.3 times and within the targeted range of 1.2 to 1.5 times.

Group retail sales increased by 12.7% to R9.1 billion for the 53-week period, and by 10.4% on a comparable 52-week pro-forma basis. Comparable store retail sales grew by 8.4% while product inflation averaged 8% for the period.

Truworthe ladieswear, which comprises 37% of total retail sales, grew sales by 10%, Truworthe menswear by 11%, Daniel Hechter by 12% and LTD by 13%. Identity, the brand targeting the value and fashion-conscious youth market, increased sales by 25%. The market share of the ladieswear and menswear businesses both exceed 22%, as measured by the Retail Liaison Committee.



MICHAEL MARK

Trading space increased by 6.3% to approximately 272 000m² as the Group continued its strategy of investing in new space to gain market share and promote sales growth. The Group opened a net 26 stores, increasing the store base to 569. During the period, 31 stores across all the brands were extended or relocated, while a further 16 stores were renovated in their current locations.

The Group's financial position continued to strengthen and net asset value per share increased by 18% to 1 410.6 cents. The Group's cash balance at period-end was R1.6 billion, an increase of R71 million over the prior period. While it is not the Group's strategy to hold these high cash resources on a continuing basis, the cash is being retained primarily for strategic or tactical acquisitions to expand the current fashion offering. Management will continue to pursue acquisition opportunities aggressively in the year ahead to complement organic growth. Surplus capital will be returned to shareholders either through share buy-backs or through increased dividend payouts.

An analysis of the Group's financial performance is contained in the Chief Financial Officer's Report on pages 50 to 59.

MANAGING THE RISK OF CREDIT

Consistent credit risk management strategies continued to be applied. The Group's gross trade receivables grew by 14% to R3.8 billion and the active customer account base increased by 10% to over 2.4 million accounts. Credit sales accounted for 73% of retail sales (2011: 71%).

CHIEF EXECUTIVE OFFICER'S REPORT

The growth in the gross trade receivables is attributable to the net effect of Group credit sales growing 16% over the prior period and a continuing shift from shorter-term interest-free to longer-term interest-bearing payment plans.

Net bad debt as a percentage of gross trade receivables moved from 6.8% in 2011 to 7.9%, with the doubtful debt allowance increasing to 10.6% from 10.1%. While delinquency ratios for the period are higher than in 2011, they remain below historic norms and are in line with management's expectations.

At the end of the period, 84% (2011: 86%) of the Group's active account customers were in a position to purchase on credit. The qualifying payment to prevent an account moving into arrears remained at 90%, one of the highest in the industry and in line with international best practice.

Refer to the Managing the Risk of Credit Report on pages 88 to 91 for further details.

MANAGING THE RISK OF FASHION

As a fashion retailer our success is determined by our ability to manage the risk of fashion and produce winning ranges across all brands every season.

A real strength of the merchandising process is that teams are able to identify the problems early and implement solutions, highlighting our ability to manage the risk of fashion. While these processes are consistently and rigorously applied, disappointments inevitably occur. On reflection, management believes that during the reporting period the merchandise team could have been more aggressive in selling hot fashion as well as fashion basic lines in the past summer and winter seasons. These issues are expected to have been adequately addressed for the summer 2012 and future seasons.

While merchandise strategies and processes are implemented to limit fashion failure, there are always challenges in the macro environment that need to be managed and mitigated.

As approximately 65% of all merchandise (and an even greater percentage of fabric) is imported and US dollar denominated, managing the volatility of the Rand is a perennial challenge. On average the local currency weakened by 11% against the US dollar during the reporting period. The buying teams respond speedily to pricing movements by re-engineering garment construction and trims and

adjusting the fashion mix to ensure that the margin is maintained. The Group also purchases forward cover to hedge the risk of currency fluctuations.

Refer to the Managing the Risk of Fashion Report on pages 80 to 82 for further details.

MAXIMISING SUPPLY CHAIN EFFICIENCY

Reducing the lead times of both locally manufactured and imported merchandise is critical to maximising the efficiency of the supply chain for a fashion retailer. Offshore lead times have been reduced by approximately 17% in the reporting period by creating greater efficiencies in the procurement process. The Group will look to improve lead times even further in the year ahead.

During the period, the Group has focused on creating relationship-based alliances with manufacturers and the merchandise team has been increasingly proactive in its contact with both local and international suppliers.

Local suppliers remain under pressure to compete with their international counterparts, despite government grant support and import duties on finished garments of 45%. The Group works in partnership with the local supplier base to improve efficiency to ensure it can execute merchandise orders within quick response times.

The expansion of the Group's store base outside of South Africa has also presented supply chain challenges, such as port congestion and clearing inefficiencies, as well as managing merchandise seasonality in countries with warm year-round climates.

Organic growth in the business and the need to create capacity for the longer-term has resulted in a decision to develop a third distribution centre. The Group acquired land adjacent to the Truworths Distribution Centre (TDC) in Epping, near Cape Town and the building of a third distribution centre will commence in the new financial period. This will enable the Group to process greater volumes and ensure the supply chain will be faster and more responsive to store and customer demand.

INCREASING COMPETITION IN FASHION RETAILING

As high profile international apparel chains enter the South African market we regularly encounter the question as to the threat this poses to the Group.

Our response is that we regard international competition in the same manner as we do local competitors. Since its establishment in the first half of the 20th century, Truworths has always been in touch with the latest international fashion trends.

Our buying and trend teams travel around the world examining the latest fashion trends. We also have trend departments that study international fashion and provide guidance and direction to our business on future trends. International retailers who open stores in South Africa do not necessarily understand trends better than we do and they face their own difficulties in trading in South Africa.

On the other hand fashion trends around the world are converging and consumers are becoming more knowledgeable and instantly aware of such trends. As a result international retailers are able to compete and offer alternatives to South African consumers.

We believe as a result of being well established in the market, we have an in-depth understanding of local fashion trends and tastes, placing us in a competitive position.

In order to prosper we have to be able to interpret international fashion trends and our knowledge of our customers' preferences is a distinct advantage. In addition we offer credit and have well established store locations and brand images. We do not feel intimidated or concerned; we simply believe competition is part of the evolving international landscape.

We believe a bigger challenge is posed by the improving performance of local competitors. South Africa is acknowledged for its high standards of retailing relative to its international peers and we are competing against domestic apparel retailers with extensive store networks, high levels of brand awareness, loyal customer bases and established credit offerings.

While the Group will never become complacent to the threat of local or international competition, we believe that if the right fashion is available in our stores it will continue to attract customers, regardless of the level of competitor activity.

EXPANDING PRESENCE IN AFRICA

Expansion into the rest of Africa presents a longer-term growth opportunity and the Group's strategy focuses on countries showing strong economic growth prospects. The increasing trend to urbanisation and the growth in the middle class population in these African countries should support sustained growth in consumer spending.



CHIEF EXECUTIVE OFFICER'S REPORT

Following an incremental expansion strategy will allow the Group to gain a better understanding of the operating environment and market potential in these countries.

The Group's preference is to operate corporately-owned and managed stores. Corporate stores are opened in countries where the Group has the potential to open several stores to create economies of scale. The franchise model is adopted in countries where opportunities are limited and the complexity of conducting business is high.

While the rest of Africa offers growth potential, it should be noted that trading conditions in these markets are demanding and the relatively slow rate of retail real estate developments can impact on the pace of store openings. Retailers face ongoing challenges with high real estate costs, complex and costly logistics operations, high duties and tariffs, complex and restrictive regulations, and inconsistent power supply.

The Group currently operates 35 non-South African stores, the same number as in the prior year. However, the mix has changed with 29 corporate stores (2011: 17) and 6 franchise stores (2011: 18). By December 2012 the Group plans to have 45 non-South African stores, with 40 being corporate stores.

The strategy of a combination of corporate and franchise stores will continue, with an emphasis on corporate stores over the next ten years. The franchise model is still viable in certain countries where local conditions make the corporate model less viable and where appropriate and competent partners are available.

Total revenue generated by non-South African stores increased by 14% on the prior period and contributed 2.7% of total Group revenue. This is expected to increase steadily over the next ten years.

The Group has a shareholding of approximately 35% in Truworths Ltd (incorporated in Zimbabwe) which

operates 59 stores across the Truworths, Topics and Number 1 brands. Our investment ensures we are well positioned to capitalise on growth opportunities when stability returns to that country's economy.

Refer to the Expanding Retail Presence Report on pages 84 to 87 for further details.

EMPLOYER OF CHOICE IN FASHION

The Group aims to be recognised as an employer of choice in fashion retailing and continues to invest in its people to ensure sustainable performance and business continuity.

During the period R81 million (2011: R64 million) was invested in training over 9 800 employees, with over 5 600 people trained to develop scarce skills. A total of 93% of employees trained were black.

The annual turnover of permanent employees was 14%, an improvement from 17% in the prior period. Turnover at the senior and top management levels was below 10%.

Progress has been made in achieving employment equity targets to make the Group's workforce more reflective of South Africa's demographic profile. At period-end, 91% (2011: 91%) of South African employees were black and 71% (2011: 72%) were female. Black employees accounted for 84% (2011: 89%) of internal promotions and 94% (2011: 94%) of new appointments during the financial period.

At middle and senior management levels there is lower turnover so transformation at these levels has been slightly slower than anticipated. The Group competes for scarce skills at these levels in a highly competitive and demanding industry and will continue to focus on growing talent from within the business to ensure greater representation in future.

Refer to the Employer of Choice in Fashion Report on pages 94 to 99 for further details.

OUTLOOK

Management remains committed to implementing the Group's business philosophy which has guided operating activities ably over many years. The supply of internationally inspired, high quality fashionable clothing to youthful South Africans continues to drive the Group's strategy and will remain the focus for the year ahead.

The credit environment is expected to become more challenging as credit affordability remains under pressure for consumers in South Africa.

Generally subdued economic growth is expected for the 2013 financial period.

Capital expenditure of R315 million has been committed for the new financial period, with 67% allocated to store development and 13% to the construction of the third distribution centre.

Trading space is anticipated to increase by approximately 9% on June 2012.

APPRECIATION

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

Thank you to our Chairman, Hilton Saven, and to my fellow directors of Truworths International and Truworths for their leadership and support.

In closing, I thank our customers who continue to support our brands and make us their first choice for quality fashion apparel.



Michael Mark
Chief Executive Officer





SHAREHOLDERS

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- 60 | TRUWORTHS INTERNATIONAL LIMITED
AUDITED ABRIDGED GROUP ANNUAL
FINANCIAL STATEMENTS





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.'

INTRODUCTION

In the 2012 financial period the Group delivered sustained growth in earnings and strengthened its financial position, enhanced returns to shareholders and continued to invest in the organic growth of the business.

Headline earnings per share (HEPS) increased by 16% to 526.7 cents, with diluted HEPS 16% higher at 517.1 cents per share. The annual dividend per share of 326 cents represents an increase of 24% on the prior period. The cover was reduced and earnings now cover dividends 1.62 times (2011: 1.74 times), further enhancing returns to investors.

Wealth created for shareholders, comprising the growth in market capitalisation and dividends declared, totalled R10.4 billion (2011: R6.3 billion) for the period. Over the past five years the Group has created R27 billion in shareholder wealth.

In the Business Times Top 100 Companies survey for 2011 conducted in South Africa, Truworths International was ranked 13th overall and fourth among the JSE's Top 40 Index companies, with a five-year compound growth in shareholder value of 30.1%. Over a 10-year period the Group was ranked the 11th best performer on the JSE, with an investment of R10 000 in 2001 increasing to R205 821 in 2011, giving shareholders a compound annual return of 35.3%.



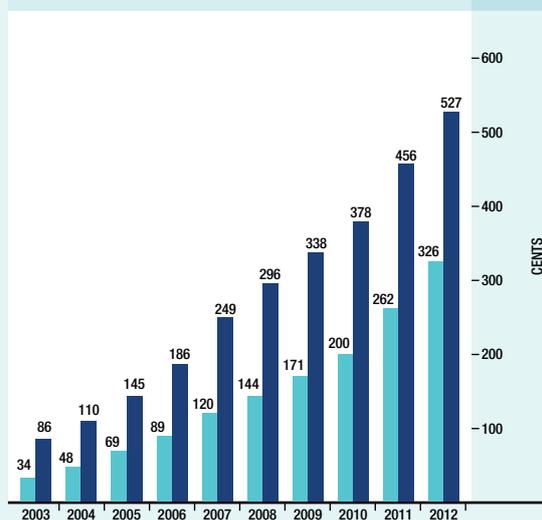
MARK SARDI

EXCELLENCE IN INTEGRATED REPORTING

The Group's 2011 Integrated Annual Report has been rated in the top 10 in the inaugural Ernst & Young Excellence in Integrated Reporting Awards. This recognises the progress made by the Group in adopting the new financial reporting principles and confirms our commitment to constantly improve disclosure to stakeholders.

These awards, which are independently adjudicated by the University of Cape Town's College of Accounting, have replaced the Excellence in Corporate Reporting Awards where the Group was ranked in the top 10 in South Africa for the past four consecutive years.

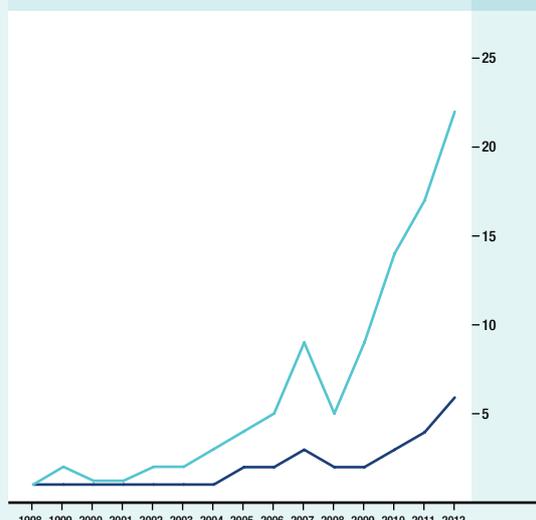
DIVIDENDS AND HEADLINE EARNINGS PER SHARE



DIVIDENDS PER SHARE

HEADLINE EARNINGS PER SHARE

TRUWORTHS INTERNATIONAL SHARE PRICE GROWTH COMPARED TO THE GENERAL RETAILERS INDEX



TRUWORTHS INTERNATIONAL

GENERAL RETAILERS INDEX

CHIEF FINANCIAL OFFICER'S REPORT

FINANCIAL TARGETS

Financial and operating targets are published to provide shareholders with a guide as to the Group's performance objectives for the financial period. These targets are benchmarked against the performance of JSE-listed local competitors and best-in-class global listed fashion retailers, H&M (Hennes & Mauritz) of Sweden, and Inditex of Spain. These targets are reviewed annually based on performance achieved and the outlook for the year ahead. An analysis of actual performance relative to the 2012 targets is covered in the Chief Executive Officer's Report on page 43 and is discussed in the relevant reports throughout this Integrated Annual Report.

Target		Target 2013	Actual 2012	Target 2012	Actual 2011	Local benchmark*	International benchmark**
Gross margin ¹	(%)	54 – 57	56.7	54 – 57	56.7	41.9	59.7
Operating margin ²	(%)	33 – 36	36.1	33 – 36	36.4	19.6	18.8
Return on equity ^{3 ***}	(%)	40 – 45	40	40 – 45	41	37	32
Return on assets ^{3 ***}	(%)	44 – 48	46	44 – 48	46	32	29
Inventory turn ³	(times)	6.0 – 6.5	5.7	6.0 – 6.5	6.4	4.5	3.8
Asset turnover ³	(times)	1.2 – 1.5	1.3	1.2 – 1.5	1.3	1.8	1.5

* Based on the average ratios for comparable South African listed apparel retailers for the 2012 period.

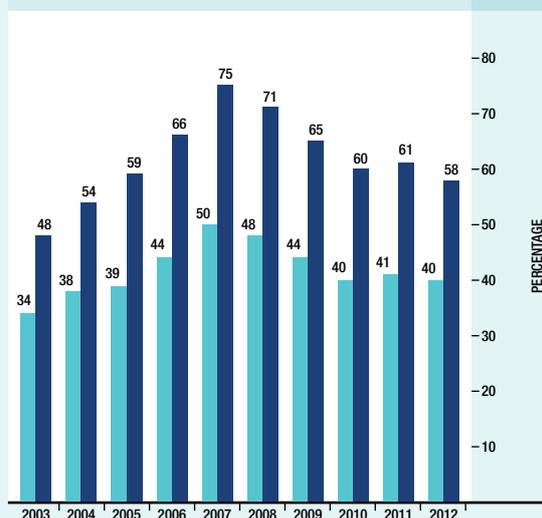
** Based on the average ratios for H&M and Inditex for the 2011 period.

*** 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 the ability to manage operating expense growth below growth in sale of merchandise.
- 3 Combination of returns achieved in 2012 and capital management strategies.

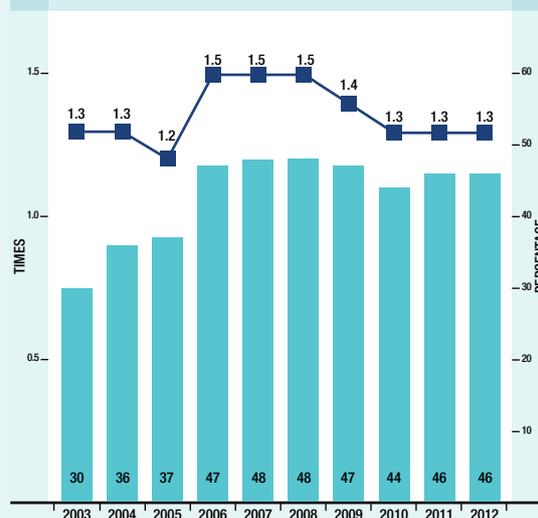
RETURN ON EQUITY AND CAPITAL



RETURN ON EQUITY

RETURN ON CAPITAL

RETURN ON ASSETS AND ASSET TURNOVER



RETURN ON ASSETS (%)

ASSET TURNOVER (TIMES)

ANALYSIS OF FINANCIAL PERFORMANCE

In line with the practice generally prevailing in the South African retail industry, the Group manages its operations according to the retail calendar, which treats each financial year as a 52-week period. This treatment effectively results in the loss of a day, or two days in a leap year, each calendar year. These days are brought to account every four to seven years by including a 53rd week in the financial reporting calendar, as is the case for the 2012 financial period.

All results are reported for the 53-week period and, where relevant, performance for 52 weeks has been included to allow for meaningful comparison with the prior financial period. The audited abridged annual results for the 53-week period and the unaudited pro-forma 52-week financial information are available on pages 60 to 71.

The detailed commentary on the Group's financial performance for the 53-week period ended 1 July 2012 should be read in conjunction with the audited abridged annual financial statements which follow on pages 60 to 71, and the information contained in the audited annual financial statements which are available on the Group's website. The 10-year history of financial performance, share performance, operating ratios and trade receivable statistics can also be accessed on the website at www.truworthis.co.za.

STATEMENTS OF COMPREHENSIVE INCOME

Sale of merchandise

Group sale of merchandise, comprising retail and franchise sales less accounting adjustments, increased 12.4% to R8.8 billion (2011: R7.9 billion). If the 53rd trading week is excluded, sale of merchandise increased by 10.0% to R8.6 billion. Retail sales for the first half of the period increased by 10.7% and slowed to a growth of 10.1% in the second half on a comparable pro-forma 52-week basis. Historically there has been no material seasonal variation in trading patterns between the first and second halves of the financial period.

Divisional sales	2012 Rm	2011 Rm	% change (including week 53)
Truworthis ladieswear	3 361	3 068	10
Truworthis menswear	1 757	1 581	11
Identity	1 407	1 127	25
Daniel Hechter	1 091	972	12
Elements	454	403	13
Inwear	409	386	6
LTD	353	312	13
Other*	272	231	18
Retail sales	9 104	8 080	13
Franchise sales	24	35	(31)
Accounting adjustments	(298)	(257)	16
Sale of merchandise	8 830	7 858	12
YDE agency sales	276	250	10

* Includes the Cellular, Truworthis Jewellery and Truworthis Living (discontinued during 2012) divisions.

Retail sales increased by 12.7% to R9.1 billion (2011: R8.1 billion), with comparable store retail sales growing by 8.4% (2011: 8.9%). Credit retail sales increased by 16% to R6.6 billion (2011: R5.7 billion) and accounted for 73% (2011: 71%) of retail sales for the period. Cash retail sales were 5% higher at R2.5 billion (2011: R2.4 billion).

Product inflation was consistent throughout the period and averaged 8%, compared to 4% in the prior period. Trading space increased by 6.3% to 272 000 m² following the opening of 26 (net) new stores and the extension, renovation or relocation of a further 47 stores. The Group's trading density increased 6% to R34 849 per m².

CHIEF FINANCIAL OFFICER'S REPORT

Retail sales growth analysis	Retail sales Rm	Retail sales growth %	Comparable store growth %	Product inflation %	Unit growth: comparable stores %	Unit growth: non-comparable stores %
June 2012 (53 weeks)	9 104	13	8	8	0	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	0	7
June 2009	6 441	12	5	10	(5)	7
June 2008 (53 weeks)	5 863	15	8	6	2	7
June 2008	5 751	13	6	6	0	7

Franchise sales were 31% lower at R24 million (2011: R35 million) as the Group implemented its strategic decision to expand its presence outside South Africa through corporate stores, resulting in a rationalisation of franchise operations. During the period the franchise network in the rest of Africa was reduced from 18 to 6 stores. Refer to Expanding Retail Presence on page 87 for further information on the Group's expansion strategy into the rest of Africa.

Gross profit

The gross profit margin was maintained at 56.7%, with markdowns being well controlled through tight inventory management disciplines. The gross margin was again at the upper end of the targeted range of 54% to 57%. Gross margins have averaged 55.8% over the past five years. The allowance for markdown, obsolescence and shrinkage as a percentage of gross inventories was 18% (2011: 21%). Refer to note 9 of the Group annual financial statements for further details.

Other income

Other income consists primarily of commission on cellular phone sales, commission and display fees paid by YDE designers, financial services income, lease rental income and royalties from franchisees. The 10% increase in other income to R208 million (2011: R189 million) was mainly due to increased commission earned from higher cellular phone and YDE sales.

Trading expenses

Analysis of trading expenses	2012 Rm	2011 Rm	Change on prior period %	2012 % of sale of merchandise %	2011 % of sale of merchandise %
Depreciation and amortisation	138	129	7	1.6	1.6
Employment costs	890	828	7	10.1	10.5
Occupancy costs	746	652	14	8.4	8.3
Trade receivable costs	533	390	37	6.0	5.0
Other operating costs	452	422	7	5.1	5.4
Trading expenses	2 759	2 421	14	31.2	30.8

Trading expenses increased by 14% to R2.8 billion mainly as a result of the 37% growth in trade receivable costs that was anticipated by management as it implemented its credit strategies. Trading expenses as a percentage of sale of merchandise increased to 31.2% compared to 30.8% in 2011.

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

- Depreciation and amortisation increased by 7% owing to capital expenditure of R226 million in the period, as well as the capital expenditure of R186 million in the prior period that was depreciated for the full financial period.
- Employment costs increased by 7%. Excluding non-comparable store and other costs, employment costs increased 8%. The number of full-time equivalent employees increased by 3% compared to the prior period.

- Occupancy costs increased by 14% mainly due to the 6% growth in trading space, average rental escalations of 8%, and a 36% increase in electricity costs (27% excluding non-comparable stores). Excluding non-comparable store costs, occupancy costs increased 11%.
- Trade receivable costs increased 37%. The doubtful debt allowance increased by R65 million owing to the growth in the debtors' book and the increase in the doubtful debt allowance to 10.6% of trade receivables, from 10.1% in the prior period. The interest earned of R630 million (2011: R543 million) on the debtors' book exceeded total trade receivable costs of R533 million (2011: R390 million). Total credit income of R674 million offsets total credit costs (net bad debt expense plus the change in the doubtful debt allowance and internal related costs) resulting in a surplus of R26 million (2011: R78 million).

Cost of credit	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Total trade receivables interest	630	543	491	549	488
Trade receivables interest charged	553	469	413	453	404
Notional interest raised	77	74	78	96	84
Financial services income*	44	38	31	28	23
Total income	674	581	522	577	511
Total costs	(648)	(503)	(487)	(516)	(528)
Internal and external collection costs**	(283)	(243)	(208)	(183)	(157)
Net bad debt and change in doubtful debt allowance	(365)	(260)	(279)	(333)	(371)
Cost of credit: surplus/(cost)	26	78	35	61	(17)

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

- Other operating costs increased by 7%. Excluding non-comparable store costs and foreign exchange profits of R10 million (2011: losses of R11 million), other operating costs increased by 11% over the prior period.

Interest received

Total interest received increased by 14% to R728 million (2011: R637 million). This includes investment income which grew by 4% to R98 million. Trade receivable interest, excluding notional interest of R77 million on the interest-free portion of the debtors' book, increased by 18% to R553 million.

Trading and operating profit

Trading profit increased by 11% to R2.5 billion (2011: R2.2 billion) while the trading margin at 27.8% was lower than the prior period owing to the growth in trade receivable costs.

Profit before tax (operating profit) increased by 12% to R3.2 billion and the operating margin declined to 36.1% in 2012 from 36.4% in 2011.

Tax expense

The tax expense increased 5% to R965 million and the Group's effective tax rate decreased from 32.1% in 2011 to 30.2% in 2012. No secondary tax on companies (STC) was payable in respect of the interim dividend as the declaration of which was after 1 April 2012 when the dividends tax regime became applicable.

CHIEF FINANCIAL OFFICER'S REPORT

STATEMENTS OF FINANCIAL POSITION

The Group's financial position continued to strengthen over the period, with net asset value per share increasing 18% to 1 410.6 cents.

The return on equity at 40% and return on assets at 46% were within the targeted performance range, with asset turnover remaining at 1.3 times.

Non-current assets

Non-current assets increased 10% to R1.2 billion (2011: R1.1 billion).

- Property, plant and equipment increased by 7%. Capital expenditure, excluding intangible assets, for the period was R203 million (2011: R169 million).
- Intangible assets increased by R17 million owing principally to the purchase of computer software of R23 million.
- Loans and receivables increased marginally to R143 million, with the granting of loans to certain share incentive scheme participants largely being offset by the settlement of such loans.
- The deferred tax asset increased from R39 million to R58 million mainly as a result of the increase in the doubtful debt allowance.

Current assets

Current assets increased by 11% to R5.7 billion (2011: R5.1 billion).

- Gross inventories were 22% higher at period-end due to increased levels of future season inventory on hand, additional inventory for African expansion and the timing of the period-end with the 53rd trading week. The increased inventory levels resulted in the inventory turn reducing to 5.7 times from the 6.4 times reported in the prior period and being outside of the target range of 6.0 to 6.5 times. If the increased levels of future season deliveries were excluded, the inventory turn would have been 6.1 times. Inventory turn has averaged 6.3 times over the past five years.
- Trade and other receivables increased 13% to R3.4 billion (2011: R3.0 billion). This is attributable to an increase of 16% in credit sales which resulted in a shift in the credit to cash sales mix from 71% to 73%, and the continued

movement by customers to longer-term interest-bearing payment plans. This was partially offset by additional collections against the debtors' book arising during the 53rd trading week.

- Cash and cash equivalents grew by R71 million to R1.6 billion (2011: R1.5 billion). During the period the Group generated R1.6 billion (2011: R1.7 billion) in cash from operating activities. This was used primarily for dividend payments (R1.3 billion), share buy-backs (R83 million), investment in store development (R162 million), computer infrastructure and technology (R38 million) and distribution facilities (R23 million, including R18 million for land and buildings purchased).

Total equity and liabilities

The return on equity and capital at 40% and 58% respectively, were slightly down on the 41% and 61% reported in the prior period.

Total equity

Share capital and share premium increased by R46 million (2011: R80 million) following the issue of 1.8 million shares at an average price of R25.14 per share pursuant to the exercise of options by share scheme participants.

During the financial period the Group repurchased 1.2 million shares at an average cost of R69.03 per share at a total cost of R83 million. Refer to the section on Capital Management on page 58 for further details on share buy-backs.

Total liabilities

Total liabilities were R242 million lower at R936 million at period-end.

- Non-current liabilities increased by R13 million due to the net effect of an increase in the post-retirement medical benefit obligation of R6 million and a net R11 million increase in the cash-settled compensation liability, offset by a R4 million decrease in the straight-line operating lease obligation.
- Current liabilities decreased by R255 million mainly due to the timing of the period-end with the 53rd trading week, resulting in month-end payments reducing creditor balances.

STATEMENTS OF CASH FLOWS

Cash and cash equivalents increased by R71 million to R1.56 billion (2011: R1.49 billion) at the end of the period, with cash generated from operations decreasing 7% to R1.85 billion (2011: R1.98 billion).

Cash flow from trading and cash earnings before interest received, tax, depreciation and amortisation increased 10% to R2.7 billion (2011: R2.4 billion).

Movements in working capital reflected an outflow of R802 million compared to an outflow of R425 million in the prior period. The increase in working capital is primarily due to the additional trading week in the 2012 reporting period. Inventories therefore increased by R140 million (2011: R80 million), trade and other receivables increased by R399 million (2011: R475 million) while trade and other payables decreased by R263 million (2011: increase of R130 million).

Tax paid in the current period increased 8% from R895 million to R964 million. This lower than normal growth is partly due to the abolishment of STC.

Cash dividend payments during the period increased by 32% to R1.28 billion (2011: R0.97 billion) owing to increased profitability and the decrease in the dividend cover.

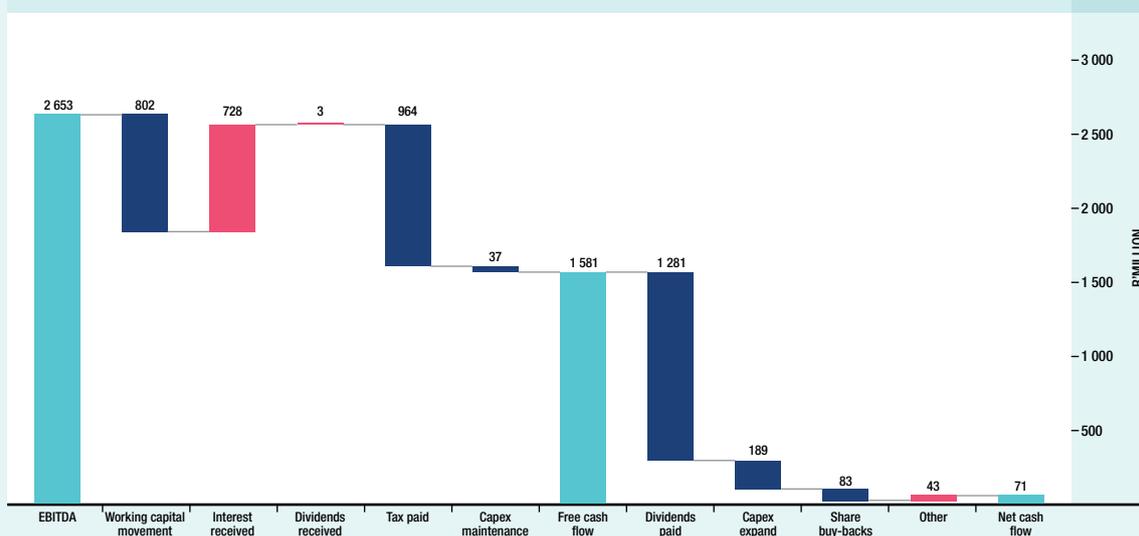
Net cash used in investing activities totalled R229 million compared with R275 million in 2011. This was primarily due to the net effect of capital expenditure being R40 million higher, no purchases of high performance share scheme options in the period (2011: R31 million) and R15 million loans issued to share incentive scheme participants (2011: R63 million) in the current period.

Net cash used in financing activities amounted to R37 million compared to R314 million in the prior period, in part due to limited share buy-back activity.

Cash flow per share decreased 6% to 382.7 cents while cash and cash equivalent earnings per share increased 13% to 565.8 cents. This translated into a lower cash realisation rate of 68% compared to 81% in 2011, resulting from the higher levels of working capital outflows.

The Group's free cash flow totalled R1.6 billion (2011: R1.7 billion). The cash flow analysis 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 describe the remaining cash which can be used for future growth or returned to shareholders as dividends or through share buy-backs.

CASH FLOW ANALYSIS



CHIEF FINANCIAL OFFICER'S REPORT

CAPITAL MANAGEMENT

Capital efficiency is measured by returns on equity and capital which were 40% (2011: 41%) and 58% (2011: 61%) respectively for the period, with the returns being influenced by the Group's cash holdings.

The Group continues to manage capital through a combination of returning funds to shareholders through share buy-backs and dividends, and investment to sustain organic growth in the business. During the period R1.4 billion (2011: R1.4 billion) was returned to shareholders through dividend payments and share buy-backs.

The dividend cover was reduced from 1.74 times to 1.62 times and the annual dividend per share increased 24% to 326 cents. Dividends of R1.28 billion were paid during the period.

During the period the Group repurchased 1.2 million shares at an average price of R69.03 at a total cost of R83 million. Since the inception of the share buy-back programme in 2002, 81 million shares have been repurchased at a cost of R1.7 billion at an average price

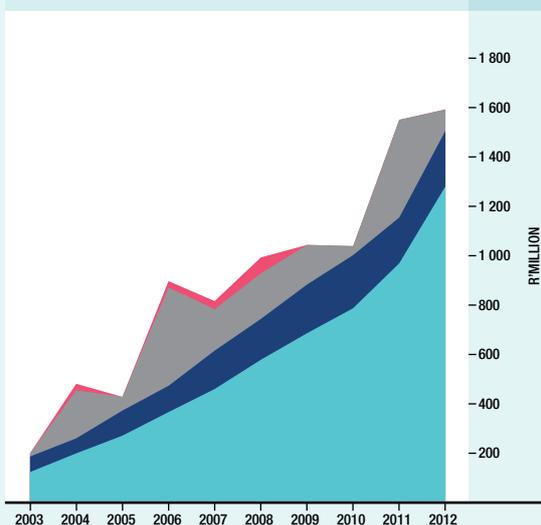
of R21.51. A total of 43 million shares have subsequently been cancelled leaving a balance in the treasury share account of 38 million shares. This represents 8.2% of the shares currently in issue (2011: 8%).

Management also retains flexibility within the capital management programme to take advantage of strategic and tactical acquisition opportunities of fashion-related businesses that may arise.

ACCOUNTING POLICIES AND STANDARDS

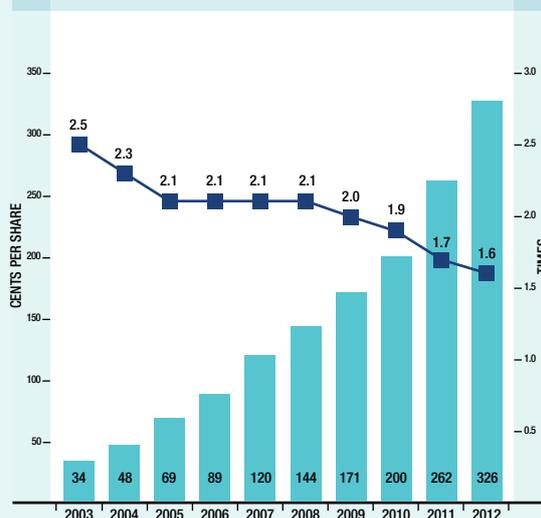
The accounting policies and standards applied by the Group have remained consistent with those applied during the prior period except for the adoption of those annual improvements to International Financial Reporting Standards (IFRS) issued in May 2010 that became effective in the current reporting period. The adoption of these amendments has resulted in minor revisions to accounting policies and disclosures, but has had no impact on the financial position or performance of the Group. For further information, refer to the Group annual financial statements on the website.

CASH UTILISATION



DIVIDENDS PAID CAPITAL EXPENDITURE SHARE BUY-BACKS ACQUISITIONS

DIVIDENDS PER SHARE AND DIVIDEND COVER



DIVIDENDS PER SHARE DIVIDEND COVER

PLANS AND TARGETS FOR 2013 FINANCIAL PERIOD

The Group's financial targets have been reviewed against the performance for 2012 and the expected trading conditions and operational environment for the 2013 financial period. Based on the assumption that the current business environment and scope of business activities are likely to remain substantially unchanged, the board and management believe the targets remain relevant and appropriate for the new financial period.

The challenges ahead in achieving the targets set out for 2013 would include merchandise clearance levels, sales mix and inventory management, management of operating expenses and the successful implementation of capital management strategies. Changes in global and national economic conditions, interest rates, credit and associated risks of lending and competitive and regulatory factors could also affect the performance against the targets set.

Capital expenditure of R315 million is planned for the 2013 financial period. This includes R211 million for store development, R51 million for computer

infrastructure and R43 million for distribution facilities, including the construction of a third distribution centre.

Trading space is anticipated to increase approximately 9% relative to the 2012 period-end, with 35 stores planned to open in South Africa and 11 in the rest of Africa. A further 45 stores will be expanded, refurbished or relocated.

Product inflation is expected to be below 10% for 2013.

ACKNOWLEDGEMENTS

Thank you to my finance colleagues for their support and commitment, and for ensuring that the Group continues to be acknowledged for achieving best practice standards in reporting and disclosure. Thank you also to our shareholders for their support of the Group and we welcome those who invested in our Group for the first time this year.



Mark Sardi
Chief Financial Officer



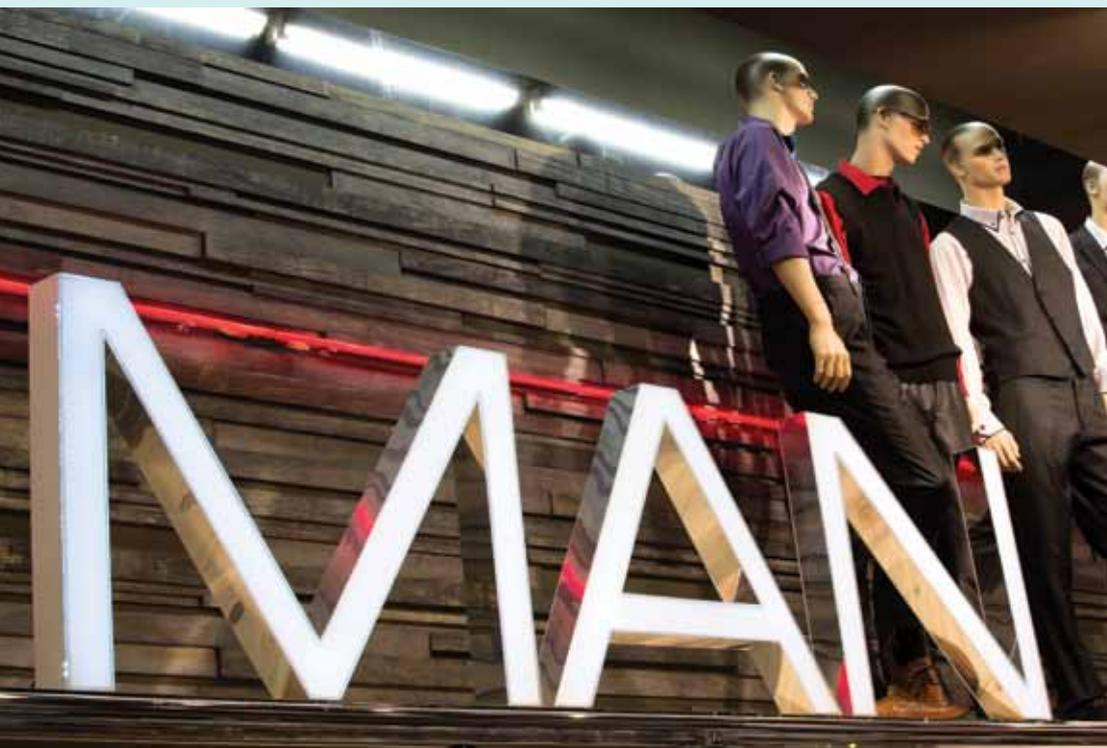
TRUWORTHS INTERNATIONAL LIMITED

AUDITED ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS AT 1 JULY 2012

These Audited Abridged Group annual financial statements comprise a summary of the audited annual financial statements of the Group for the period ended 1 July 2012 that were approved by the Truworths International Ltd board on 15 August 2012. 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, MJV Sardi 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 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-settled share options
- Extract from shareholder information



REPORT OF THE INDEPENDENT AUDITORS

ON THE ABRIDGED REPORT TO THE SHAREHOLDERS OF TRUWORTHS INTERNATIONAL LIMITED

The accompanying summary consolidated financial statements of Truworths International Limited, which comprise the summary consolidated statement of financial position as at 1 July 2012, 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 1 July 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 15 August 2012. 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 1 July 2012 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 15 August 2012 states that as part of our audit of the consolidated financial statements for the period ended 1 July 2012, 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.

Director: James Newlands
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

15 August 2012

ABRIDGED GROUP STATEMENTS OF FINANCIAL POSITION

	at 1 July 2012 Audited Rm	at 26 June 2011 Audited Rm
ASSETS		
Non-current assets	1 197	1 093
Property, plant and equipment	775	724
Goodwill	90	90
Intangible assets	94	77
Derivative financial assets	34	21
Available-for-sale assets	3	1
Loans and receivables	143	141
Deferred tax	58	39
Current assets	5 720	5 131
Inventories	670	530
Trade and other receivables	3 421	3 033
Derivative financial assets	7	28
Prepayments	62	51
Cash and cash equivalents	1 560	1 489
Total assets	6 917	6 224
EQUITY AND LIABILITIES		
Total equity	5 981	5 046
Share capital and premium	205	159
Treasury shares	(1 274)	(1 191)
Retained earnings	6 944	6 001
Non-distributable reserves	106	77
Non-current liabilities	97	84
Post-retirement medical benefit obligation	47	41
Cash-settled compensation obligation	12	1
Straight-line operating lease obligation	38	42
Current liabilities	839	1 094
Trade and other payables	598	875
Derivative financial liability	-	1
Provisions	73	73
Tax payable	168	145
Total liabilities	936	1 178
Total equity and liabilities	6 917	6 224
Number of shares in issue (net of treasury shares)	(millions) 424.0	423.4
Net asset value per share	(cents) 1 410.6	1 191.8
Key ratios		
Return on equity	(%) 40	41
Return on capital	(%) 58	61
Return on assets	(%) 46	46
Inventory turn	(times) 5.7	6.4
Asset turnover	(times) 1.3	1.3

ABRIDGED GROUP STATEMENTS OF COMPREHENSIVE INCOME

	Note	53 weeks to 1 July 2012 Audited Rm	Change on prior period %	52 weeks to 26 June 2011 Audited Rm
Revenue	3	9 769	12	8 684
Sale of merchandise		8 830	12	7 858
Cost of sales		(3 820)		(3 403)
Gross profit		5 010	12	4 455
Other income		208	10	189
Trading expenses		(2 759)	14	(2 421)
Depreciation and amortisation		(138)	7	(129)
Employment costs		(890)	7	(828)
Occupancy costs		(746)	14	(652)
Trade receivable costs		(533)	37	(390)
Other operating costs		(452)	7	(422)
Trading profit		2 459	11	2 223
Interest received		728	14	637
Dividends received		3		–
Profit before tax		3 190	12	2 860
Tax expense		(965)	5	(917)
Profit for the period, fully attributable to owners of the parent		2 225	15	1 943
Other comprehensive income/(loss)				
Movement in effective portion of cash flow hedge		11		(12)
Deferred tax on movement in effective portion of cash flow hedge		(3)		3
Other comprehensive income/(loss) for the period, net of tax		8		(9)
Total comprehensive income for the period, fully attributable to owners of the parent		2 233	15	1 934
Basic earnings per share	(cents)	526.3	15	455.8
Headline earnings per share	(cents)	526.7	16	456.0
Fully diluted basic earnings per share	(cents)	516.6	15	447.3
Fully diluted headline earnings per share	(cents)	517.1	16	447.5
Weighted average number of shares	(millions)	422.8		426.3
Key ratios				
Gross margin	(%)	56.7		56.7
Trading expenses to sale of merchandise	(%)	31.2		30.8
Trading margin	(%)	27.8		28.3
Operating margin	(%)	36.1		36.4

ABRIDGED GROUP STATEMENTS OF CHANGES IN EQUITY

	1 July 2012 Audited Rm	26 June 2011 Audited Rm
Total equity at the beginning of the period	5 046	4 371
Total comprehensive income for the period	2 233	1 934
Profit for the period	2 225	1 943
Other comprehensive income/(loss) for the period	8	(9)
Dividends	(1 282)	(968)
Premium on shares issued	46	80
Shares repurchased	(83)	(394)
Share-based payment	21	23
Total equity at the end of the period	5 981	5 046
Comprising:		
Share capital and premium	205	159
Treasury shares	(1 274)	(1 191)
Retained earnings	6 944	6 001
Non-distributable reserves	106	77
Total equity	5 981	5 046
Dividends (cents per share)		
Final – payable/paid September	157	134
Interim – paid April/March	169	128
Total	326	262

ABRIDGED GROUP STATEMENTS OF CASH FLOWS

	53 weeks to 1 July 2012 Audited Rm	52 weeks to 26 June 2011 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from trading and cash EBITDA*	2 653	2 411
Working capital movements	(802)	(425)
Cash generated from operations	1 851	1 986
Interest received	728	637
Dividends received	3	–
Tax paid	(964)	(895)
Cash inflow from operations	1 618	1 728
Dividends paid	(1 281)	(968)
Net cash from operating activities	337	760
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment to maintain operations	(37)	(30)
Acquisition of property, plant and equipment to expand operations	(166)	(139)
Acquisition of computer software	(23)	(17)
Loans advanced	(16)	(63)
Loans repaid	15	5
Acquisition of mutual fund units	(2)	–
Acquisition of cash-settled call options	–	(31)
Net cash used in investing activities	(229)	(275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on shares issued	46	80
Shares repurchased by subsidiaries	(83)	(394)
Net cash used in financing activities	(37)	(314)
Net increase in cash and cash equivalents	71	171
Cash and cash equivalents at the beginning of the period	1 489	1 318
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1 560	1 489
Key ratios		
Cash flow per share	(cents) 382.7	405.3
Cash equivalent earnings per share	(cents) 565.8	498.9
Cash realisation rate	(%) 68	81

* 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 2012 annual financial statements, which have been prepared in compliance with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board, 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 2012 annual financial statements and these abridged annual financial statements have been audited by the Group's external auditors, Ernst & Young Inc., and their unqualified audit opinion on both these financial statements are available for inspection at the company's registered office.

The Group's 2012 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 of the financial statements is the South African Rand (R) and all amounts are rounded to the nearest million.

2 ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of this report are consistent with those applied in the preparation of the Group's annual financial statements for the period ended 26 June 2011, except for the adoption of certain of the improvements to IFRS issued in May 2010.

The adoption of these improvements has had the following consequences for the accounting policies, financial position or performance of the Group:

Improvements to IFRS (issued May 2010)

In May 2010, the International Accounting Standards Board issued an omnibus of amendments to its standards, affecting six standards and one interpretation. The amendments that are effective for periods beginning on or after 1 January 2011 have been adopted by the Group in the current reporting period, to the extent that they are applicable to its activities.

In some instances, the adoption of these amendments has resulted in minor revisions to accounting policies and disclosures, but has not had any impact on the financial position or performance of the Group.

	53 weeks to 1 July 2012 Audited Rm	Change on prior period %	52 weeks to 26 June 2011 Audited Rm
3 REVENUE			
Sale of merchandise	8 830	12	7 858
Retail sales	9 104		8 080
Accounting adjustments*	(298)		(257)
Franchise sales	24		35
Other income	208	10	189
Commission	103		88
Display fees	45		39
Financial services income	39		38
Other	10		9
Lease rental income	8		12
Royalties	3		3
Interest received	728	14	637
Trade receivables interest	630		543
Investment interest	98		94
Dividends received	3		–
	9 769	12	8 684
* Accounting adjustments comprises adjustments in respect of promotional vouchers, staff discounts, cellular retail sales, notional interest and the sales return provision.			
4 RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS			
Profit for the period, fully attributable to owners of the parent	2 225		1 943
Adjusted for:			
Loss on disposal of fixed assets	2		1
Headline earnings	2 227	15	1 944

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.

SELECTED EXPLANATORY NOTES TO THE ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

5 SEGMENT REPORTING (continued)

	Truworths Rm	YDE Rm	Consoli- dation entries Rm	Group Rm
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
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
Other segment information				
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
2011				
Total third party revenue	8 604	95	(15)	8 684
Third party	8 584	95	5	8 684
Inter-segment	20	–	(20)	–
Depreciation and amortisation	126	3	–	129
Interest received	632	1	4	637
Profit for the period	1 925	27	(9)	1 943
Profit before tax	2 832	37	(9)	2 860
Tax expense	(907)	(10)	–	(917)
Segment assets	8 449	163	(2 388)	6 224
Segment liabilities	1 231	23	(76)	1 178
Capital expenditure	179	7	–	186
Other segment information				
Gross margin (%)	56.7	–	–	56.7
Trading margin (%)	28.0	38.6	–	28.3
Operating margin (%)	36.0	39.5	–	36.4
Inventory turn (times)	6.4	–	–	6.4
Credit:cash sales mix (%)	71:29	24:76	–	71:29

	2012		2011	
	Rm	Contribution to revenue %	Rm	Contribution to revenue %
Third party revenue				
South Africa	9 501	97.3	8 448	97.3
Namibia	159	1.6	142	1.6
Swaziland	55	0.6	59	0.7
Botswana	18	0.2	–	–
Mauritius	9	0.1	–	–
Nigeria	3	–	–	–
Franchise sales	24	0.2	35	0.4
Kenya	10	0.1	9	0.2
Botswana	7	0.1	15	0.2
Lesotho	4	–	5	–
Zambia	3	–	5	–
Tanzania	–	–	1	–
Total third party revenue	9 769	100	8 684	100

6 SHARE CAPITAL

Ordinary share capital

Authorised

650 000 000 (2011: 650 000 000) ordinary shares of 0.015 cent each

Issued and fully paid

461 810 026 (2011: 459 998 921) ordinary shares of 0.015 cent each

1 July 2012 R'000	26 June 2011 R'000
-------------------------	--------------------------

98	98
69	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.

	2012 Number of shares 000's	2011 Number of shares 000's
Reconciliation of movement in issued shares		
Balance at the beginning of the period	459 999	456 109
Shares issued during the period	1 811	3 890
Balance at the end of the period	461 810	459 999
Treasury shares held by subsidiaries	(37 843)	(36 647)
Adjusted issued shares at the end of the period	423 967	423 352
Treasury shares as a % of the issued shares at the end of the period (%)	8.2	8.0

The shares issued during the period were allotted for an aggregate nominal value of R272 (2011: R583) and an aggregate premium of R45 525 177 (2011: R79 811 132).

SELECTED EXPLANATORY NOTES TO THE ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

	1 July 2012 Audited Rm	26 June 2011 Audited Rm
7 CAPITAL COMMITMENTS		
Capital expenditure authorised but not contracted:		
Store development	211	154
Computer infrastructure	51	40
Distribution facilities	43	20
Motor vehicles	6	1
Head office refurbishment	4	3
Total capital commitments	315	218

The capital commitments will be financed from cash generated from operations and available cash resources and are expected to be incurred in the 2013 reporting period.

8 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

9 IMPACT OF THE 53RD WEEK ON 2012 PERIOD-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 year 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 four to seven years by including a 53rd week in the financial reporting calendar. The Group's earnings are higher as a result of trading during this week.

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

The preparation of the unaudited pro-forma 52-week financial information is the responsibility of the directors. The table below illustrates the unaudited pro-forma statement of comprehensive income for the 52-week period ended 24 June 2012 (the pro-forma 52 weeks 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 prior 52-week period ended 26 June 2011.

The estimated financial impact of the 53rd week is shown on the adjacent page.

Abridged Group statements of comprehensive income

	53 weeks to 1 July 2012 Audited Rm	53 rd week Adjust- ments Rm	52 weeks to 24 June 2012 Pro-forma Rm	Change on prior period 53 weeks %	Change on prior period 52 weeks %	52 weeks to 26 June 2011 Audited Rm
Sale of merchandise	8 830	(183)	8 647	12	10	7 858
Cost of sales	(3 820)	79	(3 741)			(3 403)
Gross profit	5 010	(104)	4 906	12	10	4 455
Other income	208	–	208			189
Trading expenses	(2 759)	–	(2 759)	14	14	(2 421)
Depreciation and amortisation	(138)	–	(138)			(129)
Employment costs	(890)	–	(890)			(828)
Occupancy costs	(746)	–	(746)			(652)
Trade receivable costs	(533)	–	(533)			(390)
Other operating costs	(452)	–	(452)			(422)
Trading profit	2 459	(104)	2 355	11	6	2 223
Interest	728	–	728			637
Dividends	3	–	3			–
Profit before tax	3 190	(104)	3 086	12	8	2 860
Tax expense	(965)	29	(936)	5	2	(917)
Profit for the period, fully attributable to owners of the parent	2 225	(75)	2 150	15	11	1 943
Basic earnings per share (cents)	526.3		508.5	15	12	455.8
Headline earnings per share (cents)	526.7		509.0	16	12	456.0
Fully diluted basic earnings per share (cents)	516.6		499.2	15	12	447.3
Fully diluted headline earnings per share (cents)	517.1		499.7	16	12	447.5
Key ratios						
Gross margin (%)	56.7		56.7			56.7
Trading expenses to sale of merchandise (%)	31.2		31.9			30.8
Trading margin (%)	27.8		27.2			28.3
Operating margin (%)	36.1		35.7			36.4

Notes:

- The accounting policies adopted by the Group in the latest audited annual financial statements, which have been prepared in accordance with IFRS, have been used in preparing the unaudited pro-forma 52-week information.
- The “53 weeks to 1 July 2012” column is the audited results for the 53 weeks ended 1 July 2012.
- The “53rd week adjustments” 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.
- 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.
- The “53rd week adjustments” column, in the opinion of the directors, fairly reflects the results for the one-week period from 25 June to 1 July 2012.
- 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.
- The Group’s external auditors have issued a limited assurance report on the pro-forma 52-week information. A copy of their report is available at the Group’s registered office.

DIRECTORS' HOLDINGS OF SHARES AND EQUITY-SETTLED SHARE OPTIONS

	2012			2011		
	Shares 000's	Options 000's	Total 000's	Shares 000's	Options 000's	Total 000's
In aggregate						
Balance at the beginning of the period	4 823	6 043	10 866	3 778	7 533	11 311
Options granted	–	–	–	–	60	60
Options exercised	–	(80)	(80)	–	(1 550)	(1 550)
Share movements during the period	(1 770)	–	(1 770)	1 045	–	1 045
Balance at the end of the period	3 053	5 963	9 016	4 823	6 043	10 866
By director						
The direct and indirect interests of each of the directors in the company's shares, all of which are held beneficially and only some of which are held pursuant to the equity-settled share scheme, are as follows:						
Executive directors	2 540	5 963	8 503	4 290	6 013	10 303
Michael Mark	2 490	5 953	8 443	4 290	5 953	10 243
Mark Sardi	50	10	60	–	60	60
Non-executive directors	513	–	513	533	30	563
Thandi Ndlovu	30	–	30	–	30	30
Edward Parfett	385	–	385	435	–	435
Hilton Saven	50	–	50	50	–	50
Tony Taylor	48	–	48	48	–	48
Balance at the end of the period	3 053	5 963	9 016	4 823	6 043	10 866
Comprising:						
Direct interest	1 735	5 963	7 698	1 655	6 043	7 698
Indirect interest	1 318	–	1 318	3 168	–	3 168
Total	3 053	5 963	9 016	4 823	6 043	10 866

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 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.

Financial assistance pursuant to share scheme

The shares held by executive directors in terms of the Truworths International Ltd share 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 27.1 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 in the Group annual financial statements for details of options exercised and shares so acquired in terms of such scheme during the reporting period.

Of the 2 490 275 shares held by Mr Mark pursuant to the share scheme, 1 865 275 (2011: 1 477 775) shares had vested at the reporting date. The remaining 625 000 (2011: 1 012 500) shares will become releasable between 14 October 2012 and 19 March 2014 (2011: 14 October 2011 and 19 March 2014).

None of the 50 000 shares held by Mr Sardi pursuant to the share scheme had vested at the reporting date. These shares will become releasable between 23 August 2013 and 23 August 2016.

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:

	Country	2012		2011	
		Number of shares	% of issued capital	Number of shares	% of issued capital
Government Employees Pension Fund	South Africa	61 070 428	13.2	64 156 925	14.0
Lazard Emerging Markets Fund	United States of America	19 202 193	4.2	20 720 584	4.5
Aberdeen Emerging Markets Institutional Fund	United States of America	14 381 737	3.1	8 673 968	1.9
Aberdeen Emerging Markets Fund	United Kingdom	10 620 000	2.3	30 062 422	6.5

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:

	Country	2012		2011	
		Number of shares	% of issued capital	Number of shares	% of issued capital
Aberdeen Asset Managers	United Kingdom	83 527 498	18.1	64 340 733	14.0
Public Investment Corporation	South Africa	61 548 894	13.3	62 645 493	13.6
Lazard Asset Management LLC	United States of America	33 638 075	7.3	32 295 092	7.0
Westwood Global Investments LLC	United States of America	30 470 812	6.6	28 753 008	6.3
Capital Research & Management	United States of America	26 518 952	5.7	34 718 944	7.5

CUSTOMERS

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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 feel successful because shopping at Truworths is effortless and I am helped by lively and committed people.’

BRAND STRATEGY

The Group offers internationally inspired fashion merchandise across a diversified brand portfolio to appeal to the lifestyles of youthful, fashionable South Africans.

Core to the brand strategy is creating and growing in-house fashion concepts rather than promoting third-party or consigned brands.

The flagship Truworths ladieswear brand has been complemented by the development of home-grown brands including Inwear (launched in 1986), Truworths Man (launched in 1988), Truworths Jewellery (launched in 1989), LTD (launched in 1992), and Identity and Elements (both launched in 1999).

Each brand has a clearly defined profile which ensures the merchandise range carries a distinctive signature and appeals to the lifestyle of the customer. The brand profile essentially defines how the customer feels when she or he wears the merchandise.

Identity offers high fashion merchandise at affordable prices to the trendy, value-conscious youth market.

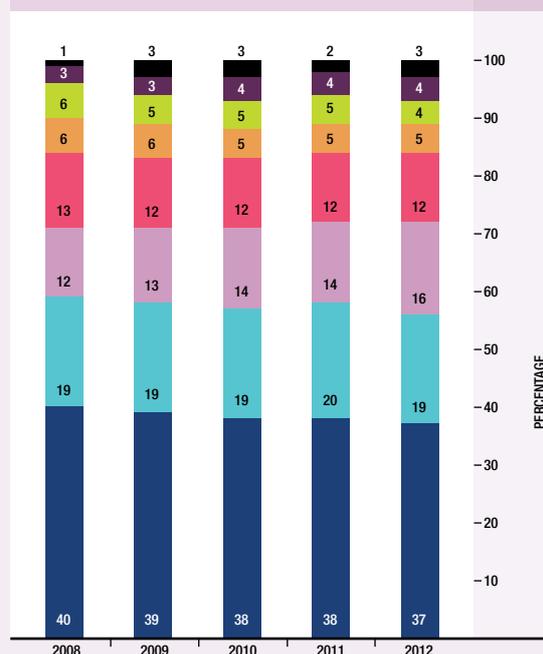
The French designer brand, Daniel Hechter, has been operated by the Group under an exclusive long-term licence agreement in South Africa since 1984.

The brand portfolio was expanded in 2003 with the acquisition of YDE, a unique retail concept which showcases the fashion of emerging South African designers. Uzzi, the Italian-inspired menswear fashion brand, was acquired in 2006 and has been integrated into the broader Truworths menswear offering.

Other brands owned by the Group include the eclectic Ginger Mary brand and the Italian-inspired Lucia Rosati range. The LTD offering was expanded in the past year with the launch of the Max and Mia childrenswear range.

Consistent market share gains in both ladieswear and menswear highlight the popularity of the brands and the success in providing quality fashion to customers season after season.

RETAIL SALES CONTRIBUTION BY BRAND



Other includes the Truworths Jewellery, Cellular and Truworths Living divisions





TRUWORTHS

Truworths ladieswear is a fashionable collection of leisurewear, formalwear, eveningwear, lingerie, shoes and accessories designed for the youthful, modern, fashion-conscious woman.

Women across all ages and lifestyles

Outback Red, Truworths Casual wear, Ginger Mary, Finnigans, Truworths Collection, Essence, Truworths Glamour, TRS by Truworths, Zeta, Intrigue, Skinny, Peep, Lucia Rosati, Emily Moon, Truworths Maternity

Housed in Truworths emporium stores

R3.4 billion

10%

37%

10%

281 Truworths emporium stores



**TRUWORTHS
MAN**

Truworths menswear caters for the entire wardrobe requirements of modern, fashion-conscious, youthful men by offering a range of exclusive brands that encompass formalwear, leisurewear and a selection of shoes, underwear and accessories.

Men across all ages and lifestyles

Truworths Man, Uzzi, Hemisphere, Hemisphere Sport, Studio, Trench, Moskow, Exstream

Housed in emporium stores and as stand-alone stores

R1.8 billion

11%

19%

12%

30 Truworths Man stand-alone stores
57 Uzzi stand-alone stores
237 Truworths menswear departments within emporium stores
70 Uzzi departments within emporium stores



iDENTITY

Identity offers young, funky and affordable 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 trendy and value-aware youth market.

BRAND DESCRIPTION

Young men and women

BRAND PROFILE

Identity man, Identity woman, Identity shoes

SUPPORTING BRANDS AND RANGES

Not incorporated in emporium stores and only operates independent stand-alone stores

STORE CONCEPT AND FORMAT

R1.4 billion

SALES FOR 2012

25%

SALES GROWTH ON PRIOR PERIOD

16%

SALES CONTRIBUTION

23%

COMPOUND SALES GROWTH OVER LAST FIVE YEARS

176 Identity stand-alone stores

NUMBER OF STORES AT PERIOD-END

GROUP BRANDS



DANIEL HECHTER
PARIS

TRUWORTHS
elements

Inwear

BRAND DESCRIPTION

Daniel Hechter is a French designer brand of high-quality, modern yet timeless designs for men and women and is operated under an exclusive long-term licence in South Africa to Truworths. The Daniel Hechter collection offers a refined feeling 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 the fashion-conscious customer where she/he can enjoy the expertise of trained specialist consultants.

Inwear is a cutting-edge range of casual, formal and glamour outerwear and 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' – guides the brand to be youthful, fun, fashionable and trendy at all times.

BRAND PROFILE

Men and women

Men and women

Youthful women

SUPPORTING BRANDS AND RANGES

Daniel Hechter man, 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 and no stand-alone stores

Housed in emporium stores and no stand-alone stores

SALES FOR 2012

R1.1 billion

R454 million

R409 million

SALES GROWTH ON PRIOR PERIOD

12%

13%

6%

SALES CONTRIBUTION

12%

5%

4%

COMPOUND SALES GROWTH OVER LAST FIVE YEARS

14%

7%

7%

NUMBER OF STORES AT PERIOD-END

4 Daniel Hechter stand-alone stores
266 Daniel Hechter departments within emporium stores

66 Truworths Elements departments within emporium stores

266 Inwear departments within emporium stores



LTD

TRUWORTHS
JEWELLERY



the young designers emporium

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 a twist. Extra emphasis is placed on fabric, design and detail. Innovative and unique styling sets LTD apart.

Truworthe 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 for which they pay a display fee and commission on their sales. The emporiums are aimed at fashion forward customers aged 16 to 35 and offer clothing, shoes, bags and accessories.

BRAND DESCRIPTION

Women, men, teenagers, children and toddlers

Men and women

Youthful men and women in the 16 – 35 age group

BRAND PROFILE

LTD ladieswear, LTD menswear, LTD childrenswear, LTD babywear, Max and Mia childrenswear

SUPPORTING BRANDS AND RANGES

Housed in emporium stores and stand-alone stores

Housed in emporium stores and no stand-alone stores

Only operates independent stand-alone stores

STORE CONCEPT AND FORMAT

R353 million

R89 million

R276 million

SALES FOR 2012

13%

9%

10%

SALES GROWTH ON PRIOR PERIOD

4%

1%

Agency sales so therefore not included in retail sales

SALES CONTRIBUTION

19%

5%

7%

COMPOUND SALES GROWTH OVER LAST FIVE YEARS

2 LTD stand-alone stores
88 LTD departments within emporium stores

121 Truworthe Jewellery departments within emporium stores

19 YDE stand-alone stores

NUMBER OF STORES AT PERIOD-END

MANAGING THE RISK OF FASHION



Being a fashion leader is about predicting the latest trends, creating winning ranges across the brand portfolio every season and being first to market with new and enticing clothing and accessories.

Across the Group rigorous processes are followed in managing and mitigating the risk of fashion throughout the merchandise life cycle, from forecasting fashion trends, planning and assorting ranges, designing and manufacturing garments, maintaining quality standards and distributing product to stores.

Even in the more challenging retail environment of the past year, the Group's success in managing the risk of fashion is reflected in the gross margin at 56.7%, with markdowns being well controlled through tight inventory management disciplines.

THE YOUTHFUL FASHIONABLE CUSTOMER

While the Group has a multiplicity of brands and styles (as described on pages 77 to 79), the business has one clearly defined customer: the youthful, fashionable South African. This single customer definition eliminates the risk of segmenting the market by targeting merchandise at different customer groups, but appeals rather to their specific needs for different occasions and lifestyles, and is core to managing the risk of fashion. Truworthis' fashion is aimed at making customers look attractive and successful and feel enthused with confidence, regardless of their age, size or other defining features.

CREATING INTERNATIONALLY STYLED 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.

A disciplined buying and planning formula is consistently applied season after season. Each brand has a profile which serves as a guide to buyers and planners when selecting merchandise. Designers, merchandise planners and buyers work under the leadership of experienced merchandising executives who are specialists in fashion forecasting, buying and planning. The process harnesses 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 experience and past learnings are passed on to junior members of the team.

PREDICTING FASHION TRENDS

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 receives input 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 purchasing themes are then analysed and interpreted for the local market, with colours, fabrics, styles and trims being 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 the winning fashion trends from Europe and the United States by visiting these international markets.

PROVEN FASHION FORMULA

A real strength of the merchandising process is that teams are able to identify the 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. On reflection, management believes that during the reporting period the team had the opportunity to be more aggressive in offering hot fashion lines in the past summer and winter seasons.

Fashion buying is based on a proven formula which is implemented by a team of skilled and experienced specialists, supported by robust processes and systems. Leading the team is the merchandise director and five divisional merchandise directors who have a combined 106 years at Truworths. Refer to the Truworths Executive Team on pages 40 and 41.

MANAGING MACRO CHALLENGES

While merchandise strategies and processes are implemented to limit fashion failure, there are always challenges in the macro environment that need to be managed and mitigated.

As approximately 65% of all merchandise is imported and US dollar denominated, managing the volatility of the Rand is a perennial challenge. On average the local currency weakened by 11% against the US dollar during the reporting period. The team responds speedily to pricing movements by re-engineering garment construction and trims and adjusting the fashion mix to ensure that the margin is maintained. The Group also purchases forward cover to hedge against the risk of currency fluctuations.

While supply chain disruptions such as the timing of the Chinese new year celebrations and logistical complexities on merchandise imported from China continue to be a challenge, these were well managed in the reporting period and had less of an impact than in 2011.

The expansion of the Group's store base outside of South Africa also presents supply chain challenges, such as port congestion and clearing inefficiencies, as well as managing merchandise sizing, colours and seasonality in countries with warm year-round climates.

REDUCING SUPPLY LEAD TIMES

Supply chain efficiency is critical to a fashion retailer. Reducing the lead times of both locally manufactured and imported merchandise is a vital aspect of managing the risk of fashion.

Offshore lead times have been reduced by approximately 17% in the reporting period by creating greater efficiencies in the manufacturing process.

Local manufacture offers shorter lead times and enables brands to be first to market with the latest fashion. Local suppliers can also respond speedily to restocking popular styles during a season, offering a distinct advantage over restocking imported merchandise which can take up to six weeks to be shipped from the East.

Imported manufacture on the other hand has several advantages on certain product types. These include 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.

China remains the main source of supply for imported merchandise, but increasing volumes are being sourced from Mauritius and Madagascar, resulting in shorter lead times.

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

The Group will focus on creating further efficiencies in the supply chain through quick response initiatives and new methods of shipping merchandise which will further reduce lead times. Technology will be implemented in the first half of the new financial year to support decision-making with manufacturers.

CREATING SUPPLIER PARTNERSHIPS

A more strategic approach has been adopted to managing relationships with the supplier base and the Group is focused on creating relationship-based alliances with manufacturers.



MANAGING THE RISK OF FASHION

Proactive contact with local and international suppliers has been increased and the Group has appointed a supplier relationship executive to act as the liaison with both domestic and offshore manufacturers.

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 exposure to individual suppliers.

ENSURING QUALITY FASHION

Core to the customer offering is great fashion of excellent quality. The Group's quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to approved quality, safety and ethical standards.

Quality assurance teams are working more closely with local and import manufacturers to ensure consistent quality standards. The team has been expanded to undertake more frequent visits to Asia to support international manufacturers with product standards. All orders are quality assured before being shipped to the distribution centres.

Quality technologists are employed in an in-house laboratory which tests fabric and garments. The laboratory is central to quality assurance and during the year more stringent fabric-testing processes were adopted.

SUSTAINABILITY IN THE SUPPLY CHAIN

Sustainability in the manufacturing process is paramount. An increasing amount of time has been invested by the quality and manufacturing experts within the Group visiting factories to ensure the supply is sustainable. The Group is committed to restricting harmful practices in the production of merchandise.

A Truworths code of conduct is incorporated in all supplier agreements which compels manufacturers to comply with ethical business standards, labour legislation (particularly relating to forced and child labour, and minimum wage levels), international health and safety standards, workplace regulations, environmental legislation and treaties to which South Africa is a signatory.

During the reporting period the Group further developed its 'smarter shipping' initiative, in collaboration with its international shipping partners. This is aimed at reducing the environmental impact of the Group's transportation of merchandise from foreign sources of supply. Currently such upstream transportation activities by sea and air are the third largest contributor, after electricity usage in stores and at the Group's head office building, to the Group's carbon emissions.

The initiative aims to reduce emissions through achieving a higher proportion of direct sailings from foreign ports to South Africa, by maximising container usage, which aims to achieve higher full-container-load percentages, and by consolidating cargo loads at origin. The results of this initiative have been most encouraging with measured carbon emissions during transportation reducing by approximately 10% in the 2012 period.

MANAGING DISTRIBUTION CAPACITY

The Group currently operates two distribution centres: the Truworths Distribution Centre (TDC), with a floor area of close to 27 000 m² and Bofors which has a floor area of almost 5 000 m². The Group also uses a further 5 000 m² warehousing space mainly for footwear and archiving.

Bofors, a highly automated distribution facility in Epping designed specifically for replenishment merchandise, was opened in 2010. Bofors improved productivity levels (measured in units per man-hour) materially over the prior financial period.

Organic growth in the business and the need to create capacity for the longer-term has resulted in a requirement for a third distribution centre. The Group has acquired land adjacent to TDC and the building of a third distribution centre will commence during the 2013 financial period. Together with the planned upgrades to TDC, this will enable the Group to process greater volumes and also ensure that the supply chain will be faster and more responsive to store and customer demand.



EXPANDING RETAIL PRESENCE



Over the past year the Group expanded its retail presence in South Africa to 540 stores, while increasing its corporate store base in the rest of Africa (excluding Zimbabwe) to 29. In addition the Group had 6 franchise stores in the rest of Africa.

The non-South African corporate stores are located in Namibia (12 stores), Swaziland (5 stores), Botswana (8 stores), Mauritius (2 stores) and Nigeria (2 stores).

The total retail trading space increased by 6% to 272 000 m², with 4% relating to new space and 2% to the expansion of existing space, as the Group continued its strategy of investing in new space to gain market share and promote sales growth.

EMPORIUM STORE CONCEPT

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 and LTD within one store. Each of these brands, and their sub-brands, retains its unique identity and fashion styling in the emporium. This model encourages cross-shopping across brands and lifestyles and for all occasions, with the mainstream brands being the key attraction to customers. Refer to the Group Brands on pages 77 to 79 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 window exposure 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 expect.

The emporium concept can be adapted to fit the location, accommodating stores from 450 m² to 4 500 m². 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 present Truworths Man, Daniel Hechter and Uzzi) are opened in premises where there is not sufficient space for a full-scale Truworths emporium store.

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. Being situated close to the other major fashion retailers is an advantage as this location attracts more customers. Truworths therefore needs to compete to offer the best fashion relative to its competitors which are located in close proximity. The same strategy applies to stores situated on main streets in cities, towns and suburbs, where Truworths aims to be at the heart of the fashion retail zone.

Enticing stores and quality merchandise position Truworths as an aspiration 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. Merchandise displays are changed frequently to add freshness and to highlight the latest fashion looks.

IDENTITY AND YDE STORES

Identity and YDE are stand-alone independent chain stores. These brands generally attract a different customer profile to the Truworths 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 a key position on the main streets of major towns, cities and suburbs. Store sizes average approximately 300 m². The store design creates a vibrant and edgy atmosphere that is exciting and fun.

YDE showcases over 80 of 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 in turn 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 diverse tactile and industrial finishes, creating a strong point of difference from competitors.

ONLINE STORE

Customers can shop from the convenience of their home, office or mobile smartphone or tablet for a limited range of the latest fashion and accessories available on the Truworths website. 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 PORTFOLIO

During the reporting period 32 stores were opened across all the brands and six underperforming stores were closed, resulting in a net increase of 26 stores and 16 000 m² of trading space.

Twelve Truworths emporium stores were opened, including Newcastle Mall, Middelburg Mall, Alexandra and Boitekong. Two Truworths Man stores and two stand-alone Uzzi stores were opened.

Identity increased its store base to 176 during the period following the net opening of 12 stores, including Brits, Newcastle Mall, Middelburg Mall, Boitekong and Atteridgeville. Identity does not yet have a presence in several major shopping centres and this is a definite growth opportunity for the brand.

Growth opportunities continue to be pursued in previously under-developed areas of the country which have had limited formal retail infrastructure.

CREATING VISUALLY APPEALING STORES

Store designs are constantly refreshed and upgraded to create the most exciting and visually appealing retail environment for customers.

New store design concepts are being launched for Daniel Hechter, LTD and Elements in the upgrade and extension of the emporium store in Sandton City.

The Truworths emporium design has also been enhanced and applied in the new store in Middelburg Mall, Northern Gauteng and the enlarged store in the Blue Route Mall in Cape Town, Western Cape.

Group stores	Truworths		Identity		Uzzi		YDE		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Gauteng	102	102	58	57	27	28	9	8	196	195
Western Cape	48	48	24	24	4	4	5	5	81	81
KwaZulu-Natal	44	39	34	30	10	8	2	3	90	80
Mpumalanga	28	28	11	11	5	5	–	–	44	44
Eastern Cape	19	19	9	9	2	2	2	2	32	32
Limpopo	17	17	10	10	4	4	–	–	31	31
North West	19	18	10	8	2	2	–	–	31	28
Free State	14	14	5	5	1	1	1	1	21	21
Northern Cape	10	10	4	4	–	–	–	–	14	14
South Africa	301	295	165	158	55	54	19	19	540	526
Rest of Africa*	16	9	11	6	2	2	–	–	29	17
Total	317	304	176	164	57	56	19	19	569	543

* Corporate stores only and excludes franchise stores.

EXPANDING RETAIL PRESENCE

Identity has also adopted a new design concept which has been used in the Sandton City and Blue Route Mall stores.

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 or locations.

During the period, 31 stores across all the brands were either extended or relocated, while a further 16 stores were renovated in their current locations.

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

IDENTIFYING PRIME LOCATIONS

A consistent formula is applied in identifying new store locations and comprehensive viability studies are conducted to motivate each store opening or extension. This includes an evaluation of the shopping centre feasibility study, covering factors such as location, accessibility, growth prospects, market demographics, proposed tenant mix and potential revenue relocation from existing stores.

Any decision to open a new store, or to renovate or expand an existing store, is ultimately based on a projected internal rate of return based on conservative assumptions. 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 options to renew. This allows the Group to manage the risk of changing economic conditions, while

cancellation clauses in some leases provide the flexibility to renegotiate terms in adverse conditions. Rental increases averaged between 7% and 8% during the reporting period and are expected to remain at similar levels in the year ahead.

SUSTAINABLE STORE DEVELOPMENT

The Green Building Council principles are applied in all store fit-outs. Management also engages with mall and store developers to encourage the adoption of these principles in their building designs.

As store electricity usage contributes in excess of 75% of the Group's total direct carbon emissions, store electricity management provides an opportunity both to reduce the Group's environmental impact and to achieve meaningful operating cost savings.

Electricity management disciplines have been reviewed during the reporting period and revised operating procedures have been issued to stores to reduce spikes in electricity demand and ensure electricity consuming infrastructure and appliances are used more conservatively. An energy efficient lighting initiative, which is planned for approximately 500 stores, has been introduced into newly constructed stores and is currently being piloted. It is envisaged that this initiative could reduce store electricity consumption attributable to lighting in the medium-term by a material amount. The capital costs of implementing the programme are estimated to be recovered within 30 months, based on a saving relative to current electricity tariffs.

Environmentally-friendly building materials are used in shopfitting where possible, while equipment and lighting are actively recycled and used in renovated stores, and waste material such as cardboard packaging is made available for recycling.

	Store summary			Trading space (m ² 000's)		
	Projected 2013	2012	2011	Projected 2013	2012	2011
Truworths emporium	299	281	270	223	207	195
Identity	200	176	164	55	48	44
Uzzi	55	57	56	4	4	4
Truworths Man	37	30	29	9	7	7
YDE	18	19	19	6	6	6
Daniel Hechter	4	4	3	*	*	*
LTD	2	2	2	*	*	*
Total	615	569	543	297	272	256

		Projected 2013	Actual 2012	Actual 2011
Growth in trading space	(%)	9	6	5
Capital expenditure on stores	(Rm)	211	162	120

* Trading space less than 1 000 m².

GROWTH PLANS FOR 2013

Retail trading space is planned to increase by approximately 9% or 25 000 m² in the 2013 financial period. Capital expenditure of R211 million has been committed to the store expansion and upgrading programme.

A net 46 new stores are scheduled to be opened, including 11 stores outside South Africa. These include 18 Truworths emporium stores, with major stores in Mamelodi, Burgersfort and the Secunda Mall, 7 Truworths Man stores, 24 Identity stores and 1 Uzzi store.

A further 45 stores will be extended, relocated or refurbished, including emporium stores in high profile centres such as Sandton City (Johannesburg), V&A Waterfront (Cape Town) and Highveld Mall (Witbank) as well as the high street store in Kimberley.

EXPANDING PRESENCE IN AFRICA

Expansion into the rest of Africa presents a growth opportunity in the long-term, and the Group increased its non-South African store footprint to 35 during the reporting period with the opening of 12 corporate stores: 8 in Botswana, 2 in Mauritius and 2 in Nigeria.

The franchise stores in Zambia were closed with the plan to convert these to corporate stores early in the 2013 financial period. The franchise stores in Tanzania were closed during the period and the franchise operations in Botswana have been converted to corporate stores.

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

The Group's 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.

To mitigate the risk around entry into the rest of Africa the Group is following an incremental expansion plan to better understand the operating environment and market potential.

The growth of store openings in the African portfolio is also dependent on the availability of store locations and the growth in real estate development in these countries.

Two ownership models are applied in the rest of Africa:

- Corporate stores are owned and managed by the Group. Excluding Namibia and Swaziland, these stores operate on a cash only basis and no credit facilities are offered to customers. Corporate stores are opened in countries where the Group has the potential to open a number of stores to create economies of scale.
- The franchise model is adopted in countries which have limited opportunities to open stores and business structures and where language differences are acute.

Trading conditions in the non-South African markets are demanding. The business faces ongoing challenges with high real estate costs, complex and costly logistics operations, high duties and tariffs, complex and restrictive regulations, and inconsistent power supply.

In the 2013 financial period, 2 new corporate stores are planned to be opened in Accra, Ghana, 2 in Enugu, Nigeria and 4 stores in Lesotho. The 3 franchise stores in Zambia will be converted to corporate stores. Further corporate store opportunities are being evaluated.

Two new franchise stores are planned to open in Luanda, Angola in the year ahead.

	Truworths		Daniel Hechter		Identity		Uzzi		Total	
Non-South African stores	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Corporate stores										
Namibia	7	7	–	–	4	4	1	1	12	12
Swaziland	2	2	–	–	2	2	1	1	5	5
Botswana	4	–	1	–	3	–	–	–	8	–
Mauritius	1	–	–	–	1	–	–	–	2	–
Nigeria	1	–	–	–	1	–	–	–	2	–
Total	15	9	1	–	11	6	2	2	29	17
Franchise stores										
Botswana	–	4	–	1	–	3	–	–	–	8
Kenya	3	3	–	–	2	2	–	–	5	5
Zambia	–	1	–	–	–	1	–	–	–	2
Tanzania	–	1	–	–	–	1	–	–	–	2
Lesotho	1	1	–	–	–	–	–	–	1	1
Total	4	10	–	1	2	7	–	–	6	18
Total non-South African stores	19	19	1	1	13	13	2	2	35	35

MANAGING THE RISK OF CREDIT



SUSTAINED LOW INTEREST RATE ENVIRONMENT

Interest rates remained low and stable throughout the reporting period as the South African Reserve Bank's repurchase (repo) rate was held at 5.5%. Since the period-end the rate has been lowered by 50 basis points and is now at the lowest level in almost four decades. These low interest rates have benefited economic growth in the country and have made credit more affordable for consumers.

Statistics from South Africa's National Credit Regulator for the quarter ended March 2012, show the percentage of South African consumers with impaired credit records has stabilised at around 46%. The number of credit active consumers in the country grew by 890 000 or 4.7% to 19.5 million, while in the same period the number of credit accounts grew by 7% to 67.5 million. The value of new credit granted in the country, being new credit and increases in existing credit facilities, has grown strongly from R81 billion to R95 billion, an increase of 17%. This growth was largely driven by a 47% increase in credit facilities and 32% growth in unsecured credit lending during the year.

While low interest rates have benefited consumers, the growth in the quantum of new credit granted in the country has increased the average credit instalment as a percentage of estimated income during the year. The average outstanding balance and the number of accounts over 60 days has grown slightly year-on-year, indicating the possibility of higher delinquency levels in future and additional pressure on consumers to meet their payment obligations (source: TransUnion Intelligence Report May 2012).

CREDIT ENABLING SALES GROWTH

The Group uses credit as an enabler of retail sales. Customer behaviour patterns have shown 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 in the Group is offered 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 (unless in arrears and only available to Truworths customers) and 9 and 12-months interest-bearing. During the reporting period customers have continued to move, at their choice, to the longer-term 12 month payment plans, which make their purchases more affordable in terms of lower monthly instalments. This trend, which is supported by national credit data, further indicates that credit affordability is under pressure for consumers in South Africa.

Although macro trends in the credit environment and changes in affordability patterns are monitored, management believes the Group's credit scorecards and models adequately take into account changes to customer risk behaviour. Advanced data analytics continue to be used to improve the predictive power of these scorecards and models, and to further develop and improve credit management strategies.

The Group follows an integrated customer relationship management model. Marketing and credit risk strategies are combined to influence customer

behaviour by attracting new customers, growing credit spend from existing customers, reducing customer attrition, creating brand loyalty, improving customer service, and ultimately enhancing profitability.

According to the TransUnion Intelligence Report May 2012 the Group has continued to outperform the industry average of competitors, based on the percentage increase in active accounts over the past 12 months, as well as the percentage and average value of credit line increases granted. The average balance of accounts over 60 days is below the industry average.

CREDIT PERFORMANCE IN 2012

The Group's active account base grew by 10% to 2.4 million customers (2011: 2.2 million), with growth of 6% in the Truworths, 36% in Identity and 9% in the Young Designers Emporium (YDE) books.

The new account acceptance rate was 38.3% (2011: 37.6%). Strict credit granting criteria were still maintained and the Group has aligned the Identity account origination strategies with those of Truworths based on the experience emerging from the maturing Identity book. New portfolios typically carry higher risk as they are not balanced by an established customer base with many years of historical performance. The shift in the Identity credit strategy resulted in a 36% growth in active Identity accounts and 16% increase in Group credit sales, although this has increased delinquency levels for the Group.

At the end of the period, 84% of active account holders were able to purchase on credit (2011: 86%). The qualifying payment level to prevent an account moving into delinquency remained at 90%, one of the highest in the industry and in line with international best practice.

In last year's Integrated Annual Report, management indicated that delinquency levels were not expected to show further improvement from their low levels and were anticipated to increase in 2012. Delinquency ratios for the period are higher than in 2011 but have remained below historic norms and in line with management's expectations.

Overdue values as a percentage of gross trade receivables remained at 13%, in line with 2011 and lower than in the six prior years. Overdue value is calculated from the first stage of delinquency and is a robust measure of book quality.

Net bad debt as a percentage of gross trade receivables grew to 7.9% from 6.8% in the prior

period. Net bad debt as a percentage of credit sales grew to 4.5% from 3.9% in 2011.

The doubtful debt allowance as a percentage of gross trade receivables increased to 10.6% as the Group continued to apply its conservative provisioning policy.

Group credit sales accounted for 73% of retail sales (2011: 71%).

The Group's gross trade receivables grew by 14% to R3.8 billion, driven in part by an increase of 16% in credit sales. The Identity debtors' book increased by 45% to R501 million, while Identity credit sales were 44% higher.

The 18% increase in interest income on the debtors' book is attributable to more customers selecting longer-term interest-bearing payment options and a higher proportion of the portfolio moving to the South African National Credit Act (NCA) regulated interest rate, which is higher than the former Usury Act regulated accounts. The maximum usury interest rate for accounts of R10 000 or less is 18% compared to the maximum NCA rate of 22.1% (based on the repo rate of 5.5%).

An analysis of the cost of credit is included in the Chief Financial Officer's Report on page 55.

Debtors' days remained unchanged from 2011 at 210 days which is a result of the net effect of a higher number of customers selecting longer-term interest-bearing payment plans, a slight deterioration in delinquency levels and the 53rd week in the reporting period leading to an extra week of collections.

Bad debt write-offs remain automated, removing subjectivity from the write-off process. All accounts in the portfolio are provided for in the doubtful debt allowance, although at different levels based on payment experience.

Standard write-off policies are applied to accounts where customers are under the statutory NCA debt review process. This has resulted in the write-off of approximately 82% of accounts under debt review. Independent benchmark reports, received from the TransUnion credit bureau, indicate that the Group has a lower percentage of accounts under debt review than its major competitors, while the average outstanding balance of these accounts is well below the industry average. The administration of accounts under debt review is outsourced to a specialist third-party agency.

MANAGING THE RISK OF CREDIT

ENHANCING CREDIT RISK MANAGEMENT

Credit risk management, account acquisition and credit collection processes and systems were enhanced during the year:

- New credit bureau scorecards were implemented across the portfolio and our bespoke account origination scorecard was redeveloped to increase predictive power.
- Risk and response models used in direct mail campaigns were redeveloped to better target prospective customers.
- Identity account acquisition strategies were aligned with those of Truworths, resulting in strong growth in new accounts, the book balance and credit sales.
- Collections capacity was increased in response to the growth of the customer base and debtors' book. The collections management team was expanded, new collections strategies implemented and a new store cash collection targeting system was developed. Collection agency allocations were reviewed and additional collectors were included on the panel.
- The digital marketing strategy was enhanced with the launch of new mobi sites (website that is typically used for access from smart phones and tablets) for Identity and YDE, and the upgrading of the Truworths mobi site. Enhanced functionality was added to the Truworths website and a new site was developed for Identity. Tests were conducted on payment via mobile phone.
- Credit providers were for the first time in 2011 required to submit a compliance report to confirm they have conducted their business in terms of the requirements, regulations and conditions of registration imposed by the NCA. The Group submitted its compliance report to the National Credit Regulator in December 2011 and no material shortcomings were identified.

INVESTMENT IN CREDIT SYSTEMS

The Group has continued to invest in technology to manage the risk of credit.

- A new accounts acquisition system was developed in-house which provides flexibility and increased speed-to-market in conducting tests and changing strategies.

- Further strategies were developed using decision optimisation technology.
- Software was purchased to support the risk team in developing customised models and scorecards. This software ensures that changes are made quickly and more cost effectively.
- The auto dialler was upgraded for additional functionality and reporting for the collections and telemarketing departments.

MANAGING THE RISK OF CREDIT IN 2013

The credit environment is expected to become more challenging in the year ahead. Delinquency levels are increasing nationally and are expected to impact on the Group's delinquency experience as well as active account growth as strict credit granting criteria will continue to be applied. Although the rapid growth in unsecured credit lending has had little impact on the Group in 2012, this will be closely monitored in the year ahead.

Credit risk management is based on data analytics and management is confident that scorecards and models will predict any early deterioration in credit quality to enable the Group to adjust strategies accordingly.

In the new financial period, management plans to enhance in-house collections capacity and capability, redevelop several predictive scorecards, and make increased use of technology to facilitate account acquisitions, credit line management and collections.

The Protection of Personal Information (POPI) Bill is expected to be promulgated during the 2013 financial period. A project team has been tasked to assess the impact of the proposed legislation and to recommend changes to systems and processes. A particular focus of this team has been the consequences of POPI on the usage, security, storage and transmission of the personal information of the Group's credit customers. Companies will have a transitional period, expected to be no less than 12 months, to implement the provisions of POPI and management is currently confident that the Group will be substantially compliant when the legislation comes into operation.

TRADE RECEIVABLE STATISTICS		2012	2011	2010	2009	2008
Group						
Number of active accounts	(000's)	2 411	2 194	1 975	1 856	1 799
Growth in active accounts	(%)	10	11	6	3	7
Trade receivables (before doubtful debt allowance)	(Rm)	3 794	3 333	2 835	2 550	2 296
Credit sales as a % of retail sales	(%)	73	71	70	69	70
Qualifying payment	(%)	90	90	90	90	90
Applications granted credit	(%)	38.3	37.6	32.6	38.8	39.9
Active account holders able to purchase at period-end	(%)	84	86	85	84	83
Overdue values as a % of total gross trade receivables	(%)	13.2	12.7	13.6	16.1	16.8
Net bad debt as a % of credit sales	(%)	4.5	3.9	5.6	6.8	6.3
Net bad debt as a % of gross trade receivables	(%)	7.9	6.8	9.8	11.9	11.3
Doubtful debt allowance as a % of gross trade receivables	(%)	10.6	10.1	10.7	11.9	11.9
Trade receivables interest as a % of gross trade receivables	(%)	17	16	17	22	21
Truworths						
Number of active accounts	(000's)	1 971	1 866	1 747	1 668	1 653
Growth in active accounts	(%)	6	7	5	1	5
Trade receivables (before doubtful debt allowance)	(Rm)	3 264	2 961	2 577	2 348	2 147
Credit sales as a % of retail sales	(%)	76	75	74	74	77
Applications granted credit	(%)	42	41	33	40	42
Identity						
Number of active accounts	(000's)	415	305	207	167	127
Growth in active accounts	(%)	36	47	24	31	27
Trade receivables (before doubtful debt allowance)	(Rm)	501	345	233	178	125
Credit sales as a % of retail sales	(%)	55	47	40	37	34
Applications granted credit	(%)	34	32	31	35	34
YDE						
Number of active accounts	(000's)	25	23	21	21	19
Growth in active accounts	(%)	9	10	–	11	12
Trade receivables (before doubtful debt allowance)	(Rm)	29	27	25	24	21
Credit sales as a % of retail sales	(%)	25	24	23	21	21
Applications granted credit	(%)	65	63	60	64	63

EMPLOYEES

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100	REMUNERATION REPORT



EMPLOYER OF CHOICE IN FASHION

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 aims to be recognised as an employer of choice in fashion retailing and continues to invest in its people to ensure sustainable performance and business continuity.

The Group's values define the way in which management interacts with employees and also guide human resource practices. These values are incorporated in everyday working life at Truworths, from recruitment to training and development, employee relations and recognition programmes. Through regular performance appraisals, management not only measures performance against goals, but also monitors how employees are acting in accordance with these values.

At the end of the 2012 financial period, the Group employed 9 719 people, comprising 3 175 permanent and 6 544 flexi-time employees at its head office, distribution centres and stores, both in and outside South Africa.

The annual turnover of permanent employees in the financial period was 14% (2011: 17%), which is lower than the average turnover in the South African retail industry. Staff turnover has declined steadily from a level of 25% in 2008. 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.

Group	2012	2011
Permanent employees	3 175	3 103
Flexi-time employees	6 544	6 575
Total employees	9 719	9 678
Annual turnover of permanent employees (%)	14	17

PEOPLE MANAGEMENT

The Group's values underpin its people management strategy, which is applied in whichever country the Group operates. The Group's employees can largely be divided into three categories.

The first category represents the Group's store operations, where the majority of employees are employed and often includes people who are entering the labour market. Management recruits people who have a desire to work in the fashion industry and who reflect the brand. An aggressive learnership programme is deployed in this category to ensure that the Group optimises the 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 ensures that employees are trained for their roles.

Performance is managed according to well defined industrial relations principles. Employees are encouraged to perform, are rated according to a performance system that has a rating scale which is standard throughout the business, and are rewarded for performing at above company and market standards through various incentive programmes.

The entry point is generally as a flexi-time employee and it is from this flexible pool that most of the store operations permanent employees are recruited. The Group's operating model requires that there is a high degree of flexibility in this labour pool to staff up and down as trading patterns vary markedly through the weekly, monthly and annual peaks and troughs. Staff turnover at this level is inherently higher than our permanent turnover rate.

As this is a substantial group of employees it is essential to have well defined employment policies and processes.

The Group's second category of employees comprises those employed in the merchandise departments. Part of the Group's success formula is ensuring that it has an exceptional pool and depth of experience and talent in its merchandise departments. There is significant focus in the Group's human resource strategy to ensure that it attracts entry level talent and develops sufficient resources to staff this area of the business at all levels. Retention of this category is also an area of strategic focus.

The third category comprises specialised resources in support and service departments. Management's focus here is to attract specialised top-end talent for these roles in addition to developing it from entry level as is done in the merchandise departments and store operations. There is a strong strategic focus on retention of the talent in this category.

EMPLOYMENT EQUITY

The Group's employment philosophy is to provide equal opportunities, invest in future potential and to recognise excellence. Employees are therefore encouraged to realise their potential irrespective of race or gender, with the Group preferring internal appointments and promotions to reward performance and overall contribution.

In accordance with South African legislative provisions an employment equity plan was developed in 2009 to enable the Group's South African workforce to make steady progress towards reflecting the country's demographics. Significant progress has been made in achieving the Group's employment equity targets over the past three years, with 91% (2011: 91%) of South African employees being black and 71% (2011: 72%) being female. Black employees in South Africa accounted for 84% (2011: 89%) of internal promotions and 94% (2011: 94%) of new appointments during the financial period.

Employees closely reflect the economically active demographic profile of South Africa at semi-skilled (96% black representation) and at junior management (85% black representation) levels.

At middle and senior management levels employee turnover is low, so opportunities for appointments have been limited. Employment equity progress at these levels has therefore been slower than anticipated, although female representation has improved. 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 at the top and senior

management levels in future. This focus will be supplemented by the process, which has already started, of identifying positions and appointing persons at senior management level where the business would benefit from additional resources. This process will create opportunities for qualifying persons, including black candidates, to join the senior management ranks and enable the Group to plan for succession at the top management level.

During the financial period greater focus has also been placed in South Africa on our employees with disabilities, including an additional focus on recruiting disabled employees, launching an initiative on disability learnerships and creating awareness around employees with disabilities.



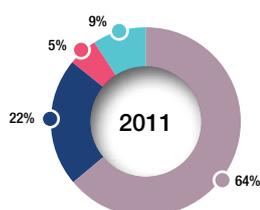
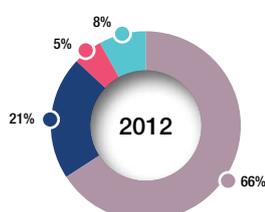
EMPLOYER OF CHOICE IN FASHION

EMPLOYMENT EQUITY STATISTICS (APPLY TO SOUTH AFRICA ONLY)

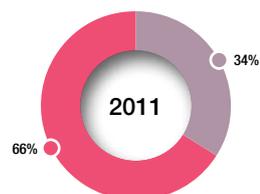
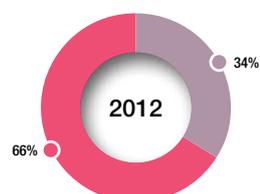
Occupational levels	Designated groups							Non-designated groups			All groups	
	Male			Female				Male	Foreign nationals		Total	
	A	C	I	A	C	I	W	W	Male	Female	2012	2011
Top management (directors and divisional directors reporting to the Chief Executive Officer)	-	1	-	-	-	-	-	7	-	-	8	8
Senior management (other divisional directors, executives and senior managers, including buying, planning and regional managers)	2	9	3	-	6	1	38	42	2	-	103	98
Professionally qualified/middle management	19	20	15	24	49	15	179	57	3	5	386	377
Skilled technical/junior management	184	60	24	429	175	33	120	34	1	2	1 062	970
Semi-skilled	1 587	406	135	3 954	1 196	231	221	56	2	3	7 791	7 827
Non-permanent employees	12	5	2	26	29	1	20	10	3	2	110	195
Total 2012	1 804	501	179	4 433	1 455	281	578	206	11	12	9 460	
Total 2011	1 728	512	195	4 363	1 531	307	609	209	11	10		9 475

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

EMPLOYMENT EQUITY



EMPLOYMENT EQUITY: MANAGEMENT



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.

The Remuneration Report on pages 100 to 105 focuses on remuneration policy and principles, remuneration governance as well as the remuneration structure and rewards for executive and non-executive directors.

The remuneration packages for the majority of permanent employees comprises of a guaranteed salary, retirement and healthcare contributions, an annual short-term cash incentive bonus and discounts on store purchases.

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 the South African Commercial, Catering and Allied Workers Union (SACCAWU) for South African employees forming part of the bargaining unit. A one-year wage settlement with a monthly increase of R334 or 8%, whichever was the greater, was reached with SACCAWU in 2012.

INCENTIVE SCHEMES

Employees who do not participate in the short-term bonus scheme are incentivised and motivated through the following mechanisms:

- A cash bonus is paid bi-annually and is dependent on Group performance. This bonus scheme applies to all full-time head office and store employees as well as flexi-time employees who have worked a prescribed number of hours. The bonus 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 customer facing employees are recognised for above-target sales and new account acquisition performance.
- An incentive scheme in the credit collections department based on the quality of customer care calls and the amounts collected from customers.

EMPLOYEE BENEFITS

Retirement funding

Membership of the defined contribution Alexander Forbes Retirement Fund (AFRF) or the SACCAWU National Provident Fund is compulsory for all permanent South African employees. At the end of the financial period 2 570 (2011: 2 576) employees were members of the AFRF and 473 (2011: 373) were members of the SACCAWU National Provident Fund. Refer to note 27.3 of the Group annual financial statements for further detail.

Healthcare

Membership of a healthcare programme is a condition of service for all permanent South African employees, unless they are covered by the healthcare fund of their partner. Employees may elect to join either the Wooltru Healthcare Fund (WHF) or Momentum Health. At the end of the period 72% (2011: 72%) of permanent employees were members of these funds. Refer to note 27.4 of the Group annual financial statements for further detail.

TALENT AND SKILLS DEVELOPMENT

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

Training programmes target both the development and retention of staff, 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 as well as garment technology. This programme constantly provides succession candidates to fill roles in the merchandise division. Several middle and senior managers 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 courses to facilitate the progress of talented employees at all levels. Several head office

EMPLOYER OF CHOICE IN FASHION

employees participate in tailored individual development plans, while external coaches are used for personal development in meeting the succession needs of the business.

Training in retail operations during the period focused mainly on the new point-of-sale system that is currently being implemented in stores. Learnerships, skills programmes and internships provide development opportunities in retail mainly for previously disadvantaged job seekers. The number of learnerships and skills programmes vary from year to year based on the strategy of the business and the W & R SETA which allocates grants in the areas matching the national needs.

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 and critical skills within the country.

Skills development summary		2012	2011	2010
Skills development expenditure	(Rm)	81	64	48
Skills development expenditure as a % of payroll	(%)	9.6	7.6	7.1
Number of employees trained		9 829	9 521	7 610
Black employees as a % of employees trained	(%)	93	93	90
Number of employees trained on scarce skills		5 686	3 488	4 601
Black employees as a % of employees trained on scarce skills	(%)	90	88	91
Number of learning interventions		55 687	55 184	46 140
Internal training programmes		119	96	80
Number of learnerships registered		205	302	302
Number of learnerships completed		209	186	117
Number of employees on internships		109	118	52
Number of employees on skills programmes		198	120	98

SUCCESSION MANAGEMENT

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

The Group identifies 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, our focus on internal appointments, and the importance of our retention plans.

INDUSTRIAL RELATIONS

The Group has a formalised relationship agreement in South Africa with SACCAWU which represents 11% (2011: 12%) of the Group's South African employees. The Group negotiates annually with SACCAWU on wages and conditions of service for those members who form part of the bargaining unit.

Despite the low levels of unionisation, management does engage formally with SACCAWU on an annual basis and when required on an ad-hoc basis. Although there are low levels of engagement it is a healthy relationship and no Group-specific industrial action has taken place in over two decades.

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, 25% of dismissals were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in South Africa, with 94% ruled in favour of the Group. The Group does not enter into financial settlements at the CCMA and is insured against losses over a specified threshold.

Industrial relations		2012	2011	2010
Total employees who are SACCAWU members	(%)	11	12	13
Permanent employees who are SACCAWU members	(%)	24	23	22
Favourable CCMA rulings	(%)	94	86	80

The Group has identified certain proposed amendments to labour legislation as a top risk. The amendments, which are currently in bill form, could have a significant impact on the Group's flexi-time workforce and related employment cost. For further information, refer to the Risk Report which is available on the Group's website.

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. An extensive awareness campaign was launched which included a workplace HIV prevention education manual being distributed to staff. Permanent employees who are members of the WHF or Momentum Health have access to an HIV programme which includes regular testing, counselling and anti-retroviral treatment (ART) for themselves and their dependants. Enrolments of employees on the WHF programme have increased in the past year, however dependant participation remains low, and a further awareness campaign is planned to increase understanding of the programme. Access to day-to-day healthcare and an HIV programme which includes ART has recently been extended to certain flexi-time employees, via an employer funded arrangement which provides benefits for the employees but not their dependants.

Management encourages openness, acceptance and support for employees who voluntarily disclose their HIV status. The HIV and AIDS prevalence rate among employees covered by WHF benefits has increased from 4% to 5% in the current financial period 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.

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. Furthermore, management has considered the revised South African Code of Good Practice on HIV and AIDS recently issued in terms of the Employment Equity Act. Changes are being made to workplace policies and processes relating to HIV and AIDS to ensure alignment with the Code.

EMPLOYEE WELLNESS

The Group recognises the importance of employee wellness to the overall sustainability of the business. In order to encourage a balanced lifestyle through healthy eating and exercise and to create awareness of lifestyle diseases, the Group in South Africa entered into an agreement with the Momentum group to offer the Multiply programme to its employees who are members of the WHF. As part of the Multiply programme, voluntary health assessments, including blood pressure, cholesterol and HIV testing, were conducted at the Group's head office, free of charge, for all employees who are members of the WHF. As a result of the overwhelming support received by this initiative, further wellness days are planned for the 2013 financial period.

The Multiply programme also offers all 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 at participating pharmacies and clinics.

REMUNERATION REPORT

The Remuneration Report focuses primarily on the remuneration of executive directors (including those of material subsidiaries) and non-executive directors, and on how remuneration practices are aimed at ensuring the continued sustainability and growth of the Group. More detail on employee remuneration is provided in the Employer of Choice in Fashion Report on pages 94 to 99.

There have been no material changes in remuneration practices during the period under review, although the proposed implementation of a new share-based incentive scheme was postponed following shareholder feedback on certain elements of the scheme. The Group's remuneration policy was proposed to shareholders for a non-binding advisory vote at the annual general meeting (AGM) in November 2011 for the first time, and was approved by shareholders.

REMUNERATION PHILOSOPHY AND PRINCIPLES

Reward strategies are aimed at attracting, motivating and retaining employees and at promoting a sustainable high performance culture within the business. 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.

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

- Internal equity, which ensures employees are rewarded appropriately in relation to one another.
- External equity, to ensure employees are competitively rewarded with market-related packages.
- Short and long-term incentives, aimed at promoting ongoing wealth creation and alignment of the interests of employees with those of shareholders, without rewarding short-term performance at the expense of longer-term profitability and sustainability.
- Appropriate remuneration practices and schemes, that are designed to encourage superior medium to long-term performance relative to competitors, while operating within prudent risk parameters.
- A 'total remuneration' philosophy, which underpins the Group's ability to attract potential employees, and retain and motivate current staff members. Total remuneration comprises all elements of remuneration, including basic salary, allowances, short and long-term

incentives, award programmes and retirement and healthcare contributions. The ratio of these remuneration components is based on the employee's role in the Group.

Management believes the principle of total remuneration has been entrenched in the culture and values of the Group, and that 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.

REMUNERATION GOVERNANCE

The board has delegated responsibility for the oversight of the Group's remuneration practices to the Remuneration Committee. This committee is responsible for reviewing, recommending and approving the detailed remuneration elements for non-executive directors, executive directors, divisional directors and key executives. All decisions made by the Remuneration Committee consider the accountability of executives, business performance, market conditions, reward levels, governance and disclosure to stakeholders.

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 Chief Executive Officer (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 details on the composition and responsibilities of the Remuneration Committee are disclosed on page 116 of the Corporate Governance Report.

EXECUTIVE DIRECTORS' REMUNERATION

EXECUTIVE REMUNERATION PRINCIPLES

Executive remuneration is determined with reference 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.
- 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 a respected external survey which provides job matching and benchmarking data for general employees and for specialist retail positions. The survey was used during the reporting period to benchmark the remuneration of executive directors.

The Group's sustainability is an underlying principle in determining remuneration. The board is satisfied that the financial targets do not encourage an inappropriate level of short-term risk-taking to achieve Group or individual goals.

PERFORMANCE MEASUREMENT

The performance of the executive directors of Truworths International and its principal operating subsidiary, Truworths, 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 and tax (EBIT)
 - Return on equity (ROE)
 - Return on assets (ROA)

The Group's 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 52.

- Strategic goals

These goals include:

- Expansion of the business outside of South Africa
- Improving supply chain efficiencies and sustainability
- Exploring of potential business acquisitions and strategic alliances

It is intended that the importance and weighting of non-financial targets in driving and assessing performance will be regularly reviewed by the Remuneration Committee, and adjustments made where appropriate, having regard for stakeholder interests and perspectives.

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

The guaranteed remuneration of the CEO and Chief Financial Officer (CFO) was reviewed during the financial period in relation to market pay movements, performance and contribution.

Although there are no Group performance criteria relating to the current equity-settled share incentive scheme, performance criteria will be an essential element of the proposed new share incentive schemes which will be considered for adoption by shareholders at the forthcoming AGM. These schemes are addressed in detail later in this report on pages 102 to 104.

There are demanding eligibility criteria in the current equity-settled share incentive scheme and in recent years participation in this scheme has typically been restricted to employees with a consistent record of superior individual performance. Group performance criteria are applicable to the Group's cash-settled high performance share-based scheme, in terms of which firstly a Group earnings growth target and secondly the participant's individual performance goals have to be met.

REMUNERATION REPORT

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. The remuneration of the executive directors for the 2012 and 2011 periods is detailed on page 105.

Remuneration comprises the following elements:

Guaranteed remuneration	Variable and performance-related remuneration	
Annual base salary	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
Salary is based on performance, contribution and market value relative to responsibilities within the Group	Incentives are based on Group and individual performance criteria (only paid if the Group achieves its financial targets)	Long-term share-based incentives are aimed at retention 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, provided the returns on assets, equity and capital meet Group targets.

The total value of the incentives paid in terms of the short-term cash incentive scheme each year is directly linked to the achievement of the Group's targets and the goals of individual employees.

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 bonus is guaranteed.

The scheme rewards participants for both team and individual performance, and employees only qualify if they meet their individual targets. Incentives are paid if the Group's targets are achieved for the financial period and adjusted if these 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 SHARE-BASED INCENTIVE SCHEMES

Share incentive scheme

The Group's existing share incentive scheme is an equity-settled compensation programme aimed at retaining key employees. The total number of shares and options allocated under the current scheme may not exceed approximately 69 million, an effective 15% of the company's issued shares at June 2010. Participation by an individual employee 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 2010.

Participation in the scheme is at the discretion of the Remuneration Committee which applies certain eligibility criteria to ensure that only key employees with a record of consistently high levels of performance are granted options on a regular basis. 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. Options lapse after 10 years, other than by agreement with the Remuneration Committee.

At the reporting date there were 628 (2011: 623) participants holding 3.7 million (2011: 5.2 million) shares and 12.0 million (2011: 13.8 million) options, equivalent to 3.4% (2011: 4.2%) of the company's issued shares at June 2010. Based on the weighted average trading price during the period of R74.82, the dilutionary impact of the outstanding options is equivalent to 7.9 million (2011: 8.1 million) shares.

High performance share-based scheme (HPSS)

The HPSS makes performance-based cash payments to an extensive list of 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 gains are linked to the change in the share price and individuals receive the proceeds of these gains on condition that both the Group and individual performance targets have been met.

Options to hedge the Group's cash flow obligations in terms of the HPSS are purchased, at the date of issue of the options to participants, 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, R29 million (2011: R45 million) was paid to participants in the HPSS following the achievement of Group and individual performance targets.

No general allocation of share options or HPSS options was made during the financial period. However, a group of employees have been advised that they will be eligible to participate in the first tranche of awards in terms of the proposed incentive schemes detailed below. These employees have been advised of their potential individual allocations and are aware that any allocation is conditional upon shareholder approval of the schemes.

PROPOSED SHARE-BASED INCENTIVE SCHEMES

The Remuneration Committee commissioned a review of the current share incentive scheme in 2011. The changes to the scheme and the introduction of additional schemes, as outlined in the 2011 Integrated Annual Report, were due to be proposed to shareholders for approval at the AGM in November 2011 but were withdrawn by the board prior to the meeting.

After extensive engagement by executive directors with major shareholders, the Group will be seeking shareholder approval at the forthcoming AGM in November 2012 for the introduction of additional schemes that will supplement the current incentive programme.

The proposed incentive schemes are as follows:

- 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)

It is anticipated that the proposed incentive schemes will be less dilutive for shareholders and create greater alignment of interest between share scheme participants and shareholders.

The proposed schemes were designed to reach a balance between employee retention (in South Africa, retention of key skills is critical) and incentivisation linked to corporate performance. The allocation of performance related awards will be higher for executive management (at least 50% of executives' and divisional directors' allocation will be performance based). The performance targets will be set and monitored by the Remuneration Committee. These performance targets will take into account metrics which management can directly influence, will comprise both financial and strategic targets, and will be set with reference to historical achievements and to current competitor metrics.

As currently envisaged, underperformance will result in 100% forfeiture of awards i.e. 0% vesting, whereas outperformance will result in a maximum of 150% of awards vesting.

REMUNERATION REPORT

Financial targets (70% weighting) will comprise the following:

- EBIT growth (30% weighting)
- ROE (20% weighting)
- 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:

- the expansion of the Group's business into the rest of Africa
- improving efficiencies and sustainability of the supply chain
- exploring potential business acquisitions and strategic alliances

Further details on the proposed incentive schemes are included in the Notice to Shareholders on pages 126 to 138.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors received fixed remuneration for services to the board and its committees for the period under review. Fees are based on an assessment of the non-executive director's time, service and expertise as well as legal obligations and risk.

In line with best governance and remuneration practice, non-executive directors may not participate in incentive schemes. During the period, the one long-serving non-executive director who held share options allocated in 2001, exercised these options.

None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to them 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 2013 calendar year were benchmarked externally by comparing them against those payable by other JSE-listed companies with a similar profile.

The proposed fees are as follows:

Board/committee position	Proposed fees for 12 months to December 2013 R'000	Fees approved for 12 months to December 2012 R'000	Proposed % increase
Non-executive chairman	575	455	26
Non-executive director	235	217	8
Audit Committee chairman	150	129	16
Audit Committee member	95	85	12
Remuneration Committee chairman	100	85	18
Remuneration Committee member	65	57	14
Risk Committee member	60	57	5
Non-executive and Nomination Committee chairman	30	32	(6)
Non-executive and Nomination Committee member	15	12	25
Social and Ethics Committee chairman	25	N/A	N/A
Social and Ethics Committee member	15	N/A	N/A

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

(R'000)	Months paid	Short-term benefits				Post-retirement benefit	Long-term benefits	Total remuneration	Fair value of equity-settled options granted**	Financial assistance granted pursuant to share scheme#
		Directors' fees	Salaries	Performance bonus*	Allowances	Pension contributions	Interest benefit on financial assistance			
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	-	-
2011										
Executive directors										
Michael Mark	12	-	4 870	9 880	275	1 036	3 256	19 317	4 247	53 283
Mark Sardi	4	-	817	750	10	76	-	1 653	183	-
Total		-	5 687	10 630	285	1 112	3 256	20 970	4 430	53 283
Non-executive directors										
Rob Dow	12	350	-	-	-	-	-	350	-	-
Thandi Ndlovu	12	200	-	-	-	-	-	200	-	-
Sisa Ngebulana	12	200	-	-	-	-	-	200	-	-
Edward Parfett	12	218	-	-	-	-	-	218	-	-
Hilton Saven	12	536	-	-	-	-	-	536	-	-
Tony Taylor	12	200	-	-	-	-	-	200	-	-
Michael Thompson	12	350	-	-	-	-	-	350	-	-
Total		2 054	-	-	-	-	-	2 054	-	-

* Determined on performance for the period ended June and excludes amounts paid in terms of the HPSS. An amount of R6.4 million (2011: R10.8 million) was paid to Mr Mark, in his capacity as an executive director of the company, in terms of the HPSS for the 2012 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 27.2 of the Group annual financial statements in the period when vesting occurs.

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

CORPORATE GOVERNANCE

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IBC	SHAREHOLDERS DIARY
IBC	ADMINISTRATION



CORPORATE GOVERNANCE REPORT



The Group continues to practise high corporate governance standards which contribute to the ongoing sustainability of the Group, enhance long-term shareholder value creation and ensure that other stakeholders benefit from the Group's continuing success.

The Truworths International board is ultimately responsible for ensuring that the Group adheres to sound corporate governance principles. The board is accountable to shareholders while also considering the interests of other stakeholders such as customers, employees, suppliers and regulators.

Against a backdrop of the increasing volume and complexity of regulation, the Group aims to achieve a balance between the governance expectations of investors and other stakeholders, and the need continually to improve financial performance.

Governance in the Group extends beyond compliance with codes, legislation, regulations and listings requirements. Management strives to create and maintain a culture of good governance

across the business, linked to the Group's business philosophy, which incorporates its purpose, vision and values. An independent assessment of the Group's standard of governance is provided by the JSE Socially Responsible Investment (SRI) Index. In the 2011 evaluation, the Group attained 100% (2010: 100%) for the governance element of the SRI scorecard after meeting all the core and desirable indicators.

APPLICATION OF KING III PRINCIPLES

The directors confirm that the Group has, except where noted, in all material respects applied the 2009 King Code of Governance Principles (King III) and the corporate governance provisions in the JSE Listings Requirements during the 2012 financial period.

During the period the board reconstituted the Audit Committee and the board Chairman stood down as a member of the committee. This addresses the prior non-application of the King III recommendation that the board Chairman should not be a member of the Audit Committee.

GOVERNANCE DEVELOPMENTS IN 2012

Corporate governance processes continued to be reviewed and improved during the period to align with internal requirements and to ensure ongoing adherence with legislation, regulation and best governance practices. The following enhancements were made to the Group's governance framework, structures and processes:

Governance element	Governance development
Social and Ethics Committee	Committee formally appointed by the board with a written charter, as required by the Companies Act (71 of 2008, as amended) (the Companies Act). The committee has developed its working methodology and outlined its monitoring programme for the year ahead.
Audit Committee	Committee charter amended to reflect changes in responsibilities in terms of King III, the Companies Act and the JSE Listings Requirements, particularly in relation to monitoring the risk posed by fraud and information technology (IT) failure on the Group's financial reporting.
Memorandum of incorporation (MOI)	MOI extensively reviewed against the requirements of the Companies Act. Amended MOI approved by the board and being proposed for adoption by shareholders at the upcoming Annual General Meeting (AGM).
Companies Act compliance	Compliance with Companies Act enhanced in terms of: <ul style="list-style-type: none"> • Identification and disclosure of the remuneration of prescribed officers • Shareholder and board approval process for intra-group loans to related parties • Formal consideration of the solvency and liquidity tests ahead of dividend declarations by Group companies • Improved familiarisation with the submission process for electronic returns to the Companies and Intellectual Property Commission.
Compliance Officer	Internal legal advisor appointed as the Group's Compliance Officer, as recommended by King III. Compliance Officer responsible for collaboration with the Compliance Committee and internal audit. Also focuses on compliance education generally, with a particular emphasis on compliance monitoring in foreign countries of operation.
Board appointment	Roddy Sparks appointed as an independent non-executive director, and to the Audit Committee as well as the Non-executive and Nomination Committee. He is a chartered accountant with extensive financial, commercial and strategic experience, and was previously the managing director of Old Mutual South Africa.
Director induction	More substantive and integrated induction process developed for new directors, including discussion with the Chief Executive Officer, introduction to the governance framework, group structure, material group policies, relevant legislation and key financial indicators, and visits to company facilities.
Company Secretary	Framework and process developed and implemented to assess the independence, experience, competence and qualifications of the Company Secretary, as required by recent changes to the JSE Listings Requirements.
Information technology (IT) governance	Enterprise-wide IT governance framework implemented, focusing mainly on the strategic alignment, value delivery and risk management of IT resources, the improvement of specified IT processes and quarterly reporting against the board's IT governance scorecard.
Internal audit	Confirmed that internal audit approach is appropriately risk based. Internal audit function supports management's responsibility for ensuring the adequacy of internal controls and processes and has facilitated the adoption and implementation of an appropriate IT governance framework for the Group.
Risk management	Risk management and monitoring enhanced by ensuring alignment between the top risks as identified by the Risk Committee and the key risks reflected by risk owners in their risk registers. Also increased involvement by merchandise executives in the Risk Committee discussions on managing the risk of fashion and supply chain risk.
Integrated reporting	First Integrated Annual Report published during the 2012 period for the 2011 financial period, embodying King III principles and guidance issued by local and international integrated reporting committees.

CORPORATE GOVERNANCE REPORT

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 IT 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 CHARTER

A formal board charter outlines the scope of authority, responsibilities, powers, composition and functioning of the Truworths International board. The primary responsibilities of the board, which are reviewed and updated regularly, are as follows:

- review strategic direction and monitor execution of strategic plans;
- consider financial reports, budgets and business plans, and monitor performance;
- approve annual and interim financial reports and dividends;
- review risk management strategies and ensure effective internal controls and governance and compliance framework;
- advise on corporate finance, treasury, employment equity and benefits, stakeholder communication and governance issues;
- make material investment, disinvestment, refinancing or restructuring decisions;
- evaluate and monitor performance of the board, individual directors, the Chief Executive Officer and executive management;
- approve executive remuneration and incentive schemes;
- appoint all new directors and the Chief Executive Officer, and ensure appropriate orientation and induction of new directors;

- develop clear divisions of responsibility at board level to ensure appropriately limited individual decision-making ability; and
- determine and approve amendments to the Group's treasury policy.

BOARD COMPOSITION

The Group has a unitary board structure with seven non-executive directors and two full-time salaried executive directors. The board charter requires the majority of directors to be non-executive.

Six non-executive directors, including the Chairman, are independent in terms of the King III definition and the guidelines outlined in the JSE Listings Requirements. Thandi Ndlovu exercised share incentive scheme options granted in 2001 during the period under review and is now classified as independent in terms of the JSE Listings Requirements. The seventh non-executive director, Tony Taylor, retired as an executive director with effect from 31 March 2010 and will therefore be classified as independent from April 2013.

Roddy Sparks was appointed as an independent non-executive director with effect from 1 February 2012.

Edward Parfett retired as an independent non-executive director with effect from 17 May 2012, after a distinguished 30-year career in the Group.

After the period-end, Mark Sardi announced his resignation as an executive director and Chief Financial Officer of the Group. He is expected to remain in the service of the Group until at least the end of the 2012 calendar year to enable a suitable successor to be appointed.

In the view of the board the qualifications, experience and personal characteristics of the independent non-executive directors, together with the fact that they have no material contractual relationships with the Group, ensure that their judgement is exercised independently and in an unfettered manner. The independence of long-serving non-executive directors is also assessed annually by the board, as recommended by King III. 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. This division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted decision-making authority.

The Group has no controlling shareholder and there is no material shareholder representation on the board.

Biographical details of the directors appear on pages 38 and 39.

BOARD APPOINTMENTS

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

Non-executive directors are selected based on their skills, business experience and qualifications, while gender and racial diversity are also considered in appointing new directors.

One-third of the directors are required to retire by rotation at the AGM of shareholders, although they may offer themselves for re-election. Directors appointed during the period are required to have their appointments ratified at the following AGM. Details of these directors are given in the Notice to Shareholders at the end of this Integrated Annual Report.

Directors generally have no fixed term of appointment, except for the contract of the Chief Executive Officer, Michael Mark. The salient features of this contract are disclosed in note 27.1 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.

DIRECTOR INDUCTION AND DEVELOPMENT

Newly-appointed directors participate in an induction programme managed by the Chief Executive Officer, Company Secretary and Divisional Director: Human Resources. The programme is tailored to the needs of each director, based on qualifications, knowledge and experience. Besides providing orientation regarding the Group's operations, the programme also makes directors aware of relevant policies such as the avoidance of conflicts of interest and the obligation to declare interests, the share dealing policy and the code of ethics and conduct.

Directors are introduced to key management and also receive documentation such as the board and committee charters, relevant extracts from the proposed memorandum of incorporation relating to directors' power and duties, the Group and managerial organograms and the latest annual financial statements.

As part of their ongoing development, directors attend appropriate external seminars and workshops, and periodic technical updates on legislative and regulatory changes by the Company Secretary. Presentations at board meetings by representatives from different business functions

are aimed at improving the non-executive directors' understanding of the Group's businesses and processes. Directors' membership of the Institute of Directors, which has an ongoing objective of director development and education, is paid for by the Group on request of the directors.

BOARD MEETINGS

The board meets at least four times a year in Cape Town. Additional meetings may be convened to discuss specific issues which arise between scheduled board meetings. All board meetings are convened by formal notice. Supporting documentation in the form of comprehensive proposals and reports is distributed to directors at least five working days before board meetings to allow for adequate preparation, and to facilitate more relevant discussion at these meetings.

Five directors constitute a quorum at board meetings, provided that a majority of the directors present are non-executive.

Decisions taken at board meetings are decided by a majority of votes, with each director having one vote. Specific issues which arise between board meetings are dealt with by electronic communication and where decisions are taken, these are recorded by written resolution, requiring signature by all directors to be valid. Executive management consults regularly with the non-executive directors on relevant issues between board meetings as may be required.

Directors have access to all Group information and are entitled to obtain independent professional advice at the Group's expense, after consulting with the Chairman. Non-executive directors have direct access to management and may meet with management independently of the executive directors.

BOARD AND DIRECTOR EVALUATIONS

Introduction

An annual evaluation is conducted to assess the effectiveness of the board and the individual contributions of the directors. The process is managed internally by the Group's Human Resources Development unit using a web-based 360-degree assessment tool.

Two evaluation processes were carried out at the end of the 2012 financial period. The first evaluation sought to measure the performance of individual directors based on their general contribution and their involvement and participation in meetings, while the second aimed to review the overall functioning and performance of the board as a unit. The findings

CORPORATE GOVERNANCE REPORT

of these evaluations were considered by the board during August 2012 and were compared to the previous year's assessment, with appropriate action plans being formulated.

Individual director evaluation

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.

Board evaluation

The evaluation of the board as a unit comprises 9 dimensions with a total of 49 questions, each rated on a five-point scale ranging from 'ineffective' to 'outstanding'. The evaluation 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;
- the board is independent, and has improved with regards to more clearly articulating its size, composition and eligibility criteria;
- the directors have effective education on governance but this could be further improved with regards to the orientation of new members;
- leadership, teamwork and management relations on the board are excellent;
- board and committee meetings are productive and held at sufficient intervals;
- the board ensures ethical behaviour and proper compliance standards throughout the organisation;
- board members, including the Chief Executive Officer are appropriately compensated, although the evaluation of directors and board committees could be further developed; and
- the Group executive succession plan, including the key consideration of Chief Executive Officer succession, is functioning as intended.

Conclusion

The board agreed that the evaluation process was appropriate and that the findings were helpful in highlighting areas requiring attention. The board further re-committed itself to extend the process in future years to include an evaluation of the key committees reporting to the board.

CONFLICTS OF INTERESTS

The Group's policy on conflicts of interests applies to all directors and employees. Directors are required to

declare their personal financial interests, and those of related persons, annually, in terms of the Companies Act and the company's memorandum of incorporation (formerly the articles of association). Based on these declarations, no directors had a material interest in any transaction with the Group during the financial period, other than the interests disclosed in the Group annual financial statements (refer to note 31) considered as being at arm's length.

EXTERNAL DIRECTORSHIPS

The board's policy relating to directors serving on the boards of external companies is to consider each situation on its merits. Generally, participation by non-executive directors on the boards of other non-Group companies, including non-competing companies in the retail sector, is accepted, provided the number of such directorships is limited so that the incumbents can adequately fulfil their duties and responsibilities to the company. Participation by executive directors on the boards of non-Group companies is generally not accepted, but directors are able to submit requests to the board for consideration.

DIRECTORS' AND OFFICERS' INSURANCE

Directors and officers enjoy the benefit of liability insurance funded by the Group to cover instances where they could be held personally liable to Group companies in cases of negligence, default or a breach of duty or trust. The cover excludes liability resulting from criminal, reckless or fraudulent behaviour. The level of cover is reviewed annually to ensure that it is appropriate and in accordance with legislative parameters.

COMPANY SECRETARY

The Company Secretary works to ensure that board procedures and relevant legislation and regulation is observed, and is responsible for preparing meeting agendas and recording minutes. The Company Secretary also provides guidance to directors on governance, compliance and fiduciary responsibilities. Based on the outcome of 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), has the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company and is suitably independent of the board to be an effective steward of the Group's corporate governance framework.

TRUWORTHS LIMITED BOARD

The Truworths board, which currently comprises four directors, is responsible for the day-to-day operational management of the Group's fashion retailing business. Biographical details of the Truworths directors appear on pages 40 and 41.

The responsibilities of the Truworths board, which are discharged through delegation to the management team, include:

- strategic plan development, execution and refinement;
- merchandise sourcing, buying, planning, warehousing and distribution;
- store location, leasing, operations, design and architecture;
- credit management and customer relations marketing;
- IT acquisition, development, maintenance and governance;
- financial management and administration;
- budget development and monitoring in relation to sales and expenses;
- risk identification, assessment, mitigation and management;
- internal control development, monitoring and audit;
- development and monitoring of operational policies and procedures;
- selection, management and servicing of franchisees;
- business philosophy and values system development and refinement;
- human resource recruitment, training, development and remuneration;
- transformation strategy development, implementation and monitoring;
- employment equity plan development and implementation;
- approving investment, disinvestment, refinancing and restructuring transactions in accordance with parameters set by the Truworths International board;
- adopting and implementing corporate governance practices; and
- resolving differences with suppliers, customers and employees through engagement, litigation and alternative dispute resolution mechanisms such as arbitration.



CORPORATE GOVERNANCE REPORT

BOARD AND COMMITTEE ATTENDANCE

TRUWORTHS INTERNATIONAL LIMITED

Director	Status	Board	Audit Committee	Remuneration Committee	Non-executive and Nomination Committee	Social and Ethics Committee
Hilton Saven	Independent non-executive	#4/4	2/3	4/4	#4/4	
Rob Dow	Independent non-executive	4/4	3/3	#4/4	4/4	
Michael Thompson	Independent non-executive	4/4	#3/3		4/4	1/1
Thandi Ndlovu	Independent non-executive	3/4			3/4	
Sisa Ngebulana	Independent non-executive	3/4			3/4	1/1
Roddy Sparks*	Independent non-executive	2/2	1/1		2/2	
Edward Parfett**	Independent non-executive	4/4			4/4	
Tony Taylor	Non-executive	4/4			4/4	#1/1
Michael Mark	Executive	4/4		##4/4		
Mark Sardi	Executive	4/4				
% meeting attendance 2012		95	90	100	93	100
% meeting attendance 2011		97	100	100	96	n/a

* Appointed 1 February 2012

** Retired 17 May 2012

Chairman during the reporting period

By invitation

TRUWORTHS LIMITED

Director/Executive	Status	Board	Risk Committee	Transformation Committee	Sustainability Committee
Michael Thompson	Non-executive director	n/a	2/4		
Michael Mark	Executive director	#4/4			
Emanuel Cristaudo	Executive director	4/4	#3/4		
Doug Dare	Executive director	4/4			
Derek Kohler	Executive director	3/4		2/4	
Mark Sardi	Chief Financial Officer	##4/4	4/4		3/6
Chris Durham	Company Secretary	##4/4	4/4	##4/4	5/6
Tony Miek	Divisional director	##4/4			#6/6
Mark Smith	Divisional director	##4/4	4/4	#4/4	6/6
% meeting attendance 2012		97	85	83	83
% meeting attendance 2011		93	90	100	89

Chairman during the reporting period

Attendance by invitation

(Note: Only the attendance of directors and divisional directors has been reflected, although 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. These committees are chaired by independent non-executive directors (except where the committees perform an executive function) and the directors confirm that the committees have functioned in accordance with their written terms of reference during the financial period.

TRUWORTHS INTERNATIONAL AUDIT COMMITTEE

Objectives and functions	Composition
<p>Information on the Audit Committee is included in the Audit Committee Report, which has been incorporated in the Group's annual financial statements (which are available on the Group's website) as required by the Companies Act. The objectives and functions of the Audit Committee are:</p> <ul style="list-style-type: none"> • Aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems. • Aims to ensure compliance of published financial reports with relevant legislation, reporting standards and good governance. • Aims to ensure Group assets are safeguarded. • Has oversight of fraud and IT risks in so far as these impact on the financial reporting process. • Confirms the nomination and appointment of the external auditor, ensuring such appointment is legislatively compliant. • Approves the terms of engagement and fees paid to the external auditor. • Defines and considers the non-audit services that may be rendered by the external auditor. • Considers the findings arising from the annual financial statement audit. • Monitors the functioning and approves the coverage plan of internal audit. • Reviews risk and tax management programmes and initiatives. • Fulfils the function of Audit Committee to Group subsidiaries and charitable trusts. • Reviews the expertise, resources and experience of the Group's finance function and the expertise and experience of the Chief Financial Officer. • Recommends to the board the approval of the Integrated Annual Report. 	<p>Chairman: Michael Thompson</p> <p>Other committee members:</p> <p>Two independent non-executive directors</p> <p>The Chief Financial Officer, Company Secretary, Internal Audit Manager, Finance Executive and external auditor attend by invitation.</p> <p>During the period Roddy Sparks was appointed to and Hilton Saven resigned from the committee.</p>

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TRUWORTHS INTERNATIONAL REMUNERATION COMMITTEE

Objectives and functions	Composition
<ul style="list-style-type: none"> Ensures senior executives and non-executives are rewarded in accordance with the Group's compensation objectives, with particular attention to retention, performance and international practice. Advises, recommends and reviews reward strategies and policies, including evaluation methodologies. Determines the remuneration packages of executive directors and non-executive directors to support the Group's strategic objectives. Reviews and approves compensation of executive and non-executive directors and senior executives. Approves awards under share and cash incentive plans. Ensures alignment of the compensation and incentive plans with the Group's business strategies and values. 	<p>Chairman: Rob Dow</p> <p>Other committee members:</p> <p>One independent non-executive director</p> <p>The Chief Executive Officer attends by invitation and recuses himself when matters relating to his own remuneration are discussed or when required to do so by the Chairman.</p>

Details on the Group's remuneration policies are disclosed in the Remuneration Report on pages 100 to 104.

TRUWORTHS INTERNATIONAL NON-EXECUTIVE AND NOMINATION COMMITTEE

Objectives and functions	Composition
<ul style="list-style-type: none"> Ensures succession plans are in place for the Chief Executive Officer and other key executives. Makes key appointments such as Chairman, Chief Executive Officer and key executives. Considers any strategic or sensitive matter delegated to the committee by the board. Identifies and nominates persons for appointment as directors of the company. 	<p>Chairman:</p> <p>Edward Parfett (retired 17 May 2012)</p> <p>Hilton Saven (appointed 17 May 2012)</p> <p>Other committee members:</p> <p>All non-executive directors</p> <p>The Chief Executive Officer attends by invitation.</p>

TRUWORTHS INTERNATIONAL SOCIAL AND ETHICS COMMITTEE

Objectives and functions	Composition
<ul style="list-style-type: none"> Monitors Group activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment. Makes recommendations to and brings matters to the attention of the board in relation to such activities. Reports to shareholders at the company's AGM in relation to such activities. 	<p>Chairman:</p> <p>Tony Taylor (resigned 15 August 2012)</p> <p>Michael Thompson (appointed 15 August 2012)</p> <p>Other committee members:</p> <p>Two independent non-executive directors</p> <p>The chairmen of the Truworths Transformation and Sustainability committees and the Company Secretary attend, and the Chief Executive Officer may attend, by invitation.</p>

TRUWORTHS RISK COMMITTEE

Objectives and functions

- Provides an objective and independent forum to debate risk-related matters facing the Group.
- Reports to the Truworths board and communicates significant risk-related issues to both the Truworths and Truworths International boards.
- Develops a risk management framework and helps develop a risk management culture within the Group.
- Adopts an enterprise-wide risk management approach based on King III principles.
- Identifies, assesses and helps manage significant risks facing the Group.
- Develops management mechanisms which enable risk identification, mitigation and communication, and business continuity.
- Aims to ensure the maintenance of effective systems of internal control to safeguard assets and support business sustainability.

Composition

- Chairman: Emanuel Cristaudo
- Other committee members:
- Two directors of Truworths International
 - Divisional Director: Information Services
 - Divisional Director: Human Resources
 - Group Risk Manager
 - Company Secretary
 - Internal Audit Manager
 - Finance Executive
- The Group's Information Systems Audit Manager, an external risk management consultant and senior management attend by invitation.

TRUWORTHS TRANSFORMATION COMMITTEE

Objectives and functions

- Monitors the development and implementation of an appropriate transformation strategy.
- Aims to ensure management embraces transformation across the Group.
- Monitors the design, implementation and regular review of policies, plans and processes aimed at facilitating transformation.
- Reviews the implementation of integrated reporting to stakeholders on transformation.
- Aims to enable effective communication between directors, management and external advisers in relation to transformation.

Composition

- Chairman: Mark Smith
- Other committee members:
- Director: Store and Franchise Operations
 - Company Secretary
 - Internal Audit Manager
 - Human Resources Executive
 - Employee Relations Manager
 - Merchandise Manager

TRUWORTHS SUSTAINABILITY COMMITTEE

Objectives and functions

- Aims to ensure the Group adopts sustainable development as a philosophy which underpins all activities.
- Encourages the Group to practice appropriate levels of corporate citizenship and social responsibility in its interaction with communities and in relation to the environment.
- Monitors the development and implementation of appropriate strategies on the Group's social, economic and environmental impacts.
- Monitors compliance with King III in relation to integrated reporting.
- Benchmarks the Group's sustainability and performance measures.

Composition

- Chairman: Tony Miek
- Other committee members:
- Divisional Director: Human Resources
 - Chief Financial Officer
 - Human Resources Executive
 - International Sourcing Manager
 - Company Secretary
 - Finance Executive

CORPORATE GOVERNANCE REPORT

ADDITIONAL GOVERNANCE COMMITTEES AND FORUMS

The governance process within Truworths is supported by the following board-appointed committees:

Investment Committee

Monitors the Group's cash management function, ensuring compliance with the board-approved treasury policy, achievement of money market returns in line with benchmarks, adoption of suitable procedures to minimise liquidity and financial risk, the accurate forecasting of cash flows and the monitoring of foreign exchange policies and exposures. In addition the committee monitors non-core investments held by the Group's charitable trusts and provides a forum for the debate of investment-related issues.

Information Security Committee

Provides assurance that the Group's information systems and supporting infrastructure where vital business information is stored, processed or transmitted are performing as specified; that Group information is provided adequate protection; that Group data and software integrity is maintained; and that unplanned disruptions of processing will not seriously impact the Group.

Project Steering Committee

Ensures that projects aimed at enhancing departmental functioning and/or contributing to business development generally are suitably and systematically initiated, prioritised, implemented, resourced, monitored, guided, reported on and completed or terminated.

Tender and Contracts Committee

Ensures that expenditure on material contracts or tenders involving funding from the Group's operating and capital expenditure budget are appropriately motivated, sufficiently maintained within budgetary allocations, adequately administered, regularly monitored and appropriately reported on.

Tax Forum

Responsible for monitoring compliance with tax legislation, assessing tax risks across all taxes, duties and levies, developing coordinated strategies and methodologies for dealing with tax matters, advising on the appointment of tax advisers and to provide an objective and independent forum to discuss and debate significant tax-related matters.

Project Roadmap Review Forum

Responsible to oversee the selection, prioritisation and resourcing of projects, primarily those focused on acquiring and implementing IT solutions.

Employee Wellness Committee

Aims to ensure that the Group develops, adopts and implements appropriate strategies and policies aimed at understanding and minimising the consequences of HIV and AIDS on the Group's business as it impacts primarily on its employees and customers. The committee also seeks to ensure that the Group, through its corporate social investment programme, assists the communities in which it operates to understand, prevent the spread of and manage the consequences of HIV and AIDS.

Change Control Committee

Ensures that any material changes proposed to the Group's IT systems take place in a controlled manner, are appropriately motivated, have sufficient safeguards against disruption to the Group's business and production environment, have properly considered matters such as the impact on other business systems, testing and integration issues, are subject to regular monitoring by senior management, and are appropriately reported on.

Capital Expenditure Committee

Considers and evaluates requests for capital expenditure, both budgeted and unbudgeted, and ensures that management has undertaken an appropriate process in assessing the costs and benefits of the expenditure and has followed due process in inviting and evaluating tenders.

Accounting Forum

Responsible for monitoring and ensuring management adequately implements changes in financial reporting standards, and for ensuring management has in place appropriate plans and timetables to ensure that the Group entities meet their statutory financial reporting obligations.

Compliance Committee

Responsible for monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation, and to review the initiatives undertaken by management to ensure compliance.

Collection Agency Selection Committee

Oversees the appointment of the debt collection agencies contracted by the Group, monitors their compliance with codes of conduct and contracts, and reviews their collection performance.

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.

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.

This committee ensures management has identified, assessed, mitigated and managed the significant risks facing the business and has developed a suitable risk management methodology and culture within the Group. The Chairman of the Risk Committee reports on the committee's activities to both the Truworths International and Truworths boards, as well as the Truworths International Audit Committee.

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 role of the Risk Committee and its composition is detailed on page 117.

An external consultant is retained to assist with the Group's risk governance and management processes and to periodically benchmark the risk maturity profile of the Group relative to its peers in South Africa and against the King III risk governance principles.

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 manage the identified risks adequately.

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 detail in the Sustainable Future in Fashion Report on pages 10 to 27 and in the Risk Report on the website.

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.

The principle of independence of the Internal Audit department is upheld and the Internal Audit Manager reports on operational matters to the Chief Executive Officer and on administrative matters to the Chief Financial Officer.

The scope of the Internal Audit department work includes:

- reviewing, appraising and reporting on the adequacy and effectiveness of the system of internal control;
- reviewing the processes and systems which are designed to ensure integrity in reporting of financial and operating information; and
- reviewing the adequacy of compliance with applicable policies, plans, procedures, laws and regulations.

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. Internal audit also provides consultation and other services to management such as due diligence services, forensic audit services, systems auditing services, risk management services and special reviews or audits.

Internal controls

The Group aims to maintain a high standard of internal control. The sound control environment in the Group is founded on:

- strong responsibility for controls by executives;
- executive commitment to integrity and ethical values; and
- the skills and competence of executives.

The soundness of the Group's control environment is illustrated through:

- management's hands-on operating style;
- clear communication through staff policies;
- assignment of authority and responsibility to appropriate levels of management; and
- a control consciousness throughout the Group.

CORPORATE GOVERNANCE REPORT

The Truworths International board is ultimately responsible for the system of internal control, which is designed to ensure:

- effectiveness and efficiency of operations;
- safeguarding, verification and accountability of assets;
- detection and minimisation of fraud and losses;
- reliability of financial and operational information and reporting; and
- compliance with applicable laws, regulations, policies and procedures.

The Truworths International board delegates responsibility for the implementation and maintenance of the control framework to management. The Audit Committee, together with the Risk Committee and the internal and external auditors, assist the board in monitoring the effectiveness and adequacy of the control environment.

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

- 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 2 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.

Restrictions may also be placed on share dealings at any other time if directors and employees have access to price-sensitive information which is not in the public domain. 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 bi-annually advises directors and employees of the relevant provisions of the Securities Services Act and the prohibitions regarding dealing in the company's shares or encouraging dealing by others, while in possession of non-public, price sensitive information, or disclosing this information.

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.

FINANCIAL REPORTING

The directors are responsible for preparing annual financial statements that fairly present the financial position of the Group and the results of its operations in accordance with the Companies Act, International Financial Reporting Standards (IFRS) and the JSE Listings Requirements. The application of IFRS is reviewed by the Group's Accounting Forum, which meets quarterly with the external auditors, comprises members of the Group's financial management team, and makes recommendations to management and the directors relating to accounting treatment and disclosure.

The external auditor is responsible for conducting an independent audit of the annual financial statements in accordance with International Auditing Standards, and to express an opinion as to whether the financial statements provide fair presentation.

The directors, based on the work of the Audit Committee, ensure that the annual financial statements provide the disclosures required by the JSE Listings Requirements, the Companies Act and King III, and incorporate appropriate accounting policies that, unless otherwise stated, have been uniformly and consistently applied and are supported by reasonable and prudent judgements and estimates.

GOING CONCERN

The annual financial statements for the 2012 financial period have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the level of unutilised borrowing facilities and the revenue and cash budgets for the

period to June 2013, the directors believe that the company and the Group have adequate resources to continue in operation for the period ahead.

INFORMATION TECHNOLOGY GOVERNANCE

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. 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.

Aspects of IT governance are also dealt with by the following committees which report to the board of the main operating subsidiary, Truworths: Change Control Committee, Information Security Committee, Capital Expenditure Committee, Tender and Contracts Committee and Project Roadmap Review Forum.

The head of the Information Systems Department (ISD) is a divisional director reporting directly 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 scorecard.

The head of ISD is assisted in his role by the Information Systems Department Management Committee comprising executives and senior managers in the department. The IT Audit Manager continues to play a significant role in monitoring levels of IT governance and promoting and facilitating its ongoing development within the business.

LEGISLATIVE COMPLIANCE

Compliance with the Consumer Protection Act (CPA) and the Companies Act, which came into force in the 2011 financial period, has enjoyed ongoing emphasis during the period under review. Management has increased focus on aspects of the National Credit Act since the submission for the first time of a Compliance Report to the National Credit Regulator by 31 December 2011, insofar as levels of compliance were identified as requiring

development. A project team working together with external consultants has made material initial progress in understanding how the Protection of Personal Information Bill will impact the Group in relation to the secure maintenance and transmission of customer and employee data. This intended data privacy legislation has also received due attention from the Group's legal advisers, Company Secretary, Risk Committee and management.

The Group maintained its focus on other legislative compliance during the financial period, particularly in relation to occupational health and safety at its local distribution centres, as well as legislation in the African countries where the Group has commenced operations during the period under review, and where different regulatory requirements exist at both national and provincial level. Ongoing reviews of adherence with fiscal legislation, including customs duty, employees' tax, income tax and value-added tax, as well as employment equity, have been undertaken by management during the period.

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 officials for failure to comply with any applicable legislation or codes of conduct. No requests for information were received by the Group in terms of the Promotion of Access to Information Act (PAIA) during the period, while the Group's PAIA manuals were appropriately updated and submitted to the SA Human Rights Council as required by the legislation.

The Group's compliance infrastructure was strengthened during the period through the formal appointment of a Compliance Officer with written terms of reference and clear reporting lines and obligations.

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 8 and 9). The business philosophy and values were developed over a number of years in consultation with employees and are modified as circumstances and the environment change. A formalised policy details the Group's code of ethical and acceptable conduct, with the values supporting all aspects of this code.



CORPORATE GOVERNANCE REPORT

Management strives to embed the values and code in the culture of the Group. The induction programme educates new employees on the values and the business philosophy. This code, as well as the code of conduct in relation to conflicts of interest is available to all employees on the Group's intranet and in the employee handbook.

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 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 SA Police Service.

WHISTLE-BLOWING

The Group promotes a culture of openness and transparency throughout the organisation, in accordance with the Group's values of trust and mutual respect.

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 may report incidents to their line manager or to the Human Resources department. Where an investigation of financial irregularity is required, the Internal Audit department may become involved.

Employees are eligible for an award of up to R5 000 (2011: R2 000) for reporting unethical behaviour to the hotline that leads to the prosecution and/or dismissal of the perpetrator. In 2012, three awards were made (2011: one), and the Tip-Offs Anonymous Committee attempted to pay one (2011: four) more award, but as the caller was anonymous his or her identity could not be established. A total of 87 reports were received in 2012 (2011: 66).

During the financial period the Group continued to promote awareness of the ethics hotline and of the policies that deal with fraud and unethical behaviour.

MONEY LAUNDERING

The Group updated its manual in terms of the Financial Intelligence Centre Act (FICA) aimed at preventing and properly reporting alleged incidents of money laundering and unusual or suspicious transactions by customers. This manual is incorporated within each store manual and is also available on the Group's intranet. There have been no reports of suspected money laundering activities or unusual or suspicious transactions within any of the Group's operations during the financial period.

POLITICAL PARTY SUPPORT

The Group supports the multi-party democratic process but does not make any donations to any political parties in South Africa or elsewhere.

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, 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.

INDUSTRY SUPPORT

The Group is a founding member of the NCRF. This body was established by major clothing retailers in 2007 to represent the interests of the industry; engage with government, consumer bodies and labour organisations; initiate research on challenges facing the sector; and promote the benefits of the industry.

The NCRF remained active during the period in monitoring government's financial incentives and envisaged local procurement programme for the local clothing and textile manufacturing industry, in promoting awareness of these incentives for suppliers amongst NCRF members and in participating in the government sponsored initiative aimed at establishing a National Fashion Council, which is aimed at providing a platform for stakeholders in the local fashion supply chain to promote its benefits and products.

GOVERNANCE PRIORITIES IN 2013

Governance will be enhanced through incremental improvements to structures, policies and processes. Although the board believes that the Group has achieved a commendable level of maturity in relation to governance, the focus areas for governance improvement in 2013 will include the following:

- Concluding and obtaining shareholder approval of a new memorandum of incorporation which can serve as a central point of reference for the practical and balanced implementation of the governance responsibilities of the board on the one hand and shareholders on the other.
- Further development of a strengthened IT governance framework, through the adoption of enhanced processes and policies, the regular measurement of the progress of IT governance initiatives via the board adopted IT governance scorecard and ongoing work to embed good IT governance practices in the day-to-day business operations that have an IT element.
- Ensuring the Group's recently established Social and Ethics Committee develops meaningful momentum in its functioning and deliberations. This includes developing management's programmes in relation to sustainability, social and environmental issues of material consequence to the Group and its key stakeholders, including its disclosure and reporting on such issues.
- Enhancing the Group's understanding of and compliance with the legislative and regulatory requirements in the foreign territories in which it has recently commenced or will commence operations, through the development of the functioning and scope of the compliance officer role.

SOCIAL AND ETHICS COMMITTEE REPORT

The Chairman of the Truworths International Social and Ethics Committee reports to shareholders, on the matters within the committee's mandate for the period ended 15 August 2012 as follows. This report is provided in accordance with the Companies Regulations 2011, issued in terms of the Companies Act (71 of 2008, as amended).

APPOINTMENT AND COMPOSITION

The members of the committee were appointed by the board at its meeting held on 17 February 2012 at which the written charter of the committee was approved. The first members appointed to the committee were Tony Taylor (Chairman), Michael Thompson and Sisa Ngebulana, all of whom are non-executive directors of the company. Permanent attendees at meetings of the committee are the Chairman of the Truworths Ltd (Truworths) Transformation Committee, the Chairman of the Truworths Sustainability Committee, and the Company Secretary who also acts as the secretary of the committee. The Chief Executive Officer is an invitee to meetings.

Subsequent to the end of the reporting period, the board appointed Michael Thompson as Chairman of the committee and Thandi Ndlovu, a non-executive director of the company, as a member of the committee, in place of Tony Taylor who resigned from the committee for business reasons. Shareholders will be asked to confirm the appointments of the current committee members at the annual general meeting in November 2012.

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. 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, with reference in particular to adherence with relevant legislation, regulation and codes of best practice, include:

- social and economic development, including the Group's standing relative to the UN Global Compact Principles, the 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; and
- 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 has met twice since its establishment. These meetings have been called by written notice containing detailed agenda items and accompanied by supporting documents including the committee charter, the minutes of any prior meetings and the reports of the permanent attendees at committee meetings.

The Chairmen of the Truworths Transformation and Sustainability committees have made presentations to the committee on the functions and reporting obligations of those committees, as well as the tools used by those committees to monitor and measure the Group's policies, activities, processes and initiatives in the areas of transformation and sustainability. These presentations have dealt with the Group's:

- employment equity plan, and the achievements relative to the Group's targets;
- performance in regard to black economic empowerment as measured on the Department of Trade and Industry (dti) generic broad-based black economic empowerment (BBBEE) scorecard;
- skills and other development programmes, aimed at the educational development of its employees;
- employment philosophy, and how it is founded on promoting equality and preventing unfair discrimination;

- labour practices and policies, and how these compare to the ILO Protocol on decent working conditions;
- policies aimed at preventing, detecting and dealing with fraud and dishonesty, and the Group's fraud response plan;
- corporate social investment programme, including details of principal beneficiaries and amounts disbursed;
- sustainability policy, as well the Group's sustainability dashboard which records key sustainability interventions; and
- sustainability scorecard, which maps management's progress in executing agreed sustainability initiatives.

Details on the plans, practices, policies, programmes, scorecards and philosophies are provided in other reports contained in the Integrated Annual Report or are available on the website.

The committee engaged with management during these presentations, suggested alternative viewpoints for consideration in relation to policies and approaches and made recommendations aimed at enhancing the Group's standing as a responsible corporate citizen.

PLANS FOR THE 2013 REPORTING PERIOD

The committee is scheduled to meet quarterly in the 2013 financial period during which it aims to refine its method of operating, further extend and develop its monitoring activities and consolidate its key role in facilitating the enhancement of the Group's governance.

The committee has requested that management arrange presentations on the status of the Group's customer relations, as well as information on its advertising and marketing activities and its compliance with consumer protection laws such as the Consumer Protection Act and the National Credit Act.

CONCLUSION

The committee is of the view that the Group takes its environmental, social and governance responsibilities seriously. Appropriate policies, plans and programmes are in place to contribute to social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good consumer relations.

No substantive 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. 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 recognises that the areas within its mandate are constantly evolving and that management's responses too will evolve as the environmental, social and governance agenda enjoys increased 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, 8 November 2012 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 1 July 2012. The audited Group Annual Financial Statements are available on the website 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 appointments made by the board of directors since the previous annual general meeting require ratification.

Messrs H Saven, MA Thompson and SM Ngebulana and Dr CT Ndlovu 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 RJA Sparks was appointed as an independent non-executive director by the board with effect from 1 February 2012 and his appointment requires ratification by shareholders at the annual general meeting.

A brief *résumé* of each of these directors is attached at the end of this notice (refer to Appendix 1).

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

3. To renew the directors' general authority, which shall be limited in aggregate to 2 (two) percent of the company's shares in issue at 1 July 2012, 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 Limited (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 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 any one financial year in the aggregate exceed 15% of the company's issued shares, 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 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 of the issue or selling price, as the case may be; and
- 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 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 authorise the directors to issue the un-issued shares of the company and to sell the treasury shares held by subsidiaries, together being limited to 2 (two) percent of the shares in issue at 1 July 2012, 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 limited authority to issue the un-issued shares of the company and to use the treasury shares held by

subsidiaries, subject to the applicable provisions of the Listings Requirements, the Act and the provisions of the 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 Act and 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 the company's issued shares and including the acquisition by the company of any of its issued shares held by any of its subsidiaries, 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 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 JSE,

unless the company has complied with the conditions set out in paragraph 5.72(g) of the Listings Requirements.'

*The **reason** for this special resolution is to authorise the company or 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 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.*

Although no such repurchases are currently in contemplation, the general authority to repurchase the company's shares will be effected within the parameters laid down by the JSE and the board as and when the directors of the company deem it to be appropriate. 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 financial statements;*
- *the issued capital and reserves of the company and the Group would be adequate for the purposes of the company and the Group's business; and*
- *the company and the Group's working capital would be sufficient for their requirements.*

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 Group's annual financial statements for the period ending 30 June 2013.

NOTICE TO SHAREHOLDERS

The Group's current external auditor is Ernst & Young Inc., which has indicated that Ms Tina Rookledge, being a director 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 2013 to 31 December 2013, as follows:

	2013	2012
Non-executive chairman	575 000	455 400
Non-executive directors (2)	235 000	217 350
Non-executive directors (4)	235 000	212 175
Audit Committee chairman	150 000	129 375
Audit Committee members	95 000	85 388
Remuneration Committee chairman	100 000	85 388
Remuneration Committee member	65 000	57 443
Risk Committee member	60 000	57 443
Non-executive and Nomination Committee chairman	30 000	31 500
Non-executive and Nomination Committee member	15 000	12 420
Social and Ethics Committee chairman	25 000	N/A
Social and Ethics Committee member	15 000	N/A

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 12-month period 1 January 2013 to 31 December 2013, 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 12-month period 1 January 2013 to 31 December 2013, 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 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 this resolution to be adopted is more than 50% of the votes exercised on the resolution.

8. To approve by way of an advisory non-binding vote the Group's remuneration policy as set out on pages 100 to 104 of the Group's Integrated Annual Report for the period ended 1 July 2012, 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 approve by way of ordinary resolution, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the provisions of the Listings Requirements, the adoption of the Truworths International Ltd 2012 Share Plan, being a share incentive scheme contemplated in Schedule 14 of the Listings Requirements. A summary of the salient features of the scheme, the full document of which will be available for inspection by shareholders during normal business hours at the registered office of the company, being No.1 Mostert Street, Cape Town, South Africa with effect from no later than Monday, 29 October 2012, upon request to the Company Secretary, is attached as Appendix 2.

10. To consider, and if deemed fit, to adopt by way of special resolution 3, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Act, the proposed new memorandum of incorporation of the company in accordance with the provisions of the Act. A copy of the memorandum of incorporation is available for viewing on the company's website (www.truworths.co.za), and the salient features thereof are appended to this notice as Appendix 3.

The reason for special resolution 3 is to propose for adoption a new memorandum of incorporation (i.e. constitution) for the company as required by the Act.

The effect of special resolution 3, were it to be passed, would be that the company will have

adopted a new memorandum of incorporation (i.e. constitution), as required by the Act, in place of the current memorandum and articles of association, which will be repealed.

11. To consider the report of the Social and Ethics Committee, as set out on pages 124 and 125 of the Group's Integrated Annual Report for the period ended 1 July 2012, in accordance with the Companies Regulations, 2011 published in terms of the Act.

12. 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 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 these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

13. To approve, with effect from the date of passing this resolution, by way of ordinary resolution, the under-mentioned amendments (which have been approved by the JSE) to the company's existing share incentive scheme as embodied in the Deed of the Truworths International Limited Share Trust ('the Deed' or 'Trust Deed') (which was originally approved by shareholders in 1998 and subsequently amended by shareholders) in accordance with the Requirements for Share Incentive Schemes contained in Schedule 14 of the Listings Requirements. This ordinary resolution, in order to be passed, must be approved, in terms of such schedule, by a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy at the annual general meeting (excluding the votes attaching to all shares owned or controlled by existing scheme participants in the scheme who may be impacted by the proposed changes to the scheme):

(a) Clauses 18.2.1 to 18.2.5 of the Trust Deed be deleted and replaced with the following provided that such deletion and replacement shall apply only in respect of shares offered and options granted on or after the date of approval of these amendments by shareholders:

'18.2.1 10% (Ten Percent) of each tranche on or after the 3rd (Third) anniversary as from the offer date or option date, as the case may be;

18.2.2 40% (Forty Percent) of each tranche on or after the 4th (Fourth) anniversary as from the offer date or option date, as the case may be;

18.2.3 70% (Seventy Percent) of each tranche on or after the 5th (Fifth) anniversary as from the offer date or option date, as the case may be;

18.2.4 100% (One Hundred Percent) of each tranche on or after the 6th (Sixth) anniversary as from the offer date or option date, as the case may be;'

(b) By the amendment, as underlined, of the first sentence of clause 19.6 to read as follows:

'If a beneficiary ceases to be an employee by reason of circumstances other than those set out in clauses 19.3, 19.4 and 19.5 above, then unless the directors, by written notice to the beneficiary within 30 (thirty) days after such cessation of employment ('the termination date'), state that in their opinion the circumstances surrounding the cessation of employment are such that the provisions of clause 19.5 should apply (in which case the provisions of clause 19.5 shall apply mutatis mutandis), save that in the case of resignation the termination date in respect of all shares offered and options granted after the date of approval of this amendment by shareholders shall be deemed to be the date on which the beneficiary gives notice to the company of his intention to resign, the following provisions will become operative –'

(c) By the substitution of the words '8 (eight)' for the words '10 (ten)' in clause 19.7, and the words '8th (Eighth)' for the words '10th (Tenth)' in clause 20.1.1, provided that such substitution shall only apply to offers of shares or options granted after the date of approval of this amendment by shareholders.

The reason for this resolution to amend the Deed can be summarised as follows:

- to align the provisions that record the basis on which scheme shares and options vest and become releasable to scheme participants, with the more onerous vesting practice that had been adopted and the longer vesting period (with effect from the third anniversary of the offer date or the option date) that had been applied by the Trustees, on the instruction of the Remuneration Committee of the company, for some time in accordance with the discretion available to such committee in terms of the Deed;*
- to provide that the date of giving of notice by a scheme participant of his/her intention to resign shall, in respect of all shares offered and options granted after the date of approval of this amendment by shareholders, be deemed to be the date on which the scheme participant gives notice to the company of such intention to resign; and*

NOTICE TO SHAREHOLDERS

- *to align the provisions of the Deed relating to the date by when repayment of any share debt needs to have been made, or the date by which options lapse, with the provisions of the Truworths International Ltd 2012 Share Plan, proposed to be adopted under item 9 above, so as to have a consistent maximum period of participation across all incentive schemes of the company.*

The **effect** of this ordinary resolution, were it to be passed, would be that the above amendments to the Deed will have been approved, which amendments have the effect that clause 18 of the Deed will reflect the current practice in terms of which options and shares of scheme participants will vest over a six-year period at the incremental rate of 0%, 0%, 10%, 30%, 30% and 30% per year from date of grant, rather than the prior practice of 20% per year over a five-year period and that the date of giving of notice to resign shall be deemed in relation to new offers and grants to be regarded for the purposes of the Deed to be the date of cessation of employment of a scheme participant and to reduce the share debt repayment period and the option lapse period from 10 to 8 years.

Directors' Responsibility Statement

The directors of the company, whose names are given on pages 38 and 39 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 the 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 38 to 41*
- *Major shareholders, on page 73*
- *Material changes since period-end, on page 70*
- *Directors' interests in the company's shares, on page 72*
- *The company's share capital, on page 69*

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 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, 21 September 2012.

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, 2 November 2012. The last day to trade in order to be entitled to vote at the meeting will therefore be Friday, 26 October 2012.**

Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the company, to attend, participate in and, on a poll (i.e. ballot) but not by way of a show of hands, 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 bearing in mind that such proxies will only be able to vote on a poll.

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 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 twenty-four hours before the appointed time of the meeting, i.e. by 09:30 on Wednesday, 7 November 2012. **The meeting record date for participation and voting by such proxies at the meeting is 17:00 on Friday, 2 November 2012.**

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 twenty-four hours before the appointed time of the meeting, i.e. by 09:30 on Wednesday, 7 November 2012. **The meeting record date for participation and voting by such representatives at the meeting is 17:00 on Friday, 2 November 2012.** 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 attendance on the day of the meeting will be required.

By order of the board



C Durham
Chartered Secretary
Company Secretary

15 August 2012
Cape Town

APPENDIX 1

DIRECTORS' RÉSUMÉS

DIRECTORS STANDING FOR RE-ELECTION

Brief résumés

Hilton Saven (59)

BCom, CA (SA)

Independent Non-executive Director

Chairman of the board

Member of the Remuneration Committee

Chairman of the Non-executive and Nomination Committee

Hilton Saven was appointed to the Truworths International board in February 2003. He is chairman of the board and a member of the Remuneration Committee.

He is chairman of the Audit and Advisory practice Mazars South Africa and is a member of the Group Executive Board of Mazars International. He also serves as a director of numerous companies including Lewis Group Ltd, Monarch Insurance Company Ltd and Life Vincent Pallotti Orthopaedic Centre.

Michael Anthony Thompson (69)

BCom, MBA, AMP (Harvard)

Independent Non-executive Director

Chairman of the Audit Committee

Member of the Risk Committee

Chairman of the Social and Ethics Committee

Member of the Non-executive and Nomination Committee

Michael Thompson has been a member of the Truworths International board since March 2004. He is chairman of the Audit Committee, chairman of the Social and Ethics Committee and a member of the Risk Committee.

He is a retired banking executive and management consultant. He currently serves as chairman of SA Select Property Investments Ltd and SA Select Property Asset Managers (Pty) Ltd and is a director of Steenbras Shareblock (Pty) Ltd.

He is also chairman of the Steenberg Home Owners Association and a director of the Steenbras Private Nature Reserve.

Sisa Michael Ngebulana (46)

BJuris, CEA (SA), LLB, LLM

Independent Non-executive Director

Member of the Social and Ethics Committee

Member of the Non-executive and Nomination Committee

Sisa Ngebulana, a property executive and qualified attorney, has been a member of the Truworths International board since May 2007 and is a member of the Social and Ethics Committee.

He is executive chairman of the Billion Group (Pty) Ltd, chief executive of Rebosis Property Fund Ltd and a director of numerous companies including Bay West City (Pty) Ltd and Mthatha Mall (Pty) Ltd.

Cynthia Thandi Ndlovu (57)

BSc, MBChB

Independent Non-executive Director

Member of the Social and Ethics Committee

Member of the Non-executive and Nomination Committee

Thandi Ndlovu, a construction executive and businesswoman, has been a member of the Truworths International board since February 2001 and is a member of the Social and Ethics Committee.

She is a director of numerous companies including those in the Motheo Construction Group, Nu ME Women's Health and Beauty Organisation, Baitshepi Development Consulting Services (Pty) Ltd and Faranani Investments Holdings (Pty) Ltd. She is the National President of South African Women in Construction and was recently elected President of the Black Business Council for the Built Environment by her peers.

NEW DIRECTOR APPOINTMENT

Brief résumé

Roderick John Alwyn Sparks (53)

BCom (Hons), CA (SA), MBA

Independent Non-executive Director

Member of the Audit Committee

Member of the Non-executive and Nomination Committee

Roddy Sparks was appointed to the Truworths International board with effect from 1 February 2012. He is a qualified chartered accountant and an experienced business executive, and a member of the company's Audit Committee.

He serves as a non-executive on various boards, including Imperial Holdings Ltd, Tencor Ltd, NMC (Pty) Ltd, Old Mutual Life Assurance Company Zimbabwe Ltd and Atlantic Asset Management (Pty) Ltd.

APPENDIX 2

SALIENT FEATURES OF THE TRUWORTHS INTERNATIONAL LIMITED 2012 SHARE PLAN

NOTE:

- This document provides a summary of the Rules of the proposed 2012 Share Plan of Truworths International Ltd ('Truworths' or 'the Company'). A copy of the Rules can be inspected at the registered office of the Company, No.1 Mostert Street, Cape Town, South Africa, by arrangement with the Company Secretary (cdurham@truworths.co.za or tel +27 (0)21 460 7502, or at Deloitte Place, Building 5, The Woodlands, 20 Woodlands Drive, Woodmead, South Africa, by arrangement with Murray Dicks tel +27 (0)11 209 6311).
- In this appendix words denoted in capital letters are terms defined in the Rules.

1. PURPOSE

The purpose of the Truworths International Limited 2012 Share Plan (the 'Plan') is to attract, retain, motivate and reward executives and managers who are able to influence the performance of Truworths and its subsidiaries on a basis which aligns their interests with those of the Company's shareowners.

2. INTRODUCTION

Deloitte has been asked to recommend an appropriate long-term incentive plan which is in line with global best practice, and emerging South African practice, and which serves to reward the required attributes of shareowner alignment, retention of key talent and long-term, sustained performance.

The Plan will provide for the inclusion of a number of performance conditions, designed to align the interests of participants with those of Truworths' shareowners, and to reward Group and individual performance, more so than merely the performance of the economy or the sector in which the Group operates.

3. GENERAL DESCRIPTION OF THE PLAN

Under the Plan, executives, senior managers, key employees, consultants, contractors and/or persons whose principal source of income is derived from any member company of the Group ('Eligible Employees'), may be offered a combination from:

- Grants of Restricted Shares;
- Awards of Performance Shares;
- Allocations of Share Appreciation Rights;
- Allocations of Performance Appreciation Rights.

Performance Appreciation Rights are Appreciation Rights with Performance Criteria attached to their conditional vesting.

The amount and mix of the above offers will be governed by Truworths' reward philosophy and strategy (pay mix), in which the 'expected value' of incentive reward is set for defined categories of Participants.

It is envisaged that the combined, weighted implementation of the above long-term incentive elements will allow Truworths to remain competitive in annual and share-based incentives, reward long-term sustainable Group performance, act as a retention tool, and ensure that Participants share a significant level of personal risk with the company's shareowners.

Restricted Share Method

Eligible Employees may on an annual basis receive a Grant of Restricted Shares.

The value, or number, of Restricted Shares to be Granted will be determined by the Board, or the Remuneration Committee in this matter, by examining relevant market benchmarks, performance of the individual, retention of skills, employment equity, financial considerations of the Group performance and any other criteria as the board decide from time to time.

It is expected that Restricted Shares will be Settled to a Participant in full value Shares immediately once they Vest.

Performance Share Method

Annual Awards of Performance Shares may be made to Eligible Employees.

The value, or number, of Performance Shares to be Awarded will be determined by the Board, or the Remuneration Committee in this matter, by examining relevant market benchmarks, performance of the individual, retention of skills, employment equity, financial considerations of the Group performance and any other criteria as the Board decide from time to time.

Performance Shares will Vest on the Vesting Date to the extent that the Group and the Participants have met specified Performance Criteria over the intervening period. The Board will dictate the Performance Criteria for each Award. It is expected that Performance Shares will be Settled, to the extent that the Performance Criteria have been met, to a Participant in full value Shares immediately once they Vest.

APPENDIX 2

SALIENT FEATURES OF THE TRUWORTHS INTERNATIONAL LIMITED 2012 SHARE PLAN

Performance Criteria

The Board will dictate the Performance Criteria for each Award as is relevant for Truworths at that time. The Award shall stipulate the Performance Criteria applicable to the Award and no retesting against the Performance Criteria will be allowed. Any Performance Shares which do not Vest at the end of the Vesting Period will lapse. The Board will in its discretion from time to time determine the Performance Criteria and the minimum and maximum vesting levels and currently envisages that Awards will indicate:

- the 'minimum' performance hurdle, where performance less than or equal to this level will result in 0% of the Award Vesting;
- the 'maximum' performance hurdle, where performance greater than or equal to this level will result in no more than 150% of the Award Vesting; and
- for performance between these levels that a proportional amount will Vest.

The Performance Share element closely aligns the interests of shareowners and Participants by rewarding superior shareowner and financial performance in the future. The Board will consider prevailing governance and best practice regarding remuneration in deciding on the amount and applicability of Performance Shares to Eligible Employees.

Appreciation Right Method

Annual Allocations of Share Appreciation Rights or Performance Appreciation Rights may be made to Eligible Employees. Performance Appreciation Rights will have Performance Criteria attached to the Allocation.

Share Appreciation Rights Shares will Vest on the Vesting Date, and Performance Appreciation Rights will Vest on the Vesting Date to the extent that the Performance Criteria for the Group and the Participant have been met. After Vesting, Participants will be entitled to Exercise such Appreciation Rights at any time up to and until the 8th anniversary of the Allocation Date ('the Maximum Period'), at which point automatic Settlement takes place.

A Participant shall be entitled to be settled the value of X calculated in accordance with the following formula:

$$X = N \times A$$

where -

N = the number of Appreciation Rights which have been Exercised; and

A = the Appreciation;

The Board will dictate the Performance Criteria for each Allocation as is relevant for Truworths at that time. The Allocation shall stipulate the Performance Criteria applicable to the Allocation and no retesting against the Performance Criteria will be allowed. Any Performance Appreciation Rights which do not Vest at the end of the Vesting Period will lapse. The Board will in its discretion from time to time determine the Performance Criteria and minimum and maximum vesting levels and currently envisages that Allocations will indicate:

- the 'minimum' performance hurdle, where performance less than or equal to this level will result in 0% of the Allocation Vesting;
- the 'maximum' performance hurdle, where performance greater than or equal to this level will result in no more than 150% of the Allocation Vesting; and
- for performance between these levels that a proportional amount will Vest.

The Performance Appreciation Rights element closely aligns the interests of shareowners and Participants by rewarding superior shareowner and financial performance in the future. The Board will consider prevailing governance and best practice regarding remuneration in deciding on the amount and applicability of Performance Appreciation Rights to Eligible Employees.

Vesting

Grants, Awards and Allocations will Vest on the Vesting Date, which is the date to be determined by the Board in its sole and absolute discretion and shall be set out in the Grant, Award or Allocation Letter to a Participant.

4. ADMINISTRATION OF THE PLAN

The Board will ultimately be responsible for the administration of the Plan, but may delegate these functions to any of its committees or the designated Compliance Officer of the Plan. The Plan will not be administered by a trust.

5. SETTLEMENT

It is envisaged that Settlement will be in the form of Truworths Shares (equity settlement). Similarly, in equity settlement, the documentation may allow for the Shares so Settled to be via issue and allotment (resulting in shareowner dilution) or acquisition and transfer (requiring the purchase of shares in the open market).

As an exception, and in the sole discretion of the Board, the Plan also makes provision for Settlement through the payment of a cash bonus (cash settlement).

6. TERMINATION OF EMPLOYMENT

Termination of employment is based on the definition of No Fault Termination (good leavers) versus that of Fault Termination (bad leavers). No Fault Termination has been defined as Type A or B.

No Fault Termination A is the termination of employment of a Participant by the reason of:

- death;
- injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the relevant Employer Group;
- retirement on or after his/her Retirement Date;
- a mutually agreed termination of employment; or
- the Employer Group by which he/she is employed ceasing to be a member Group of the Group.

No Fault Termination B is the termination of employment of a Participant by reason of Dismissal based on Operational Requirements (retrenchment) as contemplated in the Labour Relations Act.

Fault Termination will be a dismissal for misconduct, poor performance or a resignation by the participant.

The following provisions will apply under circumstances of termination.

Restricted Shares

Unless the Board determines otherwise, if a Participant ceases to be employed by the Group by reason of a:

- No Fault Termination A prior to the Vesting Date, then the Grant shall Vest on the Date of Termination of Employment and shall be Settled to the Participant as soon as practically possible after the Date of Termination of Employment;
- No Fault Termination B prior to the Vesting Date, then such Grant shall be cancelled on the Date of Termination of Employment; or
- Fault Termination prior to the Vesting Date, then such Grant shall be cancelled on the Date of Termination of Employment.

Performance Shares

Unless the Board determines otherwise, if a Participant ceases to be employed by the Group by reason of a:

- No Fault Termination A prior to the Vesting Date, then:

- the Board shall in its sole and absolute discretion assess and determine the extent to which the Performance Criteria have been met as at the Date of Termination of Employment; and
 - the Award shall Vest to the extent that the Performance Criteria have been achieved and be Settled to the Participant as soon as practically possible after the Date of Termination of Employment; or
- No Fault Termination B prior to the Vesting Date, then such Grant shall be cancelled on the Date of Termination of Employment; or
 - Fault Termination prior to the Vesting Date, the Award shall be cancelled on the Date of Termination of Employment.

Appreciation Rights

Unless the Board determines otherwise, if a Participant ceases to be employed by the Group by reason of a:

- No Fault Termination A:
 - prior to the Vesting of an Allocation, then the Allocation will immediately Vest on the Date of Termination of Employment to the extent the Performance Criteria have been achieved (if applicable), and the Participant shall thereafter have 12 (twelve) months from the Date of Termination of Employment or the Maximum Period (whichever occurs first) to Exercise such Allocation; or
 - after the Vesting but prior to the Exercise of an Allocation, then the Participant shall have 12 (twelve) months from the Date of Termination of Employment or the Maximum Period (whichever occurs first) to Exercise such Allocation;
- No Fault Termination B:
 - prior to the Vesting of an Allocation, the Allocation shall be cancelled on the Date of Termination of Employment; or
 - after the Vesting but prior to the Exercise of an Allocation, then the Participant shall, at the sole discretion of the Board, have a minimum of 3 (three) months or a maximum of 12 (twelve) months from the Date of Termination of Employment or the Maximum Period (whichever occurs first) to Exercise such Allocation.
- Fault Termination prior to the Vesting or Exercise of an Allocation, the Allocation shall be cancelled on the Date of Termination of Employment.

APPENDIX 2

SALIENT FEATURES OF THE TRUWORTHS INTERNATIONAL LIMITED 2012 SHARE PLAN

7. CHANGE OF CONTROL

'Change of Control' is defined as all circumstances where a party (or parties acting in concert), directly or indirectly, obtains:

- beneficial ownership of the specified percentage of 35% or more of Truworths' issued Shares; or
- control of the specified percentage or more of the voting rights at meetings of Truworths; or
- the right to control the management of Truworths or the composition of the Board; or
- the right to appoint or remove directors holding a majority of voting rights at Board meetings; or
- the approval by Truworths' shareowners of, or the consummation of, a merger or consolidation of Truworths with any other business or entity, or upon a sale of the whole or a major part of Truworths' assets or undertaking.

If the Company undergoes a Change of Control after a Grant, Award or Allocation, then the rights of Participants under the Plan will be accommodated on a basis which shall be determined by the Board to be fair and reasonable to Participants.

If the Company undergoes a Change of Control, and the Company or any Employer Company thereafter within 24 months undertakes Dismissals based on Operational Requirements (retrenchments), then to the extent that any Participant is affected by such Dismissals, there will be an acceleration of rights in the same manner as provided for as No Fault Termination A.

8. VOTING AND DIVIDEND RIGHTS

- A Participant shall have the right to vote in respect of Restricted Shares and Performance Shares Granted or Awarded to him, unless the Applicable Laws provide otherwise.
- There are no voting rights in respect of Appreciation Rights until these are Settled to a Participant.
- The Board may in its sole and absolute discretion at any time from Grant or Award until Settlement pay a Participant any dividends declared in respect of any Shares associated with a Grant or Award.

- Appreciation Rights shall not be entitled to dividends until they are Settled to a Participant.

9. JSE COMPLIANCE

The Plan complies in all respects with Schedule 14 of the JSE Listings Requirements.

10. OTHER SCHEME AND MAXIMUM PARTICIPATION

The Company will operate its existing equity-settled share-based incentive scheme ('Other Scheme') in conjunction with the Plan. The Board, in conjunction with the Remuneration Committee, will from time to time determine the appropriate extent to which Group employees should participate in the Other Scheme and the Plan, having regard to the strategic and operational requirements of the Group.

Unless otherwise approved by shareholders, the maximum number of Shares which all Participants and any one Participant respectively may acquire under the Plan may not respectively exceed 46 181 002 (forty six million one hundred and eighty one thousand and two) and 11 083 440 (eleven million eighty three thousand four hundred and forty) Shares less the number of shares and options utilised pursuant to the Other Scheme operated by the Group.

11. IMPLEMENTATION POLICY FOR THE PLAN

The Board will make Grants of Restricted Shares, Awards of Performance Shares or Allocations of Share or Performance Appreciation Rights in line with the remuneration policy of Truworths, as outlined in the Group's Integrated Annual Report. This remuneration policy is subject to an annual non-binding advisory vote from shareholders.

Notwithstanding this, the discretion will always lie with management to motivate, and the Board to approve, either greater or lesser Grants, Awards or Allocations to deserving individuals. Additionally, the Board may resolve to vary the mix of the four elements of the Plan, to suit the strategic and operational imperatives of the Group.

APPENDIX 3

SALIENT TERMS OF THE PROPOSED MEMORANDUM OF INCORPORATION FOR TRUWORTHS INTERNATIONAL LIMITED

An electronic copy of the proposed Memorandum of Incorporation may be viewed at www.truworths.co.za and a hard copy is available on request from the Company Secretary at skohlhofer@truworths.co.za.

Terms capitalised below have the meaning ascribed to them in the proposed Memorandum of Incorporation: –

The proposed Memorandum of Incorporation is based on the precedent Long Standard Form Memorandum of Incorporation for Profit Companies provided as a regulation to the South African Companies Act (71 of 2008, as amended) ('the Act') and provides that: –

1. the Company will operate in terms of the unalterable provisions of the Act, the alterable provisions of the Act (some of which have been altered in the Memorandum of Incorporation) and the provisions of the Memorandum of Incorporation;
2. the purpose and powers of the Company are not subject to any restrictions other than those contained in the Act, the JSE Listings Requirements and the Memorandum of Incorporation;
3. the authority of the Board to authorise the Company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, is not restricted or varied by the Memorandum of Incorporation;
4. the Board shall not have the power to issue authorised shares without the approval of the shareholders of the Company in terms of the Act and the JSE Listings Requirements;
5. the Board's power to increase or decrease the number of authorised shares in any class; to reclassify any shares that have been authorised but are not issued; to classify any unclassified shares that have been authorised but are not issued; or to determine the preferences, rights, limitations or other terms of any class of shares that are not issued and which preferences, rights, limitations or other terms are not specified in the Memorandum of Incorporation is not restricted or varied by the Memorandum of Incorporation, except to the extent provided for in the JSE Listings Requirements;
6. the power of the Board to authorise the Company to issue secured or unsecured debt instruments is not restricted or varied by the Memorandum of Incorporation;
7. a shareholders' meeting shall be convened on a requisition of the holders of at least 10% of the voting rights entitled to be exercised in relation to the matter to be considered at the meeting, or in compliance with an order of court;
8. the minimum number of days for the Company to deliver a notice of a shareholders' meeting to the shareholders is 15 Business Days before the meeting is to begin;
9. the quorum requirements for a shareholders' meeting to begin is sufficient persons present at the meeting (which includes being present in person or by proxy or represented) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting, provided that there shall be no quorum unless there are at least three persons so present at such meeting;
10. for an ordinary resolution to be adopted by the shareholders of the Company, it must be supported by the holders of more than 50% of the voting rights exercised on the resolution;
11. for a special resolution to be adopted by the shareholders of the Company, it must be supported by the holders of at least 75% of the voting rights exercised on the resolution;
12. a special resolution adopted by the shareholders of the Company is generally not required for a matter to be determined by the Company's shareholders, except for those matters set out in the Act and the JSE Listings Requirements;
13. the Company shall have not less than four directors. The shareholders of the Company may from time to time increase such minimum number of directors;
14. the business and affairs of the Company shall be managed by or under the direction of the Board, which has the authority to exercise all of the powers and perform any of the functions of the Company, except to the extent that the Act, the JSE Listings Requirements or the Memorandum of Incorporation provides otherwise;
15. the periods of service of executive directors shall be governed by their employment contracts which shall not permit life directorships or directorships for an indefinite period;

APPENDIX 3

SALIENT TERMS OF THE PROPOSED MEMORANDUM OF INCORPORATION

16. at each annual general meeting of the Company or other shareholders' meeting on an annual basis (and not by written resolution), one third of the non-executive directors for the time being or, if their number is not divisible by three, the number nearest to one third but not less than one third, shall retire from office. These retiring members may be re-elected provided they are eligible;
17. subject to the provisions of the Act and any JSE Listings Requirements, the Board shall be entitled to make distributions and declare dividends after applying the solvency and liquidity test set out in the Act and having reasonably concluded that the Company will satisfy such test immediately after making such distribution or paying the proposed dividend; and
18. subject to the Act and the JSE Listings Requirements, with effect from 1 January 2013, unless the Board in its discretion decides otherwise, every dividend will be paid only by electronic funds transfer. The shareholders are obliged to provide the Company (or its transfer secretaries) with their banking details for this purpose and to update same from time to time.

FORM OF PROXY

TRUWORTHS INTERNATIONAL LIMITED

Registration number: 1944/017491/06 JSE code: TRU NSX code: TRW ISIN: ZAE000028296

ANNUAL GENERAL MEETING: 8 NOVEMBER 2012

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 shareholder of Truworths International Limited (the company) and holding _____ shares therein, hereby appoint _____ or failing him/her, the chairman of the meeting as my/our proxy to attend, speak, and on a poll vote on my/our behalf, as indicated below, at the annual general meeting of shareholders of the company to be held on 8 November 2012 at 09:30 in the Auditorium, 1st 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 1 July 2012			
Item 2	To re-elect by separate resolutions the retiring directors who are available for re-election:			
	• Mr H Saven			
	• Mr MA Thompson			
	• Mr SM Ngebulana			
	• Dr CT Ndlovu			
	To ratify the appointment of Mr RJA Sparks, who was appointed by the board as a director of the company with effect from 1 February 2012			
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 30 June 2013 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 2013 to 31 December 2013			
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:			
	• Mr MA Thompson			
	• Mr RG Dow			
	• Mr RJA Sparks			
Item 8	To approve by way of a non-binding advisory vote the Group's remuneration policy as set out in the Group's Integrated Annual Report			
Item 9	To adopt the Truworths International Limited 2012 Share Plan			
Item 10*	To adopt the proposed new memorandum of incorporation of the company			
Item 11	To consider the report of the Social and Ethics Committee for the period under review			
Item 12	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			
Item 13	To approve the amendments to clauses 18.2.1 to 18.2.5, 19.6 and 19.7 to the company's existing share incentive scheme as embodied in the Deed of the Truworths International Limited Share Trust			

* Special resolution

Signed at _____ this _____ day of _____ 2012.

Signature _____

FORM OF PROXY

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, 2 November 2012.**

Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the company, to attend, participate in and, on a poll (i.e. ballot) but not by way of a show of hands, 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 bearing in mind that such proxies will only be able to vote on a poll.

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 at least twenty-four hours before the appointed time of the meeting, i.e. by 09:30 on Wednesday, 7 November 2012. **The meeting record date for participation and voting by such proxies at the meeting is 17:00 on Friday, 2 November 2012.** Presentation of suitable identification by the proxy when registering his/her 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 twenty-four hours before the appointed time of the meeting, i.e. by 09:30 on Wednesday, 7 November 2012. **The meeting record date for participation and voting by such representatives at the meeting is 17:00 on Friday, 2 November 2012.** 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.

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING

8 November 2012

REPORTS

Annual results for the period ended 1 July 2012 announced	15 August 2012
Integrated Annual Report for the period ended 1 July 2012 mailed	by 27 September 2012
Interim results for the period ending 30 December 2012 announced	21 February 2013*
Interim report for the period ending 30 December 2012 mailed	by 15 March 2013*

DIVIDENDS

	Dividend declared	Dividend paid
In respect of the period ended 1 July 2012 (dividend number 29)	15 August 2012	10 September 2012
For the period ending 30 December 2012 (dividend number 30)	21 February 2013*	18 March 2013*

* These are approximate dates.

ADMINISTRATION

TRUWORTHS INTERNATIONAL LIMITED

Registration number: 1944/017491/06
JSE code: TRU
NSX code: TRW
ISIN: ZAE000028296

COMPANY SECRETARY

Chris Durham, FCIS, PG Dip. Adv. Co Law (UCT)

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Ernst & Young Inc.

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One Capital Sponsor Services (Pty) Ltd

SPONSOR IN NAMIBIA

Old Mutual Investment Services (Namibia) (Pty) Ltd

ATTORNEYS

Bernact Vukic Potash and Getz
Edward Nathan Sonnenbergs Inc.
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