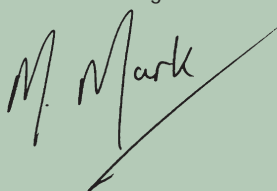


## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and group annual financial statements which appear on pages 55 to 86 were approved by the board of directors on 22 August 2002 and are signed on its behalf by:



**M S Mark**  
Chairman and Chief Executive Officer



**A J Taylor**  
Executive Director

### certificate by company secretary

I certify that, in respect of the period under review, the company has lodged with the Registrar of Companies all returns required of a public company in terms of the South African Companies Act, and that all such returns are true, correct and up to date.



**C Durham**  
Company Secretary  
22 August 2002

### auditors' report

For the 53 weeks ended 30 June 2002

Report of the independent auditors to the members of Truworths International Limited.

We have audited the annual financial statements and group annual financial statements of Truworths International Limited set out on pages 55 to 86. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### AUDIT OPINION

In our opinion, these annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2002 and the results of their operations and cash flows for the 53 weeks then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Companies Act.



#### Ernst & Young

Registered Accountants and Auditors  
Chartered Accountants (SA)  
Cape Town  
22 August 2002

# DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the annual financial statements for the 53-week period ended 30 June 2002, the previous period being 52 weeks.

## NATURE OF BUSINESS

The company is an investment holding company with trading subsidiaries engaged either directly or through franchises in the retailing of fashion apparel and related merchandise. The group operates principally in Southern Africa.

## RESULTS OF OPERATIONS

The results for the period are detailed in the attached annual financial statements.

## DIVIDENDS

Details of the dividends paid by the company during the period are contained in note 29 of the annual financial statements.

## SHARE CAPITAL

Details of the authorised and issued share capital and movements during the period are contained in note 9 of the annual financial statements.

## DIRECTORS AND SECRETARY

The names of the directors and company secretary in office at 30 June 2002 are set out on page 4 and 5 of the annual report. Wayne Martin van der Merwe was appointed to the board on the 22 August 2002, with effect from 23 August 2002 as the group financial director.

## HOLDING COMPANY

Until 26 June 2002 the company's holding company, and thus a related

party, was Wooltru Limited, whose holding at that date was 248 361 702 (2001: 248 361 702) ordinary shares of 0,015 cent each, comprising 53.66% (2001: 53.84%) of the company's issued share capital. On 26 June 2002, Wooltru Limited distributed these shares to its shareholders by way of a dividend in specie pursuant to its unbundling, and thus ceased to be the company's holding company.

## SUBSIDIARY COMPANIES

Annexure one containing full particulars of the company's subsidiary companies appears on pages 85 and 86 of the annual financial statements.

## BORROWING POWERS

In terms of the company's articles of association, its borrowing powers are unlimited. The borrowing powers of the group's wholly-owned operating subsidiary, Truworths Limited, may in terms of its articles of association be limited by the company.

## EVENTS SUBSEQUENT TO PERIOD END

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

## SPECIAL RESOLUTIONS BY SUBSIDIARY COMPANIES

During the period under review the articles of association of the company's wholly-owned subsidiary, Truworths Limited, were altered by special resolution to enable it to acquire both its own and the company's shares, subject to the relevant provisions of the

Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa.

Simultaneously, and by further special resolution the said subsidiary was generally authorised to acquire its own shares and up to 10% of the company's shares, subject to the said provisions.

The said special resolutions were passed on 25 October 2001 and registered by the Registrar of Companies on 3 December 2001. No other special resolutions were passed by subsidiaries during the period under review.

## BALANCE SHEETS

at 30 june 2002

	Note	GROUP		COMPANY	
		2002 Rm	2001 Rm	2002 Rm	2001 Rm
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>459.0</b>	306.3	<b>146.6</b>	140.0
Property, fixtures, vehicles, plant, equipment and software	2	282.7	135.1	-	-
Investments	3	126.4	136.5	2.0	-
Interests in subsidiary companies	4	-	-	144.6	113.4
Loans	5	49.9	34.7	-	26.6
<b>Current assets</b>		<b>961.3</b>	1 016.8	<b>1.3</b>	1.0
Inventories	6	155.5	146.5	-	-
Trade and other receivables	7	658.1	537.3	-	-
Prepayments		18.1	22.0	-	-
Cash and cash equivalents	8	129.6	311.0	1.3	1.0
<b>Total assets</b>		<b>1 420.3</b>	1 323.1	<b>147.9</b>	141.0
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	9	0.1	0.1	0.1	0.1
Share premium	10	125.4	105.1	125.4	105.1
Non-distributable reserves	11	-	-	9.1	9.1
Retained profit		998.9	780.3	7.2	20.3
		1 124.4	885.5	141.8	134.6
Shares repurchased	12	(66.8)	-	-	-
<b>Total shareholders' equity</b>		<b>1 057.6</b>	885.5	<b>141.8</b>	134.6
<b>Non-current liabilities</b>		<b>135.8</b>	148.5	-	-
Deferred taxation	13	107.2	123.0	-	-
Retirement benefit obligation	14	28.6	25.5	-	-
<b>Current liabilities</b>		<b>226.9</b>	289.1	<b>6.1</b>	6.4
Trade and other payables	15	169.3	218.4	0.1	0.1
Provisions	16	6.0	6.4	6.0	6.3
Taxation		51.6	64.3	-	-
<b>Total equity and liabilities</b>		<b>1 420.3</b>	1 323.1	<b>147.9</b>	141.0
<b>Net asset value per share (cents)</b>		<b>233.0</b>	192.0		

## INCOME STATEMENTS

for the 53 weeks ended 30 june 2002

	Note	GROUP		COMPANY	
		2002 Rm	2001 Rm	2002 Rm	2001 Rm
<b>Revenue</b>	21	<b>2 075.9</b>	1 676.4	<b>76.2</b>	54.1
<b>Turnover</b>	21	<b>1 985.9</b>	1 599.7	-	-
Cost of sales		<b>(949.2)</b>	(759.6)	-	-
<b>Gross profit</b>		<b>1 036.7</b>	840.1	-	-
Expenses	23	<b>(674.0)</b>	(620.7)	-	-
<b>Trading profit</b>		<b>362.7</b>	219.4	-	-
Dividends received		<b>5.8</b>	8.3	<b>76.2</b>	54.1
Interest received	22	<b>84.2</b>	68.4	-	-
<b>Operating profit before finance costs, exceptional item and taxation</b>	24	<b>452.7</b>	296.1	<b>76.2</b>	54.1
Finance costs	26	<b>(0.2)</b>	(0.1)	-	-
<b>Operating profit before exceptional item and taxation</b>		<b>452.5</b>	296.0	<b>76.2</b>	54.1
Exceptional item	27	<b>5.3</b>	15.0	<b>5.6</b>	18.4
<b>Profit before taxation</b>		<b>457.8</b>	311.0	<b>81.8</b>	72.5
Taxation	28	<b>(163.0)</b>	(91.8)	<b>(18.7)</b>	-
<b>Profit after taxation</b>		<b>294.8</b>	219.2	<b>63.1</b>	72.5
Outside shareholders' interest in profit		-	(0.1)	-	-
<b>Net profit attributable to ordinary shareholders</b>		<b>294.8</b>	219.1	<b>63.1</b>	72.5
<b>Dividends declared per share (cents)</b>		<b>22.0</b>	14.5		
<b>Headline earnings per share (cents)</b>	30.1	<b>63.5</b>	44.2		
<b>Attributable earnings per share (cents)</b>	30.2	<b>64.5</b>	47.7		
<b>Diluted headline earnings per share (cents)</b>	30.3	<b>62.0</b>	43.4		
<b>Diluted earnings per share (cents)</b>	30.3	<b>63.0</b>	46.8		

## STATEMENTS OF CHANGES IN EQUITY

for the 53 weeks ended 30 June 2002

	Note	Share capital and premium Rm	Non- distributable reserves Rm	Retained profit Rm	Shares repurchased Rm	Total Rm
<b>GROUP</b>						
<b>Ordinary shareholders' equity at</b>						
<b>1 July 2000</b>		100.8	–	615.8	–	716.6
Net profit attributable to ordinary shareholders		–	–	219.1	–	219.1
Dividends paid		–	–	(54.1)	–	(54.1)
Losses on transactions with outside shareholders		–	(0.5)	–	–	(0.5)
Transfer to non-distributable reserves		–	0.5	(0.5)	–	–
Shares issued		4.9	–	–	–	4.9
Share issue expenses written off		(0.5)	–	–	–	(0.5)
<b>Ordinary shareholders' equity at</b>		<b>105.2</b>	<b>–</b>	<b>780.3</b>	<b>–</b>	<b>885.5</b>
<b>30 June 2001</b>		105.2	–	780.3	–	885.5
Net profit attributable to ordinary shareholders		–	–	<b>294.8</b>	–	<b>294.8</b>
Dividends paid		–	–	<b>(76.2)</b>	–	<b>(76.2)</b>
Shares issued		20.3	–	–	–	<b>20.3</b>
Shares repurchased	12	–	–	–	<b>(66.8)</b>	<b>(66.8)</b>
<b>Ordinary shareholders' equity at</b>		<b>125.5</b>	<b>–</b>	<b>998.9</b>	<b>(66.8)</b>	<b>1 057.6</b>
<b>30 June 2002</b>		<b>125.5</b>	<b>–</b>	<b>998.9</b>	<b>(66.8)</b>	<b>1 057.6</b>
<b>COMPANY</b>						
<b>Ordinary shareholders' equity at</b>						
<b>1 July 2000</b>		100.8	9.1	1.9	–	111.8
Net profit attributable to ordinary shareholders		–	–	72.5	–	72.5
Dividends paid		–	–	(54.1)	–	(54.1)
Shares issued		4.9	–	–	–	4.9
Share issue expenses written off		(0.5)	–	–	–	(0.5)
<b>Ordinary shareholders' equity at</b>		<b>105.2</b>	<b>9.1</b>	<b>20.3</b>	<b>–</b>	<b>134.6</b>
<b>30 June 2001</b>		105.2	9.1	20.3	–	134.6
Net profit attributable to ordinary shareholders		–	–	<b>63.1</b>	–	<b>63.1</b>
Dividends paid		–	–	<b>(76.2)</b>	–	<b>(76.2)</b>
Shares issued		<b>20.3</b>	–	–	–	<b>20.3</b>
<b>Ordinary shareholders' equity at</b>		<b>125.5</b>	<b>9.1</b>	<b>7.2</b>	<b>–</b>	<b>141.8</b>
<b>30 June 2002</b>		<b>125.5</b>	<b>9.1</b>	<b>7.2</b>	<b>–</b>	<b>141.8</b>

## CASH FLOW STATEMENTS

for the 53 weeks ended 30 june 2002

	Note	GROUP		COMPANY	
		2002 Rm	2001 Rm	2002 Rm	2001 Rm
<b>Cash flow from operating activities</b>					
Cash flow from trading	32.1	424.6	266.9	-	-
Dividends received		5.8	8.3	76.2	54.1
<b>Cash EBITDA</b>		430.4	275.2	76.2	54.1
Working capital movements	32.2	(175.5)	(21.9)	(0.4)	(3.2)
<b>Cash generated from operations</b>		254.9	253.3	75.8	50.9
Finance costs		(0.2)	(0.1)	-	-
Interest received		84.2	68.4	-	-
Taxation paid	32.3	(191.5)	(92.1)	(18.7)	-
<b>Cash generated by operations</b>		147.4	229.5	57.1	50.9
Dividends paid		(76.2)	(54.1)	(76.2)	(54.1)
<b>Net cash retained/(utilised)</b>		71.2	175.4	(19.1)	(3.2)
<b>Cash flow from investing activities</b>					
Investment to maintain operations	32.4	(21.4)	(21.5)	-	-
Investment to expand operations	32.5	(186.5)	(40.8)	-	-
Proceeds on disposal of property, fixtures, vehicles, plant, equipment and software	32.6	1.5	2.2	-	-
Loans		(15.2)	9.6	26.6	0.3
Interests in subsidiary companies		-	-	(31.2)	(18.9)
Investments		10.2	14.6	(2.0)	-
<b>Net cash outflow from investing activities</b>		(211.4)	(35.9)	(6.6)	(18.6)
<b>Cash flow from financing activities</b>					
Proceeds on share issue		20.3	4.4	20.3	4.4
Decrease in outside shareholders' interest		-	(0.7)	-	-
Share repurchase by subsidiary		(66.8)	-	-	-
<b>Net cash (outflow)/inflow from financing activities</b>		(46.5)	3.7	20.3	4.4
<b>Net (decrease)/increase in cash and cash equivalents</b>		(186.7)	143.2	(5.4)	(17.4)
Net cash inflow from discontinuing operations		5.3	15.0	5.7	18.4
<b>Cash and cash equivalents for the period</b>		(181.4)	158.2	0.3	1.0
<b>Cash and cash equivalents at beginning of the period</b>		311.0	152.8	1.0	-
<b>Cash and cash equivalents at end of the period</b>		129.6	311.0	1.3	1.0
<b>Cash flow per share (cents)</b>	30.4	32.2	50.0		
<b>Cash equivalent earnings per share (cents)</b>	30.5	74.6	55.5		
<b>Cash realisation rate (%)</b>		43.2	90.0		

# CASH VALUE-ADDED STATEMENT

for the 53 weeks ended 30 june 2002

	2002 Rm	2001 Rm	% CHANGE
<p>Cash value-added is the wealth, expressed in cash terms, that the group has created by purchasing and marketing its products and services. The statement below shows how this cash wealth created has been disbursed among the group's stakeholders.</p>			
<b>Cash generated</b>			
Cash received from customers	2 119.0	1 712.1	
Cash payments outside the group to suppliers of materials, merchandise, facilities and services	<b>(1 373.5)</b>	(1 025.4)	
<b>Cash value added</b>	<b>745.5</b>	686.7	9
<b>Cash utilised to</b>			
Remunerate employees for their services	270.9	240.1	13
Pay direct taxes to the state			
SouthAfrica	190.0	92.1	106
Elsewhere	1.5	-	
Provide lessors with a return for the use of their premises	135.7	125.0	9
Provide shareholders with cash dividends	76.2	54.1	41
<b>Cash disbursed among stakeholders</b>	<b>674.3</b>	511.3	32
<b>Net cash retained</b>	<b>71.2</b>	175.4	
<b>Reconciliation with cash generation</b>			
Cash value added (above)	745.5	686.7	
Less: Remunerate employees for their services	<b>(270.9)</b>	(240.1)	
Provide lessors with a return for the use of their premises	<b>(135.7)</b>	(125.0)	
Net interest received	<b>(84.0)</b>	(68.3)	
Cash generated from operations (per cash flow statement)	<b>254.9</b>	253.3	
<b>State taxes summary</b>			
Direct taxes (as above)	191.5	92.1	
Net value-added tax	60.9	58.0	
Employees' tax	37.4	33.3	
Regional services council levies	3.3	2.6	
Municipal assessment rates and services	14.4	13.1	
Channelled through the group	<b>307.5</b>	199.1	
Paid in			
SouthAfrica	303.8	197.9	
Elsewhere	3.7	1.2	
	<b>307.5</b>	199.1	

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the 53 weeks ended 30 june 2002

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The annual financial statements are prepared on the historical cost basis except where otherwise stated. These annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP). These accounting policies have been applied on a basis which is consistent with that adopted in the previous period.

### 1.2 Basis of consolidation

The group annual financial statements consolidate the financial statements of the company and all its subsidiaries, after the elimination of all material intercompany transactions, intragroup balances and unrealised profits or losses, to the extent that losses do not indicate an impairment.

Foreign associates of the group and company, which operate under severe long-term restrictions that significantly impair their ability to repatriate income to the group, are not equity accounted. In these circumstances, income from such investments will be brought to account only as and when received.

The results of subsidiaries acquired or disposed of during the period are included from the date effective control was acquired and up to the date effective control ceased.

The company carries its investment in subsidiaries at cost less accumulated impairment losses, if any (refer to note 1.10).

### 1.3 Change in accounting policy

Should a change in accounting policy be made due to the adoption of a South African Statement of GAAP, the change will be accounted for in accordance with the specific transitional provisions of such Statement. In the absence of any transitional provisions, the changes will be applied in accordance with the requirements of

the South African Statement of GAAP AC103: "Net profit or loss for the period, fundamental errors and changes in accounting policies".

### 1.4 Deferred taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their respective balance sheet carrying amounts. A deferred tax asset is recognised where it is probable that, in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised.

### 1.5 Discontinuing operations

Discontinuing operations are those which are clearly identifiable as a separate part of the group's operations and in respect of which management has initiated and committed itself to a formal plan of discontinuance, whether by sale or abandonment. The profits or losses shown as exceptional items are based on the actual costs and expenses directly associated with the discontinuance. All other profits and losses are included in earnings and headline earnings. Expected losses on discontinuance are recognised in full while recoveries on discontinuance are only recognised when they are realised or when the realisation is reasonably certain.

### 1.6 Dividends

Dividends proposed or declared after the balance sheet date, and secondary taxation on companies ensuing therefrom, are not recognised as liabilities at year-end.

### 1.7 Exceptional items

These are items of income or expense from ordinary activities of the group that, due to their size, nature or incidence are disclosed separately in order to explain the performance of the group for the period.

## 1.8 Financial instruments

The group's financial instruments consist primarily of cash and cash equivalents, derivative instruments, trade and other receivables, the investment in export partnerships, trade and other payables, the loan to The Truworths International Limited Share Trust and loans to the Truworths Community Foundation and the Truworths Social Involvement Trust.

### 1.8.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, short-term deposits, bank overdrafts and highly liquid investments that are carried at fair value.

Short-term deposits and bank overdrafts reflect bank statement balances.

### 1.8.2 Derivative instruments

The group uses derivative financial instruments, being foreign exchange contracts, to hedge its risks associated with foreign currency fluctuations.

It is the group's policy not to trade in derivative financial instruments for speculative purposes. Details of the group's financial risk management objectives and policies are set out in note 20.

The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The resultant profit or loss is recognised in the income statement.

### 1.8.3 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for uncollectable amounts. An estimate for bad and doubtful debts is made after a specific period of inactivity during which a predetermined level of payment has not been made. Recovery proceedings are nevertheless continued and credits are only taken for amounts when actually recovered.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the 53 weeks ended 30 June 2002

## 1.8.4 Export partnerships

Participation in export partnerships is recorded at the group's cost of original participation and its share of the gross profit less its share of the subsequent net amounts received as a partner in the partnerships. A corresponding deferred taxation liability is recorded.

## 1.8.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

## 1.8.6 Loan to The Truworths International Limited Share Trust

The loan to The Truworths International Limited Share Trust is reflected at cost.

## 1.8.7 Other loans

The loans to the Truworths Community Foundation and the Truworths Social Involvement Trust are reflected at cost.

## 1.9 Foreign currency transactions

### 1.9.1 Foreign investments

Foreign subsidiaries are classified as foreign operations for the purpose of foreign currency translations.

The balance sheets of consolidated foreign operations are translated into South African Rand at the rates of exchange ruling at the balance sheet date or at historic rates, where applicable. Income, expenditure and cash flow items are translated using weighted average rates of exchange during the period. Differences arising on translation are reflected in the income statement. Where a foreign investment operates under severe long-term restrictions on the repatriation of dividends or currency fluctuations, such investment is accounted for at cost and translated at the relevant exchange rates.

### 1.9.2 Foreign currency transactions and balances

Transactions in foreign currency are converted to South African Rand at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities in foreign currencies are stated in South African Rand using rates of exchange ruling at the balance sheet date.

Non-monetary assets and liabilities are translated at the later of historic or revaluation rates.

Foreign currency gains and losses are recognised in the income statement during the period in which they occur.

### 1.10 Impairment of assets

The carrying value of assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. The carrying amounts of assets or their applicable cash generating units are reduced to their recoverable amounts, where these are lower than the carrying amounts. In determining the recoverable amounts, the higher of value in use and the net selling price is taken into account.

### 1.11 Intangible assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of identifiable net assets at the date of acquisition. Goodwill is capitalised as an intangible asset and amortised over the lesser of its effective economic life and twenty years.

#### Trademarks and brand names

Trademarks and brand names acquired are capitalised and amortised over their anticipated useful lives, not exceeding 20 years. Expenditure incurred to maintain trademarks and brand names is charged against the income statement in the period incurred.

No valuation is performed in respect of internally

generated trademarks or brand names. Costs incurred on these items are charged to the income statement in the period in which they are incurred.

### 1.12 Inventory

#### Finished goods

Finished goods are valued at the lower of cost and net realisable value, using the specific identification method, taking account of provisions for mark-down, obsolescence and shrinkage, where appropriate.

#### Fabric

Fabric is valued at the lower of cost and net realisable value, using the specific identification method, taking account of provisions for obsolescence, where appropriate.

### 1.13 Investments

Investments, including interests in subsidiary companies, are stated at cost less any provision for impairment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

### 1.14 Leases

Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Obligations incurred under operating leases are charged to the income statement and are disclosed under occupancy costs.

### 1.15 Non-distributable reserves

Differences arising on transactions with outside shareholders in subsidiary companies are taken directly to non-distributable reserves.

Any debit balances arising from transactions with outside shareholders and currency transactions are transferred to retained profits.

**1.16 Property, fixtures, vehicles, plant, equipment and software**

**Property**

Owner-occupied properties are shown at cost less depreciation. Buildings are revalued every five years, by recognised professional valuers, at open market value. All buildings are depreciated on a straight-line basis over 25 years, except the head office building which is being depreciated on an escalation basis over a 13-year period to match the rental profile of the terminated lease. Land is shown at cost and not depreciated.

Lease premiums and leasehold improvements are written off over the lease periods or such shorter periods as may be appropriate.

**Fixtures, vehicles, plant, equipment and software**

Fixtures, vehicles, plant, equipment and software are recorded at historic cost and depreciated to their expected residual values, on a straight-line basis, over the following estimated useful lives:

Fixtures, fittings, plant and equipment	3 to 10 years
Computer equipment and software	1 to 3 years
Motor vehicles	4 to 5 years

Computer software is capitalised, where material, and is considered to be an integral part of the related hardware.

**1.17 Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, where a reliable estimate can be made of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**1.18 Retirement benefits**

**Defined contribution plans**

Group contributions to the defined contribution retirement funds are based on a percentage of

the payroll and are charged against income in the period to which they relate.

**Post-retirement medical benefits**

The group has an obligation to provide certain post-retirement medical benefits to its eligible employees and pensioners.

The present value of future medical aid subsidies in respect of past services is actuarially determined on an annual basis, and the liability is reflected in the balance sheet. All costs actually incurred, together with the annual adjustment to the balance sheet provision, are charged against income. Any curtailment benefits or settlement amounts are recognised against income as incurred. Unrecognised actuarial gains and losses in excess of the greater of 10% of the fair value of plan assets or the present value of the obligation at the beginning of the period are recognised in the income statement over the average expected remaining working lives of employees participating in that plan.

**1.19 Revenue**

Revenue comprises turnover, dividends and interest received, which are recognised on the bases set out below.

Turnover comprises sale of merchandise and management and administrative fees.

**Sale of merchandise**

Income from the sale of merchandise through retail outlets and to franchisees is recognised when the risks and rewards of ownership have passed. Such income represents the net invoice value of merchandise provided to third parties, excluding value-added tax.

**Management and administrative fees**

Fees recovered by the group in respect of payroll, administration and distribution costs are recognised when the services contracted for have been rendered.

**Dividends received**

Cumulative preference dividends are recognised on a time basis, regardless of whether declared or not. All other dividends are recognised when the last date to register has passed.

**Interest received**

Interest received is recognised on a time proportion basis, at the rate implicit in the instrument.

**1.20 Segmental reporting**

Segmental information is not disclosed as the group is regarded as having a single material Southern African retailing segment.

**1.21 Share repurchase**

Shares in Truworths International Limited held by a wholly-owned group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of these shares is deducted in arriving at group equity. Dividends received on treasury shares are eliminated on consolidation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	2002 R'000	2001 R'000
<b>2. PROPERTY, FIXTURES, VEHICLES, PLANT, EQUIPMENT AND SOFTWARE</b>		
<b>Historic cost</b>		
Land and buildings	160 010	15 594
Leasehold improvements	2 718	2 718
Fixtures, plant and equipment	359 912	324 400
Computer equipment and software	101 727	77 962
Motor vehicles	195	549
	<b>624 562</b>	421 223
<b>Accumulated depreciation</b>		
Land and buildings	(6 350)	(882)
Leasehold improvements	(2 611)	(2 387)
Fixtures, plant and equipment	(265 440)	(230 084)
Computer equipment and software	(67 375)	(52 615)
Motor vehicles	(133)	(150)
	<b>(341 909)</b>	(286 118)
<b>Net carrying value</b>	<b>282 653</b>	135 105
Comprising:		
Land and buildings	153 660	14 712
Leasehold improvements	107	331
Fixtures, plant and equipment	94 472	94 316
Computer equipment and software	34 352	25 347
Motor vehicles	62	399
	<b>282 653</b>	135 105
<b>Opening net carrying value</b>	<b>135 105</b>	122 894
<b>Movements for the period</b>		
<b>Capital expenditure</b>		
Land and buildings	144 476	76
Fixtures, plant and equipment	38 597	42 138
Computer equipment and software	23 805	18 393
Motor vehicles	1 022	1 623
	<b>207 900</b>	62 230
<b>Disposals</b>		
Land and buildings	(60)	–
Fixtures, plant and equipment	(1 350)	–
Computer equipment and software	(35)	(5)
Motor vehicles	(1 289)	(1 438)
	<b>(2 734)</b>	(1 443)
Depreciation (note 24.4)	<b>(57 618)</b>	(48 576)
<b>Closing net carrying value</b>	<b>282 653</b>	135 105

Property, fixtures, vehicles, plant, equipment and software have an estimated replacement and insured value of R428 million (2001: R356 million).

The group had no idle fixed assets at the period end.

The gross cost of fully depreciated fixtures, vehicles, plant, equipment and software amounted to R216 million (2001: R127 million).

	Cost R'000	Improvements R'000	Total R'000	2001 R'000
Details of group freehold land and buildings are as follows:				
1. Flat No 1303 Salwood Court – remainder Erf 47473, Rondebosch, Cape Town				
Date of acquisition – 30 August 1998	309	118	427	427
2. Truworths Distribution Centre – portion Erf 103597, Epping, Cape Town				
Date of acquisition – 30 August 1999	15 030	237	15 267	15 106
Market value R25 million				
3. SRG House – Erf 150977, Cape Town				
Date of acquisition – 1 October 2001	144 204	112	144 316	–
Market value R95 million				
	<b>159 543</b>	<b>467</b>	<b>160 010</b>	<b>15 533</b>

Note	<b>2002</b>	2001
	<b>R'000</b>	R'000

## 2. PROPERTY, FIXTURES, VEHICLES, PLANT, EQUIPMENT AND SOFTWARE (continued)

By terminating the existing lease at a cost of R133.9 million and simultaneously purchasing an additional 15 088 shares in Woolmos Properties Share Block Limited at a cost of R8.6 million in October 2001, the group now has an effective 76.8% (2001: 1.3%) interest in SRG House, the group's head office. The existing lease was due to terminate in 2015.

Management has determined that significant net present value (approximately R44 million) and long-term earnings benefits will be derived from these transactions, which had no material impact on headline earnings and net asset value per share for the period.

As the head office is a corporate asset, the cash inflows it generates cannot be separated from the cash inflows from the group's business in terms of the GAAP statement AC 128.

In terms of the statement, an assessment of the recoverable amount attributable to the assets of the group's business, including SRG House, was performed at the balance sheet date. This assessment concluded that as the estimated recoverable amount materially exceeded the carrying value of the assets of the group's business, no impairment write-down was required.

Management notes that the current market value of SRG House is estimated to be R95 million. The building is being depreciated over a period of 13 years on an escalating basis and an appreciation in the market value is expected from normal market movements and from the upgrading of properties neighbouring SRG House. The differential between its carrying value and market value is likely to diminish in the medium term.

## 3. INVESTMENTS

### GROUP

#### Summary

Listed investments	3.1	<b>2 000</b>	–
Unlisted investments	3.2	<b>396</b>	2 096
Other investments	3.3	<b>1 684</b>	880
Participation in export partnerships	3.4	<b>122 327</b>	133 553
		<b>126 407</b>	136 529

### COMPANY

#### Summary

Listed investments	3.1	<b>2 000</b>	–
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		Shares held		Class of shares
		2002	2001	
%	Number	%	Number	

### 3.1 Listed investments

Truworths Limited (incorporated in Zimbabwe) at cost Date of acquisition: 22 February 2002	33.0	<b>10 416 666</b>	–	–	Ordinary	<b>2 000</b>	–
---	------	-------------------	---	---	----------	--------------	---

Market valuation (translated at unofficial rate of Z\$50.35 equal to R1)

<b>17 585</b>	–
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As there are currently severe long-term restrictions on the repatriation of dividends from Zimbabwe, the results of the above associate have not been equity accounted for in the period under review. The group's share of profits attributable to shareholders is estimated to be R1.7 million. No dividends have been received as at 30 June 2002.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** *continued*

for the 53 weeks ended 30 June 2002

	2002		Shares held		Class of shares	Note	2002	2001
	%	Number	%	Number			R'000	R'000
<b>3. INVESTMENTS (continued)</b>								
<b>3.2 Unlisted investments</b>								
Business Partners Limited at cost	0.1	158 877	0.1	158 877	Ordinary		396	396
Woolmos Properties Share Block Limited at cost	-	-	1.3	268	Ordinary		-	1 700
							<b>396</b>	<b>2 096</b>
Directors' valuation							<b>396</b>	<b>2 096</b>
<b>Woolmos Properties Share Block Limited</b>								
During the period a further 15 088 shares were purchased in Woolmos Properties Share Block Limited, thereby giving the group a 76.8% ownership of SRG House, the group's head office premises. Refer to note 2.								
<b>3.3 Other investments at cost</b>								
Nedbank deposit							<b>1 684</b>	880
<b>3.4 Participation in export partnerships</b>								
Group's share of long-term receivables due by the purchaser of the containers exported							<b>421 748</b>	456 938
Group's share of long-term liabilities due to the manufacturer of the containers							<b>(259 799)</b>	(282 549)
Group's share of net other liabilities							<b>(39 622)</b>	(40 836)
							<b>122 327</b>	133 553
The group participates with other companies in the former Wooltru Limited group in various export partnerships whose business was the purchase and export sale of containers. These partnerships bought and sold dry containers in terms of long-term suspensive purchase and credit sale agreements respectively, with specifically scheduled repayment terms over either a ten or a fifteen-year period. Trecor Services (Proprietary) Limited, a wholly-owned subsidiary of the JSE Securities Exchange South Africa listed Trecor Limited, acts as managing partner in these partnerships. The managing partner collects and disburses partnership funds on behalf of the partners and distributes to them the funds required to settle their deferred tax liabilities when these fall due.								
<b>3.5 Aggregate interest after-taxation profits and losses of subsidiary companies</b>								
Profits							<b>307 625</b>	203 542
Losses							<b>(495)</b>	(3 132)
							<b>307 130</b>	200 410
<b>4. INTERESTS IN SUBSIDIARY COMPANIES COMPANY</b>								
Shares in consolidated subsidiaries at cost							<b>100 330</b>	100 330
Amounts owing by subsidiary companies							<b>44 243</b>	13 098
							<b>144 573</b>	113 428
The amounts owing are unsecured, interest free and have no fixed repayment terms.								
<b>5. LOANS GROUP</b>								
<b>Summary</b>								
Secured housing loans to directors and officers					5.1		<b>986</b>	986
Other secured loans					5.2		<b>1 670</b>	2 452
Unsecured loans					5.3		<b>47 277</b>	31 283
							<b>49 933</b>	34 721

	2002	2001
	R'000	R'000

## 5. LOANS (continued)

### 5.1 Secured housing loans to directors and officers

Balance at the beginning and end of the period

986	986
-----	-----

Interest is payable at 8% per annum. These loans are secured by second bonds registered in favour of the subsidiary, Truworths Limited, and are repayable upon termination of service with the company. Refer to notes 25.3 and 31.

### 5.2 Other secured loans

Housing loans to employees

1 670	2 452
-------	-------

Interest is payable at 8% per annum. Capital and interest is payable monthly. The loans are secured by a pledge of the employees' share in the Wooltru Group Retirement Fund.

### 5.3 Unsecured loans

Educational loans

74	114
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The Truworths International Limited Share Trust

42 636	26 615
--------	--------

Other loans

4 567	4 554
-------	-------

47 277	31 283
--------	--------

#### Educational loans

These loans are interest free with fixed monthly repayments.

#### The Truworths International Limited Share Trust

This loan is interest free, unsecured and repayable by mutual agreement between the company and the trustees of the Truworths International Limited Share Trust. The movement for the period is due to further loans for the purchase of shares being granted to participants, resulting in the loan by the group to the Trust increasing.

#### Other loans

These include unsecured loans to the Truworths Community Foundation and the Truworths Social Involvement Trust and are not subject to interest. The activities of these charitable trusts are funded by these loans.

#### COMPANY

The Truworths International Limited Share Trust

-	26 558
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During the period, the funding of the Trust was restructured to ensure that the loan originates from Truworths Limited which employs the scheme participants.

## 6. INVENTORIES

Finished goods

154 175	141 041
---------	---------

Fabric

1 370	5 431
-------	-------

155 545	146 472
---------	---------

Estimated replacement value

187 909	171 840
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As cost is adjusted by mark-down to arrive at net realisable value, the numbers disclosed above include a small portion of items carried at net realisable value. Due to the immateriality of the amounts concerned, these items have not been separately identified.

## 7. TRADE AND OTHER RECEIVABLES

Trade account receivables

675 850	548 452
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Provision for doubtful debts

(37 068)	(30 733)
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638 782	517 719
---------	---------

Other receivables

19 333	19 528
--------	--------

658 115	537 247
---------	---------

The provision for doubtful debts has been calculated in accordance with the policy as noted in 1.8.3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	2002 Number 000	2001 Number 000	2002 R'000	2001 R'000
<b>8. CASH AND CASH EQUIVALENTS GROUP</b>				
Cash on deposit			129 548	224 054
Investments in preference shares			–	87 000
			<u>129 548</u>	<u>311 054</u>
The preference shares were redeemed during the period. These shares had a term of 6 months, earning a pre-tax return of 12.1%.				
<b>COMPANY</b>				
Cash on deposit			<u>1 332</u>	<u>979</u>
<b>9. SHARE CAPITAL GROUP AND COMPANY</b>				
<b>Ordinary share capital</b>				
<b>Authorised</b>				
650 000 000 (2001: 650 000 000) ordinary shares of 0.015 cent each			<u>98</u>	<u>98</u>
<b>Issued</b>				
467 602 856 (2001: 461 288 664 ) ordinary shares of 0.015 cent each			<u>70</u>	<u>69</u>
<b>Reconciliation of movement in issued shares:</b>				
Balance at the beginning of the period	461 289	457 709		
Capitalisation awards	–	1 554		
Share incentive scheme issues	6 314	2 026		
	<u>467 603</u>	<u>461 289</u>		
Issued share capital at the end of the period	<u>(13 612)</u>	–		
Set-off of treasury shares				
Adjusted issued share capital at the end of the period	<u>453 991</u>	<u>461 289</u>		
The shares allotted during the period were issued for an aggregate nominal value of R947 (2001: R537) and an aggregate subscription price before expenses of R20 318 254 (2001: R4 939 627). In terms of a shareholders' resolution passed on 23 November 2001, the directors have the general authority until the next annual general meeting to issue the unissued shares of the company, subject to the provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa.				
<b>10. SHARE PREMIUM GROUP AND COMPANY</b>				
Balance at the beginning of the period			105 117	100 662
Premium on share incentive scheme issues			20 318	4 939
Share issue expenses written off			(20)	(484)
Balance at the end of the period			<u>125 415</u>	<u>105 117</u>
<b>11. NON-DISTRIBUTABLE RESERVES GROUP</b>				
Balance at the beginning of the period			–	–
Losses on transactions with outside shareholders			–	(479)
Transfers from retained profits			–	479
Balance at the end of the period			<u>–</u>	<u>–</u>
<b>COMPANY</b>				
Reserve arising on the acquisition of subsidiary				
Balance at the beginning and the end of the period			<u>9 147</u>	<u>9 147</u>

	2002 R'000	2001 R'000
<b>12. SHARES REPURCHASED</b>		
Balance at the beginning of the period	-	-
Shares repurchased during the period	66 781	-
Balance at the end of the period	66 781	-
<p>During the period 13 612 454 shares were repurchased at an average price of R4.88 per share, constituting 2.9% of the company's issued share capital. The articles of association of the company's wholly-owned subsidiary, Truworths Limited, were altered by special resolution to enable it to acquire both its own and the company's shares, subject to the relevant provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa. The repurchase was effected by special resolution in which the said subsidiary was generally authorised to acquire its own shares and up to 10% of the company's shares. These special resolutions were passed on 25 October 2001 and registered by the Registrar of Companies on 3 December 2001.</p>		
<b>13. DEFERRED TAXATION</b>		
Net deferred tax liability at the beginning of the period	123 056	135 116
Deferred tax liability at the beginning of the period	141 190	152 615
Deferred tax asset at the beginning of the period	(18 134)	(17 499)
Movement for the period (refer note 28)	(15 795)	(12 060)
Participation in export partnerships (refer note 3.4)	(11 226)	(12 352)
Prepayments	(1 187)	783
Provision for doubtful debts	(2 004)	(376)
Post-retirement medical benefit obligation	(921)	74
Other	(457)	(189)
Net deferred tax liability at the end of the period	107 261	123 056
Deferred tax liability at the end of the period	128 926	141 190
Deferred tax asset at the end of the period	(21 665)	(18 134)
<b>Comprising:</b>		
Participation in export partnerships (refer note 3.4)	122 327	133 553
Accounts receivable	(5 366)	(3 543)
Accounts payable	(4 084)	(4 120)
Leave pay accrual	(1 194)	(1 194)
Prepayments	5 456	6 643
Post-retirement medical benefit obligation	(8 573)	(7 652)
Other	(1 305)	(631)
	107 261	123 056
<b>14. RETIREMENT BENEFIT OBLIGATION</b>		
Funding obligation	47 615	39 143
Funding asset	(10 536)	(10 255)
Funding deficit	37 079	28 888
Amount accrued in respect of funding obligation	-	1 252
Unrecognised actuarial losses	(8 503)	(4 633)
	28 576	25 507
<b>Reconciled as follows:</b>		
Net obligation at the beginning of the period	25 507	25 752
Net movement in income statement	3 069	(245)
Net expenses	3 659	255
Contribution paid in respect of funding obligation	(590)	(500)
Net obligation at the end of the period	28 576	25 507

Truworths Limited, a subsidiary of Truworths International Limited, has undertaken to meet any shortfalls arising from the healthcare fund's funding deficit in respect of the group's share of retirement benefit obligations.

Refer to note 24.8 and 25.7 for further details.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	2002 R'000	2001 R'000
<b>15. TRADE AND OTHER PAYABLES</b>		
<b>GROUP</b>		
Trade payables	82 325	140 706
Value-added tax	7 695	8 666
Shareholders for dividends	81	56
Other payables and accrued expenses	79 168	68 945
	<u>169 269</u>	<u>218 373</u>
<b>COMPANY</b>		
Shareholders for dividends	<u>81</u>	<u>56</u>
<b>16. PROVISIONS</b>		
<b>GROUP AND COMPANY</b>		
Discontinuing operations	<u>6 022</u>	<u>6 356</u>
The remaining provision relates to further anticipated costs in the administration of Sportsgirl Sportskraft Group (Proprietary) Limited, now known as Redfern Road (Proprietary) Limited (subject to Deed of Company Arrangement).		
<b>The movement during the period was as follows:</b>		
Balance at the beginning of the period	6 356	10 000
Amounts utilised/released during the period	(334)	(3 644)
Balance at the end of the the period	<u>6 022</u>	<u>6 356</u>
<b>17. CAPITAL COMMITMENTS</b>		
Capital expenditure authorised by the directors but not contracted:		
Computer equipment and software	25 657	25 343
Fixtures, plant and equipment	38 804	39 308
	<u>64 461</u>	<u>64 651</u>
The capital commitments will be financed by cash generated from operations and available cash resources.		
<b>18. CONTINGENT LIABILITY</b>		
<b>Participation in export partnerships</b>		
The South African Revenue Service (SARS) is investigating the taxation treatment by certain other companies participating in export partnerships with financial years ending after 1 March 1996. Trenchor Limited has materially warranted certain important aspects of the partners' participation, including any exposure that might arise in the event that SARS were to raise assessments in respect of this participation.		
Deferred taxation liability in respect of group's participation in export partnerships with financial years ending after 1 March 1996 (excluding interest and penalties)	<u>88 288</u>	<u>95 455</u>

<b>2002</b>	2001
<b>R'000</b>	R'000

## 19. LEASES

The group leases the majority of its land and buildings under operating leases, whereas other operating assets are generally owned. Leases on trading premises are contracted for periods of between 3 and 15 years, with renewal options for a further 3 or 5 years. The lease agreements for a number of stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Fifty-one stores reached the turnover threshold and therefore incurred these additional payments. Turnover clause rentals, where applicable, average approximately 5.5% of turnover. Rental escalations are linked mainly to the consumer price index and have varied at an average rate of approximately 9% per annum.

At 30 June 2002 the future minimum property operating lease commitments were:

<b>979 390</b>	1 244 543
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Due as follows:

Within one year	<b>140 551</b>	132 599
Between one and five years	<b>501 667</b>	501 089
Between five and ten years	<b>279 503</b>	417 221
Between ten and fifteen years	<b>57 669</b>	193 634

## 20. FINANCIAL RISK MANAGEMENT

### 20.1 Treasury risk management

The group has a detailed and comprehensive treasury policy which, inter alia, regulates currency, interest rate and counterparty exposures. These policies are approved by the board of directors and are regularly evaluated and adapted to take into account the rapid pace of change in this area. Speculative positions in foreign currency or interest rates are not permitted and derivatives may only be used for genuine hedging purposes.

### 20.2 Foreign currency management

#### 20.2.1 Forward exchange contracts

Group policy is to cover 100% of all committed import exposures. The group had no uncovered foreign currency liabilities at 30 June 2002. At the end of the period the group had entered into forward exchange contracts to hedge specific orders of goods. These contracts will mature within 12 months. The average rates shown include the cost of forward cover for periods of up to 12 months.

	Foreign currency '000	Fair value R'000	Contract equivalent R'000	Average rate
<b>2002</b>				
US Dollars	3 079	36 517	36 517	11.86
GB Pounds	21	364	364	17.04
<b>2001</b>				
US Dollars	1 516	13 282	13 282	8.10
GB Pounds	45	530	530	11.65
Euro	147	1 080	1 080	7.34

#### 20.2.2 Participation in export partnerships

A fixed rate of exchange is set for the purposes of converting the foreign currency receipts into rands, and any differences are for the account of Trenchor Services (Proprietary) Limited.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 June 2002

## 20. FINANCIAL RISK MANAGEMENT (continued)

### 20.3 Interest rate and liquidity risk management

The interest rate and maturity profile of group deposits is summarised as follows:

	Floating on call R'000	Fixed 1-6 months R'000	Fixed 7-12 months R'000	Total R'000
<b>2002</b>				
Cash on hand	129 548	–	–	129 548
Interest rate (%)	11.8	–	–	–
% of cash	100.0	–	–	100.0
<b>2001</b>				
Cash on hand	224 054	30 000	57 000	311 054
Interest rate (%)	9.5	12.1	12.5	–
% of cash	72.0	9.6	18.4	100.0

The group had R445 million unutilised domestic general banking facilities at 30 June 2002 (2001: R370 million). In terms of the company's articles of association, the borrowing powers of the company are unlimited. The borrowing powers of the group's wholly-owned operating subsidiary, Truworths Limited, may in terms of its articles of association be limited by the company.

### 20.4 Credit risk management

Credit risk management relates primarily to trade receivable and short-term cash investments. The group invests surplus cash only with A1+ and approved A1 rated financial institutions. The amount of exposure to any one counterparty is limited. Trade receivables comprise a large and widespread customer base. Group companies perform ongoing credit evaluations of the financial condition of their customers. The granting of credit is regulated, inter alia by the use of sophisticated point score models. The assumptions therein are reviewed and updated on a regular basis. At 30 June 2002 the group had adequately provided for any significant concentrations of credit risk.

#### Concentration of credit risk

There is a prima facie concentration of credit risk in relation to the group's participation in export partnerships referred to in note 3.4, in that the amounts due to the group by virtue of such participation are, in the first instance, owed by a single debtor. However, the indebtedness of this debtor to the group is underpinned by amounts owing to it by its numerous internationally dispersed customers. Furthermore the debtor is a wholly-owned subsidiary of Trecor Limited, a JSE Securities Exchange South Africa-listed company, which has warranted certain important cash flow aspects of our group's participation in these export partnerships. In addition, the partnerships have a contractual right to "put" the rights and obligations which they have under the long-term suspensive purchase agreements concluded with the seller of the containers, to Trecor Services (Proprietary) Limited, also a wholly-owned subsidiary of Trecor Limited, in the event that the debtor is 12 months or more in arrears with any payment due to the partnerships.

### 20.5 Fair value of financial instruments

Financial instruments have been recognised in the balance sheet. The following methods and assumptions were used by the group in establishing fair values.

#### Participation in export partnerships

The cash flows expected from the group's participation in export partnerships referred to in note 3.4 over the next 10 to 15 years have not been discounted. For fair presentation purposes, it is noted that any impairment to the amounts due to the group by virtue of its participation in such partnerships would result in a corresponding reduction in the related deferred taxation liability. Consequently such impairment would have no impact on either the cash flow statement or the income statement of the group.

#### Liquid resources, trade receivables and trade payables

The carrying amounts reported in the balance sheet approximate fair values.

	2002	2001
	R'000	R'000

## 20. FINANCIAL RISK MANAGEMENT (continued)

### 20.5 Fair value of financial instruments (continued)

#### Forward instruments

Forward exchange contracts are entered into mainly to cover import orders, and fair values are determined using foreign exchange market rates at 30 June 2002.

#### Loan to the The Truworths International Limited Share Trust

The loan to the The Truworths International Limited Share Trust is reflected at cost. The loan is unsecured and interest free. It is repayable by mutual agreement between the group and the trust, subject to participating employees having made repayments in respect of the loans made to them by the trust. Given that such payments are subject to different vesting periods and market fluctuations in the company's share price, and having regard for the large number of employees involved, a determination of the fair value of the loan with sufficient reliability is impractical.

#### Other loans

The loans to the Truworths Community Foundation and the Truworths Social Involvement Trust are reflected at cost. The loans are unsecured and interest free and repayable by mutual agreement between the group and the trusts. As there is uncertainty as to the timing of the repayment of these loans, a determination of their fair value with sufficient reliability is not possible.

## 21. REVENUE

### GROUP

Turnover	1 985 872	1 599 681
Sale of merchandise	1 983 961	1 594 970
Management and administrative fees	1 911	4 711
Dividends received	5 831	8 284
Interest received	84 200	68 393
	<b>2 075 903</b>	<b>1 676 358</b>

### COMPANY

Dividends received	76 246	54 187
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## 22. INTEREST RECEIVED

Investments	15 849	12 840
Trade receivables	68 351	55 553
	<b>84 200</b>	<b>68 393</b>

## 23. EXPENSES

Depreciation	57 618	48 576
Occupancy costs	158 905	146 455
Employment costs	270 905	240 064
Other operating costs	186 543	185 611
	<b>673 971</b>	<b>620 706</b>

## 24. OPERATING PROFIT BEFORE FINANCE COSTS, EXCEPTIONAL ITEM AND TAXATION

This is stated after taking account of the following items:

24.1 Deficit/(surplus) on realisation of property, fixtures, vehicles, plant, equipment and software	1 260	(788)
24.2 Auditors' remuneration		
Fees for audit – current year	1 000	786
– prior year underprovision	75	–
Other services	249	372
24.3 Computer software		
Expenses incurred	1 942	663

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	2002 R'000	2001 R'000
<b>24. OPERATING PROFIT BEFORE FINANCE COSTS, EXCEPTIONAL ITEM AND TAXATION (continued)</b>		
<b>24.4 Depreciation and leasehold amortisation</b>		
Land and buildings	5 468	481
Leasehold improvements	224	358
Fixtures, plant and equipment	37 090	36 257
Computer equipment and software	14 766	11 391
Motor vehicles	70	89
	<u>57 618</u>	<u>48 576</u>
<b>24.5 Foreign exchange loss/(profit)</b>	566	(1 384)
<b>24.6 Operating lease expenses</b>		
Land and buildings	135 714	125 000
Minimum lease payments	130 800	125 289
Turnover clause payments	6 942	3 014
Lease rental income	(2 028)	(3 303)
Fixtures, plant and equipment	685	630
	<u>136 399</u>	<u>125 630</u>
<b>24.7 Fees payable</b>		
Management, technical, administrative and secretarial fees	29 257	27 310
<b>24.8 Post-retirement medical benefits</b>		
Current service costs	1 460	1 400
Amount (released)/accrued in respect of funding obligation	(1 252)	1 252
Interest on obligation	4 430	5 340
Expected return on asset	(1 064)	(1 237)
Actuarial gains and losses	85	-
Curtailment	-	(6 500)
	<u>3 659</u>	<u>255</u>
Net expenses recognised (refer note 14)		

The actual return earned on the group's share of the healthcare fund's post-retirement medical benefit plan assets was R1.5 million (2001: R2.4 million). The difference between the actual and the expected returns on these plan assets is accounted for in the actuarial valuation of these assets. Changes to the post-retirement medical benefit structure and a reduction in the number of qualifying employees, resulted in the benefit curtailment in the prior financial year.

	Months paid	Remuneration R'000	Fees R'000	Bonuses R'000	Allowances R'000	Pension contributions R'000	Other benefits R'000	Share option gains R'000	Total R'000
<b>25. DIRECTORS AND EMPLOYEES</b>									
<b>25.1 Directors' emoluments</b>									
<b>2002</b>									
<b>Executive directors</b>									
M S Mark	12	1 973	–	2 155	261	311	134	2 655	7 489
A J Taylor	12	821	–	440	159	99	34	802	2 355
		2 794	–	2 595	420	410	168	3 457	9 844
<b>Non-executive directors</b>									
R G Dow		–	50	–	–	–	–	–	50
B D Lapin		–	40	–	–	–	–	–	40
C T Ndlovu		–	35	–	–	–	–	–	35
A E Parfett		–	55	–	–	–	–	–	55
L A Tager		–	40	–	–	–	–	–	40
		–	220	–	–	–	–	–	220
<b>2001</b>									
<b>Executive directors</b>									
		2 201	–	1 723	157	462	270	–	4 813
<b>Non-executive directors</b>									
		95	196	–	–	–	–	1 231*	1 522

The 2002 share option gains made by the executive directors arose as follows:

**M S Mark:**

1 000 000 options exercised on 15 May 2002 at a strike price of R3.66 (mid market price R5.40)

876 089 options exercised on 2 May 2002 at a strike price of R3.66 (mid market price R4.71)

**A J Taylor:**

311 000 options exercised on 11 April 2002 at a strike price of R2.28 (mid market price R4.83)

None of the non-executive directors has service contracts with the company. The executive directors have employment contracts with a subsidiary of the company. These contracts provide for notice periods not exceeding three months and benefits usually applicable to appointments of this nature.

The emoluments of the executive directors are determined by the remuneration committee and no predetermined compensation is payable on termination of their employment.

All amounts received by the executives, while being directors of the company, were in respect of services rendered to, and in connection with the carrying on of the affairs of a subsidiary.

All amounts received by the non-executives were for services rendered as directors of the company.

These emoluments were paid by the subsidiary, Truworths Limited.

The CEO, directors of Truworths Limited and key employees receive a salary and a performance-related incentive bonus based on individual and overall company performance. In addition, the vast majority of employees periodically receive bonuses based on company performance. The CEO, directors of Truworths Limited and key employees all have specific pre-determined goals and performance objectives which form a key component of their formal performance evaluation, which is the prime basis for determining their bonuses.

\* These options were granted in prior years, when Mr A E Parfett was an executive director.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

000's  
Shares      Options      Total

## 25. DIRECTORS AND EMPLOYEES (continued)

### 25.2 Directors' holdings of shares and options

The direct and indirect interest of each of the directors in the company's shares, all of which were held beneficially, are as follows:

#### 2002

##### Executive directors

M S Mark	5 325	5 968*	11 293
A J Taylor	311	1 402	1 713

##### Non-executive directors

R G Dow	–	171	171
B D Lapin	–	171	171
C T Ndlovu	–	30	30
A E Parfett	516	–	516
LA Tager	1	171	172

Balance at the end of the period	<u>6 153</u>	<u>7 913</u>	<u>14 066</u>
----------------------------------	--------------	--------------	---------------

Comprising:

Direct interest	2 394	7 913	10 307
Indirect interest	3 759	–	3 759
	<u>6 153</u>	<u>7 913</u>	<u>14 066</u>

#### 2001

##### Executive directors

M S Mark	3 449	7 504	10 953
A J Taylor	–	1 645	1 645

##### Non-executive directors

R G Dow	–	171	171
B D Lapin	–	171	171
C T Ndlovu	–	–	–
A E Parfett	317	685	1 002
LA Tager	–	171	171

Balance at the end of the period and the date of the directors' report	<u>3 766</u>	<u>10 347</u>	<u>14 113</u>
--	--------------	---------------	---------------

Comprising:

Direct interest	206	514	720
Indirect interest	3 560	9 833	13 393
	<u>3 766</u>	<u>10 347</u>	<u>14 113</u>

Between the financial period end and the date of the directors' report, there have been no changes to these interests.

\* These options have been granted in terms of the Truworths International Limited share scheme.

Mr M S Mark also holds 521 850 options over the company's shares in terms of the Wooltru Limited 1982 share scheme as a result of the latter company's unbundling on 26 June 2002. These latter options expire on 30 September 2002 and cannot be exercised separately from the options he holds over shares in other companies in the former Wooltru Limited group, since they are a constituent part of an indivisible bundle of options. At the year-end and the date of approval of these annual financial statements, the aggregate market value of the shares in question was lower than the aggregate strike price of the options comprising the bundle.

### 25.3 Directors' housing loans

#### Executive directors

M S Mark	270	270
A J Taylor	180	180
	<u>450</u>	<u>450</u>

### 25.4 Employees

The group employed 3 520 (2001: 3 386) full-time equivalent employees.

The aggregate remuneration and associated cost of permanent and casual employees including executive directors was:

Salaries, wages and other benefits	241 768	216 817
Contributions to the defined contribution pension plan	14 205	12 905
Post-retirement medical benefits	3 069	(245)
Medical scheme contributions	11 863	10 587
	<u>270 905</u>	<u>240 064</u>

	2002	2001
	number of	number of
	shares	shares
	000's	000's

## 25.5 Share incentive scheme

The group operates the Truworthis International Limited share scheme ("the scheme"), the Truworthis Limited share scheme having been rendered dormant in 2001.

Participation is open to all permanent employees at the discretion of the directors. In terms of the rules of the scheme, unless the trustees have otherwise determined, shares and options are released to participants at the rate of 20% per annum commencing on the first anniversary of the date of offer.

The deed of The Truworthis International Limited Share Trust ("the Trust") provides that scheme shares and options may not exceed 15% of the company's issued share capital. In determining this percentage, scheme shares sold by employees are to be included either until the employees have terminated their employment or ten years have elapsed from the date of issue of the shares or options.

It is the board's view that in order for the company to continue to perform above the average in the retail sector, it needs to align the interests of shareholders and those of management and staff. A key ingredient of this philosophy is the share scheme.

### Share incentive scheme

Shares held by participants	3 461	299
Shares held by the Trust	4 116	4 116
Options held by participants	31 422	33 259
Inclusion (in terms of Trust Deed) of released and unencumbered shares sold on the JSE Securities Exchange South Africa by participants who are still employees or directors	9 206	7 577
<b>Total utilisation</b>	<b>48 205</b>	<b>45 251</b>
Issued share capital at the end of the period	467 603	461 289
% utilisation	10.3	9.8
% available for utilisation	4.7	5.2
Share available for utilisation	21 935	23 942
<b>Shares held by participants:</b>		
Balance held at the beginning of the period	299	455
Capitalisation shares awarded	-	5
Issued when option exercised	6 314	2 035
Sold	(3 152)	(2 191)
Released from scheme	-	(5)
<b>Balance held at the end of the period</b>	<b>3 461</b>	<b>299</b>
<b>Shares held by Trust:</b>		
Balance held at the beginning of the period	4 116	4 140
Purchased	-	11
Sold	-	(35)
<b>Balance held at the end of the period</b>	<b>4 116</b>	<b>4 116</b>
<b>Options held by participants:</b>		
Balance held at the beginning of the period	33 259	29 478
Granted	5 509	24 274
Exercised	(6 314)	(2 035)
Cancelled or lapsed	(1 032)	(18 458)
<b>Balance held at the end of the period</b>	<b>31 422</b>	<b>33 259</b>
<b>Details of options exercised during the period:</b>		
Average subscription price per share	R3.22	R2.44
Weighted average market price per share traded	R5.13	R4.57
<b>Exercise conditions applicable to options:</b>		
Earliest date on which options could have been exercised	1 July 2002	1 July 2001
Latest date by which options become exercisable	17 May 2007	4 June 2006
Latest date by which options will lapse if not exercised	17 May 2012	4 June 2011
Lowest price	R1.65	R1.65
Weighted average price	R3.60	R3.30
Highest price	R5.72	R5.19

There is no income statement effect when the above benefits are granted.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** *continued**for the 53 weeks ended 30 June 2002***25. DIRECTORS AND EMPLOYEES (continued)****25.6 Retirement funds****Wooltru Group Retirement Fund: Defined contribution plan**

The Wooltru Group Retirement Fund is a money purchase arrangement whereby the members pay 7.5% of their pensionable salary as contributions towards retirement benefits and Truworths Limited ("Truworths") matches the amount. Truworths pays an additional 2.5% of pensionable salaries towards life insurance, disability benefits and administration costs. The fund's retirement age is 60. Membership of either this fund or Saccawu National Provident Fund is compulsory for all permanent and part-time employees under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Pension Funds Act, 1956, as amended.

Contributions by the group amounting to R12.0 million (2001: R10.7 million) were recognised as an expense during the 2002 financial period.

Number of members at 30 June 2002: 2 107 (2001: 2 040)

**Investment Solutions Pension Fund: Defined contribution plan**

All employees above an annually determined pensionable salary threshold have an option of paying 7.5% of their above threshold earnings as contributions into this fund, which is an umbrella retirement funding arrangement. Truworths matches this amount. Truworths pays an additional 2.87% of the above threshold pensionable earnings towards life insurance, disability benefits and administration costs. The fund's retirement age is 60 and retirement from this fund must coincide with retirement from the Wooltru Group Retirement Fund. The plan is registered under the Pension Funds Act 1956, as amended.

Contributions by the group amounting to R0.5 million (2001: R0.6 million) were recognised as an expense during the 2002 financial period.

Number of members at 30 June 2002: 29 (2001: 26)

**Saccawu National Provident Fund: Defined contribution plan**

The Saccawu National Provident Fund is an umbrella money purchase arrangement administered by Old Mutual. Members pay 7.5% of their pensionable salary towards retirement benefits and Truworths pays 9.5% of pensionable salaries towards retirement benefits, life insurance, disability benefits and administration costs. Membership of either the Wooltru Group Retirement Fund or the Saccawu National Provident Fund is compulsory for all permanent full-time and part-time employees.

Contributions by the group amounting to R1.5 million (2001: R1.4 million) were recognised as an expense during the 2002 financial period.

Number of members at 30 June 2002: 423 (2001: 439)

**Namflex Pension Fund: Defined contribution plan**

The Namflex Pension Fund is a money purchase arrangement whereby the members pay 7.5% of their pensionable salary as contributions towards retirement benefits and the employer matches the amount. The employer pays an additional 4% of pensionable salaries towards life insurance, disability benefits and administration costs. The fund's retirement age is 60. Membership of the fund is compulsory for all Namibian permanent employees under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Namibian Pension Funds Act.

Contributions by the group amounting to R0.2 million (2001: R0.2 million) were recognised as an expense during the 2002 financial period.

Number of members at 30 June 2002: 49 (2001: 48)

2002	2001
R'000	R'000

## 25. DIRECTORS AND EMPLOYEES (continued)

### 25.6 Retirement funds (continued)

#### Swaziland National Provident Fund: Defined contribution plan

The Swaziland National Provident Fund is an arrangement whereby the members and the company pay a statutory contribution based on their earnings on a 50/50 basis with a maximum contribution of E40 based on a maximum wage of E400. The fund provides for a retirement benefit at or after age 45 and an age benefit at or after age 50. The fund also provides for a disability benefit, immigration benefit and a survivor's benefit. The employer is registered under the provisions of the Registration of Contributing Employers Regulations 1975, and Section 8 of the Swaziland National Provident Fund Order 1974. Membership of the Fund is obligatory for all Swaziland permanent employees under normal retirement age.

Contributions by the group amounting to R3 600 (2001: R1 700) were recognised as an expense during the 2002 financial period.

Number of members at 30 June 2002: 8 (2001: 8)

### 25.7 Medical Funds

#### Wooltru Healthcare Fund: Defined benefit plan

Retired employees who participated in the Wooltru Healthcare Fund ("the fund"), which is operated as a group administration plan, and who joined the company prior to 30 June 2000, continue to enjoy group subsidised contributions after retirement on the same basis as permanent employees. The fund operates as a defined benefit medical aid scheme.

The group values its accrued future liability in respect of post-retirement medical aid contributions annually at 30 June. This liability is actuarially valued based on the projected unit credit method. For purposes of the valuation, a discount rate of 12% (2001: 14%), expected medical cost inflation of 10% (2001: 12%), expected returns on fund assets of 11% (2001: 14%) and normal retirement age of 60 were assumed.

At 30 June 2002, the net liability in respect of these post-retirement medical benefits, as reflected in the balance sheet amounted to R28.5 million (2001: R25.5 million). Refer to note 14 for further disclosure.

### 25.8 Other

Group employees and pensioners are entitled to a discount on purchases made at Truworths stores.

## 26. FINANCE COSTS

Interest paid to independent third parties

154	98
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## 27. EXCEPTIONAL ITEM

### GROUP

Distributions from discontinuing operations

5 328	14 999
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### COMPANY

Distributions from discontinuing operations

5 328	14 999
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Release of provision for costs relating to discontinuing operations

288	3 374
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5 616	18 373
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** *continued*

for the 53 weeks ended 30 june 2002

	2002 R'000	2001 R'000
<b>28. TAXATION</b>		
<b>GROUP</b>		
<b>28.1 Current period taxation charge</b>		
SA normal taxation:	149 777	98 787
Current period	149 189	97 942
Prior period under provision	588	845
Foreign taxation:	1 941	33
Current period	1 613	1 024
Prior period under/(over)provision	328	(991)
Deferred taxation – current period	(15 795)	(12 060)
Secondary taxation on companies	8 410	5 000
Transfer pricing taxation relating to periods 1996 to 1999:	18 686	–
Normal taxation	10 189	–
Secondary taxation on companies	3 023	–
Interest	5 474	–
	163 019	91 760
<b>Comprising:</b>		
South African normal taxation	133 982	86 727
Secondary taxation on companies	8 410	5 000
Transfer pricing taxation	18 686	–
Foreign taxes	1 941	33
	163 019	91 760
<b>COMPANY</b>		
<b>Current period taxation charge</b>		
Transfer pricing taxation relating to periods 1996 to 1999:		
Normal taxation	10 189	–
Secondary taxation on companies	3 023	–
Interest	5 474	–
	18 686	–
<b>28.2 Reconciliation of taxation rate</b>		
<b>GROUP</b>		
Standard rate of taxation – South Africa	30.0	30.0
Adjusted for:		
Difference in foreign taxation rates	0.1	0.1
Exempt income – exceptional item	(0.4)	(1.5)
Exempt income – other	(0.9)	(2.4)
Disallowable expenditure	0.8	1.8
Prior period taxation charges	0.2	(0.1)
Secondary taxation on companies and withholding taxes	1.8	1.6
Transfer pricing taxation	4.0	–
Effective tax rate	35.6	29.5

	2002	2001
	R'000	R'000
<b>28. TAXATION (continued)</b>		
<b>28.2 Reconciliation of taxation rate (continued)</b>	%	%
<b>COMPANY</b>		
Standard rate of taxation – South Africa	30.0	30.0
Adjusted for:		
Exempt income	(30.0)	(30.0)
Transfer pricing taxation	22.8	–
	<hr/>	<hr/>
Effective tax rate	22.8	–
	<hr/>	<hr/>

There are no assessed losses available for set off against future taxable income.

The transfer pricing taxation payment of R18.7 million, including income taxation, secondary taxation on companies and interest has been recorded as a taxation expense. Objections to the revised assessments issued by the South African Revenue Service (SARS) were submitted in September 2001. The objections are supported by independent legal opinion and relate to transfer pricing adjustments in respect of funds allegedly provided on a non-arms length basis to offshore subsidiaries in the 1996 to 1999 years. No response to these objections has yet been received from SARS. Treating the payment as an expense is considered prudent by management. Management's view, however, remains that the objections are technically sound.

## 29. DIVIDENDS

### GROUP AND COMPANY

Final dividend – 2000

1.301830 capitalisation shares per 100 shares or a cash dividend of 6.5 cents per share declared on 17 August 2000 and paid on 1 September 2000

21 999

Interim dividend – 2001

Cash dividend of 7.0 cents per share declared on 15 February 2001 and paid on 2 March 2001

32 188

Final dividend – 2001

Cash dividend of 7.5 cents per share declared on 22 August 2001 and paid on 21 September 2001

34 596

Interim dividend – 2002

Cash dividend of 9.0 cents per share declared on 21 February 2002 and paid on 18 March 2002

41 650

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76 246

54 187

The final dividend for the period ended 30 June 2002 of 13.0 cents per share declared on 22 August 2002, to shareholders registered on the record date of 13 September 2002, was paid on 16 September 2002.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	2002 No. shares 000's	2001 No. shares 000's	2002 R'000	2001 R'000
<b>30. EARNINGS AND CASH FLOW PER SHARE</b>				
The weighted average number of shares used in calculating the earnings per share statistics	457 139	459 092		
<b>30.1 Headline earnings basis</b>				
Headline earnings per share (cents)			63.5	44.2
<b>Headline earnings is calculated as follows:</b>				
Net profit attributable to ordinary shareholders			294 836	219 137
Net deficit/(surplus) on realisation of property, plant and equipment, after taxation and outside shareholders' interest			882	(1 024)
Exceptional item arising from discontinuing operations			(5 328)	(14 999)
Headline earnings			290 390	203 114
<b>30.2 Attributable earnings basis</b>				
Attributable earnings per share (cents)			64.5	47.7
Net profit attributable to ordinary shareholders			294 836	219 137
<b>30.3 Diluted earnings basis</b>				
Diluted headline earnings per share (cents)			62.0	43.4
Diluted earnings per share (cents)			63.0	46.8
Net profit attributable to ordinary shareholders			294 836	219 137
Weighted number of shares in issue				
Basic	457 139	459 092		
Add: Dilutive effect of share options	11 059	9 116		
Diluted weighted average number of shares	468 198	468 208		
The dilution arises from share options outstanding in respect of the share incentive scheme.				
<b>30.4 Attributable cash flow basis</b>				
Cash flow per share (cents)			32.2	50.0
This basis focuses on the cash inflow actually achieved during the period, calculated as follows:				
Cash generated by operations			147 415	229 475
Adjusted for:				
Outside shareholders' interest			-	(32)
Attributable cash flow			147 415	229 443
<b>30.5 Attributable cash equivalent earnings basis</b>				
Cash equivalent earnings per share (cents)			74.6	55.5
This basis recognises the potential of the earnings stream to generate cash. It is therefore an indicator of the underlying quality of earnings, calculated as follows:				
Earnings attributable to ordinary shareholders			294 836	219 137
Adjusted for :				
Non-cash items (note 32.1)			61 947	47 543
Deferred taxation (note 28.1)			(15 795)	(12 060)
Cash equivalent earnings			340 988	254 620

### 31. RELATED PARTY TRANSACTIONS

#### Related party transactions

Related party relationships existed with companies in the Wooltru Limited group until its unbundling on 26 June 2002. All transactions were conducted at arms length.

During the period ended 30 June 2002 material transactions took place as detailed below:

Counterparty (All (Proprietary) Limited companies unless otherwise stated)	Nature of relationship	Amount R'000	Balance owing by/ (to) R'000
<b>Management fees received:</b>			
Wooltru Finance	Fellow subsidiary	12	–
Wooltru Group Benefits (a division of Wooltru Finance)	Fellow subsidiary	4	1
Affinity Logic Management Services	Wooltru Limited associate	36	(2)
Woolworths	Wooltru Limited associate	11	–
Inthebag	Wooltru Limited associate	15	–
Wooltru Property Group	Fellow subsidiary	10	–
<b>Rental received:</b>			
Topics	Fellow subsidiary (until 31 March 2002)	269	–
Woolworths	Wooltru Limited associate	3 081	–
<b>Warehousing fees received:</b>			
Topics	Fellow subsidiary (until 31 March 2002)	1 823	–
<b>Interest received on funds deposited:</b>			
Wooltru Finance	Fellow subsidiary	220	–
<b>Rental paid:</b>			
Wooltru Property Group	Fellow subsidiary	250	–
Topics	Fellow subsidiary (until 31 March 2002)	167	–
Woolworths	Wooltru Limited associate	1 425	–
<b>Computer service fees paid:</b>			
Woolworths	Wooltru Limited associate	17 668	(1 667)
		<u>24 991</u>	<u>(1 668)</u>

#### Interest of directors in contracts

None of the directors has a material interest in any transaction with the company or any of its subsidiaries.

#### Interest of the directors in share capital

Details of the directors' interests in the company's share capital are contained in note 25.2 of the financial statements.

#### Loans to directors and officers

Details of housing loans to directors and officers are contained in note 5.1 and 25.3.

GROUP		COMPANY	
2002 R'000	2001 R'000	2002 R'000	2001 R'000

### 32. NOTES TO THE CASH FLOW STATEMENT

#### 32.1 Cash flow from trading

Net profit before taxation	457 855	310 927	81 883	72 464
Add: Non cash items	61 947	47 543	–	–
Depreciation	57 618	48 576	–	–
Net deficit/(surplus) on realisation of property, fixtures, vehicles, plant, equipment and software	1 260	(788)	–	–
Post-retirement medical benefit	3 069	(245)	–	–
Finance costs	154	98	–	–
Interest received	(84 200)	(68 393)	–	–
Dividends received	(5 831)	(8 284)	(76 246)	(54 187)
Exceptional item	(5 328)	(14 999)	(5 716)	(18 373)
Net inflow/(outflow)	<u>424 597</u>	<u>266 892</u>	<u>(79)</u>	<u>(96)</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the 53 weeks ended 30 june 2002

	GROUP		COMPANY	
	2002	2001	2002	2001
	R'000	R'000	R'000	R'000

## 32. NOTES TO THE CASH FLOW STATEMENT (continued)

### 32.2 Working capital movements

Increase in inventories	(9 073)	(22 770)	-	-
(Increase)/decrease in trade and other receivables	(117 055)	(35 893)	-	446
(Decrease)/increase in trade and other payables	(49 438)	36 770	(408)	(3 631)
Net outflow	(175 566)	(21 893)	(408)	(3 185)

### 32.3 Taxation paid

Amounts owing at beginning of the period	(64 325)	(52 603)	-	-
Amounts charged to the income statement	(135 923)	(86 760)	-	-
Secondary taxation on companies charged to the income statement	(8 410)	(5 000)	-	-
Transfer pricing adjustment	(18 686)	-	(18 686)	-
Deferred taxation movement	(15 795)	(12 060)	-	-
Amounts owing at end of the period	51 641	64 325	-	-
Net outflow	(191 498)	(92 098)	(18 686)	-

### 32.4 Investment to maintain operations

Fixtures, plant and equipment	(15 439)	(16 855)	-	-
Computer equipment and software	(5 951)	(4 598)	-	-
Net outflow	(21 390)	(21 453)	-	-

### 32.5 Investment to expand operations

Land and buildings	(144 476)	(76)	-	-
Fixtures, plant and equipment	(23 158)	(25 283)	-	-
Computer equipment and software	(17 854)	(13 795)	-	-
Motor vehicles	(1 022)	(1 623)	-	-
Net outflow	(186 510)	(40 777)	-	-

### 32.6 Proceeds on disposal of property, fixtures, vehicles, plant, equipment and software

	1 474	2 230	-	-
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## 33. COMPARATIVE FIGURES

Certain format changes have been made to the income statement and cash flow statement, resulting in the reclassification of certain comparative figures.

## 34. INFLATION ACCOUNTING

To be of value to investors, a method of accounting for the effect of inflation should generally be widely implemented and yield meaningful results allowing for valid comparison of performance between companies. Until this principle is more widely accepted, the group will continue to publish its results on an historical basis only.

## 35. POST BALANCE SHEET EVENTS

No event, material to the understanding of these annual financial statements has occurred between the financial year end and the date of approval.

## ANNEXURE ONE

## details of subsidiary companies

Name	Main business	Ordinary share capital and premium		Percentage held (effective interest)		Book value of shares		Amounts owing by subsidiaries	
		2002	2001	2002	2001	2002	2001	2002	2001
				%	%	R'000	R'000	R'000	R'000
<b>DIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Proprietary) Limited companies</b>									
unless otherwise stated									
<b>Incorporated in South Africa</b>									
Truworths Limited	Retailing	<b>R23 883 152</b>	R23 883 152	<b>100.0</b>	100.0	<b>100 330</b>	100 330	<b>44 243</b>	13 098
SRG International	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Truworths Trading	Dormant	<b>R60</b>	R60	<b>100.0</b>	100.0				
<b>Incorporated in Guernsey</b>									
Truworths International Trust	Investment holding	<b>N/A</b>	N/A	<b>100.0</b>	100.0	<b>N/A</b>	N/A		
Truworths Worldwide Limited	Investment holding	<b>US\$5 386 039</b>	US\$5 386 039	<b>100.0</b>	100.0				
<b>INDIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Proprietary) Limited companies</b>									
unless otherwise stated									
<b>Incorporated in South Africa</b>									
Chez Brigitte Fashion Accessories	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Daniel Hechter	Dormant	<b>R200</b>	R200	<b>100.0</b>	100.0				
Intrigue Fine Lingerie Company	Dormant	<b>R100</b>	R100	<b>100.0</b>	100.0				
Identity Retailing	Commission Agent	<b>R2</b>	R2	<b>100.0</b>	100.0				
Truworths Management Services	Dormant	<b>R12 000</b>	R12 000	<b>100.0</b>	100.0				
The Credit Recovery Corporation	Dormant	<b>R14</b>	R14	<b>100.0</b>	100.0				
Truworths Man	Dormant	<b>R1</b>	R1	<b>100.0</b>	100.0				
Truworths Personal Finance	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Woolmos Properties Share Block Limited	Investment Holding	<b>R5 920 950</b>	R5 920 950	<b>76.8</b>	1.3	<b>10 299</b>	1 700		
<b>Incorporated in Namibia</b>									
Truworths (Namibia) Limited	Retailing	<b>N\$14</b>	N\$14	<b>100.0</b>	100.0				
<b>Incorporated in Swaziland</b>									
Truworths (Swaziland) Limited	Retailing	<b>E40 000</b>	E40 000	<b>100.0</b>	100.0				
<b>Incorporated in Lesotho</b>									
Truworths (Lesotho)	Dormant	<b>M2</b>	M2	<b>100.0</b>	100.0				
<b>Incorporated in Zambia</b>									
Truworths (Zambia) Limited	Dormant	<b>K50 000</b>	K50 000	<b>100.0</b>	100.0				

ANNEXURE ONE *continued*

for the 53 weeks ended 30 June 2002

## details of subsidiary companies

Name	Main business	Ordinary share capital and premium		Percentage held (effective interest)	
		2002	2001	2002 %	2001 %
<b>INDIRECT SUBSIDIARY COMPANIES continued</b>					
<b>All (Proprietary) Limited companies unless otherwise stated</b>					
<b>Incorporated in Australia</b>					
Tarra Valley	Investment holding	<b>Au\$23 405 000</b>	Au\$23 405 000	<b>100.0</b>	100.0
Select Retail Group Australia	Investment holding	<b>Au\$8 350 008</b>	Au\$8 350 008	<b>100.0</b>	100.0
Sportscraft Holdings Redfern Road	Dormant	<b>Au\$4 207 985</b>	Au\$4 207 985	<b>100.0</b>	100.0
(subject to Deed of Company Arrangement)	Under administration	<b>Au\$7 613 643</b>	Au\$7 613 643	<b>100.0*</b>	100.0*
Crestknit Industries					
(subject to Deed of Company Arrangement)	Under administration	<b>Au\$3 088 171</b>	Au\$3 088 171	<b>100.0*</b>	100.0*
<b>Incorporated in Guernsey</b>					
Truworths International Holdings Limited	Investment holding	<b>US\$6 290 000</b>	US\$6 290 000		
Select Retail Group 1994 Limited	Investment holding	<b>US\$6 290 000</b>	US\$6 290 000	<b>100.0</b>	100.0
Truworths International Limited	Trading	<b>US\$3</b>	US\$3	<b>100.0</b>	100.0
<b>Incorporated in the Isle of Man</b>					
Truworths Intellectual Property Limited	Intellectual Property Holding	<b>US\$3</b>	US\$3	<b>100.0</b>	100.0

\* Although Truworths International Limited's holding in these subsidiaries is 100%, they relate to operations discontinued at 25 November 1999 and consequently their results have not been consolidated at 30 June 2002.

## SHAREHOLDER INFORMATION

Number of certificated shareholders			% of certificated shareholders		Number of shares		% of issued share capital	
2002	2001		2002	2001	2002	2001	2002	2001
<b>CERTIFICATED SHAREHOLDER ANALYSIS AT 30 JUNE</b>								
<b>1 954</b>	1 504	1 – 1 000 shares	<b>81.89</b>	79.41	<b>231 961</b>	239 544	<b>0.05</b>	0.05
<b>359</b>	314	1 001 – 10 000 shares	<b>15.05</b>	16.58	<b>1 027 993</b>	916 203	<b>0.22</b>	0.20
<b>66</b>	50	10 001 – 100 000 shares	<b>2.77</b>	2.64	<b>1 501 646</b>	1 319 697	<b>0.32</b>	0.29
<b>7</b>	26	Over 100 000 shares	<b>0.29</b>	1.37	<b>464 841 256</b>	458 813 220	<b>99.41</b>	99.46
<b>2 386</b>	1 894		<b>100.00</b>	100.00	<b>467 602 856</b>	461 288 664	<b>100.00</b>	100.00
<b>1</b>	0	CSD control account (uncertificated)	<b>0.04</b>	0.00	<b>461 806 232</b>	–	<b>98.76</b>	–
<b>100</b>	65	Companies and close corporations	<b>4.19</b>	3.43	<b>535 913</b>	1 240 870	<b>0.11</b>	0.27
<b>97</b>	96	Nominees and trusts	<b>4.07</b>	5.07	<b>2 614 241</b>	457 692 722	<b>0.56</b>	99.22
<b>17</b>	5	Retirement funds	<b>0.71</b>	0.26	<b>63 018</b>	349 046	<b>0.01</b>	0.08
<b>3</b>	1	Insurance companies	<b>0.13</b>	0.06	<b>250</b>	200 000	<b>0.01</b>	0.04
<b>2 168</b>	1 727	Individuals	<b>90.86</b>	91.18	<b>2 583 202</b>	1 806 026	<b>0.55</b>	0.39
<b>2 386</b>	1 894		<b>100.00</b>	100.00	<b>467 602 856</b>	461 288 664	<b>100.00</b>	100.00

**Note:** The CSD is the Central Securities Depository, STRATE Limited, which maintains a control account of all dematerialised shareholdings held in electronic sub-registers maintained by the CSD Participants (CSDP's), ie major banks, since the company migrated onto the STRATE electronic share settlement system in October 2001.

**SHAREHOLDER SPREAD AT 30 JUNE**

Pursuant to the Listings Requirements of the JSE Securities Exchange South Africa and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 June 2002 was as follows:

	%	%
	2002	2001
<b>Non-public shareholders</b>		
Truworths Limited (repurchased shares)	<b>2.91</b>	–
Directors of the company and subsidiaries	<b>0.75</b>	0.12
Associates of directors of the company and subsidiaries	<b>0.82</b>	0.77
Holdings by or for employees, (excluding directors), in terms of the company's share scheme	<b>0.89</b>	0.89
Wooltru Limited	–	53.84
<b>Total non-public shareholders</b>	<b>5.37</b>	55.62
<b>Public shareholders</b>	<b>94.63</b>	44.38
	<b>100.00</b>	100.00

## SHAREHOLDER INFORMATION *continued*

### MAJOR SHAREHOLDERS

According to the sub-registers of dematerialised shareholdings maintained by the CSDP's, the following persons had more than 5% of the company's shares registered in their names at 30 June 2002:

	Number of shares	% of issued capital
Standard Bank Nominees	153 646 570	32.86
Nedcor Bank Nominees	144 560 160	30.92
First National Nominees	44 565 470	9.53
Old Mutual Nominees	33 315 137	7.12
ABSA Nominees	23 630 366	5.05

### MAJOR SHAREOWNERS

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 140A(5) of the Companies Act, the following persons owned in excess of 5% of the company's shares at 30 June 2002:

	Number of shares	% of issued capital
Old Mutual Life Assurance Company	34 275 155	7.33
Public Investment Commissioners	32 927 543	7.04
Liberty Group	25 941 193	5.55

### MAJOR FUND MANAGERS

According to the disclosures made by nominee and asset management companies in terms of section 140A of the Companies Act, the following fund managers administered client portfolios (including those of the major shareowners above) which portfolios included more than 5% of the company's shares at 30 June 2002.

	Number of shares	% of issued capital
Investec Asset Management	66 140 618	14.14
Allan Gray	59 134 557	12.65
Old Mutual Asset Managers	53 657 580	11.48
Stanlib Asset Management	48 981 766	10.48
Sanlam Investment Managers	39 880 187	8.53
Metal Industries Benefit Funds Administrators	25 194 863	5.39

## **Truworths International Limited**

Registration no 1944/017491/06

JSE code: TRU

ISIN: ZAE000028296

## **Company secretary**

C Durham

FCIS, M Com

PG Dip. Adv. Co Law (UCT)

## **Registered office**

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## **Postal address**

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South Africa

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Telefax +27 21 460 7132

Website [www.truworths.co.za](http://www.truworths.co.za)

## **Transfer secretaries – South Africa**

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Telefax +27 11 370 5271

Website [www.computershare.com](http://www.computershare.com)

## **Transfer secretaries – Namibia**

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Windhoek

Namibia

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## **Principal bankers**

The Standard Bank of South Africa

Limited

## **Auditors**

Ernst & Young

## **Sponsor in South Africa**

HSBC Investment Services (Africa)

(Proprietary) Limited

## **Sponsoring broker in Namibia**

HSBC Securities (Namibia) (Proprietary)

Limited

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