

THE TRUWORTHS BUSINESS PHILOSOPHY MODEL

the essence of what we stand for

OUR BUSINESS

Truworthis is a leading fashion retailer operating through two hundred and fifty seven stores in South Africa and fourteen franchise operations in Africa and the Middle East.

Its specialised retail formats - Truworthis, Truworthis Man, Daniel Hechter, Inwear, Fine Jewellery, Elements and LTD - have developed over time to meet the lifestyle needs of youthful, fashionable South Africans. Our cash chain, Identity, has been expanded to twenty-seven stores.

PHILOSOPHY

The Truworthis business model is driven by a philosophy that has been developed and refined over many years in pursuit of a unique approach to achieve sustainable growth in the complex and fast moving retail fashion environment.

A major asset in this pursuit is the strength of the Truworthis brand that represents to youthful, fashionable consumers an innovative South African interpretation of fashion trends and attractive styling, competitive with the highest international standards.

We strive to:

- Make the Truworthis brand of fashion merchandise the most aspirational, innovative and adventurous blend of colour, fabric, value and fashion styling.
- Make the Truworthis store, the brand destination, the most enticing, visually appealing and effortless retail shopping environment.
- Engage and energise our people who personify the brand.
- Lead and motivate our staff to deliver consistently in the context of our value system so that we continue to build brand integrity.

We measure our success in terms of how customers respond to our retail offering and how shareholders rate our capacity to execute innovative strategies that deliver significant real growth year after year.

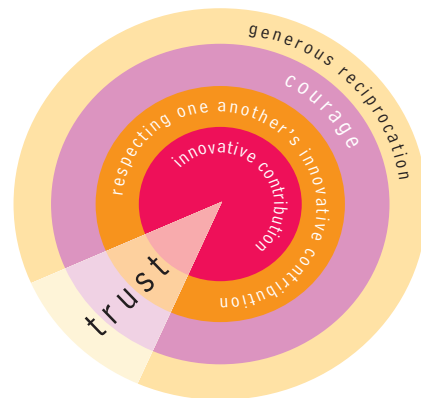
VALUES

The group's value system is at the core of our philosophy. It guides the way we do business and how we interact with stakeholders. Through our values, together with the consistent application of policies, practices and a disciplinary code, we seek to achieve the highest standards of business ethics and integrity. Our values have been developed in consultation with employees, and ongoing induction for new staff members serves to further inculcate the value system in the culture of the group.

our purpose

Youthful fashionable South Africans want to look attractive and successful and feel enthused with confidence. To this end, Truworthis entices them into the most exciting 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 international standards.

our value system



the vision we aim at for customers to say

Truworthis 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 Truworthis is effortless and I am helped by lively and committed people.

the vision we aim at for shareholders to say

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



GROUP FINANCIAL HIGHLIGHTS

		2002 53 weeks	2001 52 weeks	Change %
Operational performance (Rm)				
Turnover – sale of merchandise		1 984	1 595	24.4
Trading profit		363	219	65.8
Operating profit before finance costs, exceptional item and taxation		453	296	53.0
Net profit attributable to ordinary shareholders		295	219	34.7
Headline earnings		290	203	42.9
Capital expenditure incurred		208	62	235.5
Cash EBITDA		430	275	56.4
Cash generated from operations		255	253	0.8
Cash and cash equivalents		130	311	(58.2)
Total assets		1 420	1 323	7.3
Market capitalisation		2 801	2 348	19.3
Ordinary share performance (cents per share)				
Attributable earnings		64.5	47.7	35.2
Headline earnings		63.5	44.2	43.7
Cashflow		32.2	50.0	(35.6)
Dividends declared		22.0	14.5	51.7
Net asset value		233.0	192.0	21.4
Market price at period end		599.0	509.0	17.7
Financial statistics				
Operating profit as a % of sale of merchandise	%	22.8	18.6	
Return on average ordinary shareholders' equity	%	30.3	27.4	
Net cash as a % of shareholders' equity	%	12.3	35.1	
Current ratio	:1	4.2	3.5	
Total liabilities: shareholders' equity	:1	0.3	0.5	
Dividend cover	times	2.9	3.3	
Cash value added	Rm	746	687	8.6
Cash value added per FTE employee	R'000	211.8	202.8	4.4
Key indicators in US dollars (US\$m)*				
Turnover – sale of merchandise		194	213	(8.9)
Net profit attributable to ordinary shareholders		29	29	–
Cash EBITDA		42	37	13.5
Total assets		142	165	
Market capitalisation		281	292	

* Income Statement and Cash Flow figures have been translated at an average rate of R10.206/US\$1 (2001: R7.49). Balance Sheet figures have been translated at a closing rate of R9.985/US\$1 (2001: R8.045).

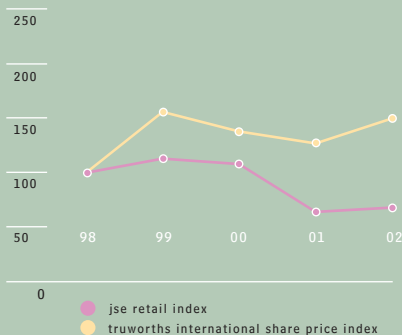
TRUWORTHS INTERNATIONAL SHARE STATISTICS

Year		2002	2001	2000	1999	1998*
Number of weeks		53	52	52	52	52
JSE Securities Exchange performance						
Traded prices						
year end	cents per share	599	509	550	625	400
high	cents per share	600	580	720	700	915
low	cents per share	415	350	450	208	400
weighted average price per share traded	cents per share	513	457	578	464	637
Price earnings ratio		9.4	11.5	17.1	22.9	11.9
Truworths International share price index	1998:100	150	127	138	156	100
JSE retail index (now J052, previously 1X80)	1998:100	68	64	108	113	100
Closing market price/net asset value per share	cents per share	2.57	2.65	3.51	3.83	2.84
Number of shares in issue	000's	467 603	461 289	457 709	448 511	429 526
Volume of shares traded	000's	180 585	102 827	142 235	107 670	31 024
Number of transactions		7 065	6 985	8 241	10 585	3 170
Volume traded as a % of number in issue		38.62	22.29	31.08	24.01	7.22
Value of shares traded	Rm	927	470	822	500	198
Market capitalisation	Rm	2 801	2 348	2 517	2 803	1 718
Number of shareholders		2 386	2 305	3 060	3 878	4 804
Earnings yield	%	10.8	9.4	(0.5)	4.6	8.3
Dividends yield	%	3.7	2.8	2.3	2.0	2.0

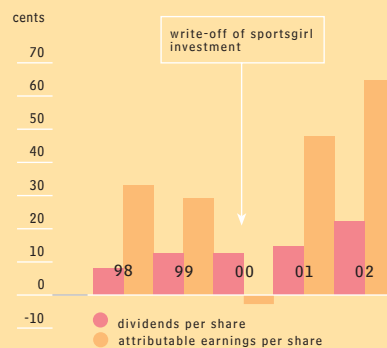
Ordinary share performance

Earnings						
attributable earnings basis	cents per share	64.5	47.7	(2.7)	29.0	33.0
headline earnings basis	cents per share	63.5	44.2	32.2	27.3	33.5
Cash flow per share	cents per share	32.2	50.0	43.0	36.2	32.3
Cash equivalent earnings per share	cents per share	74.6	55.5	9.5	42.4	48.1
Net asset value per share	cents per share	233.0	192.0	156.6	163.1	140.6
Dividends declared	cents per share	22.0	14.5	12.5	12.5	8.1
Dividend cover	times	2.9	3.3	–	2.3	4.1
Shares repurchased	Rm	66.8	–	–	–	–

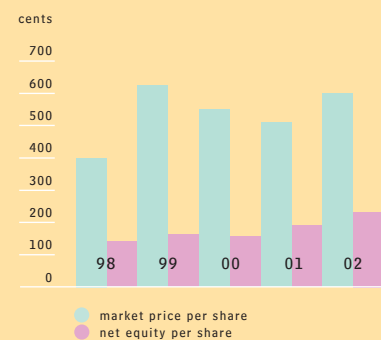
*The statistics for 1998 are for the period between 11 May 1998 (date of listing) and 30 June 1998. Definitions are provided on pages 10 and 11.



Share performance



Dividends and attributable earnings per share



Market price compared to net equity per share

TRUWORTHS LIMITED BOARD



from left to right:

executive directors: operating company

E F Cristaudo (43)

Dip EDP, Dip Marketing Man, CNE, B Com
Director: Customer relations management
and systems
Employee of Truworths since 1997
Appointed to the board in 2000

D N Dare (41)

B Bus Sc
Director: Merchandising
Employee of Truworths since 1984
Appointed to the board in 1999

P A McInnes (46)

B Sc HDE, Dip Marketing Man, MBA
Director: Human resources
Employee of Truworths since 1993
Appointed to the board in 1997

W M van der Merwe (44)

B Com, B Acc Sc (Hons), CA (SA)
Director: Finance
Employee of Truworths since 1999
Appointed to the board in 1999

A J Taylor (55)

BA
Deputy managing director
Director: Retail operations
Employee of Truworths since 1992
Appointed to the board in 1992

D L Kohler (49)

BA (Econ) (Hons)
Director: Store and franchise operations
Employee of Truworths since 1981
Appointed to the board in 1997

J A Holtzhausen (49)

Dip Datametrics, MAP
Director: Information systems
Employee of Truworths since 1997
Appointed to the board in 2000

R M Wyatt (56) (British)

Dip AD Int Des
Director: Architecture and design
Employee of Truworths since 1979
Appointed to the board in 1997

M S Mark (49)

B Com, MBA, ACMA
Executive chairman
Employee of Truworths since 1988
Appointed to the board in 1991

T D Murdoch-Coyle (42) (Dutch)

Dip H Ed
Director: Buying and design
Employee of Truworths since 1985
Appointed to the board in 1998

TRUWORTHS INTERNATIONAL LIMITED BOARD



from left to right:

directors: holding company

EXECUTIVE DIRECTORS

M S Mark (49)

B Com, MBA, ACMA

Chairman and chief executive officer

Appointed to the board in 1988

A J Taylor (55)

BA

Deputy managing director of Truworths Limited

Appointed to the board in 1999

W M van der Merwe (44)

B Com, B Acc Sc (Hons), CA (SA)

Financial director of Truworths Limited and Truworths International Limited

Appointed to the board in August 2002

NON-EXECUTIVE DIRECTORS

C T Ndlovu (47)

B Sc, MBChB

Medical practitioner

Director of Motheo Construction (Proprietary) Limited and Women's Development Bank

Investment Holdings (Proprietary) Limited

Appointed to the board in 2001

Independent director

L A Tager (66)

BA LLB, H Dip Tax Law, LLM (Harvard)

Chairman of Wooltru Limited

Non-executive director of Barloworld Limited

Appointed to the board in 1998

Member of remuneration committee

Member of ethics and governance committee

Independent director

R G Dow (45)

B Sc (Hons), Dip Acc (dist), CA (SA)

Non-executive director of Nozala Holdings Limited and Nozala Investments Limited

Appointed to the board in 1998

Chairman of remuneration committee

Independent director

B D Lapin (52)

Senior International Rabbinic Diploma in Law, Ethics and Philosophy

Managing director of Strategic Business Ethics Inc

Appointed to the board in 1998

Chairman of ethics and governance committee

Independent director

A E Parfett (60)

Retired retail executive

Business consultant

Appointed to the board in 1988

Chairman of audit committee

Independent director in June 2003

TRUWORTHS INTERNATIONAL LIMITED SUMMARISED GROUP STRUCTURE

at 30 June 2002 (all companies are wholly owned unless otherwise stated, and only material subsidiaries are included)



TRUWORTHS LIMITED SEVEN YEAR REVIEW

Year	Seven year compound growth %	2002	2001	2000	1999	1998	1997	1996
Number of weeks		53 Rm	52 Rm	52 Rm	52 Rm	52 Rm	52 Rm	53 Rm
INCOME STATEMENT								
Turnover	11.8	1 986	1 600	1 421	1 251	1 135	1 005	912
Sale of merchandise		1 984	1 595	1 417	1 247	1 132	1 005	912
South Africa		1 912	1 540	1 369	1 205	1 097	975	–
Rest of Africa		63	48	43	37	31	28	–
Middle East		9	7	5	5	4	2	–
Management and administration fees		2	5	4	4	3	–	–
Cost of sales	11.0	(949)	(760)	(677)	(599)	(541)	(483)	(457)
Gross profit		1 037	840	744	652	594	522	455
Operating expenses	11.9	(674)	(621)	(575)	(483)	(437)	(378)	(307)
Trading profit	13.7	363	219	169	169	157	144	148
Net interest received		89	76	63	77	59	47	24
Operating profit before exceptional item and taxation	14.8	452	295	232	246	216	191	172
Exceptional item		–	–	(194)	4	(2)	(7)	–
Profit before taxation	14.8	452	295	38	250	214	184	172
Taxation		(144)	(92)	(70)	(74)	(79)	(66)	(59)
Net profit/(loss) attributable to ordinary shareholders	15.5	308	203	(32)	176	135	118	113
CASH FLOW STATEMENT								
Cash flow from operating activities								
Cash flow from trading	14.0	428	267	26	212	194	163	171
Dividends received		5	7	9	5	–	–	–
Cash EBITDA	14.2	433	274	35	217	194	163	171
Working capital movements		(139)	(12)	(47)	(50)	(47)	(45)	(69)
Cash generated from/(utilised by) operations	16.3	294	262	(12)	167	147	118	102
Net interest received		83	69	55	72	59	47	29
Taxation paid		(173)	(92)	(72)	(82)	(76)	(54)	(81)
Cash generated/(utilised by) operations	22.2	204	239	(29)	157	130	111	50
Dividends paid		(76)	(53)	(16)	(15)	(12)	(10)	(50)
Net cash retained/(utilised)		128	186	(45)	142	118	101	–
Net movement in fixed assets		(205)	(61)	(62)	(48)	(59)	(51)	(39)
Loans and other investments		(30)	24	22	(3)	10	11	(1)
Net cash outflow from investing activities		(235)	(37)	(40)	(51)	(49)	(40)	(40)
Net cash flow from financing activities		–	–	–	–	–	–	9
Shares issued		–	–	–	–	–	–	9
Shares repurchased		(67)	–	–	–	–	–	–
Net cash (outflow)/inflow from financing activities		(67)	–	–	–	–	–	9
Net (decrease)/increase in cash and cash equivalents		(174)	149	(85)	91	69	61	(31)
Cash and cash equivalents at beginning of the period		302	153	238	147	78	17	48
Cash and cash equivalents at end of the period		128	302	153	238	147	78	17
BALANCE SHEET								
Assets								
Non-current assets		524	280	291	300	281	217	176
Current assets		959	1 015	801	820	663	554	454
Total assets	13.0	1 483	1 295	1 092	1 120	944	771	630
Equity and liabilities								
Ordinary shareholders' equity		1 082	850	701	748	588	455	357
Non-current liabilities		136	149	161	167	168	117	93
Current liabilities		265	296	230	205	188	199	180
Total equity and liabilities		1 483	1 295	1 092	1 120	944	771	630

The above information relates only to the operating subsidiaries.

TRUWORTHS LIMITED RATIOS

Year	Seven year compound growth % or average (Av.)		2002	2001	2000	1999	1998	1997	1996
Number of weeks			53	52	52	52	52	52	53
Returns									
Return on average ordinary shareholders' equity	%	Av. 24.2	31.9	26.1	(4.5)	26.3	25.8	29.0	35.2
Return on capital	%	Av. 42.2	46.8	37.9	32.8	37.8	42.3	45.8	51.7
Asset reinvestment rate	:1	Av. 1.4	1.2§	1.3	1.3	1.1	1.7	1.8	1.4
Return on invested capital (ROIC)	%	Av. 18.6	21.7	20.1	17.3	17.8	16.0	—*	—*
Weighted average cost of capital (WACC)	%	Av. 17.9	16.5	16.4	18.5	19.9	18.3	—*	—*
ROIC vs. WACC	%		5.4	3.7	(1.2)	(2.1)	(2.3)	—*	—*
Productivity									
Sale of merchandise per full time equivalent (FTE) employee	R'000	10.2	564	471	428	359	345	315	285
Sale of merchandise per store	R'000	9.0	7 728	6 255	5 759	5 422	5 051	4 548	4 223
Annualised sale of merchandise per trading square metre	R	7.0	16 641	14 329	13 082	11 965	11 497	10 806	10 358
Net asset turn	times		1.8	1.9	2.0	1.7	1.9	2.2	2.6
Net assets per FTE employee	R'000		307	251	212	216	179	143	112
Gross margin	%	Av. 51.9	52.2	52.4	52.3	52.4	52.1	51.9	49.9
Operating margin	%	Av. 19.2	22.8	18.5	16.4	19.7	19.1	19.0	18.8
Trading margin	%	Av. 14.6	18.3	13.7	11.9	13.6	13.9	14.3	16.2
EBITDA margin	%	Av. 22.2	25.7	21.4	20.1	23.7	22.5	21.3	20.9
Attributable earnings per FTE employee	R'000		87.5	59.8	(9.5)	50.6	41.2	36.9	35.1
Stock turn	times		6.1	5.2	5.5	4.5	3.7	4.8	—*
Effective tax rate	%	Av. 33.2	31.9	31.2	31.7	29.8	37.2	35.9	34.6
Solvency and liquidity									
Net cash to shareholders' equity	%	Av. 21.2	11.8	35.3	21.7	32.0	25.0	17.6	4.8
Current ratio	:1	Av. 3.3	3.6	3.4	3.5	4.0	3.5	2.8	2.5
Total liabilities to shareholders' equity	%	Av. 57.3	37.1	52.2	55.8	49.6	60.5	69.3	76.5
Key debtor statistics†									
Number of active customer accounts	000		737	729	709				
Arrears	%		13	15	18				
Net bad debt as a % of credit retail sales	%		2.2	3.7	4.7				
Credit: cash sales mix	%		72:28	75:25	77:23				
Debtor days	days		139	140	142				
Net bad debt as a % of gross debtors' book	%		5.4	9.2	11.4				
Bad debt provision as a % of gross debtors' book	%		5.6	5.6	5.0				
Cost of credit	Rm		18	37	—*				
Operating statistics									
Total number of full time equivalent employees		1.4	3 520	3 386	3 310	3 474	3 281	3 187	3 197
Total number of stores, excluding franchise stores			257	255	246	230	224	221	216
Total trading area	m ²	4.5	119 622	115 414	109 402	104 221	98 419	93 007	88 066
Total number of franchise stores			14	12	10	7	6	3	2
Store expenses	Rm		417	391	—*				
Annual growth (%)									
Sale of merchandise			24.1	12.6	13.6	10.2	12.6	10.2	14.0
Trading profit			65.7	29.7	(0.3)	7.7	9.3	(2.8)	—*
Operating profit			53.2	27.1	(5.9)	14.1	13.0	11.4	20.3
Net profit before taxation			53.2	676.3	(85.0)	16.9	16.5	7.0	20.3
Net profit attributable to ordinary shareholders			51.7	—‡	—‡	30.7	14.2	4.8	21.1

The above information relates only to the operating subsidiaries.

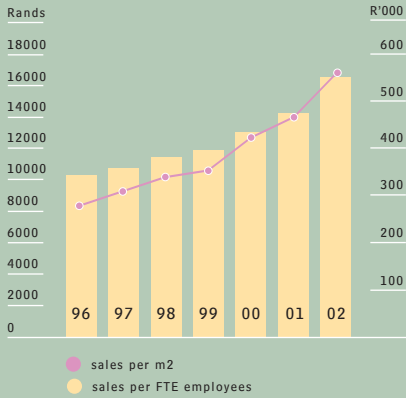
* This information is not available.

† Information has only been provided for the last three years as information prior to this would not be meaningful when comparing year on year due to change in strategies and focus.

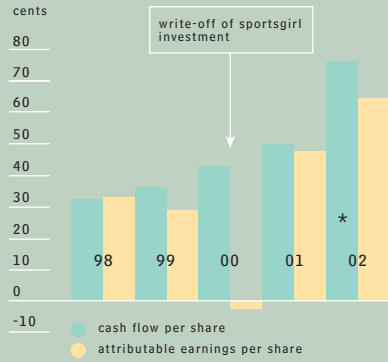
‡ % change not meaningful.

§ Excludes SRG House and its related depreciation.

TRUWORTHS LIMITED GRAPHS

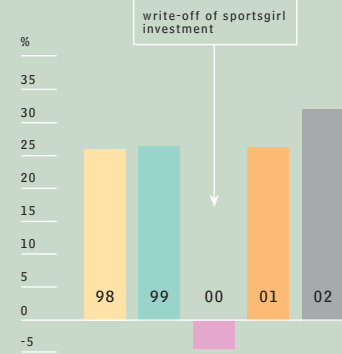


Sales per m² and per FTE employee

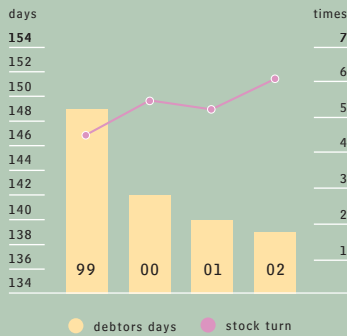


Cash flow and attributable earnings per share

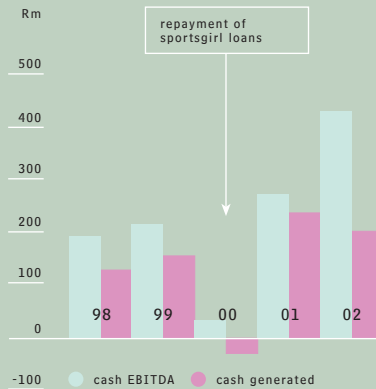
* Cashflow per share was revised for 2002 to exclude abnormal payments made during the period



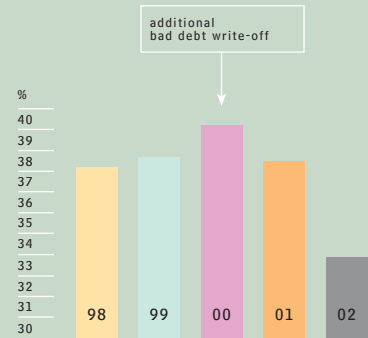
Return on average shareholders' equity



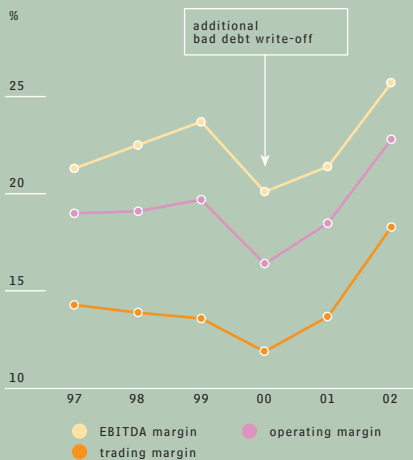
Debtors days and stock turn



Cash EBITDA compared to cash generated by operations



Expenses as % of turnover



Profit margin comparison

DEFINITIONS

1. Annualised sale of merchandise

Represents sale of merchandise adjusted for those stores that opened during the year and therefore did not trade for the full financial year. Sale of merchandise in respect of those stores is annualised to reflect a full year's sales effect.

2. Asset reinvestment rate

Represents capital expenditure divided by depreciation.

3. Cash flow per ordinary share

Cash generated by operations, adjusted for outside shareholders' interests, divided by the weighted average number of ordinary shares in issue during the year.

4. Cash and cash equivalents

Comprises cash on hand, short-term deposits, highly liquid investments, less bank overdrafts and short-term borrowings.

5. Cash "EBITDA"

Cash flow from trading plus dividends received

6. Cash flow from trading

Net profit before taxation, finance costs, dividends received, interest received and exceptional item, adjusted for all non-cash items.

7. Cash realisation rate

Percentage of the potential cash earnings realised, derived by dividing cash flow per ordinary share by cash equivalent earnings per ordinary share.

8. Cost of credit

Comprises interest received on customer accounts and financial services income, less net bad debt, collection and other direct costs incurred in providing credit.

9. Cost of sales

Comprises the historical cost of inventory sold, and includes adjustments for mark-downs and shrinkage.

10. Closing share price

The year end closing share price on the JSE Securities Exchange South Africa ("JSE").

11. Current ratio

Current assets divided by current liabilities.

12. Dividend cover

Earnings per ordinary share divided by dividends declared per ordinary share.

13. Dividend yield

Dividends declared per ordinary share divided by the closing share price on the JSE.

14. Earnings per ordinary share

14.1 Attributable earnings

Net profit or loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

14.2 Diluted attributable earnings

Net profit or loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year, increased by the weighted average number of additional ordinary shares, that would have been issued assuming the exercise of all share options having a dilutive effect.

14.3 Cash equivalent earnings

Net profit or loss attributable to ordinary shareholders adjusted for non-cash items, divided by the weighted average number of ordinary shares in issue during the year.

14.4 Headline earnings

Net profit or loss attributable to ordinary shareholders, adjusted for profits and losses on disposal of capital assets, exceptional item and recognising the impact of taxation and outside shareholders' interest on these adjustments, divided by the weighted average number of ordinary shares in issue during the year.

14.5 Diluted headline earnings per share

The calculation of diluted headline earnings per share is consistent with the calculation of headline earnings per ordinary share while giving effect to the additional shares that would have been issued assuming the exercise of all share options having a dilutive effect.

14.6 Attributable earnings per FTE employee

Net profit or loss attributable to ordinary shareholders, divided by the number of full time equivalent employees in service at year end.

15. Earnings yield

Attributable earnings per ordinary share divided by the year end closing share price on the JSE.

16. Full time equivalent ("FTE") employees

A calculated number determined by converting the actual number of part time employees into a lesser number of full time equivalent employees (through dividing the aggregate working hours of all part time employees by standard working hours), and adding this latter number to the actual number of full time employees.

17. Gross margin

Gross profit divided by turnover.

18. Market capitalisation

The closing share price on the JSE multiplied by the number of ordinary shares in issue at the end of the year.

19. Closing market price/net asset value per share

The closing share price of ordinary shares on the JSE divided by the net asset value per share, expressed as a percentage.

20. Net assets

The total of property, fixtures, vehicles, plant, equipment and software, investments, loans and net current assets, less non-current liabilities and outside shareholders' interest, at year end.

21. Net asset turn

Sale of merchandise divided by net assets.

22. Net asset value per share

Net assets divided by the number of ordinary shares in issue at the year end.

23. Net cash to shareholders' equity

Bank and cash, net of borrowings, divided by shareholders' equity at the year end.

24. Net interest received

Interest earned on trade receivable balances, income earned on surplus cash and dividends received, less interest paid.

25. Operating profit

Revenue, as defined, less cost of sales, and expenses, but excluding exceptional items.

26. Operating margin

Operating profit divided by sale of merchandise.

27. Operating profit before interest

Operating profit before taking into account net interest received.

28. EBITDA margin

Operating profit before finance costs, taxation and depreciation divided by sale of merchandise.

29. Price earnings ratio

The closing share price on the JSE divided by headline earnings per ordinary share.

30. Return on average ordinary shareholders' equity

The current year's profit attributable to ordinary shareholders divided by the average of the current and prior financial years' ordinary shareholders' equity.

31. Return on invested capital

Represents profit before tax adjusted for operating leases, less depreciation subsequently calculated on the "capitalised" operating leases, less the adjusted tax charge, divided by the sum of the net assets and newly capitalised operating leases.

32. Return on capital

The current years' earnings before exceptional item, interest paid and taxation, divided by the average of the current and prior financial years' net assets.

33. Turnover

Represents sale of merchandise and management and administrative fees received.

34. Turnover – sale of merchandise

Represents sale of merchandise through retail outlets, together with sale of merchandise to franchisees, but

excludes value added and general sales tax.

35. Store expenses

All costs directly linked to the retail store operations.

36. Trading margin

Operating profit before net interest received and taxation, expressed as a percentage of sale of merchandise.

37. Weighted average cost of capital

The risk-free rate at the year end, as defined by the RSA (R150) long-term bond yield adjusted by a risk premium appropriate for the group.

38. Weighted average number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, and decreased by share repurchases, weighted on a time basis for the period during which they were in issue. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

39. Weighted average price per share traded

The total value of shares traded divided by the total volume of shares traded for the year on the JSE.

CHAIRMAN'S STATEMENT



michael mark

The period under review reflects the successful implementation, over a number of years, of appropriate strategic initiatives. These laid the foundation for one of the best trading periods in Truworths' history.

Truworths has proved over a sustained period that in South African terms we are much more than a "blue chip" fashion retailer. We have operated successfully through difficult periods by improving profits, returns and market share and we have prospered in good times even more. Throughout we have managed to generate strong cash flows despite the fact that we finance our debtors' book internally.

We have delivered on our objectives through the successful implementation of key strategic initiatives. The foundation of these strategic initiatives is the Business Philosophy, which continually challenges us to grow our company by reinventing our core business and by developing new formats for growth. The business which first opened in Cape Town in 1917 as the "Alliance Trading Company" and which, in 1935, was renamed "Truworths Fashion House" does not look its 85 years. Instead it has the image and energy of a young vibrant business completely in touch with its youthful (not only young) market. It has the most prominent positions on the high street and in the malls, the most exciting stores and windows and the most enticing

fashion clothing for men and women. So by continually reinventing itself, Truworths retains and enhances its position as South Africa's leading fashion retailer.

The key strategic initiatives include:

- the optimal location of our stores;
- the opening of large emporium stores in major centres;
- the focus on growing and fine tuning our own brands;
- the investment in the best systems for merchandise, debtors and financial control; and
- a material investment in people who understand our unique business philosophy.

Additional factors contributing to our success are:

- the continued accuracy in our reading and interpretation of fashion trends;
- the reduction of mark-down and shrinkage figures through emphasis on inventory management;
- the management of overall expenses; and
- the continually improving management of the debtors' book.

Whilst all these initiatives and operations have driven performance, the success can be attributed to more than just that. At the heart of it all is the Business Philosophy, and a truly unique set of VALUES.

What makes Truworths an exciting company in which to work is that all the staff are encouraged to think and contribute in an innovative manner. We want our employees to have the courage to take risks, to make difficult decisions, to distinguish between right and wrong and then to act appropriately, and to offer their uniqueness and their individuality to the company. And of course, we hope they will always offer their contribution in a spirit of generosity so that Truworths will prosper.

It is this value system that has enabled us to develop the initiatives and take the risks that have led to us being South Africa's leading fashion retailer.

Merchandise sales in the 53 weeks to 30 June 2002 grew by 24.4% to a record R1 984 million. This resulted in the trend over the last 5 years of continued and repeated market share gains in mens and womenswear. This was particularly pleasing given the strong trading in the previous financial years that created a challenging base from which to further grow the business. Our operating margin of 22.8% is high by South African and by international retail standards. It has improved in recent years and has reached its highest historical percentage this year as can be observed on the profit margin comparison graph on page 9. Nevertheless, we believe it can be maintained and even improved by

continued successful application of our philosophy and methodologies.

With the exception of the current financial year, Truworths has consistently generated healthy cash flows. Had the abnormal cash payments of approximately R409.0 million not occurred, the business would have generated cash of R227.6 million. These payments were mainly as a result of timing differences due to the 53rd week being included in this financial year and a strategic decision taken to finance the company's head office in Cape Town and the decision to repurchase shares.

Truworths is one of the few South African retailers that has shown an ability to create value over time. Return on Invested Capital (ROIC) has been greater than Weighted Average Cost of Capital (WACC) for two years and the ratio has improved each year since 1998 (Refer to graph on page 18). Truworths will continue to drive sales and earnings growth into the future by the continual reinvention of its core business

and by the development of successful new "greenfield" formats. This remains our approach as we believe that our core business, enhanced by new formats, will create significant growth opportunities.

The success of this formula has meant that over the last three years our highest growth has been in our largest and highest margin businesses, our womens and mens fashion, which are the very core of Truworths. This together with the success of our formats, which have been launched successfully over the years, makes our growth potential exciting.

The impact of the staggered launch of our formats is highlighted in the summary below.

All the formats below (excluding Identity) operate either as stand-alone stores or as part of the large emporium Truworths stores. The major portion of their sales is derived from the emporium environment where the total shopping experience within Truworths is enhanced by their

YEAR LAUNCHED	FORMAT	2002 SALE OF MERCHANDISE RM	GROWTH % FOR A COMPARABLE 52-WEEK PERIOD
1984	Daniel Hechter	R184	+17
1985	Inwear	R129	+13
1988	Truworths Man	R311	+21
1989	Truworths Jewellery	R30	+4
1992	LTD	R62	+13
1999	Truworths Elements	R145	+44
1999	Identity	R74	+74

CHAIRMAN'S STATEMENT *continued*

presence. However, Identity is always located separately and where possible near competitors.

We believe that all the formats have significant growth potential and that in the year ahead sales growth will generally exceed that achieved in the past year for most of them. In addition, our core womens business is likely to continue to outperform all competitors as we increase market share from the existing 17% to our objective of 25% of the Retail Liaison Committee (RLC) market share determination.

We are experimenting with several new formats. The most successful will be developed and then launched when strategically appropriate.

Where acquisitions are concerned, we'll carefully consider the capital risks involved and the potential impact on the existing business. Clearly an acquisition strategy is more risky than our historical "reinvention" organic strategy. This does not exclude the possibility of acquisitions, it merely ensures that we are cautious and not reliant on acquisitions for significant growth.

Truworths is committed to contributing to the development of South African society through the activities of our two social involvement trusts. They centre on education, sport, arts and culture, and their

goal is to build long-term relationships with the communities in which they operate.

AIDS continues to impact South African society and, during the year under review, our project team made progress in tracking the impact of the disease on the company and our customers. The team is also tasked with developing a practical and sustainable response to the pandemic.

The number of AIDS deaths and reported HIV positive cases with employees has been well below projections. The focus remains on education through our healthcare provider. Members of our healthcare fund also have access to a confidential programme and free annual HIV testing. The fund also provides benefits for HIV positive mothers.

Truworths is committed to aligning its corporate governance with international trends. We subscribe to the principles of sound corporate governance, in particular to the Code of Corporate Practices and Conduct contained in the 1994 Report on Corporate Governance of the King Committee ("the 1994 Code"), and have applied these principles in most material respects throughout the period under review.

In terms of the principles of the second King Report, also known as the 2002 Code,

our board has resolved to ensure we achieve full compliance by June 2003.

Trading prospects for Truworths are exciting. Effective group structures, resources, systems and processes are in place to drive operating efficiencies and control costs, thereby continuing to deliver superior returns both in terms of sales growth and profitability.

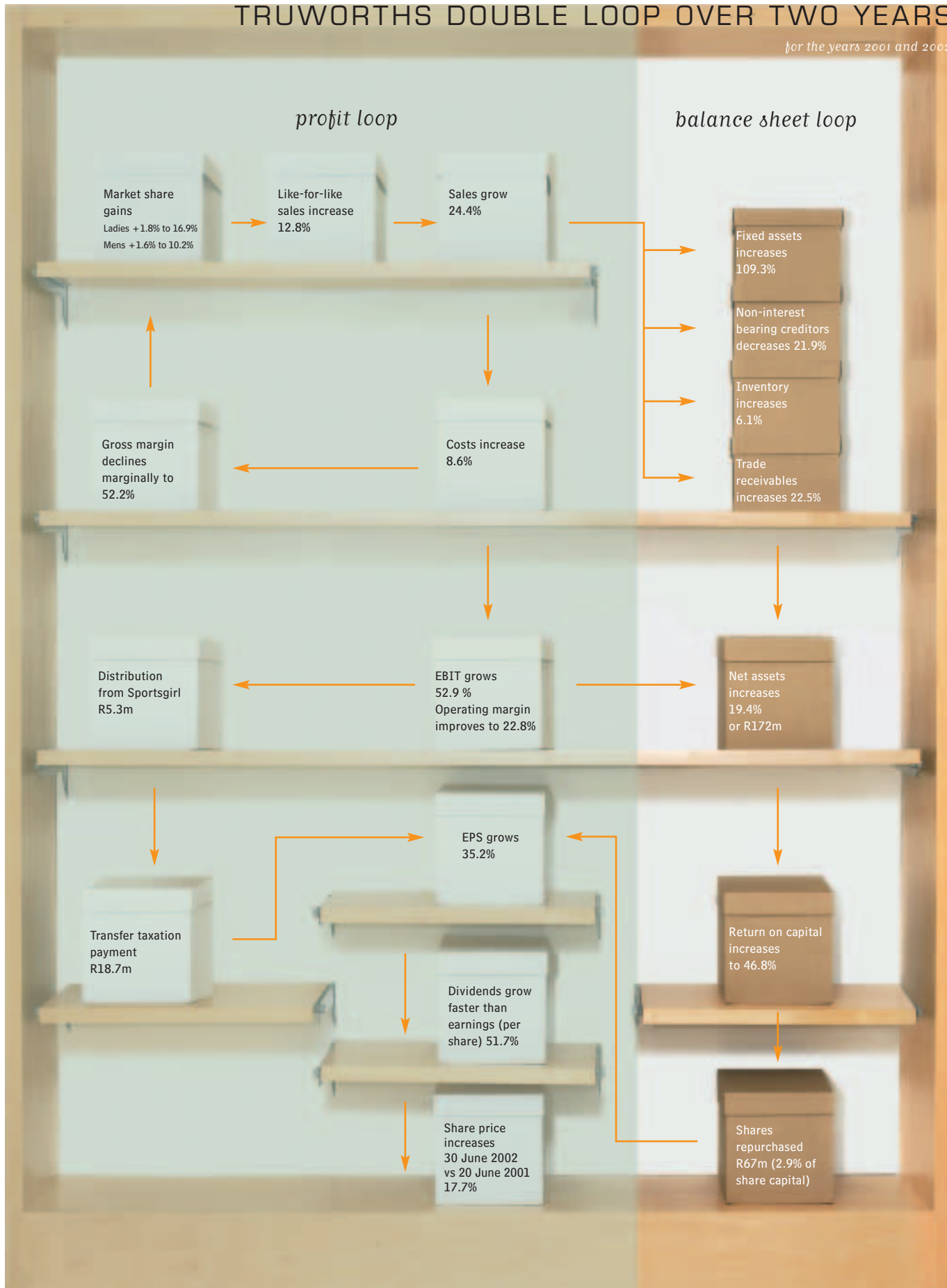


Michael Mark

Chairman and Chief Executive Officer

TRUWORTHS DOUBLE LOOP OVER TWO YEARS

for the years 2001 and 2002



BUSINESS REVIEW

market review

The inflation and recent interest rate increases have not translated into a dampening of consumer spend. The combination of resilient domestic demand and the international demand for South African goods has been enough to ensure continued retail sales growth. The factors underlying this domestic economic resilience included some structural changes in the economy and gains derived from improvements in general wealth due to the compounded effect of tax reductions over the last few years. These tax reductions seem to have led individuals to reduce their debt levels resulting in a higher percentage of disposable income.

financial review

Against a backdrop of continued success in accurately reading fashion trends, Truworths benefited from further gains in market share.

This translated into merchandise sales, including franchise sales, reflecting good growth of 24.4% to R1 984 million, with franchise sales increasing 25.5% to R17.5 million. Sales for a comparable 52-week period showed an improvement of 21.7% over 2001. Sales growth includes like-for-like sales growth of 12.8% and was well ahead of the average for the clothing, footwear and textiles sector, estimated at approximately 11%.

Credit sales, measured as a percentage of total sales, decreased from 75% at June 2001 to 72% as the group's conservative credit granting policies, and the higher sales contribution from the cash chain, Identity, came into play.

The lower percentage of customers in arrears is indicative of on-going improvement in our debtors' book. The result was that at year end 87% of customers were able to buy versus 85% in the previous year. Net bad debt, as a percentage of credit sales, decreased from 3.7% to 2.2%. Overall, the operating cost of credit improved by R19 million.

Continued emphasis on inventory management and loss control led to mark-down and shrinkage being well controlled with increases ending well below the sales increase. A higher contribution to sales by the lower margin Identity and Elements resulted in a slight dilution in the gross profit margin to 52.2%.

Operating costs were again tightly managed, ending 8.6% up on the previous year. Occupancy costs increased by 8.5%. Excluding the effect of reduced rentals arising from the termination of the SRG House lease, occupancy costs reflected a comparable increase of 15.8% on the previous year. This was as a result of three new stores and the roll-out of seven new Identity stores, as well as other format and store expansions.

Depreciation costs rose by 18.6% and include the effect of additional costs of approximately R5.0 million arising from the amortisation of our head office lease.

Operating margins benefited from higher levels of retail activity, improved productivity in terms of sales per square metre and per full time employee, and a continued focus on costs. These factors resulted in an improvement in operating margins to 22.8% compared to 18.6% in the previous year. In line with this positive trend, operating profits before finance costs, an exceptional item and taxation, reflected a 52.9% increase to R453 million.

During the period under review, group subsidiaries received R5.3 million in distributions made to creditors of the former Australian subsidiary, Sportsgirl. This has been recorded as an exceptional item. A final distribution is expected during the latter part of the calendar year.

The taxation rate increased from 29.5% to 35.6% for the year. Higher STC payments of R3.4 million arising from increased dividends, and the expensing of the transfer pricing taxation payment of R18.7 million accounted for the increase in the overall rate.

As stated in the group interim report, formal objections to the revised assessments issued by the South African Revenue Services (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-arm's 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.

Net profit attributable to ordinary shareholders improved by 34.7% to R295 million. This translated into attributable earnings per share of 64.5 cents and headline earnings per share of 63.5 cents, an improvement of 35.2% and 43.7% respectively.

The growth in headline earnings per share was after deduction of the R18.7 million for transfer pricing taxation referred to above. A large portion of the R18.7 million was offset by the incremental profits arising from the 53rd week of trading during which sales of R42 million were achieved.

A final dividend of 13.0 cents per share has been declared. This, together with the interim dividend of 9.0 cents, represents a 51.7% increase compared to 2001.

Dividend cover of 2.9 times (2001: 3.3 times) has been achieved.

The improvement in returns on average shareholders' equity to 30.3% and a 21.4% increase in net asset value per share to 233.0 cents, resulted from the significant increase in earnings.

The group's higher operating profit resulted in an increase in cash EBITDA from R275.2 million last year to R430.4 million. Working capital reflected a net increase in funding requirements of R175.5 million, mainly as a result of increased investment in trade receivables and reduced funding from trade payables. After meeting financing costs, taxation and dividend payments of R267.9 million, net cash retained and available for investment was R71.2 million. Capital expenditure, including the termination of the head office lease, amounted to R207.9 million.

After these investment activities, cash available for financing activities amounted to R170.8 million. This facilitated the repurchase of shares for a total consideration of R66.8 million, while cash and cash equivalents showed a net decrease of R181.4 million. The ability to generate strong cash flows enabled the business to fund "abnormal" cash payments of approximately R409.0 million during the year. These comprised an increased investment in SRG House of R142.5 million, additional taxation and trade payable payments of R181.0 million as a result of payments made in the 53rd week, the transfer pricing tax payment of R18.7 million and share repurchases of R66.8 million. Excluding the effects of these payments, cash and cash equivalents would have improved by R227.6 million. Cash equivalent earnings per share increased by 34.4% to 74.6 cents and cash

flow per share was 32.2 cents, down 17.8 cents on last year. If "abnormal" payments were excluded cash flow per share would have reflected an increase of 50.2% to 75.1 cents.

Net cash to shareholders' equity declined from 35.1% last year to 12.3% in the current year. The group does not at present utilise debt financing. Total unutilised banking facilities of R445 million, together with cash generated from operations, remain more than adequate to meet funding requirements. Total liabilities as a percentage of shareholders' equity improved over the previous year and stood at 34.3%.

A review of the balance sheet indicates that total assets rose by 7.3%, substantially lower than the increase in sales.

Particularly pleasing was the continued effective management of working capital with gross trade receivables increasing 19.8% to R656.9 million (excluding outstanding deposits of R19.0 million). This compares favourably to the credit sales increase. The group continued to write off trade receivables in accordance with a strict ageing policy.

A doubtful debt provision, calculated on a consistent basis at 5.6% of gross trade receivables, has been maintained despite further improvement in the health of the book and the lower incidence of bad debt. Management has, however, taken cognisance of higher bad debt levels within

BUSINESS REVIEW *continued*

the credit granting industry by ensuring the group has sufficient provision, were there to be a deterioration in the group's experience relating to its book. Inventory holdings were in line with anticipated levels and showed an increase of 6.1% to R155.5 million. Management is satisfied that inventory holdings are current, that merchandise is saleable and in store at prices which will generate a normal gross margin.

Improved asset utilisation – with regard to inventory and trade receivables – remains a focus area for management. Inventory turn and gross trade receivable days outstanding improved to 6.1 times and 139 days respectively.

The group's treasury policy ensures that surplus cash is invested only with counterparties which are A1+ and A1 credit rated and only in investments which do not unduly expose the group to the vagaries of interest rate movements and tax risks. All foreign currency exposure is hedged and there were no uncovered foreign exchange liabilities at year-end.

In keeping with the intention to utilise cash balances effectively, a general repurchase of shares was effected by a subsidiary in December 2001 and April 2002. The repurchase comprised 13 612 454 shares, representing 2.9% of total shares in issue, at a cost of R66.8 million, but had little impact on financial results for the current year. Had the shares, however, all been repurchased on 1 July 2001, earnings for

the year would have been 64.1 cents per share, compared with 63.1 cents per share had none been repurchased. The transaction resulted in a 3.3% decline in net asset value per share to the reported 233.0 cents, from 240.7 cents per share had it not taken place.

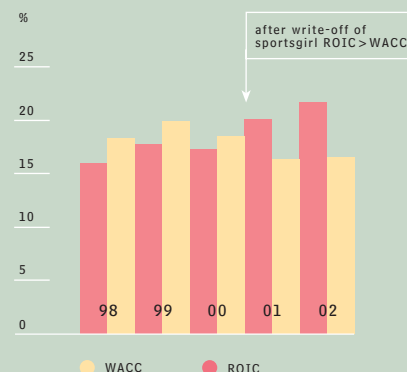
For the year under review R745.5 million of value was added in cash terms. Of this 36.3% was allocated to employees, 25.7% to the state in taxes, 18.2% to landlords and 10.2% to shareholders with the balance of 9.6% retained in the business for future growth.

performance indicators

Management continued to apply robust financial criteria in their approach to investment decisions and real estate expansion plans. Returns on proposed investments are compared to the group's weighted average cost of capital. It is pleasing to note that the group continues to post returns on invested capital in excess of our cost of capital. Figure 1 indicates that after discontinuance of operations in Sportsgirl in 2000, returns on invested capital have shown a positive improvement in the creation of value.

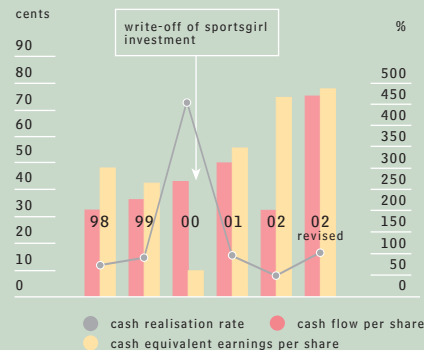
Given that the ability to realise earnings in cash is a key indicator of sustainable high quality results, the graph on cash flow performance reflects an improvement in the quality of earnings since 1998. [Figure 2]

Figure 1



Return on invested capital compared to weighted average cost of capital

Figure 2



Cash flow performance

Revised 2002 is excluding abnormal payments made during the period

Truworths has also shown a pleasing improvement in returns on capital between 1998 and 2002 when a return of 46.8% was posted. [Figure 3]

Truworths' rate of investment in productive assets, another key measure of quality of earnings, is also well above the acceptable benchmark rate of one as reflected in Figure 4.

Figure 3

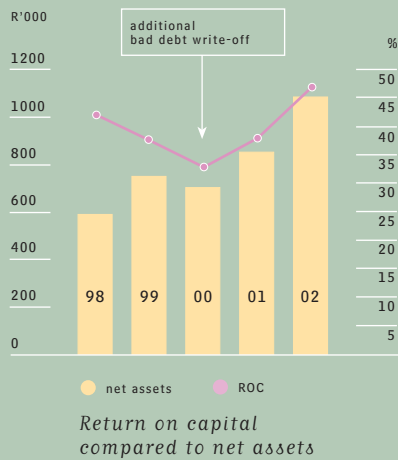
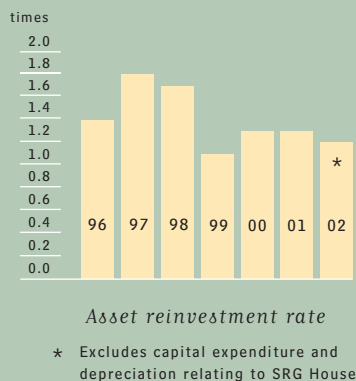


Figure 4



international accounting standards

While it is our intention to comply fully with International Accounting Standards (IAS) we have not yet adopted AC133 (Financial Instruments: recognition and measurement, represented by IAS 39). This is mainly due to the difficulties involved in converting to IAS which, as they currently stand, require that financial statements be

prepared retrospectively with each statement and subsequent revisions accounted for from their effective date. In the context of South Africa, this is largely a result of many of the local standards having a later implementation date than those used in the IAS. It is envisaged that new rules regarding the retrospective application will be issued within the next year.

zimbabwe

As part of the Wooltru unbundling, a 33% stake in Truworths Limited, Zimbabwe, was acquired for R2 million. The cost of acquisition is recorded as a listed investment in note 3.1. The investment was a strategic decision to protect the Truworths brand. However, in the light of uncertainties in Zimbabwe, management will not be equity accounting the results of the company and will account for dividends on a cash received basis.

Truworths Limited, Zimbabwe, is an independent operation listed on the Zimbabwe Stock Exchange. Based on its closing share price on 30 June 2002, the current market value of this investment at the unofficial exchange rate of Z\$50.35 equal to R1, is R17.6 million, well above the carrying value in the group's balance sheet.

The Zimbabwean operation trades through 97 stores as Truworths, Topics and No. 1 and via a manufacturing division.

customer relationship management

Three years ago we recognised the need to create a Customer Relationship Management (CRM) division to focus on building comprehensive, consistent and mutually committed relationships with our customers.

Combining promotions, market research, marketing, analytical review, customer services, credit management and customer information systems under one function has enabled us to better interact with and understand our customers. Through consistent and targeted communications, we strive continually to improve long-term customer relationships and build customer loyalty.

Good progress has been made in:

- customer behaviour analysis;
- scoring to improve predictive capabilities;
- embracing new communication channels to customise our message; and
- targeted marketing campaigns based on customer value.

Truworths has over 930 000 credit account holders and a debtors book in excess of R660 million as per the customer database system (Vision). The book continues to perform well with increased sales per account, better customer retention and improved credit utilisation. The growth in profitable customers has been pleasing.

BUSINESS REVIEW *continued*

We continued with strong collection strategies and this, together with advanced technology to detect fraudulent activity, has kept delinquency levels on the debtors book within acceptable norms.

Advances in customer scoring have enabled us to more accurately target customers for credit line increases and decreases, resulting in enhanced sales and customer profitability.

We have continued with the traditional in-store account drives as well as other initiatives to attract new accounts, including mailing lists and magazine promotions. New technology is currently being installed to facilitate the opening of new accounts.

Investment in technology continues to drive efficiency. The new store point-of-sale programme is well underway with over 130 stores on the new system, facilitating faster transaction processing, better customer service and enhanced communications to and from the store environment. The balance of our stores will be converted to the new technology during the current financial year. The data warehouse continues to develop with new initiatives to further enhance this asset.

We have initiated an exciting project to integrate CRM strategy with our staff in the store environment with a view to building our brand integrity through a unique brand ethic interaction programme.

the debtors' book

The quality of the debtors book remains good. Our internal mechanisms show that the average internal risk score remained stable with a greater proportion of customers in the lower risk areas.

During the year under review internal scorecards were re-aligned with minimal shifts in the score ranges. Industry benchmarks also show our delinquency levels to be consistently better than the average for clothing retailers. Strict credit policies continue to be applied on new accounts with 48% of applicants granted credit, versus 52% in the previous financial year. The qualifying payment remains at 90%, one of the highest in the industry.

Year-on-year, the debtors' book grew by 19.8%. Although this represented substantial growth on the previous year, there was not a corresponding rise in delinquency levels. Collections achieved, versus those due, increased from 86.4% to 95.3%, the best we have seen. The overdue portion of the debtors book improved from 14.7% last year to 13.2% (measured at month end). The bulk of our customers can no longer purchase if over 30 days in arrears depending on their score and how long they have had a Truworths account.

Net bad debt as a percentage of credit sales continued to improve and stands at 2.2%, an improvement of 40.5% on last year. Gross bad debt as a percentage of the debtors book is 9.4%, which is 29.3% better than 2001.

STATISTICS

Number of active accounts (000)	737	729
Credit sales as a proportion of total sales (%)	72	75
Qualifying payment (%)	90	90
Debtors' book per Vision (Rm)	660	551
% of book that can purchase at month end (%)	86.8	85.3
Collections achieved versus those due (%)	95.3	86.4
Net bad debt write-off against credit transactions (%)	2.2	3.7
Gross bad debt as a proportion of debtors' book (%)	9.4	13.3
Doubtful debt provision as a proportion of debtors (%)	5.6	5.6
Applications granted credit (%)	48	52

COST OF CREDIT (RM)

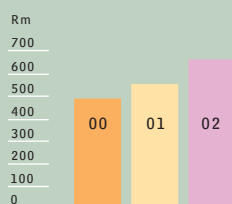
Interest from customers	68.4	55.5
Financial services	5.3	4.9
	<hr/>	<hr/>
Collection costs	73.7	60.4
	(54.1)	(47.4)
Net bad debt and change in bad debt provision	(37.6)	(50.0)
	<hr/>	<hr/>
Cost of credit	(18.0)	(37.0)
	<hr/>	<hr/>

Interest from customers during the year amounted to R68.4 million, up 23.0% on the figure for 2001. The rise is attributed to a change in interest charged on the debtors' book in terms of which interest was charged on the first stage of delinquency for the full twelve months, versus seven months in the 2001 financial year. We believe the hike in interest rates will translate into a positive return on the debtors' book. Truworths charges usury rates less 0.5% on accounts that purchase on our interest bearing plans, and at usury rates for accounts in arrears. In the year under review, the cost of credit improved by 51.4% to R18.0 million, mainly due to higher interest income and the lower incidence of bad debt.

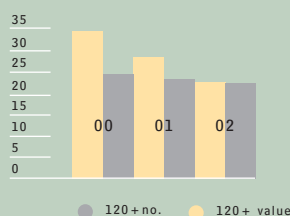
Financial services income continues to grow. Lost card protection and Trucover, our card balance and funeral protection product, generated income of R5.3 million.

The graphs above measure the health of our book in terms of risk and indicate debtors' book growth and the reduction in the number and value of accounts 120 days and more in arrears (as at end June 2002).

The debtors' book grew by 11.8% from 2000 to 2001 and by 19.8% from 2001 to 2002. Growth over three years combined was 33%. Over the three years both the number and the value of accounts 120 and more days in arrears declined by 31% in number and by 9.5% in value.



Debtors book



Delinquency levels

retail operations

We strive to provide an enticing, exciting and visually appealing fashion retail environment where our customers can shop effortlessly, helped by lively and committed people. It is essential that store ambience reflects and enhances customer confidence in our offering of an innovative and adventurous blend of colour, fabric and fashion styling of international standards.

Regular market surveys indicate that excellent standards of service and visual

merchandise presentation have been maintained. This has been achieved in conjunction with an improvement in productivity and profitability.

Annualised sales per square metre increased by 16.1% on the previous financial year with like-for-like sales reflecting a 12.8% increase. Improvements in staff productivity, measured by sales per full time retail employee, increased by 19.7% on 2001. Fewer stock and cash losses further improved profitability.

Continual improvement in the use of technology, close monitoring of key risk indicators and the commitment of store staff also contributed to excellent results.

The group increased trading space by 3.7% to a total of 119,622 m². It is our objective to selectively identify and expand trading space by between 3% and 6% a year.

During the year under review we undertook a comprehensive exercise designed to optimise the performance of all stores which were categorised geographically by type of location. This involved setting a number of performance criteria, including operating costs, returns per square metre and opportunities to increase sales, against which each outlet was measured. Only a small minority of stores fell short in terms of returns required in excess of the weighted average cost of capital. Action plans were developed to elevate the performance of these stores and to maximise returns across the board.

BUSINESS REVIEW *continued*

Ten new stores were opened, including seven new Identity outlets. Nine stores were enlarged and renovated. One store was relocated and extended, four were reduced in size and eight non-performing stores were closed.

Highlights in terms of openings and major renovations were the opening of the Gateway store near Durban and the extension and major refurbishment of the Sandton City store. Both of these stores reflect the latest in international retail design concepts and substantially exceeded their planned turnover projections. They fully exploit the links between merchandise and space design and further develop our emporium store concept that allows customers to shop each brand independently while easily accessing others through "the shop within a shop" formula.

The first MAC cosmetics format within a store was opened at Cavendish Square in Cape Town and has traded well. Similar success has been achieved following the introduction of LTD and Elements at our V&A Waterfront outlet.

Capital spending on the refurbishment, relocation and expansion of stores programme was R32.6 million, against the R32.9 million spent in the 2001 financial year. Our projected capital expenditure figure for the current financial year is R32.5 million.

Improved returns as a result of strong sales growth were enhanced by operational efficiency in the form of tight expense

control, greater staff productivity and optimal space utilisation. Further efficiency was achieved through the consolidation of in-store and back office merchandise receiving and banking processes. It is our objective to continue with process reviews aimed at further efficiency gains. Total retail operational costs increased by 6.6% over the previous year, representing 21.0% (2001:24.4%) of sale of merchandise. Our Distribution Centre operated at peak efficiency and still has capacity to cope with further expansion. Distribution costs represent 0.8% (2001: 0.9%) of sale of merchandise. Currently, the Retek Distribution Management operating system, which will interface with our Retek operating system, is being tested and will be implemented early in 2003. This will also bolster efficiency.

franchise operations

Our strategy of growing franchise operations conservatively with minimum risk continued with the opening of two new stores. A Truworths store was established during the financial year in Doha in Qatar and an Identity store in Bahrain. The latter is our second Identity franchise and the first in the Middle East. It has been well received and is trading ahead of planned turnover projections. We now have fourteen franchise stores (five in Botswana, three in Bahrain, two in Dubai, one each in Kenya, Lesotho, Zambia and Qatar).

Total franchise sales grew by 25.5% to R17.5 million (at wholesale prices to

franchisees) and contributed 0.9% to total sales, consistent with the previous year.

Further franchise opportunities are expected in the current financial year, both in Southern Africa and in the Middle East.

merchandise

Truworths is positioned as the country's premier fashion chain, catering for the youthful, quality-conscious South African customer who seeks inspired, innovative and adventurous fashion styling of international standards.

Our merchants have consistently proven their ability to forecast accurately and interpret global fashion trends for the South African lifestyle, earning Truworths the trust and respect of our customers.

A gain was achieved in the market share for women's outerwear to approximately 17%, and a gain in menswear market share to about 10% as indicated in the RLC figures for June 2002.

The successful implementation of our merchandise strategies is the result of the efforts of a committed team of merchants working in an environment marked by the sharing of information across all buying divisions. They are receptive to learning and experimentation with new ideas and concepts, ensuring that we not only meet our customers' needs but also continually surprise them and exceed their expectations.

the fashion and design studio

The Truworths Fashion and Design Studio is the conceptual hub of the business, using well tested methodologies to predict colours, fabrics, styles, trims and accessories, many months ahead of the actual season. The ability of the Studio to work well in advance of market timelines, and to predict emerging international trends appropriate to our customers, has earned the confidence of our buyers.

We have commenced restructuring the Studio to place more focus and resources on an in-house innovation programme which we believe will enable our buyers to further advance our ranges.

BUSINESS REVIEW *continued*

truworths a collection of brands designed
to let you be who you want to be

truworths brands

It is Truworths' strategy to develop and grow in-house concepts rather than to promote consigned brands. Our gains in market share bear testimony to the success of this strategy and to the strength of the Truworths brands. We have consolidated our position as an individualised fashion destination in a retail market flooded with consigned brands.



"...we can shop effortlessly for an innovative and adventurous blend of colour, fabric, value and fashion styling of international standards."

(extract from the company's Business Purpose)

 <p>MADE IN THE WORLD</p>	<p>truworths</p> <p>essence finnigans the truworths collection glamour</p> <p>obr the truworths jeans co. skiny peep zeta living truworths jewellery</p>	<ul style="list-style-type: none"> <input type="checkbox"/> A confident collection of fashion-forward leisurewear, formalwear, glamourwear, lingerie, fine jewellery, shoes and accessories designed for the modern woman <input type="checkbox"/> Exclusive elegantwear for special occasions <input type="checkbox"/> Modern suiting solutions <input type="checkbox"/> An understated modern collection of classic suiting separates <input type="checkbox"/> An eveningwear collection that offer an exquisite expression of individual style <input type="checkbox"/> Denim-friendly, urban adventurewear <input type="checkbox"/> Authentic jeans styled for comfort and individual fit <input type="checkbox"/> Comfortable, sporty, bodywear. It's trendy, cheeky and just your style <input type="checkbox"/> A new range of underwear that's naughty, saucy, girlie and gorgeous <input type="checkbox"/> Inspiring and unique... Real fashion for women in sizes 40-48 <input type="checkbox"/> A modern collection of contemporary designs to add style to your home <input type="checkbox"/> Modern, fine quality jewellery, branded watches and very necessary accessories
 <p>FASHION WITHOUT BOUNDARIES</p>	<p>truworths man studio hemisphere hemisphere sport exstream</p> <p>tm jeanswear</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Formal and leisure lifestyle fashion for the modern man <input type="checkbox"/> Innovative fashion for the man with an enviable sense of style <input type="checkbox"/> Trendy jeanswear for the adventurous modern man <input type="checkbox"/> Trendy activewear for the modern man on the move <input type="checkbox"/> An extreme expression of up-to-the-limit streetwear for the non-conformist <input type="checkbox"/> An authentic range of mens jeans, designed to fit and styled for comfort
 <p>AWAKEN YOUR SPIRIT</p>	<p>women men teens kids</p>	<ul style="list-style-type: none"> <input type="checkbox"/> An adventurous collection of easy, yet sophisticated leisure time dressing for women, men, teenagers and children
 <p>SPEAK FRENCH WITHOUT SAYING A WORD</p>	<p>women men</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Daniel Hechter is an international collection of leading edge, modern designs for men and women
 <p>OWN THE ATTITUDE</p>		<ul style="list-style-type: none"> <input type="checkbox"/> Inwear offers a cutting edge range of casual, formal and glamour fashion that demands to be noticed
<p>IDENTIFY YOURSELF</p> 	<p>masculine feminine accessories</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Young, funky and affordable casual street gear
		<ul style="list-style-type: none"> <input type="checkbox"/> Elements houses a superb range of the best international cosmetic brands for him and her with skin-care, makeup and 140 top fragrances

BUSINESS REVIEW *continued*



the truworths label signals aspirational, exciting and trusted merchandise

TRUWORTHS WOMENSWEAR

Womenswear contributes 50.0% of the total business and offers ranges across virtually all lifestyles.

With sales growth of 20.9%, Truworths womenswear has performed well ahead of market indicators and has confirmed our position as market leader despite attempts to emulate us.

We are well positioned to continue to be "first with the fashion", offering our customers exciting, early breaking trends.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	997	825
<i>% contribution to total sales</i>	50	52





*"...we can shop effortlessly
for an innovative and
adventurous blend of colour,
fabric, value and fashion
styling of international
standards."*

(extract from the company's Business Purpose)

BUSINESS REVIEW *continued*



inwear continues to be an instantly recognised and sought-after brand of young, highly fashionable South African women

INWEAR

Inwear is offered in one hundred and sixty outlets across the country and is an instantly recognised brand sought by young, fashionable South African women. The Inwear team has been responsive to international trends, earning the reputation of being able to bring the fashion of London, Paris and New York to South Africa quickly

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	129	112
<i>% contribution to total sales</i>	7	7



"...youthful, fashionable South Africans want to look attractive and successful and feel enthused with confidence."

(extract from the company's Business Purpose)



BUSINESS REVIEW *continued*



the LTD brand is aspirational to the more sophisticated fashion customer who seeks unusual mixes on product and a more intimate store environment

LTD

LTD was conceptualised in-house some 10 years ago and remains a proud symbol of Truworths' ability to identify a niche, to fill it, and to then stand the test of customer acceptance over time.

The LTD brand is aspirational, appealing to the more sophisticated fashion customer who seeks unusual mixes of product in a more intimate store environment.

The updated store concept implemented at the V&A Waterfront has been well received and will be rolled out nationally. The LTD brand achieved annual sales of R62 million, a 14.8% increase on last year.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	62	54
<i>% contribution to total sales</i>	3	3





"...most exciting visually appealing real and virtual retail environments."

(extract from the company's Business Purpose)

BUSINESS REVIEW *continued*



daniel hechter is the signature brand of the discerning, modern executive

DANIEL HECHTER

Offered in one hundred and thirty-eight Truworths stores and in four stand-alone stores, Daniel Hechter sales grew by 19.5% to R184 million.

It is the signature brand of the discerning, modern executive, catering to both men and women who seek superior fabrics, sophisticated lines and investment quality. Daniel Hechter has remained faithful to its French origin and inspiration but has

developed a distinct South African practicality.

The past year has seen the successful fusing of modernity and classicism resulting in ranges that highlight good taste with a youthful touch. Our intention is to grow the Daniel Hechter menswear brand and to make it more accessible through flexible store formats.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	184	154
<i>% contribution to total sales</i>	9	10





The Daniel Hechter brand has remained faithful to its French origin and inspiration but has developed a distinctly South African practicality.

BUSINESS REVIEW *continued*



international handwriting for menswear products

TRUWORTHS MAN

The brand offers a range of merchandise to meet the different lifestyle needs of our customers which include leisurewear, formalwear, shoes, underwear and accessories.

Truworths Man, available in one hundred and ninety-eight outlets, has again shown good sales growth of 23.9% to R311 million.

In addition to the Truworths Man brand, we offer a youthful range of high fashion merchandise under the Exstream label. This brand has proven popular and supports the business philosophy of growing our own unique brands rather than being dependent upon labels available elsewhere in the market. Other brands developed in-house and also offered by Truworths Man are Hemisphere, Studio and TM Sport.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	311	251
<i>% contribution to total sales</i>	16	16





*"...shopping at
Truworths is effortless
and I am helped by
lively and committed
people."*

(extract from the company's Business
Purpose)

BUSINESS REVIEW *continued*



new format gains momentum

IDENTITY

Identity is a chain of twenty-seven cash stores offering a ladies and menswear fashion range to target customers who are younger than those of Truworths. Merchandise is aimed specifically at the youth market looking for leading fashion products at exceptional value.

The Identity concept is cash generative and enjoyed 85.0% growth in sales to R74 million, representing like-for-like growth of 38.7%. While the cash base and target market of the business means that Identity operates at lower margins,

this is balanced by the absence of the costs associated with offering credit. As a result, we expect Identity to continue to make a healthy contribution to group sales growth and profitability.

Identity has now overcome the barriers of critical mass in sourcing its own range of merchandise and is now able to procure goods internationally, offering garments of even greater value.

Identity is considered an important growth opportunity for Truworths and there are plans for a further ten to twelve stores in 2003.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	74	40
<i>% contribution to total sales</i>	4	3





Leading fashion products at exceptional value

BUSINESS REVIEW *continued*



a complete range of international treatment, colour and fragrance brands

ELEMENTS

Cosmetics continues to show exceptional growth through the Truworths Elements concept stores. There are now forty-two Elements shop-within-shop concepts, with annual sales of R145 million. Sales in comparable stores grew by more than 20% and our market share increased to 15.1% as reported by the RLC.

Truworths is now a recognised destination for cosmetics, offering a complete range of international treatment, colour and fragrance brands.

During the financial year we also introduced MAC, as a shop-within-shop concept at our Truworths Cavendish Square Branch. This has been well received by our customers.

	2002	2001
Sales (Rm)	145	101
% contribution to total sales	7	6



**TRUWORTHS
FINE JEWELLERY**

new focus on watch and jewellery ranges

FINE JEWELLERY

Fine Jewellery did not perform to expectations. The weaker exchange rate and higher gold price negatively impacted on the business. Annual sales of R30 million were below budget. Stocks have been well managed and mark-down kept under control. Considerable effort has been put into refocusing both the jewellery and watch ranges and we are confident that sales will improve during the 2003 financial year.

	<u>2002</u>	<u>2001</u>
<i>Sales (Rm)</i>	30	32
<i>% contribution to total sales</i>	2	2



BUSINESS REVIEW *continued*

LARGER SIZES

The Truworths large size brand has undergone a significant personality change after extensive consultation with customers. The outcome has been to create a brand that is as fashionable, aspirational and current as the mainstream Truworths brand but which accommodates the comfort and fit needs of the large size customer. We believe the new brand name "Zeta" symbolises femininity and strength of character. Indications are the new range and brand have been positively received.

We regard Zeta as a major opportunity and the brand will receive considerable attention in the current financial year to position the brand in the South African market as the premier large size brand.

LTD KIDS AND LIVING

These new experimental formats have the potential to become leading formats of the future, ensuring that Truworths, remains at the cutting edge of world-class retailing.

LTD Kids has found its niche through the provision of highly innovative children's wear comparable with products normally available only through boutiques. We believe that this brand has significant growth potential.

As does Living which does not seek to emulate the plethora of new home concepts, but rather to provide the Truworths' customer with special gifting options.

Both brands support our growth from within strategy by adding a new dimension to the overall customer offering. We are confident LTD Kids and Living will add impetus to future sales growth and profitability.

CELLPHONES

We have continued to be cautious in the development of the opportunity to retail cellphones and related products. Annual sales were R 35 million.

INTERNATIONAL SOURCING

The international sourcing division has continued to grow within the organisation. Some of this growth has replaced merchandise that was previously imported through middlemen.

While we continue to support local manufacturing, the international sourcing division enables us to offer customers a range of merchandise that differentiates Truworths from its competitors, as well as procuring goods of exceptional quality. In addition to outerwear, this operation now also procures accessories, homewares, gifting, lingerie and footwear in international markets. Despite depreciation in the value of the Rand, there are opportunities to import goods that will ensure we offer our customers fashion forward merchandise of the highest quality and at competitive prices.

Fashion trends for women over the year ahead favour highly embellished and decorative garments. We understand the market's sensitivity to price, and the fact that our customers are prepared to pay a premium for the unique and innovative product range offered by Truworths.

information technology

The Truworths information technology division is tasked to develop technological solutions that provide employees with effortless access to information, and systems and processes that promote superior customer service and financial control. As a result, technology plays a key role in contributing to the group's success and is highly aligned with the business.

During the year under review we continued with the implementation of projects focussed on the renewal of merchandise, customer and administration systems. The objective of our programme on the process of renewal continues to improve productivity.

The continued utilisation of Oracle and Microsoft solutions has enhanced the quality of our data architectures and facilitated easier access to information. We have also upgraded our technology infrastructure to ensure that we provide the required services to our business as well as limit any risk in terms of business continuity.

The devaluation of the Rand against the Dollar requires us to be prudent in the implementation of international IT solutions. Our strategy is to implement systems that present the business with an optimal balance between lowest cost and greatest efficiency. We aim to contain growth of information technology capital expenditure and operating expenditure in the budgeted 7% range, without diluting the effectiveness of applications and

solutions. Capital expenditure for the year was R27.0 million and projected capital expenditure for 2003 is R25.7 million.

Information technology operating expenses for 2002 were 2.5% of sales and we see this as sustainable going forward. We have retained key staff, further developed our core competencies and productively deployed resources. More specifically:

- Our retail system, Retek, has been functionally upgraded to enhance our inventory management capabilities. Improvements have also been made in the modeling of size curves to ensure our supply chain can react more quickly.
- Good progress has been made with the replacement of our allocations and re-projection capabilities, which will enhance our ability to provide a productive merchandise mix to our various grades of stores.
- Significant progress has been made in the implementation of our data warehousing capabilities on both the merchandising and customer fronts to enable better decision-making in these arenas. The replacement and upgrade of outdated applications lacking in business functionality will continue.
- The implementation of our new store infrastructure, which will be completed during 2003, has already brought significant benefit in terms of improved communication with customers, enhanced customer relationship management and

merchandising capabilities, and lower administration costs.

- New technology is being deployed in the new accounts area to facilitate quicker account opening processes.
- From an e-tailing perspective, we continue to focus on re-engineering those areas in the business that will benefit from productivity enhancements and cost reductions in using work flow and e-commerce technologies. Our extranet initiatives are well developed and will be key to linking our core supply base into our processes. This will improve our relationship with product suppliers by helping them to become more efficient in providing the right quality and quantity product at the right time.
- The intranet is being used to increase the overall knowledge of the enterprise by building on the extensive intellectual capital inherent in Truworths.
- Our business-to-consumer website, www.truworths.co.za, helps reinforce customer relationships by affording another channel through which to interface with the company. Third party distribution companies provide our 24-hour delivery service from store to home.

During the current financial year we will focus on upgrading our distribution system. The enhanced capability will include improved business functionality, faster throughput, improved allocations as well as enhanced logistics, capacity and

BUSINESS REVIEW *continued*

productivity. We will also review collaborative solutions to support our merchandising strategy.

our people

THE TRUWORTHS GROUP STRUCTURE

Truworths strives to employ people who personify our brand and who are committed to help build our brand integrity. Significant effort has been put into creating a logical, simple and accessible organisational structure that clearly defines each employee's role, and to link it to the contribution and value add they deliver in terms of purpose as defined in our business philosophy. This enables both training and management activities to focus on clearly defined core competencies and outputs to facilitate optimal employee performance.

Truworths board responsibilities are broadly allocated as depicted in Figure 5.

ORGANISATION SURVEY

During the year under discussion, a comprehensive survey was conducted on a large sample of Truworths employees to measure their attitudes and perceptions about key aspects of our business philosophy, as well as organisational processes and policies that are key to Truworths' success.

Employees rated the individual members of the Truworths board of directors highly in terms of their leadership and functional contribution. People at Truworths were seen to be receptive, encouraged to think "out of the box" and to pioneer new ideas. Line managers were generally seen to be role models of the values contained in the business philosophy and Truworths was seen to be the most enticing, visually appealing fashion retail chain. Employees felt that their contribution was valued and that they were encouraged to offer and implement innovative ideas.

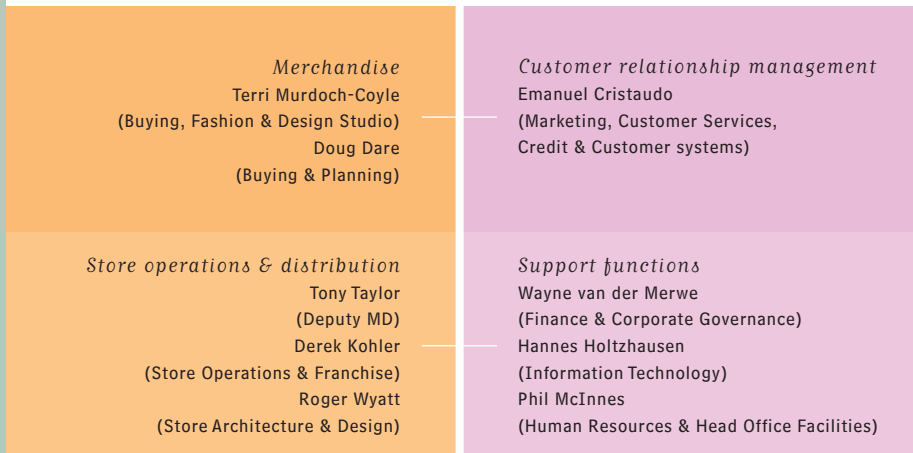
Work groups were seen to function effectively as teams to achieve their goals. Members of the groups were seen to possess the abilities, skills, training and knowledge required to carry out the job effectively. There were high levels of mutual trust. Teams knew the goals they were expected to strive for, and members respected, encouraged and helped each other. Managers were seen to be effective in assisting groups to accomplish their tasks.

Employees believe that their work is regarded as important; that their jobs offer the opportunity to progress and make a significant contribution resulting in personal satisfaction.

The positive feedback received from employees was consistent with business performance. However, the survey also identified many opportunities and staff feedback initiated a number of projects aimed at ongoing improvement in some key areas of the business.

Figure 5

Chairman and CEO Michael Mark



SKILLS DEVELOPMENT AND TRAINING

Truworths' training and development philosophy creates a learning environment in which all employees are empowered to develop their capabilities and contribution to the business. Its primary purpose is to afford employees the opportunity to improve their knowledge and skills within the requirements of the Skills Development and South African Qualifications Authority Acts.

The company also seeks to provide outcomes-based learning interventions to address strategic business, team and individual needs. Indicative of our commitment to learners is support in terms of financial backing, resources to complete learning activities and the ongoing assessment of their progress.

Truworths continues to optimise its ability to claim a refund of skills levies paid, by complying with all requirements laid down by the Wholesale & Retail Sector Education and Training Authority (W&R SETA). We have also qualified for the maximum benefit against the discretionary grant through our learning activities both within

Truworths and within the community. Our active involvement in sector-based initiatives is designed to drive implementation of the Act and capacity building task teams.

We are committed to the implementation of learnerships in the retail sector and to this end are actively participating in the W&R SETA Level 2 learnership pilot project and task team.

Truworths sees clear benefit in integrating our employment equity plan with learning and development initiatives. This has been achieved by merging the Training and Equity Committees to ensure that individual and company objectives are addressed.

Truworths complies with all employment-related legislation. Further, we enjoy healthy relationships with the unions who represent our staff.

We will continue to grow and develop the skills base of our employees with the goal of furthering Truworths as a world-class retailer, providing exciting careers for our people.

EMPLOYMENT EQUITY

The Truworths employment equity plan was developed in consultation with a national employment equity forum representing trade unions, elected employees and management.

Our action over the remaining three years of the plan focuses on achieving representivity targets, specifically of African staff, at all levels in the organisation. Good progress has been made in this regard with representivity of African staff increasing from 29% in June 2000 to 36% in June 2002. Some 70% of our total staff complement are black, including African, Coloured and Asian people.

Truworths currently employs 2 482 permanent staff and 3 468 casual staff. On the employee equity front our in-house development and promotion strategy has been particularly successful at the junior management levels. However, there are areas we need to concentrate on, especially given the difficulty of achieving equity at more senior levels where turnover is lower. Our statistics are reflected in Figure 6.

Figure 6

CATEGORY

Casual
Sales and Administration
Junior Field Management
Middle Field Management
Senior Field Management
Head Office General
Head Office Middle Management
Head Office Senior Management
Head Office Directors

PATERSON GRADE

A, B, B+
A, B, B+
C, C+
D
D+, E
A, B, B+, C
C+, D
D+, E
F

% BLACK REPRESENTIVITY

86%
81%
60%
26%
25%
72%
22%
2%
0%

BUSINESS REVIEW *continued*

hiv/aids

Truworths is aware of the potential impact of AIDS on the broader South African community, our staff and customers, as well as on the provision of staff benefits, including retirement and group life and disability benefits and medical aid.

A project team comprising senior management, specialist consultants and a medical practitioner are tasked to track the effect of HIV/AIDS on the company as well as to develop a principled, practical and sustainable response to the pandemic.

At this stage the number of AIDS deaths and reported HIV-positive cases are well below the projections originally made by our consultants. Through our healthcare provider, we continue to educate our staff using a variety of appropriate mediums including an informative newsletter. In addition, members of our healthcare fund have access to a confidential aid for AIDS programme, as well as free annual HIV testing and benefits for HIV positive pregnant mothers, rape victims and those who have suffered needle stick injuries.

corporate citizenship

Truworths has invested about R6 million in two social involvement trusts, the interest thereon was used to fund our community investment activities. Our corporate citizenship focus remains in the fields of education, sport, arts and culture and to build long-term interactive relationships in the communities in which we work. During the year under review we focused on

further strengthening community relationships and encouraging skills development.

Where education is concerned we support two schools in Nyanga and, following a recent evaluation, will be extending the Life Skills Programme in these schools to include further modules. The school winter holiday programme concentrated on skills development and has been adapted to include woodworking, needlework, arts, music and drama.

Also, our partnership with the National Business Initiative has been invaluable in cementing relationships with the Education Department and governing bodies in terms of our Life Skills Programmes.

We have been encouraged by the improvement in schools we co-support in terms of the Education Quality Improvement programme. In keeping with our initiative to improve skills development, we have enrolled 20 learners from the Oscar Mpetha High School on a Junior Achievers programme which runs over an eleven-week period giving learners a basic grounding in business skills and entrepreneurial training.

Our sports initiatives have seen the Future Stars basketball team from Khayelitsha continue to grow and more recently start to concentrate on the development of juniors. The under-18 boys won gold medals in the Western Cape Basketball Association league in 2001 with one of their players elected as the "player of the year". The Truworths International-sponsored Supercats

Wheelchair Basketball team extended their activities during the year to include wheelchair dancing. This initiative improves the players' motor skills and flexibility.

The Guguletu Dance School competed successfully in eight Federation of Dance (South Africa) competitions during the year including the Rama Rhythm challenge at Sun City and the South African Championships in Port Elizabeth.

Our Emerging Artists Fund has continued to support local artists with skill development and self-empowerment workshops. A highlight was the Women's Journey Exhibition at the Cape Town Castle, featuring the work of women from Philani who attended workshops to improve their weaving and printing skills. Our focus broadened when we were invited to sponsor two workshops for learners from the Athlone School for the Blind and the Pioneer School in Worcester at the National Gallery. The success of these workshops has encouraged us to lend further support to these initiatives.

We have extended our support to the SOS Children's Villages by sponsoring a second house in Ennerdale, Gauteng. This house will be looked after by our staff as is our Heron's Home in Cape Town. In both instances abandoned or orphaned children are given the opportunity to be brought up in a family environment of about eight children, overseen by carefully selected house parents. This concept has been hugely successful in building balanced and productive adults.

We have agreed to grant a special amount this year to assist employees with disabled children.

the environment

Environmental issues remain important to the group. Initiatives include the recycling of hangers and cardboard boxes and participation in discussions regarding legislation around plastic shopping bags which pollute our countryside. Compliance with the requirements of this legislation is a key focus of Truworths and we will ensure that all carry bags supplied are environmentally friendly as required by legislation.

In terms of compliance by retailers with the laws governing taxes on imported goods, all of our suppliers that import goods have been requested, as a condition of doing business, to confirm their adherence to all aspects of the law. Truworths is currently obtaining full accreditation with the SARS regarding the importation of goods. Our suppliers are encouraged to adopt the same accreditation which will facilitate preferential custom clearance.

With regard to Occupational Health and Safety, we confirm that compliance is a priority. No serious accidents were reported during the year under review.

We are also currently investigating diverting the procurement of goods and services to black owned businesses with the view of assisting with the economic development of previously disadvantaged sectors within our economy.

outlook

Although the retail market demonstrated greater buoyancy in the first half of 2002, we do not expect a significantly more settled and less challenging trading environment for the foreseeable future. Inflationary pressures and consequential higher interest rates, at least until next year, will continue to place consumer spending under pressure and the weaker performance of the Rand against developed economy currencies will impact on the cost of imported materials.

Despite these conditions, prospects are exciting. Truworths has demonstrated a unique ability continually to reinvent its core retail formula while simultaneously developing new formats that enhance the overall business and create significant growth opportunities for the future. We remain true to this strategy and our quest for continued gains in market share, profitability and the delivery of shareholder value is based on:

- the on-going reinvention of our core business;
- the development of successful new formats; and,
- experimental concepts intended to set the standard for innovative retailing in the years ahead.

Our core business is on track to continue to gain market share while our growth formats, including Daniel Hechter, LTD, Identity and Elements, are showing great potential to perform well in the current financial year.

Growth initiatives will continue to be supported by operational efficiency and we believe that Truworths' structures and resources mean we're well placed to further drive productivity and cost control.

Where acquisitions are concerned, our search for new local and international businesses has not yet yielded opportunities which we believe offer greater growth potential than our own brands and new concepts. We will, however, remain alert to possible acquisitions that present the correct balance between risk and potential for growth.

CORPORATE GOVERNANCE

Truworths and its subsidiaries subscribe to the principles of sound corporate governance and, in particular, to the Code of Corporate Practices and Conduct contained in the King Committee's 1994 Report on Corporate Governance ("the 1994 Code").

The board of directors has also given consideration to the guidelines on corporate governance set out in schedule 22 to the JSE's Listings Requirements and is satisfied that the company has applied the principles set out in the 1994 Code in most material respects throughout the period under review.

The board is committed to the ongoing process of aligning its corporate governance regime with international trends. It believes it has in some respects anticipated the principles espoused in the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 ("the 2002 Code"), which will be effective in relation to the group's 2003 financial year. The board has recently resolved to ensure that the group fully adheres with the 2002 Code by June 2003.

Described below are the corporate governance practices and structures currently in place in the group, together with details of the limited areas where compliance with the 1994 Code has yet to be attained.

board structure and responsibilities

The company has a unitary board structure. The primary responsibilities of the board are:

- to review the group's strategic direction;
- to make material investment and dis-investment decisions;
- to appoint the chief executive officer and monitor the performance of executive management;
- to consider financial reports, budgets and business plans presented by executive management; and,
- to contribute to policy formulation, risk management initiatives and matters of governance including communication with shareholders.

During the year the respective roles of the Truworths International board and of the board of the wholly owned operating subsidiary were documented to ensure clarity of their respective authority levels. Accordingly the board has reserved for itself decision-making in regard to material issues, with materiality quantified in relation to specified transactions. In

Figure 7

MEMBERSHIP OF VARIOUS BOARD AND COMMITTEES

NAME		BOARD	AUDIT COMMITTEE	ETHICS AND GOVERNANCE COMMITTEE	REMUNERATION COMMITTEE
L A Tager	S ‡	✓		✓	✓
CT Ndlovu	S ‡	✓			
R G Dow	S ‡	✓	✓†		✓*
B D Lapin	S ‡	✓		✓*	
A E Parfett	‡ π	✓	✓*		
P J Lavies	¶		✓		
D G H Stewart	#		✓		
PA McInnes	Ω			✓	
M S Mark	◇	✓*			
A J Taylor	◇	✓			

* Chairman of the board or committee
 † Appointed on 23 May 2002
 ‡ Non-executive
 § Independent
 ¶ Chartered accountant and recently retired financial director of the former holding company.
 # Chartered accountant and retired senior partner of the auditing firm, Ernst & Young.
 Ω Executive director of Truworths Limited
 ◇ Executive director
 π A E Parfett will be an independent director in June 2003

addition, all significant matters are brought to its attention for noting or decision. The board of the company's wholly owned operating subsidiary, Truworths Limited, has responsibility for all matters associated with retailing including overseeing and managing the business development, human resource, finance, buying, merchandise planning, store operations, store design, merchandise distribution, franchising, customer relationship management and information technology functions.

board composition

The company's board, whose members' names, particulars and qualifications are set out on page 5 of this report, comprises five non-executive directors and two full-time salaried executive directors. The financial director of Truworths Limited was appointed on 22 August 2002, with effect from 23 August 2002 as the third executive

director. Details of membership on the various committees and this board are reflected in Figure 7 on the previous page.

The qualifications and experience of the non-executive directors, coupled with the fact that they have no material contractual relationships with the group, help to ensure that their views carry substantial weight and that their judgement in relation to issues affecting the company can be exercised independently. The non-executive directors, acting individually and collectively, bring independent judgement to bear in relation to the group's strategic plan, the deployment of group resources, key executive appointments and corporate practices and conduct.

The appointment process in respect of new directors is formal and a matter on which all board members are consulted and required to agree. Any disagreement is debated until full consensus is achieved. Annually one third of the directors, being those longest in office, is required in terms of the company's articles of association to retire at the annual meeting of shareholders. Retiring directors may offer themselves for re-election. Directors appointed between such meetings are required to have their appointments confirmed at the following annual general meeting.

Given that the persons recently appointed as directors have both extensive experience in serving on the boards of companies of substance and are professionally qualified, the company has not felt it necessary to conduct training courses for new directors, although such courses would be presented if the need arises.

board functioning

Typically board meetings are held quarterly. Figure 8 below summarises the attendance at these meetings.

Board meetings are duly convened by formal notice incorporating a detailed agenda supported by relevant written proposals and comprehensive reports. These reports and presentations made from time to time to the board dealt not only with quantitative issues but also with qualitative matters such as customer relationship management and merchandise offerings. Between these meetings a number of decisions were taken by written resolution as provided for in the company's articles of association. In addition, executive management regularly consulted with non-executive directors on matters of importance as they arose during the period.

Since 1 July 2000 the offices of chairman of the board and chief executive officer have both been occupied by Mr M S Mark. Given the number and independence of the non-executive directors, the degree of their participation in key decision making and the governance systems in place in the company, the board is of the view that the combination of the chairman and chief executive officer roles is acceptable. The board is in the process of re-evaluating this in terms of the 2002 Code and in terms of the proposed amended Listings Requirements of the JSE and will take appropriate action in due course.

Board members have ready and direct access to the company secretary in relation to the affairs of the company and are entitled to obtain independent professional advice regarding company matters at the company's expense. During the period under review the directors availed themselves of the company secretary's services and legal advice on a number of issues.

On request, board members have access to any and all company information, records, documents, property and management.

Figure 8

MEMBER	AUGUST 2001	OCTOBER 2001	FEBRUARY 2002	MAY 2002
L A Tager	✓	✓	✓	✓
CT Ndlovu	✓	✓	✓	✓
R G Dow	✓	✓	✓	✓
B D Lapin	✓	✓	✓	x
A E Parfett	✓	✓	✓	✓
M S Mark	✓	✓	✓	✓
A J Taylor	✓	✓	✓	✓

CORPORATE GOVERNANCE *continued*

board committees

The board has constituted the following committees and delegated to them specific responsibilities in terms of written charters:

AUDIT COMMITTEE

This committee's primary objective is to assist the board in discharging its responsibilities to:

- maintain adequate accounting records and functionally effective financial reporting and internal control systems;
- ensure compliance of published financial reports with relevant legislation, regulation, accounting practice and good corporate governance; and
- safeguard group assets.

This committee comprises the members as detailed in Figure 7 on page 46 and the company secretary acts as its secretary. Attendance of these meetings is summarised in Figure 9.

The committee typically convenes three times a year and met in August, February and May during the period under review. The company secretary together with the Truworths Limited finance director, internal audit manager and senior employees of the finance department, as well the external auditors, submitted written reports to and

were in attendance at these meetings. The internal audit manager and the external auditors have free and unrestricted access to the Chairman of the committee.

ETHICS AND GOVERNANCE COMMITTEE

The committee's primary objective is to assist the board with discharging its responsibilities to:

- determine the moral climate of the group's business;
- assist with the formulation of group policies on matters involving ethics and governance;
- ensure compliance by the group with relevant legislation, regulation and codes of conduct in the spheres of ethics and governance; and
- develop, maintain and monitor adherence with the group's value system.

The committee comprises three members as detailed in Figure 7 on page 46. Mr PA McInnes acts as the secretary.

Members of the committee have regular direct access to external consultants and to the company secretary on matters of compliance or any other matters that relate to the charter of this committee.

Typically this committee meets formally as the need arises. During the period under

review its members consulted with executive management regularly.

REMUNERATION COMMITTEE

This committee is authorised by the board to review and determine, when necessary with the assistance of external legal or other professional advice, remuneration packages for the chief executive and senior executives as well as non-executive directors' emoluments. The committee members are detailed in Figure 7 on page 46. The committee's primary objective is to assist the board in discharging its responsibilities to:

- ensure that the group's chief executive chairman, senior executives and non-executives are evaluated in accordance with the group's compensation objectives, with due attention to retention issues and performance;
- advise, recommend and review reward strategies and policies for executives;
- determine the remuneration packages of the executive chairman and senior executives to support the group's strategic objectives; and
- determine and approve non-executive directors' emoluments.

In October 2001, Mr MS Mark, the chief executive officer, relinquished his membership of the committee. At the invitation of the committee, Mr Mark

Figure 9

MEMBER	AUGUST 2001	FEBRUARY 2002	MAY 2002
A E Parfett	✓	✓	✓
P J Lavies	✓	X	✓
D G H Stewart	✓	✓	X
R G Dow	N/A	N/A	N/A

attends committee meetings to give his input related to the remuneration of directors and executives, but plays no part in decisions relating to his own compensation.

During the period under review the committee met in August, October, February and May. Both members were present at these meetings at which a quorum is two members.

compensation of directors and management

Executive director and management compensation is determined annually, and in exceptional circumstance during the year, by the Remuneration Committee, which obtains input from professional advisors. It has due regard for comparative levels of compensation in other organisations both locally and abroad, and the need to attract, retain and motivate key members of staff. A significant element of the executive director's compensation is performance based and incorporates bonuses and options in respect of the company's shares under the rules of the company's share scheme.

- In determining the remuneration of the chief executive officer, the review process takes into account Truworths' performance over a sustained period of time, and specifically during the period under review. His leadership talents and considerable fashion retail experience are considered, as

is his marketability within South Africa and abroad.

- Over the last two years, the review process for directors and senior executives incorporated the services of professional consultants to benchmark key executive remuneration packages in Truworths. The committee includes an international benchmark exercise as part of its deliberations when reviewing executive remuneration. This takes place in January and February of each year.
- The achievement of goals set for the executive team is reviewed after the close of the financial year in June and, if achieved, incentive awards are communicated and paid to executives in August or September each year. The committee considers part payment of these incentives after half-year results.
- Share options are reviewed against target values, after the incentive programme and, if appropriate, are implemented in October or November each year. The chief executive may recommend the granting of share options in recognition of an outstanding contribution or in the case of new senior level employees. Both the target incentive payments and the share option target values are reviewed each year in line with JSE-listed company norms and standards.
- The non-executive directors receive emoluments, which are benchmarked by independent consultants with reference to JSE-listed company norms, and they hold options in respect

of the company's shares under the company's share scheme.

All employees, who have been with the company for at least 12 months and who perform according to required standards are rewarded by participation in the company's share scheme.

The share and option holdings of individual members of the board and details of their remuneration are given on an individual basis in note 25 of the annual financial statements.

stakeholder communication

The company strives in its communications with stakeholders, particularly the investment community, to present a true, balanced and understandable assessment of the company's position.

Executives strive to adopt a principled attitude of only discussing with analysts, strategies, results and information available to the public. Specific discussions about current performance is avoided if such information is not yet available to the public.

Consequently in its financial reporting, formal announcements, media releases, annual meetings, presentations and dialogue with analysts and institutional shareholders, the company strives to communicate its objectives in a manner which is substantive, clear, open, prompt and balanced.

During the year under review, the company has continued in its endeavour to

CORPORATE GOVERNANCE *continued*

communicate results and financial information to employees using video and presentation formats. Greater emphasis is also being given to financial reports on non-financial affairs, such as employment equity and social responsibility.

internal control and internal audit

The group strives to maintain internal controls of a standard aimed at safeguarding the company's assets and ensuring that the systems of financial reporting contain complete, accurate and reliable information. These controls are in a continuous process of development and critical review and involve established practices and procedures including regular reconciliations, dual signatories, and segregation of duties.

The effectiveness of internal controls is monitored by the internal audit department, which reports its findings to the audit committee and has ready access to the chairman of that committee and the chief executive officer. The activities of the department complement and support those of the external auditors and there is an ongoing commitment to closer liaison.

An information systems auditor was appointed to the internal audit department in July 2001. During the year an audit review of the group's information systems was carried out to identify critical systems and their associated risks. In addition, an assessment of the control environment within the group was conducted with a

view to identifying areas requiring management intervention.

The independence of the internal audit department has been secured by the curtailment of its limited involvement in ad-hoc project management activities. This independence has been further enhanced by having the internal audit managers report on operational matters to the chief executive officer, and only in relation to administrative matters to the finance director.

financial reporting

The directors are responsible for preparing the annual financial statements so that they fairly present the financial position of the group and the results of its operations and cash flows for the period in accordance with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act.

The responsibility of the external auditors is to carry out an independent audit of the annual financial statements in accordance with South African auditing standards and to express an opinion as to whether the financial statements do provide fair presentation.

The directors ensure that the annual financial statements provide the disclosures required by the JSE's Listings Requirements and incorporate appropriate accounting policies which, unless otherwise stated, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

The directors are of the view that the accounting records and systems of internal control have achieved their intended purpose. They advise that no material loss, exposure or misstatement arising from a breakdown in the functioning of the systems of internal control or accounting have been reported to them in respect of the period under review.

going concern

The annual financial statements contained in this annual report have been prepared on the going concern basis. Based on the group's strong positive cash flows, the availability of significant and as yet unutilised borrowing facilities and the revenue and cash budgets for the period to June 2003, the directors have every reason to believe that the company and the group have adequate resources to continue in operation for the year ahead.

dealings in company shares

The group has a written policy in terms of which dealings in the company's shares by directors and employees are prohibited during closed periods which commence in mid-June and mid-December and end 24 hours after the public announcement of the year or half-year financial results.

At least twice annually the company secretary informs directors and employees in writing about the provisions of the Insider Trading Act and its prohibitions regarding dealing, or encouraging dealing by others, while in possession of

non-public price sensitive information, or disclosing such information to others.

Dealings by directors in the company's shares advised to the company secretary are notified to the JSE in accordance with its requirements.

risk management

Overall accountability for the group's risk management programme vests with the board of directors of the company.

To assist the board in discharging its responsibilities in this regard, continuous oversight of risk management activities is undertaken by the directors of the wholly owned subsidiary, Truworths Limited. Reports on this oversight function are presented to and critically reviewed by the company's board at each meeting.

Members of the executive management team have direct responsibility for risk management interventions in their functional areas, and report on these at the bi-monthly meetings of the Truworths Limited board. Key performance indicators have been determined for each executive and actual performance levels are regularly monitored against agreed targets.

During the year a Risk Committee, which operates under written terms of reference and reports to the Truworths Limited board, was established to focus on and formalise group-wide risk management initiatives.

The committee comprises Messrs A J Taylor, who acts as chairman, W M van der Merwe, E F Cristaudo and C Durham. Three meetings, at which all members were

present, were held during the period under review.

ONGOING PROCESS

The group regards risk management as a dynamic process of continuing interventions aimed at mitigating business-specific, industry-wide and general risks so that, as far as is possible within resource limitations, the group's ongoing long-term economic sustainability can be assured.

Group executives have always had a "hands-on" approach to business management in general and have been able to identify, assess, transfer, avoid and manage the risks facing the group as an inherent feature of this management style.

RISK ASSESSMENT

In order to place risk management on a more formal footing, a group-wide risk assessment exercise was conducted during May at the insistence of the Risk Committee. The exercise required executives to document the risks identified and indicate how they were being managed, and also to estimate the possible loss to the group and the probability of occurrence.

The risk assessment exercise indicated that the risks associated with the group's merchandise buying and planning processes, as well as with the debtors' book and the credit granting process, were being well managed. This applied also to risks associated with management information systems, the real estate lease portfolio, the merchandise distribution

process, treasury functions and legal and compliance management.

The risk assessment highlighted the need for better management of the risks inherent in having a centralised distribution centre as well as a single head office location housing Truworths' intellectual capital. It also revealed that the group was placing undue reliance on certain key merchandise suppliers and needed to bolster its succession planning initiatives.

The exercise served to emphasise the need for management to better understand the impact of the HIV/AIDS pandemic on the group's workforce and customer base, and for appropriate measures to be taken to manage the risk to the group. Management is currently engaged in devising strategies and implementing initiatives to understand and deal with these risks.

BUSINESS CONTINUITY

The group is currently updating and expanding its business continuity plan, which was compiled specifically in preparation for the advent of year 2000. The aim of this exercise, which will take at least until June 2003 to complete, is to establish an integrated and overarching plan to ensure business continuity during adverse operating conditions, including natural or man-induced disasters.

To this end business units recently carried out a business impact analysis exercise which was used to update the disaster recovery strategy. This strategy outlines a high-level plan, which aims to ensure that, in the event of disaster, duplicated business

CORPORATE GOVERNANCE *continued*

systems maintained securely at a remote site can become appropriately functional and populated with relevant data within an acceptable period of time. The three key off-site systems, being Retek (a merchandise management and allocation system), Oracle Financials and Vision (a credit management system) were tested and successfully and timeously brought into operation in the year.

OPERATIONAL RISK MANAGEMENT

Operational risks are managed through detailed control systems that are under regular review to ensure integrity, appropriateness and coverage.

Inventory losses are minimised by strict adherence to internal control measures throughout the distribution chain, the use of independent security personnel and appropriate technologies.

Losses from debtors are mitigated by clearly defined and enforced credit granting policies, as well as pro-active debtor management techniques and the use of sophisticated "best-of-class" customer relationship systems.

The group's insurance programme aims at protecting group assets and earnings against material loss and business interruption. Arrangements include external insurance in relation to catastrophic risks, and cost-efficient self-insurance in respect of non-catastrophic risks. Assets are insured at current replacement value which is regularly reviewed.

Treasury risks are minimised through the adherence to a board approved treasury

policy, which is continuously amended as market conditions change. This policy permits investment of surplus cash only with the most highly rated counter-parties, and only in instruments which do not expose the group to extreme interest rate movements or undue tax risks. In terms of the policy, the use of derivative instruments is limited to hedging applications and speculative position taking is not permitted. All foreign currency import exposures are fully covered.

FRAUD HOTLINE

Management has installed a fraud hotline to facilitate the confidential reporting of fraudulent or other inappropriate behaviour resulting in risk to the group. An external service provider manages the hotline and relays the reports received to the internal audit function for investigation.

EXTERNAL AUDITORS

The board is of the view that Ernst & Young, the external auditors, are able to express an independent opinion on the group's annual financial statements and conduct an objective assessment of the group's internal controls. In forming this view the board has had regard for Ernst & Young's strictly enforced policy, which precludes their personnel from having a financial interest in the company, and for the reasons that Ernst & Young do not participate in management and are limited in their consulting engagements to the group.

The external auditors' annual audit plan, which incorporates the identification of significant risks and how they are to be

addressed during the audit, is presented at a meeting of the audit committee before the commencement of audit field work.

The external auditors have unrestricted access to the company's records and management. They furnish a written report to the company's audit committee on significant findings arising from the year-end audit and are able to raise matters of concern directly with the Chairman of that committee.

conclusion

The group is in a continuous process of challenging its levels of conformance and governance with the aim of seeking an acceptable balance between these and the business imperatives of entrepreneurship and sustainable superior financial performance in a competitive sector.

SHAREHOLDERS' DIARY

Annual general meeting

6 November 2002

Reports:

Announcement of interim results for the six months ended 31 December 2002

21 February 2003*

Announcement of annual results for the period ended 30 June 2003

26 August 2003*

Annual financial report for the period ended 30 June 2003 posted by

30 September 2003*

Dividends:

Dividend declared

Dividend paid

For the period ended 30 June 2002 (Dividend number 8)

22 August 2002

16 September 2002

For the period ended 31 December 2002 (Dividend number 9)

21 February 2003*

17 March 2003*

* These are approximate dates.