

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and group annual financial statements which appear on pages 57 to 99 were approved by the board of directors on 21 August 2003 and are signed on its behalf by:



**MS Mark**

*Chairman and Chief Executive Officer*



**AJ Taylor**

*Executive Director*

### CERTIFICATE BY COMPANY SECRETARY

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



**C Durham**

*Company Secretary*

21 August 2003

### AUDITORS' REPORT

for the 52 weeks ended 30 June 2003

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

We have audited the annual financial statements and group annual financial statements of Truworths International Limited set out on pages 57 to 99 for the 52 weeks ended 30 June 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Scope

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

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

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

### Audit opinion

In our opinion, these annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2003 and the results of their operations and cash flows for the 52 weeks then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



### ERNST & YOUNG

Registered accountants and auditors  
Chartered accountants (SA)

Cape Town  
21 August 2003

## DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the company and group annual financial statements for the 52-week period ended 30 June 2003, the previous period being 53 weeks.

#### NATURE OF BUSINESS

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

#### RESULTS OF OPERATIONS

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

#### DIVIDENDS

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

#### SHARE CAPITAL

Details of the authorised and issued share capital and the movements during the period are contained in notes 9 and 12 of the annual financial statements.

#### DIRECTORS AND SECRETARY

The names of the directors and company secretary in office at 30 June 2003 are set out on page 4, and 103 of the annual report. Mr H Saven was appointed, with effect from 1 February 2003, and Mrs L Tager resigned, with effect from 30 June 2003, as directors of the company.

#### SUBSIDIARY COMPANIES

Annexure one containing full particulars of the company's subsidiary companies appears on pages 98 and 99 of the annual financial statements.

#### BORROWING POWERS

In terms of the company's articles of association, its borrowing powers are unlimited. The borrowing powers of the group's wholly-owned operating subsidiary Truworths Limited, may in terms of its articles of association be limited by the company. Any borrowings by the group, were they to be made, would be subject to the provisions of the group's board approved treasury policy.

#### EVENTS SUBSEQUENT TO PERIOD END

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

#### SPECIAL RESOLUTIONS BY SUBSIDIARY COMPANIES

During the 2002 period the articles of association of the company's wholly-owned subsidiary Truworths Limited were altered by special resolution to enable it to acquire both its own and the company's shares, subject to the relevant provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange, South Africa. Simultaneously, and by further special resolution the said subsidiary was generally authorised to acquire its own shares and up to 10% of the company's shares, subject to the said provisions. This authority was renewed for a maximum of a further fifteen months by a special resolution, which was passed on 24 January 2003 and registered by the Registrar of Companies on 23 June 2003. No other special resolutions were passed by subsidiary companies during the period under review.

## BALANCE SHEETS

at 30 june

	Note	GROUP		COMPANY	
		2003 Rm	2002 Rm	2003 Rm	2002 Rm
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>410.3</b>	459.0	<b>183.1</b>	146.6
Property, fixtures, vehicles, plant, equipment and software	2	277.9	282.7	–	–
Investments	3	109.5	126.4	–	2.0
Interests in subsidiary companies	4	–	–	183.1	144.6
Loans	5	22.9	49.9	–	–
<b>Current assets</b>		<b>1 430.7</b>	961.3	<b>2.6</b>	1.3
Inventories	6	169.2	155.5	–	–
Trade and other receivables	7	796.2	658.1	–	–
Prepayments		20.4	18.1	–	–
Cash and cash equivalents	8	444.9	129.6	2.6	1.3
<b>Total assets</b>		<b>1 841.0</b>	1 420.3	<b>185.7</b>	147.9
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	9	0.1	0.1	0.1	0.1
Share premium	10	153.2	125.4	153.2	125.4
Non-distributable reserve	11	–	–	9.1	9.1
Retained profit		1 262.7	998.9	16.9	7.2
		<b>1 416.0</b>	1 124.4	<b>179.3</b>	141.8
Shares repurchased	12	(80.2)	(66.8)	–	–
<b>Total shareholders' equity</b>		<b>1 335.8</b>	1 057.6	<b>179.3</b>	141.8
<b>Non-current liabilities</b>					
Deferred taxation	13	86.0	107.2	–	–
Retirement benefit obligation	14	35.3	28.6	–	–
<b>Current liabilities</b>					
Trade and other payables	15	269.9	169.3	0.3	0.1
Provisions	16	6.0	6.0	6.0	6.0
Taxation		108.0	51.6	0.1	–
<b>Total equity and liabilities</b>		<b>1 841.0</b>	1 420.3	<b>185.7</b>	147.9
<b>Net asset value per share (cents)</b>		<b>290.0</b>	233.0		

## INCOME STATEMENTS

for the periods ended 30 june

	Note	GROUP		COMPANY	
		2003 Rm 52 weeks	2002 Rm 53 weeks	2003 Rm 52 weeks	2002 Rm 53 weeks
<b>Revenue</b>	22	<b>2 460.7</b>	2 084.2	<b>115.3</b>	76.2
Sale of merchandise		2 306.0	1 984.0	-	-
Cost of sales		(1 140.5)	(949.2)	-	-
<b>Gross profit</b>		<b>1 165.5</b>	1 034.8	-	-
Expenses		(759.3)	(672.1)	(0.5)	-
<b>Trading profit</b>	23	<b>406.2</b>	362.7	<b>(0.5)</b>	-
Dividends received		2.2	5.8	114.5	76.2
Interest received	25	142.4	84.2	0.8	-
<b>Profit before finance costs, exceptional items and taxation</b>		<b>550.8</b>	452.7	<b>114.8</b>	76.2
Finance costs	26	(0.5)	(0.2)	-	-
<b>Profit before exceptional items and taxation</b>		<b>550.3</b>	452.5	<b>114.8</b>	76.2
Exceptional items	27	(1.3)	5.3	(1.2)	5.6
<b>Profit before taxation</b>		<b>549.0</b>	457.8	<b>113.6</b>	81.8
Taxation	28	(158.1)	(163.0)	18.5	(18.7)
<b>Net profit attributable to shareholders</b>		<b>390.9</b>	294.8	<b>132.1</b>	63.1
<b>Cents per share:</b>					
Dividends declared for the period	29	34.0	22.0		
Headline earnings	30.1	85.7	63.5		
Basic earnings	30.2	85.5	64.5		
Fully diluted headline earnings	30.3	84.1	62.0		
Fully diluted basic earnings	30.3	83.9	63.0		

# STATEMENTS OF CHANGES IN TOTAL SHAREHOLDERS' EQUITY

for the periods ended 30 june

	Note	Share capital and premium Rm	Non-distributable reserve Rm	Retained profit Rm	Shares repurchased Rm	Total Rm
<b>GROUP</b>						
<b>Total shareholders' equity at 30 June 2001</b>		105.2	–	780.3	–	885.5
Net profit attributable to shareholders		–	–	294.8	–	294.8
Dividends	29	–	–	(76.2)	–	(76.2)
Shares issued	10	20.3	–	–	–	20.3
Shares repurchased	12	–	–	–	(66.8)	(66.8)
<b>Total shareholders' equity at 30 June 2002</b>		125.5	–	998.9	(66.8)	1 057.6
AC133: Financial instruments adjustment	21	–	–	(8.2)	–	(8.2)
<b>Restated total shareholders' equity at 30 June 2002</b>		125.5	–	990.7	(66.8)	1 049.4
Net profit attributable to shareholders		–	–	390.9	–	390.9
Dividends	29	–	–	(118.9)	–	(118.9)
Shares issued	10	28.1	–	–	–	28.1
Odd lot shares repurchased and cancelled	10	(0.1)	–	–	–	(0.1)
Share issue expenses written off	10	(0.2)	–	–	–	(0.2)
Shares repurchased	12	–	–	–	(13.4)	(13.4)
<b>Total shareholders' equity at 30 June 2003</b>		153.3	–	1 262.7	(80.2)	1 335.8
<b>COMPANY</b>						
<b>Total shareholders' equity at 30 June 2001</b>		105.2	9.1	20.3	–	134.6
Net profit attributable to shareholders		–	–	63.1	–	63.1
Dividends	29	–	–	(76.2)	–	(76.2)
Shares issued	10	20.3	–	–	–	20.3
<b>Total shareholders' equity at 30 June 2002</b>		125.5	9.1	7.2	–	141.8
Net profit attributable to shareholders		–	–	132.1	–	132.1
Dividends	29	–	–	(122.4)	–	(122.4)
Shares issued	10	28.1	–	–	–	28.1
Odd lot shares repurchased and cancelled	10	(0.1)	–	–	–	(0.1)
Share issue expenses written off	10	(0.2)	–	–	–	(0.2)
<b>Total shareholders' equity at 30 June 2003</b>		153.3	9.1	16.9	–	179.3

## CASH FLOW STATEMENTS

for the periods ended 30 june

	Note	GROUP		COMPANY	
		2003 Rm 52 weeks	2002 Rm 53 weeks	2003 Rm 52 weeks	2002 Rm 53 weeks
<b>Cash flow from operating activities</b>					
Cash flow from trading	32.1	479.1	428.2	(0.5)	–
Dividends received		2.2	5.8	114.6	76.2
<b>Cash EBITDA</b>		<b>481.3</b>	<b>434.0</b>	<b>114.1</b>	<b>76.2</b>
Working capital movements	32.2	(53.1)	(179.1)	–	–
<b>Cash generated from operations</b>		<b>428.2</b>	<b>254.9</b>	<b>114.1</b>	<b>76.2</b>
Finance costs		(0.5)	(0.2)	–	–
Interest received		142.4	84.2	0.8	–
Taxation paid	32.3	(123.0)	(191.5)	18.7	(18.7)
<b>Cash inflow from operations</b>		<b>447.1</b>	<b>147.4</b>	<b>133.6</b>	<b>57.5</b>
Dividends paid	32.4	(118.7)	(76.2)	(122.3)	(76.2)
<b>Net cash retained/(utilised)</b>		<b>328.4</b>	<b>71.2</b>	<b>11.3</b>	<b>(18.7)</b>
<b>Cash flow from investing activities</b>					
Investment to maintain operations	32.5	(20.7)	(21.4)	–	–
Investment to expand operations	32.6	(42.1)	(186.5)	–	–
Proceeds on disposal of property, fixtures, vehicles, plant, equipment and software	32.7	0.9	1.5	–	–
Loans		27.0	(15.2)	–	26.6
Increase in amounts owing by subsidiary companies		–	–	(38.5)	(31.2)
Investments		6.7	10.2	–	(2.0)
<b>Net cash outflow from investing activities</b>		<b>(28.2)</b>	<b>(211.4)</b>	<b>(38.5)</b>	<b>(6.6)</b>
<b>Cash flow from financing activities</b>					
Proceeds on share issue		27.9	20.3	27.9	20.3
Odd lot shares repurchased and cancelled		(0.1)	–	(0.1)	–
Shares repurchased by subsidiary		(13.4)	(66.8)	–	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>14.4</b>	<b>(46.5)</b>	<b>27.8</b>	<b>20.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>314.6</b>	<b>(186.7)</b>	<b>0.6</b>	<b>(5.0)</b>
Net cash inflow from discontinued operations		0.7	5.3	0.7	5.3
<b>Cash and cash equivalents for the period</b>		<b>315.3</b>	<b>(181.4)</b>	<b>1.3</b>	<b>0.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>129.6</b>	<b>311.0</b>	<b>1.3</b>	<b>1.0</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>444.9</b>	<b>129.6</b>	<b>2.6</b>	<b>1.3</b>
<b>Cash flow per share</b>	cents 30.4	<b>97.7</b>	32.2		
<b>Cash equivalent earnings per share</b>	cents 30.5	<b>97.2</b>	75.4		
<b>Cash realisation rate</b>	% 30.6	<b>100.5</b>	42.7		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The annual financial statements are prepared on the historical cost basis except where otherwise stated. These annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP). These accounting policies are consistent in all material respects with those applied in the prior period, except for the adoption during the current period of accounting statement AC133, Financial Instruments: Recognition and Measurement.

### 1.2 Subsidiary companies

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

The results of subsidiaries acquired or disposed of during the period are included from the date effective control was acquired and up to the date effective control ceased. The identifiable assets and liabilities of companies acquired are assessed and included in the balance sheet at their fair values as at the date of acquisition.

Foreign subsidiaries are classified as foreign operations for the purpose of foreign currency translations. The balance sheets on consolidation of foreign operations are translated into South African Rand at the rates of exchange ruling at the balance sheet date or at historic rates, where applicable. Income, expenditure and cash flow items are translated using weighted average rates of exchange during the period. Differences arising on translation are reflected in the income statement.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

### 1.3 Associate companies

Investments in associate companies are equity accounted. The group's share of the associate's profit or loss for the period is recognised in the income statement and the investment in the associate is carried in the balance sheet. This investment is carried at an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition. Provision is made for any permanent diminution in the carrying value of the investment.

Foreign associates of the company, operating under severe long-term restrictions that significantly impair their ability to

repatriate income to the company, are not equity accounted.

Where foreign associates are not equity accounted and are treated as available for sale assets, any fair value adjustments are recognised directly in equity through the statement of changes in equity. When such an investment is sold, collected or otherwise disposed of, the cumulative balance in equity is recognised in net profit or loss for the period. Where the investment is determined to be impaired, any cumulative loss recognised directly in equity, is recognised in net profit or loss for the period.

The company carries its investments in associates at cost less accumulated impairment losses.

### 1.4 Borrowing costs

Interest paid is expensed in the period in which it is incurred.

### 1.5 Change in accounting policy

Should a change in accounting policy be made due to the adoption of a South African Statement of GAAP, the change will be accounted for in accordance with the specific transitional provisions of such Statement. In the absence of any transitional provisions, the changes will be applied in accordance with the requirements of the South African Statement of GAAP, AC103: Net profit or loss for the period, fundamental errors and changes in accounting policies.

During the period accounting statement AC133, Financial Instruments: Recognition and Measurement, was adopted. In terms of the transitional provisions a cumulative adjustment to opening retained profit in the implementation year is required and the accounting statement is then applied prospectively. As a result, the comparative financial statements have not been adjusted.

### 1.6 Deferred taxation

Deferred taxation is provided for all temporary differences at the balance sheet date between the tax bases of assets or liabilities and their respective balance sheet carrying amounts. A deferred tax asset is recognised where it is probable that, in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised. No deferred taxation is recognised on temporary differences caused by the initial recognition of an asset or liability that is not part of a business combination or has not impacted accounting or taxable profit and non-tax deductible goodwill.

A deferred taxation liability for export partnership participation is raised which is equal to the cost of original participation together with the group's share of the partnership gross profit less the group's share of subsequent amounts received by the partnership.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1.7 Discontinuing operations

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

## 1.8 Dividends

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

## 1.9 Exceptional items

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

## 1.10 Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, derivative instruments, trade and other receivables, loans, investments (including export partnership participation) and trade and other payables. Financial instruments are initially measured at cost, including transaction costs, when the group becomes a party to the contractual arrangements. Financial assets, or a portion of financial assets, are derecognised when the group loses control of the contractual rights that comprise the financial asset. The group loses such control if it realises the rights to benefits specified in the contract, the rights expire or the group surrenders those rights. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

Where the group can legally do so and the group intends to settle on a net basis or simultaneously, related positive and negative values of financial instruments are offset within the balance sheet totals.

### 1.10.1 Cash and cash equivalents

Cash and cash equivalents consisting of cash on hand, cash in banks, short-term deposits, bank overdrafts and highly liquid investments are classified as loans and receivables originated by the

enterprise and in terms of the revisions of AC133 are measured at fair value.

### 1.10.2 Derivative instruments

Derivative financial instruments are classified as held for trading and are subsequently measured at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. A recognised gain or loss arising from a change in the fair value of a derivative financial asset or financial liability is included in net profit or loss for the period in which it is incurred.

### 1.10.3 Trade and other receivables

Trade and other receivables are classified as receivables originated by the enterprise and are recognised and carried at original invoice amount less an allowance for uncollectible amounts. The allowance raised is the amount required to reduce the carrying amount that the group will not be able to collect (principal and interest) according to the contractual terms of trade and other receivables.

### 1.10.4 Loans receivable

Loans receivable are classified as receivables originated by the enterprise. Loans with fixed maturity repayment terms are measured at amortised cost using the effective interest rate method. Loans with no fixed repayment dates are measured at cost.

### 1.10.5 Investments

Investments, other than investments in subsidiaries or associates, are classified as available for sale assets. These investments are measured at fair value with fair value adjustments recognised directly in equity through the statement of changes in equity. When such an investment is sold, collected or otherwise disposed of, the cumulative balance in equity is recognised in net profit or loss for the period. Where the investment is determined to be impaired, any cumulative loss recognised directly in equity is recognised in net profit or loss for the period.

There is a presumption that an investment in an equity instrument cannot be reliably determined when there is no quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate. Consequently, these investments are measured at cost, subject to an impairment test.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1.10.6 Export partnership participation

Export partnership participation is measured at amortised cost using the effective interest rate method. Amortised cost is the group's cost of original participation less subsequent principal payments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment or uncollectability.

## 1.10.7 Trade and other payables

Liabilities for trade and other amounts payable are classified as loans originated by the enterprise and are measured at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

## 1.11 Foreign currency transactions

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

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

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

## 1.12 Impairment of assets

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

## 1.13 Intangible assets

### Trademarks and brand names

Trademarks and brand names acquired are capitalised and amortised over their anticipated useful lives, not exceeding twenty years.

Costs incurred on internally generated trademarks and brand names are charged to the income statement in the period in which they are incurred.

## 1.14 Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's share of the attributable fair value of the net identifiable assets at the date of acquisition. Goodwill is

capitalised and amortised over the lesser of its effective economic life and twenty years.

## 1.15 Inventories

### Finished goods

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

### Fabric

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

## 1.16 Leases

Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease expenses are charged to the income statement in the period in which they are incurred.

## 1.17 Property, fixtures, vehicles, plant, equipment and software

### Property

Property owned by the group is classified as owner-occupied property. The group does not hold any investment property. Owner-occupied buildings are shown at cost less accumulated depreciation. Buildings are revalued every five years, by recognised professional valuers, at open market value. All buildings are depreciated on a straight-line basis over twenty-five years, except the head-office building which is being depreciated on an escalation basis over a thirteen-year period. Land is shown at cost and not depreciated.

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

### Fixtures, vehicles, plant, equipment and software

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1.18 Provisions

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

## 1.19 Retirement benefits

### Defined contribution plans

Group contributions to the defined contribution retirement funds are based on a percentage of the payroll and are charged to the income statement in the period in which it is incurred.

### Post-retirement medical benefits

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

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

## 1.20 Revenue

Revenue comprises sale of merchandise, dividends received, interest received, lease rental income and warehouse and management fees received and are recognised on the bases set out below:

### Sale of merchandise

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

### Dividends received

Preference dividends are recognised on a time proportion basis, regardless of whether declared or not. All other dividends are recognised on the last date to register.

### Interest received

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

### Lease rental income

Lease rental income is recognised in the period in which it is earned.

### Warehouse and management fees received

These fees are recognised when the services contracted for have been rendered.

## 1.21 Segmental reporting

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

## 1.22 Shares repurchased

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

## 1.23 Share incentive scheme

The company operates the Truworths International Limited share incentive scheme. Participation is open to all permanent employees including non-executive directors at the discretion of the remuneration committee. Shares and options are released to participants at the rate of 20% per annum commencing on the first anniversary of the date of offer. There is no income statement effect when such benefits are granted.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>2. PROPERTY, FIXTURES, VEHICLES, PLANT, EQUIPMENT AND SOFTWARE</b>		
<b>Historic cost</b>		
Land and buildings	160 010	160 010
Leasehold improvements	–	2 718
Fixtures, plant and equipment	399 099	359 912
Computer equipment and software	124 352	101 727
Motor vehicles	404	195
	<u>683 865</u>	<u>624 562</u>
<b>Accumulated depreciation</b>		
Land and buildings	(13 881)	(6 350)
Leasehold improvements	–	(2 611)
Fixtures, plant and equipment	(305 204)	(265 440)
Computer equipment and software	(86 715)	(67 375)
Motor vehicles	(130)	(133)
	<u>(405 930)</u>	<u>(341 909)</u>
<b>Net carrying value</b>	<u>277 935</u>	<u>282 653</u>
Comprising:		
Land and buildings	146 129	153 660
Leasehold improvements	–	107
Fixtures, plant and equipment	93 895	94 472
Computer equipment and software	37 637	34 352
Motor vehicles	274	62
	<u>277 935</u>	<u>282 653</u>
<b>Opening net carrying value</b>	282 653	135 105
<b>Movements for the period</b>		
<i>Capital expenditure</i>	62 877	207 900
Land and buildings	–	144 476
Fixtures, plant and equipment	39 605	38 597
Computer equipment and software	22 619	23 805
Motor vehicles	653	1 022
<i>Disposals</i>	(818)	(2 734)
Land and buildings	–	(60)
Leasehold improvements	(107)	–
Fixtures, plant and equipment	(297)	(1 350)
Computer equipment and software	–	(35)
Motor vehicles	(414)	(1 289)
<i>Depreciation (note 23.4)</i>	(66 777)	(57 618)
<b>Closing net carrying value</b>	<u>277 935</u>	<u>282 653</u>

Property, fixtures, vehicles, plant, equipment and software have an estimated replacement and insured value of R515 million (2002: R428 million).

The group had no idle fixed assets at the end of the period (2002: Nil).

The gross cost of fully depreciated fixtures, vehicles, plant, equipment and software amounted to R263 million (2002: R216 million).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Original cost R'000	Prior periods cumulative improvements R'000	2003 Total cost R'000	2002 Total cost R'000
<b>2. PROPERTY, FIXTURES, VEHICLES, PLANT, EQUIPMENT AND SOFTWARE (continued)</b>				
Details of group freehold land and buildings are as follows:				
1) Flat No 1303 Salwood Court – remainder Erf 47473 Rondebosch, Cape Town Date of acquisition – 30 August 1998 Market valuation, performed on 27 March 2003, by RM Prideaux, Associated valuer, was R520 000.	309	118	427	427
2) Truworths Distribution Centre – portion Erf 103597 Epping, Cape Town Date of acquisition – 30 August 1999 Market valuation, performed on 14 August 2002, by Baker Street Property Company, was R25.3 million.	15 030	237	15 267	15 267
3) No. 1 Mostert Street – Erf 150977, Cape Town Date of acquisition – 1 October 2001 Market valuation (excluding share block no. 3), performed on 29 July 2003 by Tim Moulder FRICS FIV(SA) of Marriott Property Services (Pty) Ltd, was R87 million (2002: Directors' estimate of market value R95 million).	144 204	112	144 316	144 316
	159 543	467	160 010	160 010

At the end of the 2003 financial period, the group had an effective 76.8% (2002: 76.8%) interest in No. 1 Mostert Street (formerly SRG House), the group's head-office.

During the 2002 financial period the head-office lease was terminated at a cost of R133.9 million and an additional 15 088 shares in Woolmos Properties Share Block Limited, which is the registered holder of and owns the bare dominium in No. 1 Mostert Street, were purchased at a cost of R8.6 million. At the balance sheet date the total cost of the group's shareholding in this entity of R10.3 million, was recorded as part of the carrying value of the building.

As the head-office is a corporate asset, the cash inflows it generates cannot be separated from the cash inflows from the group's business as a whole in terms of the GAAP statement AC 128: Impairment of Assets. In terms of this statement, an assessment of the recoverable amount attributable to the assets of the group's business as a whole, including No. 1 Mostert Street, was performed at the balance sheet date. This assessment concluded that as the estimated recoverable amount materially exceeded the carrying value of the assets of the group's business as a whole, no impairment write-down was required.

Management notes that the current market valuation of No. 1 Mostert Street (excluding share block no. 3) is R87 million whilst the carrying value is R132.3 million (2002: R139.3 million). The building is being depreciated over a period of 13 years on an escalating basis. In the view of management the differential between the building's carrying value and its market value is likely to diminish in the medium term.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	%	Number of shares held		2002	Class of shares	Note	2003 R'000	2002 R'000
		2003	%					
<b>3. INVESTMENTS</b>								
<b>GROUP</b>								
<b>Summary</b>								
Listed investments						3.1	–	2 000
Unlisted investments						3.2	396	396
Other investments						3.3	878	1 684
Export partnership participation						3.4	108 177	122 327
							<u>109 451</u>	<u>126 407</u>
<b>COMPANY</b>								
<b>Summary</b>								
Listed investments						3.1	–	2 000
<b>3.1 Listed investments</b>								
Truworths Limited (incorporated in Zimbabwe)	31.7	105 429 958	33.0	10 416 666	Ordinary		–	2 000
Cost of acquisition at 22 February 2002							2 000	2 000
Impairment in value of investment							(2 000)	–
The shares underwent a 10 for 1 subdivision in January 2003.								
As there are currently severe long-term restrictions on the repatriation of dividends from Zimbabwe, the results of the above associate have not been equity accounted for in the period under review. Had they been equity accounted, the group's share of profits attributable to shareholders would have been R4.7 million (2002: R1.7 million). During the period, a cash dividend from the associate in the amount of R215 993 was deposited into the group's Zimbabwean bank account. In addition, a scrip dividend amounting to R328 047 and comprising 1 263 298 shares in the company was received. These cash and scrip dividends have not been recorded in the group's accounting records for the reason stated above. No dividends were received for the 2002 period.								
The above amounts have been translated on 30 June, at a rate determined with reference to an implied rate derived from relative share prices of a company listed on both the Zimbabwe Stock Exchange and the JSE Securities Exchange, South Africa, of Z\$181: R1 (2002: Z\$50.35: R1).								
Due to the volatility of the Zimbabwean rate of exchange and the severe long-term restrictions on the repatriation of dividends from Zimbabwe, this investment has been impaired.								
<b>3.2 Unlisted investments</b>								
Business Partners Limited	0.1	158 877	0.1	158 877	Ordinary		396	396
<b>Directors' valuation</b>								
This investment has been valued at cost as there is insufficient trading information to determine a fair value.							396	396

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>3. INVESTMENTS (continued)</b>		
<b>3.3 Other investments</b>		
Nedbank deposit	<u>878</u>	<u>1 684</u>
<b>Directors' valuation</b>		
This investment is cash on call at Nedbank in respect of the group's car scheme and has been valued at fair value.	<u>878</u>	<u>1 684</u>
<b>3.4 Export partnership participation</b>		
Investment in export partnerships	114 851	122 327
AC133: Financial instruments adjustment	(6 674)	-
Opening retained earnings adjustment (For further details, refer to note 21)	<u>(8 171)</u>	<u>-</u>
Current period interest adjustment	<u>1 497</u>	<u>-</u>
	<u>108 177</u>	<u>122 327</u>
<p>The group participates with other companies in the former Wooltru Limited group in various export partnerships whose business was the purchase and export sale of containers. These partnerships bought and sold dry containers in terms of long-term suspensive purchase and credit sale agreements respectively, with specifically scheduled repayment terms over a 10 to 15 year period. Trencor Services (Proprietary) Limited, a wholly-owned subsidiary of Trencor Limited, (which is listed on the JSE Securities Exchange, South Africa) acts as managing partner in these partnerships. The managing partner collects and disburses partnership funds on behalf of the partners and distributes to them the funds required to settle their deferred tax liabilities when these fall due. The group's share of long-term receivables due by the purchaser of the containers exported is R392 million (2002: R422 million), the group's share of the long-term liabilities due to the manufacturer of the containers is R241 million (2002: R260 million) and the group's share of net other liabilities is R36 million (2002: R40 million).</p>		
<p>Any impairment to the export partnership participation would result in a corresponding reduction in the related deferred taxation liability and would therefore have no impact on the cash flows and income statements of the group.</p>		
<p>It is not practicable within constraints of timeliness or cost to determine the fair value of the participation in export partnerships.</p>		
<b>3.5 Interest in aggregate after taxation profits and losses of subsidiary companies</b>		
Profits	376 704	307 625
Losses	<u>(225)</u>	<u>(495)</u>
	<u>376 479</u>	<u>307 130</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Note	2003 R'000	2002 R'000
<b>4. INTERESTS IN SUBSIDIARY COMPANIES</b>			
<b>COMPANY</b>			
Shares in consolidated subsidiaries, at cost		100 330	100 330
Amounts owing by subsidiary companies		82 777	44 243
		<u>183 107</u>	<u>144 573</u>

The amounts are unsecured, interest free and have no fixed repayment terms and they are therefore recorded at cost.

**5. LOANS****Summary**

Secured housing loans to directors and officers	5.1	690	986
Secured housing loans to employees	5.2	1 441	1 670
Unsecured loans	5.3	20 757	47 277
		<u>22 888</u>	<u>49 933</u>

**5.1 Secured housing loans to directors and officers**

Balance at the beginning of the period	986	986
Repayments during the period	(296)	–
Balance at the end of the period	<u>690</u>	<u>986</u>

Interest is payable at 8% per annum. These loans are secured by second mortgage bonds registered in favour of the subsidiary, Truworths Limited, and are repayable upon termination of the directors' and officers' service with the group. For further details refer to notes 24.3 and 31. There is uncertainty regarding the settlement date of these loans and they are therefore recorded at cost.

**5.2 Secured housing loans to employees**

Balance at the beginning of the period	1 670	1 670
Repayments during the period	(229)	–
Balance at the end of the period	<u>1 441</u>	<u>1 670</u>

Interest is payable at 8% per annum. Capital and interest is payable monthly. The loans are secured by a pledge of the employees' share in the Alexander Forbes Retirement Fund. These loans are repayable immediately upon the termination of the employees' service with the group. There is uncertainty regarding the settlement date and they are therefore recorded at cost.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>5.3 Unsecured loans</b>		
Educational loans	113	74
Truworths International Limited Share Trust	15 930	42 636
Other loans	4 714	4 567
	<u>20 757</u>	<u>47 277</u>

**Educational loans**

These loans are recorded at cost and are interest free and are repayable through fixed monthly repayments.

**Truworths International Limited Share Trust**

This loan is interest free and unsecured. It is repayable by mutual agreement between the group and the trustees of the Truworths International Limited Share Trust, subject to participating employees having made repayments in respect of the loans made to them by the Trust. Given that such loan repayments by participating employees are subject to different vesting periods and market fluctuations in the company's share price, and having regard for the large number of employees involved, a determination of the fair value of the loan with sufficient reliability is impractical. This loan has therefore been recorded at cost. The movement for the period is due to the sale of shares held by the Trust and the repayment of loans by participants.

**Other loans**

These include unsecured interest-free loans to the Truworths Community Foundation and the Truworths Social Involvement Trust whose charitable activities are funded by income earned on these funds. There is uncertainty as to the timing of the repayment of these loans and they are therefore recorded at cost.

**6. INVENTORIES**

Finished goods	169 227	154 175
Fabric	16	1 370
	<u>169 243</u>	<u>155 545</u>
Estimated replacement value	<u>226 332</u>	<u>187 909</u>

As cost is adjusted by mark-downs to arrive at net realisable value, the amounts disclosed above include a small number of items carried at net realisable value. Due to the immateriality of the amounts concerned, these items have not been separately identified.

**7. TRADE AND OTHER RECEIVABLES**

Trade account receivables	824 836	675 850
Provision for doubtful debts	(48 253)	(37 068)
	<u>776 583</u>	<u>638 782</u>
Other receivables	19 634	19 333
	<u>796 217</u>	<u>658 115</u>

The provision for doubtful debts, which has been calculated on a consistent basis, is determined after a specific period of inactivity during which a predetermined level of payment has not been made.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Number of shares 2003 000's	Number of shares 2002 000's	2003 R'000	2002 R'000
<b>8. CASH AND CASH EQUIVALENTS</b>				
<b>GROUP</b>				
Cash on deposit			414 894	129 548
Investment in preference shares			30 000	–
			<u>444 894</u>	<u>129 548</u>
<p>The preference shares have a term of six months, are redeemable on 19 November 2003 and earn a pre-tax return of 16.6%. Dividends are payable bi-annually but are accrued for on a time proportion basis.</p> <p>For further details regarding financial risk management, refer to note 20.</p>				
<b>COMPANY</b>				
Cash on deposit			<u>2 556</u>	<u>1 332</u>
<b>9. SHARE CAPITAL</b>				
<b>GROUP AND COMPANY</b>				
<b>Ordinary share capital</b>				
<b>Authorised</b>				
650 000 000 (2002: 650 000 000) ordinary shares of 0.015 cent each			<u>98</u>	<u>98</u>
<b>Issued</b>				
476 385 156 (2002: 467 602 856) ordinary shares of 0.015 cent each			<u>71</u>	<u>70</u>
<b>Reconciliation of movement in issued shares:</b>				
Balance at the beginning of the period	467 603	461 289		
Share incentive scheme issues	8 782	6 314		
	<u>476 385</u>	<u>467 603</u>		
Total shares repurchased	(15 768)	(13 612)		
2003	(2 156)	–		
2002	(13 612)	(13 612)		
	<u>460 617</u>	<u>453 991</u>		
Adjusted issued shares at the end of the period	3.3	2.9		

The shares allotted during the period were issued for an aggregate nominal value of R1 317 (2002: R947) and an aggregate subscription price before expenses of R28 062 770 (2002: R20 318 254). In terms of a shareholders' resolution passed on 6 November 2002, the directors have the general authority until the next annual general meeting to issue the unissued shares of the company, subject to the provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange, South Africa.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>10. SHARE PREMIUM</b>		
<b>GROUP AND COMPANY</b>		
Balance at the beginning of the period	125 415	105 117
Premium on share incentive scheme issues	28 063	20 318
Odd lot shares repurchased and cancelled	(120)	–
Share issue expenses written off	(165)	(20)
	<u>153 193</u>	<u>125 415</u>
<b>11. NON-DISTRIBUTABLE RESERVE</b>		
<b>COMPANY</b>		
<b>Reserve arising on acquisition of subsidiary</b>		
Balance at the beginning and end of the period	<u>9 147</u>	<u>9 147</u>
<b>12. SHARES REPURCHASED</b>		
Balance at the beginning of the period	66 781	–
Cost of shares repurchased during the period	13 419	66 781
	<u>80 200</u>	<u>66 781</u>
<p>During the period 2 155 214 (2002: 13 612 454) shares were repurchased at an average price of R6.19 (2002: R4.88) per share. The articles of association of the company's wholly-owned subsidiary, Truworths Limited have been altered by special resolution to enable it to acquire both its own and the company's shares, subject to the relevant provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange, South Africa. The repurchase was effected by special resolution in which the said subsidiary was generally authorised to acquire its own shares and up to 10% of the company's shares.</p>		
<b>13. DEFERRED TAXATION</b>		
Net deferred taxation liability at the beginning of the period	107 261	123 056
Deferred taxation liability at the beginning of the period	128 926	141 190
Deferred taxation asset at the beginning of the period	(21 665)	(18 134)
Movement for the period	(21 303)	(15 795)
Export partnership participation	(7 476)	(11 226)
Prepayments	677	(1 187)
Provision for doubtful debts	(4 032)	(2 004)
Retirement benefit obligation	(2 014)	(921)
Inventories	(6 530)	(736)
Other	(1 928)	279
	<u>85 958</u>	<u>107 261</u>
Net deferred taxation liability at the end of the period	124 686	128 926
Deferred taxation liability at the end of the period	(38 728)	(21 665)
Deferred taxation asset at the end of the period	<u>124 686</u>	<u>128 926</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>13. DEFERRED TAXATION (continued)</b>		
<b>Comprising:</b>		
Export partnership participation (For further details, refer to note 3.4)	114 851	122 327
Trade and other receivables	(9 240)	(5 366)
Trade and other payables	(8 043)	(4 084)
Leave pay accrual	(1 194)	(1 194)
Prepayments	6 133	5 456
Retirement benefit obligation	(10 587)	(8 573)
Inventories	(7 461)	(931)
Other	1 499	(374)
	<u>85 958</u>	<u>107 261</u>
<b>14. RETIREMENT BENEFIT OBLIGATION</b>		
Funding obligation	43 233	47 615
Funding asset	(8 145)	(10 536)
	<u>35 088</u>	<u>37 079</u>
Funding deficit	35 088	37 079
Unrecognised actuarial gains/(losses)	202	(8 503)
	<u>35 290</u>	<u>28 576</u>
<b>Reconciled as follows:</b>		
Net obligation at the beginning of the period	28 576	25 507
Net movement in income statement	6 714	3 069
Net expenses (For further details, refer to note 23.9)	6 714	3 659
Contribution paid in respect of funding obligation	-	(590)
Net obligation at the end of the period	<u>35 290</u>	<u>28 576</u>
A subsidiary, Truworths Limited, has undertaken to meet any shortfalls arising from the healthcare fund's funding deficit in respect of the group's share of post-retirement medical benefit obligations. For further details, refer to note 24.6.		
<b>15. TRADE AND OTHER PAYABLES</b>		
<b>GROUP</b>		
Trade payables	176 343	82 325
Value added tax	7 304	7 695
Shareholders for dividends	236	81
Other payables and accrued expenses	86 010	79 168
	<u>269 893</u>	<u>169 269</u>
<b>COMPANY</b>		
Shareholders for dividends	236	81
Other payables and accrued expenses	6	-
	<u>242</u>	<u>81</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>16. PROVISIONS</b>		
<b>GROUP AND COMPANY</b>		
Discontinued operations	5 994	6 022
<p>The remaining provision relates to further costs flowing from the expected finalisation of the administration of Sportsgirl Sportscraft Group (Proprietary) Limited, now known as Redfern Road (Proprietary) Limited (subject to Deed of Company Arrangement) and the closure of offshore entities. Once the final distribution, expected by no later than March 2004, has been received, the amount of the provision will be reviewed.</p>		
<b>The movement during the period was as follows:</b>		
Balance at the beginning of the period	6 022	6 356
Amounts released during the period	(28)	(334)
Balance at the end of the period	5 994	6 022
<b>17. CAPITAL COMMITMENTS</b>		
Capital expenditure authorised but not contracted for:		
Computer equipment and software	20 309	25 657
Fixtures, plant and equipment	49 517	38 804
	69 826	64 461
<p>The capital commitments will be financed by cash generated from operations and available cash resources.</p>		
<b>18. CONTINGENT LIABILITY</b>		
<b>Export partnership participation</b>		
<p>The South African Revenue Service (SARS) is continuing its investigation into the taxation treatment by certain other companies participating in export partnerships with financial periods ending after 1 March 1996. Trecor Limited has materially warranted certain important aspects of the partners' participation, including any exposure that might arise in the event that SARS were to raise assessments in respect of this participation.</p>		
<p>Deferred taxation liability in respect of the group's export partnership participation with financial periods ending after 1 March 1996 (excluding interest and penalties)</p>		
	82 571	88 288
<b>Litigation</b>		
<p>There is no current or pending litigation which is considered likely to have a material adverse effect on the group.</p>		

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

<b>2003</b>	2002
<b>R'000</b>	R'000

**19. LEASES**

The group leases the majority of its land and buildings under operating leases, whereas other operating assets are generally owned. Leases on trading premises are contracted for periods of between three and fifteen years, with renewal options for a further three or five years. The lease agreements for a number of stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Sixty-two (2002: fifty-one) stores reached the turnover threshold and therefore incurred these additional payments. Turnover clause rentals, where applicable, average approximately 5.5% (2002: 5.5%) of turnover. Rental escalations are linked mainly to the consumer price index and have varied at an average rate of approximately 9% (2002: 9%) per annum.

At 30 June 2003, the future minimum property operating lease commitments due were as follows:

	<b>953 613</b>	979 390
Within one year	<b>157 447</b>	140 551
Between one and five years	<b>529 900</b>	501 667
Between five and ten years	<b>209 856</b>	279 503
Between ten and fifteen years	<b>56 410</b>	57 669

**20. FINANCIAL RISK MANAGEMENT****20.1 Treasury risk management**

The group has a detailed and comprehensive treasury policy which, inter alia, regulates currency, interest rate and counterparty exposures. This policy has been approved by the board of directors and is regularly evaluated and adapted to take into account the rapid pace of change in this area. Derivatives are only used to provide an economic hedge in respect of foreign exchange and for interest rate movements. These economic hedges are accounted for as financial instruments held for trading rather than accounting hedges.

**20.2 Foreign currency management****20.2.1 Forward exchange contracts**

Group policy is to cover 100% of all committed import exposures. The group had no uncovered foreign currency liabilities at 30 June 2003 (2002: Nil). At the end of the period the group had entered into forward exchange contracts to cover specific orders of goods. These contracts will mature within twelve months. The average rates shown include the cost of forward cover for periods of up to twelve months.

	Foreign Currency '000	Fair Value R'000	Contract Equivalent R'000	Average Contract Rate
<b>2003</b>				
US Dollars	<b>2 957</b>	<b>25 608</b>	<b>25 608</b>	<b>8.66</b>
GB Pounds	<b>45</b>	<b>645</b>	<b>645</b>	<b>14.33</b>
<b>2002</b>				
US Dollars	3 079	36 517	36 517	11.86
GB Pounds	21	358	358	17.04

**20.2.2 Export partnership participation**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

**20. FINANCIAL RISK MANAGEMENT (continued)****20.3 Interest rate and liquidity risk management**

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

	Floating on call R'000	Fixed 1-6 months R'000	Total R'000
<b>2003</b>			
Cash on hand	414 894	30 000	444 894
Interest rate (%)	12.4	16.6	–
% of cash	93.3	6.7	100.0
<b>2002</b>			
Cash on hand	129 548	–	129 548
Interest rate (%)	11.8	–	–
% of cash	100.0	–	100.0

The group had R445 million unutilised domestic general banking facilities at 30 June 2003 (2002: R445 million).

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

**20.4 Credit risk management**

Credit risk management relates primarily to trade receivables and short-term cash investments, including preference shares. The group invests surplus cash only with F1 + and approved F1 rated financial institutions. The amount of exposure to any one counterparty is limited.

Trade receivables are due by a large widespread customer base. Group companies perform ongoing credit evaluations of the financial condition of their customers. The granting of credit is regulated, inter alia by the use of sophisticated point score models. The assumptions therein are reviewed and updated on a regular basis. At 30 June 2003 the group had adequately provided for any significant credit risks.

**Concentration of credit risk**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
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**21. AC133: FINANCIAL INSTRUMENTS ADJUSTMENT**

During the period, the group changed its accounting policy in respect of its financial instruments to comply with South African Statement of GAAP – AC133, Financial Instruments: Recognition and Measurement. The adoption of this policy has had no prior period effect on headline earnings and headline earnings per share.

The change results in an adjustment to the balance of retained profit at the beginning of the period. The adjustment arises as a result of the difference in valuation methods in respect of the group's export partnership participation. This participation was previously valued at cost and has subsequently been valued at amortised cost using the effective interest rate method.

Opening retained profit as previously reported	998 874	–
AC133: Financial instruments adjustment – export partnership participation (For further details, refer to note 3.4)	<b>(8 171)</b>	–
Restated opening retained profit	<b>990 703</b>	–

Apart from the above, the adoption of this statement has had no material impact on the valuation of other financial instruments disclosed in the annual financial statements.

**22. REVENUE****GROUP**

Sale of merchandise	2 305 995	1 983 961
Dividends received	2 185	5 831
Interest received	142 382	84 200
Lease rental income received	7 246	8 310
Warehousing and management fees received	2 866	1 911
	<b>2 460 674</b>	<b>2 084 213</b>

**COMPANY**

Dividends received	114 557	76 246
Interest received	791	–
	<b>115 348</b>	<b>76 246</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
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**23. TRADING PROFIT**

This is stated after taking account of the following items:

**23.1 (Surplus)/deficit on realisation and scrapping of property, fixtures, vehicles, plant, equipment and software**

	(109)	1 260
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**23.2 Auditors' remuneration**

Fees for annual audit	1 231	1 000
– current period		
– prior period under provision	40	75
Other services	33	64
– taxation advice		
– sundry services	177	182

	<u>1 481</u>	<u>1 321</u>
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**23.3 Computer software**

Expenses incurred	547	1 942
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**23.4 Depreciation**

Land and buildings	7 531	5 468
Leasehold improvements	–	224
Fixtures, plant and equipment	39 885	37 090
Computer equipment and software	19 334	14 766
Motor vehicles	27	70

	<u>66 777</u>	<u>57 618</u>
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**23.5 Employment costs**

The group employed 3 578 full-time equivalent employees at the end of the period (2002: 3 520).

The aggregate remuneration and associated cost of permanent and flexi-time employees including executive directors was:

Salaries, bonuses, wages and other benefits	267 735	241 764
Contributions to the defined contribution plans	16 392	14 209
Post-retirement medical benefits	6 714	3 069
Medical scheme contributions	13 218	11 863

	<u>304 059</u>	<u>270 905</u>
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>23. TRADING PROFIT (continued)</b>		
<b>23.6 Foreign exchange loss</b>	<b>6 125</b>	566
<b>23.7 Occupancy costs</b>		
Land and buildings	<b>151 703</b>	135 715
Minimum lease payments	<b>148 699</b>	137 083
Turnover clause payments	<b>10 250</b>	6 942
	<b>158 949</b>	144 025
Lease rental income	<b>(7 246)</b>	(8 310)
Fixtures, plant and equipment	<b>907</b>	685
Operating lease expenses	<b>152 610</b>	136 400
Other occupancy costs	<b>24 299</b>	22 505
	<b>176 909</b>	158 905
<b>23.8 Fees paid/(received)</b>		
Management, technical, administrative and secretarial fees paid	<b>23 804</b>	29 257
Warehousing and management fees received	<b>(2 866)</b>	(1 911)
<b>23.9 Post-retirement medical benefits</b>		
Current service costs	<b>1 640</b>	1 460
Amount released in respect of funding obligation	-	(1 252)
Interest on obligation	<b>5 801</b>	4 430
Expected return on asset	<b>(1 155)</b>	(1 064)
Actuarial loss	<b>428</b>	85
Net expenses recognised (For further details, refer to note 14)	<b>6 714</b>	3 659

The actual return earned on the group's share of the healthcare fund's post-retirement medical benefit plan assets was a deficit of R0.5 million (2002: profit of R1.5 million). The difference between the actual and the expected returns on these plan assets are accounted for in the actuarial valuation of these assets.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Months paid	Directors' fees R'000	Salaries R'000	Performance bonus* R'000	Allowances R'000	Pension contributions R'000	Other benefits R'000	Share option gains R'000	Share loan benefits R'000	Total R'000
<b>24. DIRECTORS AND EMPLOYEES</b>										
<b>24.1 Directors' emoluments</b>										
<b>COMPANY</b>										
<b>2003</b>										
<b>Executive directors</b>										
MS Mark	12	–	2 116	4 000	258	223	269	2 310	1 117	10 293
AJ Taylor	12	–	866	700	162	88	128	2 418	188	4 550
WM van der Merwe	10	–	537	500	98	57	85	370	18	1 665
		–	3 519	5 200	518	368	482	5 098	1 323	16 508
<b>Non-executive directors</b>										
RG Dow	12	100	–	–	–	–	–	566	–	666
BD Lapin	12	45	–	–	–	–	–	214	–	259
CT Ndlovu	12	48	–	–	–	–	–	–	–	48
AE Parfett	12	93	–	–	–	–	–	–	–	93
LA Tager	12	53	–	–	–	–	–	655	–	708
H Saven	5	46	–	–	–	–	–	–	–	46
		385	–	–	–	–	–	1 435	–	1 820

\* Determined on performance for the period ended 30 June 2003

**2002****Executive directors**

MS Mark	12	–	1 973	2 155	261	311	18	2 655	116	7 489
AJ Taylor	12	–	821	440	159	99	16	802	18	2 355
		–	2 794	2 595	420	410	34	3 457	134	9 844

**Non-executive directors**

RG Dow	12	50	–	–	–	–	–	–	–	50
BD Lapin	12	40	–	–	–	–	–	–	–	40
CT Ndlovu	12	35	–	–	–	–	–	–	–	35
AE Parfett	12	55	–	–	–	–	–	1 961†	–	2 016
LA Tager	12	40	–	–	–	–	–	–	–	40
		220	–	–	–	–	–	1 961	–	2 181

**Executive directors**

All amounts received by the executives, while being directors of the company, were in respect of services rendered to, and in connection with the carrying on of the affairs of a subsidiary, Truworths Limited. These emoluments were paid by the subsidiary, Truworths Limited. The chief executive officer, Mr MS Mark has entered into a three-year contract with Truworths International Limited effective from 1 January 2003. In terms of the contract, Mr MS Mark will be entitled to his remuneration package, payable monthly over three years. However, should the contract be terminated by the company prior to the conclusion of the three year period, the remaining remuneration package owing in terms of the contract would be payable. The contract requires a six month notice period in the case of incapacitation. Directors of Truworths Limited and key employees receive a salary and a performance related incentive bonus based on individual and overall company performance. In addition the vast majority of employees periodically receive bonuses based on company performance.

The directors of Truworths Limited and key employees have specific predetermined goals and performance objectives which are key components of their formal performance evaluation, which is the primary basis for determining their performance bonuses.

**Non-executive directors**

All amounts received by the non-executives were for services rendered as directors of the company. None of the non-executive directors have service contracts with the company.

† In terms of options granted whilst an executive director.

**Consultancy fees**

There were no consultancy fees paid to executive and non-executive directors for the period (2002: nil).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003			2002		
	Shares 000's	Options 000's	Total shares and options 000's	Shares 000's	Options 000's	Total shares and options 000's
<b>24. DIRECTORS AND EMPLOYEES (continued)</b>						
<b>24.2 Directors' holdings of shares and options</b>						
<b>In aggregate:</b>						
Balance at the beginning of the period	6 153	7 913	14 066	3 766	10 346	14 112
Directors appointed during the period	–	676	676	–	–	–
Options granted	–	2 020	2 020	–	439	439
Options exercised	–	(2 614)	(2 614)	–	(2 872)	(2 872)
Share movements during the period	1 278	–	1 278	2 387	–	2 387
Balance at the end of the period	<u>7 431</u>	<u>7 995</u>	<u>15 426</u>	<u>6 153</u>	<u>7 913</u>	<u>14 066</u>

**By director:**

The direct and indirect interest of each of the directors in the company's shares, all of which are held beneficially, and only some of which are held pursuant to the share incentive scheme, are as follows:

	2003			2002		
	Shares 000's	Options 000's	Total shares and options 000's	Shares 000's	Options 000's	Total shares and options 000's
<b>Executive directors</b>	<b>6 685</b>	<b>7 874</b>	<b>14 559</b>	<b>5 636</b>	<b>7 370</b>	<b>13 006</b>
MS Mark*	5 883	6 361	12 244	5 325	5 968	11 293
AJ Taylor	752	792	1 544	311	1 402	1 713
WM van der Merwe	50	721	771	–	–	–
<b>Non-executive directors</b>	<b>746</b>	<b>121</b>	<b>867</b>	<b>517</b>	<b>543</b>	<b>1 060</b>
RG Dow	171	–	171	–	171	171
BD Lapin	–	91	91	–	171	171
CT Ndlovu	–	30	30	–	30	30
AE Parfett	516	–	516	516	–	516
LA Tager	59	–	59	1	171	172
Balance at the end of the period	<u>7 431</u>	<u>7 995</u>	<u>15 426</u>	<u>6 153</u>	<u>7 913</u>	<u>14 066</u>
Comprising:						
Direct Interest	1 067	7 995	9 062	2 394	7 913	10 307
Indirect Interest	6 364	–	6 364	3 759	–	3 759
	<u>7 431</u>	<u>7 995</u>	<u>15 426</u>	<u>6 153</u>	<u>7 913</u>	<u>14 066</u>

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

\* Mr MS Mark held 521 850 options over the company's shares in terms of Wooltru Limited 1982 Share Scheme as a result of the latter company's unbundling on 26 June 2002. These options expired on 30 September 2002 and were not exercised as the aggregate market value of the shares in question was lower than the aggregate strike price of the shares.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003		2002	
	Number of options 000's	Subscription price	Number of options 000's	Subscription price
<b>24. DIRECTORS AND EMPLOYEES (continued)</b>				
<b>24.2 Directors' holdings of shares and options (continued)</b>				
<b>Details of directors' share options in the aggregate:</b>				
The options become releasable between the following dates and at the following subscription prices:				
<b>Balance at the beginning of the period</b>	<b>7 913</b>		<b>10 346</b>	
Between 3 September 1999 and 3 September 2003	513	2.92	1 198	2.92
Between 27 October 1999 and 27 October 2004	156	2.28	467	2.28
Between 26 February 2000 and 26 February 2003	245	3.16	245	3.16
Between 27 November 2001 and 27 November 2005	6 560	3.66	8 436	3.66
Between 26 October 2002 and 26 October 2006	30	5.33	–	–
Between 25 March 2003 and 25 March 2007	409	4.54	–	–
<b>Directors appointed during the period</b>	<b>676</b>		<b>–</b>	
Between 11 January 2000 and 11 January 2003	75	3.33	–	–
Between 26 February 2000 and 26 February 2003	83	3.16	–	–
Between 27 November 2001 and 27 November 2005	328	3.66	–	–
Between 4 October 2002 and 4 October 2006	132	5.02	–	–
Between 25 March 2003 and 25 March 2007	58	4.54	–	–
<b>Options granted</b>	<b>2 020</b>		<b>439</b>	
Between 26 October 2002 and 26 October 2006	–	–	30	5.33
Between 25 March 2003 and 25 March 2007	–	–	409	4.54
Between 7 November 2003 and 7 November 2007	1 270	5.74	–	–
Between 13 March 2004 and 13 March 2008	750	5.82	–	–
<b>Options exercised</b>	<b>(2 614)</b>		<b>(2 872)</b>	
Between 3 September 1999 and 3 September 2003	(422)	2.92	(685)	2.92
Between 27 October 1999 and 27 October 2004	(156)	2.28	(311)	2.28
Between 11 January 2000 and 11 January 2003	(37)	3.33	–	–
Between 26 February 2000 and 26 February 2003	(286)	3.16	–	–
Between 27 November 2001 and 27 November 2005	(1 636)	3.66	(1 876)	3.66
Between 4 October 2002 and 4 October 2006	(53)	5.02	–	–
Between 7 November 2003 and 7 November 2007	(24)	5.74	–	–
<b>Balance at the end of the period</b>	<b>7 995</b>		<b>7 913</b>	
Between 3 September 1999 and 3 September 2003	91	2.92	513	2.92
Between 27 October 1999 and 27 October 2004	–	–	156	2.28
Between 11 January 2000 and 11 January 2003	38	3.33	–	–
Between 26 February 2000 and 26 February 2003	42	3.16	245	3.16
Between 27 November 2001 and 27 November 2005	5 252	3.66	6 560	3.66
Between 4 October 2002 and 4 October 2006	79	5.02	–	–
Between 26 October 2002 and 26 October 2006	30	5.33	30	5.33
Between 25 March 2003 and 25 March 2007	467	4.54	409	4.54
Between 7 November 2003 and 7 November 2007	1 246	5.74	–	–
Between 13 March 2004 and 13 March 2008	750	5.82	–	–

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Movement date	Subscription price	Market price	Number of options 000's	Vesting dates
<b>24. DIRECTORS AND EMPLOYEES (continued)</b>					
<b>24.2 Directors' holdings of shares and options (continued)</b>					
<b>Details of directors' share options per director:</b>					
<b>2003</b>					
<b>EXECUTIVE DIRECTORS</b>					
<b>MS Mark</b>					
Balance at the beginning of the period				5 968	
		3.66		5 628	Between 27 November 2001 and 27 November 2005
		4.54		340	Between 25 March 2003 and 25 March 2007
Exercised	20/09/2002	3.66	5.88	(800)	
Exercised	28/03/2003	3.66	5.75	(257)	
Offered	07/11/2002	5.74		900	Between 7 November 2003 and 7 November 2007
Offered	13/03/2003	5.82		550	Between 13 March 2004 and 13 March 2008
Balance at the end of the period				<b>6 361</b>	
		3.66		4 571	Between 27 November 2001 and 27 November 2005
		4.54		340	Between 25 March 2003 and 25 March 2007
		5.74		900	Between 7 November 2003 and 7 November 2007
		5.82		550	Between 13 March 2004 and 13 March 2008
<b>AJ Taylor</b>					
Balance at the beginning of the period				1 402	
		2.28		156	Between 27 October 1999 and 27 October 2004
		3.16		245	Between 26 February 2000 and 26 February 2003
		3.66		932	Between 27 November 2001 and 27 November 2005
		4.54		69	Between 25 March 2003 and 25 March 2007
Exercised	08/11/2002	2.28	6.02	(156)	
Exercised	08/11/2002	3.16	6.02	(163)	
Exercised	13/03/2003	3.66	5.73	(373)	
Exercised	13/03/2003	3.16	5.73	(82)	
Exercised	28/03/2003	3.66	5.75	(186)	
Offered	07/11/2002	5.74		250	Between 7 November 2003 and 7 November 2007
Offered	13/03/2003	5.82		100	Between 13 March 2004 and 13 March 2008
Balance at the end of the period				<b>792</b>	
		3.66		373	Between 27 November 2001 and 27 November 2005
		4.54		69	Between 25 March 2003 and 26 March 2007
		5.74		250	Between 7 November 2003 and 7 November 2007
		5.82		100	Between 13 March 2004 and 13 March 2008
<b>WM van der Merwe</b>					
Opening balance at 1 September 2002				676	
		3.33		75	Between 11 January 2000 and 11 January 2003
		3.16		83	Between 26 February 2000 and 26 February 2003
		3.66		328	Between 27 November 2001 and 27 November 2005
		5.02		132	Between 4 October 2002 and 4 October 2006
		4.54		58	Between 25 March 2003 and 25 March 2007
Exercised	21/11/2002	5.02	6.50	(26)	
Exercised	21/11/2002	3.16	6.50	(42)	
Exercised	21/11/2002	3.33	6.50	(38)	
Exercised	21/11/2002	3.66	6.50	(19)	
Exercised	13/03/2003	5.74	5.74	(24)	
Exercised	14/03/2003	5.02	5.73	(26)	
Offered	07/11/2002	5.74		120	Between 7 November 2003 and 7 November 2007
Offered	13/03/2003	5.82		100	Between 13 March 2004 and 13 March 2008
Balance at the end of the period				<b>721</b>	
		3.33		37	Between 11 January 2000 and 11 January 2003
		3.16		42	Between 26 February 2000 and 26 February 2003
		3.66		309	Between 27 November 2001 and 27 November 2005
		5.02		79	Between 4 October 2002 and 4 October 2006
		4.54		58	Between 25 March 2003 and 25 March 2007
		5.74		96	Between 7 November 2003 and 7 November 2007
		5.82		100	Between 13 March 2004 and 13 March 2008

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Movement date	Subscription price	Market Price	Number of options 000's	Vesting dates
<b>24. DIRECTORS AND EMPLOYEES (continued)</b>					
<b>24.2 Directors' holdings of shares and options (continued)</b>					
<b>Details of directors' share options per director (continued):</b>					
<b>2003</b>					
<b>NON-EXECUTIVE DIRECTORS</b>					
<b>RG Dow</b>					
Balance at the beginning of the period		2.92		171	Between 3 September 1999 and 3 September 2003
Exercised	28/2/2003	2.92	6.23	(171)	
Balance at the end of the period				—	
<b>BD Lapin</b>					
Balance at the beginning of the period		2.92		171	Between 3 September 1999 and 3 September 2003
Exercised	04/11/2002	2.92	5.80	(80)	
Balance at the end of the period		2.92		<u>91</u>	Between 3 September 1999 and 3 September 2003
<b>LA Tager</b>					
Balance at the beginning of the period		2.92		171	Between 3 September 1999 and 3 September 2003
Exercised	23/05/2003	2.92	6.70	(67)	
Exercised	27/05/2003	2.92	6.70	(24)	
Exercised	27/05/2003	2.92	6.65	(46)	
Exercised	06/06/2003	2.92	6.98	(12)	
Exercised	09/06/2003	2.92	7.00	(22)	
Balance at the end of the period				—	
<b>CT Ndlovu</b>					
Balance at the beginning and end of the period		5.33		<u>30</u>	Between 26 October 2002 and 26 October 2006
<b>2002</b>					
<b>EXECUTIVE DIRECTORS</b>					
<b>MS Mark</b>					
Balance at the beginning of the period		3.66		7 504	Between 27 November 2001 and 27 November 2005
Exercised	02/05/2002	3.66	4.71	(876)	
Exercised	15/05/2002	3.66	5.40	(1 000)	
Offered	25/03/2002	4.54		340	Between 25 March 2003 and 25 March 2007
Balance at the end of the period				5 968	
		3.66		<u>5 628</u>	Between 27 November 2001 and 27 November 2005
		4.54		<u>340</u>	Between 25 March 2003 and 25 March 2007
<b>AJ Taylor</b>					
Balance at the beginning of the period				1 644	
		2.28		467	Between 27 October 1999 and 27 October 2004
		3.16		245	Between 26 February 2000 and 26 February 2003
		3.66		932	Between 27 November 2001 and 27 November 2005
Exercised	11/04/2002	2.28	4.83	(311)	
Offered	25/03/2002	4.54		69	Between 25 March 2003 and 25 March 2007
Balance at the end of the period				1 402	
		2.28		<u>156</u>	Between 27 October 1999 and 27 October 2004
		3.16		245	Between 26 February 2000 and 26 February 2003
		3.66		932	Between 27 November 2001 and 27 November 2005
		4.54		<u>69</u>	Between 25 March 2003 and 25 March 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003	2002
	R'000	R'000

**24. DIRECTORS AND EMPLOYEES (continued)****24.2 Directors' holdings of shares and options (continued)****Details of directors' share options per director (continued):****2002****NON-EXECUTIVE DIRECTORS****AE Parfett**

Balance at the beginning of the period	2.92		685	Between 3 September 1999 and 3 September 2003
Exercised	22/05/2002	2.92	6.00	(285)
Exercised	23/05/2002	2.92	5.60	(185)
Exercised	24/05/2002	2.92	5.65	(15)
Exercised	28/05/2002	2.92	5.65	(200)
Balance at the end of the period			-	

**RG Dow**

Balance at the beginning and end of the period	2.92		171	Between 3 September 1999 and 3 September 2003
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**BD Lapin**

Balance at the beginning and end of the period	2.92		171	Between 3 September 1999 and 3 September 2003
--	------	--	-----	---

**LA Tager**

Balance at the beginning and end of the period	2.92		171	Between 3 September 1999 and 3 September 2003
--	------	--	-----	---

**CT Ndlovu**

Balance at the beginning of the period			-	
Offered	26/10/2001	5.33	30	Between 26 October 2002 and 26 October 2006
Balance at the end of the period		5.33	30	Between 26 October 2002 and 26 October 2006

**24.3 Directors' housing loans****Executive directors**

MS Mark	270	270
AJ Taylor	-	180
	270	450

**24.4 Share incentive scheme**

The group operates the Truworths International Limited share scheme ("the scheme"), the Truworths Limited share scheme having been rendered dormant in 2001. The deed of the Truworths International Share Trust ("the Trust") provides that scheme shares and options may not exceed 15% of the company's issued shares. In determining this percentage, scheme shares sold by employees are to be included either until the employees have terminated their employment or seven years have elapsed from the date of offer of the shares or options.

Participation is open to all permanent employees including non-executive directors at the discretion of the remuneration committee. In terms of the rules of the scheme, unless the trustees have otherwise determined, shares and options are released to participants at the rate of 20% per annum commencing on the first anniversary of the date of offer. Participants in the scheme are granted options to acquire the company's shares at a price equal to the weighted average trading price of the company's shares on the JSE Securities Exchange, South Africa over the five day period immediately preceding the date of offer. Participation by any one employee is limited to 2.4% of the company's issued shares. No consideration is payable for the options upon acceptance, but on exercise of the options the purchase price of the shares becomes payable, unless participants (excluding non-executive directors) qualify for interest-free loans secured by a pledge of the shares. Shares and options which have not vested in accordance with the release timetable are forfeited upon termination of employment, other than on retirement. After 10 years from the date of offer, options that have not been exercised lapse, and loans are required to have been settled in full.

There were 1 934 participants at the end of the period (2002: 1 930 participants).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 Number of shares 000's	2002 Number of shares 000's
<b>24. DIRECTORS AND EMPLOYEES (continued)</b>		
<b>24.4 Share incentive scheme (continued)</b>		
<b>Share incentive scheme</b>		
Shares held by participants	4 094	3 461
Shares held by the Trust	173	4 116
Options held by participants	28 953	31 422
Inclusion (in terms of Trust Deed) of shares sold by participants who are still employees or directors	16 253	9 206
Total utilisation	49 473	48 205
Issued share capital at the end of the period	476 385	467 603
% utilisation	10.4	10.3
Shares available for utilisation	21 985	21 935
% available for utilisation	4.6	4.7
<b>Shares held by participants:</b>		
Balance at the beginning of the period	3 461	299
Issued when options exercised	2 474	6 314
Sold	(1 793)	( 3 152)
Released from scheme	(48)	-
Balance at the end of the period	4 094	3 461
<b>Shares held by Trust:</b>		
Balance at the beginning of the period	4 116	4 116
Subscribed for	80	-
Sold	(4 023)	-
Balance at the end of the period	173	4 116
<b>Options held by participants:</b>		
Balance at the beginning of the period	31 422	33 259
Granted	7 698	5 509
Exercised	(9 144)	( 6 314)
Lapsed	(1 023)	( 1 032)
Balance at the end of the period	28 953	31 422
<b>Details of options exercised during the period:</b>		
Average subscription price per share	R3.18	R3.22
Weighted average market price per share traded	R6.23	R5.13
<b>Summarised exercise conditions applicable to options:</b>		
Earliest date on which options could have been exercised	01 July 2003	01 July 2002
Latest date by which options become exercisable	23 April 2008	17 May 2007
Latest date by which options will lapse if not exercised	23 April 2013	17 May 2012
Lowest price	R2.28	R1.65
Weighted average price	R4.29	R3.60
Highest price	R6.22	R5.72

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 24. DIRECTORS AND EMPLOYEES (continued)

## 24.4 Share incentive scheme (continued)

Detailed exercise conditions applicable to options held by participants:

2003				2002			
Offer Date	Last Vesting Date	Offer Price	Number 000's	Offer Date	Last Vesting Date	Offer Price	Number 000's
03-Sep-1998	03-Sep-2003	2.92	91	02-Mar-1993	02-Mar-1997	1.65	6
07-Sep-1998	07-Sep-2004	2.92	18	03-Sep-1998	03-Sep-2003	2.92	514
06-Oct-1998	06-Oct-2002	2.34	25	07-Sep-1998	07-Sep-2004	2.92	58
26-Oct-1998	26-Oct-2004	2.28	809	06-Oct-1998	06-Oct-2002	2.34	25
27-Oct-1998	27-Oct-2004	2.28	174	26-Oct-1998	26-Oct-2004	2.28	1 452
28-Oct-1998	28-Oct-2002	2.28	32	27-Oct-1998	27-Oct-2004	2.28	973
29-Oct-1998	29-Oct-2003	2.28	106	28-Oct-1998	28-Oct-2002	2.28	229
30-Oct-1998	30-Oct-2004	2.28	537	29-Oct-1998	29-Oct-2003	2.28	446
13-Nov-1998	13-Nov-2004	2.34	11	30-Oct-1998	30-Oct-2004	2.28	1 011
18-Dec-1998	18-Dec-2004	2.28	539	13-Nov-1998	13-Nov-2004	2.34	21
18-Dec-1998	18-Dec-2003	2.93	10	13-Nov-1998	13-Nov-2002	2.46	5
21-Dec-1998	21-Dec-2004	2.28	177	18-Dec-1998	18-Dec-2004	2.28	952
11-Jan-1999	11-Jan-2003	3.33	38	18-Dec-1998	18-Dec-2003	2.93	34
26-Feb-1999	26-Feb-2005	3.16	618	21-Dec-1998	21-Dec-2004	2.28	566
07-Apr-2000	07-Apr-2006	5.00	1	11-Jan-1999	11-Jan-2003	3.33	75
15-Aug-2000	15-Aug-2005	5.54	13	26-Feb-1999	26-Feb-2005	3.16	1 308
02-Nov-2000	02-Nov-2005	3.92	16	07-Apr-2000	07-Apr-2006	5.00	22
27-Nov-2000	27-Nov-2005	3.66	13 462	02-Nov-2000	02-Nov-2005	3.92	26
15-Jan-2001	15-Jan-2006	4.49	22	27-Nov-2000	27-Nov-2005	3.66	18 233
22-Feb-2001	22-Feb-2006	4.27	28	15-Jan-2001	15-Jan-2006	4.49	22
08-May-2001	08-May-2006	5.01	24	22-Feb-2001	22-Feb-2006	4.27	47
11-May-2001	11-May-2006	4.38	40	08-May-2001	08-May-2006	5.01	40
04-Jun-2001	04-Jun-2006	4.92	15	11-May-2001	11-May-2006	4.38	40
27-Aug-2001	27-Aug-2006	5.32	8	11-May-2001	11-May-2006	4.56	38
27-Aug-2001	27-Aug-2006	5.72	69	04-Jun-2001	04-Jun-2006	4.92	15
04-Oct-2001	04-Oct-2006	5.02	564	27-Aug-2001	27-Aug-2006	5.32	10
26-Oct-2001	26-Oct-2006	5.33	30	27-Aug-2001	27-Aug-2006	5.72	73
02-Nov-2001	02-Nov-2006	5.37	9	04-Oct-2001	04-Oct-2006	5.02	628
14-Dec-2001	14-Dec-2006	5.00	2 640	14-Dec-2001	14-Dec-2006	5.00	3 074
28-Feb-2002	28-Feb-2007	4.70	4	28-Feb-2002	28-Feb-2007	4.70	4
25-Mar-2002	25-Mar-2007	4.54	877	25-Mar-2002	25-Mar-2007	4.54	957
17-May-2002	17-May-2007	5.40	499	17-May-2002	17-May-2007	3.66	19
23-Aug-2002	23-Aug-2007	5.74	161	17-May-2002	17-May-2007	5.40	499
02-Sep-2002	02-Sep-2007	5.88	9				
09-Sep-2002	09-Sep-2007	5.96	50				31 422
01-Oct-2002	01-Oct-2007	5.85	51				
07-Nov-2002	07-Nov-2007	5.74	4 623				
13-Mar-2003	13-Mar-2008	5.82	2 478				
02-Apr-2003	02-Apr-2008	5.77	35				
23-Apr-2003	23-Apr-2008	6.22	40				
			28 953				

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 24. DIRECTORS AND EMPLOYEES (continued)

### 24.5 Retirement funds

#### Alexander Forbes Retirement Fund: Defined contribution plan

During the period Truworths Limited ("Truworths") transferred its participation from the Wooltru Group Retirement Fund to the Alexander Forbes Retirement Fund. The Alexander Forbes Retirement Fund is an umbrella fund and Truworths is a participating employer. It is a defined contribution arrangement whereby the members pay 7.5% of their below-threshold pensionable salary as contributions towards retirement benefits. Truworths contributes 10.5% towards retirement benefits, life insurance, disability benefits and administration costs. The fund's retirement age is 60.

Membership of either this fund or the SACCAWU National Provident Fund is compulsory for all full-time and part-time permanent South African and Swaziland based employees (excluding flexi-time employees) under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Pension Funds Act, 1956, as amended.

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

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

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

The SACCAWU National Provident Fund is an umbrella money purchase arrangement administered by Old Mutual. Members pay 7.5% of their pensionable salary towards retirement benefits. Truworths contributes 10.0% of pensionable salaries towards retirement benefits, life insurance, disability benefits and administration costs. Membership of either the Alexander Forbes Retirement Fund or of the SACCAWU National Provident Fund is compulsory for all permanent full-time and part-time South African and Swaziland employees (excluding flexi-time employees).

#### Namflex Pension Fund: Defined contribution plan

The Namflex Pension Fund is a money purchase arrangement whereby the members pay 7.5% of their pensionable salary as contributions towards retirement benefits. Truworths contributes 7.5% to retirement benefits and an additional 3.5% of pensionable salaries towards life insurance, disability benefits and administration costs. The fund's retirement age is 60. Membership of the fund is compulsory for all Namibian permanent employees under normal retirement age. The member's pension entitlement at retirement age is determined by his/her share of the fund. Alternatively, the member is entitled to elect up to one third of the share as a cash lump sum payout and receive the balance in the form of a monthly pension. The plan is registered under the Namibian Pension Funds Act.

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

The Swaziland National Provident Fund is an arrangement whereby the members and the company pay a statutory contribution based on members' earnings on a 50/50 basis with a maximum contribution of E60 based on a maximum wage of E600. The fund provides for a retirement benefit at or after age 45 and an age benefit at or after age 50. The fund also provides for a disability benefit, immigration benefit and a survivor's benefit. The employer is registered under the provisions of the Registration of Contributing Employers Regulations 1975, and Section 8 of the Swaziland National Provident Fund Order 1974. Membership of the fund is obligatory for all Swaziland based permanent employees under normal retirement age.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2003  
R'000

2002  
R'000

**24. DIRECTORS AND EMPLOYEES (continued)****24.5 Retirement funds (continued)**

	2003	2002		
	Number of members		Contributions	
<b>Summary of contributions and number of members per fund</b>				
Alexander Forbes Retirement Fund	2 044	2 107	13 585	12 005
Investment Solutions Pension Fund	26	29	934	500
SACCAWU National Provident Fund	427	423	1 651	1 500
Namflex Pension Fund	50	49	219	200
Swaziland National Provident Fund	14	8	3	4
			<b>16 392</b>	<b>14 209</b>

**24.6 Medical Funds****Wooltru Healthcare Fund: Defined benefit plan**

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

According to the audited annual financial statements of the fund at 31 December 2002, the fund was in a sound financial position having a 78% solvency margin at book value at that date.

The group values its accrued future liability in respect of post-retirement medical aid contributions annually at 30 June. This liability is actuarially valued based on the projected unit credit method. For purposes of the valuation, a discount rate of 10% (2002:12%), expected medical cost inflation of 8% (2002: 10%), expected return on fund assets of 12% (2002: 11%) and normal retirement age of 60 were assumed.

At 30 June 2003, the net liability in respect of these post-retirement medical benefits, as reflected in the balance sheet, amounted to R35.3 million (2002: R28.6 million). For further details refer to note 14.

**24.7 Other**

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

**25. INTEREST RECEIVED****GROUP**

Investments	36 277	15 849
Trade receivables	106 105	68 351
	<b>142 382</b>	<b>84 200</b>

**COMPANY**

Investments	791	-
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>26. FINANCE COSTS</b>		
Interest paid	481	154
<b>27. EXCEPTIONAL ITEMS</b>		
<b>GROUP</b>		
Distributions from discontinued operations	741	5 328
Impairment of Zimbabwe listed investment	(2 000)	–
	<u>(1 259)</u>	<u>5 328</u>
<b>COMPANY</b>		
Distributions from discontinued operations	741	5 328
Impairment of Zimbabwe listed investment	(2 000)	–
Release of provision for costs relating to discontinued operations	28	288
	<u>(1 231)</u>	<u>5 616</u>
<b>28. TAXATION</b>		
<b>28.1 Current period taxation charge</b>		
<b>GROUP</b>		
South African normal taxation:	183 888	149 331
Current period	182 613	148 743
Prior period under provision	1 275	588
Foreign taxation:	(247)	1 941
Current period	1 050	1 613
Prior period (over)/under provision	(1 297)	328
Deferred taxation – current period	(21 303)	(15 795)
Secondary taxation on companies	13 820	8 410
Withholding taxation	678	446
Transfer pricing taxation relating to periods 1996 to 1999	(18 686)	18 686
Normal taxation	(10 189)	10 189
Secondary taxation on companies	(3 023)	3 023
Interest	(5 474)	5 474
	<u>158 150</u>	<u>163 019</u>
<b>Comprising:</b>		
South African normal and deferred taxation	162 585	133 536
Secondary taxation on companies	13 820	8 410
Withholding taxation	678	446
Transfer pricing taxation	(18 686)	18 686
Foreign taxation	(247)	1 941
	<u>158 150</u>	<u>163 019</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>28. TAXATION (continued)</b>		
<b>COMPANY</b>		
South African normal taxation:		
Current period	150	–
Secondary taxation on companies	15	–
Transfer pricing taxation	(18 686)	18 686
Normal taxation	(10 189)	10 189
Secondary taxation on companies	(3 023)	3 023
Interest	(5 474)	5 474
	<u>(18 521)</u>	<u>18 686</u>
<b>28.2 Reconciliation of taxation rate</b>	%	%
<b>GROUP</b>		
Standard rate of taxation – South Africa	30.0	30.0
Adjusted for:		
Difference in foreign taxation rates	(0.3)	0.1
Exempt income – exceptional item	–	(0.4)
Exempt income – other	(0.1)	(0.9)
Disallowable expenditure	–	0.8
Prior period taxation charges	–	0.2
Secondary taxation on companies	2.5	1.7
Withholding taxation	0.1	0.1
Transfer pricing taxation	(3.4)	4.0
Effective tax rate	<u>28.8</u>	<u>35.6</u>
<b>COMPANY</b>		
Standard rate of taxation – South Africa	30.0	30.0
Adjusted for:		
Exempt income	(30.3)	(30.0)
Disallowable expenditure	0.5	–
Transfer pricing taxation	(16.5)	22.8
Effective tax rate	<u>(16.3)</u>	<u>22.8</u>

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

The South African Revenue Service (SARS) has advised that the company's objections to additional tax assessments received in the 2002 financial period, relating to transfer pricing adjustments in respect of the 1996 to 1999 years, have been successfully allowed in full. As a result an amount of R18.7 million comprising normal taxation, secondary taxation on companies and interest was fully refunded to the company. The refund has been recorded as a taxation credit in 2003.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 R'000	2002 R'000
<b>29. DIVIDENDS</b>		
<b>GROUP</b>		
Final dividend – 2001		
Cash dividend of 7.5 cents per share declared on 22 August 2001 and paid on 21 September 2001	–	34 596
Interim dividend – 2002		
Cash dividend of 9.0 cents per share declared on 21 February 2002 and paid on 18 March 2002	–	41 650
Final dividend – 2002	<b>59 019</b>	–
Cash dividend of 13.0 cents per share declared on 22 August 2002 and paid on 16 September 2002	<b>60 788</b>	–
Cash dividend in respect of shares repurchased by subsidiary	<b>(1 769)</b>	–
Interim dividend – 2003	<b>59 866</b>	–
Cash dividend of 13.0 cents per share declared on 20 March 2003 and paid on 24 March 2003	<b>61 636</b>	–
Cash dividend in respect of shares repurchased by subsidiary	<b>(1 770)</b>	–
	<b>118 885</b>	<b>76 246</b>
<b>COMPANY</b>		
Final dividend – 2001		
Cash dividend of 7.5 cents per share declared on 22 August 2001 and paid on 21 September 2001	–	34 596
Interim dividend – 2002		
Cash dividend of 9.0 cents per share declared on 21 February 2002 and paid on 18 March 2002	–	41 650
Final dividend – 2002		
Cash dividend of 13.0 cents per share declared on 22 August 2002 and paid on 16 September 2002	<b>60 788</b>	–
Interim dividend – 2003		
Cash dividend of 13.0 cents per share declared on 20 March 2003 and paid on 24 March 2003	<b>61 636</b>	–
	<b>122 424</b>	<b>76 246</b>

The final dividend for the period ended 30 June 2003 of 21.0 cents per share declared to shareholders registered on the record date of 12 September 2003, is payable on 15 September 2003 and will give rise to secondary taxation on companies of approximately R12.5 million.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003 Number of shares 000's	2002 Number of shares 000's	2003 R'000	2002 R'000
<b>30. EARNINGS AND CASH FLOW PER SHARE</b>				
The weighted average number of shares used in calculating all the earnings per share calculations below	457 411	457 139		
<b>30.1 Headline earnings basis</b>				
Headline earnings per share (cents)			85.7	63.5
<b>Headline earnings is calculated as follows:</b>				
Net profit attributable to shareholders			390 889	294 836
Net (surplus)/deficit on realisation of property, plant and equipment			(76)	882
Gross			(109)	1 260
Taxation			33	(378)
Exceptional items			1 259	(5 328)
Gross			1 259	(5 328)
Taxation			-	-
Headline earnings			392 072	290 390
<b>30.2 Basic earnings basis</b>				
Basic earnings per share (cents)			85.5	64.5
Net profit attributable to shareholders			390 889	294 836
<b>30.3 Fully diluted earnings basis</b>				
Fully diluted headline earnings per share (cents)			84.1	62.0
Percentage dilution in headline earnings per share			1.9%	2.4%
Fully diluted basic earnings per share (cents)			83.9	63.0
Percentage dilution in basic earnings per share			1.9%	2.3%
Net profit attributable to shareholders			390 889	294 836
Weighted number of shares in issue				
Basic	457 411	457 139		
Add: Dilutive effect of share options	8 757	11 059		
Fully diluted weighted average number of shares	466 168	468 198		
The dilution arises from share options outstanding in respect of the share incentive scheme. The amount of the dilution is the difference between the fair value and the issue price of the shares. Fair value is calculated using the average market price of the shares during the period.				
<b>30.4 Attributable cash flow basis</b>				
Cash flow per share (cents)			97.7	32.2
This basis focuses on the cash inflow actually achieved during the period, calculated as follows:				
Cash inflow from operations			447 100	147 415

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	<b>2003</b>	2002
	<b>R'000</b>	R'000

**30. EARNINGS AND CASH FLOW PER SHARE (continued)****30.5 Attributable cash equivalent earnings basis**

Cash equivalent earnings per share (cents)	<u>97.2</u>	<u>75.4</u>
This basis recognises the potential of the earnings stream to generate cash. It is therefore an indicator of the underlying quality of earnings, calculated as follows:		
Net profit attributable to shareholders	390 889	294 836
Adjusted for:		
Non cash items (For further details, refer to note 32.1)	74 845	65 566
Deferred taxation (For further details, refer to note 28.1)	<u>(21 303)</u>	<u>(15 795)</u>
Cash equivalent earnings	<u>444 431</u>	<u>344 607</u>
<b>30.6 Cash realisation rate (%)</b>	<u>100.5</u>	<u>42.7</u>

This represents the potential cash earnings realised and is derived by dividing cash flow per share by cash equivalent earnings per share.

**31. RELATED PARTY TRANSACTIONS****Related party transactions**

Related party relationships existed with companies in the Wooltru Limited group only until its unbundling on 26 June 2002. All transactions were conducted at arms length. In the period ending 30 June 2003 transactions with these companies were no longer classified as transactions with related parties.

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

**Interest of directors in contracts**

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

**Interest of the directors in share capital**

Details of the directors' interests in the company's share capital are contained in note 24.2 of the financial statements.

**Loans to directors and officers**

Details of housing loans to directors and officers are contained in note 5.1 and 24.3.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>32. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>32.1 Cash flow from trading</b>				
Profit before taxation	549 039	457 855	113 601	81 883
Add: Non cash items	74 845	65 566	1 972	(334)
Depreciation	66 777	57 618	-	-
Net (surplus)/deficit on realisation of property, fixtures, vehicles, plant, equipment and software	(109)	1 260	-	-
Exceptional item – impairment of Zimbabwe listed investment	2 000	-	2 000	-
Release of provision	(28)	(334)	(28)	(334)
Unrealised foreign exchange (gains)/losses	(509)	3 953	-	-
Post-retirement medical benefits	6 714	3 069	-	-
Finance costs	481	154	-	-
Interest received	(142 382)	(84 200)	(791)	-
Dividends received	(2 185)	(5 831)	(114 557)	(76 246)
Exceptional item – distributions from discontinued operation	(741)	(5 328)	(741)	(5 328)
Net inflow/(outflow)	479 057	428 216	(516)	(25)
<b>32.2 Working capital movements</b>				
Increase in inventories	(13 698)	(9 073)	-	-
Increase in trade and other receivables and prepayments	(140 354)	(117 055)	-	-
Increase/(decrease) in trade and other payables	100 978	(53 032)	6	-
Net (outflow)/inflow	(53 074)	(179 160)	6	-
<b>32.3 Taxation paid</b>				
Amounts owing at the beginning of the period	(51 641)	(64 325)	-	-
Amounts charged to the income statement	(158 150)	(163 019)	18 521	(18 686)
South African normal taxation	(183 888)	(149 331)	(150)	-
Foreign taxation	247	(1 941)	-	-
Deferred taxation	21 303	15 795	-	-
Withholding taxation	(678)	(446)	-	-
Secondary taxation on companies	(13 820)	(8 410)	(15)	-
Transfer pricing taxation	18 686	(18 686)	18 686	(18 686)
Deferred taxation movement	(21 303)	(15 795)	-	-
Amounts owing at the end of the period	108 051	51 641	150	-
Net (outflow)/inflow	(123 043)	(191 498)	18 671	(18 686)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>32. NOTES TO THE CASH FLOW STATEMENT (continued)</b>				
<b>32.4 Dividends paid</b>				
Amounts owing at the beginning of the period	(81)	(56)	(81)	(56)
Amounts charged to the statement of changes in total shareholders' equity	(118 885)	(76 246)	(122 424)	( 76 246)
Amounts owing at the end of the period	236	81	236	81
Net outflow	(118 730)	(76 221)	(122 269)	(76 221)
<b>32.5 Investment to maintain operations</b>				
Fixtures, plant and equipment	(13 202)	(15 439)	-	-
Computer equipment and software	(7 539)	(5 951)	-	-
Net outflow	(20 741)	(21 390)	-	-
<b>32.6 Investment to expand operations</b>				
Land and buildings	-	(144 476)	-	-
Fixtures, plant and equipment	(26 403)	(23 158)	-	-
Computer equipment and software	(15 080)	(17 854)	-	-
Motor vehicles	(653)	(1 022)	-	-
Net outflow	(42 136)	(186 510)	-	-
<b>32.7 Proceeds on disposal of property, fixtures, vehicles, plant, equipment and software</b>				
	927	1 474	-	-

**33. COMPARATIVE FIGURES**

Certain format changes have been made to the income statement and cash flow statement, resulting in the reclassification of certain comparative figures. Warehousing and management fees, previously included in sale of merchandise, are now included in operating costs.

**34. EVENTS SUBSEQUENT TO PERIOD END**

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

## ANNEXURE ONE

## details of subsidiary companies

Name	Main business	Ordinary share capital and premium		Percentage held (effective interest)		Book value of shares		Amounts owing by subsidiaries	
		2003	2002	2003 %	2002 %	2003 R'000	2002 R'000	2003 R'000	2002 R'000
<b>DIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Proprietary) Limited companies unless otherwise stated</b>									
<b>Incorporated in South Africa</b>									
Truworths Limited	Retailing	<b>R23 883 152</b>	R23 883 152	<b>100.0</b>	100.0	<b>100 330</b>	100 330	<b>82 777</b>	44 243
SRG International	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Truworths Trading	Dormant	<b>R60</b>	R60	<b>100.0</b>	100.0				
<b>Incorporated in Guernsey</b>									
Truworths International Trust	Investment holding	<b>N/A</b>	N/A	<b>100.0</b>	100.0	<b>N/A</b>	N/A		
Truworths Worldwide Limited	Investment holding	<b>US\$5 386 039</b>	US\$5 386 039	<b>100.0</b>	100.0				
<b>INDIRECT SUBSIDIARY COMPANIES</b>									
<b>All (Proprietary) Limited companies unless otherwise stated</b>									
<b>Incorporated in South Africa</b>									
Chez Brigitte Fashion Accessories	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Daniel Hechter	Dormant	<b>R200</b>	R200	<b>100.0</b>	100.0				
Intrigue Fine Lingerie Company	Dormant	<b>R100</b>	R100	<b>100.0</b>	100.0				
Identity Retailing	Commission agent	<b>R2</b>	R2	<b>100.0</b>	100.0				
Truworths Management Services	Dormant	<b>R12 000</b>	R12 000	<b>100.0</b>	100.0				
The Credit Recovery Corporation	Dormant	<b>R14</b>	R14	<b>100.0</b>	100.0				
Truworths Man	Dormant	<b>R1</b>	R1	<b>100.0</b>	100.0				
Truworths Personal Finance	Dormant	<b>R2</b>	R2	<b>100.0</b>	100.0				
Woolmos Properties Share Block Limited	Share block scheme	<b>R5 920 950</b>	R5 920 950	<b>76.8</b>	76.8	<b>10 299</b>	10 299		
<b>Incorporated in Namibia</b>									
Truworths (Namibia) Limited	Retailing	<b>N\$14</b>	N\$14	<b>100.0</b>	100.0				
<b>Incorporated in Swaziland</b>									
Truworths (Swaziland) Limited	Retailing	<b>E40 000</b>	E40 000	<b>100.0</b>	100.0				
<b>Incorporated in Lesotho</b>									
Truworths (Lesotho)	Dormant	<b>M2</b>	M2	<b>100.0</b>	100.0				
<b>Incorporated in Zambia</b>									
Truworths (Zambia) Limited	Dormant	<b>K50 000</b>	K50 000	<b>100.0</b>	100.0				

## ANNEXURE ONE

## details of subsidiary companies

Name	Main business	Ordinary share capital and premium		Percentage held (effective interest)	
		2003	2002	2003 %	2002 %
<b>INDIRECT SUBSIDIARY COMPANIES (continued)</b>					
<b>All Proprietary Limited companies unless otherwise stated</b>					
<b>Incorporated in Australia</b>					
Tarra Valley	Investment holding	<b>Au\$23 405 000</b>	Au\$23 405 000	<b>100.0</b>	100.0
Select Retail Group Australia	Investment holding	<b>Au\$8 350 008</b>	Au\$8 350 008	<b>100.0</b>	100.0
Sportscraft Holdings	Dormant	<b>Au\$4 207 985</b>	Au\$4 207 985	<b>100.0</b>	100.0
Redfern Road (subject to Deed of Company Arrangement)*	Under administration				
Crestknit Industries*	Deregistering				
<b>Incorporated in Guernsey</b>					
Truworths International Holdings Limited	Investment holding	<b>US\$6 290 000</b>	US\$6 290 000	<b>100.0</b>	100.0
Select Retail Group 1994 Limited	Investment holding	<b>US\$6 290 000</b>	US\$6 290 000	<b>100.0</b>	100.0
Truworths International Limited	Trading	<b>US\$3</b>	US\$3	<b>100.0</b>	100.0
<b>Incorporated in the Isle of Man</b>					
Truworths Intellectual Property Limited	Intellectual property holding	<b>US\$3</b>	US\$3	<b>100.0</b>	100.0

\* These subsidiaries have not been consolidated at 30 June 2003 as they relate to operations discontinued at 25 November 1999.

## SHAREHOLDER INFORMATION

2003	2002		2003	2002	2003	2002	2003	2002
Number of certificated shareholders			% of certificated shareholders		Number of shares		% of issued share capital	
<b>SHAREHOLDER ANALYSIS AT 30 JUNE 2003</b>								
457	1 954	1 – 1 000 shares	63.12	81.89	143 665	231 961	0.03	0.05
225	359	1 001 – 10 000 shares	31.08	15.05	624 726	1 027 993	0.13	0.22
35	66	10 001 – 100 000 shares	4.83	2.77	817 625	1 501 646	0.17	0.32
7	7	Over 100 000 shares	0.97	0.29	474 799 140	464 841 256	99.67	99.41
<b>724</b>	<b>2 386</b>		<b>100.00</b>	<b>100.00</b>	<b>476 385 156</b>	<b>467 602 856</b>	<b>100.00</b>	<b>100.00</b>
3	1	CSD control account (uncertificated)	0.41	0.04	473 947 392	461 806 232	99.49	98.76
25	100	Companies and close corporations	3.46	4.19	497 430	535 913	0.10	0.11
23	97	Nominees and trusts	3.18	4.07	268 952	2 614 241	0.06	0.56
3	17	Retirement funds	0.41	0.71	1 554	63 018	–	0.01
1	3	Insurance companies	0.14	0.13	244	250	–	0.01
669	2 168	Individuals	92.40	90.86	1 669 584	2 583 202	0.35	0.55
<b>724</b>	<b>2 386</b>		<b>100.00</b>	<b>100.00</b>	<b>476 385 156</b>	<b>467 602 856</b>	<b>100.00</b>	<b>100.00</b>

Note: The CSD is the Central Securities Depository, STRATE Limited, which maintains a control account of all dematerialised shareholdings held in electronic sub-registers maintained by the CSD participants (CSDP's), ie major banks, since the company migrated onto the STRATE electronic share settlement system in October 2001. The reduction in the number of certificated shareholders, and shares held by them, resulted from the company's odd lot offer of December 2002.

### SHAREHOLDER SPREAD AT 30 JUNE

Pursuant to the Listings Requirements of the JSE Securities Exchange South Africa and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 June 2003 was as follows:

	Number of shares	Number of shares	%	%
	2003	2002	2003	2002
<b>Non-public shareholders</b>				
Truworths Limited (repurchased shares)	15 767 668	13 612 454	3.31	2.91
Directors of the company and subsidiaries	1 789 032	3 527 686	0.38	0.75
Associates of directors of the company and subsidiaries	6 465 982	3 872 728	1.35	0.83
Holdings by or for employees, (excluding directors), in terms of the company's share scheme	172 534	4 116 182	0.04	0.88
<b>Total non-public shareholders</b>	<b>24 195 216</b>	<b>25 129 050</b>	<b>5.08</b>	<b>5.37</b>
<b>Public shareholders</b>	<b>452 189 940</b>	<b>442 473 806</b>	<b>94.92</b>	<b>94.63</b>
	<b>476 385 156</b>	<b>467 602 856</b>	<b>100.00</b>	<b>100.00</b>

### MAJOR FUND MANAGERS

According to the disclosures made by nominee and asset management companies in terms of section 140A of the Companies Act, the following fund managers administered client portfolios (including those of the major shareowners above) which included more than 4% of the company's shares at 30 June 2003.

	2003		2002	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Investec Asset Management	96 890 071	20.34	66 140 618	14.14
Old Mutual Asset Managers	66 830 390	14.03	53 657 580	11.48
Sanlam Investment Managers	44 340 820	9.31	39 880 187	8.53
Stanlib Asset Management	42 034 811	8.82	48 981 766	10.48
Allan Gray	30 088 763	6.32	59 134 557	12.65
Metal Industries Fund Administrators	22 849 926	4.80	25 194 863	5.39

## SHAREHOLDER INFORMATION

	2003		2002	
	Number of shares	% of issued capital	Number of shares	% of issued capital

**MAJOR SHAREOWNERS**

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 140A(5) of the Companies Act, the following persons owned in excess of 4% of the company's shares at 30 June 2003.

Public Investment Commissioners	41 091 850	8.63	32 927 543	7.04
Investec Unit Trusts	27 741 305	5.82	not available	<5.00
Old Mutual Life Assurance Company	25 294 020	5.31	34 725 155	7.43
Liberty Group	22 633 366	4.75	25 941 193	5.55
Sanlam	21 991 039	4.62	not available	<5.00

**MAJOR SHAREHOLDERS**

According to the sub-registers of dematerialised shareholdings maintained by the CSDP's, the following persons had more than 5% of the company's shares registered in their names at 30 June 2003:

Standard Bank Nominees	151 858 380	31.88	153 646 570	32.86
Nedcor Bank Nominees	148 266 243	31.12	144 560 160	30.92
First National Nominees	48 896 525	10.26	44 565 470	9.53
ABSA Nominees	36 199 477	7.60	23 630 366	5.05
Old Mutual Nominees	30 329 473	6.37	33 315 137	7.12
CMB Nominees	26 729 661	5.61	14 177 771	3.03

## SHAREHOLDERS' DIARY

### Annual general meeting

**6 November 2003**

### Reports

Annual results for the period ended 30 June 2003 announced	21 August 2003
Annual report for the period ended 30 June 2003 mailed	by 26 September 2003*
Interim results for the period ended 31 December 2003 announced	19 February 2004*

### Dividends

	<b>Dividend declared</b>	<b>Dividend paid</b>
For the period ended 30 June 2003 (Dividend number 10)	21 August 2003	15 September 2003
For the period ended 31 December 2003 (Dividend number 11)	19 February 2004*	15 March 2004*

\* These are approximate dates

## ADMINISTRATION

**Truworths International Limited**

(registration no 1944/017491/06)

**JSE code:** TRU**NSX code:** TRW**ISIN:** ZAE000028296

**Company secretary** C Durham  
FCIS  
PG Dip. Adv. Co Law (UCT)

**Registered office** No. 1 Mostert Street  
Cape Town  
8001  
South Africa

**Postal address** PO Box 600  
Cape Town  
8000  
South Africa

Telephone +27 21 460 7911

Telefax +27 21 460 7132

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

**Transfer secretaries** **South Africa**  
Computershare Limited  
70 Marshall Street  
Johannesburg, 2001  
South Africa  
Telephone +27 11 370 5000  
Telefax +27 11 370 5271  
Website [www.computershare.com](http://www.computershare.com)

**Transfer secretaries**

Telephone

Telefax

**Principal bankers****Auditors****Sponsor in South Africa**

HSBC Investment Services (Africa) (Proprietary) Limited

**Sponsoring broker in Namibia**

HSBC Securities (Namibia) (Proprietary) Limited

**Attorneys**

Bernadt Vukic Potash and Getz

Edward Nathan and Friedland

Sonnenberg Hoffmann and Galombik

MacRoberts Inc

**Namibia**

Transfer Secretaries (Proprietary) Limited

Shop 12, Kaiserkrone Centre

Post Street Mall

Windhoek

Namibia

Telephone +264 61 22 3162

Telefax +264 61 24 8531

The Standard Bank of

South Africa Limited

Ernst &amp; Young

# NOTICE TO MEMBERS

Notice is hereby given that the annual general meeting of members of Truworths International Limited ("the Company") will be held in the Auditorium, 1st Floor, No 1 Mostert Street, Cape Town, South Africa on Thursday, 6 November 2003 at 09h30 for the purpose of conducting the following business:

1. To receive and adopt the Company and the group's audited annual financial statements for the period ended 30 June 2003.
2. To elect directors of the Company in accordance with its articles of association which provide that:
  - At least one third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election
  - Any director appointments made by the board since the previous annual general meeting require confirmation.

Dr CT Ndlovu, and Messrs MS Mark and RG Dow are required to retire by rotation at the annual general meeting and, being entitled thereto, have offered themselves for re-election. Voting for the directors seeking re-election will be conducted individually. Mr H Saven was appointed as a director by the board with effect from 1 February 2003, and his appointment needs to be confirmed by the members. A brief résumé of each of these directors is attached at the end of this notice.
3. To renew the specific authority granted to the directors over those un-issued shares that have been reserved for the purposes of the Company's share scheme, and which are limited to 15% of the issued shares of the Company including the authority to allot such shares for cash to directors of the Company. This authorisation shall be subject to such allotments being in accordance with specific determinations made by the Company's Remuneration Committee pursuant to the rules of such scheme and with the applicable provisions of the Companies Act ("the Act") and the Listings Requirements of the JSE Securities Exchange South Africa ("the JSE").

**The reason for proposing this resolution is to re-authorise the directors to allot the un-issued shares of the Company that were reserved for the purposes of the share**

**scheme upon its launch, to participants including directors, subject to regulatory and statutory limitations and the instructions of the Remuneration Committee.**

**The effect of this resolution, were it to be passed, would be that the directors will have the ongoing authority to allot to participants, including directors, for cash the un-issued shares of the Company reserved for its share scheme. This authorisation will be subject to the applicable provisions of the JSE's Listings Requirements, the scheme rules and the Act as well as the decisions of the Remuneration Committee.**

4. To grant to the directors a general authority, limited in aggregate to 10 per cent of the Company's shares in issue at 30 June 2003, over both the un-issued shares, and the repurchased shares, of the Company until the following annual general meeting. This authority shall include the power to allot or to sell, as the case may be, such shares for cash, subject to the provisions of the Act and the JSE's Listings Requirements. In particular this resolution, which if passed would constitute a waiver by members of their pre-emptive rights, is subject to not less than 75% of the votes of all members entitled to vote, and in attendance or represented at the meeting, being cast in favour, and is further subject to paragraph 5.52 of such Requirements, which provides as follows:
  - Such shares may only be issued to public shareholders as defined in the Requirements, and not to related parties
  - Such shares may not in any one financial year in the aggregate exceed 15% of the Company's issued shares, the number that may be issued being determined in accordance with subparagraph 5.52(c) of the Requirements
  - The maximum discount at which such shares may be issued is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination of the issue price.

**The reason for proposing this resolution is to authorise the directors to issue the un-issued shares of the Company and sell the treasury shares held by a subsidiary**

**together being limited to 10% of the shares in issue at 30 June 2003, subject to regulatory and statutory limitations, either for cash or in respect of the acquisition of assets, or otherwise.**

**The effect of this resolution, were it to be passed, would be that the directors will have the authority to issue the un-issued shares of the Company and use the treasury shares held by a subsidiary, subject to the applicable provisions of the JSE's Listings Requirements, the Act and the provisions of the resolution.**

5. To consider and if deemed fit to pass, with or without modification, the following as special resolution 1:
 

"That the Company hereby approves, as a general approval contemplated in the Act, the acquisition from time to time, either by the Company itself or by its subsidiaries, of the Company's issued shares, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements of the JSE relating to general repurchases of shares, it being recorded that it is currently required that general repurchases of a Company's shares can be made only if:

  - (a) the Company and its subsidiaries are enabled by their articles to acquire such shares;
  - (b) the Company and its subsidiaries are authorised by their members in terms of special resolutions taken at general meetings, to make such general repurchases, such authorisation being valid only until their next annual general meetings and not extending beyond 15 months from the date of the special resolutions;
  - (c) such repurchases are effected through the order book operated by the JSE trading system and without any prior understanding or arrangement between the Company and a counterparty;
  - (d) such repurchases are limited to a maximum of 20% per financial year of the Company's issued shares of that class at the time the aforementioned authorisation is given, a maximum of 10% in aggregate of the Company's issued shares that may have been

## NOTICE TO MEMBERS

repurchased being capable of being held by subsidiaries of the Company;

- (e) such repurchases are made at a price no greater than 10% above the weighted average market price of the Company's shares traded on the JSE over the five business days immediately preceding the date on which the transaction is effected;
- (f) at any point in time, a Company appoints only one agent to effect any repurchase on the Company's behalf;
- (g) such repurchases are not effected during prohibited periods as defined by the JSE."

The **reason** for this special resolution is to authorise the Company or its subsidiaries generally to repurchase the Company's shares by way of bona fide open market transactions on the JSE, subject to statutory and regulatory limitations and controls.

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

The general information referred to in paragraph 11.26(b) of the Listings Requirements of the JSE regarding the Company is contained elsewhere in this annual report, as follows:

- Directors of the Company and of its material subsidiary, on pages 4,11,13,14,15 and 34
- Major shareholders on pages 100 and 101
- Material changes since year-end, on page 57 and 97
- Directors' interests in the Company's shares, on pages 82 to 86
- Company's share capital, on pages 72 and 73
- Directors' responsibility statement, on pages 45 and 46
- Litigation, on page 75

Although no such repurchases are currently in contemplation, the general authority to repurchase the Company's shares will be effected within the parameters laid down by

the JSE as and when the directors of the Company deem it to be appropriate. After considering the effect of a general repurchase within these parameters, the directors are of the view that for a period of at least 12 months after the date of the annual general meeting referred to in this notice:

- the Company and the group would in the ordinary course of their business be able to pay their debts
- the consolidated assets of the Company and the group would exceed the liabilities of the Company and the group, such assets and liabilities being recognised and measured in accordance with the accounting policies used in the financial statements contained in this annual report
- the issued capital and reserves of the Company and the group would be adequate for the purposes of the Company and the group's business
- the Company and the group's working capital would be sufficient for their requirements.

#### Notes:

1. The Company will publish an announcement complying with the JSE's Listings Requirements if and when an initial and successive 3% tranche(s) of its shares have been repurchased in terms of the aforementioned general authority.
2. The Company's sponsor will provide a letter to the JSE, regarding the directors' statement as to the adequacy of the group's working capital, before the Company commences any share repurchases in terms of the general authority being hereby sought.
6. To elect independent external auditors in respect of the audit of the group's annual financial statements for the period ending 30 June 2004.  
The group's current external auditors are Ernst & Young and the directors recommend that they be re-appointed for the ensuing period, and that the terms of their engagement and their fees be determined by the Company's Audit Committee.
7. To approve the fees of the non-executive directors for the period ended 30 June 2003.

During the period fees as detailed in the annual financial statements were paid to the non-executive directors for services rendered as directors, and members are being asked to approve these fees.

8. To consider and if deemed fit to pass, with or without modification, the following as special resolution 2:

"That the Company hereby authorises the grant of options to acquire 50 000 shares in the Company, at the weighted average traded price of such shares on the JSE over the five days preceding the offer date as defined in the scheme rules, to a non-executive director, Mr H Saven."

The **reason** for this resolution, which is required by section 223 of the Act and the King II code, is to enable options in respect of Company shares to be granted to a non-executive director in accordance with the provisions of the Company's share incentive scheme, should the Remuneration Committee so determine.

The **effect** of this resolution, were it to be passed, is that the grant of options to a non-executive director, Mr H Saven, to acquire 50 000 shares in the Company in accordance with the rules of the Company's share incentive scheme, will have been authorised.

#### Proxies and representatives

##### Proxies

Any member of the Company registered as such may appoint a proxy, who need not be a member of the Company, to attend the annual general meeting and speak and, on a poll, vote thereat in his/her stead. Proxy forms must be lodged with Computershare Limited, the transfer secretaries of the Company, at least twenty-four hours before the appointed time of the meeting.

##### Representatives

Any corporate body registered as a member of the Company may, alternatively to appointing a proxy, appoint a representative to attend the annual general meeting and speak and vote thereat on its behalf. This entitlement shall be subject to the requirement that proof of such appointment is furnished to the satisfaction of the directors of the Company prior to the commencement of the meeting. Such proof can take the form of either a certified copy of a resolution of the corporate body or by way of a letter signed by an officer thereof.

## NOTICE TO MEMBERS

### Non-registered shareowners

Shareowners, who have dematerialised their Company shareholdings, such that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDP's) or brokers, are not Company members as defined.

Similarly, shareowners whose shares held in certificate form are registered in the name of nominee companies, are also not Company members as defined.

Both such categories of shareowners who wish to attend the Company's annual general meeting should arrange with their CSDP's, bankers or brokers to be furnished with the necessary authorisation to do so as the proxy or representative of such CSDP's, bankers or brokers.

Both such categories of shareowners, who are either unable or unwilling to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDP's, bankers or brokers with their voting instructions. These instructions should be given in sufficient time, and in accordance with the agreement between them, to enable the CSDP's, bankers or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

By order of the board

**C Durham**  
Company Secretary  
21 August 2003  
Cape Town

### directors standing for re-election/confirmation of appointment

#### BRIEF CURRICULUM VITAE Michael Samuel Mark (50)

B Com, MBA, ACMA

##### Chief Executive Officer

Michael Mark has been the chief executive officer of Truworths Limited since 1991. He has served as chief executive officer of Truworths International Limited since 1996.

Over this period he has guided the company through its listing on the JSE in May 1998,

and has overseen the consolidation of the group as a pre-eminent retailer of fashion apparel in South Africa and its final unbundling from Wooltru Limited in 2002. In July 2000 he was appointed executive chairman of the group in which he has been a director since its formation in 1988.

He commenced his career with the Wooltru group in 1988 as managing director of Topics, after holding senior executive positions across various business functions, including at Twins Pharmaceuticals, Alex Lipworths and the Foschini group. In 1991 he became managing director of Truworths Limited and in 1998 its executive chairman.

He combines 22 years of experience in the retail fashion-industry with an ability to retain focus on the group's key competencies and an understanding of the dynamics of fashion retailing.

#### Robert Gilmour Dow (46)

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

##### Independent Non-Executive Director Chairman of the Remuneration Committee Member of the Audit Committee

Rob Dow has been a non-executive director of the company and a member of its remuneration committee since 1998. He became chairman of the remuneration committee in 2000 and was appointed to the audit committee in 2002.

He has extensive corporate finance and merchant banking experience, firstly with Standard Corporate and Merchant Bank, and from 1995 onwards with African Merchant Bank of which he was a founder. He was until 2002 chief executive officer of AMB Holdings Limited and executive chairman of AMB Private Equity Partners Limited. He has also served on the boards of empowerment groups such as Nozala Holdings Limited and Nozala Investments Limited.

Currently an investment adviser and business consultant, he contributes meaningfully to the company's governance, investment and finance activities.

#### Cynthia Thandi Ndlovu (48)

BSc MBChB

##### Independent Non-Executive Director Member of the Ethics and Governance Committee

Thandi Ndlovu has been an independent non-executive director of the company since 2001,

and was appointed to its ethics and governance committee in 2003.

She is a medical doctor by training and operates as an independent medical practitioner in southern Gauteng. She is also extensively involved in the building construction industry, particularly in the low-cost housing sector, through the Motheo group of companies. She has served as a non-executive director on a number of companies' boards, including Wooltru Limited and Women's Development Bank Investment Holdings (Pty) Ltd, and acts as a trustee of Orange Farms Community Broadcasting Station Trust.

With her wide experience in the medical field and involvement in various empowerment and developmental initiatives, she is able to provide valuable guidance to the group in the spheres of HIV and AIDS, transformation and skills development.

#### Hilton Saven (50)

B Com, CA(SA)

##### Independent Non-Executive Director Chairman of the Audit Committee Member of the Remuneration Committee

Hilton Saven was appointed as an independent non-executive director of the company and a member of its audit committee with effect from 1 February 2003. On 20 February 2003 he was appointed as a member of its remuneration committee, and on 13 May 2003 he became chairman of its audit committee.

He is a chartered accountant by training and has pursued a career in the accounting profession since 1975 with the firm Moores Rowland, currently being the senior partner of the Cape Town practice and chairman of Moores Rowland South Africa. He sits on the board of Moores Rowland International, which is an association of independent accounting firms throughout the world.

He consults widely to private and public companies, particularly in the sphere of corporate finance, and holds various directorships.

His varied professional experience across numerous sectors enables him to add substantial value to the group's accounting and financial disclosure, corporate governance, transaction structuring and communication with shareholders.

# FORM OF PROXY

**TRUWORTHS INTERNATIONAL LIMITED**

(registration number 1944/017491/06)

## Annual General Meeting: 6 November 2003

I/We (full names) \_\_\_\_\_

of (address) \_\_\_\_\_

being a member of Truworths International Limited ("the company") and holding \_\_\_\_\_ shares therein, hereby appoint \_\_\_\_\_ or failing him, the chairman of the meeting as my/our proxy to attend, speak, and on a poll vote on my/our behalf, as indicated below, at the annual general meeting of members of the company to be held on 6 November 2003 at 09:30 in the Auditorium, 1st Floor, No 1 Mostert Street, Cape Town, South Africa and at any adjournment thereof.

	In favour of	Against	Abstain
Item (1) To receive and adopt the annual financial statements for the period ended 30 June 2003			
Item (2a) To re-elect the retiring directors who have offered themselves for re-election:			
Dr CT Ndlovu			
Mr MS Mark			
Mr RG Dow			
Item (2b) To confirm the appointment as director of Mr H Saven who was appointed by the board with effect from 1 February 2003			
Item (3) To renew the directors' specific authority over those unissued shares that have been reserved for the company's share scheme			
Item (4) To give the directors a limited general authority over the unissued shares (excluding those reserved for the company's share scheme), and treasury shares, including the authority to issue or dispose of such shares for cash			
Item (5)* To give a general mandate for the company or its subsidiaries to acquire the company's shares			
Item (6) To re-elect Ernst & Young as auditors for the period to 30 June 2004 and to authorise the audit committee to agree the relevant terms and fees			
Item (7) To approve the fees of the non-executive directors for the period ended 30 June 2003			
Item (8)* To authorise the grant of options in respect of 50 000 of the company's shares to a non-executive director, Mr H Saven			

\* Special resolution

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

Signature \_\_\_\_\_

## NOTES

1. A member registered as such (either as the holder of shares in certificated form whose name is reflected in the register of company members, or as the holder of shares in dematerialised form whose name is reflected in a sub-register maintained by a CSDP or broker) is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in his/her stead. A proxy need not be a member of the company.
2. Forms of proxy, in order to be valid, must be lodged at or posted to the office of the company's transfer secretaries, Computershare Limited, 70 Marshall Street, Johannesburg, South Africa or PO Box 1053, Johannesburg, 2000, South Africa, or Transfer Secretaries (Pty) Ltd, Shop 12, Kaiserkrone Centre, Post Street Mall, Windhoek, Namibia or PO Box 2401, Windhoek, Namibia, so as to be received at least 24 hours before the commencement of the meeting.
3. If two or more proxies attend the meeting on behalf of the same member, then the person attending the meeting whose name appears first on the form of proxy and whose name is not deleted shall be regarded as the validly appointed proxy.
4. The authority of a person signing a form of proxy in a representative capacity must be attached to the form of proxy, unless such authority has already been recorded by the company.
5. The delivery of a duly completed form of proxy shall not preclude any member or his duly authorised representative from attending the meeting and speaking and voting thereat to the exclusion of the proxy.
6. If this form of proxy is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.