

A photograph of a woman with voluminous, wavy brown hair, smiling broadly and looking off to the side. She is wearing a grey, sleeveless top with a vertical strap detail on the shoulder and a multi-strand necklace with colorful beads. The background is a soft-focus indoor setting with a blue and white circular pattern on the wall. The text 'wearing confidence' is overlaid in a white, lowercase, sans-serif font across the center of the image.

wearing
confidence

FINANCIAL HIGHLIGHTS

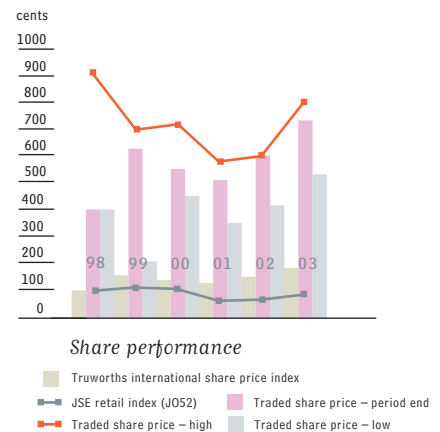
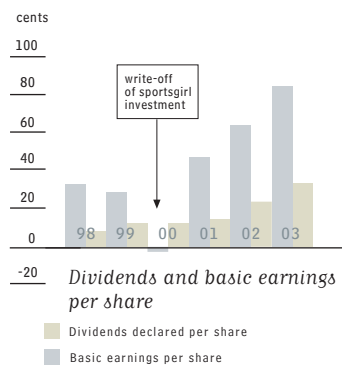
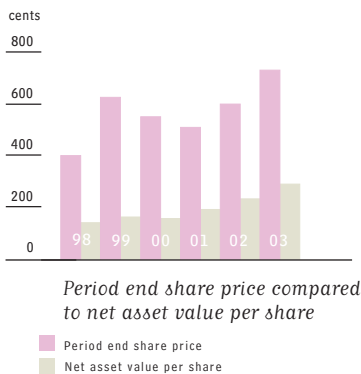
			2003 52 weeks Rm	2002 53 weeks Rm	Change %
Operational performance (Rm)					
Sale of merchandise			2 306	1 984	16.2
Profit before finance costs, exceptional items and taxation			551	453	21.7
Net profit attributable to shareholders			391	295	32.6
Headline earnings			392	290	35.0
Capital expenditure incurred			63	208	(69.7)
Cash EBITDA			481	434	10.9
Cash generated from operations			428	255	68.0
Cash and cash equivalents			445	130	243.3
Total assets			1 841	1 420	29.6
Ordinary share performance (cents per share)					
Basic earnings			85.5	64.5	32.6
Headline earnings			85.7	63.5	35.0
Cash flow			97.7	32.2	203.4
Dividends declared for the period			34.0	22.0	54.5
Net asset value			290.0	233.0	24.5
Period end share price			730.0	599.0	21.9
Financial statistics					
Operating margin	(%)		23.9	22.8	
Return on average shareholders' equity	(%)		32.7	30.3	
Return on capital	(%)		46.1	46.6	
Net cash to shareholders' equity	(%)		33.3	12.3	
Total liabilities to shareholders' equity	(%)		37.8	34.3	
Current ratio	:1		3.7	4.2	
Dividend cover	(times)		2.5	2.9	
Wealth created through cash value added	(Rm)		1 033	754	37.0
Market capitalisation	(Rm)		3 478	2 801	24.2
Key indicators in US dollars (US\$m) *					
Sale of merchandise			260	194	34.0
Net profit attributable to shareholders			44	29	51.7
Cash EBITDA			54	43	25.6
Total assets			247	142	73.9
Market capitalisation			466	280	66.4

* Income statement and cashflow figures have been translated at an average rate of R8.87/US\$1 (2002: R10.21/US\$1).

Balance sheet figures have been translated at a closing rate of R7.46/US\$1 (2002: R9.99/US\$1).

SHARE STATISTICS

Year	2003	2002	2001	2000	1999	1998*
Number of weeks	52	53	52	52	52	52
JSE Securities Exchange South Africa performance						
Traded share prices						
period end (cents per share)	730	599	509	550	625	400
high (cents per share)	800	600	580	720	700	915
low (cents per share)	530	415	350	450	208	400
weighted average price						
traded (cents per share)	623	513	457	578	464	637
Price earnings ratio	8.5	9.4	11.5	17.1	22.9	11.9
Truworths International						
share price index (1998: 400 = 100)	183	150	127	138	156	100
JSE retail index (J052 from 2002, previously IX80) (1998: 9 551 = 100)	87	68	64	108	113	100
Period end share price/net						
asset value per share (times)	2.5	2.6	2.7	3.5	3.8	2.8
Number of shares in issue (000's)	476 385	467 603	461 289	457 709	448 511	429 526
Volume of shares traded (000's)	213 396	180 585	102 827	142 235	107 670	31 024
Number of transactions	9 538	7 065	6 985	8 241	10 585	3 170
Volume traded as a % of number in issue (%)	44.8	38.6	22.3	31.1	24.0	7.2
Value of shares traded (Rm)	1 329	927	470	822	500	198
Market capitalisation (Rm)	3 478	2 801	2 348	2 517	2 803	1 718
Number of certificated shareholders	721	2 385	2 305	3 060	3 878	4 804
Earnings yield (%)	11.7	10.8	9.4	(0.5)	4.6	8.3
Dividend yield (%)	4.7	3.7	2.8	2.3	2.0	2.0
Share performance						
Earnings per share						
basic earnings basis (cents per share)	85.5	64.5	47.7	(2.7)	29.0	33.0
headline earnings basis (cents per share)	85.7	63.5	44.2	32.2	27.3	33.5
Cash flow (cents per share)	97.7	32.2	50.0	43.0	36.2	32.3
Cash equivalent earnings (cents per share)	97.2	75.4	55.5	9.5	42.4	48.1
Net asset value (cents per share)	290.0	233.0	192.0	156.6	163.1	140.6
Dividends declared for the period (cents per share)	34.0	22.0	14.5	12.5	12.5	8.1
Dividend cover (times)	2.5	2.9	3.3	-	2.3	4.1
Treasury shares at year end (value) (Rm)	80.2	66.8	-	-	-	-
Treasury shares at year end (number) (000's)	15 768	13 612	-	-	-	-



* The statistics for 1998 are for the period between 11 May 1998 (date of listing) and 30 June 1998. Definitions are provided on pages 54 and 55.

TRUWORTHS INTERNATIONAL LIMITED BOARD



Directors in order from left to right: MS Mark, WM van der Merwe, AE Parfett, H Saven, CT Ndlovo, BD Lapin, AJ Taylor and RG Dow.

MS Mark (50)

B Com, MBA, ACMA

Chairman and chief executive officer of Truworths International Limited and executive chairman of Truworths Limited.

Appointed to the board in 1988.

Executive director.

H Saven (50)

B Com, CA (SA)

Senior partner of accounting firm Moores Rowland. Appointed to the board and audit committee in February 2003.

Chairman of audit committee in May 2003.

Member of remuneration committee in February 2003.

Non-executive director.

Independent director.

BD Lapin (53)

Senior International Rabbinic Diploma in Law, Ethics and Philosophy.

Managing director of Strategic Business Ethics Inc.

Appointed to the board in 1998.

Chairman of ethics and governance committee.

Non-executive director.

Independent director.

WM van der Merwe (45)

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

Financial director of Truworths International Limited and Truworths Limited.

Appointed to the board in August 2002.

Executive director.

CT Ndlovo (48)

B Sc, MBChB

Medical practitioner.

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

Appointed to the board in 2001.

Non-executive director.

Independent director.

AJ Taylor (56)

BA

Director of Truworths International Limited and deputy managing director of Truworths Limited.

Appointed to the board in 1999.

Executive director.

AË Parfett (61)

Retired retail executive.

Business consultant.

Appointed to the board in 1988.

Non-executive director.

Independent director.

RG Dow (46)

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

Investment adviser and business consultant.

Appointed to the board in 1998.

Chairman of remuneration committee.

Non-executive director.

Independent director.

CHAIRMAN'S STATEMENT

I am pleased to be able to report another successful year of growth which further entrenched Truworths as South Africa's leading fashion retailer.

Last year I wrote that the financial period had ended as "one of the best trading periods in Truworths' history". Yet we have managed in this financial period to exceed already impressive results by a significant margin. An analysis in our Business Review which follows, reflects the improved sales performance of all our brands. This performance is testimony to the success of our underlying strategy – that we can sustain sales and earnings growth through continual reinvention of our core business and the development of new formats to offer market-leading quality, design and fabrics in highly appealing retail locations. These and other fundamental components of our strategy, ranging from an ability to correctly predict fashion trends to empowering our people to grow and deliver in a challenging retail arena, were again effectively combined in another successful year.

Highlights of our financial and operating performance were:

- Sales increasing off a strong base by 16.2% to R2.3 billion.
- A 35% improvement in headline earnings per share to 85.7 cents.
- A 54.5% increase in annual dividends to 34 cents per share.
- Our operating margins improving to 23.9%, thanks to better sales per square metre and per full-time equivalent (FTE) employee and continued control of operating costs.
- A greater contribution from the group's credit business, with the value of our debtors' book, embracing 780 000 active accounts at year-end, having grown by over 22% to R825 million.
- Stock turn improving to 6.7 times.
- A further strengthening of our financial position, with significant enhancement of cash flow per share and growth in cash and cash equivalents.

Excluding the effects of a repayment by the SA Revenue Service of R18.7 million following our successful objections to additional taxation assessments received in the 2002 financial year, earnings per share of 81.4 cents and headline earnings per share of 81.6 cents would have been posted, reflecting gains of 26.2% and 28.5% respectively.

The year's trading was characterised by a buoyant first half and slower sales growth in the second half, as a result of softening consumer demand. That slowdown was against the background of a strong trading base in prior periods. Price inflation decreased from the mid-teens in the first half of the period to single digits in June 2003.

Despite these challenges, our formula has again enabled us to maintain a record of creating wealth over time, with returns on shareholders' equity and operating margins remaining amongst the highest in the retail sector.



MS Mark

Chairman and chief executive officer of Truworths International Limited and executive chairman of Truworths Limited.

Employee of Truworths Limited since 1988.

Appointed to the Truworths Limited board in 1991.

CHAIRMAN'S STATEMENT

The area of corporate governance and in particular the Code of Corporate Practices and Conduct recommended by the 2002 King Report and the recently revised listing requirements of the JSE Securities Exchange South Africa, have received special focus this past year.

A great deal of hard work has been done, in line with an undertaking by the group's directors, to achieve substantial adherence to the King Code by June 2003. The key achievements in this regard are detailed in a following section on Corporate Governance.

An integral part of corporate governance, as a platform to sustain the group's development, is risk management. This is addressed by the group's risk committee which has introduced action plans following a comprehensive assessment. In addition, an experienced group risk manager has been appointed to facilitate a more co-ordinated approach to risk.

Our role as a corporate citizen involves a multi-pronged approach to key issues in South African society and the retail industry which has a significant shortage of merchant skills. We have benefited from the integration of employment equity and skills development initiatives, to the extent that 63% of store managers are now black and 24% of the next level of managers are black. We continue to align training and developmental strategies to meet the requirements of the Skills Development Act and to participate in task teams to ensure the Act becomes a working reality in various national companies.

We also increased the support for our social involvement trusts focused on education, sport, arts and culture, and the environment.

We extended support programmes for HIV and Aids infected and affected staff and anticipate that associated costs will be carried within budgeted expense parameters. An analysis commissioned by the group's project team managing the impact of HIV and AIDS on Truworths and its people revealed that the current estimated prevalence rate within Truworths is approximately 5.5% of permanent staff.

Other challenges facing retailing arise from an economic environment of declining interest rates and inflation. Our strategy in an environment of lower inflation is to focus on changing our fashion mix and on offering superior merchandise, of even higher quality. We expect price inflation to hold steady at single-digit levels.

Overall, our thrust in the year ahead will be to continue to reinvigorate our core business, develop and experiment with new formats, refurbish existing stores and introduce new generation stores. We believe we have begun some unique initiatives that will take us even further ahead in performance and fashion leadership.

Our strong balance sheet positions the group to take advantage of any attractive acquisition opportunities that can benefit from our infrastructure and that have a synergy with our products, stores and customers.

We are well placed to take advantage of any improvement in consumer spending spurred by stronger economic growth and interest rate cuts, and to extend our record of consistent improvements in sales and earnings.

The successes of the past financial period and the many successful periods of uninterrupted profit and sales growth with increasing returns that preceded it, were achieved through the contribution of a great many people inside and outside our group. My sincere thanks go to the Truworths International Limited directors for their ongoing support and active participation in the company's affairs, and to the Truworths Limited board and management for their diligence and dedication to the business philosophy. Of course, I would also like to congratulate our middle management and our staff throughout southern Africa that so positively reflect our leadership in service and fashion to our fashion-conscious customers. We are also grateful to our suppliers and advisers for their contribution, and to our shareholders for their support.

But most of all we are thankful to our over one million regular customers that continue to trust our ability to offer international fashion trends with high quality standards yet at reasonable prices. We look forward to an exciting period ahead.



Michael Mark
Chairman and Chief Executive Officer

BUSINESS REVIEW

market review

Buoyant retail trading in the second half of the previous financial period continued through to December 2002. Consumer confidence during this time was high, fuelled by the cut in personal taxes. However, a combination of the relatively strong, but volatile rand, together with persistently high real interest rates and declining price inflation, began to curb this confidence and resulted in an anticipated slowdown in trading activity in the first and second quarters of 2003.

financial review

EARNINGS

The group was able to build on what had been a strong performance in 2002, with net profit attributable to shareholders improving by 32.6% to R390.9 million. This translated into earnings per share of 85.5 cents and headline earnings per share of 85.7 cents, improvements of 32.6% and 35% respectively.

A final dividend of 21 cents per share has been declared. This, together with an interim dividend of 13 cents, represents a 54.5% increase compared to 2002. In the light of current economic conditions and having regard for the group's available cash balance, the dividend policy has been revised such that basic earnings now cover dividend declared 2.5 times.

Sale of merchandise, including sales through franchise stores, showed good growth of 16.2% to R2.3 billion from R1.9 billion in 2002. Comparative sales growth in the 2002 financial year was 24.4%. Franchise sales increased 26% to R22.1 million. Trading space increased by

4.9%, mainly in the form of 10 new Identity stores.

Sales in 2002 were based on a 53-week trading period. Excluding the sales of week 53 would result in comparable sales and trading profit growth for 2003 of 18.7% and 20.9% respectively. Comparable 26-week sales in the second half of the current period showed growth of 14.1% against a 23.4% increase in the first half.

The predicted slowing in sales growth in most merchandise categories during the second half was a result of declining price inflation and softening consumer demand on the back of high real interest rates. This slower sales growth was against the background of a strong trading base established over past years and the effect of an additional week in the previous period.

Growth in sales of merchandise, including comparable store sales growth of 14.5%, was well ahead of the estimated average of 11% for the clothing, footwear and textiles sector. Price inflation in the group, which averaged 13% for the period, decreased from the mid-teens in the first half to single digits by the last quarter.

The maintenance of the group's conservative credit granting policies saw the credit to cash sales mix remain similar to previous periods at 72%.

Continued emphasis on inventory management and loss control resulted in improved buying margins and lower shrinkage. Markdowns were higher than in the previous period but continue to be well within acceptable industry norms.

A higher contribution to sales by the lower margin Identity, Elements and



WM van der Merwe

Financial director of Truworths International Limited and Truworths Limited.

Employee of Truworths Limited since 1999.

Appointed to the Truworths Limited board in 1999.

BUSINESS REVIEW

franchise businesses together with the increased markdowns resulted in a dilution in the gross margin to 50.5%.

Trading margins benefited from higher levels of retail activity, improved productivity in terms of sales per square metre and per FTE employee, and a continued focus on costs. These factors, together with a significant increase in interest received, resulted in an improvement in operating margins to 23.9%, with operating profits before finance costs, exceptional items and taxation, reflecting a 21.7% increase to R550.8 million.

A further distribution of R0.7 million from the discontinued operations of former Australian subsidiary, Sportsgirl, has been recorded as an exceptional item. A final distribution is expected by March 2004.

COSTS

Operating costs increased by 13% for the period, representing 32.9% of sale of merchandise. This compares favourably to the previous period when the percentage was 33.9.

Occupancy costs were up by 11.3% as a result of 10 new Identity and five new Truworths stores. These costs were slightly reduced by the closure of two Truworths stores and an Identity store. In addition, 23 existing stores were expanded and refurbished. Cumulatively this resulted in capital expenditure of R39.6 million for store development. The figure for the previous period was R38.6 million.

This expenditure together with capital expenditure of R22.6 million on information technology resulted in total depreciation costs increasing by 15.9%.

The additional stores required new staff and this factor, together with annual salary increases and performance and incentive bonuses, saw employment costs rise by 12.2%. Other operating costs, including the effect of foreign exchange losses amounting to R6.1 million, increased by 14.7%.

The group's credit business delivered an improvement in the cost of credit from R18 million in the prior period to R2.6 million. A more detailed analysis of the reasons for this improved performance is included later in this report.

TAXATION

Our effective taxation rate decreased from 35.6% to 28.8%, mainly as a result of the favourable adjustment to the taxation charge arising from the refund of transfer pricing taxation paid in the previous period. The company's objections to additional taxation assessments received in the 2002 financial period, relating to transfer pricing adjustments in respect of the 1996 to 1999 years, were allowed in full.

An amount of R18.7 million, comprising normal taxation, secondary taxation on companies and interest, was refunded and credited against the taxation expense. Higher secondary taxation on companies of R13.8 million was incurred on increased dividends paid.

The above-mentioned growth in both earnings and headline earnings per share was after the benefit of the R18.7 million-transfer pricing taxation benefit. Excluding the effects of this benefit, earnings per share of 81.4 cents and headline earnings per share of 81.6 cents would have been posted, reflecting gains of 26.2% and 28.5% respectively.

BALANCE SHEET

The improvement in returns on average shareholders' equity to 32.7% and a 24.5% increase in net asset value per share to 290 cents, was in line with the increase in earnings.

Total assets increased by 29.6%; however, if the significant increase in cash and cash equivalents is excluded, then the adjusted totals reflect an increase of 7.4%, which is well below the increase in sales.

Investments decreased to R109.5 million from R126.4 million during the period, mainly due to a decrease in the export partnership participation investment of R14.2 million and the impairment of the Truworths Zimbabwe investment of R2 million.

The decrease in the export partnership participation is a result of payments received of R7.5 million during the period and an AC133: Financial Instruments – Recognition and Measurement net adjustment of R6.7 million. In terms of the transitional provisions of the statement, an adjustment of R8.2 million was made to opening retained income. The related amortisation of this adjustment to opening retained income, amounting to R1.5 million, was effected in the current period.

Gross trade receivables increased 22% to R824.8 million compared to 16.2% in credit sales. The group's bad debt reflected an increase on prior periods with the provision for bad debts representing 5.9% of gross trade receivables compared to 5.6% in the prior period. Management is satisfied that it has adequately provided for any

BUSINESS REVIEW

deterioration in the book as a result of the effect of higher interest rates experienced during the period.

Ongoing focus on inventory resulted in an improvement in the stock turn from 6.1 times to 6.7 times in the current period. Inventory balances showed an 8.8% increase to R169.2 million and management is satisfied that adequate provision has been made for slow moving holdings.

The strength of the group's financial position is highlighted by significant growth in cash and cash equivalents to R444.9 million. This is largely attributable to the increase in cash generated from operations of R173.3 million, the transfer pricing refund of R18.7 million, an increase in interest received of R58.2 million, and proceeds on the repayment of the Truworths International Share Trust loan of R26.7 million. In addition to this there are unutilised borrowing facilities available of R445 million.

Net cash to shareholders' equity improved to 33.3% from 12.3% in the previous period, with total liabilities as a percentage of shareholders' equity increasing to 37.8%.

During the period 8 782 300 shares were issued, mainly to employees participating in the share incentive scheme, at an average price of R3.18, resulting in proceeds from share issues of R27.9 million.

Trade and other payables increased from R169.3 million to R269.9 million during the period, as a result of different period-end cut off dates compared to the prior period and an increase in purchases over the period.

CASH FLOW

The high quality of earnings is reflected in the meaningful improvement in attributable cash flow per share to 97.7 cents. This represents a realisation rate of 100.5% on the cash equivalent earnings per share of 97.2 cents. Cash EBITDA showed further improvement from R434.0 million in the previous period to R481.3 million.

Working capital reflected a net increase in funding requirements of R53.1 million, mainly as a result of increased investment in trade receivables and inventory levels, offset partially by higher levels of trade payables. These increases were a natural consequence of improved trading activity and associated increased volumes.

After meeting financing costs, taxation and dividends, net cash retained and available for investing and financing activities was R328.4 million. Capital expenditure remained tightly managed and within budget at R62.8 million. After these investment activities, cash available for financing activities amounted to R300.2 million. This enabled the group to fund further share repurchases of R13.4 million by its subsidiary, Truworths Limited.

In the current period, 2 155 214 shares at an average price of R6.19 were repurchased for R13.4 million, resulting in a total of 15 767 668 shares repurchased over a two-year period amounting to R80.2 million. The repurchase of the shares did not have a material effect on either headline earnings or net asset value per share in the current period.

The wealth created for the group's stakeholders through cash value added improved from R753.8 million to R1 033.1 million. This benefit was enjoyed by all stakeholders with a significant 29.4% received by employees, while landlords and the State were paid 15.4% and 11.9% respectively. A further 11.5% was distributed to shareholders by way of dividend. The cash retained to fund future growth amounted to R328.4 million and represented 31.8% of wealth created.

ZIMBABWE

Continued deterioration in the social, political and economic environment in Zimbabwe, together with the non-remittance of dividends during the period under review, has justified the decision not to equity account the Truworths Zimbabwe investment in the group's results.

The carrying value of the investment in Truworths Zimbabwe, recorded at R2 million at the end of the previous period, has been reassessed. Management has concluded that due to the continued severe long-term restrictions that significantly limit the ability of Truworths Zimbabwe to repatriate income to the group, it is more appropriate to impair this investment to a nominal value of R1. This impairment has been charged to the income statement as an exceptional item and has been excluded from the calculation of headline earnings.

BUSINESS REVIEW

outlook

Our customers have grown to expect outstanding fashion of superior quality and an entertaining shopping experience from Truworths, and we will continue to excite them with new experiences when they enter our stores.

Capital expenditure on store development during the year under review will be augmented with a planned increase of about 5% in trading space in 2004.

As price inflation continues to decline, real interest rates will be reviewed and are likely to decline. This should boost economic prospects and restore consumer confidence, leaving our customers in a stronger financial position.

Declining interest rates, coupled with cautious economic optimism, augur well for trading conditions during the 2004 financial period. We enter this environment with a track record of consistent delivery and will strive to build on our strong financial base by extending our leadership in terms of merchandise, store design, people and systems.

The strong balance sheet positions the group to take advantage of any attractive acquisition opportunities.

BUSINESS REVIEW

customer relationship management and credit

Our Customer Relationship Management (CRM) division strives to build comprehensive, consistent and mutually committed relationships with our customers.

Combined under the CRM function are promotions, market research, marketing, analytics, customer services, credit management and customer information systems. This structure optimises synergy between the various functions, resulting in an overall enhancement of the group's relationship with its customers.

The Truworths target market is the youthful, fashionable South African and we continued to attract and retain customers in the higher LSM groupings.

Innovative customer retention strategies resulted in a pleasing 5.8% growth in active accounts versus last period's 1.1%. This resulted in an active account base of over 780 000 customers.

Customer scorecards were further re-aligned and are undergoing re-development in our ongoing quest to find the optimum balance between risk and sales. Strict credit policies continued to be applied on new accounts with 50% of applicants granted credit, versus 48% in the previous financial period.

In the financial period under review the customer data warehouse was further developed. Continued investments were made in business analytics, model building capabilities and new technology was installed to give us easier and faster access to our data.

Also on the technology front, the new point-of-sale (POS) rollout project was completed. All stores now have state-of-the-art personal computers with high-speed data lines giving better response times at the point-of-service and facilitating access to key systems and centrally held information. To increase efficiency other technologies are being considered as part of the store POS offering.

Enhancements to the Truworths website will make it easier for us to sell merchandise online and we hope to improve utilisation of this channel during the next financial period.

In terms of the performance of the debtors' book, the moving annual trend of sales per account grew by 15.1%. Average credit utilisation stood at 27.6%, up by 14.6% on a moving annual basis.

Compared with the 2002 financial period, there was a reduction in delinquency by account numbers, but a slight increase in value terms. This is in line with expectations and well covered by the provision of 5.9% of the gross debtors' book.

Measured at the close of the financial period, overdue amounts as a percentage of total debtors' book stood at 14%, marginally up from 13.2% last period. The qualifying payment has remained consistent at 90%, one of the highest in the industry.

The moving annual trend of collections achieved against those due stood at 92.6% at end June 2003. This percentage improved following the close of the financial period.



EF Cristaudo (44)

Dip EDP, Dip Marketing Man, CNE, B Com
Director: Customer relations management and systems.

Employee of Truworths since 1997.

Appointed to the Truworths Limited board in 2000.

BUSINESS REVIEW

Net bad debt as a percentage of credit sales was 2.5%, up slightly from the 2.2% previously reported. Net bad debt as a percentage of the debtors' book was 5.1% compared to 4.7% in the prior period. Independent benchmarks conducted comparing Truworths to other major retailers continue to show that our delinquency levels are consistently better than the average.

The value of the gross debtors' book grew by 22% from R675.9 million to R824.8 million. A proportion of this growth is due to interest earned on the book as a result of higher interest rates during the current reporting period. The average rate for 2002 was 23.5% versus an average rate of 28.3% for the current period.

Increased interest rates resulted in a 55.2% gain in interest from customers to R106.1 million. This was partially offset by collection costs, net bad debt and the change in the bad debt provision,

resulting in a cost of credit of R2.6 million, which was a significant improvement on the previous period when cost of credit was R18 million.

retail operations

A focus on sustainable growth saw the continued development of the store network, through which we strive to present our customers with superior merchandise in a visual setting that enhances the shopping experience.

During the period under review, trading space increased by 5 902 square metres, or 4.9% to 127 072 square metres. We opened 15 new stores, enlarged and refurbished 23 and closed three.

As part of the opening and refurbishment programme 21 stores were developed using the exciting and visually appealing millennium style, which provides customers with a lighter, brighter and easier shopping experience.

Included in the new store openings were two Truworths Man and two Truworths stores, and a stand-alone Daniel Hechter store, which further exposed this innovative and now well-established brand. Another significant development was the rollout of an additional 10 Identity stores. The Canal Walk store in Cape Town was converted to a dynamic new look, introducing coloured lighting, aluminium style fixtures and graphics.

Productivity is measured through performance evaluation that looks at the trading performance of stores in terms of their economic added value, sale of merchandise per square metre and per FTE employee.

During the period under review annualised retail sale of merchandise per square metre increased by 10.3% to R18 120. Sale of merchandise per FTE employee improved by 14.2% to R644 000.

Debtors' information

Statistics

	2003	2002
Number of active accounts (000's)	780	737
Credit sales as a proportion of total sales (%)	72	72
Qualifying payment (%)	90	90
Debtors' book (Rm)	825	676
% of book that can purchase at period end (%)	86	87
Collections achieved versus those due (%)	93	95
Net bad debt write-off as a percentage of credit sales (%)	2.5	2.2
Net bad debt as a percentage of debtors' book (%)	5.1	4.7
Doubtful debt provision as a percentage of debtors' book (%)	5.9	5.6
Applicants granted credit (%)	50	48

Cost of credit (Rm)

Interest from customers	106.1	68.4
Financial services	6.5	5.3
	112.6	73.7
Collection costs	(63.0)	(54.1)
Net bad debt and change in bad debt provision	(52.2)	(37.6)
Cost of credit	(2.6)	(18.0)

BUSINESS REVIEW

The drive to increase productivity and profitability through cost reductions and greater efficiency saw retail operational costs increase by 7.9% on the previous period. Store costs as a percentage of sale of merchandise, at 19.5%, compared favourably with the 21% of the previous period.

In terms of improved efficiency in other areas, good progress was made with stock receipting and banking processes at stores.

At the same time, managing risk in terms of shrinkage, cash losses, burglaries and goods lost in transit showed significant improvement on the previous period. Technology and a high degree of staff commitment were central to achieving this improvement.

It is anticipated that during the 2004 financial period, trading space will increase by about 5%, with R49.5 million budgeted for capital and project expenditure.

Truworths stores are due to open in Mitchells Plain in the Western Cape and Midlands Mall in Pietermaritzburg. A Truworths Man store in Empangeni, KwaZulu-Natal and 14 new Identity stores are also scheduled for opening in the coming period.

The emphasis will be on continued refurbishing and upgrading of existing stores.

Our post-millennium, new-generation stores will represent a quantum leap in store design, and help ensure Truworths builds on its leadership in presenting retail environments that offer outstanding fashion and an entertaining shopping experience.

franchise operations

In line with the strategy to grow franchise operations conservatively with a minimum of risk, we opened a store in Lesotho, a second store in Bahrain and the first Identity franchise in Gaborone, Botswana.

There are now 12 stores in Africa and seven in the Middle East. While the Iraq war proved disruptive, stores in the Middle East continued to deliver growth and overall franchise sales grew by 26% to R22.1 million, representing a 1% contribution to total sales.

The intention is to invest steadily in franchise opportunities in Africa and the Middle East. We will maintain our minimum risk approach to new franchise stores and, given seasonal differences, intend improving merchandise allocation to franchise outlets.



AJ Taylor (56)

Executive director of Truworths International Limited and deputy managing director of Truworths Limited. Employee of Truworths Limited since 1992. Appointed to the Truworths Limited board in 1992.



DL Kohler (50)

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



RM Wyatt (57) (British)

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

BUSINESS REVIEW



JA Holtzhausen (50)

Dip Datametrics, MAP

Director: Information systems.

Employee of Truworths Limited since 1997.

Appointed to the Truworths Limited board in 2000.

information technology

With the objective of adding value to the enterprise by facilitating its future sustainability, information technology (IT) costs were carefully managed with a focus on highly functional systems.

During the period, we remained abreast of the latest software developments and, due to the stronger rand, managed to benefit from our capital expenditure of R22.6 million. The projected capital expenditure for 2004 is about R20 million. The key advances made during the period were:

- The upgrading of our distribution and logistics capabilities, which will substantially enhance integration and co-ordination with key suppliers.
- The installation of new store IT infrastructure to enhance information and communication capabilities.
- The upgrade of point of sale facilities, bringing lower costs and enhanced service as a result of reduced customer queuing time.
- Outsourcing our mainframe infrastructure to a specialist information technology partner.
- The automation of our sourcing processes using technology to enhance collaboration with suppliers.
- The deployment of the corporate data warehouse in the business functions.
- In terms of e-tailing, the continued upgrading of our customer website, intranet and extranet functionality.

- Progress in the delivery of high quality inventory and profit management information to the business through its executive information systems (EIS).
- Improved financial management with an upgrade to the Oracle 11i financial system.
- The reviewing of licensing compliancy and the conclusion of agreements with key IT suppliers including Oracle, Microsoft and IBM.
- The updating of our disaster recovery strategy, taking cognisance of the King Code and risk management. A number of tests were completed to test our ability to recover key systems and data from another site, thereby assuring business continuity.

Our key initiatives for 2004 centre on a series of upgrades for improvements in point-of-sale service and communication, in operational productivity, e-business capabilities and distribution centre systems.

BUSINESS REVIEW

merchandise

The primary objective of the merchandise strategy is to forecast accurately and interpret fashion trends. In pursuit of this, we have in place a well-developed process that seeks to limit merchandise risk and capitalise on opportunities to ensure the buying teams put together season ranges that work for our customers. The international sourcing division has become a vital part of the merchandise tapestry to source product the domestic market can't supply, or where local supply is too costly.

In addition to outerwear, this division procures accessories, homeware, gifts, lingerie and footwear in international markets. While we will continue to support local manufacturing, the international component of our fashion forward merchandise will also be maintained to ensure the highest quality at competitive prices.

the fashion and design studio

The womenswear and menswear Fashion and Design Studio enjoys a high level of credibility as the fashion "intelligentsia" of the group.

A consistent track record of accurately forecasting fashion trends is one of Truworths' key strengths. From a merchandise perspective, we rely on the studio which draws on a network of outside sources including trade fairs, suppliers, websites and trend magazines, many of which are internationally inspired.

Working as it does in advance of market timelines, the studio enjoys the confidence of our buyers in its ability to predict international trends that are appropriate to the Truworths customer.

living

With competition in the homeware market having increased dramatically, we have opted for convenience, offering our Truworths customers easy access to a limited but carefully selected range of gifts for the home.

cellular phones

Our cellular division has continued to perform exceptionally well, recording sales growth of 42.9%. We will continue to grow cautiously the number of outlets.

In addition to selling handsets and airtime, we offer a comprehensive cellular insurance package.



TD Murdoch-Coyle (43) (Dutch)
Dip H Ed
Director: Buying and design.
Employee of Truworths Limited since 1985.
Appointed to the Truworths Limited board in 1998.



DN Dare (42)
B Bus Sc
Director: Merchandising.
Employee of Truworths Limited since 1984.
Appointed to the Truworths Limited board in 1999.

BUSINESS REVIEW



TRUWORTHS BRANDS

In line with the group's philosophy, our approach is to entice customers into an exciting array of store options offering an adventurous blend of colour, styling and fabric. Within that, each brand presents the customer with its own characteristics and distinctive "signature".

A track record of consistent market share gains in women's outerwear and menswear is indicative of the strength of the Truworths brands, and the success of our strategy to grow in-house concepts rather than to promote consigned brands.

TRUWORTHS

MADE IN THE WORLD

truworths

essence
finnigans
the truworths collection
glamour

outback red (obr)
the truworths jeans co.
skiny
intrigue
peep
zeta
living
truworths jewellery

- A confident collection of fashion-forward leisurewear, formalwear, glamourwear, lingerie, fine jewellery, shoes and accessories designed for the modern woman
- Exclusive elegantwear for special occasions
- Modern suiting solutions
- An understated modern collection of classic suiting separates
- An eveningwear collection that offer an exquisite expression of individual style
- Denim-friendly, urban adventurewear
- Authentic jeans styled for comfort and individual fit
- Comfortable, sporty, bodywear. It's trendy, cheeky and just your style
- A luxurious range of sensuous underwear
- A range of underwear that's naughty, saucy, girlie and gorgeous
- Inspiring and unique... Real fashion for women in sizes 40-48
- A modern collection of contemporary designs to add style to your home
- Modern, fine quality jewellery, branded watches and very necessary accessories

**TRUWORTHS
MAN**

FASHION WITHOUT BOUNDARIES

truworths man
studio
hemisphere
hemisphere sport
exstream

tm jeanswear

- Formal and leisure lifestyle fashion for the modern man
- Innovative fashion for the man with an enviable sense of style
- Trendy jeanswear for the adventurous modern man
- Trendy activewear for the modern man on the move
- An extreme expression of up-to-the-limit streetwear for the non-conformist
- An authentic range of mens jeans, designed to fit and styled for comfort

TRUWORTHS LTD

AWAKEN YOUR SPIRIT

women
men
teens
kids

- An adventurous collection of easy, yet sophisticated leisure time dressing for women, men, teenagers and children

DANIEL HECHTER
PARIS

SPEAK FRENCH WITHOUT SAYING A WORD

women
men

- Daniel Hechter is an international collection of leading edge, modern designs for men and women

INWEAR
INTERNATIONAL

OWN THE ATTITUDE

- Inwear offers a cutting edge range of casual, formal and glamour fashion that demands to be noticed

IDENTIFY YOURSELF

iDENTITY

masculine
feminine
accessories

- Young, funky and affordable casual street gear

**TRUWORTHS
elements**

- Elements houses a superb range of the best international cosmetic brands for him and her with skin-care, makeup and 140 top fragrances

BUSINESS REVIEW



made in the world

TRUWORTHS WOMENSWEAR

Truworths womenswear contributes approximately half of our total sale of merchandise and offers a comprehensive range across virtually all lifestyles. We continue to be "first with the fashion", bringing customers exciting and early breaking trends.

At the same time, focus has been given to offering modern classic pieces that are simple yet stylish and can be worn from season to season without becoming out of date. The application of these principles resulted in sales growth, from a high base, of 13.7% for the period.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	1 148	1 010	13.7
% Contribution to total sales	49.8	52.0	



BUSINESS REVIEW



fashion without boundaries

TRUWORTHS MAN

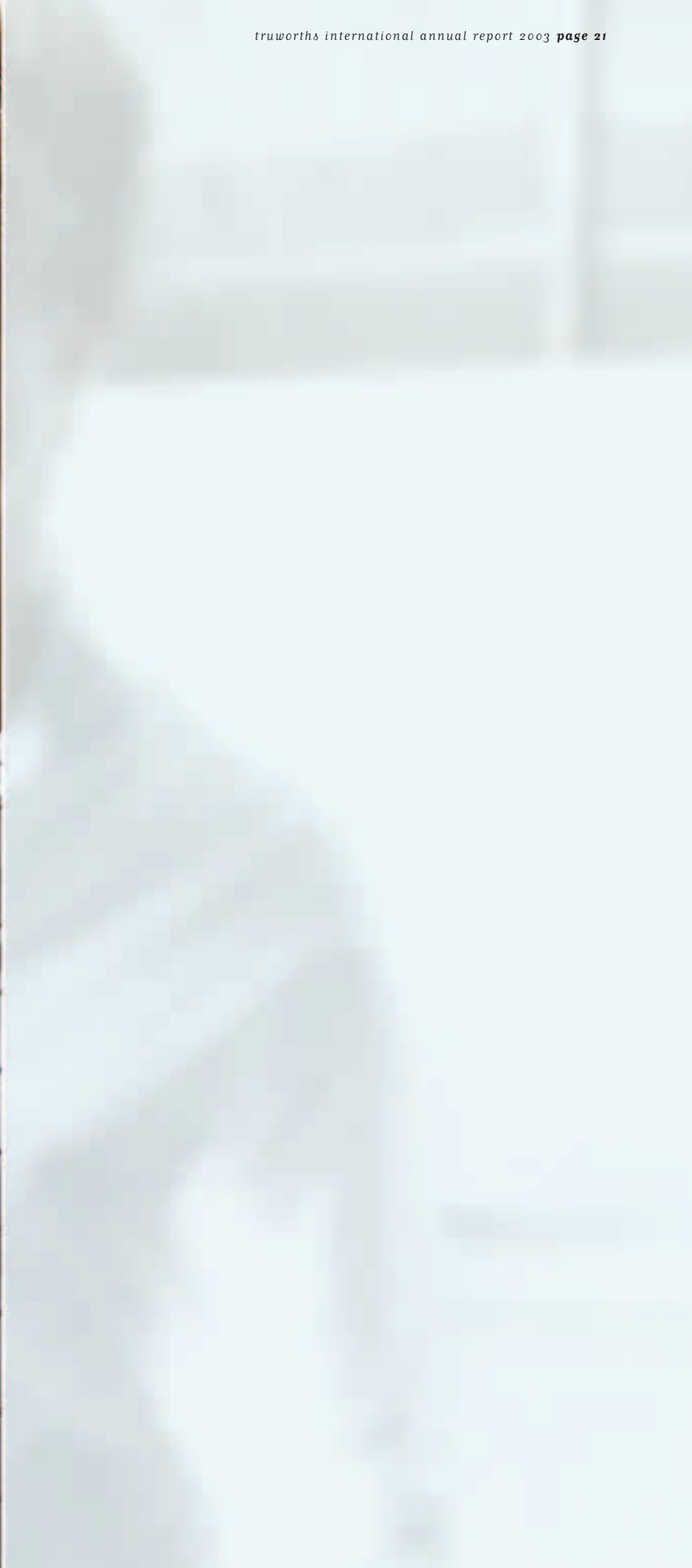
Truworths Man provides the youthful, fashionable man with up-to-date international menswear, covering all aspects of the modern lifestyle from casualwear to jeanswear, formalwear, accessories, underwear and footwear.

The range is truly international and takes inspiration from street and music cultures around the world. Hemisphere jeanswear provides a range of denim-related products while Exstream is

Truworths Man's street and surfwear brand. Studio by Truworths Man offers a range of fashionable evening and daywear for the creative professional.

Sales improved by 26% on the prior period, contributing 16.6% to the business. We will be looking to expand the number of stand-alone Truworths Man stores in the chain, as well as escalate the space allocated to this division in our emporium stores.

	2003 52 weeks	2002 52 weeks	% change
<u>Sales (Rm)</u>	383	304	26.0
<u>% Contribution to total sales</u>	16.6	15.7	



BUSINESS REVIEW



awaken your spirit

LTD

LTD represents sophisticated, designer womens and menswear that embodies the latest trends. It also has a highly popular kids range and teenwear from the age of two to 14.

It offers a versatile range that enables the self-assured man and woman to combine and layer smart and relaxed pieces in an eclectic way, whether at work or leisure. The essence of LTD

is a combination of unique colour palettes, attention to detail, fashion forward items and must-have quality fashion basics.

This combination has earned LTD an enviable customer following and saw it enjoy a good period with sales up 19.7%. LTD's proven product strategy will continue to position it as one of South Africa's favourite homegrown brands.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	73	61	19.7
% Contribution to total sales	3.2	3.1	



BUSINESS REVIEW



Speak French without saying a word

DANIEL HECHTER

Presenting a modern-classic designer range, Daniel Hechter entices the sophisticated and discerning customer. Brand loyalty is strong in this market and has steered the product range to a combination of timeless favourites and essential updated fashion pieces.

With an ongoing relationship with Daniel Hechter Paris, the emphasis is on

merging European elegance with South African comfort. Exclusive, luxurious fabrics, top-end tailoring and finishes are the Daniel Hechter hallmark. Daniel Hechter has earned a reputation as a mens and womenswear brand with lasting appeal, evident by the increase in sales to R219 million from R180 million.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	219	180	21.7
% Contribution to total sales	9.5	9.3	



BUSINESS REVIEW



own the attitude

INWEAR

Customers aware of their image and seeking a combination of cutting-edge, trendy looks and keen prices are the target market for Inwear. Dynamic colour application is important together with

styles that enhance the body and attract attention. Because their preferences change constantly, Inwear customers are regular visitors. We have positive expectations of Inwear in the year ahead.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	136	126	7.9
% Contribution to total sales	5.9	6.5	



BUSINESS REVIEW



identity yourself

IDENTITY

Identity, our cash business, has become a sought-after brand, offering the younger male and female customer the opportunity to dress in the latest forward fashion at exceptional value for money.

After opening its first store in August 1999, Identity had grown to a chain of 36 stores by June 2003, with an additional 14 stores scheduled for the

first two quarters of the 2004 financial period.

A new format store was opened in Canal Walk in Cape Town and has proved a great success. This format will be used in future store openings and we are confident that this will help further entrench Identity in its niche market.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	113	72	56.9
% Contribution to total sales	4.9	3.7	



BUSINESS REVIEW



the beauty destination

ELEMENTS

Concentrating on prestige fragrances and cosmetics, Elements has done well to grow its share of this highly competitive market. Major international brands are now also in Truworths Elements – heralding it as one of the most exclusive cosmetics chain store concepts.

Elements has elevated cosmetics, making our stores a primary destination for the discerning customer who values a good product mix, stores with ambience, and well-qualified and trusted consultants.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	183	142	28.9
% Contribution to total sales	7.9	7.3	



BUSINESS REVIEW



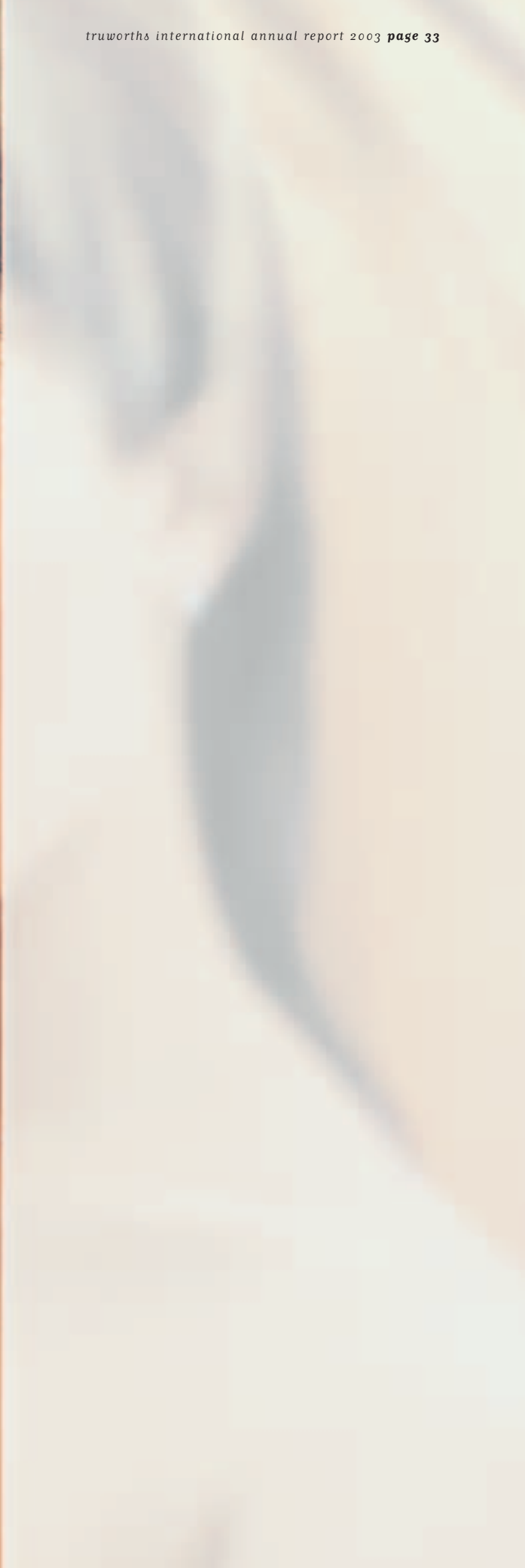
wearing elegance

TRUWORTHS JEWELLERY

Jewellery and watches were a major focus during the closing months of the 2003 financial period as we experienced a difficult trading period. Early indications are that we have

developed a solid and workable strategy, inclusive of a new product mix and handwriting, which we believe should show positive results in the 2004 financial period.

	2003 52 weeks	2002 52 weeks	% change
Sales (Rm)	29	29	—
% Contribution to total sales	1.3	1.5	



BUSINESS REVIEW

people and leadership

Our business philosophy facilitates a logical, functional and flat structure. This enables us to hire and place the most suitable people, based on clearly identified competencies, into roles where they can make an innovative contribution that is transparently measured, assessed and rewarded.

Structure, processes, controls, measures and reward systems are aligned to ensure that all individual and team contributions throughout the group consistently deliver on the vision defined in our business philosophy.

While this demands a unique approach to leading and managing people, we are committed to doing so in the context of, and in support of, legislated and other initiatives that are aimed at developing and building the capacity of our country and economy.

RECRUITING, RETAINING AND REWARDING THE RIGHT PEOPLE

During the financial period, new labour sectoral legislation for retailers came into force. After consultation with union and employee representatives, we

introduced a new staff category, flexi-timer, and have met all requirements of the new legislation in a way that we believe benefits these employees and the group. The category of casual staff has fallen away.

We continue to structure and resource the business responsibly, with contingency plans to allow for the uncertainty that is part of our operating environment.

TRUWORTHS LIMITED BOARD PORTFOLIOS

Our directors and senior managers have extensive experience and track records of multi-disciplinary success to enhance organisational capacity, sensitivity, receptivity and cross-functional teamwork.

We have worked with external consultants to build leadership models and world class training programmes that cater specifically for the South African business environment, in an international context. Programmes concentrating on personal mastery and facilitation skills enable our current and future leadership to deal confidently

Truworths Limited board structure

	Michael Mark	Executive chairman
Merchandise	Terri Murdoch-Coyle Douglas Dare	Buying and design Merchandising
Customer relationship management	Emanuel Cristaudo	Customer relations management and systems
Store operations and distribution	Tony Taylor Derek Kohler Roger Wyatt	Deputy managing director Store and franchise operations Architecture and design`
Support functions	Wayne van der Merwe Hannes Holtzhausen Phil McInnes	Finance Information technology Human resources [resigned effective 30 September 2003]

BUSINESS REVIEW

with the range of challenges we believe all businesses will need to face in the future.

PERFORMANCE MANAGEMENT AND REWARDS

Truworths subscribes to international best practice in terms of benchmarking market competitive remuneration structures. Employees participate in a performance and development programme, with regular appraisals that influence their salary increases.

At store level, staff participate in a range of ongoing incentive programmes which reward performance against key measurements.

Most employees with more than one year's service participate in the company share option scheme. Periodic training programmes teach and refresh sound business management practices and draw the link between key indicators and overall business performance, and how these relate to the creation of wealth in terms of increased shareholder value.

Additionally, we have a range of programmes aimed at celebrating success, including the executive chairman's annual award, citations, and a bonus that is paid to all staff at the half and full period against the achievement of sales and profitability targets.

Finally, key staff are part of an incentive bonus programme. This links incentive payments to the achievement of specific goals that impact on successful performance of the business.

ORGANISATIONAL SURVEY

In the previous annual report we commented on an organisational survey

to measure the attitudes and perceptions of staff towards key aspects of business philosophy, management practice, our operating environment, culture, rewards and benefits.

The feedback was largely positive especially in terms of leadership, management and supervisory practices, as well as the opportunities created for employees to contribute innovatively. However, we did identify areas for improvement.

Key to the value-add and credibility of the organisational survey was our commitment to report back to staff and implement action plans for areas where opportunities to improve were identified.

We have, for example, improved processes to ensure the timeous distribution of payslips to outlying areas and have made all policies and procedures more accessible and transparent via the Intranet.

A management-training programme is being implemented to assist managers and supervisors to further develop people interaction skills to enhance relationships with staff.

We have also appointed a communications co-ordinator to ensure timeous and appropriate communication of key issues affecting our staff. A further organisational survey will be conducted during 2004 to measure progress.

COMPLIANCE WITH EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT ACTS

Truworths has derived significant and ongoing benefit from the integration of employment equity and skills development initiatives. These are facilitated through the Employment

Equity and Skills Development Forum that represents employees, trade unions and management.

We remain intent on building world-class capabilities within our organisation, and to providing rewarding careers for our people who enjoy tangible participation in the ongoing success of the company. Our approach is to develop people from within and, currently, some 63% of store managers are black. They have been developed into these roles over recent periods and should, over coming periods, progress to the next level of management where currently 24% of managers are black.

We are committed to the National Skills Development approach, as is demonstrated by our active participation in a number of initiatives. Truworths is a member of an industry body focused on developing strategies for implementation of the Skills Development Act, and participates in several task teams and working groups to develop practical strategies to ensure the Act becomes a working reality in companies.

We strive for excellence in all our business operations and have aligned key training and developmental strategies to meet the requirements of the Act. Achievement of provisional accreditation as a training provider enables us to implement key practices like learnerships and assessments.

In terms of assessment practices, key managers have qualified as assessors in line with South African Qualifications Authority (SAQA) requirements, with moderator training underway. In addition, training programmes have been aligned and an assessment strategy implemented to meet SAQA requirements.

BUSINESS REVIEW

Truworths has extended its participation in the Wholesale and Retail Sector Education and Training Authority (W&R SETA) learnership pilot programme, the objective of which is to enable current staff and unemployed candidates to build a career in the retail industry.

In addition to the learnership programme, which is at an entry level in the industry, Truworths invests in the development of junior management skills by offering a trainee programme in retail planning and buying. This is aimed at addressing the significant shortage of merchant skills in the industry.

Truworths has met all of the requirements of the Act and enjoyed maximum reimbursement for effort from the W&R SETA.

Employment equity progress reports for 2002 and 2003 were completed after consultation with employees, management and trade unions. They were submitted timeously for both South Africa and Namibia, fully meeting the legislated requirements of these countries.

We have reported previously on the initiatives that Truworths has successfully completed to ensure we are a truly equal opportunity employer that supports the principles of the Employment Equity Act. Representivity in

terms of black and female employees is shown below.

We have exceeded all of our targets in terms of the employment of females, as well as flexi-time staff and semi-skilled staff. We are reassessing progress at skilled, middle management and senior staff levels.

RETIREMENT FUNDING

Following the unbundling of Wooltru Limited, Truworths employees who belonged to the Wooltru Group Retirement Fund were transferred to the Alexander Forbes Retirement Fund (AFRF), effective 1 March 2003. This is a defined contribution umbrella fund and Truworths is one of many participating employers.

Although contributions are currently being made to the AFRF, members' retirement savings in the Wooltru Group Retirement Fund may only be transferred to the AFRF once approval has been obtained from the Financial Services Board, in terms of Section 14 of the Pension Funds Act.

In addition, 427 Truworths employees are members of the SACCAWU National Provident Fund administered by Old Mutual. All Namibian employees are members of the Namflex Pension Fund, which is an umbrella fund administered by Alexander Forbes Financial Services Namibia.

Following the withdrawal of Truworths from the Wooltru Group Retirement Fund on 1 July 2003, former Truworths employees and their dependants in receipt of a pension from the Wooltru Group Retirement Fund were offered the choice of securing a with-profit annuity in their own name from Old Mutual or an alternative annuity from an insurer of their choice. At the same time, pensioner investment reserves were released to pensioners via a once-off increase in their monthly pensions.

The Pension Fund Second Amendment Act, 2001, requires trustees to apportion any surplus in an acceptable manner between the various stakeholders of the fund at specified dates of apportionment.

The valuation of the Wooltru Group Retirement Fund at its surplus apportionment date of 28 February 2002 has indicated that the fund has no surplus in terms of the Act. In this case no apportionment exercise is necessary, although a nil surplus return is being prepared for submission to the Financial Services Board.

The post-retirement medical aid contributions of R10.3 million for existing pensioners were moved into a cell-captive arrangement with Momentum Ability Limited. This policy will fund the future company contribution in respect of these

Staffing Category	% Black Representivity	% Female Representivity
Flexi-time Staff	84	77
Semi-skilled	79	81
Management & Skilled Staff	48	70
Senior Management	6	25

BUSINESS REVIEW

pensioners. In respect of new employees joining Truworths on or after 1 July 2000, the benefit of post-retirement medical aid is not offered.

Given the threat of HIV and AIDS, the allocation of contributions made by and on behalf of members towards the cost of death and disability cover has been limited. This ensures that a meaningful portion of contributions is allocated toward retirement benefits.

Funeral cover, amongst other benefits, is paid for by the company for flexi-time staff employed for a limited number of hours each month.

MEDICAL AID

Despite the unbundling of Wooltru Limited, Truworths remains a participating employer of the Wooltru Healthcare Fund, administered by the Metropolitan Health Group. Some 127 staff opted to join the Ingwe Health Plan introduced by SACCAWU, and our Namibian employees belong to Namibian Medical Care, administered by Methealth Namibia Administrators.

Compulsory membership of a medical aid scheme remains a condition of employment. Increases in annual contributions have been below medical inflation. The Wooltru Healthcare Fund has remained in a sound financial position, with reserves well in excess of the required minimum of 25%.

Regarding HIV, the fund currently offers preventative measures which focus on the prevention and management of HIV and AIDS. This benefit is currently being reviewed and the trustees will closely

monitor the rollout of anti-retroviral medication in the near future.

OCCUPATIONAL HEALTH AND SAFETY

Truworths prides itself on a safe working environment. During the period under review, we had no serious accidents at work that resulted in death or permanent disability. We remain committed to complying with all legislation in this regard.

LABOUR RELATIONS

We continue to enjoy a healthy working relationship with organised labour in South Africa, with approximately 25% of our staff being union members. We experienced no industrial action and wage agreements represented win-win outcomes.

We also have a cordial working relationship with the union in Namibia. Representivity in Namibia is at about 50% and wage agreements have been reached cordially.

HIV AND AIDS

Managing the impact of HIV and AIDS on Truworths and its people is the task of a project group consisting of a number of directors and senior managers, as well as a consulting medical doctor who is knowledgeable and experienced in this field.

Our HIV and AIDS philosophy is guided by the Truworths value system. Central to the group's business philosophy, this recognises the innovative contribution of each employee, irrespective of their HIV or AIDS status. This ensures that no one is discriminated against based on their HIV or AIDS status.

Our primary focus is on prevention through education, the provision of condoms, and anti-retroviral treatment in cases of rape, mother-to-child transmission, and needle stick injuries.

We also strive to maintain the health, morale and productivity of employees who have contracted HIV or AIDS. Managed disability and other benefits are available for those who become too ill to work.

The group acknowledges both the human tragedy and business risk presented by HIV and AIDS. We continually measure and account for any liabilities, and remain flexible in terms of changing our approach based on new knowledge and facts.

In terms of actions during the year under review, the following took place in line with currently established best practices:

- An independent consulting company conducted a detailed impact analysis of HIV and AIDS on Truworths. The model used was the ASSA 2000 projection model of the Actuarial Society of South Africa, but adapted to be more suitable to Truworths.

The current estimated prevalence rate within the company nationally is approximately 5.5% of permanent staff. It is estimated that the prevalence of HIV and AIDS will peak in 2009 at 6.6% and then decline to 4.6% by 2018. We anticipate being able to carry the associated costs – estimated at between R3 million and R4 million a year between 2003 and 2018 in present value terms – within budgeted expenses.

BUSINESS REVIEW

- Ongoing education-based communication with staff.
- Manager training on dealing with staff members who have contracted the disease, or who have HIV-positive family members.
- Currently all permanent staff who are members of the healthcare fund are entitled to a free HIV test every year and further support if they are found to be HIV positive.
- All AIDS sick staff who are members of the AFRF qualify for temporary and permanent disability benefits, and those who are members of the Wooltru Healthcare fund qualify for ongoing medical scheme benefits. In the event of death, full benefits are paid in line with group policies.

BLACK ECONOMIC EMPOWERMENT

We continue to build relationships and partnerships with empowerment suppliers and service providers. Many of our larger service providers have already met these criteria. Strong emphasis continues to be placed on developing these relationships further.

corporate citizenship

As a responsible corporate citizen, the group contributes to nation building activities through a social investment programme that has partnering and enablement as its core philosophies.

Corporate citizenship budget is allocated each period to two social involvement trusts. The Community Foundation is for donations to institutions registered as public benefit organisations under the categories health, education, conservation, social and general.

The Social Involvement Trust focuses on education, sport, arts and culture, and the environment.

The annual amount currently invested in these trusts is R4.7 million.

Staff are encouraged to become involved in community projects and to nominate at a monthly head office social evening specific charities to be supported. All proceeds are donated to the charity and the Social Investment Trust matches the amount raised. At these events we endeavour to keep staff informed about previously sponsored activities.

ARTS

The group's involvement with community arts continues to grow. We were able to sponsor 14 emerging artists with materials and funds to attend a painting workshop. Together with four independent artists, this work formed the basis of the Umbono Art and Craft Exhibition held in Cape Town in March 2003.

In keeping with our vision to promote partnerships, six craft organisations were invited to exhibit at this event.

Apart from creating awareness, a substantial amount of funding was raised for the benefit of crafters through product sales.

EDUCATION

Given the challenges facing government in terms of service delivery, the Tirisano five-year plan was launched in 2000. Stakeholders, including business, were invited to participate in turning schools into centres of excellence and community life.

The National Business Initiative (NBI) is driven by more than 150 leading companies, including Truworths. The NBI has as its core focus the contribution of business to skills and enterprise development in South Africa.

One focus area is on basic education with the aim of improving the quality of teaching and learning in public schools. To this end, the NBI works in partnership with provincial education departments, business and schools to implement the Education Quality Improvement Partnerships (EQUIP) Programme – a whole-school development framework to address some of these issues.

EQUIP focuses on management, governance and development planning that contribute to the functionality of schools. Secondly, it is a programme run in partnership with business, government and school communities. In terms of their partnership contribution, NBI members provide financial and other resources.

Through its member companies, the NBI provides the necessary framework to help schools reach the sort of functionality that leads to improvements in teaching and learning.

BUSINESS REVIEW

Truworths, as an NBI member company since 1997, has recognised the role it can play as a partner in enhancing education by supporting implementation of the EQUIP Programme in three schools in Nyanga, Western Cape: Walter Teka Primary, Vukukhanye Primary and Oscar Mpetha Secondary.

We also support these schools through our Life Skills Project. Facilitated by Ikamva Labantu, a non-governmental organisation which we partner, this initiative seeks to expose learners to other life experiences involving art and culture, entrepreneurship and information technology.

LIFE SKILLS

The importance of business partnerships was highlighted again when Truworths, the Community Information Technology Foundation (CITF) and the NBI launched a project to install an IT centre at the Walter Teka Primary School in Nyanga. The project forms part of a life skills programme funded by Truworths and saw the centre equipped with 20 computers donated by Old Mutual and installed by CITF.

The life skills programme at Walter Teka Primary and Oscar Mpetha Secondary School, both in Nyanga, underwent significant change during the period under review. In addition to the existing modules facilitated by Ikamva Labantu, we recognised the need to empower learners on issues like child abuse, entrepreneurship and money management. NGOs such as Rapcan, Junior Achievers and You and Your Money were invited to run workshops that were well received by the schools and their learners.

OPERATION EDUCATION

Truworths assisted 566 employees with grants for their children at pre-primary, primary and secondary schools.

We were also able to make a difference to the lives of 19 disabled youngsters whose parents work for the group. Each parent was granted a "Tru-wish" – and asked to nominate some form of assistance for their children.

SOS CHILDRENS' VILLAGES

Sponsorship of the houses in Thornton, Cape Town and Ennerdale, Gauteng has continued and supports 17 abandoned children on an ongoing basis.

In addition to these projects, staff are encouraged to become involved in sustainable community projects by allocating funds to a charity of their choice. During the period under review, the following organisations received assistance:

- Woodside Sanctuary, Gauteng.
- People Opposing Women and Children Abuse (POWA), Gauteng.
- Vosloorus Society for the Care of the Aged, Gauteng.
- Wetnose Animal Rescue Centre, Gauteng.
- Christian Social Council Daycare Project, Gauteng.
- Heart to Heart International, KwaZulu-Natal.



Emerging artists from the art workshop



Lifeskills Careers Programme held at Truworths



Walter Teka Primary School, Nyanga

BUSINESS REVIEW



Disabled child assisted through Operation Education



SOS Childrens' Village, Ennerdale Johannesburg



Walter Teka Primary School, Nyanga

CULTURE AND SPORT

Art, culture and sport play an important role in building a national sense of heritage. As a result, we also sponsor basketball and ballroom dancing, as well as wheelchair dancing and basketball for disabled people.

THE ENVIRONMENT

All Truworths stores have complied with the provisions of recent legislation regarding the quality and thickness of bags, and will accordingly contribute to the initiative to clean up the environment. We also ensure that hangers are recycled and, with cardboard boxes, increasingly, re-used rather than recycled due to cost savings.

Staff in our Gauteng divisions have for the past five years run Enviro Clubs in association with the Wildlife and Environment Association. This caters for about 150 of our employees' children, together with children from the community and those that we sponsor from the SOS Childrens' Village in Ennerdale.

The children are taken on regular organised outings to places of interest. These are arranged by the Association and are intended to instill in children an appreciation of the environment and an understanding of the need for its protection.