INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRUWORTHS INTERNATIONAL LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of Truworths International Limited set out on page 14 to 140, which comprise the consolidated and separate statement of financial position as at 2 July 2017, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 2 July 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA code) and other independence requirements applicable to performing the audit of Truworths International Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Truworths International Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Assessment of impairment of goodwill and indefinite useful life intangible assets (Group)	
Goodwill and trademarks comprises 24.7% of total assets in the statement of financial position and arose from separate acquisitions made by the Group. Management performs an annual impairment test on the recoverability of the goodwill and indefinite useful life of the trademark intangible asset as required by International Financial Reporting Standards which is subjective in nature due to judgements having to be made of future performance. As disclosed in notes 3 and 4, the Group uses a discounted cash flow model to determine value in use for each appropriate cash generating unit, on the basis of the following key assumptions: • Sales growth rate; • Operating margin; • Working capital requirements;	Our procedures included, amongst others: • Considered the determination of the cash generating units; • Evaluated the model used in determining the value in use of the cash generating units, as well as assessing the discount rate used; • Compared the cash flow forecasts to approved budgets and other relevant market and economic information, as well as testing the underlying calculations; • We involved an EY internal valuation specialists to assist in evaluating management's key assumptions used in the impairment calculations. • Performed sensitivity analyses around the key assumptions used in the models.

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- Capital expenditure; and
- Discount rate applied to the projected cash flows.

The current economic climate also increases the complexity of forecasting. Scrutiny is placed on forecast assumptions and discount rates, with a greater focus on more recent trends and less reliance on historical trends.

Accordingly, the impairment tests of goodwill and indefinite use trademarks are considered to be a key audit matter due to the impact of the above assumptions, as disclosed in notes 3 and 4.
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<tr><th colspan="2">Assessment of the appropriateness of the allowance for doubtful debt (Group)</th></tr>
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Trade receivables comprises 36.2% of total assets in the statement of financial position.

The appropriateness of the allowance for doubtful debt is subjective due to the high degree of judgment applied by management in determining the impairment provision. Due to the poor socio-economic conditions currently in South Africa, it continues to put pressure on customers' ability to repay their outstanding account balances.

Due to the significance of trade receivables and the related estimation uncertainty this is considered a key audit matter.

The disclosures are set out in the following notes:

- Note 1.3 Significant estimations (Page 24)
- Note 11.2 Impairment allowance note (Page 53)
- Note 27.4 Credit Risk (Page 72)
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Our audit procedures included, amongst others:

- Evaluated the debtors impairment methodology applied in the current year to the requirements of Internal Accounting Standards ('IAS") 39: Financial Instruments – Recognition and Measurement as well as the prior year methodology.
- Analysed the methodology by comparing the prior year provision to the actual current year write downs.
- Assessed key ratios which include cash collections, days outstanding, and delinquencies.
- We considered changes in account strategy and assessed the impact on the allowance for doubtful debts. Assessed any changes in the economy and the impact on the collectability of trade receivables.
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<tr><th colspan="2">Inventory Provision (Group)</th></tr>
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As disclosed in note 10, management have made provision for markdowns against inventory.

The allowance for markdown of inventory takes into account historic information related to sales trends and represents the expected markdown between the original cost and the estimated net realisable value whilst the allowance for shrinkage applies the historic shrinkage percentage to sales between the most recent inventory count and the reporting date. This requires significant management judgement based on past experience, inventory aging profiles as well as different market factors impacting the sales of these product lines.

Accordingly, the provisions carried against inventory are considered to be a key audit matter, and disclosure is included in note 10.
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Our audit procedures included, amongst others:

- Considering the methodology applied by management to determine the provisions and evaluating the reasonableness thereof;
- Evaluating the assumptions and judgements applied by management in determining the shrinkage and markdown provisions, by testing the accuracy of historical information, data trends and ageing profiles.
- Evaluating the overall reasonableness of the provisions by performing analytical procedures on provisioning levels, including against historical experience.
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<tr><th colspan="2">Investment in subsidiaries (Company)</th></tr>
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Investments in subsidiaries comprises 99.1% of total assets in the statement of financial position of Truworths International (Company).

These available-for-sale instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. The valuation is performed by
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Our audit procedures included, amongst others;

- We have assessed the valuation methodology used by management and compared it to industry norms and the requirements in International Financial Reporting Standards ("IFRS") and tested the inputs used to value investments available for sale.
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the company using a fair value hierarchy:

- Level 1 are valuations based on quoted prices (unadjusted) in active markets.
- Level 2 are valuations based on other than quoted prices included within level 1, that are observable either directly or indirectly.
- Level 3 are valuations based on unobservable inputs for the asset.

The valuation of investments is inherently subjective - most predominantly for the level 2 and level 3 investments since these are valued using inputs other than quoted prices in an active market.

At the reporting date, the fair value of available-for-sale assets are classified as level 3.

The valuation technique for Truworths Ltd and YDE is based on relative company profit performance and Group market capitalisation (excluding net asset value of subsidiaries valued at net asset value). In contrast, the valuation of Truworths Holdco 2 (UK) is an Enterprise valuation with the net debt being deducted to derive at an equity valuation for Truworths Holdco 1 (UK).

Given the inherent subjectivity in the valuation of the above level 3 investments available for sale, it’s considered to be a key audit matter, and disclosure is included in note 9.6.2.
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• We involved EY internal valuation specialists on our team to assess the valuation of all individual available for sale investments.
• We evaluated the company’s impairment assessment for individual investments.
• We assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with disclosure requirements included in IFRS.
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Other information

The directors are responsible for the other information. The other information we obtained prior to the date of this report comprise of the Approval of Annual Financial Statements, Certificate by Company Secretary, Directors’ Report and Audit Committee Report as required by the Companies Act of South Africa as well as Annexure Four- Employment Equity Act Summary and Shareholder Information. The other information that will be available after this report date consists of the Integrated Annual Report, Ten-year Review, Ratios, Share Statistics and Definitions, Corporate Governance Report, Application of King III Corporate Governance Principles, Social and Environmental Report and Social and Ethics Committee Report. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRUWORTHS INTERNATIONAL LIMITED

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Truworths International Limited for 42 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Tina Lesley Rookledge
Registered Auditor
Chartered Accountant (SA)

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17 August 2017