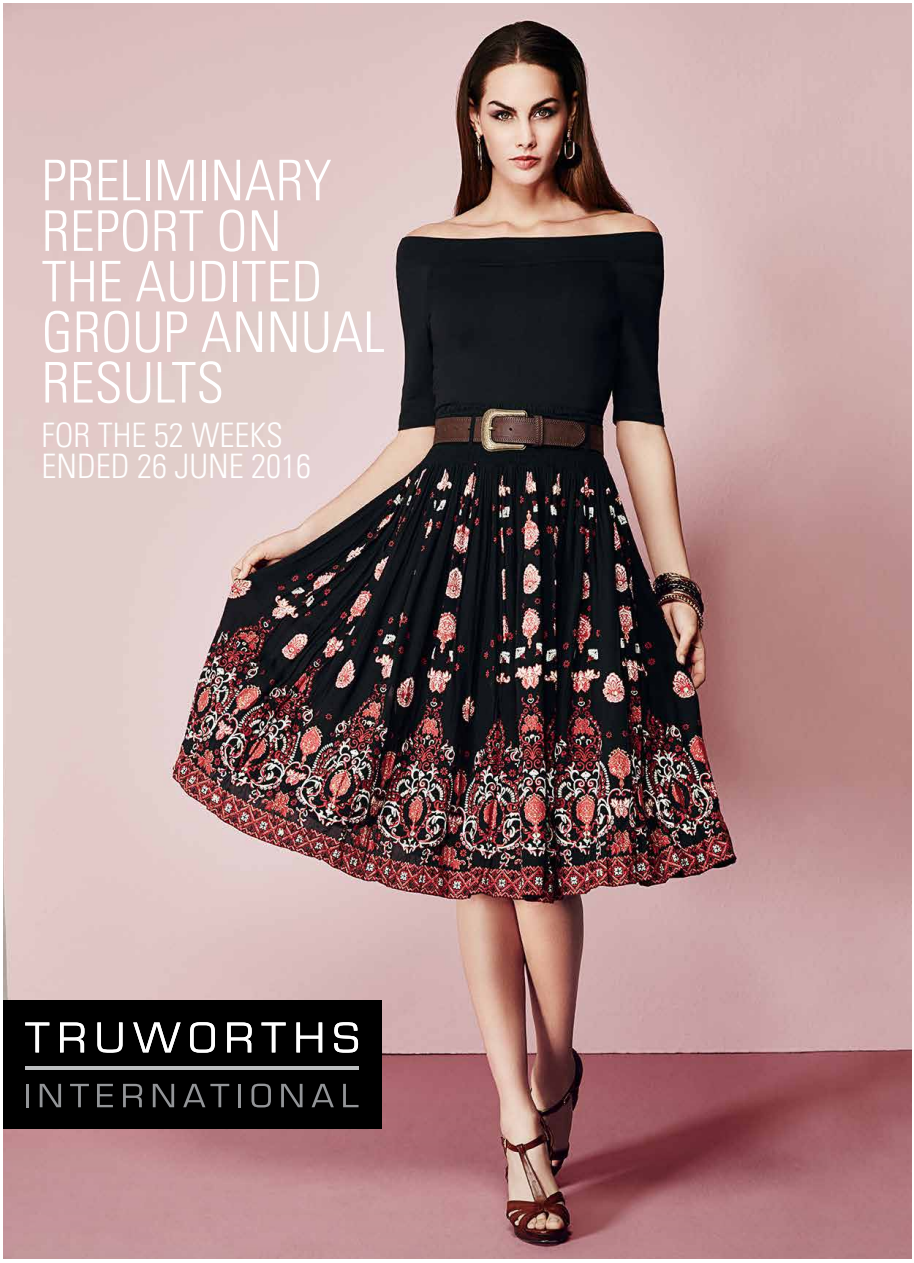
PRELIMINARY REPORT ON THE AUDITED GROUP ANNUAL RESULTS

FOR THE 52 WEEKS ENDED 26 JUNE 2016



TRUWORTHS
INTERNATIONAL

COMMENTARY

HIGHLIGHTS	Group, including Office*	Group, excluding Office**
Sale of merchandise	up 48%	up 14%
Gross margin	52.9%	up at 55.3%
Operating margin	24.9%	up at 30.7%
Headline and fully diluted headline earnings per share	up 12%	up 8%
Adjusted fully diluted headline earnings per share***	up 16%	
Annual dividend per share	up 12%	

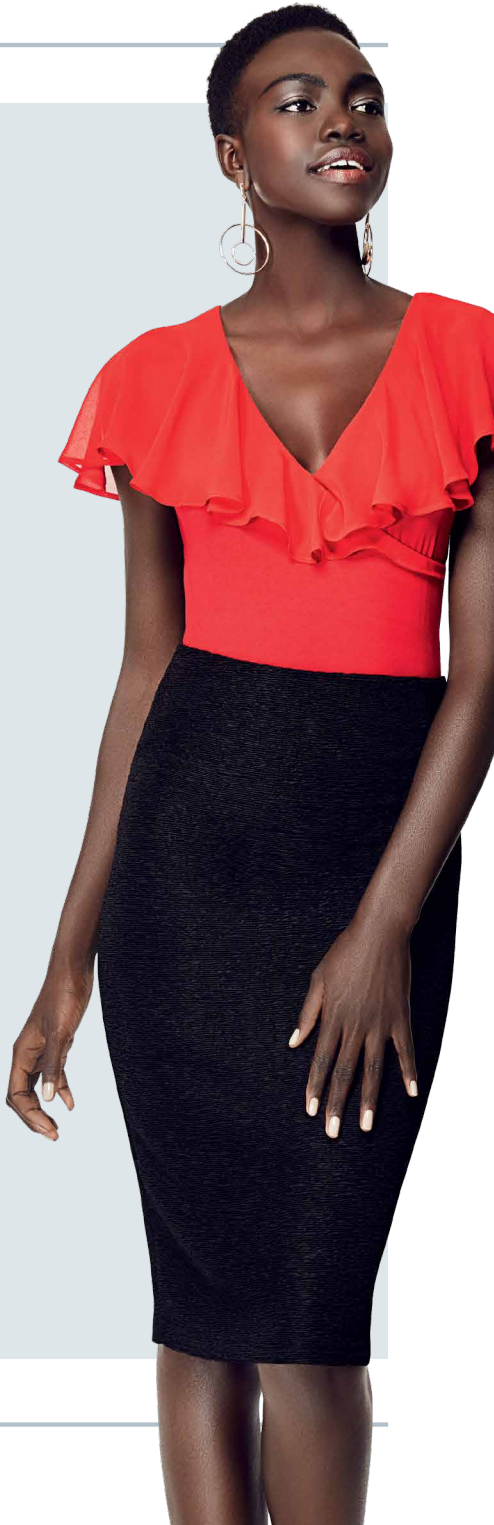
* Including 31 weeks of Office results since acquisition.
** Prior to consolidating the results of Office.
*** Refer to note 5 in the summarised financial statements.

GROUP PROFILE

Truworths International Ltd (the company) is an investment holding and management company listed on the JSE and the Namibian Stock Exchange. Its principal trading entities, Truworths Ltd and Office Holdings Ltd, are engaged either directly or through subsidiaries, concessions, agencies or franchises, in the retailing of fashion clothing and footwear apparel and related merchandise. The company and its subsidiaries (the Group) operate primarily in South Africa and the United Kingdom, and have a presence in Germany, the Republic of Ireland and other sub-Saharan African countries.

TRADING AND FINANCIAL PERFORMANCE

Group retail sales for the 52-week period ended 26 June 2016 (the period) increased by 46.1% to R17.0 billion compared to the 52-week period ended 28 June 2015 (the prior period), with cash sales growth of 129.7% and credit sales growth of 11.0%. These results are inclusive of the non-comparable sales of the Office, Earthchild and Naartjie businesses, which were acquired with effect from 4 December 2015, 1 March 2015 and 1 April 2015 respectively. Credit sales accounted for 53% of retail sales for the period (2015: 70%). The credit:cash metrics changed materially during the period as Office only generates cash sales.



Excluding the retail sales reported in both the current and prior periods by the acquired businesses, retail sales increased by 11.3% to R12.8 billion, with cash sales growth of 15.4% and credit sales growth of 9.7%. Credit retail sales were significantly impacted by the introduction of new affordability assessment regulations in September 2015, which management estimates resulted in a loss of between R200 million to R250 million in sales during the reporting period, with a resultant impact on the Group's earnings (refer to the section on Credit Management). Comparable store retail sales for the period, which, by definition, exclude those attributable to the acquired businesses, increased by 7.3% (2015: 1.3%) while product inflation averaged 9.5% (2015: 5.6%). Excluding the acquired businesses, credit sales accounted for 70% (2015: 71%) of retail sales.

Group sale of merchandise, which comprises Group retail sales, franchise sales and delivery fee income less accounting adjustments, grew 48% to R16.7 billion (2015: R11.3 billion).

Since the prior period-end a net 23 stores were opened across all brands while the retail footprint was boosted by the Office acquisition, which added 159 stores (including 44 concession stores), resulting in an overall increase in trading space of 8.6% (3.8% excluding the space attributable to the acquired businesses). At the end of the period the Group had 929 stores (including 44 concession stores) (2015: 747).

Divisional sales	**26 Jun 2016 Rm**	28 Jun 2015 Rm	% change on prior period
Truworths ladieswear	**4 794**	4 387	9
Office	**3 751**	–	N/A
Truworths menswear	**2 713**	2 386	14
Identity	**2 186**	1 951	12
Truworths designer emporium*	**1 680**	1 464	15
Truworths kids emporium**	**816**	457	79
Other***	**1 075**	999	8
Group retail sales	**17 015**	11 644	46
Delivery fee income	**34**	–	N/A
Franchise sales	**9**	9	–
Accounting adjustments	**(404)**	(363)	11
Sale of merchandise	**16 654**	11 290	48
YDE agency sales	**292**	297	(2)

* Daniel Hechter, LTD and Earthaddict.
** LTD Kids, Earthchild and Naartjie.
*** Cellular, Truworths Jewellery and Cosmetics divisions.

The Group's gross margin decreased to 52.9% (2015: 55.2%), principally due to the acquisition of Office, which operates at a lower gross margin. Excluding Office, the Group's gross margin increased to 55.3%.

Trading expenses increased 51.6% to R6.2 billion (2015: R4.1 billion) and constituted 37.5% of sale of merchandise (2015: 36.5%). Excluding Office, the once-off Office transaction-related costs as well as foreign exchange gains in both periods, trading expenses increased 15.7%, mainly as a result of increases in employment costs of 20.2% and increases in depreciation and amortisation of 17.2%. The increase in employment costs is primarily the result of the acquisition of Earthchild and Naartjie and the additional costs of equalising flexi-staff benefits and the cost of conversion of certain flexi-staff to permanent employees following the labour law amendments in April 2015. Excluding these items, incentive payments, share scheme costs and non-comparable store costs, employment costs increased by 11%, which includes an annual review as well as growth in full-time equivalent employees of 4%. Excluding non-comparable stores, depreciation and amortisation increased by 7.1%. Included in other operating costs is R34 million (2015: R5 million) of foreign exchange gains resulting from mark-to-market adjustments on forward exchange contracts as well as the revaluation of inter-company loans to certain African subsidiaries.

Interest received increased 21.2% to R1.3 billion (2015: R1.1 billion) due to the growth in the debtors book and increases totalling 125 basis points in the South African repo rate during the period. Operating profit increased 20.7% to R4.2 billion while the operating margin decreased to 24.9% from 30.5% owing to the reduction in the gross margin and the increase in trading expenses. Excluding Office, the operating margin increased to 30.7%.

As a result of the interest-bearing borrowings raised in the current period to fund operating expenditure, as well as the fact that Office is geared, finance costs have increased by R202 million.

Headline earnings per share (HEPS) and fully diluted HEPS increased 12.4% to 667.6 cents and 12.5% to 665.9 cents respectively. Adjusted fully diluted HEPS, being fully diluted HEPS adjusted to exclude the impact of the once-off Office transaction-related costs, increased 16.2% to 688.2 cents.

FINANCIAL POSITION

The Group's financial position remains strong, with net asset value per share increasing by 13% to 2 031.8 cents (2015: 1 790.9 cents) since the prior period-end.

As a result of the acquisitions, goodwill and intangible assets increased to R5.4 billion, following the finalisation of the Office purchase price allocation (refer to notes 6 and 9 of the summarised financial statements).

Inventories increased to R2.4 billion at the end of the period. Excluding the inventory of Office, but including the Earthchild and Naartjie inventories, gross inventory increased 13%. Excluding Office, inventory turn remained at 4.7 times.

During the period the Group raised interest-bearing borrowings of R4.4 billion (R4.2 billion in term loans and R227 million in revolving credit facilities) to fund its operating activities and incurred R208 million in finance costs. The term loans are repayable over three, four and five years.

Included in non-current liabilities is a liability of R562 million in relation to put options granted to the non-controlling management shareholders in Office, while derivative financial assets of R15 million represents the call options of the Group over the shares in question.

COMMENTARY (CONTINUED)

CAPITAL MANAGEMENT

During the period the Group raised interest-bearing borrowings of R4.4 billion to fund its operating activities while using the cash generated from operations to fund, inter alia, the Office acquisition and transaction costs (R3.5 billion) and dividend payments (R1.4 billion). At the end of the period the Group had cash and cash equivalents of R1.6 billion, an increase of 8.9% on the prior period. The Group's net debt to equity ratio at the end of the period was 33% and 0.6 times EBITDA.

To provide for potential further acquisitions in future the Group's medium-term targeted net debt to equity ratio is 25%. It is estimated that this ratio could be achieved by the end of the 2017 reporting period through the offering of scrip dividends (with a cash dividend alternative).

OFFICE ACQUISITION

With effect from 4 December 2015 the Group acquired an effective 88.9% of the share capital of Office via its UK resident and managed subsidiary, Truworths UK Holdco 1 Ltd, thereby gaining control over Office and its subsidiaries. Office is a leading young fashion footwear retailer in the UK, Germany and the Republic of Ireland. The remaining 11.1% non-controlling interest is owned by management of Office. The Group has granted put options to management in respect of their non-controlling interest in Office and management has granted the Group call options in respect of their non-controlling interest, on the same terms as the put options. Refer to note 9 of the summarised financial statements for further detail.

CREDIT MANAGEMENT

Gross trade receivables in respect of the debtors book (Truworths, Identity and YDE) grew by 11.6% to R5.8 billion. The growth in the book is attributable to Group credit sales growing by 11.0% relative to the prior period. Excluding the retail sales attributable to the acquisitions, credit sales contributed 70% (2015: 71%) to Group retail sales for the period. Overdue accounts as a percentage of the total debtors book remained at 14%.

The doubtful debt allowance as a percentage of gross trade receivables has been reduced to 12.3% from 12.5% in the prior period. Net bad debt as a percentage of gross trade receivables decreased to 12.4% (2015: 12.5%) as a result of improved collections. The increase in the monetary value of the doubtful debt allowance, together with an increase in collection costs, contributed to trade receivable costs increasing by 14% to R1 092 million (2015: R960 million).

The National Credit Regulator (NCR) of South Africa published regulations which came into effect during September 2015 in relation to the assessment mechanisms and procedures to be followed when opening new credit facilities and increasing credit limits.

These regulations have resulted in a reduction in the new account acceptance rate from 30% in the prior period to 24% in the current period, resulting in a 0.5% decline in the Group's active account base to 2.66 million accounts. This is due to the onerous administrative burden introduced by the regulations for customers to produce documentation.

In the period prior to the coming into force of the regulations, cash sales (excluding Office) grew by 26% (assisted by the acquisition of Earthchild and Naartjie) and credit sales by 18%. Subsequent to the introduction of the regulations, cash sales grew by 19% while credit sales grew by 8%.

The Group, together with two other major listed retailers, has initiated legal action against the NCR and DTI in connection with the affordability regulations. The Group is in the process of implementing various strategies to attempt to mitigate the impact of these regulations.

DIRECTORATE

The board has resolved to appoint Douglas Norman Dare (55) as an Executive Director of the company with effect from 19 August 2016. Doug has been a Director: Buying and Merchandising of the principal trading subsidiary Truworths Ltd since 1999, and an employee of the Group since 1984. He has a wealth of experience in relation to merchandise management and planning, as well as retail operations and marketing, and will serve to strengthen the board's capabilities in these important retail functions.

OUTLOOK

We expect the South African trading environment to remain challenging during the 2017 financial period, with slow economic growth and rising inflation putting pressure on consumers.

The continued impact of the new affordability regulations remains a concern as, in our opinion, it unreasonably restricts our ability to open new accounts and to grow credit sales. They also have the effect of denying access to credit to many otherwise creditworthy customers.

The trading environment in the United Kingdom is also faced with uncertainty after the decision to withdraw from the European Union.

Non-comparable Group retail sales for the first six weeks of the 2017 financial period are 40% up over the corresponding six weeks of the 2016 period. However, the Truworths business unit showed marginally positive sales growth for the six weeks over the prior period. This was a consequence of the new affordability assessment regulations, the delayed allocation of new goods to stores due to the implementation of a new warehouse system and compared to the unusually high base established last year following a highly successful new account drive. The Office business unit sales grew by approximately 3% in UK Pound Sterling over the period.

In the second half of the 2017 financial year the beneficial impact of lower product inflation could be expected if the currency remains at current levels. Furthermore we hope to have made more progress in implementing certain mitigating strategies in relation to the affordability assessment regulations. Additionally the trading environment in the UK is likely to be less uncertain as more clarity regarding Brexit emerges, and the Group's influence on Office stock management and ranges is expected to have had more impact.

Capital expenditure of R547 million (Truworths R516 million and Office R31 million) has been committed for the 2017 financial period, while trading space is expected to grow by approximately 3% (Truworths 3% and Office 6%).

H Saven
Chairman

MS Mark
Chief Executive Officer

DECLARATION OF CAPITALISATION SHARE AWARD WITH CASH DIVIDEND ALTERNATIVE

The board of the company has resolved to declare an award in respect of the 52-week period ended 26 June 2016 in the form of the issue of fully paid capitalisation shares in the company, such award to be made to ordinary shareholders reflected in the company's register on the record date, being Friday, 16 September 2016 (capitalisation share award).

The number of ordinary shares of 0.015 cent each in the company to which shareholders participating in the capitalisation share award will become entitled will be in the ratio that 182 cents multiplied by a factor of 1.05 bears to the volume-weighted average price (VWAP) of the ordinary shares of the company on the JSE during the three-day trading period ending on Monday, 5 September 2016. Fractional entitlements to a share will be rounded downwards, and cash payments made in respect of such fractional entitlements based on the weighted average price of the company's shares on Wednesday, 14 September 2016 less 10%. By way of an example, if VWAP is confirmed as being R90.00, the number of ordinary shares in the company to which shareholders participating in the capitalisation share award will become entitled per one hundred shares held will be 2.12 shares, rounded down to 2 shares, and the shareholders will receive a cash payment of R9.99.

As an alternative to receiving the capitalisation share award, ordinary shareholders of the company will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 182 South African cents (2015: 169 South African cents) per ordinary share, which cash dividend will be paid only to those ordinary shareholders who elect it on or before 12:00 on Friday, 16 September 2016 (the cash dividend alternative).

Shareholders of the company not electing the cash dividend alternative in respect of all or part of their shareholding will, by default, be issued with fully paid ordinary shares of the company in terms of the capitalisation share award.

The last day to trade in the company's shares *cum* the capitalisation share award and cash dividend is Tuesday, 13 September 2016. Consequently no dematerialisation or rematerialisation of the company's shares may take place over the period from Wednesday, 14 September 2016 to Friday, 16 September 2016, both days inclusive. Trading in the company's shares *ex* the capitalisation share award and cash dividend alternative will commence on Wednesday, 14 September 2016.

The new ordinary shares to be allotted pursuant to the capitalisation share award will be issued as fully paid capitalisation shares, the value of which will be charged to the company's share premium account. At 26 June 2016 the company's issued ordinary share capital is R65 427, comprising 436 182 828 ordinary shares of 0.015 cent each, and the company's share premium account balance is R705 802 049.

The cash dividend alternative is scheduled to be payable in South African Rand (ZAR) on Monday, 19 September 2016 from the company's retained earnings. Such dividend is subject to and will be paid net of dividends tax of 15%, to be withheld and paid to the South African Revenue Service. Such tax must be withheld unless beneficial owners of such dividend have provided the necessary documentary proof to the relevant regulated intermediary (being a broker, CSD participant, nominee company or the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa) that they are exempt therefrom, or entitled to a reduced rate, as a result of a double taxation agreement between South Africa and the country of tax domicile of such owner.

The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 154.7 South African cents, applicable to the cash dividend alternative. As the capitalisation share award does not constitute a dividend as defined in the Income Tax Act, no withholding tax is applicable to the capitalisation share award.

The cash dividend alternative will only be paid by electronic funds transfer, and no cheque payments will be made. Accordingly, shareholders who have not yet provided their bank account details should do so to the company's transfer secretaries using the form to be provided.

The directors have determined that gross cash dividend alternative amounts and cash payment amounts in respect of fractional entitlements to shares less than 1 000 South African cents, due to any one shareholder of the company's shares held in certificated form, will not be paid, unless otherwise requested in writing, but the net amount thereof will be aggregated with other such net amounts and donated to a charity to be nominated by the directors.

A circular setting out full details of the capitalisation share award and cash dividend alternative and containing a form of election is scheduled to be mailed to shareholders by Tuesday, 23 August 2016.

A finalisation announcement providing details of the capitalisation share award ratio and other relevant particulars is scheduled to be published on Tuesday, 6 September 2016.

By order of the board

C Durham
Company Secretary

Cape Town
18 August 2016

One Capital
Sponsor

SUMMARISED GROUP STATEMENTS OF FINANCIAL POSITION

	Note	At 26 Jun 2016 Audited Rm	At 28 Jun 2015 Audited Rm
ASSETS			
Non-current assets		**7 413**	1 876
Property, plant and equipment		**1 622**	1 053
Goodwill	6	**1 805**	346
Intangible assets	7	**3 631**	217
Derivative financial assets		**15**	–
Available-for-sale assets		**32**	19
Loans and receivables		**78**	82
Deferred tax		**230**	159
Current assets		**9 648**	7 281
Inventories		**2 401**	1 074
Trade and other receivables		**5 281**	4 637
Derivative financial assets		**–**	13
Prepayments		**374**	95
Cash and cash equivalents		**1 592**	1 462
Total assets		**17 061**	9 157
EQUITY AND LIABILITIES			
Total equity		**8 625**	7 504
Share capital and premium		**706**	551
Treasury shares		**(882)**	(770)
Retained earnings		**8 903**	7 533
Non-distributable reserves		**(102)**	190
Non-current liabilities		**5 481**	192
Interest-bearing borrowings	8	**4 042**	–
Deferred tax		**576**	–
Put option liability	10	**562**	–
Post-retirement medical benefit obligation		**57**	57
Leave pay obligation		**5**	4
Straight-line operating lease obligation		**181**	36
Contingent consideration obligation		**58**	95
Current liabilities		**2 955**	1 461
Trade and other payables		**2 177**	1 302
Interest-bearing borrowings	8	**366**	–
Provisions		**150**	54
Contingent consideration obligation		**42**	–
Derivative financial liability		**25**	–
Tax payable		**195**	105
Total liabilities		**8 436**	1 653
Total equity and liabilities		**17 061**	9 157
Number of shares in issue (net of treasury shares)	(millions)	**424.5**	419.0
Net asset value per share	(cents)	**2 031.8**	1 790.9

SUMMARISED GROUP STATEMENTS OF COMPREHENSIVE INCOME

		Note	52 weeks to 26 Jun 2016 Audited Rm	% change	52 weeks to 28 Jun 2015 Audited Rm
Revenue		4	**18 231**	44	12 619
Sale of merchandise			**16 654**	48	11 290
Cost of sales			**(7 837)**		(5 060)
Gross profit			**8 817**	42	6 230
Other income		4	**274**		259
Trading expenses			**(6 240)**	52	(4 116)
Depreciation and amortisation			**(345)**		(221)
Employment costs			**(1 916)**		(1 186)
Occupancy costs			**(1 822)**		(1 102)
Trade receivable costs			**(1 092)**		(960)
Other operating costs			**(1 065)**		(647)
Trading profit			**2 851**	20	2 373
Interest received		4	**1 288**	21	1 063
Dividends received		4	**15**		7
Operating profit			**4 154**	21	3 443
Finance costs			**(208)**		(6)
Profit before tax			**3 946**		3 437
Tax expense			**(1 129)**		(977)
Profit for the period			**2 817**	15	2 460
Attributable to:					
Equity holders of the company			**2 804**		2 460
Holders of the non-controlling interest			**13**		–
Profit for the period			**2 817**		2 460
Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods			**(216)**		10
Fair value adjustment on available-for-sale financial instruments			**8**		1
Movement in effective cash flow hedge			**(54)**		1
Movement in foreign currency translation reserve			**(170)**		8
Other comprehensive income/(losses) not to be reclassified to profit or loss in subsequent periods			**7**		(1)
Re-measurement gains/(losses) on defined benefit plans			**7**		(1)
Other comprehensive (losses)/income for the period, net of tax			**(209)**		9
Attributable to:					
Equity holders of the company			**(191)**		9
Holders of the non-controlling interest			**(18)**		–
Other comprehensive (losses)/income for the period, net of tax			**(209)**		9
Total comprehensive income for the period			**2 608**		2 469
Attributable to:					
Equity holders of the company			**2 613**		2 469
Holders of the non-controlling interest			**(5)**		–
Total comprehensive income for the period			**2 608**		2 469
Basic earnings per share	(cents)		**667.1**	13	591.2
Headline earnings per share	(cents)	5	**667.6**	12	593.8
Fully diluted basic earnings per share	(cents)		**665.4**	13	589.5
Fully diluted headline earnings per share	(cents)		**665.9**	12	592.1
Weighted average number of shares	(millions)		**420.3**		416.1
Fully diluted weighted average number of shares	(millions)		**421.4**		417.3
Key ratios					
Gross margin	(%)		**52.9**		55.2
Trading expenses to sale of merchandise	(%)		**37.5**		36.5
Trading margin	(%)		**17.1**		21.0
Operating margin	(%)		**24.9**		30.5

SUMMARISED GROUP STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium Rm	Treasury shares Rm	Retained earnings Rm	Non-distributable reserves Rm	Equity holders of the company Rm	Holders of the non-controlling interest Rm	Total equity Rm
2016							
Balance at the beginning of the period	**551**	**(770)**	**7 533**	**190**	**7 504**	**–**	**7 504**
Total comprehensive income for the period	**–**	**–**	**2 811**	**(198)**	**2 613**	**(5)**	**2 608**
Profit for the period	**–**	**–**	**2 804**	**–**	**2 804**	**13**	**2 817**
Other comprehensive income for the period	**–**	**–**	**7**	**(198)**	**(191)**	**(18)**	**(209)**
Cash dividends	**–**	**–**	**(1 441)**	**–**	**(1 441)**	**–**	**(1 441)**
Premium on shares issued in terms of the 1998 share option scheme	**32**	**–**	**–**	**–**	**32**	**–**	**32**
Premium on shares issued in terms of the restricted share scheme	**123**	**(123)**	**–**	**–**	**–**	**–**	**–**
Premium on shares vested in terms of the restricted share scheme	**–**	**11**	**–**	**(11)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**52**	**52**	**–**	**52**
Acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**432**	**432**
Recognition of put option liability	**–**	**–**	**–**	**(135)**	**(135)**	**(427)**	**(562)**
Balance at 26 June 2016	**706**	**(882)**	**8 903**	**(102)**	**8 625**	**–**	**8 625**
2015							
Balance at the beginning of the period	368	(652)	6 774	152	6 642	–	6 642
Total comprehensive income for the period	–	–	2 459	10	2 469	–	2 469
Profit for the period	–	–	2 460	–	2 460	–	2 460
Other comprehensive income for the period	–	–	(1)	10	9	–	9
Cash dividends	–	–	(1 700)	–	(1 700)	–	(1 700)
Premium on shares issued in terms of the 1998 share option scheme	65	–	–	–	65	–	65
Premium on shares issued in terms of the restricted share scheme	118	(118)	–	–	–	–	–
Share-based payments	–	–	–	28	28	–	28
Balance at 28 June 2015	551	(770)	7 533	190	7 504	–	7 504

Dividends (cents per share)	**2016**	2015
Final – payable/paid September	**182**	169
Cash interim – paid March	**270**	236
Total	**452**	405

SUMMARISED GROUP STATEMENTS OF CASH FLOWS

	Note	52 weeks to 26 Jun 2016 Audited Rm	52 weeks to 28 Jun 2015 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from trading and cash EBITDA*		**3 273**	2 654
Working capital movements		**(468)**	(476)
Cash generated from operations		**2 805**	2 178
Interest received		**1 288**	1 063
Dividends received		**15**	7
Finance costs		**(177)**	(4)
Tax paid		**(1 092)**	(1 099)
Cash inflow from operations		**2 839**	2 145
Dividends paid		**(1 441)**	(1 698)
Net cash from operating activities		**1 398**	447
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment to expand operations		**(441)**	(266)
Acquisition of plant and equipment to maintain operations		**(110)**	(61)
Acquisition of computer software		**(48)**	(53)
Proceeds on disposal of property, plant and equipment		**22**	1
Net acquisition of businesses	9	**(2 559)**	(270)
Premiums paid to insurance cell		**(10)**	(12)
Amounts received from insurance cell		**6**	–
Loans repaid		**4**	19
Acquisition of mutual fund units		**–**	(2)
Net cash used in investing activities		**(3 136)**	(644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on shares issued		**32**	65
Loans repaid		**(2 613)**	–
Loans received		**4 485**	–
Contributions to post-retirement medical benefit plan assets		**(1)**	(2)
Net cash from financing activities		**1 903**	63
Net increase/(decrease) in cash and cash equivalents		**165**	(134)
Cash and cash equivalents at the beginning of the period		**1 462**	1 588
Net foreign exchange difference		**(35)**	8
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		**1 592**	1 462
Key ratios			
Cash flow per share	(cents)	**675.5**	515.5
Cash equivalent earnings per share	(cents)	**759.0**	642.9
Cash realisation rate	(%)	**89**	80

* Earnings before interest received, finance costs, tax, depreciation and amortisation.

SELECTED EXPLANATORY NOTES

1 STATEMENT OF COMPLIANCE

The information in these summarised financial statements has been extracted from the Group's 2016 annual financial statements. The summarised financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, IAS 34: Interim Financial Reporting, the South African Companies Act (71 of 2008, as amended) and the Listings Requirements of the JSE. Any forward-looking statement in this announcement has not been reviewed or reported on by the company's external auditors.

This preliminary report has been prepared under the supervision of Mr DB Pfaff CA(SA), the Chief Financial Officer of the Group.

The Group's 2016 annual financial statements and the summarised annual financial statements have been audited by the Group's external auditors, Ernst & Young Inc., and their unqualified audit opinions on both the annual financial statements and summarised annual financial statements are available for inspection at the company's registered office.

The audit report on the summarised annual financial statements does not necessarily report on all of the information contained in this preliminary report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report on the summarised financial statements.

2 BASIS OF PREPARATION

The annual financial statements for the period ended 26 June 2016 are prepared in accordance with the going concern and historical cost bases, except where otherwise indicated. The accounting policies are applied consistently throughout the Group. The presentation and functional currency used in the preparation of the Group and company financial statements is the South African Rand [ZAR] (Rand) and all amounts are rounded to the nearest million, except where otherwise indicated.

3 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

3.1 The accounting policies and methods of computation applied in the preparation of the Group's 2016 annual financial statements are in terms of IFRS and consistent with those applied in the preparation of the Group's annual financial statements for the period ended 28 June 2015.

IFRS, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations not applicable to Group activities

Various new and amended IFRS and IFRIC interpretations have been issued and are effective, however, they are not applicable to the Group's activities.

3.2 **Basis of consolidation of financial results**

The Group's annual financial statements comprise the financial statements of the company and its subsidiaries and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Business combinations: Non-controlling interests

A non-controlling interest arising from a business combination, which is a present ownership interest entitling its holders, in the event of liquidation, to a proportionate share of the net assets of the entity in which they are interested, is measured either at the present ownership interest's proportionate share in the recognised amounts of that entity's identifiable net assets or at fair value. The treatment is an accounting policy choice, is selected for each individual business combination and is disclosed in the note for business combinations.

	52 weeks to 26 Jun 2016 Audited Rm	% change	52 weeks to 28 Jun 2015 Audited Rm
4 REVENUE			
Sale of merchandise	**16 654**	48	11 290
Retail sales	**17 015**		11 644
Accounting adjustments*	**(404)**		(363)
Franchise sales	**9**		9
Delivery fee income	**34**		–
Interest received	**1 288**	21	1 063
Trade receivables interest	**1 205**		969
Investment interest	**83**		94
Other income	**274**	6	259
Commission	**123**		119
Display fees	**63**		61
Financial services income	**63**		61
Lease rental income	**15**		7
Other	**4**		3
Insurance recoveries	**3**		6
Royalties	**3**		2
Dividend received from insurance business arrangements	**15**		7
Total revenue	**18 231**	44	12 619

* Accounting adjustments made in terms of IFRS and generally accepted accounting practice relating to promotional vouchers, staff discounts on merchandise purchased, cellular retail sales, notional interest on non-interest-bearing trade receivables and the sales returns provision.

	52 weeks to 26 Jun 2016 Audited Rm	52 weeks to 28 Jun 2015 Audited Rm
5 RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS		
Profit for the period, attributable to equity holders of the company	**2 804**	2 460
Adjusted for:		
Loss on disposal of property, plant and equipment	**2**	6
Impairment of financial assets	**–**	5
Headline earnings	**2 806**	2 471
Once-off Office transaction-related costs	**111**	–
Call option fair value adjustment	**(17)**	–
Adjusted headline earnings	**2 900**	2 471
6 GOODWILL		
Balance at the beginning of the period	**346**	90
Goodwill arising on acquisitions	**1 459**	256
Office	**1 520**	–
Movement in exchange rates	**(61)**	–
Earthchild	**–**	243
Naartjie	**–**	13
Balance at the reporting date	**1 805**	346

Goodwill acquired through business combinations is allocated to individual cash-generating units and tested for impairment annually.

Goodwill arising on the acquisition of Office is based on the final allocation of the purchase consideration to the identifiable assets (including trademarks) and liabilities of Office, based on the externally reviewed statement of financial position at the acquisition date (refer to note 9).

7 INTANGIBLE ASSETS		
Balance at the beginning of the period	**217**	106
Additions	**48**	53
Additions arising on acquisitions	**3 399**	80
Office	**3 539**	–
Movement in exchange rates through other comprehensive income	**(140)**	–
Earthchild	**–**	73
Naartjie	**–**	7
Disposals	**–**	–
Cost	**(3)**	(7)
Accumulated amortisation	**3**	7
Amortisation	**(33)**	(22)
Balance at the reporting date	**3 631**	217

The Office trademarks have been allocated to the Office cash-generating unit since its initial recognition on the acquisition of the Office business with effect from 4 December 2015 and are measured at fair value. The Office trademarks are well established in the UK market and reflect a wide range of shoe brands. For this reason there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The trademarks are therefore considered to have an indefinite useful life.

	52 weeks to 26 Jun 2016 Audited Rm	52 weeks to 28 Jun 2015 Audited Rm
8 INTEREST-BEARING BORROWINGS		
Non-current liabilities	**4 042**	–
Unsecured variable-rate long-term bank loans	**2 580**	–
Secured variable-rate long-term bank loans	**1 462**	–
Current liabilities	**366**	–
Secured variable-rate revolving credit banking facility	**227**	–
Current portion of secured variable-rate long-term bank loans	**121**	–
Current portion of unsecured variable-rate long-term bank loans	**18**	–
Total interest-bearing borrowings	**4 408**	–

Unsecured variable-rate long-term bank loans comprise R2.6 billion South African Rand-based debt in the form of three separate unsecured facilities advanced to the Group's main operating subsidiary, Truworths Ltd. These loans are repayable three (R520 million), four (R780 million) and five years (R1 300 million) after inception and bear variable interest at a margin of 1.73 percentage points, 1.94 percentage points and 2.18 percentage points respectively above the three-month Johannesburg Interbank Agreed Rate (JIBAR). Three-month JIBAR at the reporting date was 7.31% pa.

The secured variable-rate long-term bank loan comprises R1.6 billion UK Pound Sterling-based debt in the form of a single facility of £77 million, advanced to the Group's UK resident and managed subsidiary, Truworths UK Holdco 3 Ltd and secured by a notarial bond over the assets of that company and its subsidiaries (constituting the Office business). This loan is repayable over five years and bears variable interest at a margin of 2.15 percentage points above the three-month London Interbank Offered Rate (LIBOR). Three-month LIBOR at the reporting date was 0.6% pa.

The secured variable-rate revolving credit facility comprises current drawdowns of £11 million (against a total available facility of £20 million), has a five-year tenor, requires drawdowns to be repaid at the end of each quarterly interest period, and bears variable interest at a margin of 2.15 percentage points above LIBOR.

Interest on all long-term bank loans is paid quarterly in arrears.

In terms of the company's memorandum of incorporation, its borrowing powers are unlimited. The borrowing powers of the Group's main operating subsidiaries may be limited by the company.

The Group has minimal risk of illiquidity as reflected by its substantial surplus cash and unutilised gearing capacity. The Group utilises cash reserves and borrowings to fund operational expenditure, working capital and capital investment requirements. The Group also has a South African-based overdraft facility of R600 million and a revolving credit facility of R350 million available in addition to the facilities set out above.

9 BUSINESS COMBINATIONS

Acquisition of Office Retail Group Ltd

With effect from 4 December 2015 the company acquired an effective 88.9% of the share capital of Office via its UK resident and managed, wholly-owned subsidiary, Truworths UK Holdco 1 Ltd, thereby gaining control over Office and its subsidiaries. Office is a leading young fashion footwear retailer in the UK, Germany and the Republic of Ireland. The remaining 11.1% non-controlling interest is owned by management of Office.

The Group (via Truworths UK Holdco 1 Ltd) has granted put options to Office management, which holds this non-controlling interest. These options give the holders the right to sell their shares in Truworths UK Holdco 2 Ltd in tranches at the end of the 2019, 2020 and 2021 financial years upon approval of the audited consolidated annual financial statements of that company for the respective years. The Group has determined that these put options do not transfer a present ownership interest of those shares to the Group. In addition, the Group has call options giving the Group the right to purchase those shares on the same terms applicable to the put options.

In accordance with IAS 32: Financial Instruments – Presentation, when the holders of a non-controlling interest have put options enabling them to sell their investment in the Group, a financial liability is recognised in an amount corresponding to the present value of the selling price (redemption amount). The counterpart of the liability arising from these obligations is:

- on the one hand, the reclassification (reduction) of the carrying amount of the corresponding non-controlling interest; and
- on the other, a reduction in the Group's share of equity by the difference between the present value of the redemption amount and the carrying amount of the non-controlling interest. This item is adjusted at the end of each reporting period to reflect changes in the fair value of the put options and the carrying amount of the non-controlling interest.

Office was acquired at an enterprise value of £256 million, which translated into an equity value of £174.2 million after taking into account Office's net debt and other adjustments. The purchase consideration of £174.2 million (on a 100% basis) was settled through a combination of the Group's South African surplus cash and Office management reinvesting a portion of the proceeds arising on the sale of their existing shares in Office. The existing Office debt was refinanced through a UK-based term loan and revolving credit facility. Transaction-related costs of R111 million (R116 million before tax) have been recognised in profit or loss.

The cash portion of the purchase consideration settled from South Africa was fully hedged by way of a forward exchange contract at a rate of R:£ of R21.77 and was accounted for as a cash flow hedge. The hedging loss has been deferred in other comprehensive income.

The purchase consideration has been allocated to the identifiable assets and liabilities of Office based on the externally reviewed statement of financial position at the acquisition date as presented below. Additional identifiable assets (including trademarks) and liabilities have been recognised on completion of the purchase price allocation, with a corresponding reduction in goodwill. The balances at acquisition date were translated to South African Rand at an exchange rate of R:£ of R21.44.

The Group has elected to measure the non-controlling interest in Office at fair value. The fair value of the non-controlling interest was determined based on a discounted earnings technique using the same inputs as were used in calculating the Office enterprise value.

The fair value and carrying amount of the identifiable assets and liabilities of the Office business at acquisition date were as follows:

	Rm	£'000
Non-current assets	**3 910**	**182 391**
Property, plant and equipment	**371**	**17 311**
Intangible assets	**3 539**	**165 080**
Current assets	**2 825**	**131 738**
Inventories	**1 523**	**71 040**
Trade and other receivables	**347**	**16 157**
Derivative financial assets	**1**	**46**
Prepayments	**144**	**6 728**
Cash and cash equivalents	**798**	**37 217**
Tax receivable	**12**	**550**
Non-current liabilities	**762**	**35 543**
Straight-line operating lease obligation	**163**	**7 584**
Deferred tax*	**599**	**27 959**
Current liabilities	**3 758**	**175 262**
Trade and other payables	**1 029**	**47 979**
Interest-bearing borrowings	**2 613**	**121 884**
Provisions	**114**	**5 301**
Derivative financial liabilities	**2**	**98**
Total identifiable net assets at fair value	**2 215**	**103 324**

	Rm	£'000
Purchase consideration transferred	3 303	154 065
Non-controlling interest at fair value	432	20 155
Total purchase consideration, on a 100% basis (equity value of Office)	3 735	174 220
Fair value of identifiable net assets acquired	2 215	103 324
Goodwill arising on acquisition	1 520	70 896
Purchase consideration settled in cash	3 357	154 065
Purchase consideration transferred	3 303	154 065
Hedged foreign exchange loss	54	–
Cash and cash equivalents acquired	798	37 217
Net cash outflow on acquisition	2 559	116 848
Goodwill of R1.5 billion has been attributed to the acquisition, as Office is a leading UK footwear retailer, with strong in-house brands coupled with excellent relationships with third party brands, an attractive customer base demographic and a highly efficient multichannel distribution model.		
Office has achieved the following results for the seven months since acquisition to the reporting date:		
Revenue	3 773	170 330
Profit before tax	157	7 072
If the Office business had been acquired at the beginning of the reporting period the results to the reporting date would have been as follows:		
Revenue	6 093	284 178
Profit before tax	140	6 553

* Includes £29 million (R631 million) deferred tax liability on trademark recognition on acquisition.

10 PUT OPTION LIABILITY

The Group (via Truworths UK Holdco 1 Ltd) has granted put options to management in respect of their non-controlling interest in Office. These options give the holders the right to sell their shares in Truworths UK Holdco 2 Ltd in tranches at the end of the 2019, 2020 and 2021 financial years upon approval of the audited consolidated annual financial statements of that company for the respective years. The Group has determined that these put options do not transfer a present ownership interest of those shares to the Group. The exercise price of these options is designed to approximate the fair value of the shares on the exercise date, being a multiple of the Office consolidated EBITDA adjusted for net debt. The discount rate applied in determining the present value of the liability is the forecast three-month LIBOR plus 2.15 percentage points.

	52 weeks to 26 Jun 2016 Audited Rm	52 weeks to 28 Jun 2015 Audited Rm
Present value of the amount payable on exercise of the put options	562	–

The fair value of the put option liability is classified as a level three fair value measurement, as certain inputs which could have a significant impact on the fair value of the liability are not based on observable market data. These inputs include the Office financial performance and the market valuation and positioning of fashion footwear retail businesses in the UK. The inter-relationship between these inputs is likely to magnify the impact of the valuation.

Any changes in the redemption amount of the liability is recognised directly in non-distributable reserves. Accordingly, changes in the valuation assumptions will not have any impact on profit or loss.

A 10% increase or decrease in Office's EBITDA relative to the estimates applied in the current valuation will result in a £2.7 million (R56 million) increase or decrease in the present value of the redemption amount of the liability. A one point increase or decrease in the EBITDA multiple over the multiple applied in the current valuation will result in a £4.3 million (R88 million) increase or decrease in the present value of the redemption amount of the liability.

11 SEGMENT REPORTING

The Group's reportable segments have been identified as the Truworths and Office business units. The Truworths business unit comprises all the retailing activities conducted by the Group in Africa, through which the Group retails fashion apparel comprising clothing, footwear and other fashion products, including by the YDE business unit which comprises the agency activities through which the Group retails clothing, footwear and related products on behalf of emerging South African designers. The Office business unit comprises the footwear retail activities conducted by the Group through stores, concession stores and an e-commerce channel in the United Kingdom, Germany and the Republic of Ireland.

The YDE business unit, which was disclosed in the prior period, is no longer considered a reportable segment following the acquisition of Office. The prior period figures have been restated accordingly.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is reported on an IFRS basis and evaluated based on revenue and profit before tax.

		Truworths Rm	Office Rm	Consolidation entries Rm	Group Rm
2016					
Total third party revenue		**14 561**	**3 773**	**(103)**	**18 231**
Third party		**14 458**	**3 773**	**–**	**18 231**
Inter-segment		**103**	**–**	**(103)**	**–**
Depreciation and amortisation		**259**	**86**	**–**	**345**
Employment costs		**1 426**	**490**	**–**	**1 916**
Occupancy costs		**1 265**	**557**	**–**	**1 822**
Trade receivable costs		**1 092**	**–**	**–**	**1 092**
Other operating costs		**794**	**374**	**(103)**	**1 065**
Interest received		**1 287**	**1**	**–**	**1 288**
Finance costs		**171**	**37**	**–**	**208**
Profit for the period		**2 698**	**119**	**–**	**2 817**
Profit before tax		**3 789**	**157**	**–**	**3 946**
Tax expense		**(1 091)**	**(38)**	**–**	**(1 129)**
Segment assets		**13 308**	**7 213**	**(3 460)**	**17 061**
Segment liabilities		**4 509**	**3 927**	**–**	**8 436**
Capital expenditure		**559**	**37**	**–**	**596**
Gross margin	(%)	**55.3**	**45.0**	**–**	**52.9**
Trading margin	(%)	**20.6**	**5.1**	**–**	**17.1**
Operating margin	(%)	**30.7**	**5.2**	**–**	**24.9**
Credit:cash sales mix	(%)	**69:31**	**0:100**	**–**	**53:47**

SELECTED EXPLANATORY NOTES (CONTINUED)

		Truworths Rm	Office Rm	Consolidation entries Rm	Group Rm
2015					
Total third party revenue		12 619	–	–	12 619
Third party		12 619	–	–	12 619
Inter-segment		–	–	–	–
Depreciation and amortisation		221	–	–	221
Employment costs		1 186	–	–	1 186
Occupancy costs		1 102	–	–	1 102
Trade receivable costs		960	–	–	960
Other operating costs		647	–	–	647
Interest received		1 063	–	–	1 063
Profit for the period		2 460	–	–	2 460
Profit before tax		3 437	–	–	3 437
Tax expense		(977)	–	–	(977)
Segment assets		9 157	–	–	9 157
Segment liabilities		1 653	–	–	1 653
Capital expenditure		380	–	–	380
Gross margin	(%)	55.2	–	–	55.2
Trading margin	(%)	21.0	–	–	21.0
Operating margin	(%)	30.5	–	–	30.5
Credit:cash sales mix	(%)	70:30	–	–	70:30

	2016 Contribution to revenue		2015 Contribution to revenue	
	Rm	**%**	Rm	%
Third party revenue				
South Africa	**13 894**	**76.2**	12 141	96.2
United Kingdom	**3 428**	**18.8**	–	–
Namibia	**251**	**1.4**	237	1.9
Germany	**187**	**1.0**	–	–
Republic of Ireland	**132**	**0.7**	–	–
Botswana	**102**	**0.6**	75	0.6
Swaziland	**93**	**0.5**	78	0.6
Zambia	**33**	**0.2**	24	0.2
Ghana	**25**	**0.1**	22	0.2
Lesotho	**20**	**0.1**	15	0.1
Mauritius	**19**	**0.1**	12	0.1
Rest of Europe	**13**	**0.1**	–	–
Kenya	**16**	**0.2**	9	0.1
Nigeria	**6**	**–**	6	–
Middle East and Asia	**5**	**–**	–	–
United States	**4**	**–**	–	–
Australia	**3**	**–**	–	–
Total third party revenue	**18 231**	**100**	12 619	100

	26 Jun 2016 Audited Rm	28 Jun 2015 Audited Rm
12 CAPITAL COMMITMENTS		
Capital expenditure authorised but not contracted:		
Store renovation and development	**332**	322
Distribution facilities	**97**	163
Computer software and infrastructure	**80**	86
Buildings	**28**	170
Head office refurbishment	**7**	21
Motor vehicles	**3**	5
Total	**547**	767

The capital commitments will be financed through cash generated from operations, available cash resources and financing facilities and are expected to be incurred in the 2017 reporting period.

13 EVENTS AFTER THE REPORTING DATE

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

ADMINISTRATION

Truworths International Ltd
Registration number: 1944/017491/06

Tax reference number: 9875/145/71/7
JSE code: TRU
NSX code: TRW
ISIN: ZAE000028296

Company Secretary
Chris 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

Contact details
Tel: +27 (21) 460 7911 • Telefax: +27 (21) 460 7132
www.truworths.co.za

Principal bankers
The Standard Bank of South Africa Ltd

Auditors
Ernst & Young Inc.

Attorneys
Bernadt Vukic Potash and Getz
Edward Nathan Sonnenbergs Inc.
Spoor & Fisher
Webber Wentzel
Bowman Gilfillan

Sponsor in South Africa
One Capital Sponsor Services (Pty) Ltd

Sponsor in Namibia
Old Mutual Investment Services (Namibia) (Pty) Ltd

Transfer secretaries
In South Africa
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001, South Africa
PO Box 61051, Marshalltown, 2107, South Africa

Contact details
Tel: +27 (11) 370 5000 • Telefax: +27 (11) 688 5248
www.computershare.com

In Namibia
Transfer Secretaries (Pty) Ltd
Robert Mugabe Avenue No. 4
Windhoek, Namibia
PO Box 2401, Windhoek, Namibia

Contact details
Tel: +264 (61) 22 7647 • Telefax: +264 (61) 24 8531

Directors
H Saven (Chairman)§‡, MS Mark (CEO)*, DB Pfaff (CFO)*, RG Dow§‡, KI Mampeule§‡, CT Ndlovu§‡, RJA Sparks§‡, AJ Taylor§‡ and MA Thompson§‡

* Executive § Non-executive ‡ Independent

STREETWEAR
Identity
ORIGINAL
ROGUE DESIGN
ESTABLISHED

TRUWORTHS

elements
TRUWORTHS BEAUTY DESTINATION

Inwear

TRUWORTHS
JEWELLERY

TRUWORTHS
MAN

UZZI

EARTH CHILD
EARTHADDICT

LTD KIDS
EXCLUSIVE TO TRUWORTHS

naartjie kids

DANIEL HECHTER
PARIS

LTD

IDENTITY

the young designers emporium

OFFICE

OFFSPRING

TRUWORTHS
INTERNATIONAL