INTEGRATED REPORT 2015

TRUWORTHS
INTERNATIONAL

CONTENTS

2015 IN REVIEW

Sale of merchandise up

8%

to R11.3 billion

Operating margin at

30.5%

(2014: 32.1%)

Gross margin at

55.2%

(2014: 55.9%)

Net bad debt to trade receivables improved to

12.5%

(2014: 12.9%)

Annual dividend per share up

5%

to 405 cents

Diluted headline earnings per share up

4%

to 592.1 cents

Credit cycle key to value creation ...

- The Group's resilient business model has withstood one of the longest credit contractions in decades.
- Trade receivable costs increased 5% (2014: 24%).
- The Group targets mass middle income consumers.
- The Group's credit customer base exceeds 3.2 million customers (2.7 million of which are active account customers).
- The Group owns aspirational brands and uses credit as an enabler of sales of quality fashion, at medium to premium prices, to its customers.
- The negative credit environment contributed to recent slower sales growth, increased markdowns and a reduced gross margin. In turn, the Group achieved two of its six financial targets for 2015.
- The second half performance was stronger than the first half, the credit environment is showing early signs of improvement and growth prospects are encouraging with robust sales momentum to the start of the 2016 reporting period.

COMMITMENT TO INTEGRATED REPORTING

Introduction

This report covers the integrated financial and non-financial performance of Truworths International and its subsidiaries (the Group) for the 52-week period ended 28 June 2015.

Our Integrated Report for the 2015 reporting period aims to demonstrate, in a balanced manner, how the material issues in relation to our business model, strategy, risks, governance, financial and non-financial performance can lead to the creation of value in the short, medium and longer term.

Our reporting is aimed primarily at our shareholders and the broader investment community in South Africa and abroad. However, we recognise that several stakeholder groups influence our business to differing degrees, including our customers and employees.

We have adopted the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) so as to ensure we continue to follow best reporting practice. This Framework provides the international standard for integrated reporting to enable companies globally to demonstrate, in a comparable manner, how they create value.

The directors believe that the Group has materially reported in accordance with the Integrated Reporting Framework for the reporting period.

Scope of the report

The Group operates principally in South Africa, but has a retail presence in 10 other African countries, with 96% of the Group's revenue and profit generated in South Africa.

The scope of the Group's business includes the main operating entities and key units, including subsidiaries and investments over which we exert significant control or influence. With respect to reporting comparability there has been no material change from last year in the scope of the report and all significant items are reported on a like-for-like basis, with no major restatements.

All reporting and disclosure aims to comply with International Financial Reporting Standards, the South African Companies Act and the JSE Listings Requirements. In preparing this report management has applied the principles outlined in the King Code of Corporate Principles (King III) in South Africa applicable to integrated reporting and those set out in the Integrated Reporting Framework of the IIRC.

Capitals of value creation

The IIRC Framework advocates reporting in terms of six forms of capital which impact on a company's ability to create value. The forms of capital referred to in the Framework are financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital. These capitals are either increased, decreased or transformed through the activities of the business, and should ultimately result in value creation.

The Group has elected not to apply this categorisation, nor to structure the Integrated Report according to these six capitals, but rather to ensure that the report deals with these capitals in the context of its various sections. These sections have been designed to explain the Group's operations according to its business model and value drivers. Accordingly, the impact of these capitals and their role in value creation over the longer term have been integrated in the relevant sections of the Integrated Report as follows:

1. **Financial capital** relates to the funding received from the providers of capital and the financial resources available to the Group. This is covered primarily in the Finance and Credit section.
2. **Manufactured capital** is the physical infrastructure used in the selling of merchandise, including the distribution centres and retail stores (even though the store premises are leased), and the information technology systems throughout the business. This capital is covered in the Fashion and Brands section.
3. **Intellectual capital** focuses on knowledge in the organisation, systems, processes, intellectual property and brands. This capital is reflected mainly in Creating Value for Our Stakeholders, Group Brands, Managing the Risk of Fashion, Managing the Risk of Credit and Corporate Governance reports.
4. **Human capita**l relates mainly to employees' skills, capabilities, development and experience, and is addressed in the Human Capital and Remuneration Committee reports, as well as the Board of Directors and Executive Management reports.

5 **Social and relationship capital** deals broadly with stakeholder relationships and engagement, corporate reputation and values, and is covered mainly in the Human Capital, Managing the Risk of Credit and Corporate Governance reports.

6 **Natural capital** relates to environmental resources which impact on a company's prosperity and is addressed in the Maximising Supply Chain Efficiency and Managing Retail Presence reports.

Online reporting

To align with the increasing trend towards online reporting and electronic access to information, we no longer print our Integrated Report, but rather make it available online. The Integrated Report should be read in conjunction with the supplementary financial and non-financial information available elsewhere on the Group's website at www.truworths.co.za.

External assurance

The content of the Integrated Report has been reviewed by the directors and management but has not been externally assured. Assurance on the annual financial statements has been provided by the external auditor, Ernst & Young Inc., which firm has expressed an unqualified audit opinion thereon.

Our Integrated Report is independently assessed each year to ensure we continue to meet the reporting and disclosure needs of investors.

Forward-looking statements

The Integrated Report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the Group's external auditor.

Integrated Report approval

The directors have reviewed the Integrated Report, and the accompanying statutory information, and confirm it fairly represents the material issues and the integrated performance of the Group for the period under review. The directors have applied their collective minds to the preparation and presentation of the Integrated Report. The Audit Committee, which has oversight for the integrity of the Integrated Report, recommended it for approval by the board of directors. The board has therefore approved the Integrated Report for release to shareholders.

Hilton Saven
Independent non-executive Chairman

Michael Mark
Chief Executive Officer

CREATING VALUE FOR OUR STAKEHOLDERS

BUSINESS PHILOSOPHY AND PROFILE

Truworths International Ltd is an investment holding and management company listed on the JSE and the Namibian Stock Exchange. Its principal trading entities, Truworths Ltd and Young Designers Emporium (Pty) Ltd (YDE), are engaged either directly or through subsidiaries, agencies, or franchises, in the retailing of fashion clothing and footwear apparel and related merchandise. Truworths International and its subsidiaries (the Group) operate primarily in South Africa, and have an emerging presence in other sub-Saharan African countries.

Our Business Profile

Truworths is synonymous with fashion apparel retailing in South Africa and offers internationally inspired clothing and footwear across a diversified portfolio of some of the country's most admired and recognised brands.

These brands are either internally developed or exclusive to the Group and include Truworths, Truworths Man, Inwear, LTD and Identity, as well as Daniel Hechter which is operated under an exclusive long-term agreement with the French designer brand.

These brands have been supplemented through bolt-on acquisitions of specialist chains YDE, Uzzi and Earthaddict, as well as kidswear brands Earthchild and Naartjie.

Large format emporium stores house a collection of brands, fashion concepts and lifestyles in a single store, ensuring Truworths defines the fashion court in major malls.

Truworths is 'one of a kind'. Our offering is unique as it encompasses the best features of specialty and of department stores. Truworths offers a variety of owned brands, merchandise are all designed and there is a wide selection on trend fashion in many brands, items and categories, bringing a single focused answer to 'Who is the Customer'.

The retail footprint has grown to 747 stores across Africa, including 44 corporate-owned stores in 8 countries outside South Africa as a result of a cautious expansion strategy into sub-Saharan Africa in recent years.

Credit is offered to customers across all brands in South Africa, Namibia, Swaziland and Botswana to facilitate sales in the Group's mass middle income target market, and the credit customer base now exceeds 3.2 million of which 2.7 million are active account customers.

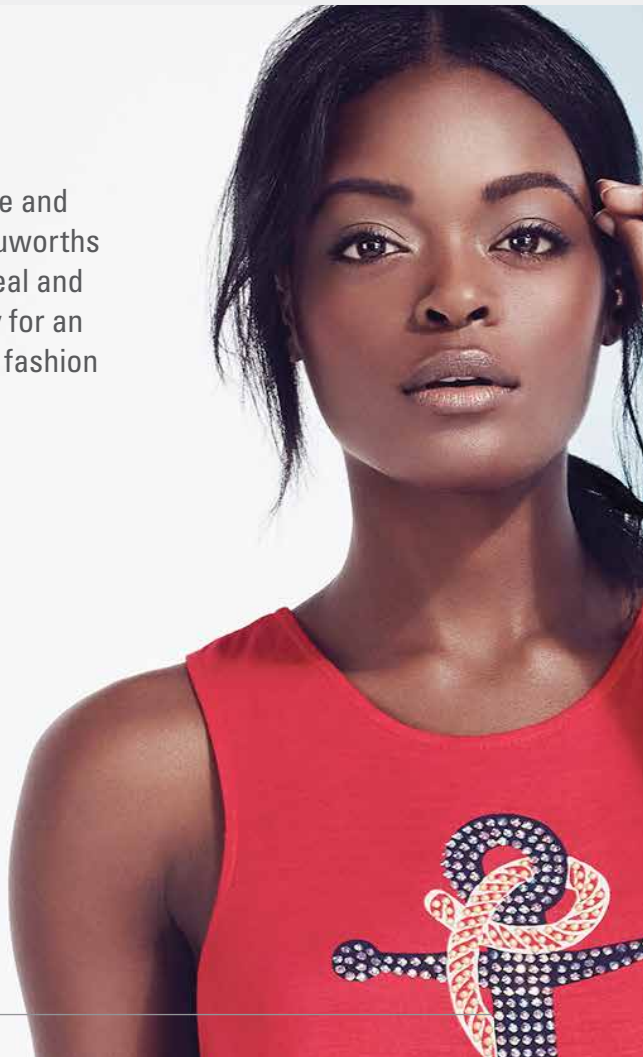
Founded 98 years ago in Cape Town, Truworths International was listed on the JSE in 1998 and has a proud track record of delivering sustained growth in shareholder wealth over the past 17 years. The Group employs 11 361 permanent and flexi-time employees and is committed to job creation in the retail industry as well as through its support of the South African clothing and textile manufacturing sector.

Our Business Philosophy

Our Business Philosophy is our guiding roadmap ensuring we remain focused on our purpose irrespective of the prevailing macro economic environment. The success of our business philosophy will be core to sustaining value for stakeholders over the short, medium and long-term.

Our Purpose

Youthful, fashionable South Africans want to look attractive and successful and feel enthused with confidence. To this end Truworths entices them into the most exciting and visually appealing real and virtual retail environments where they can shop effortlessly for an innovative and adventurous blend of colour, fabric, value and fashion styling of an international standard.



Our Values

Our Vision

…for our customers

'Truworths will be the first place I go when I want quality fashion that makes me look attractive and successful and feel enthused with confidence because shopping at Truworths is effortless and I am helped by lively and committed people.'

…for our shareholders

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

… for our employees

'I am totally committed to Truworths because I am always encouraged to offer innovative ideas which contribute to the ultimate purpose of Truworths. As a result Truworths is generous in recognising my role as an effective team member.'

OUR BUSINESS MODEL

MATERIAL ISSUES

	Input	Input Capital	Business activity	Output
Managing the risk of fashion	**Merchandise and brand offering**		• Accurately predicting the latest fashion trends • Successfully interpreting trends for the local market • Consistently creating new and enticing merchandise ranges • Single focused answer to 'who is the customer'	• Unique and aspirational brands • Wide variety • Fashion styling of international standard • Quality fashion at the right price
Managing the risk of credit	**Credit offering**		• Provide credit to customers in a profitable but responsible manner	• Credit offering across all brands as an enabler of retail sales to mainstream customers
Managing retail presence	**Retail space**		• Operate from prime locations in shopping malls • Utilise the emporium concept to showcase a variety of brands in one store • Expansion into Africa • Omni-channel retailing incorporating e-commerce	• Stores provide a visually appealing and effortless shopping experience which entices customers to shop • Ability for customers to shop when, how and on which platform they choose
Maximising supply chain efficiency and adopting leading information technology (IT)	**IT and supply chain efficiencies**		• Invest in IT infrastructure and systems • A centralised distribution model, where imported merchandise is delivered to our distribution centres by outsourced transport service providers	• Improved lead times • Improved inventory turn • World-class IT systems
Being the employer of choice	**Employees**		• Provide a stimulating work environment • Attract, develop and retain top industry talent • Create a value-driven culture and reward individual and team performance	• Committed employees

FINANCIAL CAPITAL | INTELLECTUAL CAPITAL | HUMAN CAPITAL | MANUFACTURED CAPITAL
NATURAL CAPITAL | SOCIAL AND RELATIONSHIP CAPITAL

Strategic outcome (page 13)	Capital	Income statement effect	
• World-class margins • Loyal customer base • Positive 'owned' brand reputation	Financial, Intellectual, Social and relationship	Improved revenue and gross margin Low markdowns	REVENUE
• Growing number of active accounts • Loyal customer base	Financial, Intellectual, Social and relationship	Sales growth Interest income Trade receivable costs Improved operating margin	REVENUE
• Growth in retail sales • High trading densities • Greater brand exposure	Financial, Intellectual, Manufactured, Natural	Revenue growth Occupancy costs Improved operating margin	REVENUE / EXPENSES
• Constantly update merchandise offering in stores	Financial, Intellectual, Social and relationship, Manufactured	Depreciation and amortisation Distribution costs	EXPENSES
• Innovation • Commitment • Low employee turnover	Financial, Intellectual, Social and relationship, Human	Employment costs	EXPENSES

NET PROFIT (after government taxes)

GROUP STRATEGY

Create long-term wealth for shareholders and value for other major stakeholders by being a leading retailer of clothing, footwear and accessories for youthful and fashionable South Africans.

Manage the risk of fashion

- Apply a merchandise strategy that offers customers fashion styling of an international standard across a diversified brand portfolio
- Offer fashion conscious consumers an extensive range of styles and innovative product across ladieswear, menswear and kidswear
- Offer a spread of price points from well priced aspirational ranges to higher priced ranges
- Expand brand portfolio organically through range extension of in-house brands, complemented by the acquisition of established brands
- Rollout kids emporiums which include LTD Kids, Earthchild and Naartjie

Manage the risk of credit

- Use in-house credit to drive merchandise sales
- Follow rigorous credit risk management processes
- Continually expand the Group's active account base
- Use customer data to grow the cash and loyalty customer base

Manage retail presence

- Expand the store footprint through prudent annual growth in trading space to gain market share and promote sales
- Grow the store presence cautiously in selective markets in the rest of Africa
- Use the emporium store concept to showcase multiple brands in one store
- Offer full omni-channel capability including non-account online purchasing

Maximise supply chain efficiency and adopting leading information technology (IT)

- Improve speed to market for both local and imported merchandise
- Maintain strategic partnerships with key design houses, manufacturers and suppliers
- Shorten the merchandise design and buying processes
- Collaborate closely with shippers and transportation service providers
- Operate best-of-breed IT systems

Being the employer of choice

- Attract, develop and retain top industry talent
- Create a stimulating working environment which encourages development and rewards individual and team performance
- Generously reward superior performance and consistent contribution

Delivering sustained financial performance

- Invest in the organic growth of the business to generate sustainable returns to shareholders
- Deploy capital efficiently in stores, distribution, and systems
- Seek opportunities for strategic acquisitions of complementary fashion businesses
- Return excess funds to shareholders through dividends and share buy-backs at earnings enhancing levels

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

Material issues

The Group has identified material issues, risks and opportunities which it believes could potentially impact on the sustainability of the business. In determining these material issues, risks and opportunities, the board considered the Group's strategy and business philosophy, and the interests of its key stakeholders.

These material issues are reviewed annually by executive management, the Risk Committee and the board. Following the most recent review, the board has concluded that the current material issues are the most likely factors to impact on the Group's profitability and sustainability.

Risks and opportunities

The risks outlined in the material issues detailed on pages 16 to 27 are the key risks which are listed on the Group's risk register. The risk register is reviewed and amended where necessary on a quarterly basis by the Risk Committee which is chaired by the Group CEO.

Management's judgement has been used to determine the issues that could substantively affect the Group's ability to create value over time, or that could impact on investors' assessments of the Group's ability to create value. These issues are regarded as being material to a proper appreciation of the Group's risks and opportunities, but exclude information which is regarded as being competitively sensitive. While management recognises this approach involves subjectivity, it is aimed at ensuring the Integrated Report remains comparable and relevant to investors.

Medium-term opportunities have been identified for each material issue to provide shareholders with insight into the growth drivers of the business over a two to four-year period.

Stakeholder engagement

The legitimate needs, expectations and concerns of the Group's stakeholders, are key considerations for the board and management in determining the Group's material issues.

Several stakeholders have a direct or indirect impact on the Group's business. These include shareholders, the broader investment community, customers, employees, regulatory bodies, property landlords, trade unions and the communities in which the business operates, as well as suppliers of merchandise and services.

However, the stakeholders which management believes are most likely to have a material influence in the delivery of the Group's strategy are those identified in the Group's vision:

Stakeholder group	Rationale for engagement	Primary engagement
Customers	Buyers of merchandise; source of revenue	Store management and call centre employees
Shareholders	Providers of financial capital	CEO and CFO, together with senior finance employees
Employees	Providers of talent and skills	Co-ordinated through the Human Resources Department and the responsibility of line management

The board has overall responsibility for stakeholder engagement and through the Social and Ethics Committee, monitors its application across the business. Stakeholder engagement is undertaken and managed on a functional basis by the most relevant department or executives in the Group.

The Group is proactive in responding to the expectations and concerns of stakeholders. The level and frequency of engagement with each stakeholder group differs according to the needs of the business and the expectations and concerns of each stakeholder.

Capitals of value creation

As outlined on page 2, the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) classifies the capitals upon which a business depends for its success as financial, manufactured, intellectual, human, social and relationship, and natural capital. These capitals are either increased, decreased or transformed through the activities of the business, and should ultimately result in value creation. Refer to Our Business Model section for an illustration of how these capitals are used in the Group.

Material issue	Pages	Stakeholder group		Capitals of value creation
		Primary	Secondary	
Managing the risk of fashion	16	Customers	Suppliers	$
Managing the risk of credit	18	Customers	Regulatory bodies	$
Managing retail presence	20	Customers	Property landlords	$
Adopting leading information technology systems	22	Customers	Investment community and suppliers	$
Maximising supply chain efficiency	24	Customers	Suppliers and other service providers	$
Being the employer of choice	25	Employees	Trade unions	$
Delivering sustained financial performance	26	Shareholders	Investment community and regulatory bodies	$

$ FINANCIAL CAPITAL INTELLECTUAL CAPITAL HUMAN CAPITAL MANUFACTURED CAPITAL
NATURAL CAPITAL SOCIAL AND RELATIONSHIP CAPITAL

JSE Socially Responsible Investment Index

The Group qualified for inclusion in the JSE Socially Responsible Investment (SRI) Index for the seventh consecutive year in the reporting period, recording improved scores across all indicators. Qualification for the SRI Index is based on an independent international assessment of governance, social and environmental practices of JSE listed companies. Inclusion in the SRI Index is a benchmark of performance relative to listed peers and is an endorsement of the Group's governance and sustainability practices.

JSE SRI Index scorecard

Sustainability indicators	2015	2014
Governance and related sustainability		
– Result	**Met**	Met
– Core indicators	**32/32**	32/32
– Desirable indicators	**33/33**	32/33
Social sustainability		
– Result	**Met**	Met
– Core indicators	**36/39**	31/39
– Desirable indicators	**38/49**	30/49
Environmental sustainability		
– Result	**Best practice**	Met
– Impact	**Medium**	Medium
– Policy	**Met**	Met
– Systems	**Met**	Met
– Reporting	**Met**	Met
Climate change		
– Result	**Entry level**	Entry level

Material Issues, Risks and Opportunities

MANAGING THE RISK OF FASHION

Refer to Managing the Risk of Fashion on pages 68 to 69 for further detail.

Performance against objectives and targets in 2015

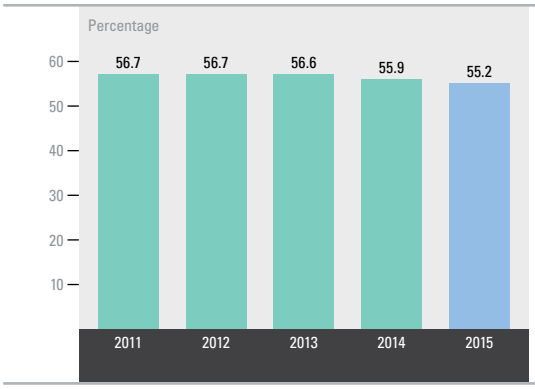
Objectives and plans for 2015	Performance against objectives
Ongoing focus on managing the risk of fashion.	• Retail sales were slower than planned for the summer range in the first half of the reporting period with growth of 5% on the prior period. • Retail sales were stronger in the second half of the reporting period with growth of 12% (10% excluding Earthchild/Naartjie) on the prior period. • Buying processes adapted to create more time for buying teams to envision, conceptualise and assort ranges. • More frequent product development trips to the Far East included in buying process. • Revised processes enhanced productivity and efficiency of buying teams. • Quick response strategies further integrated into buying process.
Continued organic growth through extension of ranges and new concepts.	• Zigy introduced in LTD Kids range. • Acquired Naartjie and Earthchild businesses (Earthchild includes the Earthaddict brand).
Continued technology innovation to enhance merchandise processes.	• Continued enhancement of merchandise assortment planning system.
Continued growth in market share.	• Clothing industry market share no longer independently measured, however Group market share believed to have been maintained.

Target for 2015	Performance against target
Gross margin 54% – 57%	• Gross margin at 55.2% (2014: 55.9%). • Gross margin decreased as a result of increased sales promotion activity resulting in higher markdowns, although the margin remains within the Group's target range.

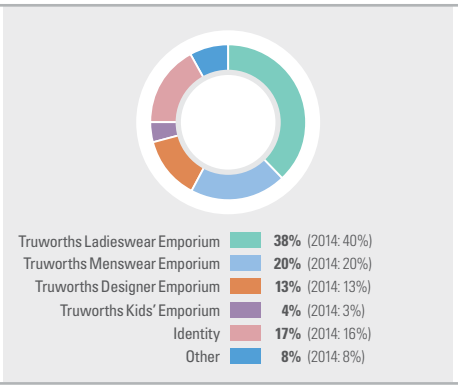
Challenges encountered in 2015

- Ongoing load shedding impacting trading in stores and production capacity of local suppliers. Approximately R125 million lost in retail sales from November 2014 to July 2015.
- Managing the impact of low economic growth and the tough credit environment on retail sales.
- Too great a proportion of the summer 2014/2015 ranges proved to be too young for Truworths customers, and they did not respond favourably to the merchandise which impacted on the sales performance.

GROSS MARGIN



RETAIL SALES CONTRIBUTION



Key risks and mitigation strategies for 2016

Description of risk	Risk mitigation
The Group needs to ensure quality fashion is provided to customers each season at appropriate margins. This covers buying processes, fashion monitoring, supplier relationships and ensuring the Group has skilled buying and planning resources. This risk has been compounded by the entry of international retailers into South Africa and sustained competition from local retailers.	• Apply proven processes and key executive interventions throughout the merchandise life cycle aimed at managing and mitigating the risk of fashion. • Manage suppliers to ensure risk is spread across the supply chain. • Maintain gross margin within target range. • Introduce additional retention strategies for merchandise buyers and planners. • Use fashion studios to ensure ranges follow international fashion trends. • Ensure the Group's 'One of a kind' positioning offers customers a unique shopping experience.
The loss of the head office building could affect merchandising service to store operations and impact service levels to customers.	• Further develop business continuity plans for head office. • Develop and review disaster recovery plans regularly. • Install fire protection systems. • Review insurance cover regularly. • Identify alternative facilities and install network infrastructure.

Medium-term opportunities

- Capitalise on the enhanced buying processes and new merchandise technology.
- Further extend the Uzzi and Identity offering, as well as the kidswear offering through the kids emporium.

Objectives and plans for 2016

- Ongoing focus on managing the risk of fashion.
- Continued organic growth through extension of ranges and new concepts.
- Continued technology innovation to enhance merchandise processes.
- Growth of the Truworths Manufacturing Division that is dedicated to Truworths.
- The integration of Earthchild, Earthaddict and Naartjie into the business.

Target for 2016

Gross margin: 54% – 57%

Material Issues, Risks and Opportunities

MANAGING THE RISK OF CREDIT

Refer to Managing the Risk of Credit on pages 54 to 57 for further detail.

Performance against objectives and targets in 2015

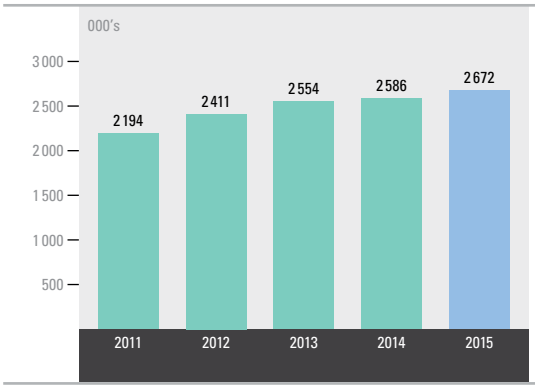
Objectives and plans for 2015	Performance against objectives
Complete the development of the internal suite of scorecards. Leverage the new scores into account originations and account management.	• Internal suite of behavioural scorecards redeveloped. • Data is being leveraged by creating a single view of the customer that assists the credit decision making process.
Implement further bespoke scorecards in account originations.	• A suite of bespoke scorecards have been developed by our data providers that are being used to make better new account acquisition decisions.
Implement a loyalty rewards programme for cash and account customers.	• Loyalty project team assembled, including external customer loyalty experts. • Functional components of the programme are being developed for first phase implementation in the second half of the 2016 reporting period.
Leading-edge technology to be implemented in the call centre to bolster collections and recoveries.	• A holistic solution has been implemented to assist with the call centre and all of its functions including new accounts and collections. • Significant improvements have been made to the technology utilised.
Pilot limited credit offering in Botswana.	• Credit introduced in Botswana.

Targets for 2015	Performance against targets
Active account growth of between 2% and 4%.	• Active account growth of 3%.
Maintain the doubtful debt allowance at existing levels.	• Doubtful debt allowance to trade receivables maintained at 12.5%
Improve credit sales to account holders less than 24 months on book.	• Credit sales from accounts less than 24 months on book grew by 4% (2014: decreased 5%).

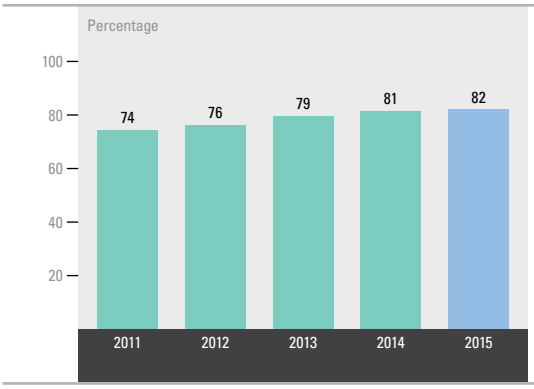
Challenges encountered in 2015

- Growing credit sales and the active account base as affordability reduces in the deteriorating consumer credit environment.
- Managing the implementation of the affordability guidelines introduced by the National Credit Regulator.

GROUP NUMBER OF ACTIVE ACCOUNTS



VALUE OF INTEREST-BEARING BOOK AS A PERCENTAGE OF TOTAL BOOK



Key risks and mitigation strategies for 2016

Description of risk	Risk mitigation
Inability to effectively manage credit risk could result in increased bad debt, slower collections, limited new account growth and a reduction in the number of customers able to buy on credit.	• Apply credit granting processes consistently using advanced analytics, credit scorecards and models. • Review credit management, collections and acquisition strategies regularly and refine to leverage new data and predictive models. • Redevelop behavioural scorecards and implement new account acquisition scorecards.
The proposed regulatory changes to the maximum interest which can be charged, as well as the affordability assessment regulations for credit providers could result in a decrease in interest income earned.	• Engage in discussions via the National Clothing Retail Federation of South Africa, with the Department of Trade and Industry. • Follow a conservative approach to credit limit setting and does not envisage major changes.

Medium-term opportunities

- Leverage the significant investments we have made in data management and analytics to improve credit and marketing strategies across the customer life cycle.
- Improve our new account decision process leveraging insights from tests conducted to date.
- Improve customer engagement across all channels.
- Improve collections as new technology is rolled-out.

Objectives and plans for 2016

- Implement the first phase of a loyalty rewards programme for all customers.
- Deliver a best-in-class omni-channel affordability assessment process.
- Leverage predictive analytics to improve decisions across the customer life cycle.

Targets for 2016

- Lead the market in active account growth.
- Maintain the doubtful debt allowance at existing levels.
- Improve frequency of purchase and basket size from account customers.

MANAGING RETAIL PRESENCE

Refer to Group Brands on pages 62 to 66 and the Managing Retail Presence report on pages 72 to 75 for further detail.

Performance against objectives and target in 2015

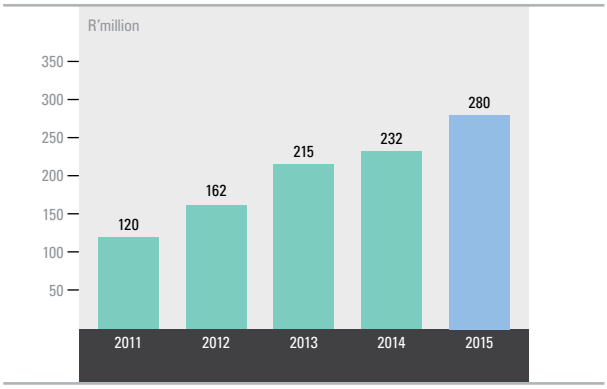
Objectives and plans for 2015	Performance against objectives
Trading space expected to grow by approximately 6%.	• Trading space growth of 7.7% (2014: 10.3%), and 6.1% excluding acquisitions. • Net 44 stores opened (2014: 37). • Additional 62 Naartjie and Earthchild/Earthaddict stores through acquisitions. • 747 stores at reporting date (2014: 641).
R356 million committed to store development.	• R280 million (2014: R232 million) invested in store development.
Open 6 new stores outside South Africa.	• Opened net 6 stores outside South Africa.
Open 2 franchise stores in Angola.	• The mall has not been completed and the opening has been delayed.
Continue with electricity-saving initiative.	• All new and renovated stores have been fitted with energy reducing lamps and light fittings.
Select e-commerce platform and develop fulfilment model for e-commerce.	• An e-commerce platform has been selected and development commenced during the reporting period.

Target for 2015	Performance against target
Store electricity carbon emissions of 64 000 tons.	• 72 618 tons carbon emissions (2014: 64 420) due to larger than planned store growth.

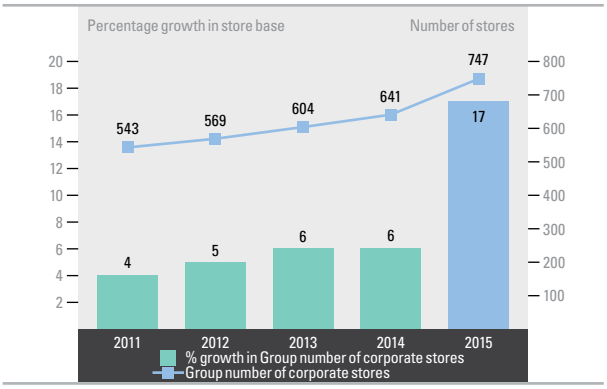
Challenges encountered in 2015

- Securing trading space in prime locations in good performing shopping centres without significantly impacting on the productivity of existing stores.
- Expanding in existing centres in certain malls is difficult due to demand for space.
- High rental cost coupled with regulatory and logistical complications within the rest of Africa.
- Securing trading space in several major shopping centres where Identity does not yet have a presence.
- Managing above-inflation increases in utility costs.

STORE DEVELOPMENT CAPITAL EXPENDITURE



GROWTH IN STORE BASE



Key risks and mitigation strategies for 2016

Description of risk	Risk mitigation
Ongoing electricity load shedding limits trading hours and results in regular store closures. This impacts sales and profitability. This risk also relates to the material issues of Managing the Risk of Fashion (page 17), Maximising Supply Chain Efficiency (page 24) and Adopting Leading Information Technology Systems (page 23).	• Implement the Group's own generators in large free standing central business district (CBD) stores. • Link to existing mall generators. • Work with landlords to install more powerful generators in key shopping malls.

Medium-term opportunities

- Expanding the Group's footprint cautiously in the rest of Africa.
- Expanding trading space in appropriate new mall developments.
- Extend the Group's existing online offering to include a wider range of styles and brands.

Objectives and plans for 2016

- Trading space expected to grow by approximately 4%.
- R322 million committed to store development.
- Open additional stores in Namibia, Nigeria, Zambia and Kenya and open stores in Tanzania and Mozambique.
- Full omni-channel capability, including non-account customer online purchasing.

Target for 2016

- Store electricity carbon emissions of 70 000 tons or 195kg per m^2.

ADOPTING LEADING INFORMATION TECHNOLOGY

Performance against objectives and target in 2015

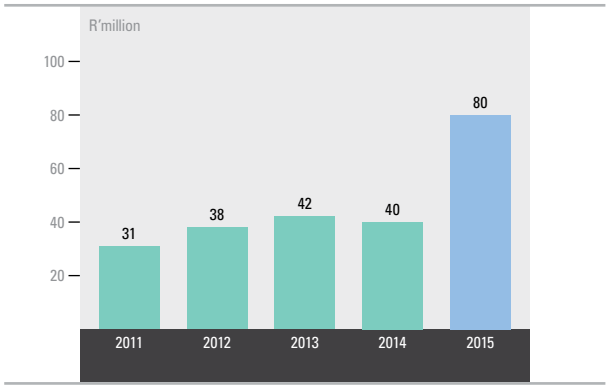
Objectives and plans for 2015	Performance against objectives
Provide improved e-commerce experience to customers.	• Merchandise available in the store window displays was made available on the online stores.
Roll out systems to support enhanced customer loyalty and engagement initiatives.	• Foundation created for development of loyalty programme for customers.
Progress digital strategies including leveraging e-commerce initiatives, and mobility and mobile applications.	• Roadmap defined for new state-of-the-art digital commerce platform. • Implementation to commence in the first half of 2016 reporting period.
Further improve store staffing models through enhancements to workforce management applications.	• Store workforce management solution upgraded. • In-store staffing models enhanced.
Progress implementation of upgraded financial systems.	• Upgrade of financial systems due for completion in first half of 2016 reporting period.
Ensure compliance with all legislative needs including Protection of Personal Information Act (POPI) and new credit regulations.	• Planning for POPI ongoing. • Delivering innovative solutions to address new National Credit Act (NCA) affordability requirements.

Target for 2015	Performance against target
Store systems and connectivity uptime greater than 99%.	• Uptime of 99.4% achieved.

Challenges encountered in 2015

- Scarcity of skilled technical resources in the market resulted in the adoption of an outsource model.
- Ability to deliver new IT projects with limited resources.
- Load shedding impacting on hardware, productivity and support demands.

INFORMATION TECHNOLOGY CAPITAL EXPENDITURE



Key risks and mitigation strategies for 2016

Description of risk	Risk mitigation
IT systems are critical to enable the Group to trade and to process customer transactions, and these complex systems need to remain stable.	• Enhance business continuity plans, disaster recovery facilities and backup processes. • Implement alternative support technology to centralised mainframe. • Install network with multiple levels of redundancy. • Enable stores to trade offline for extended periods.
Scarcity of IT skills makes it challenging to respond to business needs.	• Enhanced retention strategies introduced for IT employees. • Active recruitment to secure desired permanent headcount. • Outsource workload to external providers.

Medium-term opportunities

- Build customer engagement platform to deliver targeted loyalty programme to achieve a great customer experience.
- Complete building blocks for implementation of new digital commerce platform.
- Leverage HR systems to improve employee communication including effective use of mobile technologies.

Objectives and plans for 2016

- Deliver initial phase of new digital e-commerce platform for customers.
- Enhance customer engagement across all channels and deliver improved personal customer experience.
- Progress digital strategies and provide mobility application for customers and employees.
- Further improve staffing models.
- Complete upgrade of financial and human resources systems.
- Leverage data management and analytics software solutions.
- Upgrade of warehouse management solutions.
- Implement a solution to migrate all content to digital format.
- Drive security initiatives to guard against cyber attacks and malware.
- Progressively implementing unlimited power supply (UPS) in all stores to protect server and communication infrastructure, as well as roll out of centralised UPS backup to Head Office computer devices.
- Commit to R86 million IT-related capital expenditure.

Target for 2016

- Store systems and connectivity uptime greater than 99%, excluding power outage downtime.

MAXIMISING SUPPLY CHAIN EFFICIENCY

Refer to Maximising Supply Chain Efficiency Report on pages 70 to 71 for further detail.

Performance against objectives and target in 2015

Objectives and plans for 2015	Performance against objectives
Capital expenditure of R17 million planned for the expansion and integration of distribution facilities on acquired land.	• Development of a third distribution centre postponed until 2016 reporting period. • Distribution centres being re-engineered to manage organic growth and integrate recent acquisitions. • Capital expenditure of R28 million (2014: R5 million).
Supplier scorecard to be introduced to better measure supplier performance.	• Supplier scorecard introduced to measure supplier performance and identify supplier process improvements.

Target for 2015	Performance against target
Inventory turn: 5.5 times – 6.0 times	• Inventory turn: 4.7 times (2014: 5.3 times). • Inventory growth of 24% on the prior period due to: – strategic fabric and work-in-progress for outsource manufactured merchandise growth of 56%. – R67 million finished goods on hand through business acquisitions.

Challenges encountered in 2015

- Merchandise supply challenges for stores outside of South Africa, such as port congestion and clearing inefficiencies.
- Containing distribution cost growth with rising fuel and electricity costs.
- Managing the impact of the fluctuation and devaluation of the Rand on product pricing of imported merchandise.

Key risk and mitigation strategies for 2016

Description of risk	Risk mitigation
Organic growth in the business has resulted in the need to expand distribution and warehousing capacity.	• Distribution centres undergoing extensive re-engineering to manage organic growth and recent acquisitions. • New warehouse management system to improve productivity. • Building of third distribution centre to commence in 2016 reporting period.

Medium-term opportunities

- Commence development of the new distribution facility to enable improved merchandise allocation.
- Improve supply chain efficiency by 5% year on year.

Objective and plan for 2016

- Capital expenditure of R163 million planned for the expansion and integration of distribution facilities.

Target for 2016

- Inventory turn: 5.5 times – 6.0 times.

BEING THE EMPLOYER OF CHOICE

Refer to the Human Capital Report and the Remuneration Committee Report on pages 78 to 80 and 82 to 89 respectively for further detail.

Performance against objectives and targets in 2015

Objectives and plans for 2015	Performance against objectives
Ensure succession plans redeveloped for senior executives and managers.	• Succession plans in place for majority of key executive and management roles. • Candidates recruited externally where no suitable internal successors available.
Recruitment of top talent when opportunities arise.	• Several talented individuals recruited externally to complement internal talent, including CEO designate.
Continue to improve retention of specialised skills through an employee engagement programme.	• Engagement programme has ensured that retention has been successful at senior management and executive levels, although there has been normal levels of turnover at junior and middle management levels.
Implement the new employment equity plan.	• Majority of qualitative targets for the period have been achieved, except at the senior management level.

Target for 2015	Performance against target
Employee turnover for permanent employees 14% – 17%.	Employee turnover for permanent employees at 13% (2014: 16%).

Challenges encountered in 2015

- Meeting June 2015 transformation targets at senior management level due to scarcity of skills, lower employee turnover at this level and the preferred strategy to promote from within the business.
- Ability to attract and retain skilled junior and middle management based on the scarcity of these skills in the South African market.
- Addressing the complexity of labour law changes and implementing solutions.

Key risk and mitigation strategy for 2016

Description of risk	Risk mitigation
Experienced executives and employees are skilled and in demand both locally and internationally.	• Succession management plans for all key executives. • Competitive remuneration and incentive schemes offered to enhance retention. • Development programmes to enhance leadership. • Trainee programme develops graduates for roles in merchandise and credit risk functions.

Medium-term opportunity

- Continue employee engagement programme for attraction and retention of top talent.

Objectives and plans for 2016

- Ensure succession plans redeveloped for senior executives and managers.
- Continue to improve retention of specialised skills through an employee engagement programme.

Target for 2016

- Employee turnover for permanent employees 13% – 16%.

DELIVERING SUSTAINED FINANCIAL PERFORMANCE

Refer to Chief Financial Officer's Report on pages 41 to 48 for further detail.

Performance against objectives and targets in 2015

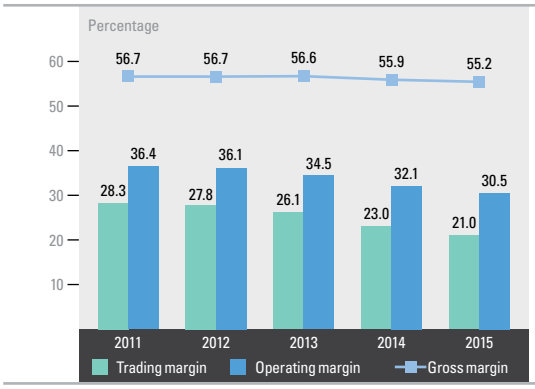
Objectives and plans for 2015	Performance against objectives
Continue to grow shareholder wealth and returns.	• Annual dividend per share increased by 5% to 405 cents (2014: 385 cents). • Return on invested capital at 21% (2014: 23%).
Continue to seek opportunities to utilise cash resources.	• Acquired the Naartjie and Earthchild/Earthaddict businesses for a net R270 million.
Capital expenditure of R448 million committed for 2015.	• Capital expenditure of R380 million (2014: R289 million).
Improve efficiency ratios across the business.	• Trading margin at 21.0% (2014: 23%). • Operating margin at 30.5% (2014: 32.1%). • Asset turnover at 1.2 times (2014: 1.3 times).
Ongoing tight expense control.	• Growth in trading expenses of 12% on the prior period. • Trading expenses to sale of merchandise at 36.5% (2014: 35.1%).

Targets for 2015	Performance against targets
Operating margin 32% – 36%.	• Operating margin 30.5% (2014: 32.1%).
Return on equity 37% – 42%.	• Return on equity 35% (2014: 37%).
Return on assets 41% – 46%.	• Return on assets 38% (2014: 42%).
Asset turnover 1.2 times – 1.5 times.	• Asset turnover 1.2 times (2014: 1.3 times).

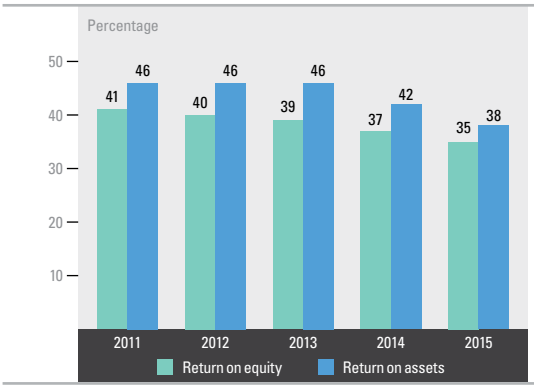
Challenges encountered in 2015

- Challenging economic and credit environment.
- Managing costs and margins with low sales growth in the first half of the reporting period.
- High markdowns during the reporting period which resulted in a lower gross margin.
- Containing occupancy expenses in an environment of rising rental and utility costs.

MARGIN TRENDS



RETURN ON EQUITY AND ASSETS



Key risks and mitigation strategies for 2016

Description of risk	Risk mitigation
The Group has a large capital base and if the capital is not effectively deployed this could impact on returns to shareholders.	• Sourcing potential investment opportunities to complement the current portfolio. • Continued investment in the debtors' book. • Continued investment in organic growth. • Ongoing share buy-backs at levels that are earnings enhancing in the absence of alternative investment opportunities. • Regular review of dividend cover.

Medium-term opportunities

- Investigate potential acquisitions.
- Share buy-backs at earnings-enhancing levels in the absence of alternative investment opportunities.

Objectives and plans for 2016

- Continue to grow shareholder wealth and returns.
- Continue to seek opportunities to utilise cash resources.
- Capital expenditure of R767 million committed for 2016.
- Ongoing tight expense control.

Targets for 2016

- Operating margin 32% – 36%.
- Return on equity 37% – 42%.
- Return on assets 41% – 46%.
- Asset turnover 1.2 – 1.5 times.

REVIEW AND PROSPECTS

RETAIL INDUSTRY AND ECONOMIC TRADING ENVIRONMENT

Introduction

During the reporting period South Africa's economy faced increasing headwinds as power outages, social unrest, currency depreciation, rising interest rates and unemployment all contributed to consumer confidence falling to its lowest level in more than a decade.

Basic living costs such as transport, food and medical expenses remained high, while consumers benefited from a brief respite from the lowering of fuel prices for a few months.

One of the factors impacting on retail trading has been the widespread electricity load shedding which started in November 2014, with power outages marginally reducing trading hours and resulting in regular store closures.

Credit environment

The consumer credit environment has continued to stabilise. Growth in household credit extension improved to 3.5% per annum at June 2015 while growth in unsecured credit remains well below historical levels. The ratio of household debt to disposable income is starting to reduce as consumers continue to deleverage their debt positions.

The South African Reserve Bank (SARB) increased its benchmark interest rate, the repurchase (repo) rate, by 25 basis points to 5.75% in July 2014 and by a further 25 basis points to 6% shortly after the end of the reporting period. Interest rates are predicted to increase further in the next 12 months as the SARB manages the impact of the Rand's depreciation on inflation.

While higher lending rates will reduce consumer disposable income, account customers of the Group generally have limited exposure to mortgage bonds, vehicle finance and bank credit cards, and are reliant on in-store credit. Increased interest rates are therefore not expected to have a material impact on the Group's bad debt metrics.

Deteriorating consumer sentiment

Consumer confidence levels declined sharply across all income groups and the Consumer Confidence Index (CCI) fell to a 14-year low in the second quarter of 2015.

Volatile and depreciating currency

The Rand continued to lose ground against major currencies and retreated by 15% against the US dollar during the reporting period. As approximately 60% of the Group's merchandise is imported and US dollar denominated, management mitigated the impact of the devaluing Rand and limited product inflation to an average of 6%.

Inflationary pressures

Year-on-year inflation in South Africa, as measured by the increase in the headline Consumer Price Index (CPI) published by Statistics South Africa measured 4.7% in June 2015. CPI is expected to rise in the 2016 reporting period owing to rising electricity, water and fuel prices. The risk to rising inflation remains high and the SARB expects CPI to average 5% in the 2015 calendar year and 6.1% in the 2016 calendar year.

Unemployment

While the labour environment has stabilised after widespread strike action in several sectors of the economy in the prior reporting period, the job market has deteriorated further. South Africa's unemployment rate remained at 25% (2014: 25%). While job losses impact on consumer spending, the real concern is the lack of job creation which is a hindrance to overall economic growth in the country. Nonetheless, there has been no marked deterioration as the unemployment rate has averaged 25% since 2000.

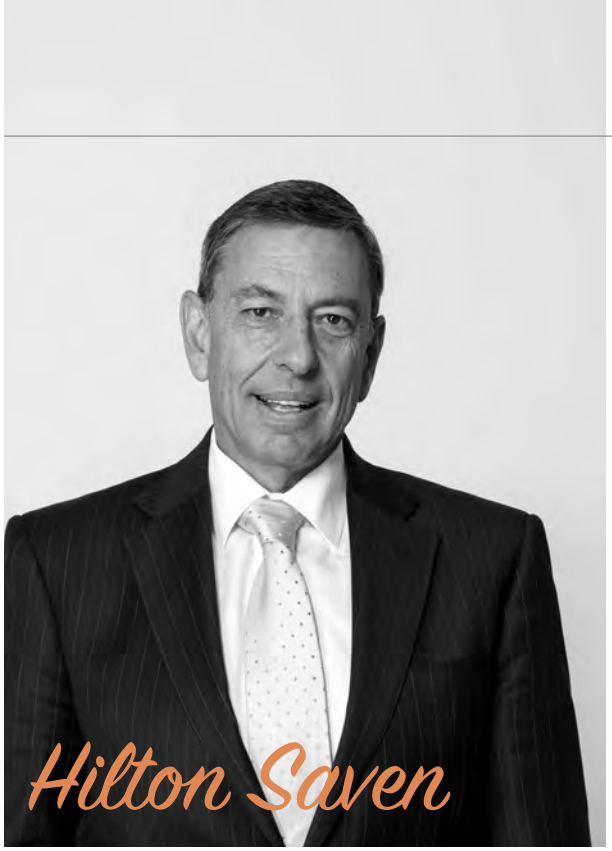
Retail trading in the rest of Africa

Economic conditions in most of the countries of operation outside of South Africa were supportive of retail sales growth. Nigeria experienced a significant deterioration in its economy owing to a sharp decline in oil prices and the consequent devaluation of the local currency. Ghana also faced challenging economic times which contributed to a weakening of their currency. The impact of the weaker exchange rates had an adverse impact on the profitability of these operations.

Outlook

The outlook for South Africa's economic growth remains muted in the short-term but the economy looks set to gain momentum from 2017. The SARB has further revised its GDP growth forecast downwards to 2.0% for 2015 and to 2.1% for 2016, with electricity constraints being one of the major factors limiting the country's growth prospects. GDP is forecast to grow to 2.6% in 2017.

These capacity constraints at the state power utility, Eskom, are unlikely to be resolved in the next year and load shedding is therefore expected to continue to disrupt retail trading patterns. This, together with constrained consumer spending, will result in retail trading conditions being challenging in the next 12 months, however the consumer credit environment is steadily improving.



CHAIRMAN'S REPORT

Against the background of another year of low economic growth in South Africa and subdued consumer spending, the Group posted a resilient performance as the early signs emerged of a turn-around in the credit environment. This is reflected in the Group's stronger 2015 second half performance which augers well for continued improvement in the 2016 reporting period.

Headline earnings for the reporting period totalled R2.5 billion with headline earnings per share (HEPS) increasing 3% to 593.8 cents (2014: 576.8 cents). HEPS has grown at an annual compound rate of 9% over the past five years and by 15% over the past ten years.

The total dividend in respect of the period was increased by 5% to 405 cents per share. This comprises an interim dividend of 236 cents and a final dividend of 169 cents. Dividend cover was maintained at 1.5 times. During the period R1.7 billion was returned to shareholders in dividend payments. Dividends per share have shown an annual compound growth rate of 15% over five years and 19% over ten years.

The Group is highly cash generative and financially strong. Our capital management strategy focuses on investing in the longer-term organic growth of the business and returning surplus funds to shareholders through dividend payments and share buy-backs.

After evaluating several acquisition targets in recent years the Group invested net R270 million in purchasing the Earthchild and Naartjie businesses during the period. Kidswear is a strategic growth area and these acquisitions will accelerate the Group's presence in this increasingly competitive market.

Cash of R2.2 billion was generated from operations and at the reporting date the Group had cash holdings of R1.5 billion, after funding the two acquisitions.

Record levels of capital expenditure of R767 million have been committed for the 2016 reporting period as the Group increases its investment in future growth.

Over the past five years the Group has generated R11 billion in cash, invested R1.4 billion in organic growth and returned R7 billion to shareholders through dividends.

The trading and financial performance for the 2015 reporting period is covered in the Chief Executive Officer's and in the Chief Financial Officer's reports.

Corporate governance

The directors believe that the Group's sound governance framework contributes to improved corporate performance and in turn creates value for the Group and its stakeholders. This manifests through reduced risk, improved sustainability, consistent financial performance, sound stakeholder relationships, high levels of compliance and reputational integrity. Further detail on how governance creates value in the Group is covered in the Corporate Governance report.

The JSE Socially Responsible Investment (SRI) Index recognises sustainability and governance practices among listed companies in South Africa. The Group qualified for inclusion in the Index for the seventh consecutive year in the 2014 calendar year. As part of the assessment for qualification for the SRI Index each year, our governance standards are independently rated. It is most encouraging that the Group achieved 100% for both the core and the desirable governance elements of the SRI Index scorecard.

The board confirms that the Group has again in all material respects applied the principles of the King Code of Governance Principles (King III) during the reporting period.

The Institute of Directors in Southern Africa has advised that the King IV Code of Governance Principles is anticipated to be introduced in 2016. The enhanced code is expected to take account of several developments in the governance landscape since the introduction of King III in 2009,

including the introduction of the amended Companies Act, the Code for Responsible Investing in South Africa, and the International Integrated Reporting Council's framework for integrated reporting.

We welcome codes and principles aimed at furthering governance standards and are committed to gaining an understanding of the new code in anticipation of next year's release.

Reporting excellence

High standards of corporate reporting and disclosure are tenets of sound corporate governance.

The Group's commitment to quality reporting was again acknowledged when the 2014 Integrated Report was ranked eighth in the annual EY Excellence in Integrated Reporting Awards. Truworths International was the only retailer placed in the top ten.

The Group has a proud track record in the EY reporting awards where it has been ranked in the top ten for eight consecutive years, being the only company on the JSE to achieve this distinction.

These awards are independently judged by the University of Cape Town's College of Accounting and are widely regarded as the benchmark for integrated reporting in the country.

CEO succession

As we advised shareholders in the 2014 Integrated Report, our long-serving CEO Michael Mark took a decision not to renew his contract beyond June 2015. However he has since agreed to retain his position as CEO, on a monthly basis, as long as deemed appropriate by both parties.

After an extensive search process involving internal and external candidates, we offered the Designate CEO position to experienced international retailer, Jean-Christophe (JC) Garbino. JC spent over 20 years at French fashion retail chain Kiabi and was appointed CEO in 2007, overseeing a period of strong growth and geographic expansion at that retailer.

JC was appointed as an executive director of Truworths International with effect from 21 August 2015.

Saluting a retail icon

After 24 summer and winter fashion seasons at the helm of the Group, Michael will be handing over his role as CEO to the Designate CEO in due course. As one of the longest serving CEOs of any listed retailer in South Africa, Michael has overseen the most dynamic period in the 98-year history of Truworths. This has been a time of unrivalled growth in the Group and change in the retail industry.

Under Michael's leadership since 1991 the business has been transformed from a niche ladieswear chain into one of South Africa's foremost JSE listed companies which is globally competitive.

During this time sales have increased 20 fold and operating profit more than 40 times. The Group has created an enviable portfolio of leading fashion brands, developed the pioneering emporium store concept, expanded its store presence to 747 stores, grown the credit customer account base to 2.7 million, and expanded successfully into sub-Saharan Africa.

Truworths' standing among international retailers was also recognised when it was voted Emerging Market Retailer of the Year in 2010, having been the runner-up in the previous year. The Group is also highly regarded by international investors, with 65% of the shares being held by offshore fund managers.

In his Chief Executive Officer's Report, Michael reflects on some pivotal events or decisions that have been 'game changers' in the Group over the past 25 years.

These game changers are testament to Michael's inspirational leadership and vision, and his passion for Truworths.

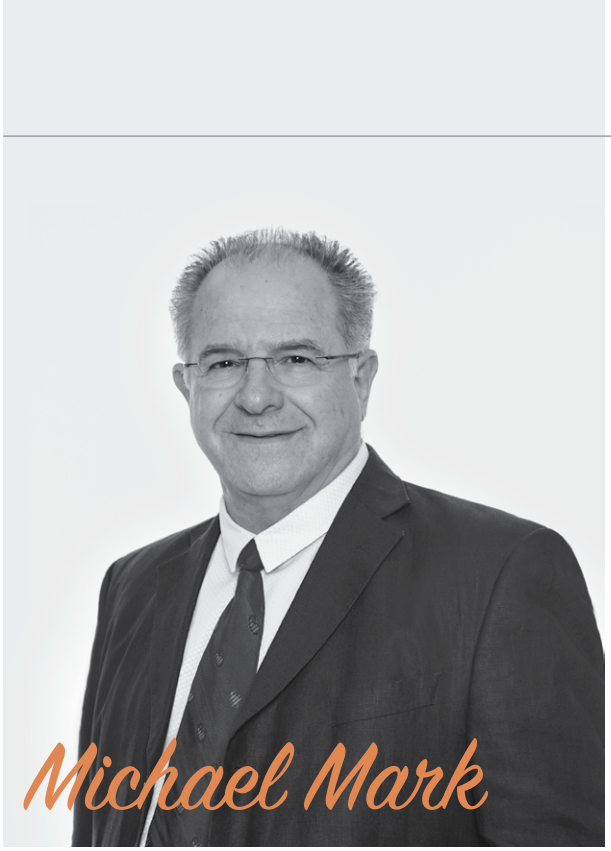
Michael, on behalf of the board and the entire business, we salute you for the role you have played in building this great business, and look forward to benefiting from your continued involvement in the Group in the years to come.

Acknowledgements

Thank you to the management team under Michael's leadership and to all our employees for your commitment in another challenging year. I also extend my appreciation to my fellow directors for your support, guidance and insight.

Thank you to our external stakeholders, including our shareholders, customers, suppliers, industry regulators and advisers, for your ongoing support.

Hilton Saven
Independent Non-executive Chairman



CHIEF EXECUTIVE OFFICER'S REPORT

Managing the risk of credit

Truworths targets the mass mainstream middle income consumer market, and uses credit as an enabler of sales of quality fashion, at medium to premium prices, to its customers. We communicate regularly with almost 13 million people in this market, and 3.2 million are account customers, of which 2.7 million are active.

As a credit retailer the Group is susceptible to periodic swings in the credit cycle and will generally underperform cash retailers in downward cycles. This is particularly true in protracted downturns as we have experienced in South Africa over the past three years.

However, this trend is likely to reverse as the credit environment starts to improve as it has in recent months, and the Group again finds itself in the 'sweet spot' as opposed to being 'in the eye of the storm'.

The improvement in the credit environment is confirmed by statistics from the National Credit Regulator, leading credit bureaux and the performance of the Group's debtors' book. The TransUnion Consumer Credit Index, which measures consumer credit health, has increased for four consecutive quarters.

Improving credit performance

The Group's total debtors' book, comprising the Truworths book and Identity book, is now in line with targeted norms. This has allowed management to reduce the doubtful debt allowance to trade receivables from 13% in December 2014 to 12.5% in June 2015.

The growth in debtor costs slowed to 5% from 24% in 2014 and 39% in 2013. Net bad debt as a percentage of trade receivables improved to 12.5% (2014: 12.9%).

Credit sales accounted for 70% (2014: 71%) of retail sales during the period. The new account acceptance rate improved to 30% (2014: 26%) whilst credit granting criteria were maintained, and the active account base grew by 3% to 2.7 million.

Credit metrics in the Truworths book have improved over the reporting period and are in line with targeted norms, improving faster than the industry as Truworths continues to gain share of wallet. Credit granting criteria in the Identity book have been tightened as the quality of the book has deteriorated and is lagging behind the industry.

We are confident that if the turnaround in the credit cycle is sustained, doubtful debts will continue to improve and the doubtful debt allowance could be reduced in the 2016 reporting period.

Refer to the Managing the Risk of Credit report for further details.

Strong second half performance

The early signs of improving credit conditions are evident in the Group's stronger performance in the second half of the reporting period.

Retail sales for the reporting period increased by 8% to R11.6 billion, with sales growing by 12% in the second half compared to 5% in the first half.

Trading space grew by 7.7% as the store network was increased to 747 following the opening of a net 44 new stores and the addition of 62 stores from the Earthchild/Earthaddict and Naartjie acquisitions.

Increased sales promotion activity resulted in higher markdowns and led to the gross profit margin declining to 55.2% (2014: 55.9%), although the margins remain well within our target range of 54% to 57%.

Operating profit increased by 3% to R3.4 billion while the operating margin declined to 30.5% (2014: 32.1%) owing to the lower gross margin and 12.2% increase in trading expenses.

Refer to the Chief Financial Officer's report for an analysis of the financial performance.

Strategic distinction

Our strategic distinction is the DNA of our business and comprises the attributes that make our Group different and unique, and cannot be imitated by our competitors. These features enable the business to withstand the threat of international competition.

Our strategic distinction is to provide youthful fashionable South Africans with apparel merchandise to enable them to feel confident. We aim to achieve this through our aspirational brands which are all owned by Truworths; merchandise which is of a high quality by competitor standards; authentic fashion which is not too young and not too sophisticated; good value but never cheap and styling of international standard which is modified for our home grown unique offering.

To enable the mass mainstream market to afford our fashion we offer customers credit in a responsible manner.

The directors and management are committed to our business philosophy and model and believe the current strategy is sustainable and unique for mass mainstream customers in South Africa.

Growth strategies

The Group is focusing on five strategies to ensure continued growth and leadership in fashion retailing:

Kidswear expansion

Following the purchase and integration of the Earthchild and Naartjie businesses, both brands together with LTD Kids will be incorporated into a newly created specialist kidswear emporium which is unique in South African retail. The first Kids Emporium will open during October 2015. The Group now owns the three most aspirational kidswear brands in South Africa and we plan to open 150 kidswear outlets over the next five years.

African expansion

The Group's store footprint in the rest of Africa has grown to 44, with these stores contributing 3.8% of total retail sales. The rest of Africa store base is planned to grow to 120 by 2020, although our expansion will remain cautious and measured. While trading in other African countries is complicated and difficult, the large portfolio of owned brands enables the Group to accommodate local tastes and preferences for each country. The focus in 2016 will be on opening additional stores in Nigeria, Zambia, Namibia and Kenya and possibly our first stores in Tanzania and Mozambique.

Omni-channel and e-commerce

The omni-channel retail project aims to provide customers with the ability to shop effortlessly at stores and via a range of personal technology when and how they choose. The first phase is the re-launch of the Group's website during 2016, followed by a responsive design mobile application and further brand roll-out.

Loyalty programme

A loyalty programme will be launched in 2016 which is aimed at increasing the frequency of shopping and basket size in Truworths and Identity. The programme will apply to both cash and account customers.

Supply chain

The current distribution capacity will be expanded with the planned development of a third distribution centre. Land has been acquired adjacent to the main distribution centre in Epping, Cape Town, and building will commence in 2016. The Group will strive to achieve supply chain efficiency improvements of 5% year on year.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Succession

As shareholders are aware my contract as CEO ended on 30 June 2015 and I decided not to renew it. I will be retiring as CEO after a career of almost two and a half decades with the Group.

After an extensive global search for a successor we appointed Jean-Christophe (JC) Garbino as Designate CEO from March 2015, who was most recently CEO of the French fashion retail group Kiabi. We have been working closely over the past few months to ensure a smooth transition.

Game changers

In my time at Truworths I have seen the business grow from a chain of 194 stores generating sales of R610 million into a listed retail powerhouse with 747 stores and retail sales of R11.6 billion, with performance metrics among the best of any retailer globally.

Over the past 25 years or more there have been several pivotal events or decisions that have been 'game changers' in driving the Group to new and greater heights. At the time these issues were probably not considered to be game changing but have all contributed immeasurably to the sustained growth of the business.

1. Creation of Truworths Man

Truworths Man was opened in 1988 and was the first step in the evolution of Truworths from a niche ladies business to a significant national men's and women's chain store. Today Truworths is one of the largest menswear retail businesses in the country and none of this would have been possible without Truworths Man.

2. Made in the World

The Truworths acquisition of the Australian speciality fashion retail chain Sportsgirl in 1994 was the catalyst for this game changer. Through regular contact with our Australian fashion design counterparts we realised that our merchandise was missing the mark with our customers. To elevate our fashion and brands we launched 'Made in the World' to position Truworths as an international fashion house. This was undoubtedly the most extensive marketing and branding campaign Truworths has ever undertaken. This enabled us to transition from being a locally based South African retailer to a South African based retailer, offering 'international fashion to all youthful South Africans'. This was long before international retailers had considered establishing a presence in the country.

3. Our business philosophy

In 1997 we engaged Dr. David Lapin, a consultant on business ethics, to facilitate the process to formulate a business philosophy for the Group. This business philosophy has been core to the success of Truworths over many years as it drives our business model and strategy. The business philosophy is the guiding light to ensure that the business remains on track. This is a critical strength of our business. Often bad times are as important for the business as good times, as during bad times we tend to examine ourselves more critically than in good times. This was never more evident than during the global credit crunch in 2008 and 2009, and in the credit market downturn in South Africa over the past three years.

4. Launch of Identity

In 1999 we took the strategic decision to launch a chain offering fashion product at a younger and more 'trend-forward' but value-conscious market segment. Today Identity is a very distinctive, popular and established brand and chain in its own right. Identity has grown sales to R2 billion in 14 years, has 230 stores and is a multiple winner of the Sunday Times award for the Coolest Brand for Young South Africans.

5. "Doubling the size" of large mall stores

By the mid-1990s it became clear that our stores in large malls had enormous potential to be expanded to increase sales. Truworths was at that time a specialised 'boutique' chain store with relatively small stores. We undertook a project to 'Double the Size' of our best stores over the next few years, and this proved a great success. This not only increased sales but also increased our sales trading densities despite the increase in physical space.

6. Creating the emporium store concept

By "doubling the size" of our large stores the Truworths Emporium store concept was born. The emporium became the standard store format in the mid 1990's and Truworths became a major anchor tenant in large shopping malls. The emporium store sets us apart from competitors and it presents our customers with a unique shopping experience where merchandise for ladies, men and kids can be found under one roof, offering fashion options for any occasion or mood.

7. Doubling our customer base

Another strategy which changed the business fundamentally was the decision taken around 2004 to "double the number of account" customers in Truworths. The credit customer base had been growing steadily but we recognised the opportunity to significantly increase the account base and change the business. The Group achieved its objective within five years, doubling the account base from 857 000 in 2004 to 1 783 000 in 2008. The Group now has 2.7 million active account customers.

8. **Acquisition of Uzzi**
   In 2006 the Group bought a small but exciting specialty men's business called Uzzi. At the time it had 25 stores and sales of R82 million. Since being acquired by the Group Uzzi has grown its annual sales to a point that it is one of the largest men's brands in South Africa. Uzzi is located in 226 outlets and is recognised as one of the country's leading menswear brands.

9. **Emerging Market Retailer of the Year**
   Truworths International was voted the Emerging Market Retailer of the Year in 2010 at the World Retail Awards held in Berlin, Germany. In 2009, Truworths was the runner-up in the award. The award recognises retailers from the emerging markets that are setting new standards not only in their own businesses but also for the fast developing retail sectors in their countries. This award was a tribute to the quality of the people at Truworths and shows that South African retailers are highly regarded internationally.

Potential game changing events are happening all the time in our business and I have no doubt that in a few years' time, we will reflect on the acquisitions of Naartjie and Earthchild in 2015 as being game changers in establishing the Kids Emporium and positioning the Group as the leading kidswear retailer. The same could be true of our strategic decision to expand our store footprint into the rest of Africa.

Outlook

The Group's business model has withstood the downturn in the credit cycle. As noted earlier in my report, the credit environment is steadily improving despite the current tough economic environment.

Management is confident that the merchandise ranges for the 2016 summer season are appealing to customers. Retail sales for the first seven weeks of the 2016 reporting period reflect a pleasing increase of 15% (excluding Earthchild and Naartjie) over the corresponding prior period. It is particularly encouraging that ladieswear, which had a disappointing performance in 2015, performed in line with this growth. Gross profit (unaudited) increased by 18% over the same seven week period.

Capital expenditure committed has been increased significantly to R767 million as the Group accelerates its investment for growth. Most of this has been allocated to store development and refurbishment, the building of a third distribution centre as well as allocating capital for the purchase of an additional building to complement the current head office.

Appreciation

Over the past 24 years I have had the pleasure and honour of leading a world class business and working with some of the industry's most talented people. The quality of people in the Group gives me confidence that the business will continue to go from strength to strength. I thank all my colleagues for their support over many years and wish them well for an exciting future. In particular, I extend my best to our designate CEO, JC, as we finalise the transition in the period ahead.

As my role changes over the next few months I look forward to embracing new challenges and engaging with the business in new and different ways.

Our Chairman, Hilton Saven, and I have worked closely for more than a decade and I thank him for his guidance, counsel and friendship during this time. My fellow directors play an invaluable role in guiding the affairs of the Group and I thank them for their unwavering commitment and support.

Thank you to our growing base of customers for supporting our brands and for making us their first choice for quality fashion apparel.

Michael Mark
Chief Executive Officer

FINANCE AND CREDIT

FIVE-YEAR REVIEW OF FINANCIAL PERFORMANCE

Period			2015	2014	2013	2012	2011
Number of weeks			52	52	52	53	52
Returns and margin performance		5-year average					
Gross margin	(%)	56	**55**	56	57	57	57
Operating margin	(%)	34	**31**	32	35	36	36
Trading margin	(%)	25	**21**	23	26	28	28
Return on equity	(%)	38	**35**	37	39	40	41
Return on assets	(%)	44	**38**	42	46	46	46
Inventory turn	(times)	5.5	**4.7**	5.3	5.4	5.7	6.4
Asset turnover	(times)	1.3	**1.2**	1.3	1.3	1.3	1.3
Return on invested capital (ROIC)	(%)	25	**21**	23	25	26	28
Weighted average cost of capital (WACC)	(%)	13	**14**	14	13	13	13
ROIC divided by WACC	(times)	1.9	**1.5**	1.6	1.9	2.0	2.2
Statements of comprehensive income		5-year compound growth (%)					
Sale of merchandise	(Rm)	10	**11 290**	10 458	9 765	8 830	7 858
Trading expenses	(Rm)	13	**(4 116)**	(3 668)	(3 202)	(2 759)	(2 421)
Trading profit	(Rm)	6	**2 373**	2 408	2 548	2 459	2 223
Profit before tax	(Rm)	8	**3 437**	3 357	3 366	3 190	2 860
Headline earnings	(Rm)	9	**2 471**	2 410	2 408	2 227	1 944
Statements of financial position							
Non-current assets	(Rm)	13	**1 876**	1 360	1 280	1 197	1 093
Cash and cash equivalents	(Rm)	2	**1 462**	1 588	1 325	1 560	1 489
Trade and other receivables	(Rm)	13	**4 637**	4 182	3 766	3 421	3 033
Inventories	(Rm)	19	**1 074**	863	787	670	530
Other current assets	(Rm)	5	**108**	83	113	69	79
Total assets	(Rm)	11	**9 157**	8 076	7 271	6 917	6 224
Total equity	(Rm)	11	**7 504**	6 642	6 224	5 986	5 046
Non-current liabilities	(Rm)	15	**192**	88	96	95	84
Current liabilities	(Rm)	9	**1 461**	1 346	951	836	1 094
Total equity and liabilities	(Rm)	11	**9 157**	8 076	7 271	6 917	6 224
Statements of cash flows							
Cash inflow from operations	(Rm)	6	**2 145**	2 542	2 198	1 618	1 728
Capital expenditure	(Rm)	12	**380**	289	270	226	186
Share performance							
Basic earnings	(cents per share)	9	**591.2**	575.9	570.8	526.3	455.8
Headline earnings	(cents per share)	9	**593.8**	576.8	570.8	526.7	456.0
Fully diluted headline earnings	(cents per share)	10	**592.1**	569.3	560.7	517.1	447.5
Cash flow	(cents per share)	7	**515.5**	608.4	521.0	382.7	405.3
Cash equivalent earnings	(cents per share)	9	**642.9**	634.8	604.9	565.8	498.9
Net asset value	(cents per share)	12	**1 791**	1 605	1 490	1 412	1 192
Dividends declared	(cents per share)	15	**405**	385	362	326	262
Dividend cover	(times)		**1.5**	1.5	1.6	1.6	1.7
Number of shares in issue	(000's)		**429 328**	422 640	463 806	461 810	459 999
Number of shares in issue (net of treasury shares)	(000's)		**418 960**	413 774	417 765	423 967	423 352
Weighted average number of shares	(000's)		**416 149**	417 757	421 905	422 754	426 289
Cumulative shares repurchased*	(Rm)		**2 929**	2 929	2 439	1 748	1 665
Cumulative shares repurchased*	(000's)		**95 041**	95 041	88 842	81 258	80 062
Closing share price	(cents per share)		**8 649**	7 490	8 695	8 952	6 833

* Includes shares previously repurchased and cancelled: 44 million (cost of R1.9 billion) in 2014, 36 million (cost of R275 million) in 2007 and 7 million (cost of R200 million) in 2006.

The full ten-year review and definitions are available on the website at www.truworths.co.za.

CHIEF FINANCIAL OFFICER'S REPORT

2015 was a reporting period of two distinct halves with the Group delivering a stronger performance in the second half as the credit environment in South Africa showed early signs of recovery.

This is reflected in retail sales which grew by 12% in the second half compared to 5% in the first half. Full year retail sales increased 8% to R11.6 billion.

The trend was also evident in the growth in diluted headline earnings per share which rose by 8% in the second half after growing by 1% in the first half, thereby increasing by 4% for the reporting period to 592.1 cents.

The business has remained highly cash generative and management is committed to investing for growth and returning funds to shareholders.

Cash inflow from operations totalled R2.1 billion and at the reporting date the Group held cash of R1.5 billion. During the period a total of R1.7 billion was paid to shareholders in dividends, R380 million was invested in capital expenditure and net R270 million was utilised for the acquisitions of Earthchild and Naartjie.

The total dividend in respect of the period increased by 5% to 405 cents per share, comprising an interim dividend of 236 cents and a final dividend of 169 cents. The dividend cover ratio has been maintained at 1.5 times.

Excellence in integrated reporting

The Group's 2014 Integrated Report was placed eighth in the EY Excellence in Integrated Reporting Awards which ranks the reports of the top 100 companies by market capitalisation on the JSE.

This is the eighth consecutive year that the Group has been ranked in the top ten. The Group was again the only retailer ranked in the top ten.

The awards are judged by the University of Cape Town's College of Accounting and management values this independent endorsement of the Group's consistently high standard of reporting to shareholders.

Financial and operating targets

Financial and operating targets are published each year to provide shareholders with a guide to the Group's performance objectives for the forthcoming reporting period. Targets and performance are benchmarked against JSE listed local competitors and best-in-class global listed fashion retailers. Targets are reviewed annually based on actual performance and the outlook for the period ahead.

In the reporting period the targets for gross margin and asset turnover were achieved while the other metrics were outside the targeted ranges.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

Targets		Actual 2015	Target 2015	Target achieved	Local benchmark*	Global benchmark**
Gross margin	(%)	**55.2**	54 – 57	√	44.2	58.6
Operating margin	(%)	**30.5**	32 – 36	X	16.0	17.4
Return on equity	(%)	**35**	37 – 42	X	37.0	33.3
Return on assets	(%)	**38**	41 – 46	X	26.0	27.7
Inventory turn	(times)	**4.7**	5.5 – 6.0	X	4.0	3.6
Asset turnover	(times)	**1.2**	1.2 – 1.5	√	1.5	1.6

* Based on the average ratios for comparable JSE listed apparel retailers for the 2015 period.
** Based on the average ratios for global fashion retailers, H&M and Inditex, for the 2014 period.

Analysis of financial performance

The analysis of performance in this report aims to show how the Group's financial capital has been increased, decreased or transformed through the operating and investing activities in the 2015 reporting period, and how it is expected to contribute to value creation for shareholders in the short, medium and longer term.

The following review of the Group's financial performance should be read together with the annual financial statements which can be found at www.truworths.co.za.

Statements of comprehensive income

Key ratios		2015	2014
Gross margin	(%)	**55.2**	55.9
Trading margin	(%)	**21.0**	23.0
Operating margin	(%)	**30.5**	32.1

Sale of merchandise

Group retail sales increased by 8% to R11.6 billion. Excluding the retail sales of the Earthchild and Naartjie businesses acquired during the period, Group retail sales increased by 7% to R11.5 billion.

Comparable store retail sales increased by 1% and showed positive growth of 4% in the second half compared to a reduction of 1% in the first half.

Group sale of merchandise, which comprises retail and franchise sales less accounting adjustments, grew by 8% and product inflation averaged 6% for the reporting period.

Retail sales growth analysis	Retail sales Rm	Retail sales growth %	Like-for-like growth %	Product inflation %	Unit growth %
2015	**11 644**	**8**	**1**	**6**	**2**
2015 (excluding Earthchild and Naartjie)	**11 539**	**7**	**1**	**6**	**1**
2015: 1st half	**6 232**	**5**	**(1)**	**6**	**(1)**
2015: 2nd half	**5 307**	**10**	**4**	**5**	**5**
2014	10 762	7	1	9	(2)
2013	10 074	13	8	2	1
2012	8 921	10	6	8	2
2011	8 080	14	9	4	–

Group credit sales increased 8% to R8.2 billion and accounted for 70% (2014: 71%) of total retail sales while cash sales grew by 9% to R3.4 billion. Excluding retail sales from the Earthchild and Naartjie businesses acquired during the period, the proportion of credit sales remained unchanged at 71%.

Divisional sales	**28 June 2015 Rm**	29 June 2014 Rm	% change on prior period
Truworths ladieswear	**4 387**	4 258	3
Truworths menswear	**2 386**	2 168	10
Identity	**1 951**	1 719	13
Truworths designer emporium*	**1 464**	1 417	3
Truworths kids emporium**	**457**	289	58
Other***	**999**	911	10
Group retail sales	**11 644**	10 762	8
Franchise sales	**9**	8	13
Accounting adjustments	**(363)**	(312)	16
Sale of merchandise	**11 290**	10 458	8
YDE agency sales	**297**	305	(3)

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

The divisional sales performance of the Group's brands is covered in the Group Brands report.

The Group's South African operations accounted for 96.2% (2014: 96.2%) of retail sales, with the 44 stores in the rest of Africa contributing 3.8% (2014: 3.8%).

Retail sales outside of South Africa	**Retail sales June 2015 Rm**	Retail sales June 2014 Rm	Growth on prior period %	**Number of stores June 2015**	Number of stores June 2014
Namibia	**219**	196	12	**16**	12
Botswana	**75**	63	19	**8**	8
Swaziland	**71**	68	4	**5**	5
Zambia	**24**	20	20	**5**	3
Ghana	**22**	17	29	**4**	2
Lesotho*	**15**	12	25	**2**	2
Mauritius	**12**	10	20	**2**	2
Nigeria*	**8**	7	14	**2**	4
Total	**446**	393	13	**44**	38

* Excludes retail sales from stores closed during the period.

CHIEF FINANCIAL OFFICER'S REPORT (continued)

Trading space increased by 7.7% to 349 000 m² following the opening of a net 44 stores and the addition of 62 stores through the Earthchild/Earthaddict and Naartjie acquisitions, bringing the total stores number to 747 at the reporting date. Excluding the acquisitions, trading space increased by 6.1%. Further detail on the Group's store expansion in South Africa and in the rest of Africa is covered in the Managing Retail Presence report. The Group's industry-leading trading density increased from R34 586 per m² to R34 857 per m² (excluding Earthchild and Naartjie).

Gross margin

The gross profit margin declined to 55.2% (2014: 55.9%) owing to increased sales promotion activity which resulted in higher markdowns. The gross margin remains within management's targeted range of 54% to 57% and has averaged 56.2% over the past five years.

Other income

Other income consists mainly of commission on sales of cellular phones, commission and display fees from YDE designers, financial services income, lease rental income and royalties from franchisees. Other income increased by 10% to R259 million (2014: R235 million) owing to increased sales of cellular phones, higher YDE display fees and increased financial services income.

Trading expenses

Analysis of trading expenses	2015 Rm	2014 Rm	Growth on prior period %	% of sale of merchandise 2015 %	% of sale of merchandise 2014 %
Depreciation and amortisation	221	184	20	2.0	1.8
Employment costs	1 186	1 024	16	10.5	9.8
Occupancy costs	1 102	954	16	9.8	9.1
Trade receivable costs	960	916	5	8.5	8.8
Other operating costs	647	590	10	5.7	5.6
Trading expenses	4 116	3 668	12	36.5	35.1

- Depreciation and amortisation increased by 20% owing mainly to the higher store-related depreciation costs following the growth in new stores in the 2014 and 2015 reporting periods when a net 81 stores were opened.
- Employment costs grew by 16% largely due to the increase in expenses relating to new stores, and incentive and share schemes. Excluding these costs above, employment costs increased by 8%.
- Occupancy cost growth of 16% was driven mainly by the 7.7% increase in trading space and average rental escalations of 7%. Electricity costs increased by 18%, with an 8% increase in costs for comparable stores. Excluding non-comparable store costs, occupancy costs increased by 9%.
- Trade receivable costs increased by 5% compared to an increase of 24% in the prior period. The R20 million decrease in the movement of the doubtful debt allowance reflects the slower growth in the debtors' book and the allowance remaining at 12.5% of gross trade receivables. Total income from credit of R1 billion (2014: R887 million) was R74 million lower than the total cost of credit of R1.1 billion (2014: R1.1 billion), which includes internal and external collection costs as shown in the cost of credit table below. Refer to the Managing the Risk of Credit report for further information.

Cost of credit	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Total trade receivables interest	**969**	828	724	630	543
Trade receivables interest charged	**889**	754	646	553	469
Notional interest	**80**	74	78	77	74
Financial services income*	**67**	59	61	44	38
Total income from credit	**1 036**	887	785	674	581
Total cost of credit	**(1 110)**	(1 082)	(877)	(648)	(503)
Internal and external collection costs**	**(395)**	(389)	(335)	(283)	(243)
Net bad debt and change in doubtful debt allowance	**(715)**	(693)	(542)	(365)	(260)
Cost of credit: (cost)/surplus	**(74)**	(195)	(92)	26	78

* Includes annual account service fee income which is charged to account customers and is included in the annual financial statements under other income.

** Includes internal collection related costs such as salaries which are disclosed in the annual financial statements under employment and other operating costs.

- Other operating costs increased by 10%. Excluding foreign exchange gains of R5 million (2014: R36 million losses), other operating expenses increased by 18%. This is mainly due to increased sales promotion, marketing, advertising and customer communication activities.

Interest received

Total interest received increased by 16% to R1.1 billion (2014: R917 million). Trade receivable interest, excluding notional interest on the interest-free portion of the debtors' book, increased by 18% to R889 million. Investment income received increased 6% to R94 million.

Trading and operating profit

Trading profit declined by 1% to R2.37 billion (2014: R2.40 billion) as the trading margin decreased to 21% (2014: 23%) due to the lower gross margin and increase in trading expenses.

Operating profit (profit before finance costs and tax) increased by 3% to R3.4 billion and the operating margin decreased to 30.5% (2014: 32.1%).

CHIEF FINANCIAL OFFICER'S REPORT (continued)

Statements of financial position

Non-current assets

Non-current assets increased by 38% to R1.9 billion (2014: R1.4 billion).

- Property, plant and equipment (PPE) increased by 13%. Capital expenditure, excluding intangible assets and PPE acquired through acquisitions, totalled R327 million (2014: R275 million).
- Intangible assets totalled R217 million, with capital expenditure on computer software amounting to R53 million (2014: R14 million). Trademarks increased by R79 million following the acquisitions of Earthchild and Naartjie.
- Goodwill increased R256 million comprising goodwill of R243 million recognised on the acquisition of Earthchild and R13 million on the acquisition of Naartjie.
- Loans and receivables decreased by R17 million to R82 million following the partial settlement of loans from share scheme participants, the partial repayment of a loan from the Truworths Social Involvement Trust and payments from the unwinding of the Group's participation in export partnerships.

Current assets

Current assets increased by 8% to R7.3 billion (2014: R6.7 billion).

- The Group's net inventory balance increased by 24% to R1.1 billion. Excluding the inventory of Earthchild and Naartjie, fabric held in stock and work-in-progress, inventory increased by 16%.

	June 2015 Rm	June 2014 Rm	Growth on prior period %
Inventory	**968**	838	16
Add: fabric and work-in-progress (manufacturing)	**39**	25	56
	1 007	863	17
Add: Earthchild and Naartjie	**67**	–	n/a
Total inventory	**1 074**	863	24

The inventory turn at 4.7 times (2014: 5.3 times) was outside the targeted range of 5.5 to 6.0 times for the reasons stated above.

- Trade and other receivables grew by 11% to R4.6 billion (2014: R4.2 billion). Trade receivables increased by 10.8% and the doubtful debt allowance was maintained at 12.5% (2014: 12.5%). Refer to Managing the Risk of Credit report for further detail.

Total equity

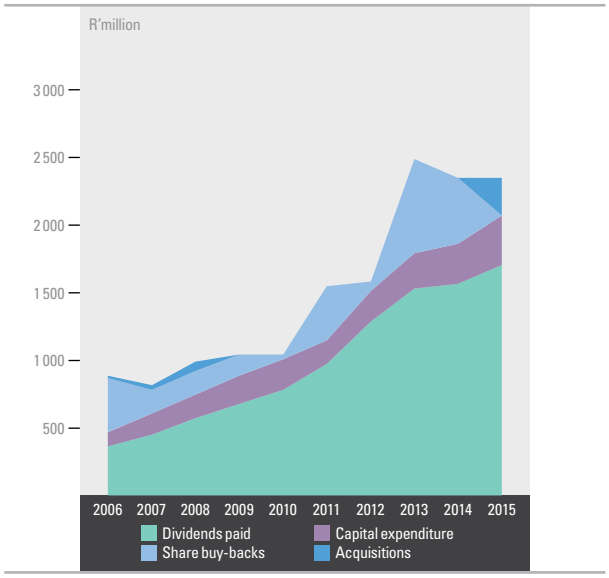
Share capital and share premium increased by R183 million to R551 million (2014: R75 million) following the issue of shares in relation to the Group's share schemes.

Total liabilities

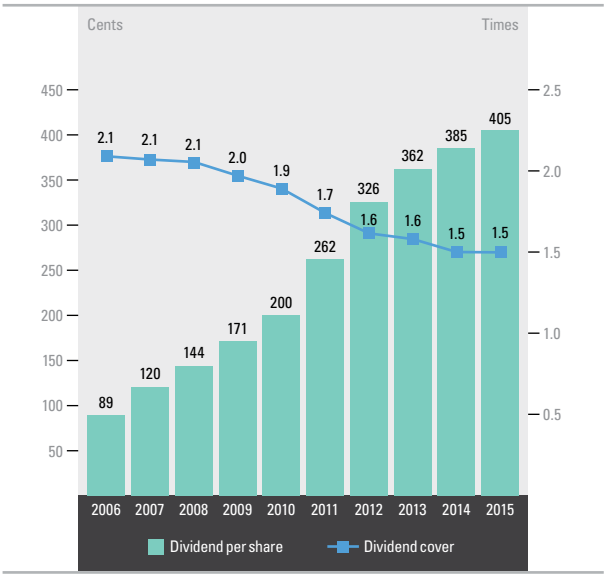
Total liabilities increased by R219 million to R1.7 billion (2014: R1.4 billion) at the reporting date.

- Non-current liabilities increased by R104 million to R192 million. This was due to increases in the straight-

CASH UTILISATION



DIVIDEND PER SHARE AND DIVIDEND COVER



line operating lease obligation and post-retirement medical benefit obligation as well as a contingent consideration obligation relating to the acquisition of Earthchild.

- Current liabilities increased 9% to R1.5 billion owing to the 15% growth in trade and other payables, offset by a decrease in tax payable of 33%. The increase in trade and other payables is attributable to the timing of payments to suppliers. The decrease in tax payable was due to larger provisional tax payments.

Statements of cash flows

Key ratios		2015	2014	% change
Cash flow per share	(cents)	**515.5**	608.4	(15)
Cash equivalent earnings per share	(cents)	**642.9**	634.8	1
Cash realisation rate	(%)	**80**	96	(17)

Cash flow from trading and cash earnings before interest received, tax, depreciation and amortisation decreased to R2.68 billion (2014: R2.65 billion).

Movements in working capital reflected an outflow of R476 million (2014: R105 million). The movement in working capital (excluding Earthchild and Naartjie working capital acquired) is due to the following:

- Inventories increased by R142 million (2014: R76 million)
- Trade and other receivables and prepayments increased by R455 million (2014: R423 million)
- Trade and other payables increased by R121 million (2014: R394 million). This is owing to suppliers being paid after the reporting date in 2015 and 2014, but before the reporting period in 2013.

During the period the Group generated R2.2 billion in cash from operations.

Cash dividend payments during the period increased by 8% to R1.7 billion (2014: R1.6 billion). These payments relate to the final dividend declared in August 2014 and the interim dividend declared in February 2015.

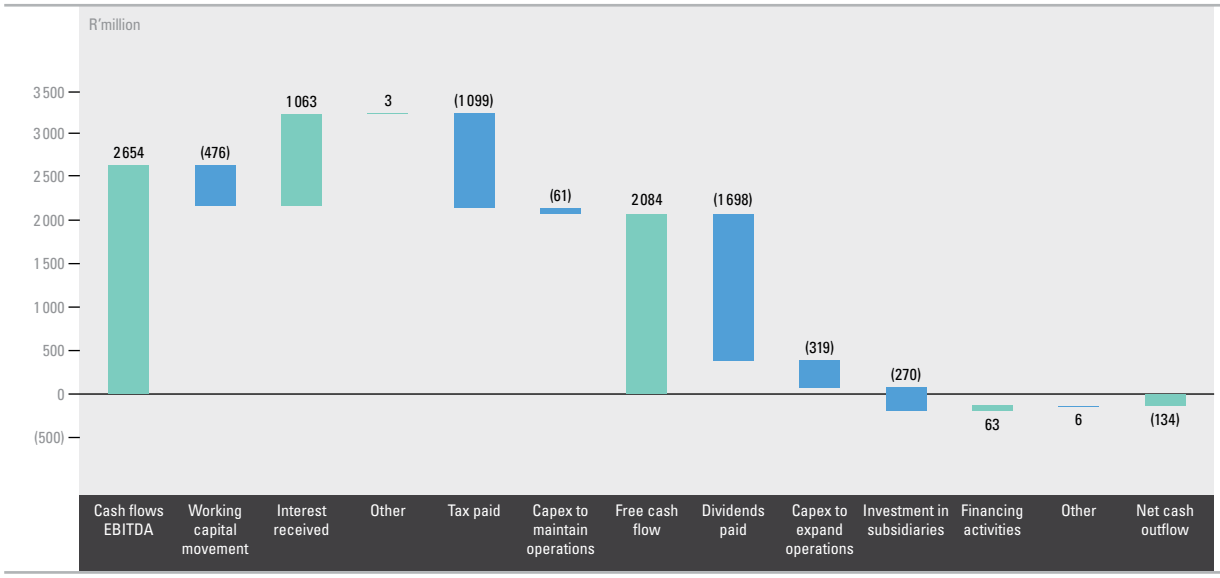
Net cash used in investing activities amounted to R644 million (2014: R267 million). This was mainly due to the net effect of capital expenditure being R91 million higher for the current period, and net R270 million paid for the acquisitions of Earthchild and Naartjie.

Net cash from financing activities amounted to R63 million (2014: outflow of R446 million), R65 million of which was from the proceeds of shares issued. The 2014 outflow was due to share buy-backs.

The Group's free cash flow decreased to R2.1 billion (2014: R2.5 billion) as reflected in the cash flow analysis below.

Cash and cash equivalents decreased by R126 million (2014: increase of R263 million) to R1.5 billion (2014: R1.6 billion).

CASH FLOW ANALYSIS



Capital management

The Group continued to invest in the organic growth of the business and returned funds to shareholders through dividend payments, while applying capital to the acquisitions of the Earthchild and Naartjie businesses.

Capital expenditure of R380 million (2014: R289 million) was incurred by the Group, with 74% invested in store development.

The total dividend per share increased by 5% to 405 cents (2014: 385 cents) and R1.7 billion was returned to shareholders through dividend payments.

No shares were repurchased during the period owing to the acquisitions of Earthchild and Naartjie. Since the inception of the share buy-back programme in 2002, 95 million shares have been repurchased at a cost of R 2.9 billion at an average price of R30.85. While most of these have been cancelled, included in the balance of 10.4 million shares (2.4% of total shares in issue) held as treasury shares at the reporting date are 7.7 million shares (1.8% of total shares in issue) that were repurchased.

Accounting policies and standards

The accounting policies and methods of computation applied in the preparation of the 2015 annual financial statements are consistent with those applied in the preparation of the annual financial statements for the period ended 29 June 2014, except for the changes resulting from the adoption of the amendments to IFRS 3 Business Combinations. The amendment has resulted in the contingent consideration obligation, that arose as a result of the Earthchild acquisition, being classified at fair value through profit or loss.

For further information, refer to the annual financial statements at www.truworths.co.za

Plans and targets for 2016

The Group's financial targets for the 2016 reporting period have remained unchanged relative to those for the reporting period.

The Group is committed to investing in the longer term growth of the business and capital expenditure of R767 million is planned for the 2016 period, including:

- R322 million for new stores and expansion or refurbishment of existing stores;
- R333 million for buildings and distribution facilities; and
- R86 million for information systems.

Trading space is planned to increase by approximately 4% (including Earthchild and Naartjie).

Product inflation is anticipated to range between 8% and 10% for the 2016 reporting period.

We are in the process of upgrading our financial accounting and reporting systems and this upgrade should be completed during the 2016 reporting period.

Acknowledgements

Thank you to our local and international shareholders for their continued investment in the Group and to the broader investment community for their interest and engagement. I also thank my colleagues in the finance department who constantly strive to ensure that the Group achieves best practice standards in reporting and disclosure.

David Pfaff
Chief Financial Officer

SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

SUMMARISED GROUP STATEMENTS OF FINANCIAL POSITION

		28 June 2015 Rm	29 June 2014 Rm
ASSETS			
Non-current assets		**1 876**	1 360
Property, plant and equipment		**1 053**	934
Goodwill		**346**	90
Intangible assets		**217**	106
Deferred tax		**159**	116
Other non-current assets		**101**	114
Current assets		**7 281**	6 716
Inventories		**1 074**	863
Trade and other receivables		**4 637**	4 182
Cash and cash equivalents		**1 462**	1 588
Other current assets		**108**	83
Total assets		**9 157**	8 076
EQUITY AND LIABILITIES			
Total equity		**7 504**	6 642
Non-current liabilities		**192**	88
Current liabilities		**1 461**	1 346
Total equity and liabilities		**9 157**	8 076
Key ratios			
Return on equity	(%)	**35**	37
Return on capital	(%)	**49**	52
Return on assets	(%)	**38**	42
Inventory turn	(times)	**4.7**	5.3
Asset turnover	(times)	**1.2**	1.3

R327 million spent on plant and equipment. In addition, plant and equipment to the value of R17 million was acquired through the acquisitions of Earthchild (R12 million) and Naartjie (R5 million).

Goodwill arising on acquisitions of Earthchild (R243 million) and Naartjie (R13 million) businesses.

Computer software of R53 million was purchased and R1 million acquired through the Naartjie acquisition. The fair value of trademarks acquired through the acquisitions of Earthchild (R73 million) and Naartjie (R6 million) amounted to R79 million.

Net inventory growth of 24%. Excluding inventory of Earthchild and Naartjie, strategic fabric held and work in progress, inventory increased by 16%. As a result, inventory turn decreased to 4.7 times.

Trade and other receivables increased by 11% as a result of the increase in credit sales, and a continuing shift from the six months interest-free plan to the longer-term interest-bearing payment plans. The doubtful debt allowance has remained at 12.5% of trade receivables.

Decrease in return on equity, capital and assets and asset turnover due to low returns growth as discussed in the summarised Group statements of comprehensive income.

The current period includes a R95 million contingent consideration obligation relating to the Earthchild acquisition.

SUMMARISED GROUP STATEMENTS OF COMPREHENSIVE INCOME

		28 June 2015 Rm	29 June 2014 Rm
Revenue		**12 619**	11 642
Sale of merchandise		**11 290**	10 458
Cost of sales		**(5 060)**	(4 617)
Gross profit		**6 230**	5 841
Other income		**259**	235
Trading expenses		**(4 116)**	(3 668)
Trading profit		**2 373**	2 408
Interest received		**1 063**	917
Dividends received		**7**	32
Profit before finance costs and tax		**3 443**	3 357
Finance costs		**(6)**	–
Profit before tax		**3 437**	3 357
Tax expense		**(977)**	(951)
Profit for the period, fully attributable to shareholders of the company		**2 460**	2 406
Basic earnings per share	(cents)	**591.2**	575.9
Headline earnings per share	(cents)	**593.8**	576.8
Fully diluted basic earnings per share	(cents)	**589.5**	568.4
Fully diluted headline earnings per share	(cents)	**592.1**	569.3
Gross margin	(%)	**55.2**	55.9
Trading expenses to sale of merchandise	(%)	**36.5**	35.1
Trading margin	(%)	**21.0**	23.0
Operating margin	(%)	**30.5**	32.1
Reconciliation of headline earnings per share:			
Basic earnings per share	(cents)	**591.2**	575.9
Loss on disposal of plant and equipment	(cents)	**1.4**	0.9
Impairment of insurance cell captive	(cents)	**1.2**	–
Headline earnings per share	(cents)	**593.8**	576.8
Reconciliation of diluted weighted average number of shares:			
Weighted average number of shares	(millions)	**416.1**	417.8
Add: Dilutive effect of share options and share appreciation rights	(millions)	**1.2**	5.5
Diluted weighted average number of shares	(millions)	**417.3**	423.3

Group sale of merchandise, which comprises retail and franchise sales less accounting adjustments, grew by 8%.

Retail sales grew 5% in the first half and 12% in the second half.

Trading expenses increased 12% mainly as a result of a 16% increase in employment and occupancy costs. Trading expenses include trade receivable costs of R960 million which increased by only 5% on the prior period.

Trade receivable costs grew 5% (2014: 24%) and trade receivable interest of R969 million (2014: R828 million) offsets trade receivable costs of R960 million (2014: R916 million) by R9 million (deficit R88 million).

The gross margin decreased as a result of increased sales promotion activity resulting in higher markdowns, but remains within the Group's target range of 54% to 57%.

Operating profit increased by 3% and the operating margin declined to 30.5% from 32.1% due to the reduction in the gross margin and the increase in trading expenses.

SUMMARISED GROUP STATEMENTS OF CHANGES IN EQUITY

	28 June 2015 Rm	29 June 2014 Rm
Balance at the beginning of the period	**6 642**	6 224
Profit and total comprehensive income for the period	**2 469**	2 406
Profit for the period	**2 460**	2 406
Other comprehensive income for the period	**9**	–
Dividends	**(1 700)**	(1 568)
Premium on shares issued	**65**	44
Shares repurchased	**–**	(490)
Share-based payments	**28**	26
Balance at the reporting date	**7 504**	6 642
Comprising		
Share capital and premium	**551**	368
Treasury shares	**(770)**	(652)
Retained earnings	**7 533**	6 774
Non-distributable reserves	**190**	152
Total equity	**7 504**	6 642
Dividends (cents per share)		
Final – payable/paid September	**169**	169
Interim – paid March	**236**	216
Total	**405**	385

Other comprehensive income comprises the movement in the foreign currency translation reserve, effective cash-flow hedge, the fair value adjustment on available-for-sale financial instruments and gains and losses on defined benefit plans.

Premium on shares issued in terms of the share schemes.

Equity-settled share-based payments net of deferred tax.

The total dividend for the period increased 5% and amounts to 405 cents per share. The dividend cover was maintained at 1.5 times.

SUMMARISED GROUP STATEMENTS OF CASH FLOWS

		28 June 2015 Rm	29 June 2014 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from trading and cash EBITDA*		**2 654**	2 682
Working capital movements		**(476)**	(105)
Cash generated from operations		**2 178**	2 577
Interest and dividends received		**1 070**	949
Finance costs		**(4)**	–
Tax paid		**(1 099)**	(984)
Cash inflow from operations		**2 145**	2 542
Dividends paid		**(1 698)**	(1 566)
Net cash from operating activities		**447**	976
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant, equipment and computer software		**(380)**	(289)
Net acquisition of businesses		**(270)**	–
Other investing activities		**6**	22
Net cash used in investing activities		**(644)**	(267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on shares issued		**65**	44
Other financing activities		**(2)**	(490)
Net cash used in financing activities		**63**	(446)
Net (decrease)/increase in cash and cash equivalents		**(134)**	263
Cash and cash equivalents at the beginning of the period		**1 588**	1 325
Net foreign exchange difference		**8**	–
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		**1 462**	1 588
Key ratios			
Cash flow per share	(cents)	**515.5**	608.4
Cash equivalent earnings per share	(cents)	**642.9**	634.8
Cash realisation rate	(%)	**80**	96

Increase in working capital movements mainly due to the timing of supplier payments and an increase in inventory.

The cash inflow from operations of R2.1 billion was utilised to fund dividend payments of R1.7 billion, capital expenditure of R380 million and acquisitions of R270 million.

Decrease in cash flow per share mainly due to the increased working capital movements.

Cash equivalent earnings per share increased 1% compared to basic earnings per share increasing 3% on the prior period.

The net effect of the decrease in cash flow per share and increase in cash equivalent earnings per share resulted in a cash realisation rate of 80% (2014: 96%).

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

MANAGING THE RISK OF CREDIT

Credit sales as a percentage of retail sales were 70% (2014: 71%)

Net bad debt to book improved to 12.5% (2014: 12.9%)

Net bad debt to credit sales improved to 7.9% (2014: 8.0%)

Active account base growth of 3% (2014: 1%) to 2.7 million accounts

New account acceptance rates improved to 30% (2014: 26%)

Active account holders able to purchase remained unchanged at 83%

Percentage of delinquent accounts remained unchanged at 14%

Doubtful debt allowance maintained at 12.5% but reduced from 13% at December 2014

Trade receivable interest as a percentage of trade receivables increased to 18.5% (2014: 17.6%)

Improving credit environment

The consumer credit environment is steadily improving after one of the longest credit contractions in South Africa in decades.

The TransUnion Consumer Credit Index for the second quarter of 2015 indicates that the credit health of South Africans has improved for four consecutive quarters.

This is supported by statistics from the National Credit Regulator which shows slightly improving book quality across the industry, with the credit industry showing year-on-year growth in both total book size and credit granting.

Credit analytics specialist, Principa, in its benchmarking of credit retailers, shows a year-on-year improvement of credit books across the industry.

An overview of factors impacting the retail and credit climates during the reporting period is contained in the Retail Industry and Economic Trading Environment report. Refer to the Chief Executive Officer's report for further detail on the impact of the credit environment on the Group's performance.

Credit performance in 2015

Credit is an enabler of merchandise sales and the objective of credit management within the Group is to achieve an acceptable balance between bad debt levels and profitability.

The performance of the debtors' portfolio over the period reflects the improving credit environment, with most key metrics showing an improvement on the 2014 performance.

The acceptance rate on new account applications increased to 30% (2014: 26%) as credit affordability and customer indebtedness improved. This contributed to the active accounts base growing by 3% to 2.7 million following growth of 1% in the prior reporting period.

Credit sales increased by 8% and credit sales as a percentage of total sales were 70% (2014: 71%). Excluding retail sales of the Earthchild and Naartjie businesses, credit sales were 71%.

The overdue (i.e. delinquent) values as a percentage of trade receivables remained unchanged at 14%. Net bad debt to credit sales improved to 7.9% (2014: 8.0%) and net bad debt as a percentage of trade receivables improved to 12.5% (2014: 12.9%). The doubtful debt allowance to trade receivables has been maintained at 12.5% (2014: 12.5%) and decreased from the 13.0% disclosed in the interim results of December 2014.

The percentage of active account holders able to purchase on credit at the reporting date was 83% (2014: 83%). The monthly qualifying payment to avoid an account moving into arrears remained at 90%. The Group's write-off policy remained unchanged; accounts are written-off automatically based on their contractual delinquency.

Group accounts under the statutory National Credit Act (NCA) debt review process has remained at a similar level to the prior reporting period.

Trade receivables (before doubtful debt allowance) grew by 10.8% to R5.2 billion. The debtors' book grew ahead of credit sales primarily as a result of customers continuing to opt for the longer term 12-month payment plans compared to the six- or nine-month plans.

An analysis of the cost of credit is included in the Chief Financial Officer's report.

Interest income (excluding notional interest) on the debtors' book grew by 18% to R889 million as a result of the move to longer term payment plans and the 25 basis point increase in interest rates in July 2014. Trade receivable interest as a percentage of the book increased to 18.5% (2014: 17.6%).

It is encouraging to note that for the first time since the period ended June 2012, interest earned on trade receivables (including notional interest) of R969 million exceeds trade receivable costs of R960 million.

Enhancing credit risk management

All credit strategies across the portfolio, from new account acquisition to credit limit management, as well as marketing and debt collection to bad debt recoveries, are subject to rigorous review.

Enhancements made to the credit risk management process during the period included:

- Ongoing maintenance of our credit management policies and practices to ensure compliance to the NCA and other regulatory requirements including a best-in-class omni-channel affordability assessment process.
- Redeveloping all key behavioural scorecards that predict customer performance across the portfolio, including propensity to spend, propensity to pay and likelihood to become delinquent.
- Redeveloping credit decision strategies to improve the accuracy of all models.
- Extensive investment in acquiring and using credit bureau data to assist in predicting performance in all areas of customer management.
- Creating a 'single customer view' to leverage all data in the business to inform credit decisions.

The new account acquisition process was enhanced through the implementation of an omni-channel campaign management tool that leverages internal and external data available for prospecting new customers. Initiatives during the reporting period included deeper utilisation of credit bureau information covering broader data, new scorecards and enhanced processes within Truworths to incorporate this data into a decision framework.

A limited credit offering was introduced for the first time for customers in Botswana during the reporting period. Management will assess the viability of offering credit to customers in other African countries where the Group operates based on the market potential and capacity to implement a data driven approach to credit risk management.

The range of financial services products available to account customers has been maintained. An account balance protection product was successfully implemented, while a life product is still being piloted to ensure there is no negative impact on merchandise sales, account payments and delinquency.

Collections continued to receive strong focus, with improvements having been made in the utilisation of data, customer contact strategies and the collections capabilities across delinquency levels.

Growing e-commerce and loyalty

Management recognises the potential for the expansion of the online retail sales channel. A sophisticated e-commerce platform is being developed which will ultimately give customers access to the full range of merchandise carried in flagship stores as well as to unique product not available in stores.

As a credit retailer Truworths has an ongoing structured relationship with its customers and has unique insight into their buying behaviour and preferences. To capitalise on this customer insight the Group aims to launch the first phase of its loyalty rewards programme in 2016 aimed at increasing the basket size and frequency of shopping of both cash and account customers.

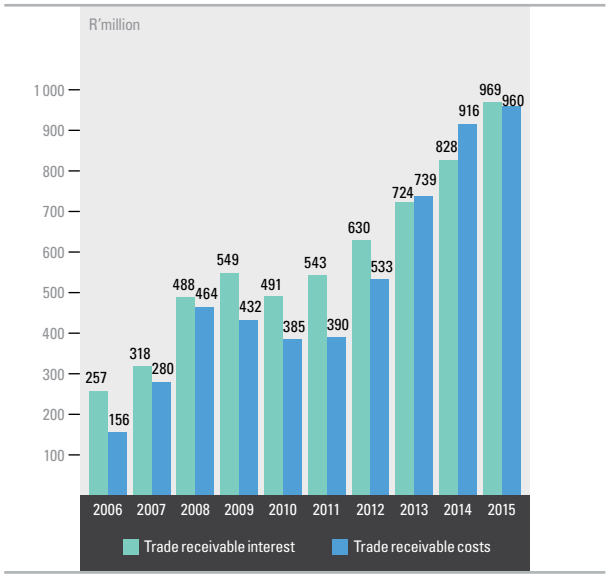
Regulatory environment

The National Credit Regulator introduced affordability assessment regulations for credit providers on 13 March 2015. The principles of the regulations aimed at ensuring that consumers are not over-indebted through unaffordable credit agreements are supported by the Group. The Group follows a conservative approach to credit limit setting, and management expects the impact of the new regulations on the credit limits granted to customers to be contained, although the impact will only be clear after the regulations have been implemented.

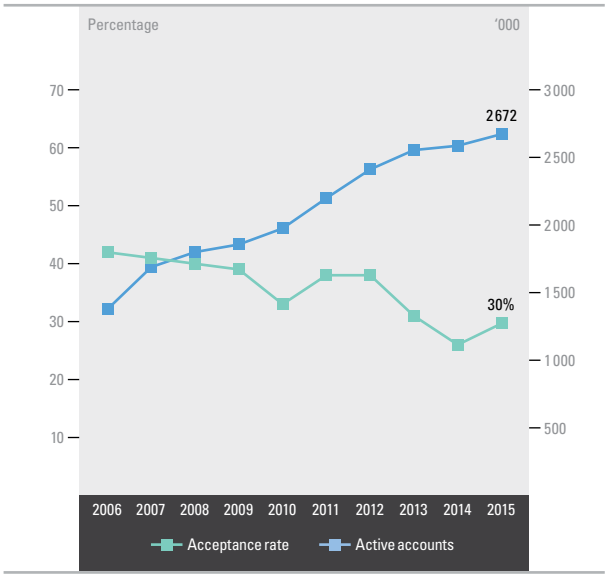
The regulations prescribed new procedures that required changes to systems that were not possible to implement immediately. Accordingly Truworths and other clothing retailers engaged in discussions, via the National Clothing Retail Federation of South Africa (NCRF), with the Department of Trade and Industry (dti). Subsequent to these discussions the dti suspended the implementation of the regulations for six months until 13 September 2015.

In June 2015 the dti published for public comment a draft review of the limitations on fees and interest rates applicable to credit providers in terms of the National Credit Act. This review proposes to adjust the formula for calculating the maximum interest rate chargeable on credit facilities, which is the credit product that the Group offers, from ((Repo Rate x 2.2) + 10%) to ((Repo Rate x 1.7)

TRADE RECEIVABLE COSTS VERSUS INTEREST RECEIVED



GROUP NUMBER ACTIVE ACCOUNTS VERSUS ACCEPTANCE RATE



+ 10%). Truworths has responded, via the NCRF to the dti highlighting the impact that changes to the fee and interest rate structure would have on the credit industry.

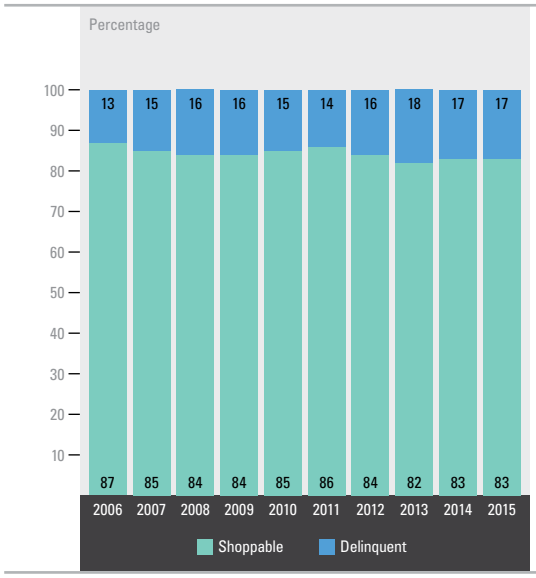
Managing credit risk in 2016

Further interest rate increases in South Africa are expected in the next 12 months following the 25 basis points rise in July 2015. While higher interest rates have not had a material impact on portfolio delinquency in the past, the Group expects to benefit from the resultant increase in interest income.

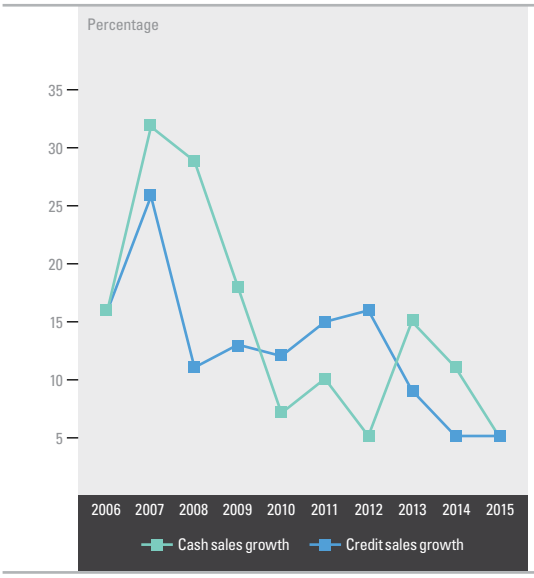
Plans to enhance credit risk management in the 2016 reporting period include:

- Deliver a best-in-class omni-channel affordability assessment process.
- Enhance our ability to source, store and leverage data across the customer life cycle.
- Implement a loyalty programme for both cash and account customers focused on increasing both the number of transactions and basket size.

ACTIVE ACCOUNT HOLDERS ABLE TO PURCHASE



CREDIT VERSUS CASH SALES



TEN-YEAR REVIEW OF CREDIT PERFORMANCE

Trade receivable statistics		2015	2014
Group			
Number of active accounts	(000's)	**2 672**	2 586
Growth in number of active accounts	(%)	**3**	1
Trade receivables (before doubtful debt allowance)	(Rm)	**5 229**	4 720
Credit sales as a % of retail sales	(%)	**70**	71
Qualifying payment	(%)	**90**	90
Applications granted credit	(%)	**30**	26
Active account holders able to purchase at period-end	(%)	**83**	83
Overdue values as a % of trade receivables	(%)	**14.0**	14.2
Net bad debt as a % of credit sales	(%)	**7.9**	8.0
Net bad debt as a % of trade receivables	(%)	**12.5**	12.9
Doubtful debt allowance as a % of trade receivables	(%)	**12.5**	12.5
Trade receivables interest as a % of trade receivables	(%)	**19**	18
Truworths			
Number of active accounts	(000's)	**2 068**	2 039
Growth in number of active accounts	(%)	**1**	(1)
Trade receivables (before doubtful debt allowance)	(Rm)	**4 307**	3 960
Credit sales as a % of retail sales	(%)	**72**	73
Applications granted credit	(%)	**32**	27
Identity			
Number of active accounts	(000's)	**574**	519
Growth in number of active accounts	(%)	**11**	9
Trade receivables (before doubtful debt allowance)	(Rm)	**886**	727
Credit sales as a % of retail sales	(%)	**62**	59
Applications granted credit	(%)	**28**	25
YDE			
Number of active accounts	(000's)	**30**	28
Growth in number of active accounts	(%)	**7**	8
Trade receivables (before doubtful debt allowance)	(Rm)	**36**	33
Credit sales as a % of retail sales	(%)	**27**	24
Applications granted credit	(%)	**51**	54

2013	2012	2011	2010	2009	2008	2007	2006
2 554	2 411	2 194	1 975	1 856	1 783	1 689	1 364
6	10	11	6	4	6	24	27
4 221	3 794	3 333	2 835	2 550	2 296	2 048	1 536
72	73	71	70	69	70	73	74
90	90	90	90	90	90	90	90
31	38	38	33	39	40	41	42
82	84	86	85	84	84	85	87
15.1	13.2	12.7	13.6	16.1	17.0	14.6	14.3
6.0	4.5	3.9	5.6	6.8	6.3	3.6	2.7
10.4	7.9	6.8	9.8	11.9	11.3	6.6	5.1
12.0	10.6	10.1	10.7	11.9	11.9	7.9	5.9
17	17	16	17	22	21	16	17
2 054	1 971	1 866	1 747	1 668	1 633	1 574	1 292
4	6	7	5	2	4	22	24
3 584	3 264	2 961	2 577	2 348	2 147	1 940	1 471
74	76	75	74	74	77	79	78
33	42	41	33	40	42	43	42
474	415	305	207	167	126	98	61
14	36	47	24	33	29	61	118
607	501	345	233	178	125	90	53
58	55	47	40	37	34	33	32
25	34	32	31	35	34	36	36
26	25	23	21	21	19	17	11
4	9	10	–	11	12	55	57
30	29	27	25	24	21	18	12
25	25	24	23	21	21	20	18
52	65	63	60	64	63	62	62

FASHION AND BRANDS

GROUP BRANDS

Diversified brand portfolio

The Group's customers are offered fashion styling of an international standard across a diversified portfolio of aspirational brands that appeal to the different lifestyles of youthful, fashionable South Africans.

Merchandise ranges include ladieswear, menswear and kidswear, and the Group owns some of South Africa's most sought-after fashion brands.

Brand strategy

Core to the brand strategy is the focus on developing and growing in-house brands that are exclusive to the Group. These are complemented by a small collection of specialist third party brands.

Each of the Group's brands has a clearly defined profile which ensures the merchandise has a distinctive signature.

The Group constantly reviews its portfolio of brands to identify new categories of merchandise that offer opportunities to meet customer needs. This could include merchandise for different occasions or lifestyles, different degrees of fashionability, or a different value offering.

Expanding brand portfolio

Truworths and Truworths Man are the core brands, with the ladieswear and menswear brands accounting for over 58% of retail sales. These are supported by the following internally developed mainstream brands:

- **Inwear** (1986)
- **Truworths Jewellery** (1989)
- **LTD** (1992)
- **Truworths Elements** (1999)
- **Identity** (1999)
- **Ginger Mary** (2004)

Daniel Hechter, the French designer brand, has been offered under an exclusive long-term licence agreement since 1984.

Organic expansion of the brand portfolio has been complemented over the years by the acquisition of established brands including **Uzzi**, the Italian-inspired menswear fashion chain (2006) and emerging brands offered by **Young Designers Emporium**, which showcases the fashion of emerging South African designers (2003).

Kidswear brands **Earthchild** and **Naartjie**, and ladieswear brand, **Earthaddict**, were acquired during the 2015 reporting period to further enhance the brand offering.

Emporium stores

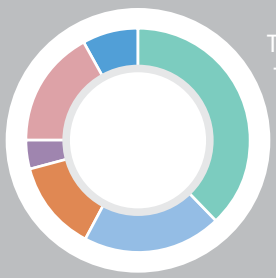
Customers can shop for the Group's multiple fashion brands in a single location, known as the Truworths emporium store. Each of the mainstream brands, and their sub-brands, retains its unique identity and fashion styling within the emporium.

The emporium store concept has evolved in line with the expansion of the brand portfolio, and customers now have access to four specialist 'sub-emporiums' within the Truworths emporium:

- Truworths Ladieswear Emporium
- Truworths Menswear Emporium
- Truworths Designer Emporium
- Truworths Kids Emporium

Large emporium stores offer all brands while smaller emporiums present a selection of brands, depending on the size and location of the store. Refer to the Managing Retail Presence report on page 73 for more detail on emporium stores and the Group's store formats.

RETAIL SALES CONTRIBUTION



Truworths Ladieswear Emporium	**38%**	(2014: 40%)
Truworths Menswear Emporium	**20%**	(2014: 20%)
Truworths Designer Emporium	**13%**	(2014: 13%)
Truworths Kids Emporium	**4%**	(2014: 3%)
Identity	**17%**	(2014: 16%)
Other	**8%**	(2014: 8%)

Truworths Ladieswear Emporium

TRUWORTHS

ginger mary

ESSENCE

FINNIGANS

BASIX the look

LUCIA ROSATI BY TRUWORTHS

hey Betty

OBRSPORT

Inwear

Emily Moon

TRS BY TRUWORTHS

maternity BY TRUWORTHS

OUTBACK RED jeans

peep BY TRUWORTHS

TR NY

INTRIGUE BY TRUWORTHS

SKINY BY TRUWORTHS

Truworths Menswear Emporium

TRUWORTHS MAN

UZZI

HEMISPHERE ORIGINAL JEANSWEAR

MOSKOW

studio BY TRUWORTHS MAN

exstream

Trench

Truworths Designer Emporium

DANIEL HECHTER PARIS

LTD EXCLUSIVE TO TRUWORTHS

EARTHADDICT

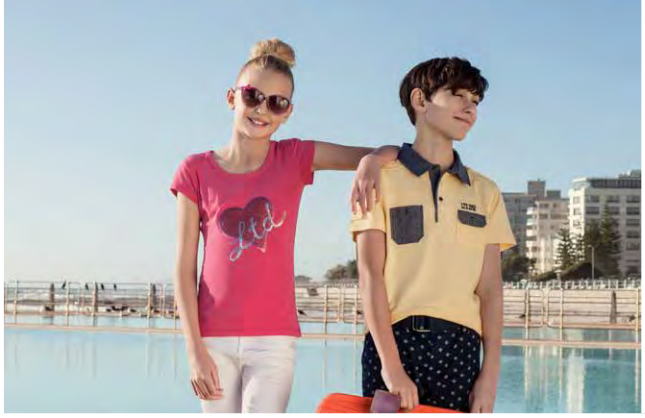
Truworths Kids Emporium

LTD KIDS EXCLUSIVE TO TRUWORTHS

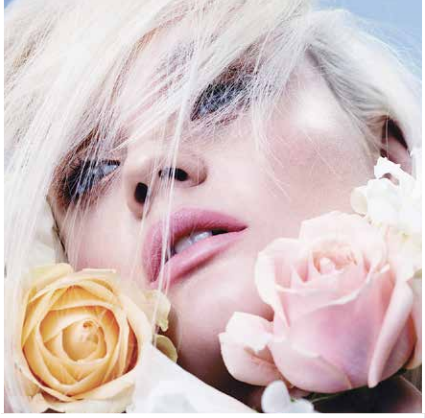
naartjie kids

EARTH CHILD

	TRUWORTHS LADIESWEAR EMPORIUM	TRUWORTHS MENSWEAR EMPORIUM
	TRUWORTHS	TRUWORTHS MAN
Brand description	**Truworths Ladieswear Emporium** offers a range of fashionable leisurewear, formalwear, eveningwear, lingerie, shoes and accessories designed for the youthful, modern, fashion-conscious woman.	**Truworths Menswear Emporium** caters for the entire wardrobe requirements of modern, fashion-conscious, youthful men by offering a range of exclusive brands that encompass formalwear and leisurewear, in addition to a range of shoes, underwear and accessories.
Brand profile	Youthful women across all ages and lifestyles	Youthful men across all ages and lifestyles
Supporting brands and ranges	Outback Red, Truworths Casual wear, Ginger Mary, Finnigans, Truworths Collection, Essence, Truworths Glamour, TRS by Truworths, Hey Betty, Zeta, Intrigue, Skiny, Peep, Lucia Rosati, Emily Moon, OBR Sport, The Look, Truworths Maternity and Basix , TRNY, The Look and Inwear	Truworths Man, Uzzi, Hemisphere, Hemisphere Sport, Studio, Trench, Moskow and Exstream
Retail sales for 2015	R4.4 billion	R 2.4 billion
Retail sales growth on prior period	3.0%	10.1%
Retail sales contribution	38% (2014: 40%)	20% (2014: 20%)
Compound retail sales growth over last three years	6%	11%
Number of Emporium stores or departments within Emporium stores	334 Truworths emporium stores 322 Inwear departments 2 Ginger Mary stand-alone stores 262 Ginger Mary departments	34 Truworths Man stand-alone stores 319 Truworths Man departments 52 Uzzi stand-alone stores 174 Uzzi departments



TRUWORTHS KIDS EMPORIUM	TRUWORTHS DESIGNER EMPORIUM	
LTD KIDS EXCLUSIVE TO TRUWORTHS · EARTH CHILD · naartjie kids	DANIEL HECHTER PARIS · LTD · EARTHADDICT	
LTD Kids is a uniquely designed range of smart and casual children's clothing that is of exceptional quality for the fashion and brand conscious parent and child. A variety of vibrant and soft colours are offered across the different brands paying special attention to detail, allowing for ease of wardrobe building. **Earthchild** strives to be the leading natural fashion brand in South Africa, offering authentic, premium styled quality clothing for kids from newborn to ten years. Earthchild is independent, uncompromising and wholesome, garments are fresh and on trend, but still irrefutably classic. **Naartjie Kids** offers locally designed, fun and playful fashion for kids, from newborn to twelve years. Naartjie's distinctive designs, high quality fabrics and comfortable styling have made it a brand that's loved by parents and kids alike.	**Daniel Hechter** is a French designer brand of high-quality and modern yet timeless designs for men and women. The collection offers a refined sense of style combined with a French touch and the sophistication of classic European styling, superior tailoring and luxurious fabrics. **LTD** is an eclectic collection of easy yet sophisticated leisure-time dressing for men and women. LTD is a versatile leisure-inspired range that has an urban feel with sophisticated undertones. In keeping with this philosophy, LTD captures key international and local trends but always adds its unique handwriting that sets it apart. Extra emphasis is placed on fabric, design and detail. **Earthaddict** offers natural quality leisurewear for woman. The garments offer a sense of sophistication and ease through the use of natural, luxurious fabrics and minimalistic styling. Any woman can wear Earthaddict and feel confident, comfortable and natural.	Brand description
Kids, toddlers and babies	Youthful woman and men across all ages and lifestyles	Brand profile
LTD Kidswear, Max and Mia, Zigy, Earthchild and Naartjie	Daniel Hechter man and Daniel Hechter woman, Earthaddict, LTD ladieswear and LTD menswear	Supporting brands and ranges
R457 million	R1.5 billion	Retail sales for 2015
58% (31% excluding Earthchild and Naartjie)	3.3%	Retail sales growth on prior period
4% (2014: 3%)	13% (2014: 13%)	Retail sales contribution
36% (28% excluding Earthchild and Naartjie)	5%	Compound retail sales growth over last three years
28 Naartjie stand-alone stores 25 Earthchild stand-alone stores 138 LTD Kids departments	3 Daniel Hechter stand-alone stores 352 Daniel Hechter departments 2 LTD stand-alone stores 146 LTD departments 16 Earthaddict stand-alone stores	Number of Emporium stores or departments within Emporium stores



	TRUWORTHS OTHER		
	elements TRUWORTHS BEAUTY DESTINATION	IDENTITY	the young designers emporium
Brand description	Included in other are Truworths Elements, Jewellery and Cellular. **Truworths Elements** offers a range of premium international skincare, cosmetics and fragrance brands. Truworths Elements is a fresh and uncluttered beauty destination, focusing on highly sought-after prestigious brands for fashion-conscious customers, where they can enjoy the expertise of trained specialist cosmetic consultants. **Truworths Jewellery** offers a selection of quality fine jewellery, trendy fashion jewellery and leading international watch and sunglass brands. The merchandise appeals to youthful women, across broad lifestyle spectrums, who view jewellery and accessories as an integral part of fashion. The range includes gold, silver and faux jewellery collections, as well as a broad assortment of formal and leisure-inspired watch and sunglass brands.	**Identity** offers a range of young, affordable, trendy, forward fashion for men and women and is the brand for those who want to be wearing up-to-date fashion. Identity caters for the fashion-aware and value-conscious youth market. Identity operates from independent stand-alone stores.	**The Young Designers Emporium (YDE)** showcases South Africa's young, cutting-edge fashion talent. As an agent, YDE markets the clothing and lifestyle products of emerging designers and suppliers. The unique trading formula of YDE provides an exciting platform for young designers to present their own labelled ranges in a branded space. The emporiums are aimed at fashion-forward customers aged 16 to 35 and offer clothing, shoes, bags and accessories. YDE operates from independent stand-alone stores.
Brand profile	Ladies and men	Young ladies and men	Young ladies and men in the 16 – 35 age group
Supporting brands and ranges	**Truworths Elements:** Brands include MAC, Estée Lauder, Clinique, Clarins, Revlon, Kangol, Elizabeth Arden, Aramis and Hugo Boss, as well as niche fashion and salon brands	Identity man, Identity woman and Identity shoes	
Retail sales for 2015	R1 billion	R2 billion	R297 million
Retail sales growth on prior period	9.7%	13.5%	2.6% decrease
Retail sales contribution	8% (2014: 8%)	17% (2014: 16%)	Agency sales, so therefore not included in retail sales
Compound retail sales growth over last three years	9%	12%	2%
Number of Emporium stores or departments within Emporium stores	82 Truworths Elements departments 151 Truworths Jewellery departments	230 Identity stand-alone stores	21 YDE stand-alone stores

MANAGING THE RISK OF FASHION

The Group has an enviable portfolio of exclusive market-leading brands and aims to create enticing internationally-styled fashion apparel ranges which appeal to an expanding base of youthful, fashionable South African customers.

Robust processes are followed by the merchandise team to manage and mitigate the risk of fashion throughout the product life cycle, from forecasting and interpretation of international fashion trends, designing garments, planning and assorting ranges, sourcing and engaging suppliers, applying the highest quality standards, and managing production across the supply chain until the merchandise ultimately reaches stores.

Youthful fashionable customer

The Group's brands are collectively housed in one shopping environment created by the unique Truworths emporium store. This is based on the philosophy that the Group targets 'one customer' who is youthful and fashionable, and the combination of exclusive brands aims to cater to the varied lifestyle needs of this customer, from leisure to work, to eveningwear, and every aspect of their lives.

Truworths' fashion is aimed at making customers *look attractive and successful and feel enthused with confidence*, regardless of their age, size or other defining features. This single customer view eliminates the risk of segmenting the market by targeting different customer profiles and allows clarity and focus for the buying and marketing teams.

Proven fashion formula

A consistent merchandise buying and planning formula is applied for every six-month season. Developed over many years, this process is constantly refined to remain relevant in the fast-changing fashion retail market environment. Comprehensive forecasting and interpretation of fashion trends, based on ongoing international research and fashion intelligence, informs the buying teams throughout the season and focuses the merchandise strategy.

Garments are selected and designed to complement each range and to showcase the differentiating features of each brand. Detailed planning and balancing of ranges ensures consistency of the merchandise offering and provides structure for the creative process.

Merchandise is sourced from a combination of local and international suppliers based on a carefully considered methodology that provides flexibility and reliability. Through each step in the process, there is a focus on maintaining exacting quality standards that customers both value and expect.

The Group's proven merchandise philosophy of buying 'wide not deep' offers customers an extensive range of garments and styles, and enables the representation of a variety of key fashion trends to meet the multiple lifestyle needs of the customer. A limited quantity of each item and size ensures exclusivity and provides customers with an ever-changing shopping experience.

Buying processes have been reviewed over the past 18 months to ensure they continue to meet the challenges of the changing global fashion retail market, and to align with the growth and increasing complexity of the business.

Processes have been adapted to create more time for buying teams to conceptualise and assort ranges, focus on product development, and to brief suppliers accurately on individual style requirements. More frequent product development trips to the Far East have also been included in the process. Local manufacture and quick response strategies have also been more effectively integrated into the buying process.

These revised processes have enhanced both the productivity and efficiency of the buying teams, and were applied fully for the first time in the development of the winter 2015 fashion ranges.

Forecasting fashion trends

The Group invests in best-of-breed international fashion intelligence and has created in-house ladieswear and menswear fashion studios where multiple designers work in partnership with buyers to track trends, and design and develop product ranges for each brand. A rigorous process of product review is followed and this is driven by a highly responsive culture of modifying products as close as possible to the time of delivery to ensure that the ranges reflect the latest trends.

The fashion studios drive the merchandise forecasting process. The studios source trend information from international fashion fairs, online subscriptions and by following local and global street trends. These trends are analysed to formulate the main fashion directions for each new season. A design and customisation process is completed for each brand, including providing direction on colour, fabric, print and trim, in line with the latest emerging trends. The seasonal plans are augmented by travel to northern hemisphere retailers and ongoing insights from fashion consultants in the major fashion capitals of the world.

The increasing presence of international retailers in the South African market means there is a greater need for unique design capabilities and also for the leveraging of local market knowledge to customise ranges and therefore creating a point of difference to the ranges offered by international retailers.

The summer 2014/2015 ranges proved to be too young for Truworths customers, and they did not respond favourably to the merchandise which impacted the sales performance. This was largely corrected for the 2015 winter season, evidenced by the improved sales during the second half of the reporting period.

Superior quality fashion

Truworths customers are offered internationally styled fashion apparel of superior quality, and an in-house fabric and garment testing laboratory is central to the quality assurance process. The laboratory has been accredited by South Africa's Council for Scientific and Industrial Research (CSIR) during August 2015. This verification will give the laboratory the assurance that the methods used and the results achieved are aligned with international standards. Scientific credibility is essential for the operation of an international laboratory quality management system and assuring the quality of results.

The quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to consistent quality and prescribed safety standards. Quality assurance workshops are held with both local and international suppliers to ensure alignment with the Group's expectations and standards.

The international quality assurance team has increased its offshore travel to work more closely with new and existing sources of supply, and assist manufacturers in achieving these quality standards.

The Group's quality management system is subject to an annual independent audit and evaluation by an international inspection, verification, testing and certification company.

Integrating new brands

The Group's brand portfolio was enhanced during the period with the acquisition of the Naartjie and Earthchild kidswear businesses, and the Earthaddict ladieswear business.

These brands will be incorporated into and expanded within the Truworths emporium stores. Naartjie and Earthchild, together with LTD Kids, will form a unique kidswear emporium offering. Earthaddict will be incorporated into the Truworths designer emporium.

The integration of these businesses started in March 2015 after regulatory approval for the acquisitions was granted. The first phase is the migration of the businesses onto the Group's merchandise and point-of-sale systems to measure performance metrics and identify opportunities for improvement. This phase will be followed by moving these businesses onto the Group's buying and planning process while continuing to leverage the unique features of these brands in terms of product offering and the manufacturing and supply chain models. These businesses are expected to be fully integrated before the end of the 2016 reporting period.

MAXIMISING SUPPLY CHAIN EFFICIENCY

Core to managing the risk of fashion is maximising efficiencies in the supply chain by collaborating with local and offshore suppliers and manufacturers, constantly improving speed to market of merchandise and tightly managing inventory levels.

Quick response fashion model

The quick response fashion model developed with key suppliers over the last three years continues to gain traction, enabling the Group to improve speed to market and to react more rapidly to customer buying patterns.

The majority of the quick response suppliers are based locally or in neighbouring Southern African Development Community (SADC) countries. This has resulted in shorter lead times owing to the proximity of these countries to South Africa.

More frequent travel to the Far East to improve working relationships, communication, briefing processes and to give suppliers a better understanding of the Group's processes has resulted in improved lead times from these countries.

Increasing local supply

Locally manufactured product offers shorter lead times as these suppliers can respond speedily to re-stocking popular selling styles during a season. Over the past year good progress was made in continuing to develop and form partnerships with key local suppliers. This has enabled buyers to make late styling changes based on the latest trends and sales performance before committing to orders.

A number of local suppliers are committed to the Group which further enhances the supply chain model. Truworths Manufacturing, the Group's in-house design and manufacturing management unit which uses mainly local cut-make-and trim (CMT's) suppliers, has shown good growth over the past year. While this facility was initially mainly focused on the Uzzi and Naartjie brands, it now also supplies Daniel Hechter Man and Truworths Man, and will be extended to Identity Man and LTD Kids.

Rationale for importing product

Foreign manufacture on certain product categories offers a wider variety of merchandise, and greater technical detail in clothing, at more reasonable prices than local supply.

Notwithstanding the weakening rand and higher than historical inflation in the Far East, in certain product categories the technical ability to produce similar products in South Africa at affordable prices is still not easily achieved. We are however continuing to develop our local supply base and our preferred source of supply, mainly due to speed to market, is always local.

Goods are generally imported in merchandise categories where the Group is unable to source local products that meet the required quality standards at competitive prices. However, imported merchandise has the disadvantage of speed to market when reacting to sales.

The price of all merchandise directly imported by the Group is US dollar denominated. The Group purchases forward cover on the free-on-board price of all goods to hedge against the risk of currency fluctuations, however the duty paid on all imported goods is subject to exchange rate fluctuations.

Strengthening supplier relationships

The merchandise team actively engages with local and offshore manufacturers to strengthen relationships and create alliances.

Risk in the supply chain is mitigated by monitoring the volume of merchandise being supplied by each manufacturer. The Group has a diversified supplier base which limits over-exposure to individual suppliers.

An enhanced supplier scorecard has been developed to measure key supplier performance more effectively. This will assist the Group in growing volumes with better performing manufacturers and will identify weaknesses in certain suppliers that can be addressed through a collaborative process.

A web-based supplier portal has been developed which is accessible by suppliers, to enhance communication and to create further efficiencies in the supply chain.

A code of conduct is incorporated in all supplier agreements and this binds manufacturers to comply with ethical business standards, labour legislation, international health and safety standards, environmental legislation and treaties to which South Africa is a signatory.

Managing distribution capacity

The Group has two main distribution centres that are located in Cape Town, with a further warehouse facility used mainly for footwear and archiving.

The distribution centres are undergoing extensive re-engineering to manage the organic growth in the business and to integrate the recent acquisitions of Naartjie and Earthchild. This includes the installation of additional semi-automated materials handling equipment and major changes to the product flow through the facilities. The project is scheduled for completion by the end of the 2017 reporting period.

A new warehouse management system is being deployed to improve productivity in the distribution centres and will be operational in the first half of the 2016 reporting period.

Changing market requirements have created the need to expand warehousing and distribution capacity. The Group has acquired land adjacent to the main distribution centre and plans to commence the development of a third distribution centre in the 2016 reporting period. This facility will cater for the organic growth needs for several years and will also allow the Group to implement more innovative methods of distribution and merchandise allocation.

Capital expenditure of R163 million has been committed, for the 2016 reporting period, for the distribution centre upgrades and development and the Group will strive to achieve supply chain efficiency improvements of 5% year on year.

MANAGING RETAIL PRESENCE

Retail footprint increases to 747 stores (2014: 641 stores)

Net 44 new stores opened across all brands (2014: 37 stores)

Earthchild/Earthaddict and Naartjie acquisitions add 62 stores

Total retail trading space up 7.7% to 349 000 m²

Trading space growth excluding Earthchild and Naartjie is 6.1%

Footprint outside South Africa now 44 stores (2014: 38 stores)

Trading space growth of 4% planned in 2016

Emporium stores to house four specialist sub-emporiums:

- Ladieswear Emporium
- Menswear Emporium
- Designer Emporium
- Kids Emporium

The Group continued to pursue its proven strategy of investing in new retail space to promote sales growth and grow market share as the retail presence was increased to 747 stores during the reporting period.

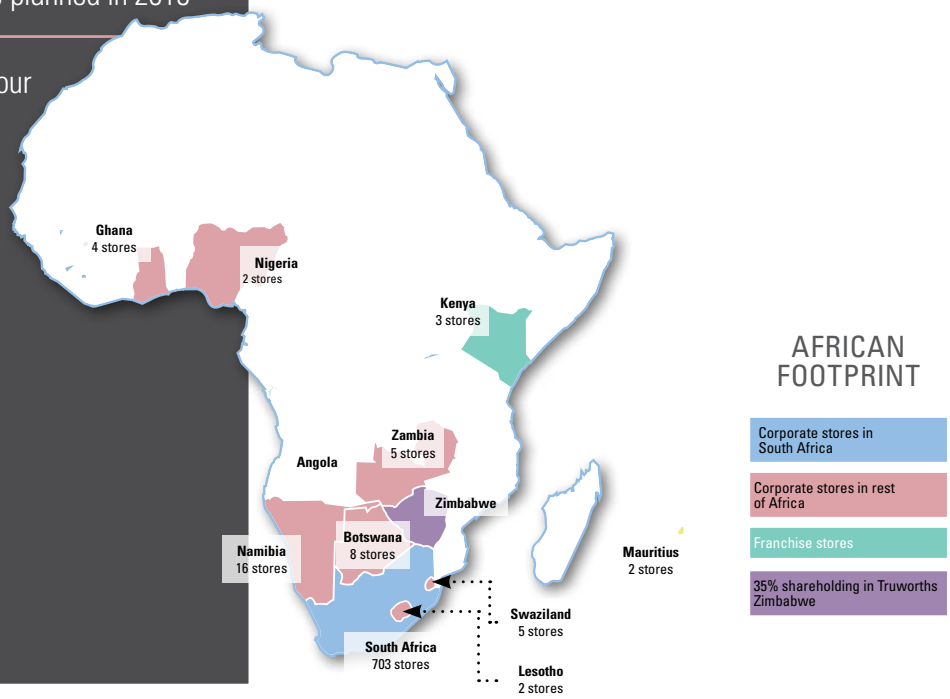
A net 44 stores were opened across all brands while the retail footprint was boosted by the acquisitions of the Earthchild and Naartjie businesses which added 62 stores.

Total trading space increased by 7.7% to 349 000 m². Excluding the newly acquired businesses, trading space grew by 6.1%.

Defining the fashion court

The Group's store location strategy is to define the fashion court in major shopping malls by trading from the best positions in these fashion courts, and to be recognised as the leading fashion anchor tenant.

This strategy also applies to stores on main streets in cities and towns where Truworths aims to be at the heart of the fashion retail zone.



Enticing stores and internationally styled merchandise position Truworths as an aspirational destination for quality fashion apparel. Creative merchandise displays in stores showcase the latest looks and the breadth of fashion on offer, and are designed to attract customers into stores and encourage them to purchase.

Multiple store formats

Stores are designed to offer customers an exciting fashion retail experience where they can shop for an innovative and adventurous blend of colour, fabric and fashion styling of international standard.

Truworths emporium stores

The emporium store enables customers to access multiple fashion brands in one store as well as encouraging cross-shopping between brands. The mainstream brands such as Truworths, Truworths Man, Uzzi, Daniel Hechter, Inwear and LTD, and their sub-brands, retain their unique identity and fashion styling within the emporium.

Stores are branded 'Truworths emporium' to highlight the multiple formats on offer, and the unique cross-shopping fashion experience that customers can enjoy.

Following the organic and acquisitive growth of the brand offering, the emporium store concept has been enhanced and will now feature four sub-emporiums: Truworths Ladieswear; Truworths Menswear; Truworths Designer and Truworths Kids.

The range of brands available in each emporium is determined by the size and location of the store. Refer to the Group Brands report on page 62 for detail on the brands housed in each of the emporium formats.

Emporium stores are located in central positions in shopping malls and generally have three to five entrances, with maximum shop frontage and windows showcasing the broad range of brands and merchandise.

Identity and YDE stores

Brands such as Identity and YDE generally attract a different customer profile to Truworths' shoppers. These brands are therefore not represented in the Truworths emporium stores, but are marketed through independent chains operating from stand-alone premises.

Identity caters to the fashion-forward and value-conscious youth market, offering high fashion merchandise at affordable prices.

	Store summary			Trading space (m^2 000's)		
Corporate stores	Projected 2016	**2015**	**2014**	Projected 2016	**2015**	**2014**
Truworths Emporium	349	**334**	**314**	267	**258**	**243**
Identity	246	**230**	**212**	69	**65**	**60**
Uzzi	52	**52**	**56**	4	**4**	**4**
Earthchild and Earthaddict	45	**41**	–	3	**3**	–
Truworths Menswear Emporium	35	**34**	**33**	11	**10**	**10**
Naartjie	28	**28**	–	2	**2**	–
YDE	20	**21**	**20**	6	**7**	**7**
Daniel Hechter	3	**3**	**3**	*	*	*
LTD	2	**2**	**2**	*	*	*
Ginger Mary	2	**2**	**1**	*	*	*
Truworths Kids Emporium	1	–	–	–	–	–
Total	**783**	**747**	**641**	**362**	**349**	**324**

* Trading space less than 1 000 m^2.

Stores are therefore vibrant, edgy and fun to appeal to this market. Stores are generally located in prime positions within the fashion court in malls or in key positions on the main streets of major towns and suburbs.

YDE showcases the fashion of emerging South African designers, and targets young fashionable customers wanting designer labels and styling. Designers pay a fee to display their merchandise and a commission on retail sales. Stores are located in prime positions in the fashion court in malls and the store design concept creates a strong point of differentiation from competitors.

Online store

The Group currently has a limited online store offering which generates sales equivalent to that of a small retail store. Online shopping is available through the Truworths web and mobi sites and is currently only offered to account customers. Other online services include a fashion delivery service, tracking of online orders, account balance information, updating of personal information and reporting of lost or stolen cards.

Management recognises the potential for the expansion of the online retail sales channel, and omni-channel retail has been identified as an area of strategic focus, with the ability for a customer to shop when, how and on which platform they choose as a core focus of this project. An e-commerce platform is being developed which will ultimately give account and non-account customers access to the full range of merchandise carried in flagship stores in addition to unique products not available in stores.

The first phase, being the relaunch of the website, will be completed in the second half of the 2016 reporting period followed by the second phase, responsive design mobile application and further brand rollout towards the end of the 2016 reporting period.

These key focus areas will increase the ability for customers to shop effortlessly across their devices and physical stores, allowing for better transparency and greater logistical accuracy in the fulfilment process.

Growing retail footprint

The Group opened a net 20 Truworths emporium stores, 18 Identity, 3 Earthchild, 3 Earthaddict, 1 Truworths Man, 1 Ginger Mary, 1 Naartjie and 1 YDE store during the reporting period, while 4 Uzzi stores were closed (3 were incorporated into emporium stores). 35 Earthchild/Earthaddict and 27 Naartjie stores were acquired through acquisitions.

Existing shopping centres are constantly being redeveloped to remain competitive and to ensure they are able to accommodate new retailers entering the market.

During the reporting period, 12 stores across all the brands were either expanded or relocated to positions with improved trading potential. A further 15 were renovated and upgraded in their current locations.

Management has also focused on increasing store productivity by reducing space in selected stores when leases are due for renewal. During the reporting period four stores were reconfigured by reducing space with a view to increase trading densities.

Rental escalations averaged 7% during the reporting period. The entry of international retailers is providing landlords with greater negotiating power while escalating building costs are also placing pressure on rentals. Consolidation in the property sector has resulted in a reduction in the number of landlords as malls are now owned and managed by fewer property funds.

Presence in the rest of Africa

The Group is committed to increasing its non-South African retail footprint to 120 stores over the next five years as it aspires to become the leading African fashion retailer in the longer term.

This follows a period of consolidation over the last two years as management focused on gaining a deeper understanding of the local markets in the other countries in Africa where the Group operates, after the initial roll-out of 20 stores in six countries when the strategy to expand into the rest of Africa was launched in 2011.

During the reporting period the Group opened 6 new stores, closed 2 stores and acquired 2 stores through acquisitions. A Truworths emporium and an Identity store were opened in Namibia, Ghana and Zambia and a Truworths emporium store and an Identity store were closed in Nigeria.

Merchandise allocations continue to be adapted to local markets as the merchandise teams gain greater insight into customer buying patterns.

Many of the complex logistical challenges experienced in the past are being overcome in conjunction with local supply chain partners, although the operations still face ever-changing bureaucratic hurdles in many of the countries.

Positive comparable store sales growth in local currency terms has been achieved in all countries in the rest of Africa.

The Group's strategy is to expand incrementally in the rest of Africa, gaining insight into the local trading environment and market potential. New stores are being planned for the 2016 reporting period in Namibia, Nigeria, Kenya and Zambia, as well as Tanzania and Mozambique thereafter.

Impact of power outages

Electricity loadshedding has marginally affected store trading hours, which has caused an estimated R125 million loss in retail sales from November 2014 to July 2015.

The Group is working with landlords to install more powerful generators in key shopping malls and linking to existing mall generators which will be beneficial during loadshedding.

The Group is also implementing its own generators in stand-alone CBD stores.

Expanding retail presence in 2016

The first Truworths Kids Emporiums will be opened in October 2015, housing the recently acquired Naartjie and Earthchild brands, as well as the existing LTD Kids brand. This will be a unique offering in the local retail market and the Group is targeting to open 150 Truworths Kidswear outlets over the next five years.

Trading space is planned to increase by approximately 4% in the 2016 reporting period with the planned net opening of 36 new stores. Capital expenditure of R322 million has been committed to the store expansion, renovation and upgrading programme.


UZZI

BEING THE EMPLOYER OF CHOICE

HUMAN CAPITAL REPORT

The Group aspires to be the employer of choice and is committed to investing in its human capital to enable employees to contribute to sustainable value creation across the business.

Employee turnover reduced to 13% (2014: 16%)

R103 million invested in skills development, an increase of 18% (2014: R87 million)

10 592 employees trained, an increase of 7% (2014: 9 876)

Black employees comprise 93% of total employees

Female employees account for 71% of total employees

Total employees 11 361 (2014: 10 565)

During the reporting period several enhancements have been made to human resources practices to improve the Group's ability to attract and retain employees, while at the same time reinforcing the positioning of Truworths as being a great place to work.

Following a review of all our categories of employees the decision was made to improve the benefits of flexi-time employees to ensure equal pay for work of equal value in comparison to their full-time counterparts, aimed at improving employee retention and linking rewards to performance and experience levels. This pool of flexi-time employees allows for flexibility to adapt staffing requirements for the variations in trading patterns.

The contract of a number of flexi-time employees in the distribution and call centres have been converted to full-time roles to improve retention of skills and enhance productivity. This conversion to full-time roles as well as the Earthchild and Naartjie acquisitions account for most of the growth in full-time employees in comparison to 2014.

Total guaranteed remuneration packages (TGP) have been introduced for all new appointments to improve the Group's ability to attract employees in specialised categories. This allows employees increased flexibility to structure packages to individual needs while at the same time continuing to offer access to excellent healthcare, retirement and insured benefits. TGP will be rolled out to all current employees during the 2016 reporting period.

Retention has been an area of specific focus in the store operations division as retail operations have become increasingly competitive following the entrance of international retailers into the market, as well as a greater emphasis being placed by local retailers on the quality of employees in stores.

Enhancements made to the flexible working hours' policy at the head office are already having a positive impact on attraction and retention of scarce and specialised skilled employees as well as improving general employee satisfaction levels.

Improved retention strategies and greater employee satisfaction have both contributed to the turnover in permanent employees improving to 13% (2014: 16%).

Human capital at a glance		2015	2014
Total employees		**11 361**	10 565
• Full-time employees		**4 434**	3 344
• Flexi-time employees		**6 927**	7 221
Permanent employee turnover	(%)	**13**	16
Employee absenteeism (days)	(%)	**1.6**	1.6
Skills development expenditure	(R million)	**103**	87
Skills development spend per employee trained	(R '000)	**9.7**	8.2
Total employees trained		**10 592**	9 876
Black employees as a % of employees trained	(%)	**94**	94

Values

The Group's business philosophy and values underpin the human capital management strategy. These values are incorporated into every aspect of the business, from recruitment to training and development, employee relations and recognition programmes. Through regular performance development discussions management not only measures performance against goals, but also assesses how employees are aligned with the Group's values.

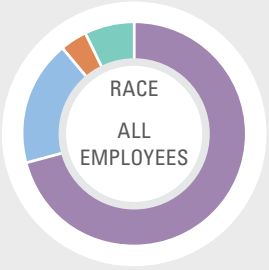
Employment equity

The Group follows an equal opportunity employment philosophy and focuses on investing in talent and recognising excellence. Employees are therefore encouraged to realise their potential regardless of race or gender.

While steady improvement has been made during the reporting period, this progress has not reflected in the overall employee profile owing in part to the incorporation of recent business acquisitions where the levels of transformation at the more senior levels lag those of the Group.

Truworths is fully committed to continuing on this journey of steady transformation (as contained in our employment equity plan) with a specific emphasis on developing our

EMPLOYMENT EQUITY



African **71%** (2014: 71%)
Coloured **18%** (2014: 18%)
Indian **4%** (2014: 4%)
White **7%** (2014: 7%)

Black **71%** (2014: 69%)
White **29%** (2014: 31%)

Female **71%** (2014: 71%)
Male **29%** (2014: 29%)

internal talented employees and promoting them to the various levels as they fulfil their potential.

Gender representation shows 71% of employees are female and this is generally evident across most levels.

Talent and skills development

The Group continues to focus on internally developed talent and skills development programmes which are tailored to the needs of the business. In the reporting period 10 592 people were trained with an investment of R103 million (2014: R87 million) having been incurred.

The major focus has been on training in areas of skills shortages, notably for retail managers and merchant specialists, to ensure business continuity and succession.

Leadership development and talent management continued to be an area of focus, particularly with regard to junior and middle management development.

The Group's merchant training programme ensures a strong pipeline of talent for the merchandise division where the market competition for talent and experience is high.

A successful learnership programme for entry level positions ensures the Group has a pool of talent to fill full-time posts. In the reporting period over 1 000 people were up-skilled on accredited learning programmes.

These programmes have contributed to the Group achieving 14.72 points out of a possible 25 for skills development on the latest dti generic B-BBEE scorecard.

Remuneration

Reward strategies are aimed at attracting, motivating and retaining employees, and at promoting a high performance culture across the Group. Remuneration practices are therefore closely linked to the Group's business philosophy, and to the achievement of Group, team and individual performance objectives.

The introduction of total cost of employment (TCOE) remuneration packages will ensure the Group is more competitive in the marketplace. A new grading system and new job evaluation tools are being implemented to ensure alignment of reward for performance and skills relative to the market. These developments will be effective during the 2016 reporting period.

Wages and substantive conditions of employment have been negotiated with the South African Commercial, Catering and Allied Workers Union (SACCAWU) for employees forming part of the bargaining unit. Union membership within the Group has declined over the reporting period from approximately 600 to 500 employees, equating to 7% of the Group's South African employees (2014: 9%).

The remuneration of executive and non-executive directors is covered in the Remuneration Committee report.

Succession planning

Succession reviews are conducted regularly and high potential employees are identified and placed on individual training programmes. Most senior executives in the Group have been promoted to their current positions from within the business, underlining the importance of skills retention and effective succession management.

Experienced executives are selectively retained in contract roles after reaching the normal retirement age of 60 to mentor and coach successors. Senior management of Naartjie and Earthchild, the businesses acquired during the period, have subsequently been appointed to senior roles in the Group.

REMUNERATION COMMITTEE REPORT

Remuneration has remained a complex challenge to ensure the retention of key executives and employees while at the same time rewarding competitively but appropriately for individual and Group performance levels. This has required remuneration practices and policies to be reviewed to ensure they remain innovative and competitive, entrench a high performance culture across the Group, and align performance and reward with the Group's business philosophy. A primary consideration in this review process has been to reward sustainably for sustainable performance, with the aim of ensuring both short and long-term performance is in line with the objectives of the Group.

The Remuneration Committee (the committee) has oversight of the Group's remuneration practices and policies and is responsible for reviewing, recommending and approving the remuneration for non-executive directors, executive directors, divisional directors and key executives. The committee periodically reviews the Group's remuneration strategy to assess whether it remains aligned with the objective of enhancing shareholder value and is focused on achieving the following:

- Attracting, retaining and rewarding a high performing executive team.
- Motivating the Chief Executive Officer (CEO) and executive team to pursue the long-term growth and success of the Group.
- Demonstrating a clear relationship between performance and remuneration.
- Ensuring an appropriate balance between guaranteed and variable remuneration, taking cognisance of both the short and long-term objectives of the Group.
- Differentiating pay between higher and average performers through effective performance management and assessment.

The committee comprises independent non-executive directors Rob Dow (chairman) and Hilton Saven. The CEO and certain executives from the Human Resources Department are invitees to meetings of the committee and are recused from aspects of the committee's discussions at the discretion of the Chairman. The CEO is specifically excused from discussions that relate to his performance and remuneration.

While the Group's performance did not meet all the financial performance targets for the reporting period, the committee decided to pay a reduced retention linked award to some high-performing employees where their individual performance targets were achieved.

The following activities were undertaken by the committee during the period:

- Confirmed the implementation of the previously approved remuneration policy.
- Reviewed and approved the remuneration of the executive directors, divisional directors and key executives.
- Approved the payment of vested long-term incentives to scheme participants.
- Reviewed and recommended for approval by shareholders the non-executive directors' remuneration for the 2015 calendar year.
- Agreed and recommended for approval by the board the performance targets for the relevant share schemes.
- Approved the issue of share-based awards in terms of the 2012 share scheme.
- Conducted an external remuneration benchmarking exercise for directors, divisional directors and key executives.
- Conducted an assessment of Group policies regarding the payment of short-term incentives to executives and employees.
- Reviewed and approved for recommendation to the board the Group's financial and strategic project performance attainments against the previously agreed targets.

In addition to its regular functions, the committee plans to undertake the following in the 2016 reporting period:

- Conduct an assessment of Group policies regarding the payment of long-term incentives to executives and employees.
- Conduct an assessment of the reward policy for stores employees as well as for employees below management level to further improve reward for performance.
- Undertake a performance management review project with the aim of improving the alignment of reward

for performance in line with Group performance requirements.

- Ensure all full-time employees are converted to total cost of employment (TCOE) remuneration packages which offer flexible benefits while at the same time improving retention and comparative internal equity of earnings.

The committee ensures that the Group takes cognisance of evolving legislation and remuneration practices through continuous research. In this regard and in response to feedback from shareholders, changes were introduced to the reporting of the Group's remuneration policy so as to provide more detail. These reporting changes are reflected in the remuneration policy for the 2016 reporting period set out on pages 84 to 89.

This report of the committee focuses primarily on the remuneration of the Group's executive and non-executive directors.

Rob Dow
Chairman,
Remuneration Committee

Part 1: Remuneration policy

Remuneration philosophy and principles

The Group's remuneration philosophy is aimed at attracting, motivating and retaining key employees to drive a high-performance culture that delivers the Group's long-term strategy as well as sustainable shareholder returns. This 'total remuneration' philosophy underpins the Group's ability to attract potential employees and to retain and motivate in-service employees through equitable reward mechanisms. Total remuneration comprises all elements of financial reward, including guaranteed earnings, short-term incentives as well as long-term incentives. The combination of financial and non-financial reward constitutes 'total reward' and supports the holistic employee value proposition.

Remuneration practices are closely linked to the achievement of Group, team and individual performance objectives. The composition of total remuneration is based on the employee's role in the Group and there is a strong and sustainable link between performance, contribution and potential on the one hand, and the rewards received by employees on the other.

The Group's reward policy is based on the following:

- Enabling the Group to attract, motivate and retain key employees.
- Internal equity, which ensures employees are rewarded appropriately in relation to peers.
- External equity, to ensure employees are competitively rewarded in relation to the market.
- An appropriate mix of short and long-term incentives to promote sustained high levels of performance as well as alignment of employee and shareholder interests. Alignment of risk and rewards, with remuneration practices and schemes designed to encourage superior medium to long-term performance relative to competitors, while operating within prudent risk parameters to ensure sustainability.

Remuneration structure

Executive remuneration is determined according to the nature and responsibilities of the executive's role in relation to market benchmarks and the performance of the individual in relation to Group performance and individual performance targets. Remuneration includes guaranteed remuneration as well as performance related elements.

Rewarding executive performance through the various remuneration elements:

- Ensures alignment of the executives' and shareholders' interests.
- Promotes a culture of executive share ownership.
- Promotes striving for excellence in individual executive performance.
- Supports the retention of executives.

The core principles of the Group's performance management process are the effective alignment of Group strategic objectives with individual outputs. Performance objectives are based on a scorecard of metrics featuring both financial and non-financial indicators, which align with the Group's strategic initiatives.

Internal and external surveys as well as professional advisers are consulted to assist in determining comparable remuneration practices. The Group utilises external service providers for continued remuneration benchmarking and deploys REMeasure for job evaluation. Remuneration is further benchmarked by comparing reward levels against those payable by other JSE listed retailers and comparable top 40 JSE listed companies. All data is appropriately aged, and weighted averages, medians and ranges are applied to establish the most appropriate remuneration levels.

The total remuneration mix is depicted as follows:

Guaranteed remuneration	Variable and performance-related remuneration		
		Long-term performance	
Annual guaranteed remuneration	Short-term performance	Retention shares	Performance shares
• Monthly cash salary • Car benefit • Retirement benefits • Healthcare benefits • Group life and disability insurance This will be converted to guaranteed total cost of employment (TCOE) in 2016	• Short-term cash-based incentive scheme	• Restricted share plan • Share appreciation rights scheme	• Performance share plan • Performance appreciation rights scheme
Salary is based on performance, contribution, experience and market value relative to responsibilities within the Group	Incentives are based on Group and individual performance criteria (bonuses are only paid if the Group achieves its annual targets)	Long-term share-based incentives are aimed at retention as well as encouraging sustainable shareholder wealth creation	

Guaranteed remuneration

Guaranteed remuneration is determined in relation to employment market norms. The Group conducts annual benchmarking against comparable JSE listed companies and also utilises the services of professional advisors to conduct external surveys with the aim of maintaining guaranteed remuneration at the median market level. The Group further deploys a process of job profiling and evaluation to ensure consistency in the evaluation and sizing of roles, thus ensuring the correct benchmarking of guaranteed remuneration levels.

A combination of performance and market remuneration positioning is utilised to adjust guaranteed remuneration levels annually. Adjustments to guaranteed remuneration outside of the annual review process are done on an exceptional basis and linked to changes in responsibility level.

Incentives

The performance of executive directors is reviewed annually by the Remuneration Committee (the committee) against pre-determined financial and non-financial targets to ensure alignment with shareholder interests.

The primary performance indicators on which executive directors are measured include:

Financial target indicators:

- Earnings before interest paid and tax (EBIT) growth
- Headline earnings per share (HEPS) growth
- Return on assets (ROA)

Targets for HEPS growth and ROA are determined by the committee. The ROA target is disclosed in the Integrated Report each year, however the HEPS and EBIT growth targets are not disclosed as this is considered by the board to be market sensitive information. Targets for gross profit margin and operating profit margin, two of the key drivers of EBIT growth, are disclosed to shareholders.

Non-financial strategic goals include:

- Expansion of the business outside of South Africa
- Improving supply chain efficiencies
- Expansion of customer relationship management capabilities

The weighting of non-financial targets in assessing executive performance is regularly reviewed by the committee.

The CEO's performance is further measured with reference to headline earnings growth and maintaining the quality of such earnings, the achievement of long-term strategic goals, including succession planning and the determination of the overall direction of the business.

Short-term incentives

The 2015 short-term incentive (STI) scheme was designed to drive performance and retain key talent through this variable remuneration model. Individual performance is measured with reference to a scorecard of metrics to encourage executives to focus on both the financial and non-financial performance targets of the Group. Financial targets are based primarily on earnings growth and no short-term incentive is paid to executives if the threshold performance measure of earnings growth and the Group's published medium-term financial targets (including ROA and ROE) are not achieved. Non-financial targets are based on the long-term strategic goals of the business. The scheme is self-funded and is only paid if the Group exceeds the financial performance targets after the cost of the incentives is taken into account. Participation in the scheme is generally limited to employees whose role and contribution could directly influence the performance of the Group.

Based on feedback from shareholders, the STI scheme was reviewed by the committee. The amended policy which will be implemented for the 2016 reporting period is detailed below.

The 2016 short-term incentive will be determined by the headline earnings level and will only be paid if the threshold HEPS growth level is achieved after the cost of the incentive is taken into account. Threshold, target and stretch levels are pre-agreed annually in line with anticipated Group performance. Participation in the scheme is discretionary and therefore there is no right to a performance incentive award in any given year. No portion of any executive director's STI is guaranteed. STIs are in the form of cash and the employee must be in service (and not in their notice period) on the date of payment.

There are no deferred STI arrangements as STIs are only paid up to the capped amount. All executive director STIs are approved by the committee.

A short-term incentive of 60% of annual guaranteed earnings in the case of the Chief Executive Officer (40% in the case of other executive directors) is paid on the achievement of an on-target performance with the performance hurdles set at 100% of the targeted group HEPS growth. Incentive payments are capped at 120% of guaranteed annual remuneration in the case of the Chief Executive Officer and 100% in the case of other executive directors with a sliding scale between threshold and stretch.

		Under threshold	Threshold	On target	Stretch	Maximum
Multiple of annual guaranteed earnings	CEO	0%	0%	60%	100%	120%
	Executive directors	0%	10%	40%	80%	100%

Long-term incentives

Long-term incentive (LTI) schemes are aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value over the medium term. The LTI schemes are reviewed regularly to ensure alignment with overall reward as well as with best practice.

The Group operates four share-based long-term incentive (LTI) schemes in terms of the 2012 share plan:

Retention schemes	Performance schemes
• Restricted share plan • Share appreciation rights scheme	• Performance share plan • Performance appreciation rights scheme

The following are the core principles applicable to the Group share scheme arrangements:

- The restricted share plan and share appreciation rights scheme have no performance conditions and are utilised to support the retention of key executives and employees.
- The performance share plan and performance appreciation rights scheme have performance targets and are utilised to support and reward good long-term decision making and financial performance.
- Awards can be made across all four schemes and can vest over a period of up to six years.
- Where awards lapse, there is no replacement compensation.
- The allocation under the Group's LTI arrangement is approved in advance by the committee.

- The committee assesses and approves all Group performance targets to ensure that the interests of all stakeholders are appropriately considered, and financial targets are set as an incentive for employees to perform and simultaneously set to stretch goals for the business to achieve.
- All shares and rights are forfeited upon an employee's resignation or dismissal in terms of the scheme rules.
- Retention-focused long-term incentives to existing executive directors may not make up more than 50% of the total long-term incentive allocations in any particular year.
- Performance-focused long-term incentives issued to executive directors will be subject to corporate performance targets.
- Financial performance hurdles for long-term incentives have been amended to HEPS growth and ROA. There are no non-financial targets for long-term incentives.
- Loans to employees pursuant to the legacy share option scheme have been discontinued (historical loans will remain in place until they expire in 2020).
- The maximum allocation resulting from the scheme is limited to 10% of issued shares at June 2012 over the life of the schemes in terms of policy, but the committee's guideline is to keep this below 7.5%.
- Annual allocations are capped at 1.25% in any one year and no more than 5% in any five-year period in terms of policy, but committee guidelines are to limit annual allocations to below 1% in any one year.
- The remuneration committee regularly monitors the overall actual and forecasted impact and costs of these schemes on Group earnings.

Legacy share schemes

Two legacy long-term incentive schemes (High performance share scheme and Share option scheme) remain in operation but no further awards will be made under these schemes. Potential payments relating to unvested instruments under these schemes as well as the number of instruments issued in terms of these schemes are taken into account in the allocation of shares under the 2012 share plan.

Non-executive directors' remuneration

Non-executive directors receive fixed fees for services rendered as directors and as members of board committees. These fees are based on an assessment of the non-executive directors' time commitment, responsibilities, skills and experience. All non-executive directors receive the same base board fees, regardless of their length of service. In line with best governance and remuneration practice, non-executive directors may not participate in incentive schemes and do not receive any other benefits or performance-related remuneration from the Group. None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to non-executive directors during the period. The remuneration of non-executive directors is reviewed annually by the committee and recommendations for increases are made to the shareholders at the AGM for consideration and approval. Fees are determined in advance for a calendar year.

Part 2: Implementation of the remuneration policy for 2015

Guaranteed remuneration

Guaranteed remuneration is reviewed annually in March and is based on a combination of prevailing inflation levels, Group performance, retail market data, internal comparatives, as well as individual performance.

Currently all directors and divisional directors' remuneration increases are based on TCOE, while all other employees' increases are based on cash salary plus benefits.

To ensure compliance with changing legislation in terms of "equal pay for work of equal value", the Group has streamlined all contract types to ensure alignment in earning and benefits levels across roles of equal level. As a result, all employees in specialised and management level roles will be remunerated on a TCOE basis with effect from 1 January 2016.

All store employees' compensation complies with the sectoral determination or statutory requirements and the minimum rates of pay as determined for the retail industry are either met or exceeded.

Short-term incentives

Executives and management participate in the annual short-term incentive scheme. The committee annually reviews and approves any payment allocation made. While the Group's performance did not meet all the financial targets for the reporting period, the committee decided to pay a reduced retention-linked award to some high-performing employees where their individual performance targets were achieved. An amount of R37 million was paid in terms of these retention payments.

Long-term incentives

Financial performance conditions and targets are determined by the committee. Measuring performance over a longer period ensures a focus on longer-term, sustainable growth in shareholder value. The performance targets are approved by the board and monitored by the committee. These targets are intended to focus management's attention on growing revenue, constraining the fixed cost base, making well-reasoned and profitable capital expenditure decisions, and maintaining a healthy and efficient balance sheet structure.

The performance targets for awards made in September 2014 were based on a variable vesting scale from 0% to 150% as follows:

criteria	Weighting	100% vesting if performance meets this target
EBIT growth	30%	CPI + 1 percentage point
ROE	20%	40.0%
ROA	20%	44.0%
Non-financial strategic goals	30%	Good Performance Plus level

Based on feedback from shareholders, the committee reassessed the performance targets for long-term incentives and agreed to remove strategic goals and adjust financial targets to ROA and HEPS. This resulted in the following performance targets for shares issued in March 2015 with a variable vesting scale from 0% to 120%:

Criteria	Weighting	100% vesting if performance meets this target
HEPS	65%	CPI + 10.3 percentage points
ROA	35%	42.0%

The following share-based awards were allocated in 2015.

Share scheme allocations in 2015

Scheme	Number of participants	Value of awards (Rand)
Restricted share plan (with no performance targets)	269	R82 million
Performance share plan (with performance targets)	27	R36 million
Share appreciation rights scheme (with no performance targets)	74	R11 million

Directors' remuneration

Executive directors' remuneration 2015	Months paid	Short-term benefits				Post-retirement benefits	Long-term benefits	Total remuneration R'000	Fair value of equity-based awards granted R'000	Loans pursuant to share scheme R'000*
		Directors' fees R'000	Salaries R'000	Performance and retention bonus R'000	Allowances R'000	Pension contributions R'000	Interest benefit on loans R'000			
Michael Mark	12	–	6 423	–	46	1 317	2 911	10 697	4 564	43 254
David Pfaff	12	–	3 037	1 400	34	318	–	4 789	1 075	–
Total		–	9 460	1 400	80	1 635	2 911	15 486	5 639	43 254

* No further loans pursuant to the 1998 share scheme are being granted. Existing loans may remain in place until 2020.

Executive directors' remuneration 2014	Months paid	Short-term benefits				Post-retirement benefits	Long-term benefits	Total remuneration R'000	Fair value of equity-based awards granted R'000	Loans pursuant to share scheme R'000*
		Directors' fees R'000	Salaries R'000	Performance bonus R'000	Allowances R'000	Pension contributions R'000	Interest benefit on loans R'000			
Michael Mark	12	–	6 270	–	18	1 280	2 702	10 270	3 231	43 267
David Pfaff	10	–	2 597	–	–	269	–	2 866	585	–
Total		–	8 867	–	18	1 549	2 702	13 136	3 816	43 267

Non-executive directors' remuneration

The proposed fees of non-executive directors for the 2016 calendar year were benchmarked against fees payable by other JSE listed companies with a similar profile and are detailed below.

Non-executive directors' fees	Proposed fees for 12 months to December 2016 R'000	Fees approved for 12 months to December 2015 R'000	Proposed increase %
Non-executive chairman	770	**690**	12
Non-executive deputy chairman	500	–	–
Non-executive director	280	**280**	–
Audit Committee chairman	235	**200**	18
Audit Committee member	125	**115**	9
Remuneration Committee chairman	140	**120**	17
Remuneration Committee member	80	**75**	7
Risk Committee chairman	140	–	–
Risk Committee member	80	**80**	–
Non-executive and Nomination Committee chairman	100	**40**	150
Non-executive and Nomination Committee member	50	**20**	150
Social and Ethics Committee chairman	50	**30**	67
Social and Ethics Committee member (non-executive only)	25	**18**	39

2015 Non-executive directors' fees	Months paid	Total remuneration R'000
Rob Dow	12	512
Thandi Ndlovu	12	305
Hilton Saven	12	773
Roddy Sparks	12	397
Tony Taylor	12	287
Michael Thompson	12	576
Khutso Mampeule	12	269
Total		3 119

2014 Non-executive directors' fees	Months paid	Total remuneration R'000
Rob Dow	12	467
Thandi Ndlovu	12	278
Hilton Saven	12	705
Roddy Sparks	12	362
Tony Taylor	12	255
Michael Thompson	12	513
Sisa Ngebulana	7	132
Khutso Mampeule	5	129
Total		2 841

GOVERNANCE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TRUWORTHS INTERNATIONAL LIMITED

BOARD OF DIRECTORS


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10

1 **Hilton Saven (62)**
BCom, CA (SA)

Chairman of the board
Independent non-executive director
Chartered accountant and business consultant
Chairman: Mazars South Africa, Truworths Chairman's Foundation
Executive Board Member: Mazars International
Non-Executive Director: Lewis Group Ltd, Monarch Insurance Company Ltd, Praxity-Global Alliance Ltd, Life Vincent Pallotti Orthopaedic Centre (Pty) Ltd
Trustee: Truworths International Ltd Share Trust
Appointed to the board in February 2003
Member of Remuneration Committee and Non-executive and Nomination Committee

2 **Michael Mark (62)**
BCom, MBA, ACMA

Chief Executive Officer
Executive director
Executive Chairman: Truworths Ltd, since March 1998
Director: Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd
Trustee: Truworths Chairman's Foundation
Appointed to the board in July 1988, as Managing Director of Truworths Ltd in July 1991 and as Group Chief Executive Officer in July 1996

3 **Rob Dow (58)**
BSc (Hons), Dip.Acc (Dist), CA

Independent non-executive director
Investment advisor and business consultant
Director: Kensani Capital (Pty) Ltd, Morella Investments (Pty) Ltd, St Mary's School Waverley (non-profit company), Phetogo Investment Holdings (Pty) Ltd
Trustee: Truworths International Ltd Share Trust
Appointed to the board in February 1998
Chairman of Remuneration Committee and member of Audit Committee and Non-executive and Nomination Committee

4 **Thandi Ndlovu (60)**
BSc, MBChB

Independent non-executive director
Construction executive and businesswoman
Chairman: Motheo Construction Group of companies
President: South African Women in Construction, Black Business Council for the Built Environment
Director: Baitshepi Development Consulting Services (Pty) Ltd, Kemano Investment Holdings (Pty) Ltd, Thulong Investments (Pty) Ltd
Member of the Business Unity SA (BUSA) Transformation Policy Committee
Appointed to the board in February 2001
Member of Social and Ethics Committee and Non-executive and Nomination Committee

5 **Michael Thompson (72)**
BCom, MBA, AMP (Harvard)

Independent non-executive director
Retired banking executive and management consultant
Chairman: SA Select Property Investments Ltd, SA Select Property Asset Managers (Pty) Ltd
Trustee: Truworths International Ltd Share Trust
Appointed to the board in March 2004
Chairman of Audit Committee and Social and Ethics Committee, and member of Risk Committee and Non-executive and Nomination Committee

6 **Khutso Mampuele (50)**
BA, MSc, MBA

Independent non-executive director
Businessman
Founder and Executive Chairman: Lefa Group Holdings (Pty) Ltd
Appointed to the board in February 2014
Chairman: Phetogo Investment Holdings Ltd, Fourdec Advisory (Pty) Ltd, Withmore Investments (Pty) Ltd
Non-executive director: Comair Ltd, Niveus Investments Ltd, Senwes Ltd, KWV Holdings Ltd, Institute of Directors for Southern Africa
Member of Non-executive and Nomination Committee

7 **Tony Taylor (68)**
BA

Independent non-executive director
Retail executive and businessman
Director: Pepkor Retail Ltd (CEO: Speciality Group)
Appointed to the board in February 1999
Member of Non-executive and Nomination Committee

8 **Roddy Sparks (56)**
BCom (Hons), CA (SA), MBA

Independent non-executive director
Director of companies
Chairman: Atlantic Asset Management (Pty) Ltd group, NMC (Pty) Ltd
Non-executive director: Trencor Ltd, Imperial Holdings Ltd, Regent Life Assurance Company Ltd, Regent Insurance Company Ltd and Pembani Group (Pty) Ltd
Trustee: World Wildlife Fund for Nature, Foodbank Foundation, The Abe Bailey Testamentary Trust
Appointed to the board in February 2012
Member of Audit Committee and Non-executive and Nomination Committee

9 **David Pfaff (50)**
BCom, CA (SA), Dip Soc (Oxon)

Chief Financial Officer
Executive director
Director: Truworths Ltd, Truworths Botswana (Pty) Ltd, Truworths (Mauritius) (Pty) Ltd, Truworths The Look Nigeria Ltd, Tru Group Clothing Retailers (Ghana) Ltd
Non-executive director: Truworths Limited (incorporated in Zimbabwe)
Employee since April 2013
Appointed to the board in September 2013
Member of Risk Committee, Sustainability Committee and Social and Ethics Committee

10 **Jean-Christophe Garbino (45)**
BA (Business Administration)
Member of the Association pour le Progrés du Management (APM)

Designate Chief Executive Officer
Appointed to the board on 21 August 2015
Previously Chief Executive Officer since 2007 of Kiabi Group, a fashion retailing chain based in France and operating in eight countries across Europe and Russia.
Prior to this he was Managing Director (2002 to 2007), and Human Resources Director (2000 to 2002) for Kiabi Spain, having been employed by the Kiabi Group since 1992.

TRUWORTHS LIMITED
EXECUTIVE MANAGEMENT

Michael Mark (62)
BCom, MBA, ACMA

Chief Executive Officer
Executive Chairman
Director: Truworths International Ltd, Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd
Appointed to the board in July 1991
Employee since July 1991
Chairman of Risk Committee

David Pfaff (50)
BCom, CA (SA), Dip Soc (Oxon)

Chief Financial Officer
Executive director
Director: Truworths Botswana (Pty) Ltd, Truworths (Mauritius) (Pty) Ltd, Truworths The Look Nigeria Ltd, Tru Group Clothing Retailers (Ghana) Ltd
Employee since April 2013
In current position since 1 September 2013
Member of Risk Committee, Sustainability Committee and Social and Ethics Committee
Non-executive director: Truworths Ltd (Incorporated in Zimbabwe)

Doug Dare (54)
BBus Sc

Director: Buying and Merchandising
Appointed to the board in July 1999
Employee since June 1984

Derek Kohler (62)
BA (Econ) (Hons)

(retired 30 June 2015)
Director: Store and Franchise Operations
Appointed to the board in November 1997
Employee since July 1981
Member of Transformation Committee
Director: Truworths Botswana (Pty) Ltd, Truworths (Mauritius) (Pty) Ltd, Truworths The Look Nigeria Ltd, Tru Group Clothing Retailers (Ghana) Ltd

Jean-Christophe Garbino (45)

BA (Business Administration)

Designate Chief Executive Officer

Employee and in current position since 1 March 2015

Sarah Proudfoot (47)

National Diploma in Clothing Design

Divisional Director: Merchandise

Employee since March 2001

In current position since June 2009

Tony Miek (52)

PG Diploma in Accounting

Divisional Director: Real Estate, Store Design and Visual Presentation

Employee since December 2005

In current position since August 2006

Chairman: Sustainability Committee

Director: Young Designers Emporium (Pty) Ltd

Sean Furlong (54)

Diploma in Marketing Management

Divisional Director: Merchandise and Logistics

Employee since February 1989

In current position since August 2006

Steve Widegger (51)

Diploma in Business Management

Divisional Director: Merchandise

Employee since February 1987

In current position since August 2006

Neville Kopping (52)

BCom

Divisional Director: Merchandise

Employee since March 2006

In current position since March 2008

Mark Forster (55)

Divisional Director: Merchandise

Employee since May 1999

In current position since March 2008

Mark Smith (50)

BA (Hons), Higher Diploma in Education, SMP

Divisional Director: Human Resources

Employee since September 2009

In current position since September 2009

Chairman: Transformation Committee

Francois Baissac (53)

Diploma in Computer Programming and Project Management

Divisional Director: Information Systems

Employee since June 1988

In current position since February 2011

Glenn Wood (50)

MSc (Financial Management), BSc (Accounting)

Divisional Director (Designate): Retail operations

Employee since March 2015

In current position since May 2015

Jonni Katz (46)

Divisional Director: Earthchild and Naartjie

Employee since March 2015

In current position since June 2015

Gary Barnard (39)

BSc (Electro-Mechanical Engineering)

Divisional Director: Credit

Employee since June 2002

In current position since August 2015

CORPORATE GOVERNANCE REPORT

'The Group continued to practise corporate governance at a high level, aimed at facilitating the Group's sustainability, the consistent generation of long-term shareholder value and the ongoing realisation of benefits for other stakeholders.'

Introduction

During the period under review the Group continued to practise corporate governance at a high level, aimed at contributing towards the Group's sustainability, the consistent generation of long-term shareholder value and the ongoing realisation of benefits for other stakeholders.

The company's board is responsible for defining, monitoring and periodically amending the Group's governance and compliance framework. The board remains principally accountable to shareholders, but also takes into consideration the material interests of customers, as well as the legitimate requirements of employees, suppliers, regulators and community organisations.

In an environment of voluminous and changing regulation, and in the context of acquisitive and organic growth, the Group has worked to attain an appropriate balance between the governance expectations of stakeholders, and the requirement to generate consistent and competitive financial returns.

Governance in the Group extends beyond compliance with codes, legislation, regulations and listings requirements. Management has adopted sound corporate governance principles and appropriate governance structures and policies, and believes it has embedded into operations a business-wide culture of good governance that is aligned to the Group's business philosophy.

An independent assessment of the Group's standard of governance is provided by the annual evaluation process for the JSE Socially Responsible Investment (SRI) Index, which relies on publicly available information. In the reporting period the Group again qualified for inclusion in the Index and attained 100% (2014: 100%) for the core elements and 100% (2014: 97%) for the desirable elements of the governance pillar of the SRI scorecard. This is the seventh consecutive year that the Group has been admitted to the SRI index.

Application of King III principles

The directors confirm that during the 2015 reporting period the Group has, in all material respects, voluntarily applied the 2009 King Code of Governance Principles (King III) and complied with the mandatory corporate governance provisions in the JSE Listings Requirements. A schedule of how the Group has applied the King III principles in detail can be viewed on www.truworths.co.za under the investor relations section.

How governance adds value in the Group

Corporate governance can be viewed by some as a compliance overhead that adds little in terms of tangible value, and is costly in terms of resource utilisation.

The Group's approach to corporate governance, however, is to aim for the relevant policies, structures and processes, that may have been brought into existence initially to ensure adherence with applicable regulation and codes of conduct, to contribute substantially to improved corporate performance. This aim is achieved by:

- considering the governance requirements critically and with a view to determining how they could be implemented within the Group in a value-adding way;
- identifying opportunities in governance requirements for enhanced accountability, improved decision making, better risk mitigation and more comprehensive disclosure;
- conducting a thorough debate and enquiry process before putting into place the applicable policies, reporting and monitoring mechanisms, committee structures, and other features that are hallmarks of a sound governance framework;
- periodically reviewing these elements and benchmarking the Group's initiatives against comparable organisations and recommended best practice.

Improved corporate performance arising from sound corporate governance manifests itself in a number of ways in the Group, including:

- Diversity and independence of opinion in board decision making, with the aim of ensuring sound outcomes.
- Maintenance of discipline in management's reporting to the board.
- Enhanced levels of accountability by management to the board.
- Meaningful risk management and controls that are embedded in day-to-day operations and decision making.
- Better and more integrated reporting of both financial and non-financial aspects to stakeholders.
- Improved levels of assurance regarding the reporting by management to shareholders.
- Achievement of an appropriate balance in meeting the expectations of the different stakeholders of the Group.

It is the view of the board that the improved corporate performance achieved through its sound governance framework has created value for the business and its stakeholders, in the form of lower risk, improved sustainability, consistency of financial performance, sound stakeholder relationships, high levels of legislative compliance and reputational integrity.

Governance developments in 2015

While the board believes the Group has achieved a suitably high level of maturity in relation to the Group's governance, processes, policies and structures are continually reviewed and modified. The following enhancements were made to the Group's governance framework during the period:

GOVERNANCE ELEMENT	GOVERNANCE DEVELOPMENT
Social and Ethics Committee	The committee has reviewed its meeting content and agenda, as well as its monitoring and reporting roles with a view to ensuring that it functions in accordance with applicable regulation and its charter. The committee participated in an independent survey aimed at assessing the efficacy of its functioning and is considering enhancements to the scope of its activities.
Risk governance	The chairmanship of the Risk Committee has been assumed by the Chief Executive Officer. The reporting by the Risk Committee to the board of the company, the Audit Committee and to the board of Truworths Ltd has been amended to be more encompassing and less detailed. The format of the Group's risk register has been updated to include an impact indicator. Key risks in the risk register have been reviewed and reframed in terms of mitigating controls.
Information technology (IT) governance	Ongoing development and maturation of IT governance processes, including the regular use of an IT governance scorecard, the ongoing involvement of the IT audit manager in promoting and monitoring IT governance, and the routine consideration of IT governance matters on the agendas for the Risk Committee, Audit Committee and Truworths Ltd board meetings, and the embedding of good IT governance practices in day-to-day operations, have been evident.
Director education and development	Continuation and enhancement of management presentations at board meetings to further develop a broader understanding by directors of the Group's operations and key projects.
Anti-corruption policies	The Group's policies and contractual terms aimed at combating bribery and corruption were reviewed and strengthened.
Consumer and credit legislation compliance	Management implemented plans to deal with consumer and credit legislation changes, including amendments to, and affordability assessment regulations under, the National Credit Act, the Code of Conduct and Ombud scheme in terms of the Consumer Protection Act for the consumer goods and services industry; and the information privacy and security provisions of the Protection of Personal Information Act.
Designate Chief Executive Officer	Jean-Christophe Garbino was appointed Designate CEO with effect from 1 March 2015 and is following a process of structured induction into the Group's business.
Chief Financial Officer and finance function assessment	The processes for and questionnaires used in the annual assessment of the experience and expertise of the Chief Financial Officer, and the annual review of the expertise, resources and experience of the Group's finance function were reviewed and amended.
Policy on the use of external auditors to provide non-audit services	The Group's policy on the use of the external auditors in the provision of non-audit services was reviewed and updated to align its provisions with recent regulatory developments.
Tax risk management	Management progressed to an advanced stage of finalisation of its Group-wide international transfer pricing policy and inter-company agreements, and reviewed its processes for ensuring reliability and defensibility in areas of judgement in relation to key tax-related issues.

Board of directors

Board structure

The board functions in terms of a written charter and the complementary roles and responsibilities of the boards of Truworths International, the listed investment holding and management company, and its wholly-owned retailing subsidiary, Truworths Ltd (Truworths), are formally documented.

The Truworths International board provides direction and leadership to the Group and is ultimately accountable for the overall governance, performance, strategy and affairs of the Group.

Operational responsibility for the Group's retailing business has been delegated to the Truworths board which is accountable for the ongoing management of the business.

Board composition

The Group has a unitary board structure with seven non-executive directors and two full-time salaried executive directors at the end of the reporting period.

The roles of the independent non-executive Chairman and the Chief Executive Officer are fulfilled by separate persons and are clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted decision-making authority.

Biographical details of the directors appear on page 93.

Board appointments

Directors are appointed by the board in a formal and transparent manner. The Non-executive and Nomination Committee, in consultation with the Chief Executive Officer, considers suitable candidates and nominates persons for appointment as directors to the boards of both Truworths International and Truworths, taking into account the skills set of current board members and business requirements.

One-third of the company's directors, both executive and non-executive, are required to retire by rotation at the annual general meeting (AGM) of shareholders. Retiring directors may offer themselves for re-election. Directors appointed during the period are required to have their appointments ratified at the following AGM. Details of these directors are given in the Notice of the AGM and included in the preliminary report posted to shareholders.

Directors generally have no fixed term of appointment, except for the contract of the Chief Executive Officer, Michael Mark, whose service contract expired on 30 June 2015 but has been extended on a month to month basis by mutual agreement since that date pending the appointment of his successor. The salient features of this contract are disclosed in note 28.1 of the Group annual financial statements.

Executive directors retire at the age of 60 unless fixed-term contracts are negotiated with the board beyond this age. There is no prescribed retirement age for non-executive directors.

Director independence

All non-executive directors, including the Chairman, are independent in terms of the King III definition and the guidelines outlined in the JSE Listings Requirements. The independence of long-serving non-executive directors is periodically assessed by the board, as recommended by King III. Based on the most recent assessment the board remains of the view that these directors are correctly categorised as independent.

In the view of the board the qualifications, experience and personal characteristics of the independent non-executive directors, together with the facts that they have no contractual or family relationships with the Group, are not financially dependent on the fees they earn as non-executive directors, are not participants in the Group's share and other incentive schemes and are not involved in external charities that benefit from donations by the Group, ensure that their judgement in relation to Group matters is exercised independently and in an unfettered manner.

Board and director evaluations

An annual evaluation is conducted to assess the effectiveness of the board as a unit and the individual contributions of the directors.

The Chairman discusses results of the evaluations with the directors individually and suitable developmental plans, where deemed necessary, are agreed with them. The results of the evaluation of the Chief Executive Officer are distributed to all board members and considered by them.

The evaluation concluded that the board's overall functioning and governance were excellent. The findings indicate that:

- the board's role and responsibilities have been clearly defined, issues are prioritised and discussed timeously and operational and financial performance is effectively monitored;
- the board acts independently and is appropriate in terms of size and composition. The board believes that it is important to continue to evolve its composition by breadth of skill and by race and gender;
- the board feels director orientation and development is well managed;

- leadership, teamwork and management relations on the board are excellent and remain an area of strength;
- board and committee meetings are productive, allow sufficient time for discussion of corporate performance and the review of strategic issues;
- board members are suitably compensated;
- succession planning is an important area of focus at all levels and has improved since the previous evaluation;
- the board is satisfied with the level of ethical behaviour and proper compliance standards throughout the organisation; and
- the board is satisfied that there is a high level of consideration of its various constituencies, including shareholders, employees, customers, suppliers and communities.

Chief Financial Officer evaluation

Based on a formal evaluation conducted, the Audit Committee is satisfied that the expertise and experience of the Chief Financial Officer, who is an executive director of the company, is appropriate to meet the responsibilities of the position.

Company Secretary

The Company Secretary works to ensure that board and committee procedures and charters and relevant legislation and regulation are observed, and is responsible for preparing meeting agendas and recording minutes. The Company Secretary also provides guidance to directors on governance, compliance and fiduciary responsibilities.

Based on the outcome of a formal written assessment conducted, by the Chairman, Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman, the board is of the opinion that the Company Secretary possesses the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company. In line with the principles of King III, the Company Secretary is not a director of the company and is suitably independent of the board to be an effective steward of the Group's corporate governance programme.

Board and Committee Attendance

Truworths International Ltd

Director	Status	Board	Audit Committee	Remuneration Committee	Non-executive and Nomination Committee	Social and Ethics Committee	Annual General Meeting
Hilton Saven	I	4/4#		4/4	4/4#		1/1
Rob Dow	I	4/4	3/3	4/4#	4/4		1/1
Michael Thompson	I	4/4	3/3#		4/4	4/4#	1/1
Thandi Ndlovu	I	4/4			4/4	4/4	1/1
Tony Taylor	I	3/4			3/4		1/1
Roddy Sparks	I	4/4	3/3		4/4		1/1
Khutso Mampeule	I	4/4			4/4		1/1
Michael Mark	E	4/4					1/1
David Pfaff	E	4/4				4/4	1/1
% attendance 2014		94	100	100	93	83	89
% attendance 2015		97	100	100	96	100	100

Chairman
E Executive
I Independent non-executive

Board committees

Truworths International Ltd

The directors have delegated specific responsibilities to committees to assist the boards of Truworths International and Truworths in meeting their oversight responsibilities. The committees are as follows:

Truworths International Audit Committee

Objectives and functions	Composition
• Aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems. • Aims to ensure compliance of published financial reports with relevant legislation, reporting standards and good governance. • Aims to ensure Group assets are safeguarded. • Has oversight of fraud prevention and information technology governance. • Confirms the nomination and appointment of the external auditor, ensuring such appointment is legislatively compliant. • Approves the terms of engagement and fees paid to the external auditor. • Defines and considers the non-audit services that may be rendered by the external auditor. • Considers the findings arising from the annual financial statements audit. • Monitors the functioning and approves the coverage plan of the Internal Audit Department. • Reviews risk and tax management programmes and initiatives. • Fulfils the function of audit committee to Group subsidiaries and charitable trusts. • Reviews the expertise, resources and experience of the Group's finance function and the expertise and experience of the Chief Financial Officer. • Recommends to the board the approval of the Integrated Report. More information on the Audit Committee is included in the Audit Committee report, which has been incorporated in the Group's annual financial statements as required by the Companies Act.	Chairman: **Michael Thompson** Other committee members: • Two independent non-executive directors The Chief Financial Officer, Company Secretary, Internal Audit Manager, Finance Executive and external auditor attend by invitation.

Truworths International Remuneration Committee

Objectives and functions	Composition
• Ensures senior executives and non-executives are rewarded in accordance with the Group's compensation objectives, with particular attention to retention, performance and international practice. • Advises, recommends and reviews reward strategies and policies, including evaluation methodologies. • Determines the remuneration packages of executive directors and non-executive directors to support the Group's strategic objectives. • Reviews and approves compensation of executive and non-executive directors and senior executives. • Approves awards under share and cash incentive plans. • Ensures alignment of the compensation and incentive plans with the Group's business strategies and values. Details on the Group's remuneration policies are disclosed in the Remuneration Committee report.	Chairman: **Rob Dow** Other committee members: • One independent non-executive director The Chief Executive Officer attends by invitation and recuses himself when matters relating to his own remuneration are discussed or when required to do so by the Chairman.

Truworths International Non-executive and Nomination Committee

Objectives and functions	Composition
• Ensures succession plans are in place for the Chief Executive Officer and other key executives. • Makes key appointments such as Chairman, Chief Executive Officer and senior executives. • Considers any strategic or sensitive matter delegated to the committee by the board. • Identifies and nominates persons for appointment as directors of the company.	Chairman: **Hilton Saven** Other committee members: • All non-executive directors The Chief Executive Officer attends by invitation.

Truworths International Social and Ethics Committee

Objectives and functions	Composition
• Monitors activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment. • Makes recommendations to and brings matters to the attention of the board in relation to these activities. • Reports to shareholders at the company's annual general meeting in relation to such activities.	Chairman: **Michael Thompson** Other committee members: • Two independent non-executive directors The Chairmen of the Truworths Transformation and Sustainability Committees and the Company Secretary attend, and the Chief Executive Officer may attend, by invitation.

Truworths Ltd

- Risk Committee
- Transformation Committee
- Sustainability Committee

The above committees of Truworths International Ltd are chaired by independent non-executive directors. The directors confirmed that the committees have functioned in accordance with their written terms of reference during the reporting period.

Accountability and compliance

Risk management

Risk governance and management are integral elements of the Group's governance framework. These elements aim to ensure business specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The key risks facing the Group in 2016, together with mitigation strategies, are covered in Material Issues, Risks and Opportunities.

Internal and external audit

Details of the Internal Audit function and systems of internal control, as well as the external audit function, are covered in the Audit Committee Report in the annual financial statements.

Information technology governance

The monitoring of information technology (IT) governance remains a responsibility of a number of forums within the Group, including the Audit Committee and the Risk Committee:

- The Audit Committee considers the efficacy of IT controls, policies and processes in so far as these might pose a risk to the financial reporting process, and the effectiveness of financial controls;
- The Risk Committee monitors management's initiatives to ensure that IT risks are managed appropriately so as not to pose a threat to the continuity of the Group's operations.

Values and ethics

The Group's values are core to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders.

A formalised policy details the Group's code of ethical and acceptable conduct, with the Group's values supporting all aspects of this code.

The Group has a written policy which prohibits the acceptance by employees of gifts of any nature from current or prospective suppliers, and prohibits participation in recreational events, or events purely of an entertainment nature, sponsored by these suppliers, unless sanctioned by the Chief Executive Officer. During the period work on amending Group policies and contracts to ensure that involvement in corrupt practices, including the deployment of facilitation payments, was strictly prohibited, with severe sanctions for breach of such policies.

During the period a number of incidents of non-compliance by employees with the Group's policy on ethical conduct were reported and dealt with in terms of the Group's disciplinary procedures. These resulted in formal warnings and in serious instances gave rise to dismissal from employment and cases being reported to the SA Police Service.

Competitive conduct

The Group operates in a highly competitive industry which has relatively low barriers to entry, and a multitude of customers, and has recently witnessed the entry of a number of international apparel retailers into South Africa, as well as increased competition from operators in the informal and semi-formal sectors. As the Group strives to be the retailer of choice in its market segment, it is highly protective of confidential information, trade secrets, methodologies and supplier networks.

Interaction with other retailers is therefore generally restricted to forums in which co-operation at an industry level is necessary for the purposes of making representations to government, or to the sharing of information and ideas about issues facing the industry at large. Such forums typically have a public profile, are open to membership by any retailers and conduct their activities in a transparent manner in the form of non-profit organisations governed by written constitutions.

The Group is a member of the National Clothing Retail Federation of South Africa (NCRF). The constitution of this body specifically provides that the principle of competition shall not be compromised through activities of the NCRF. Consequently no sharing of information or co-operation in any form that could lessen the ability of retailers to compete with one another is permitted.

The board is satisfied that the Group has not entered into any arrangements with competitors that unlawfully restrict competition or could be said to constitute collusion, and is confident that it has not entered into any arrangements which could be prohibited by the Competition Act. No fines or prosecutions have been incurred by the Group for anti-competitive practices or non-compliance with that Act, nor has the Group been the subject of any enquiries or investigations by the competition authorities during the period.

2016 governance priorities

Governance priorities for the 2016 reporting period will include:

- Understanding and planning for the expected coming into force of the King IV Code of Corporate Principles.
- Continuing to improve the Group's understanding of the regulatory requirements in the foreign territories in which it conducts operations, including ensuring the effective functioning of the Group's compliance officer role.
- Ongoing development of the Group's tax risk management practices by continuing to grow the competencies of the resources in the tax compliance team, implementing and refining the Group's transfer pricing policy and implementing information system changes aimed at easy and accurate extraction of tax-related management information.
- Further development of the reporting by management to the Social and Ethics Committee so as to incorporate a dashboard of progress on key environmental, social and governance issues, with a view to extending the scope of monitoring undertaken by this Committee.
- A review of board committee charters to ensure alignment with regulatory requirements and current methods of functioning.

Generally the board and management will continue to follow an approach of continuous incremental improvement as regards governance practices and structures, to ensure the reasonable expectations of stakeholders as regards the Group's corporate governance standards are met.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of Truworths International Limited ("the company") is scheduled to be held in the Auditorium, First Floor, No.1 Mostert Street, Cape Town, South Africa on Thursday, 5 November 2015 at 09:30 for the purpose of conducting the following items of business:

1. To receive and adopt the Group and the company Audited Annual Financial Statements, which include the Directors' Report and the Audit Committee Report, for the period ended 28 June 2015. The audited Group Annual Financial Statements are available on the company's website www.truworths.co.za or can be obtained upon request to the company secretary by calling (+27) (0)21 460 7956 or e-mailing skohlhofer@truworths.co.za.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

2. To elect directors of the company in accordance with the Companies Act (71 of 2008, as amended) ("the Act") and the company's memorandum of incorporation which provide that:

   - At least one third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.
   - Any director appointed by the board of directors since the previous annual general meeting must be elected by shareholders at the next annual general meeting.

   Messrs RJA Sparks, DB Pfaff and MS Mark are required to retire by rotation at the annual general meeting and, being entitled thereto, have offered themselves for re-election. Voting for the directors seeking re-election will be conducted individually.

   Mr J-CS Garbino was appointed as an executive director by the board with effect from 21 August 2015 and is required to be elected by shareholders at the annual general meeting.

   A brief résumé of each of these directors is disclosed on page 109.

   The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

3. To renew the directors' general authority, which shall be limited in aggregate to 21 466 368 shares, being 5 (five) percent of the company's shares in issue at 28 June 2015, over both the un-issued and the repurchased ordinary shares of the company until the following annual general meeting, only for the purposes of allotting or selling such shares in connection with an acquisition or empowerment transaction by the Group, and for no other purpose. This general authority shall include the power to allot or to sell, as the case may be, such shares for cash subject to the provisions of the Act and the JSE Limited ("JSE") Listings Requirements ("Listings Requirements"). In particular this ordinary resolution which, if passed, would constitute a waiver by members of their pre-emptive rights, is in terms of the Listings Requirements subject to not less than 75% of the votes of all shareholders entitled to vote and in attendance or represented at the meeting, being cast in favour of the resolution, and is further subject to paragraphs 5.52, 5.75 and 11.22 of the Listings Requirements, which in summary provide as follows:

   - such shares may only be issued or sold, as the case may be, to public shareholders as defined in the Listings Requirements, and not to related parties;
   - such shares may not in the financial year ending 26 June 2016 in the aggregate exceed 15% of the company's issued shares, the number that may be issued or sold (as the case may be) being determined in accordance with sub-paragraph 5.52 (c) of the Listings Requirements;
   - the maximum discount (if any) at which such shares may be issued or sold (as the case may be) is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date of determination or agreement of the issue or selling price, as the case may be;
   - after the company has issued shares in terms of this general authority representing, on a cumulative basis within a financial year, 5% or more of the number of shares in issue prior to that issue, the

company will publish an announcement containing full details of the issue, including:

- the number of shares issued;
- the average discount (if any) to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue was determined or agreed by the directors; and
- the effects of the issue on the net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and diluted earnings and headline earnings per share.

*The **reason** for proposing this resolution is to grant a restricted authorisation to the directors to issue the un-issued shares of the company and to sell the treasury shares held by subsidiaries, such shares together being limited to 5 (five) percent of the shares in issue at 28 June 2015, subject to such authority only being exercised for the purposes of an acquisition or empowerment transaction and applicable regulatory and statutory limitations, either for cash or in respect of the acquisition of assets, or otherwise.*

*The **effect** of this resolution, were it to be passed, would be that the directors will have a restricted authority to issue a limited number of the un-issued shares of the company and to use a limited number of the treasury shares held by subsidiaries only for the stated purposes, subject to the applicable provisions of the Listings Requirements, the Act and the provisions of this resolution.*

4. To consider and if deemed fit to pass, with or without modification, the following as special resolution 1, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Listings Requirements:

   "That the company hereby approves, as a general approval contemplated in the Listings Requirements, the acquisition from time to time, either by the company itself or by its subsidiaries, of up to a maximum of 21 466 368 shares, being 5% of the company's shares in issue at 28 June 2015, and further approves the acquisition by the company of any of its issued shares held by any of its subsidiaries as treasury stock, upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, subject however to the provisions of the Act and the Listings Requirements relating to general repurchases of shares, it being recorded that it is currently required by such Listings Requirements that general repurchases of a company's shares can be made only if:

   (a) the company and its subsidiaries are enabled by their memoranda of incorporation to acquire such shares;

   (b) the company and its subsidiaries are authorised by their shareholders in terms of special resolutions taken at general meetings, to make such general repurchases, such authorisation being valid only until their next annual general meetings or for 15 months from the date of the special resolutions, whichever period is shorter;

   (c) such repurchases are effected through the order book operated by the JSE trading system and without any prior understanding or arrangement between the company and a counterparty, unless the JSE otherwise permits;

   (d) such repurchases are limited to a maximum of 20% per financial year of the company's issued shares of that class at the time the aforementioned authorisation is given, it being noted that in terms of the Act a maximum of 10% in aggregate of the company's issued shares that may have been repurchased are capable of being held by subsidiaries of the company;

   (e) such repurchases are made at a price no greater than 10% above the weighted average market price at which the company's shares traded on the JSE over the five business days immediately preceding the date on which the transaction is effected;

   (f) at any point in time, the company appoints only one agent to effect any repurchase on the company's behalf; and

   (g) such repurchases are not conducted during prohibited periods as defined by the Listings Requirements, unless the company has complied with the conditions set out in paragraph 5.72(h) of the Listings Requirements."

   *The **reason** for this special resolution is to grant a limited authorisation to the company and its subsidiaries generally to repurchase the company's shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

   *The **effect** of this special resolution, were it to be passed, would be that the company and its subsidiaries will have been authorised generally to repurchase up to 5% of the company's shares by way of bona fide open market transactions on the JSE or otherwise as permitted by the JSE, subject to statutory and regulatory limitations and controls.*

The intention of the directors is that the repurchase of the company's shares will be effected within the parameters laid down by this resolution as well as by the Act, the JSE and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions. The directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in the Act and confirming that since such tests were performed there have been no material adverse changes to the financial position of the Group. After considering the effect of a general repurchase within these parameters, the directors are of the view that for a period of at least 12 months after the date of the annual general meeting referred to in this notice:

- *the company and the Group would in the ordinary course of their business be able to pay their debts;*
- *the consolidated assets of the company and the Group would exceed the consolidated liabilities of the company and the Group respectively, such assets and liabilities being fairly valued and recognised and measured in accordance with the accounting policies used in the 2015 audited Annual Financial Statements of the company and the Group;*
- *the issued capital and reserves of the company and the Group would be adequate for the purposes of the company and the Group's ordinary business; and*
- *the company and the Group's working capital would be adequate for ordinary business purposes.*

Notes:

(i) The company will publish an announcement complying with the Listings Requirements if and when an initial and successive 3% tranche(s) of its shares have been repurchased in terms of the aforementioned general authority.

(ii) The company undertakes to comply with all Listings Requirements in force and effect at the time of the general repurchase.

5. To elect an independent external auditor to audit the company and the Group's annual financial statements for the period ending 26 June 2016.

   The Group's current external auditor is Ernst & Young Inc, which has indicated that Ms Tina Rookledge, being a partner of that firm and a registered auditor, will undertake the audit, and the directors endorse the recommendation of the company's Audit Committee that this firm be re-appointed for the ensuing period, and that the terms of its engagement and fees be determined by such committee.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

6. To approve by way of special resolution 2, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Act, the proposed fees of the non-executive directors for services as directors for the twelve-month period from 1 January 2016 to 31 December 2016, as follows:
   - Non-executive chairman
     R770 000 (2015: R690 000)
   - Non-executive deputy chairman
     R500 000 (2015: n/a)
   - Non-executive directors
     R280 000 (2015: R280 000)
   - Audit Committee chairman
     R235 000 (2015: R200 000)
   - Audit Committee member
     R125 000 (2015: R115 000)
   - Remuneration Committee chairman
     R140 000 (2015: R120 000)
   - Remuneration Committee member
     R80 000 (2015: R75 000)
   - Risk Committee chairman
     R140 000 (2015: n/a)
   - Risk Committee member
     R80 000 (2015: R80 000)
   - Non-executive and Nomination Committee chairman
     R100 000 (2015: R40 000)
   - Non-executive and Nomination Committee member
     R50 000 (2015: R20 000)
   - Social and Ethics Committee chairman
     R50 000 (2015: R30 000)
   - Social and Ethics Committee member (non-executive only)
     R25 000 (2015: R18 000)

   *The **reason** for special resolution 2 is to obtain the approval of the shareholders of the company for the fees of the non-executive directors for their services as directors of the company for the 2016 calendar year, as recommended by the company's Remuneration Committee and as required by the Act. The Act provides that such fees be approved by shareholders in advance.*

   *The **effect** of special resolution 2 were it to be passed would be that the company's shareholders will have approved the fees of the non-executive directors for their services as directors of the company for the 2016 calendar year, as recommended by the company's Remuneration Committee and as required by the Act.*

7. Subject where necessary to their re-appointment as

directors of the company in terms of the resolutions proposed under agenda item 2 above, to confirm by separate resolutions the appointment of the following qualifying independent non-executive directors to the company's Audit Committee for the period until the next annual general meeting of the company, in terms of the requirements of the Act:

Messrs MA Thompson, RG Dow and RJA Sparks.

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

8. To approve, by way of an advisory non-binding vote, the Group's remuneration policy as set out on pages 84 to 89 of the Group's Integrated Annual Report for the period ended 28 June 2015, in terms of the King III principles.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

9. To consider the report to shareholders of the Social and Ethics Committee, as published on the Group's website: www.truworths.co.za for the period ended 28 June 2015, in accordance with the Companies Regulations, 2011 published in terms of the Act.

   The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

10. Subject where necessary to their re-appointment as directors of the company in terms of the resolutions proposed under agenda item 2 above, to confirm by separate resolutions the appointment of the following qualifying directors to the company's Social and Ethics Committee for the period until the next annual general meeting of the company, in terms of the requirements of the Companies Regulations, 2011 published in terms of the Act:

    Messrs MA Thompson, DB Pfaff and Dr CT Ndlovu.

    The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

11. To approve by way of special resolution 3, requiring at least 75% of the voting rights exercised to be in favour of the resolution in accordance with the Act, the provision of financial assistance as authorised by the board in accordance with section 45 of the Act, whether directly or indirectly and including the lending of money, the guaranteeing of any obligation and the securing of any debt, by the company from time to time, to any related or interrelated company, on condition that the board is satisfied that immediately after providing such financial assistance the company will satisfy the solvency and liquidity test, and that the terms of the financial assistance are fair and reasonable to the company.

    *The **reason** for special resolution 3 is to obtain the approval of the shareholders of the company for the company to provide financial assistance as may be authorised by the board, whether by way of loan, guarantee or security, to other entities in the Group, subject to the requirements of the Act as regards solvency, liquidity, fairness reasonableness and notification.*

    *The **effect** of special resolution 3 were it to be passed would be that the company's shareholders will have approved the provision of financial assistance by the company, as may be authorised by the board, whether by way of loan, guarantee or security, to other entities in the Group, subject to the requirements of section 45 of the Act.*

Directors' and Management's Responsibility Statement

The directors of the company, whose names are given on page 92 of the Group's Integrated Annual Report in which this notice is incorporated, collectively and individually accept full responsibility for the accuracy of the information given in this notice, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Listings Requirements.

The other general information referred to in paragraph 11.26 (b) of the Listings Requirements regarding the company is contained in the Group's Annual Financial Statements for the period ended 28 June 2015 (available on the Group's website www.truworths.co.za), as follows:

- *major shareholders on pages 122 to 125*
- *material changes since year-end, on page 89 (note 36)*
- *company's share capital, on page 43 (note 13)*

Record date for receiving this notice

The directors have set the notice record date for the purposes of determining which shareholders are entitled to receive this notice of the company's annual general meeting as 17:00 on Friday, 18 September 2015. The last day to trade in order to be entitled to receive the notice of the meeting will therefore be Friday, 11 September 2015.

Electronic participation in the meeting

Shareholders or their proxies may participate in the meeting by way of teleconference call and, if they wish to do so:

- Must contact the company secretary by email to skohlhofer@truworths.co.za no later than 17:00 on Friday, 30 October 2015 to obtain dial-in details

- Will be required to provide reasonably satisfactory identification when they do dial-in
- Will be billed separately by their telephone service providers for the dial-in call
- Will, if they wish to vote at the meeting, still be required to appoint a proxy or a representative to do so on their behalf in accordance with the below provisions, given the current technical limitations relating to remote electronic voting.

Attendance, representation and voting at the meeting

By registered shareholders

Natural persons
Any natural person registered as a shareholder of the company, either as a holder of shares in certificate (i.e. paper) form or as an "own name" holder of shares in dematerialised (i.e. electronic) form, may in person attend, participate in and vote at the annual general meeting. **The meeting record date for participation and voting by such persons at the meeting is 17:00 on Friday, 30 October 2015. The last day to trade in order to be entitled to vote at the meeting will therefore be Friday, 23 October 2015.**

Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the company, to attend, participate in and vote at the meeting on his/her behalf. Presentation of suitable identification by such persons when registering their attendance at the meeting will be required.

Juristic persons
Any juristic (legal) person or corporate body registered as a shareholder of the company may either appoint a representative to attend the annual general meeting and speak and vote thereat on its behalf, or alternatively may appoint one or more proxies for this purpose.

By non-registered shareholders

Shareholders who have dematerialised their company shareholdings, in such a manner that these holdings are no longer recorded in their own names in the sub-registers maintained by Central Securities Depository Participants (CSDPs), are not company shareholders as defined. Similarly, shareholders whose shares held in certificate form are registered in the name of nominee companies, are also not company shareholders as defined.

Both such categories of non-registered shareholders who wish to attend the company's annual general meeting in person should arrange with their CSDPs or brokers to be furnished with the necessary authorisation to do so either as the representative or proxy of such CSDPs or brokers.

Both such categories of non-registered shareholders who do not wish, or are unable, to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDPs or brokers with their voting instructions. These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDPs or brokers, to enable the CSDPs or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

Documentary requirements relating to proxies

Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Computershare Investor Services (Pty) Limited, the transfer secretaries of the company, so as to be received at least forty eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 3 November 2015. **The meeting record date for participation and voting by shareholders at the meeting through such proxies is 17:00 on Friday, 30 October 2015. The last day to trade in order for shareholders to be entitled to participate and vote at the meeting via such proxies will therefore be Friday, 23 October 2015.** Presentation of suitable identification by the proxy when registering his/her attendance on the day of the meeting will be required.

Documentary requirements relating to representatives

Where a representative is appointed, proof of such appointment is required to be furnished, to the satisfaction of the directors of the company, to Computershare Investor Services (Pty) Limited, the transfer secretaries of the company, so as to be received at least forty eight hours before the appointed time of the meeting, i.e. by 09:30 on Tuesday, 3 November 2015. **The meeting record date for participation and voting by shareholders at the meeting through such representatives is 17:00 on Friday, 30 October 2015. The last day to trade in order for shareholders to be entitled to participate and vote via such representatives at the meeting will therefore be Friday, 23 October 2015.**

Such proof can take the form of either a certified copy of a resolution of the juristic person or corporate body or a letter of representation signed by a duly authorised director or officer thereof (other than the representative). Presentation of suitable identification by the representative when registering his attendance on the day of the meeting will be required.

By order of the board

Chris Durham FCIS
Chartered Secretary
Company Secretary

Cape Town
20 August 2015

APPENDIX 1
BRIEF RÉSUMÉS

Directors standing for re-election

RODERICK JOHN ALWYN SPARKS (56)
BCom (Hons), CA (SA), MBA

Independent Non-executive Director
Member of the Audit Committee
Member of the Non-executive and Nomination Committee
Roderick Sparks was appointed to the Truworths International Board with effect from 1 February 2012. He is a qualified chartered accountant and an experienced business executive, and a member of the company's Audit Committee.

He is a chartered accountant by profession carrying the CA (SA) designation.

He serves as a non-executive on various boards, including FoodBank Foundation, Imperial Holdings Limited, NMC (Pty) Ltd, Regent Life Assurance Company, Trencor Limited and World Wildlife Fund for Nature.

DAVID BRIAN PFAFF (50)
BCom, CTA, CA (SA), Dip Soc (Oxon)

Executive Director
Chief Financial Officer
Member of the Social and Ethics Committee
Member of the Risk Committee
Member of the Sustainability Committee
David Pfaff joined the Group on 1 April 2013, when he was appointed as designate Chief Financial Officer and has been appointed as an executive director of the company and as Chief Financial Officer of the Group with effect from 1 September 2013.

He is a chartered accountant by profession carrying the CA (SA) designation.

He previously spent seven years with a large JSE listed information technology group in the period up to 2008 as chief financial officer. During the four year period prior to his joining the Group he operated as an independent consultant in the United Kingdom, where he was instrumental in setting up a number of entrepreneurial ventures.

MICHAEL SAMUEL MARK (62)
BCom, MBA, ACMA

Executive Director
Chief Executive Officer
Chairman of the Risk Committee
Michael Mark has been the Chief Executive Officer of Truworths International since 1996, having been appointed as a director of the company in 1988. In 2000 he was appointed as executive chairman of the group, a position which he relinquished in 2004 when the roles of chairman and chief executive were separated. In 1991 he became managing director of Truworths and in 1998 its executive chairman.

He combines over 30 years of experience in the retail industry with an ability to retain focus on the Group's key competencies and an unrivalled understanding of the dynamics of fashion retailing.

His vision and leadership has enabled the group to achieve exceptional financial performance, including significant growth in turnover, earnings, trading density and return on equity on a consistent basis over an extended period, such that it enjoys international recognition as retailer of excellence.

New director appointment

JEAN-CHRISTOPHE (J-C) SERGE GARBINO (45)
BA (Business Administration)
Member of the Association pour le Progrès du Management (APM)

Executive Director
Jean-Christophe Garbino was appointed CEO Designate of the Group with effect from 1 March 2015, and as an executive director of the company with effect from 21 August 2015.

Prior to his employment with the Group he was the chief executive officer of the prominent Kiabi fashion retailer in France having been in its employ since 1992. He was appointed to this position in 2007 after successfully serving as Managing Director for Spain, and since then the retailer had grown from 200 stores in three countries to over 450 stores in 8 countries across Europe and Russia. Kiabi is an omni-channel fashion retail chain which sells commercially priced fashion to ladies, men and children. It employs more than 7 500 people and delivered revenue of approximately €1.5 billion in its most recent reporting period.

J-C will work closely with the Group's current CEO until the transition process has been suitably completed.

PROXY

TRUWORTHS INTERNATIONAL

Truworths International Limited

Registration number: 1944/017491/06 JSE Code: TRU; NSX Code: TRW; ISIN: ZAE000028296

ANNUAL GENERAL MEETING OF SHAREHOLDERS: 5 November 2015

NB: This form of proxy is to be completed only by shareholders who hold their shares in certificated form, and by those shareholders who hold dematerialised shares with "own name" registration. Other shareholders must give their voting instructions to their CSDP or broker.

I/We (full names) _____

of (address) _____

being a member of Truworths International Limited (the company) and holding _____ shares therein, hereby appoint _____ or failing him/her, the chairman of the meeting as my/our proxy to attend, speak, and vote on my/our behalf, as indicated below on the ordinary and special resolutions, as set out in the notice of the meeting, that are to be considered at the annual general meeting of shareholders of the company scheduled to be held on 5 November 2015 at 09:30 in the Auditorium, 1st Floor, No. 1 Mostert Street, Cape Town, South Africa and at any adjournment thereof.

		In favour of	Against	Abstain
Item 1	To receive and adopt the annual financial statements, including the directors' report and the Audit Committee Report, for the period ended 28 June 2015			
Item 2	To re-elect by separate resolutions the retiring directors who are available for re-election:			
	2.1 Mr RJA Sparks			
	2.2 Mr DB Pfaff			
	2.3 Mr MS Mark			
	To elect Mr J-CS Garbino who was appointed by the board as a director of the company with effect from 21 August 2015			
Item 3	To renew the directors' limited and conditional general authority over the un-issued and repurchased shares, including the authority to issue or dispose of such shares for cash			
Item 4*	To give a limited and conditional general mandate for the company or its subsidiaries to acquire the company's shares			
Item 5	To re-elect Ernst & Young Inc. as auditor in respect of the Annual Financial Statements to be prepared for the period to 26 June 2016 and to authorise the Audit Committee to agree the terms and fees			
Item 6*	To approve the proposed fees of the non-executive directors for the 12-month period from 1 January 2016 to 31 December 2016			
Item 7	To confirm by separate resolutions the appointment of the following qualifying independent non-executive directors to the company's Audit Committee for the period until the next annual general meeting (subject where necessary to their re-appointment as directors of the company):			
	7.1 Mr MA Thompson			
	7.2 Mr RG Dow			
	7.3 Mr RJA Sparks			
Item 8	To approve by way of non-binding advisory vote the Group's remuneration policy as set out in the company's 2015 integrated annual report			
Item 9	To consider the report of the Social and Ethics Committee for the period ended 28 June 2015 as published on the company's website			
Item 10	To confirm the appointment of the following qualifying directors to the company's Social and Ethics Committee for the period until the next annual general meeting (subject where necessary to their re-appointment as directors of the company):			
	10.1 Mr MA Thompson			
	10.2 Mr DB Pfaff			
	10.3 Dr CT Ndlovu			
Item 11	To approve the provision of financial assistance by the company, as authorised by the board, to Group entities in accordance with the Act.			

* Special resolution

Signed at _____ this _____day of _____ 2015.

Signature _____

NOTES:

Attendance, representation and voting at the meeting

By registered shareholders

Natural persons

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Alternatively every such shareholder may appoint one or more proxies, who need not be shareholders of the Company, to attend, participate in and, vote at the meeting on his/her behalf.

Presentation of suitable identification by such persons when registering their attendance at the meeting will be required.

Juristic persons

Any juristic (legal) person or corporate body registered as a shareholder of the Company may either appoint a representative to attend the annual general meeting and speak and vote thereat on its behalf, or alternatively may appoint one or more proxies for this purpose.

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These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDPs or brokers, to enable the CSDPs or brokers to lodge appropriate forms of proxy or appoint suitable representatives for the meeting in accordance with such instructions.

Documentary requirements relating to proxies

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Documentary requirements relating to representatives

Where a representative is appointed, proof of such appointment is required to be furnished, to the satisfaction of the directors of the Company, to Computershare Investor Services (Pty) Limited, the transfer secretaries of the Company, so as to be received at least forty eight hours before the appointed time of the meeting, i.e. by 08:30 on Tuesday, 3 November 2015. **The meeting record date for participation and voting by shareholders via such representatives at the meeting is 17:00 on Friday, 30 October 2015.** Such proof can take the form of either a certified copy of a resolution of the juristic person or corporate body or a letter of representation signed by a duly authorised director or officer thereof (other than the representative). Presentation of suitable identification by the representative when registering his/her attendance on the day of the meeting will be required.

Electronic participation in the meeting

shareholders or their proxies may participate in the meeting by way of teleconference call and, if they wish to do so:

- Must contact the company secretary by email to skohlhofer@truworths.co.za no later than 17:00 on Friday, 30 October 2015 to obtain dial –in details
- Will be required to provide reasonably satisfactory identification when they do dial-in
- Will be billed separately by their telephone service providers for the dial-in call
- Will, if they wish to vote at the meeting, still be required to appoint a proxy or a representative to do so on their behalf in accordance with the above provisions, given the current technical limitations relating to remote electronic voting.

SHAREHOLDERS' DIARY

Annual general meeting	5 November 2015
Reports	
Annual results for the period ended 28 June 2015 announced	20 August 2015
Interim results for the period ended 27 December 2015 announced	18 February 2016*

Dividends	**Dividend declared**	**Dividend paid**
For the period ended 28 June 2015 (Dividend number 35)	20 August 2015	14 September 2015
For the period ended 27 December 2015 (Dividend number 36)	18 February 2016*	7 March 2016*

* These are approximate dates.

ADMINISTRATION

Truworths International Limited
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
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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)*, J-CS Garbino*, RG Dow§‡, KI Mampeule§‡, CT Ndlovu§‡, RJA Sparks§‡, AJ Taylor§‡ and MA Thompson§‡
* Executive § Non-executive ‡ Independent

TRUWORTHS
INTERNATIONAL

www.truworths.co.za