Integrated Report 2014

TRUWORTHS INTERNATIONAL

2014 in *Review*

- Tough economic environment led to increased markdowns and reduced gross margin
- Restricted credit granting limited new account growth
- Early signs of improving credit metrics
- Strong cash generation and balances
- Continued investment for growth
- Group well positioned for the medium term

Sale of merchandise up
7.1%
to R10.5 billion

Gross margin at
55.9%
(2013: 56.6%)

Operating margin at
32.1%
(2013: 34.5%)

Annual dividend per share up
6.4%
to 385 cents

Diluted headline earnings per share up
1.5%
to 569.3 cents

Cash flow per share up
16.8%
to 608.4 cents

Commitment to *Integrated Reporting*

Our Integrated Annual Report (the Report) for the period ended 29 June 2014 again aims to provide a balanced view of how we create value for shareholders and other stakeholders to ensure the longer-term viability of Truworths International and its subsidiaries (the Group).

The Report is aimed principally at our shareholders – the providers of financial capital – and the broader investment community locally and offshore. However, we recognise that several stakeholder groups influence our business, primarily but not limited to our customers, shareholders and employees.

Integrated Reporting Framework

South Africa pioneered the concept of integrated reporting and we are now into our fourth cycle of integrated reporting in the country. The International Integrated Reporting Council (IIRC) released its Integrated Reporting Framework in December 2013 after extensive engagement with stakeholders. This framework now provides a foundation for the adoption of integrated reporting globally and guidelines for companies internationally to demonstrate how they create value. Several of the guiding principles of integrated reporting outlined in the framework have been incorporated in our integrated reporting in recent years.

We are committed to adopting the IIRC framework to ensure we continue to follow international best practice.

A new concept introduced by the framework relates to the six forms of capital which impact on value creation and diminution in a business. These comprise financial, manufactured, intellectual, human, social and relationship, and natural capital. The Group's activities and performance relating to these capitals are covered throughout the Report. Refer to the Capitals of Value Creation on page 6 for further insight.

Material issues

Our Report focuses on eight issues which the board and management believes are material to shareholders and could impact positively or negatively on value creation in the business. We also report the risks and opportunities, and the challenges relating to each material issue.

Throughout this Report we have aimed to demonstrate the connectivity between these material issues and our business model, strategy, risks, key performance indicators, remuneration and prospects.

The material issues are reviewed on an ongoing basis to ensure they remain relevant and management assumes responsibility for the approval of these material issues, which are then endorsed by the board.

The principle of materiality has been applied in prioritising the content and disclosure in our Report.

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 our ability to create value. These issues are regarded as being material to a proper appreciation of the Group's risks and opportunities, but exclude sensitive competitive information. While we recognise that this approach involves subjectivity, it is aimed at ensuring our Report remains comparable and relevant to investors.

Scope of the report

This Report covers the integrated performance of the Group for the 52-week period ended 29 June 2014. The Group operates principally in South Africa and has a retail presence in 10 other African countries. Most (96%) of the Group's revenue and profit is generated in South Africa. There has been no change from last year in the scope of the Report.

Our reporting complies with International Financial Reporting Standards, the South African Companies Act and the JSE Listings Requirements. Management has applied the principles outlined in the King Code of Corporate Principles (King III) in South Africa and in the Integrated Reporting Framework of the IIRC.

Online reporting

To align with the increasing trend towards online reporting and electronic access to information, we have elected no longer to print our Report and rather have made it available online. This has resulted in a meaningful cost saving and has also reduced our environmental impact. A preliminary report containing abridged financial statements has been mailed to all shareholders.

The following supplementary information is also accessible on our website:

- Annual Financial Statements
- Ten-year Review
- Application of King III Principles
- Corporate Social Investment Report
- Environmental Policy and Management System

Independent assurance

The content of the 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. and an unqualified audit opinion has been issued thereon.

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

Forward-looking statements

The 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.

Application of IIRC Framework

The directors believe the Group has materially reported in accordance with the IIRC's Integrated Reporting Framework for the period under review.

Integrated Report approval

The directors have reviewed the Report and collectively believe it is a fair representation of the material issues and the integrated performance of the Group. The Audit Committee, which has oversight for the integrity of the Report, recommended it for approval by the board of directors. The board has therefore approved the Report for release to stakeholders.

Hilton Saven
Independent non-executive Chairman

M. Mark

Michael Mark
Chief Executive Officer

Creating Value for Our Stakeholders

creating

g value

Capitals of *Value Creation*

The Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) has introduced a new way of considering and categorising the different forms of capital upon which a business depends for its success. These are classified 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.

As the resources, attributes and processes comprising these capitals are covered throughout the Integrated Annual Report, the Group has elected not to adopt the terminology or classifications referred to in the Framework or to structure the Report according to the six capitals.

The IIRC's Integrated Reporting Framework can be downloaded from the investor relations section of the website *www.truworths.co.za*.

The Group's performance and activities in relation to these capitals are set out in the Report as follows:

1 **Financial capital**, which relates to the funding and financial resources available to and deployed by a company, is covered primarily in the Chief Financial Officer's Report, Managing the Risk of Credit, the Abridged Annual Financial Statements, Five-year Financial Performance Review and Ten-year Review of Credit Performance (included in Managing the Risk of Credit).

2 **Manufactured capital** in the Group's case is the physical infrastructure used in the selling of merchandise. This includes 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 Managing the Risk of Fashion and the Managing Retail Presence reports.

3 **Intellectual capital** focuses on organisational knowledge, systems, protocols and intellectual property. This capital is reflected mainly in the Creating Value for Our Stakeholders section, Group Brands, Managing the Risk of Fashion, Managing the Risk of Credit and Corporate Governance reports.

4 **Human capital** relates mainly to employees' competencies, capabilities and experience and is addressed in the Human Capital and Remuneration Reports, as well as the Board of Directors and Executive Management sections.

5 **Social and relationship capital**, dealing broadly with stakeholder relationships and engagement, corporate reputation and values, is covered mainly in the Sustainable Future in Fashion section and the Corporate Governance report.

6 **Natural capital** relates to environmental resources which impact on a company's prosperity and is addressed in the Sustainable Future in Fashion section.

'The Group's business model showed its resilience in the past year in the face of extremely challenging retail and credit conditions.'

Business philosophy and *Profile*

Truworths International Ltd is an investment holding and management company listed on the JSE and the Namibian Stock Exchange. The two principal trading entities, Truworths Ltd and Young Designers Emporium (Pty) Ltd, are engaged in the retailing of fashion apparel and related merchandise. Truworths International and its subsidiaries (the Group) operate primarily in South Africa but also in ten other African countries.

Our business

Truworths is synonymous with retailing of fashion clothing, footwear and accessories in South Africa and offers internationally inspired apparel for ladies, men and children through its portfolio of mainly internally developed and exclusive brands.

Founded almost 100 years ago in Cape Town, Truworths expanded organically in the 1980s with the launch of Inwear (1986), Truworths Man (1988) and Truworths Jewellery (1989). This was followed by the creation of LTD (1992), and Identity and Elements (1999). The French designer brand, Daniel Hechter, has been operated by the Group under an exclusive long-term licence agreement in South Africa since 1984.

Organic brand growth was complemented by the acquisition in 2003 of YDE, a retail brand showcasing the fashion of emerging South African designers. Uzzi, the Italian-inspired menswear brand, was acquired in 2006 and integrated into the Group's portfolio.

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 16 years.

Credit is offered to customers across all brands to facilitate retail sales, and the Group's active customer account base is now approximately 2.6 million [refer to the Managing the Risk of Credit report].

Truworths introduced the emporium store concept, housing a collection of fashion concepts and lifestyles in a single store, into the South African apparel retail market. Exciting and visually appealing emporium stores ensure Truworths defines the fashion court in major malls in the countries where it operates.

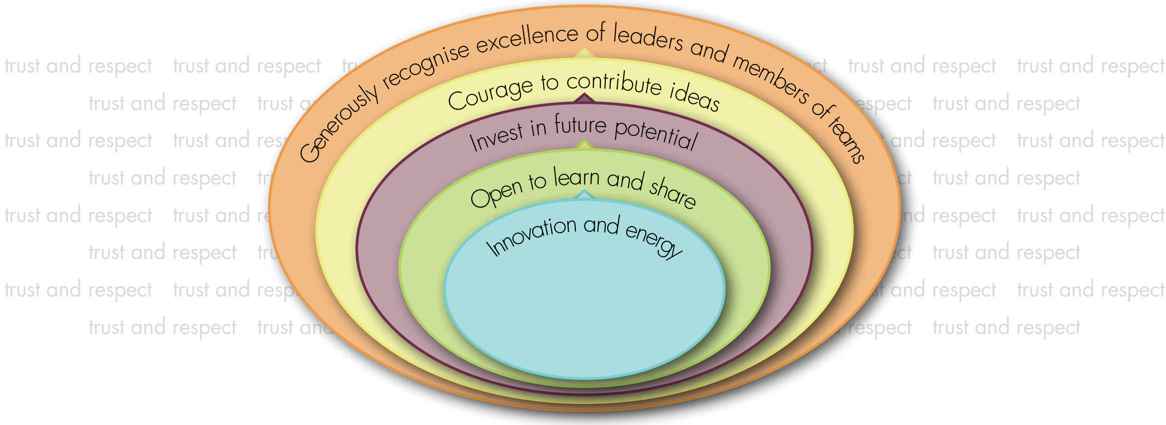
The retail store footprint has grown to 641 stores across Africa [refer to the Managing Retail Presence report]. In recent years the Group has followed a strategy of cautious store expansion into Africa and currently has 38 stores outside South Africa.

Qualification for the JSE Socially Responsible Investment (SRI) Index for the past six years highlights the Group's ongoing focus on responsible governance, social and environmental practices. The Group employs over 10 000 permanent and flexi-time staff 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. [Refer to the Sustainable Future in Fashion report and the Human Capital report.]

Our Business Philosophy

The success of our business philosophy will be core to sustaining value for stakeholders over the short, medium and long term.

Our Values



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 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:

Our business model is driven by Our Business Philosophy

Our Values | *Our Purpose* | *Our Vision*

Through our Strategic Distinction, we create value for our customers, our shareholders and our employees

		Material issue	Capital of value creation
Unique and aspirational brands	• Exclusive brands mostly owned by the Group • Diversified brand portfolio • Brand concepts developed internally • Selective acquisition of complementary brands	**Managing the risk of fashion**	Intellectual capital
Fashion styling of international standard and high quality	• Mens, ladies and kidswear fashion • In-house Fashion Studio • In-house quality laboratory	**Managing the risk of fashion**	Intellectual capital
Efficient supply chain	• Centralised distribution model • Distribution centres owned by the Group • Over 35 000 m^2 warehouse capacity • Imported merchandise shipped to Cape Town • Outsourced transport service providers • China major source of imports	**Maximising supply chain efficiency**	Manufactured and natural capital
Stores provide a visually appealing and effortless shopping experience, which entices our customers to shop	• Emporium store concept with multiple brands in a store • Stores located in prime positions in malls • Stores all company owned • All premises leased • Store expansion into sub-Saharan Africa	**Managing retail presence**	Manufactured and natural capital
Credit offered across all brands to facilitate the sale of merchandise	• Centralised credit granting and approval • Debtors' book internally funded and managed • 6-month interest-free and 9 and 12-month interest-bearing terms • Credit:cash mix 71:29	**Managing the risk of credit**	Intellectual capital
'One customer', being the youthful, fashionable South African	• Focus on mass middle income market • 2.6 million active account customers	**Managing the risk of credit**	Social and relationship capital

Enablers of strategic distinction

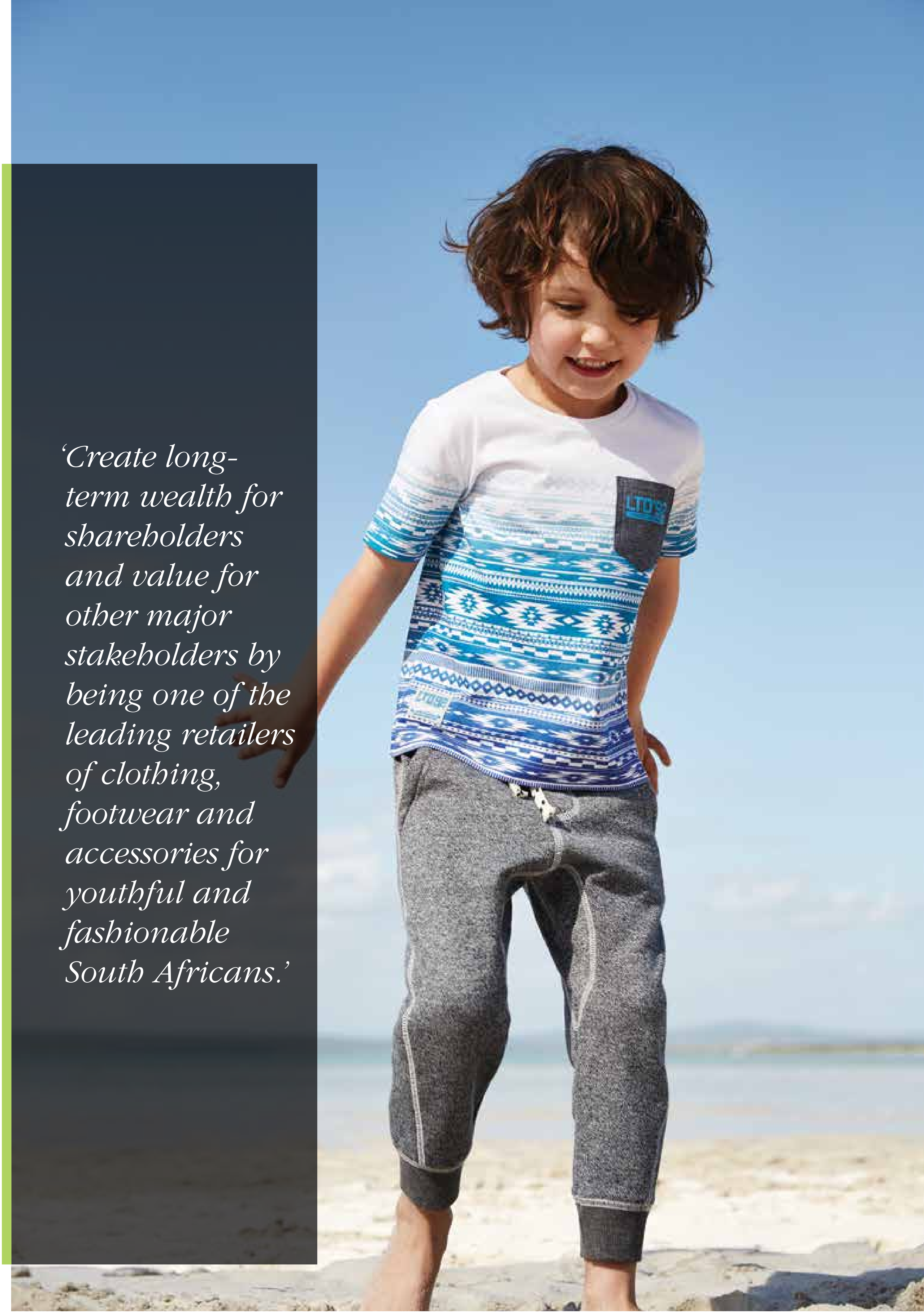
		Material issue	Capital of value creation
Financial management	• Effective management of cash and capital • Grow shareholder wealth and returns • Invest for organic growth • Highly cash generative • Return excess funds to shareholders through dividends and share buy-backs • Pursue strategic acquisitions	**Delivering sustained financial performance**	Financial capital
Systems	• Operate best-of-breed IT systems • Modelling performed using historical data going back many years	**Adopting leading information technology systems**	Manufactured capital
Employees	• Provide a stimulating work environment which enables employees to be creative and energised • Attract, develop and retain top industry talent • Create a values-driven culture • Reward individual and team performance	**Employer of choice**	Human capital

Value created in 2014

Revenue	Rm
Sale of merchandise	10 458
Interest received	917
Other income	235
Dividends	32
	11 642

Expenses	Rm
Cost of merchandise sold	4 617
Employment costs	1 024
Occupancy costs	954
Tax expense	951
Trade receivable costs	916
Other operating costs	590
Depreciation and amortisation	184
	9 236

Revenue - Expenses = Net value created of R2 406 million.



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

Group Strategy

Manage the risk of fashion

- Follow a merchandise strategy that offers customers fashion styling of an international standard across a diversified brand portfolio
- Offer products from higher priced aspirational brands to lower priced ranges
- Offer the latest fashion apparel
- Offer an extensive range of styles and innovative fashion across all lifestyles to the fashion-conscious consumer

Maximise supply chain efficiencies

- Reduce lead times of both local and imported merchandise
- Collaborate closely with suppliers and transportation service providers
- Shorten the merchandise design and buying processes

Manage retail presence

- Use the emporium store concept to showcase an array of departments in one store where appropriate
- Expand the store footprint through prudent annual growth in trading space to gain market share and promote sales
- Grow the store presence cautiously in the rest of Africa

Manage the risk of credit

- Follow rigorous credit risk management processes
- Use in-house credit for the sole purpose of driving merchandise sales
- Continually grow the Group's active account base
- Enhance efficient credit extension and collections
- Use customer data to grow the cash and loyalty customer base
- Use in-house data to attract all customers to increase merchandise sales

Adopting leading information technology systems

- Operate best-of-breed IT systems
- Modelling performed using historical data going back many years

Manage capital efficiently

- Invest in the organic growth of the business on an ongoing basis
- Deploy capital efficiently in store, distribution and system upgrades
- Seek opportunities for strategic acquisitions of complementary businesses
- Return excess funds to shareholders through share buy-backs and dividends

Be 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
- Accelerate transformation to improve opportunities for previously disadvantaged South Africans

Material Issues, Risks and Opportunities

Material issues

Integrated reporting requires companies to adopt a longer-term time horizon and to focus on factors that could potentially impact on the sustainability of the business.

The Group has identified material issues and risks which it believes are relevant to the business' ability to sustain growth into the future. In determining these material issues, risks and opportunities management considered the Group's strategy and business philosophy, and the interests of its key stakeholders.

During the current reporting period the material issues, risks and opportunities were again reviewed. The directors and management believe these remain the key issues, risks and opportunities which affect the performance and longer-term viability of the Group.

Stakeholder engagement

Several stakeholders influence the Group's business, including shareholders, the broader investment community, customers, employees, regulatory bodies, property landlords, trade unions and the communities in which it operates, as well as suppliers of merchandise and services.

The Group engages with these stakeholder groups to differing degrees in the course of its business activities. However, the stakeholders which management believe are most likely to have a material influence are those identified in the Group's vision, namely customers, shareholders and employees.

Capitals of value creation

As outlined on page 6, 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.

Material issue	Pages	Stakeholder group: Primary	Stakeholder group: Secondary	Primary capital of value creation
Managing the risk of fashion	16 – 17	Customers	Suppliers	Intellectual capital
Managing the risk of credit	18 – 19	Customers	Regulatory bodies	Intellectual capital
Maximising supply chain efficiency	20 – 21	Customers	Suppliers and other service providers	Manufactured capital
Managing retail presence	22 – 23	Customers	Property landlords	Manufactured capital
Delivering sustained financial performance	24 – 25	Shareholders	Broader investment community and regulatory bodies	Financial capital
Adopting leading information technology systems	26 – 27	Shareholders	Broader investment community and customers	Intellectual capital
Being the employer of choice	28 – 29	Employees	Trade unions	Human capital
Accelerating transformation	30 – 31	Employees	Trade unions	Social and relationship capital

Managing the *Risk of Fashion*

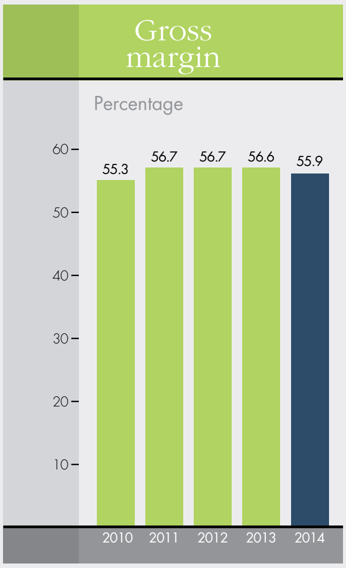
Performance against objectives and targets in 2014

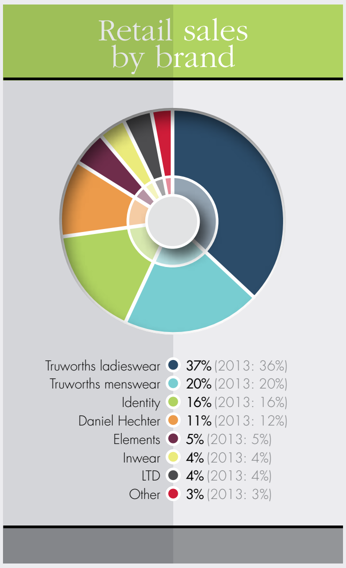
Objectives and plans for 2014	Performance against objectives
Ongoing focus on managing the risk of fashion.	• New visual assortment planning system has been developed and recently implemented.
Continued organic growth through the extension of merchandise ranges and new concepts.	• Launched Basix, a Truworths ladieswear range, and certain ranges such as kids were extended.
Continued technological innovation to enhance merchandise processes.	• Merchandise planning assortment system implemented to improve the productivity of buyers and planners.
Refine relationships with quick response suppliers.	• Ongoing area of focus and continued to develop relationships with existing suppliers as well as introducing new ones with particular emphasis on a 'fast fashion' model.
Continued growth in market share.	• Market share in excess of 20% declined marginally.

Target for 2014	Performance against target
Gross margin 54% – 57%	Gross margin at 55.9% (2013: 56.6%)

Challenges encountered in 2014

- Managing the impact of the devaluation in the Rand on product pricing as approximately two-thirds of merchandise is imported (either directly or indirectly) and US dollar denominated.
- Managing the impact of the difficult credit environment on sales.
- Managing seasonality, merchandise allocations, and size curves in countries in the rest of Africa with warm year-round climates and low brand awareness.





Refer to the Managing the Risk of Fashion report on pages 86 to 89 for further detail.

Key risks and mitigation strategies for 2015

Description of risk	Risk mitigation
As a leading apparel retailer the Group needs to ensure quality fashion is provided to customers each season at appropriate retail selling prices.	• Proven processes and key executive interventions throughout the merchandise life cycle are aimed at managing and mitigating the risk of fashion. • Performed a detailed review of key components of the buying process to heighten levels of fashionability. • Suppliers are managed to ensure risk is spread across the supply chain. • Gross margin to be held within target range. • Markdowns to be maintained within comparative benchmarks through rigorous inventory management disciplines. • Inventory turn to be managed within target range.
Volatility of exchange rate on imported merchandise impacts planning and pricing.	• In response to the depreciation of the Rand, volume orders are renegotiated and fashion ranges modified to protect the gross margin. • Forward cover is purchased to hedge the risk of currency fluctuations. • Forward cover policy is regularly reviewed by senior executives and updated, if necessary.
The loss of the head office building could affect merchandising service to store operations and impact service levels to customers.	• Business continuity plans are in place and tested for head office. • Disaster recovery plans developed, regularly reviewed and tested. • Fire protection systems installed. • Insurance cover regularly reviewed. • Alternative facilities have been identified and network infrastructure installed.

Medium-term opportunities

- Capitalise on the enhanced buying processes and new merchandise technology.
- Further extend the Uzzi, Identity and childrenswear offering.
- Increase spread of price points across all ranges and brands.
- Grow store footprint in Africa when the opportunities arise for new development.
- Enhance e-commerce strategy to cater for growing trend of e-commerce demands.

Objectives and plans for 2015

- Ongoing focus on managing the risk of fashion.
- Continued organic growth through extension of ranges.
- Continued technology innovation to enhance merchandise processes.
- Growth in market share.

Target for 2015

- Gross margin 54% – 57%

Managing the *Risk of Credit*

Performance against objectives in 2014

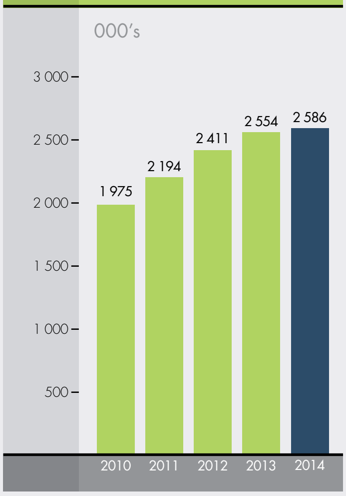
Objectives and plans for 2014	Performance against objectives
Introduce more regular credit bureau scoring for all accounts in the portfolio.	• The full Truworths portfolio is now scored more regularly.
Redevelop behavioural scorecards in response to changes in the macro environment.	• Bespoke bureau scorecards developed and internal suite of scorecards is in the process of being redeveloped.
Enhance collections capacity and integrate systems with those run by external agencies.	• Additional technology implemented to facilitate credit card payments through the call centre and the debit order system was enhanced. • Additional dialler seats were installed in the call centre.
Focus on reactivating dormant accounts.	• Market communications campaigns were implemented, over and above traditional marketing communication campaigns, to reactivate account holders.
Complete the insurance product pilot studies and roll out the product offering across the portfolio.	• Additional products were introduced.
Continue to invest in technology to manage the portfolio.	• Advanced risk management technology implemented to facilitate development of models and scorecards. • Campaign management solution installed to improve marketing and enhance customer loyalty.
Improve new account opening process.	• Strategies were developed to significantly reduce the timespan of opening accounts.

Challenges encountered in 2014

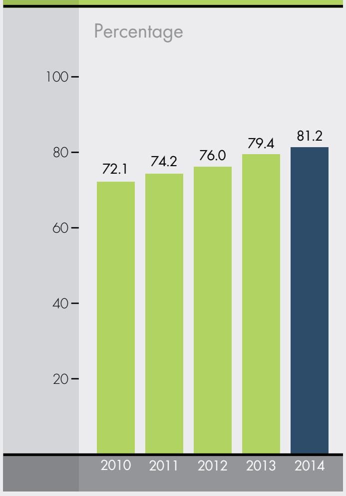
- Containing rising delinquency levels in the deteriorating consumer credit environment.
- Growing the active account base and credit sales in light of stricter credit granting criteria since late calendar 2012 and as affordability reduces and bad debt increases nationally.

Refer to the Managing the Risk of Credit report on pages 74 to 77 for further detail.

Group number of active accounts



Interest-bearing book 2014



Key risks and mitigation strategies for 2015

Description of risk	Risk mitigation
Higher delinquency on the portfolio leading to an increase in the cost of credit and a reduction in the number of customers able to buy on credit.	• Redevelopment of behavioural scorecards and implementation of additional new account acquisition scorecards. • Credit granting processes consistently applied using advanced analytics, credit scorecards and models. • Credit management, collections and acquisition strategies regularly reviewed and refined. • International consultants engaged to ensure best practice credit risk management.
Growth in the active account base in a difficult macro-economic environment.	• Increased marketing to existing account base to reactivate dormant accounts. • Implement a rewards-based system for both cash and account customers.
The proposed regulations governing affordability	• The Group will establish processes to enable compliance to the proposed changes with minimal impact to the operations of the business.

Medium-term opportunities

- Pilot credit offering to further territories in the rest of Africa
- Improve ability to select new accounts.
- Increase account acquisitions in medium term as book health continues to improve.
- Improve gross bad debt recoveries through changes to existing strategies.

Objectives and plans for 2015

- Complete the development of internal suite of scorecards. Leverage the new scores into account originations and account management.
- Implement further bespoke scorecards in account originations.
- Implement a loyalty rewards programme for cash and account customers.
- Leading-edge technology to be implemented in the call centre to bolster collections and recoveries.
- Pilot limited credit offering in Botswana.

Targets for 2015

- Active account growth of between 2% and 4%.
- Maintain the doubtful debt provision at existing levels.
- Improve credit sales to account holders less than 24 months on book.

Maximising Supply Chain *Efficiency*

Performance against objectives and targets in 2014

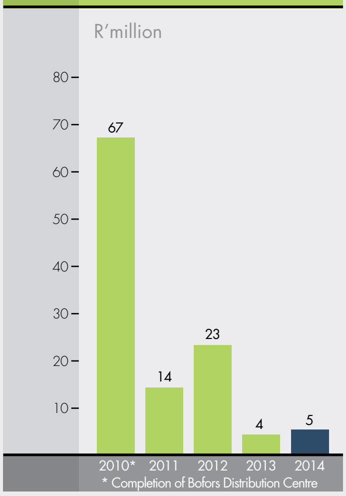
Objectives and plans for 2014	Performance against objectives
Develop further alliances with local and other SADC country manufacturers for regular and quick response merchandise ranges.	• Quick response fashion model and process developed with local and SADC suppliers. • Continued to develop relationships and increase alliances with local suppliers.
Capital expenditure of R60 million planned for distribution facilities.	• R5 million (2013: R4 million) invested in distribution facilities as major expansion plans have been postponed to the 2015 financial period and beyond.
Introduce further technology to support merchandise decision-making processes.	• Process developed to support merchandise replenishment and quick response planning.
Increased focus on supplier performance and compliance.	• Supplier scorecard in development to measure performance and to grow volumes with higher-performing manufacturers.

Target for 2014	Performance against target
Inventory turn 5.5 times – 6.5 times	Inventory turn 5.3 times (2013: 5.4 times)

Challenges encountered in 2014

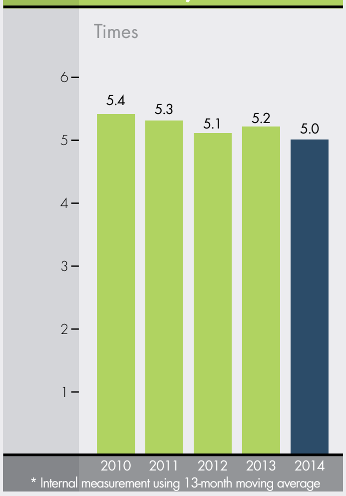
- Logistical complexities on merchandise imported from China due to the Chinese New Year.
- Merchandise supply challenges for stores outside of South Africa, such as port congestion and clearing inefficiencies.
- Containing distribution cost growth in light of rising fuel and electricity costs.

Capital expenditure on distribution facilities



* Completion of Bofors Distribution Centre

Average merchandising inventory turn*



* Internal measurement using 13-month moving average

Refer to the Managing the Risk of Fashion report on pages 86 to 89 for further detail.

Key risks and mitigation strategies for 2015

Description of risk	Risk mitigation
Key supplier dependency places the Group at risk if the local supply base is eroded and unable to meet demand.	• The Group has a base of committed suppliers. • Suppliers are subject to stringent risk assessment to ensure contingency for loss of production facilities and key personnel. • Alternative suppliers can be sourced locally. • International supply base can be expanded through in-house sourcing expertise. • Merchandise orders are spread across supply base to limit risk of an individual supplier failing. • Management will work in collaboration with local suppliers to improve efficiencies and develop sustainable business models. • Maximum order volumes to mitigate supply risk.
Organic growth in the business has resulted in the need to expand distribution and warehousing capacity.	• Current distribution facility will be expanded on adjacent land acquired and will be completed over the next three financial periods. • Additional land acquired and available for construction of further distribution facilities when needed.
Loss of warehousing facilities	• Business continuity plan regularly reviewed and tested. • Adequate measures to ensure safety against fire, flooding and crime. • Insurance cover is regularly reviewed.

Medium-term opportunities

- New warehouse management system purchased which will improve distribution processes and leverage new and more flexible distribution methodologies.
- Commence development of the new distribution facility to enable improved merchandise allocation.

Objectives and plans for 2015

- Capital expenditure of R17 million planned for the expansion and integration of distribution facilities on recently acquired land.
- Supplier scorecard to be introduced to better measure supplier performance.

Target for 2015

- Inventory turn 5.5 times – 6.0 times

Managing *Retail Presence*

in South Africa and Expanding Presence in the Rest of Africa

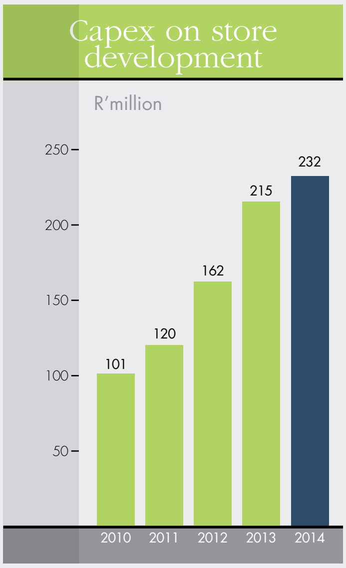
Performance against objectives and targets in 2014

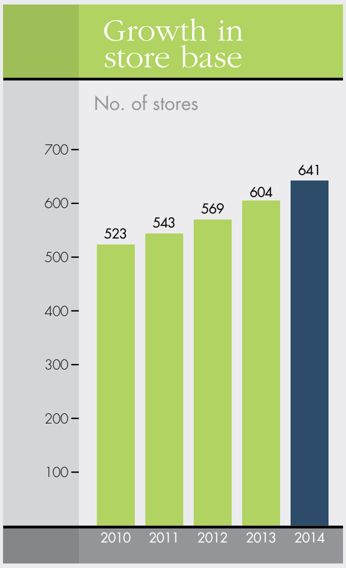
Objectives and plans for 2014	Performance against objectives
Trading space to grow by approximately 8%.	• Trading space growth of 10.3% to 324 000 m² (2013: 8.1%). • Net 37 (2013: 35) stores opened. • 641 (2013: 604) stores at period-end.
R259 million committed to store development.	• R232 million (2013: R215 million) invested in store development.
Expand into Angola by opening franchise stores.	• Currently delayed by developer until 2015.
Energy-efficient lighting initiative to be introduced in over 460 stores.	• Piloting process performed and successful. Large-scale roll-out of project delayed and expected to be initiated in 2015 and 2016 financial periods.

Target for 2014	Performance against target
Target store electricity carbon emissions of 55 000 tons over the medium term.	64 420 (2013: 59 744) tons of store carbon emissions

Challenges encountered in 2014

- Securing trading space in prime locations in good performing shopping centres without significantly impacting on the productivity of existing stores.
- Expansion in prime locations in some malls is difficult due to demand for space in those malls.
- High rental cost coupled with regulatory and logistical complications in the rest of Africa.
- Securing trading space in several major shopping centres where Identity does not yet have a presence.
- Utility cost increases which are significantly higher than inflation.





Refer to Group Brands on pages 82 to 85 and the Managing Retail Presence report on pages 90 to 93 for further detail.

Key risks and mitigation strategies for 2015

Description of risk	Risk mitigation
The Group's strategy of increasing trading space in targeted African countries to grow sales is dependent on finding appropriate malls and sites on terms that satisfy Group investment criteria.	• Ongoing discussions with developers in various African countries on potential expansions. • Detailed viabilities performed on potential stores in order to ensure only appropriate space is taken up.
Some retail space may prove to be unproductive or may dilute existing space performance due to diversion of turnover.	• Performance of stores is continuously evaluated and, should it become necessary, unproductive stores are closed, consolidated or reduced in size. • A rigorous viability process is followed to ensure that new trading space will be productive.
Rising electricity costs and municipal rates will put costs under pressure.	• Energy efficiency lighting initiative, due to be extended to more stores in 2015 and 2016, will enable cost savings on electricity, as well as the realisation of rebates or tax benefits. • Electricity costs are reviewed by the operations team on a regular basis. • Engage with external consultants to review municipal charges from landlords.

Medium-term opportunities

- Expanding trading space in appropriate new mall developments.
- Expanding the Group's footprint cautiously in the rest of Africa.
- Extend the Group's existing online offering to include a wider range of styles and brands.
- Envelopment of a holistic medium-term e-commerce strategy using the latest technology and expertise from the northern hemisphere.

Objectives and plans for 2015

- Trading space expected to grow by approximately 6%.
- R356 million committed to store development.
- Open six new stores outside South Africa.
- Open two franchise stores in Angola.
- Continue with electricity-saving initiative.
- Select e-commerce platform and develop a fulfilment model for e-commerce.

Targets for 2015

- Store electricity carbon emissions of 64 000 tons.
- Trading space growth of 4% – 6%.

Delivering sustained *Financial Performance*

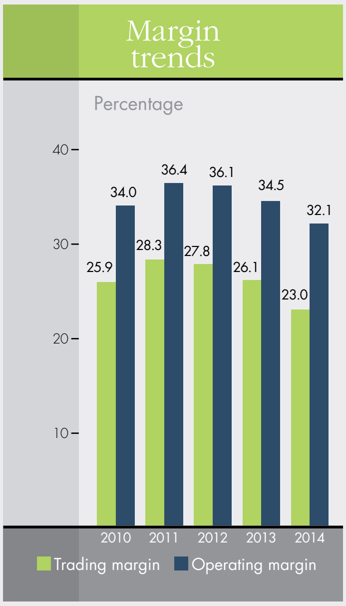
Performance against objectives and targets in 2014

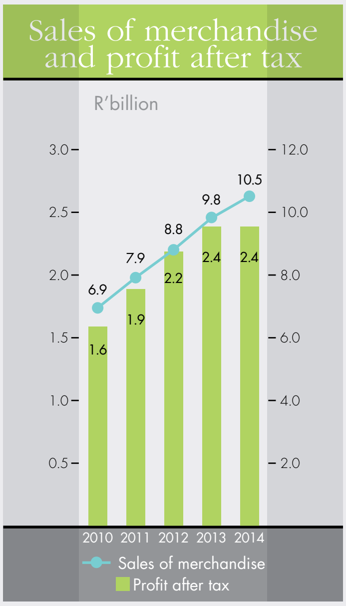
Objectives for 2014	Performance against objectives
Continue to grow shareholder wealth and returns.	• Annual dividends per share increased by 6.4% to 385 cents (2013: 362 cents). • Return on invested capital at 23% (2013: 25%). • Cash realisation rate of 96%.
Capital expenditure of R388 million committed for 2014.	• Capital expenditure R289 million (2013: R270 million).
Ongoing tight expense control.	• Trading expenses 15% (2013: 16%) higher, impacted by 24% (2013: 39%) increase in trade receivable costs. • Excluding trade receivable costs and foreign exchange gains/losses, trading expenses grew 8.2%.

Targets for 2014	Performance against targets
Operating margin 33% – 36%	Operating margin 32.1% (2013: 34.5%)
Return on equity 38% – 42%	Return on equity 37% (2013: 39%)
Return on assets 44% – 48%	Return on assets 42% (2013: 46%)
Asset turnover 1.2 times – 1.5 times	Asset turnover 1.3 times (2013: 1.3 times)

Challenges encountered in 2014

- Managing costs and margins in an environment of slowing sales and higher trade receivable costs.
- Effective management of capital to ensure shareholder returns are not negatively impacted by increasing cash resources.
- Containing occupancy expenses in an environment of rising rental and utility costs.





Refer to the Chief Financial Officer's Report on pages 47 to 57 for further detail.

Key risks and mitigation strategies for 2015

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 acquisition opportunities to complement the current fashion offering. • Continued investment in the debtors' book. • Continued investment in organic growth. • Ongoing share buy-backs at levels that are earnings enhancing. • Regular review of dividend cover.
Sustaining the gross, trading and operating margins at comparatively high levels.	• Margins are continuously reviewed against disclosed target ranges. Corrective action is taken if necessary to ensure margins are sustained through the make-up of merchandise and the reduction in costs where possible.

Medium-term opportunities

- Continue share buy-backs at earnings-enhancing levels.
- Launch of loyalty and rewards programme to boost sales.
- Investigate potential acquisitions.

Objectives and plans for 2015

- Continue to grow shareholder wealth and returns.
- Continue to seek opportunities to utilise cash resources.
- Capital expenditure of R448 million committed for 2015.
- Improve efficiency ratios across the business.
- Ongoing tight expense control.

Targets for 2015

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

Adopting leading *Information Technology systems*

Performance against objectives in 2014

Objectives and plans for 2014	Performance against objectives
Implement second phase of human resources IT solution.	• Solution successfully implemented.
Merchandise planning systems upgrade.	• As planning processes and systems are considered adequate, the planning applications were not prioritised during the financial year.
Commence upgrading financial systems in line with human resources IT solution to share a common platform.	• Planning for project completed and implementation to start early in 2015 financial period.
Leverage new POS platform to launch new initiatives.	• Comprehensive remote management of POS solution enabled. • Foundation to enable mobile and biometric capabilities has been implemented. • Data distribution facilities enhanced to allow for quick response to price changes, markdowns and promotions.
Implementation of loss prevention and returns management system.	• Implementation of loss prevention and returns management system to be completed in the 2015 financial period.
Continue to implement merchandise and supply chain systems.	• Warehouse management systems upgraded. • Assortment planning system enhanced. • Mobile applications enabled.
Maintain focus on regular testing and improvement of disaster recovery capabilities.	• Ongoing recovery testing across critical applications. • Ongoing reviews to ensure connectivity should one of the data centres be disabled. • Simulated disaster recovery exercises to ensure recovery plans and processes are robust.
Capital expenditure of R59 million committed for 2014.	• R40 million invested in information technology.

Challenges encountered in 2014

- Scarcity of skilled technical resources in the market.
- Prioritising IT projects and ensuring new initiatives are adequately resourced.

Key risks and mitigation strategies for 2015

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.	• Business continuity plans, disaster recovery facilities and backup processes are in place. • IT governance processes enhanced. • Alternative support technology to centralised mainframe implemented. • Network with multiple levels of redundancy installed. • Stores can trade offline for an extended period.
Growth and expansion in the business has resulted in certain systems requiring upgrade or replacement and increased IT capacity needs.	• Project Steering Committee prioritises IT projects. • R65 million IT-related capital expenditure committed for 2015 financial period. • External consultants used to advise on new technology.

Medium-term opportunities

- Enhance e-commerce capabilities and broaden online range to significantly increase online sales.
- Enhance analytics capabilities in both credit and in merchandising.
- Further leverage our new POS solution to assist in-store staff and enhance overall customer experience.
- Leverage point-of-sale system to develop added benefits to customers.

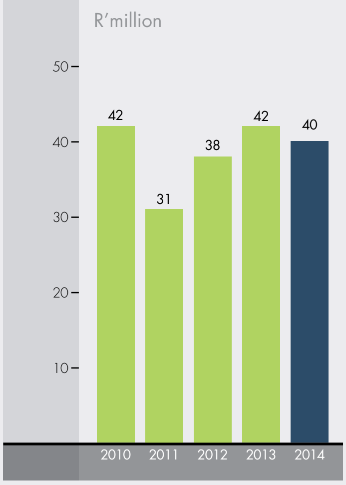
Objectives and plans for 2015

- Provide improved e-commerce experience to customers.
- Roll out systems to support enhanced customer loyalty and engagement initiatives.
- Progress digital strategies including leveraging e-commerce initiatives, and mobility and mobile applications.
- Further improve store staffing models through enhancements to workforce management applications.
- Progress implementation of upgraded financial systems.
- Ensure compliance with all legislative needs including POPI and new credit regulations.

Target for 2015

- Store systems and connectivity uptime greater than 99%

Information technology capital expenditure



Being the *Employer of Choice*

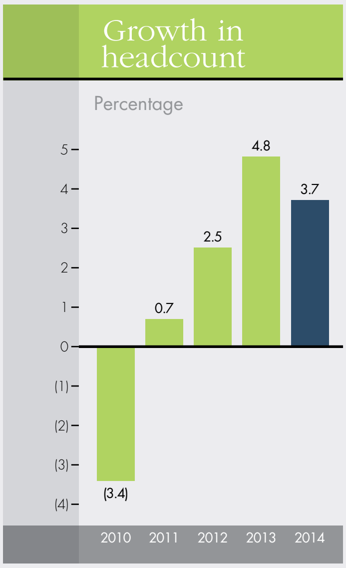
Performance against objectives and targets in 2014

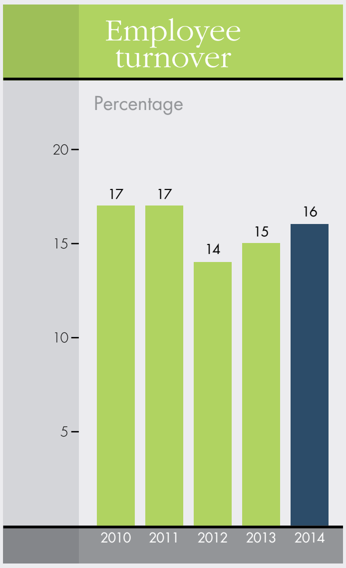
Objectives and plans for 2014	Performance against objectives
Develop new five-year employment equity plan for 2014 – 2019.	• New employment equity plan developed after consultation with key stakeholders and aligned to new employment equity regulations.
Manage the impact of the proposed labour law amendments.	• Continued to engage through the Retailers' Association to influence the labour law amendment process. • Staff policies and practices reviewed to align with pending legislation. • Impacts of the new legislation considered and addressed.

Target for 2014	Performance against target
Staff turnover for permanent employees 14% – 17%	Staff turnover for permanent employees at 16% (2013: 15%).

Challenges encountered in 2014

- Meeting transformation targets at senior management level for the conclusion of the June 2014 employment equity plan due to scarcity of skills, lower staff turnover at this level and the preferred strategy to promote from within the business.
- Ability to attract and retain staff with several new international retailers entering the South African market and competing for retail talent.





Refer to the Human Capital Report and the Remuneration Committee Report on pages 122 to 127 and pages 110 to 117 respectively for further detail.

Key risks and mitigation strategies for 2015

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 pool of leadership skills. • Trainee programme which develops graduates for roles in merchandise and risk functions.
Manage the impact of amendments to labour legislation on the business.	• Retailers' Association will continue to engage with regulators on behalf of the retail sector. • Alignment of policies and practices with the pending legislation and understanding the impact on the Group.

Medium-term opportunities

- Recruitment of top talent when opportunities arise.
- Continuation of the employee engagement programme which creates a compelling value proposition for employees and which improves retention of top talent.

Objectives and plans for 2015

- Ensure succession plans redeveloped for senior executives and managers.
- Recruitment of top talent when opportunities arise.
- Continue to improve retention of specialised skills through an employee engagement programme.
- Implement the new employment equity plan.

Target for 2015

- Staff turnover for permanent employees 14% – 17%.

Accelerating *Transformation*

Performance against objectives and targets in 2014

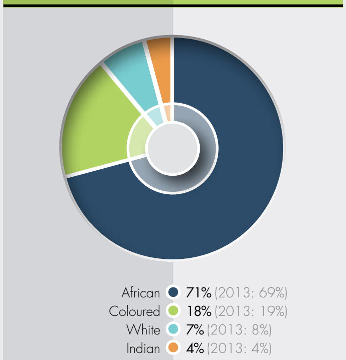
Objectives and plans for 2014	Performance against objectives
Improve BBBEE status through incremental improvements across categories.	• Broad-based black economic empowerment (BBBEE) score declined from 49.39 to 45.79 owing to amended Department of Trade and Industry compliance targets, notably for preferential procurement.
Focus on recruitment and development of black employees for entry into senior management level.	• Limited success at senior manager level but we will continue to look for new opportunities to make meaningful progress.

Target for 2014	Performance against target
Employment equity: black employees 91% – 93%.	• Employment equity: black employees 93% (2013: 92%).
Maintain level 6 BBBEE rating.	• Level 6 rating maintained despite more stringent employment equity and preferential procurement targets.

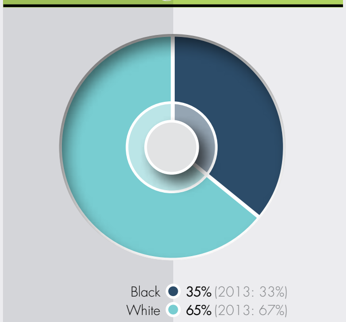
Challenges encountered in 2014

- Understanding the impact of the new BBBEE codes introduced in 2013 and assessing whether the Group's transformation strategy would remain relevant under the new codes.

Employment equity: Race



Employment equity: Management



Refer to the Human Capital Report on pages 122 to 127 and the Corporate Social Investment Report on the Group's website at www.truworths.co.za.

Key risks and mitigation strategies for 2015

Description of risk	Risk mitigation
Focus on achievement of affirmative action measures and employment equity targets as contained in the 2014 – 2019 employment equity plan.	• New employment equity plan developed for 2014 – 2019 focusing on steady improvement. Project created to ensure successful achievement of deliverables with key executive focus.
Compliance with BBBEE codes and regulations is fundamental to the sustainability of the Group.	• Developing broader internal capacity to understand and execute plans to optimise the impact of the new codes on the business.

Medium-term opportunities

- Enterprise and supplier development will enhance the performance of the business and, in particular, the core merchandise division.

Objectives and plans for 2015

- Task team established to devise a new strategic plan for enterprise and supplier development as proposed in the new BBBEE codes.

Target for 2015

- Our analysis of the new BBBEE codes leads us to believe that a significantly different strategy will be required to maintain compliance in the first year of the new codes. BBBEE compliance, given the implementation date, is only likely to be achieved in 2016.

Broad-based black economic empowerment scorecard

BBBEE category	2014 (self-assessment)	2013 (self-assessment)	2013 (externally verified)
Ownership	**6.87**	7.12	7.64
Management control	**2.88**	3.05	3.04
Employment equity	**6.33**	6.19	6.19
Skills development	**12.12**	12.55	12.22
Preferential procurement	**12.99**	14.90	13.57
Enterprise development	**1.85**	2.40	2.88
Socio-economic development	**2.75**	3.18	3.08
Total	**45.79**	**49.39**	**48.62**
BBBEE contributor level	**6**	**6**	**6**

Review and Prospects

vision

Retail Trading *Environment*

Widespread industrial action, the weak labour market and the depreciating currency have severely impacted the South African economy and the retail sector in particular over the past year. At the same time high levels of indebtedness, together with increasing basic living costs, curtailed discretionary spending among the Group's mass middle income target market. These factors combined to create one of the most challenging retail trading and consumer credit environments experienced in recent years.

Credit environment and rising interest rates

In South Africa, rising bad debt levels together with a slowdown in the extension of new credit facilities and a sharp pullback in the provision of unsecured credit have characterised the year. This has led to a slowdown in credit sales.

Following a low and stable interest rate environment in recent years, the country moved into a tightening rate cycle when the central bank increased its benchmark interest rate, the repurchase (repo) rate, by 50 basis points in January 2014. The rate was increased by a further 25 basis points to 5.75% in July 2014, shortly after the end of the reporting period. Further rate increases are anticipated in the year ahead as the South African Reserve bank (SARB) responds to rising inflation and a depreciating currency.

Credit customers of Truworths generally have limited exposure to mortgage bonds, vehicle finance and bank credit cards, and are reliant on store credit. Higher lending rates are therefore not expected to have a material impact on bad debts.

Protracted strike action

The five-month long platinum mining strike in the first half of the 2014 calendar year proved to be one of South Africa's most costly and crippling labour disputes ever. The strike action negatively impacted retail sales, not only in the country's platinum belt but also further afield where families of miners live. Strikes have also affected the ability of many credit customers to meet their payment obligations.

Depreciating currency

The Rand continued to depreciate against major currencies in the period. As approximately two-thirds of the Group's merchandise is imported and US dollar denominated, currency weakness creates inflationary pressures and impacts on retail selling prices. Product inflation averaged 9% in 2014 compared to 2% in 2013 and the Group is targeting to maintain inflation at approximately 5% in the 2015 period. The Group incurred a foreign exchange loss of R36 million on open forward exchange contracts in the 2014 period compared to a gain of R47 million in the prior period.

Weak job market

The job market continues to be weak as South Africa's unemployment rate remains above 25%, with more than 5 million South Africans being jobless. However, the official unemployment rate has averaged around this level since 2000 so there has been no marked deterioration. However, the lack of job creation is the real concern and this can only happen in a sustainable way in an expanding economy.

Slowing economic growth

Growth in the domestic economy decelerated in the first quarter of calendar 2014 as the gross domestic product (GDP) declined by 0.6% and grew by 0.6% in the second quarter. GDP growth has been severely hampered by the impact of strike action in the mining and manufacturing sectors. The SARB has revised its 2014 growth forecast downwards to 1.7% from 2.1%.

Rising inflation

Inflation in South Africa, as measured by the increase in the headline Consumer Price Index (CPI) published by Statistics SA measured 6.6% in June 2014 after increasing steadily from a 12-month low of 5.3% in December 2013. The risk to inflation remains on the upside, owing mainly to the weaker Rand and high negotiated wage settlements.

Improving sentiment

Consumer confidence showed a pleasing recovery in the second quarter of calendar 2014 as the Consumer Confidence Index improved to +4 points from levels of -6, -7 and -8 in the previous three quarters. The Index remains below the average of the last two decades and is not supportive of a sustained recovery in consumer spending in the short term.

Cautious outlook

Consumer disposable income in South Africa is expected to remain under pressure from the weak labour market, although slowing food price inflation and the stabilising currency are positive for consumer spending. Management expects trading conditions in South Africa to remain challenging in the next 12 months, with only slight improvement in the second half of the Group's 2015 financial period anticipated.

Retail trading in the rest of Africa

Generally economic, socio-political and trading conditions in the countries of operation in the rest of Africa were supportive of an improved retail sales performance and encouraging levels of retail sales growth were recorded in a number of these countries during the reporting period.

‘Even in a year of slower performance the Group’s investment case remains compelling.’

Chairman's *Report*

Hilton Saven

Resilient business model

The Group's business model showed its resilience in the past year in the face of extremely challenging retail and credit conditions. In this environment the Group has continued to adapt to changing consumer trends and spending behaviour by constantly introducing forward-thinking retail processes to ensure the sustainability of the business.

It is a credit to the management team that the Group has maintained its operating profit at R3.4 billion in the current climate, despite the lower gross margin, higher debtor costs owing to the deteriorating credit environment and a foreign exchange loss for the period.

Headline earnings totalled R2.4 billion with headline earnings per share (HEPS) increasing 1.1% to 576.8 cents (2013: 570.8 cents). HEPS has grown at an annual compound rate of 11% over the past five years and by 18% over the past ten years.

The total dividend for the period was increased by 6.4% to 385 cents per share, comprising an interim dividend of 216 cents and a final dividend of 169 cents. Dividends per share have shown an annual compound growth rate of 18% over five years and 23% over ten years.

Dividend cover has been consistently reduced for the past 10 consecutive years to the current level of 1.50 times (2013: 1.58 times) to enhance returns to shareholders.

Capital management is a priority for the board to ensure funds are efficiently utilised. The main focus is on investing in the longer-term growth of the business and returning surplus funds to shareholders through dividend payments and share buy-backs. Over the past five years the Group has generated R9.7 billion in cash, invested R1.2 billion in organic growth and returned R7.8 billion to shareholders.

Even in a year of slower performance the Group's investment case remains compelling and it is encouraging that the level of foreign share ownership has been over 60% since 2010. In the Business Times Top 100 Companies survey for 2013 Truworths International was ranked 34th with a five-year compound growth in shareholder value of 29.5%.

The trading and financial performance for the 2014 period is covered in the Chief Executive Officer's Report on pages 40 and 41 and in the Chief Financial Officer's Report on pages 47 to 57.

Corporate governance

The Group has long adopted a philosophy that governance extends beyond compliance with legislation, regulation and voluntary codes. By adopting sound governance principles which are aligned to the Group's business philosophy and values we have developed a culture of good governance across the business.

Our governance standards are independently rated each year as part of the assessment for inclusion in the JSE Socially Responsible Investment (SRI) Index. In the 2013 calendar year the Group once again achieved 100% for the core governance element of the SRI scorecard, and qualified for the Index for the sixth successive year.

While the Group's governance practices are robust, policies and processes are constantly reviewed to align with emerging best practice. During the period the Group enhanced risk and information technology governance, considered the governance implications of consumer legislation, enhanced director education and development, increased internal audit resources, and expanded the monitoring and reporting roles of the Social and Ethics Committee in relation to environmental sustainability, labour legislation compliance and employment equity.

The board confirms that the Group has in all material respects applied the principles of the King Code of Governance Principles (King lll) during the financial period. Detail on governance processes and progress is included in the Corporate Governance Report on pages 100 to 109.

Integrated reporting

South Africa has been at the forefront of integrated reporting globally and in December 2013 the International Integrated Reporting Council (IIRC) released its Integrated Reporting Framework aimed at creating a worldwide basis for reporting.

The IIRC framework is aligned with the reporting guidelines adopted in South Africa during 2011 and we are committed to adopting the new framework to continue to follow international best practice.

The framework is expected to create a greater understanding among investors globally and make them more aware of the value of integrated reporting. This is particularly relevant for a company such as Truworths International which has a large foreign shareholder base.

The framework has also introduced the concept of reporting on the six forms of capital which impact on value creation in business. These are financial, manufactured, intellectual, human, social and relationship, and natural capital. In the Capitals of Value Creation on page 6 we outline how these capitals have been addressed in the Integrated Report.

Our commitment to integrated reporting is reflected in the quality of the Group's reporting, which was again recognised when the 2013 Integrated Annual Report was rated fourth in the annual EY Excellence in Integrated Reporting Awards.

The awards are judged by the University of Cape Town's College of Accounting and our ranking is an independent endorsement of the standard of our reporting to investors.

This is the seventh consecutive year that the Group has been ranked in the top ten in the EY reporting awards.

CEO succession

Our long-serving CEO, Michael Mark, has advised the board that he will not be renewing his contract which ends in June 2015. Michael has served the Group for 23 years with distinction, transforming it from a niche retailer into one of the country's foremost listed companies, culminating in Truworths International being voted as the Emerging Market Retailer of the Year in 2010.

The Non-executive and Nominations Committee of the board has engaged external consultants to facilitate the succession process, with internal and external candidates being considered for the position. Michael has undertaken to remain in the business during the transition until the new CEO is appointed, and he will hopefully be continuing his relationship with Truworths International thereafter. We will pay tribute to Michael in the 2015 Integrated Report.

Board of directors

As a board we continually strive to achieve a balance between governance and entrepreneurship to ensure the Group continues to deliver competitive returns to shareholders while meeting its statutory, regulatory and corporate citizenship obligations.

We have a strong and experienced board of directors with diverse and relevant business expertise, most notably in the areas of finance, retail and governance. All seven of the non-executive directors, including myself as Chairman, are classified as independent in terms of the King lll Code. The independence of long-serving non-executives is reviewed annually, as recommended by King lll.

An annual board evaluation is conducted to assess both the effectiveness of the board as a collective unit and the performance of individual directors. The outcome of the latest evaluation is covered on page 103 of the Corporate Governance Report.

Three changes were announced to the board during the reporting period. David Pfaff, who joined the Group in April 2013, was appointed as Chief Financial Officer after serving as a designate in this role. He was also appointed as an executive director with effect from 1 September 2013.

Sisa Ngebulana resigned as a non-executive director owing to his business commitments after serving on our board for almost seven years. We thank Sisa for his contribution to the board and wish him well.

We welcome Khutso Mampeule who was appointed as an independent non-executive director in February 2014. Khutso has extensive and varied experience, which includes serving as the chief executive officer of three large organisations as well as being a non-executive director of listed and unlisted companies. We are already benefiting from his wealth of expertise, particularly from the perspective of finance, supply chain and empowerment.

Acknowledgements

Thank you to the management team under the leadership of Michael Mark who have again led by example in difficult conditions. I also extend my thanks to all our employees at the head office, stores and distribution centres for your contribution. My fellow directors provide valuable guidance and business insight and I thank you for your continued support.

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*

Michael Mark

Macro-economic conditions in South Africa continued to deteriorate in the 2014 financial period owing mainly to ongoing industrial action, high levels of unemployment and the weakening of the currency. Retail trading conditions were further impacted by increasing cost pressures on consumers, high levels of indebtedness and fragile consumer sentiment.

Our focus in this operating environment has therefore been on maintaining quality earnings and good cash flow generation. The strength of our balance sheet has been a major advantage and has ensured that we have not needed to gear the business nor seek external funding of the debtors' book.

Our business philosophy, which comprises our purpose, our values and our vision, continues to guide the operations and ensured the Group posted a resilient performance despite the challenging external environment.

Our strategic distinction

In the rapidly changing consumer environment we are no longer reliant exclusively on our competitive advantage, but rather also are focusing on what we call our strategic distinction. This is the DNA of our business, the attributes which make our Group different and unique, and cannot be imitated by our competitors.

Truworths' strategic distinction is to serve the youthful, fashionable South Africans with apparel merchandise to enable them to feel confident. We aim to achieve this through our aspirational brands, all of which we own or have exclusive rights to; high-quality authentic fashion; and value and styling of an international standard. To enable the mass mainstream market to afford our fashion we offer them credit and we do so in a responsible manner using conservative forecasts and best-of-breed technology.

Trading performance

Our performance for the 2014 period highlights the impact of the continued cost pressures on our customer base and the tough credit environment, as retail sales grew by 7% to R10.8 billion.

Restrictive credit granting criteria led to the new account acceptance rate decreasing to 26% (2013: 31%), despite an increase of 9% in the number of new account applications to well over one million. This resulted in lower customer account growth and therefore slower credit sales.

The slower than planned sales growth led to higher markdowns, reducing the gross profit margin to 55.9% (2013: 56.6%), although it remains well within management's market-leading target range of 54% to 57%. The gross margin has averaged 56.2% over the past five years.

After increasing by 40% in the first half, debtor cost growth slowed to 7% in the second half relative to the prior comparable period as the Group experienced the early signs of improving credit metrics. Delinquent accounts on the debtors' book reduced from 15.1% in 2013 to 14.2% in 2014, collection rates have improved and at period-end 83% of active account holders were able to purchase because they are not in arrears, compared to 82% last year.

Operating profit was unchanged at R3.4 billion while the operating margin declined to 32.1% (2013: 34.5%) owing to the lower gross margin, increased debtor costs and an unrealised marked-to-market foreign exchange loss of R36 million (2013: gain of R47 million).

The business continues to be highly cash generative. Cash inflow from operations increased to R2.5 billion and at period-end the Group had cash holdings of R1.6 billion. We invested R289 million in stores and systems, while R2.1 billion was returned to our shareholders through dividends and share buy-backs.

It is pleasing to report on the notable accolades received by the Group. Truworths was rated number one in the country for customer service in the Ask Afrika Orange Index Awards; the readers of the Sunday Times voted Identity as the coolest brand in South Africa; and for the seventh successive year we were ranked in the top 10 of the prestigious EY Excellence in Integrated Reporting Awards.

Managing the risk of credit

The Group began tightening its credit granting criteria in the second half of calendar 2012 in response to the deterioration in the country's credit environment. Credit policy was further tightened during 2013. This has limited the growth in the Group's active account base to 1% (2013: 6%) in 2014.

Gross trade receivables grew by 12% to R4.7 billion. Credit sales increased by 5% compared to the 11% growth in cash sales, reflecting the impact of the more stringent credit granting criteria. Credit sales contributed 71% (2013: 72%) of retail sales for the reporting period.

Net bad debt as a percentage of gross trade receivables grew to 12.9% (2013: 10.4%). The doubtful debt allowance as a percentage of gross trade receivables has been increased to 12.5% (2013: 12.0%).

The Group's doubtful debt provisioning process has been consistently applied over several years using the Markov model. This mathematical model removes subjective factors in the calculation of provisions and is used to predict the likelihood of an account balance being charged off, based on the risk profile, the delinquency level and the history of the customer. The Markov model statistically analyses risk and provides at all levels of the debtors' book, including accounts which are not in arrears.

Refer to the Managing the Risk of Credit report on pages 74 to 77 for further details.

Managing retail presence

Trading space increased by 10.3% as the Group opened a net 37 new stores during the period, bringing the total store base to 641.

Identity passed the 200 store mark as the opening of a net 17 new stores increased the footprint to 212 stores. Identity is a stand-alone chain store and is not included in Truworths emporium stores.

The Group's strategy is to expand incrementally into the rest of Africa country by country, gaining insight into the local trading environment and market potential. 2014 has been a period of consolidation for the African operations as management focused on improving the performance of the existing stores.

Sales from the 38 stores outside of South Africa increased by 22% and accounted for 3.8% of the Group's retail sales.

In the 2015 period the Group's trading space is expected to grow by approximately 6% with the planned opening of 39 new stores, including 20 Identity outlets. Six new stores are planned outside South Africa in Ghana (2 stores), Zambia (2 stores) and Namibia (2 stores).

Refer to the Managing Retail Presence report on pages 90 to 93.

Increasing international competition

The competitive landscape has shifted in recent years with the entrance of international fashion retailers into the South African market. As these high-profile global chains expand their presence in the country, and others announce plans to enter our market, we regularly encounter the question as to the threat this poses to our business.

Our response to all competition is to focus on our strategic distinction – our DNA – and ensure we continue to deliver fashion styling of an international standard.

Competition offers customers more choice and ensures that the industry becomes stronger, and is therefore to be welcomed. We have always held the view that if we have the most appropriate fashion offering in our stores we will continue to attract our customers, irrespective of the level of competitor activity.

Human capital management

Truworths is committed to investing in human capital to ensure sustainable performance and continued industry leadership. The Group employs over 10 500 permanent and flexi-time employees, and the annual turnover of permanent employees was 16% compared to 15% in 2013.

During the period R87 million (2013: R83 million) was invested in training over 9 800 employees, with black staff accounting for 94% of all trainees.

The Group's approach to employment equity has been to drive sustainable transformation over the medium-term rather than implementing short-term solutions to create a diverse workforce.

The employment equity plan for 2009 to 2014 was completed, with most of the targets being met. Detail on the performance against the plan is included in the Human Capital Report on pages 122 to 127. A new employment equity plan has been developed for 2014 to 2019.

The Group's financial performance for the 2014 period was below the target performance, resulting in reduced incentives for employees. Refer to the Remuneration Committee Report on pages 110 to 117 and the Human Capital Report on pages 122 to 127.

Growth strategy

Several strategic projects are currently under way, aimed at ensuring continued growth and expansion. In the merchandise area we plan to offer a wider spread of price points across all ranges and brands; realign the fashion statement across our product offering, window dressing and in-store display; as well as continuing to shorten lead times for local and imported merchandise to increase fashionability. A new integrated concept store design will also be launched in the 2015 financial period.

We are planning rapid expansion of Identity, Uzzi and kidswear, while continuing to follow a conservative and cautious approach to expansion in the rest of Africa.

As the health of the debtors' book continues to improve, we will look to increase the rate of new account acquisitions. The Group plans to introduce a loyalty programme for non-account customers in the 2015 financial year, while a world-class online fashion offering is planned to be launched within the next two years.

We are actively seeking acquisition opportunities of fashion-related businesses within South Africa and through our capital management strategy will continue to return surplus funds to shareholders through share buy-backs.

Outlook for 2015 financial period

The Group offers South Africa's leading fashion brands with a portfolio of over 640 stores in prime locations, our margins are at globally competitive levels, the business is highly cash generative and we have a proud track record of sustained earnings and dividend growth.

Management remains committed to implementing the Group's business philosophy, which has guided operating activities over many years. The supply of internationally inspired, high-quality fashionable clothing to youthful South Africans continues to drive the Group's strategy and will remain the focus for the period ahead.

The trading and credit environment is expected to remain challenging during the 2015 financial period and management is implementing strategies to deal with changing consumer trends and the restrictive credit environment, as outlined in this report.

Capital expenditure of R448 million has been committed for the 2015 financial year, with approximately 80% to be invested in store development and renovation.

Appreciation

It has been my privilege and pleasure to serve as CEO of the Group for the past 23 years. As the Chairman has noted in his report, my contract as CEO ends in June 2015 and I have advised the board that I do not intend to renew my contract. The board has commenced a process of appointing a new CEO. I look forward to working with the board in identifying my successor and to supporting the Group during the transition process.

While there is no doubt that we have experienced one of our toughest trading periods, the Group has achieved a great deal and I thank all our employees for their hard work and commitment.

Thank you to our Chairman, Hilton Saven, for his decisive leadership of the board, and to my fellow directors for their continued support.

Thank you to our customers who continue to support our brands and make us their first choice for quality fashion apparel.

M. Mark

Michael Mark
Chief Executive Officer

Financial and Credit Review

mance

Five-year Review of Financial Performance

Period			2014	2013	2012	2011	2010
Number of trading weeks			52	52	53	52	52
Returns and margin performance		5-year average					
Gross margin	(%)	56	**56**	57	57	57	55
Operating margin	(%)	35	**32**	35	36	36	34
Trading margin	(%)	26	**23**	26	28	28	26
Return on equity	(%)	39	**37**	39	40	41	40
Before tax return on assets	(%)	45	**42**	46	46	46	44
Inventory turn	(times)	5.9	**5.3**	5.4	5.7	6.4	6.9
Asset turnover	(times)	1.3	**1.3**	1.3	1.3	1.3	1.3
Return on invested capital (ROIC)	(%)	26	**23**	25	26	28	27
Weighted average cost of capital (WACC)	(%)	13	**14**	13	13	13	13
ROIC divided by WACC	(times)	2.0	**1.6**	1.9	2.0	2.2	2.1
Statements of comprehensive income		5-year compound growth (%)					
Sale of merchandise	(Rm)	11	**10 458**	9 765	8 830	7 858	6 937
Trading expenses	(Rm)	12	**(3 668)**	(3 202)	(2 759)	(2 421)	(2 201)
Trading profit	(Rm)	10	**2 408**	2 548	2 459	2 223	1 800
Profit before tax	(Rm)	10	**3 357**	3 366	3 190	2 860	2 360
Headline earnings	(Rm)	11	**2 410**	2 408	2 227	1 944	1 605
Statements of financial position							
Non-current assets	(Rm)	8	**1 360**	1 280	1 197	1 093	997
Cash and cash equivalents	(Rm)	16	**1 588**	1 325	1 560	1 489	1 318
Trade and other receivables	(Rm)	13	**4 182**	3 766	3 421	3 033	2 561
Inventories	(Rm)	13	**863**	787	670	530	450
Other current assets	(Rm)	4	**83**	113	69	79	83
Total assets	(Rm)	12	**8 076**	7 271	6 917	6 224	5 409
Total equity	(Rm)	13	**6 642**	6 224	5 986	5 046	4 371
Non-current liabilities	(Rm)	(1)	**88**	96	95	84	97
Current liabilities	(Rm)	9	**1 346**	951	836	1 094	941
Total equity and liabilities	(Rm)	12	**8 076**	7 271	6 917	6 224	5 409
Statements of cash flows							
Cash generated from operations	(Rm)	15	**2 542**	2 198	1 618	1 728	1 567
Capital expenditure	(Rm)	8	**289**	270	226	186	216
Share performance							
Basic earnings	(cents per share)	11	**575.9**	570.8	526.3	455.8	377.7
Headline earnings	(cents per share)	11	**576.8**	570.8	526.7	456.0	377.9
Cash flow	(cents per share)	16	**608**	521	383	405	369
Cash equivalent earnings	(cents per share)	11	**635**	605	566	499	412
Net asset value	(cents per share)	14	**1 605**	1 490	1 412	1 192	1 028
Dividends declared	(cents per share)	18	**385**	362	326	262	200
Dividend cover	(times)		**1.50**	1.58	1.62	1.74	1.89
Number of shares in issue	(000's)		**422 640**	463 806	461 810	459 999	456 109
Number of shares in issue (net of treasury shares)	(000's)		**413 774**	417 765	423 967	423 352	425 258
Weighted average number of shares	(000's)		**417 757**	421 905	422 754	426 289	424 737
Cumulative shares repurchased*	(Rm)		**2 929**	2 439	1 748	1 665	1 271
Cumulative shares repurchased*	(000's)		**95 041**	88 842	81 258	80 062	74 266

* Includes shares cumulatively 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.

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

Chief Financial Officer's *Report*

David Pfaff

The 2014 reporting period has been one of the toughest trading and consumer credit cycles experienced by the Group since listing 16 years ago.

Lower than planned sales growth contributed to higher markdowns, reducing the gross profit margin, while a 24% increase in debtor costs put further pressure on profitability. Debtor cost growth slowed to 7% in the second half relative to the prior comparable period following an increase of 40% in the first six months. The results were also impacted by a foreign exchange loss of R36 million relative to a gain of R47 million in the prior period.

These factors contributed to growth of 1.5% in diluted headline earnings per share for the period to 569.3 cents.

However, the business continues to be strongly cash generative and management remains committed to investing for growth and returning funds to shareholders.

Cash inflow from operations increased to R2.5 billion and at the end of the period the Group had cash holdings of R1.6 billion. R289 million was invested in capital expenditure while R2.1 billion was returned to shareholders through dividends and share buy-backs.

Group financial highlights

2013 52 weeks US dollar	2014 52 weeks US dollar	Financial highlights (millions)	2014 52 weeks Rand	2013 52 weeks Rand	% change
1 108	**1 010**	Sale of merchandise	**10 458**	9 765	7
289	**233**	Trading profit	**2 408**	2 548	(5)
382	**324**	Operating profit	**3 357**	3 366	0
273	**233**	Headline earnings	**2 410**	2 408	0
269	**249**	Cash generated from operations	**2 577**	2 368	9
4 021	**2 995**	Market capitalisation	**31 656**	40 328	(22)
		Share performance (cents per share)			
64.8	**55.7**	Headline earnings	**576.8**	570.8	1
63.6	**55.0**	Fully diluted headline earnings	**569.3**	560.7	2
41.1	**37.2**	Dividends	**385**	362	6
149	**152**	Net asset value	**1 605.1**	1 489.7	8
867	**709**	Closing market price	**7 490**	8 695	(14)

Note: The above extracts from the statements of comprehensive income and cash flows have been translated at an average rate of R10.35/US$1 (2013: R8.81/US$1), while the statements of financial position amounts have been translated at a closing rate of R10.57/US$1 (2013: R10.03/US$1).

The total dividend in respect of the period has been increased by 6% to 385 cents per share, comprising an interim dividend of 216 cents and a final dividend of 169 cents. Dividend cover has been decreased to 1.50 times (2013: 1.58 times).

The analysis of performance on the following pages aims to show how the Group's financial capital has been increased, decreased or transformed through the operating and investing activities in the 2014 financial period, and how this is expected to contribute to longer-term value creation for our shareholders.

Excellence in integrated reporting

The Group's high standard of reporting was again recognised when the 2013 Integrated Report was ranked fourth in the 2014 EY Excellence in Integrated Reporting Awards. This is the seventh consecutive year that the Group has been ranked in the top 10 in these awards.

The awards are independently judged by the University of Cape Town's College of Accounting and are widely recognised as a benchmark for disclosure and integrated reporting standards in South Africa.

Financial targets

Financial targets are published each year to provide shareholders with a guide to the Group's performance objectives for the forthcoming financial 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.

	Actual 2014	Target 2014	Local benchmark*	Global benchmark**
Gross margin (%)	**55.9**	54 – 57	44.2	59.2
Operating margin (%)	**32.1**	33 – 36	16.7	17.9
Return on equity (%)	**37**	38 – 42	38	33
Before tax return on assets (%)	**42*** **	44 – 48	21	28
Inventory turn (times)	**5.3**	5.5 – 6.5	4.5	3.6
Asset turnover (times)	**1.3**	1.2 – 1.5	1.6	1.6

* Based on the average ratios for comparable JSE-listed apparel retailers for the 2014 period.

** Based on the average ratios for global fashion retailers, H&M and Inditex, for the 2013 period.

*** Due to the calendar month-end falling outside the 2014 reporting period, creditor payments for June 2014 were made after the period-end, resulting in the return on assets falling outside the target range. If creditor payments had been made before the period-end, return on assets would have been 44%.

Analysis of financial performance

The following review of the Group's financial performance for the 52-week period ended 29 June 2014 should be read together with the Audited Abridged Annual Financial Statements, which follow on pages 58 to 72, and the information contained in the Audited Annual Financial Statements published on the Group's website at www.truworths.co.za.

Statements of comprehensive income

Key ratios	2014	2013
Gross margin (%)	55.9	56.7
Trading margin (%)	23.0	26.1
Operating margin (%)	32.1	34.5

Sale of merchandise

Group retail sales increased by 6.8% to R10.8 billion, while product inflation averaged 9% for the reporting period. Like-for-like retail sales grew by 0.6% relative to the prior period.

Group sale of merchandise, which comprises retail and franchise sales, less accounting adjustments, increased to R10.5 billion, 7.1% up on the prior reporting period.

Divisional sales	2014 Rm	2013 Rm	% change on prior period
Truworths ladieswear	3 895	3 661	6
Truworths menswear	2 198	1 987	11
Identity	1 721	1 586	9
Daniel Hechter	1 202	1 206	–
Elements	510	480	6
LTD	470	405	16
Inwear	450	451	–
Other*	316	298	6
Retail sales	10 762	10 074	7
Franchise sales	8	9	(11)
Accounting adjustments	(312)	(318)	(2)
Sale of merchandise	10 458	9 765	7
YDE agency sales	305	278	10

* Includes Cellular and Truworths Jewellery divisions.

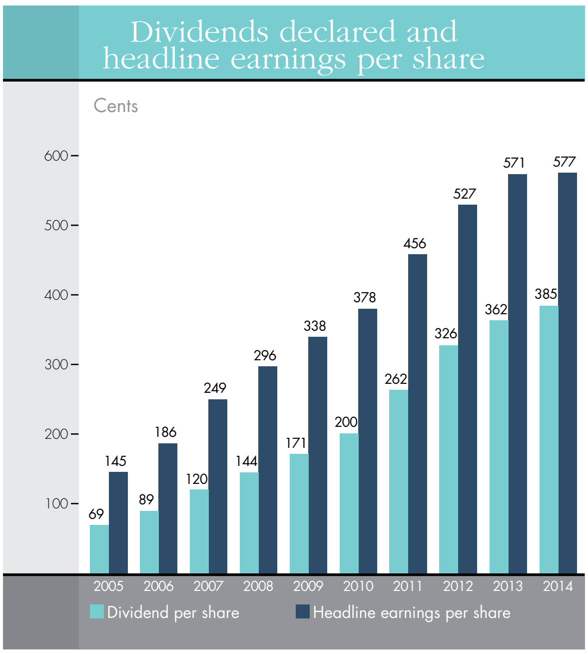
The Group's brands and fashion performance are covered in Group Brands and in the Managing the Risk of Fashion reports on pages 82 and 86 respectively.

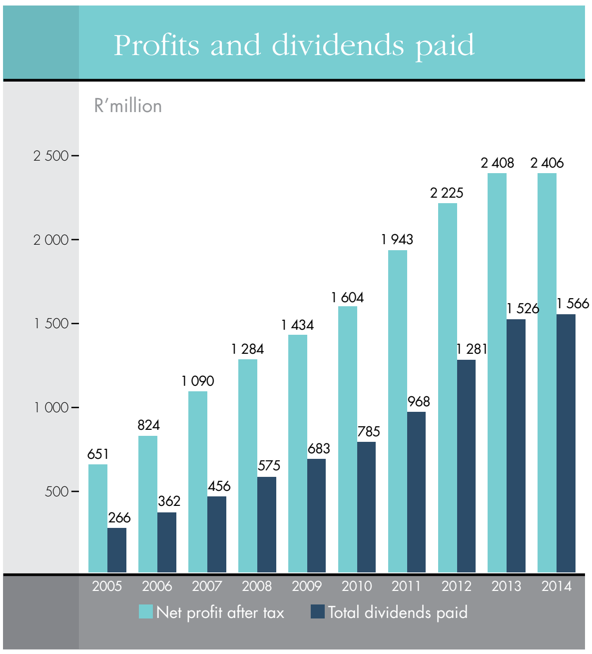
The Group's South African operations accounted for 96.2% (2013: 96.7%) of retail sales, with the 38 stores in the rest of Africa contributing 3.8% (2013: 3.3%).

Credit sales increased 5% to R7.6 billion and comprised 71% (2013: 72%) of total retail sales for the period. Cash sales grew by 11% to R3.2 billion.

Retail sales growth analysis	Retail sales Rm	Retail sales growth %	Like-for-like growth %	Product inflation %	Unit growth: Comparable stores %	Unit growth: New stores %
2014	10 762	7	1	9	(8)	6
2013	10 074	13	8	2	6	5
2012	8 921	10	6	8	(2)	4
2011	8 080	14	9	4	5	5
2010	7 118	11	4	4	–	7
2009	6 441	12	5	10	(5)	7

Trading space increased by 10.3% to 324 000 m² following the opening of a net 37 new stores, bringing the total store base to 641 at the end of the period. A further 23 stores were extended, renovated or relocated. Further detail on the Group's store expansion is covered in the Managing Retail Presence report. The Group's trading density declined by 3% from R35 656 per m² to R34 586 per m² although it remains at an industry-leading level.





Gross margin

The gross profit margin declined to 55.9% (2013: 56.6%) owing to higher point-of-sale markdowns as a result of slower than planned sales. The gross margin remains above the midpoint of management's targeted range of 54% to 57% and has averaged 56.2% over the past five years. The allowance for markdown and shrinkage as a percentage of gross inventories was 17% (2013: 17%).

Other income

Other income consists mainly of commission on sales on cellular phones, commission and display fees paid by YDE designers, financial services income, lease rental income and royalties from franchisees. Other income increased by 4% to R235 million (2013: R226 million) owing to increased commission and higher display fees earned in YDE.

Trading expenses

Analysis of trading expenses	2014 Rm	2013 Rm	Change on prior period %	2014 % of sale of merchandise %	2013 % of sale of merchandise %
Depreciation and amortisation	184	160	15.0	1.8	1.6
Employment costs	1 024	986	3.9	9.8	10.1
Occupancy costs	954	843	13.2	9.1	8.6
Trade receivable costs	916	739	24.0	8.8	7.6
Other operating costs	590	474	24.5	5.6	4.9
Trading expenses	3 668	3 202	14.6	35.1	32.8

Trading expenses increased by 15% to R3.7 billion and were impacted by the 24% increase in trade receivable costs as well as a foreign exchange loss arising from the marked-to-market adjustment on open forward exchange contracts. Excluding trade receivable costs and foreign exchange movements, growth in trading expenses was 8.2% (2013: 12.2%).

Trading expenses as a percentage of sales of merchandise increased from 32.8% in 2013 to 35.1% in 2014.

- Depreciation and amortisation increased by 15% owing to the higher store-related depreciation costs following the growth in new stores in the 2013 and 2014 financial periods. Over the past two years a net 72 stores have been opened.
- Employment costs increased by only 4% owing mainly to a lower incentive bonus provision. Excluding non-comparable store costs and incentive bonuses, employment costs increased by 5% over the prior period.
- Occupancy costs grew by 13%, driven mainly by the 10.3% increase in trading space and average rental escalations of 8%. Excluding non-comparable store costs occupancy costs increased by 7%.

- Trade receivable costs increased by 24% as a consequence of the challenging consumer credit environment. The doubtful debt allowance was increased by R83 million to 12.5% (2013: 12.0%) of gross trade receivables. Gross bad debts increased 27% on the prior period, while recoveries decreased 2%, resulting in a net bad debt increase of 39%. The trade receivable income earned of R887 million (2013: R785 million) on the debtors' book was R195 million (2013: R92 million) lower than the total trade receivable costs of R1 082 million (2013: R877 million), which includes internal and external collection costs, as well as financial services income. Excluding these additional charges and income items, interest earned of R828 million (2013: R724 million) on the debtors' book was R88 million lower than trade receivable costs of R916 million (2013: R739 million). Refer to the Managing the Risk of Credit report for further detail.

Cost of credit	2014 Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Total trade receivables interest	**828**	724	630	543	491
Trade receivables interest charged	**754**	646	553	469	413
Notional interest	**74**	78	77	74	78
Financial services income*	**59**	61	44	38	31
Total income	**887**	785	674	581	522
Total costs	**(1 082)**	(877)	(648)	(503)	(487)
Internal and external collection costs**	**(389)**	(335)	(283)	(243)	(208)
Net bad debt and change in doubtful debt allowance	**(693)**	(542)	(365)	(260)	(279)
Cost of credit: (cost)/surplus	**(195)**	(92)	26	78	35

* 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 24%. Excluding foreign exchange losses of R36 million (2013: profit of R47 million), other operating costs increased by 6% over the prior period.

Interest received

Total interest received increased by 13% to R917 million (2013: R814 million). Trade receivable interest, excluding notional interest on the interest-free portion of the debtors' book, increased by 17% to R754 million. Investment income received was R1 million lower at R89 million.

Trading and operating profit

Trading profit declined by 5% to R2.4 billion (2013: R2.5 billion) as the trading margin decreased to 23.0% (2013: 26.1%), negatively impacted by the lower gross margin, the increased trade receivable costs and by the foreign exchange loss on open forward exchange contracts.

Operating profit (profit after interest received and before tax) at R3.4 billion was unchanged from the previous year. The operating margin declined from 34.5% in 2013 to 32.1% owing to the lower gross margin, foreign exchange loss and higher trade receivable costs.

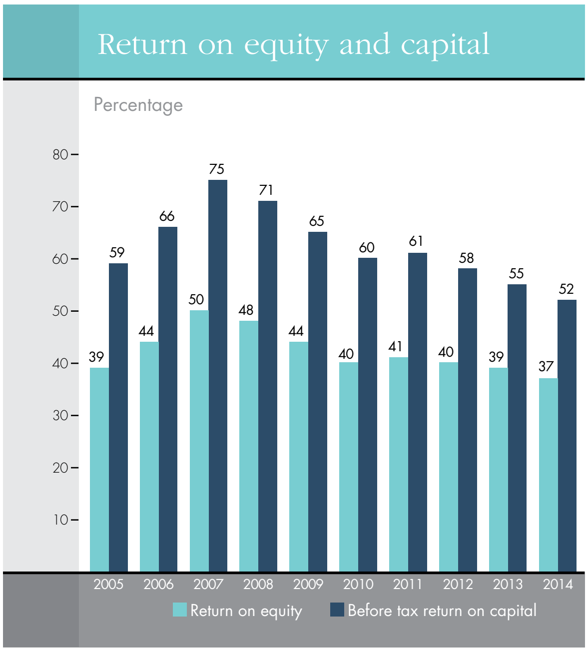
Statements of financial position

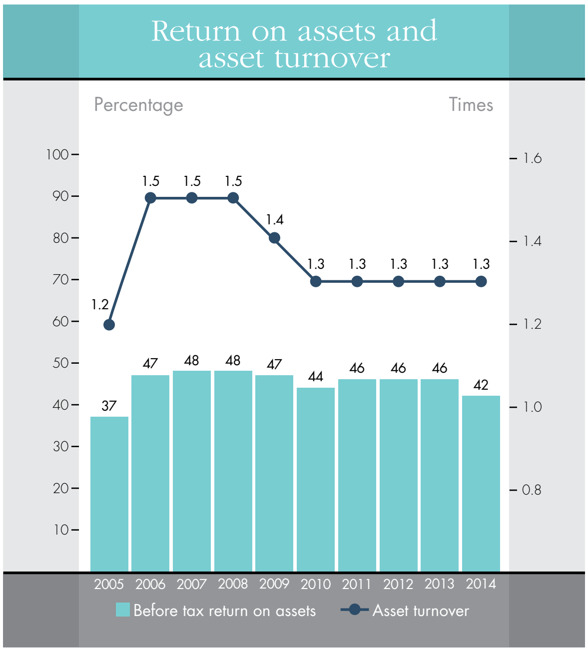
Key ratios	2014	2013
Return on equity (%)	37	39
Before tax return on capital (%)	52	55
Before tax return on assets (%)	42	46
Inventory turn (times)	5.3	5.4
Asset turnover (times)	1.3	1.3

Non-current assets

Non-current assets increased by 6% to R1.4 billion (2013: R1.3 billion).

- Property, plant and equipment increased by 9%. Capital expenditure, excluding intangible assets, totalled R275 million (2013: R253 million).
- Intangible assets totalled R106 million, an increase of 3%. Capital expenditure on computer software during the period amounted to R14 million.





- Loans and receivables decreased by R19 million to R99 million following the partial settlement of loans from share scheme participants and payments from the unwinding of the Group's participation in export partnerships.
- The deferred tax asset increased from R89 million to R116 million.

Current assets

Current assets increased by 12% to R6.7 billion (2013: R6.0 billion).

- Inventories increased by 10% owing mainly to the increase in the number of stores and lower than planned sales, as well as higher future season inventory at period-end. The inventory turn at 5.3 times was slightly below the 2013 level of 5.4 times, and outside the targeted range of 5.5 to 6.5 times.
- Trade and other receivables grew 11% to R4.2 billion (2013: R3.8 billion) as gross trade receivables increased by 12%. Net bad debt as a percentage of gross trade receivables grew to 12.9% (2013: 10.4%). Refer to the Managing the Risk of Credit report for further detail.

Total equity

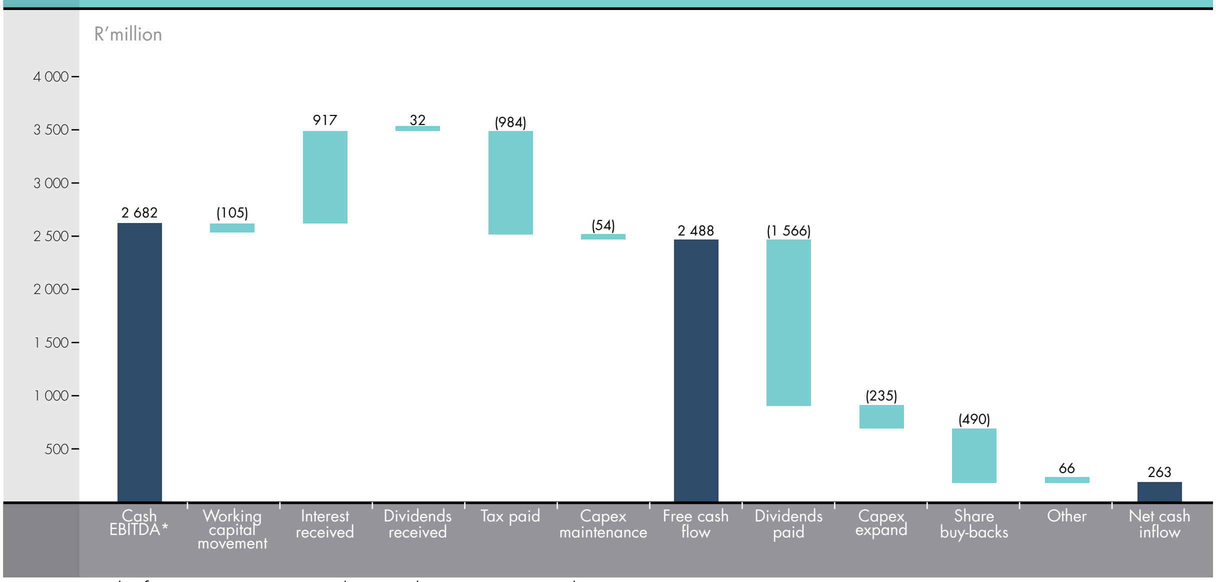
Share capital and share premium increased by R75 million (2013: R88 million) following the issue of shares in relation to the Group's share schemes.

Total liabilities

Total liabilities were R387 million higher at R1.4 billion (2013: R1.1 billion) at period-end.

- Non-current liabilities decreased by R8 million to R88 million. This was due to the net effect of decreases in the cash-settled compensation liability and straight-line operating lease obligation, and an increase in the post-retirement medical benefit obligation.
- Current liabilities increased 42% to R1.3 billion, due to the 59% growth in trade and other payables, resulting from the creditor payments on 30 June falling outside the financial period.

Cash flow analysis



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

Statement of cash flows

Key ratios	2014	2013	% change
Cash flow per share (cents)	608.4	521.0	17
Cash equivalent earnings per share (cents)	634.8	604.9	5
Cash realisation rate (%)	96	86	12

Cash and cash equivalents increased by R263 million (2013: decrease of R235 million) to R1.6 billion (2013: R1.3 billion) as the Group generated R2.5 billion in cash from operating activities.

Cash flow from trading and cash earnings before interest received, tax, depreciation and amortisation was 1% lower at R2.7 billion.

Movements in working capital reflected an outflow of R105 million compared to an outflow of R352 million in the prior period. The movement in working capital is due to the following:

- Inventories increased by R76 million (2013: R117 million).
- Trade and other receivables and prepayments were R423 million higher (2013: R354 million).
- Trade and other payables, including provisions, increased by R394 million (2013: R119 million).

Tax paid in the current period decreased marginally from R988 million to R984 million.

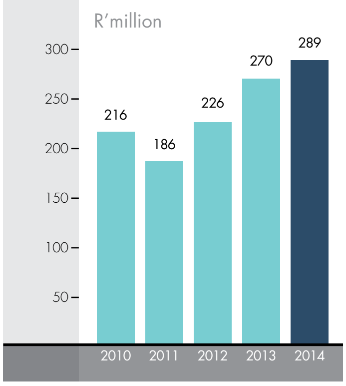
Cash dividend payments during the period increased by 3% to R1 566 million (2013: R1 526 million). These payments relate to the final dividend declared for June 2013 and the interim dividend for December 2013.

Net cash used in investing activities amounted to R267 million compared to R242 million in 2013. This was mainly due to the net effect of capital expenditure being R19 million higher for the current period and repayments totalling R21 million in respect of loan receivables.

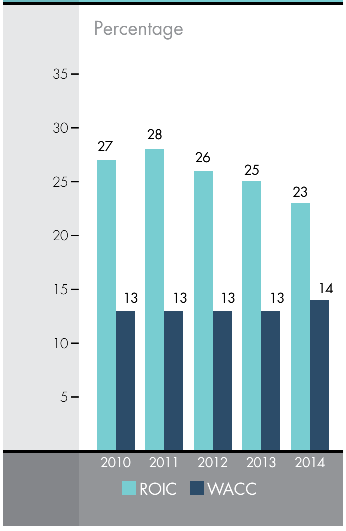
Net cash used in financing activities amounted to R446 million (2013: R664 million) mainly due to share buy-backs undertaken in the period.

The Group's free cash flow increased to R2.5 billion (2013: R2.1 billion) as reflected in the cash flow analysis below.

Total capital expenditure



Return on invested capital and weighted average cost of capital



Capital management

The Group has continued to follow its strategy of investing in the organic growth of the business and returning funds to shareholders that are surplus to requirements through share buy-backs and dividends.

Capital expenditure of R289 million (2013: R270 million) was incurred by the Group, with 80% invested in store development.

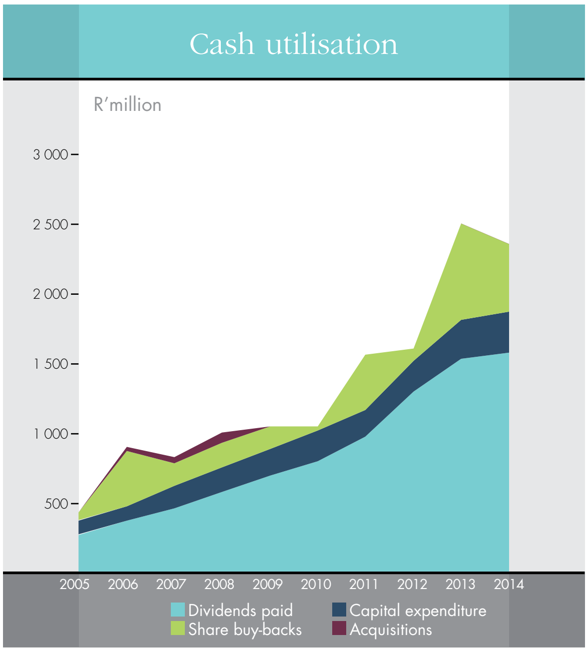
The total dividend per share was increased by 6% to 385 cents (2013: 362 cents). During the period R2.1 billion (2013: R2.2 billion) was returned to shareholders through dividend payments and share buy-backs.

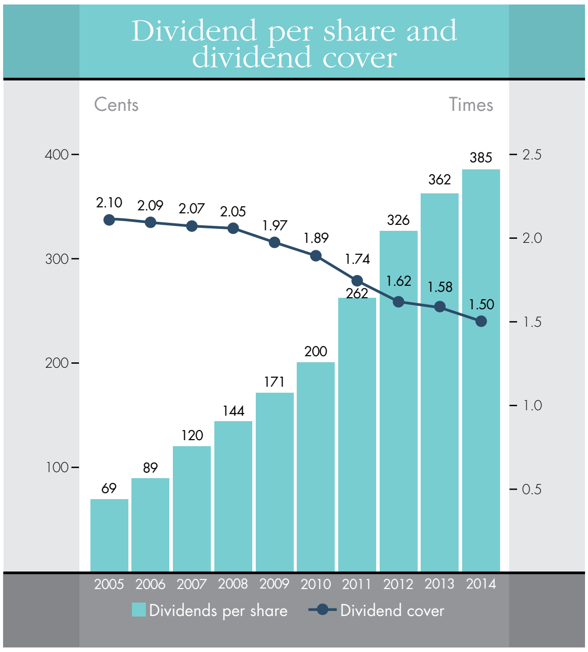
During the period the Group repurchased 6.2 million shares at an average price of R78.94 and at a cost of R490 million. In the first half of the reporting period 44 million treasury shares (R1.9 billion) at an average cost of R42.22 were cancelled. In addition, 457 000 shares to the value of R31 million have been issued and are held as treasury shares under the restricted share scheme.

Since the inception of the share buy-back programme in 2002, 95 million shares have been repurchased at a cost of R2.9 billion at an average price of R30.85. While most of these have been cancelled the balance of 8.9 million shares (2.1% of total shares in issue) is held as treasury shares.

Accounting policies and standards

The accounting policies and standards applied by the Group have remained consistent with those applied during the period ended 30 June 2013, except for the changes resulting from IFRS 10: Consolidated Financial Statements, IFRS12: Disclosure of Interest in Other Entities, IFRS 13: Fair Value Measurement and IAS 19: Employee Benefits. The adoption of these standards has had no material impact on the Group's financial position or performance, but has in certain instances required the restatement of opening balances. For further information refer to the abridged Group annual financial statements on the next pages or the Group annual financial statements at www.truworths.co.za.





Plans and targets for 2015

Looking forward to 2015 the Group has revised certain financial targets for the upcoming year. These targets include operating margin which has been set at 32% – 36%, before tax return on assets at 41% – 46% and return on equity at 37% – 42%. These revisions have been made to include the full margin impact of trade receivable costs through the credit cycle and to take into account increased trade receivable balances as a result of customers opting for longer 12-month interest-bearing payment plans.

Despite these revisions the Group's margins remain high by industry standards.

Investment in future growth continues with capital expenditure of R448 million committed for the 2015 period, including:

- R356 million for new stores and the expansion and refurbishment of existing stores (approximately 80% of total capital expenditure).
- R65 million for information systems (15% of capital expenditure).
- R17 million for distribution facilities (4% of capital expenditure).

The Group will continue to return excess cash to shareholders through dividends and share buy-backs.

Trading space is planned to increase by 6% and store rental increases are expected to average approximately 8%.

Product inflation is anticipated to range between 5% and 6% for the 2015 financial period.

Acknowledgements

Thank you to our shareholders and the broader investment community both locally and offshore for their interest and engagement with the Group. We welcome those shareholders who invested for the first time this year. I also thank my colleagues in the Group's finance department for their continued commitment to achieving best practice standards in reporting and disclosure.

David Pfaff
Chief Financial Officer

Audited Abridged Group Annual Financial Statements

at 29 June 2014

These audited abridged Group annual financial statements comprise a summary of the audited annual financial statements of the Group for the period ended 29 June 2014 that were approved by the Truworths International Ltd board on 21 August 2014. The audited annual financial statements of the Group were prepared by the Group's finance department acting under the supervision of the Chief Financial Officer, DB Pfaff CA (SA). A copy of these financial statements is available on www.truworths.co.za or can be obtained on request, to the Company Secretary (skohlhofer@truworths.co.za, tel +27(21) 460 7956) at PO Box 600, Cape Town, South Africa, 8000.

The directors are responsible for preparing annual financial statements that fairly present the financial position of the Group and the results of its operations in accordance with the Companies Act, International Financial Reporting Standards (IFRS) and the JSE Listings Requirements. The application of IFRS is reviewed by the Group's Accounting Forum, which meets quarterly with the external auditors, comprises members of the Group's financial management team, and makes recommendations to management and the directors relating to accounting treatment and disclosure.

The external auditor is responsible for conducting an independent audit of the annual financial statements in accordance with International Auditing Standards, and to express an opinion as to whether the financial statements provide fair presentation.

The directors, based on the work of the Audit Committee, ensure that the annual financial statements provide the disclosures required by the JSE Listings Requirements, the Companies Act and King III, and incorporate appropriate accounting policies that, unless otherwise stated, have been uniformly and consistently applied and are supported by reasonable and prudent judgements and estimates.

The annual financial statements for the 2014 financial period have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the level of unutilised borrowing facilities and the revenue and cash budgets for the period to June 2015, the directors believe that the company and the Group have adequate resources to continue in operation for the period ahead.

The audited abridged Group annual financial statements consists of:

- Report of the Independent Auditors on the Abridged Annual Financial Statements
- Abridged Group Statements of Financial Position
- Abridged Group Statements of Comprehensive Income
- Abridged Group Statements of Changes in Equity
- Abridged Group Statements of Cash Flows
- Selected Explanatory Notes to the Abridged Group Annual Financial Statements
- Directors' Holdings of Shares and Equity-based Awards
- Extract from Shareholder Information

Report of the *Independent Auditor*

to the shareholders of Truworths International Limited

The summary group financial statements of Truworths International Limited, contained in the accompanying abridged group annual financial statements on pages 60 to 70, which comprise the summary group statements of financial position as at 29 June 2014, the summary group statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited group annual financial statements of Truworths International Limited for the year ended 29 June 2014. We expressed an unmodified audit opinion on those group annual financial statements in our report dated 21 August 2014. Our auditor's report on the audited group financial statements contained an Other Matter paragraph: "Other reports required by the Companies Act" (refer below). Those group financial statements and the summary group financial statements do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summary group financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary group financial statements, therefore, is not a substitute for reading the audited group financial statements of Truworths International Limited.

Director's Responsibility for the Summary Group Financial Statements

The directors are responsible for the preparation of the summary group financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary group financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary group financial statements derived from the audited group annual financial statements of Truworths International Limited for the year ended 29 June 2014 are consistent, in all material respects, with those group annual financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 21 August 2014 states that as part of our audit of the group financial statements for the year ended 29 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited group financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited group financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary group financial statements or our opinion thereon.

Ernst & Young Inc.

Michael Frederick John Bourne
Director
Registered Auditor
Chartered Accountant (SA)

Cape Town
21 August 2014

Abridged Group Statements of Financial Position

	Note	at 29 June 2014 Audited Rm	at 30 June 2013 Audited Restated* Rm	at 1 July 2012 Audited Restated* Rm
ASSETS				
Non-current assets		**1 360**	1 280	1 197
Property, plant and equipment		**934**	857	775
Goodwill		**90**	90	90
Intangible assets		**106**	103	94
Derivative financial assets		**6**	19	34
Available-for-sale assets		**9**	4	3
Loans and receivables		**99**	118	143
Deferred tax		**116**	89	58
Current assets		**6 716**	5 991	5 720
Inventories		**863**	787	670
Trade and other receivables		**4 182**	3 766	3 421
Derivative financial assets		**5**	42	7
Prepayments		**78**	71	62
Cash and cash equivalents		**1 588**	1 325	1 560
Total assets		**8 076**	7 271	6 917
EQUITY AND LIABILITIES				
Total equity		**6 642**	6 224	5 986
Share capital and premium	6	**368**	293	205
Treasury shares		**(652)**	(2 028)	(1 274)
Retained earnings		**6 774**	7 830	6 949
Non-distributable reserves		**152**	129	106
Non-current liabilities		**88**	96	95
Post-retirement medical benefit obligation		**51**	48	42
Leave pay obligation		**3**	4	3
Cash-settled compensation obligation		**4**	8	12
Straight-line operating lease obligation		**30**	36	38
Current liabilities		**1 346**	951	836
Trade and other payables		**1 134**	715	595
Provisions		**47**	71	73
Derivative financial liability		**8**	–	–
Tax payable		**157**	165	168
Total liabilities		**1 434**	1 047	931
Total equity and liabilities		**8 076**	7 271	6 917
Number of shares in issue (net of treasury shares)	(millions)	**413.8**	417.8	424.0
Net asset value per share	(cents)	**1 605.1**	1 489.7	1 411.8
Key ratios				
Return on equity	(%)	**37**	39	40
Before tax return on capital	(%)	**52**	55	58
Before tax return on assets	(%)	**42**	46	46
Inventory turn	(times)	**5.3**	5.4	5.7
Asset turnover	(times)	**1.3**	1.3	1.3

* Resulting from the adoption of new IFRS (refer to note 2).

Abridged Group Statements of Comprehensive Income

	Note	52 weeks to 29 June 2014 Audited Rm	% change	52 weeks to 30 June 2013 Audited Rm
Revenue	3	11 642	8	10 809
Sale of merchandise		10 458	7	9 765
Cost of sales		(4 617)		(4 241)
Gross profit		5 841	6	5 524
Other income		235		226
Trading expenses		(3 668)	15	(3 202)
Depreciation and amortisation		(184)		(160)
Employment costs		(1 024)		(986)
Occupancy costs		(954)		(843)
Trade receivable costs		(916)		(739)
Other operating costs		(590)		(474)
Trading profit		2 408	(5)	2 548
Interest received		917		814
Dividends received		32		4
Profit before tax		3 357	–	3 366
Tax expense		(951)		(958)
Profit for the period, fully attributable to shareholders of the company		2 406	–	2 408
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(3)		–
Movement in effective cash flow hedge		(2)		(3)
Fair value adjustment on personal lines insurance business arrangement		1		–
Deferred tax on movement in effective cash flow hedge		(2)		4
Movement in foreign currency translation reserve		–		(1)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		3		–
Remeasurement gains on defined benefit plans		3		–
Other comprehensive income for the period, net of tax		–		–
Total comprehensive income for the period, fully attributable to shareholders of the company		2 406		2 408
Basic earnings per share	(cents)	575.9	1	570.8
Headline earnings per share	(cents)	576.8	1	570.8
Fully diluted basic earnings per share	(cents)	568.4	1	560.7
Fully diluted headline earnings per share	(cents)	569.3	2	560.7
Weighted average number of shares	(millions)	417.8		421.9
Key ratios				
Gross margin	(%)	55.9		56.6
Trading expenses to sale of merchandise	(%)	35.1		32.8
Trading margin	(%)	23.0		26.1
Operating margin	(%)	32.1		34.5

Abridged Group Statements of Changes in Equity

	Share capital and premium Rm	Treasury shares Rm	Retained earnings Rm	Non-distributable reserves Rm	Total equity Rm
2014					
Balance at the beginning of the period*	293	(2 028)	7 830	129	6 224
Profit and total comprehensive income for the period	–	–	2 409	(3)	2 406
Profit for the period	–	–	2 406	–	2 406
Other comprehensive income for the period	–	–	3	(3)	–
Dividends	–	–	(1 568)	–	(1 568)
Premium on shares issued	44	–	–	–	44
Shares repurchased	–	(490)	–	–	(490)
Shares repurchased and cancelled	–	1 897	(1 897)	–	–
Shares issued in terms of the restricted share scheme	31	(31)	–	–	–
Share-based payments	–	–	–	26	26
Balance at 29 June 2014	368	(652)	6 774	152	6 642
2013					
Balance at the beginning of the period	205	(1 274)	6 944	106	5 981
Remeasurement gains on defined benefit plans*	–	–	5	–	5
Audited restated balance at the beginning of the period	205	(1 274)	6 949	106	5 986
Profit and total comprehensive income for the period	–	–	2 408	–	2 408
Dividends	–	–	(1 527)	–	(1 527)
Premium on shares issued (includes R61 million in respect of the restricted share scheme)	88	–	–	–	88
Shares repurchased	–	(691)	–	–	(691)
Shares issued in terms of the restricted share scheme	–	(61)	–	–	(61)
Shares acquired upon forfeiture of equity-based awards	–	(2)	–	–	(2)
Share-based payments	–	–	–	23	23
Balance at 30 June 2013	293	(2 028)	7 830	129	6 224

* Resulting from the adoption of new IFRS (refer to note 2).

Dividends (cents per share)	**2014**	2013
Final – payable/paid September	169	158
Interim – paid March	216	204
	385	362

Abridged Group Statements of Cash Flows

		52 weeks to 29 June 2014 Audited Rm	52 weeks to 30 June 2013 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from trading and cash EBITDA*		2 682	2 720
Working capital movements		(105)	(352)
Cash generated from operations		2 577	2 368
Interest received		917	814
Dividends received		32	4
Tax paid		(984)	(988)
Cash inflow from operations		2 542	2 198
Dividends paid		(1 566)	(1 526)
Net cash from operating activities		976	672
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment to expand operations		(221)	(203)
Acquisition of plant and equipment to maintain operations		(54)	(50)
Acquisition of computer software		(14)	(17)
Proceeds on disposal of plant and equipment		2	–
Loans advanced		–	(1)
Loans repaid		21	29
Acquisition of mutual fund units		(1)	–
Net cash used in investing activities		(267)	(242)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on shares issued		44	27
Shares repurchased by subsidiaries		(490)	(691)
Net cash used in financing activities		(446)	(664)
Net increase/(decrease) in cash and cash equivalents		263	(234)
Cash and cash equivalents at the beginning of the period		1 325	1 560
Net foreign exchange difference		–	(1)
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		1 588	1 325
Key ratios			
Cash flow per share	(cents)	608.4	521.0
Cash equivalent earnings per share	(cents)	634.8	604.9
Cash realisation rate	(%)	96	86

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

Selected explanatory notes

1 BASIS OF PREPARATION

The information in these audited abridged Group financial statements have been extracted from the Group's 2014 annual financial statements. The audited abridged Group financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, IAS 34: Interim Financial Reporting, the South African Companies Act (71 of 2008, as amended) and the Listings Requirements of the JSE.

The Group's 2014 annual financial statements and these audited abridged Group financial statements have been audited by the Group's external auditor, Ernst & Young Inc., and their unqualified audit opinion on such financial statements is available for inspection at the company's registered office.

The Group's 2014 annual financial statements have been prepared in accordance with the going concern and historical cost bases except where otherwise indicated in the Group's accounting policies. The accounting policies have been applied uniformly throughout the Group and are consistent with those applied in the prior period, except as mentioned in note 2. The presentation currency of the financial statements is the South African Rand (R) and all amounts are rounded to the nearest million. These audited abridged Group financial statements have been prepared under the supervision of DB Pfaff CA(SA), the Chief Financial Officer of the Group.

2 ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the Group's 2014 annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the period ended 30 June 2013, except for the changes resulting from the adoption of the statements as described below:

IFRS 10: Consolidated Financial Statements

This standard establishes a single control model that applies to all entities including special purpose entities. It amends the definition of control to include three elements, namely power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns.

The Group has performed the necessary assessments and applied the principles to all interests in other entities which could be considered to fall within the scope of the new standard, and has concluded that it is not required to consolidate or deconsolidate any such interests at the reporting date. However, the Group has included these interests in the statement of financial position as available-for-sale investments, where appropriate. This standard has not had any material impact on the financial position and financial performance of the Group.

IFRS 12: Disclosure of Interest in Other Entities

This standard consolidates all of the disclosures that were previously in IAS 27: Consolidated and Separate Financial Statements, as well as all of the disclosures that were previously included in IAS 31: Investments in Joint Ventures and IAS 28: Investments in Associates. The new standard increases transparency in financial reporting where the reporting entity has an interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

The adoption of this standard has resulted in additional disclosures in relation to the Group's interests in entities other than subsidiaries.

IFRS 13: Fair Value Measurement

This standard establishes a single source of guidance under IFRS for all fair value measurements and defines fair value as an exit price.

The adoption of this standard has resulted in additional disclosures, but has not had any material impact on the financial position or performance of the Group.

IAS 19: Employee Benefits (Revised)

Revisions to this standard include significant changes to the accounting for pension and post-retirement benefit plans and various other minor changes. Of these changes, the most fundamental is the removal of the corridor mechanism for recognising actuarial gains and losses. In terms of the revised standard all actuarial surpluses and deficits are recognised in the statement of financial position and other comprehensive income and are not deferred. The revised standard was applied retrospectively in accordance with the requirements of IAS 8: Accounting Policies – Changes in Accounting Estimates and Errors, resulting in the restatement of all affected opening comparative balances of the 2013 reporting period.

Selected explanatory notes
(continued)

This has resulted in the recognition of the previously unrecognised actuarial gain in relation to the Group's post-retirement medical benefit obligation of R5 million directly in other comprehensive income. All actuarial gains and losses arising after this date are also recognised directly in other comprehensive income in the period they arise.

The revised standard also requires short-term employee benefits to be classified as such, based on the expected timing of settlement rather than employee entitlement.

This has resulted in the reclassification of R3 million of the opening comparative balance of the 2013 reporting period of the Group's leave pay obligation from short-term employee benefits to other long-term employee benefits. Changes in the carrying amount of liabilities for other long-term employment benefits continue to be recognised in profit or loss.

Other IFRS amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations
Various other new and amended IFRS and IFRIC interpretations that have been issued are effective but are not applicable to the Group's activities.

		52 weeks to 29 June 2014 Audited Rm	% change	52 weeks to 30 June 2013 Audited Rm
3	REVENUE			
	Sale of merchandise	10 458	7	9 765
	Retail sales	10 762		10 074
	Accounting adjustments*	(312)		(318)
	Franchise sales	8		9
	Interest received	917	13	814
	Trade receivables interest	828		724
	Investment interest	89		90
	Other income	235	4	226
	Commission	118		112
	Display fees	53		48
	Financial services income	50		51
	Lease rental income	7		7
	Other	6		6
	Royalties	1		2
	Dividends received	32		4
	Dividends received from dissolution of an insurance cell captive	29		–
	Dividends received from insurance business arrangements	3		4
	Total revenue	11 642	8	10 809

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

		52 weeks to 29 June 2014 Audited Rm	% change	52 weeks to 30 June 2013 Audited Rm
4	RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS			
	Profit for the period, fully attributable to shareholders of the company	2 406		2 408
	Adjusted for:			
	Loss on disposal of plant and equipment	4		–
	Headline earnings	2 410	–	2 408

Selected explanatory notes
(continued)

5 SEGMENT REPORTING

The Group's reportable segments have been identified as the Truworths and Young Designers Emporium (YDE) business units. The Truworths business unit comprises all the retailing activities conducted by the Group, through which the Group retails fashion apparel comprising clothing, footwear and other fashion products to women, men and children, other than by the YDE business unit. The YDE business unit comprises the agency activities through which the Group retails clothing, footwear and related products on behalf of emerging South African designers.

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

		Truworths Rm	YDE Rm	Consolidation entries Rm	Group Rm
2014					
Total third party revenue		11 519	123	–	11 642
Third party		11 485	123	34	11 642
Inter-segment		34	–	(34)	–
Depreciation and amortisation		179	5	–	184
Employment costs		1 005	14	5	1 024
Occupancy costs		917	37	–	954
Trade receivable costs		916	–	–	916
Other costs		613	15	(38)	590
Interest received		913	2	2	917
Profit for the period		2 334	38	34	2 406
Profit before tax		3 271	52	34	3 357
Tax expense		(937)	(14)	–	(951)
Segment assets		11 372	197	(3 493)	8 076
Segment liabilities		1 563	7	(136)	1 434
Capital expenditure		283	6	–	289
Gross margin	(%)	55.9	–	–	55.9
Trading margin	(%)	22.5	41.5	–	23.0
Operating margin	(%)	31.3	43.1	–	32.1
Inventory turn	(times)	5.3	–	–	5.3
Credit:cash sales mix	(%)	71:29	24:76	–	71:29
2013					
Total third party revenue		10 722	111	(24)	10 809
Third party		10 691	111	7	10 809
Inter-segment		31	–	(31)	–
Depreciation and amortisation		156	4	–	160
Employment costs		973	13	–	986
Occupancy costs		810	33	–	843
Trade receivable costs		739	–	–	739
Other costs		493	15	(34)	474
Interest received		810	1	3	814
Profit for the period		2 367	32	9	2 408
Profit before tax		3 312	45	9	3 366
Tax expense		(945)	(13)	–	(958)
Segment assets		10 125	154	(3 008)	7 271
Segment liabilities*		1 149	1	(103)	1 047
Capital expenditure		268	2	–	270
Gross margin	(%)	56.6	–	–	56.6
Trading margin	(%)	25.6	39.7	–	26.1
Operating margin	(%)	33.9	40.8	–	34.5
Inventory turn	(times)	5.4	–	–	5.4
Credit:cash sales mix	(%)	72:28	25:75	–	72:28

* Restated as a result of the adoption of new IFRS (refer to note 2).

Selected explanatory notes
(continued)

Third party revenue	2014 Contribution to revenue Rm	%	2013 Contribution to revenue Rm	%
South Africa	11 219	96.4	10 460	96.8
Namibia	201	1.7	171	1.6
Swaziland	70	0.6	52	0.5
Botswana	63	0.5	49	0.5
Zambia	20	0.2	16	0.1
Nigeria	19	0.2	16	0.1
Ghana	17	0.1	14	0.1
Lesotho	15	0.1	13	0.1
Mauritius	10	0.1	9	0.1
Franchise sales	8	0.1	9	0.1
Kenya	8	0.1	8	0.1
Lesotho	–	–	1	–
Total third party revenue	11 642	100	10 809	100

Selected explanatory notes
(continued)

		2014 R'000	2013 R'000
6	**SHARE CAPITAL**		
	Ordinary share capital		
	Authorised		
	650 000 000 (2013: 650 000 000) ordinary shares of 0.015 cent each	98	98
	Issued and fully paid		
	422 638 973 (2013: 463 806 804) ordinary shares of 0.015 cent each	63	70

The company has one class of ordinary shares which carry no rights to fixed income.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company's shareholders.

		2014 Number of shares 000's	2013 Number of shares 000's
Reconciliation of movement in issued shares			
Balance at the beginning of the period		463 829	461 810
Shares issued during the period		2 665	2 019
Shares cancelled during the period		(43 854)	–
Balance at the reporting date*		422 640	463 829
Treasury shares held by subsidiaries		(8 866)	(46 064)
Number of shares in issue (net of treasury shares)		413 774	417 765
Treasury shares as a % of the issued shares at the reporting date	(%)	2.1	9.9

The shares issued during the period were allotted for an aggregate nominal value of R400 (2013: R303) and an aggregate premium of R75 008 267 (2013: R88 060 989).

* The prior period balance includes 22 084 shares issued during the period and allotted subsequent to the reporting date.

		29 June 2014 Rm	30 June 2013 Rm
7	**CAPITAL COMMITMENTS**		
	Capital expenditure authorised but not contracted:		
	Store renovation and development	356	259
	Computer infrastructure	65	59
	Distribution facilities	17	60
	Head office refurbishment	7	4
	Motor vehicles	3	6
	Total capital commitments	448	388

The capital commitments will be financed from cash generated from operations and available cash resources and are expected to be incurred in the 2015 reporting period.

Directors' holdings of shares and equity-based awards

	RSPs[1] 000's	PSPs[2] 000's	SARs[3] 000's	PARs[4] 000's	Shares 000's	Options 000's	Total 000's
2014							
In aggregate							
Balance at the beginning of the period	70	49	–	–	2 618	5 453	8 190
Granted during period	83	83	31	32	–	–	229
Exercised during the period	–	–	–	–	–	(1 000)	(1 000)
Share movements during the period	–	–	–	–	(992)	–	(992)
Balance at the reporting date	153	132	31	32	1 626	4 453	6 427
By directors							
The direct and indirect interest of each of the directors in the company's shares, which are held either beneficially or pursuant to the equity-settled share schemes, are as follows:							
Executive directors	153	132	31	32	1 553	4 453	6 354
Michael Mark	120	121	–	–	1 553	4 453	6 247
David Pfaff	33	11	31	32	–	–	107
Non-executive directors	–	–	–	–	73	–	73
Thandi Ndlovu	–	–	–	–	20	–	20
Hilton Saven	–	–	–	–	50	–	50
Tony Taylor	–	–	–	–	3	–	3
Balance at the reporting date	153	132	31	32	1 626	4 453	6 427
Comprising:							
Direct interest	153	132	31	32	1 573	4 453	6 374
Indirect interest	–	–	–	–	53	–	53
Total	153	132	31	32	1 626	4 453	6 427

1 Restricted share plan shares.
2 Performance share plan shares.
3 Share appreciation rights.
4 Performance appreciation rights.

Directors' holdings of shares and equity-based awards *(continued)*

	RSPs 000's	PSPs 000's	Shares 000's	Options 000's	Total 000's
2013					
In aggregate					
Balance at the beginning of the period	–	–	3 053	5 963	9 016
Granted during period	48	49	–	–	97
Exercised during the period	–	–	–	(501)	(501)
Forfeited during the period	–	–	(50)	(9)	(59)
Share movements during the period	–	–	(385)	–	(385)
Balance at the reporting date	48	49	2 618	5 453	8 168
By directors					
The direct and indirect interest of each of the directors in the company's shares, which are held either beneficially or pursuant to the equity-settled share schemes, are as follows:					
Executive directors	48	49	2 490	5 453	8 040
Michael Mark	48	49	2 490	5 453	8 040
Non-executive directors	–	–	128	–	128
Thandi Ndlovu	–	–	30	–	30
Hilton Saven	–	–	50	–	50
Tony Taylor	–	–	48	–	48
Balance at the end of the period	48	49	2 618	5 453	8 168
Comprising:					
Direct interest	48	49	2 128	5 453	7 678
Indirect interest	–	–	490	–	490
Total	48	49	2 618	5 453	8 168

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

It is the Group's policy that all directors and officers, as well as those employees who have access to price-sensitive information, should not deal in company shares, or receive or exercise share options or share appreciation rights of the company during the closed period. The closed periods commence two weeks before the end of the interim (December) and annual (June) reporting periods and end twenty-four hours after announcement of the financial results on the JSE news service.

Loans pursuant to share scheme

The shares held by executive directors in terms of the Truworths International Ltd 1998 share option scheme have been acquired by way of secured loans pursuant to such scheme. The shares are pledged against the outstanding loan balances (refer to note 26.1) and will become releasable upon the later of vesting or repayment of the loans (refer to note 7.2). Refer to section 3 of Annexure Two for details of options exercised and shares so acquired in terms of such scheme during the reporting period.

All 1 553 741 shares held by Mr Mark pursuant to the share scheme have vested at the reporting date. Of the 2 490 275 shares held directly or indirectly by Mr Mark in 2013, 1 990 275 shares were held pursuant to the 1998 share scheme. Of these, 1 752 775 had vested at the 2013 reporting date and the remaining 237 500 vested between 14 October 2013 and 19 March 2014.

Extract from
Shareholder Information

HOLDERS OF MAJOR BENEFICIAL INTERESTS IN SHARES

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act (71 of 2008, as amended), the following persons had beneficial interests in excess of 3% of the company's shares at the reporting date:

		2014		2013	
	Country	Number of shares	% of issued capital	Number of shares	% of issued capital
Government Employees Pension Fund	South Africa	65 280 416	15.5	63 690 010	13.7
Aberdeen Emerging Markets Fund	United Kingdom	26 659 395	6.3	32 275 543	7.0
Aberdeen Emerging Opportunities Fund	United Kingdom	15 381 512	3.6	37 265 719	8.0

MAJOR FUND MANAGERS

According to the disclosures made by nominee and asset management companies in terms of section 56 of the Companies Act (71 of 2008, as amended), the following fund managers administered portfolios (including those of the holders of the major beneficial interests above) in excess of 3% of the company's shares at the end of the reporting period:

		2014		2013	
	Country	Number of shares	% of issued capital	Number of shares	% of issued capital
Aberdeen Asset Managers Ltd	United Kingdom	76 844 038	18.2	103 264 062	22.3
Public Investment Corporation	South Africa	59 088 097	14.0	62 064 848	13.4
Westwood Global Investments LLC	United States of America	30 026 825	7.1	28 965 780	6.2
Foord Asset Management (Pty) Ltd	South Africa	21 872 419	5.2	19 466 467	4.2
Aberdeen Asset Managers Inc	United States of America	20 835 466	4.9	16 634 420	3.6
Lazard Asset Management LLC	United States of America	18 381 956	4.3	19 241 228	4.1
Coronation Fund Managers Ltd	South Africa	16 270 450	3.8	10 329 949	2.2

Extract from Shareholder Information *(continued)*

Shareholder spread at the reporting date

Pursuant to the Listings Requirements of the JSE and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at the end of the reporting period was as follows:

	2014			2013		
	Number of share-holdings	Number of shares	%	Number of share-holdings	Number of shares	%
Non-public shareholders						
Treasury shares						
Truworths Limited, held on behalf of participants in terms of the 2012 share plan:	1	1 049 641	0.3	1	592 575	0.1
Directors of the company and subsidiaries		396 124	0.1		194 746	0.0
Non-director participants		653 517	0.2		397 829	0.1
Truworths International Limited Share Trust	1	146 561	0.0	1	147 351	0.0
Truworths Investments (Pty) Ltd	–	–	–	1	11 355 395	2.5
Truworths Investments Two (Pty) Ltd	–	–	–	1	11 281 150	2.4
Truworths Investments Three (Pty) Ltd	–	–	–	1	11 346 001	2.5
Truworths Investments Four (Pty) Ltd	–	–	–	1	11 341 451	2.5
Truworths Trading (Pty) Ltd	1	7 668 876	1.8	–	–	–
Directors of the company and subsidiaries	6	1 833 716	0.4	10	2 843 623	0.6
Associates of directors of the company and subsidiaries	2	53 741	0.0	2	490 275	0.1
Non-director share scheme participants	8	497 259	0.1	6	348 025	0.1
Total non-public shareholders	19	11 249 794	2.6	24	49 745 846	10.8
Public shareholders	4 808	411 389 179	97.4	5 258	414 060 958	89.2
Total	4 827	422 638 973	100.0	5 282	463 806 804	100.0


TEAM
PLAYER
86

Managing the *Risk of Credit*

Active account growth of
1%
to 2.6 million accounts
(2013: 6%)

Lower new account acceptance rate of
26%
(2013: 31%) impacted new account growth

83%
of customers able to purchase on credit at period-end (2013: 82%)

Overdue percentage of the portfolio decreased to
14.2%
from 15.1% in 2013

Net bad debt to book up from 10.4% in 2013 to
12.9%

Doubtful debt provision to book increased from 12.0% to
12.5%

Deteriorating credit environment

Management began tightening credit granting on new accounts in the final quarter of the 2012 calendar year as leading performance indicators predicted the likelihood of deteriorating credit quality impacting on the portfolio.

Credit policy was further tightened across the portfolio during the 2013 period as macro-economic conditions continued to deteriorate. All strategies were reviewed to contain bad debt and limit the growth in the doubtful debt allowance. While the credit strategies deployed at the time remained profitable, management took a prudent decision to adopt a more conservative approach to managing credit risk.

Along with the tightening of credit granting in the period, the Group also improved its capability to predict risk. New bespoke scorecards were developed and other scorecards aligned with the changing economic conditions. A multi-bureau approach was introduced to enhance the quality of customer data and to improve credit management decisions.

The collections environment became increasingly challenging and the following steps were taken to improve collections:

- Collections capacity was increased and collections capability was enhanced with the installation of additional technology to facilitate account payment.

- Management capacity was increased.
- International consulting expertise was used to improve operating efficiency.
- The incentive scheme for credit collectors was refined.
- Additional debt collection agencies were contracted to improve recoveries.
- The debit order system was redeveloped to accommodate the varying needs of customers.

Credit performance in 2014

The two major challenges encountered in managing credit risk in the financial period were the expected deterioration in the accounts receivable portfolio and the slowdown in active account growth as a result of more stringent credit granting criteria.

Changes in new account acquisition strategies resulted in an increased rejection rate on new account applications to 74% (2013: 69%), affecting the growth of the active book. The higher rejection rates reflect the pressure on credit affordability and the indebtedness levels of customers. Active accounts grew by 1% to 2.6 million following 6% growth in the previous reporting period.

Increased delinquency levels in the portfolio and lower new account growth resulted in credit sales declining to 71% of total sales compared to 72% in the previous period. Credit sales grew by 5%, with sales to customers who have held accounts for more than two years growing by 12%.

Changes in credit risk strategies and intensified collections processes have benefited the trade receivables portfolio, with early risk indicators suggesting that performance is turning.

The overdue percentage of the portfolio showed a pleasing improvement from 15.1% in 2013 to 14.2%, similar levels to the 2010, 2011 and 2012 reporting periods. This is considered by management as a leading indicator of the health of the debtors' book.

Net bad debt as a percentage of credit sales at 8.0% was higher than the previously reported 6.0% owing to the slower credit sales and the increase in bad debt during the period.

The percentage of account holders able to purchase on credit because they were not in arrears at period-end improved from 82% in 2013 to 83% in 2014. The monthly qualifying payment to avoid an account moving into arrears remained at 90% and the Group continued to write off delinquent accounts on a contractual and automated basis.

Net bad debt as a percentage of gross trade receivables grew to 12.9% from 10.4% in 2013. The doubtful debt allowance as a percentage of trade receivables was increased to 12.5% from 12.0% in 2013, as provisioning models showed that a higher allowance was required owing to the slower book growth.

While collections were difficult owing to consumer debt stress, the percentage of customers paying accounts was consistent with previous years. Recoveries as a percentage of bad debt written off declined slightly.

The value of Group accounts under the statutory National Credit Act (NCA) debt review process has remained at similar levels to the previous reporting period. The collection of these accounts is outsourced to specialist collections agencies who ensure regular payments are received from the various payment distribution agencies. Standard write-off policies are applied to accounts under debt review and at period-end approximately 66% of the value of accounts under debt review had been written off.

An analysis of the cost of credit is included in the Chief Financial Officer's Report on page 52.

The Group's gross trade receivables portfolio grew by 11.8% to R4.7 billion. This grew ahead of credit sales primarily as a result of customers opting for the longer-term 12-month payment plans compared to the 6- or 9-month plans.

Financial services income, excluding the annual service fee charged on accounts, grew by 33% as the benefits of the initiatives undertaken by Truworths and its insurance partner start to be realised. Two products were tested during the period: a conditional account balance protection product and a life cover and endowment product. These products are still being piloted to ensure there is no negative impact on merchandise sales, account payments and delinquency.

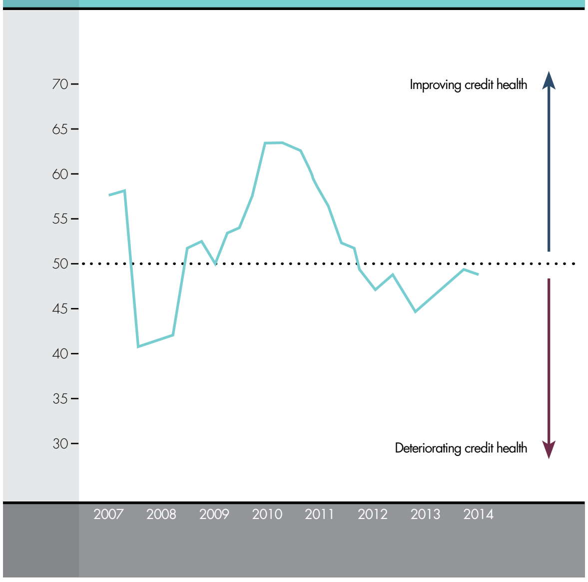
Interest income (excluding notional interest) on the debtors' book grew by 16.8% to R755 million as a result of the move to longer-term payment plans and the 50 basis point increase in interest rates in January 2014. Trade receivable interest as a percentage of the book increased slightly to 17.6% compared to 17.2% in 2013.

Regulatory environment

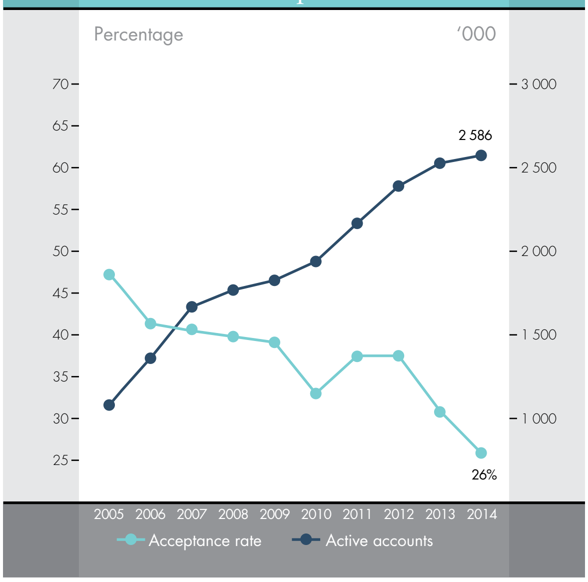
Several legislative and regulatory changes affecting credit providers were introduced during the year and considered by the Group. These include the National Credit Amendment Act, which was promulgated in May 2014, and the National Credit Regulator's (NCR) proposed affordability regulations and changes to the handling of prescribed debt. The credit amnesty introduced in April 2014 mandated credit bureaux to remove adverse credit information and details relating to paid up judgments. Management considers the potential impact of these new regulations and pending changes to be minimal and not material to the Group.

Credit providers are required annually to submit a compliance report to the NCR to confirm they have conducted their business in accordance with the NCA. The Group submitted its compliance report in December 2013 and no material shortcomings were identified.

TransUnion SA Consumer Credit Index



Group active account growth versus acceptance rate



Managing credit risk in 2015

Following the early signs of slight improvement in credit metrics in the second half of 2014 the Group believes the rate of growth in both gross and net bad debt will slow down in 2015. The cost of credit for the Group is expected to stabilise as the performance of the debtors' portfolio improves.

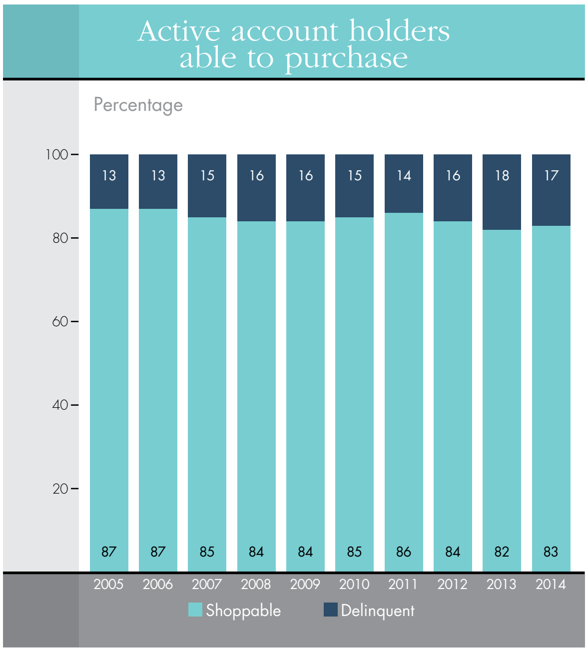
Improving credit performance could allow the acceptance rate for new accounts to be increased slightly in the new financial period to grow the Group's active account base. However, management remains cautious as consumers will continue to be impacted by increasing cost pressures, low economic growth and the slowdown in credit granting.

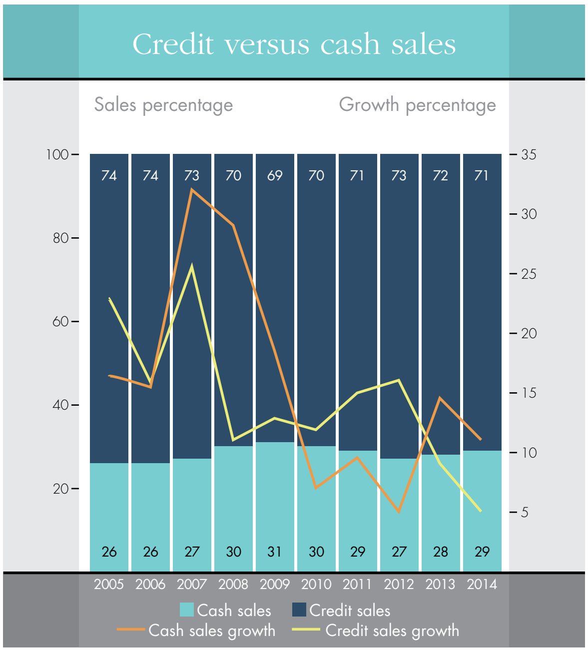
Scorecards and analytical models will be enhanced through the use of additional customer data to increase the predictive power of credit management systems. Two new application scorecards will be implemented and the suite of internal behavioural scorecards will be redeveloped during the year.

Leading-edge technology will be implemented in the call centre and collections dialler environments to bolster collections and recoveries. Campaign management software will be implemented to enable the Group to run multi-level campaigns to both credit and cash customers to improve loyalty. A rewards programme is to be tested in the 2015 financial period.

A number of omni-channel initiatives are being considered to improve service to both account and cash customers.

Interest rates are expected to increase in the 2015 financial period. 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.





Ten-year Review of Credit Performance

TRADE RECEIVABLE STATISTICS		2014	2013
Group			
Number of active accounts	(000's)	2 586	2 554
Growth in number of active accounts	(%)	1	6
Trade receivables (before doubtful debt allowance)	(Rm)	4 720	4 221
Credit sales as a % of retail sales	(%)	71	72
Qualifying payment	(%)	90	90
Applications granted credit	(%)	26	31
Active account holders able to purchase at period-end	(%)	83	82
Overdue values as a % of trade receivables	(%)	14.2	15.1
Net bad debt as a % of credit sales	(%)	8.0	6.0
Net bad debt as a % of trade receivables	(%)	12.9	10.4
Doubtful debt allowance as a % of trade receivables	(%)	12.5	12.0
Trade receivables interest as a % of trade receivables	(%)	18	17
Truworths			
Number of active accounts	(000's)	2 039	2 054
Growth in number of active accounts	(%)	(1)	4
Trade receivables (before doubtful debt allowance)	(Rm)	3 960	3 584
Credit sales as a % of retail sales	(%)	73	74
Applications granted credit	(%)	27	33
Identity			
Number of active accounts	(000's)	519	474
Growth in number of active accounts	(%)	9	14
Trade receivables (before doubtful debt allowance)	(Rm)	727	607
Credit sales as a % of retail sales	(%)	59	58
Applications granted credit	(%)	25	25
YDE			
Number of active accounts	(000's)	28	26
Growth in number of active accounts	(%)	8	4
Trade receivables (before doubtful debt allowance)	(Rm)	33	30
Credit sales as a % of retail sales	(%)	24	25
Applications granted credit	(%)	54	52

2012	2011	2010	2009	2008	2007	2006	2005
2 411	2 194	1 975	1 856	1 783	1 689	1 364	1 074
10	11	6	4	6	24	27	25
3 794	3 333	2 835	2 550	2 296	2 048	1 536	1 199
73	71	70	69	70	73	74	74
90	90	90	90	90	90	90	90
38	38	33	39	40	41	42	48
84	86	85	84	84	85	87	87
13.2	12.7	13.6	16.1	17.0	14.6	14.3	14.0
4.5	3.9	5.6	6.8	6.3	3.6	2.7	2.3
7.9	6.8	9.8	11.9	11.3	6.6	5.1	4.6
10.6	10.1	10.7	11.9	11.9	7.9	5.9	5.9
17	16	17	22	21	16	17	16
1 971	1 866	1 747	1 668	1 633	1 574	1 292	1 039
6	7	5	2	4	22	24	21
3 264	2 961	2 577	2 348	2 147	1 940	1 471	1 172
76	75	74	74	77	79	78	79
42	41	33	40	42	43	42	48
415	305	207	167	126	98	61	28
36	47	24	33	29	61	118	–
501	345	233	178	125	90	53	21
55	47	40	37	34	33	32	11
34	32	31	35	34	36	36	43
25	23	21	21	19	17	11	7
9	10	–	11	12	55	57	–
29	27	25	24	21	18	12	6
25	24	23	21	21	20	18	7
65	63	60	64	63	62	62	71

Fashion and Brands

value

Group *Brands*

Brand portfolio

The Group has a diversified portfolio of brands that appeal to the different lifestyles of youthful, fashionable South Africans. The merchandise ranges are aligned with international fashion trends and extend across the ladieswear, menswear and childrenswear categories.

Brand strategy

Core to the brand strategy is the focus on developing and growing in-house brands that are exclusive to the Group, complemented by a small offering of specialist third party brands. Each brand has a clearly defined profile which ensures the merchandise has a distinctive signature.

Truworths 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.

Once the need for a new range has been identified, merchandise is selected, assorted in limited volumes and piloted in test stores. The range is monitored to determine customer demand, adjusted to the needs of the customer and, once established, introduced into additional stores in the chain.

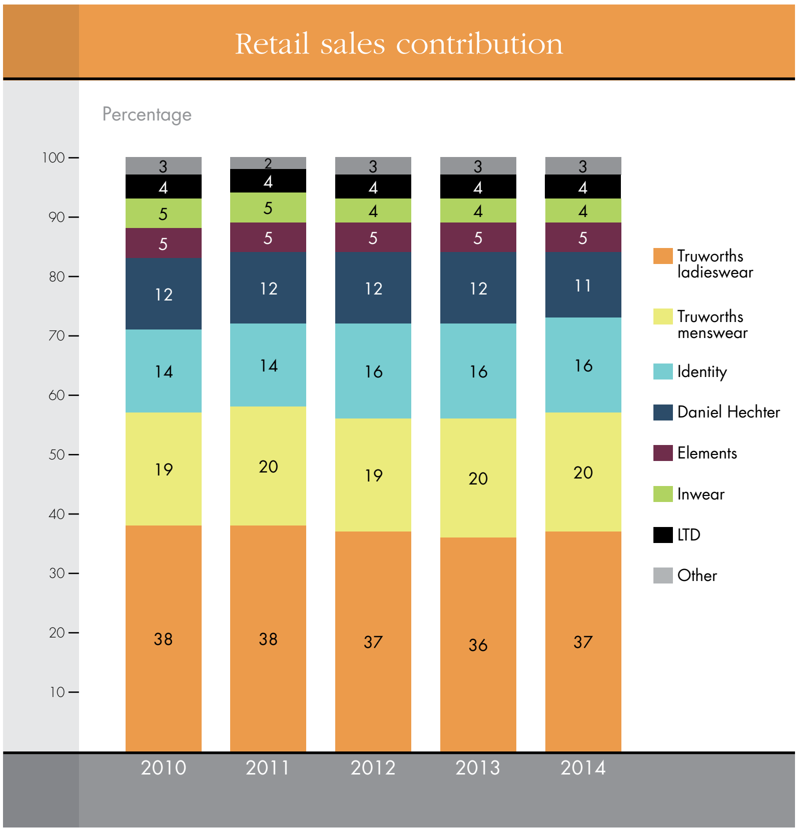
Brand building

Truworths and Truworths Man are the core brands and the ladieswear and menswear brands account for over 50% of merchandise sales. These are complemented by the internally developed brands Inwear (launched in 1986), Truworths Jewellery (1989), LTD (1992), Elements (1999) and Ginger Mary (2005). Daniel Hechter, the French designer brand, has been offered under an exclusive long-term licence agreement since 1984.

Identity, launched as a separate chain in 1999, offers fashion-forward merchandise to the trendy, value-conscious youth market.

Brand acquisition

Uzzi, the Italian-inspired menswear fashion chain, was acquired in 2006 and integrated into the Truworths menswear offering. Young Designers Emporium (YDE), a unique retail chain which showcases the fashion of emerging local designers, was acquired in 2003.



	TRUWORTHS	TRUWORTHS MAN	IDENTITY
Brand description	**Truworths Ladieswear** offers a range of fashionable leisurewear, formalwear, eveningwear, lingerie, shoes and accessories designed for the youthful, modern, fashion-conscious woman.	**Truworths Menswear** 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.	**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.
Brand profile	Youthful women across all ages and lifestyles	Youthful men across all ages and lifestyles	Young men and ladies
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, The Look, Truworths Maternity, Basix and TRNY.	Truworths Man, Uzzi, Hemisphere, Hemisphere Sport, Studio, Trench, Moskow and Exstream	Identity man, Identity woman and Identity shoes
Store concept and format	Housed in emporium stores	Housed in emporium stores and as stand-alone stores	Independent stand-alone stores
Retail sales for 2014	R3.9 billion	R2.2 billion	R1.7 billion
Retail sales growth on prior period	6%	11%	9%
Retail sales contribution	37%	20%	16%
Compound retail sales growth over last five years	9%	12%	16%
Number of stores at period-end	314 Truworths emporium stores	33 Truworths Man stand-alone stores 56 Uzzi stand-alone stores 288 Truworths menswear departments within emporium stores 138 Uzzi departments within emporium stores	212 Identity stand-alone stores

	DANIEL HECHTER PARIS	TRUWORTHS elements	Inwear
Brand description	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.	Truworths Elements offers a range of premium international skincare, colour cosmetics and fragrance brands for him and her. 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.	Inwear is a forward trending range of casual, formal and glamour outerwear, complemented by shoes and accessories, that demands to be noticed. Inwear focuses on the very latest fashion trends, offering an innovative and sexy range of merchandise. The Inwear slogan – 'Own the attitude' – ensures the brand is youthful, fun, fashionable and trendy at all times.
Brand profile	Men and ladies of all ages	Men and ladies	Youthful ladies
Supporting brands and ranges	Daniel Hechter man and Daniel Hechter woman	Brands include MAC, Estée Lauder, Clinique, Clarins, Revlon, Kangol, Elizabeth Arden, Aramis and Hugo Boss, as well as niche fashion and salon brands	
Store concept and format	Housed in emporium stores and as stand-alone stores	Departments or counters within emporium stores	Housed in emporium stores
Retail sales for 2014	R1.2 billion	R510 million	R450 million
Retail sales growth on prior period	0%	6%	0%
Retail sales contribution	11%	5%	4%
Compound retail sales growth over last five years	9%	7%	6%
Number of stores at period-end	3 Daniel Hechter stand-alone stores 325 Daniel Hechter departments within emporium stores	70 Truworths Elements departments within emporium stores	302 Inwear departments within emporium stores

	LTD	TRUWORTHS JEWELLERY	YDE the young designers emporium
Brand description	**LTD** is an eclectic collection of easy yet sophisticated leisure-time dressing for women, men, teenagers, children and toddlers. 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.	**Truworths Jewellery** offers a selection of quality fine jewellery, trendy fashion jewellery and leading international watch and sunglass brands. The merchandise appeals to youthful men and 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.	**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.
Brand profile	Ladies, men, kids and toddlers	Men and ladies	Young men and ladies in the 16 – 35 age group
Supporting brands and ranges	LTD ladieswear, LTD menswear, LTD childrenswear, LTD babywear, and Max and Mia childrenswear.		
Store concept and format	Housed in emporium stores and stand-alone stores	Housed in emporium stores	Operates independent stand-alone stores
Retail sales for 2014	R470 million	R102 million	R305 million (agency sales)
Retail sales growth on prior period	16%	7%	10%
Retail sales contribution	4%	1%	Agency sales, so therefore not included in retail sales
Compound retail sales growth over last five years	18%	7%	4%
Number of stores at period-end	2 LTD stand-alone stores 129 LTD departments within emporium stores	146 Truworths Jewellery departments within emporium stores	20 YDE stand-alone stores

Managing the *Risk of Fashion*

Gross margin at
55.9%,
at globally high levels and within the Group's target range

Inventory turn at
5.3 times,
outside the Group's target range

RLC market share for ladieswear is 21.3%, whilst menswear market share is 22.9%

Warehousing and distribution capacity to be expanded over the 2015 and 2016 financial periods

As a leading fashion retailer the Group strives to create enticing product ranges across its broad brand portfolio. Truworths has a proven track record of predicting and delivering the key commercial fashion trends in a way that is relevant and unique, and can be trusted by the fashionable South African customer who appreciates the variety, quality and value.

The Group has an enviable portfolio of market-leading, exclusive brands which are housed together in one environment to create the Truworths emporium store. Central to this approach is the philosophy that the chain targets 'one customer' who is youthful and fashionable. The combination of unique brands aims to cater to all the customer's varied lifestyle needs from leisure to work and everything that the South African fashion customer would require. This single customer profile eliminates the risk of segmenting the market by targeting different customer profiles and allows clarity and focus for the buying and marketing teams.

A consistent formula is applied to manage and mitigate the risk of fashion throughout the product life cycle, harnessing the intellectual capital of the Group's highly experienced merchandise team.

This process has been developed over many years and is constantly reviewed and updated to ensure it remains current and competitive in a changing market. Comprehensive forecasting of fashion trends based on ongoing international research informs the buying teams throughout the season and this drives 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 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.

During the period the Group faced several challenges to merchandise sales, with the main impact being the tough consumer credit environment.

Detail on the Group's sales performance, margin and inventory management is included in the Chief Financial Officer's Report.

Internationally styled fashion

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 very wide 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 provide customers with an ever-changing shopping experience.

The Group invests in best-of-breed international fashion intelligence and has created a large in-house Fashion Studio where multiple designers work in partnership with buyers to track trends, and design and develop product ranges for each of the brands. A rigorous process of product review is followed and this is driven by a highly reactive culture of changing products as close as possible to delivery to ensure that the ranges reflect the latest trends. The designers, merchandise planners and buyers work under the leadership of the buying and merchandising director and five divisional directors.

The merchandise assortment planning system has been significantly enhanced over the past two years. This has resulted in improved productivity of buyers and planners, and improved technology that assists with planning more effective ranges. This innovative, in-house designed system is expected to deliver increasing efficiencies to the merchandise process.

The challenges of the changing global retail environment inspired a detailed review of key components of the buying process. These are expected to result in heightened levels of fashionability in all merchandise and to ensure this is more consistently delivered through all formats in the chain.

Forecasting fashion trends

The merchandise forecasting process is driven by the Fashion Studio. The studio sources trend information from international fashion fairs, online trend subscriptions and increasingly influential is the observation of local and global street trends. This information is analysed to provide the key fashion directions for each new season. There is then a process of design and customisation that is completed for each brand which includes direction on colour, fabric, print and trim in line with 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 rather than replicating northern hemisphere fashion.

Superior quality fashion

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 quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to consistent quality and prescribed safety standards.

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

Maximising supply chain efficiency

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

Quick response fashion model

A quick response fashion model has been developed over the last two years and applied through alliances with key suppliers, enabling the Group to improve speed to market and to react more rapidly to sales 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.

Locally manufactured product offers shorter lead times as these suppliers can respond speedily to restocking 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 which enable buyers to make late styling changes based on the latest trends and sales performance before committing to orders.

Reasons for importing product

Approximately two-thirds of merchandise is imported. 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.

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 can take up to six weeks to be shipped from the East and hence has the disadvantage of speed to market when reacting to sales.

Shoes, fashion accessories, knitwear and denim generally have a higher proportion of imports, while the Identity brand has a higher import component owing to its value offering.

Managing supplier relationships

The Group constantly engages with domestic and offshore manufacturers to improve relationships and create alliances.

Risk in the supply chain is mitigated by monitoring the volume of merchandise being supplied by each manufacturer. The merchandise team continues to diversify the supplier base and limit over-exposure to individual suppliers.

A supplier scorecard has been developed to better measure supplier performance and ensure that the Group grows volumes placed with higher-performing manufacturers and identifies suppliers needing improvement. The introduction of the supplier scorecard is planned for the coming financial period.

A Truworths 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.

Expanding distribution capacity

The Group currently operates two distribution centres in Epping near Cape Town, South Africa. These are the Truworths Distribution Centre (TDC) and Bofors, a highly automated facility which was opened four years ago. A further warehousing facility is used mainly for footwear and archiving.

Changing market requirements have created the need to expand warehousing and distribution capacity.

In order to be able to facilitate the distribution requirements for not only organic growth, and also to be able to take advantage of more innovative methods of distribution and allocation, the Group plans to develop and expand the current distribution facility on land that was recently acquired. This project is planned to be completed over the next two financial periods.

'A consistent formula is applied to manage and mitigate the risk of fashion throughout the product life cycle, harnessing the intellectual capital of the Group's highly experienced merchandise team.'

Managing *Retail Presence*

Retail footprint increased to
641 stores

Net
37 stores
opened across all brands

Total trading space increased by
10%
to 324 000 m²

Identity now trades in more than
200 stores

Footprint outside South Africa now
38 stores

Trading space growth of
6%
planned in 2015

The Group has continued to follow a strategy of expanding retail space with a view to promoting sales growth and gaining market share in the long term. In the 2014 financial period this strategy has included capitalising on opportunities in new malls being developed in townships and previously under-developed areas of rural South Africa.

Through its store location strategy the Group generally aims to have a prominent presence in the fashion courts in major malls by trading in the best locations and to be recognised as one of the leading fashion anchor tenants. 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. 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.

Expanding store footprint

The Group expanded its retail store presence to 641 following the opening of 48 outlets across all brands and the closure of 11 stores. Total trading space increased by 10.3% to 324 000 m².

Identity passed the 200 store mark as the opening of a net 17 new stores increased the footprint to 212 stores.

The first stand-alone store for Ginger Mary, the eclectic ladieswear brand, was opened during the period in the Midlands Mall in Pietermaritzburg.

During the period, 19 stores across all the brands were either expanded or relocated to improved trading positions. A further 4 were renovated and upgraded in their current locations. These expansions and renovations included new store design concepts for all brands, based on the flagship Sandton City emporium store completed last year.

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

However, securing space in prime locations in good performing malls continues to be a challenge due to the demand for space in prime locations by competitive retailers, including new international entrants to the market.

Rental increases averaged between 7% and 8% during the period. Most leases have an initial five-year term with one or more five-year renewal options.

	Truworths		Identity		Uzzi		YDE		Total	
Corporate stores	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Gauteng	108	104	67	61	29	25	10	8	214	198
KwaZulu-Natal	46	44	34	34	9	10	2	2	91	90
Western Cape	48	48	24	24	4	4	5	5	81	81
Mpumalanga	37	29	20	11	5	5	–	–	62	45
Limpopo	24	23	16	16	4	4	–	–	44	43
Eastern Cape	21	22	12	12	1	2	2	2	36	38
North West	22	19	12	10	2	2	–	–	36	31
Free State	15	15	6	6	1	2	1	1	23	24
Northern Cape	10	9	6	5	–	–	–	–	16	14
South Africa	331	313	197	179	55	54	20	18	603	564
Rest of Africa	22	23	15	16	1	1	–	–	38	40
Total	**353**	**336**	**212**	**195**	**56**	**55**	**20**	**18**	**641**	**604**

Presence in the rest of Africa

The Group's strategy is to expand incrementally into the rest of Africa country by country, gaining insight into the local trading environment and market potential. 2014 has been a period of consolidation for the African operations as management focused on improving the performance in the existing stores.

At period-end the store base outside South Africa was 38, following the closure of two stores in Lesotho.

The costs of doing business in many African countries remain high, particularly rental costs and import duties. While pleasing progress has been made in overcoming complex supply chain processes over the past two years, the logistics of shipping goods to some of these African countries is an ongoing challenge. This includes the availability of vessels, the impact of weather and frequent changes in customs procedures.

Adapting the merchandise offering to local markets also presents a challenge, especially in countries with warm year-round climates such as Ghana and Nigeria. Product ranges are being successfully adapted as more data is gathered and the merchandise teams gain greater insight into customer buying patterns.

The pace of store openings in the rest of Africa remains dependent on the availability of real estate at viable rates and the performance of stores in each country. Six new stores are planned for the 2015 financial period: in Namibia (two stores), Ghana (two stores) and Zambia (two stores). The planned opening of two franchise stores in Angola has been postponed until the 2015 financial period.

Multiple store formats

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

Truworths Emporium stores

Truworths pioneered the emporium store concept in South Africa. The emporium provides customers with access to multiple fashion brands in a single location.

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.

Customers can shop for mainstream brands such as Truworths, Truworths Man, Uzzi, Daniel Hechter, Inwear and LTD within one store. Each of these brands, and their sub-brands, retains its unique identity and fashion styling within the emporium. The emporium model encourages cross-shopping between brands, with the mainstream brands being the key attraction to customers.

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

Large emporium stores offer all brands while smaller emporiums include a selection of brands, depending on the size and location of the store. As an example, Truworths Man emporium stores, which include Truworths Man, Hemisphere, Daniel Hechter Man and Uzzi, are opened in centres that cannot accommodate menswear in a full-scale Truworths emporium.

Identity and YDE stores

Identity and YDE generally attract a different customer profile to the Truworths shoppers. These brands are not included in the Truworths emporium stores and are stand-alone independent chains.

Identity caters to the fashion-forward and value-conscious youth market, offering high fashion merchandise at affordable prices. Stores are therefore vibrant, edgy and fun to appeal to this market. Stores average approximately 300 m² in size and 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. The store design concept, which combines tactile and industrial finishes, creates a strong point of differentiation from competitors. Stores are located in prime positions in the fashion court in malls and average approximately 350 m². Designers pay a fee to display their merchandise and a commission on sales.

Online store

The online store offering was expanded during the reporting period to include a broader range of styles and fashion, contributing to year-on-year online sales growth of over 80% albeit from a low base. The online offering has been enhanced to position this sales channel for expansion in the future. 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.

Expanding retail presence in 2015

Trading space is planned to increase by approximately 6% in the 2015 financial period with the projected opening of 39 new stores. This includes 20 new Identity stores as well as 6 stores outside of South Africa. Capital expenditure of R356 million has been committed to the store expansion and upgrading programme.

The company's e-commerce strategy will be enhanced over the next two years with the acquisition of a best-of-breed ordering and fulfilment solution. Internal processes are being adjusted to cater for the increased e-commerce demand recognised as being a growing trend within the short to medium term.

	Store summary			Trading space (m² 000's)		
Corporate stores	Projected 2015	2014	2013	Projected 2015	2014	2013
Truworths emporium	338	**314**	298	258	**243**	222
Identity	232	**212**	195	65	**60**	54
Uzzi stand-alone stores	52	**56**	55	4	**4**	4
Truworths Man emporium	31	**33**	32	10	**10**	8
YDE	21	**20**	18	7	**7**	6
Daniel Hechter	3	**3**	4	*	*****	*
LTD	2	**2**	2	*	*****	*
Ginger Mary	1	**1**	–	*	*****	–
Total	**680**	**641**	**604**	**344**	**324**	**294**

* Trading space less than 1 000 m².

Governance

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Truworths International Ltd *Board*

Hilton Saven (61)
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

Director: Lewis Group Ltd, Monarch Insurance Company 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

Michael Mark (61)
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

Rob Dow (57)
BSc (Hons), Dip.Acc (Dist), CA

Independent non-executive director

Investment adviser 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

Thandi Ndlovu (59)
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

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

Michael Thompson (71)
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

Khutso Mampeule Michael Thompson Rob Dow Michael Mark

Khutso Mampeule (49)

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 Investment Holdings Ltd, Institute of Directors for Southern Africa

Member of Non-executive and Nomination Committee

Tony Taylor (67)

BA

Independent non-executive director

Retail executive and businessman

Director: Pepkor Retail Ltd

Appointed to the board in February 1999

Member of Non-executive and Nomination Committee

Roddy Sparks (55)

BCom (Hons), CA (SA), MBA

Independent non-executive director

Director of companies

Director: Trencor Ltd, Imperial Holdings Ltd, NMC (Pty) Ltd, Atlantic Asset Management (Pty) Ltd, Regent Life Assurance Company 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

David Pfaff (49)

BCom, CTA, 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) (Pty) Ltd, 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

Hilton Saven Tony Taylor Thandi Ndlovu David Pfaff Roddy Sparks

Truworths Ltd
Executive Team

Michael Mark (61)
BCom, MBA, ACMA

Group 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

David Pfaff (49)
BCom, CTA, 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) (Pty) Ltd, 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

Doug Dare (53)
BBus Sc

Director: Buying and Merchandising

Appointed to the board in July 1999

Employee since June 1984

Emanuel Cristaudo (55)
BCom

Director: Customer Relations Management and Information Systems

Appointed to the board in February 2000

Employee since November 1997

Chairman: Risk Committee

Director: Young Designers Emporium (Pty) Ltd

Sarah Proudfoot (46)
National Diploma in Clothing Design

Divisional Director: Merchandise

Employee since March 2001

In current position since June 2009

Derek Kohler (61)
BA (Econ) (Hons)

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) (Pty) Ltd

Michael Mark David Pfaff Doug Dare Emanuel Cristaudo Sarah Proudfoot Derek Kohler

Tony Miek (51)
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

Sean Furlong (53)
Diploma in Marketing Management

Divisional Director: Merchandise and Logistics

Employee since February 1989

In current position since August 2006

Steve Widegger (50)
Diploma in Business Management

Divisional Director: Merchandise

Employee since February 1987

In current position since August 2006

Neville Kopping (51)
BCom

Divisional Director: Merchandise

Employee since March 2006

In current position since March 2008

Mark Smith (49)
BA (Hons), Higher Diploma in Education, SMP

Divisional Director: Human Resources

Employee since September 2009

In current position since September 2009

Chairman: Transformation Committee

Mark Forster (54)
Divisional Director: Merchandise

Employee since May 1999

In current position since March 2008

Francois Baissac (52)
Diploma in Computer Programming and Project Management

Divisional Director: Information Systems

Employee since June 1988

In current position since February 2011

Tony Miek | Sean Furlong | Steve Widegger | Neville Kopping | Mark Smith | Mark Forster | Francois Baissac

Corporate Governance *Report*

Truworths International has continued to apply high corporate governance standards aimed at ensuring the Group's ongoing sustainability, the creation of long-term shareholder value and benefits for other stakeholders.

The board is responsible for defining the Group's governance and compliance framework. The board remains primarily accountable to shareholders, while also considering the interests of customers, employees, suppliers, regulators and community organisations.

Against a backdrop of voluminous and complex regulation, the Group works to attain a balance between the governance expectations of stakeholders, and the requirement to generate 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 believes it has developed a culture of good governance across the business 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. In the 2013 calendar year the Group again qualified for inclusion in the Index and attained 100% (2012: 100%) for the governance element of the SRI scorecard.

Application of King III principles

The directors confirm that during the 2014 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 can be viewed on www.truworths.co.za under the investor relations section.

Governance Developments in 2014

While the board believes the Group has achieved a suitably high level of maturity in relation to 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 improved and expanded its monitoring and reporting roles relating to environmental sustainability, labour legislation compliance and employment equity in particular.
Risk governance	Further improvement of the reporting by the chairman of the Risk Committee to the board of the company, the Audit Committee and to the board of Truworths Ltd to present a more comprehensive and detailed view of risk management activity.
Information technology (IT) governance	Further development 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.
Director education and development	Implementation of a structured and formalised process for management presentations at board meetings to continue to develop a broader understanding of the Group's operations and key projects. Further structure and process added to the director induction process.
Internal audit	Additional resources recruited for the Internal Audit department to supplement the store, head office and IT technical audit resources.
Consumer legislation compliance	Management considered and made plans to deal with consumer legislation changes, including amendments to the National Credit Act, the credit provider code of conduct and credit ombud scheme and affordability assessment guidelines; the proposed 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.
Chief Financial Officer (CFO)	David Pfaff was appointed CFO with effect from 1 September 2013 following a period as designate for this role.
Non-executive directors	Sisa Ngebulana resigned as an independent non-executive and Khutso Mampeule was appointed as an independent non-executive director, both during February 2014.
Tender and Contracts Committee and Capital Expenditure Committee	These two committees were merged to establish the Tender and Capital Expenditure Committee.

Board of directors

Board structure

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 separate and clearly defined.

In the view of the board the qualifications, experience and personal characteristics of the independent non-executive directors, together with the fact that they have no material contractual relationships with the Group, ensure that their judgement is exercised independently and in an unfettered manner. The independence of long-serving non-executive directors was assessed by the board, as recommended by King III, and the board concluded that these directors remain correctly categorised as independent.

In addition, the roles of the independent non-executive Chairman and the Chief Executive Officer are separate and 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 pages 96 and 97.

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.

One-third of the 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 expires on 30 June 2015 and is subject to a notice period of nine months until then. 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 was assessed by the board, as recommended by King III, and the board concluded that these directors remain correctly categorised as independent.

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 individual director evaluations with the directors individually and suitable developmental plans 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 is independent, and has improved on most criteria in terms of which it was assessed;
- there has been a noted improvement in director orientation through consistent management presentations;
- the board values spending time understanding operational strategy and the exposure it receives to management presentations in this regard that assist in evaluating financial performance;
- 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, including the Chief Executive Officer, are suitably compensated;
- the Non-executive and Nomination Committee, which manages the executive succession plan, is functioning as intended with the appropriate focus on succession for key positions;
- the board is satisfied with the level of ethical behaviour and proper compliance standards throughout the organisation;
- the board is satisfied that there is appropriate consideration of its various constituencies, including shareholders, employees, customers, suppliers and communities.

Chief Financial Officer evaluation

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 assessment

The Company Secretary works to ensure that board procedures and relevant legislation and regulation is 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 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, who is a Fellow of the Institute of Chartered Secretaries and Administrators and holds the Postgraduate Diploma in Advanced Company Law (UCT), competently fulfils the role as he 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 within the Group and is suitably independent of the board to be an effective steward of the Group's corporate governance framework.

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	3/4			3/4	3/4	1/1
Sisa Ngebulana	I*	1/2			1/2	0/1	0/1
Tony Taylor	I	4/4			4/4		1/1
Roddy Sparks	I	4/4	3/3		4/4		1/1
Khutso Mampeule	I**	2/2			2/2		0/0
Michael Mark	E	4/4					1/1
David Pfaff	E***	3/3				3/3	1/1
% meeting attendance 2014		94	100	100	93	83	89
% meeting attendance 2013		94	83	100	93	67	89

Chairman
** Appointed with effect from 1 February 2014
I Independent non-executive
* Resigned with effect from 16 February 2014
*** Appointed with effect from 1 September 2013
E Executive

Truworths Ltd

Director/ Executive/Invitee	Status	Board	Risk Committee	Transformation Committee	Sustainability Committee
Michael Mark	Executive director	4/4#			
Emanuel Cristaudo	Executive director	4/4	4/4#		
Doug Dare	Executive director	4/4			
Derek Kohler	Executive director	3/4		3/4	
Michael Thompson	Non-executive director	n/a	4/4		
David Pfaff	Chief Financial Officer*	3/3	4/4		4/4
Chris Durham	Company Secretary	4/4**	4/4	4/4	4/4
Tony Miek	Divisional director	4/4**			4/4#
Mark Smith	Divisional director	4/4**	4/4	4/4#	3/4
Francois Baissac	Divisional director	2/4**	4/4		
% meeting attendance 2014		91	100	92	94
% meeting attendance 2013		100	92	92	88

Chairman
* Appointed 1 September 2013
** Attendance by invitation

(Note: Only the attendance of directors, and of those divisional directors who are members of committees, has been reflected, although all divisional directors are invitees to board meetings, and executives and managers are members of certain committees.)

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**
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. • 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 and information technology. • 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 internal audit. • 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 Annual Report.	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.	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. Details on the Group's remuneration policies are disclosed in the Remuneration Committee Report on pages 110 to 117.

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: **Mike 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 and Truworths Ltd are chaired by independent non-executive directors, except where the committees perform an executive function. The directors confirm that the committees have functioned in accordance with their written terms of reference during the financial period.

Accountability and compliance

Risk management

Risk governance and management are integral elements of the Group's corporate 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 2015, together with mitigation strategies, are covered in the Material Issues, Risks and Opportunities on pages 15 to 31.

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.

Personal share dealings

Directors and employees are prohibited from dealing in the Group's shares during two formal closed periods. The closed periods commence approximately two weeks before the end of the interim (December) and annual (June) financial periods and end 24 hours after the financial results are disclosed on the JSE's news service, SENS. All share dealings by directors, executives, the Company Secretary and other designated persons in possession of price-sensitive information, require prior written approval.

Information technology governance

Information technology (IT) governance remains a responsibility of a number of forums within the Group, including the Audit and Risk Committees:

- 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; and
- 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 (refer to page 10).

A formalised policy details the Group's code of ethical and acceptable conduct, with the 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 concluded on amending Group policies 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.

Whistle-blowing

King III requires companies to apply mechanisms to combat theft, fraud and other unethical practices. The Group has an ethics hotline which is managed in partnership with an external service provider. Employees are eligible for an award of up to R5 000 for reporting unethical behaviour to the hotline that leads to the prosecution and/or dismissal of the perpetrator. In 2014 six awards were made (2013: seven). A total of 77 reports were received in 2014 (2013: 79).

Competitive conduct

The Group operates in a highly competitive industry which has relatively low barriers to entry and a multitude of customers. 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 Retailers' Association (RA) as well as the National Clothing Retail Federation of South Africa (NCRF). The constitutions of these bodies specifically provide that the principle of competition shall not be compromised through their activities. 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.

2015 governance priorities

Governance priorities for the 2015 financial period will include:

- The review of board committee charters to ensure alignment with regulatory requirements and methods of functioning.
- Ongoing development of the IT governance framework, through the adoption of enhanced processes and policies aimed at performance improvement, the regular measurement via the board adopted IT governance scorecard of the progress of IT governance initiatives and further embedding good IT governance practices in the day-to-day business operations.
- Further improving the Group's understanding of the regulatory requirements in the foreign territories in which it conducts operations, including bringing into being the full functioning of the compliance officer role.
- Further enhancement of the Group's tax risk management structures and practices by continuing to develop the competencies of the resources in the tax compliance team, finalising and adopting a comprehensive Group-wide transfer pricing policy and implementing information system changes aimed at ready and reliable extraction of tax-related management information.

- A review of the Audit Committee's policy relating to the provision of non-audit services by the external auditor to ensure alignment with the regulatory framework and developments in ensuring auditor independence.
- Further enhancing the reporting by management to, and the scope of monitoring undertaken by, the Social and Ethics Committee.

Generally management will continue to follow a philosophy of continuous improvement as regards governance practices and structures to ensure the reasonable expectations of stakeholders are met.

> *'Truworths International has continued to apply high corporate governance standards aimed at ensuring the Group's ongoing sustainability, the creation of long-term shareholder value and benefits for other stakeholders.'*

Remuneration Committee *Report*

Overview

Retention of key executives and employees in the current economic environment is an increasingly more complex and demanding challenge. This requires remuneration practices and policies to be constantly reviewed to ensure they remain innovative and competitive, entrench a high performance culture across the business, and align performance and reward with the Group's business philosophy.

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.

The committee comprises independent non-executive directors Rob Dow (chairman) and Hilton Saven. The CEO is an invitee of the committee and is recused for discussions that relate to his performance and remuneration.

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 2014 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.
- Reviewed and approved for recommendation to the board the Group's financial and strategic project performance against the approved targets.

While the Group's performance did not meet all the financial targets for the 2014 financial period the committee decided to pay a reduced incentive to some high-performing employees especially at middle and lower management levels.

In addition to its regular functions, in the 2015 financial period the committee plans to commission remuneration benchmarking exercises for directors, divisional directors and key executives. This exercise will also assess Group policies regarding the payment of short-term incentives to executives. The committee will also be actively involved in structuring, and making recommendations to the board regarding the potential remuneration package payable to the designate CEO, to replace the current CEO whose contract expires on 30 June 2015.

This report of the committee focuses primarily on the remuneration of the Group's executive and non-executive directors. Further detail on employee remuneration is contained in the Human Capital Report.

Rob Dow
Chairman

Remuneration Committee

Remuneration philosophy and principles

The Group's reward strategies are aimed at attracting, motivating and retaining key employees. Remuneration practices are closely linked to the Group's business philosophy, purpose, values and vision and to the achievement of Group, team and individual performance objectives.

A 'total remuneration' philosophy underpins the Group's ability to attract potential employees and to retain and motivate current employees. Total remuneration comprises all elements of remuneration, including basic salary, allowances, short and long-term incentives, award programmes and retirement and healthcare contributions. The composition of total remuneration is based on the employee's role in the Group.

The principle of total remuneration has been entrenched in the culture and values of 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 remuneration policy is based on the following:

- 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 ongoing wealth creation and alignment of employee and shareholder interests, without encouraging short-term performance at the expense of longer-term profitability.
- 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.

Executive directors' remuneration

Executive remuneration principles

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. Remuneration includes performance-related elements which are aimed at:

- Linking executive reward with the Group's performance.
- Aligning the interests of executives with shareholders.
- Promoting a culture of executive share ownership.
- Supporting the retention of executives.

Internal and external surveys as well as professional advisers are consulted to assist in determining comparable remuneration practices. Remuneration is benchmarked by comparing reward levels against those payable by other JSE-listed retailers and some of the 40 largest companies on the JSE. All data is appropriately aged, and weighted averages, medians and ranges are applied to establish the most appropriate remuneration levels.

Performance measurement

The performance of executive directors is reviewed annually by the committee against predetermined financial and operational targets to ensure alignment with shareholder interests.

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

- Financial indicators:
  - Growth in earnings before interest paid and tax (EBIT)
  - Return on equity (ROE)
  - Before tax return on assets (ROA)

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

- 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.

Remuneration structure

The Group's executive directors receive a remuneration package, including long-term incentives, on the same basis as all other executives and senior management. A significant portion of executive remuneration is performance related.

Guaranteed remuneration	Variable and performance-related remuneration	
Annual base pay	Short-term performance	Long-term performance
Includes monthly cash salary, car benefit, company contributions to retirement and healthcare funding, group life and disability insurance	Short-term cash-based incentive scheme	Restricted share plan Performance share plan Share appreciation rights Performance appreciation rights
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 with a view to encouraging sustainable shareholder wealth creation

Incentive schemes

Short-term cash incentive scheme

The short-term cash incentive scheme is designed to drive performance and retain key talent. Performance is measured relative to financial, operational and strategic targets to encourage executives to focus on both the financial and non-financial performance of the Group. Financial targets are based primarily on earnings growth and the Group's published medium-term financial targets, including ROA and ROE.

Performance exceeding the targeted performance may result in the payment of a higher bonus. 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. No portion of any executive director's cash incentive is guaranteed.

Long-term incentive schemes

The Group operates four share-based incentive schemes in terms of the 2012 share plan:

- Restricted Share Plan (with no Group performance targets on vesting)
- Performance Share Plan (with Group performance targets on vesting)
- Share Appreciation Rights (with no Group performance targets on vesting)
- Performance Appreciation Rights (with Group performance targets on vesting)

The schemes are designed to reward good long-term decision-making and performance, and support the retention of key executives and staff. Awards can be made across all four schemes and can vest over a period of up to six years.

The maximum issued shares dilution resulting from the scheme is limited to 10% over the life of the schemes. The annual allocations have been capped at 1.25% in any one year and no more than 5% in any five-year period. At least 50% of executive director and divisional director allocations are performance based.

Legacy share schemes

Two legacy long-term incentive schemes, namely the share option incentive scheme and the high performance share-based scheme, remain in operation but no further instruments are likely to be issued under these schemes. Potential payments relating to unvested instruments under these schemes are taken into account in the allocation of shares under the 2012 share plan.

Share scheme allocations in 2014

Scheme	Number of participants	Value of awards (Rand)*
Restricted Share Plan (with no performance targets)	77	15 955 603
Performance Share Plan (with performance targets)	76	15 837 908
Share Appreciation Rights (with no performance targets)	302	21 333 126
Performance Appreciation Rights (with performance targets)	234	17 997 647

Vesting scale of share scheme allocations in 2014

Scheme	Value of 6-year vesting scale 1 (Rand)*	Value of 4-year vesting scale 2 (Rand)*
Restricted Share Plan (with no performance targets)	10 205 426	5 750 177
Performance Share Plan (with performance targets)	10 087 939	5 749 969
Share Appreciation Rights (with no performance targets)	20 809 437	523 689
Performance Appreciation Rights (with performance targets)	17 473 958	523 689

* Cost as determined by IFRS 2.

Performance measures and targets

Annual incentive metrics and targets are based on the following principles:

- Targets for financial measures should be set as an incentive for employees to perform and simultaneously set stretch goals for the business to achieve.
- Strategic and operational objectives should include quantitatively assessed financial and operational measures.

Targets may be adjusted to take into account material changes during the year while the committee has the flexibility to change the measures and weightings year-on-year according to the needs of the business.

Performance linked share instruments

Financial and strategic performance conditions and targets are determined by the committee to reflect the Group's strategy. Measuring performance over three years ensures a focus on longer-term, sustainable growth in shareholder value. The performance targets are approved by the board and monitored by the committee.

The performance targets are determined as follows:

Financial targets (70% weighting)

- Growth in earnings before interest paid and tax (EBIT) (30% weighting)
- ROE (20% weighting)
- ROA (20% weighting)

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.

Strategic targets (30% weighting)

These targets provide an incentive for management to pursue strategic plans that may not have an immediate pay-off in relation to either EBIT growth, ROE and ROA. These include:

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

The performance targets at June 2014 and June 2015, based on a variable vesting scale from 0% to 150%, are:

Criteria	Weighting	100% vesting if performance meets this target
EBIT	30%	CPI + 1 percentage point
ROE	20%	40.0%
ROA	20%	44.0%
Strategic projects	30%	Good performance

Non-executive directors' remuneration

Non-executive directors receive fixed fees for services rendered as board and committee members. 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 pay from the Group. None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to 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. The proposed fees for the 2015 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 2015 R'000	Fees approved for 12 months to December 2014 R'000	Proposed % increase
Non-executive chairman	690	635	9
Non-executive director	280	257.5	9
Audit Committee chairman	200	170	18
Audit Committee member	115	105	10
Remuneration Committee chairman	120	110	9
Remuneration Committee member	75	70	7
Risk Committee member	80	70	14
Non-executive and Nomination Committee chairman	40	35	14
Non-executive and Nomination Committee member	20	17	18
Social and Ethics Committee chairman	30	27.5	9
Social and Ethics Committee member (non-executive only)	18	16.5	9

Directors' remuneration

	Months paid	Short-term benefits: Directors' fees R'000	Short-term benefits: Salaries R'000	Short-term benefits: Performance bonus* R'000	Allowances R'000	Post-retirement benefits: Pension contributions R'000	Long-term benefits: Interest benefit on loans R'000	Total remuneration R'000	Fair value of equity-based awards granted** R'000	Loans pursuant to share scheme# R'000
2014										
Executive directors										
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										
Rob Dow	12	467	–	–	–	–	–	467	–	–
Thandi Ndlovu	12	278	–	–	–	–	–	278	–	–
Hilton Saven	12	705	–	–	–	–	–	705	–	–
Roddy Sparks	12	362	–	–	–	–	–	362	–	–
Tony Taylor	12	255	–	–	–	–	–	255	–	–
Michael Thompson	12	513	–	–	–	–	–	513	–	–
Sisa Ngebulana	7	132	–	–	–	–	–	132	–	–
Khutso Mampeule	5	129	–	–	–	–	–	129	–	–
Total		2 841	–	–	–	–	–	2 841	–	–
2013										
Executive directors										
Michael Mark	12	–	5 686	7 900	297	1 218	2 852	17 953	3 641	44 865
Mark Sardi	10	–	1 815	–	28	194	132	2 169	237	–
Total		–	7 501	7 900	325	1 412	2 984	20 122	3 878	44 865
Non-executive directors										
Rob Dow	12	430	–	–	–	–	–	430	–	–
Thandi Ndlovu	12	251	–	–	–	–	–	251	–	–
Hilton Saven	12	651	–	–	–	–	–	651	–	–
Roddy Sparks	12	351	–	–	–	–	–	351	–	–
Tony Taylor	12	236	–	–	–	–	–	236	–	–
Michael Thompson	12	452	–	–	–	–	–	452	–	–
Sisa Ngebulana	12	251	–	–	–	–	–	251	–	–
Total		2 622	–	–	–	–	–	2 622	–	–

* Determined on performance for the period ended June and excludes amounts paid in terms of the HPSS. An amount of R2.6 million (2013: R1.4 million) was paid to Mr. Mark in his capacity as an executive director of the company in terms of the HPSS for the 2014 financial period.

** The value of equity-based awards granted is the annual expense as determined in accordance with IFRS 2: Share-based Payment, and is presented for information purposes only, as it is not regarded as constituting remuneration, given that the value was neither received by nor accrued to the directors during the period. Gains made on the exercise of such equity-based awards are disclosed in note 28.5 of the Group annual financial statements in the period when vesting occurs.

\# The value of the loans granted to directors pursuant to the share scheme represents the price paid, less any repayments made, for shares allotted pursuant to the said scheme.

\#\# Appointed 1 September 2013.

'Remuneration practices are closely linked to the Group's business philosophy, purpose, values and vision and to the achievement of Group, team and individual performance objectives.'

Sustainable Future in Fashion

sustain

Sustainable Future in *Fashion*

Inclusion in JSE Socially Responsible Investment Index for
sixth
year

Energy savings of
1 193 tons
in 2014 of carbon emissions

R1.1 million
savings in 2014 through energy efficiency

R17 million
generated from plastic garment hanger recycling in 2014

The Group is committed to adopting sustainable business practices and being a responsible corporate citizen in relation to its impact on society and on the environment. The initiatives and progress on social and environmental sustainability are covered in this report, the Human Capital report, the Social and Ethics Committee Report and the Corporate Social Investment Report. The Group's Environmental Policy and Management System is published on www.truworths.co.za under the investor relations section.

Socially Responsible Investment Index

The JSE Socially Responsible Investment (SRI) Index is recognised as the benchmark for evaluating the governance and sustainability practices of listed companies in South Africa.

The Group qualified for inclusion in the Index for the sixth successive year in the 2014 financial period. Qualification for the Index is based on an independent assessment of the governance, social, environmental and climate change practices of JSE-listed companies.

JSE SRI Index scorecard

Sustainability indicators	2014	2013
Governance and related sustainability		
• Result	**Met**	Met
• Core indicators	**32/32**	32/32
• Desirable indicators	**32/33**	32/33
Social sustainability		
• Result	**Met**	Met
• Core indicators	**31/39**	37/39
• Desirable indicators	**30/49**	36/49
Environmental sustainability		
• Result	**Best practice**	Best practice
• Impact	**Medium**	Medium
• Policy	**Met**	Met
• Systems	**Met**	Met
• Reporting	**Met**	Met
Climate change		
• Result	**Entry level**	Entry level

Environmental impact: Energy efficiency

Electricity usage across the store network, head office and distribution centres, and the transportation of merchandise by ship, air and road are the largest direct contributors to the Group's environmental impact.

Truworths is currently refining its baseline for the measurement of carbon emissions and plans to set emissions reduction targets in the near future.

Several projects have been implemented across the business to reduce electricity usage and costs, including energy-efficient lighting projects at the head office and distribution centre.

Store electricity usage accounts for more than 90% of the Group's total direct carbon emissions. The planned energy conservation project for existing stores has been delayed owing to the suspension of funding from Eskom. However, the Group plans to register for the energy efficiency tax rebate scheme and the project is currently scheduled to be launched early in the 2015 financial period in approximately 100 stores.

Since 2012 all new and renovated stores have been designed and fitted with energy-reducing lamps and light fittings, effectively reducing electricity consumption for lighting by 41% per store.

Environmental impact: Supply chain

Approximately two-thirds of directly sourced merchandise is manufactured outside of South Africa and carbon emissions relating to transportation are measured on all imports by sea and air freight, and the distribution by road from the warehouses in Cape Town to retail stores.

Speed to market, cost and the resultant carbon emissions are assessed for each method of transport. While sea freight is the most cost-effective form of transport with the lowest carbon footprint, it is more susceptible to adverse weather patterns and port delays. Air freight is less affected by weather patterns but is more costly and has a far higher carbon footprint. Multi-nodal freight options, being a combination of sea and air freight, present a practical solution to move stock to the distribution centre.

A freight container project was implemented over the 2010 and 2011 periods focusing on increasing container utilisation and rationalising the number of ports from which Truworths merchandise is despatched. There has also been a move to using larger containers which has reduced freight costs as well as carbon emissions.

Climate change issues are also being integrated by management into the international procurement and logistics strategy. Adverse weather patterns materially affect shipping transit times and, therefore, speed to market for fashion merchandise.

There is an increasing awareness in the Group of the impact of climatic conditions on sources of raw materials, particularly cotton production. Drought and floods materially affect supply and the cost of cotton, and the resultant cost of garments. Volumes of orders placed with a single supplier or region are consequently monitored to mitigate against weather-related risks as well as economic and labour impacts.

Recycling in the supply chain

All plastic garment hangers received at the distribution centres are recycled and sold back to suppliers, with hangers being used an average of four times. Cardboard boxes received at the distribution centres are sold to a recycling merchant.

Energy savings in 2014

	Annual savings (KW usage)	Annual savings (carbon emissions tons)	Project cost (R'000)	Annual savings (R'000)
Head office				
Lighting project	275	839	1 721	598
Heat pumps and solar water heating	29	89	332	88
Distribution centres				
Lighting project	104	265	672	382
Total	**408**	**1 193**	**2 725**	**1 068**

Human Capital *Report*

Employee headcount up
3.7%
to 10 565

Annual turnover of permanent employees
16%

Employment equity survey conducted

Concluded 2009 to 2014 employment equity plan, with most targets met

New employment equity plan developed for 2014 to 2019

R87 million
invested in skills training, an increase of 4.8%

The Group aspires to be an employer of choice and is committed to investing in its human capital to ensure sustainable performance and continued industry leadership.

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, with the Group favouring internal appointments and promotions to reward consistent outstanding performance and overall contribution.

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

At the end of the reporting period, the Group employed 10 565 people, comprising 3 344 permanent and 7 221 flexi-time employees at its head office, distribution centres and stores throughout Africa. The annual turnover of permanent employees during the financial period was 16% (2013: 15%).

A number of new initiatives were successfully implemented to strengthen employee engagement, including the introduction of a flexi-hours policy.

Human capital at a glance		Target 2015	2014	2013
Total employees – Permanent employees – Flexi-time employees	(%)	0.5 – 1.0*	10 565 3 344 7 221	10 184 3 298 6 886
Turnover of permanent employees	(%)	14 to 17	16	15
Employee absenteeism (days)	(%)	1.5	1.6	1.5
Skills development expenditure	(R million)	90	87	83
Skills development spend per employee	(R'000)	8.9	8.2	8.2
Total employees trained		8 093	9 876	9 408
Black employees as a % of employees trained	(%)	94	94	93

* Headcount growth in the period will be minimal and mainly due to new store openings.

Human capital management

The Group's values underpin its people management strategy and define the way in which management interacts with employees. Developed in conjunction with employees, the values have been refined over time to ensure they remain relevant. These values are incorporated in everyday working life at Truworths, 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.

Employees are generally classified into one of three groups:

- **Merchandise specialists:** As a fashion retailer the Group's success is based on exceptional talent and depth of experience in the merchandise departments. Significant focus is placed on attracting entry level talent and developing these individuals. Retention of these skills is a key strategic focus, and the pool is supplemented with high-quality external local and international skills. The Group's ability to retain and develop talent is reflected in the six-person leadership team in the merchandise department having an average of over 19 years' service with Truworths. The average length of service for members of the experienced merchant team is 14 years, many of whom have come through the trainee merchant programme.

- **Specialists in support and service departments:** Management aims to attract specialised top-end talent for these roles in addition to focusing on developing talent as is the case in the merchandise department. There is a strong strategic focus on retention of the talent in this pool.

- **Store operations:** This group comprises over 9 200 customer-facing employees in the more than 640 stores. Management recruits people who have a desire to work in the fashion retail industry, have a passion for customer service and who reflect the Group's values. Through an intensive learnership programme the Group is supported by training grant opportunities offered through the Wholesale and Retail Sector Education and Training Authority (W&R SETA) in South Africa and at the same time ensures that employees are trained for their roles.

Succession management

Succession reviews are conducted regularly and high-potential employees are identified and placed on individual development programmes to enhance the pool of leadership skills.

As several key senior employees are due to reach retirement age in the next few years the Group is actively driving development programmes for internal successors as well as recruiting externally for certain positions. The Group selectively retains key employees in contract roles beyond the normal retirement age of 60 to continue to mentor and support successors.

Many of the senior executives in the Group have been promoted to their current positions from within the business, reflecting the benefits of succession planning, the focus on internal appointments and the importance of skills retention.

Employment equity

The Group's approach to employment equity has been to drive sustainable transformation over the medium-term rather than implementing short-term solutions to create a more diverse workforce.

A new employment equity plan has been developed for the period July 2014 to June 2019. The plan takes account of the amendments to the Employment Equity Act as well as the employment equity regulations. An employee survey was conducted ahead of the development of the plan to identify barriers and seek input to new affirmative action objectives and numerical goals as part of the broader consultation process.

The Group has been successful in meeting most of the affirmative action objectives in the 2009 to 2014 employment equity plan. Achieving numerical goals at senior management level (specifically African women) has been a significant challenge. Although falling just short of achieving the numerical targets at middle management, significant progress has been made at the junior management level and at semi-skilled level national demographics have been achieved.

The goals at senior and middle management were not met as employee turnover at these levels has traditionally been low, and remained low over the period, while there has been no growth in headcount at the senior management level. At middle management level, although there has been growth in headcount, we have been challenged in finding staff for these specialised positions.

The targets and goals at junior and semi-skilled levels were assisted by the store growth and also the higher levels of employee turnover.

Performance against goals for 2009 to 2014 employment equity plan

	Black* % representation		African % representation	
	Goal 2014	Actual 2014	Goal 2014	Actual 2014
Senior management	25.7	19.6	8.6	2.8
Middle management	42.7	38.4	13.8	12.9
Junior management	78.6	86.9	54.9	61.0
Semi-skilled	95	97.5	69	76.4

* Includes African, Indian and coloured persons.

Gender representation

The Group has been identified by Topco Media Top Women Awards as one of the five best gender-empowered companies in retail. Females account for 71% of all employees in South Africa with 71% of middle management positions and 41% of senior management positions being held by women.

People with disabilities

The goal has largely been achieved through collaboration with the W&R SETA and successfully implementing a learnership aimed at employing people with disabilities.

As a means of entrenching affirmative action and broader based representation across the business, diversity management training has been offered to all store operations management and has also been extended to head office employees. During the period the Group employed 96 (2013: 75) people with disabilities.

Employment equity statistics (apply to South Africa only)

	Designated groups							Non-designated groups			All groups	
Occupational levels	Male			Female				Male	Foreign nationals		Total	
	A	C	I	A	C	I	W	W	Male	Female	2014	2013
Top management (Chief Executive Officer, directors and divisional directors reporting to the Chief Executive Officer)	0	1	0	0	0	0	0	7	0	0	**8**	8
Senior management (other divisional directors, executives and senior managers, including buying, planning and regional managers)	2	9	2	1	6	1	35	49	1	1	**107**	108
Professionally qualified/ middle management	25	26	14	35	61	17	202	66	5	12	**463**	415
Skilled technical/junior management	195	51	19	509	195	34	114	31	5	1	**1 154**	1 159
Semi-skilled	1 892	382	105	4 573	1 114	186	161	35	4	9	**8 461**	8 079
Non-permanent employees	0	0	0	3	3	4	2	0	0	0	**12**	19
Total 2014	**2 114**	**469**	**140**	**5 121**	**1 379**	**242**	**514**	**188**	**15**	**23**	**10 205**	
Total 2013	**1 945**	**473**	**166**	**4 755**	**1 393**	**271**	**561**	**203**	**9**	**12**		**9 788**

A=African C=Coloured I=Indian W=White

Employee remuneration

The remuneration of executive and non-executive directors is covered in the Remuneration Committee Report on page 116.

Market surveys are conducted regularly to ensure that employees are competitively rewarded, taking into account their performance, contribution and potential.

Salaries are reviewed annually with effect from 1 March and the level of the increase is based on both Group and individual performance and market benchmarks. Salaries of flexi-time employees are reviewed annually in February in line with the Wholesale and Retail Sectoral Determination requirements and individual performance.

Wages and substantive conditions of employment are negotiated with the South African Catering Commercial and Allied Workers Union (SACCAWU) for the 30% of South African employees forming part of the bargaining unit (constituting approximately 600 staff members). A one-year wage settlement was reached in May 2014.

Incentive schemes

Employees are incentivised and motivated through the following mechanisms:

- A short-term cash incentive scheme which is designed to drive performance and retain key talent. The scheme is linked to the achievement of annual earnings targets approved by the board, provided the returns on assets and equity meet Group targets. Participation in the scheme is generally limited to key employees whose role and contribution directly influence the performance of the Group.
- A cash incentive is paid bi-annually and is dependent on Group performance. This incentive scheme applies to all full-time head office and store employees, as well as flexi-time employees who have worked a minimum prescribed number of hours and who are not part of the incentive pool first mentioned. The incentive for store employees is linked to the Group's customer service measurement programme. Although business performance was below expectations in the reporting period, bi-annual incentive payments were made to reinforce the focus on sustained rather than short-term performance.
- An employee recognition programme which motivates and recognises employees for outstanding achievements in areas such as sales, customer care, account acquisition, personal attitude and contribution.
- A store employee reward programme in which employees are recognised for above-target performance.
- An incentive scheme in the credit collections department based on performance.

Talent and skills development

All training and development programmes are benchmarked regularly to ensure the Group continues to be acknowledged as providing training of an international standing. The Group planned to train 7 870 employees across the business and trained 9 876 employees, in 133 different courses, at an investment of R87 million (direct and indirect costs). In the 2015 period the Group plans to train 8 093 employees.

Training programmes are aimed at developing and retaining employees, particularly in areas of scarce skills such as merchandise buying and planning and retail management.

The merchant trainee programme focuses on merchandise buying, planning and designing, garment technology and international sourcing. This programme provides constant succession candidates to fill key roles in the merchandise division. The majority of middle and senior managers in the merchant division have been promoted into their current positions following the completion of this programme and these managers are now involved with the development of the current complement of trainees.

The Group offers tailored leadership development programmes at senior, middle and entry level managerial positions. Development of new managers from within continues to be a focus, particularly in the merchant and operations environment where the combination of technical expertise with managerial capability is an important success factor. The external executive coaching programme has been expanded both in terms of the number of people enrolled on the programme and also in developing the programme to ensure that the outcomes and the return on investment are measured.

Training in retail operations during the period focused mainly on the implementation of the new front office system implemented in stores and the creation of development opportunities for previously disadvantaged job seekers both in stores and in credit services.

The Group's accreditation as a training provider with the W&R SETA enables facilitation of these development opportunities through the implementation of learnerships and skills programmes. During the period Truworths completed its first learnership programme for people living with disabilities. Internship opportunities are also available for graduates and third year retail management students seeking experience in the fashion retail sector which assists in promoting careers in the retail sector and facilitates recruitment of graduates.

The Group will continue to offer learnerships and internship opportunities to previously disadvantaged learners, including people living with disabilities.

The Group scored 12.1 out of 15 for skills development on the Broad-based Black Economic Empowerment (BBBEE) scorecard, while 76% of appointments to permanent positions in stores have been from internal candidates.

Freedom of association

The Group has a formalised relationship agreement in South Africa with SACCAWU which represents 9% (2013: 10%) of the Group's South African employees. Despite the relatively low levels of unionisation, management engages formally with SACCAWU annually and, when required, on an ad-hoc basis. Although the level of engagement is not high, the relationship with SACCAWU is healthy. No industrial action specific to the Group has taken place in more than two decades in either the Group's South African operations or in the operations in the rest of Africa.

The Group has clearly defined processes for disciplinary action and dismissal. A zero tolerance policy is applied to employees found guilty of theft or fraud, and criminal charges are instituted in all cases.

Although the Group has experienced an increase in the level of employee dismissals during the period, 13% of cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) compared to 14% in 2013. During the period 87% of the outcomes of internal disciplinary hearings referred to the CCMA were ruled in favour of the Group (2013: 90%).

Social and Ethics Committee *Report*

The Social and Ethics Committee (the committee) assists the board in monitoring that the Group maintains the highest level of good corporate citizenship and ensures that the business accounts for its conduct not only in terms of its financial performance but also in terms of its social and environmental impact and performance.

The Chairman of the committee presents the following report to shareholders for the 2014 financial period, in accordance with the requirements of the Companies Act.

Committee composition

The members of the committee for the period were independent non-executive directors Michael Thompson (Chairman), Sisa Ngebulana (until 7 November 2013), Thandi Ndlovu and executive director David Pfaff (from 7 November 2013). At the annual general meeting (AGM) in November 2013 shareholders confirmed the appointments of the committee members.

Permanent invitees at committee meetings are the Chairman of the Transformation Committee (Mark Smith – Divisional Director: Human Resources), the Chairman of the Sustainability Committee (Tony Miek – Divisional Director: Real Estate, Store Design and Visual Presentation), the Company Secretary (Chris Durham) and Legal Adviser (Cindy Bezuidenhout), who also acts as the secretary of the committee. The Chief Executive Officer is an invitee and attends at his discretion. Shareholders will be asked to confirm the appointments of the current committee members at the AGM in November 2014.

Responsibilities

The objectives and responsibilities of the committee are recorded in its charter and are aligned with the committee's statutory functions. In summary the committee has a duty to:

- Monitor the social, economic, governance, employment and environmental activities of the Group;
- Bring matters relating to these activities to the attention of the board as appropriate; and
- Report annually to shareholders on the matters within the scope of its responsibilities.

The specific activities required to be monitored by the committee include the Group's adherence with legislation, regulation and codes of best practice relating to:

- Social and economic development, including the Group's standing relative to the UN Global Compact Principles, the Organisation for Economic Co-operation and Development's (OECD) recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the Group's contribution to the development of communities in which it operates or markets its goods and the Group's record of sponsorships, donations and charitable giving.
- The environment, health and public safety, including the impacts of the Group's activities and products on the environment and society.
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the Group's standing relative to the International Labour Organisation's (ILO) Protocol on decent work and working conditions, and the Group's employment relationships and contribution to the educational development of its employees.

Functioning

The committee met quarterly during the period and detail on meeting attendance is included in the

Corporate Governance Report on page 106.

The Chairmen of the Transformation and Sustainability Committees made presentations to the committee on the functions and reporting obligations of these two committees, as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes. Presentations and key issues addressed by the committee included the following:

- The Group's response to the National Consumer Commission's draft consumer industry code of conduct in terms of the Consumer Protection Act, which has a bearing on the Group's customer complaints handling process.
- Energy saving initiatives undertaken at its head office, distribution centres and retail stores to ensure sustainability and cost savings.
- The submission made by the Group for the 2013 Carbon Disclosure Project (CDP), which enabled the Group to determine its ranking on disclosure and performance relative to other participants. The Group achieved a disclosure score of 73 out of 100 in the CDP managed by the National Business Initiative.
- The Group's submission for the 2013 JSE Socially Responsible Investment (SRI) Index and the changes introduced by the JSE relating to the scoring for potential participants. The Group again qualified for inclusion in the SRI Index in 2013.
- The recycling and income-generating activities undertaken at the distribution centres in relation to plastic hangers and cardboard cartons, and recycling initiatives at the head office.
- The learnership project launched in the Credit Services department to facilitate the employment and development of persons with disabilities.
- The Group's Environmental Policy and Management System, which is published on the Group's website at www.truworths.co.za.
- The plans to ensure compliance with new labour legislation and confirmation that the Group would be compliant when the changes come into effect.
- The development of the Group's new employment equity plan for 2014 to 2019.
- Dashboards, registers and scorecards enabling the Group to keep track of progress on its initiatives and measure whether it has met its stated social, governance, employment and environmental objectives.

Conclusion

The committee believes the Group has continued to balance its social, economic, governance, employment and environmental responsibilities.

No material non-compliance with legislation and regulation, or non-adherence with codes of best practice, relevant to the areas within the Committee's mandate has been brought to its attention.

The achievements outlined in this report highlight the Group's commitment to its responsibility to the broader society in which it operates, while remaining accountable to shareholders in meeting its financial performance targets.

MA Thompson
Chairman
Social and Ethics Committee

Notice to *Shareholders*

Notice is hereby given that the annual general meeting of shareholders of Truworths International Ltd ('the company') will be held in the Auditorium, First Floor, No. 1 Mostert Street, Cape Town, South Africa on Thursday, 6 November 2014 at 08:30 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 29 June 2014. 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 H Saven and MA Thompson and Dr CT Ndlovu 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 KI Mampeule was appointed as an independent non-executive director by the board with effect from 1 February 2014 and is required to be elected by shareholders at the annual general meeting.

   A brief *résumé* of each of these directors follows at the end of this notice.

   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 8 452 779 shares, being 2% (two percent) of the company's shares in issue at 29 June 2014, 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 28 June 2015 in the aggregate exceed 63 395 846 shares, being 15% of the company's issued shares at 29 June 2014, 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 2% (two percent) of the shares in issue at 29 June 2014, 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 21 131 948 shares, being 5% of the company's shares in issue at 29 June 2014, 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 2014 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's and the Group's annual financial statements for the period ending 28 June 2015.

   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 12-month period from 1 January 2015 to 31 December 2015, as follows:

   - Non-executive chairman: R690 000 (2014: R635 000)
   - Non-executive directors: R280 000 (2014: R257 500)
   - Audit Committee chairman: R200 000 (2014: R170 000)
   - Audit Committee member: R115 000 (2014: R105 000)
   - Remuneration Committee chairman: R120 000 (2014: R110 000)
   - Remuneration Committee member: R75 000 (2014: R70 000)
   - Risk Committee member: R80 000 (2014: R70 000)
   - Non-executive and Nomination Committee chairman: R40 000 (2014: R35 000)
   - Non-executive and Nomination Committee member: R20 000 (2014: R17 000)
   - Social and Ethics Committee chairman: R30 000 (2014: R27 500)
   - Social and Ethics Committee member (non-executive only): R18 000 (2014: R16 500)

   *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 2015 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 2015 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 110 to 117 of the Group's Integrated Report for the period ended 29 June 2014, 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 set out on pages 128 and 129 of the Group's Integrated Report for the period ended 29 June 2014, 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 and 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.

Directors' and Management's Responsibility Statement

The directors of the company, whose names are given on pages 96 and 97 of the Group's Integrated 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 elsewhere in the Group's Integrated Report, as follows:

- *directors and of the company and of its material subsidiary, on pages 96 to 99*
- *major shareholders, on page 71*
- *material changes since year-end, on page 3 of the Group annual financial statements available on the website www.truworths.co.za*
- *directors' interests in the company's shares, on pages 69 and 70*
- *company's share capital, on page 68*

Furthermore, neither the company nor its subsidiaries is involved in any legal or arbitration proceedings, nor are any such proceedings pending or threatened, that may have or have had any material effect on the Group's financial position.

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, 19 September 2014. The last day to trade in order to be entitled to receive the notice of the meeting will therefore be Friday, 12 September 2014.

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 e-mail to skohlhofer@truworths.co.za no later than 17:00 on Friday, 31 October 2014 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; and
- 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 certificated (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, 31 October 2014. The last day to trade in order to be entitled to vote at the meeting will therefore be Friday, 24 October 2014.

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

(CSDP's), are not company shareholders as defined. Similarly, shareholders whose shares held in certificated 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 CSDP's or brokers to be furnished with the necessary authorisation to do so either as the representative or proxy of such CSDP's 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 CSDP's or brokers with their voting instructions.

These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDP's or brokers, to enable the CSDP's 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) Ltd, 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, 4 November 2013. **The meeting record date for participation and voting by shareholders at the meeting through such proxies is 17:00 on Friday, 31 October 2014. 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, 24 October 2014.** 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) Ltd, 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, 4 November 2014. **The meeting record date for participation and voting by shareholders at the meeting through such representatives is 17:00 on Friday, 31 October 2014. 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, 24 October 2014.**

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
21 August 2014

Appendix 1

Brief résumés

DIRECTORS STANDING FOR RE-ELECTION

Hilton Saven (61)

BCom, CA(SA)

Chairman of the Board

Independent Non-executive Director

Hilton Saven was appointed to the Truworths International board in February 2003. He is Chairman of the board and a member of the Remuneration Committee and of the Non-executive and Nomination Committee.

He is Chairman of accounting and advisory firm Mazars South Africa, is an executive board member of Mazars International and also serves as director of numerous companies, including JSE-listed Lewis Group Ltd, as well as Monarch Insurance Company Ltd and Life Vincent Pallotti Orthopaedic Centre (Pty) Ltd.

Michael Anthony Thompson (71)

BCom, MBA, AMP (Harvard)

Independent Non-executive Director

Michael Thompson has been a member of the Truworths International board since March 2004. He is chairman of the Audit Committee and of the Social and Ethics Committee and is a member of the Risk Committee and Non-executive and Nomination Committee.

He is a retired banking executive and management consultant. He currently serves as chairman of SA Select Property Investments Ltd and SA Select Property Asset Managers (Pty) Ltd.

Cynthia Thandi Ndlovu (59)

BSc, MBChB

Non-executive Director

Qualified medical doctor, construction executive and businesswoman, Thandi Ndlovu has been a director of the board since February 2001. She is a member of the Social and Ethics Committee and of the Non-executive and Nomination Committee.

She is a director of numerous companies, including those in the Motheo Construction Group, Baitshepi Development Consulting Services (Pty) Ltd and Kemano Investment Holdings (Pty) Ltd. She is President of South African Women in Construction and of the Black Business Council for the Built Environment.

NEW DIRECTOR APPOINTMENT

Khutso Ignatius Mampeule (49)

BA, MSc, MBA

Independent Non-executive Director

Mr Mampeule was appointed to the Truworths International board with effect from 1 February 2014. He is an experienced business executive, having founded the Lefa Group Holdings group and is a member of the company's Non-executive and Nomination Committee.

Mr Mampeule serves as a non-executive on various boards, including JSE-listed Comair Ltd and Niveus Investments Ltd, as well as Senwes Ltd, KWV Holdings Ltd and Phetogo Investment Holdings Ltd.

Form of *Proxy*

Truworths International Ltd
Registration number: 1944/017491/06 JSE Code: TRU NSX Code: TRW ISIN: ZAE000028296

ANNUAL GENERAL MEETING: 6 November 2014
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 Ltd (the company) and holding __________ shares therein, hereby appoint ______________________________ or failing him, the chairman of the meeting as my/our proxy to attend, speak, and vote on my/our behalf, as indicated below, at the annual general meeting of shareholders of the company to be held on 6 November 2014 at 08:30 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 29 June 2014			
Item 2	To re-elect by separate resolutions the retiring directors who are available for re-election:			
	• Mr H Saven			
	• Mr MA Thompson			
	• Dr CT Ndlovu			
	To elect Mr KI Mampeule, who was appointed by the board as a director of the company with effect from 1 February 2014			
Item 3	To give the directors limited and conditional general authority over the unissued 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 for the period to 28 June 2015 and to authorise the Audit Committee to agree to the terms and fees			
Item 6*	To approve the proposed fees of the non-executive directors for the 12 month period from 1 January 2015 to 31 December 2015			
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)			
	• Mr MA Thompson			
	• Mr RG Dow			
	• 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 2014 Integrated Annual Report			
Item 9	To consider the report of the Social and Ethics Committee for the period ended 29 June 2014 as set out in the company's 2014 Integrated Annual Report			
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):			
	• Mr MA Thompson			
	• Mr DB Pfaff			
	• Dr CT Ndlovu			

* Special resolution

Signed at ______________________ this __________ day of __________ 2014.

Signature ____

NOTES:

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, 31 October 2014.**

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 certificated 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 CSDP's or brokers to be furnished with the necessary authorisation to do so either as the representative or proxy of such CSDP's or brokers.

Both such categories of shareholders who do not wish, or are unable, to attend the annual general meeting, but nonetheless wish to be represented thereat, should provide their CSDP's or brokers with their voting instructions.

These instructions should be given in sufficient time, and in accordance with the agreement between them and their CSDP's or brokers, to enable the CSDP's 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) Ltd, 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, 4 November 2014. **The meeting record date for participation and voting by shareholders via such representatives at the meeting is 17:00 on Friday, 31 October 2014.** 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, 31 October 2014 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; and
- 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	6 November 2014	
Reports		
Annual results for the period ended 29 June 2014 announced	21 August 2014	
Preliminary report for the period ended 29 June 2014 mailed	by 26 September 2014	
Interim results for the period ended 28 December 2014 announced	19 February 2015*	
Interim report for the period ended 28 December 2014 mailed	by 13 March 2015*	
Dividends	**Dividend declared**	**Dividend paid**
In respect of the period ended 29 June 2014 (Dividend number 33)	21 August 2014	15 September 2014
For the period ended 28 December 2014 (Dividend number 34)	19 February 2015*	9 March 2015*

* 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.
MacRobert Inc.

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

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

Transfer secretaries
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