TRUWORTHS INTERNATIONAL

UNAUDITED GROUP INTERIM REPORT

FOR THE 26 WEEKS ENDED 25 DECEMBER 2016

COMMENTARY

KEY FEATURES

	Group, including Office	Group, excluding Office
Retail sales	up 21%	unchanged
Gross margin	52.6%	55.0%
Operating margin	24.9%	30.0%
Headline and diluted headline earnings per share	down 3%	
Net asset value per share	up 8%	
Cash generated from operations	up 7% to R2.2 billion	
Interim dividend per share	270 cents	

GROUP PROFILE

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

TRADING AND FINANCIAL PERFORMANCE

The Group continued to experience challenging trading conditions during the 26-week period ended 25 December 2016 (the period). Factors contributing to the tough environment included low economic growth, high product inflation resulting from Rand weakness, reduced foreign revenues when translated into Rands owing to Pound Sterling weakness, and the negative impact of the credit affordability assessment regulations in South Africa.

The high South African revenue base established in the corresponding prior 26-week period ended 27 December 2015 (the comparable period), increased pressure on consumers from rising inflation, especially in food prices, and a weak employment market characterised by job losses and soft real growth in incomes have also impacted the Group's performance.

Group retail sales for the period increased by 21% to R10.2 billion relative to the comparable period, with cash sales growing by 53% while credit sales remained unchanged. Credit sales comprised 50% (2015: 60%) of Group retail sales for the period. These metrics are inclusive of the non-comparable retail sales of the Group's UK business, Office, which is a cash footwear retailer.

Excluding the contribution from Office, retail sales at R7.4 billion as well as cash and credit sales for the period remained unchanged relative to the comparable period. It is to be noted that the comparable period retail sales growth was 15%, excluding the contributions from the Office, Earthchild and Naartjie acquisitions. Credit sales comprised 69% (2015: 69%) of Group retail sales, excluding those attributable to Office, for the period. Comparable store retail sales, which exclude those attributable to Office, decreased by 3% (2015: increased by 10%) for the period while product inflation averaged 16% (2015: 9%).

Office recorded retail sales for the period of £159 million (R2.9 billion) relative to the comparable period's £160 million. As Office's results were consolidated with effect from 23 November 2015, only £48 million of retail sales were included in the Group's results for the comparable period.

Group sale of merchandise, which comprises Group retail sales, together with wholesale and franchise sales and delivery fee income, less accounting adjustments, grew 21% to R10.0 billion (2015: R8.3 billion).

During the period a net 7 stores were opened across all brands, resulting in an increase in trading space of 2% (Truworths 2% and Office 1%). At the end of the period the Group had 939 stores (including 40 concession outlets) (2015: 932, including 52 concession outlets).

Divisional sales	**25 Dec 2016 Rm**	27 Dec 2015 Rm	% change on comparable period
Office~	**2 859**	1 082	164
Truworths ladieswear	**2 517**	2 611	(4)
Truworths menswear	**1 532**	1 499	2
Identity	**1 193**	1 252	(5)
Truworths designer emporium*	**937**	938	–
Truworths kids emporium#	**585**	517	13
Other^	**623**	576	8
Group retail sales	**10 246**	8 475	21
Wholesale and franchise sales and delivery fee income	**62**	5	>100
Accounting adjustments (note 4)	**(272)**	(208)	31
Sale of merchandise	**10 036**	8 272	21
YDE agency sales	**155**	163	(5)

~ The comparable period Office sales were for the five weeks since acquisition, included both Black Friday and Christmas trading, and were translated at a significantly higher average rate of exchange compared to the current period's 26-week sales.
* Daniel Hechter, LTD and Earthaddict.
\# LTD Kids, Earthchild and Naartjie.
^ Cellular, Truworths Jewellery and Cosmetics divisions.

The Group's gross margin decreased to 52.6% (2015: 54.2%), principally due to the acquisition of Office, which operates at a lower gross margin and which was only included for five weeks in the comparable period's results. Excluding Office, the Group's gross margin was stable at 55.0% (2015: 55.3%).

Trading expenses increased 30% to R3.7 billion (2015: R2.8 billion) and constituted 36.5% of sale of merchandise (2015: 34.0%). The increase is principally due to the financial results of Office only being included for five weeks in the Group's comparable period results. Excluding Office, as well as foreign exchange gains in the comparable period (R110 million) and foreign exchange losses in the current period (R62 million), trading expenses increased 5%. This increase is mainly as a result of increases in depreciation and amortisation, occupancy costs and trade receivable costs (refer to the Credit Management section below), partially off-set by decreases in employment costs and other operating costs. Depreciation and amortisation increased 11%, but excluding non-comparable stores, decreased 1%. Occupancy costs increased 8% (6% excluding non-comparable stores), mainly as a result of lower average rental escalations due to successful rental renegotiations. Employment costs decreased 3%, but reflected an increase of 4% if the impact of non-comparable stores and incentives is excluded. Other operating costs increased 8%, mainly as a result of foreign exchange losses during the period of R62 million compared to foreign exchange gains in the comparable period of R110 million. Excluding foreign exchange gains and losses, and the impairment of the Nigerian business operations and the once-off Office deal costs[1] included in the comparable period results, other operating costs reduced 2% owing to management's cost-saving initiatives.

Interest received increased 19% to R718 million (2015: R604 million) due to the 5% growth in the debtors book and increases totalling 125 basis points in the South African repo rate since the commencement of the comparable period. Operating profit increased 3% to R2.5 billion while the operating margin decreased to 24.9% from 29.3% owing to the reduction in the gross margin and the increase in trading expenses. Excluding Office, the operating margin decreased to 30.0% (2015: 32.0%). If the impact of foreign exchange gains in 2015 and foreign exchange losses in 2016 are also excluded the operating margin increased to 30.9% (2015: 30.5%).

As a result of the interest-bearing borrowings raised towards the end of the comparable period to fund operating expenditure, as well as the fact that Office's business operations are geared, finance costs have increased by R94 million.

Headline earnings per share (HEPS) and diluted HEPS decreased 3% to 392.6 cents and 391.9 cents respectively. Relative to the comparable period's adjusted diluted HEPS of 432.5 cents (calculated by excluding the Office acquisition transaction costs), the Group's diluted HEPS for the period decreased by 9%. An interim dividend of 270 cents per share has been declared (2015: 270 cents per share).

FINANCIAL POSITION

The Group's financial position remains strong, with net asset value per share increasing by 8% to 2 200.0 cents (2015: 2 036.7 cents) since the comparable period-end.

Following the finalisation of the purchase price allocation relating to the Office acquisition (refer to note 36.1 of the Group's 2016 Audited Annual Financial Statements), goodwill reduced significantly relative to the comparable period-end, with an increase in the other identifiable assets acquired and liabilities assumed, notably intangible assets and the related deferred tax liability. Goodwill reduced further due to Pound Sterling depreciation.

Inventories decreased to R2.1 billion at the end of the period (2015: R2.7 billion). This is mainly due to a 40% Rand reduction in Office inventory levels (21% in Pound Sterling), resulting from the strategic focus on optimising the Office stockholding and improving inventory turn. Excluding the inventory of Office, gross inventory increased 2% and inventory turn remained unchanged at 5.4 times.

Interest-bearing borrowings at the period-end decreased to R4.1 billion from R4.6 billion at the comparable period-end as a consequence of a more favourable rate of Pound Sterling translation and scheduled loan repayments.

[1] The once-off Office deal costs were on-charged to Office and therefore had no impact on the Truworths net results.

COMMENTARY (CONTINUED)

CAPITAL MANAGEMENT

During the period the Group generated R2.2 billion in cash from operations and this funded dividend payments (R357 million), capital expenditure (R261 million) and share buy-backs (R101 million). Cash and cash equivalents increased 32% to R3.3 billion at the end of the period.

Net debt to equity was 8% as a result of the early ending of the period at 25 December, with month-end creditor payments being made after the period-end. If creditors had been paid prior to the period-end, net debt to equity would have been approximately at the Group's medium-term target of 25%.

CREDIT MANAGEMENT

Gross trade receivables in respect of the debtors book (Truworths, Identity and YDE) grew by 5% to R6.4 billion since the comparable period-end. The growth in the book is attributable to the increase in credit sales during the second half of the 2016 financial year. The percentage of active account holders able to purchase at the end of the period was at 85% compared to 86% at the comparable period-end and 82% at June 2016.

The doubtful debt allowance as a percentage of gross trade receivables has increased marginally to 12.9% (2015: 12.8%). Trade receivable costs increased 9% to R721 million (2015: R663 million) owing to an increase in net bad debt, partially off-set by the relatively lower monetary increase in the provision for doubtful debts.

The new account acceptance rate remained unchanged from the comparable period at 29%, while the Group's active account base declined 6% to 2.6 million accounts. This decline is a consequence of the onerous administrative burden introduced by the credit affordability assessment regulations which came into force in South Africa in September 2015, requiring customers to produce documentation.

The Group has implemented various credit granting strategies, updated its information systems and added efficiencies to its processes to attempt to mitigate the impact of these regulations. The Group will continue to refine these strategies to further counter the effects of these regulations.

The Group, together with two other major JSE-listed retailers, initiated legal action in June 2016 against the National Credit Regulator and the Department of Trade and Industry to have these regulations reviewed. The first court date is currently scheduled to be in the second quarter of the 2017 calendar year.

OUTLOOK

South Africa: Truworths

Slow economic growth and pressure on the disposable incomes of consumers will impact trading conditions, which are likely to remain challenging in the short term. The affordability assessment regulations continue to limit our ability to open new accounts and grow credit sales. The Group has taken action in an attempt to mitigate to some extent the impact of these regulations.

Retail sales growth for the second half of the 2017 financial period will benefit from the lower base recorded in the second half of the 2016 financial period. Product inflation is also anticipated to reduce in the second half to high single-digit levels.

Truworths' retail sales since the interim period-end until 14 February remained unchanged over those for the comparable period in 2016.

United Kingdom: Office

The trading environment in the United Kingdom is faced with uncertainty and low economic growth prospects. The integration of the Office business into the Group will continue during the balance of the 2017 financial period and further benefits are expected to be realised from strategies already implemented, including improved inventory turn as well as more effective systems and processes. Product inflation is anticipated to average 2% for the financial period.

Office's retail sales since the interim period-end until 14 February increased by 9% in Pound Sterling over those for the comparable period in 2016.

Group: Trading space

The board remains committed to investing for longer-term growth, with trading space planned to increase by approximately 2% for the 2017 financial period (Truworths 2% and Office 1%), and by approximately 4% – 5% in the 2018 financial period (Truworths 4% – 5% and Office 3%).

H Saven
Chairman

MS Mark
Chief Executive Officer

DIVIDEND

The directors of the company have resolved to declare a gross cash dividend from retained earnings in respect of the 26-week period ended 25 December 2016 in the amount of 270 South African cents (2015: 270 South African cents) per ordinary share to shareholders reflected in the company's register on the record date, being Friday, 10 March 2017.

The last day to trade in the company's shares *cum* dividend is Tuesday, 7 March 2017. Consequently no dematerialisation or rematerialisation of the company's shares may take place over the period from Wednesday, 8 March 2017 to Friday, 10 March 2017, both days inclusive. Trading in the company's shares *ex* dividend will commence on Wednesday, 8 March 2017. The dividend is scheduled to be paid in South African Rand (ZAR) on Monday, 13 March 2017.

Dividends will be paid net of dividends tax (currently 15%), to be withheld and paid to the South African Revenue Service. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary (being a broker, CSD participant, nominee company or the company's transfer secretaries Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107 South Africa) that they are exempt therefrom, or entitled to a reduced rate, as a result of a double taxation agreement between South Africa and the country of tax domicile of such owner.

The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 229.5 South African cents. The company has 442 059 439 ordinary shares in issue on 16 February 2017.

In accordance with the company's memorandum of incorporation the dividend will only be paid by electronic funds transfer, and no cheque payments will be made. Accordingly, shareholders who have not yet provided their bank account details should do so to the company's transfer secretaries.

The directors have determined that gross dividends amounting to less than 2 000 South African cents, due to any one shareholder of the company's shares held in certificated form, will not be paid, unless otherwise requested in writing, but the net amount thereof will be aggregated with other such net amounts and donated to a charity to be nominated by the directors.

By order of the board

C Durham
Company Secretary

Cape Town
16 February 2017

One Capital
JSE Sponsor

Merchantec Capital Namibia
NSX Sponsor

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

	Note	at 25 Dec 2016 Unaudited Rm	at 27 Dec 2015 Unaudited Rm	at 26 Jun 2016 Audited Rm
ASSETS				
Non-current assets		**6 614**	7 108	7 413
Property, plant and equipment		**1 632**	1 542	1 622
Goodwill		**1 563**	5 008	1 805
Intangible assets		**3 064**	267	3 631
Derivative financial assets		**13**	–	15
Available-for-sale assets		**30**	16	32
Loans and receivables		**65**	80	78
Deferred tax		**247**	195	230
Current assets		**11 240**	11 020	9 648
Inventories		**2 092**	2 679	2 401
Trade and other receivables		**5 702**	5 568	5 281
Derivative financial assets		**–**	73	–
Prepayments		**162**	205	374
Cash and cash equivalents		**3 284**	2 495	1 592
Total assets		**17 854**	18 128	17 061
EQUITY AND LIABILITIES				
Total equity		**9 440**	8 536	8 625
Share capital and premium		**706**	570	706
Treasury shares	6	**(961)**	(782)	(882)
Retained earnings		**10 224**	8 503	8 903
Non-distributable reserves		**(529)**	245	(102)
Non-current liabilities		**4 848**	5 067	5 481
Interest-bearing borrowings		**3 743**	4 290	4 042
Deferred tax		**481**	–	576
Put option liability		**397**	604	562
Post-retirement medical benefit obligation		**62**	60	57
Leave pay obligation		**5**	21	5
Straight-line operating lease obligation		**160**	36	181
Contingent consideration obligation		**–**	56	58
Current liabilities		**3 566**	4 525	2 955
Trade and other payables		**2 453**	3 374	2 177
Interest-bearing borrowings		**317**	346	366
Provisions		**78**	153	150
Contingent consideration obligation		**60**	–	42
Derivative financial liability		**13**	–	25
Tax payable		**645**	652	195
Total liabilities		**8 414**	9 592	8 436
Total equity and liabilities		**17 854**	18 128	17 061
Number of shares in issue (net of treasury shares)	(millions)	**429.1**	419.1	424.5
Net asset value per share	(cents)	**2 200.0**	2 036.7	2 031.8

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

	Note	26 weeks to 25 Dec 2016 Unaudited Rm	26 weeks to 27 Dec 2015 Unaudited Rm	% change	52 weeks to 26 Jun 2016 Audited Rm
Revenue	4	**10 920**	9 021	21	18 231
Sale of merchandise	4	**10 036**	8 272	21	16 654
Cost of sales		**(4 758)**	(3 786)		(7 837)
Gross profit		**5 278**	4 486	18	8 817
Other income	4	**156**	140		274
Trading expenses		**(3 665)**	(2 812)	30	(6 240)
Depreciation and amortisation		**(199)**	(141)		(345)
Employment costs		**(1 062)**	(828)		(1 916)
Occupancy costs		**(1 079)**	(726)		(1 822)
Trade receivable costs		**(721)**	(663)		(1 092)
Other operating costs		**(604)**	(454)		(1 065)
Trading profit		**1 769**	1 814	(2)	2 851
Interest received	4	**718**	604	19	1 288
Dividends received	4	**10**	5		15
Operating profit		**2 497**	2 423	3	4 154
Finance costs		**(145)**	(51)		(208)
Profit before tax		**2 352**	2 372	(1)	3 946
Tax expense		**(645)**	(681)		(1 129)
Profit for the period		**1 707**	1 691	1	2 817
Attributable to:					
Equity holders of the company		**1 678**	1 683		2 804
Holders of the non-controlling interest		**29**	8		13
Profit for the period		**1 707**	1 691		2 817
Other comprehensive (losses)/income to be reclassified to profit or loss in subsequent periods		**(632)**	187		(216)
Fair value adjustment on available-for-sale financial instruments		**1**	–		8
Movement in effective cash flow hedge		**–**	(54)		(54)
Movement in foreign currency translation reserve		**(633)**	241		(170)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	–		7
Re-measurement gains on defined benefit plans		**–**	–		7
Other comprehensive (losses)/income for the period, net of tax		**(632)**	187		(209)
Attributable to:					
Equity holders of the company		**(560)**	159		(191)
Holders of the non-controlling interest		**(72)**	28		(18)
Total comprehensive (losses)/income for the period, net of tax		**(632)**	187		(209)
Total comprehensive income for the period		**1 075**	1 878		2 608
Attributable to:					
Equity holders of the company		**1 118**	1 842		2 613
Holders of the non-controlling interest		**(43)**	36		(5)
Total comprehensive income for the period		**1 075**	1 878		2 608
Basic earnings per share	(cents)	**392.6**	401.7	(2)	667.1
Headline earnings per share	(cents)	**392.6**	405.0	(3)	667.6
Diluted basic earnings per share	(cents)	**391.9**	400.4	(2)	665.4
Diluted headline earnings per share	(cents)	**391.9**	403.8	(3)	665.9
Weighted average number of shares	(millions)	**427.4**	419.0		420.3
Diluted weighted average number of shares	(millions)	**428.2**	420.3		421.4
Key ratios					
Gross margin	(%)	**52.6**	54.2		52.9
Trading expenses to sale of merchandise	(%)	**36.5**	34.0		37.5
Trading margin	(%)	**17.6**	21.9		17.1
Operating margin	(%)	**24.9**	29.3		24.9

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium Rm	Treasury shares Rm	Retained earnings Rm	Non-distributable reserves Rm	Equity holders of the company Rm	Holders of the non-controlling interest Rm	Total equity Rm
2016							
Balance at the beginning of the period	**706**	**(882)**	**8 903**	**(102)**	**8 625**	**–**	**8 625**
Total comprehensive income for the period	**–**	**–**	**1 678**	**(560)**	**1 118**	**(43)**	**1 075**
Profit for the period	**–**	**–**	**1 678**	**–**	**1 678**	**29**	**1 707**
Other comprehensive income for the period	**–**	**–**	**–**	**(560)**	**(560)**	**(72)**	**(632)**
Dividends	**–**	**–**	**(357)**	**–**	**(357)**	**–**	**(357)**
Shares repurchased	**–**	**(101)**	**–**	**–**	**(101)**	**–**	**(101)**
Premium on shares vested in terms of the restricted share scheme	**–**	**22**	**–**	**(22)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**33**	**33**	**–**	**33**
Movement in put option liability	**–**	**–**	**–**	**122**	**122**	**43**	**165**
Balance at 25 December 2016	**706**	**(961)**	**10 224**	**(529)**	**9 440**	**–**	**9 440**
2015							
Balance at the beginning of the period	551	(770)	7 533	190	7 504	–	7 504
Total comprehensive income for the period	–	–	1 683	159	1 842	36	1 878
Profit for the period	–	–	1 683	–	1 683	8	1 691
Other comprehensive income for the period	–	–	–	159	159	28	187
Dividends	–	–	(713)	–	(713)	–	(713)
Premium on shares issued in terms of the 1998 share option scheme	7	–	–	–	7	–	7
Premium on shares issued in terms of the restricted share scheme	12	(12)	–	–	–	–	–
Share-based payments	–	–	–	32	32	–	32
Acquisition of subsidiary	–	–	–	–	–	432	432
Recognition of put option liability	–	–	–	(136)	(136)	(468)	(604)
Balance at 27 December 2015	570	(782)	8 503	245	8 536	–	8 536

Cents per share:	**2016**	2015
Cash dividend declared in respect of the period	**270**	270

CONDENSED GROUP STATEMENTS OF CASH FLOWS

		26 weeks to 25 Dec 2016 Unaudited Rm	26 weeks to 27 Dec 2015 Unaudited Rm	52 weeks to 26 Jun 2016 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flow from trading and cash EBITDA*		**2 005**	1 918	3 273
Working capital movements		**211**	146	(468)
Cash generated from operations		**2 216**	2 064	2 805
Interest received		**715**	604	1 288
Dividends received		**10**	5	15
Finance costs		**(158)**	–	(177)
Tax paid		**(209)**	(112)	(1 092)
Cash inflow from operations		**2 574**	2 561	2 839
Dividends paid		**(357)**	(713)	(1 441)
Net cash from operating activities		**2 217**	1 848	1 398
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment to expand operations		**(174)**	(187)	(441)
Acquisition of plant and equipment to maintain operations		**(70)**	(51)	(110)
Acquisition of computer software		**(17)**	(24)	(48)
Proceeds on disposal of property, plant and equipment		**–**	13	22
Net acquisition of businesses		**–**	(2 495)	(2 559)
Premiums paid to insurance cell		**–**	–	(10)
Amounts received from insurance cell		**2**	4	6
Loans and receivables repaid		**13**	2	4
Payment of contingent consideration obligation		**(42)**	–	–
Net cash used in investing activities		**(288)**	(2 738)	(3 136)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on shares issued		**–**	7	32
Shares repurchased by subsidiaries		**(101)**	–	–
Loans repaid		**(62)**	(2 780)	(2 613)
Loans received		**–**	4 636	4 485
Contributions to post-retirement medical benefit plan asset		**–**	–	(1)
Net cash (used in)/from financing activities		**(163)**	1 863	1 903
Net increase in cash and cash equivalents		**1 766**	973	165
Cash and cash equivalents at the beginning of the period		**1 592**	1 462	1 462
Net foreign exchange difference		**(74)**	60	(35)
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		**3 284**	2 495	1 592
Key ratios				
Cash flow per share	(cents)	**602.2**	611.2	675.5
Cash equivalent earnings per share	(cents)	**440.1**	439.9	759.0
Cash realisation rate	(%)	**137**	139	89

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

SELECTED EXPLANATORY NOTES

1 STATEMENT OF COMPLIANCE

The condensed Group interim financial statements for the 26-week period ended 25 December 2016 (interim report) have been prepared in compliance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, IAS 34: Interim Financial Reporting, the Companies Act (71 of 2008, as amended) of South Africa and the Listings Requirements of the JSE.

The interim report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 26 June 2016.

The information contained in the interim report has neither been audited nor reviewed by the Group's external auditors. The interim report has been prepared under the supervision of Mr DB Pfaff CA(SA), the Chief Financial Officer of the Group.

2 BASIS OF PREPARATION

The interim report has been prepared in accordance with the going concern and historical cost bases, unless otherwise indicated. The accounting policies are applied consistently throughout the Group. The presentation and functional currency used in the preparation of the interim report is the South African Rand (ZAR or Rand) and all amounts are rounded to the nearest million, unless otherwise indicated.

3 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

3.1 The accounting policies and methods of computation applied in the preparation of the interim report are in terms of IFRS and consistent with those applied in the preparation of the Group's annual financial statements for the period ended 26 June 2016.

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

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

3.2 **Basis of consolidation of financial results**

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

	26 weeks to 25 Dec 2016 Unaudited Rm	26 weeks to 27 Dec 2015 Unaudited Rm	% change	52 weeks to 26 Jun 2016 Audited Rm
4 REVENUE				
Sale of merchandise	**10 036**	8 272	21	16 654
Retail sales	**10 246**	8 475		17 015
Accounting adjustments*	**(272)**	(208)		(404)
Wholesale sales	**30**	–		–
Delivery fee income	**26**	–		34
Franchise sales	**6**	5		9
Interest received	**718**	604	19	1 288
Trade receivables interest	**668**	542		1 205
Investment interest	**50**	62		83
Other income	**156**	140	11	274
Commission	**71**	65		123
Financial services income	**32**	34		63
Display fees	**34**	31		63
Lease rental income	**14**	7		15
Royalties	**1**	1		3
Insurance recoveries	**1**	1		3
Other	**3**	1		4
Dividends received	**10**	5		15
Total revenue	**10 920**	9 021	21	18 231

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

	26 weeks to 25 Dec 2016 Unaudited Rm	26 weeks to 27 Dec 2015 Unaudited Rm	52 weeks to 26 Jun 2016 Audited Rm
5 RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS			
Profit for the period, fully attributable to equity holders of the company	**1 678**	1 683	2 804
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	**–**	(8)	2
Impairment of financial assets	**–**	14	–
Other impairments	**–**	8	–
Headline earnings	**1 678**	1 697	2 806
Once-off Office transaction-related costs	**–**	121	111
Call option fair value adjustment	**–**	–	(17)
Adjusted headline earnings	**1 678**	1 818	2 900
6 TREASURY SHARES			
Opening balance	**882**	770	770
Shares repurchased in accordance with general repurchase programme	**101**	–	–
Shares issued and held under the restricted share scheme	**–**	12	123
Shares vested under the restricted share scheme	**(22)**	–	(11)
Closing balance	**961**	782	882

7 SEGMENT REPORTING

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

The YDE business disclosed in the comparable period is no longer considered a reportable segment following the acquisition of Office. The comparable period amounts have been restated accordingly.

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

		Truworths Rm	Office Rm	Consolidation entries Rm	Group Rm
2016					
Total third party revenue		**8 016**	**2 905**	**(1)**	**10 920**
Third party		**8 015**	**2 905**	**–**	**10 920**
Inter-segment		**1**	**–**	**(1)**	**–**
Depreciation and amortisation		**141**	**58**	**–**	**199**
Employment costs		**713**	**349**	**–**	**1 062**
Occupancy costs		**677**	**402**	**–**	**1 079**
Trade receivable costs		**720**	**1**	**–**	**721**
Other operating costs		**414**	**191**	**(1)**	**604**
Interest received		**718**	**–**	**–**	**718**
Finance costs		**121**	**24**	**–**	**145**
Profit for the period		**1 446**	**261**	**–**	**1 707**
Profit before tax		**2 020**	**332**	**–**	**2 352**
Tax expense		**(574)**	**(71)**	**–**	**(645)**
Segment assets		**15 027**	**6 287**	**(3 460)***	**17 854**
Segment liabilities		**5 188**	**3 226**	**–**	**8 414**
Capital expenditure		**223**	**38**	**–**	**261**
Gross margin	(%)	**55.0**	**46.6**	**–**	**52.6**
Trading margin	(%)	**19.8**	**12.2**	**–**	**17.6**
Operating margin	(%)	**30.0**	**12.3**	**–**	**24.9**
Inventory turn	(times)	**5.4#**	**3.6#**	**–**	**4.6#**
Credit:cash sales mix	(%)	**69:31**	**0:100**	**–**	**50:50**
2015~					
Total third party revenue		8 059	1 080	(118)	9 021
Third party		7 941	1 080	–	9 021
Inter-segment		118	–	(118)	–
Depreciation and amortisation		127	14	–	141
Employment costs		735	93	–	828
Occupancy costs		625	101	–	726
Trade receivable costs		663	–	–	663
Other operating costs		388	184	(118)	454
Interest received		604	–	–	604
Finance costs		45	6	–	51
Profit for the period		1 617	74	–	1 691
Profit before tax		2 258	114	–	2 372
Tax expense		(641)	(40)	–	(681)
Segment assets		13 994	7 704	(3 570)*	18 128
Segment liabilities		5 610	4 092	(110)	9 592
Capital expenditure		254	8	–	262
Gross margin	(%)	55.3	47.3	–	54.2
Trading margin	(%)	23.5	11.2	–	21.9
Operating margin	(%)	32.0	11.2	–	29.3
Inventory turn	(times)	5.4#	2.4#	–	5.4^
Credit:cash sales mix	(%)	71:29	0:100	–	60:40

* Elimination of investment in Office.

\# Annualised.

^ Annualised and presented based on the results and financial position of the Group, prior to consolidating the results and financial position of Office.

~ Includes the results of Office for five weeks.

	2016 Rm	2016 Contribution to revenue %	2015 Rm	2015 Contribution to revenue %
Third party revenue				
South Africa	**7 728**	**70.8**	7 651	84.8
United Kingdom	**2 669**	**24.4**	1 016	11.3
Germany	**145**	**1.3**	31	0.3
Namibia	**122**	**1.1**	129	1.4
Republic of Ireland	**91**	**0.8**	33	0.4
Botswana	**54**	**0.5**	52	0.6
Swaziland	**50**	**0.5**	46	0.5
Zambia	**16**	**0.2**	17	0.2
Ghana	**12**	**0.1**	13	0.1
Mauritius	**12**	**0.1**	10	0.1
Lesotho	**10**	**0.1**	10	0.1
Nigeria	**–**	**–**	5	0.1
Kenya	**5**	**–***	3	–*
Franchise sales – Kenya	**6**	**0.1**	5	0.1
Total third party revenue	**10 920**	**100**	9 021	100

* Zero due to rounding.

	25 Dec 2016 Unaudited Rm	27 Dec 2015 Unaudited Rm	26 Jun 2016 Audited Rm
8 CAPITAL COMMITMENTS			
Capital expenditure authorised but not contracted:			
Store renovation development	**189**	149	332
Distribution facilities	**96**	158	97
Computer software and infrastructure	**71**	37	80
Buildings	**27**	166	28
Head office refurbishment	**6**	7	7
Motor vehicles	**2**	4	3
Total capital commitments	**391**	521	547

The capital commitments will be financed from cash generated from operations and available cash resources and are expected to be incurred in the remainder of the 2017 reporting period.

9 EVENTS AFTER THE END OF THE REPORTING PERIOD

No event, material to the understanding of this interim report, has occurred between the end of the interim period and the date of approval.

10 SEASONALITY

Historically retail sales in the first half of the financial period have exceeded those of the second half, because of the inclusion in the former of the Christmas trading period. In the past five years the Group's first half retail sales have ranged between approximately 53% and 56% of annual retail sales. These percentages will change following the acquisition of Office, but the impact cannot be quantified yet as Office has not yet been consolidated for a full reporting year.

11 RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's annual financial statements for the period ended 26 June 2016 took place during the period.

ADMINISTRATION

Truworths International Ltd
Registration number 1944/017491/06

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

Company secretary
Chris Durham, FCIS, PG Dip. Adv. Co Law (UCT)

Registered office
No. 1 Mostert Street, Cape Town, 8001, South Africa

Postal address
PO Box 600, Cape Town, 8000, South Africa

Contact details
Tel: +27 (21) 460 7911 Telefax: +27 (21) 460 7132

www.truworths.co.za
www.office.co.uk

Principal bankers
The Standard Bank of South Africa Ltd
Lloyds Bank plc

Auditors
Ernst & Young Inc.

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

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

Sponsor in Namibia
Merchantec Capital Namibia (Pty) Ltd

Transfer secretaries
In South Africa
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107, South Africa

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

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

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

Investor relations
David Pfaff (CFO)
Tel: +27 (21) 460 7956

Graeme Lillie (Tier 1 Investor Relations)
Tel: +27 (21) 702 3102

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