TRUWORTHS INTERNATIONAL

’23

UNAUDITED GROUP INTERIM RESULTS

for the 26 weeks ended 1 January 2023 and CASH DIVIDEND DECLARATION

KEY FEATURES

RETAIL SALES UP **13.7%** TO **R11.3 billion**	GROSS PROFIT MARGIN **53.5%** (Dec-2021: 53.6%)	OPERATING MARGIN **24.7%** (Dec-2021: 26.5%)
HEADLINE EARNINGS PER SHARE UP **10.3%**	DILUTED HEADLINE EARNINGS PER SHARE UP **9.8%**	INTERIM DIVIDEND PER SHARE UP **6.7%** TO **320 cents**
CASH GENERATED FROM OPERATIONS **R1.7 billion** (Dec-2021: R2.8 billion)	NET ASSET VALUE PER SHARE UP **12.9%**	

COMMENTARY

GROUP PROFILE

Truworths International Ltd (the company) is an investment holding and management company listed on the stock exchanges operated by the JSE Ltd (JSE) and A2X (Pty) Ltd (A2X), as well as the Namibian Stock Exchange. Its principal trading entities, Truworths Ltd and Office Holdings Ltd, are engaged either directly or indirectly through subsidiaries, concessions, agencies or wholesale partners, in the cash and account retailing of fashion clothing, footwear, homeware and related merchandise. The company and its subsidiaries (the Group) operate primarily in South Africa and the United Kingdom (UK), and have a presence in Germany, the Republic of Ireland and other sub-Saharan African countries.

TRADING AND FINANCIAL PERFORMANCE

Sales

During the first 26 weeks (from 4 July 2022 to 1 January 2023) of the Group's 2023 financial period (the current period), Group retail sales increased by 13.7% to R11.3 billion compared to the first 26 weeks (from 28 June 2021 to 26 December 2021) of the 2022 financial period (the prior period or Dec-2021).

This was despite a record level of electricity load shedding in South Africa, and increasing pressure on consumers' disposable income in both South Africa and the UK due to rising interest rates and high levels of inflation.

Due to the inclusion of a 53rd week in the 2022 financial period, the first 26 weeks of each of the 2022 and 2023 financial periods are not comparable. Compared to the corresponding 26 weeks of the 2022 financial period (from 5 July 2021 to 2 January 2022) (the corresponding prior period), Group retail sales for the current period increased by 13.0%.

Retail sales growth for the current period, by business segment and division, was as follows:

Divisional sales	**26 weeks to 1 Jan 2023 Rm**	26 weeks to 26 Dec 2021 Rm	Change on prior period %
Truworths Africa segment	**8 414**	7 395	13.8
Truworths ladieswear	**2 888**	2 462	17.3
Truworths menswear‡	**2 029**	1 897	7.0
Identity	**1 390**	1 239	12.2
Truworths kids emporium#	**1 053**	960	9.7
Other@	**1 054**	837	25.9
Office segment	**2 856**	2 520	13.3
Group retail sales	**11 270**	9 915	13.7
YDE agency sales	**133**	118	12.7

‡ Truworths Man, Uzzi, Daniel Hechter Mens and Fuel.
# LTD Kids, Earthchild and Naartjie.
@ Cosmetics, Cellular, Truworths Jewellery, Office London (South Africa), Loads of Living and Sync.

In the current period, account sales comprised 52% (Dec-2021: 51%) of Group retail sales, with account and cash sales increasing by 16.5% and 10.8%, respectively, relative to the prior period. Compared to the corresponding prior period, in which account sales comprised 51% of Group retail sales, account and cash sales increased by 16.0% and 9.9%, respectively.

Group sale of merchandise, which comprises Group retail sales, together with wholesale sales and delivery fee income, less accounting adjustments (refer to note 4 for further information), increased by 13.1% to R10.9 billion.

Truworths Africa

Retail sales for Truworths Africa (being the Group, excluding the UK-based Office segment and comprising mainly of the Truworths businesses in South Africa), increased by 13.8% to R8.4 billion relative to the prior period. Compared to the corresponding prior period, retail sales for the current period increased by 13.4%. Online sales continued to show good growth in the current period increasing by 50% and contributing 3.0% (Dec-2021: 2.1%) to Truworths Africa's retail sales.

Account sales comprised 70% of retail sales (Dec-2021: 68%). Product (retail selling price) inflation averaged 13.3% in the current period (Dec-2021: product deflation of 2.4%).

Retail sales for the last nine weeks (from 31 October 2022 to 1 January 2023) of the current period increased by 10.6% to R4.0 billion compared to the last nine weeks (from 25 October 2021 to 26 December 2021) of the prior period, and increased by 12.5% relative to the corresponding last nine weeks (from 1 November 2021 to 2 January 2022) of the first half of the 2022 financial period.

The higher retail sales performance in the first 17 weeks, as reported in the Group's business update on 3 November 2022, compared to the last nine weeks of the current period is due to higher levels of electricity load shedding in the last nine weeks and the lower retail sales base in the first 17 weeks due to the civil unrest in the prior period, combined with generally lower stock levels throughout the prior period as a result of supply chain disruption.

All of the Group's South African stores were able to trade during load shedding, either manually (i.e. offline) or by way of back-up power installed by the Group or made available by landlords. At present approximately 82% of Truworths Africa's turnover is covered by back-up power. The Group continuously assesses the back-up power needs of its stores and will install additional or extend existing back-up power solutions where appropriate. Notwithstanding these efforts, load shedding is likely to have had a negative impact on retail footfall, and consequently on retail sales, especially in malls without back-up power.

In the prior period, retail sales performance was impacted negatively by the civil unrest in South Africa in July 2021 (mainly in KwaZulu-Natal and parts of Gauteng), the impact of which extended beyond August 2021 while the Group prepared to reopen the affected stores. Comparable store retail sales, which exclude sales from the stores affected by the civil unrest, increased by 10.2% in the current period relative to the corresponding prior period.

Office

Retail sales for the Group's UK-based Office segment increased in Sterling terms by 13.6% to £140 million relative to the prior period's £123 million. In Rand terms, retail sales for Office increased by 13.3% to R2.9 billion. Compared to the corresponding prior period, retail sales for the current period increased by 12.3% in Sterling terms. E-commerce comprised 44% of Office's retail sales in the current period, declining from a contribution of 47% in the prior period as high-street trading continued to normalise.

Retail sales for the last nine weeks (from 31 October 2022 to 1 January 2023) of the current period increased in Sterling terms by 16.0% to £63 million, compared to the last nine weeks (from 25 October 2021 to 26 December 2021) of the prior period, and increased by 15.1% relative to the corresponding last nine weeks (from 1 November 2021 to 2 January 2022) of the first half of the 2022 financial period. Retail sales in the last nine weeks of the current period compare with the lower base of retail sales in the prior period resulting from a number of COVID-19 restrictions implemented in the UK over the December 2021 festive season.

Gross profit

The Group's gross profit margin was 53.5% (Dec-2021: 53.6%).

The gross profit margin was 56.0% (Dec-2021: 56.4%) in Truworths Africa and 46.6% (Dec-2021: 45.7%) in Office.

Trading space

Since the end of the prior period, a net four stores were closed across all brands. Truworths Africa opened 20 stores and closed 18, while Office opened one store and closed seven. This has resulted in an increase in trading space of 0.6%, comprising an increase of 0.8% in Truworths Africa and a decrease of 3.8% in Office. At the end of the current period the Group had 883 stores, including 11 concession outlets (Dec-2021: 887 stores, including 11 concession outlets).

Trading profit

Trading expenses for the current period increased by 22.0% to R4.0 billion compared to the prior period, and constituted 36.9% (Dec-2021: 34.2%) of sale of merchandise. Excluding trade receivable costs, trading expenses increased 13.2% as the expense base is normalising in a post-COVID environment. Expenses were further impacted by foreign exchange losses of R25 million in the current period (compared to foreign exchange gains of R56 million in the prior period (included in other income)), as well as right-of-use asset impairments in Office of £2.0 million (which form part of the net right-of-use asset impairment reversal of £3.5 million in respect of Office).

Trade receivable costs increased by 76.7% to R802 million (Dec-2021: R454 million). The increase in trade receivable costs is attributed to the growth in the trade receivables portfolio. The expected credit loss (ECL) allowance in respect of the Truworths Africa accounts portfolio was unchanged relative to the prior period at 20.7% of gross trade receivables. Net bad debt and related costs (excluding the movement in the ECL allowance) for the current period increased 16.2% to R625 million.

This is mainly as a result of higher bad debt in the current period owing to the growth in trade receivables, and lower bad debt recoveries than in the prior period. However, the prior period experienced higher recoveries following the higher bad debt levels in the 2021 financial period due to COVID-19. Refer to Account Management on page 4 for further information.

Depreciation and amortisation increased by 15.7% to R641 million (Dec-2021: R554 million) due to lease renewals and modifications (in terms of IFRS 16), as well as the reversal of previously recognised right-of-use asset impairments. Occupancy costs increased by 31.9% to R517 million (Dec-2021: R392 million) due to the reduction in UK business rates relief that was implemented during the COVID-19 pandemic, higher concession rent due to improved concession outlet sales, and higher utility costs.

Group trading profit for the current period was R2.2 billion. The trading margin decreased to 20.1% relative to 22.7% in the prior period.

Management remains committed to rigorous expense control in the current uncertain trading environment.

Profit before finance costs and tax

Interest income increased 40.5% to R496 million as a consequence of the growth in the trade receivables portfolio and higher interest rates.

Group profit before finance costs and tax increased 5.6% to R2.7 billion (Dec-2021: R2.5 billion). The operating margin decreased to 24.7% relative to 26.5% in the prior period.

Finance costs

Finance costs increased by 50.5% to R158 million (Dec-2021: R105 million), mainly due to increased utilisation of the Group's funding facilities in the Truworths Africa segment, driven by working capital requirements.

Earnings

Headline earnings per share (HEPS) and diluted HEPS (DHEPS) for the period increased by 10.3% and 9.8% to 494.6 cents and 487.4 cents respectively, compared to the prior period's HEPS of 448.6 cents and DHEPS of 443.8 cents.

Earnings per share (EPS) and diluted EPS increased by 12.5% to 509.5 cents and 12.1% to 502.1 cents, respectively, compared to the prior period's EPS of 452.7 cents and diluted EPS of 447.8 cents. The higher increase in EPS relative to the increase in HEPS is a result of the net reversal of previously recognised impairment losses of £3.5 million in respect of the Office business segment's store lease right-of-use assets.

The Group's earnings are in line with the guidance provided to the market in the business update released on the stock exchange news service (SENS) of the JSE on 26 January 2023.

Dividend

An interim gross cash dividend of 320 cents per share has been declared (Dec-2021: 300 cents per share), maintaining the dividend cover at 1.5 times.

FINANCIAL POSITION

The Group's financial position remains strong, with net asset value per share increasing by 12.9% to 1 970 cents per share (Dec-2021: 1 745 cents per share).

Inventories increased by 30.5% to R2.1 billion (Dec-2021: R1.6 billion) and the Group's inventory turn was 4.8 times (Dec-2021: 5.5 times).

Excluding raw materials and work-in-progress held by the in-house design division, Truworths Africa's gross finished goods inventory increased 21.4% and the inventory turn decreased to 4.7 times (Dec-2021: 5.0 times). The increase in finished goods inventory (and consequently the decrease in inventory turn) stems from an unusually low base in the prior period as a result of abnormal supply chain disruption, as well as the Group's growth strategy in the current period.

In Office, gross inventory increased by 24.2% to £41 million (Dec-2021: £33 million). The 24.2% increase compares with stock shortages in the prior period as a result of abnormal supply chain disruption, and to cater for higher demand in the current period. Office's inventory turn decreased to 4.5 times from 5.3 times (in Sterling).

COMMENTARY continued

Refer to Account Management below for further information in relation to the Group's trade receivables.

Trade and other payables decreased by 25.5% to R1.9 billion at the end of the current period (Dec-2021: R2.6 billion), mainly because creditor payments for December 2022 were made before the current period-end compared to December 2021 when payments were made after the prior period-end.

ACCOUNT MANAGEMENT

Strong demand for merchandise purchases on account has resulted in Truworths Africa's gross trade receivables (relating to the Truworths, Identity and YDE businesses) increasing by 19.3% to R7.1 billion (Dec-2021: R5.9 billion), with the number of active accounts increasing by 5.7% to 2.8 million (Dec-2021: 2.6 million). These increases occurred notwithstanding the fact that the Group continued to apply its strict credit-granting criteria, and reflect the enticing nature of the Group's account and merchandise offering. Active account holders able to purchase and overdue balances as a percentage of gross trade receivables were at 84% (Dec-2021: 85%) and 11% (Dec-2021: 10%), respectively.

At the current period-end, the expected credit loss allowance in respect of the Truworths Africa accounts portfolio was unchanged relative to the prior period at 20.7% of gross trade receivables.

Truworths Africa uses accounts as an enabler of merchandise sales to customers, as opposed to operating a financial services business. Financial services income constitutes 0.5% (Dec-2021: 0.6%) of sale of merchandise. Refer to note 4 for further information.

CAPITAL MANAGEMENT

During the current period, the Group generated R1.7 billion in cash from operations, which was used to fund dividend payments (R777 million), capital expenditure (R391 million) and share buy-backs (R28 million).

The Group's net debt to equity ratio at the end of the current period was 11.8% (Dec-2021: net cash to equity of 24.0%) and net debt to EBITDA was 0.1 times (Dec-2021: net cash to EBITDA of 0.3 times).

DIRECTORATE

As reported on SENS on 28 September 2022, Ms Sarah Proudfoot and Mr Emanuel (Mannie) Cristaudo, who are executive directors of the company, were appointed as the Group's Joint Deputy Chief Executive Officers with effect from 1 October 2022.

It was also announced on SENS on 16 September 2022 that Mr Thabo Mosololi, an independent non-executive director of the company, was appointed as chairman of the Social and Ethics Committee and Mr Hilton Saven, an independent non-executive director of the company and board chairman, was appointed as a member of this Committee, effective from 1 October 2022.

OUTLOOK

Group

The Group's retail sales for the first seven weeks of the second half of the 2023 financial period increased by 13.9% relative to the corresponding seven weeks of the second half of the 2022 financial period.

Truworths Africa

South Africa's energy crisis is evident in the sustained level of daily load shedding. Truworths is adopting a pro-active approach to load shedding on the assumption that varied levels of disruption will continue in the short to medium term.

In the months ahead the Group aims to extend back-up power solutions to protect turnover in stores not yet covered by alternate sources of power, creating further cost pressure in the current tight economic environment.

Consumer disposable income is expected to remain constrained in the medium-term as inflationary pressures from higher food, fuel, electricity and cost-of-living expenses are compounded by rising borrowing costs.

New retail concepts and brands developed over the last two years have exceeded management's expectations and the Group will continue to refine and invest in them, while the growing, integrated in-house design capability will bolster the supply chain and further enhance speed to market.

Truworths' retail sales for the first seven weeks of the second half of the 2023 financial period increased by 5.7% relative to the corresponding seven weeks of the second half of the 2022 financial period. Trading space is expected to increase by approximately 2% for the 2023 reporting period.

Office

The UK retail sector is expected to continue to face headwinds from mounting pressure on household income due to persistently high inflation, rising energy costs and interest rates, which have increased three-fold in the past year.

Notwithstanding these challenges, the Office business has proven resilient on the strength of its relationships with the world's leading footwear brands and its loyal customer following. In the current environment, Office will capitalise on new store opportunities, the renovation of stores in strategically important locations, further strengthening its brand positioning, and introducing and growing new brands.

Office's retail sales for the first seven weeks of the second half of the 2023 financial period increased by 39.2% in Sterling relative to the corresponding seven weeks of the second half of the 2022 financial period.

Sales growth in Office is expected to slow down from April 2023 as the base started normalising in April 2022 when lockdown restrictions were lifted in the UK and tourism increased.

Office's trading space is expected to decrease by approximately 9% for the 2023 financial year as the business continues to exit marginal and loss-making stores as leases expire or lease breaks are negotiated with landlords.

H Saven
Chairman

MS Mark
Chief Executive Officer

INTERIM DIVIDEND

The directors of the company have resolved to declare an interim gross cash dividend from retained earnings in respect of the 26-week period ended 1 January 2023 in the amount of 320 South African cents (Dec-2021: 300 South African cents) per ordinary share to shareholders reflected in the company's register on the record date, being Friday, 17 March 2023.

The last day to trade in the company's shares *cum* dividend is Tuesday, 14 March 2023. Consequently, no dematerialisation or rematerialisation of the company's shares may take place over the period from Wednesday, 15 March 2023 to Friday, 17 March 2023, both days inclusive. Trading in the company's shares *ex* dividend will commence on Wednesday, 15 March 2023. The dividend is scheduled to be paid in South African Rand (ZAR) on Monday, 20 March 2023.

Dividends will be paid net of dividends tax (currently 20%), 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, Private Bag X9000, Saxonwold, 2132, 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 20%, will result in a net cash dividend per share of 256 South African cents. The company has 408 498 899 ordinary shares in issue on the date of this announcement. 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 of the company.

By order of the board.

C Durham
Sponsor
Cape Town
23 February 2023

One Capital
JSE Sponsor

Merchantec Capital
NSX Sponsor

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

	Note	**at 1 Jan 2023 Unaudited Rm**	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
ASSETS				
Non-current assets		**6 032**	5 349	5 520
Property, plant and equipment		**1 866**	1 683	1 685
Right-of-use-assets	7	**2 969**	2 305	2 594
Intangible assets		**549**	570	539
Goodwill		**294**	294	294
Loans and receivables		**39**	92	36
Assets held at fair value		**26**	24	33
Deferred tax		**289**	381	339
Current assets		**9 478**	8 923	7 971
Inventories	8	**2 119**	1 624	1 819
Trade and other receivables	9	**5 937**	5 056	4 908
Derivative financial assets		**–**	19	29
Loans and receivables		**54**	–	58
Prepayments		**174**	88	89
Cash and cash equivalents		**1 194**	2 136	1 068
Total assets		**15 510**	14 272	13 491
EQUITY AND LIABILITIES				
Total equity		**7 262**	6 736	6 106
Share capital and premium	10, 11	**–**	–	–
Treasury shares	12	**(2 113)**	(2 385)	(2 186)
Retained earnings		**9 194**	8 993	8 144
Non-distributable reserves		**181**	128	148
Non-current liabilities		**2 867**	2 171	2 628
Lease liabilities		**2 531**	2 042	2 464
Provisions		**138**	58	112
Interest-bearing borrowings	13	**130**	–	–
Post-retirement medical benefit obligation		**39**	43	36
Leave pay obligation		**17**	4	4
Put option liability		**6**	19	6
Derivative financial liabilities		**6**	5	6
Current liabilities		**5 381**	5 365	4 757
Trade and other payables		**1 912**	2 567	1 678
Interest-bearing borrowings	13	**1 206**	522	702
Lease liabilities		**1 061**	1 415	979
Bank overdraft		**712**	–	930
Provisions		**235**	249	259
Derivative financial liabilities		**30**	–	23
Put option liability		**28**	31	33
Tax payable		**197**	581	153
Total liabilities		**8 248**	7 536	7 385
Total equity and liabilities		**15 510**	14 272	13 491
Number of shares in issue (net of treasury shares)	(millions)	**368.6**	386.0	368.3
Net asset value per share	(cents)	**1 970**	1 745	1 658

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

	Note	**26 weeks to 1 Jan 2023 Unaudited Rm**	26 weeks to 26 Dec 2021 Unaudited Rm	change %	53 weeks to 3 Jul 2022 Audited Rm
Revenue	4	**11 725**	10 275	14	19 340
Sale of merchandise	4	**10 851**	9 596	13	17 886
Cost of sales		**(5 043)**	(4 457)		(8 316)
Gross profit		**5 808**	5 139	13	9 570
Other income	4	**371**	321		655
Trading expenses		**(4 000)**	(3 279)	22	(6 607)
Depreciation and amortisation		**(641)**	(554)		(1 161)
Employment costs		**(1 206)**	(1 110)		(2 267)
Occupancy costs		**(517)**	(392)		(801)
Trade receivable costs		**(802)**	(454)		(851)
Other operating costs		**(834)**	(769)		(1 527)
Trading profit		**2 179**	2 181	–	3 618
Interest income	4	**496**	353	41	789
Dividend income	4	**7**	5		10
Profit before finance costs and tax		**2 682**	2 539	6	4 417
Finance costs		**(158)**	(105)	51	(235)
Profit before tax		**2 524**	2 434	4	4 182
Tax expense		**(639)**	(652)		(1 115)
Profit for the period		**1 885**	1 782	6	3 067
Attributable to:					
Equity holders of the company		**1 876**	1 772		3 051
Holders of the non-controlling interest		**9**	10		16
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**23**	(8)		(17)
Movement in foreign currency translation reserve		**23**	(8)		(17)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**–**	–		6
Re-measurement gains on defined benefit plans		**–**	–		6
Other comprehensive income/(loss) for the period, net of tax		**23**	(8)		(11)
Attributable to:					
Equity holders of the company		**22**	(11)		(11)
Holders of the non-controlling interest		**1**	3		–
Total comprehensive income for the period		**1 908**	1 774		3 056
Attributable to:					
Equity holders of the company		**1 898**	1 761		3 040
Holders of the non-controlling interest		**10**	13		16
Basic earnings per share	(cents)	**509.5**	452. 7	13	794. 1
Diluted basic earnings per share	(cents)	**502.1**	447. 8	12	784. 9

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

Dec-2022	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
Balance at the beginning of the period	**–***	**(2 186)**	**8 144**	**148**	**6 106**	**–**	**6 106**
Total comprehensive income for the period	**–**	**–**	**1 876**	**22**	**1 898**	**10**	**1 908**
Profit for the period	**–**	**–**	**1 876**	**–**	**1 876**	**9**	**1 885**
Other comprehensive income for the period	**–**	**–**	**–**	**22**	**22**	**1**	**23**
Dividends declared	**–**	**–**	**(777)**	**–**	**(777)**	**–**	**(777)**
Shares repurchased	**–**	**(28)**	**–**	**–**	**(28)**	**–**	**(28)**
Shares cancelled	**–**	**49**	**(49)**	**–**	**–**	**–**	**–**
Cost of shares vested and transferred to participants in terms of the 2012 restricted share scheme	**–**	**52**	**–**	**(52)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**53**	**53**	**–**	**53**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Movement in put option liability	**–**	**–**	**–**	**10**	**10**	**(5)**	**5**
Balance at 1 January 2023	**–***	**(2 113)**	**9 194**	**181**	**7 262**	**–**	**7 262**
Dec-2021							
Balance at the beginning of the period	521	(2 259)	7 778	151	6 191	–	6 191
Total comprehensive income for the period	–	–	1 772	(11)	1 761	13	1 774
Profit for the period	–	–	1 772	–	1 772	10	1 782
Other comprehensive (loss)/income for the period	–	–	–	(11)	(11)	3	(8)
Dividends declared	–	–	(475)	–	(475)	–	(475)
Shares repurchased	–	(780)	–	–	(780)	–	(780)
Shares cancelled	(521)	603	(82)	–	–	–	–
Cost of shares vested and transferred to participants in terms of the 2012 restricted share scheme	–	51	–	(51)	–	–	–
Share-based payments	–	–	–	51	51	–	51
Acquisition of non-controlling interest	–	–	–	29	29	(29)	–
Movement in put option liability	–	–	–	(41)	(41)	16	(25)
Balance at 26 December 2021	–*	(2 385)	8 993	128	6 736	–	6 736

* Zero due to rounding

CONDENSED GROUP STATEMENTS OF CASH FLOWS

	Note	**26 weeks to 1 Jan 2023 Unaudited Rm**	26 weeks to 26 Dec 2021 Unaudited Rm	53 weeks to 3 Jul 2022 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flow from profit before tax		**2 835**	2 759	4 838
Working capital movements	14	**(1 183)**	11	(946)
Cash generated from operations		**1 652**	2 770	3 892
Interest received		**497**	351	791
Dividends received		**7**	5	10
Interest paid		**(153)**	(105)	(236)
Tax paid		**(547)**	(60)	(909)
Cash inflow from operations		**1 456**	2 961	3 548
Dividends paid		**(777)**	(475)	(1 646)
Net cash from operating activities		**679**	2 486	1 902
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of plant and equipment to expand operations		**(294)**	(102)	(241)
Acquisition of plant and equipment to maintain operations		**(73)**	(26)	(61)
Acquisition of computer software		**(24)**	(25)	(38)
Insurance proceeds in relation to plant and equipment		**–**	–	50
Loans advanced		**(19)**	–	(11)
Premiums paid to insurance cell		**–**	–	(16)
Amounts received from insurance cell		**6**	10	20
Proceeds from disposal of mutual fund units		**1**	1	1
Loans and receivables repaid		**3**	–	–
Net cash used in investing activities		**(400)**	(142)	(296)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares repurchased by subsidiaries and the company		**(28)**	(780)	(1 588)
Borrowings incurred	13	**630**	416	1 096
Borrowings repaid	13	**–**	(260)	(743)
Lease liability payments		**(562)**	(532)	(1 134)
Acquisition of non-controlling interest		**(5)**	–	–
Net cash from/(used) in financing activities		**35**	(1 156)	(2 369)
Net increase/(decrease) in cash and cash equivalents		**314**	1 188	(763)
Net cash and cash equivalents at the beginning of the period		**138**	923	923
Net foreign exchange difference		**30**	25	(22)
NET CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		**482**	2 136	138

SELECTED EXPLANATORY NOTES

1 STATEMENT OF COMPLIANCE

The unaudited condensed Group interim financial statements for the 26-week period ended 1 January 2023 (interim report) have been prepared in compliance with, and contain the information required by, the International Financial Reporting Standards (IFRS), specifically IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, 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 for the 53-week period ended 3 July 2022. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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 EFPM Cristaudo, 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 basis, 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, except where otherwise indicated.

3 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

3.1 The accounting policies and methods of computation applied in the preparation of the interim report are in accordance with IFRS and are consistent with those applied in the preparation of the Group's annual financial statements for the 53-week prior period ended 3 July 2022.

3.2 **New and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations not applicable to Group activities**

Various new and amended IFRS and IFRIC interpretations that have been issued are effective in the reporting period but do not have a material impact on the Group's activities.

3.3 **New and amended IFRS and IFRIC interpretations issued but not yet effective**

Various new and amended IFRS and IFRIC interpretations that have been issued but are not yet effective have not been disclosed by the Group as they do not have a material impact on the Group's activities.

3.4 **Basis of consolidation of financial results**

The condensed Group interim financial statements comprise the consolidated 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.

SELECTED EXPLANATORY NOTES continued

	26 weeks to 1 Jan 2023 Unaudited Rm	26 weeks to 26 Dec 2021 Unaudited Rm	change %	53 weeks to 3 Jul 2022 Audited Rm
4 REVENUE				
Sale of merchandise	**10 851**	9 596	13	17 886
Retail sales	**11 270**	9 915		18 522
Variable consideration adjustments*	**(465)**	(371)		(731)
Delivery fee income	**35**	46		77
Wholesale sales	**11**	6		18
Interest income	**496**	353	41	789
Trade receivables interest	**485**	342		764
Investment interest	**11**	11		25
Other income	**371**	321	16	655
Reversal of previously recognised impairment losses	**112**	–		73
Commission income	**94**	81		172
Financial services income	**58**	56		104
Insurance recoveries^	**53**	97		137
Display fees	**24**	14		36
Gain on IFRS 16 re-measurements and modifications	**21**	1		40
Lease rental income	**3**	5		8
Variable lease rental income	**2**	2		4
Foreign exchange gains	**–**	56		65
Government grants	**–**	–		1
Other	**4**	9		15
Dividend income from insurance business arrangements	**7**	5		10
Total revenue	**11 725**	10 275	14	19 340

* Variable consideration 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.

^ The insurance claims in respect of the civil unrest in South Africa during July 2021 has largely been finalised and settled. The balance of the claim amounts to approximately R39 million and management is of the view that it will be finalised and settled before the end of the 2023 financial period.

Notional interest represents a significant financing component in accordance with IFRS 15. The Group recognised notional interest of R70 million (Dec-2021: R45 million) as a reduction to sale of merchandise in the "Variable consideration adjustments" line item.

		26 weeks to 1 Jan 2023 Unaudited Rm	26 weeks to 26 Dec 2021 Unaudited Rm	change %	53 weeks to 3 Jul 2022 Audited Rm
5 RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS					
Profit for the period, attributable to equity holders of the company		**1 876**	1 772	6	3 051
Adjusted for:					
Net impairment reversal in respect of right-of-use assets		**(71)**	–		(31)
Tax on net impairment reversal in respect of right-of-use assets		**13**	–		4
Loss on write-off or disposal of plant and equipment		**4**	1		–
Tax on loss on write-off or disposal of plant and equipment		**(1)**	–		–
Insurance recoveries in respect of plant and equipment		**–**	(24)		(50)
Tax on insurance recoveries in respect of plant and equipment		**–**	7		14
Loss on write-off or disposal of plant and equipment		**–**	–		11
Tax on loss on write-off or disposal of plant and equipment		**–**	–		(3)
Tax rate change impact on right-of-use asset impairment		**–**	–		1
Reversal of impairment of property, plant and equipment		**–**	–		(1)
Headline earnings		**1 821**	1 756	4	2 996
Headline earnings per share	(cents)	**494.6**	448.6	10	779.8
Diluted headline earnings per share	(cents)	**487.4**	443.8	10	770.8
Weighted average number of shares	(millions)	**368.2**	391.4		384.2
Diluted weighted average number of shares	(millions)	**373.6**	395.7		388.7

	26 weeks to 1 Jan 2023 Cents	26 weeks to 26 Dec 2021 Cents
6 DIVIDENDS		
Dividends per share		
Cash dividend declared in respect of the period – payable/paid in March	**320**	300

SELECTED
EXPLANATORY NOTES continued

	at 1 Jan 2023 Unaudited Retail stores Rm	at 1 Jan 2023 Unaudited Land Rm	at 1 Jan 2023 Unaudited Total Rm	at 26 Dec 2021 Unaudited Total~ Rm	at 3 Jul 2022 Audited Total~ Rm
7 RIGHT-OF-USE ASSETS					
Balance at the beginning of the reporting period, net of accumulated depreciation and impairment	**2 594**	**–**	**2 594**	2 196	2 196
Additions in respect of new or renewed leases	**409**	**77**	**486**	254	550
Modifications and re-measurements	**311**	**–**	**311**	220	624
Derecognition on lease terminations	**(45)**	**–**	**(45)**	(7)	(16)
Depreciation	**(464)**	**–**	**(464)**	(368)	(799)
Impairment of right-of-use assets	**(40)**	**–**	**(40)**	–	(40)
Truworths Africa segment	**–**	**–**	**–**	–	(33)
Office segment	**(40)**	**–**	**(40)**	–	(7)
Reversal of previously recognised right-of-use asset impairments	**112**	**–**	**112**	–	73
Truworths Africa segment	**–**	**–**	**–**	–	9
Office segment	**112**	**–**	**112**	–	64
Other adjustments	**3**	**–**	**3**	(6)	–
Movement in exchange rates through other comprehensive income	**12**	**–**	**12**	16	6
Balance at the reporting date, net of accumulated depreciation and impairment	**2 892**	**77**	**2 969**	2 305	2 594

~ For the periods ended 26 Dec 2021 and 3 Jul 2022 right-of-use assets comprised entirely of retail stores.

7 RIGHT-OF-USE ASSETS continued

The addition of land in the current period relates to the Group's share of the 99-year lease in respect of the stand on which the new distribution centre (DC) is to be constructed. Refer to note 18 for further information. As the land represents a right-of-use asset, the addition of R77 million is not included in capital expenditure disclosed in note 17. Accordingly, the addition is not included in acquisition of plant and equipment in the statement of cash flows, but rather is included in lease liability payments.

Impairment testing of right-of-use assets

Right-of-use assets are tested for impairment, or reversal of previously recognised impairment losses, annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (such as a store becoming loss-making), or the recoverable amount may exceed the carrying amount (such as a loss-making store becoming profitable). The decision to reverse impairment losses recognised in prior periods takes into account internal and external qualitative and quantitative factors.

The generally improved trading conditions in the UK, specifically in the store environment, has been identified as a specific indicator that previously recognised impairment losses in respect of the Office segment's store portfolio should be tested for reversal. The improvement in trading performance was first experienced in the prior period, but due to the introduction of lockdown restrictions in the December 2021 festive season, and due to concerns over the sustainability of the turnaround in performance, no previously recognised impairment losses were reversed in that period.

At the June 2022 and December 2022 reporting dates, all UK lockdown restrictions were lifted and trading performance in Office improved markedly, resulting in net right-of-use asset impairment reversals of £2.9 million (R57 million) and £3.5 million (R72 million), respectively. Trading performance in the Office segment varied across regions, with large cities and tourist destinations seeing the greatest improvement. Accordingly, for some leases previously recognised impairment losses were reversed (recognised in other income), while for others further impairments were recognised (included in other operating costs).

No specific indicators of impairment, or potential impairment reversals, have been identified in the Truworths Africa segment in either the current or prior period (Dec-2021).

SELECTED
EXPLANATORY NOTES continued

7 RIGHT-OF-USE ASSETS continued

Impairment testing of right-of-use assets continued

The recoverable amount of the cash-generating units to which the right-of-use assets belong has been determined based on their value in use using the discounted cash flow approach. Cash flow projections, covering the remaining lease period, were based on historical information, financial budgets and forecasts approved by senior management.

Key assumptions applied in the value in use calculations and sensitivity analysis were as follows:

The value in use of cash-generating units to which the right-of-use assets have been assigned is most sensitive to the following assumptions:
- sales growth rate;
- gross profit margin;
- head office cost allocation;
- working capital requirements; and
- the discount rate applied in determining the present value of future cash flows.

		at 1 Jan 2023 Unaudited Rm	at 3 Jul 2022 Audited Rm
Office			
Assumptions applied			
Discount rate applied to projected cash flows	(%)	**14.7**	13.4
Discount rate calculated using the following variables:			
Risk-free rate, based on the annualised yield of a UK government issued bond with a maturity of 10 years	(%)	**3.4**	2.2
Market risk premium	(% points)	**6.0**	6.0
Beta value	(:1)	**0.9**	0.9

	at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
8 INVENTORY			
Gross inventories*	**2 502**	1 991	2 180
Finished goods	**2 340**	1 918	2 032
Fabric and work-in-progress	**162**	73	148
Allowance for markdown and shrinkage	**(383)**	(367)	(361)
Net inventories at the reporting date	**2 119**	1 624	1 819
Allowance of markdowns as a % of gross inventories	**15.3**	18.4	16.6
Allowance of markdowns as a % of gross finished goods inventories	**16.4**	19.1	17.8

* During the period shrinkage and write offs to the value of R3 million (Dec-2021: R73 million) were expensed in cost of sales. The prior period was impacted by the civil unrest resulting in high stock losses.

Allowance for markdown and shrinkage

	at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
Balance at the beginning of the reporting period	**361**	431	431
Movement for the period	**22**	(64)	(70)
Allowance raised	**383**	367	362
Allowance reversed	**(367)**	(442)	(434)
Movement in exchange rates through other comprehensive income	**6**	11	2
Balance at the reporting date	**383**	367	361

During the reporting period R383 million (Dec-2021: R367 million) was raised as an allowance for inventories carried at net realisable value below cost.

			at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
9	**TRADE AND OTHER RECEIVABLES**				
	Gross trade receivables		**7 069**	5 927	5 871
	Expected credit losses allowance		**(1 461)**	(1 225)	(1 229)
	Net trade receivables		**5 608**	4 702	4 642
	Other receivables		**329**	354	266
	Trade and other receivables at the reporting date		**5 937**	5 056	4 908
	Interest-bearing debtors as a % of trade receivables	(%)	**76**	75	78
	Net bad debt* as a % of trade receivables	(%)	**13.4**	13.1	11.3
	Expected credit losses allowance as a % of trade receivables	(%)	**20.7**	20.7	20.9
	Expected credit losses allowance				
	Balance at the beginning of the reporting period		**1 229**	1 256	1 256
	Movement for the period		**232**	(31)	(27)
	Allowance utilised		**(499)**	(419)	(654)
	Allowance raised		**731**	388	627
	Balance at the reporting date		**1 461**	1 225	1 229

* The net of gross bad debt, bad debt recovered and debt sold. Ratios for December have been annualised.

The measurement of expected credit losses (ECLs) in respect of the Group's trade receivables considers the probability and the expected timing of write-off and the Group's anticipated exposure at the time of write-off as well as the loss resulting from the write-off. The calculation of ECLs incorporates forward-looking variables, which include the following:

- an economic overlay model, developed using linear regressions to model the relationship between historic lagged and future macroeconomic indicators and ECL provisions;
- the potential impact of industry-specific challenges, including changes in the regulatory environment as well as the anticipated impact of macro factors; and
- expert management judgement.

Various forward-looking scenarios were probability weighted based on management's best estimate of their relative likelihood of occurrence to determine the ECL allowance in the current reporting period. This process involves significant judgement and is governed by a formally mandated committee appointed by the board of the Group's wholly-owned subsidiary and licensed credit provider, Truworths Ltd.

9 TRADE AND OTHER RECEIVABLES continued

At the reporting date, the ECL allowance was unchanged relative to the prior period at 20.7% of gross trade receivables.

	at 1 Jan 2023 Unaudited R'000	at 26 Dec 2021 Unaudited R'000	at 3 Jul 2022 Audited R'000
10 SHARE CAPITAL			
Ordinary share capital			
Authorised			
650 000 000 (Dec-2021: 650 000 000) ordinary shares of 0.015 cent each	**98**	98	98
Issued and fully paid			
408 498 899 (Dec-2021: 427 311 953) ordinary shares of 0.015 cent each	**61**	64	61

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.

	Number of shares 000's	Number of shares 000's	Number of shares 000's
Reconciliation of movement in issued shares			
Balance at the beginning of the reporting period	**409 455**	438 407	438 407
Shares cancelled during the period	**(957)**	(11 095)	(28 952)
Balance at the reporting date	**408 498**	427 312	409 455
Treasury shares held by subsidiaries	**(39 878)**	(41 289)	(41 121)
Number of shares in issue (net of treasury shares)	**368 620**	386 023	368 334
Treasury shares as a % of the issued shares at the reporting date	**9.8**	9.7	10.0

SELECTED
EXPLANATORY NOTES continued

10 SHARE CAPITAL continued

During the current period 556 655 (Dec-2021: 14 545 430) shares were repurchased at an average price per share of R49.85 (Dec-2021: R53.62). Refer to note 12 for further information.

956 655 shares (including 400 000 shares acquired in the 2022 financial period) (Dec-2021: 11 095 430) with an average price of R50.67 (Dec-2021: R54.36), an aggregate nominal value of R144 (Dec-2021: R1 664), and an aggregate premium of R49 million (Dec-2021: R603 million) were cancelled and delisted from the JSE.

		at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
11	**SHARE PREMIUM**			
	Balance at the beginning of the reporting period	**–**	521	521
	Premium reduced on shares repurchased and cancelled	**–**	(521)	(521)
	Balance at the reporting date	**–**	–	–
12	**TREASURY SHARES**			
	Balance at the beginning of the reporting period	**2 186**	2 259	2 259
	Shares repurchased by the company	**28**	780	1 588
	Shares cancelled by the company	**(49)**	(603)	(1 567)
	Shares sold by Truworths International Share Trust	**–**	–	(1)
	Shares vested and transferred to participants in terms of the 2012 restricted share scheme	**(52)**	(51)	(93)
	Balance at the reporting date	**2 113**	2 385	2 186

Shares repurchased by the company are periodically cancelled and delisted.

	at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
13 INTEREST-BEARING BORROWINGS			
Current interest-bearing borrowings at the beginning of the reporting period	**702**	346	346
Borrowings incurred	**630**	416	1 096
Borrowings repaid	**–**	(260)	(743)
Finance costs incurred	**36**	2	15
Finance costs paid	**(32)**	(3)	(12)
Movement in exchange rates through other comprehensive income	**–**	21	–
Interest-bearing borrowings at the reporting date	**1 336**	522	702
Non-current interest-bearing borrowings	**130**	–	–
Current interest-bearing borrowings	**1 206**	522	702
SA Rand-based interest-bearing borrowings			
Unsecured, variable-rate revolving credit facility	**1 200**	–	700
Unsecured, variable rate term loan facility (green loan)	**130**	–	–
UK Pound Sterling-based interest-bearing borrowings			
Unsecured, variable-rate revolving credit facility	**–**	520	–
Accrued interest on interest-bearing borrowings	**6**	2	2
Interest-bearing borrowings at the reporting date	**1 336**	522	702

The SA Rand-based interest-bearing borrowings comprise of an unsecured variable-rate 12-month notice revolving credit facility (RCF) of R1.2 billion advanced to the Truworths Africa segment's main operating subsidiary, Truworths Ltd, and an unsecured variable-rate R350 million term loan facility (green loan) advanced to the Truworths Africa segment's real estate investment company holding the investment in the segment's new distribution centre to be constructed.

The RCF bears interest at a margin of 1.30 percentage points above the three-month Johannesburg Interbank Rate (JIBAR) and requires drawdowns to be repaid at the end of each quarterly interest period. The facility expires 12 months after notice is given by the lender. The three-month JIBAR applicable at the reporting date was 7.23% p.a. At the period-end this facility was fully drawn.

13 INTEREST-BEARING BORROWINGS continued

The green loan was concluded in December 2022 to fund the Group's share of the land and construction costs of the Truworths Africa segment's new distribution centre. It has a three-year tenor with availability step-up over a 15-month period during the construction phase of the distribution centre, and is repayable in December 2025. This facility bears interest at a margin of 1.38 percentage points above the three-month JIBAR. The three-month JIBAR applicable at the reporting date was 7.22% p.a. At the period-end R130 million had been drawn against this facility.

The UK Pound Sterling-based interest-bearing borrowings comprises a single unsecured variable-rate RCF of £20 million (Dec-2021: £32.5 million) advanced to the Group's UK resident and managed subsidiary, Truworths UK Holdco 2 Ltd. There were no drawdowns against this facility at the period-end (Dec-2021: £25 million (R522 million)). This facility, which has been guaranteed by the company and its subsidiary, Truworths Ltd, was extended during December 2022 until December 2023. This facility bears interest at a margin of 1.39 (Dec-2021: 1.40) percentage points above the floating base rate, being the Sterling Overnight Interbank Average Rate (SONIA) plus a credit adjustment spread, and requires interest to be paid at the end of each quarterly interest period.

The Group utilises cash reserves and borrowings to fund operational expenditure, working capital and capital investment requirements. In addition to the facilities set out above the Group also has a South African Rand-based general short-term banking (overdraft) facility of R2 billion, of which R300 million is committed and R1.7 billion is uncommitted (Dec-2021: R1 billion, of which R300 million is committed and R700 million is uncommitted). At the period-end, R700 million of this facility was utilised (Dec-2021: Rnil). This facility bears interest at 1.25 percentage points below the prime lending rate in South Africa and interest is settled monthly.

The Group funds its liquidity needs through cash generated from operations and available overdraft and revolving credit facilities. Cash flow forecasts are prepared to determine the future liquidity needs of the business and these facilities will be activated based on those. If the forecast indicates liquidity pressure for a period longer than three months, the RCF will be activated to fund the operations. All short-term funding requirements will be funded by the available overdraft facility.

The SA Rand-based RCF, green loan and UK Pound Sterling-based RCF are subject to a single set of bank covenants and are measured against the results of the Group, excluding the Office segment. The covenants measure leverage (net debt to EBITDA) and interest cover. The Group met all the bank covenants relating to these interest-bearing borrowings during the period, with significant headroom in the covenant thresholds.

		26 weeks to 1 Jan 2023 Unaudited Rm	26 weeks to 26 Dec 2021 Unaudited Rm	53 weeks to 3 Jul 2022 Audited Rm
14 WORKING CAPITAL MOVEMENTS				
(Increase)/decrease in inventories		**(263)**	166	(59)
Increase in trade and other receivables and prepayments		**(1 105)**	(753)	(618)
Increase/(decrease) in trade and other payables and provisions		**185**	598	(269)
Cash (ouflow)/inflow		**(1 183)**	11	(946)
15 CAPITAL MANAGEMENT				
Ratios				
Return on equity^	(%)	**56**	55	50
Return on assets^	(%)	**35**	36	33
Inventory turn^	(times)	**4.8**	5.5	4.6
Asset turnover^	(times)	**1.4**	1.3	1.3
Net (debt)/cash to equity	(%)	**(11.8)**	24.0	(9.2)
Net (debt)/cash to EBITDA^	(times)	**(0.1)**	0.3	(0.1)
Cash flow per share	(cents)	**395**	757	923
Cash equivalent earnings per share	(cents)	**706**	616	1 155
Cash realisation rate	(%)	**56**	123	80

^ Ratios for December have been annualised.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value comprises the same instruments as disclosed in the Group's annual financial statements for the 53-week period ended 3 July 2022. Such financial instruments include assets held at fair value (comprising investments in mutual fund units, an unlisted business, the Group's short-term insurance cell captive and a personal lines insurance business arrangement), secured loans to share scheme participants, call options over shares held by non-controlling interests, forward exchange contracts and put options over shares held by non-controlling interests. These financial instruments are not material to the Group, either individually or in aggregate, and are categorised and measured as disclosed in the Group's annual financial statements for the 53-week period ended 3 July 2022. At the reporting date, there has been no material change in the fair value of these financial instruments or their fair value hierarchy since the previous reporting date.

SELECTED
EXPLANATORY NOTES continued

17 SEGMENT REPORTING

The Group's reportable segments have been identified as the Truworths Africa and Office business units. The Truworths Africa 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 as well as homeware. Included in the Truworths Africa business unit is the YDE business unit which comprises the agency activities through which the Group retails clothing, footwear and related products on behalf of emerging South African designers. The Office business unit comprises the footwear retail activities conducted by the Group through stores, concession outlets and an e-commerce channel in the UK, Germany and Republic of Ireland.

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

		Truworths Africa Rm	Office Rm	Consolidation entries Rm	Group Rm
Dec-2022					
Total revenue		8 738	2 995	(8)	11 725
Third party		8 731	2 994	–	11 725
Inter-segment		7	1	(8)	–
Trading expenses		3 182	825	(7)	4 000
Depreciation and amortisation		555	86	–	641
Employment costs		935	277	(6)	1 206
Occupancy costs		325	192	–	517
Trade receivable costs		799	3	–	802
Other operating costs		568	267	(1)	834
Interest income		494	2	–	496
Finance costs		146	12	–	158
Profit for the period		1 379	506	–	1 885
Profit before tax		1 897	627	–	2 524
Tax expense		(518)	(121)	–	(639)
EBITDA		2 598	725	–	3 323
Segment assets		13 586	2 715	(791)*	15 510
Segment liabilities		6 431	1 824	(7)*	8 248
Capital expenditure		345	19	–	364
Other segmental information					
Gross margin	(%)	56.0	46.6		53.5
Trading margin	(%)	19.3	22.2		20.1
Operating margin	(%)	25.6	22.3		24.7
Inventory turn#	(times)	4.9	4.5		4.8
Account : cash sales mix	(%)	70:30	0:100		52:48

17 SEGMENT REPORTING continued

		Truworths Africa Rm	Office Rm	Consolidation entries Rm	Group Rm
Dec-2021					
Total revenue		7 735	2 554	(14)	10 275
Third party		7 721	2 554	–	10 275
Inter-segment		14	–	(14)	–
Trading expenses		2 570	714	(5)	3 279
Depreciation and amortisation		492	62	–	554
Employment costs		875	239	(4)	1 110
Occupancy costs		291	101	–	392
Trade receivable costs		454	–	–	454
Other operating costs		458	312	(1)	769
Interest income		362	–	(9)	353
Finance costs		89	25	(9)	105
Profit for the period		1 430	352	–	1 782
Profit before tax		1 998	436	–	2 434
Tax expense		(568)	(84)	–	(652)
EBITDA		2 579	523	(9)	3 093
Segment assets		12 266	2 630	(624)*	14 272
Segment liabilities		5 177	2 529	(170)*	7 536
Capital expenditure		142	11	–	153
Other segmental information					
Gross margin	(%)	56.4	45.7		53.6
Trading margin	(%)	24.4	18.1		22.7
Operating margin	(%)	29.6	18.1		26.5
Inventory turn#	(times)	5.6	5.3		5.5
Account : cash sales mix	(%)	68:32	0:100		51:49

* Elimination of investment in Office as well as inter-segment assets and liabilities.
# Annualised

SELECTED
EXPLANATORY NOTES continued

	26 weeks to 1 Jan 2023		26 weeks to 26 Dec 2021	
	Rm	**Contribution to revenue %**	Rm	Contribution to revenue %
17 SEGMENT REPORTING continued				
Third-party revenue				
South Africa	**8 452**	**72.1**	7 484	72.9
United Kingdom	**2 782**	**23.7**	2 345	22.8
Republic of Ireland	**130**	**1.1**	112	1.1
Namibia	**99**	**0.8**	80	0.8
Botswana	**90**	**0.8**	75	0.7
Germany	**76**	**0.7**	76	0.7
Eswatini	**62**	**0.5**	52	0.5
Lesotho	**17**	**0.2**	16	0.2
Zambia	**11**	**0.1**	10	0.1
United States	**2**	**–***	11	0.1
Rest of Europe	**3**	**–***	6	0.1
Middle East, Asia and Australia	**1**	**–***	1	–*
Mauritius	**–**	**–**	4	–*
Kenya	**–**	**–**	3	–*
Total third-party revenue	**11 725**	**100**	10 275	100

* Zero due to rounding

18 DISTRIBUTION CENTRE

On 2 August 2022 the Group concluded a suite of agreements with the Atterbury group to establish a 50/50 venture to acquire a 99-year leasehold title to industrial land, and develop thereon a distribution centre (DC) for the Truworths Africa segment. The DC was designed and will be constructed in accordance with 'green' building standards to meet the requirements for EDGE Advanced certification.

The Group's 50% share in the DC will be held in a newly formed wholly-owned subsidiary, K2022434602 (South Africa) (Pty) Ltd trading as Truworths Real Estate Investment Company (TREIC). Upon completion of construction, the DC will be leased by TREIC and King Air Industria (Pty) Ltd (KAI) to the Group's main operating subsidiary, Truworths Ltd, for an initial period of 15 years. Truworths Ltd will be responsible for the procurement and installation of the materials handling equipment. Construction is expected to be completed in the second half of the 2023 calendar year.

Around mid-December 2022 TREIC took transfer of 50% of the leasehold rights in the land at a cost of R77 million. The leasehold rights constitute a lease in terms of IFRS 16 and accordingly a right-of-use asset was recognised in December 2022. As the full purchase consideration for the land was paid on transfer, no corresponding lease liability was recognised. The right-of-use asset in respect of the leasehold rights will be depreciated over the 99-year lease term. Refer to note 7 for further information.

At the reporting date TREIC has incurred and capitalised construction costs in the amount of R24 million. No depreciation has been recognised.

In December 2022 the Group, acting through TREIC, concluded a R350 million term loan facility to fund its share of the land and development costs of the DC. The term loan is classified as a 'green loan', subject to EDGE Advanced certification. Refer to note 13 for further information.

The interest incurred on this facility is being capitalised to the DC in terms of IAS 23. At the reporting date interest of R0.7 million had been incurred and capitalised.

Truworths Ltd has entered into a separate agreement with another service provider to supply and install the materials handling equipment. At the reporting date R151 million had been incurred and capitalised to plant and equipment.

SELECTED
EXPLANATORY NOTES continued

		at 1 Jan 2023 Unaudited Rm	at 26 Dec 2021 Unaudited Rm	at 3 Jul 2022 Audited Rm
19	**CAPITAL COMMITMENTS**			
	Store renovation and development	**86**	144	273
	Computer software and infrastructure	**65**	74	79
	Land and buildings (excluding distribution facilities)	**–**	104	–
	Distribution facilities	**–**	3	298
	Head office refurbishment	**3**	3	4
	Motor vehicles	**3**	3	3
	Capital expenditure authorised but not contracted	**157**	331	657
	Distribution facilities	**647**	51	466
	Computer software and infrastructure	**6**	8	24
	Head office refurbishments	**–**	–	3
	Capital expenditure authorised and contracted	**653**	59	493
	Total capital commitments	**810**	390	1 150
	To be incurred in the next 6 months	**339**	390	
	To be incurred after more than 6 months	**471**	–	
	To be incurred in the next 12 months			817
	To be incurred after more than 12 months			333

The capital commitments will be financed from cash generated from operations, available cash resources and interest-bearing borrowings and are expected to be incurred as set out above.

20 EVENTS AFTER THE REPORTING DATE

No events, material to the understanding of this interim report, have occurred between the reporting date and the date of approval.

21 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 Black Friday and the Christmas trading period. The Group's five-year average first half retail sales, excluding the 2020 financial period due to the impact of the COVID-19 pandemic, have ranged between approximately 54% and 57% of annual retail sales.

22 RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's annual financial statements for the 53-week prior period ended 3 July 2022 took place during the interim period.

TRUWORTHS INTERNATIONAL LTD
Registration number: 1944/017491/06
Tax reference number: 9875/145/71/7
JSE and A2X code: TRU
NSX code: TRW
ISIN: ZAE000028296
LEI: 37890099AFD770037522

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

PRINCIPAL BANKERS
The Standard Bank of South Africa Ltd
Lloyds Bank plc

AUDITORS
Ernst & Young Inc. (in SA)
PricewaterhouseCoopers (in UK)

ATTORNEYS
Bowman Gilfillan
Cliffe Dekker Hofmeyr
Edward Nathan Sonnenbergs
Fairbridges Wertheim Becker
Shoosmiths
Spoor & Fisher

SPONSOR IN SOUTH AFRICA
One Capital

SPONSOR IN NAMIBIA
Merchantec Capital

TRANSFER SECRETARIES
In South Africa:
Computershare Investor Services (Pty) Ltd,
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
Private Bag X9000, Saxonwold, 2132, South Africa
Tel: +27 (11) 370 5000
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

INVESTOR RELATIONS
Michael Mark (CEO)
Emanuel Cristaudo (Joint Deputy CEO/CFO)
Tel: +27 (21) 460 7915
Graeme Lillie (Tier 1 Investor Relations)
Tel: +27 (21) 702 3102

DIRECTORS
H Saven (Chairman)§‡, MS Mark (CEO)*, EFPM Cristaudo (Joint Deputy CEO/CFO)*, SJ Proudfoot (Joint Deputy CEO)*, RG Dow§‡, D Earp§‡, JHW Hawinkels§‡, M Makanjee§‡, AMSS Mokgabudi§‡, T Mosololi§‡, RJA Sparks§‡ and AJ Taylor§‡

* Executive § Non-executive
‡ Independent

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