TRUWORTHS INTERNATIONAL LTD
REGISTRATION NUMBER: 1944/017491/06
JSE CODE: TRU
NSX CODE: TRW
ISIN: ZAE000028296

UNAUDITED GROUP INTERIM REPORT
for the 26 weeks ended 30 December 2018

KEY FEATURES

Retail sales	up 2% to R10.5 billion
Gross margin	52.3%
Operating margin	21.7%
Headline and diluted headline earnings per share	down 5%
Net asset value per share	up 8.5%
Cash generated from operations	R2.6 billion
Interim dividend per share	249 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 account retailing of fashion clothing, footwear, related merchandise and homeware. 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.

ADOPTION OF NEW ACCOUNTING STANDARDS
During the reporting period the Group adopted the newly effective accounting standards IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The Group adopted these standards retrospectively by adjusting opening balances on 2 July 2018, being the commencement date of the reporting period, rather than restating comparative financial information. Refer to note 15 of the condensed Group interim financial statements for further information.

The most significant impact of IFRS 9 relates to the impairment of the Group's trade receivables based on a forward-looking expected credit loss (ECL) model. This has resulted in a significant increase in the doubtful debts provision in respect of the in-store account portfolio, mainly driven by the recognition of lifetime expected credit losses in respect of certain receivables as well as the impact of forward-looking information.

The adoption of IFRS 15 did not have a material impact on the Group.

TRADING AND FINANCIAL PERFORMANCE
The Group continued to experience difficult trading conditions in both its primary markets. In South Africa, low economic growth, high unemployment, modest increases in negotiated wages and higher average fuel and utility prices contributed to low consumer confidence and constrained spending, while Brexit uncertainty and weak consumer sentiment continues to negatively impact the UK economy. Group retail sales for the 26-week period ended 30 December 2018 (the current period) increased 2.0%* to R10.5 billion relative to the R10.3 billion reported for the 26-week period ended 31 December 2017 (the prior period).

Account sales comprised 51% (2017: 50%) of Group retail sales for the current period, with account and cash sales increasing by 3.7%* and 0.3%* respectively, relative to the prior period.

Retail sales for Truworths Africa (being the Group, excluding the UK-based Office segment and comprising mainly the Truworths businesses in South Africa) increased by 2.4%* to R7.6 billion relative to the prior period's R7.4 billion, with account sales increasing by 3.7% and cash sales decreasing by 0.4%. Account sales comprised 70% of these retail sales (2017: 69%). Like-for-like store retail sales remained unchanged relative to the prior period, while product deflation averaged 1.5% (2017: 1.5% deflation).

Retail sales for the Group's UK-based Office segment (Office) decreased in Sterling terms by 3.0% to £157 million relative to the prior period's £162 million. In Rand terms, however, retail sales for Office increased by 0.8% to R2.9 billion. Office continued to show strong online performance, with online retail sales growing at 7.2% and comprising approximately 33% of retail sales for the current period.

Group sale of merchandise, which comprises Group retail sales, together with wholesale and franchise sales and delivery fee income, less accounting adjustments, increased 1.3% to R10.2 billion.

* In Truworths Africa the end-of-winter-season sale commenced in week 1 of the current period, whereas it commenced in week 53 of the 2017 reporting period, and hence did not occur in the prior period. Accordingly, the 26 weeks' trading of the current period is not directly comparable to the 26 weeks' trading of the prior period.

Divisional sales

	26 weeks to 30 Dec 2018 Rm	26 weeks to 31 Dec 2017 Rm	Change on prior period %
Truworths ladieswear	2 042	2 066	(1.2)
Truworths designer emporium@	772	780	(1.0)
Total Truworths ladieswear	2 814	2 846	(1.1)
Office	2 871	2 848	0.8
Truworths mensweará	2 070	2 070	-
Identity	1 220	1 189	2.6
Truworths kids emporium#	744	630	18.1
Other^	772	706	9.3
Group retail sales	10 491	10 289	2.0
Wholesale sales	41	25	64.0
Delivery fee income	30	26	15.4
Franchise sales	-	3	(100)
Accounting adjustments~	(379)	(295)	28.5
Sale of merchandise	10 183	10 048	1.3
YDE agency sales	137	143	(4.2)

@ Daniel Hechter Ladies, Ginger Mary, Glamour, LTD Ladies and Earthaddict.
á Truworths Man, Uzzi, Daniel Hechter Mens and LTD Mens.
\# LTD Kids, Earthchild and Naartjie.
^ Cosmetics, Cellular, Truworths Jewellery, Office London (South Africa) and Loads of Living.
~ Refer to note 4 of the condensed Group interim financial statements for further information.

Since the prior period-end a net 10 stores were closed across all brands. Truworths Africa opened 10 stores and closed 14, while Office opened 1 store and closed 7, resulting in an increase in trading space of 0.8% (Truworths reflected an increase of 1.0% and Office recorded a decrease of 2.7%). At the end of the current period the Group had 967 stores (including 37 concession outlets) (2017: 977 stores, including 39 concession outlets).

The Group's gross margin was stable at 52.3% (2017: 52.4%). Truworths Africa's gross margin was also stable at 55.6% (2017: 55.5%), while the gross margin in Office declined to 44.0% (2017: 44.7%).

Trading expenses increased 3.2% to R3.8 billion (2017: R3.7 billion) and constituted 37.6% of sale of merchandise (2017: 37.0%). Excluding foreign exchange losses of R76 million in the prior period (the net foreign exchange movement in the current period was nil), trading expenses increased 5.3%. Refer to Account Management for further details on trade receivable costs.

Interest received decreased 21.2% to R562 million (2017: R713 million). The decrease is mainly due to the restructuring of the Group's South African funding arrangements in June 2018, the growth in accounts opened post the November 2015 amendments to the maximum prescribed interest rates under the National Credit Act, as well as the reduction in interest earned in respect of stage 3 accounts following the adoption of IFRS 9 (refer to note 15.2 of the condensed Group interim financial statements).

The reduction in interest received also impacted operating profit, which decreased 8.6% to R2.2 billion. Consequently, the operating margin decreased to 21.7% from 24.0%. The operating margin in Truworths Africa decreased to 27.1% (2017: 29.7%) and in Office to 8.3% (2017: 10.1%).

Finance costs decreased materially by 69.9% compared to the prior period, reflecting the achievement of a key objective of the funding restructuring.

Headline earnings per share (HEPS) and diluted HEPS decreased 4.7% to 361.8 cents and 5.1% to 360.0 cents respectively compared to the prior period's HEPS of 379.8 cents and diluted HEPS of 379.3 cents.

An interim dividend of 249 cents per share has been declared (2017: 261 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 8.5% to 2 622 cents since the prior period-end (2017: 2 416 cents). Excluding the impact of the adoption of IFRS 9, net asset value per share increased 10.7% to 2 674 cents.

Inventories increased 8.1% to R2.1 billion at the end of the current period (2017: R1.9 billion). Excluding the reclassification from provisions to inventories arising from the adoption of IFRS 15 (refer to note 15.1 of the condensed Group interim financial statements for further information), inventories increased 6.2%. Inventory turn decreased to 4.6 times (2017: 4.9 times), largely as a result of the challenging trading environment faced by Office. Excluding the inventory of Office, gross inventory decreased 3.5% and inventory turn increased to 5.8 times (2017: 5.7 times).

Interest-bearing borrowings at the current period-end decreased to R1.3 billion from R3.2 billion at the prior period-end (June 2018: R1.7 billion), mainly due to the restructuring of the funding arrangements in South Africa to achieve an efficient and more cost-effective capital base. Refer to note 9 of the condensed Group interim financial statements for further information.

Trade and other payables increased to R2.9 billion at the end of the current period (2017: R1.8 billion), mainly because creditor payments for December 2018 were made after the current period-end compared to December 2017 when payments were made before the prior period-end.

CAPITAL MANAGEMENT

During the current period the Group generated R2.6 billion in cash from operations and this funded dividend payments (R688 million), capital expenditure (R261 million) and loan repayments (R360 million). Creditors and tax payments were made after the current period-end, boosting the cash inflow from operations and consequently the cash realisation rate.

The cash realisation rate, which is a measure of how profits are converted into cash, was 159% for the current period (2017: 100%), and was impacted by the timing of month-end creditors and tax payments. If creditors and tax had been paid by the current period-end, the cash realisation rate would have been approximately 90%.

The Group was in a net cash to equity position of 9.6% at the end of the current period (2017: net debt to equity of 8.4%), principally due to the timing of creditors and tax payments as explained above. If creditors and tax had been paid before the end of the current period net debt to equity would have been approximately 2%.

ACCOUNT MANAGEMENT

Gross trade receivables in respect of the Truworths Africa debtors book (relating to the Truworths, Identity and YDE businesses) totalled R6.4 billion (2017: R6.3 billion) and the number of active accounts increased by 4.0% to 2.7 million. Active account holders able to purchase and overdue balances as a percentage of gross trade receivables were at 86% (2017: 87%) and 10% (2017: 10%) respectively.

IFRS 9 was adopted retrospectively on the commencement date of the current period with an adjustment to the Group's opening retained earnings. The initial adjustment to the doubtful debt provision of R310 million on adoption of IFRS 9, along with the reclassification of the provision in respect of debtors over 180 days of R85 million, resulted in a 56.8% increase in the provision to R1 090 million, constituting 19.0% of gross trade receivables at the transition date. The increase is principally due to the recognition of lifetime expected credit losses in respect of stage 2 and stage 3 trade receivables, as well as the consideration of forward-looking information, which were not allowed under the previous accounting standard.

The adoption of IFRS 9 does not impact on the Group's credit management practices and business model and these will continue to be consistently applied as in the past.

At the current period-end the doubtful debt provision improved marginally to 18.8% of gross trade receivables. Trade receivable costs increased 3.2% to R674 million (2017: R653 million), resulting from the increase in the quantum of the doubtful debt provision, off-set by a 2.1% decrease in net bad debt and the IFRS 9 reclassification of interest received.

The Group uses accounts as an enabler of sales to customers in the mainstream middle-income South African market, as opposed to operating a financial services business. No fees are charged to customers, such as initiation fees, club fees, collection fees or magazine fees, except for an annual account service fee of R32. Financial services income only constitutes 0.4% of sale of merchandise (refer to note 4 of the condensed Group interim financial statements for further information).

OUTLOOK

Retail trading conditions in the Group's two major markets are expected to remain difficult over the remainder of the 2019 financial period. Our determination to react to environmental challenges, yet preserve our intrinsic business philosophy, has kept the business healthy and on track over the past few environmentally challenging years. We recognise some early positive signs that point to possible improvement in both major markets from the next financial period onwards.

South Africa: Truworths

Ongoing low economic growth, together with a weak labour market and high unemployment, will continue to depress disposable income levels. While consumer confidence among middle-income South Africans is positive and stable, retail spending is expected to come under renewed strain in the months ahead from rising utility costs and uncertainty ahead of the country's general election in May. Any power outages will put further pressure on sales performance.

Sales revenue is expected to benefit from the new e-commerce platform and the lay-by offerings in South Africa. The continued improvement in the health of the account portfolio, the ongoing growth in both new and total accounts in good standing, the strong cash flow and balance sheet, and the implementation of various strategic initiatives augur well for the medium-term prospects of Truworths.

Truworths' retail sales for the first seven weeks of the second half of the 2019 financial period increased 2.0% compared to the corresponding seven-week period in the 2018 financial period.

United Kingdom: Office

The fragile retail economy in the UK is expected to remain under extreme pressure amidst rising concerns over the faltering negotiations ahead of the end-March Brexit deadline. However, staff morale is high in the business despite the challenging environment. The key strategic initiatives in the coming months that will drive future growth in the UK operations include the 'Store of the Future' concepts in Office (Oxford Street) and in Offspring (Selfridges), and significant new developments in the highly successful e-commerce platform, which already contributes 33% of Office sales.

Office's retail sales for the first seven weeks of the second half of the 2019 financial period increased by 5.4% in Sterling compared to the corresponding seven-week period in the 2018 financial period.

Group: Trading space
Trading space is planned to increase by approximately 2% for the 2019 financial period (comprising 2% growth in Truworths and 5% decrease in Office), but to remain essentially unchanged in the 2020 financial period (Truworths 0% to 1% and Office 0.5% to 2%).

H Saven   MS Mark
Chairman   Chief Executive Officer

INTERIM 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 30 December 2018 in the amount of 249 South African cents (2017: 261 South African cents) per ordinary share to shareholders reflected in the company's register on the record date, being Friday, 15 March 2019.

The last day to trade in the company's shares cum dividend is Tuesday, 12 March 2019. Consequently no dematerialisation or rematerialisation of the company's shares may take place over the period from Wednesday, 13 March 2019 to Friday, 15 March 2019, both days inclusive. Trading in the company's shares ex dividend will commence on Wednesday, 13 March 2019. The dividend is scheduled to be paid in South African Rand (ZAR) on Monday, 18 March 2019.

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, 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 20%, will result in a net cash dividend per share of 199.2 South African cents. The company has 442 746 445 ordinary shares in issue on 21 February 2019. 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. 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
21 February 2019

One Capital
JSE Sponsor

Merchantec Capital
NSX Sponsor

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

	Note	at 30 Dec 2018 Unaudited Rm	at 31 Dec 2017 Unaudited Rm	at 1 Jul 2018 Audited Rm
ASSETS				
Non-current assets		7 087	6 515	6 904
Property, plant and equipment		1 795	1 674	1 726
Goodwill	6	1 642	1 529	1 629
Intangible assets	7	3 252	2 976	3 227
Derivative financial assets		10	11	10
Assets held at fair value*		28	25	30
Loans and receivables		98	64	109
Deferred tax		262	236	173
Current assets		10 095	10 107	8 587
Inventories		2 101	1 944	2 072
Trade and other receivables		5 378	5 697	5 110
Derivative financial assets		15	-	73
Prepayments		185	169	350
Cash and cash equivalents		2 416	2 297	982
Total assets		17 182	16 622	15 491
EQUITY AND LIABILITIES				
Total equity		11 243	10 386	10 369
Share capital and premium		734	706	729
Treasury shares	8	(1 055)	(901)	(1 083)
Retained earnings		11 571	11 054	10 932
Non-distributable reserves		(7)	(473)	(209)
Non-current liabilities		2 186	3 492	2 363
Interest-bearing borrowings	9	1 214	2 532	1 268
Deferred tax		482	445	477
Put option liability		269	304	389
Straight-line operating lease obligation		141	149	155
Post-retirement medical benefit obligation		59	58	55
Cash-settled compensation liability		17	-	15
Leave pay obligation		4	4	4
Current liabilities		3 753	2 744	2 759
Trade and other payables		2 854	1 781	1 800
Provisions		192	113	140
Interest-bearing borrowings	9	126	637	419
Bank overdraft		-	-	263
Derivative financial liabilities		-	61	-
Tax payable		581	152	137
Total liabilities		5 939	6 236	5 122
Total equity and liabilities		17 182	16 622	15 491
Number of shares in issue (net of treasury shares) (millions)		428.8	429.9	428.3
Net asset value per share (cents)		2 622	2 416	2 421
Key ratios				
Return on equity^ (%)		29	33	27
Return on capital^ (%)		40	48	40
Return on assets^ (%)		26	29	25
Inventory turn^ (times)		4.6	4.9	4.0
Asset turnover^ (times)		1.2	1.2	1.1
Net (cash)/debt to equity (%)		(9.6)	8.4	9.3

Net (cash)/debt to EBITDA^ (times)	(0.2)	0.2	0.2

* Reported as 'available-for-sale assets' under IAS 39.
^ Ratios for December have been annualised.

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

	Note	26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	% change	52 weeks to 1 Jul 2018 Audited Rm
Revenue	4	10 896	10 912	-	19 254
Sale of merchandise	4	10 183	10 048	1	17 547
Cost of sales		(4 857)	(4 783)		(8 354)
Gross profit		5 326	5 265	1	9 193
Other income	4	147	151		279
Trading expenses		(3 830)	(3 713)	3	(6 954)
Depreciation and amortisation		(200)	(192)		(387)
Employment costs		(1 137)	(1 068)		(2 109)
Occupancy costs		(1 203)	(1 135)		(2 240)
Trade receivable costs		(674)	(653)		(1 099)
Other operating costs		(616)	(665)		(1 119)
Trading profit		1 643	1 703	(4)	2 518
Interest received	4	562	713	(21)	1 420
Dividends received	4	4	-		8
Operating profit		2 209	2 416	(9)	3 946
Finance costs		(40)	(133)	(70)	(250)
Profit before tax		2 169	2 283	(5)	3 696
Tax expense		(599)	(627)		(1 031)
Profit for the period		1 570	1 656	(5)	2 665
Attributable to:					
Equity holders of the company		1 550	1 632		2 643
Holders of the non-controlling interest		20	24		22
Profit for the period		1 570	1 656		2 665
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods		40	(71)		242
Movement in foreign currency translation reserve		40	(71)		244
Fair value adjustment on assets held at fair value through other comprehensive income (IAS 39)		-	-		(2)
Other comprehensive (losses)/income not to be reclassified to profit or loss in subsequent periods		(1)	-		2
Re-measurement gains on defined benefit plans		-	-		2
Fair value adjustment on assets held at fair value through other comprehensive income (IFRS 9)		(1)	-		-
Other comprehensive income/(losses) for the period, net of tax		39	(71)		244
Attributable to:					
Equity holders of the company		35	(62)		218
Holders of the non-controlling interest		4	(9)		26
Other comprehensive income/(losses) for the period, net of tax		39	(71)		244
Total comprehensive income for the period		1 609	1 585		2 909
Attributable to:					
Equity holders of the company		1 585	1 570		2 861
Holders of the non-controlling interest		24	15		48
Total comprehensive income for the period		1 609	1 585		2 909
Basic earnings per share (cents)		361.8	379.8	(5)	614.8
Headline earnings per share (cents)	5	361.8	379.8	(5)	615.7
Diluted basic earnings per share (cents)		360.0	379.3	(5)	611.8
Diluted headline earnings per share (cents)	5	360.0	379.3	(5)	612.7
Weighted average number of shares (millions)		428.4	429.7		429.9
Diluted weighted average number of shares (millions)		430.5	430.3		432.0
Key ratios					
Gross margin (%)		52.3	52.4		52.4
Trading expenses to sale of merchandise (%)		37.6	37.0		39.6
Trading margin (%)		16.1	16.9		14.4
Operating margin (%)		21.7	24.0		22.5

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
2018							
Balance at the beginning of the period as previously reported	729	(1 083)	10 932	(209)	10 369	-	10 369
Adjustment on adoption of IFRS 9	-	-	(223)	-	(223)	-	(223)
Restated balance at the beginning of the period	729	(1 083)	10 709	(209)	10 146	-	10 146
Total comprehensive income for the period	-	-	1 550	35	1 585	24	1 609
Profit for the period	-	-	1 550	-	1 550	20	1 570
Other comprehensive income for the period	-	-	-	35	35	4	39
Dividends paid	-	-	(688)	-	(688)	-	(688)
Premium on shares issued in terms of the 1998 share option scheme	5	-	-	-	5	-	5
Cost of shares vested and transferred to participants in terms of the 2012 restricted share scheme	-	28	-	(28)	-	-	-
Share-based payments	-	-	-	51	51	-	51
Movement in put option liability	-	-	-	144	144	(24)	120
Balance at 30 December 2018	734	(1 055)	11 571	(7)	11 243	-	11 243
2017							
Balance at the beginning of the period	706	(939)	10 212	(529)	9 450	-	9 450
Total comprehensive income for the period	-	-	1 632	(62)	1 570	15	1 585
Profit for the period	-	-	1 632	-	1 632	24	1 656
Other comprehensive losses for the period	-	-	-	(62)	(62)	(9)	(71)
Dividends paid	-	-	(790)	-	(790)	-	(790)
Utilisation of treasury shares in respect of the exercise of options in							

terms of the 1998 share option scheme	-	19	-	(11)	8	-	8
Cost of shares vested and transferred to participants in terms of the 2012 restricted share scheme	-	19	-	(19)	-	-	-
Share-based payments	-	-	-	38	38	-	38
Acquisition of non-controlling interest	-	-	-	1	1	(2)	(1)
Movement in put option liability	-	-	-	109	109	(13)	96
Balance at 31 December 2017	706	(901)	11 054	(473)	10 386	-	10 386

Cents per share:	2018	2017
Cash dividend declared in respect of the period	249	261

CONDENSED GROUP STATEMENTS OF CASH FLOWS

	Note	26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	52 weeks to 1 Jul 2018 Audited Rm
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash flow from trading and cash EBITDA*		1 943	1 993	2 965
Working capital movements		667	(156)	172
Cash generated from operations		2 610	1 837	3 137
Interest received		562	710	1 425
Dividends received		4	-	8
Finance costs		(37)	(129)	(244)
Tax paid		(157)	(486)	(855)
Cash inflow from operations		2 982	1 932	3 471
Dividends paid		(688)	(790)	(1 925)
Net cash from operating activities		2 294	1 142	1 546
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of plant and equipment to expand operations		(190)	(171)	(344)
Acquisition of plant and equipment to maintain operations		(49)	(41)	(86)
Acquisition of computer software		(22)	(14)	(55)
Proceeds on disposal of shares		-	8	-
Net acquisition of business		-	(8)	(8)
Premiums paid to insurance cell		-	-	(9)
Amounts received from insurance cell		2	4	5
Loans and receivables repaid		11	-	2
Loans advanced		-	(2)	(47)
Disposal of mutual fund units		-	-	1
Payment of contingent consideration obligation		-	(62)	(62)
Net cash used in investing activities		(248)	(286)	(603)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on shares issued		5	-	23
Shares repurchased by subsidiaries		-	-	(184)
Borrowings repaid	9	(360)	(597)	(2 979)
Borrowings incurred		-	-	800
Contributions to post-retirement medical benefit plan asset		-	-	(3)
Acquisition of non-controlling interest		-	(1)	(2)
Net cash used in financing activities		(355)	(598)	(2 345)
Net increase/(decrease) in cash and cash equivalents		1 691	258	(1 402)
Cash and cash equivalents at the beginning of the period		719	2 055	2 055
Net foreign exchange difference		6	(16)	66
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		2 416	2 297	719
Key ratios				
Cash flow per share (cents)		696.1	449.6	807.4
Cash equivalent earnings per share (cents)		436.7	451.5	738.3
Cash realisation rate (%)		159	100	109

* Cash EBITDA is 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 30 December 2018 (interim report) have been prepared in compliance with, and containing the information required by, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, 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 1 July 2018.

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, 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 consistent with those applied in the preparation of the Group's annual financial statements for the period ended 1 July 2018, except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The Group elected to apply both these standards on a modified retrospective basis with effect from the commencement date of the reporting period, being 2 July 2018, and accordingly comparative amounts for the December 2017 reporting period have not been restated. Refer to note 15 for further information.

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

Various other 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 IFRS, amendments and IFRIC interpretations issued but not yet effective

The following IFRS and amendments, that are relevant to the Group, have been issued but are not effective for the period under review. The Group will adopt these no later than their effective dates, to the extent that they are applicable to its activities:

IFRS 16: Leases

Effective for annual periods beginning on or after 1 January 2019

The Group has numerous leases that will, in terms of the new standard, be recognised in the statement of financial position. The standard is effective for the Group's financial period commencing on 1 July 2019. The quantitative impact is under consideration by the Group, as is the assessment of whether to transition using the fully retrospective approach or the modified retrospective approach.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatment
Effective for annual periods beginning on or after 1 January 2019
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Management is in the process of assessing the potential impact of this new interpretation on the Group.

IFRS 17: Insurance Contracts
Effective for annual periods beginning on or after 1 January 2021
IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant information in a way that faithfully represents those contracts. Management has not yet assessed the potential impact of this new standard on the Group.

3.3 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.

		26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	% change	52 weeks to 1 Jul 2018 Audited Rm
4	REVENUE				
	Sale of merchandise	10 183	10 048	1	17 547
	Retail sales	10 491	10 289		17 963
	Accounting adjustments*	(379)	(295)		(518)
	Wholesale sales	41	25		46
	Delivery fee income	30	26		51
	Franchise sales	-	3		5
	Interest received	562	713	(21)	1 420
	Trade receivables interest#	538	642		1 286
	Investment interest	24	71		134
	Other income	147	151	(3)	279
	Commission	66	70		128
	Financial services income	36	32		58
	Display fees	27	28		56
	Lease rental income	12	13		26
	Insurance recoveries	-	4		3
	Other	6	3		7
	Royalties	-	1		1
	Dividends received from insurance business arrangements	4	-		8
	Total revenue	10 896	10 912	-	19 254

* 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 provision for sales returns.
\# Impacted by the adoption of IFRS 9. Refer to note 15.2 for further information.

		26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	52 weeks to 1 Jul 2018 Audited Rm
5	RECONCILIATION OF PROFIT FOR THE PERIOD TO HEADLINE EARNINGS			
	Profit for the period, attributable to equity holders of the company	1 550	1 632	2 643
	Adjusted for:			
	Loss on write-off of plant and equipment	-	-	3
	Impairment of fixed and financial assets	-	-	1
	Headline earnings	1 550	1 632	2 647
6	GOODWILL			
	Balance at the beginning of the reporting period	1 629	1 552	1 552
	Movement in exchange rate through other comprehensive income	13	(23)	77
	Balance at the reporting date	1 642	1 529	1 629

Goodwill acquired through business combinations is allocated to the Truworths Ltd and Office Retail Group Ltd cash-generating units and tested for impairment biannually at each reporting date. No impairments were deemed necessary.

		26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	52 weeks to 1 Jul 2018 Audited Rm
7	INTANGIBLE ASSETS			
	Balance at the beginning of the reporting period	3 227	3 037	3 037
	Additions	22	14	55
	Additions arising on acquisition of Loads of Living	-	2	2
	Disposals	-	-	-
	Cost	-	(42)	(42)
	Accumulated amortisation	-	42	42
	Amortisation	(27)	(16)	(46)
	Movement in exchange rate through other comprehensive income	30	(61)	179
	Balance at the reporting date	3 252	2 976	3 227

The trademarks have been allocated to the Truworths Ltd and Office Retail Group Ltd cash-generating units, are considered to have indefinite useful lives and are tested for impairment biannually at each reporting date. No impairments were deemed necessary.

		26 weeks to 30 Dec 2018 Unaudited Rm	26 weeks to 31 Dec 2017 Unaudited Rm	52 weeks to 1 Jul 2018 Audited Rm
8	TREASURY SHARES			
	Balance at the beginning of the reporting period	1 083	939	939
	Shares repurchased in respect of the 2012 restricted share scheme	-	-	184
	Utilisation of treasury shares in respect of the exercise of options in terms of the 1998 share option scheme	-	(19)	-
	Cost of shares vested and transferred to participants in terms of the 2012 restricted share scheme	(28)	(19)	(40)
	Balance at the reporting date	1 055	901	1 083
9	INTEREST-BEARING BORROWINGS			
	Balance at the beginning of the reporting period, comprising:	1 687	3 785	3 785
	Non-current portion of interest-bearing borrowings	1 268	3 641	3 641
	Current portion of interest-bearing borrowings	419	144	144
	Borrowings repaid	(360)	(597)	(2 979)

Borrowings incurred	-	-	800
Movement in exchange rate through other comprehensive income	10	(23)	75
Amortisation of arrangement fees	3	4	18
Net finance charges accrued	-	-	(12)
Balance at the reporting date, comprising:	1 340	3 169	1 687
Non-current portion of interest-bearing borrowings	1 214	2 532	1 268
Current portion of interest-bearing borrowings	126	637	419

The R2.6 billion variable-rate long-term loans comprising South African Rand-based debt in the form of three separate unsecured facilities advanced to the Group's main operating subsidiary, Truworths Ltd, were repaid during the reporting period ended 1 July 2018 and refinanced with an unsecured term loan of R500 million repayable in June 2021 and an unsecured revolving credit facility of R1.2 billion. These facilities bear variable interest at margins of 1.35 and 1.29 percentage points, respectively, above the three-month Johannesburg Interbank Agreed Rate (JIBAR).

10 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 as well as homeware. Included in the Truworths 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, as well as the Loads of Living business unit which retails homeware. 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.

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 Rm	Office Rm	Consolidation entries Rm	Group Rm
2018				
Total third-party revenue	7 963	2 937	(4)	10 896
Third party	7 960	2 936	-	10 896
Inter-segment	3	1	(4)	-
Trading expenses	2 780	1 053	(3)	3 830
Depreciation and amortisation	154	46	-	200
Employment costs	785	354	(2)	1 137
Occupancy costs	777	426	-	1 203
Trade receivable costs	661	13	-	674
Other operating costs	403	214	(1)	616
Interest received	561	1	-	562
Finance costs	26	14	-	40
Profit for the period	1 389	181	-	1 570
Profit before tax	1 940	229	-	2 169
Tax expense	(551)	(48)	-	(599)
Segment assets	14 078	6 568	(3 464)*	17 182
Segment liabilities	3 290	2 653	(4)	5 939
Capital expenditure	241	20	-	261
Other segmental information				
Gross margin (%)	55.6	44.0		52.3
Trading margin (%)	19.3	8.2		16.1
Operating margin (%)	27.1	8.3		21.7
Inventory turn# (times)	5.8	3.3		4.6
Account:cash sales mix (%)	70:30	0:100		51:49
2017				
Total third-party revenue	8 023	2 894	(5)	10 912
Third party	8 019	2 893	-	10 912
Inter-segment	4	1	(5)	-
Trading expenses	2 713	1 004	(4)	3 713
Depreciation and amortisation	140	52	-	192
Employment costs	722	346	-	1 068
Occupancy costs	738	397	-	1 135
Trade receivable costs	653	-	-	653
Other operating costs	460	209	(4)	665
Interest received	713	-	-	713
Finance costs	118	15	-	133
Profit for the period	1 436	220	-	1 656
Profit before tax	2 005	278	-	2 283
Tax expense	(569)	(58)	-	(627)
Segment assets	14 328	5 754	(3 460)*	16 622
Segment liabilities	3 846	2 390	-	6 236
Capital expenditure	195	31	-	226
Other segmental information				
Gross margin (%)	55.5	44.7		52.4
Trading margin (%)	19.7	10.1		16.9
Operating margin (%)	29.7	10.1		24.0
Inventory turn# (times)	5.7	3.9		4.9
Account:cash sales mix (%)	69:31	0:100		50:50

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

	2018 Rm	2018 Contribution to revenue %	2017 Rm	2017 Contribution to revenue %
Third-party revenue				
South Africa	7 699	70.7	7 732	70.9
United Kingdom	2 620	24.0	2 596	23.8
Germany	150	1.4	152	1.4
Republic of Ireland	138	1.3	116	1.1
Namibia	105	1.0	117	1.1
Botswana	58	0.5	60	0.5
Swaziland	55	0.5	51	0.5
Rest of Europe	15	0.2	14	0.1
Mauritius	14	0.1	13	0.1
Lesotho	13	0.1	12	0.1
Zambia	11	0.1	17	0.2
United States	10	0.1	9	0.1
Kenya	5	-*	9	0.1
Middle East and Asia	2	-*	3	-*
Australia	1	-*	3	-*

Ghana	-	-	8	-*
Total third-party revenue	10 896	100	10 912	100

* Zero due to rounding.

		30 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	1 Jul 2018 Audited Rm
11	CAPITAL COMMITMENTS			
	Store renovation and development	269	258	415
	Computer software and infrastructure	117	104	160
	Buildings	-	33	-
	Distribution facilities	13	3	14
	Head office refurbishment	8	6	10
	Motor vehicles	6	2	7
	Capital expenditure authorised but not contracted	413	406	606
	Head office refurbishments	-	-	5
	Buildings	73	-	135
	Capital expenditure authorised and contracted	73	-	140
	Total capital commitments	486	406	746

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 2019 reporting period.

12 EVENTS AFTER THE REPORTING DATE

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

13 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. For the past two financial periods (since the acquisition of Office), the Group's first half retail sales have ranged between approximately 56% and 57% of annual retail sales.

14 RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's annual financial statements for the period ended 1 July 2018 took place during the interim period.

15 ADOPTION OF NEW ACCOUNTING STANDARDS

15.1 IFRS 15: Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The Group has adopted IFRS 15 with effect from the commencement of the current reporting period on a modified retrospective basis. Accordingly, the comparative information in this report has not been restated and continues to be reported under IAS 18: Revenue.

IFRS 15: Revenue from Contracts with Customers supersedes IAS 18: Revenue. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised when performance conditions are satisfied and a customer obtains control of a good or service, from which point in time the customer has the ability to direct the use and obtain the benefits from the good or service.

The Group assessed the impact of the new standard and concluded that it is limited, in all material respects, to the recognition of the Group's provision for sales returns. IFRS 15 requires revenue and cost of sales to be adjusted for the selling and cost prices of expected merchandise returns against the sales returns provision and inventory respectively. Under IAS 18 the Group provided for sales returns within provisions, on a gross profit basis, with corresponding adjustments to sale of merchandise. Accordingly, the adoption of IFRS 15 has resulted in reclassifications between sale of merchandise and cost of sales in the statement of comprehensive income, and inventories and provisions in the statement of financial position, with no impact on retained earnings or profit or loss. The sales return asset is disclosed within inventory while the related sales returns provision is disclosed within provisions, as follows:

	26 weeks to 30 Dec 2018 Unaudited IAS 18 Rm	IFRS 15 adjustments Unaudited Rm	26 weeks to 30 Dec 2018 Unaudited IFRS 15 Rm
Statement of financial position			
Inventories	2 064	37	2 101
Provisions	(155)	(37)	(192)

15.2 IFRS 9: Financial Instruments

IFRS 9 replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

Adoption of IFRS 9

The Group has adopted IFRS 9 retrospectively on the commencement date of the reporting period, being 2 July 2018, with an adjustment to the Group's opening retained earnings at that date. The Group has elected not to restate its comparative financial statements. Accordingly, the Group's financial position and results for the current period, insofar as they are subject to IFRS 9, are not comparable to the prior period.

The impact of IFRS 9 on the Group is summarised as follows:

- The impairment of financial assets, particularly of the Group's trade receivables comprising its in-store account portfolio, has changed significantly due to the application of an expected credit loss (ECL) model taking into consideration forward-looking information.
- The recognition of interest income in respect of credit-impaired trade receivables on their net carrying amount, i.e. after taking into account impairment provisions.
- The classification of financial assets.

Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the Group's business model for managing those assets and their contractual cash flow characteristics. The business model assessment is performed at a portfolio level. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from IAS 39 requirements. Based on the business model assessments, management has classified the financial assets held by the Group as follows:

	Measurement category		Carrying values at 2 July 2018		
	IAS 39	IFRS 9	IAS 39 Rm	IFRS 9 Rm	Difference Rm
Non-current financial assets					
Derivative financial assets	FVPL	FVPL	10	10	-
Assets held at fair value*	Available-for-sale	FVOCI/FVPL	30	30	-
Loans and receivables	Loans and receivables	Amortised cost	109	109	-
Current financial assets					
Trade and other receivables	Loans and receivables	Amortised cost	5 110	4 800	(310)

Derivative financial assets	FVPL	FVPL	73	73	-
Cash and cash equivalents	Amortised cost	Amortised cost	982	982	-

FVPL = Fair value through profit or loss
FVOCI = Fair value through other comprehensive income
* Reported as 'available-for-sale assets' under IAS 39.

Impairment of financial assets and recognition of interest
In terms of IFRS 9 financial assets measured at amortised cost are impaired based on an ECL model, as opposed to an incurred loss model under IAS 39. The Group has adopted the general approach, which involves a three-stage approach to the recognition of credit losses and interest:

	Stage 1	Stage 2	Stage 3
Description	Credit risk has not increased significantly since initial recognition	Credit risk has increased significantly since initial recognition	Credit-impaired
Recognition of ECLs	12-month ECLs	Lifetime ECLs	Lifetime ECLs
Recognition of interest	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on net carrying amount

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group. The measurement of ECLs considers the probability of write-off, the expected timing of write-off, the Group's anticipated exposure at the time of write-off, as well as the loss resulting from the write-off. The calculated ECLs are discounted using the blended, portfolio-level effective interest rate of the in-store account portfolio and the original effective interest rate applicable to other financial assets held at amortised cost.

Financial assets can move in both directions through the stages of the impairment model. At each reporting date the Group assesses whether financial assets carried at amortised cost are credit-impaired and therefore classified as stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group's definition of credit-impaired is aligned to its internal definition of default, as IFRS 9 does not define default. The Group has adopted the rebuttable presumption that default occurs when a customer's in-store account is in arrears for more than 90 days based on contractual payment requirements.

When a financial asset is classified as stage 3 (i.e. credit-impaired), interest income is recognised only on the net carrying amount (i.e. the gross carrying amount less the impairment provision) based on the original effective interest rate. The recognition of contractual interest income on the gross carrying amount of the financial asset is suspended during this stage and only resumes if and when the financial asset is reclassified from stage 3. The application of this requirement in the current period has resulted in the reclassification of trade receivables interest of R52 million to trade receivable costs.

The credit facilities comprising in-store accounts offered by the Group are conditional upon and may only be used for the purchase of merchandise sold by the Group. Accordingly, no provision is made for ECLs against unutilised credit facilities based on the fact that these facilities do not meet the definition of loan commitments.

Forward-looking information
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; and
- expert management judgement.

Base, optimistic and cautious scenarios are developed using the aforementioned variables and are weighted based on management's best estimate of their relative likelihood of occurrence. This result is compared to the base position and an adjustment is made to the output of the ECL models. 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.

Write-off policy
The Group's write-off policy in respect of trade receivables has remained unchanged with the implementation of IFRS 9. Trade receivables are written off when an in-store account customer is in a legal status or meets all of the following criteria:
- the customer has been in default for seven months;
- the customer has not made a qualifying payment for more than one month; and
- the customer has not met certain behavioural risk score cut-offs determined by the Group's credit management practices.

The Group utilises both its in-house collection department as well as external collection specialists to recover outstanding amounts.

Impact on the financial statements
IFRS 9 was adopted without restating comparative information:

	Audited 1 July 2018 Rm	IFRS 9 Rm	Unaudited 2 July 2018 Rm
Statement of financial position			
Non-current assets			
Deferred tax	173	87	260
Current assets			
Trade and other receivables	5 110	(310)	4 800
Equity			
Retained earnings	10 932	(223)	10 709

The following table reconciles the aggregate opening doubtful debt provision under IAS 39 to the ECL provision under IFRS 9, showing separately the retained earnings impact at the transition date:

	Doubtful debt provision Rm	Retained earnings impact Rm
Doubtful debt provision per IAS 39 as at 1 July 2018	695	-
180 days reclassification*	85	-
IFRS 9 adjustment, recognised in retained earnings	310	(310)
ECL provision per IFRS 9 as at 2 July 2018	1 090	(310)
Movement in ECL provision since transition, recognised in profit or loss	110	-
ECL provision as at 30 December 2018	1 200	(310)

* The doubtful debt provision reported under IAS 39 excluded the provision of R85 million for trade receivables that were over 180 days in arrears at 1 July 2018, which amount was credited directly against trade receivables. Under IFRS 9 this has been reclassified accordingly.

ADMINISTRATION

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NSX code: TRW
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