Board of Directors

TO THE MEMBERS OF FOSCHINI LIMITED

The board of directors (the board) is responsible for the preparation of the annual financial statements of the company and the group in accordance with South African Statements of Generally Accepted Accounting Practice and the South African Companies Act. These incorporate reasonable and prudent judgements and estimates and fairly present the state of affairs of the company and the group.

The board has every reason to believe that the company will continue as a going concern for the foreseeable future, and the annual financial statements have been prepared on the basis of this assumption.

The annual financial statements and group annual financial statements set out on pages 67 to 93 were approved by the board on 26 May 2005 and are signed on its behalf by:

E Osrin
Chairman

D M Polak
Managing Director

Company Secretary's Certificate

I certify that Foschini Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of section 268G(d) of the Companies Act, 1973, as amended, and that such returns are true, correct and up to date.

R Stein
Secretary
26 May 2005

Auditors' Report

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FOSCHINI LIMITED

We have audited the annual financial statements and the group annual financial statements of Foschini Limited, set out on pages 67 to 93, for the year ended 31 March 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 31 March 2005, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Companies Act.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)
Cape Town
26 May 2005

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Nature of Business

Foschini Limited is an investment holding company whose subsidiaries, through their operating divisions – Foschini, branded as Foschini, Donna Claire and Fashion Express; Markham, branded as Markham and RJL; Exact!; The Sports Division, branded as Sportscene, Totalsports and DueSouth; TFG Apparel Supply Company; The Jewellery Division, branded as American Swiss, Matrix and Sterns; @home and Retail Credit Solutions – retail clothing, jewellery, accessories, cosmetics, sporting and outdoor apparel and equipment and homewares to the broad, middle-income group throughout southern Africa. The group operates in the retail and personal loans and private label segments, almost entirely within the South African Common Monetary Area. Retail turnover emanating from Swaziland and Botswana accounts for 0,5% of the group's turnover.

General Review

The financial results are reflected in the annual financial statements on pages 67 to 93.

Corporate Governance

Details are covered on pages 46 to 51 of this report.

Corporate Sustainability

Details are covered on pages 52 to 61 of this report.

Share Capital

The group's share buy back programme commenced at the end of May 2001. 16,9 million shares have been purchased by a subsidiary, and a further 11,8 million by the group's share incentive trust. These shares, representing 11,9% of the company's issued share capital have been purchased at an average cost of R13,46 per share, are treated as treasury shares and have been eliminated on consolidation. Further details of the authorised and issued share capital are reflected in note 18.

Distribution to Shareholders

Interim Ordinary

The directors declared an interim ordinary dividend of 62 cents per ordinary share, which was paid on 10 January 2005 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 7 January 2005.

Final Ordinary

The directors declared a final ordinary dividend of 102 cents per ordinary share payable on Monday, 18 July 2005 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 15 July 2005.

Preference

The company paid the following dividends to holders of 6,5% cumulative preference shares:

27 September 2004 – R13 000

(30 September 2003 – R13 000)

29 March 2005 – R13 000

(31 March 2004 – R13 000).

Directors and Secretary

The names of the company's directors and the secretary are set out on page 10 and on the inside of the back cover of this annual report.

The following directors retire by rotation in terms of the articles of association but, being eligible, offer themselves for re-election as directors:

N H Goodwin (independent non-executive), M Lewis (independent non-executive), R Stein (executive).

For details of directors' interests in the company's issued shares, refer to note 18. Details of directors' remuneration are set out in note 23.

Subsidiaries

The names of, and certain financial information relating to the company's key subsidiaries appear on page 93.

Earnings of Subsidiaries

The total profits/(losses) of consolidated subsidiaries are as follows:

	2005 Rm	2004 Rm
Profits	**749,1**	488,4
Losses	**–**	(5,1)
Net consolidated profit after taxation	**749,1**	483,3

Special Resolutions

On 1 September 2004 shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries of the issued ordinary shares of the company, valid until the next annual general meeting. At the next annual general meeting to be held on 31 August 2005 shareholders will be asked to renew this general authority, as set out in the notice to members.

No other special resolutions were passed during the year under review.

Special Resolutions Passed by Subsidiary Companies

No special resolutions of any significance were passed during the year under review.

Staff Share Incentive and Option Schemes

Details are reflected in note 18.

Group Income Statement

for the years ended 31 March

Foschini Limited and its subsidiaries

	Notes	% change	2005 Rm	2004 Rm
Revenue	3		**5 994,4**	5 038,6
Retail turnover		19,7	**5 279,3**	4 410,0
Cost of turnover			**2 999,5**	2 554,2
Gross profit			**2 279,8**	1 855,8
Interest received	4		**488,9**	444,0
Dividends received			**14,3**	16,7
Trading expenses	4		**(1 583,3)**	(1 501,9)
Trading profit		47,3	**1 199,7**	814,6
Goodwill amortised	5		**–**	6,5
Operating profit before finance charges	4		**1 199,7**	808,1
Net finance charges			**58,4**	55,5
Profit before tax		51,6	**1 141,3**	752,6
Income tax expense	6		**363,2**	228,8
Profit for the year			**778,1**	523,8
Attributable to:				
Equity holders of Foschini		48,4	**767,3**	516,9
Minority interests			**10,8**	6,9
Profit for the year			**778,1**	523,8
Reconciliation of attributable profit to headline earnings				
Profit attributable to equity holders of Foschini			**767,3**	516,9
Goodwill amortised			**–**	6,5
Headline earnings		46,6	**767,3**	523,4
Earnings per ordinary share (cents)	7	53,6	**359,8**	234,2
Headline earnings per ordinary share (cents)	7	51,7	**359,8**	237,1
Diluted earnings per ordinary share (cents)		51,2	**340,6**	225,3
Diluted headline earnings per ordinary share (cents)		49,3	**340,6**	228,2
Dividend per ordinary share (cents)				
– interim		93,7	**62,0**	32,0
– final		64,5	**102,0**	62,0
		74,5	**164,0**	94,0

Foschini Limited and its subsidiaries

	Notes	2005 Rm	2004 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	8	**370,0**	315,6
Goodwill	5	**28,6**	22,3
Preference share investment	9	**200,0**	200,0
Loans	11	**6,6**	8,8
Private label card receivables	12	**60,1**	40,5
Loan receivables	13	**398,6**	213,8
Participation in export partnerships	14	**120,7**	212,1
Deferred taxation	15	**114,1**	83,5
		1 298,7	1 096,6
Current assets			
Inventory	16	**912,1**	699,1
Trade receivables – retail	17	**1 744,3**	1 494,4
Private label card receivables	12	**231,6**	154,8
Other receivables and prepayments		**147,0**	73,5
Loan receivables	13	**260,3**	323,3
Participation in export partnerships	14	**90,6**	19,8
Cash		**36,2**	29,2
		3 422,1	2 794,1
Total assets		**4 720,8**	3 890,7
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Foschini			
Share capital	18	**3,1**	3,1
Share premium		**498,7**	498,7
Treasury shares purchased		**(440,5)**	(269,9)
Dividend reserve	19	**245,3**	149,1
Hedging reserve (deficit)		**1,7**	(4,0)
Distributable reserve		**2 321,7**	1 914,4
		2 630,0	2 291,4
Minority interest		**16,0**	10,1
Total equity		**2 646,0**	2 301,5
Non-current liabilities			
Interest-bearing debt	20	**553,4**	320,4
Deferred taxation	15	**131,0**	234,1
		684,4	554,5
Current liabilities			
Short-term loans		**2,7**	0,9
Trade and other payables	21	**952,5**	769,2
Taxation payable		**326,3**	163,1
Provisions	22	**108,9**	101,5
		1 390,4	1 034,7
Total equity and liabilities		**4 720,8**	3 890,7

Group Statement of Changes in Equity

for the years ended 31 March

Foschini Limited and its subsidiaries

	Share Capital Rm	Share Premium Rm	Treasury Shares Rm	Other Reserves Rm	Retained Earnings Rm	Minority Interest Rm	Total Equity Rm
Equity at 31 March 2003	3,2	498,7	(121,2)	77,3	1 619,0	5,1	2 082,1
AC133: Financial instruments adjustment					(6,9)		(6,9)
Restated equity at 31 March 2003	3,2	498,7	(121,2)	77,3	1 612,1	5,1	2 075,2
Change in degree of control						(0,9)	(0,9)
Profit for the year					516,9	6,9	523,8
Transfer from dividend reserve				(76,9)	76,9		–
Dividends paid					(142,4)	(1,0)	(143,4)
Transfer to dividend reserve				149,1	(149,1)		–
Acquisition of shares from the share trust			(83,7)				(83,7)
Sale of shares by share trust			42,9				42,9
Shares purchased by share trust and subsidiary	(0,1)		(107,9)				(108,0)
Unrealised loss on hedging instruments				(4,4)			(4,4)
Equity at 31 March 2004	3,1	498,7	(269,9)	145,1	1 914,4	10,1	2 301,5
Change in degree of control						(3,3)	(3,3)
Profit for the year					767,3	10,8	778,1
Transfer from dividend reserve				(149,1)	149,1		–
Dividends paid					(263,8)	(1,6)	(265,4)
Transfer to dividend reserve				245,3	(245,3)		–
Sale of shares by share trust			12,6				12,6
Shares purchased by share trust			(183,2)				(183,2)
Unrealised gain on hedging instruments				5,7			5,7
Equity at 31 March 2005	**3,1**	**498,7**	**(440,5)**	**247,0**	**2 321,7**	**16,0**	**2 646,0**

Foschini Limited and its subsidiaries

	Notes	2005 Rm	2004 Rm
Cash flows from operating activities			
Operating profit before working capital changes	25.1	**835,3**	487,9
Increase in working capital	25.2	**(340,0)**	(37,5)
Cash generated by operations		**495,3**	450,4
Increase in private label card receivables		**(96,4)**	(87,4)
Increase in loan receivables		**(121,8)**	(109,1)
Interest received		**488,9**	444,0
Net finance charges		**(58,4)**	(55,5)
Taxation paid	25.3	**(333,7)**	(209,1)
Dividends paid	25.4	**(265,4)**	(143,4)
Net cash inflows from operating activities		**108,5**	289,9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(184,3)**	(151,9)
Proceeds from sale of property, plant and equipment		**5,4**	5,0
Net increase in preference share investment		**–**	(50,0)
Decrease in participation in export partnerships		**20,6**	10,3
Decrease in loans		**2,2**	4,4
Shares purchased by share trust and subsidiary		**(183,2)**	(108,0)
Acquisition of Instinct brand		**–**	(1,6)
Acquisition of additional interest in subsidiary	25.5	**(9,6)**	(3,5)
Net cash outflows from investing activities		**(348,9)**	(295,3)
Cash flows from financing activities			
Proceeds from sale of treasury shares by share trust		**12,6**	42,9
Increase (decrease) in interest-bearing debt		**233,0**	(27,0)
Increase (decrease) in short-term loans		**1,8**	(8,5)
Net cash inflows from financing activities		**247,4**	7,4
Net increase in cash and cash equivalents during the year		**7,0**	2,0
Cash and cash equivalents at the beginning of the year		**29,2**	27,2
Cash and cash equivalents at the end of the year		**36,2**	29,2

1. **Accounting Policies**

Basis of Preparation

The annual financial statements are prepared on the historical cost basis, except where otherwise stated, and in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. The following principal accounting policies are consistent with those applied in the previous year, except goodwill. So as to comply with IFRS3/AC131 (Business Combinations), goodwill is no longer amortised, but is subjected to an annual impairment test.

Basis of Consolidation

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany transactions, intragroup balances and any unrealised gains and losses are eliminated on consolidation.

The results of the share trust that in substance is controlled by the group, are consolidated.

Foreign subsidiaries are classified as foreign operations for the purpose of foreign currency translations with differences arising on translation being recognised in the income statement. Transactions and resulting non-monetary items are translated at the exchange rates ruling when the transactions occurred. Income statement items are translated at the appropriate weighted average exchange rates for the period. Monetary items are translated at the ruling exchange rates at the balance sheet dates.

The company's financial statements include investments in subsidiaries at cost.

Capitalisation Share Awards

The full value of capitalisation share awards, including the cash portion, is recorded as a distribution in the statement of changes in equity. The estimated value of the capitalisation share award is transferred to a share distribution reserve, pending the outcome of the award.

Cost of Turnover

Cost of turnover is calculated as the cost of goods sold, including promotional costs.

Dividends

Dividends and the related secondary tax on companies are accounted for in the period when the dividend is declared.

Dividends declared on equity instruments after the balance sheet date, and the related secondary tax on companies thereon, are accordingly not recognised as liabilities at the balance sheet date. Final dividends declared are however transferred to a dividend reserve.

Employee Benefits

Short-term Employee Benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Long-term Employee Benefits

Liabilities for employee benefits that are not expected to be settled within 12 months are discounted using market-related rates.

Retirement benefits

The company and its subsidiaries contribute to several defined benefit and defined contribution plans. Contributions to defined contribution funds are charged against income as incurred. The Projected Unit Credit Method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost. Actuarial gains or losses in respect of defined benefit plans are recognised in income. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

Equity Compensation Benefits

The group grants share options to certain employees under an employee share plan. Other than costs incurred in administering the schemes that are expensed as incurred, the group has not recognised any compensation expenses related to share options.

Expenses

Net Finance Charges

Net finance charges comprise interest payable on borrowings calculated using the effective interest rate method and dividends on redeemable preference shares.

Operating Lease Payments

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance Lease Payments

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial Instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, derivative instruments, trade and other receivables, loans, participation in export partnerships, investments and trade and other payables.

Measurement

Financial instruments are initially measured at cost, which is the fair value of the consideration given (in the case of an asset) or received (in the case of a liability) for it and includes transaction costs. Where the fair value of the consideration cannot be determined at initial recognition, the instrument is initially recorded at the face value of the instrument. Subsequent to initial recognition these instruments are measured as set out below.

Cash and Cash Equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date. Outstanding cheques are included in accounts payable and added back to cash balances included in the balance sheet.

Derivative Instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative instruments are subsequently measured at fair value, with the gain or loss on remeasurement being recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the item being hedged (refer hedging accounting policy).

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Originating Receivables

Loan receivables and private label card receivables are classified as originating receivables and are carried at amortised cost, less provision for doubtful debts.

Trade receivables – retail originated by the group are stated at cost less provision for doubtful debts.

Participation in export partnerships are classified as originating receivables and are carried at amortised cost.

Financial Liabilities

Non-derivative financial liabilities including short-term loans, interest-bearing debt and accounts payable are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Investments

Investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Trade and Other Payables

Trade and other payables are stated at cost.

Gains and Losses on Subsequent Measurement

All gains and losses on subsequent measurement of financial instruments are recognised in profit or loss, except for hedged instruments and available-for-sale assets. Hedged instruments are accounted for as described in the hedging accounting policy. Gains and losses arising from available-for-sale financial assets are recognised directly in equity.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Goodwill

All business combinations are accounted for by applying the purchase method.

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures and is the difference between the cost of the acquisition and the fair value of the identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Hedging

Gains and losses from measuring the hedging instruments relating to a *fair value hedge* at fair value are recognised immediately in net profit or loss.

Gains and losses from remeasuring the hedging instruments relating to a *cash flow hedge* to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment of forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

Impairment of Assets

The carrying amounts of all assets, except goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is reviewed for impairment annually. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised against income. The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses, other than those arising on goodwill, recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. Impairment losses relating to goodwill are never reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, including capitalised leased assets are depreciated on a straight-line basis over the periods of their estimated useful lives, at the following rates per annum:

Shopfitting and passenger vehicles	20%
Commercial vehicles	25%
Computers and related equipment	20% – 33%
Capitalised leased assets	20%
Buildings	5%

Land is not depreciated.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Profits (losses) on the disposal of property, plant and equipment are credited (charged) to income. The profit or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Revenue

Turnover

Turnover represents the invoiced value of retail sales, excluding inter-group sales and Value Added Tax. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable.

Interest Received

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

Dividends Received

Dividends received on equity instruments are recognised when the right to receive payment is established.

Merchants Commission

Commission income is recognised when the related transaction on which the commission is earned has been concluded.

Club Income

Club income is recognised in the income statement when due.

Insurance Income

Insurance income is recognised in the income statement when due.

Retirement Benefits

Retirement Fund

Contributions to provide funding to the retirement fund are determined as a percentage of pensionable salaries.

Contributions to the fund are charged to the income statement as incurred.

Medical Aid

Where the company has an obligation to provide post-retirement medical aid benefits to employees, the company recognises the costs of these benefits in the year in which the employees render the services.

Segmental Reporting

The group is primarily a retailer of fashion goods, sports apparel and jewellery with significant business interests in the personal finance and retail credit industries. On a primary basis, the company is organised into two major operating divisions:

- Retail – comprising the group's various trading divisions; and
- Financial services – comprising RCS Personal Finance and RCS Cards businesses.

The group operates solely in the southern African market and accordingly has not identified any secondary segments.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Inter-segment transfer pricing is determined on an arm's length basis. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period, namely, property, plant and equipment, and intangible assets.

Taxation

Current tax comprises taxation payable, calculated on the basis of expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided for on the comprehensive balance sheet liability method, to take into account the effect of temporary differences between the tax value of an asset or liability and its balance sheet carrying amount.

Deferred taxation assets are recognised for all deductible temporary differences and assessed losses to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and assessed losses can be utilised.

Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

Secondary taxation on companies is provided in respect of dividend payments, net of dividends received or receivable, and is recognised as a tax charge in the year in which the related dividend is declared.

Translation of Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

Treasury Shares

Foschini Ltd shares purchased and held by subsidiaries are classified as treasury shares and are presented as a reduction of equity.

Dividends received on treasury shares are eliminated on consolidation.

Gains or losses on disposal of treasury shares are accounted for directly in equity.

Issued and weighted average numbers of shares are reduced by treasury shares for earnings per share purposes.

Foschini Limited and its subsidiaries

	Financial Services		Retail		Consolidated	
	2005 Rm	2004 Rm	**2005 Rm**	2004 Rm	**2005 Rm**	2004 Rm
2. **Segmental Reporting**						
REVENUE						
External	**380,0**	281,8	**5 614,4**	4 756,8	**5 994,4**	5 038,6
Inter-segment	**–**	–	**–**	–	**–**	–
Total revenue	**380,0**	281,8	**5 614,4**	4 756,8	**5 994,4**	5 038,6
SEGMENT RESULT						
Operating profit before finance charges	**248,8**	147,4	**950,9**	660,7	**1 199,7**	808,1
External	**(5,8)**	(2,9)	**(52,6)**	(52,6)	**(58,4)**	(55,5)
Inter-segment	**(48,9)**	(61,0)	**48,9**	61,0	**–**	–
Net finance (income) charges	**(54,7)**	(63,9)	**(3,7)**	8,4	**(58,4)**	(55,5)
Income tax expense	**(58,7)**	(25,7)	**(304,5)**	(203,1)	**(363,2)**	(228,8)
Profit for the year	**135,4**	57,8	**642,7**	466,0	**778,1**	523,8
SEGMENT ASSETS						
Non-current assets	**461,2**	217,4	**792,4**	869,8	**1 253,6**	1 087,2
Current assets	**508,4**	525,3	**2 958,8**	2 278,2	**3 467,2**	2 803,5
Inter-segment assets	**12,9**	(401,1)	**(12,9)**	401,1	**–**	–
Total assets	**982,5**	341,6	**3 738,3**	3 549,1	**4 720,8**	3 890,7
SEGMENT LIABILITIES						
Non-current (assets) liabilities	**(13,7)**	(3,1)	**698,1**	557,6	**684,4**	554,5
Current liabilities	**76,7**	63,3	**1 313,7**	971,4	**1 390,4**	1 034,7
Inter-segment liabilities	**697,7**	182,0	**(697,7)**	(182,0)	**–**	–
Total liabilities	**760,7**	242,2	**1 314,1**	1 347,0	**2 074,8**	1 589,2
SEGMENT INFORMATION						
Capital expenditure	**1,8**	1,8	**182,5**	150,1	**184,3**	151,9
Depreciation	**1,9**	2,9	**119,2**	113,1	**121,1**	116,0
Amortisation	**–**	3,3	**–**	3,2	**–**	6,5

All retail divisions within the group operate in an established retail market and are therefore considered to be subject to similar risks and rewards.

Segment Revenue and Expenses

Revenue and expenses that are directly attributable to segments are allocated to those segments.

Those that are not directly attributable to segments are allocated on a reasonable basis.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of related allowances and provisions.

While most such assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities, and consist principally of accounts payable, salaries and taxes currently payable and accruals.

Inter-segment Transfers

Segment revenue, segment expenses and segment result include transfers between business segments.

These transfers occur at market prices and are eliminated on consolidation.

Foschini Limited and its subsidiaries

	2005 Rm	2004 Rm
3. **Revenue**		
Retail turnover	**5 279,3**	4 410,0
Interest received (see note 4)	**488,9**	444,0
Dividends received – retail	**14,3**	16,7
Merchants' commission – financial services	**60,7**	42,9
Club income	**75,0**	65,3
Insurance income – retail	**34,6**	29,3
Insurance income – financial services	**41,6**	30,4
	5 994,4	5 038,6
There has been a change in the classification of revenue. In prior years only retail turnover was disclosed as revenue. Various other incomes have also been disclosed as revenue in the current year.		
4. **Operating Profit before Finance Charges**		
Operating profit before finance charges has been arrived at after taking account of:		
Interest received		
– trade receivables – retail	**211,2**	235,5
– loan receivables	**227,7**	170,9
– private label card receivables	**50,0**	37,6
	488,9	444,0
Trading expenses		
– depreciation	**(121,1)**	(116,0)
– employee costs: normal	**(709,8)**	(652,3)
– employee costs: bonuses	**(48,6)**	(32,2)
– store occupancy costs	**(403,2)**	(362,8)
– net other operating costs	**(300,6)**	(338,6)
	(1 583,3)	(1 501,9)
The following disclosable amounts are included above:		
Goodwill amortised	**–**	6,5
Auditors' remuneration		
– audit fees	**1,5**	1,4
– fees for other services	**0,4**	0,7
Donations to Foschini Foundation	**20,0**	10,0
Lease expenses		
– operating leases on land and buildings	**435,7**	384,7
Loss on sale of property, plant and equipment	**(3,4)**	(1,3)
Retirement fund expenses	**50,8**	46,8
5. **Goodwill**		
Carrying amount at the beginning of the year		
– cost	**40,3**	36,1
– accumulated amortisation	**(18,0)**	(11,5)
	22,3	24,6
Arising on acquisition (refer note 25.5)	**6,3**	2,6
Arising on acquisition of Instinct brand	**–**	1,6
Amortisation charge	**–**	(6,5)
Carrying amount at the end of the year		
– cost	**46,6**	40,3
– accumulated amortisation	**(18,0)**	(18,0)
	28,6	22,3

In line with the requirements of IFRS3/AC131 (Business Combinations), goodwill is no longer amortised. No impairment losses have been recognised as the recoverable amounts exceed the carrying amounts.

Foschini Limited and its subsidiaries

	2005 Rm	2004 Rm
6. **Income Tax Expense**		
South African Current Taxation		
– current year	**421,3**	223,9
– prior year underprovision	**46,1**	10,1
Secondary tax on companies	**25,9**	1,0
South African Deferred Taxation		
– current year	**(87,5)**	(3,6)
– prior year overprovision	**(46,1)**	(10,1)
– rate change	**(0,5)**	–
Non-South African Current Taxation		
– current year	**4,0**	2,1
– prior year (over) underprovision	**(0,4)**	1,3
– withholding tax on dividends	**–**	4,3
Non-South African Deferred Taxation		
– deferred taxation	**0,4**	0,1
– prior year overprovision	**–**	(0,3)
	363,2	228,8
	%	%
Reconciliation of tax rate		
Effective tax rate	**31,8**	30,4
Prior year underprovision	**–**	(0,1)
Exempt income	**1,4**	2,2
Non-deductible expenditure	**(0,9)**	(1,7)
Non-South African tax rate	**(0,1)**	(0,1)
Secondary tax on companies and withholding tax on dividends	**(2,3)**	(0,7)
Rate change	**0,1**	–
South African statutory rate	**30,0**	30,0
7. **Earnings**	**Rm**	Rm
Profit attributable to equity holders of Foschini	**767,3**	516,9
Adjustment for goodwill	**–**	6,5
Headline earnings	**767,3**	523,4
Weighted average number of ordinary shares in issue	***213 285 162***	*220 745 740*
Earnings per ordinary share (cents)	***359,8***	*234,2*
Goodwill amortised per ordinary share (cents)	***–***	*2,9*
Headline earnings per ordinary share (cents)	***359,8***	*237,1*
The calculations of diluted earnings and headline earnings per share are based on the weighted average number of issued ordinary shares as follows:		
Weighted average number of ordinary shares as above	***213 285 162***	*220 745 740*
Number of shares that would have been issued for no consideration	***11 963 045***	*8 663 763*
Weighted average number of ordinary shares used for dilution	***225 248 207***	*229 409 503*

Foschini Limited and its subsidiaries

				2005 Rm	2004 Rm
8.	**Property, Plant and Equipment**				
	Land and buildings				
	At cost			**64,1**	52,5
	Accumulated depreciation			**39,5**	39,5
	Net book value at the end of the year			**24,6**	13,0
	Shopfitting, equipment and vehicles				
	At cost			**1 174,0**	1 053,1
	Accumulated depreciation			**828,6**	750,5
	Net book value at the end of the year			**345,4**	302,6
	Capitalised leased assets				
	At cost			**17,5**	17,5
	Accumulated depreciation			**17,5**	17,5
	Net book value at the end of the year			**–**	–
	Total				
	At cost			**1 255,6**	1 123,1
	Accumulated depreciation			**885,6**	807,5
	Net book value at the end of the year			**370,0**	315,6
	Analysis of movements				
		Land and buildings	Shopfitting, equipment and vehicles	**Total**	Total
	Net book value at the beginning of the year	13,0	302,6	**315,6**	286,0
	Additions	11,6	172,7	**184,3**	151,9
	Disposals	–	(8,8)	**(8,8)**	(6,3)
	Depreciation	–	(121,1)	**(121,1)**	(116,0)
	Net book value at the end of the year	24,6	345,4	**370,0**	315,6
	None of the group's assets is in any way encumbered. Registers of the land and buildings are available for inspection at the head office of the company at Parow East.				
9.	**Preference Share Investment**				
	Cumulative preference shares, redeemable on 3 June 2006, with dividends payable biannually on 30 November and 31 May, at a rate linked to prime			**100,0**	100,0
	Cumulative preference shares, redeemable on 3 June 2006, with dividends payable biannually on 30 November and 31 May, at a rate linked to prime			**100,0**	100,0
				200,0	200,0

10. **Unrecognised Financial Asset**

In terms of the group's accounting policy for financial instruments, the group has not recognised the following financial asset:

Foschini Limited purchased a R300 million preference share investment which carries a 12,4% NACSA dividend coupon rate and is redeemable on 13 June 2011. For security of Foschini Limited's preference share investment, the finance company referred to in note 24 has pledged its loan receivable from the subsidiary to Foschini Limited in the event of default in terms of the preference share arrangement. For security of the subsidiary company's loan, Foschini Limited has pledged its preference share investment to the finance company in the event of default in terms of the loan arrangement.

Foschini Limited and its subsidiaries

	2005 Rm	2004 Rm
11. **Loans**		
Housing loans	**8,1**	10,9
Deduct amount to be repaid within one year, included in other receivables and prepayments	**1,5**	2,1
	6,6	8,8
Housing loans made to employees are secured by mortgage bonds, bear interest at a rate of 9,35% per annum, and are repayable over varying periods, not exceeding 20 years.		
12. **Private Label Card Receivables**		
Private label card receivables, normally limited to R10 000 per account, are charged interest at fixed rates, limited to the current usury rate, are unsecured, and are repayable over periods not exceeding two years.	**291,7**	195,3
Deduct amount to be repaid within one year, included in current assets	**231,6**	154,8
	60,1	40,5
There has been a change in the classification of private label card receivables. In prior years, the non-current receivables were not disclosed separately.		
13. **Loan Receivables**		
Loans, normally limited to R10 000 per loan, are made at fixed rates of interest, varying between 34% and 39% per annum, are unsecured, and are repayable over periods not exceeding three years	**658,9**	537,1
Deduct amount to be repaid within one year, included in current assets	**260,3**	323,3
	398,6	213,8
14. **Participation in Export Partnerships**		
Certain subsidiary companies participated in export partnerships, whose business is the export and sale of containers. The partnerships sold these containers in terms of long-term credit arrangements, with repayment terms usually over a 10 to 15-year period. A company listed on the JSE Securities Exchange South Africa has warranted certain important aspects of the subsidiary companies' participation (refer note 26)	**211,3**	231,9
Deduct amount to be repaid within one year, included in current assets	**90,6**	19,8
	120,7	212,1

There has been a change in the classification of the participation in export partnerships. In the prior years, the current receivables were not disclosed separately. There has been a change in the classification of R9,4 million in the prior year current portion of the receivables. In the prior years, this amount was classified as other receivables and prepayments.

The South African Revenue Service (SARS) has been conducting an investigation into the tax treatment by certain other companies participating in similar export partnerships with financial periods ended on or after 1 March 1996. SARS has concluded an agreement with the managing partner and the group has approved the settlement arrangement. There will be no impact on the income statement as a deferred tax liability was raised for the payment of taxation at inception of the partnership.

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	2005 Rm	2004 Rm
15. **Deferred Taxation**		
At 1 April	150,6	167,3
Working capital allowances	(47,9)	(8,7)
Capital allowances	9,5	8,5
Restraint of trade	3,8	2,8
Export partnerships (refer note 14)	(98,6)	(19,3)
Tax rate	(0,5)	–
At 31 March	16,9	150,6
Arising as a result of:		
Deferred tax assets		
– Working capital allowances	(110,4)	(66,4)
– Capital allowances	(1,9)	(11,5)
– Restraint of trade	(1,8)	(5,6)
	(114,1)	(83,5)
Deferred tax liability		
– Export partnerships (refer note 14)	131,0	234,1
Total deferred tax	16,9	150,6

There has been a change in the classification of the deferred tax asset and liability. In prior years, only the net deferred tax liability was disclosed.

	2005 Rm	2004 Rm
16. **Inventory**		
Merchandise	819,2	666,7
Raw materials	25,2	23,0
Goods in transit	67,7	9,4
	912,1	699,1
17. **Trade Receivables – Retail**		
Retail – 6-month revolving credit	1 249,0	1 113,5
– 12-month extended credit	495,3	380,9
	1 744,3	1 494,4

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			2005 Rm	2004 Rm
18. **Share Capital**				
Authorised				
200 000 (2004: 200 000) 6,5% Cumulative Preference Shares of R2 each			**0,4**	0,4
600 000 000 (2004: 600 000 000) Ordinary Shares of 1,25 cents each			**7,5**	7,5
			7,9	7,9
	number of shares			
	2005	2004		
Issued				
Ordinary share capital				
Ordinary shares of 1,25 cents each				
Total in issue – company and group	**240 498 241**	240 498 241	**3,0**	3,0
Shares purchased by subsidiary	**(16 877 827)**	(16 877 827)	**(0,2)**	(0,2)
Shares held by share incentive trust	**(11 755 862)**	(5 241 799)	**(0,1)**	(0,1)
Balance at the end of the year – company	**240 498 241**	240 498 241	**3,0**	3,0
Balance at the end of the year – group	**211 864 552**	218 378 615	**2,7**	2,7
Preference share capital				
200 000 (2004: 200 000) 6,5% Cumulative Preference Shares of R2 each			**0,4**	0,4
Total issued share capital – company			**3,4**	3,4
Total net issued share capital – group			**3,1**	3,1

In terms of a special resolution passed at the annual general meeting of the company on 1 September 2004 shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries, of the issued ordinary shares of the company, not exceeding 20% in the aggregate in any one financial year. The general authority is subject to the Listings Requirements of the JSE Securities Exchange South Africa and the Companies Act No. 61 of 1973 of South Africa as amended, and is valid only until the company's next annual general meeting.

As at 31 March 2005 a subsidiary, Foschini Stores (Pty) Ltd, had purchased 16 877 827 (2004: 16 877 827) shares, representing 7,0% (2004: 7,0%) of the company's share capital, as shown above.

		Number of share options	
		2005	2004
Foschini Staff Share Incentive Scheme (1990)			
Options granted, but not exercised at 1 April 2004		**221 585**	349 415
Options exercised during the year		**(183 568)**	(127 830)
Options cancelled during the year		**–**	–
Options granted, but not exercised at 31 March 2005		**38 017**	221 585
Options may be exercised during the following financial years:			
Year	Average price		
2006	R10,23	**19 009**	
2007	R10,23	**19 008**	
		38 017	

Foschini Limited and its subsidiaries

		Number of share options	
		2005	2004
18. **Share Capital** (continued)			
Foschini 1997 Share Option Scheme			
Options exercised, subject to future delivery, at 1 April 2004		**19 601 787**	14 304 041
Options exercised during the year, subject to future delivery		**5 479 000**	12 846 905
Options delivered during the year		**(2 017 069)**	(7 549 159)
Options exercised, subject to future delivery, at 31 March 2005		**23 063 718**	19 601 787
Options will be delivered during the following financial years:			
Year	Average price		
2006	R11,58	**6 034 896**	
2007	R23,82	**2 986 090**	
2008	R11,45	**6 191 353**	
2009	R35,95	**1 808 702**	
2010	R13,89	**4 181 081**	
2011	R35,95	**1 861 596**	
		23 063 718	
Both schemes are administered by The Foschini Share Incentive Trust which holds shares in Foschini Ltd as follows:			
Shares held at the beginning of the year		**5 241 799**	7 086 467
Options exercised during the year		**(183 568)**	(127 830)
Shares delivered during the year		**(2 017 069)**	(7 549 159)
Shares purchased during the year		**8 714 700**	5 832 321
Shares held at the end of the year		**11 755 862**	5 241 799

The group has not recognised, and is not yet required to recognise, any expense related to options granted under the share incentive schemes. For information purposes the estimated expense of options vesting during the year was R12,4 (2004: R9,1) million.

In accordance with IFRS2/AC139 Share Based Payments, only the expense relating to options granted after 7 November 2002 is required to be recognised. The estimated total expense for all options issued between this date and 31 March 2005 is R43,6 million which would be spread over the vesting period of the options granted.

The estimated expense has been calculated using the fair value of each option tranche on the date of the grant using an adjusted binomial option-pricing model.

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18. **Share Capital** (continued)
Directors' interest
At 31 March 2005, the directors were interested in the company's issued shares as follows:

	Shares 000's	Options 000's	Price per share R	Years can be taken up	2005 Total 000's	2004 Total 000's
Non-executive						
E Osrin (beneficial)	100,0	–	–	–	**100,0**	80,0
D M Nurek (beneficial)	10,0	–	–	–	**10,0**	–
Prof. F Abrahams	–	–	–	–	**–**	–
S E Abrahams	–	–	–	–	**–**	–
L F Bergman	–	–	–	–	**–**	–
W V Cuba	–	–	–	–	**–**	–
N H Goodwin (beneficial)	27,0	–	–	–	**27,0**	262,0
	137,0	–	–	–	**137,0**	342,0
M Lewis (beneficial)	222,1	–	–	–	**222,1**	218,3
M Lewis (non-beneficial)	21 376,6	–	–	–	**21 376,6**	20 050,0
	21 598,7	–	–	–	**21 598,7**	20 268,3
Total non-executive	21 735,7	–	–	–	**21 735,7**	20 610,3
Executive						
D M Polak (beneficial)	724,5	–	–	–	**724,5**	508,0
D M Polak (non-beneficial)	212,0	–	–	–	**212,0**	212,0
D M Polak	–	302,5	9,70	2006	**302,5**	302,5
D M Polak	–	413,3	6,35	2006	**413,3**	446,3
D M Polak	–	283,3	16,60	2006	**283,3**	283,4
D M Polak	–	200,0	18,80	2006	**200,0**	200,0
D M Polak	–	200,0	36,00	2007	**200,0**	–
D M Polak	–	302,5	9,70	2008	**302,5**	302,5
D M Polak	–	479,2	6,35	2008	**479,2**	446,2
D M Polak	–	283,3	16,60	2008	**283,3**	283,3
D M Polak	–	200,0	18,80	2008	**200,0**	200,0
D M Polak	–	200,0	36,00	2009	**200,0**	–
D M Polak	–	302,5	9,70	2010	**302,5**	302,5
D M Polak	–	283,3	16,60	2010	**283,3**	283,3
D M Polak	–	200,0	18,80	2010	**200,0**	200,0
D M Polak	–	200,0	36,00	2011	**200,0**	–
	936,5	3 849,9	–	–	**4 786,4**	3 970,0
R Stein (beneficial)	322,4	–	–	–	**322,4**	203,3
R Stein (non-beneficial)	205,2	–	–	–	**205,2**	205,2
R Stein	–	–	5,20	2006	**–**	9,6
R Stein	–	143,3	9,70	2006	**143,3**	143,3
R Stein	–	93,3	18,80	2006	**93,3**	93,3
R Stein	–	116,7	16,60	2006	**116,7**	116,7
R Stein	–	197,8	6,35	2006	**197,8**	197,8
R Stein	–	90,0	36,00	2007	**90,0**	–
R Stein	–	–	5,20	2008	**–**	9,6
R Stein	–	143,3	9,70	2008	**143,3**	143,3
R Stein	–	93,3	18,80	2008	**93,3**	93,3
R Stein	–	116,7	16,60	2008	**116,7**	116,7
R Stein	–	197,8	6,35	2008	**197,8**	197,8
R Stein	–	90,0	36,00	2009	**90,0**	–
R Stein	–	143,3	9,70	2010	**143,3**	143,3
R Stein	–	93,3	18,80	2010	**93,3**	93,3
R Stein	–	116,7	16,60	2010	**116,7**	116,7
R Stein	–	90,0	36,00	2011	**90,0**	–
	527,6	1 725,5	–	–	**2 253,1**	1 883,2
Total executive	1 464,1	5 575,4	–	–	**7 039,5**	5 853,2
Total	23 199,8	5 575,4	–	–	**28 775,2**	26 463,5

No changes have been advised since 31 March 2005.

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	2005 Rm	2004 Rm
19. **Dividend Reserve**		
Cash dividends and the related STC charge are accounted for in the period when the dividend is declared.		
A final dividend of 102,0 (2004: 62,0) cents per share was declared on 26 May 2005 to ordinary shareholders, which will be paid during the course of the new financial year. In terms of AC107 no liability has been raised.		
	245,3	149,1
20. **Interest-bearing Debt**		
Unsecured fluctuating loans in terms of long-term bank facilities at prevailing interest rates	**553,4**	320,4
The group's borrowing powers in terms of the articles of association of the company are unlimited.		
21. **Trade and Other Payables**		
Trade payables	**617,5**	442,9
VAT payable	**20,0**	14,7
Other payables and accruals	**315,0**	311,6
	952,5	769,2

	Post-retirement medical aid Rm	Leave pay Rm	AIDS Rm	Total Rm
22. **Provisions**				
Balance at 1 April 2003	62,4	21,6	5,0	89,0
Provisions made during the year	7,3	0,2	5,0	12,5
Balance at 1 April 2004	69,7	21,8	10,0	101,5
Provisions made during the year	6,4	1,0	–	7,4
Balance at 31 March 2005	**76,1**	**22,8**	**10,0**	**108,9**

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	Fees R'000	Remune-ration R'000	Pension Fund R'000	Travel Allowance R'000	Other benefits** R'000	Performance bonus* R'000	**2005 Total R'000**	2004 Total R'000
23. **Directors' Remuneration**								
Non-executive								
E Osrin	450,0	–	–	–	–	–	**450,0**	
D M Nurek	130,0	–	–	–	–	–	**130,0**	
F Abrahams	102,5	–	–	–	–	–	**102,5**	
S E Abrahams	117,5	–	–	–	–	–	**117,5**	
L F Bergman	92,5	–	–	–	–	–	**92,5**	
W V Cuba	92,5	–	–	–	–	–	**92,5**	
N H Goodwin	98,8	–	–	–	–	–	**98,8**	
M Lewis	90,0	–	–	–	–	–	**90,0**	
Total	1 173,8	–	–	–	–	–	**1 173,8**	
Executive								
D M Polak	–	2 662,2	254,3	213,4	156,0	3 664,0	**6 949,9**	
R Stein	–	1 303,0	142,5	189,6	68,1	1 711,7	**3 414,9**	
Total	–	3 965,2	396,8	403,0	224,1	5 375,7	**10 364,8**	
Total remuneration 2005	1 173,8	3 965,2	396,8	403,0	224,1	5 375,7	**11 538,6**	
Non-executive								
E Osrin	450,0	–	–	–	–	–		450,0
D M Nurek	102,5	–	–	–	–	–		102,5
F Abrahams	81,2	–	–	–	–	–		81,2
S E Abrahams	96,2	–	–	–	–	–		96,2
L F Bergman	78,8	–	–	–	–	–		78,8
W V Cuba	78,8	–	–	–	–	–		78,8
N H Goodwin	80,0	–	–	–	–	–		80,0
M Lewis	78,8	–	–	–	–	–		78,8
Total	1 046,3	–	–	–	–	–		1 046,3
Executive								
D M Polak	–	2 459,6	197,1	223,4	188,3	2 806,0		5 874,4
R Stein	–	1 199,6	112,9	174,0	96,9	1 457,2		3 040,6
Total	–	3 659,2	310,0	397,4	285,2	4 263,2		8 915,0
Total remuneration 2004	1 046,3	3 659,2	310,0	397,4	285,2	4 263,2		9 961,3

*The performance bonus relates to the results for the current financial year.

**Other benefits include medical aid and group life cover.

Gains made during the year by the executive directors, Messrs D M Polak and R Stein, in respect of share options exercised, were nil (2004: R917 000) and nil (2004: R434 000) respectively.

24. **Unrecognised Financial Liability**

In terms of the group's accounting policy for financial instruments, the group has not recognised the following financial liability:

A subsidiary entered into a loan arrangement with a finance company in terms of which the subsidiary borrowed R300 million. The loan is repayable over 10 years and interest is payable at 14,6% NACSA (refer note 10).

Foschini Limited and its subsidiaries

	2005 Rm	2004 Rm
25. **Cash Flow**		
25.1 Operating profit before working capital changes		
Profit before tax	**1 141,3**	752,6
Adjusted for:		
– interest received	**(488,9)**	(444,0)
– net finance charges	**58,4**	55,5
– depreciation	**121,1**	116,0
– loss on sale of property, plant and equipment	**3,4**	1,3
– goodwill amortised	**–**	6,5
Operating profit before working capital changes	**835,3**	487,9
25.2 Working capital changes		
– increase in inventory	**(213,0)**	(86,3)
– increase in trade and other receivables	**(323,4)**	(150,5)
– increase in trade and other payables	**189,0**	186,8
– increase in provisions	**7,4**	12,5
Increase in working capital	**(340,0)**	(37,5)
25.3 Reconciliation of taxation paid		
– amount unpaid at the beginning of the year	**(163,1)**	(129,7)
– current year provision	**(496,9)**	(242,5)
– amount unpaid at the end of the year	**326,3**	163,1
	(333,7)	(209,1)
25.4 Reconciliation of dividends paid		
– dividends declared during the year	**(263,8)**	(142,4)
– dividends paid by subsidiary to outside shareholders	**(1,6)**	(1,0)
	(265,4)	(143,4)
25.5 Acquisition of additional interest in subsidiary The company acquired additional shares in an existing subsidiary, RCS Personal Finance (Pty) Ltd, which is involved in the provision of short and medium-term loans and related insurance products to individuals.		
Purchase consideration	**9,6**	3,5
Fair value of net assets	**3,3**	0,9
Goodwill	**6,3**	2,6
Cash outflow on acquisition of additional shares	**9,6**	3,5

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26. **Financial Instruments**

26.1 Foreign Currency Management

Operating subsidiaries undertake transactions denominated in foreign currencies and hence exposure to exchange rate fluctuations arise. Exchange rate exposure is hedged through the use of forward exchange contracts. Refer to note 29 for details.

26.2 Credit Risk Management

Credit risk arises on cash equivalents, investments, loans, participation in export partnerships, private label card receivables and trade receivables – retail. The risk on cash equivalents and investments is managed through dealing with well-established financial institutions with high credit standing. The risk arising on trade receivables – retail, loans and private label card receivables is managed through a stringent group policy on the granting, continual review and monitoring of credit sales and loan advances.

26.3 Cash Flow and Liquidity Risk Management

The risk is managed through cash flow forecasts and ensuring that adequate borrowing facilities are maintained. In terms of the articles of association, the group's borrowing powers are unlimited.

26.4 Fair Values of Financial Instruments

At 31 March 2005 the carrying amounts of cash on hand and in bank, trade receivables – retail, trade and other payables approximate their fair values due to their short-term maturities. The fair value of loans and other receivables approximate their carrying value as disclosed on the balance sheet. The fair value of interest-bearing debt approximates its disclosed carrying value.

The cash flows from the participation in export partnerships (note 14), which will be received over the next 10 to 15 years, have been discounted at the Internal Rate of Return and not a market-related rate of interest. For fair presentation purposes, it is noted that any impairment to the participation in export partnerships or the use of any other discount rate will result in a corresponding equal but opposite change in the related deferred taxation liability and thus there would be no impact on the net cash flow statement and the income statement.

26.5 Interest Rate Management

The group is exposed to interest rate risk as it both borrows and invests funds. This risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions.

The effective rates on financial instruments at 31 March 2005 are disclosed in the applicable notes to the financial statements. The terms of maturity are set out below:

				2005	2004
	1 year or less Rm	1 year to 5 years Rm	Non-interest bearing Rm	**Total Rm**	Total Rm
Assets					
Cash	36,2	–	–	**36,2**	29,2
Trade receivables – retail	1 744,3	–	–	**1 744,3**	1 494,4
Private label card receivables	231,6	60,1	–	**291,7**	195,3
Other receivables and prepayments	1,5	–	145,5	**147,0**	71,4
Participation in export partnerships	–	–	211,3	**211,3**	231,9
Loans	–	6,6	–	**6,6**	10,9
Loan receivables	260,3	398,6	–	**658,9**	537,1
Preference share investment	–	200,0	–	**200,0**	200,0
Total financial assets	2 273,9	665,3	356,8	**3 296,0**	2 770,2
Liabilities					
Interest-bearing debt	–	553,4	–	**553,4**	320,4
Short-term loans	2,7	–	–	**2,7**	0,9
Trade and other payables	–	–	952,5	**952,5**	769,2
Provisions	–	–	108,9	**108,9**	101,5
Total financial liabilities	2,7	553,4	1 061,4	**1 617,5**	1 192,0
Net financial assets (liabilities)	2 271,2	111,9	(704,6)	**1 678,5**	1 578,2

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27. **Related-party Transactions**

Transactions Between Group Subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into arm's length transactions. These intragroup transactions have been eliminated on consolidation.

Directors

A number of directors of the company hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. Accordingly, the following are considered to be such entities:

Director	*Entity*	*Position held in entity*
D M Nurek	Investec Bank Ltd	Executive
	Trencor Ltd	Non-executive director
	Lewis Group Ltd	Non-executive director
S E Abrahams	Investec Bank Ltd	Non-executive director
W V Cuba	S Bacher and Company	Chairman
R Stein	The Foschini Group Retirement Fund	Trustee

Transactions include:

1. The group has a general banking facility with Investec Bank Ltd.
2. Certain group subsidiaries participate in export partnerships with Trencor Ltd group entities.
3. The group sells membership of a club, offering various benefits, to its customers on behalf of Lewis Group Ltd, from which it derives certain income.
4. The jewellery division sources supplies from S Bacher and Company, a distributor of well-known brands of watches.
5. A subsidiary administers the group's retirement fund.

No loans have been made to directors.

Executive directors are bound by service contracts.

Certain non-executive directors of the group are also non-executive directors of other public companies which transact with the group. Except as disclosed above, the relevant directors do not believe they have significant influence over the financial or operating policies of those companies. Those entities are therefore not disclosed above.

Messrs D M Polak and R Stein each hold a portion of the outside shareholders' interest in RCS Investment Holdings (Pty) Ltd.

Shares Held by Directors and Their Related Entities

For details of directors' interests refer to note 18.

28. **Post Balance Sheet Event**

No significant events took place between the end of the financial year under review, and the date of signature of these financial statements.

	2005 Rm	2004 Rm
29. **Commitments and Contingent Liabilities**		
Capital Commitments Authorised	**62,8**	–
Forward Exchange Commitments		
The group had forward exchange contracts in various currencies in respect of future commitments, which do not relate to specific balance sheet items. At 31 March 2005 these amounted to:		

	Foreign currency 000's	Rand equivalent (at forward cover rate) R'000
US Dollar	17 095	103 708
Euro	421	3 337
British Pound	105	1 230
		108 275

	2005 Rm	2004 Rm
Contingent Liabilities	**–**	–

There are no known contingent liabilities requiring disclosure.

Foschini Limited and its subsidiaries

	2005 Rm	2004 Rm
30. **Leases**		
The group leases most of its trading premises under operating leases.		
Leases on trading premises are contracted for periods of between five and ten years, with renewal options for a further five years, wherever possible. The lease agreements for certain stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Turnover rentals, where applicable, average approximately 4,5% of turnover. Rental escalations vary, but average at a rate of approximately 8% per annum.		
At 31 March 2005, future non-cancellable minimum lease rentals are as follows:		
Less than one year	**413,6**	360,3
More than one year and less than five years	**1 190,6**	996,9
More than five years	**135,9**	324,1

31. **Employee Benefits**

Retirement Fund

The Foschini Group Retirement Fund, which is governed by the provisions of the Pension Funds Act No. 24 of 1956, is a defined contribution plan. It provides comprehensive retirement and associated benefits for members and their dependants.

All permanent employees of wholly-owned subsidiaries of Foschini Limited are members of the retirement fund. An actuarial valuation of the fund was performed as at 31 December 2003, in which the valuator reported that the fund was in a sound financial position. The next actuarial valuation is due to be performed as at 31 December 2006.

Employees of RCS Cards (Pty) Ltd and RCS Personal Finance (Pty) Ltd, non-wholly-owned subsidiaries, are not members of The Foschini Group Retirement Fund, but receive comparable benefits from the Liberty Life Provident Fund. Employees of subsidiaries trading outside of the borders of South Africa belong to umbrella funds that comply with the legislation of the relevant countries.

The employers and the members make like contributions in respect of retirement benefits. In addition, the employers cover death and disability benefits, reinsurance and administration and management costs.

Medical Aid

The company and its wholly-owned subsidiaries operate a defined benefit medical aid scheme for the benefit of their permanent employees. These costs are charged against income as incurred and amounted to R18,4 (2004: R17,0) million.

Membership of the scheme is voluntary, except for senior employees. Total membership currently stands at 2 235 principal members in South Africa.

An external medical aid scheme, Ingwe Health Plan, was also made available to group employees during the course of this year, and is subsidised by the group in the same way as the scheme mentioned above.The plans offered cater for lower income earners, and 173 employees joined this scheme during the course of the year.

All permanent staff of RCS Cards (Pty) Ltd and RCS Personal Finance (Pty) Ltd, non-wholly-owned subsidiaries, are required to become members of their choice of the medical plans offered by Discovery Health.

Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (see note 22).

The cost of providing post-retirement medical aid has been determined in accordance with AC116 and the charge against income for the year was R6,4 (2004: R7,3) million.

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	2005 Rm	2004 Rm
INCOME STATEMENT		
Profit before taxation*	**233,1**	223,1
Taxation – current year	**23,8**	4,3
Profit attributable to ordinary shareholders after taxation	**209,3**	218,8
* after taking account of:		
Dividends received – subsidiary companies	**191,1**	185,2
– preference	**44,3**	40,0

	2005 Rm	2004 Rm
STATEMENT OF CHANGES IN EQUITY		
Equity at the beginning of the year	**3 341,4**	3 216,6
AC133: Financial instruments adjustment	**–**	60,0
Restated equity at the beginning of the year	**3 341,4**	3 276,6
Profit for the year	**209,3**	218,8
Dividends paid	**(298,2)**	(154,0)
Equity at the end of the year	**3 252,5**	3 341,4

Foschini Limited

	Notes	2005 Rm	2004 Rm
BALANCE SHEET			
Assets			
Non-current assets			
Investment in preference shares	10 and note below	**300,0**	300,0
Interest in subsidiaries	see schedule of subsidiary companies	**1 534,5**	1 992,5
		1 834,5	2 292,5
Current assets			
Interest in subsidiaries	see schedule of subsidiary companies	**1 437,5**	1 072,0
		1 437,5	1 072,0
Total assets		**3 272,0**	3 364,5
Equity and Liabilities			
Capital and reserves			
Share capital	18	**3,4**	3,4
Share premium		**498,7**	498,7
Dividend reserve	19	**245,3**	149,1
Distributable reserve		**2 505,1**	2 690,2
		3 252,5	3 341,4
Current liabilities			
Other payables		**18,5**	22,1
Bank overdraft		**0,1**	0,1
Taxation payable		**0,9**	0,9
		19,5	23,1
Total equity and liabilities		**3 272,0**	3 364,5
Note: Cumulative preference shares, redeemable on 13 June 2011, with dividends payable biannually on 1 October and 1 April, at a rate of 12,4% NACSA. These shares are pledged as security for loans raised by a subsidiary and setoff has been negotiated.			
Guarantee: The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to		**592,8**	362,9

Subsidiaries

BOOK VALUE OF INTEREST

Name of Subsidiary	Notes	Issued Share Capital R	**2005 Cost Rm**	2004 Cost Rm	**2005 Indebtedness Rm**	2004 Indebtedness Rm
Trading subsidiaries						
Foschini Retail Group (Pty) Ltd	2,3,8	2	**102,5**	102,5	**1 858,2**	1 996,9
Retail Credit Solutions (Pty) Ltd	2,8	18 200	**–**	–	**28,3**	44,6
Foschini Services (Pty) Ltd	2,8	10	**–**	–	**–**	137,3
What U Want To Wear (Pty) Ltd	2	66 200	**0,1**	0,1	**–**	–
Markhams (Pty) Ltd	2,7	1	**–**	–	**614,7**	121,6
Fashion Retailers (Pty) Ltd	4	250 006	**0,2**	0,2	**–**	–
Foschini Finance (Pty) Ltd	2,7	6	**–**	–	**164,0**	458,3
Foschini Stores (Pty) Ltd	2	1	**–**	–	**–**	–
Foschini Botswana (Pty) Ltd	6	636 900	**0,6**	0,6	**–**	–
Foschini Swaziland (Pty) Ltd	5	2	**–**	–	**–**	–
Foschini Investments (Pty) Ltd	2 ,7	10	**–**	–	**200,0**	200,0
Total trading subsidiaries			**103,4**	103,4	**2 865,2**	2 958,7
Other*			**2,6**	2,6	**0,8**	(0,2)
Total			**106,0**	106,0	**2 866,0**	2 958,5
Summary						
Investment in shares at cost					**106,0**	106,0
Amounts owing by subsidiaries – non-current portion					**1 428,5**	1 886,5
Total non-current portion					**1 534,5**	1 992,5
Amounts owing by subsidiaries – current portion					**1 437,5**	1 072,0
Total interest in subsidiaries					**2 972,0**	3 064,5

There has been a change in the classification of amounts owing by subsidiaries. In prior years, the current portion was not disclosed separately.

Notes

1. The company owns, directly or indirectly, all the ordinary shares in the subsidiaries listed above.
2. Incorporated in South Africa.
3. Included is an amount of R102,5 (2004: R102,5) million representing the fair value of 102 500 R1 preference shares issued 28 February 2002 – directors' valuation at 31 March 2005: R102,5 (2004: R102,5) million.
4. Incorporated in Namibia.
5. Incorporated in Swaziland.
6. Incorporated in Botswana.
7. These loans to subsidiaries are unsecured, interest free and no fixed date for repayment has been determined.
8. These loans to subsidiaries are unsecured, interest free until 30 June 2006 and repayable in annual instalments on 30 June of each year, dependent on profits of the previous financial year.

* A schedule of these details is available on request.