ANNUAL FINANCIAL STATEMENTS

APPROVALS

GROUP ANNUAL FINANCIAL STATEMENTS

COMPANY ANNUAL FINANCIAL STATEMENTS

Directors' Approval, Company Secretary's Certificate and Report of the Independent Auditors

Directors' Approval

The board of directors (the board) is responsible for the content and integrity of the group annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the financial year, in conformity with International Financial Reporting Standards. The group's external auditors are engaged to express an independent opinion on the group annual financial statements.

The group annual financial statements are prepared in accordance with International Financial Reporting Standards. The accounting policies, unless otherwise stated, are consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal control and review its operation primarily through the Audit and Risk committees and various other management systems.

A strong control environment is maintained by applying a risk-based system of internal accounting and administrative controls and by ensuring adequate segregation of duties. In addition, Group Audit Services (internal audit) conduct specific risk based audits and co-ordinate audit coverage with the external auditors.

The directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have every reason to believe that the group 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 79 to 109 were approved by the Board on 25 May 2006 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 all such returns are, to the best of my knowledge and belief, true, correct and up to date.

R Stein
Secretary
25 May 2006

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 79 to 109, for the year ended 31 March 2006. 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.

Scope
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 about whether 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.

Audit 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 2006, and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)
Cape Town
25 May 2006

Foschini Limited and its subsidiaries

Nature of Business
Foschini Limited is an investment holding company whose subsidiaries, through their retail operating divisions – Foschini, branded as Foschini, Donna Claire, Fashion Express and Luella; Markham; Exact; TFG Apparel Supply Company; The Sports Division, branded as Sportscene, Totalsports and DueSouth; The Jewellery Division, branded as American Swiss, Matrix and Sterns; @home, branded as @home and @homelivingspace; and Foschini Retail Credit – retail clothing, jewellery, accessories, cosmetics, sporting and outdoor apparel and equipment and homewares to the broad, middle-income group throughout southern Africa.

Its financial services divisions offer pre-approved loans, mainly to qualifying customers of the group, through RCS Personal Finance (Pty) Ltd: and credit to customers of merchants outside of the group, through RCS Cards (Pty) Ltd.

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 0,6% of the group's turnover.

General review
The financial results are reflected in the annual financial statements on pages 79 to 109.

Share capital
The group's share buy back programme commenced at the end of May 2001. At 31 March 2006, 16,9 million shares are held by a subsidiary, and a further 11,0 million by the group's share incentive trust. These shares, representing 11,6% of the company's issued share capital are treated as treasury shares and have been eliminated on consolidation. Further details of the authorised and issued share capital are reflected in note 13.

Dividends
Interim Ordinary
The directors declared an interim ordinary dividend of 80 cents per ordinary share, which was paid on 9 January 2006 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 6 January 2006.

Final Ordinary
The directors declared a final ordinary dividend of 140 cents per ordinary share payable on Monday, 17 July 2006 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 14 July 2006.

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

26 September 2005 - R13 000
(27 September 2004 - R13 000)
27 March 2006 - R13 000
(29 March 2005 - R13 000).

Directors
The names of the company's directors appear on pages 10 and 11 of this report.

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

E Osrin (independent non-executive, D M Nurek (independent non-executive),Prof. F Abrahams (independent non-executive), D M Polak (executive).

For details of directors' interests in the company's issued shares, refer to note 13. Details of directors' remuneration are set out in note 30.

Secretary
The company secretary of Foschini Limited is Mr R Stein. His business and postal address appear in the Administration section of this report.

Subsidiaries
The names of, and certain financial information relating to the company's key subsidiaries appear in Appendix 1.

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

	2006 Rm	2005 Rm
Profits	**977,5**	748,8
Losses	**–**	–
Net consolidated profit after taxation	**977,5**	748,8

Special resolutions
On 31 August 2005 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 30 August 2006 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 13.

Post balance sheet event
Details are reflected in note 20.

Group Balance Sheet

as at 31 March

Foschini Limited and its subsidiaries

	Note	2006 Rm	2005 Restated Rm
ASSETS			
Non-current assets			
Property, plant and equipment	3	**600,8**	473,4
Goodwill	4	**28,6**	28,6
Preference share investment	5	**–**	200,0
Loans	6	**4,1**	6,6
Private label card receivables	7	**90,1**	60,1
Loan receivables	8	**497,6**	398,6
Participation in export partnerships	9	**108,6**	120,7
Deferred taxation	10	**211,9**	209,9
		1 541,7	1 497,9
Current assets			
Inventory	11	**1 090,8**	912,1
Preference share investment	5	**200,0**	–
Trade receivables – retail	12	**2 116,6**	1 744,3
Private label card receivables	7	**390,0**	231,6
Other receivables and prepayments		**181,9**	147,0
Loan receivables	8	**319,9**	260,3
Participation in export partnerships	9	**8,5**	90,6
Cash		**62,5**	36,2
		4 370,2	3 422,1
Total assets		**5 911,9**	4 920,0
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Foschini Limited			
Share capital	13.2	**3,1**	3,1
Share premium		**498,7**	498,7
Treasury shares		**(595,5)**	(418,7)
Dividend reserve	14	**336,6**	245,3
Hedging (deficit) reserve		**(1,6)**	1,7
Share-based payments reserve		**41,7**	22,7
Retained earnings		**2 839,9**	2 144,0
		3 122,9	2 496,8
Minority interest	15	**88,9**	16,0
Total equity		**3 211,8**	2 512,8
Non-current liabilities			
Interest-bearing debt	16	**797,0**	553,4
Operating lease liability		**318,1**	324,9
Deferred taxation	10	**153,9**	160,3
		1 269,0	1 038,6
Current liabilities			
Short-term loans		**8,0**	2,7
Trade and other payables	17	**982,3**	952,5
Taxation payable		**327,9**	304,5
Employee benefit accruals	18	**112,9**	108,9
		1 431,1	1 368,6
Total liabilities		**2 700,1**	2 407,2
Total equity and liabilities		**5 911,9**	4 920,0

Foschini Limited and its subsidiaries

	Note	% Change	2006 Rm	2005 Restated Rm
Revenue	22		**7 306,7**	5 994,4
Retail turnover		21,8	**6 432,1**	5 279,3
Cost of turnover			**3 707,9**	2 999,5
Gross profit			**2 724,2**	2 279,8
Interest received	23		**644,1**	488,9
Dividends received			**13,4**	14,3
Net trading expenses	24		**(1 814,4)**	(1 578,2)
Operating profit before finance charges	24		**1 567,3**	1 204,8
Interest paid			**79,1**	58,4
Profit before tax		29,8	**1 488,2**	1 146,4
Income tax expense	25		**479,2**	368,6
Profit for the year			**1 009,0**	777,8
Attributable to:				
Equity holders of Foschini Limited		28,7	**986,9**	767,0
Minority interests			**22,1**	10,8
Profit for the year			**1 009,0**	777,8
Earnings per ordinary share (cents)	26	28,8	**463,0**	359,6
Diluted earnings per ordinary share (cents)		28,1	**449,6**	351,1
Dividend per ordinary share (cents)				
– interim		29,0	**80,0**	62,0
– final		37,3	**140,0**	102,0
		34,1	**220,0**	164,0

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 2004 as previously stated	3,1	498,7	(269,9)	145,1	1 914,4	10,1	2 301,5
IFRS transitional adjustments:							
– Property: fair value used as deemed cost					77,1		77,1
– Share-based payments reserve movements				9,0	(9,0)		–
Change in accounting for operating leases					(245,5)		(245,5)
Equity at 31 March 2004 after IFRS and other adjustments	3,1	498,7	(269,9)	154,1	1 737,0	10,1	2 133,1
Restated profit					767,0	10,8	777,8
Profit for the year as previously stated					767,3	10,8	778,1
IFRS adjustments:							
– Property depreciation					(2,2)		(2,2)
– Share-based payments					(13,7)		(13,7)
Change in accounting for operating leases					15,6		15,6
Share-based payments reserve movements				13,7			13,7
Change in degree of control						(3,3)	(3,3)
Transfer from dividend reserve				(149,1)	149,1		–
Dividends paid					(263,8)	(1,6)	(265,4)
Transfer to dividend reserve				245,3	(245,3)		–
Delivery of shares by share trust			34,4				34,4
Shares purchased by share trust			(183,2)				(183,2)
Unrealised gain on hedging instruments				5,7			5,7
Equity at 31 March 2005 restated	3,1	498,7	(418,7)	269,7	2 144,0	16,0	2 512,8
Profit for the year					986,9	22,1	1 009,0
Change in degree of control						74,7	74,7
Profit on dilution of interest in subsidiary					189,1		189,1
Share-based payments reserve movements				19,0			19,0
Transfer from dividend reserve				(245,3)	245,3		–
Dividends paid					(388,8)	(23,9)	(412,7)
Transfer to dividend reserve				336,6	(336,6)		–
Delivery of shares by share trust			80,1				80,1
Shares purchased by share trust			(256,9)				(256,9)
Unrealised loss on hedging instruments				(3,3)			(3,3)
Equity at 31 March 2006	**3,1**	**498,7**	**(595,5)**	**376,7**	**2 839,9**	**88,9**	**3 211,8**

Group Cash Flow Statement

for the years ended 31 March

Foschini Limited and its subsidiaries

	Note	2006 Rm	2005 Restated Rm
Cash flows from operating activities			
Operating profit before working capital changes	32.1	**1 085,9**	835,3
Increase in working capital	32.2	**(555,4)**	(340,0)
Cash generated by operations		**530,5**	495,3
Increase in private label card receivables		**(188,4)**	(96,4)
Increase in loan receivables		**(158,6)**	(121,8)
Interest received		**644,1**	488,9
Interest paid		**(79,1)**	(58,4)
Taxation paid	32.3	**(464,2)**	(355,5)
Dividends paid	32.4	**(412,7)**	(265,4)
Net cash (outflows) inflows from operating activities		**(128,4)**	86,7
Cash flows from investing activities			
Purchase of property, plant and equipment		**(282,7)**	(184,3)
Proceeds from sale of property, plant and equipment		**4,8**	5,4
Decrease in participation in export partnerships		**94,2**	20,6
Decrease in loans		**2,5**	2,2
Shares purchased by share trust		**(256,9)**	(183,2)
Acquisition of additional interest in subsidiary		**–**	(9,6)
Proceeds on dilution of interest in subsidiary	32.5	**263,8**	–
Net cash outflows from investing activities		**(174,3)**	(348,9)
Cash flows from financing activities			
Proceeds on delivery of shares by share trust		**80,1**	34,4
Increase in interest-bearing debt		**243,6**	233,0
Increase in short-term loans		**5,3**	1,8
Net cash inflows from financing activities		**329,0**	269,2
Net increase in cash and cash equivalents during the year		**26,3**	7,0
Cash and cash equivalents at the beginning of the year		**36,2**	29,2
Cash and cash equivalents at the end of the year		**62,5**	36,2

Group Segmental Analysis

for the years ended 31 March

Foschini Limited and its subsidiaries

	Financial Services		Retail		Consolidated	
	2006	2005 Restated	**2006**	2005 Restated	**2006**	2005 Restated
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
REVENUE*						
External	**494,5**	380,0	**6 812,2**	5 614,4	**7 306,7**	5 994,4
Inter-segment	**–**	–	**–**	–	**–**	–
Total revenue	**494,5**	380,0	**6 812,2**	5 614,4	**7 306,7**	5 994,4
SEGMENT RESULT						
Operating profit before finance charges	**317,1**	248,8	**1 250,2**	956,0	**1 567,3**	1 204,8
External	**(7,8)**	(5,8)	**(71,3)**	(52,6)	**(79,1)**	(58,4)
Inter-segment	**(56,2)**	(48,9)	**56,2**	48,9	**–**	–
Interest paid	**(64,0)**	(54,7)	**(15,1)**	(3,7)	**(79,1)**	(58,4)
Income tax expense	**(73,5)**	(58,7)	**(405,7)**	(309,9)	**(479,2)**	(368,6)
Profit for the year	**179,6**	135,4	**829,4**	642,4	**1 009,0**	777,8
* Includes retail turnover, interest received and other income						
SEGMENT ASSETS						
Non-current assets	**609,9**	461,2	**931,8**	1 036,7	**1 541,7**	1 497,9
Current assets	**747,1**	508,4	**3 623,1**	2 913,7	**4 370,2**	3 422,1
Inter-segment assets	**12,9**	12,9	**(12,9)**	(12,9)	**–**	–
Total assets	**1 369,9**	982,5	**4 542,0**	3 937,5	**5 911,9**	4 920,0
SEGMENT LIABILITIES						
Non-current liabilities (assets)	**224,6**	(13,7)	**1 044,4**	1 052,3	**1 269,0**	1 038,6
Current liabilities	**143,2**	76,7	**1 287,9**	1 291,9	**1 431,1**	1 368,6
Inter-segment liabilities	**676,4**	697,7	**(676,4)**	(697,7)	**–**	–
Total liabilities	**1 044,2**	760,7	**1 655,9**	1 646,5	**2 700,1**	2 407,2
SEGMENT INFORMATION						
Capital expenditure	**3,6**	1,8	**279,1**	182,5	**282,7**	184,3
Depreciation	**1,8**	1,9	**147,1**	122,4	**148,9**	124,3

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 impairments. 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 are eliminated on consolidation.

Foschini Limited and its subsidiaries

1. **Accounting Policies**

Foschini Limited is domiciled in South Africa. The consolidated financial statements of the company for the year ended 31 March 2006 comprise the company and its subsidiaries (together referred to as the "group").

The financial statements were authorised for issue by the directors on 25 May 2006.

The financial statements are presented in South African Rands, rounded to the nearest million, unless otherwise stated.

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from South African Statements of Generally Accepted Accounting Practice (SA GAAP) to IFRS are set out in note 2.

In addition, the group adopted the additional guidance to IAS 17 (Leases) provided in the SAICA circular 7/2005 (Leases). Escalations in operating lease rentals are now no longer recognised in the periods they are actually incurred, but are now charged in the income statement on a straight-line basis over the term of the leases. Refer note 28.

The principal accounting policies adopted are set out below:

Basis of Preparation

The annual financial statements are prepared on the going concern and historical cost bases, except where otherwise stated.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company, its subsidiaries and the share trust. The financial statements of subsidiaries are prepared for the consistent reporting period using consistent accounting policies.

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. Gains made on dilution of interest in subsidiaries are recognised in equity.

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

The financial statements of foreign operations that are integral to the operations of the reporting enterprise are translated in terms of the accounting policy on foreign currencies.

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.

Defined contribution plans

Contributions to defined contribution funds are determined as a percentage of pensionable salaries and are charged against income as incurred.

Defined benefit plans

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.

Post retirement benefits

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

Equity compensation benefits

The group grants share options to certain employees under an employee share plan. The fair value of options granted to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date using an acturial binomial option pricing model and is spread over the option term. Costs incurred in administering the schemes are expensed as incurred.

Foschini Limited and its subsidiaries

Expenses

Interest paid
Interest paid comprises interest payable on borrowings calculated using the effective interest rate method.

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 recognised at fair value including transaction costs that are directly attributable to the acquisition or issue of the financial instrument. 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.

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 trade and other payables 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 accumulated impairment losses. Trade receivables – retail originated by the group are stated at cost less accumulated impairment losses. 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 trade and other payables 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.

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, except for impairment adjustments which are recognised in the income statement.

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.

Derecognition
Financial instruments are derecognised where the group transfers the risks and rewards associated with the financial instrument. Derecognition normally occurs when the instrument is sold or all the cash flows associated with the instrument are passed to an independent third party.

Foreign Currencies

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates.

Foschini Limited and its subsidiaries

Transactions in currencies other than the entity's functional currency are recognised at the rates of exchange ruling on the transaction date.

Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at the balance sheet date.

As at the balance sheet date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year.

Gains and losses arising on translation are recognised in profit or loss.

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 not 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.

To the extent that they are effective, 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 a non-financial asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the non-financial 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 or forecast transaction affects profit or loss. The ineffective portion of any gain or loss is recognised immediately in the income statement.

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 fair value less costs to sell. The fair value less costs to sell 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 less an allowance for slow moving items. 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 cost or deemed 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.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Property, plant and equipment, including capitalised leased assets are depreciated on a straight-line basis over the periods of their estimated useful lives to their expected residual values, 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.

Foschini Limited and its subsidiaries

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.

Segmental Reporting

The group is primarily a retailer of fashion goods, sports apparel, jewellery, cosmetics, cellphones and homewares 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 loans, RCS Cards and RCS private label cards.

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. 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.

Significant Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements made in applying the group's accounting policies, that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

Trade receivables impairment

Trade receivables are disclosed net of any accumulated impairment losses. The calculation of the impairment amount is performed using the internationally recognised MARKOV model. The MARKOV model uses delinquency roll rates on customer balances to determine the inherent bad debt in a debtors book. The directors believe that the application of the MARKOV model results in trade receivables balances being fairly valued.

Further estimates and judgements are made relating to allowances for slow-moving inventory; residual values, useful lives and depreciation methods; goodwill impairment tests (refer note 4); estimating the fair value of share options granted (refer note 13.5); and pension fund and employee obligations (refer note 29).

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.

Treasury Shares

Foschini Limited 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

2. **Transition to IFRS**

This is the first year that the group is reporting under IFRS. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2006, all comparative information and the opening IFRS balance sheet at 1 April 2004 being the date of transition to IFRS.

In preparing the opening IFRS balance sheet, comparative information previously reported in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) has been adjusted.

The group has adopted the following transitional arrangements:

IFRS 1 First-time Adoption
The fair value of buildings at the transition date was adopted as the deemed cost.

IFRS 2 Share-based Payments
The group has elected not to apply the provisions of IFRS 2 Share-based Payments to its equity-settled share options granted on or before 7 November 2002, or to options granted after that date but which had already vested prior to the date of transition.

IFRS 3 Business Combinations
The group has elected not to retrospectively apply the requirements of IFRS 3 Business Combinations for business combinations that occurred prior to 31 March 2004 and consequently no adjustment has been made for historical business combinations. In addition, goodwill is not amortised, but is tested for impairment on an annual basis.

The material adjustments, after accounting for the operating lease adjustment are shown below (refer note 28).

Statement of changes in equity for the year ended 31 March 2004

		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 2004 after operating lease adjustment		3,1	498,7	(269,9)	145,1	1 668,9	10,1	2 056,0
Adjusted for IFRS								
IFRS 1 First-time Adoption	Note 2.2					77,1		77,1
IFRS 2 Share-based Payments	Note 2.3				9,0	(9,0)		–
Equity at 31 March 2004 after IFRS and other adjustments		3,1	498,7	(269,9)	154,1	1 737,0	10,1	2 133,1

Foschini Limited and its subsidiaries

2. **Transition to IFRS** continued
Balance sheet as at 31 March 2005

	2005 As Previously Stated* Rm	Note 2.1 Amounts Restated/ Reclassified	2005 Restated for Leases and Other Rm	Note 2.2 IFRS 1 Rm	Note 2.3 IFRS 2 Rm	2005 Restated Rm
ASSETS						
Non-current assets						
Property, plant and equipment	370,0		370,0	103,4		473,4
Goodwill	28,6		28,6			28,6
Preference share investment	200,0		200,0			200,0
Loans	6,6		6,6			6,6
Private label card receivables	60,1		60,1			60,1
Loan receivables	398,6		398,6			398,6
Participation in export partnerships	120,7		120,7			120,7
Deferred taxation	215,5	(6,4)	209,1	0,8		209,9
	1 400,1	(6,4)	1 393,7	104,2	–	1 497,9
Current assets						
Inventory	912,1		912,1			912,1
Trade receivables – retail	1 744,3		1 744,3			1744,3
Private label card receivables	231,6		231,6			231,6
Other receivables and prepayments	147,0		147,0			147,0
Loan receivables	260,3		260,3			260,3
Participation in export partnerships	90,6		90,6			90,6
Cash	36,2		36,2			36,2
	3 422,1	–	3 422,1	–	–	3 422,1
Total assets	4 822,2	(6,4)	4 815,8	104,2	–	4 920,0
EQUITY AND LIABILITIES						
Equity attributable to equity holders of Foschini Limited						
Share capital	3,1		3,1			3,1
Share premium	498,7		498,7			498,7
Treasury shares	(440,5)	21,8	(418,7)			(418,7)
Dividend reserve	245,3		245,3			245,3
Hedging reserve	1,7		1,7			1,7
Share-based payments reserve	–		–		22,7	22,7
Retained earnings	2 076,2	15,6	2 091,8	74,9	(22,7)	2 144,0
	2 384,5	37,4	2 421,9	74,9	–	2 496,8
Minority interest	16,0		16,0			16,0
Total equity	2 400,5	37,4	2 437,9	74,9	–	2 512,8
Non-current liabilities						
Interest-bearing debt	553,4		553,4			553,4
Operating lease liability	346,9	(22,0)	324,9			324,9
Deferred taxation	131,0		131,0	29,3		160,3
	1 031,3	(22,0)	1 009,3	29,3	–	1 038,6
Current liabilities						
Short-term loans	2,7		2,7			2,7
Trade and other payables	952,5		952,5			952,5
Taxation payable	326,3	(21,8)	304,5			304,5
Employee benefit accruals	108,9		108,9			108,9
	1 390,4	(21,8)	1 368,6	–	–	1 368,6
Total liabilities	2 421,7	(43,8)	2 377,9	29,3	–	2 407,2
Total equity and liabilities	4 822,2	(6,4)	4 815,8	104,2	–	4 920,0

*Amounts reflected are after the adjustment in respect of operating leases.

Foschini Limited and its subsidiaries

2. **Transition to IFRS** continued

Income statement for the year ended 31 March 2005

	2005 As Previously Stated Rm	Note 2.1 Amounts Restated/ Reclassified	2005 Restated for Leases Rm	Note 2.2 IFRS 1 Rm	Note 2.3 IFRS 2 Rm	2005 Restated Rm
Revenue	5 994,4		5 994,4			5 994,4
Retail turnover	5 279,3		5 279,3			5 279,3
Cost of turnover	2 999,5		2 999,5			2 999,5
Gross profit	2 279,8		2 279,8			2 279,8
Interest received	488,9		488,9			488,9
Dividends received	14,3		14,3			14,3
Net trading expenses	(1 583,3)	22,0	(1 561,3)	(3,2)	(13,7)	(1 578,2)
Operating profit before finance charges	1 199,7	22,0	1 221,7	(3,2)	(13,7)	1 204,8
Interest paid	58,4		58,4			58,4
Profit before tax	1 141,3	22,0	1 163,3	(3,2)	(13,7)	1 146,4
Income tax expense	363,2	6,4	369,6	(1,0)		368,6
Profit for the year	778,1	15,6	793,7	(2,2)	(13,7)	777,8
Attributable to:						
Equity holders of Foschini Limited	767,3	15,6	782,9	(2,2)	(13,7)	767,0
Minority interests	10,8	–	10,8	–	–	10,8
Profit for the year	778,1	15,6	793,7	(2,2)	(13,7)	777,8

Note 2.1: Amounts Restated/Reclassified

Certain amounts were restated as a result of adopting the additional guidance to IAS 17 (Leases). Refer note 28.

Certain amounts were restated due to a reclassification between equity and current liabilities.

Note 2.2: IFRS 1 – First-time Adoption

The fair value of buildings was adopted as deemed cost and the depreciation adjusted accordingly.

The corresponding net credit to equity is stated net of the relevant tax effect.

Note 2.3: IFRS 2 – Share-based Payments

In accordance with the requirements of IFRS 2, the group has recognised an expense in the income statement, with a corresponding credit to equity, representing the fair value of outstanding employee share options with regards to its equity-settled scheme. The fair value at the grant date is charged to income over the relevant option term.

Foschini Limited and its subsidiaries

	2006 Rm	2005 Rm
3. Property, Plant and Equipment		
Land and buildings		
At deemed cost/cost	**231,4**	64,1
Valuation to deemed cost	**–**	106,6
Accumulated depreciation	**(46,6)**	(42,7)
Net book value at the end of the year	**184,8**	128,0
Shopfitting, equipment and vehicles		
At cost	**1 389,6**	1 174,0
Accumulated depreciation	**(973,6)**	(828,6)
Net book value at the end of the year	**416,0**	345,4
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	**1 638,5**	1 255,6
Valuation to deemed cost	**–**	106,6
Accumulated depreciation	**(1 037,7)**	(888,8)
Net book value at the end of the year	**600,8**	473,4

Analysis of movements	Land and buildings	Shop-fitting, equipment and vehicles	Total
Net book value at 1 April 2004 as previously stated	13,0	302,6	315,6
IFRS transitional adjustment – valuation to deemed cost	106,6	–	106,6
Restated net book value at 1 April 2004	119,6	302,6	422,2
Additions	11,6	172,7	184,3
Disposals	–	(8,8)	(8,8)
Depreciation	(3,2)	(121,1)	(124,3)
Restated net book value at 31 March 2005	128,0	345,4	473,4
Additions	60,7	222,0	282,7
Disposals	–	(6,4)	(6,4)
Depreciation	(3,9)	(145,0)	(148,9)
Net book value at 31 March 2006	184,8	416,0	600,8

None of the group's assets are in any way encumbered.
Registers of the land and buildings are available for inspection at the head office of the company at Parow East.

Foschini Limited and its subsidiaries

	2006 Rm	2005 Rm
4. Goodwill		
Carrying amount at the beginning of the year – under SA GAAP		
– cost		40,3
– accumulated amortisation netted off against cost		(18,0)
		22,3
Arising on acquisition		6,3
Carrying amount at the end of the year – under IFRS	**28,6**	28,6
Closing carrying amount comprises:		
Totalsports acquisition	**9,3**	9,3
RCS Personal Finance piecemeal acquisition	**17,7**	17,7
Instinct brand	**1,6**	1,6
	28,6	28,6

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets acquired.

In line with the requirements of IFRS 3/AC 140 (Business Combinations), goodwill is not amortised.

The carrying amount of goodwill has been reflected as the deemed cost of the goodwill.

No impairment losses have been recognised as the recoverable amounts exceed the carrying amounts.

The following significant assumptions have been applied when reviewing the goodwill impairment:
– asset values have been based on the carrying amounts for the financial period;
– profit for the year has been based on actual amounts for the financial period;
– future expected profits have been estimated using historical information and approved budgets; and
– rate of return has been determined by using risk-free rate, systematic risk rate and beta.

	2006 Rm	2005 Rm
5. Preference Share Investment		
Cumulative preference shares	**200,0**	200,0
Deduct amount redeemable within one year, included in current assets	**200,0**	–
	–	200,0

Comprises two investments of R100 million each, both redeemable on 3 June 2006, with dividends payable biannually on 30 November and 31 May. These investments earn interest at a rate of 63,5% of prime and 63,75% of prime respectively, compounded semi annually.

	2006 Rm	2005 Rm
6. Loans		
Housing loans	**5,4**	8,1
Deduct amount to be repaid within one year, included in other receivables and prepayments	**1,3**	1,5
	4,1	6,6

Housing loans made to employees are secured by mortgage bonds, bear interest at varying rates linked to prime and are repayable over varying periods, not exceeding 20 years.

	2006 Rm	2005 Rm
7. Private Label Card Receivables		
Private label card receivables	**480,1**	291,7
Deduct amount to be repaid within one year, included in current assets	**390,0**	231,6
	90,1	60,1

Private label card receivables comprise a number of individual unsecured revolving card accounts, which either attract interest at a variable rate as per the Usury Act or are interest free accounts on a three-month repayment plan. The effective interest rate on these receivables for the year under review is 25,1%. The amounts are repayable over periods not exceeding two years.

These receivables have been ceded to the Standard Bank of South Africa Limited (SBSA) as security for the loan advanced by SBSA to RCS Investment Holdings (Pty) Ltd. Refer note 16.

Foschini Limited and its subsidiaries

	2006 Rm	2005 Rm
8. Loan Receivables		
Loan receivables	**817,5**	658,9
Deduct amount to be repaid within one year, included in current assets	**319,9**	260,3
	497,6	398,6

Loan receivables comprise a number of individual unsecured loans. The loans bear interest at fixed rates determined on the initial advance of the loan based on the risk profile of the customer. The effective rate of interest earned during the year under review is 36,0%.

These receivables have been ceded to the Standard Bank of South Africa Limited (SBSA) as security for the loan advanced by SBSA to RCS Investment Holdings (Pty) Ltd. Refer note 16.

	2006 Rm	2005 Rm
9. Participation in Export Partnerships		
Certain subsidiary companies participated in various export partnerships, whose business was the purchase and export sale of containers. The partnerships bought and sold the containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10 to 15-year period. (Refer note 19.)	**117,1**	211,3
Deduct amount to be repaid within one year, included in current assets	**8,5**	90,6
	108,6	120,7
10. Deferred Taxation		
Balance at 1 April	**16,9**	150,6
IFRS and other transitional adjustments:		
Operating leases	**(94,8)**	(101,2)
Capital allowances	**28,3**	29,3
Balance at 1 April after IFRS and other adjustments	**(49,6)**	78,7
Secondary tax on companies	**(9,8)**	–
Operating leases	**2,0**	6,4
Working capital allowances	**4,5**	(47,9)
Capital allowances	**(0,5)**	8,5
Restraint of trade	**1,8**	3,8
Export partnerships (refer note 9)	**(6,4)**	(98,6)
Tax rate	**–**	(0,5)
At 31 March	**(58,0)**	(49,6)
Arising as a result of:		
Deferred tax assets		
– Secondary tax on companies	**(9,8)**	–
– Operating leases	**(92,8)**	(94,8)
– Working capital changes	**(105,9)**	(110,4)
– Capital allowances	**(3,4)**	(2,9)
– Restraint of trade	**–**	(1,8)
Deferred tax asset	**(211,9)**	(209,9)
Deferred tax liability		
– Capital allowances	**29,3**	29,3
– Export partnerships (refer note 9)	**124,6**	131,0
Deferred tax liability	**153,9**	160,3
Total deferred tax	**(58,0)**	(49,6)

Foschini Limited and its subsidiaries

	2006 Rm	2005 Rm
11. **Inventory**		
Merchandise	**1 045,8**	819,2
Raw materials	**20,0**	25,2
Goods in transit	**25,0**	67,7
	1 090,8	912,1
12. **Trade Receivables – Retail**		
6-month revolving credit	**1 466,0**	1 249,0
12-month extended credit	**650,6**	495,3
	2 116,6	1 744,3

The effective rate of interest earned on the above receivables during the year under review is 12,1%.

13. **Share Capital**

13.1 Authorised

	2006 Rm	2005 Rm
200 000 (2005: 200 000) 6,5% Cumulative Preference Shares of R2 each	**0,4**	0,4
600 000 000 (2005: 600 000 000) Ordinary Shares of 1,25 cents each	**7,5**	7,5
	7,9	7,9

	Number of shares			
	2006	2005	**2006 Rm**	2005 Rm
13.2 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 held by subsidiary	**(16 877 827)**	(16 877 827)	**(0,2)**	(0,2)
Shares held by share incentive trust	**(11 049 675)**	(11 755 862)	**(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	**212 570 739**	211 864 552	**2,7**	2,7
Preference share capital				
200 000 (2005: 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

13.3 Unissued

In terms of the provisions of the Companies Act No 61 of 1973, and limited to the issuing of shares in terms of the company's obligations under the staff share incentive schemes, the unissued ordinary shares are under the control of the directors only until the forthcoming annual general meeting.

In terms of a special resolution passed at the annual general meeting of the company on 31 August 2005 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 Limited 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.

13.4 Treasury shares

As at 31 March 2006 a subsidiary, Foschini Stores (Pty) Ltd, held 16 877 827 (2005: 16 877 827) shares, representing 7,0% (2005: 7,0%) of the company's share capital, as shown above. The Foschini Share Incentive Trust held 11 049 675 (2005: 11 755 862) shares, representing 4,6% (2005: 4,9%) of the company's share capital.

Foschini Limited and its subsidiaries

	2006	2005
13. **Share Capital** continued		
13.5 Share incentive scheme		
Certain employees of the group participate in the share incentive scheme.		
The scheme rules provide that delivery and payment for the shares takes place in three equal tranches on the second, fourth and sixth anniversary of the date on which the options were exercised.		
The fair value of options granted after 7 November 2002 was determined using an adjusted binomial option-pricing model. The assumptions used in determining the fair value are as follows:		
Options granted and exercised during the financial year ending 31 March		
Exercise price	**R36,36 to R52,41**	R28,50 to R40,00
Expected volatility	**27,0% to 32,7%**	25,8% to 35,7%
Expected dividend yield	**3,5%**	3,5%
Risk-free interest rate	**7,1% to 8,0%**	7,0% to 8,5%
The group recognised total expenses of R19,0 (2005: R13,7) million related to these equity-settled share-based payment transactions during the year.		
Details of the share options outstanding at the end of the year are set out below.		

		Number of share options	
		2006	2005
Foschini Staff Share Incentive Scheme (1990)			
Options granted, but not exercised at 1 April		**38 017**	221 585
Options exercised during the year		**(19 009)**	(183 568)
Options cancelled during the year		**–**	–
Options granted, but not exercised at 31 March		**19 008**	38 017
Options may be exercised during the following financial year:			
Year	Average price		
2007	R10,23	**19 008**	
Foschini 1997 Share Option Scheme			
Options exercised, subject to future delivery, at 1 April		**23 063 718**	19 601 787
Options exercised during the year, subject to future delivery		**115 254**	5 479 000
Options delivered during the year		**(6 137 242)**	(2 017 069)
Options exercised, subject to future delivery, at 31 March		**17 041 730**	23 063 718
Options will be delivered during the following financial years:			
Year	Average price		
2007	R24,11	**2 958 817**	
2008	R12,03	**6 169 341**	
2009	R36,01	**1 779 608**	
2010	R14,60	**4 245 642**	
2011	R36,01	**1 779 784**	
2012	R40,00	**108 538**	
		17 041 730	
Both schemes are administered by The Foschini Share Incentive Trust which holds shares in Foschini Limited as follows:			
Shares held at the beginning of the year		**11 755 862**	5 241 799
Options exercised during the year		**(19 009)**	(183 568)
Shares delivered during the year		**(6 137 242)**	(2 017 069)
Shares purchased during the year		**5 450 064**	8 714 700
Shares held at the end of the year		**11 049 675**	11 755 862

Foschini Limited and its subsidiaries

13. **Share Capital** continued

13.6 **Directors' Interest**

At 31 March 2006, the directors were interested in the company's issued shares as follows:

	Shares 000's	Options exercised 000's	Price per share R	Year of delivery	**2006** Total 000's	2005 Total 000's
Non-executive						
E Osrin (beneficial)	100,0	–	–	–	**100,0**	100,0
D M Nurek (non-beneficial)	10,0	–	–	–	**10,0**	10,0
S E Abrahams	–	–	–	–	**–**	–
Prof. F Abrahams	–	–	–	–	**–**	–
L F Bergman	–	–	–	–	**–**	–
W V Cuba	–	–	–	–	**–**	–
N H Goodwin (beneficial)	27,0	–	–	–	**27,0**	27,0
	137,0	–	–	–	**137,0**	137,0
M Lewis (beneficial)	222,1	–	–	–	**222,1**	222,1
M Lewis (non-beneficial)	16 376,6	–	–	–	**16 376,6**	21 376,6
	16 598,7	–	–	–	**16 598,7**	21 598,7
Total non-executive	16 735,7	–	–	–	**16 735,7**	21 735,7
Executive						
D M Polak (beneficial)	1 038,0	–	–	–	**1 038,0**	724,5
D M Polak (non-beneficial)	212,0	–	–	–	**212,0**	212,0
D M Polak	–	–	9,70	2006	**–**	302,5
D M Polak	–	–	6,35	2006	**–**	413,3
D M Polak	–	–	16,60	2006	**–**	283,3
D M Polak	–	–	18,80	2006	**–**	200,0
D M Polak	–	200,0	36,00	2007	**200,0**	200,0
D M Polak	–	302,5	9,70	2008	**302,5**	302,5
D M Polak	–	479,2	6,35	2008	**479,2**	479,2
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**	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**	200,0
	1 250,0	2 650,8	–	–	**3 900,8**	4 786,4
R Stein (beneficial)	367,5	–	–	–	**367,5**	322,4
R Stein (non-beneficial)	275,7	–	–	–	**275,7**	205,2
R Stein	–	–	9,70	2006	**–**	143,3
R Stein	–	–	18,80	2006	**–**	93,3
R Stein	–	–	16,60	2006	**–**	116,7
R Stein	–	–	6,35	2006	**–**	197,8
R Stein	–	90,0	36,00	2007	**90,0**	90,0
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**	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**	90,0
	643,2	1 174,4	–	–	**1 817,6**	2 253,1
Total executive	1 893,2	3 825,2	–	–	**5 718,4**	7 039,5
Total	18 628,9	3 825,2	–	–	**22 454,1**	28 775,2

No changes have been advised since 31 March 2006.

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	2006 Rm	2005 Rm
14. **Dividend Reserve**		
Cash dividends and the related STC charge are accounted for in the period when the dividend is declared.		
A final dividend of 140,0 (2005:102,0) cents per share was declared on 25 May 2006 to ordinary shareholders, which will be paid during the course of the new financial year. In terms of IAS 10 no liability has been raised.		
	336,6	245,3

15. **Minority Interest**

The effective holding by minorities in the financial services division increased from 8,04% to 25% during the current financial year.

As we announced on SENS on 29 August 2005, the Standard Bank of South Africa Limited (SBSA) acquired an initial 25% of RCS Investment Holdings (Pty) Ltd (RCSIH) with an option to acquire an additional 20% in the future, half of which was exercised on 1 April 2006. The balance of 10% is available to be exercised on 1 April 2007. The agreement was subject to the fulfilment of certain conditions that have subsequently been met. This transaction was approved by the South African Competition Authority on 30 November 2005.

In terms of the agreement, SBSA has a put option which expires on 31 March 2007 in terms of which it may put its holding in RCSIH back to the group. This put may only be exercised if the proposed National Credit Act severely impacts on the RCSIH business. The directors are of the opinion that the put option will not be exercised.

Since the agreement provided for SBSA to acquire a 45% holding in RCSIH by 1 April 2007, the transaction further provided that there would be no minorities other than SBSA in order to ensure that the group retained ultimate control. The agreement entered into with SBSA accordingly required all minorities to sell their existing 8,04% directly to SBSA for a pro-rata share of the price in respect of the initial 25% shareholding acquired by SBSA. The minorities included the six members of the operating board. These members' pro-rata share of the proceeds was R92,3 million in aggregate.

In addition to the 8,04% shareholding acquired from existing minorities, a further 16,96% share was acquired through the issue of new shares in RCSIH resulting in a dilution in shareholding of 16,96% (refer note 32.5) and thus resulting in SBSA's total shareholding being 25% at 31 March 2006, with the remaining 75% being held by the group.

	2006 Rm	2005 Rm
16. **Interest-bearing Debt**		
Fluctuating loans in terms of long-term bank facilities at prevailing interest rates	**797,0**	553,4
These amounts are unsecured, except for an amount of R224,6 million advanced by the Standard Bank of South Africa Limited (SBSA) to RCS Investment Holdings (Pty) Ltd (RCSIH) and its subsidiaries in terms of a funding agreement between the parties. This funding agreement is not subject to any guarantee or security from Foschini Limited or any of its subsidiaries except RCSIH and accordingly can only be repaid out of the cash flows of RCSIH and its subsidiaries. Certain receivables have been ceded to SBSA as security for this loan. Refer notes 7 and 8.		
The group's borrowing powers in terms of the articles of association of the company are unlimited.		
17. **Trade and Other Payables**		
Trade payables	**711,1**	617,5
VAT payable	**18,1**	20,0
Other payables and accruals	**253,1**	315,0
	982,3	952,5

18. **Employee Benefit Accruals**

	Post-retirement medical aid* Rm	Leave pay Rm	AIDS Rm	Total Rm
Balance at 1 April 2004	69,7	21,8	10,0	101,5
Net provisions made during the year	6,4	1,0	–	7,4
Balance at 1 April 2005	76,1	22,8	10,0	108,9
Net provisions made during the year	4,0	–	–	4,0
Balance at 31 March 2006	**80,1**	**22,8**	**10,0**	**112,9**

*Refer note 29.4

Foschini Limited and its subsidiaries

19. **Financial Instruments**

19.1 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 21 for details.

19.2 Credit risk management

Credit risk arises on cash equivalents, investments, loans, participation in export partnerships, private label card receivables, loan 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. A company listed on the JSE Limited has warranted certain important cash flow aspects of the subsidiary companies' participation in export partnerships.

19.3 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.

19.4 Fair values of financial instruments

At 31 March 2006 the carrying amounts of cash on hand and in bank, trade receivables – retail and 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 9), to be received by the subsidiary companies have not been discounted. For fair presentation purposes, any impairment to the participation in export partnerships will result in a corresponding reduction in the related deferred taxation liability and thus there would be no impact on the net cash flow statement and the income statement of the subsidiary companies.

19.5 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 2006 are disclosed in the applicable notes to the financial statements. The terms of maturity are set out below:

	1 year or less Rm	1 year to 5 years Rm	Non-interest bearing Rm	**2006 Total Rm**	2005 Total Rm
Assets					
Cash	62,5			**62,5**	36,2
Trade receivables – retail	2 116,6			**2 116,6**	1 744,3
Private label card receivables	390,0	90,1		**480,1**	291,7
Other receivables and prepayments	1,3		180,6	**181,9**	147,0
Participation in export partnerships			117,1	**117,1**	211,3
Loans		4,1		**4,1**	6,6
Loan receivables	319,9	497,6		**817,5**	658,9
Preference share investment	200,0			**200,0**	200,0
Total financial assets	3 090,3	591,8	297,7	**3 979,8**	3 296,0
Liabilities					
Interest-bearing debt		797,0		**797,0**	553,4
Operating lease liability			318,1	**318,1**	324,9
Short-term loans	8,0			**8,0**	2,7
Trade and other payables			982,3	**982,3**	952,5
Employee benefit accruals			112,9	**112,9**	108,9
Total financial liabilities	8,0	797,0	1 413,3	**2 218,3**	1 942,4
Net financial assets (liabilities)	3 082,3	(205,2)	(1 115,6)	**1 761,5**	1 353,6

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	2006 Rm	2005 Rm
20. **Post Balance Sheet Event**		
Except for the acquisition by the Standard Bank of South Africa Limited of a further 10% share in RCS Investment Holdings (Pty) Ltd on 1 April 2006, no other significant events took place between the end of the financial year under review, and the date of signature of these financial statements. Refer note 15.		
21. **Commitments and Contingent Liabilities**		
Capital commitments		
Authorised	**26,5**	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 2006 these amounted to:		

	Foreign currency 000's	Rand equivalent (at forward cover rate) R'000
US Dollar	22 494	143 586
Euro	398	3 035
British Pound	51	561
		147 182

	2006 Rm	2005 Rm
Contingent liabilities		
There are no known contingent liabilities requiring disclosure.	**–**	–
22. **Revenue**		
Retail turnover	**6 432,1**	5 279,3
Interest received (refer note 23)	**644,1**	488,9
Dividends received – retail	**13,4**	14,3
Merchants' commission – financial services	**47,9**	60,7
Club income	**87,0**	75,0
Insurance income – retail	**26,7**	34,6
Insurance income – financial services	**55,5**	41,6
	7 306,7	5 994,4
23. **Interest Received**		
Interest received		
– trade receivables – retail	**253,0**	211,2
– loan receivables	**290,9**	227,7
– private label card receivables	**100,2**	50,0
	644,1	488,9

Foschini Limited and its subsidiaries

	2006 Rm	2005 Rm
24. **Operating Profit before Finance Charges**		
Operating profit before finance charges has been arrived at after taking account of:		
Net trading expenses		
– depreciation	**(148,9)**	(124,3)
– employee costs: normal	**(813,9)**	(709,8)
– employee costs: bonuses	**(51,9)**	(48,6)
– employee costs: share-based payments	**(19,0)**	(13,7)
– store occupancy costs: normal	**(459,6)**	(403,2)
– store occupancy costs: lease liability adjustment	**6,8**	22,0
– net other operating costs	**(327,9)**	(300,6)
	(1 814,4)	(1 578,2)
The following disclosable amounts are included above.		
Auditors' remuneration		
– audit fees	**1,8**	1,5
– fees for other services	**0,3**	0,4
Donations to Foschini Foundation	**10,0**	20,0
Loss on sale of property, plant and equipment	**(1,6)**	(3,4)
Retirement fund expenses	**57,5**	50,8
Receivables impairment	**204,7**	155,6
25. **Income Tax Expense**		
South African Normal Taxation		
– current year	**427,4**	421,3
– prior year (over) under provision	**(4,0)**	46,1
Secondary tax on companies	**58,3**	25,9
South African Deferred Taxation		
– current year	**(3,7)**	(82,5)
– prior year over (under) provision	**4,0**	(46,1)
– secondary tax on companies	**(9,8)**	–
– rate change	**–**	(0,5)
Non-South African Current Taxation		
– current year	**5,8**	4,0
– prior year under (over) provision	**0,1**	(0,4)
Non-South African Deferred Taxation		
– deferred taxation	**1,1**	0,8
	479,2	368,6
	%	%
Reconciliation of tax rate		
Effective tax rate	**32,2**	32,2
Exempt income	**0,6**	1,4
Non-deductible expenditure	**(0,5)**	(1,3)
Non-South African tax rate	**(0,1)**	(0,1)
Secondary tax on companies and withholding tax on dividends	**(3,2)**	(2,3)
Rate change	**–**	0,1
South African statutory rate	**29,0**	30,0

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	2006 Rm	2005 Rm
26. **Earnings**		
Profit attributable to equity holders of Foschini Limited	**986,9**	767,0
Headline earnings	**986,9**	767,0
Weighted average number of ordinary shares in issue	**213 134 827**	213 285 162
Earnings per ordinary share (cents)	**463,0**	359,6
Headline earnings per ordinary share (cents)	**463,0**	359,6
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	**213 134 827**	213 285 162
Number of shares that would have been issued for no consideration	**6 362 895**	5 161 959
Weighted average number of ordinary shares used for dilution	**219 497 722**	218 447 121
27. **Operating Lease Obligations**		
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, future non-cancellable minimum lease rentals are as follows:		
Less than one year	**471,8**	413,6
More than one year and less than five years	**1 338,0**	1 190,6
More than five years	**114,1**	135,9

An amount of R318,1 million (2005: R324,9 million) has already been recognised as a liability in respect of operating leases. Refer note 28.

28. **Lease Adjustment**

In terms of the additional guidance to IAS 17 (Leases), escalations in operating lease rentals are no longer recognised in the periods they are actually incurred, but are now charged in the income statement on a straight-line basis over the term of the leases. The impact has been a reduction in opening retained income at 1 April 2004 of R245,5 million after tax. The impact on current year profits is an increase of R6,8 (2005: R22,0) million before tax.

29. **Employee Benefits**

29.1 Share incentive scheme

Refer note 13.5.

29.2 Housing loans

Refer note 6.

29.3 Retirement funds

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 Investment Holdings (Pty) Ltd, a non-wholly-owned subsidiary, 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.

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29.4 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 R18,2 (2005: R18,4) million. Membership of the scheme is voluntary, except for senior employees. Total membership currently stands at 2 243 principal members in South Africa.

An external medical aid scheme, Ingwe Health Plan, is also available to group employees and is subsidised by the group in the same way as the scheme mentioned above. The plans offered cater for lower income earners, and 177 employees are currently members.

All permanent staff of RCS Investment Holdings (Pty) Ltd, a non-wholly-owned subsidiary, are required to become members of their choice of the medical plans offered by Discovery Health.

Qualifying current employees and retired employees are entitled to post-retirement subsidies. The cost of providing post-retirement medical aid subsidies is actuarially valued every second year in accordance with IAS 19 methodology, and is fully provided for (refer note 18). The charge against income for the year was R4,0 million (2005: R6,4 million). The valuation is sensitive to certain key assumptions including:
– discount rate at 2% higher than medical inflation;
– retirement age of 60 years; and
– resignation over the age of 55 years at 0%.

29.5 Other

Group employees and pensioners are entitled to a discount on purchases made at stores within the group.

30. **Directors' Remuneration**

	Fees R'000	Remune-ration R'000	Pension Fund R'000	Travel Allowance R'000	Other benefits** R'000	Performance bonus* R'000	**2006 Total R'000**	2005 Total R'000
Non-executive								
E Osrin	525,0	–	–	–	–	–	**525,0**	
D M Nurek	163,8	–	–	–	–	–	**163,8**	
F Abrahams	127,5	–	–	–	–	–	**127,5**	
S E Abrahams	141,2	–	–	–	–	–	**141,2**	
L F Bergman	107,5	–	–	–	–	–	**107,5**	
W V Cuba	107,5	–	–	–	–	–	**107,5**	
N H Goodwin	120,0	–	–	–	–	–	**120,0**	
M Lewis	100,0	–	–	–	–	–	**100,0**	
Total	1 392,5	–	–	–	–	–	**1 392,5**	
Executive								
D M Polak	–	2 849,9	269,8	233,6	133,8	4 099,4	**7 586,5**	
R Stein	–	1 383,3	149,8	193,4	64,9	1 951,7	**3 743,1**	
Total	–	4 233,2	419,6	427,0	198,7	6 051,1	**11 329,6**	
Total remuneration 2006	**1 392,5**	**4 233,2**	**419,6**	**427,0**	**198,7**	**6 051,1**	**12 722,1**	
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

*The performance bonus relates to the results for the current financial year.
**Other benefits include medical aid and group life cover.

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30. **Directors' Remuneration** continued

Gains made during the year by the executive directors Messrs DM Polak and R Stein, in respect of the sale of their shareholding in RCS Investment Holdings (Pty) Ltd, were R20,1 million and R16,1 million respectively. Refer note 15.

In accordance with the requirements of IFRS 2, the fair value of share options granted to employees is expensed in the income statement over the term of the option. An amount of R2,8 million (2005: R2,5 million) and R1,2 million (2005: R1,1 million) was recognised in respect of options granted to Messrs DM Polak and R Stein respectively.

31. **Related-party Transactions**

Shareholders

An analysis of the principal shareholders of the company is provided in the Shareholdings section of the annual report. For details of directors' interests refer to note 13.6.

Subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intra-group transactions have been eliminated on consolidation.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in Note 30.

Interest of directors in contracts

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*
S E Abrahams	Investec Bank Ltd	Non-executive director
F Abrahams	Lewis Group Ltd	Non-executive director
W V Cuba	S Bacher and Company	Chairman
	Safika Holdings (Pty) Ltd	Executive director
D M Nurek	Investec Bank Ltd	Senior executive
	Trencor Ltd	Non-executive director
	Lewis Group Ltd	Non-executive director
R Stein	The Foschini Group Retirement Fund	Trustee

Transactions with the abovementioned entities include:

1. The group has a general banking facility with Investec Bank Ltd.
2. 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.
3. The jewellery division sources supplies from S Bacher and Company, a distributor of well-known brands of watches.
4. Safika Holdings (Pty) Ltd is a joint venture partner in Umdlalo Fashions (Pty) Ltd which operates the Sportscene store at Cape Town International Airport.
5. Certain group subsidiaries participate in export partnerships with Trencor Ltd group entities.
6. A subsidiary administers the group's retirement fund.

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.

Executive directors are bound by service contracts.

During the current financial year Messrs D M Polak and R Stein disposed of their interest in RCS Investment Holdings (Pty) Ltd to the Standard Bank of South Africa Limited (refer note 15 and note 30).

Loans to directors

No loans have been made to directors.

Employees

Details relating to the share incentive scheme are disclosed in note 13.5.

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling activities,directly or indirectly, including any director of that entity. Directors and associates of all subsidiary companies have been classified as key management personnel.

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	2006 Rm	2005 Rm
31. **Related-party Transactions** continued		
No key management personnel had a material interest in any contract of significance with any group company during the year under review.		
Remuneration paid to key management personnel is as follows:		
Remuneration	**49,4**	47,6
Pension fund	**5,3**	5,1
Travel allowance	**6,9**	6,6
Other benefits	**1,5**	1,4
Performance bonus	**27,6**	25,0
Fair value of share options granted*	**16,7**	12,8
Gain from sale of RCS Investment Holdings (Pty) Ltd shares (refer note 15)	**92,3**	–
Total remuneration	**199,7**	98,5
* The fair value of options granted is the annual expense determined in accordance with IFRS 2.		
32. **Cash Flow**		
32.1 **Operating profit before working capital changes**		
Profit before tax	**1 488,2**	1 146,4
Adjusted for:		
– interest received	**(644,1)**	(488,9)
– interest paid	**79,1**	58,4
– depreciation	**148,9**	124,3
– share-based payments	**19,0**	13,7
– operating lease liability	**(6,8)**	(22,0)
– loss on sale of property, plant and equipment	**1,6**	3,4
Operating profit before working capital changes	**1 085,9**	835,3
32.2 **Working capital changes**		
– increase in inventory	**(178,7)**	(213,0)
– increase in trade and other receivables	**(407,2)**	(323,4)
– increase in trade and other payables	**26,5**	189,0
– increase in employee benefit accruals	**4,0**	7,4
Increase in working capital	**(555,4)**	(340,0)
32.3 **Reconciliation of taxation paid**		
– amount unpaid at the beginning of the year	**(304,5)**	(163,1)
– current year provision	**(487,6)**	(496,9)
– amount unpaid at the end of the year	**327,9**	304,5
	(464,2)	(355,5)
32.4 **Reconciliation of dividends paid**		
– dividends declared during the year	**(388,8)**	(263,8)
– dividends paid by subsidiary to outside shareholders	**(23,9)**	(1,6)
	(412,7)	(265,4)

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	2006 Rm	2005 Rm
32. **Cash Flow** continued		
32.5 Proceeds on dilution of interest in subsidiary		
As part of the agreement entered into with the Standard Bank of South Africa Limited (SBSA) (refer note 15), RCS Investment Holdings (Pty) Ltd issued further shares, all of which were acquired by SBSA. This resulted in a dilution of 16,96%.		
The cash flow effects of the acquisition by SBSA of this further 16,96% are reflected below.		
SBSA's holding in this subsidiary at 31 March 2006 was 25%.		
Purchase consideration	**263,8**	–
Fair value of net assets	**74,7**	
Profit on dilution	**189,1**	
Proceeds on dilution of interest in subsidiary	**263,8**	–

33. **Accounting standards and interpretations to be adopted in future years**

There are Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the group and may have an impact on future financial statements.

IFRS 7

The disclosures provided in respect of financial instruments in the financial statements for the year ending 31 March 2008, as well as comparative information, will be compliant with IFRS 7. The disclosure requirements of IFRS 7 require additional disclosure compared to that required in terms of existing IFRSs in respect of, amongst others, capital objectives and policies.

The adoption of IFRS 7 will not have any impact on the accounting policies adopted for financial instruments.

IFRIC 4

The effect of adopting IFRIC 4 which would be effective for the year ending 31 March 2007, has not yet been determined.

The existing accounting policies applicable to operating and finance leases will not change. The policies will be applied to arrangements falling within the scope of IFRIC 4.

IAS 21

The amendment to IAS 21 will be adopted for the first time for the year ending 31 March 2007.

In terms of the amendment, exchange differences arising from the translation of a monetary item that is denominated in any currency (and not just the functional currency of the reporting entity or the foreign operation that receives the loan) should be recognised in equity in the consolidated financial statements when the monetary item is part of the entity's net investment in that foreign operation. This requirement now applies irrespective of the currency of the monetary item and whether the monetary item results from a transaction of the foreign operation with the reporting entity or any of its subsidiaries.

The impact of this change is that the differences arising on translation of loans to/from the subsidiary in Botswana which are currently recognised in the income statement will be recognised in equity.

This change will not have a material impact on the group results.

Foschini Limited

Balance Sheet

	Note	2006 Rm	2005 Rm
ASSETS			
Non-current assets			
Investment in preference shares		**–**	300,0
Interest in subsidiaries	Appendix 1	**2 512,1**	1 534,5
Deferred taxation		**9,8**	–
		2 521,9	1 834,5
Current assets			
Interest in subsidiaries	Appendix 1	**658,3**	1 437,5
		658,3	1 437,5
Total assets		**3 180,2**	3 272,0
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13.2	**3,4**	3,4
Share premium		**498,7**	498,7
Dividend reserve	14	**336,6**	245,3
Retained earnings		**2 323,2**	2 505,1
		3 161,9	3 252,5
Current liabilities			
Other payables		**16,7**	18,5
Bank overdraft		**0,1**	0,1
Taxation payable		**1,5**	0,9
		18,3	19,5
Total equity and liabilities		**3 180,2**	3 272,0
Guarantee: The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to		**988,8**	592,8

Foschini Limited

Income Statement

	2006 Rm	2005 Rm
Profit before taxation*	**360,3**	233,1
Taxation – current year	**13,2**	23,8
Profit attributable to ordinary shareholders after taxation	**347,1**	209,3
* after taking account of:		
Dividends received – subsidiary companies	**337,8**	191,1
– preference	**25,4**	44,3

Statement of Changes in Equity

	2006 Rm	2005 Rm
Equity at the beginning of the year	**3 252,5**	3 341,4
Profit for the year	**347,1**	209,3
Dividends paid	**(437,7)**	(298,2)
Equity at the end of the year	**3 161,9**	3 252,5

Foschini Limited

Appendix 1: Subsidiary Companies

Name of Subsidiary	Note	Issued Share Capital R	2006 Cost Rm	2005 Cost Rm	2006 Indebtedness Rm	2005 Indebtedness Rm
Trading subsidiaries						
Foschini Retail Group (Pty) Ltd	2,3,8	2	**102,5**	102,5	**1 420,2**	1 858,2
Retail Credit Solutions (Pty) Ltd	2,8	18 200	**–**	–	**8,3**	28,3
What U Want To Wear (Pty) Ltd	2	66 200	**0,1**	0,1	**–**	–
Markhams (Pty) Ltd	2,7	1	**–**	–	**1 223,0**	614,7
Fashion Retailers (Pty) Ltd	4	250 006	**0,2**	0,2	**–**	–
Foschini Finance (Pty) Ltd	2,7	6	**–**	–	**214,8**	164,0
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	**3 066,3**	2 865,2
Other*			**1,1**	2,6	**(0,4)**	0,8
Total			**104,5**	106,0	**3 065,9**	2 866,0
Summary						
Investment in shares at cost					**104,5**	106,0
Amounts owing by subsidiaries – non-current portion					**2 407,6**	1 428,5
Total non-current portion					**2 512,1**	1 534,5
Amounts owing by subsidiaries – current portion					**658,3**	1 437,5
Total interest in subsidiaries					**3 170,4**	2 972,0

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 (2005: R102,5) million representing the fair value of 102 500 R1 preference shares issued 28 February 2002 – directors' valuation at 31 March 2006: R102,5 (2005: 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. Included in this amount is an investment in RCS Investment Holdings (Pty) Ltd which is the group's only non-wholly-owned subsidiary. The group's effective shareholding in this division at 31 March 2006 was 75%, with the balance being held by the Standard Bank of South Africa Limited. Refer note 15.