



## approvals

- 116 Directors' Approval
- 116 Company Secretary's Certificate
- 117 Independent Auditor's Report
- 118 Directors' Report

## group AFS

- 120 Group Balance Sheet
- 121 Group Income Statement
- 122 Group Statement of Changes in Equity
- 123 Group Cash Flow Statement
- 124 Group Segmental Analysis
- 125 Notes to the Financial Statements

## company AFS

- 164 Foschini Limited Balance Sheet
- 165 Foschini Limited Income Statement
- 165 Foschini Limited Statement of Changes in Equity
- 166 Foschini Limited Appendix 1: Subsidiary Companies
- 167 Foschini Limited Appendix 2: Related Party Information



annual financial statements

# directors' approval and company secretary's certificate

for the years ended 31 March

## Directors' responsibility for and approval of the group annual financial statements

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 118 to 167 were approved by the board on 11 June 2008 and are signed on its behalf by:

**E OSRIN**  
Chairman

**A D MURRAY**  
Chief Executive Officer

## 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 No. 61 of 1973, as amended, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

**D SHEARD**  
Secretary

11 June 2008



# independent auditor's report

for the years ended 31 March

## To the members of Foschini Limited

We have audited the annual financial statements and the group annual financial statements of Foschini Limited, which comprise the balance sheets at 31 March 2008, and the income statements, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report as set out on pages 118 to 167.

## Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Foschini Limited at 31 March 2008, and its consolidated and separate financial performance and consolidated and separate 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 Auditor

Per Patrick Farrand  
Chartered Accountant (SA)

Registered Auditor  
Cape Town  
11 June 2008

# directors' report

for the years ended 31 March

## Nature of business

Foschini Limited is an investment holding company whose subsidiaries, through their retail operating divisions – Foschini, branded as Foschini, Donna-claire, Fashionexpress 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 FG Financial Services – retail clothing, jewellery, accessories, cosmetics, sporting and outdoor apparel and equipment and homeware to the broad, middle income group throughout southern Africa.

The RCS Group provides a range of broader financial services to customers of the group and to customers of unrelated retailers.

The group operates in the retail and financial services 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 118 to 167.

## Share capital

The group's share buy-back programme commenced at the end of May 2001. At 31 March 2008, 24,0 million shares are held by a subsidiary, and a further 11,9 million by the group's share incentive trust. These shares, representing 14,9% 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 14.

## Dividends

### Interim ordinary

The directors declared an interim ordinary dividend of 118 cents per ordinary share, which was paid on Monday, 7 January 2008 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 4 January 2008.

### Final ordinary

The directors declared a final ordinary dividend of 170 cents per ordinary share payable on Monday, 14 July 2008 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 11 July 2008.

## Preference

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

1 October 2007 – R13 000

(2 October 2006 – R13 000)

31 March 2008 – R13 000

(26 March 2007 – R13 000).

## Directors

The names of the company's directors appear on pages 12 and 13 of this report.

The following changes took place during the current year:

A D Murray (appointed 2 April 2007)

S N Bowley (appointed 2 April 2007)

S N Bowley (resigned 1 August 2007)

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

R Stein (executive)

N H Goodwin (independent non-executive)

M Lewis (independent non-executive)

For details of directors' interests in the company's issued shares, refer to note 14.5. Details of directors' remuneration are set out in note 33.

## Secretary

The company secretary of Foschini Limited is Ms D Sheard. Her business and postal address appear on the inside back cover of this report.

## Subsidiaries

The names of, and certain financial information relating to, the company's key subsidiaries appear on page 166.

## Earnings of subsidiaries

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

	2008 Rm	2007 Rm
Profits	976,2	1 097,3
Losses	–	–
Net consolidated profit after taxation	976,2	1 097,3

### **Special resolutions**

On 5 September 2007 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 3 September 2008 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 32.1.

### **Post-balance sheet event**

Details are reflected in note 23.



# group balance sheet

as at 31 March

## Foschini Limited and its subsidiaries

	Note	2008 Rm	2007 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	847,4	782,1
Goodwill and intangible assets	3	30,8	30,9
Preference share investment	4	200,0	200,0
Investment in associates	5	5,0	–
Staff housing loans	6	1,3	2,9
Private label card receivables	7	253,0	155,0
Loan receivables	8	567,3	706,3
Participation in export partnerships	9	92,5	103,5
Deferred taxation asset	10	174,5	179,7
		<b>2 171,8</b>	<b>2 160,4</b>
<b>Current assets</b>			
Inventory	11	1 290,0	1 292,9
Trade receivables – retail	12	2 414,9	2 235,2
Private label card receivables	7	815,3	671,7
Other receivables and prepayments		162,1	186,6
Loan receivables	8	148,9	160,2
Participation in export partnerships	9	8,0	7,6
Cash	13	63,4	69,1
		<b>4 902,6</b>	<b>4 623,3</b>
<b>Total assets</b>		<b>7 074,4</b>	<b>6 783,7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of Foschini Limited</b>			
Share capital	14	3,0	3,1
Share premium		498,7	498,7
Treasury shares	15	(1 230,2)	(685,0)
Dividend reserve	16.1	408,8	408,8
Hedging reserve (deficit)	16.2	12,1	(0,3)
Share-based payments reserve	16.3	91,6	60,9
Insurance cell reserves	16.4	1,5	–
Retained earnings		4 059,7	3 537,4
		<b>3 845,2</b>	<b>3 823,6</b>
<b>Minority interest</b>	17	<b>290,9</b>	<b>181,3</b>
<b>Total equity</b>		<b>4 136,1</b>	<b>4 004,9</b>
<b>Non-current liabilities</b>			
Interest-bearing debt	18	561,3	1 014,6
Operating lease liability		128,7	121,0
Deferred taxation liability	10	156,5	146,8
		<b>846,5</b>	<b>1 282,4</b>
<b>Current liabilities</b>			
Interest-bearing debt	18	1 201,0	5,9
Trade and other payables	19	741,8	1 171,7
Taxation payable		64,9	234,7
Post-retirement defined benefit plan	20	84,1	84,1
		<b>2 091,8</b>	<b>1 496,4</b>
<b>Total liabilities</b>		<b>2 938,3</b>	<b>2 778,8</b>
<b>Total equity and liabilities</b>		<b>7 074,4</b>	<b>6 783,7</b>

# group income statement

for the years ended 31 March

## Foschini Limited and its subsidiaries

	Note	2008 Rm	2007 Rm
Revenue	25	9 253,6	8 527,8
Retail turnover		7 668,7	7 230,0
Cost of turnover		(4 479,2)	(4 195,1)
Gross profit		3 189,5	3 034,9
Interest received	26	1 056,4	877,4
Dividends received		17,2	22,8
Net trading expenses	27	(2 357,6)	(2 048,1)
Operating profit before finance charges	27	1 905,5	1 887,0
Interest paid	28	(120,1)	(104,7)
Income from associate		0,9	–
Profit before tax		1 786,3	1 782,3
Income tax expense	29	(580,2)	(590,3)
Profit for the year		1 206,1	1 192,0
Attributable to:			
Equity holders of Foschini Limited		1 128,4	1 119,2
Minority interest		77,7	72,8
Profit for the year		1 206,1	1 192,0
<b>Earnings per ordinary share (cents)</b>			
Basic	30.1	547,0	534,2
Diluted	30.2	538,0	514,8
<b>Dividend per ordinary share (cents)</b>			
Interim		118,0	100,0
Final	16.1	170,0	170,0
Total		288,0	270,0



# 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	Attributable to equity holders of Foschini Limited Rm	Minority interest Rm	Total equity Rm
Equity at 31 March 2006	3,1	498,7	(504,0)	376,7	2 893,4	3 267,9	88,9	3 356,8
Total recognised income and expenses for the year	–	–	–	1,3	1 119,2	1 120,5	72,8	1 193,3
Effective portion of changes in fair value of cash flow hedges*				1,3		1,3		1,3
Profit for the year					1 119,2	1 119,2	72,8	1 192,0
Change in degree of control						–	71,2	71,2
Profit on dilution of interest in subsidiary					112,1	112,1		112,1
Share-based payments reserve movements				19,2		19,2		19,2
Transfer from dividend reserve				(336,6)	336,6	–		–
Dividends paid					(500,6)	(500,6)	(51,6)	(552,2)
Transfer to dividend reserve				408,8	(408,8)	–		–
Proceeds on delivery of shares by share trust					92,9	92,9		92,9
Delivery of shares by share trust			107,4		(107,4)	–		–
Shares purchased by share trust			(288,4)			(288,4)		(288,4)
Equity at 31 March 2007	3,1	498,7	(685,0)	469,4	3 537,4	3 823,6	181,3	4 004,9
Total recognised income and expenses for the year	–	–	–	12,4	1 128,4	1 140,8	77,7	1 218,5
Effective portion of changes in fair value of cash flow hedges*				12,4		12,4		12,4
Profit for the year					1 128,4	1 128,4	77,7	1 206,1
Change in degree of control						–	119,4	119,4
Investment in associate						–	(2,7)	(2,7)
Profit on dilution of interest in subsidiary					92,1	92,1		92,1
Share-based payments reserve movements				30,7		30,7		30,7
Insurance cell reserves movements				1,5		1,5		1,5
Transfer from dividend reserve				(408,8)	408,8	–		–
Dividends paid					(592,6)	(592,6)	(84,8)	(677,4)
Transfer to dividend reserve				408,8	(408,8)	–		–
Proceeds on delivery of shares by share trust					109,5	109,5		109,5
Delivery of shares by share trust			215,1		(215,1)	–		–
Shares purchased by share trust and subsidiary	(0,1)		(760,3)			(760,4)		(760,4)
<b>Equity at 31 March 2008</b>	<b>3,0</b>	<b>498,7</b>	<b>(1 230,2)</b>	<b>514,0</b>	<b>4 059,7</b>	<b>3 845,2</b>	<b>290,9</b>	<b>4 136,1</b>

\* Denotes items recognised directly in equity

# group cash flow statement

for the years ended 31 March

## Foschini Limited and its subsidiaries

	Note	2008 Rm	2007 Rm
<b>Cash flows from operating activities</b>			
Operating profit before working capital changes	35.1	1 074,2	1 187,9
Increase in working capital	35.2	(568,3)	(218,1)
Cash generated by operations		505,9	969,8
Increase in private label card receivables		(241,6)	(346,6)
Decrease (increase) in loan receivables		150,3	(49,0)
Interest received		1 056,4	877,4
Interest paid		(120,1)	(104,7)
Taxation paid	35.3	(735,1)	(718,2)
Dividends received		17,2	22,8
Dividends paid	35.4	(677,4)	(552,2)
Net cash (outflows) inflows from operating activities		(44,4)	99,3
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(274,4)	(304,4)
Proceeds from sale of property, plant and equipment		6,4	4,0
Acquisition of client list		(1,8)	(2,8)
Investment in associate		(6,1)	–
Decrease in participation in export partnerships		10,6	6,0
Decrease in staff housing loans		1,6	1,2
Proceeds on dilution of interest in subsidiary	35.5	211,5	183,3
Net cash outflows from investing activities		(52,2)	(112,7)
<b>Cash flows from financing activities</b>			
Shares purchased by share trust and subsidiary		(760,4)	(288,4)
Proceeds on delivery of shares by share trust		109,5	92,9
Increase in interest-bearing debt		741,8	215,5
Net cash inflows from financing activities		90,9	20,0
<b>Net (decrease) increase in cash and cash equivalents during the year</b>			
Cash and cash equivalents at the beginning of the year		69,1	62,5
<b>Cash and cash equivalents at the end of the year</b>		<b>63,4</b>	<b>69,1</b>

# group segmental analysis

for the years ended 31 March

## Foschini Limited and its subsidiaries

	RCS Group		Retail		Consolidated	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm
REVENUE*						
External	874,2	721,6	8 379,4	7 806,2	9 253,6	8 527,8
Inter-segment	–	–	–	–	–	–
Total revenue	874,2	721,6	8 379,4	7 806,2	9 253,6	8 527,8
SEGMENT RESULT						
Operating profit before finance charges	386,7	408,5	1 518,8	1 478,5	1 905,5	1 887,0
External interest	(51,8)	(31,0)	(68,3)	(73,7)	(120,1)	(104,7)
Inter-segment interest	(65,3)	(54,8)	65,3	54,8	–	–
Interest paid	(117,1)	(85,8)	(3,0)	(18,9)	(120,1)	(104,7)
Profit before tax and income from associate	269,6	322,7	1 515,8	1 459,6	1 785,4	1 782,3
* Includes retail turnover, interest received and other income						
SEGMENT ASSETS						
Non-current assets	871,0	888,9	1 126,3	1 091,8	1 997,3	1 980,7
Current assets	1 004,6	839,5	3 898,0	3 783,8	4 902,6	4 623,3
Inter-segment assets (liabilities)	12,9	12,9	(12,9)	(12,9)	–	–
Total assets	1 888,5	1 741,3	5 011,4	4 862,7	6 899,9	6 604,0
SEGMENT LIABILITIES						
Non-current liabilities	495,7	391,6	194,3	744,0	690,0	1 135,6
Current liabilities	120,9	119,6	1 906,0	1 142,1	2 026,9	1 261,7
Inter-segment liabilities (assets)	665,9	725,4	(665,9)	(725,4)	–	–
Total liabilities	1 282,5	1 236,6	1 434,4	1 160,7	2 716,9	2 397,3
SEGMENT INFORMATION						
Capital expenditure	27,1	13,2	247,3	291,2	274,4	304,4
Depreciation and amortisation	13,1	5,5	191,6	168,6	204,7	174,1

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 accumulated 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 trade payables, salaries 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.

# notes to the financial statements

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 1. ACCOUNTING POLICIES

#### Reporting Entity

Foschini Limited (the "company") is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 31 March 2008 comprise the company and its subsidiaries (together referred to as the "group") and the group's interests in associates.

#### Basis of Preparation

##### Statement of Compliance

The consolidated financial statements are prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS) and have been consistently applied with those adopted in the prior year.

The financial statements were authorised for issue by the directors on 11 June 2008.

##### Basis of Measurement

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

##### Functional and Presentation Currency

The consolidated financial statements are presented in South African Rands, which is the company's functional currency, rounded to the nearest million, unless otherwise stated.

##### Significant Accounting Policies

The principal accounting policies adopted are set out below:

##### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company, its subsidiaries, special-purpose entities (SPE) and associates. The financial statements of subsidiaries are prepared for the consistent reporting period using consistent accounting policies.

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. 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.

The group has established a SPE in the form of the share incentive trust. The group does not have any direct or indirect shareholding in the share incentive trust. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE. The results of the share incentive trust that in substance is controlled by the group, are consolidated.

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

All intra-group transactions, intra-group balances and any unrealised gains and losses are eliminated on consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The financial statements of foreign operations are translated in terms of the accounting policy on foreign currencies.

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

##### Cost of Turnover

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

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 1 ACCOUNTING POLICIES continued

#### 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 after the balance sheet date 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 accruals 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 short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

##### *Other long-term employee benefits*

These are employee benefits (other than post-employment benefits and termination benefits) that are not expected to be settled within 12 months after the end of the period in which the employees render the related service.

The group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted using market-related rates and the fair value of any related assets is deducted. The calculation is performed using the Projected Unit Credit Method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

##### *Post-employment benefits*

The company and its subsidiaries contribute to several defined benefit and defined contribution plans.

##### *Defined contribution plans*

Contributions to defined contribution pension, provident and retirement funds 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 medical aid 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 immediately 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 medical aid benefits*

Where the company has an obligation 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 using the same accounting methodology described in respect of defined benefit plans above.

##### *Share-based payment transactions*

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 the grant date using a binomial option-pricing model and is spread over the option term. Costs incurred in administering the schemes are expensed as incurred.

#### Expenses

##### *Interest expense*

Interest expense comprises interest paid and payable on borrowings calculated using the effective interest rate method. All borrowing costs are recognised as an expense.

##### *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.

Contingent rent is expensed as incurred.

##### *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 to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### Financial Instruments

A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

### Non-derivative financial instruments

Non-derivative financial instruments recognised on the balance sheet include cash and cash equivalents, trade and other receivables, staff housing loans, participation in export partnerships, investments, interest-bearing debt and trade and other payables.

### Measurement

Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit and loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost, 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. Cash and cash equivalents comprise cash on hand and amounts held on deposit at financial institutions.

### Held-to-maturity investments

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity investments. The preference share investment is classified as a held-to-maturity investment.

These investments are measured at amortised cost using the effective interest rate method, less any impairment losses.

The fair value of held-to-maturity investments is determined by reference to their quoted bid price at the reporting date. The fair value of these investments is determined for disclosure purposes only.

### Available-for-sale financial assets

Listed investments classified as available-for-sale financial assets are carried at fair value, which is market value calculated by reference to stock exchange-quoted selling prices at the close of business on the balance sheet date,

after taking into account any impairment losses. Unlisted investments are shown at fair value, which is determined by the directors using appropriate valuation bases (after taking into account any impairment losses), unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses. Currently the group does not have any available-for-sale financial assets.

### Loans and receivables

Staff housing loans, loan receivables, private label card receivables, trade receivables – retail and participation in export partnerships are classified as loans and receivables and are carried at amortised cost using the effective interest rate method, less accumulated impairment losses. Amortised cost for the group's participation in export partnerships is the group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any writedown for impairment of uncollectability. The fair value of loans and receivables, determined for disclosure purposes is estimated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### Financial liabilities measured at amortised cost

Non-derivative financial liabilities including interest-bearing debt and trade and other payables are recognised at amortised cost, comprising original debt less principal payments and plus amortisations.

The fair value of non-derivative financial liabilities, determined for disclosure purposes, is estimated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### Derivative financial 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 financial 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 hedge (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 the present value of their forward price.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 1 ACCOUNTING POLICIES continued

#### Derivative financial instruments continued

##### *Share capital*

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### *Preference share capital*

Preference share capital is classified as equity. Dividends thereon are recognised as distributions within equity.

#### Gains and losses on subsequent measurement

All fair value 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 losses and foreign exchange gains and losses on available-for-sale monetary items which are recognised in the income statement. When an investment classified as available-for-sale is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

#### 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.

#### 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.

##### *Foreign currency transactions*

Transactions in currencies other than the entity's functional currency are translated 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. Foreign currency gains and losses arising on translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, which are recognised directly in equity.

Non-monetary assets and liabilities denominated in such currencies are translated using the exchange rate at the date of the transaction.

##### *Foreign operations*

As at the balance sheet date, the assets and liabilities of foreign operations, including goodwill and fair value

adjustments arising on acquisition, 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 exchange rates at the dates of the transactions or the average rates if it approximates the actual rates.

Gains and losses arising on translation of the assets, liabilities, income and expenses of foreign operations are recognised directly in equity as a foreign currency translation reserve.

#### 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 group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the difference is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment and whenever there is an indication of impairment.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

#### Hedging

Gains and losses from remeasuring the hedging instruments relating to a *fair value hedge* at fair value are recognised immediately in 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 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.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### Impairment of Assets

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Non-financial assets

The carrying values of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash

flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Inventories

Inventories are measured 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 measured 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, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 fair value at the date of transition.

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

Shopfittings	20%
Passenger vehicles	20%
Commercial vehicles	25%
Computers and related equipment	20% – 33%
Furniture and fittings	16,67%
Buildings	3,33%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 1 ACCOUNTING POLICIES continued

#### Property, Plant and Equipment continued

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The day-to-day servicing costs of property, plant and equipment are recognised in profit or loss as incurred.

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

#### Intangible Assets

Intangible assets that are acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation for intangible assets with finite useful lives is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Client lists	50%
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#### 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 Recognition

##### Turnover

Turnover represents the invoiced value of retail sales, excluding intra-group sales and Value Added Tax. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably, costs and possible return of goods can be measured reliably and receipt of the future economic benefits is probable.

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and rebates.

##### 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 and no further services are required.

#### Taxation

Income tax expense comprises current and deferred tax.

Income tax expense is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, in which case it is recognised in equity.

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

Deferred taxation is recognised using the balance sheet method, to take into account the effect of temporary differences between the tax base of an asset or liability and its balance sheet carrying amount. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

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 assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

### Earnings Per Share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### 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.

### Segmental Reporting

The group is primarily a retailer of fashion goods, sports apparel, jewellery, cosmetics, cellphones and homeware with significant business interests in the finance services industry. On a primary basis, the company is organised into two major operating divisions:

- Retail – comprising the group's various trading divisions; and
- RCS Group – 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.

Inter-segment pricing is determined on an arm's length basis.

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 and taxation.

Segment assets and liabilities comprise those operating assets and liabilities, excluding taxation, 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.

Segment 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 other than goodwill.

### Significant Judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical 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 measured reliably.

#### *Other*

Further estimates and judgements are made relating to net realisable value of inventory; residual values, useful lives and depreciation methods; goodwill impairment tests (refer note 3); estimating the fair value of share options granted (refer note 32.1); and pension fund and employee obligations (refer note 32).

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
At deemed cost	257,1	257,5
Accumulated depreciation	(58,1)	(52,0)
Carrying value at the end of the year	199,0	205,5
Shopfittings, vehicles, computers and furniture and fittings		
At cost	1 781,5	1 614,1
Accumulated depreciation	(1 133,1)	(1 037,5)
Carrying value at the end of the year	648,4	576,6
Total		
At cost/deemed cost	2 038,6	1 871,6
Accumulated depreciation	(1 191,2)	(1 089,5)
Carrying value at the end of the year	847,4	782,1

### Analysis of movements

	Land and buildings	Shopfittings, vehicles, computers and furniture and fittings	Total
Carrying value at the beginning of the year	205,5	576,6	782,1
Additions	–	274,4	274,4
Disposals	(0,4)	(5,9)	(6,3)
Depreciation	(6,1)	(196,7)	(202,8)
Carrying value at the end of the year	199,0	648,4	847,4

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.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>3. GOODWILL AND INTANGIBLE ASSETS</b>		
Goodwill		
At cost	27,0	27,0
Accumulated impairment losses	–	–
Carrying value at the end of the year	27,0	27,0
Intangible asset on acquisition of Instinct brand		
At cost	1,6	1,6
Accumulated amortisation	–	–
Carrying value at the end of the year	1,6	1,6
Intangible asset on acquisition of client lists		
At cost	6,2	4,4
Accumulated amortisation	(4,0)	(2,1)
Carrying value at the end of the year	2,2	2,3
Total		
At cost	34,8	33,0
Accumulated impairment losses/amortisation	(4,0)	(2,1)
Carrying value at the end of the year	30,8	30,9

	Goodwill	Intangible asset on acquisition of Instinct brand	Intangible asset on acquisition of client lists	Total
Carrying value at the beginning of the year	27,0	1,6	2,3	30,9
Additions	–	–	1,8	1,8
Impairment losses/amortisation	–	–	(1,9)	(1,9)
Carrying value at the end of the year	27,0	1,6	2,2	30,8

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired through business combinations.

The Instinct brand intangible asset represents registered rights to the exclusive use of certain trademarks and brand names.

The client lists are name lists purchased by the RCS Group which are used to invite individuals to apply for loans.

Indefinite life goodwill is tested annually for impairment and as soon as there is an indication of impairment.

	2008 Rm	2007 Rm
<b>Impairment testing of indefinite life goodwill</b>		
Goodwill acquired through business combinations has been allocated to two individual cash-generating units as follows:		
Totalsports acquisition	9,3	9,3
RCS Personal Finance piecemeal acquisition	17,7	17,7
	27,0	27,0

The recoverable amount of both cash-generating units has been determined based on a value-in-use calculation, using cash flow projections which cover a three-year period. The cash flows have been discounted at a rate of 10%.

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;
- future expected profits have been estimated using historical information and approved budgets;
- Totalsports' sales growths and gross margins were based on historical performance, while costs were assumed to grow in line with expansion and expectation of inflation; and
- RCS Personal Finance projections are based on historical performance as well as anticipated growth in advances and expectations of future interest rates.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>4. PREFERENCE SHARE INVESTMENT</b>		
<b>Held-to-maturity investment</b>		
Cumulative preference shares	200,0	200,0
<p>Comprises an investment of R200 million, redeemable from 25 August 2011, with dividends payable biannually on 15 December and 15 June.</p> <p>This investment earns dividends at a rate of 63% of prime compounded semi-annually.</p> <p>The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.</p>		
<b>5. INVESTMENT IN ASSOCIATES</b>		
RCS Home Loans (Proprietary) Limited	–	–
Effective Intelligence (Proprietary) Limited	5,0	–
	5,0	–
<p>The group's share of profit in its equity accounted investees for the year was R0,9 million (2007: Rnil). This share of profit is in respect of Effective Intelligence (Proprietary) Limited, as the group did not recognise its share of losses relating to RCS Home Loans (Proprietary) Limited since the group has no obligation in respect of these losses.</p> <p>Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the group, are as follows:</p>		
<b>RCS Home Loans (Proprietary) Limited</b>		
Revenue	18,9	–
Net loss before taxation	(2,4)	–
Taxation	1,3	–
Net loss after taxation	(1,1)	–
Non-current assets	1,5	–
Current assets	18,2	–
	19,7	–
Equity	(1,1)	–
Non-current liabilities	9,9	–
Current liabilities	10,9	–
	19,7	–
<b>Effective Intelligence (Proprietary) Limited</b>		
Revenue	13,3	–
Net profit before taxation	5,0	–
Taxation	(1,5)	–
Net profit after taxation	3,5	–
Non-current assets	0,4	–
Current assets	5,9	–
	6,3	–
Equity	3,6	–
Current liabilities	2,7	–
	6,3	–

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>6. STAFF HOUSING LOANS</b>		
<b>Loans and receivables</b>		
Staff housing loans	2,0	3,8
Deduct amount to be repaid within one year, included in other receivables and prepayments	0,7	0,9
	<b>1,3</b>	<b>2,9</b>
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.		
The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.		
<b>7. PRIVATE LABEL CARD RECEIVABLES</b>		
<b>Loans and receivables</b>		
Private label card receivables	1 068,3	826,7
Deduct amount to be repaid within one year, included in current assets	815,3	671,7
	<b>253,0</b>	<b>155,0</b>
Private label card receivables comprise a number of individual unsecured revolving card accounts, which attract interest at variable rates as per the National Credit Act.		
The effective interest rate on these receivables for the year under review is 35,3% (2007: 34,2%).		
The amounts are repayable over periods not exceeding two years.		
There is a cession over these receivables in favour of The Standard Bank of South Africa Limited (SBSA) and Foschini Retail Group (Proprietary) Limited jointly in relation to their respective funding. Refer note 18.		
The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.		
<b>8. LOAN RECEIVABLES</b>		
<b>Loans and receivables</b>		
Loan receivables	716,2	866,5
Deduct amount to be repaid within one year, included in current assets	148,9	160,2
	<b>567,3</b>	<b>706,3</b>
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 36,7% (2007: 36,3%). These loans are repayable over periods not exceeding five years.		
There is a cession over these receivables in favour of The Standard Bank of South Africa Limited (SBSA) and Foschini Retail Group (Proprietary) Limited jointly in relation to their respective funding. Refer note 18.		
The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.		

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>9. PARTICIPATION IN EXPORT PARTNERSHIPS</b>		
<b>Loans and receivables</b>		
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	100,5	111,1
Deduct amount to be repaid within one year, included in current assets	8,0	7,6
	<b>92,5</b>	<b>103,5</b>
The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.		
<b>10. DEFERRED TAXATION</b>		
Balance at 1 April	32,9	(1,8)
Prior year overprovision	(16,1)	–
Rate change	(0,8)	–
Current year movement in temporary differences		
Secondary tax on companies	(3,3)	(6,5)
Operating leases	2,1	2,3
Working capital allowances	(0,8)	33,4
Capital allowances	(6,6)	(6,0)
Restraint of trade payments	2,8	4,4
Export partnerships (refer note 9)	7,8	7,1
At 31 March	<b>18,0</b>	<b>32,9</b>
Arising as a result of:		
Deferred tax assets		
Secondary tax on companies	–	3,3
Operating leases	36,0	35,3
Working capital allowances	154,1	139,3
Capital allowances	(22,7)	(2,6)
Restraint of trade payments	7,0	4,4
Trademarks	0,1	–
Deferred taxation asset	<b>174,5</b>	<b>179,7</b>
Deferred tax liability		
Capital allowances	(17,1)	(29,3)
Working capital allowances	(33,4)	–
Export partnerships (refer note 9)	(106,0)	(117,5)
Deferred taxation liability	<b>(156,5)</b>	<b>(146,8)</b>
Total deferred taxation	<b>18,0</b>	<b>32,9</b>

In the event that the total available distributable reserves of R4 573,7 (2007: R4 006,8) million were declared as a dividend to shareholders, the related secondary tax on companies would amount to R415,8 (2007: R445,2) million.

## notes to the financial statements continued

for the years ended 31 March

### Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>11. INVENTORY</b>		
Merchandise	1 227,5	1 194,8
Raw materials	32,8	44,4
Goods in transit	10,0	34,3
Shopfitting stock	15,1	18,1
Consumables	4,6	1,3
	<b>1 290,0</b>	<b>1 292,9</b>
Inventory writedowns included above	69,9	64,2
<b>12. TRADE RECEIVABLES – RETAIL</b>		
<b>Loans and receivables</b>		
6-month revolving credit	1 339,2	1 370,1
12-month extended credit	1 075,7	865,1
	<b>2 414,9</b>	<b>2 235,2</b>
The effective rate of interest earned on the above receivables during the year under review is 15,3% (2007: 12,8%).		
The group's management of and exposure to credit and market risk is disclosed in notes 21 and 22.		
<b>13. CASH</b>		
Bank balances	63,4	69,1





# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

			2008	2007
			Rm	Rm
<b>14. SHARE CAPITAL</b>				
<b>14.1 Authorised</b>				
200 000 (2007: 200 000) 6,5% cumulative preference shares of R2 each			0,4	0,4
600 000 000 (2007: 600 000 000) ordinary shares of 1,25 cents each			7,5	7,5
			7,9	7,9
Number of shares				
<b>2008</b>				
2007				
<b>14.2 Issued</b>				
<i>Ordinary share capital</i>				
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	(24 049 824)	(16 877 827)	(0,3)	(0,2)
Shares held by share incentive trust	(11 883 952)	(11 667 877)	(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	204 564 465	211 952 537	2,6	2,7
<i>Preference share capital</i>				
200 000 (2007: 200 000) 6,5% cumulative preference shares of R2 each				
Total issued share capital – company			3,4	3,4
Total net issued share capital – group			3,0	3,1

### 14.3 Dividends

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. Holders of the cumulative preference shares receive a cumulative dividend of 6,5 cents per share at interim (September) and year-end (March) of each year.

### 14.4 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.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 14. SHARE CAPITAL CONTINUED

#### 14.5 Directors' interest

At 31 March 2008, the directors had the following interests in the company's issued shares:

	Shares 000's	Options exercised 000's	Price per share R	Year of delivery	2008 Total 000's	2007 Total 000's
<b>Non-executive</b>						
E Osrin (beneficial)	105,0	–	–	–	105,0	100,0
D M Nurek (non-beneficial)	10,0	–	–	–	10,0	10,0
F Abrahams	–	–	–	–	–	–
S E Abrahams	–	–	–	–	–	–
L F Bergman*	–	–	–	–	–	–
W V Cuba	–	–	–	–	–	–
N H Goodwin (beneficial)	27,0	–	–	–	27,0	27,0
	142,0	–			142,0	137,0
M Lewis (beneficial)	222,1	–	–	–	222,1	222,1
M Lewis (non-beneficial)	14 932,6	–	–	–	14 932,6	14 055,6
	15 154,7	–			15 154,7	14 277,7
D M Polak (beneficial)**	2 273,8	–	–	–	2 273,8	1 188,0
D M Polak (non-beneficial)	212,0	–	–	–	212,0	212,0
D M Polak	–	–	6,35	2008	–	479,2
D M Polak	–	–	16,60	2008	–	283,3
D M Polak	–	–	18,80	2008	–	200,0
D M Polak	–	–	9,70	2008	–	302,5
D M Polak	–	–	16,60	2008	–	283,3
D M Polak	–	–	18,80	2008	–	200,0
D M Polak	–	200,0	36,00	2009	200,0	200,0
D M Polak	–	150,0	60,95	2009	150,0	150,0
D M Polak	–	200,0	36,00	2011	200,0	200,0
D M Polak	–	150,0	60,95	2011	150,0	150,0
D M Polak	–	150,0	60,95	2013	150,0	150,0
	2 485,8	850,0			3 335,8	3 998,3
Total non-executive	17 782,5	850,0			18 632,5	18 413,0

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	Shares 000's	Options exercised 000's	Price per share R	Year of delivery	2008 Total 000's	2007 Total 000's
<b>14. SHARE CAPITAL CONTINUED</b>						
<b>14.5 Directors' interest continued</b>						
<b>Executive</b>						
A D Murray (beneficial)#	1 035,8	–	–	–	1 035,8	797,8
A D Murray (non-beneficial)	137,6	–	–	–	137,6	137,6
A D Murray	–	–	18,80	2008	–	123,3
A D Murray	–	–	16,60	2008	–	166,7
A D Murray	–	200,0	9,70	2009	200,0	200,0
A D Murray	–	133,3	60,95	2009	133,3	133,3
A D Murray	–	116,7	36,00	2009	116,7	116,7
A D Murray	–	123,3	18,80	2010	123,3	123,3
A D Murray	–	166,7	16,60	2010	166,7	166,7
A D Murray	–	83,3	60,55	2010	83,3	83,3
A D Murray	–	133,3	60,95	2011	133,3	133,3
A D Murray	–	116,7	36,00	2011	116,7	116,7
A D Murray	–	83,3	60,55	2012	83,3	83,3
A D Murray	–	133,3	60,95	2013	133,3	133,3
A D Murray	–	83,3	60,55	2014	83,3	83,3
	1 173,4	1 373,2			2 546,6	2 598,6
R Stein (beneficial)	600,8	–	–	–	600,8	427,8
R Stein (non-beneficial)	275,7	–	–	–	275,7	275,7
R Stein	–	–	18,80	2008	–	93,3
R Stein	–	–	16,60	2008	–	116,7
R Stein	–	–	6,35	2008	–	197,8
R Stein	–	90,0	36,00	2009	90,0	90,0
R Stein	–	143,3	9,70	2009	143,3	143,3
R Stein	–	76,7	60,95	2009	76,7	76,7
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
R Stein	–	76,7	60,95	2011	76,7	76,7
R Stein	–	76,7	60,95	2013	76,7	76,7
	876,5	763,4			1 639,9	1 874,7
Total executive	2 049,9	2 136,6			4 186,5	4 473,3
Total	19 832,4	2 986,6			22 819,0	22 886,3

\* L F Bergman resigned as a non-executive director of the group with effect from 14 April 2008.

\*\* D M Polak retired on 31 December 2007 but continues to serve as a non-executive director from this date.

# A D Murray was appointed as an executive director on 2 April 2007 and as group CEO on 1 January 2008.

No changes have been advised since 31 March 2008 other than the resignation of L F Bergman.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 15. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 5 September 2007 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 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.

	Number of shares	
	2008	2007
Foschini Stores (Proprietary) Limited	16 877 827	16 877 827
The Foschini Share Incentive Trust	11 667 877	11 049 675
Balance at the beginning of the year	28 545 704	27 927 502
Foschini Stores (Proprietary) Limited	7 171 997	–
The Foschini Share Incentive Trust	5 307 620	5 270 714
Shares purchased during the year	12 479 617	5 270 714
The Foschini Share Incentive Trust	(5 091 545)	(4 652 512)
Shares delivered during the year	(5 091 545)	(4 652 512)
Foschini Stores (Proprietary) Limited	24 049 824	16 877 827
The Foschini Share Incentive Trust	11 883 952	11 667 877
Balance at the end of the year	35 933 776	28 545 704

As at 31 March 2008 a subsidiary, Foschini Stores (Proprietary) Limited, held 24 049 824 (2007: 16 877 827) shares, representing 10,0% (2007: 7,0%) of the company's share capital. The Foschini Share Incentive Trust held 11 883 952 (2007: 11 667 877) shares, representing 4,9% (2007: 4,9%) of the company's share capital.



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 16. RESERVES

#### 16.1 Dividend reserve

A liability for cash dividends and the related secondary taxation on companies (STC) charge is recognised in the period when the dividend is declared. An amount equal to dividends declared subsequent to the balance sheet date is transferred to the dividend reserve.

A final dividend of 170,0 (2007: 170,0) cents per ordinary share was declared on 29 May 2008 payable on 14 July 2008. This will give rise to STC of R33,7 million (net of relevant STC credits).

No liability has been raised, as this dividend was declared subsequent to the balance sheet date.

	2008 Rm	2007 Rm
Balance at 1 April	408,8	336,6
Transfer from dividend reserve to distributable earnings	(408,8)	(336,6)
Transfer to dividend reserve from distributable earnings	408,8	408,8
Balance at 31 March	408,8	408,8
<b>16.2 Hedging reserve (deficit)</b>		
The hedging reserve (deficit) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.		
Balance at 1 April	(0,3)	(1,6)
Unrealised gain on hedging instruments	12,4	1,3
Balance at 31 March	12,1	(0,3)
<b>16.3 Share-based payments reserve</b>		
This comprises the cumulative fair value of options granted to employees after 7 November 2002.		
Balance at 1 April	60,9	41,7
Share-based payment reserve movement	30,7	19,2
Balance at 31 March	91,6	60,9
<b>16.4 Insurance cell reserves</b>		
As the insurance cells are defined as short-term insurers, they are required in terms of the provisions of the Short-Term Insurance Act No. 53 of 1998 to maintain a contingency reserve for adverse claims development. This reserve is calculated at a minimum of 10% of net written premium as defined in the legislation.		
No distribution of this reserve can be made without the prior approval of the Registrar of Short-Term Insurance.		
Balance at 1 April	–	–
Transfer to reserves	1,5	–
Balance at 31 March	1,5	–

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 17. MINORITY INTEREST

The Standard Bank of South Africa Limited (SBSA) increased its shareholding in the RCS Group from 35% to 45% during the current financial year.

RCS Investment Holdings (Proprietary) Limited issued new shares during the year which resulted in a dilution in shareholding of 10% (refer note 35.5), thus taking SBSA's total shareholding to 45% at 31 March 2008, with the remaining 55% being held by the group.

	2008 Rm	2007 Rm
<b>18. INTEREST-BEARING DEBT</b>		
<b>Non-current</b>		
Unsecured fluctuating loans in terms of long-term bank facilities at prevailing interest rates	561,3	1 014,6
<b>Current</b>	1 201,0	5,9
Included in interest-bearing debt is an amount of R495,2 (2007: R389,7) million advanced by The Standard Bank of South Africa Limited (SBSA) to RCS Investment Holdings (Proprietary) Limited (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. Refer notes 7 and 8.		
The group's borrowing powers in terms of the articles of association of the company are unlimited.		
The group's management of and exposure to market and cash flow and liquidity risk is disclosed in notes 21 and 22.		
<b>19. TRADE AND OTHER PAYABLES</b>		
<b>Financial liabilities</b>		
Trade payables	478,4	828,2
<b>Other liabilities</b>		
VAT payable	12,1	3,6
Other payables and accruals	251,3	339,9
	741,8	1 171,7
The group's management of and exposure to market and cash flow and liquidity risk is disclosed in notes 21 and 22.		
<b>20. POST-RETIREMENT DEFINED BENEFIT PLAN</b>		
<b>Post-retirement medical aid</b>		
Balance at 1 April	84,1	80,1
Accruals made during the year	—	4,0
Balance at 31 March	84,1	84,1

Further details in respect of post-retirement medical aid benefits are included in note 32.5.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 21. FINANCIAL RISK MANAGEMENT

#### 21.1 Overview

The group has exposure to the following risks from its use of financial instruments:

- credit risk;
- cash flow and liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks and the group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

#### 21.2 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on trade receivables – retail, cash equivalents, investments, participation in export partnerships, staff housing loans, loan receivables and private label card receivables.

##### Trade receivables – retail

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk.

The risk arising on trade receivables – retail is managed through a stringent group policy on the granting, continual review and monitoring of credit sales. The group has established a credit policy under which each new customer is analysed individually for creditworthiness before payment terms and conditions are offered. A credit facility is established for each customer, which represents the maximum open amount without requiring approval from the risk management committee; these limits are reviewed annually.

The group does not require collateral in respect of trade and other receivables.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is calculated 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 board of directors believe that the application of the Markov model results in trade receivables balances being measured fairly.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 21. FINANCIAL RISK MANAGEMENT CONTINUED

#### 21.2 Credit risk continued

##### Cash equivalents and investments

The group limits its exposure to credit risk through dealing with well-established financial institutions with high credit standing, and thus management does not expect any counterparty to fail to meet its obligations. The group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised.

##### Participation in export partnerships

A company listed on the JSE Limited has warranted certain important cash flow aspects of the subsidiary companies' participation in export partnerships. The group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised.

##### Staff housing loans, loan receivables and private label card receivables

The group limits its exposure to credit risk through a stringent group policy on the granting, continual review and monitoring of loan advances. The group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised.

#### 21.3 Cash flow and liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient cash flow to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

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

#### 21.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

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.

##### Currency risk

The group is exposed to currency risk as operating subsidiaries undertake transactions that are denominated in foreign currencies. These currencies are the euro, US Dollars (USD) and Sterling (GBP).

At any point in time it is the group's intention to hedge all its estimated foreign currency exposure in respect of forecast purchases over the following six months. The group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Refer to note 22.3 for further details.

##### Interest rate risk

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.

In addition, the RCS Group enters into interest rate swap contracts for the purposes of cash flow hedging since the loan receivables largely bear interest at fixed rates whilst borrowings bear interest at variable rates.



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 21. FINANCIAL RISK MANAGEMENT CONTINUED

#### 21.5 Capital management

The group primarily makes use of equity for capital management purposes.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of business. The board of directors monitors the return on equity, which the group defines as profit for the year divided by total average equity, including minority interests. The board of directors also monitors the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group's medium-term target is to achieve a return on equity of 35%, in 2008 the return was 29,6% (2007: 32,5%).

From time to time the group purchases its own shares on the market. The shares are primarily intended to be used to meet the group's obligations in terms of its share option schemes (refer note 32).

There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements except for the subsidiaries of RCS Investment Holdings (Proprietary) Limited who in terms of the shareholders' agreement with SBSA cannot lend in excess of 70% of their combined trade receivables value. This requirement has been met for the year under review.



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 22. FINANCIAL INSTRUMENTS

#### 22.1 Credit risk

##### Exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	Rm	Rm
Held-to-maturity investments		
Preference share investment	200,0	200,0
Loans and receivables		
Staff housing loans	1,3	2,9
Private label card receivables	1 068,3	826,7
Loan receivables	716,2	866,5
Participation in export partnerships	100,5	111,1
Trade receivables – retail	2 414,9	2 235,2
Other receivables and prepayments	150,0	186,9
Cash and cash equivalents	63,4	69,1
Interest rate swaps used for hedging		
Assets	1,8	–
Forward exchange contracts used for hedging		
Assets	10,3	–
Liabilities	–	(0,3)
	<b>4 726,7</b>	<b>4 498,1</b>
The group believes that there is no significant concentration of credit risk.		
<b>Impairment losses</b>		
The group manages the ageing of its trade receivables – retail book on both a contractual and recency basis, but uses the recency basis to calculate writeoff and impairment losses. Recency refers to the number of payment cycles that have elapsed since the last qualifying payment was received.		
Recency categories range from 0 to 5, at which point the account will be charged off, unless the payment profile score is above a fixed level.		
The ageing of past due unimpaired trade receivables – retail at 31 March was:		
Recency 1	379,3	346,3
Recency 2	121,9	107,9
Recency 3	52,6	45,7
Recency 4	18,0	15,0
Recency 5	5,1	2,2
	<b>576,9</b>	<b>517,1</b>

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 22. FINANCIAL INSTRUMENTS CONTINUED

#### 22.1 Credit risk continued

##### Impairment losses continued

	Carrying amount	
	2008	2007
	Rm	Rm
The movement in the allowance for impairment in respect of trade receivables – retail during the year was as follows:		
Balance at 1 April	194,8	165,8
Impairment raised	243,1	216,8
Impairment loss recognised	(217,2)	(187,8)
Balance at 31 March	220,7	194,8
During the year the group renegotiated the terms of customers to the value of R131,0 (2007: R51,4) million. No impairment in respect of these customers was recognised (2007: Rnil).		
The group manages the ageing of its loan receivables and private label card receivables on a contractual basis.		
The ageing of past due unimpaired loan receivables at 31 March was:		
Past due 0 – 30 days	40,6	34,8
Past due 31 – 60 days	12,7	12,4
Past due 61 – 90 days	7,0	6,0
Past due more than 91 days	19,2	10,6
	79,5	63,8
The movement in the allowance for impairment in respect of loan receivables during the year was as follows:		
Balance at 1 April	82,3	54,6
Impairment raised	56,5	95,4
Impairment loss recognised	(84,3)	(67,7)
Balance at 31 March	54,5	82,3
No loan receivables have been renegotiated during the year (2007: Rnil).		
The ageing of past due unimpaired private label card receivables at 31 March was:		
Past due 0 – 30 days	206,7	164,9
Past due 31 – 60 days	94,5	63,3
Past due 61 – 90 days	53,2	28,5
Past due more than 91 days	73,9	6,3
	428,3	263,0
The movement in the allowance for impairment in respect of private label card receivables during the year was as follows:		
Balance at 1 April	73,7	55,6
Impairment raised	202,6	82,8
Impairment loss recognised	(169,4)	(64,7)
Balance at 31 March	106,9	73,7

Included in the carrying amount of private label card receivables is R73,5 (2007: Rnil) million relating to receivables whose terms have been renegotiated, which would otherwise have been past due.

Customers that are not past due and have a good track record with the group make up 74,9% of the trade receivables – retail book (2007: 75,0%), 84,5% of loan receivables (2007: 83,6%) and 57,6% of the private label card receivables (2007: 65,7%).

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 22. FINANCIAL INSTRUMENTS CONTINUED

#### 22.2 Cash flow and liquidity risk

The following are the contractual maturities of financial liabilities:

	Carrying amount	Cash flows	Less than 1 year	1 – 5 years	More than 5 years
<b>31 March 2008</b>					
<b>Non-derivative financial liabilities</b>					
Interest-bearing debt	1 762,3	1 762,3	1 201,0	561,3	–
Trade and other payables	741,8	741,8	741,8	–	–
	<b>2 504,1</b>	<b>2 504,1</b>	<b>1 942,8</b>	<b>561,3</b>	<b>–</b>
<b>31 March 2007</b>					
<b>Non-derivative financial liabilities</b>					
Interest-bearing debt	1 020,5	1 020,5	5,9	1 014,6	–
Trade and other payables	1 171,7	1 171,7	1 171,7	–	–
<b>Derivative financial liabilities</b>					
Interest rate swaps used for hedging	–	(6,3)	(4,3)	(2,0)	–
Forward exchange contracts used for hedging	0,3	185,1	185,1	–	–
	<b>2 192,5</b>	<b>2 371,0</b>	<b>1 358,4</b>	<b>1 012,6</b>	<b>–</b>

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss:

<b>31 March 2008</b>					
<b>Interest rate swaps</b>					
Assets	1,8	2,0	1,9	0,1	–
<b>Forward exchange contracts</b>					
Assets	10,3	(134,9)	(134,9)	–	–
	<b>12,1</b>	<b>(132,9)</b>	<b>(133,0)</b>	<b>0,1</b>	<b>–</b>
<b>31 March 2007</b>					
<b>Interest rate swaps</b>					
Assets	–	6,3	4,3	2,0	–
<b>Forward exchange contracts</b>					
Liabilities	(0,3)	(185,1)	(185,1)	–	–
	<b>(0,3)</b>	<b>(178,8)</b>	<b>(180,8)</b>	<b>2,0</b>	<b>–</b>

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 22. FINANCIAL INSTRUMENTS CONTINUED

#### 22.3 Currency risk

##### Exposure to currency risk

Exposure to currency risk is hedged through the use of forward exchange contracts. At 31 March the group had forward exchange contracts in various currencies in respect of future commitments, which do not relate to specific balance sheet items. These amounted to:

	Foreign currency 000's	Rand equivalent (at forward cover rate) R'000
<b>31 March 2008</b>		
USD	17 528	131 467
euro	214	2 350
GBP	73	1 068
		<b>134 885</b>
<b>31 March 2007</b>		
USD	24 611	181 396
euro	190	1 850
GBP	130	1 856
		<b>185 102</b>

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2008	2007	2008	2007
USD	7,15	7,06	8,14	7,30
euro	10,14	9,06	12,43	9,76
GBP	14,34	13,37	16,04	14,35

##### Sensitivity analysis

The group is primarily exposed to the US Dollar, euro and British Pound currencies. The following analysis indicates the group's sensitivity at year-end to the indicated movements in these currencies on financial instruments, assuming that all other variables, in particular interest rates, remain constant. The rates of sensitivity are the rates used when reporting the currency risk to the board and represents management's assessment of the potential change in foreign currency exchange rates at the reporting date.

A 10% strengthening of the Rand against the following currencies at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below.

	Equity Rm	Profit or loss Rm
<b>31 March 2008</b>		
USD	11,4	–
euro	0,2	–
GBP	0,1	–
<b>31 March 2007</b>		
USD	17,4	–
euro	0,1	–
GBP	0,1	–

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 22. FINANCIAL INSTRUMENTS CONTINUED

#### 22.4 Interest rate risk

##### Profile

At 31 March the interest rate profile of the group's interest-bearing financial instruments was:

	Carrying amount	
	2008 Rm	2007 Rm
<b>Fixed rate instruments</b>		
Financial assets	716,2	866,5
Financial liabilities	(100,0)	–
	<b>616,2</b>	866,5
<b>Variable rate instruments</b>		
Financial assets	3 547,9	3 133,9
Financial liabilities	(1 662,3)	(1 020,5)
	<b>1 885,6</b>	2 113,4

##### Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at 31 March would not affect profit or loss.

##### Interest rate sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2007.

	Profit or loss Rm	Equity Rm
<b>31 March 2008</b>		
Variable rate instruments	89,9	–
Interest rate swaps	3,3	1,5
Cash flow sensitivity (net)	<b>93,2</b>	<b>1,5</b>
<b>31 March 2007</b>		
Variable rate instruments	94,7	–
Interest rate swaps	4,6	7,5
Cash flow sensitivity (net)	99,3	7,5

A decrease of 100 basis points in interest rates at 31 March would have had the equal but opposite effect on equity and profit or loss on the basis that all other variables remain constant.

#### 22.5 Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities reasonably approximate their carrying values in the balance sheet.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 23. 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.

	2008 Rm	2007 Rm
<b>24. COMMITMENTS AND CONTINGENT LIABILITIES</b>		
Authorised capital commitments	–	–
<b>Contingent liabilities</b>		
There are no known contingent liabilities requiring disclosure.		
<b>Forward exchange commitments</b>		
Refer to note 22.3.		
<b>25. REVENUE</b>		
Retail turnover	7 668,7	7 230,0
Interest received (refer note 26)	1 056,4	877,4
Dividends received – retail	17,2	22,8
Merchants' commission – RCS Group	39,7	36,2
Club income – retail	175,6	159,9
Club income – RCS Group	5,5	4,3
Customer charges income – retail	16,5	16,0
Customer charges income – RCS Group	99,1	39,7
Insurance income – retail	80,0	35,5
Insurance income – RCS Group	66,0	66,9
Cellular income – one2one airtime product	22,6	8,8
Sundry income – retail	6,3	30,3
	<b>9 253,6</b>	<b>8 527,8</b>
<b>26. INTEREST RECEIVED</b>		
Trade receivables – retail	385,5	299,3
Loan receivables	314,7	336,5
Private label card receivables	347,9	237,0
Sundry – RCS Group	1,1	1,0
Sundry – retail	7,2	3,6
	<b>1 056,4</b>	<b>877,4</b>

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 27. OPERATING PROFIT BEFORE FINANCE CHARGES

Operating profit before finance charges has been arrived at after taking account of:

	2008 Rm	2007 Rm
Net trading expenses		
Depreciation and amortisation	(204,7)	(174,1)
Employee costs: normal	(1 053,9)	(920,9)
Employee costs: bonuses	—	(4,4)
Employee costs: restraint payments	(35,4)	(20,0)
Employee costs: share-based payments	(30,7)	(19,2)
Store occupancy costs: normal	(575,8)	(512,7)
Store occupancy costs: operating lease liability adjustment	(7,7)	(7,7)
Net bad debt and provision movement – retail	(217,2)	(187,8)
Net bad debt and provision movement – RCS Group	(253,7)	(132,4)
Other operating costs	(489,8)	(466,5)
Other revenue	511,3	397,6
	<b>(2 357,6)</b>	<b>(2 048,1)</b>
The following disclosable amounts are included above:		
Auditors' remuneration		
Audit fees	2,9	2,8
Fees for other services	0,1	0,1
(Profit) loss on sale of property, plant and equipment	(0,8)	0,1
Retirement fund expenses	91,0	79,7
Staff discount	11,5	11,4
Net foreign exchange loss	5,8	1,4
<b>28. INTEREST PAID</b>		
Interest expense on financial liabilities measured at amortised cost	<b>120,1</b>	<b>104,7</b>



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>29. INCOME TAX EXPENSE</b>		
South African current taxation		
Current year	507,0	550,7
Prior year (over) under provision	(22,1)	6,6
Secondary tax on companies	71,1	59,3
Capital gains tax	–	0,4
South African deferred taxation		
Current year	(1,3)	(34,4)
Rate change	0,8	–
Prior year under (over) provision	16,1	(7,0)
Secondary tax on companies	–	6,6
Non-South African current taxation		
Current year	9,3	7,9
Prior year under provision	–	0,1
Non-South African deferred taxation		
Current year	(0,7)	0,1
	<b>580,2</b>	<b>590,3</b>
	%	%
<i>Reconciliation of tax rate</i>		
Effective tax rate	32,5	33,1
Exempt income	1,2	0,4
Non-deductible expenditure	(0,8)	(0,7)
Non-South African tax rate	(0,1)	(0,1)
Prior year under provision	0,4	–
Rate change	(0,1)	–
Secondary tax on companies and withholding tax on dividends	(4,1)	(3,7)
South African statutory rate	29,0	29,0

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 30. EARNINGS PER SHARE

	2008 Rm	2007 Rm
<b>30.1 Basic and headline earnings per share</b>		
The calculation of basic and headline earnings per share at 31 March 2008 was based on profit for the year attributable to ordinary shareholders of Foschini Limited and headline earnings of R1 128,4 (2007: R1 119,2) million divided by the weighted average number of ordinary shares as follows:		
Profit attributable to equity holders of Foschini Limited	1 128,4	1 119,2
Headline earnings	1 128,4	1 119,2
Weighted average number of ordinary shares in issue	206 282 464	209 493 784
Earnings per ordinary share (cents)	547,0	534,2
Headline earnings per ordinary share (cents)	547,0	534,2
<b>30.2 Diluted earnings and headline earnings per share</b>		
The calculation of diluted earnings and headline earnings per share at 31 March 2008 was based on profit for the year attributable to ordinary shareholders of Foschini Limited and headline earnings of R1 128,4 (2007: R1 119,2) million divided by the fully diluted weighted average number of ordinary shares as follows:		
Weighted average number of ordinary shares as above	206 282 464	209 493 784
Number of shares that would have been issued for no consideration	3 451 493	7 895 952
Weighted average number of ordinary shares used for dilution	209 733 957	217 389 736
Diluted earnings per share (cents)	538,0	514,8
Diluted headline earnings per share (cents)	538,0	514,8
<b>31. OPERATING LEASE OBLIGATION</b>		
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 1 year	612,5	534,1
More than 1 year and less than 5 years	1 559,4	1 253,9
More than 5 years	49,4	255,2

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 32. EMPLOYEE BENEFITS

#### 32.1 Share incentive schemes

Certain employees of the group participate in its share incentive schemes.

The scheme rules of the 1990 and 1997 schemes provide that delivery and payment for the shares take place in three equal tranches on the second, fourth and sixth anniversary of the date on which the options were exercised.

The scheme rules of the 2007 scheme provide that, upon fulfilment of certain performance conditions, the share appreciation rights (SARs) may be converted from the third anniversary of the grant date.

The fair value of options granted and exercised after 7 November 2002 was determined using a binomial option-pricing model. The assumptions used in determining the fair value are as follows:

	2008	2007
<b>Options granted and exercised during the financial year ending 31 March</b>		
Exercise price	R38,30 to R70,63	R43,59 to R69,01
Expected volatility	26,7% to 31,1%	29,0% to 32,9%
Expected dividend yield	3,4% to 7,2%	3,6% to 3,9%
Risk-free interest rate	8,1% to 9,5%	7,3% to 8,6%

The group recognised total expenses of R30,7 (2007: R19,2) 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	
<b>Foschini Staff Share Incentive Scheme (1990)</b>		
Options granted, but not exercised at 1 April	–	19 009
Options exercised during the year	–	(19 009)
Options granted, but not exercised at 31 March	–	–
<b>Foschini 1997 Share Option Scheme</b>		
Options exercised, subject to future delivery, at 1 April	16 840 174	17 041 730
Options exercised during the year, subject to future delivery	325 000	4 861 676
Options forfeited during the year	(1 519 351)	(429 729)
Options delivered during the year	(5 091 545)	(4 633 503)
Options exercised, subject to future delivery, at 31 March	10 554 278	16 840 174

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 32. EMPLOYEE BENEFITS CONTINUED

#### 32.1 Share incentive schemes continued

		Number of share options	
		2008	2007
<b>Foschini 2007 Share Incentive Scheme</b>			
SARs granted, subject to fulfilment of conditions, at 1 April		–	–
SARs granted during the year, subject to fulfilment of conditions		4 077 500	–
SARs granted, subject to fulfilment of conditions, at 31 March		4 077 500	–
<i>Options in terms of the 1997 scheme will be delivered during the following financial years:</i>			
Year	Average price		
2009	37,66	4 744 429	
2010	21,17	1 696 703	
2011	47,40	2 573 048	
2012	49,46	210 002	
2013	60,01	1 221 760	
2014	58,47	108 336	
		10 554 278	
SARs in terms of the 2007 scheme may be converted from the 2011 financial year.			
These 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		11 667 877	11 049 675
Options exercised during the year		–	(19 009)
Shares delivered during the year		(5 091 545)	(4 633 503)
Shares purchased during the year		5 307 620	5 270 714
Shares held at the end of the year		11 883 952	11 667 877



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 32. EMPLOYEE BENEFITS CONTINUED

#### 32.2 Staff housing loans

Refer note 6.

#### 32.3 Retirement funds

##### Foschini Group Retirement Fund: Defined contribution plan

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, excluding those that are members of the Namflex or Swaziland Funds, are members of the retirement fund.

An actuarial valuation of the fund was performed as at 31 December 2006, in which the valuator reported that the fund was in a sound financial position.

The actuarial valuation as at 31 December 2009 is due to be performed during the 2011 financial year.

##### Investment Solutions Pension Fund: Defined contribution plan

All employees above an annually determined pensionable salary threshold pay 7,5% of their above-threshold earnings as contributions into this fund, which is an umbrella retirement funding arrangement.

##### Investment Solutions Provident Fund: Defined contribution plan

All employees above an annually determined pensionable salary threshold are required to be members of this fund. The employer contributes 1,5% of employee's earnings to this fund.

##### Liberty Life Provident Fund: Defined contribution plan

Employees of RCS Investment Holdings (Proprietary) Limited, a non-wholly-owned subsidiary, are not members of The Foschini Group Retirement Fund, but receive comparable benefits from the Liberty Life Provident Fund.

##### Namflex Pension Fund: Defined contribution plan

All permanent employees in Namibia under normal retirement age are required to be members of the Namflex Pension Fund. This fund is a money purchase arrangement whereby the members pay 7,5% of their pensionable salary as contributions towards retirement benefits.

##### Swaziland Provident Fund: Defined contribution plan

All permanent employees in Swaziland under normal retirement age are required to be members of the Swaziland Provident Fund, whereby members pay 7,5% of their pensionable salary as contributions to this fund.

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

	Number of members		Contributions	
	2008	2007	2008 Rm	2007 Rm
<b>Summary per fund:</b>				
The Foschini Group Retirement Fund	9 492	9 326	78,9	69,7
Namflex Pension Fund	208	207	1,2	1,2
Swaziland Pension Fund	10	9	—	—
Liberty Life Provident Fund	275	216	6,3	4,5
Investment Solutions Pension Fund	124	119	3,4	3,1
Investment Solutions Provident Fund	126	123	1,2	1,2
	<b>10 235</b>	<b>10 000</b>	<b>91,0</b>	<b>79,7</b>

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 32. EMPLOYEE BENEFITS CONTINUED

#### 32.4 Medical aid

##### The Foschini Group Medical Aid Scheme: Defined benefit plan

The company and its wholly-owned subsidiaries operate a defined benefit medical aid scheme for the benefit of their permanent employees (excluding those employed in Namibia and Botswana). Membership of the scheme is voluntary, except for senior employees.

Total membership currently stands at 2 277 principal members.

These costs are charged against income as incurred and amounted to R20,1 (2007: R18,2) million, with employees contributing a further R20,1 million to the fund.

In respect of the year ended 31 December 2007, the scheme earned contributions of R39,5 million and reflected a net surplus of R1,0 million after the deduction of all expenses. The fund had net assets totalling R40,4 million.

The projected surplus in respect of the year ending 31 December 2008 is R0,1 million.

##### Bankmed Medical Aid Scheme: Defined benefit plan

Permanent employees in Namibia are voluntary members of the Bankmed Medical Aid Scheme.

These costs are charged against income as incurred and amounted to R0,5 (2007: R0,5) million, with employees contributing a further R0,5 million to the fund. There are currently 65 members of this fund.

##### Ingwe Health Plan: Defined benefit plan

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 schemes mentioned above. The plans offered cater for lower income earners, and 303 employees are currently members. Costs charged to income total R1,8 million.

##### Discovery Health: Defined benefit plan

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

These costs are charged against income as incurred and amounted to R2,3 million. Total membership currently stands at 269 principal members.

#### 32.5 Post-retirement medical aid

Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (refer note 20).

The cost of providing post-retirement medical aid has been determined in accordance with IAS 19 and the charge against income for the year was Rnil (2007: R4,0) million.

The principal assumptions at the last valuation date, being 31 March 2008, were as follows:

Net discount rate	2%
Withdrawal rates	0% – 24%
Normal retirement age	60 – 65 years

#### 32.6 Other

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

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 33. DIRECTORS' REMUNERATION

	Fees R'000	Remuner- ation R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	2008 Total R'000	2007 Total R'000
<i>Non-executive</i>							
E Osrin	757,5	–	–	–	–	757,5	
D M Nurek	296,9	–	–	–	–	296,9	
F Abrahams	210,0	–	–	–	–	210,0	
S E Abrahams	246,2	–	–	–	–	246,2	
L F Bergman	152,5	–	–	–	–	152,5	
W V Cuba	152,5	–	–	–	–	152,5	
N H Goodwin	188,8	–	–	–	–	188,8	
M Lewis	150,0	–	–	–	–	150,0	
D M Polak**	–	–	–	–	–	–	
<b>Total</b>	<b>2 154,4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 154,4</b>	
<i>Executive</i>							
A D Murray#	–	2 507,5	241,0	217,3	6 156,2	9 122,0	
R Stein	–	1 649,3	176,8	217,3	4 076,5	6 119,9	
D M Polak **	–	2 527,5	236,2	212,6	83,8	3 060,1	
<b>Total</b>	<b>–</b>	<b>6 684,3</b>	<b>654,0</b>	<b>647,2</b>	<b>10 316,5</b>	<b>18 302,0</b>	
<b>Total remuneration 2008</b>	<b>2 154,4</b>	<b>6 684,3</b>	<b>654,0</b>	<b>647,2</b>	<b>10 316,5</b>	<b>20 456,4</b>	
<i>Non-executive</i>							
E Osrin	712,5	–	–	–	–		712,5
D M Nurek	236,3	–	–	–	–		236,3
F Abrahams	178,7	–	–	–	–		178,7
S E Abrahams	201,2	–	–	–	–		201,2
L F Bergman	135,0	–	–	–	–		135,0
W V Cuba	135,0	–	–	–	–		135,0
N H Goodwin	158,8	–	–	–	–		158,8
M Lewis	130,0	–	–	–	–		130,0
<b>Total</b>	<b>1 887,5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>1 887,5</b>
<i>Executive</i>							
D M Polak**	–	3 110,8	286,0	269,9	184,3		3 851,0
R Stein	–	1 519,6	158,1	206,9	97,8		1 982,4
<b>Total</b>	<b>–</b>	<b>4 630,4</b>	<b>444,1</b>	<b>476,8</b>	<b>282,1</b>		<b>5 833,4</b>
<b>Total remuneration 2007</b>	<b>1 887,5</b>	<b>4 630,4</b>	<b>444,1</b>	<b>476,8</b>	<b>282,1</b>		<b>7 720,9</b>

\* Other benefits include medical aid and group life cover, as well as restraint payments covering a four-year term of R6,0 (2007: Rnil) million to A D Murray and R4,0 (2007: Rnil) million to R Stein.

\*\* D M Polak retired on 31 December 2007, but continues to serve as a non-executive director from this date.

# A D Murray was appointed as an executive director on 2 April 2007 and as Group CEO on 1 January 2008.

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 R3,7 (2007: R2,1) million, R1,9 (2007: R1,1) million and R2,7 (2007: R2,5) million was recognised in respect of options granted to Messrs A D Murray, R Stein and D M Polak respectively. These amounts are not included in the amounts reflected above.

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 34. 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 14.5.

#### Subsidiaries

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

#### Other related parties

##### The Foschini Group Retirement Fund

The Foschini Group Retirement Fund is administered by Foschini Retail Group (Proprietary) Limited, a subsidiary of Foschini Limited.

	2008 Rm	2007 Rm
Administration fee earned from The Foschini Group Retirement Fund	1,6	1,3
An executive director of Foschini Limited (Mr R Stein) is also a trustee of the Foschini Group Retirement Fund.		
<b>Directors</b>		
<b>Remuneration</b>		
Details relating to executive and non-executive directors' remuneration are disclosed in note 33.		
<b>Interest of directors in contracts</b>		
No directors have any interests in contracts.		
Executive directors are bound by service contracts.		
<b>Loans to directors</b>		
No loans have been made to directors.		
<b>Employees</b>		
Details relating to the share incentive schemes are disclosed in note 32.1.		
<b>Key management personnel</b>		
Key management personnel are those having authority and responsibility for planning, directing and controlling activities, directly or indirectly, including any director of that entity. Executive directors and associates of all subsidiary companies and Foschini Limited have been classified as key management personnel.		
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	58,7	49,5
Pension fund	6,5	5,3
Travel allowance	8,5	7,4
Other benefits	1,9	1,8
Performance bonus	4,1	4,5
Fair value of share options granted*	24,5	16,9
<b>Total remuneration</b>	<b>104,2</b>	<b>85,4</b>

\* The fair value of options granted is the annual expense determined in accordance with IFRS 2 Share-based payments.

Refer to note 33 for further disclosure regarding remuneration paid to executive directors of the company.



# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

	2008 Rm	2007 Rm
<b>35. CASH FLOW</b>		
<b>35.1 Operating profit before working capital changes</b>		
Profit before tax	1 786,3	1 782,3
Adjusted for:		
Interest received	(1 056,4)	(877,4)
Interest paid	120,1	104,7
Dividends received	(17,2)	(22,8)
Income from associate	(0,9)	–
Depreciation and amortisation	204,7	174,1
Share-based payments	30,7	19,2
Operating lease liability	7,7	7,7
(Profit) loss on sale of property, plant and equipment	(0,8)	0,1
Operating profit before working capital changes	1 074,2	1 187,9
<b>35.2 Working capital changes</b>		
Decrease (increase) in inventory	2,9	(176,2)
Increase in trade and other receivables	(141,3)	(207,6)
(Decrease) increase in trade and other payables	(429,9)	165,7
Increase in working capital	(568,3)	(218,1)
<b>35.3 Reconciliation of taxation paid</b>		
Amount unpaid at the beginning of the year	(234,7)	(327,9)
Current year provision	(565,3)	(625,0)
Amount unpaid at the end of the year	64,9	234,7
	(735,1)	(718,2)
<b>35.4 Reconciliation of dividends paid</b>		
Dividends declared during the year	(592,6)	(500,6)
Dividends paid by subsidiary to outside shareholders	(84,8)	(51,6)
	(677,4)	(552,2)
<b>35.5 Proceeds on dilution of interest in subsidiary</b>		
As part of the agreement entered into with The Standard Bank of South Africa Limited (SBSA) (refer note 17), RCS Investment Holdings (Proprietary) Limited issued further shares, which were acquired by SBSA. This resulted in a further dilution of 10%.		
SBSA's holding in this subsidiary at 31 March 2008 was 45%.		
The cash flow effects of the acquisition by SBSA of this further 10% are reflected below.		
Purchase consideration	211,5	183,3
Fair value of net assets	119,4	71,2
Profit on dilution	92,1	112,1
Proceeds on dilution of interest in subsidiary	211,5	183,3

# notes to the financial statements continued

for the years ended 31 March

## Foschini Limited and its subsidiaries

### 36. RECLASSIFICATION

Certain comparative figures have been restated in order to improve disclosure. These adjustments have no effect on comparative earnings.

The effect on the comparative balance sheet is as follows:

	2007 Rm
<b>Changes to current liabilities</b>	
Increase in trade and other payables	32,6
Increase in post-retirement – defined benefit plan	84,1
Decrease in employee benefits accruals	(116,7)
	–

The increase in trade and other payables is as a result of reclassifying the leave pay and AIDS accruals which were previously included with post-retirement medical aid as employee benefit accruals.

### 37. 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 8 Segmental reporting

This statement, which will be applicable to the group for the year ending 31 March 2010, requires significant additional disclosures as it extends the scope of segmental reporting.

#### IAS 1 Presentation of financial statements

This statement, which will be applicable to the group for the year ending 31 March 2010, requires changes to the titles of financial statements and the presentation of all non-owner changes in equity as a separate statement of comprehensive income. It is not expected to have a material impact on the group.

#### IFRS 2 Share-based payment

An amendment to the current IFRS 2 has been published which will be applicable to the group for the year ending 31 March 2010. The amendment was made to clarify the terms “vesting conditions” and “cancellations”. It is not expected to have a material impact on the group.

#### IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures

A revised IFRS 3 Business Combinations has been issued by the International Accounting Standards Board (IASB) with consequential amendments to IAS 27, IAS 28 and IAS 31. The amendments made relate mainly to the application of the acquisition method and will be applicable to the group for the year ending 31 March 2011.

# Foschini Limited

as at 31 March

## BALANCE SHEET

	Note	2008 Rm	2007 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in preference shares		200,0	200,0
Interest in subsidiaries	Appendix 1	1 968,5	1 880,7
Deferred taxation		–	3,3
		<b>2 168,5</b>	<b>2 084,0</b>
<b>Current assets</b>			
Interest in subsidiaries	Appendix 1	527,7	821,6
Other receivables		5,1	4,4
Cash and cash equivalents		0,3	0,2
		<b>533,1</b>	<b>826,2</b>
<b>Total assets</b>		<b>2 701,6</b>	<b>2 910,2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14.2	3,4	3,4
Share premium		498,7	498,7
Dividend reserve	16.1	408,8	408,8
Distributable reserve		1 726,3	1 964,7
		<b>2 637,2</b>	<b>2 875,6</b>
<b>Current liabilities</b>			
Other payables		5,5	17,1
Taxation payable		58,9	17,5
		<b>64,4</b>	<b>34,6</b>
<b>Total equity and liabilities</b>		<b>2 701,6</b>	<b>2 910,2</b>
<b>Guarantee:</b> The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to		<b>1 376,0</b>	751,1

# Foschini Limited continued

for the years ended 31 March

## INCOME STATEMENT

	2008 Rm	2007 Rm
Profit before taxation*	568,3	343,8
Taxation – current year	(114,1)	(52,9)
Profit attributable to ordinary shareholders after taxation	454,2	290,9
* after taking account of:		
Dividends received – subsidiary companies	309,7	275,0
– preference	17,1	16,9

## STATEMENT OF CHANGES IN EQUITY

Equity at the beginning of the year	2 875,6	3 161,9
Profit for the year	454,2	290,9
Dividends paid	(692,6)	(577,2)
Equity at the end of the year	2 637,2	2 875,6



# Foschini Limited continued

for the years ended 31 March

## APPENDIX 1: SUBSIDIARY COMPANIES

Name of subsidiary	Note	Issued share capital R	2008 Cost Rm	2007 Cost Rm	2008 Indebtedness Rm	2007 Indebtedness Rm
<b>Trading Subsidiaries</b>						
Foschini Retail Group (Pty) Limited	2,3,7	2	102,5	102,5	1 864,6	2 477,2
Retail Credit Solutions (Pty) Limited	2	18 200	–	–	–	–
What U Want To Wear (Pty) Limited	2	66 200	0,1	0,1	–	–
Markhams (Pty) Limited	2	1	–	–	–	–
Fashion Retailers (Pty) Limited	4	250 006	0,2	0,2	–	–
Foschini Finance (Pty) Limited	2	6	–	–	–	–
Foschini Stores (Pty) Limited	2,6	1	–	–	528,6	121,5
Foschini Swaziland (Pty) Limited	5	2	–	–	–	–
Foschini Investments (Pty) Limited	2	10	–	–	–	–
Total trading subsidiaries			102,8	102,8	2 393,2	2 598,7
Other*			1,1	1,7	(0,9)	(0,9)
Total			103,9	104,5	2 392,3	2 597,8

Summary	2008 Rm	2007 Rm
Investment in shares at cost	103,9	104,5
Amounts owing by subsidiaries – non-current portion	1 864,6	1 776,2
Total non-current portion	1 968,5	1 880,7
Amounts owing by subsidiaries – current portion	527,7	821,6
Total interest in subsidiaries	2 496,2	2 702,3

### 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 (2007: R102,5) million representing the fair value of 102 500 R1 preference shares issued on 28 February 2002. The directors' valuation thereof at 31 March 2008 is R102,5 (2007: R102,5) million.
4. Incorporated in Namibia
5. Incorporated in Swaziland
6. The loan to subsidiary is unsecured, interest free and no fixed date for repayment has been determined.
7. The loan to subsidiary is unsecured, bears interest at rates determined from time to time and no fixed date for repayment has been determined.

\* A schedule of these details is available on request.

# Foschini Limited continued

for the years ended 31 March

## APPENDIX 2: RELATED PARTY INFORMATION

	2008 Rm	2007 Rm
Loans to and from related parties are disclosed in appendix 1.		
<b>Interest was received from the following related party:</b>		
Foschini Retail Group (Pty) Limited	235,9	56,0
<b>Dividends were received from the following related parties:</b>		
Retail Credit Solutions (Pty) Limited	160,5	158,3
Foschini Retail Group (Pty) Limited	45,6	53,5
Foschini Investments (Pty) Limited	–	8,0
Foschini Finance (Pty) Limited	11,8	9,9
Markhams (Pty) Limited	31,6	–
Sport Scene (Pty) Limited	–	0,5
Pages Stores (Pty) Limited	–	4,3
Foschini Stores (Pty) Limited	60,2	40,5
	309,7	275,0
<b>Preference dividends were received from the following related party:</b>		
Foschini Retail Group (Pty) Limited	7,7	6,5
<b>Dividends were paid to the following related parties:</b>		
Foschini Stores (Pty) Limited	60,2	40,5
The Foschini Share Incentive Trust	39,8	36,1
	100,0	76,6

