

# FOSCHINI

FOSCHINI LIMITED

## Highlights

- Turnover up 21,8% to R6,4 billion
- Profit before tax up 29,8% to R1,49 billion
- Profit after tax exceeds R1 billion for the first time
- Operating margin increased to 24,3%
- Headline earnings per share up 28,8% to 463,0 cents
- Final dividend declared increased by 37,3% to 140,0 cents per share
- Total dividend for the year increased by 34,1% to 220,0 cents per share
- Sustained strong balance sheet

To view these results visit our new website!

[www.foschinigroup.com](http://www.foschinigroup.com)

FOSCHINI

Luella

donna-claire  
FASHION IN SIZES 16-28

fashion  
EXPRESS>>

TOTALSPORTS  
NATURALLY COMPETITIVE

sportscene

DUESOUTH  
BE AN OUTSIDER

Markham

STERNS  
THE JEWELLER

AMERICAN SWISS  
YOU DESERVE IT

exact!  
weaver

MATRIX  
WATCHES • SUNGLASSES • CELLPHONES

@home  
THE HOMEWARE STORE

@home living space  
THE HOMEWARE STORE

RCS  
retail credit solutions

T&G

# FOSCHINI LTD

## for the year ended

### CONSOLIDATED INCOME STATEMENT

Foschini Limited and its subsidiaries	2006	2005	%
	Rm	Rm	change
Revenue	7 306,7	5 994,4	
Retail turnover	6 432,1	5 279,3	21,8
Cost of turnover	3 707,9	2 999,5	
Gross profit	2 724,2	2 279,8	
Interest received (note 5)	644,1	488,9	
Dividends received	13,4	14,3	
Trading expenses (note 6)	(1 814,4)	(1 578,2)	
Operating profit before finance charges	1 567,3	1 204,8	
Interest paid	79,1	58,4	
Profit before tax	1 488,2	1 146,4	29,8
Income tax expense	479,2	368,6	
Profit for the year	1 009,0	777,8	
Attributable to:			
Equity holders of Foschini	986,9	767,0	28,7
Minority interests	22,1	10,8	
Profit for the year	1 009,0	777,8	
Reconciliation of attributable profit to headline earnings			
Profit attributable to equity holders of Foschini	986,9	767,0	
Headline earnings	986,9	767,0	28,7
Earnings per ordinary share (cents)			
Basic	463,0	359,6	28,8
Headline	463,0	359,6	28,8
Diluted (basic)	449,6	351,1	28,1
Diluted (headline)	449,6	351,1	28,1
Dividend per ordinary share (cents)			
– Interim	80,0	62,0	29,0
– Final	140,0	102,0	37,3
– Total	220,0	164,0	34,1
Dividend cover	2,1	2,2	

### SEGMENTAL ANALYSIS

Foschini Limited and its subsidiaries	2006	2005
	Rm	Rm
REVENUE*		
External	494,5	38
Inter-segment	–	–
Total revenue	494,5	38
SEGMENT RESULT		
Operating profit before finance charges	317,1	24
External	(7,8)	(
Inter-segment	(56,2)	(4
Interest paid	(64,0)	(5
Income tax expense	(73,5)	(5
Profit for the year	179,6	13
* includes retail turnover, interest received and other income		
SEGMENT ASSETS		
Non-current assets	609,9	46
Current assets	747,1	50
Inter-segment assets	12,9	1
Total assets	1 369,9	98
SEGMENT LIABILITIES		
Non-current liabilities (assets)	224,6	(1L
Current liabilities	143,2	7
Inter-segment liabilities	676,4	69
Total liabilities	1 044,2	76

# REVIEWED RESULTS

## ended 31 March 2006

### CONSOLIDATED BALANCE SHEET

Foschini Limited and its subsidiaries	2006	2005
	Rm	Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	600,8	473,4
Goodwill	28,6	28,6
Preference share investment	–	200,0
Loans	4,1	6,6
Private label card receivables	90,1	60,1
Loan receivables	497,6	398,6
Participation in export partnerships	108,6	120,7
Deferred taxation	211,9	209,9
	<b>1 541,7</b>	<b>1 497,9</b>
<b>Current assets</b>		
Inventory (note 7)	1 090,8	912,1
Preference share investment	200,0	–
Trade receivables – retail	2 116,6	1 744,3
Private label card receivables	390,0	231,6
Other receivables and prepayments	181,9	147,0
Loan receivables	319,9	260,3
Participation in export partnerships	8,5	90,6
Cash	62,5	36,2
	<b>4 370,2</b>	<b>3 422,1</b>
<b>Total assets</b>	<b>5 911,9</b>	<b>4 920,0</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of Foschini	3 122,9	2 496,8
Minority interest	88,9	16,0
<b>Total equity</b>	<b>3 211,8</b>	<b>2 512,8</b>
<b>Non-current liabilities</b>		
Interest-bearing debt	797,0	553,4
Operating lease accrual	318,1	324,9
Deferred taxation	153,9	160,3
	<b>1 269,0</b>	<b>1 038,6</b>
<b>Current liabilities</b>		
Short-term loans	8,0	2,7
Trade and other payables	982,3	952,5
Taxation payable	327,9	304,5
Provisions	112,9	108,9
	<b>1 431,1</b>	<b>1 368,6</b>
<b>Total equity and liabilities</b>	<b>5 911,9</b>	<b>4 920,0</b>

### CONSOLIDATED CASH FLOW STATEMENT

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

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Foschini Limited and its subsidiaries	Equity holders of Foschini	Minority interest	Total equity
	Rm	Rm	Rm
<b>Equity at 31 March 2004 as previously stated</b>	2 291,4	10,1	2 301,5
IFRS transitional adjustment:			
– Property: fair value used as deemed cost	77,1	–	77,1
Change in accounting for operating leases	(245,5)	–	(245,5)
<b>Equity at 31 March 2004 after IFRS and other adjustments</b>	2 123,0	10,1	2 133,1
Restated profit	767,0	10,8	777,8
Profit for the year as previously stated	767,3	10,8	778,1
IFRS adjustments:			
– Property depreciation	(2,2)	–	(2,2)
– Share-based payments	(13,7)	–	(13,7)
Change in accounting for operating leases	15,6	–	15,6
Share-based payments reserve movements	13,7	–	13,7
Change in degree of control	–	(3,3)	(3,3)
Dividends paid	(263,8)	(1,6)	(265,4)
Delivery of shares by share trust	34,4	–	34,4
Shares purchased by share trust	(183,2)	–	(183,2)
Unrealised gain on hedging instruments	5,7	–	5,7
<b>Equity at 31 March 2005 restated</b>	2 496,8	16,0	2 512,8
Profit for the year	986,9	22,1	1 009,0
Change in degree of control	–	74,7	74,7
Profit on dilution of interest in subsidiary	189,1	–	189,1
Share-based payments reserve movements	19,0	–	19,0
Dividends paid	(388,8)	(23,9)	(412,7)
Delivery of shares by share trust	80,1	–	80,1
Shares purchased by share trust	(256,9)	–	(256,9)
Unrealised loss on hedging instruments	(3,3)	–	(3,3)
<b>Equity at 31 March 2006</b>	<b>3 122,9</b>	<b>88,9</b>	<b>3 211,8</b>

Financial Services	2006	Retail	Consolidated
2005	2006	2005	2006
Rm	Rm	Rm	Rm
380,0	6 812,2	5 614,4	7 306,7
–	–	–	–
380,0	6 812,2	5 614,4	7 306,7
248,8	1 250,2	956,0	1 567,3
(5,8)	(71,3)	(52,6)	(79,1)
(48,9)	56,2	48,9	–
(54,7)	(15,1)	(3,7)	(79,1)
(58,7)	(405,7)	(309,9)	(479,2)
135,4	829,4	642,4	1 009,0
461,2	931,8	1 036,7	1 541,7
508,4	3 623,1	2 913,7	4 370,2
12,9	(12,9)	(12,9)	–
982,5	4 542,0	3 937,5	5 911,9
(13,7)	1 044,4	1 052,3	1 269,0
76,7	1 287,9	1 291,9	1 431,1
697,7	(676,4)	(697,7)	–
760,7	1 655,9	1 646,5	2 700,1

### SUPPLEMENTARY INFORMATION

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#### **TRADING DIVISIONS** *continued...*

stores. Its first two lifestyle stores, branded as @homelivingspace which opened in October and November 2005 have been extremely well received in the marketplace.

**Foschini retail credit** – Our retail debtors book which amounts to R2,1 billion increased by 21,3% during the year, while credit turnover grew by 20,7%. Cash sales as a percentage of total sales increased from 30,2% to 30,8%. Whilst there have been continued improvements in our debtors book, reflected in a reduction in net bad debts and improved collections, there are signs that these performance indicators have plateaued, albeit at extremely good levels.

#### **FINANCIAL SERVICES**

Our financial services division comprises RCS Personal Finance, our group's personal loans business, and RCS Cards, which offers credit to customers of merchants outside of the group. This division continued with its good performance, growing its profit before tax by 30,4% which currently represents 17,0% of our group's profit before tax. It is anticipated that this will grow in the years ahead to around 20%. As a result of the transaction with SBSA, our group's shareholding in this division is 65% as from 1 April 2006.

#### **RCS INVESTMENT HOLDINGS (RCSIH) AGREEMENT WITH THE STANDARD BANK OF SOUTH AFRICA LIMITED (SBSA)**

As we announced on SENS on 29 August 2005, SBSA acquired an initial 25% of RCSIH with options to acquire an additional 20% in the future, half of which was exercised on 1 April 2006. The agreement was subject to the fulfilment of certain conditions that have subsequently been met. This transaction was approved by the South African Competition Authority on 30 November 2005.

#### **PROSPECTS**

We anticipate opening in excess of 80 new stores across all divisions in the year ahead. The continued low inflation and lower interest rate environment, together with the favourable economy continue to benefit consumer confidence. Turnover for the first seven weeks of the new financial year has remained strong across all divisions and is well above budget. In the absence of

Executive directors: D M Polak, R Stein  
Non-executive directors: E Osrin (Chairman), D M Nurek (Deputy Chairman),  
Prof F Abrahams, S E Abrahams, L F Bergman (Austrian), W V Cuba, N H Goodwin, M Lewis

Registered office: Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500  
Registration number: 1937/009504/06  
Share codes: FOS – FOSP • ISIN codes: ZAE000031019 – ZAE000031027

Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited  
Ground Floor, 70 Marshall Street, Johannesburg, 2001  
Sponsor: UBS South Africa (Pty) Ltd



Current liabilities	143,2	7
Inter-segment liabilities	676,4	69
Total liabilities	1 044,2	76

**SEGMENT INFORMATION**

Capital expenditure	3,6
Depreciation	1,8

All retail divisions within the group operate in an established retail market and are therefore consi

# “... our group has th another

**NOTES**

The consolidated results of the Foschini Group for the year ended 31 March 2006 have been reviewed by the company's auditors, KPMG Inc. Their unqualified report is available for inspection at the company's registered office.

1. The group is reporting for the first time under International Financial Reporting Standards (IFRS) for the year ended 31 March 2006 and accordingly, comparative figures have been restated. The reviewed results for the year ended 31 March 2006 have been prepared in accordance with the group's accounting policies, which comply with IFRS. The disclosures required in terms of IFRS 1 (First-time Adoption of International Financial Reporting Standards) concerning the transition from South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requisite changes in accounting policies are set out in a separate section of this announcement.

The effects disclosed are net of deferred tax, where applicable, at the rates prevailing during the relevant periods.

In addition, certain comparative figures have been restated due to a reclassification between equity and current liabilities.

2. In addition to the above changes, the accounting treatment of lease rentals has been modified to accord with the international interpretation of the requirements of

**COMMENT**

**GROUP OVERVIEW**

Following on the very substantial compounded growth in headline earnings per share of 63,7% over the last four years, our group has this year once again achieved another year of very good performance.

The group is reporting this financial year for the first time under International Financial Reporting Standards (IFRS). The changes made to our accounting policies resulting from the adoption of IFRS are reflected in a separate section of this announcement.

The lower interest rate environment and buoyant economy experienced in the first half of the financial year continued into the second half. Turnover for the first time exceeded the R6 billion mark for the 53 weeks, which is an increase of 21,8% compared to the 52 weeks in the previous year.

This is extremely pleasing, having been achieved on an increased trading area of 7,1%, most of which came on stream towards the end of the financial year. Comparable turnover growth for the 52 weeks was 19,1%. Gross margins for the period were marginally down by 0,8% on the previous year, primarily as a result of a change in the sales mix. Headline earnings per ordinary share increased by 28,8% to 463,0c from 359,6c, whilst the group's operating margin increased to 24,3% from 22,8%. Comparable headline earnings per share increased by 25,4%. Cash generated by operations for the year amounted to R530,5 million.

The dividend cover has been reduced to 2,1 from 2,2 times attributable headline earnings per share. Accordingly the final dividend has increased by 37,3% to 140c per share. Dividends distributed in respect of the full year of 220c have increased by 34,1%.

Due to the group's strong performance over the past few years, resulting in substantially higher trading volumes and an increase in units, two much-needed

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Markh  
Jewell  
Sports  
Total

76,7	1 287,9	1 291,9	1 431,1	1 368,6
697,7	(676,4)	(697,7)	-	-
760,7	1 655,9	1 646,5	2 700,1	2 407,2
1,8	279,1	182,5	282,7	184,3
1,9	147,1	122,4	148,9	124,3

fore considered to be subject to similar risks and rewards.

## SUPPLEMENTARY INFORMATION

Foschini Limited and its subsidiaries	2006 Reviewed	2005 Audited
Net ordinary shares in issue (millions)	212,6	211,9
Weighted average ordinary shares in issue (millions)	213,1	213,3
Tangible net asset value per ordinary share (cents)	1 497,5	1 172,5

# ... this year once again achieved the year of very good performance."

IAS 17 (Leases), namely, escalations in operating lease rentals are no longer recognised in the periods they are actually incurred, but are now charged in the income statement on a straight-line basis over the term of the leases.

- These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.
- Included in share capital are 16,9 (2005: 16,9) million shares, which are owned by a subsidiary of the company, and 11,0 (2005: 11,8) million shares, which are owned by the share incentive trust. These have been eliminated on consolidation.

	2006 Rm	2005 Rm
5. Interest received		
– trade receivables – retail	253,0	211,2
– loan receivables	290,9	227,7
– private label card receivables	100,2	50,0
	644,1	488,9

	2006 Rm	2005 Rm
6. Trading expenses		
– depreciation	(148,9)	(124,3)
– employee costs: normal	(813,9)	(709,8)
– employee costs: bonuses	(51,9)	(48,6)
– employee costs: share option expense	(19,0)	(13,7)
– store occupancy costs: normal	(459,6)	(403,2)
– store occupancy costs: lease accrual adjustment	6,8	22,0
– net other operating costs	(327,9)	(300,6)
	(1 814,4)	(1 578,2)
7. Inventory		
Merchandise and raw materials	1 065,8	844,4
Goods in transit	25,0	67,7
	1 090,8	912,1

new distribution centres were commissioned during the year at a cost of R90 million.

In terms of the group's agreement with the Standard Bank of South Africa (SBSA), referred to below, Standard Bank has acquired a further 10% in RCS Investment Holdings with effect from 1 April 2006, increasing its holding in that company to 35%. Subsequent to the year-end, the group has received cash proceeds of R220 million in respect of the purchase price of this additional 10%, as well as SBSA's pro-rata contribution to loan funding.

During the year under review the group opened 81 new stores across all divisions, whilst 30 stores were closed. At the end of the year the group was trading out of 1 267 stores with a trading area of 353 833 square metres, an increase of 7,1% compared to the previous year.

### TRADING DIVISIONS

The buoyant trading conditions experienced in the first half of the financial year continued into the second half. All our divisions performed well, once again substantially above our product inflation rate of approximately 3%.

Sales and sales growths in the various divisions were as follows:

	No. of stores	Sales Rm	% Change
@home	41	326,3	33,2
Exact!	170	592,4	23,6
Foschini Stores	356	2 660,6	19,2
Markham	208	1 054,7	21,4
Jewellery Division	308	893,4	20,0
Sports Division	184	904,7	27,5
Total	1 267	6 432,1	21,8

Total comparable same store sales for the year grew by 14,9% with apparel growing 12,4%, cosmetics 24,0%, cell phones 32,6%, jewellery 14,9% and homewares 5,7%.

The **Foschini division** traded above budget with comparable same store growth of 11,2%. The new Luella stores launched during November, offering a range of ladies footwear, handbags and accessories, aimed at the middle to upper market, traded positively and will be further expanded.

The **Markham division**, which under-performed our other clothing divisions in the first half of last year, continues with its greatly improved trading with comparable same store growth at 19,4%. Its new store design concept that has been very well received by the marketplace, continues to be expanded countrywide. Its R.J.L brand – its unisex fashion chain is competing head-on with our Sportscene and Foschini junior divisions and although profitable, will be phased out during the next financial year. Its real estate will be converted, in the main, into Luella stores which have a much greater roll-out potential and trade at a higher gross margin.

The **jewellery division**, comprising American Swiss Jewellers, Sterns and Matrix continues to be a leader in the retail jewellery market in southern Africa. Total sales growth of 20,0% achieved by this division is extremely pleasing. Comparable same store growth was 15,7%.

**Exact!** continues to go from strength to strength. Sales densities continue to improve and a very strong sales growth of 23,6% was achieved with comparable same store growth of 19,7%.

The **sports division**, trading as Sportscene, Totalsports and DueSouth, continues to outperform its market with growth in turnover of 27,5% and comparable same store growth of 15,7%.

Our **@home division** continued with substantial growth, increasing its store base to 41 during the year and achieving turnover of R326,3 million. Comparable same store growth of only 5,7% is primarily due to its own cannibalisation as it rolls out additional

continued low inflation and lower interest rate environment, together with the favourable economy continue to benefit consumer confidence. Turnover for the first seven weeks of the new financial year has remained strong across all divisions and is well above budget. In the absence of unforeseen circumstances, though mindful of recent turbulence in financial markets, we remain confident about trading in the year ahead and expect to be able to produce another year of good growth.

#### **PREFERENCE DIVIDEND ANNOUNCEMENT**

Dividend no. 139 of 3,25% (6,5 cents per share) in respect of the six months ending 30 September 2006 has been declared, payable on Monday, 2 October 2006 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 29 September 2006.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Thursday, 21 September 2006. Foschini Ltd preference shares will commence trading "ex" the dividend from the commencement of business on Friday, 22 September 2006 and the record date, as indicated, will be Friday, 29 September 2006.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Friday, 22 September 2006 to Friday, 29 September 2006, both dates inclusive.

#### **FINAL ORDINARY DIVIDEND ANNOUNCEMENT**

The directors have declared a final ordinary dividend of 140,0 cents per ordinary share payable on Monday, 17 July 2006 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 14 July 2006.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 7 July 2006. Foschini Ltd ordinary shares will commence trading "ex" the dividend from the commencement of business on Monday, 10 July 2006 and the record date, as indicated, will be Friday, 14 July 2006.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Monday, 10 July 2006 to Friday, 14 July 2006, both dates inclusive.

Certificated ordinary shareholders are reminded that all entitlements to dividends with a value less than R5,00 per certificated shareholder will be aggregated and the proceeds donated to a registered charity of the directors' choice, in terms of the articles of association of the company.

#### **COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In order to comply with IFRS the group has adopted the following accounting policies. All comparative information has been adjusted accordingly.

1. The group elected to utilise the following exemption in terms of IFRS – First-time adoption. The fair value of buildings at the transition date was adopted as the deemed cost and the applicable depreciation adjusted accordingly. In order to determine depreciation, the useful lives and residual values of properties will be reviewed on an annual basis.
2. Share options (share-based payments) granted to employees after 7 November 2002 are valued using a binomial valuation model and this value is charged to the income statement over the expected life of the option. The liability raised at the transition date amounted to R9 million.
3. Goodwill is no longer amortised and is now stated at its carrying value as at 1 April 2004. This carrying value is reviewed annually for impairment.

These financial statements have been prepared on the standards that were applicable on 31 March 2006, being the first time that the group has prepared financial statements under IFRS.

Signed on behalf of the Board

**E Osrin** (*Chairman*)

**D M Polak** (*Managing Director*)

Cape Town  
25 May 2006

# FOSCHINI

F O S C H I N I L I M I T E D