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# FOSCHINI

LIMITED

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20 November, 2003

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The U.S. Securities and Exchange Commission
Office of International Corporate Finance
450 Fifth Street, NW
Mail Stop 3-9
WASHINGTON, D.C. 20549
USA

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THOMSON
FINANCIAL

Dear Sirs

**FOSCHINI LTD - EXEMPTION PURSUANT TO RULE 12g3 - 2(b)**

We attached the following for submission in terms of the above:

1. Foschini Ltd unaudited Interim Profit Announcement for the 26 weeks ended 27 September 2003 recently released on SENS, published in the press, and mailed to shareholders.

Yours faithfully
**FOSCHINI LIMITED**

dlw 12/8

R NARUNSKY
for: The Company Secretary.

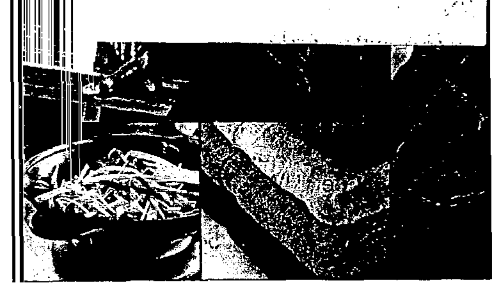
# FOSCHINI LIMITED
# UNAUDITED INTERIM PROFIT ANNOUNCEMENT

Registration number 1937/009504/06  Share codes: FOS

ISIN codes: ZAE000031019 – ZAE000031027

The following are the Foschini group results for the half-year ended September 2003. This report has not been audited or reviewed by the company's auditors.

Furnished pursuant to Rule 12g3 – 2(b)/FOSCHINI LIMITED 333-6390



## HIGHLIGHTS

- Turnover up by 9,9%
- Net operating income up by 34,8%
- Headline earnings per share up by 37,4%
- Interim dividend per share increased by 33,3%
- Sustained strong balance sheet

## CONSOLIDATED INCOME STATEMENT

| | 26 weeks ended 27.09.2003 Unaudited Rm | 26 weeks ended 28.09.2002 Unaudited Rm | Change % | Year ended 31.03.2003 Audited Rm |
|---|---|---|---|---|
| Retail turnover | **1 994,9** | 1 815,5 | 9,9 | 3 880,6 |
| Cost of turnover | **1 165,2** | 1 061,9 | | 2 282,6 |
| Gross profit | **829,7** | 753,6 | | 1 598,0 |
| Interest received (note 6) | **77,5** | 60,5 | | 127,8 |
| Trading expenses (note 7) | **(588,2)** | (568,1) | | (1 162,7) |
| Trading income | **319,0** | 246,0 | 29,7 | 563,1 |
| Dividends received | **9,2** | 7,7 | | 18,9 |
| Operating income | **328,2** | 253,7 | | 582,0 |
| Net finance charges | **28,6** | 31,5 | | 63,5 |
| Net operating income | **299,6** | 222,2 | 34,8 | 518,5 |
| Goodwill written off* | **3,2** | 2,4 | | 5,3 |
| Income before taxation | **296,4** | 219,8 | 34,8 | 513,2 |
| Taxation | **88,7** | 63,3 | | 148,2 |
| Income after taxation | **207,7** | 156,5 | | 365,0 |
| Minority interest | **2,5** | 2,7 | | 5,5 |
| Income attributable to ordinary shareholders | **205,2** | 153,8 | | 359,5 |
| RECONCILIATION OF ATTRIBUTABLE INCOME TO HEADLINE EARNINGS | | | | |
| Income attributable to ordinary shareholders | **205,2** | 153,8 | | 359,5 |
| Goodwill written off* | **3,2** | 2,4 | | 5,3 |
| Headline earnings | **208,4** | 156,2 | 33,4 | 364,8 |
| RECONCILIATION OF EARNINGS PER SHARE TO HEADLINE EARNINGS PER SHARE | | | | |
| Earnings per ordinary share (cents) | **93,6** | 68,1 | | 159,8 |
| Goodwill written off per ordinary share (cents) | **1,5** | 1,1 | | 2,4 |
| Headline earnings per ordinary share (cents) | **95,1** | 69,2 | 37,4 | 162,2 |
| Diluted earnings per ordinary share (cents) | **89,8** | 67,3 | | 157,7 |
| Diluted headline earnings per ordinary share (cents) | **91,2** | 68,3 | | 160,0 |
| Dividend per ordinary share (cents) | **32,0** | 24,0 | 33,3 | 56,0 |
| Dividend cover (times) | **2,7** | 2,7 | | 2,7 |

## CONSOLIDATED BALANCE SHEET

| | Sept. 2003 Unaudited Rm | Sept. 2002 Unaudited Rm | March 2003 Audited Rm |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **297,6** | 265,4 | 286,0 |
| Goodwill | **24,0** | 19,8 | 24,6 |
| Preference share investment | **200,0** | – | – |
| Loans | **10,4** | 87,9 | 79,9 |
| Loan debtors | **167,4** | 184,4 | 117,8 |
| Participation in export partnerships | **229,1** | 252,1 | 246,4 |
| | **928,5** | 809,6 | 754,7 |
| **Current assets** | | | |
| Inventory | **603,7** | 608,2 | 599,3 |
| Accounts receivable | **1 633,7** | 1 371,5 | 1 543,9 |
| Preference share investment | **–** | 150,0 | 150,0 |
| Loan debtors | **311,1** | 228,7 | 310,2 |
| Cash | **25,2** | 31,3 | 27,2 |
| | **2 573,7** | 2 389,7 | 2 630,6 |
| **Total assets** | **3 502,2** | 3 199,3 | 3 385,3 |
| EQUITY & LIABILITIES | | | |
| **Capital and reserves** | **2 131,6** | 1 935,7 | 2 077,0 |
| **Minority interest** | **5,7** | 5,9 | 5,1 |
| **Non-current liabilities** | | | |
| Interest bearing debt | **257,4** | 372,0 | 347,4 |
| Deferred taxation | **158,4** | 185,1 | 167,3 |
| | **415,8** | 557,1 | 514,7 |
| **Current liabilities** | | | |
| Short term loans | **0,3** | – | 9,4 |
| Accounts payable | **679,9** | 522,0 | 560,4 |
| Taxation | **174,9** | 104,9 | 129,7 |
| Provisions | **94,0** | 73,7 | 89,0 |
| | **949,1** | 700,6 | 788,5 |
| **Total equity and liabilities** | **3 502,2** | 3 199,3 | 3 385,3 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 26 weeks ended 27.09.2003 Unaudited Rm | 26 weeks ended 28.09.2002 Unaudited Rm | Year ended 31.03.2003 Audited Rm |
|---|---|---|---|
| Equity at the beginning of the period | **2 077,0** | 1 830,1 | 1 830,1 |
| AC133: Financial instruments adjustment | **(9,9)** | – | – |
| Restated equity at the beginning of the period | **2 067,1** | 1 830,1 | 1 830,1 |
| Acquisition of treasury shares from share trust | **(83,7)** | – | – |
| Earnings for the period | **205,2** | 153,8 | 359,5 |
| Dividends paid | **(70,8)** | (35,2) | (88,5) |
| Sale of treasury shares by share trust | **28,5** | – | – |
| Shares purchased by subsidiary | **–** | (13,0) | (24,5) |
| Unrealised (loss) gain on hedging instruments | **(14,7)** | – | 0,4 |
| **Equity at the end of the period** | **2 131,6** | 1 935,7 | 2 077,0 |

## SUPPLEMENTARY INFORMATION

| | 26 weeks ended 27.09.2003 Unaudited | 26 weeks ended 28.09.2002 Unaudited | Year ended 31.03.2003 Audited |
|---|---|---|---|
| Net ordinary shares in issue (millions) | **221,3** | 224,8 | 223,6 |
| Weighted average ordinary shares in issue (millions) | **219,2** | 225,8 | 224,9 |
| Tangible net asset value per ordinary share (cents) | **952,1** | 852,1 | 917,6 |
| Lease expenses | **173,7** | 160,2 | 344,0 |

## CONSOLIDATED CASH FLOW STATEMENT

| | Sept. 2003 Unaudited Rm | Sept. 2002 Unaudited Rm | March 2003 Audited Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit before working capital changes | **306,8** | 250,9 | 572,9 |
| Increase in working capital | **(1,4)** | (7,7) | (117,5) |
| Cash generated by operations | **305,4** | 243,2 | 455,4 |
| Increase in loan debtors | **(50,5)** | (25,1) | (40,0) |
| Interest received | **77,5** | 60,5 | 127,8 |
| Net finance charges | **(28,6)** | (31,5) | (63,5) |
| Taxation | **(52,4)** | (23,5) | (101,3) |
| Dividend paid | **(71,8)** | (37,3) | (90,1) |
| Net cash inflows from operating activities | **179,6** | 186,3 | 288,3 |
| **Cash flows from investing activities** | | | |
| Purchase of fixed assets | **(70,6)** | (54,1) | (137,5) |
| Proceeds from sale of fixed assets | **2,9** | 2,8 | 4,6 |
| Decrease in participation in export partnerships | **7,4** | 8,3 | 14,0 |
| Decrease in loans | **2,8** | 4,9 | 12,9 |
| Shares purchased by subsidiary | **–** | (13,0) | (24,5) |
| Acquisition of additional interest in subsidiary | **(3,5)** | (13,1) | (24,6) |
| Net cash outflows from investing activities | **(61,0)** | (64,2) | (155,1) |
| **Cash flows from financing activities** | | | |
| Proceeds from sale of treasury shares by share trust | **28,5** | – | – |
| Decrease in interest bearing debt | **(90,0)** | (59,8) | (84,4) |
| Decrease in short-term loans | **(9,1)** | (57,8) | (48,4) |
| Net cash outflows from financing activities | **(70,6)** | (117,6) | (132,8) |
| **Net increase in cash and cash equivalents during the period** | **48,0** | 4,5 | 0,4 |
| Cash and cash equivalents at the beginning of the period | **177,2** | 176,8 | 176,8 |
| **Cash and cash equivalents at the end of the period** | **225,2** | 181,3 | 177,2 |

## NOTES

**1. Accounting Policies** - These financial statements have been prepared in accordance with South African Standards of Generally Accepted Accounting Practice. The principal accounting policies, as set out in the group's annual report for the year ended 31 March 2003, have been consistently applied throughout the six months under review, with the exception of:

* The effect of the adoption of AC133, and
* The consolidation of The Foschini Share Incentive Trust.

**2. Adoption of AC133** - During the period under review the group changed its accounting policy in respect of its financial instruments to comply with AC 133 Financial Instruments: Recognition and measurement. In accordance with the adoption provisions of AC 133 an adjustment has been made to the group's reserves at the beginning of the period and no adjustment has been made to prior period figures. In order to comply with AC 133 the group has changed the valuation of its participation in export partnerships from a cost basis to amortised cost using the effective interest rate method. Gains and losses on effective cash flow hedging instruments in respect of firm commitments of forecast transactions are recognised directly in equity. Other than the above, the adoption of this statement has had no other material impact on the current earnings of the group.

**3. Consolidation of the Share Incentive Trust** - The group also changed its accounting policy in respect of the Share Incentive Trust. The change was effected in order to provide more appropriate presentation. The group now consolidates the share incentive trust and the shares owned by the trust are accounted for as treasury shares.

**4.** These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

**5.** Included in share capital are 16,9 (2002: 15,7) million shares, which were purchased by a subsidiary of the company, and 2,3 million shares, which are owned by the share incentive trust. These have been eliminated on consolidation.

| | Sept. 2003 Unaudited Rm | Sept. 2002 Unaudited Rm | March 2003 Audited Rm |
|---|---|---|---|
| **6. Interest received** | | | |
| This comprises interest received on RCS Personal Finance loan debtors. | 77,5 | 60,5 | 127,8 |
| **7. Trading expenses** | | | |
| Depreciation | (57,7) | (59,4) | (116,8) |
| Employee costs | (294,9) | (271,4) | (601,3) |
| Occupancy costs | (170,4) | (154,4) | (319,9) |
| Restraint of trade payments | – | (22,0) | (37,1) |
| Other operating costs/income | (65,2) | (60,9) | (87,6) |
| | (588,2) | (568,1) | (1 162,7) |

## SEGMENTAL ANALYSIS

| | Sept. 2003 Unaudited Rm | Sept. 2002 Unaudited Rm | March 2003 Audited Rm |
|---|---|---|---|
| **Contribution to income after taxation** | | | |
| Retail | 188,2 | 144,6 | 333,3 |
| RCS Personal Finance | 19,5 | 11,9 | 31,7 |
| Total | 207,7 | 156,5 | 365,0 |
| **Total segment assets** | | | |
| Retail | 3 015,0 | 2 780,3 | 2 955,5 |
| RCS Personal Finance | 487,2 | 419,0 | 429,8 |
| Total | 3 502,2 | 3 199,3 | 3 385,3 |
| **Total segment liabilities** | | | |
| Retail | 933,5 | 947,9 | 920,7 |
| RCS Personal Finance | 431,4 | 309,8 | 382,5 |
| Total | 1 364,9 | 1 257,7 | 1 303,2 |

Segmental reporting has been limited to Retail and RCS Personal Finance as, in the opinion of the directors, all divisions within the group operate in an established retail market and are therefore considered to be subject to similar risks and rewards.

## COMMENT

**GROUP OVERVIEW**

As anticipated, compared to the previous year, trading for the first 6 months of this financial year was subdued, being achieved on the back of substantial growth in headline earnings per share of the last 2 years of 72,2% in 2002 and 84,5% in 2003.

For the first 6 months sales increased by 9,9% which, together with improved gross margins and tight control of expenses, resulted in net operating income increasing by 34,8%.

Headline earnings per share increased by 37,4% from 69,2 cents per share to 95,1 cents per share. The group's trading margin increased from 13,5% to 16,0%.

The group has continued to cover its dividend 2,7 times at the interim stage, and a dividend of 32 cents per share has been declared, an increase of 33,3%.

During this period the group opened 27 new stores across all divisions whilst at the same time closing 26. At the end of the period the group was trading out of 1 189 stores with a trading area of 321 434 square metres, an increase of 1,3% compared to the end of the last financial year.

Due to the group's strong cash generation, its already strong balance sheet has strengthened even further, with gearing reducing to 1,5% from last year's 9,9%.

Cash generated by operating activities for the half-year amounted to R305,4 million, which resulted in group total borrowings at the end of the period being reduced by R147,1 million.

**TRADING DIVISIONS**

Following on the strong sales growth achieved in the previous year, trading was, as expected, more challenging. Nonetheless, all divisions achieved their budgets. In the last few months of the winter period the tempo of business improved, and this improvement has continued into October. Sales and sales growths in the various divisions were as follows:

| | No. of stores | Sales Rm | % Change |
|---|---|---|---|
| @home | 23 | 72,4 | 61,2 |
| Exact! | 169 | 189,4 | 13,1 |
| Foschini | 335 | 832,2 | 5,2 |
| Markhams | 208 | 363,9 | 9,0 |
| Jewellery Division | 294 | 276,1 | 10,2 |
| Sports Division | 160 | 260,9 | 14,5 |
| Total | 1 189 | 1 994,9 | 9,9 |

The Foschini division, although achieving budget, experienced a more difficult winter season, trading against an extremely buoyant winter in 2002, where substantial full-price unit growth was achieved. The restructuring of this division continues to progress and trading for the second half of the year, being up against a lower prior year's base, should be at increased levels.

The Markhams division, trading against its historical higher base continued its pleasing performance.

Exact! continued with its very encouraging performance, whilst it continues with its relocation strategy into better shopping environments.

The Sports division, trading as Sport Scene and Totalsports, continued its impressive performance by growing its turnover 14,5% following on a strong 25,5% growth in the prior period.

Our Jewellery division, comprising American Swiss Jewellers and Sterns, performed beyond expectations with turnover growth of 10,2%. This division will continue to rationalise its store portfolio to further improve sales densities in the future.

Our @home division continued with its excellent performance, increasing its store base from 15 to 23 during this period and growing its turnover to R72,4 million from R44,9 million in the corresponding period. Further store expansion will continue aggressively and this division will be grown to approximately 45 stores as soon as possible.

**CREDIT AND FINANCIAL SERVICES**

Our retail debtors book, which amounts to R1 344,9 million increased by 11,0% on credit turnover growth of 10,93%, and remains conservatively valued. Cash sales as a percentage of total sales reduced from 28% to 27%.

RCS Personal Finance, our group's personal loans business, which selectively advances pre-approved loans in the main to qualifying customers of the group, continued with its growth in profitability and contributed a net surplus, after tax and minority interest, of R17,0 million compared to last year's R9,0 million. During the period under review, the group increased its shareholding in this division to 87,5%. Adequate provisions continue to be made on all loans advanced.

The RCS Cards Division, which offers credit to customers of merchants outside of the group, also performed well during the period under review. This division will become a more meaningful contributor to group profits in the future. The RCS card debtors book at the mid-year amounted to R153,4 million.

**PROSPECTS**

Turnover for the first 5 weeks of the second half is above budget, and at higher growth rates than in the first half. The lowering of interest rates, together with declining inflation, is already benefiting consumer confidence and should boost spending patterns in the latter part of our financial year.

The second half of the year is always heavily dependent on the level of Christmas trading, but we remain confident about this important trading period, and expect strong growth in the group's earnings for the full year.

## PREFERENCE DIVIDEND ANNOUNCEMENT

Dividend no. 134 of 3,25% (6,5 cents per share) in respect of the six months ending 31 March 2004 has been declared, payable on 31 March 2004 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 26 March 20

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Thursday, 18 March 2004. Foschini Ltd preference shares will commence trading "ex" the dividend from the commencement of business on Friday, 19 March 2004 and the record date, as indicated, will be Friday, 26 March 2004.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Friday, 19 March 2004 to Friday, 26 March 2004, both dates inclusive.

## INTERIM ORDINARY DIVIDEND ANNOUNCEMENT

The directors have declared an interim ordinary dividend of 32 cents per ordinary share payable on Monday, 5 January 2004 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 2 January 2004.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 23 December 2003. Foschini Ltd ordinary shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 24 December 2003 and the record date, as indicated, will be Friday, 2 January 2004.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday 24 December 2003 to Friday, 2 January 2004, both dates inclusive.

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

## SIGNED ON BEHALF OF THE BOARD

E Osrin, Chairman — D M Polak, Managing Director

6 November 2003

**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*, D M Polak, R Stein (*Non-Executive)
**REGISTERED OFFICE:** Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500.
**TRANSFER SECRETARIES:** Computershare Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001.
**SPONSOR:** UBS Corporate Finance South Africa (Pty) Ltd.
**Visit our website at http://www.foschinigroup.com/**