LEWIS GROUP UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

HIGHLIGHTS

- MERCHANDISE SALES UP BY 14.5%
- NORMALISED OPERATING MARGIN UP FROM 22.8% TO 23.2%
- INTERIM DIVIDEND INCREASED BY 44.3%
- GROSS PROFIT MARGIN UP FROM 33.8% TO 35.5%
- HEADLINE EARNINGS PER SHARE
  - NORMALISED: INCREASED BY 23.4%
  - IFRS BASIS: DECREASED BY 9.8%

COMMENTARY

The Lewis Group is pleased to announce its interim results for the six-month period ended 30 September 2005. The results have been prepared in compliance with International Financial Reporting Standards (IFRS). Earnings reflect the consequence of applying these accounting conventions.

NORMALISED EARNINGS

While we support the efforts of the accounting profession to achieve consistency in financial reporting, the current position resulting from the application of IFRS 2 share-based payments does not represent our current performance. Consequently, to assist shareholders in the interpretation of the results, normalised headline earnings reflecting the economic performance of the underlying operations and excluding distortions created by accounting conventions has been presented.

At the time of the listing, share awards and options were granted to qualifying employees and executives to reward them for their contribution in bringing Lewis to the listing, to align the interests of employees with the interests of Lewis and its shareholders and to provide them with an incentive to further advance the interests of Lewis in future. GUS Holdings BV, the then holding company, agreed to make available 4% of the issued shares for no consideration to meet these commitments. In terms of IFRS 2, notwithstanding that the awards and options were granted at no cost to Lewis, share-based payments are required to be expensed over the vesting period. The adoption of IFRS 2 resulted in a charge for the 2005 financial year of R10.8 million.

On 26 May 2005, GUS sold its remaining 50% interest in Lewis. This sale resulted in a change in control and in terms of the rules of the various schemes, the share awards and options vested immediately. In terms of IFRS 2, any accelerated vesting of the share awards and options requires immediate recognition of the unrecognised portion. The unrecognised portion to be immediately expensed through the income statement was R58.4 million.

This charge arose from shares made available for no consideration by the former holding company and results in no economic cost or dilutionary effect to existing shareholders. The charge has no impact on operating performance, net asset value, cash position or gearing of Lewis.

	Sept 2005 Rm	% Change	Sept 2004 Rm	March 2005 Rm
Trading revenue	**1 332.2**		1 186.6	2 511.2
Normalised operating profit	**309.4**	14.6	270.0	593.5
As per IFRS income statement	**251.0**		270.0	582.7
Share-based payment excluded	**58.4**		–	10.8
Normalised operating margins	**23.2%**		22.8%	23.6%
Normalised profit before finance costs	**328.6**	14.9	286.0	631.1
Normalised profit before taxation	**323.3**	26.5	255.6	588.4
Normalised attributable earnings	**220.0**	23.2	178.6	406.0
Normalised earnings per share (cents)	**222.5**	24.6	178.6	406.0
Normalised headline earnings per share (cents)	**219.7**	23.4	178.1	400.9

TRADING ENVIRONMENT

The South African economy has matured appreciably and a solid platform has been laid for growth through government's disciplined fiscal stance. The stable interest rate and inflation environment as well as real wage increases have enhanced the disposable income of consumers.

The provision of infrastructure by the state and the announcement of the intention to intensify spending in this area should accelerate private sector activity and further stimulate growth.

The emerging black middle class, which forms the core of our target market, continues to grow at a rapid rate and while key economic factors remain stable, we expect consumer confidence and demand to continue to drive the current favourable retail cycle.

FINANCIAL PERFORMANCE

The first half's performance was shaped by the following major factors:

- Solid sales growth off a high base in the Lewis chain, combined with high sales growths in Best Electric and Lifestyle Living.
- New store openings in all three chains are on track.
- Improved gross profit margins mainly due to enhanced product sourcing and differentiation in the market.
- Maintaining the good quality of the credit book.
- Strong cash flow from trading. Gearing remains at low levels.

Income statement overview

Trading revenue increased by 12.3% to R1 332 million. This was driven by merchandise sales growth of 14.5% to R724 million (11.1% on a like-for-like basis). The Lewis chain grew merchandise sales by 10.6% to R617 million. Best Electric sales grew by 31.9% from R55 million to R72 million. Lifestyle Living posted strong growth of 75%, at R35 million.

Overall price deflation for the six months was 7.1% with an increase of 14.5% in value and volume increasing by 21.6%. Furniture sales, which account for 48% of total sales, increased by 7.8% in rand terms and 8.5% in unit sales. Sales of electronic and electrical appliances increased by 21.6% in value and 31.8% in volumes.

Cash and short-term credit sales have settled at current levels (30.8%). Lewis chain reflected a 2% decline in cash business during the period. Lifestyle Living has a much higher percentage of cash sales versus credit mainly due to its market segment.

Net insurance revenue and finance charges earned grew by 10.3% and 7.3% to R187 million and R314 million respectively. The growth of both of these lines of revenue was slower than the growth in merchandise sales due to the low interest rate environment and the additional insurance reserves resulting from buoyant trade.

The merchandise margin increased to 35.5% from 33.8% driven by competitive supply chain initiatives.

Operating costs, excluding bad and doubtful debts and share-based payments increased by 9.7% to R505 million. Certain costs have been incurred earlier than anticipated, but it is envisaged that full year costs will be in line with budget.

Bad debt charges at R46 million were R2 million lower than last year. The increase in the impairment provision of R4 million compares to a release of R11 million in the corresponding period. This is a consequence of the growth in the debtors book. The impairment provision as a percentage of gross instalment debtors decreased from 15.3% to 14.2%.

Normalised operating profit grew by 14.6% to R309 million with the Group's normalised operating margin increasing from 22.8% to 23.2%, aided by the strong sales growth and gross margin increases.

Finance costs declined by R25 million as a result of low gearing, low interest rates and the cessation of interest payments to the former holding company.

Headline earnings on an IFRS basis decreased by 10.8% from R178 million to R159 million as a result of the share-based payment charge in terms of IFRS 2. Normalised headline earnings increased by 22% from R178 million to R217 million.

Earnings per share and headline earnings per share presented on an IFRS basis decreased by 8.6% and 9.8% respectively. Fully diluted earnings per share and headline earnings per share decreased by 8.6% and 9.9%. This decline is attributable to the share-based payment charge in terms of IFRS 2.

On a normalised basis, earnings per share and headline earnings per share increased by 24.6% and 23.4% respectively. Similarly, fully diluted normalised earnings per share and normalised headline earnings per share increased by 24.4% and 23.2%.

Balance sheet

Inventory levels increased significantly as a consequence of our strategy to advance imported stock deliveries, to take advantage of new merchandise developments and buoyant trade. This was partly funded by an increase in trade and other payables.

Gross instalment sale receivables increased by 5.2% to R2 735 million. The increase in instalment sale receivables relative to revenue growth reflects the quality of our debt collection and the current favourable credit environment. Total debtors provisions have increased from 34.9% at September 2004 to 36.6% of gross instalment receivables. This increase is due to accounting provisions for unearned finance charges and insurance income that results from an increase in sales volumes.

Cash flow

Lewis continues to generate significant cash. Effective follow-up and a favourable credit environment were the main contributors to this position.

Following shareholder approval, the Group has commenced a general share repurchase. This will be, as expected, earnings enhancing and further improve our return on equity. To date, 2.1% of shares in issue have been repurchased at an average market price of R43.51 per share and at a total cost of R92 million.

OPERATIONAL REVIEW

The focus during the past six months has been on further enhancing the merchandise offering to attract new customers while continuing to retain existing customers through our Re-serve system. Upgraded merchandise ranges were added in response to customer demand and changing customer demographics.

Enhancements and improvements in credit granting and the behavioural scorecard were implemented in our drive to further improve the quality of debtors. A campaign to regain settled customers was introduced with very successful results.

Sales in both the furniture and electrical categories have been good. The electronics section (TVs, home theatre and DVDs) although achieving substantially more unit sales, is still being affected by price deflation, albeit at lower levels than last year.

The increased sales growth in all three chains is very encouraging.

During the period one Lewis store was opened and three small non-performing stores were closed resulting in 398 stores at period-end. Lewis will open six new stores in the second half of this financial year. Best Electric comprised 66 stores after opening eight new stores. A further four new stores will open this year. The Lifestyle Living chain ended on 14 stores after it closed four old-format stores and opened one new-format store.

The launch of the Lifestyle Living store card in June 2005 has been encouraging. The financial services division products were further enhanced with a funeral plan scheme being launched in July 2005.

Group trading revenue and normalised operating profit per square metre increased, from the corresponding six-month period, by 12.4% to R6 451 and 14.8% to R1 498 per square metre respectively.

The National Credit Bill was approved in parliament in October 2005. Draft regulations governing interest rates etc. are due to be published during the first quarter of 2006. Whilst the impact on the credit industry will be significant, the company is confident that its leading-edge credit granting and current IT systems will assist it in meeting the anticipated administrative requirements of the Bill.

STRATEGY

Our focus remains on the following key strategic business initiatives:

- Generating profitable revenue growth through:
  - increasing sales from existing stores using innovative merchandising and marketing strategies; and
  - expanding the store base;
- Driving operational efficiencies;
- Acquisitions that complement and add value to our business;
- Optimisation of the balance sheet; and
- Developing ancillary products through strategic partnerships.

PROSPECTS

The Lewis Board remains confident, based on the current momentum in the business, that furniture, electrical and appliance sales will continue to grow in real terms in the coming year.

Productivity will be enhanced further through economies of scale from the inclusion of new stores and a continued focus on operational efficiencies. Consequently, share owners can expect meaningful earnings growth.

DIRECTORATE

David Nurek, Alan Smart, Hilton Saven and Ben van der Ross remained directors during the period. David Tyler resigned on 5 August 2005 and we are pleased to announce the appointment of Professor Fatima Abrahams with effect from 1 September 2005.

DECLARATION OF INTERIM DIVIDEND NO. 3

The Board has approved an interim dividend which represents a two-and-a-half times dividend cover (previously 3 times covered). The dividend has been calculated on normalised earnings attributable to shareholders.

Notice is hereby given that an interim dividend of 88 cents per share in respect of the period ended 30 September 2005 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday 27 January 2006. The last day to trade cum dividend will therefore be Friday 20 January 2006 and Lewis shares will trade ex-dividend from Monday 23 January 2006. Payment of the dividend will be made on Monday 30 January 2006. Share certificates may not be dematerialised or rematerialised between Monday 23 January 2006 and Friday 27 January 2006, both days inclusive.

For and on behalf of the Board

David Nurek
Chairman

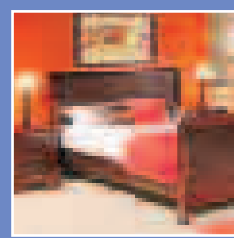
Alan Smart
Chief Executive Officer

Cape Town
14 November 2005

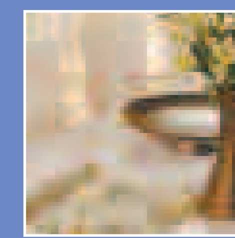
Executive director:	AJ Smart (*Chief Executive Officer*)
Non-executive directors:	DM Nurek* (*Chairman*), H Saven*, B van der Ross*, F Abrahams* ** Independent*
Company secretary:	PB Croucher
Registered office:	53A Victoria Road, Woodstock, 7925
Registration number:	2004/009817/06
Share code:	LEW
ISIN:	ZAE000058236
Transfer secretaries:	Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	UBS South Africa (Pty) Ltd

These results are also available on our website:
www.lewisgroup.co.za










GROUP INCOME STATEMENT

	Notes	6 months ended 30 Sept 2005 Rm Unaudited	6 months ended 30 Sept 2004 Rm Restated	12 months ended 31 March 2005 Rm Restated
Trading revenue	2	1 332.2	1 186.6	2 511.2
Dividends and interest income		21.0	26.8	46.8
Total revenue		1 353.2	1 213.4	2 558.0
Merchandise sales	2	724.0	632.5	1 351.9
Cost of merchandise sales		(467.3)	(418.7)	(885.0)
Gross profit		256.7	213.8	466.9
Other trading revenue	2	608.2	554.1	1 159.3
Operating costs		(613.9)	(497.9)	(1 043.5)
Employment costs		(214.4)	(194.5)	(406.0)
Share-based payments		(58.4)	–	(10.8)
Administration and IT		(76.2)	(71.1)	(134.5)
Bad debts and impairment provision	3	(50.7)	(37.6)	(101.6)
Marketing		(48.5)	(40.6)	(79.6)
Occupancy costs		(46.8)	(42.8)	(87.9)
Transport and travel		(48.6)	(42.2)	(85.6)
Depreciation		(21.5)	(20.9)	(36.9)
Other operating costs		(48.8)	(48.2)	(100.6)
Operating profit		251.0	270.0	582.7
Investment income		19.2	16.0	37.6
Profit before finance costs		270.2	286.0	620.3
Net finance costs	4	(5.3)	(30.4)	(42.7)
Profit before taxation		264.9	255.6	577.6
Taxation		(103.3)	(77.0)	(182.4)
Net profit attributable to ordinary shareholders		161.6	178.6	395.2
Reconciliation of headline earnings				
Net profit attributable to ordinary shareholders		161.6	178.6	395.2
Adjusted for				
Profit on disposal of property, plant and equipment		(2.5)	(1.9)	(3.9)
Disposal/impairment of available-for-sale assets		(1.2)	1.0	(2.9)
Taxation effect		0.9	0.4	1.7
Headline earnings		158.8	178.1	390.1
Number of ordinary shares (000)				
In issue		100 000	100 000	100 000
Weighted average		98 878	100 000	100 000
Fully diluted weighted average		99 004	100 000	100 000
Earnings per share (cents)		163.4	178.6	395.2
Headline earnings per share (cents)		160.6	178.1	390.1
Fully diluted earnings per share (cents)		163.2	178.6	395.2
Fully diluted headline earnings per share (cents)		160.4	178.1	390.1

ABRIDGED GROUP CASH FLOW STATEMENT

	Notes	6 months ended 30 Sept 2005 Rm Unaudited	6 months ended 30 Sept 2004 Rm Unaudited	12 months ended 31 March 2005 Rm Audited
Cash flow from operating activities				
Cash flow from trading	7	337.9	295.1	610.7
Working capital movement	8	(33.9)	22.2	14.5
Cash generated from operations		304.0	317.3	625.2
Dividends and interest received		21.0	26.8	46.8
Interest paid		(8.3)	(305.4)	(319.9)
Taxation paid		(170.3)	(128.3)	(207.6)
Dividends paid		(72.9)	–	(61.0)
Cash retained from/(utilised by) operating activities		73.5	(89.6)	83.5
Net cash outflow from investing activities		(7.0)	(56.6)	(53.0)
Net cash outflow from financing activities		(96.4)	(504.7)	(506.0)
Net decrease in cash and cash equivalents		(29.9)	(650.9)	(475.5)
Cash and cash equivalents at the beginning of the period		(116.7)	358.8	358.8
Cash and cash equivalents at the end of the period		(146.6)	(292.1)	(116.7)

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
Balance at 30 September 2004 (restated)	676.9	27.2	1 176.6	1 880.7
Net profit attributable to ordinary shareholders	–	–	216.6	216.6
Fair value adjustments of available-for-sale investments, net of tax	–	18.5	–	18.5
Profit on disposal of available-for-sale investments recognised, net of tax	–	(3.1)	–	(3.1)
Share-based payment	–	10.8	–	10.8
Transfer to contingency reserve	–	1.8	(1.8)	–
Foreign currency translation reserve movement	–	(2.9)	–	(2.9)
Dividends paid	–	–	(61.0)	(61.0)
Balance at 31 March 2005 (restated)	676.9	52.3	1 330.4	2 059.6
Net profit attributable to ordinary shareholders	–	–	161.6	161.6
Fair value adjustments of available-for-sale investments, net of tax	–	29.3	–	29.3
Profit on disposal of available-for-sale investments recognised, net of tax	–	(1.0)	–	(1.0)
Share-based payment	–	58.4	–	58.4
Transfer of share-based payment reserve to retained income on vesting	–	(69.2)	69.2	–
Treasury shares:				
Share repurchase programme	(92.0)	–	–	(92.0)
Share Trust	(0.3)	–	–	(0.3)
Share awards to employees	0.2	–	(0.2)	–
Profit on sale of own shares	–	–	2.3	2.3
Transfer to contingency reserve	–	1.4	(1.4)	–
Foreign currency translation reserve movement	–	(14.2)	–	(14.2)
Dividends paid	–	–	(72.9)	(72.9)
Balance at 30 September 2005	584.8	57.0	1 489.0	2 130.8

GROUP BALANCE SHEET

	Note	30 Sept 2005 Rm Unaudited	30 Sept 2004 Rm Restated	31 March 2005 Rm Restated
Assets				
Non-current assets				
Property, plant and equipment		156.0	159.5	159.5
Investments – insurance business		433.6	381.9	400.6
Deferred taxation		86.7	–	48.7
		676.3	541.4	608.8
Current assets				
Investments – insurance business		97.8	119.0	105.2
Inventories		248.5	168.5	155.8
Trade and other receivables	5	1 779.9	1 741.9	1 750.6
Cash on hand and deposits		88.4	58.4	55.3
		2 214.6	2 087.8	2 066.9
Total assets		2 890.9	2 629.2	2 675.7
Equity and liabilities				
Capital and reserves				
Shareholders' equity and reserves		2 130.8	1 880.7	2 059.6
Non-current liabilities				
Interest-bearing borrowings		1.7	1.9	1.7
Deferred taxation		16.1	18.6	12.0
Retirement benefits		74.2	77.0	72.4
		92.0	97.5	86.1
Current liabilities				
Trade and other payables		335.2	251.5	225.2
Taxation		97.1	40.8	125.6
Current portion of interest-bearing borrowings		0.8	8.2	7.2
Overdrafts and short-term interest-bearing borrowings		235.0	350.5	172.0
		668.1	651.0	530.0
Total equity and liabilities		2 890.9	2 629.2	2 675.7

GROUP SEGMENT REPORT

	6 months ended 30 Sept 2005 Rm Unaudited	6 months ended 30 Sept 2004 Rm Restated	12 months ended 31 March 2005 Rm Restated
BUSINESS GROUPING			
Trading revenue			
Merchandise	1 145.6	1 017.4	2 153.6
Insurance	186.6	169.2	357.6
Total	1 332.2	1 186.6	2 511.2
Operating profit			
Merchandise	231.8	201.2	449.7
Insurance	77.6	68.8	143.8
Total*	309.4	270.0	593.5
GEOGRAPHICAL			
Revenue			
South Africa	1 187.9	1 047.8	2 229.1
Botswana, Lesotho, Namibia and Swaziland	144.3	138.8	282.1
Total	1 332.2	1 186.6	2 511.2

** The operating profit excludes the share-based payment.*

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

1. Basis of accounting

These consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34 on interim financial reporting. The Group is adopting IFRS for the first time which requires changes in accounting policies and the use of transitional arrangements under IFRS. These have all been detailed in a separate section in this announcement entitled: "Compliance with International Financial Reporting Standards".

	30 Sept 2005 Rm Unaudited	30 Sept 2004 Rm Restated	31 March 2005 Rm Restated
2. Trading revenue			
Merchandise sales	724.0	632.5	1 351.9
Other trading revenue	608.2	554.1	1 159.3
Finance charges earned	313.9	292.5	605.0
Net insurance income	186.6	169.2	357.6
Gross insurance income	261.1	234.5	501.0
Reinsurance premiums	(74.5)	(65.3)	(143.4)
Fees for services rendered	107.7	92.4	196.7
	1 332.2	1 186.6	2 511.2
3. Bad debts and impairment provision			
Bad debts, bad debt recoveries and repossession losses	46.4	48.1	125.3
Movement in impairment provision	4.3	(10.5)	(23.7)
	50.7	37.6	101.6
4. Net finance costs			
Interest paid:			
– Fellow subsidiary	–	32.8	32.8
– Bank and loans	5.8	7.4	17.8
– Other	2.5	–	4.2
Interest received:			
– Bank	(3.0)	(9.8)	(12.0)
– Other	–	–	(0.1)
	5.3	30.4	42.7
5. Trade and other receivables			
Instalment sale and loan receivables	2 734.7	2 599.5	2 677.1
Provision for unearned finance charges and unearned maintenance income	(452.8)	(365.8)	(414.4)
Impairment provision	(389.7)	(398.6)	(385.4)
Provision for unearned insurance premiums	(159.8)	(143.0)	(154.4)
Unearned insurance premiums	(263.9)	(235.1)	(254.9)
Less: reinsurer's technical reserves	104.1	92.1	100.5
Net instalment sale and loan receivables	1 732.4	1 692.1	1 722.9
Other receivables	47.5	49.8	27.7
	1 779.9	1 741.9	1 750.6
The credit terms of instalment sale and loan receivables range from 6 to 24 months. Amounts due from instalment sale and loan receivables after one year are reflected as current, as they form part of the normal operating cycle.			
6. Material capital commitments			
There were no material capital commitments contracted for or authorised and contracted at the end of the period under review.			
7. Cash flow from trading			
Operating profit	251.0	270.0	582.7
Adjusted for:			
Depreciation and amortisation	21.5	20.9	36.9
Share-based payment	58.4	–	10.8
Profit on sale of property, plant and equipment	(2.5)	(1.9)	(3.9)
Movement in debtors impairment provision	4.3	(10.5)	(23.7)
Movement in retirement benefits provisions	1.8	1.8	(2.8)
Movement in other provisions	3.4	14.8	10.7
	337.9	295.1	610.7
8. Working capital movement			
Increase in inventory	(94.4)	(19.1)	(5.5)
(Increase)/decrease in trade and other receivables	(47.8)	20.4	21.9
Increase/(decrease) in trade and other payables	108.3	20.9	(1.9)
	(33.9)	22.2	14.5

KEY RATIOS FOR THE GROUP

	6 months ended 30 Sept 2005	6 months ended 30 Sept 2004	12 months ended 31 March 2005
Operating efficiency ratios			
Merchandise gross profit %	35.5%	33.8%	34.5%
Normalised operating margin %	23.2%	22.8%	23.6%
Number of stores	478	472	475
Trading revenue per store (R000's)	2 787	2 514	5 287
Normalised operating profit per store (R000's)	647	572	1 249
Number of employees (average)	5 818	5 694	5 713
Trading revenue per employee (R000's)	229	208	440
Normalised operating profit per employee (R000's)	53	47	104
Trading space (sqm)	206 501	206 786	207 595
Trading revenue per sqm (R)	6 451	5 738	12 097
Normalised operating profit per sqm (R)	1 498	1 305	2 859
Current ratios	3.3	3.2	3.9
Credit ratios			
Cash and short-term credit sales % of total sales	30.8%	31.0%	30.1%
Bad debts and impairment charge as a % of the gross debtors book	1.9%	1.4%	3.8%
Debtors impairment provision as a % of gross instalment receivables	14.2%	15.3%	14.4%
Total debtors provisions as a % of gross instalment receivables	36.6%	34.9%	35.6%
Credit applications decline rate	24.6%	20.4%	20.5%
Average age of book (months)	14.5	14.7	14.8
Arrear % (full contractual)	25.0%	27.6%	25.7%
Shareholder ratios			
Net asset value per share (cents)	2 131	1 881	2 060
Gearing ratio	7.0%	16.1%	6.1%
Normalised return on average equity	21.0%	20.8%	22.1%
Normalised return on average capital employed	19.4%	17.0%	18.5%

Notes:

1. *All ratios are based on figures at the end of the period unless otherwise disclosed.*
2. *For the applicable ratios, revenue will be the trading revenue.*
3. *Where a ratio is referred to as normalised, the earnings used in that ratio will exclude the share-based payment.*
4. *Employees reflect only permanent employees.*
5. *Normalised ROE for September 2004 and March 2005 have been restated to exclude the effects of the restructuring prior to listing.*

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In accordance with the requirements of the JSE the Group has adopted International Financial Reporting Standards from 1 April 2005. These standards are subject to ongoing review and interpretation by the International Accounting Standards Board. Consequently, IFRS information at year-end may differ from the information contained herein.

In complying with IFRS, comparative information has been restated and the following accounting policy changes made:

1. IFRS 1: Transitional Arrangements (1 April 2004)

1.1 **Fair Value as Deemed Cost**

The Group elected to apply the fair value of land and buildings as deemed cost. Accordingly, depreciation previously provided has been reversed. Deferred tax has been provided on the revalued amount at the income tax rate.

1.2 **Employee Benefits**

Unrecognised actuarial gains and losses at the date of transition has been recognised and charged against retained income.

1.3 **Cumulative Translation Differences**

Foreign currency adjustments arising on the translation of foreign operations ("FCTR") will continue to be recognised directly in equity. The balance on the FCTR was reset to zero at transition.

1.4 **Designation of Financial Instruments**

Gilts held by Monarch Insurance Company have been designated as available-for-sale (previously recognised as fair value through profit and loss).

2. Income Statement Reclassifications

In terms of IAS 1, the following material reclassifications were made in the income statement with comparatives restated accordingly:

– Insurance premiums paid to reinsurers are deducted from insurance premiums written. This was previously included in cost of sales. In addition, reinsurance commissions received have been included in revenue.

– Settlement discounts have been reclassified to cost of sales with an appropriate adjustment to inventory valuation under IAS 2.

3. IFRS 2: Share-based Payments

In accordance with IFRS 2, share-based payments are recognised as an expense in the income statement over the vesting period with a corresponding credit to equity.

4. IAS 17 – Property Leases

In terms of IAS 17 and SAICA Circular 7/2005 operating leases with fixed escalations have been recognised as an expense on a straight-line basis over the lease term and not on the basis of the cash outflows as in previous years.

5. IAS 16 – Property, Plant and Equipment

Depreciation will be provided on buildings at deemed cost (refer 1.1). The residual value will be re-assessed at each balance sheet date.

The effect of adopting IFRS is reflected below:

IFRS Income Statement Impact	31 March 2005 Rm	30 Sept 2004 Rm
As previously reported	408.9	181.7
Employee benefits – IFRS 1	2.3	–
Designation of financial instruments – IFRS 1	(5.6)	(3.2)
Share-based payments – IFRS 2	(10.8)	–
Occupancy cost – IAS 17	0.8	0.3
Depreciation – IAS 16	(0.1)	0.2
Settlement discount in inventory – IAS 2	(0.3)	(0.4)
As reported under IFRS	395.2	178.6

IFRS Impact on Shareholders' Equity	31 March 2005 Rm	30 Sept 2004 Rm	1 April 2004 Rm
As previously reported	2 059.4	1 883.1	1 310.0
Fair value deemed as cost – IFRS 1	34.7	34.7	34.7
Employee benefits – IFRS 1	(25.2)	(27.5)	(27.5)
Occupancy cost – IAS 17	(6.2)	(6.7)	(7.0)
Depreciation – IAS 16	(0.1)	0.2	–
Settlement discount in inventory – IAS 2	(3.0)	(3.1)	(2.7)
As reported under IFRS	2 059. 6	1 880.7	1 307.5