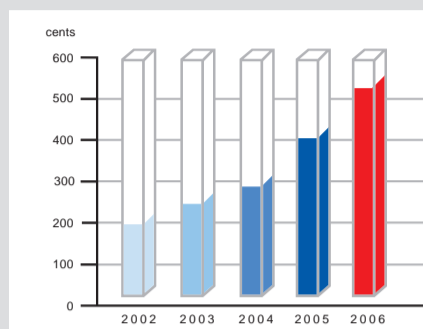


### headline earnings per share



Headline earnings per share is based on Normalised Earnings  
The periods 2002 to 2004 calculated in terms of SA GAAP

## Highlights

- Merchandise Sales up by **16.0%**
- Total Dividend increased by **67%**
- Normalised Operating Margin **25.3%** (LY: 23.6%)

## • Headline Earnings Per Share

- Normalised increased by **30.8%**
- IFRS Basis increased by **19.1%**

## • Strong Operating Cash Flow **R593 million**

## COMMENTARY

We are pleased to report record annual sales and profitability. This result is particularly gratifying and builds on the key strengths of the company and the positive trading environment. The result has been prepared in compliance with International Financial Reporting Standards (IFRS) for the first time. The effect of this adoption is presented under the section "Compliance of International Financial Reporting Standards".

### NORMALISED EARNINGS

As mentioned in our interim announcement, we support the efforts of the accounting profession to achieve consistency in financial reporting. However the application of IFRS 2 (share-based payments) has had the consequence of presenting earnings which do not fully reflect the economic performance of the underlying operations. To assist shareholders in their interpretation of the results, normalised earnings have been presented below, which excludes the effect of the application of IFRS 2 share-based payments in respect of the GUS disposal.

#### In summary

At the time of the listing, share awards and options were granted to qualifying employees. 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 in this year is 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.

#### Normalised earnings excluding share-based payments referred to above:

	March 2006	% change	March 2005
	Rm		Rm
Revenue	2 874.5		2 511.2
Normalised operating profit	728.6	22.8	593.5
As per IFRS income statement	670.2		582.7
Share-based payment excluded	58.4		10.8
Normalised operating margins	25.3%		23.6%
Normalised profit before finance costs	757.5	20.0	631.1
Normalised profit before taxation	744.7	26.6	588.4
Normalised attributable earnings	507.1	24.9	406.0
Normalised headline earnings	510.4	27.3	400.9
Normalised earnings per share (cents)	521.2	28.4	406.0
Normalised headline earnings per share (cents)	524.6	30.9	400.9

### TRADING ENVIRONMENT

The increased number of middle income earners continue to drive the consumer economy and revenue growth. The South African Advertising and Research Foundation recently released their 2005 All Market and Product Statistics (AMPS), which records that between 2001 and 2005, consumers in the middle Lifestyle Measurement Categories (ie. LSM 4 to 7) increased by 2.5 million people which represents a 19.5% increase.

In addition, there has been a general upward trend in consumer confidence over the last two years indicating that consumers are very much more optimistic about the outlook for the economy and their finances.

The Lewis Group has been a beneficiary of these positive developments in the South African economy, the growth of which has been bolstered by low inflation and interest rates, improvements in employment and higher than expected tax relief.

The Government's intention to intensify infrastructural spending has supported private sector activity and stimulated growth.

### FINANCIAL PERFORMANCE

The financial year's performance was shaped by the following major factors:

- Solid sales growth in the Lewis chain, combined with high sales growths in Best Electric and Lifestyle Living.
- Strong second-half sales performance. (H2: 17.3%; H1: 14.5%).
- Significant improvement in operating margin from 23.6% to 25.3%.
- 23 new store openings.
- Improved gross margin as a result of product sourcing initiatives.
- Improving quality of the debtor's book.
- Strong cash flow from trading.

### Income statement overview

Revenue increased by 14.5% to R2 874.5 million. This was mainly driven by merchandise sales growth of 16.0% to R1 567.8 million (12.6% on a like-for-like basis). This growth was as a result of merchandise initiatives, a strong drive to regain settled customers as well as successful new customer promotional campaigns.

The Lewis chain produced solid merchandise sales growth of 12.1% to R1 318.1 million (11.3% on a like-for-like basis). Best Electric experienced a 31.4% sales increase from R125.1 million to R164.3 million (10.8% on a like-for-like basis) benefiting from new store openings and revised merchandise ranging, despite the effects of deflation. Lifestyle Living posted strong growth of 68.1% at R85.4 million (58.4% on a like-for-like basis), albeit off a low base.

Overall price deflation for the financial year was 5.6% with an increase of 16% in value and volume increasing by 21.6%. Furniture sales, which account for 47% of total sales, increased by 11.3% in Rand terms and 11% in unit sales. Sales of electronic and electrical appliances increased by 20.6% in value and 29.4% in volume.

Cash and short-term credit sales stabilised at 30% within the group.

Insurance revenue earned grew by 12.0% to R400.4 million with a larger charge for the unearned premium reserve due to the higher levels of current trade. Finance charges increased by 11.5% to R674.4 million with lower arrear interest income as a result of the improving debtors book.

The merchandise margin increased to 34.9% from 34.5% driven by product sourcing and supply chain initiatives.

Operating costs, excluding bad debts, the debtors impairment provision and share-based payments increased by 8.4% to R1 009.5 million well below the level of sales growth of 16%.

The increase in bad debts was 6% over last year. The impairment provision reflects a release of R17.4 million in the current year as compared to R23.7 million last year, which is attributable to the increase in the debtors book of R244.3 million. The impairment provision has decreased from 14.4% to 12.6% of gross debtors. The overall bad debt charge amounts to 4% of gross debtors (2005: 3.8%).

Normalised operating profit grew by 22.8% to R728.6 million, with the normalised operating margin reflecting a most gratifying increase from 23.6% to 25.3%, aided by the strong sales growth, improved gross margin, a relatively low bad debt charge and 8.4% increase in operating costs.

Finance costs declined by R29.9 million mainly as a result of the cessation of interest payments to the former holding company.

The increase in earnings can be summarised as follows:

Increase in	IFRS	Normalised
Earnings	13.5%	24.9%
Headline earnings	15.9%	27.3%
Earnings per share	16.7%	28.4%
Headline earnings per share	19.1%	30.9%
Fully diluted earnings per share	16.4%	28.1%
Fully diluted headline earnings per share	18.8%	30.6%

Earnings per share and return on equity have been enhanced by the share repurchase programme initiated in September 2005.

#### Balance sheet

Inventory levels increased as a consequence of 23 new stores and our strategy to carry higher levels of stock to support sales promotional initiatives. This is evidenced by a strong second-half sales performance of 17.3%. Inventory levels are partly funded by an increase in trade and other payables.

Gross debtors increased by 9.1% to R2 921.4 million well below revenue growth, reflecting the quality of our debt collection process. The average age of the debtors book has improved to 14.3 months from 14.8 months. Total debtors provisions increased from 35.6% at March 2005 to 36.3% as a result of accounting provisions for unearned finance charges, insurance income and maintenance contract revenue.

#### Cash flow

Lewis continues to generate significant operating cash flows which have funded the following:

- Share repurchase of R151.9 million.
- Dividends paid during the year of R156.9 million.
- Increased working capital of R160.5 million.

At year-end, 3.36% of shares in issue have been repurchased at an average market price of R44.86 per share. The group will continue to repurchase shares up to 10% of share capital when suitable opportunities arise.

#### OPERATIONAL REVIEW

The focus during the past year has been on enhancing the merchandise offering to attract new customers while continuing to retain existing customers through our re-serve system. Our merchandise strategy, both locally and overseas, is to provide exclusivity of product and design, enhanced quality and genuine value-for-money.

Enhancements and improvements in credit granting and the behavioural scorecard were implemented in our drive to further improve the quality of debtors. The introduction of the behavioural scorecard enables guaranteed credit offers to our existing and settled customer base.

Sales in both the furniture and electrical categories have been encouraging. The electronics section (TVs, home theatre and DVDs) although achieving substantially more unit sales, continues to be affected by price deflation.

During the year, six Lewis stores, 14 Best Electric and three new-format Lifestyle Living stores were opened and eight non-performing stores were closed, including four old-format Lifestyle stores.

Normalised operating profit per square metre increased by 21.2% from R2 859 to R3 466. Normalised operating profit per employee increased by 19.2% to R124 000.

The National Credit Act will be implemented on 1 June 2007. The draft regulations are still to be approved. However, the overall effect of the Act is anticipated to be neutral. The group has advanced store and credit scoring systems which are in the process of being adapted to address the key requirements of the National Credit Act.

#### CORPORATE GOVERNANCE

The group subscribes to the values of good corporate governance and substantially complies with the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance and the JSE Limited Listings Requirements.

#### PROSPECTS

The strong second half of the year and the current sales impetus indicate that the trading environment will remain buoyant. The quality of the debtors book continues to improve. Our outlook remains positive.

#### DIRECTORATE

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

#### DECLARATION OF FINAL DIVIDEND NO. 4

The Board has approved a final dividend which represents a 2.25 times dividend cover (previously 3 times covered). The dividend has been calculated on normalised earnings attributable to shareholders and represents a 67% increase in total dividends declared for the year.

Notice is hereby given that a final dividend of 137 cents per share in respect of the year ended 31 March 2006 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 21 July 2006. The last day to trade cum dividend will therefore be Friday, 14 July 2006 and Lewis shares will trade ex-dividend from Monday, 17 July 2006. Payment of the dividend will be made on Monday, 24 July 2006. Share certificates may not be dematerialised or rematerialised between Monday, 17 July 2006 and Friday, 21 July 2006, both days inclusive.

For and on behalf of the Board



David Nurek  
Chairman  
Cape Town, 22 May 2006



Alan Smart  
Chief Executive Officer

#### EXTERNAL AUDITORS' REVIEW

The external auditors, PricewaterhouseCoopers Inc, have audited the group annual financial statements and the abridged financial statements contained herein for the 12 months ended 31 March 2006 and a copy of their unqualified reports are available on request at the company's registered office.

<b>Executive director:</b>	AJ Smart (Chief Executive Officer)
<b>Independent non-executive directors:</b>	DM Nurek (Chairman), H Saven, B van der Ross, F Abrahams, PB Croucher
<b>Company secretary:</b>	53A Victoria Road, Woodstock, 7925
<b>Registered office:</b>	2004/009817/06
<b>Registration number:</b>	LEW
<b>Share code:</b>	ZAEO00058236
<b>ISIN:</b>	Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
<b>Transfer secretaries:</b>	PO Box 61051, Marshalltown, 2107
<b>Auditors:</b>	PricewaterhouseCoopers Inc.
<b>Sponsor:</b>	UBS South Africa (Pty) Ltd

These results are also available on our website:

[www.lewisgroup.co.za](http://www.lewisgroup.co.za)



#### ABRIDGED INCOME STATEMENT

Notes	12 months ended	12 months ended
	31 March 2006	31 March 2005
	Rm	Rm
	Audited	Audited
<b>Revenue</b>	<b>2 874.5</b>	<b>2 511.2</b>
Merchandise sales	1 567.8	1 351.9
Finance charges earned	674.4	605.0
Insurance premiums earned	400.4	357.6
Services rendered	231.9	196.7
<b>Cost of merchandise sales</b>	<b>(1 020.6)</b>	<b>(885.0)</b>
<b>Operating costs</b>	<b>(1 183.7)</b>	<b>(1 043.5)</b>
Employment costs	(439.9)	(406.0)
Share-based payments	(58.7)	(10.8)
Administration and IT	(152.3)	(134.5)
Bad debts and impairment provision	(115.5)	(101.6)
Marketing	(89.1)	(79.6)
Occupancy costs	(98.3)	(87.9)
Transport and travel	(98.4)	(85.6)
Depreciation	(35.0)	(36.9)
Other operating costs	(96.5)	(100.6)
<b>Operating profit</b>	<b>670.2</b>	<b>582.7</b>
Investment income	28.9	37.6
<b>Profit before finance costs</b>	<b>699.1</b>	<b>620.3</b>
Net finance costs	(12.8)	(42.7)
<b>Profit before taxation</b>	<b>686.3</b>	<b>577.6</b>
Taxation	(237.6)	(182.4)
<b>Net profit attributable to ordinary shareholders</b>	<b>448.7</b>	<b>395.2</b>
<b>Reconciliation of headline earnings</b>		
Net profit attributable to ordinary shareholders	448.7	395.2
<b>Adjusted for</b>		
Profit on disposal of property, plant and equipment	(6.0)	(3.9)
Profit on disposal of available-for-sale assets	(5.8)	(2.8)
Impairment of available-for-sale assets	12.3	-
Taxation	2.8	1.6
<b>Headline earnings</b>	<b>452.0</b>	<b>390.1</b>
<b>Number of ordinary shares (000)</b>		
In issue	100 000	100 000
Weighted average	97 300	100 000
Fully diluted weighted average	97 501	100 000
<b>Earnings per share (cents)</b>	<b>461.2</b>	<b>395.2</b>
<b>Headline earnings per share (cents)</b>	<b>464.5</b>	<b>390.1</b>
<b>Fully diluted earnings per share (cents)</b>	<b>460.2</b>	<b>395.2</b>
<b>Fully diluted headline earnings per share (cents)</b>	<b>463.6</b>	<b>390.1</b>

#### ABRIDGED CASH FLOW STATEMENT

Notes	12 months ended	12 months ended
	31 March 2006	31 March 2005
	Rm	Rm
	Audited	Audited
<b>Cash generated from operations</b>	<b>593.2</b>	<b>625.2</b>
Dividends and interest received	41.3	46.9
Finance costs	(18.7)	(319.9)
Taxation paid	(244.4)	(207.7)
<b>Cash retained from operating activities</b>	<b>371.4</b>	<b>144.5</b>
<b>Net cash outflow from investing activities</b>	<b>(45.5)</b>	<b>(53.0)</b>
<b>Net cash outflow from financing activities</b>	<b>(313.9)</b>	<b>(567.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12.0</b>	<b>(475.5)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(116.7)</b>	<b>358.8</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>(104.7)</b>	<b>(116.7)</b>

#### STATEMENT OF CHANGES IN EQUITY

	Share capital and premium	Other reserves	Retained earnings	Total
	Rm	Rm	Rm	Rm
<b>Balance at 1 April 2004</b>	<b>300.9</b>	<b>12.4</b>	<b>998.4</b>	<b>1 311.7</b>
Issue of shares	376.0	-	-	376.0
Net profit attributable to ordinary shareholders	-	-	395.2	395.2
Fair value adjustments of available-for-sale investments, net of tax	-	32.0	-	32.0
Disposal of available-for-sale investments recognised	-	(2.2)	-	(2.2)
Share-based payment	-	10.8	-	10.8
Transfer to contingency reserve	-	2.2	(2.2)	-
Foreign currency translation reserve movement	-	(2.9)	-	(2.9)
Dividends paid	-	-	(61.0)	(61.0)
<b>Balance at 31 March 2005</b>	<b>676.9</b>	<b>52.3</b>	<b>1 330.4</b>	<b>2 059.6</b>
Net profit attributable to ordinary shareholders	-	-	448.7	448.7
Fair value adjustments of available-for-sale investments, net of tax	-	61.4	-	61.4
Disposal of available-for-sale investments recognised	-	(4.8)	-	(4.8)
Available-for-sale asset impaired	-	12.3	-	12.3
Share-based payment	-	58.7	-	58.7
Transfer of share-based payment reserve to retained income on vesting	-	(69.2)	69.2	-
Cost of treasury shares acquired	-	-	-	-
Share repurchase programme	(151.9)	-	-	(151.9)
Share trust	(0.3)	-	-	(0.3)
Cost of share awards to employees	0.2	-	(0.2)	-
Profit on sale of own shares	-	-	2.3	2.3
Transfer to contingency reserve	-	5.0	(5.0)	-
Foreign currency translation reserve movement	-	(23.7)	-	(23.7)
Dividends paid	-	-	(156.9)	(156.9)
<b>Balance at 31 March 2006</b>	<b>524.9</b>	<b>92.0</b>	<b>1 688.5</b>	<b>2 305.4</b>

#### BALANCE SHEET

Notes	31 March 2006	31 March 2005
	Rm	Rm
	Audited	Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	163.2	159.5
Investments – insurance business	478.0	400.6
Deferred taxation	89.7	48.7
	<b>730.9</b>	<b>608.8</b>
<b>Current assets</b>		
Investments – insurance business	111.9	105.2
Inventories	212.6	155.8
Trade and other receivables	1 896.5	1 750.6
Cash on hand and deposits	28.1	55.3
	<b>2 249.1</b>	<b>2 066.9</b>
<b>Total assets</b>	<b>2 980.0</b>	<b>2 675.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Shareholders' equity and reserves	2 305.4	2 059.6
<b>Non-current liabilities</b>		
Interest-bearing borrowings	1.0	1.7
Deferred taxation	20.9	12.0
Retirement benefits	75.8	72.4
	<b>97.7</b>	<b>86.1</b>
<b>Current liabilities</b>		
Trade and other payables	283.5	225.2
Taxation	159.8	125.6
Current portion of interest-bearing borrowings	0.8	7.2
Overdrafts and short-term interest-bearing borrowings	132.8	172.0
	<b>576.9</b>	<b>530.0</b>
<b>Total equity and liabilities</b>	<b>2 980.0</b>	<b>2 675.7</b>

#### SEGMENT REPORT

Notes	12 months ended	12 months ended
	31 March 2006	31 March 2005
	Rm	Rm
	Audited	Audited
<b>BUSINESS GROUPING</b>		
<b>Revenue</b>		
Merchandise	2 474.0	2 153.6
Insurance	400.5	357.6
<b>Total</b>	<b>2 874.5</b>	<b>2 511.2</b>
<b>Operating profit</b>		
Merchandise	564.9	449.7
Insurance	163.7	143.8
<b>Total *</b>	<b>728.6</b>	<b>593.5</b>
<b>GEOGRAPHICAL</b>		
<b>Revenue</b>		
South Africa	2 575.0	2 229.1
Botswana, Lesotho, Namibia and Swaziland	299.5	282.1
<b>Total</b>	<b>2 874.5</b>	<b>2 511.2</b>

\* The operating profit excludes the share-based payments of R58.4 million (2005: R10.8 million) relating to the vesting of share awards and options resulting from the disposal of the GUS plc Group of its controlling interest.

#### KEY RATIOS

	12 months ended	12 months ended
	31 March 2006	31 March 2005
<b>Operating efficiency ratios</b>		
Merchandise gross profit %	34.9%	34.5%
Normalised operating margin %	25.3%	23.6%
Number of stores	490	475
Revenue per store (R000's)	5 866	5 287
Normalised operating profit per store (R000's)	1 487	1 249
Number of employees (average)	5 879	5 713
Revenue per employee (R000's)	489	440
Normalised operating profit per employee (R000's)	124	104
Trading space (sqm)	210 201	207 595
Revenue per sqm per annum (R)	13 675	12 097
Normalised operating profit per sqm (R)	3 466	2 859
Current ratio	3.9	3.9
<b>Credit ratios</b>		
Cash and short-term credit sales % of total sales	29.9%	30.1%
Bad debts and impairment charge as a % of gross debtors book	4.0%	3.8%
Debtors impairment provision as a % of gross instalment receivables	12.6%	14.4%
Total debtors provisions as a % of gross instalment receivables	36.3%	35.6%
Credit applications decline rate	22.4%	20.5%
Average age of book (months)	14.3	14.8
Arrear % (full contractual)	22.0%	25.7%
<b>Shareholder ratios</b>		
Net asset value per share (cents)	2 425	2 060
Gearing ratio	4.6%	6.1%
Normalised return on average equity	23.2%	22.1%
Normalised return on average capital employed	22.1%	18.5%

#### Notes:

- All ratios are based on figures at the end of the year unless otherwise disclosed.
- Where a ratio is referred to as normalised, the earnings used in that ratio will exclude the share-based payment of R58.4 million (2005: R10.8 million).
- Employees reflect only permanent employees.
- Normalised ROE for 31 March 2005 has been restated to exclude the effects of the restructuring prior to listing.
- The net asset value has been calculated using 95 069 000 shares in issue (2005: 100 000 000).

#### NOTES TO THE FINANCIAL STATEMENTS

**1. Basis of accounting**  
These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The group is adopting IFRS for the first time which requires changes in accounting policies and the use of transitional arrangements under IFRS (refer section on International Financial Reporting Standards).

	31 March 2006	31 March 2005
	Rm	Rm
	Audited	Audited
<b>2. Cost of merchandise sales</b>		
Purchases	1 077.4	889.3
Movement in inventory	(56.8)	(4.3)
Cost of merchandise sales	<b>1 020.6</b>	<b>885.0</b>
Gross profit	<b>547.2</b>	<b>466.9</b>
<b>3. Bad debts and impairment provision</b>		
Bad debts, bad debt recoveries and repossession losses	132.9	125.3
Movement in impairment provision	(17.4)	(23.7)
	<b>115.5</b>	<b>101.6</b>
<b>4. Net finance costs</b>		
Interest paid:	18.7	54.8
- Fellow subsidiary	-	32.8
- Bank and loans	12.7	17.8
- Other	6.0	4.2
Interest earned:	(5.9)	(12.1)
- Bank	(5.9)	(12.0)
- Other	-	(0.1)
	<b>12.8</b>	<b>42.7</b>
<b>5. Trade and other receivables</b>		
Instalment sale and loan receivables	2 921.4	2 677.1
Provision for unearned finance charges and unearned maintenance income	(508.0)	(414.4)
Provision for impairment	(368.0)	(385.4)
Provision for unearned insurance premiums	(184.8)	(154.4)
Unearned insurance premiums	(300.9)	(254.9)
Less: reinsurer's share of unearned premiums	116.1	100.5
Net instalment sale and loan receivables	<b>1 860.6</b>	<b>1 722.9</b>
Other receivables	35.9	27.7
	<b>1 896.5</b>	<b>1 750.6</b>
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.		
<b>6. Material capital commitments</b>		
There were no material capital commitments contracted for or authorised and contracted at the end of the year under review.		
<b>7. Cash generated from operations</b>		
<b>Operating profit</b>	670.2	582.7
<b>Adjusted for:</b>		
Share-based payment	58.7	10.8
Depreciation and amortisation	35.0	36.9
Profit on sale of property, plant and equipment	(6.0)	(3.9)
Movement in debtors impairment provision	(17.4)	(23.7)
Movement in retirement benefits provision	3.4	(2.8)
Movement in other provisions	9.8	10.7
<b>Changes in working capital:</b>		
Increase in inventories	(62.0)	(5.5)
(Increase)/decrease in trade and other receivables	(152.2)	21.9
Increase/(decrease) in trade and other payables	53.7	(1.9)
	<b>593.2</b>	<b>625.2</b>

#### 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.

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

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

- 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.
- Employee Benefits  
Foreign currency adjustments arising on the translation of foreign operations ("FCFTR") will continue to be recognised directly in equity. The balance on the FCFTR was reset to zero at transition.
- Cumulative Translation Differences  
Foreign currency adjustments arising on the translation of foreign operations ("FCFTR") will continue to be recognised directly in equity. The balance on the FCFTR was reset to zero at transition.
- Designation of Financial Instruments  
Gilts held by Monarch Insurance Company have been reclassified 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 reassessed at each balance sheet date.

The effect of adopting IFRS is reflected below:

	12 months ended	
	31 March 2005	1 April 2004
	Rm	Rm
<b>IFRS Income Statement Impact</b>		
Net profit as previously reported		408.9
Employee benefits – IFRS 1	2.3	2.3
Designation of financial instruments – IFRS 1	(5.6)	(5.6)
Share-based payments – IFRS 2	(10.8)	(10.8)
Occupancy cost – IAS 17	0.8	0.8
Depreciation – IAS 16	(0.1)	(0.1)
Settlement discount in inventory – IAS 2	(0.3)	(0.3)
As reported under IFRS	<b>395.2</b>	

	31 March 2005	1 April 2004
	Rm	Rm
<b>IFRS Impact on Shareholders' Equity</b>		
As previously reported	2 059.4	1 314.2
Fair value deemed as cost – IFRS 1	34.7	34.7
Employee benefits – IFRS 1	(25.2)	(27.5)
Occupancy cost – IAS 17	(6.2)	(7.0)
Depreciation – IAS 16	(0.1)	-
Settlement discount in inventory – IAS 2	(3.0)	(2.7)
As reported under IFRS	<b>2 059.6</b>	<b>1 311.7</b>