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Date : **2 September 2004**
To : **Members of the Investment Community**
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Dear Colleagues

ADVANCE NOTICE OF A CHANGE TO THE FTSE GLOBAL CLASSIFICATION SYSTEM

1 Introduction

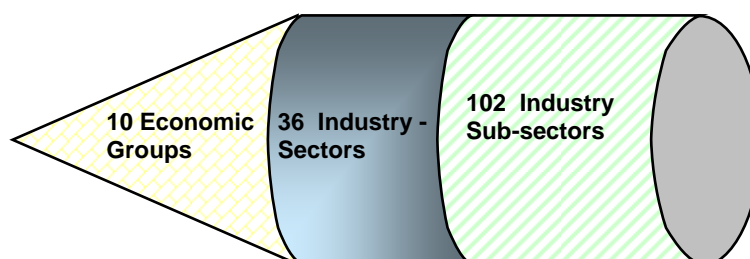
- 1.1 All JSE listed companies are currently classified according to the FTSE Global Classification System. This classification not only impacts the sector of our main board on which the company is listed but also impacts the manner in which the FTSE/JSE Africa Indices are constituted.
- 1.2 The FTSE Global Classification System is one of a number of global classification systems and investors have for some time been pushing for a unified global classification system. In March 2004, FTSE together with Dow Jones Indexes announced the creation of a combined industry classification standard to be called the Industry Classification Benchmark (ICB). The intention is for the ICB to replace the existing separate and different FTSE and Dow Jones classification systems.
- 1.3 The current proposal is for the ICB to be formally implemented only with effect from 31 December 2005. The purpose of this memorandum is provide all our clients and stakeholders with an early indication of what we anticipate the effect to be of the introduction of the ICB on the JSE market and also to give all interested persons an opportunity to make comments on these developments to the JSE.

2 A brief comparison of the current FTSE Global Classification System to the ICB

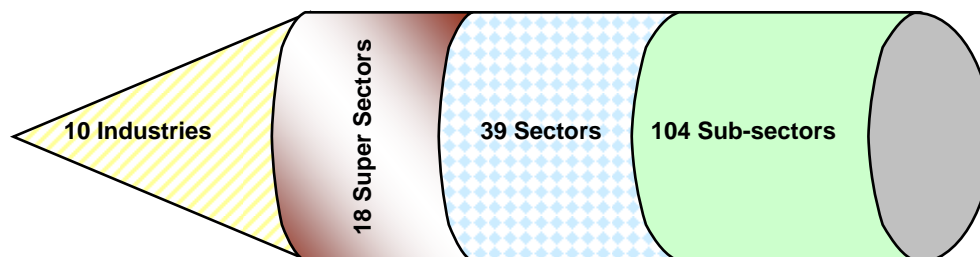
2.1 *Structure in general*

The current FTSE Global Classification system has three tiers (see diagram 1 below) of classification. The ICB system has four tiers of classification (see also diagram 2 below). This is as a result of the addition of the new Supersector tier.

FTSE Global Classification System (diagram1)



Industry Classification Benchmark (diagram 2)



2.2 ***Naming of tiers in the structure***

In addition to the extra tier, the ICB will result in the renaming of the FTSE classification tiers as follows:

- The FTSE Economic groups will become known as Industries
- The FTSE Industry Sectors will become known as Sectors
- The FTSE Industry sub-sectors will become known as Sub-sectors

2.3 ***The ICB Industry tier***

The introduction of the ICB will result in a number of changes being made to the top tier (to be known as the Industry tier). Essentially:

- Resources is renamed Oil & Gas, and the Mining Sector moves to Basic Materials
- Basic Industries is renamed Basic Materials, and Construction moves to Industrials
- General Industrials is renamed Industrials
- The Consumer Goods Industry is formed by merging Cyclical and Non-Cyclical Consumer Goods
- Health Care becomes a new Industry
- A new Consumer Services Industry is formed by merging Cyclical and Non-Cyclical Consumer Services
- Telecommunications becomes a new Industry
- Information Technology is renamed to Technology

2.4 ***The ICB Supersector tier***

This is the new tier which has been added in the ICB structure. It will comprise the 18 Supersectors shown below:

Supersector	Description
Oil & Gas	Covers companies engaged in the exploration, production and distribution of oil and gas, and suppliers of equipment and services to the industry.
Chemicals	Encompasses companies that produce and distribute both commodity and finished chemical products.
Basic Resources	Comprises companies involved in the extraction and basic processing of natural resources other than oil and gas, for example coal, metal ore (including the production of basic aluminium, iron and steel products), precious metals and gemstones, and the forestry and paper industry.
Construction & Materials	Includes companies engaged in the construction of buildings and infrastructure, and the producers of materials and services used by this sector.
Industrial Goods & Services	Contains companies involved in the manufacturing industries and companies services servicing those companies. Includes engineering, aerospace and defence, containers and packaging companies, electrical equipment manufacturers and commercial transport and support services.
Automobiles & Parts	Covers companies involved in the manufacture of cars, tyres and new or replacement parts. Excludes vehicles used for commercial or recreational purposes.
Food & Beverages	Encompasses those companies involved in the food industry, from crop growing and livestock farming to production and packing. Includes companies manufacturing and distributing beverages, both alcoholic and non-alcoholic, but excludes retailers.
Personal & Household Goods	Companies engaged in the production of durable and non-durable personal and goods household products, including furnishings, clothing, home electrical goods, recreational and tobacco products.
Health Care	Includes companies involved in the provision of healthcare, pharmaceuticals, medical equipment and medical supplies.
Retail	Comprises companies that retail consumer goods and services including food and drugs.
Media	Companies that produce TV, radio, films, broadcasting and entertainment. These include media agencies and both print and electronic publishing.
Travel & Leisure	Encompasses companies providing leisure services, including hotels, theme parks, restaurants, bars, cinemas and consumer travel services such as airlines and auto rentals.
Telecommunications	Includes providers of fixed-line and mobile telephone services. Excludes manufacturers and suppliers of telecommunications equipment.
Utilities	Covers companies that provide electricity, gas and water services.
Banks	Contains banks whose business is primarily retail.
Insurance	Encompasses companies who offer insurance, life insurance or reinsurance, including brokers or agents
Financial Services	Comprises companies involved in corporate banking and investment services, including real estate activities.
Technology	Companies providing computer and telecommunications hardware and related equipment and software and related services, including internet access.

2.5 ***The ICB Sector and Subsector tiers***

- 2.5.1 The detailed new structure of the ICB can be seen in annex 1 to this memorandum. Other changes are highlighted below.
- 2.5.2 Addition of new Sectors
- Oil Equipment & Services becomes a Sector in the Oil & Gas Industry (previously an Industry Sub-sector)
 - Fixed Line Telecommunications becomes a Sector in the Telecommunications Industry (previously an Industry Sub-sector)
 - Mobile Telecommunications becomes a Sector in the Telecommunications Industry (previously an Industry Sub-sector)
 - Leisure Goods is a completely new Sector in the Consumer Goods Industry.
- 2.5.3 Certain FTSE Industry sectors classified under different Industries from the FTSE Economic group they are currently classified under. Namely :
- Mining moves from Resources to the ICB's Basic Materials Industry
 - Construction & Building Materials is renamed Construction & Materials and moves to the ICB's Industrial Industry
 - Transport is renamed Industrial Transportation (NB Tourist and consumer-related transport companies are moved to the Travel & Leisure Sector in the Consumer Services Industry) and becomes part of the ICB's Industrial Industry
 - Support Services moves from Cyclical Services to the ICB's Industrial Industry
 - Both Health, and Pharmaceuticals & Biotechnology, move from Non-Cyclical Consumer Goods to the ICB's Health Care Industry.
- 2.5.4 Further detail on the ICB can be found on our website, www.ftsejse.co.za, select Series Overview on the menu.

3 **Impact of the introduction of the ICB**

3.1 ***Implementation timetable***

The current proposal is for the ICB to be formally implemented and to replace the existing FTSE Global Classification System only with effect from the close of business 31 December 2005. That said, in order to give our clients and stakeholders sufficient time to anticipate and plan for the new ICB, we will make as much information on the implementation public as soon as is possible. This memorandum is the first stage.

3.2 ***Reclassification of companies***

We have done a preliminary re-classification of all companies listed on the JSE according to the ICB structure. Letters have been sent to the listed companies to inform them of their proposed new classification. The companies have until 30 October 2004 to comment on the proposed classification. Once we have addressed all comments submitted to us we will finalise the classification so that formal notice of the ICB classification of all companies can be sent out to stakeholders. We expect to be able to do this in early 2005. Even when the ICB classification of companies has been finalized, this will not replace the current FTSE classification in any systems or as the underlying of any indices until the close of business on 31 December 2005.

3.3 ***Indices***

When we have completed the classification we will then be able to assess the likely impact of such classification on our current FTSE/JSE Africa Index series. Our expectation is that we should be able to keep most of the most frequently used indices as currently constituted although there will be some name changes. Once again, any index changes will only come into effect on the introduction of the ICB on close of business on 31 December 2005. We will notify our clients and stakeholders of the proposed new indices and their constituents as soon as we are able to do so which is likely to be near mid-2005.

3.4 ***History***

We are investigating the possibility of providing history on the new indices.

4 **Conclusion**

We trust that this memorandum will provide early guidance on the introduction of the new ICB and its impact. If you have any questions about the classification of companies, please contact Annalie de Bruyn (tel 011 520 7063). Any queries regarding the indices can be addressed to Jannie Immelman (tel 011 520 7702) and on data dissemination to Ana Forssman (tel 520 7020).

Kind regards
Yours sincerely

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DEPUTY CEO