**HEADLINE EARNINGS** **Circular 1/2026 (Replacing 1/2023)**

SAICA
DIFFERENCE MAKERS™

**TABLE OF CONTENTS**






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## PREFACE

This Circular has been issued by the South African Institute of Chartered Accountants (SAICA) at the request of the JSE Limited (JSE). The JSE Listings Requirements require the calculation and disclosure of headline earnings in terms of this Circular.

SAICA acknowledges that headline earnings is only one possible measure of an entity's performance, and the disclosure of headline earnings may be made in addition to the presentation of revenue, expenses, gains and losses in accordance with IFRS® Accounting Standards and management-defined performance measures (MPMs) as defined in IFRS 18 – *Presentation and Disclosure in Financial Statements*. Furthermore, headline earnings is not a mechanism to use in order to adjust an entity's financial results for disagreements an entity might have with the application of IFRS Accounting Standards, or to circumvent the correct accounting treatment.

## INTRODUCTION

.01 The requirement to disclose headline earnings has been a reporting requirement for companies listed on the JSE Limited (JSE) since 2000.

.02 The original guidance on headline earnings was provided in AC 306 – Headline Earnings – The Effect of the Issue of AC103 (revised) on the Calculation and Disclosure of Earnings Per Share, issued in November 1995. This guidance was amended in Circular 7/2002 and was largely rewritten when this Circular was superseded by Circular 8/2007. Thereafter Circular 8/2007 and its replacement Circulars were updated for amendments and revisions to IFRS® Accounting Standards (IFRS Accounting Standards) and for a reconsideration of some of the detailed rules. The sequence of Circulars is as follows:

(i) Circular 8/2007 was superseded by Circular 3/2009;
(ii) Circular 3/2009 was replaced by Circular 3/2012;
(iii) Circular 3/2012 was replaced by Circular 2/2013;
(iv) Circular 2/2015 replaces Circular 2/2013;
(v) Circular 4/2018 replaces Circular 2/2015;
(vi) Circular 1/2019 replaces Circular 4/2018;
(vii) Circular 1/2021 replaces Circular 1/2019;
(viii) Circular 1/2023 replaces Circular 1/2021; and
(ix) Circular 1/2026 replaces Circular 1/2023.

.03 This Circular intends to:
(i) provide a background to the use of headline earnings in South Africa;
(ii) illustrate the link to IFRS Accounting Standards and accounting policy choices;
(iii) provide definitions of the terms used in calculating headline earnings;
(iv) provide rules for calculating headline earnings for every relevant IFRS Accounting Standard and IFRIC® Interpretation[1];
(v) provide guidance on the calculation of the “per share” number, disclosure of comparative headline earnings numbers and the format of the reconciliation of headline earnings; and
(vi) provide sector-specific rules where necessary.

[1] The detailed rules per relevant IFRS Accounting Standards address standards and IFRIC Interpretations issued as at 31 May 2026. This list will be updated as and when necessary.

**SECTION A: BACKGROUND**

**Background to the use of headline earnings in South Africa**

.04 Headline earnings has been used in South Africa since 2002. The Basis of Conclusion provides more background thereon. The JSE issued a consultation paper in November 2025 and received overwhelming support for headline earnings to remain. It continues to be relevant to South African investors.

.05 The premise to headline earnings is the view that a meaningful P/E ratio should use the earnings items that relate to the operating/trading activities (as defined in paragraph 11) of an entity and not those items (such as the revaluation of certain assets) that relate to the capital platform of the business. The operating items are essentially those that reflect performance in the current period (revenue, salaries, etc.) and that can be extrapolated (modified or not) into the future.

.06 Not all remeasurements should, however, be ignored. Those relating to working capital are of an operating/trading nature; for example, any impairment of the carrying value of inventories or fair value adjustments relating to a portfolio of securities held-for-trading. These remeasurements are part of an entity's operating/trading activities and should legitimately be included in an earnings number used for the calculation of a P/E ratio.

.07 These considerations point to the need for continuing to require disclosure of an additional, adjusted earnings per share number to supplement the IAS 33 earnings per share number.

**Headline earnings and IFRS Accounting Standards, including accounting policy choices**

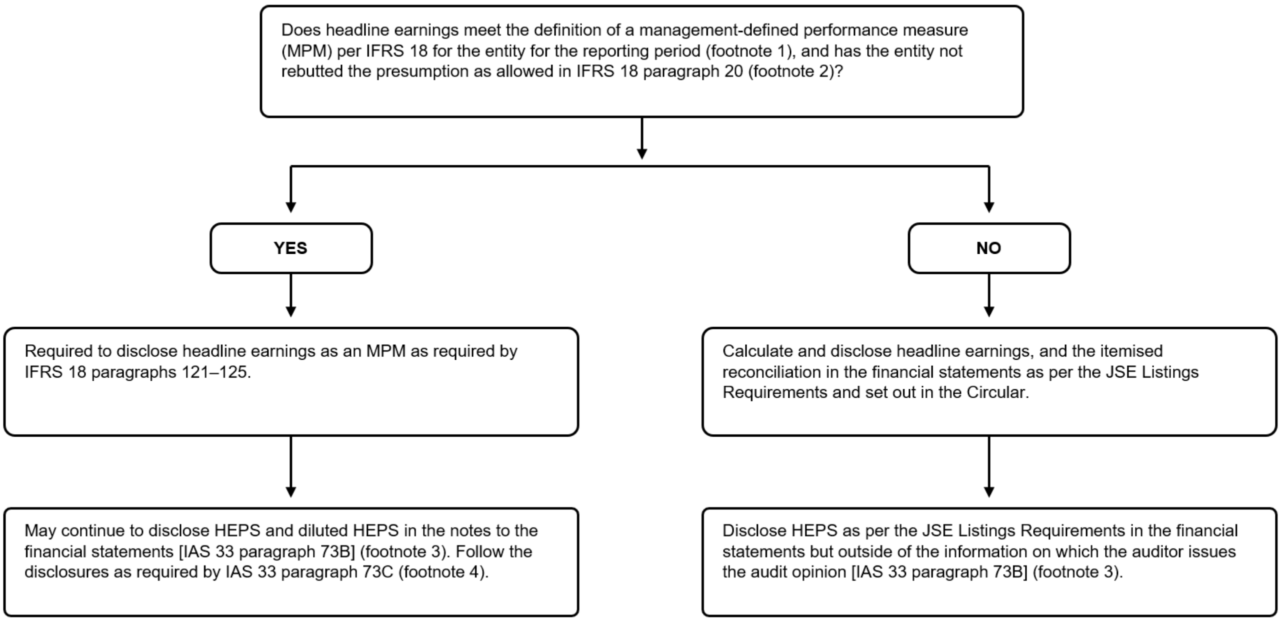
.08 SAICA and the JSE are fully supportive of IFRS Accounting Standards as issued by the IASB. Full compliance with IFRS Accounting Standards is of paramount importance for the integrity of South African financial markets within the context of a global equities market.

.09 Headline earnings should not be seen as a divergence or departure from the recognition criteria for revenue, expenses, gains and losses in IFRS Accounting Standards. Instead, it is a way of dividing the IFRS reported profit between remeasurements that are more closely aligned to the operating activities of the entity, and the platform used to create those results. Headline earnings, based on these principles, has been used in South Africa since 1995.

.10 Headline earnings is not a means for an entity to adjust its financial results for disagreements it might have with the application of IFRS Accounting Standards or to circumvent the correct accounting treatment. The starting point for headline earnings is the earnings number used to calculate basic earnings per share, in accordance with IAS 33. Accordingly, if items were excluded from basic earnings, they would also be excluded from headline earnings. For this reason, accounting policy choices that affect basic earnings would also impact headline earnings.

## SECTION B: SCOPE

**Decision tree: Interaction between IFRS 18 and the headline earnings circular with regard to disclosing headline earnings per share within the financial statements of the entity**




**<u>Footnotes:</u>**

1. **IFRS 18 Appendix A defines a MPM as:**
   A subtotal of income and expenses that:
   a) an entity uses in public communications outside financial statements.
   b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and
   c) is not listed in paragraph 118 of IFRS 18 or specifically required to be presented or disclosed by IFRS Accounting Standards.

2. **IFRS 18 paragraph 120:**
   An entity is permitted to rebut the presumption described in paragraph 119 and assert that a subtotal does not communicate management's view of an aspect of the financial performance of the entity as a whole, but only if it has reasonable and supportable information available that demonstrates the basis for the assertion (see paragraphs B124–B131).

3. **IAS 33 paragraph 73B:**
   In addition to presenting basic and diluted earnings per share required by this Standard, an entity is permitted to disclose in the notes additional amounts per share using a measure of performance as a

numerator different from that required by paragraphs 12–18 and 33–35. However, such numerator(s) shall be the amount(s) attributable to ordinary equity holders of the parent entity of:

a. a total or subtotal in paragraphs 69, 86 and 118 of IFRS 18; or

b. a management-defined performance measure as defined in paragraph 117 of IFRS 18.

**4. IAS 33 paragraph 73C:**

If, applying paragraph 73B, an entity discloses an additional amount per share, the entity shall:

a) disclose the additional basic and diluted amounts per share with equal prominence.

b) calculate the additional amount per share using the weighted average number of ordinary shares determined in accordance with this Standard.

c) disclose the additional amount per share in the notes. That information cannot be presented in the primary financial statements.

d) disclose the information required by paragraphs 121–125 of IFRS 18 for the numerators that are management-defined performance measures.

## SECTION C: DEFINITIONS

.11 The following definitions are used within the context of this circular.

**Headline earnings** is an additional earnings number that is not prohibited by IFRS 18. The starting point is earnings as determined in IAS 33, excluding *"separately identifiable re- measurements"* (as defined), net of related tax (both current and deferred) and related non- controlling interest, other than remeasurements specifically included in headline earnings *("included remeasurements"*, as defined).

A **remeasurement** is an amount recognised in profit or loss relating to any change (whether realised or unrealised) in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability. A remeasurement may be recognised in profit or loss either when the remeasurement occurs or subsequently. This latter situation occurs when re- measurements are initially recorded in other comprehensive income (in accordance with the relevant IFRS Accounting Standard) and subsequently included in or reclassified to profit or loss. For example, foreign exchange translation gains or losses under IAS 21 − *The Effects of Changes in Foreign Exchange Rates*.

A remeasurement can, by definition, never be:

i) the initial recognition of an asset or liability at fair value; or

ii) the expensing of a cost that fails to meet the definition of an asset; or

iii) a gain recognised in other comprehensive income, such as a revaluation gain on property, plant and equipment, which is not reclassified to profit or loss.

**Included remeasurements** are the remeasurements identified in the table in paragraph .21 (Section C) of this circular and are to be included in headline earnings because:

(i) they have been determined as normally relating to the operating/trading activities of the entity;

(ii) they relate to the usage (as reflected by depreciation) of a non-current asset, which is an operating/trading activity of the entity;

(iii) they relate to current assets or current liabilities, and thus relate to the operating/trading activities of the entity (other than current assets or liabilities as part of a disposal group within the measurement scope[2] of IFRS 5 − *Non-current Assets Held for Sale and Discontinued Operations*);

(iv) they are foreign exchange movements on monetary assets and liabilities and thus relate to the operating/trading activities of the entity, except for those relating to foreign operations that were previously recognised in other comprehensive income and subsequently reclassified to profit or loss. This exception also applies to the translation differences of loans or receivables that form part of such net investment in a foreign operation;

(v) they are reclassified items relating to IAS 39 cash-flow hedges because these amounts are matched with those relating to the hedged item;

(vi) they are financial instrument adjustments arising from the application of IFRS 9 (whether as the result of revaluation, impairment or amortisation), except for all reclassified gains and losses for a hedge of a net investment in a foreign operation; or

(vii) they are remeasurements of assets and liabilities within the scope of IFRS 17, recognised in profit or loss when the remeasurement occurs or subsequently.

**Reclassification (or reclassification adjustments)** occurs when remeasurements are initially recorded in other comprehensive income (in accordance with the relevant IFRS Accounting Standards) and are subsequently recycled or reclassified to profit or loss. This is referred to as a "**reclassified** gain or loss item".

**Separately identifiable remeasurements** are those where the applicable IFRS Accounting Standard explicitly requires separate presentation/disclosure of the operating/trading and/or the platform remeasurement in the separate or individual financial statements of the entity/company/subsidiary/associate/joint venture/joint operation or in the consolidated financial statements. No adjustments would be permitted on the basis of voluntary disclosure of gains or losses (or components of these), including presentation of additional line items in the statement of profit or loss as required by IFRS 18 paragraph 24.

**The interested parties group** includes members of SAICA, the Investment Analysts Society of Southern Africa (IASSA) and the Investment Managers Association of South Africa (IMASA).

**Operating/trading activities** are those activities that are carried out using the "platform", including the cost associated with financing those activities.

The **platform** is the capital base of the entity. Capital transactions reflect and affect the resources committed in producing operating/trading performance and are not the performance itself.

The meanings of the words "operating" and "capital" in this circular are different from their meanings in IFRS Accounting Standards.

[2] Refer to IFRS 5, paragraph 5, for those assets not within the measurement scope of IFRS 5. It must be noted that financial assets within the scope of IFRS 9 are not within the measurement scope of IFRS 5. Section C of this circular indicates that impairment losses recognised in respect of disposal groups in terms of IFRS 5, paragraphs 20 − 24, are excluded remeasurements.

## SECTION D: DETAILED RULES FOR HEADLINE EARNINGS

.12 In terms of the JSE Listings Requirements, headline earnings should be calculated and disclosed in the financial statements in terms of this Circular, together with an itemised reconciliation between headline earnings and the earnings used in the calculation. Headline earnings per share must be disclosed in the financial statements, but can be presented outside the information on which the auditor issued their audit opinion, if so, required by IFRS Accounting Standards.

.13 IAS 33, paragraph 73B, allows disclosure of additional performance measures per share in the notes to the financial statements provided that the numerator is the amount attributable to the ordinary equity holders of the parent entity of a management-defined performance measure as defined in paragraph 117 of IFRS 18. IAS 33, paragraph 73C requires that, if a company discloses such an additional amount per share, the entity shall:

*(a)* *disclose the additional basic and diluted amounts per share with equal prominence.*

*(b)* *calculate the additional amount per share using the weighted average number of ordinary shares determined in accordance with IAS 33.*

*(c)* *disclose the additional amount per share in the notes. That information cannot be presented in the primary financial statements.*

(d) *disclose the information required by paragraphs 121–125 of IFRS 18 for the numerators that are management-defined performance measures.*

### Calculation of headline earnings

.14 Headline earnings is calculated by starting with the basic earnings number in terms of IAS 33 and then excluding all remeasurements that have been identified in this section (Section C) as relating to the platform of the entity. The focus on remeasurements (whether realised or unrealised), as opposed to capital items, in Circular 7/2002, provides a clearer and more consistent mechanism for determining headline earnings in the context of IFRS Accounting Standards.

.15 The main purpose for reconsidering the calculation of headline earnings in 2007 was to ensure consistency of treatment by all companies listed on the JSE for the same or similar items. The only way to achieve this consistency is to create detailed rules for all items that are separately disclosable in terms of IFRS Accounting Standards.

.16 Any deviation from the rules would result in undesirable inconsistencies. Companies are therefore not permitted to override a rule even if they believe that the operating/trading and platform distinction set out in the rules is inappropriate for their specific business. The sector- specific rules section of this circular has been created to allow for alternative treatment for an entire sector where the general rule is inappropriate to its business. The “Basis for Conclusions” section merely provides background information and guidelines that were used to formulate the calculation of headline earnings and is not to be used to override any of the rules.

.17 The table below identifies items that are separately identifiable remeasurements (or that might mistakenly be regarded as remeasurements) and indicates whether each of these items is included or excluded from headline earnings. This analysis has been conducted per individual IFRS Accounting Standard, is based on all IFRS Accounting Standards and IFRIC Interpretations issued as at July 2026 and provides the reasoning behind the decision to include or exclude the items. These reasons relate to the definitions set out in Section B of this circular. In many instances the reason for exclusion is that the amount is a remeasurement that has not been specifically included. This is simply referred to as a “remeasurement”. The table does not include IFRS Accounting Standards or IFRIC Interpretations where no remeasurements were identified, in which case all items from those standards interpretations are included in headline earnings.

**Detailed rules table per IFRS Accounting Standard**

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| IFRS 2 | *Share-based Payment* | | | |
| | The recognition in basic earnings of the receipt of goods or services from share- based payment transactions. | X | | If the receipt of goods or services does not qualify for capitalisation under IFRS, the amount recognised in earnings is not a re-measurement. Thus, black economic empowerment transactions are included in headline earnings. Similarly, consumption of the benefits embodied in the receipt of services under a share-based payment transaction is not a re- measurement. |
| | Remeasurements of cash-settled share- based payment transactions. | X | | Included remeasurement (i) as defined. The remeasurements of cash-settled share-based payment transactions relate to the financing of the acquisition of goods or services. |
| | | | | |
| IFRS 3 | *Business Combinations* | | | |
| | Goodwill Impairment | | X | Remeasurement |
| | The recognised gain from a bargain of purchase | | X | In order to align the treatment with goodwill, it is treated on the same basis. |
| | Transaction costs | X | | Not a remeasurement. |
| | Subsequent remeasurement of contingent liabilities. | X | | Included remeasurement (i) as defined. |
| | Subsequent amortisation of reacquired rights. | X | | Included remeasurement (ii) as defined. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | Subsequent remeasurement of contingent consideration (Note: there is no remeasurement if it is equity classified). | X | | Included remeasurement (i) as defined. |
| | Gains or losses on deemed disposals in terms of paragraph 42 where the disposal is of an asset previously accounted for as a: | | | Remeasurement is dealt with in terms of the normal rules for a gain or loss on disposal. |
| | Joint venture | | X | |
| | Associate | | X | |
| | IFRS 9 financial asset at fair value through profit or loss | X | | |
| | (Note: IFRS 9 investments in equity instruments included in other comprehensive income – these are not recognised in profit or loss, therefore they do not affect headline earnings). | | | |
| | | | | |
| IFRS 5 | *Non-current Assets Held for Sale and Discontinued Operations* | | | |
| | Discontinued operations: where disposal of an entity meets the definition of a discontinued operation: | | | |
| | - the post-tax profit or loss of discontinued operations; | X | | Not a remeasurement. |
| | - the post-tax gain or loss recognised on the measurement to fair value, less costs to sell, in terms of paragraphs 20 to 24 or on the disposal of the assets or disposal group(s) constituting the discontinued operations | | X | Remeasurement. |
| | Gains or losses in terms of paragraphs 20 to 24 on non-current assets or disposal groups held for sale (which | | X | Remeasurement. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | include subsidiaries, joint ventures, joint operations and equity-accounted associates). For current assets and current liabilities that are part of disposal groups, this only refers to the disposal group as a whole and therefore does not apply to those items not within the measurement scope of IFRS 5. For example, it is noted that financial assets are excluded from the measurement scope of IFRS 5 and thus any adjustments on such items would follow the IFRS 9 rules for headline earnings. Only the gains or losses on re- measuring the disposal group as a whole would be excluded. | | | |
| | Where an asset or group of assets is no longer considered to be held for sale because there is a change in plan and there is no longer the intention to sell the asset or group of assets, the adjustment recognised in terms of paragraphs 27 and 28 must be dealt with as follows: | | | |
| | - Any depreciation or amortisation that would have been recognised had there been no held for sale classification; | X | | Included remeasurement (ii) as defined. |
| | - Impairments. | | X | Remeasurement of an asset. |
| | | | | |
| IFRS 6 | *Exploration for and Evaluation of Mineral Resources* | | | |
| | Impairment/subsequent reversal of impairment.<br><br>For retirement/disposal of the asset refer to IAS 16/IAS 38. | | X | Remeasurement |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | | | | |
| IFRS 9 | *Financial Instruments* | | | |
| | All remeasurements through profit or loss. | X | | Included remeasurement (vi) as defined. |
| | The reclassification of any re-measurements from other comprehensive income to profit or loss. | X | | Included remeasurement (vi) as defined. |
| | Except for:<br>- The reclassification of other comprehensive income to profit or loss, for a hedge of a net investment in a foreign operation. | | X | Excluded remeasurement (vi) as defined. |
| | (Note 1: IFRS 9 investments in equity instruments included in other comprehensive income – these are not recognised in profit or loss, therefore they do not affect headline earnings). | | | |
| | *Hedge accounting under IAS 39* | | | |
| | Entities have the option to continue to apply the hedge accounting requirements in IAS 39 after IFRS 9 became effective. The rules applicable in those instances are: | | | |
| | All remeasurements recognised in profit or loss; | X | | Included remeasurement (v) as defined. |
| | Including:<br>− amounts recognised in profit or loss under cash-flow hedges that were previously recognised directly in other comprehensive income. | X | | Included remeasurement (v) as defined. |
| | The reclassification of remeasurements from other comprehensive income to profit or loss, relating to a hedge of a net investment in a foreign operation. | | X | Excluded remeasurement (v) as defined. |
| | | | | |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| IFRS 10 | *Consolidated Financial Statements* | | | |
| | Gains/losses on the loss of control of a subsidiary.<br><br>(Note: Investment entities (as defined by IFRS 10) with an investment in a subsidiary carried at fair value should refer to IFRS 9's headline earnings' requirements | | X | Remeasurement |
| | | | | |
| IFRS 11 | *Joint Arrangements* | | | |
| | Remeasurements of assets and liabilities recognised in relation to joint operations should be dealt with in terms of the detailed rules applicable to the IFRS Accounting Standard relevant to each specific item. | | | |
| | Remeasurement related to interests in joint ventures should be dealt with in terms of the detailed rules applicable to the IFRS Accounting Standard that has been applied. For example, IAS 28 if equity accounted or IFRS 9 if recognised at fair value through profit or loss. | | | |
| | | | | |
| IFRS 15 | *Revenue from Contracts with Customers* | | | |
| | All remeasurements recognised through profit or loss. | X | | Included remeasurements (ii) and (vi) as defined. |
| | | | | |
| IFRS 16 | *Leases* | | | |
| | *Lessees* | | | |
| | All remeasurements through profit or loss, except: | X | | Included remeasurement (i), (ii) and (vi) as defined. |
| | Impairment/subsequent reversal of impairment of the right-of- use asset. | | X | Remeasurement of an asset. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | (Note 1: Gains on revaluation of right-of- use assets will not be included in headline earnings because they are not included in profit or loss.) | | | |
| | (Note 2: Remeasurements of the right-of- use-asset classified as investment property should be dealt with in terms of headline earnings requirements applicable to IAS 40). | | | |
| | | | | |
| | *Lessors* | | | |
| | All remeasurements included in profit or loss. | X | | Included remeasurement (i), (ii) and (vi) as defined. |
| | Except for:<br>Operating lease<br>• Impairment/ subsequent reversal of impairment of the underlying non-financial asset. | | X | Remeasurement of an asset. |
| | Sale and leaseback<br>Transfer of the asset is a sale<br><br>Gain or loss arising from rights transferred to the buyer/lessor (the same rules apply as for the disposal of property, plant and equipment). | | X | Remeasurement of an asset. |
| | | | | |
| IFRS 17 | *Insurance Contracts* | | | |
| | All remeasurements included in rofit or loss. | X | | Included remeasurement (vii) as defined. |
| | The reclassification of any re-measurements from other r comprehensive income to profit or loss. | X | | Included remeasurement (vii) as defined. |
| | | | | |
| IFRS 19 | *Subsidiaries without Public Accountability: Disclosures* | | | The rules contained in this table apply equally to an |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | | | | eligible subsidiary that elects to report headline earnings voluntarily. |
| | | | | |
| IAS 2 | *Inventories* | | | |
| | Remeasurements in terms of this standard. | X | | Included remeasurement (i) as defined. |
| | Write down or reversal of write down to net realisable value (paragraph 34). | X | | Included remeasurement (i) and (iii) as defined. |
| | | | | |
| IAS 12 | *Income Taxes* | | | |
| | Increases or decreases in the deferred tax balance resulting from the use of a different tax rate. For example, a change in the corporate income tax rate, or a change in the inclusion rate for capital gains or a change in that tax rate due to a change in the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. | X | | Included remeasurement (i) as defined. |
| | • Except for:<br>− Changes in the deferred tax balance resulting from the use of a different tax rate that relates to items that were excluded from headline earnings in the current or prior period(s). | | X | Tax effects of items excluded from headline earnings are also excluded. |
| | (Note: Changes in the deferred tax balance that do not affect profit or loss are not included in headline earnings as these changes are not included in basic earnings.) | | | |
| | Gain arising from the recognition of deferred tax asset resulting from an assessed loss: | X | | Not a remeasurement. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | - Initial recognition. | | | |
| | Reassessment of recoverability of deferred tax assets. | X | | Included remeasurement (i) as defined, as this is dependent on future profits. |
| | | | | |
| IAS 16 | *Property, Plant and Equipment* | | | |
| | Depreciation. | X | | Included remeasurement (ii) as defined. |
| | Impairment/subsequent reversal of impairment. | | X | Remeasurement of an asset. |
| | Disposal gains/losses. | | X | Remeasurement of an asset. |
| | Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up (initial recognition). | | X | Remeasurement of an asset. |
| | Subsequent measurement of the compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up: | | | |
| | - Due to the unwinding of the discount as a result of the time value of money. | X | | Included remeasurement (vi) as defined, because it is dealt with in terms of IFRS 9. |
| | - All other changes. | | X | Remeasurement of an asset. |
| | Fair value gains/losses on items of owner-occupied property, plant and equipment measured at fair value through profit or loss in terms of IAS 16 paragraph 29A. Refer to paragraphs 100 and 101 for the scope of the included remeasurements. | X | | Alignment with included remeasurements (vi) on assets and liabilities included in the scope of IFRS 9 and included remeasurements (vii) on assets and liabilities in the scope of IFRS 17. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | (Note 1: Gains/losses on revaluation of property, plant and equipment recognised in other comprehensive income are not included in headline earnings since these gains/losses are not recognised in profit or loss.) | | | |
| | (Note 2: Gains and losses on sale of assets previously held for rental, now transferred to inventory in terms of IAS 16 paragraph 68A, should be dealt with in terms of IAS 2.) | | | |
| | (Note 3: Proceeds and costs referred to in IAS 16 paragraph 20A should be dealt with in accordance with the applicable standards.) | | | |
| | | | | |
| IAS 19 | *Employee Benefits* | | | |
| | All remeasurements recognised through profit or loss. | X | | Included remeasurement (i) as defined, as they are part of the employee benefit costs and therefore operating/trading activities as defined. |
| | | | | |
| IAS 20 | *Accounting for Government Grants and Disclosure of Government Assistance* | | | |
| | All government grants. | X | | Not a remeasurement. |
| | | | | |
| IAS 21 | *The Effects of Changes in Foreign Exchange Rates* | | | |
| | Translation of monetary assets/ liabilities (whether current or non-current) other than those treated as part of the net investment in a | X | | Included remeasurement (iv) as defined. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | foreign operation. | | | |
| | Translation of the net investment in a foreign operation and monetary assets/ liabilities treated as part of the net investment accounted for initially in other comprehensive income (in the foreign currency translation reserve) and subsequently reclassified to profit or loss. | | X | Remeasurement. |
| | | | | |
| IAS 27 | *Separate Financial Statements* | | | |
| | Gains/losses on the loss of control of the subsidiary.<br><br>(Note: Entities with an investment in an associate or joint venture that is carried at fair value should refer to IFRS 9's headline earnings requirements). | | X | Remeasurement of an asset. |
| | | | | |
| IAS 28 | *Investments in Associates and Joint Ventures* | | | |
| | Gains/losses on the disposal of the associate/joint venture | | X | Remeasurement of an asset. |
| | The equity-accounted earnings of associates and joint ventures | | | The rules contained in this table apply equally to the underlying earnings of the associate. For example, the gain on disposal of non-current asset (or property plant and equipment) by an associate is excluded from headline earnings, i.e. the "look-through" approach is followed. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | (Note: Entities with an investment in an associate or joint venture that is carried at fair value should refer to IFRS 9's headline earnings requirements). | | | |
| | | | | |
| IAS 29 | *Financial Reporting in Hyperinflationary Economies* | | | |
| | Gain or loss on the net monetary position. | X | | Included remeasurement (i) as defined. |
| | | | | |
| IAS 36 | *Impairment of Assets* | | | |
| | Any impairment/subsequent reversal of an impairment covered in this standard.<br><br>(Note: The scope of IAS 36 excludes items that are likely to be classified as current assets.) | | X | Remeasurement of an asset. |
| | | | | |
| IAS 37 | *Provisions, Contingent Liabilities and Contingent Assets* | | | |
| | Any adjustments or remeasurements recognised in profit or loss in terms of this standard. | X | | Included remeasurement (i) as defined. |
| | | | | |
| IAS 38 | *Intangible Assets* | | | |
| | Amortisation. | X | | Included remeasurement (ii) as defined. |
| | Impairment/subsequent reversal of impairment. | | X | Remeasurement of an asset. |
| | Disposal gains/losses. | | X | Remeasurement of an asset. |
| | Compensation from third parties for intangible assets that were impaired, lost or given up (initial recognition). | | X | Remeasurement of an asset. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | Subsequent measurement of compensation receivable from third parties for items of intangible assets that were impaired, lost or given up: | | | |
| | - Due to the unwinding of the discount as a result of the time value of money. | X | | Included remeasurement (vi) as defined, because it is dealt with in terms of IFRS 9. |
| | - All other changes. | | X | Remeasurement of an asset. |
| | (Note: The revaluation of an intangible asset is not included in basic earnings and is therefore automatically excluded from headline earnings.) | | | |
| | | | | |
| IAS 40 | *Investment Property* | | | |
| | Gain or loss recognised from a transfer from inventory to investment property. | X | | Included remeasurement (i) as defined. |
| | Remeasurements to fair value at date of transfer from investment property to another category of asset in terms of paragraph 57. | | X | Remeasurement of an asset. |
| | Any other adjustments/ re-measurements in terms of this standard. | | X | Remeasurement of an asset. |
| | (Note 1: For gains/losses on investment properties held by life/long-term insurers, refer to Section I: Sector-Specific Rules for Headline Earnings - Issue 2.) | | | |
| | | | | |
| IAS 41 | *Agriculture* | | | |
| | All remeasurements in terms of the standard.<br>(Note: As separate disclosure is not required of the fair value | X | | Included remeasurement (i) as defined |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | measurement changes of the agricultural platform, the full amount is included in headline earnings.) | | | |
| | | | | |
| IFRIC 1 | *Changes in Existing Decommissioning, Restoration and Similar Liabilities* | | | |
| | Reduction in the decommissioning, restoration, or similar liability that exceeds the carrying amount of an item of property, plant and equipment and is recognised in profit or loss | X | | Included remeasurement (i) as defined. |
| | | | | |
| IFRIC 17 | *Distributions of non-cash assets to owners* | | | |
| | The effect of such a distribution is the same as a disposal of the underlying. The headline earnings treatment therefore follows the same treatment as if there were a disposal. | | | |
| | | | | |
| IFRIC 19 | *Extinguishing Financial Liabilities with Equity Instruments* | | | |
| | All remeasurements in terms of the interpretation. | X | | Included remeasurement (vi) as defined. |
| | | | | |
| SIC 25 | *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders* | | | |
| | Current and deferred tax consequences arising from a change in the tax status included in profit or loss. | X | | Included remeasurement (i) as defined. Follows the same treatment as under IAS 12. |
| | - Except to the extent that they relate to items excluded from headline earnings in the | | X | Tax effects of items excluded from headline earnings are also excluded. |

| IFRS Accounting Standard/ IFRIC Interpretation | Item | In headline earnings | Out of headline earnings | Reason(s) |
|---|---|---|---|---|
| | current or prior period(s). | | | |

## SECTION E: THE CALCULATION OF HEADLINE EARNINGS PER SHARE

### Number of shares

.18 The number of shares to be used in calculating the headline earnings per share must be the same as the number used to calculate basic earnings per share in terms of IAS 33.

### Comparative headline earnings

.19 Headline earnings per share must be disclosed for each financial period for which basic earnings per share is presented. The comparative number for headline earnings per share may change as a result of retrospective adjustments to the number of shares in issue in terms of the requirements of paragraph 64 of IAS 33. It may also differ where the earnings number used for basic earnings per share has been restated, as that number is the starting point in the calculation for headline earnings.

.20 As a result of issuing circulars to supersede previous circulars, previously reported headline earnings are required to be restated in accordance with the requirements of the most recently issued circular. There must therefore be a restatement of comparative headline earnings if the calculation of headline earnings is not in accordance with the changed rules contained in this circular.

### Format of the headline earnings reconciliation

.21 If headline earnings meets the definition of a management-defined performance measure (MPM) per IFRS 18 for the entity, the reconciliation should be disclosed following the requirements of IFRS 18 paragraph 123(c).

.22 If headline earnings does not meet the definition of an MPM per IFRS 18, the reconciliation must be disclosed as required by the JSE Listings requirements following the requirements in IFRS 18 paragraph 123(c) by analogy.

.23 The headline earnings reconciliation must be separate and must not form part of the statement of profit or loss. The headline earnings reconciliation must be based on the earnings number and not on a "per share" basis. This reconciliation must be disclosed in the notes to the financial statements.

## SECTION F: HEADLINE EARNINGS PER LINKED UNIT

.24 In certain instances, an entity must disclose headline earnings per linked unit instead of headline earnings per share. Linked units are a common feature of the property sector of the JSE where a share and a debenture trade as a linked unit.

.25 Headline earnings, calculated in terms of this circular, is the starting point for headline earnings attributable to linked unit holders, and the detailed reconciliation between earnings and headline earnings must still be provided. Further adjustments must then be made and disclosed in the reconciliation, for items in profit or loss that are attributable to the other instrument (typically a debenture) that, together with the share, forms part of the linked unit.

.26 When a debenture forms the other component of the linked unit, the additional adjustments are as follows:

(i) add interest paid to debenture holders (as this is the net income attributable to the debentures, which are part of the linked units); and
(ii) add/deduct any IFRS 9 adjustments on the debenture (as these relate to the debentures that are part of the linked units) such as:

- amortised cost adjustment where the entity measures the debentures (financial liabilities) at amortised cost after initial recognition; and
- fair value adjustments where the entity has designated the debentures (financial liabilities) at fair value through profit or loss.

.27 The headline earnings attributable to the linked unit holders is divided by the number of linked units to determine the per linked unit number. The number of linked units used must be calculated on the same basis as set out in IAS 33 for earnings per share.

## SECTION G: EFFECTIVE DATE

.28 Circular 3/2009 replaced Circular 8/2007 and subject to the requirement that the changes were effective when that specific revised IFRS was applied by the entity, the circular was effective for financial periods (interim and/or annual periods) ending on or after 31 August 2009. Early adoption was permitted. If an entity had not yet applied the amended or revised IFRSs they had to use the previous rule set out in Circular 8/2007.

.29 Circular 3/2012 replaced Circular 3/2009 and was effective for financial periods (interim and/or annual periods) ending on or after 31 July 2012. Early adoption was permitted.

.30 Circular 2/2013 replaced Circular 3/2012 and was effective for financial periods (interim and/or annual periods) ending on or after 31 July 2013. Early adoption was permitted. If an entity had not yet applied the new, amended, revised IFRS Accounting Standards or new IFRIC Interpretations, they also had to use previous rules set out in the detailed rules table in paragraph .108 will apply.

.31 Circular 2/2015 replaced Circular 2/2013 and is effective for financial periods (interim and/or annual periods) ending on or after 31 October 2015. If an entity has not yet applied the new, amended, revised IFRS Accounting Standards or new IFRIC Interpretations, the previous rules set out in the detailed rules table in paragraph .109 will also apply. Early adoption is permitted.

.32 Circular 4/2018 replaces Circular 2/2015 and is effective for financial periods (interim and/or annual periods) ending on or after 30 April 2018. Early adoption is permitted. If an entity has not yet applied the new, amended IFRS Accounting Standards or new IFRIC Interpretations, the previous rules set out in the detailed rules table in paragraph .110 will also apply.

.33 Circular 1/2019 replaces Circular 4/2018 and is effective for financial periods (interim and/or annual periods) ending on or after 31 December 2019. This is meant to coincide with the first-time adoption of IFRS 16. The revised IFRS 16 rules shall be applied retrospectively.

Circular 1/2019 was published during December 2019 and is effective for interim or annual reporting periods ending on or after 31 December 2019. Circular 1/2019 amended the IFRS 16 – *Leases* rule. Further details of the amendments to this Circular can be read under paragraph 85 and 86.

The SAICA Accounting Practices Committee (APC) is aware that, due to the timing of the publication, some JSE-listed companies may not have been aware of the publication of this updated Headline Earnings Circular and therefore have not applied the amendments prior to the publication of their financial results. Due to this, the SAICA APC has decided to grant listed companies transitional relief regarding the application of Circular 1/2019.

In the terms of this relief, companies with interim or annual financial reporting periods ending on or after 31 December 2019 that have not applied this Circular should apply it for periods ending on or after 31 August 2020. Early adoption of this Circular is permitted.

.34 Circular 1/2021 replaces Circular 1/2019 and is effective for financial periods (interim and/or annual periods) ending on or after 31 May 2021. The new rules shall be applied consistently with the transition approach adopted for the amended or new IFRS Accounting Standards and IFRIC Interpretations issued.

.35 Circular 1/2023 replaces Circular 1/2021 and is effective for financial periods (interim and/or annual periods) ending on or after 30 June 2023. The new rules shall be applied consistently with the transition approach adopted for IFRS 17. If IFRS 17 has been early adopted, the IFRS 17 section of the circular should be early adopted as well.

.36 Circular 1/2026 replaces Circular 1/2023 and is effective in the financial periods (interim and/or annual periods) in which an entity first applies IFRS 18. The new rules shall be applied consistently with the transition approach adopted for the amended or new IFRS Accounting Standards and IFRIC Interpretations issued.

## SECTION H : CREATION OF SECTOR-SPECIFIC RULES FOR HEADLINE EARNINGS

.37 If a specific industry is of the view that a particular rule within the headline earnings formula is inappropriate for that industry, it should make representation to the JSE on the matter. The JSE will, in consultation with the interested parties group (as defined), decide if a rule should be written for that entire industry to exclude or include that specific remeasurement. As the underlying objective is to ensure consistency between companies within a sector, representation should only be made with the full support of the sector.

The final decision will be made on the basis of the rationale to treat separately identifiable re-measurements in a particular sector in a different manner from that outlined above, considering any potential implications for other sectors and with the objective of avoiding any potential risk of undermining IFRS Accounting Standards. If necessary and when appropriate, Section I of the circular will be updated to address these industry-specific issues. Such rules will be industry specific and may not, by analogy, be applied by industries other than those for which the rules are developed.

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## SECTION I: SECTOR-SPECIFIC RULES FOR HEADLINE EARNINGS

.38 As explained in Section G, Section I may be updated from time to time to include appropriate industry-specific issues.

**Issue 1:**

**Remeasurements relating to private equity activities (associates or joint ventures) regarded as operating/trading activities**[3]

**Relevant sector: Listed Banks**

*Rule*

.39 All gains or losses on the disposal (or gains or losses recognised in terms of paragraph 42 of IFRS 3 (as revised in 2008)) and distributions to owners in terms of IFRIC 17 of private equity/venture capital, associates or joint ventures which are equity-accounted by listed banks are included remeasurements and must therefore be included in headline earnings. In addition, the required disclosures, as set out in the definition section below, must be provided in each interim-, preliminary-, provisional- and abridged report and in the annual financial statements.

.40 All investments in associates and joint ventures which meet the definition of those being made by a private equity/venture capital organisation must be dealt with in terms of this rule. There is no flexibility for listed banks (or other entities once they have elected to apply this rule) to “cherry pick” which of their private equity/venture capital investments should be in or out of headline earnings.

.41 Therefore, all private equity/venture capital associates and joint ventures, other than those recognised at fair value through profit or loss in accordance with IFRS 9, must be specifically identified and “ring fenced” on initial recognition. Private equity associates and joint ventures in existence at the effective date of this circular must also be specifically identified and “ring fenced”. No subsequent reclassification is allowed in either instance.

.42 Listed entities, other than listed banks, are entitled, but not obliged, to apply this rule. Any entity that

[3] This rule is based on the circumstances that existed at the time that the rule was created.

decides to apply this rule cannot reverse the decision at a later date.

.43 Any listed entity that has an investment in a listed bank must use the reported headline earnings of that listed bank in its own headline earnings calculation.

*Effective date*

.44 The effective date for listed banks to apply this rule is for financial periods (interim and/or annual periods) ending on or after 31 August 2007. Any other entity that wishes to apply this rule must also do so for any existing private equity/venture capital equity-accounted associates/joint ventures for financial periods (interim and/or annual periods) ending on or after 31 August 2007. Subsequent voluntary adoption of this rule is only possible for other listed entities if they become a private equity/venture capital organisation for the first time after 31 August 2007. Early adoption is permitted, but not for results published before 1 September 2007.

*Basis for the rule*

.45 The Banking Association of South Africa, with the unanimous support of all of the listed banks, made representation to the interested parties group in terms of Section G of this circular to create a specific rule for the banks' private equity investments. Its motivation for this rule is set out below.

.46 Private equity/venture capital businesses are involved in purchasing investments with the main objective of realising a return on their investment through a combination of dividends, management fees, interest income and profit on the sale of the investments. All investments are made with the view to disposal in the medium term. Consequently, investments are effectively the stock in trade or inventory of the private equity/venture capital business and any profit realised on the disposal of these investments is considered to be part of the trading results of these operations.

.47 In the case of certain associates and joint ventures, the headline earnings treatment for the gains or losses on disposal of these businesses, as set out in Section C, is based on the classification by management on initial recognition of the investments. If a comparison between two private equity/venture capital entities is made, one having elected to equity account investments and the other to fair value the investments through profit or loss, the headline earnings of the two entities will differ vastly both annually and over the life of the investment, although they operate with the same intention, manage their businesses on the same basis and view the underlying investments on a similar basis, i.e. as inventory.

.48 The Banking Association further believes that it is important to note that IAS 28 – *Investments in Associates and Joint Ventures* permits a private equity/venture capital business to recognise an investment in an associate or joint venture at fair value through profit or loss instead of applying equity-accounting. Electing to apply the equity method of accounting does not imply that the investment is part of the capital or platform of the business. The entity has a free choice in making the election. It is contended therefore that there is no justification for using the accounting policy election option provided in IAS 28 as a basis for determining whether an investment is part of the operating/trading or platform of the business.

*Definitions*

.49 The definitions applicable to this rule are set out below.

**Private equity/venture capital equity accounted associates/joint ventures** are any investments made by private equity/venture capital organisations that could fall within the exemptions from applying the equity method in paragraph 18 of IAS 28.

**A private equity/venture capital organisation** is one that must:

(i) have, as its principal business, the provision of equity finance to unlisted entities and make its returns mainly through medium- to long-term capital gain. These activities may include start-up and other early stage expansion, management buy-out or management buy-in investment, which includes “equity-type” return;
(ii) have experienced executives engaged full-time in venture capital and private equity investment;
(iii) have venture capital and private equity funds under management having made at least one investment in Southern Africa and be actively making investments; and
(iv) take an active role in helping to build and develop the companies in which it invests.

**A listed bank** is an entity listed on the main board of the JSE in the “Banking” sub-sector of the “Financial” industry classification. To ensure that the objective of headline earnings for consistency is maintained, this rule must be applied to all listed banks.

**Interim report, preliminary report, provisional report and abridged report** are as defined in the JSE Listings Requirements.

**The required disclosure** includes separate and additional disclosure of the following information for the private equity/venture capital associates or joint ventures (as defined) that are not recognised at fair value through profit or loss in accordance with IFRS 9:
(i) All financial information relating to the associates or joint ventures being:
a. the aggregate cost;
b. the aggregate carrying value of these investments at the reporting date;
c. the equity-accounted income for the period for equity-accounted associates and joint ventures;
d. the aggregate other income earned for the period (such as management fees); and
e. the aggregate realised gains or losses on disposal for the period;

(ii) The aggregate fair value of the investments in associates or joint ventures.

These required disclosures are necessary to align this sector-specific rule with the separately identifiable objective contained in the headline earnings definition.

**Issue 2:**

**The remeasurement of investment property**

**Relevant sector: Financial – Listed Life Insurance (other sectors must apply this rule to their long-term insurer and its subsidiaries and associates)**

*Rule*[4]

.50 All gains or losses (unrealised and realised) on the remeasurement (which by definition includes a disposal) of all investment properties are included remeasurements and must therefore be included in headline earnings. This rule applies irrespective of whether the investment property was purchased with policyholders or shareholders' funds and irrespective of whether the entity's accounting policy is to measure its investment properties at cost or fair value. In addition, the required disclosure, as set out in the definition section below, must be provided in each interim-, preliminary-, provisional- and abridged report, and in the annual financial statements.

.51 This rule applies to all investment properties of a listed life insurer, a long-term insurer and all of the listed life insurer's and long-term insurer's subsidiaries and associates. Any listed entity that has a listed life insurer as a subsidiary or associate must use the reported headline earnings of that listed entity in its own headline earnings calculation.

*Effective date*

.52 The effective date for the listed life insurers and the long-term insurer subsidiaries and associates of entities listed in other sectors of the JSE to apply this rule is for all financial periods (interim and/or annual periods) ending on or after 31 January 2008. Early adoption is permitted but not for results published before 22 February 2008, the date on which this rule was issued.

*Basis for the rule*

.53 The SAICA long-term insurance industry group, with the unanimous support of all of the long-term insurers that are either listed themselves or are part of a group that is listed, made representation to the interested parties group in terms of Section G of this circular to create a specific rule for their investment properties. Their motivation and the response from the interested parties group are set out below.

.54 There is concern that the treatment of fair value remeasurements and the profits or losses on disposal of investment properties, as currently set out in Section C, is inappropriate for the life insurers.

.55 The nature of the operations of a long-term insurer is to invest in assets that will provide the required return in order to make payments to policyholders as and when they arise. Long- term insurers hold investment properties for the following purposes:

- in order to match policyholder liabilities relating to policy contracts where the return on the contract is matched to the value of the asset (in this case the investment property), or where the policy contract contains a discretionary participation feature, or to match policyholder liabilities relating to insurance contracts; and/or
- in order to invest shareholders' equity (i.e. surplus capital).

.56 In the case of investment properties acquired to match policyholder liabilities, these investments do not form part of the platform of the long-term insurer. These investments meet the definition of an operating/trading activity as they form part of those activities carried out using the platform. Paragraph

[4] This rule is based on the circumstances that existed at the time that the rule was created.

.14 of Circular 8/2007 defines "included remeasurements" as those that relate to the operating/trading activities of the entity.

.57 The operating performance from investment properties can be realised in two ways by the long-term insurer, either through capital appreciation, or through rental income. The capital appreciation and the rental income are both required to match the increase in the policyholder liability. Rental income is already included in the operating activities of the long-term insurer and thus there is a misalignment in terms of the current Section C rule where the capital appreciation of the investment property is not considered part of the operating activities. The remeasurement of the policyholder liability (under insurance and investment contracts) remains within headline earnings.

.58 The interested parties group considered to the arguments of the SAICA long-term insurance industry group. Concern was raised, however, about the separately identifiable nature of the remeasurement referred to. Paragraph .55 of Circular 8/2007 states that only re- measurements where the applicable IFRS requires disclosure of the operating/trading and/or platform portion of the remeasurement can be adjusted in headline earnings. It goes on to acknowledge that remeasurements may include both a platform and an operating/trading nature. The rule table has been written on the basis of whether the platform or operating/trading portion of the remeasurement makes up the majority portion of that re-measurement. The SAICA long-term insurance industry group acknowledges that by far the majority of its investment properties are held to match policyholder liabilities. It has thus been agreed that all remeasurements relating to investment properties (whether using policyholders or shareholders' funds) will be regarded as included remeasurements.

*Definitions*

.59 The definitions applicable to this rule are set out below.
**Financial risk** is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

An **insurance contract** is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

**Insurance risk** is risk, other than financial risk, transferred from the holder of a contract to the issuer.

**Investment contracts** are contracts that do not transfer significant insurance risk, but transfer financial risk. An investment contract is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An **investment property** is an investment property as defined in IAS 40, measured at fair value or at cost.

**A listed life insurer** is a long-term insurer listed on the main board of the JSE in the "Financial – Life Insurance" sector.

A **long-term insurer** is an entity that has, as its principal business, the issuing of long-term insurance and/or long-term investment contracts, and is registered as a long-term insurer in terms of the Long-term Insurance Act of 1998.

**Policyholder** means the person entitled to be provided with the policy benefits under an investment or long-term insurance contract.

**The required disclosure** involves informing the reader that that the headline earnings of insurers includes remeasurements of investment properties, which remeasurements are largely attributable to policyholders.

**Johannesburg**
**xxxx 2026**