

**Listings Division**

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21 February 2003

**Re: AdB/pls**

The Company Secretary / The Financial Director

Dear Sir / Madam

**LONG TERM INVESTMENT RETURN ADJUSTMENTS ON INCOME STATEMENT**

After having the financial results of various insurance companies referred to themselves the GAAP Monitoring Panel ("GMP") has advised the JSE Securities Exchange South Africa ("the JSE") that the "Long term investment return on shareholders funds" adjustment in the income statement is contrary to South African Statements of Generally Accepted Accounting Practice ("GAAP").

The JSE has considered this advice and will only accept the following financial statement treatment and disclosure:

- The income statement must be prepared in accordance with GAAP and should thus have no adjustments in relation to the so-called long-term rate of return. (LTRR).
- Below the statutory income statement prepared in accordance with GAAP, a pro-forma earnings figure based on the LTRR may be disclosed (clearly separated from the income statement). A pro-forma earnings per share figure based on the LTRR earnings can be disclosed with the other EPS data.
- Disclosure is required on:
  - the basis of the determination of the LTRR, ie. the percentage applied and how it is determined and applied; and
  - reconciliation of pro-forma LTRR earnings to earnings per income statement.
  - It should be noted that this additional disclosure may not be made with the pro forma earnings figure, and should be made in the notes to the financial statements.
- The headline earnings per share must be prepared in accordance with circular 7/2002 on Headline Earnings, ie. no inclusion of the LTRR adjustment.

Strictly, in terms of GAAP, the LTRR earnings should not appear within the audited part of the annual report at all, but the JSE is mindful of comparability issues with companies which have their primary listings elsewhere.

Your cooperation in this regard will be appreciated.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D.M. Doel', written over a white background.

**D.M. DOEL : GENERAL MANAGER  
LISTINGS DIVISION**

cc. Audit Technical Partner / Audit Management Partner