

REF #773770

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Per email: [consultation@jse.co.za](mailto:consultation@jse.co.za)

To whom it may concern,

**SAICA SUBMISSION ON THE JSE LIMITED'S PROPOSED AMENDMENTS TO THE LISTINGS REQUIREMENTS REGARDING FINANCIAL REPORTING DISCLOSURES, OCTOBER 2022**

The South African Institute of Chartered Accountants (SAICA) appreciates the opportunity to provide comments on the proposed amendments to the JSE Limited Listings Requirements ("the Listings Requirements") pertaining to Financial Reporting Disclosures.

Our submission was informed by comments made by participants at a roundtable discussion that was hosted by SAICA. Participants at the roundtable discussion included representatives from issuers, audit firms, consultants and academics. Our submission acknowledges that some of the questions raised by participants at the roundtable discussion may be addressed by utilising mechanisms other than amendment to the proposals regarding the Listings Requirements.

We have categorised our comments as follows:

- Overarching comments
- Detail comments on the proposed amendments

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Thandokuhle Myoli ([thandokuhlem@saica.co.za](mailto:thandokuhlem@saica.co.za)) or Bongeka Nodada ([BongekaN@saica.co.za](mailto:BongekaN@saica.co.za)).

Kind regards



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## OVERARCHING COMMENTS

1. We welcome the proposed amendments and commend the JSE for embarking on a process of simplifying the wording of provisions in the Listings Requirements, and for proposing the removal of provisions in the Listings Requirements from which the JSE has determined that little regulatory benefit is derived.
2. The Financial Reporting Disclosure proposals did not extend to the amendment of provisions in the Listings Requirements that relate to the responsibilities of audit committees. Our expectation is that such proposals will be communicated when the JSE's consultation process regarding the auditor accreditation model has reached a stage where the JSE is comfortable in making definitive proposals in that regard.
3. We support the proposed removal of the following from the Listings Requirements:

- The concepts of "preliminary" and "provisional" reports.

The distinction between preliminary and provisional reports remains a challenge despite the JSE's efforts regarding clarification. The proposals have simplified the requirements for the publication and announcement of annual financial results, while still providing stakeholders with the same information that they would receive under the current regime.

- The compulsory publication of an abridged report when annual financial statements are distributed to shareholders and the JSE.

In our view, this requirement does not provide stakeholders with additional information and puts an unnecessary regulatory burden on issuers.

- Notification in a press release that the auditor's report contains key audit matters.

We agree that the market has been accustomed to the communication of key audit matters in the auditor's report and that a notification of the existence thereof is no longer necessary.

4. As explained in our detail comments, the JSE may need to consider further opportunity for simplification by standardising the content and terminology used for results announcements on SENS and in the press.
5. If the proposed amendments are effected, it would require a revision to the Independent Regulatory Board for Auditors' Guide for Registered Auditors: *Reporting on Financial Information contained in Interim, Preliminary, Provisional and Abridged Reports required by the JSE Listings Requirements*.



## DETAIL COMMENTS ON THE PROPOSED AMENDMENTS

6. We reflect extracts from the proposed amendments in grey blocks.

### Condensed financial statements

#### New Definitions

Condensed financial statements - Financial statements complying with paragraphs 8.57(a) and 8.58;

7. “Condensed financial statements” have been defined by means of specifying their required content, but without referencing the reporting period that they cover. Clarification is necessary on consideration that IAS 34, *Interim financial reporting*, references the term “condensed” and on consideration that the required content of “summary annual financial statements” and “condensed financial statements”, as determined by the Listings Requirements, is the same.
8. We suggest that the term “condensed financial statements” should be amended to reflect “condensed annual financial statements”. We suggest that condensed annual financial statements may be defined as follows, with consequential amendments made to affected Listings Requirements:

“Condensed annual financial statements - Financial statements for an issuer’s annual reporting period complying with paragraphs 8.57(a) and 8.58.

### Annual reports

#### New Definitions

Annual reports - Financial statements complying with paragraphs 8.62 – 8.64;

9. From an issuer’s perspective, an “annual report” may be more comprehensive than the proposed definition. This may cause uncertainty regarding the requirement to announce the publication of an issuer’s annual report on SENS.
10. We are unclear as to whether or not the publication of information such as an issuer’s integrated report (where such a report is prepared by the issuer) would be required to be announced on SENS.
11. The JSE may need to consider clarifying whether or not the publication of all information that makes up an issuer’s annual report, as determined by the issuer, is required to be



announced on SENS. Such clarification may not necessarily require an amendment to the Listings Requirements.

### Interim results

12. The JSE may need to consider providing an explanation to the market for the removal of extant paragraph 3.18(b) which requires: *“unaudited interim reports shall be reviewed by an issuer’s auditor if the issuer’s auditor disclaimed, qualified or gave an adverse opinion in the issuer’s last annual financial statements, unless the JSE otherwise decides”*.

### Results

#### New Definitions

Results - Condensed financial statements, summary financial statements, annual financial statements, annual reports, interim results, quarterly results;

13. For the sake of clarity, we suggest that the term “results” should be amended to reflect “financial results”, with consequential changes made to affected paragraphs in the Listings Requirements.

### Results announcements

#### New Definitions

Results announcement - Publication of results through SENS in terms of paragraph 3.22

14. The reference to “publication of results through SENS” in the definition of “results announcement” could be interpreted to mean that the results, including the related auditor’s report (if applicable in the circumstances), are required to be published on SENS in full.
15. Our understanding of the proposal is that SENS is the mechanism utilised to announce the publication of financial results by the issuer, but that the results and related auditor’s report are not required to be published on SENS in full. The full financial results (and related auditor’s report) are to be made available on the JSE cloudlink and weblink.



16. We suggest the following changes to the definition to avoid confusion:

Financial results announcement – An announcement on SENS of the publication of financial results through SENS by the issuer, which announcement should as a minimum contain the information in in terms of paragraph 3.22;

#### **Results announcement**

3.22 Results must be release of a SENS announcement containing the information below:

- (a) A statement that:
  - (i). the information in the announcement is an extract from the results and does not provide the complete details;
  - (ii). any investment decisions should be based on results; and
  - (iii). the results are available through the following JSE cloudlink and weblink;

...

17. We suggest the following amendment to the introductory sentence to enhance readability:

“The publication of financial Results must be ~~release of a~~ announced on SENS announcement and must contain containing the information below.”

18. Proposed paragraph 3.22 (a)(i) indicates that a SENS announcement would contain an “extract” from the results. We recommend that the JSE consider whether the intention was to rather refer to a “summary” of the information from the results, as per paragraph 3.46A(c) which deals with press announcements. If reference was intentionally made in paragraph 3.22 (a)(i) to the SENS announcement containing an “extract” from the results, the JSE may need to consider providing more guidance in paragraph 3.22 on the information that should be extracted from the results.

19. The JSE may also need to consider whether the statement referred to in paragraph 3.22(a) should include a statement that the SENS announcement is the responsibility of the directors, as is required for press announcements in paragraph 3.46A(b).

20. It should be clear to readers of a SENS announcement that, while the announcement may contain an extract (or summary as discussed in paragraph 18) of audited or reviewed results, the SENS announcement itself has not been audited or reviewed. We therefore suggest that the JSE should consider including a provision similar to new paragraph 3.21(c)(i), which applies to summary financial statements, in paragraph 3.22. This comment applies similarly to press announcements.



21. Our comments made in paragraphs 32 and 33 have relevance to SENS announcements.
22. We suggest that paragraph 3.22(e) should require a positive statement that there were no changes to the information in the annual financial statements or summary annual financial statements, similar to the provision in paragraph 3.22 (d)(i).
23. We are not clear on whether or not a results announcement on SENS would/should be titled as being a “short form announcement”. On consideration that paragraph 3.22 does not contain a reference to paragraph 3.46, which permits short-form announcements to be published in the press, it appears that a “short form announcement” would only be allowed to be published in a press announcement and not on SENS. The JSE may need to consider whether such a distinction between a SENS announcement and a press announcement was intended or even necessary.
24. There appears to be vast commonality in the content of a SENS announcement and a press announcement. The JSE may need to consider further opportunity for simplification by standardising the content and terminology used for results announcements on SENS and in the press.

## Press announcements

### Press announcements

- 3.46 Announcements requiring publication in the press in accordance with the Appendix 1 to Section 11 must be published in a widely circulated daily newspaper taking into account the specific composition and demographics of the issuer’s stakeholders, in the reasonable opinion of the issuer, in any official language. Announcements may be made available on the issuer’s website only after the announcement has been released through SENS. Short-form announcements may be published in the press, subject to paragraph 3.46A and on the basis that the issuer has its own operational website.
- 3.46A The following details must be included in the short-form announcement:
- ...
  - (c) The short-form announcement is a summary of the information in the full announcement and does not contain full or complete details;
  - (d) Contain a statement that the full announcement has been released on SENS and is available on the issuer’s website and that any investment decision must be based on that information;
  - ...



25. We suggest deletion of the word “the” that precedes “Appendix 1 to Section 11” in paragraph 3.46.
26. It is not clear whether the second sentence in paragraph 3.46 is referring to “announcements” made by the issuer on its website in general, or to announcements published in the press. We understand that this sentence is referring to announcements made in the press.
27. We understand paragraph 3.46A(c) to mean that a short-form announcement would be a summary of the information in the full SENS announcement and not a summary of the full *results*.
28. It is not clear whether “and is available on the issuer’s website” in proposed paragraph 3.46A(d) is intended to refer to the *SENS announcement* itself, which should be available on the issuer’s website, or whether the reference was intended to refer to the *results*, which should be available on the issuer’s website.
29. The JSE may need to consider amending the wording in paragraphs 3.46 and 3.46A to clarify the matters in paragraphs 26-28 above.
30. Our comments in paragraphs 20, 32 and 33 apply similarly to press announcements.

## Auditor’s report

### Auditor’s report

3.21 The information in the auditor’s report must be disclosed as follows:

- (a) the auditor’s report must accompany the relevant results on which their report is issued; and
- (b) where additional information accompanies the results, the demarcation between which information is audited/reviewed and which is not must be clear;
- (c) summary financial statements must be accompanied by the following:
  - ...
  - (iv) *details of an of the following paragraphs contained in the auditor’s report:*
    - (1) *material uncertainty relating to going concern;*
    - (2) *emphasis of matter; a reportable irregularity (as defined in the Auditing Profession Act); and*
    - (3) *a material inconsistency in information included in a document that contains the annual financial; and*
  - ...



31. For the avoidance of doubt, paragraph 3.21(a) may need to be amended as follows:  
“The auditor’s audit or review report, as applicable in the circumstances, must accompany the relevant results on which their report is issued;”
32. We acknowledge that extant paragraph 3.18 (j), which addresses a scenario where the demarcation in an announcement between audited / reviewed information and information that hasn’t been audited / reviewed is not clear, may not have been retained due to the introduction of new paragraph 3.21(b) which **requires** demarcation to be clear.
33. Paragraph 3.21(b) however addresses additional information that accompanies the *results* rather addressing demarcation in SENS or press announcements. The International Standards on Auditing contain requirements on the auditor to consider the presentation of supplementary information that is not required by the applicable financial reporting framework with the audited financial statements. The JSE may need to consider whether paragraph 3.21(b) may have been intended to address presentation of information in a SENS / press announcement, and whether it may therefore be better placed as part of new paragraphs 3.22 and 3.46A, with amendment to the wording as required in the circumstances.
34. On consideration that a reportable irregularity is not communicated as an emphasis of matter in the auditor’s report, and to correct a typographical error, we propose the following amendments to paragraph 3.21 (c)(iv):
- (iv) details of an of the following paragraphs contained in the auditor’s report:*
- (1) material uncertainty relating to going concern;*
  - (2) emphasis of matter;*
  - (3) a reportable irregularity (as defined in the Auditing Profession Act); and*
  - (4) a material inconsistency in information included in a document that contains the annual financial statements; and*
- ...

#### **Minimum contents of condensed financial statements, summary financial statements and interim results**

35. Extant paragraph 8.61 has been removed in its entirety. It is not clear from the proposals whether interim results and condensed annual financial statements are required to be presented on a consolidated basis only, or whether separate results must also be presented.





## The preparation of consolidated and separate financial statements of a South African company

### **New definitions**

Annual financial statements – financial statements complying with paragraphs 8.62(a) to (e) and 8.63;

### **Minimum contents of annual financial statements**

8.62 The annual financial statements must:

...

(e) be the consolidated financial statements; and

(f) also be accompanied by the separate financial statements of the listed company for a South African registered company.

8.63 Issuers are required to disclose the following in their annual financial statements:

...

(e) major shareholders: the interest of any shareholder, other than a director, who, in so far as it is known to the company, is directly or indirectly beneficially interested in 5% or more of any class of the listed company's capital, together with the amount of each such shareholder's interest or, if there are no such shareholders, an appropriate negative statement;

(f) the information on public shareholders set out in paragraphs 3.43;

...

36. The Notes to Block 4 in the amendment schedule indicate the following: *"We have simplified the wording in paragraph 8.62, moved paragraph 8.62 (e) to (d) and split previous 8.62 (d) (as amended through the annual improvements project of June 2022) into two sentences / points (e) and (f). This allows for an issuer to release their group results before their company results."*

37. We are of the view that it is preferable for the consolidated and separate financial statements to be released at the same time when the issuer publishes its annual financial statements, and propose that the definition of "annual financial statements" should include paragraph 8.62(f).

38. On consideration of the sentiment expressed in the explanatory note to Block 4 (that the Listings Requirements allow for an issuer to release their group results before their company results), our understanding is that it was intentional for the definition of "annual financial statements" to exclude paragraph 62(f).

39. From a drafting perspective, if the JSE should retain its position regarding the timing of publication of consolidated and separate results, we suggest that the JSE should



consider moving paragraph 62(f) to paragraph 8.64 *Additional contents of annual reports* to avoid confusion.

40. Furthermore, if the JSE should retain its position regarding the timing of publication of consolidated and separate results, the JSE should consider clarifying whether the publication of the separate financial statements as part of publication of the annual report would be a “change” to the previous results, as envisaged in paragraph 3.22(e).
41. Participants at the roundtable discussion indicated a need for guidance on acceptable practices in relation to the presentation of consolidated and separate financial statements of a South African company. The JSE may need to consider whether guidance in this regard may be useful to issuers.
42. To our knowledge, there is currently inconsistency in the market with regards to the inclusion/not of the information required by paragraph 8.63(e) and (f) in the scope of the auditor’s opinion. The JSE may need to consider working with the Independent Regulatory Board for Auditors to explore the reasons for such inconsistencies and to gain a broader understanding of challenges with regard to the “assurability” of this information. Such a discussion would need to include consideration of the disclosure required by Section 56(7)(b) of the Companies Act, 2008.

#### **Interaction between the JSE Listings Requirements and the King Report**

43. No amendments have been proposed to the wording of extant paragraph 8.63(a) of the Listings Requirements, which deals with an issuer’s application of the King Code (this is now proposed paragraph 8.64(a)).
44. Based on comments made at the roundtable discussion, it appears that there may be confusion in the market as to whether or not paragraph 8.63(a) of the Listings Requirements requires issuers to apply the principles and recommended practices of the King Report.
45. The JSE may need to consider whether issuers may benefit from a reminder of the interaction between the JSE Listings Requirements and the King Report. SAICA can assist in this regard. We are of the view that amendment to the Listings Requirements is not required in this regard.

#### **Appendix 1 to Section 11**

46. The table heading “Publish in press in compliance with paragraphs 3.46 to 3.48 Note 4” should be amended to refer to Notes 2 and 3, rather than Note 4.
47. The table does not indicate whether or not Interim Results are required to be published in the press.