

**Report on proactive  
monitoring of financial statements  
in 2025**

**Date of issue: 4 November 2025**

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**JSE**

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## 1. Key considerations

We present our 15<sup>th</sup> report on proactive monitoring in our market.

We continue to make findings against issuers for matters addressed in our previous proactive monitoring reports. We therefore urge audit committees and non-executive directors to test the robustness of the processes applied by the management team in considering the content of our reports to mitigate against the reoccurrence of errors. As part of that assessment, they should ensure that the company has applied their own entity specific, detailed and robust materiality framework.

Furthermore, negative findings can be mitigated by carefully considering the following questions.

1. Do the financial reports tell:
  - your story - are disclosures clear, concise and specific to your company; and
  - the entire and a consistent story – is the content or message aligned with other communications made to stakeholders.
2. Has the management team identified and considered the impact of:
  - technical changes and developments in IFRS;
  - previous findings detailed in the JSE proactive monitoring reports;
  - changes in economic/ business circumstances since the last reporting period; and
  - any new significant transactions and/or events.
3. Does the company apply a detailed and robust materiality framework:
  - developed by the company, independent of the auditor’s materiality threshold;
  - aligned with the IASB materiality framework;
  - addressing both qualitative and quantitative considerations of individual items and the financial statements as a whole; and
  - used as a lens to guide the preparation of the financial reports.

## 2. Introduction

The body of this report (the “2025 report”) discusses the findings of the proactive monitoring activities (the “review process”) undertaken by the JSE during the period October 2024 to September 2025 (“the period”). The objective of the JSE’s process of reviewing Annual Financial Statements (“AFS”) and Interim results (“interims”) is both to ensure the integrity of financial information and to contribute towards the production of quality financial reporting by entities that list securities on our market. This aligns with one of the general principles of the JSE Listings Requirements (the “Listings Requirements”) namely, to enhance investor confidence in our market. The healthy debate that often surrounds a review process is in of itself important for the credibility of our markets.

The aim of this report is to highlight matters and provide details around our expectations for financial reporting to help prevent the misapplication of IFRS. The 2025 report sets out important findings identified during this period, which we request issuers to consider.

This report also provides statistics of our findings highlighting the regulatory value of the review process. For the benefit of new directors and issuers we provide details of the review process (see annexure 1). Annexure 2 includes feedback on the activities of the FRIP. Annexure 3 includes an easy-to-use list of documents for audit committee's consideration.

### 3. Audit committees' responsibility

The JSE acknowledges the important role that audit committees play in ensuring the integrity of financial reporting by the companies on whose boards they sit. As our reports on the review process are intended to highlight areas of potential concern in the preparation of financial statements, the JSE specifically requests every issuer's audit committee to consider this 2025 report together with certain other information previously published by the JSE. Annexure 3 contains a checklist of the information that the audit committee must consider, together with appropriate links to website references where that information may be found.

We ask that audit committees ensure that issuers take appropriate action to respond to the information detailed in Annexure 3 when preparing both their AFS and interims. To the extent necessary, the JSE may write to an issuer and ask that they explain how their audit committee has complied with the above request.

### 4. Findings from detailed reviews

#### 4.1 Material cases

Annually we provide feedback on key aspects of cases where the IFRS impact of a misstatement was material to the results of the issuer. Those cases are summarised below. It is important to highlight that our findings are based on our consideration of the specific facts and circumstances of each case. Whilst we provide as much detail as possible, to provide educational benefit, we remind issuers that they should consider the specific facts of their own situation when assessing the matters summarised below.

##### Discontinued operations

While looking at the classification of a disposal group held-for-sale, we queried an issuer's tax presentation in the statement of profit and loss. The issuer classified a division of a major subsidiary as a disposal group held for sale (paragraph 6 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*), deeming the disposal group to be 'significant enough' to be presented as a discontinued operation in the statement of profit and loss. As a reminder, not all disposal groups are discontinued operations - only those that meet the requirements of IFRS 5.32.

When separately presenting the results of the discontinued operation (including profits of the discontinued operation and a reversal of a previous impairment) the issuer presented only the *pre-tax* profits. The tax effects were accounted for 'higher up' in the tax expense line from continuing operations. This overstated both current and deferred tax expenses for

continuing operations. It also caused a misalignment in earnings per share (“EPS”) and headline earnings per share (“HEPS”) of continuing and discontinued operations as:

- all tax effects were accumulated in the results of continuing operations, whilst
- EPS and HEPS from discontinued operations bore none of their associated tax.

IFRS 5.33(a) requires the *post-tax* profit or loss of the discontinued operation (including post tax gains/ losses on any remeasurement) to be presented in the statement of profit and loss. Upon enquiry, the issuer explained that the discontinued operation was only a division of a subsidiary – other operational divisions and the legal subsidiary were being retained. As tax calculations are done at a company (legal subsidiary) level, the issuer attributed all tax charges to the legal subsidiary being retained. The issuer argued that allocating tax charges to the discontinuing division would require an arbitrary allocation, which they did not believe would be useful to users. The issuer was unable to justify how their presentation complied with IFRS 5.33(a).

We queried on what basis the allocation of tax charge was deemed arbitrary as:

- Deferred tax attributable to the impairment reversal were already separately disclosed in the AFS; and
- It was not clear how the calculation of tax effects for incomes and expenses already allocated to the discontinued operation would be arbitrary? Whilst judgement may be required in an allocation where profits of a continuing operation are offset by losses of a discontinuing operation in the same legal entity – none of the operations in question were loss making. Even in that instance, we would expect the issuer to exercise and disclose the judgement in order to comply with IFRS 5.33.

We reminded the issuer that a pre-requisite for classifying the disposal group as a discontinued operation is that the component being disposed must have operations and cash flows that *can be clearly distinguished* (operationally and for financial reporting purposes) from the rest of the entity (IFRS 5.31). Furthermore, paragraph 57 and IAS 12 *Income Taxes* requires current and deferred tax effects of a transaction to be consistent with the accounting for the transaction or event itself. As profits from the discontinued operation were highlighted for separate presentation - the current and deferred tax effects of those profits should also be presented as part of the discontinued operation. Our enquiry was only to the presentation in the statement of profit and loss per IFRS 5.33. The consequences of any tax balances possibly retained by the legal subsidiary were not part of our enquiry.

Following our engagement, the issuer agreed to restate the statement of profit and loss, EPS and HEPS to present the results of the discontinued operation on a post-tax basis.

### Revenue recognition

In this matter, we queried the appropriateness of the point at which revenue was being recognised by an issuer. A reminder that IFRS 15: *Revenue from Contracts with Customers* adopts a 5-step model in which:

- An entity is required to identify specific performance obligations in a contract with a customer (step 2; IFRS 15.22-30); and

- Recognises revenue only when the identified performance obligation(s) have been satisfied by the entity transferring the promised good(s) or service(s) to the customer (step 5; IFRS 15.31).

The issuer owns and operates a memorial parks business that, inter alia, sells burial rights and associated burial services to customers. Customers purchase burial plots giving them an exclusive right to be bury (inter) an individual on the identified plot (burial rights). Burial services (which include interment services) are performed only when the grave is needed. Interment may occur within days of purchasing the burial right if immediate interment is required, or at any time in the future if the customer is securing a burial plot for his/ her/ another individual's future interment. Legal title of the burial right reverts to the customer on payment of the purchase price, which covers both the burial right and burial service.

We queried the appropriateness of the issuer's accounting policy which recognised revenue for both burial rights and burial services at the point in time when full payment was made by a customer. Our concern was that revenue was being recognised 'too early' where burial rights are purchased and related interments performed at an undetermined time (sometimes years) into the future. We were not convinced that it was appropriate to recognise revenue if the issuer had not yet transferred the contracted burial service to the customer.

The issuer viewed the burial right and burial services to be highly interrelated, such that these were combined and identified as a single performance obligation (IFRS 15.30). The issuer relied (inter alia) on the price being an all-inclusive price and the fact that the Group does not permit external parties to carry out burial services.

After a lengthy engagement with the issuer (which necessitated ensuring we understood the intricacies of the issuer's unique fact pattern) it was concluded that the burial right and burial services represent separate, distinct performance obligations within the contract (IFRS 15.27). The issuer agreed to restate their AFS by:

- Recognising revenue allocated to the burial right when control transfers to the customer (on full payment); and
- Deferring revenue allocated to the burial service component, recognizing this at the point in time when interment services are performed.

This was a highly technical matter and we wish to acknowledge the positive manner in which the issuer engaged with us in reaching this outcome.

#### Accounting for BEE structures

We queried the appropriateness of not consolidating certain Black Economic Empowerment ("BEE") structures in the consolidated AFS. As none of the BEE entities were consolidated, preference shares were recognised in the Group AFS. As a separate matter we questioned the non-recognition of impairment allowances against these preference shares. Both matters were referred to the FRIP and we direct you to annexure 2 for the details of this case.

#### Other financial instrument matters detailed in our 2024 report

Annexure 2 of our 2024 report detailed two matters that were referred to the FRIP being:

- expected credit losses (case 1); and
- recognition and measurement of derivative contracts (case 2).

These cases were concluded in the current year and are therefore included in our statistics for 2025. We do not repeat the IFRS details in this report but refer to our Combined Findings report, which now incorporates the technical details of the entire 2024 report (including those cases).

## 4.2 Other measurement and recognition cases

In addition to the material case discussed above, our reviews identified other misapplications to the recognition and measurement principles of IFRS. Fortuitously, the misapplication of IFRS in these cases was not severe: thus they are not reflected as reviews with material outcomes (in our findings tables 4 on page 16). Given the intended objective of this report the details of these cases are summarised below.

### Payment of NCI put option in the Statement of Cash Flows

An issuer made a cash payment when exercising an NCI put option- acquiring additional shares in a subsidiary company. The amount was correctly classified as a financing activity in the Group statement of cash flows (paragraph 42A of IAS 7 *Statement of Cash Flows*) – as the transaction was one with owners (IAS 7.42B). The classification in the Company AFS is, however, different from that applied in the Group AFS. The issuer incorrectly included the payment as part of ‘other payables’ in the operating cash flows of the *Company’s* statement of cash flows.

As the issuer had purchased equity instruments, additional assets were recognised on the Company statement of financial position. Such a payment is therefore an investing activity per IAS 7.16(c).

### Financial Instruments- Transaction costs

Our enquiry to the nature of operating costs of a Special Purpose Vehicle (“SPV”) issuer revealed that the issuer had expensed professional and issuance fees incurred when issuing listed notes (financial liabilities). This caused a considerable ‘spike’ in operating expenses recognised by the issuer in periods where notes were issued. Our enquiry confirmed these costs to be ‘transaction costs’ as defined in Appendix A to IFRS 9 *Financial Instruments*. Paragraph B5.4.8 of IFRS 9 provides further examples of transaction costs.

IFRS 9 requires transaction costs to be deducted from the amount initially recognised for financial liabilities (paragraph 5.1.1). Consequently, these costs are amortised through profit and loss over the life of the instrument as part of the effective interest rate charge (implementation guidance, question E.1.1).

Whilst fortuitously not material to the period we reviewed, the issuer agreed to amend their accounting to correctly capitalise these costs as part of the effective interest rate going forward.

## HEPS

We noted two cases where issuers had not correctly calculated HEPS per SAICA Circular 1/2023 (“HEPS circular”). Both issuers agreed to restate their prior period HEPS.

In the first instance, the issuer incorrectly added back a loss incurred when disposing of shares in a listed entity (financial assets). The detailed rules tables for IFRS 9 (paragraph 21 of the HEPS circular) explain that, except for reclassification adjustments arising from the hedge of a net investment in a foreign operation, all remeasurements of financial instruments that are recognised in profit and loss are included in headline earnings.

In the second instance, a property company issuer incorrectly added back a straight-line rental income accrual (“SL accrual”) adjustment in their calculation of headline earnings. Our enquiry revealed that the net result of a series of journal entries resulted in the amounts being recognised both ‘in-and-out’ of profit and loss, such that the net impact to profit and loss was zero.

For fair value adjustments made by property companies:

- The detailed rules tables in the HEPS circular require fair value gains/ losses recognised *for Investment Property* under IAS 40 to be eliminated when calculating headline earnings.
- IAS 40.50 warns issuers not to ‘double count’ the effect of assets/ liabilities that are recognised separately in the AFS
- IAS 40.50(c) says “the fair value of investment property excludes prepaid or accrued operating lease income, because the entity recognises it as a separate liability or asset”.
- Many issuers describe the “true fair value” of investment property as (a) +/- (b) where
  - (a) is the fair value per IAS 40 (i.e. Investment property in their statement of financial position); and
  - (b) is SL accrual asset/ liability

Per the HEPS circular, only fair value movements of *amounts recognised as an investment property* ((a) above) are eliminated from headline earnings.

## Discount rate used in a provision

We queried the inputs applied by an issuer in the extractive industry when determining their environmental obligations. Our enquiry revealed discrepancies to the discount rates that the issuer had applied when determining the present value of environmental obligations. Paragraph 47 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires the discount rate to be a pre-tax rate that reflects:

- *current market assessments* of the *time value of money*; and
- *risks specific* to the liability.

The R186 government bond rate was used as an input to the discount rate when calculating the PV of the obligation. The issuer explained that they had selected the R186 due to the bond's liquidity. After engaging on the matter, the issuer acknowledged that the redemption periods of the R186 government bond (equal tranches redeemed in 2025, 2026 and 2027) were significantly shorter than the anticipated closure of the mine, which was more than 25 years out. Our review determined that longer-term government bonds were available that were equally liquid as the R186 bond at the time that the assessment was made. These would have served as a more suitable proxy to the discount rate for the issuer's purposes.

We rejected the issuer's proposed revised approach to use the i2058 government bond and the 'contractual coupon rate' of that bond as:

- An inflation-linked discount rate cannot be used without making suitable adjustments to the cash flows used; and
- The effective yield of the bond at a point in time must be used -not the contractual rate applied to the calculation of interest payments.

The issuer agreed that a fixed-rate government bond would have been appropriate to the cash flows they had forecast and agreed to restate the environmental obligations.

### Rental guarantee

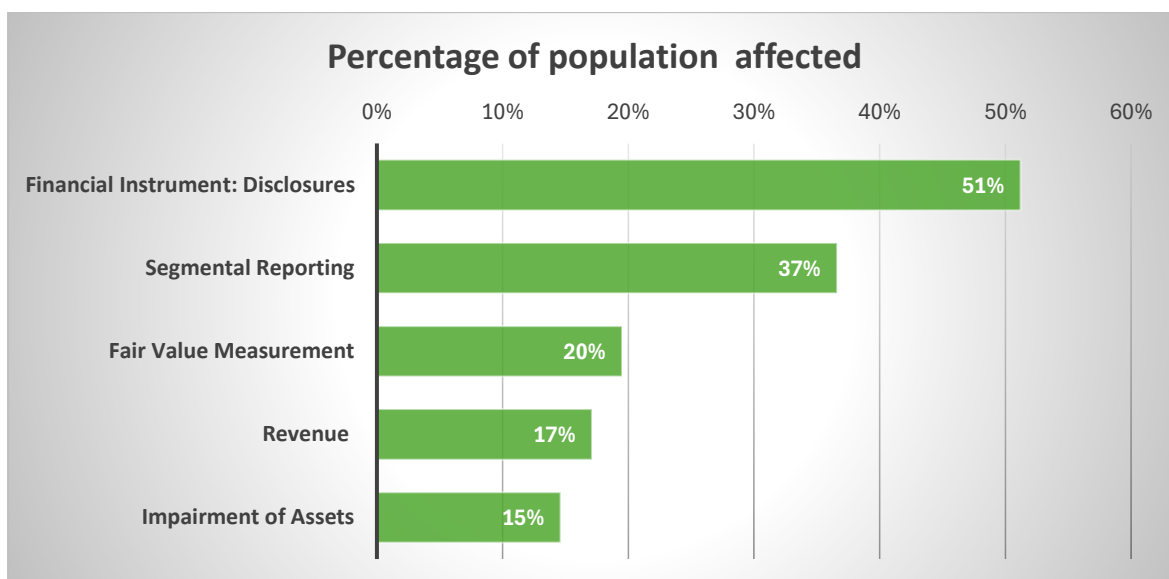
A property company had (incorrectly) classified income from rental guarantees as 'variable lease payments' in the statement of profit and loss. The issuer had described the receipts as 'revenue' - causing us to question whether these amounts were being recognised under *IFRS 15 Revenue from Contracts with Customers* or *IFRS 16 Leases*.

Our enquiry revealed that the receipts related to a contract to purchase investment property. In terms of the purchase agreement, the previous owners provided a guarantee for a minimum net property income to be received (by the issuer) for investment properties they had purchased. As the properties returned a net property income below that guaranteed in the purchase agreement, the previous owner made a series of shortfall payments. The issuer classified and accounted for these receipts as variable lease payments under IFRS 16.

We found that the rental guarantees should not have been accounted for under IFRS 16. These are not payments made *by a lessee to a lessor* for the right to use an underlying asset (IFRS 16- Appendix A). Rental guarantee payments were contractually receivable from the property seller (rather than a lessee). They are not payments for the right to use the underlying asset. Similarly, the amounts are not 'revenue' under IFRS 15 as they are *not received from customers* of the issuer. We expect that these contracts should be accounted for under IFRS 9.

## **4.3 Common findings from detailed reviews**

This section discusses common deficiencies identified in our detailed reviews. We group the matters by IFRS standard and rank the topics by prevalence in terms of the number of entities where the deficiencies occurred. The results, which exclude the matters discussed in sections 4.1 and 4.2 above, are as follows:



**Fig 1** Graph reflecting the percentage of the issuers covered during this period whose reviews identified non-compliance with that specific IFRS

### Financial Instruments: Disclosures (IFRS 7)

We reached agreement with 18 equity issuers and 3 debt issuers that disclosure deficiencies of IFRS 7 *Financial Instruments: Disclosures* across a variety of topics needed to be addressed. Deficiencies under IFRS 7 have featured in the top 3 of our common findings since our November 2021 report. The technical aspects of our IFRS 7 findings have been well aired in our previous reports and are incorporated into our Combined Findings Report. From reading that report, issuers would understand the types of disclosures that we believe are warranted but often lacking in financial reports. As such, we do not repeat those technical items, but rather focus on specific messages for issuers.

Whilst we understand that investors in debt instruments receive additional information via investor reports (through SENS), the reports do not justify non-compliance with IFRS in the AFS. We identified the:

- complete omission of credit risk information (2 instances); and
- lack of information regarding collateral (including: types of collateral; risk concentrations; and the significant deterioration that this collateral experienced (1 instance)).

The importance of complete, entity-specific liquidity related disclosures is elevated for equity issuers with significant gearing (3 instances), a net current liability position (1 instance) or those experiencing financial distress (1 instance).

Credit risk disclosures are not limited to trade receivables but are required for all financial assets including loan receivables and preference shares (carried at amortised cost).

Some of the reasons provided by issuers as to why they did not amend their disclosures in line with the information in our previous reports, together why we disagreed with their approach, are shared below.

#### Case 1:

We provide very aggregated time bands for the liquidity risk maturity analysis because the repayments are uniform.

We rejected this argument as investors are unaware of this uniformity.

#### Case 2:

Minimal quantitatively disclosures are required because the ECL is quantitatively immaterial.

We rejected this initial response because:

- The issuer did share their detailed assessment, which we expected to be mapped against their materiality framework, to support this statement;
- In any event it was clear that the unimpaired receivable amount was a material balance;
- Trade receivables were qualitatively material to this specific businesses; and
- The disclosures would have provided insight into the effectiveness of the issuers' revenue generating capabilities together with the ability to collect contractual cash flows.

#### Case 3:

The process we applied to the JSE reports was to only focus on items that affected measurement. We acknowledge that insufficient attention was applied to disclosure matters.

### Segmental Reporting (IFRS 8)

We reached agreement with 15 issuers that, in line with the July 2024 IFRIC agenda decision on IFRS 8 *Operating Segments* ("the IFRIC decision"), they would provide more detailed segmental information of material items in the future. Table 4 (on page 15) indicates that for 11 issuers that were subject to detailed reviews, IFRS 8 was the most significant matter of their review.

### Fair value measurement disclosures (IFRS 13)

The application of paragraphs 92(c) and 93(d) of IFRS 13 *Fair Value Measurement* continued to be a problematic for eight issuers. Areas of concern related to:

- Presenting of very wide ranges for inputs - supplementing these disclosures with a weighted average value helps overcome this concern (demonstrated in example 17 of the illustrative examples to IFRS 13); and
- Omitting information on the valuation methods and/ or the significant inputs for certain asset classes for fair value measurements within both level 2 and level 3 of the fair value hierarchy issuers.

In one case, the lack of detailed IFRS 13.93(d) disclosures also led us to question why the issuer changed their value technique. It was not clear if IFRS 13.65 was applicable or alternatively if the issuer had made an error in their prior reporting periods.

## Revenue from Contracts with Customers (IFRS 15)

A common finding over several years has been insufficient disaggregation of revenue disclosed (see paragraph 114 of IFRS 15 *Revenue from Contracts with Customers* read in conjunction with IFRS 15.B88 and B89). The disclosures of four issuers were found lacking for revenue linked to;

- different geographical regions (Asian is not one homogeneous region);
- different types of customers (retail versus wholesale); and
- online sales channels.

Two other IFRS 15 cases related to measurement matters are discussed in more detail in sections 4.1 and 4.2 above.

For our final case, under this heading the disclosure regarding the timing of revenue recognition and the payment terms for credit sales was missing (per paragraphs 117 and 119 (a) and (b) of IFRS 15). This lack of disclosure also led us to question the nature of the contracts and how they should be accounted for.

## Impairment of Assets (IAS 36)

Our findings this year involved issuers who had recorded significant impairment losses, but were found wanting in their disclosures.

For two issuers those impairments related to their property, plant and equipment. It was not clear how the recoverable amount had been determined (“the method”), as they merely stated that the recoverable amount was determined:

- on fair value less cost to sell or value in use (“VIU”); or
- using a cashflow approach.

Paragraph 130(a) of IAS 36 *Impairment of Assets* calls for clear disclosure of the events and circumstances leading to impairments. Not only did these issuers fail to clearly disclose the method, but they also failed to quantify the key assumptions. Given the quantum of the impairments, we expected to see granular information on those assumptions in terms of paragraphs 130(a) and 132 of IAS 36 as well as paragraph 122 of IAS 1 *Presentation of Financial Statements*.

For a further two issuers (Company A and B), goodwill was both a significant balance and there was a significant impairment thereon during the year.

Whilst Company A quantified the inputs for their VIU calculation for the current year, they incorrectly omitted the comparative amounts (per IAS 1.38). Performing our own analysis of the previous AFS we found that there were significant changes (more than 30% in some instances) to the previous years’ inputs with no explanation being provided (per IAS 36.134(d)(ii) and IAS 1.129(d)). Not only did we question the lack of disclosure, but given the issuer’s narrative explanation of ‘continuing’ declining volumes, we questioned why an impairment was not triggered in the previous period.

Company B impaired a portion of the goodwill for a specific cash generating unit (“CGU”), but incorrectly provided no disclosures on how their VIU amount was derived (per IAS 36.130(d) and 134(d)). They accepted that the total goodwill was a material balance, but were of the view that the CGU’s goodwill was insignificant in the context of the total goodwill. The issuer provided no explanation to support this statement. Data suggesting that the CGU’s goodwill was material included: the remaining unimpaired goodwill for this CGU was still significant; the CGU continued to be loss making; and any additional impairments would have a material impact to profit or loss.

For the remaining two issuers inconsistencies in their impairment disclosures led to confusing or conflicting messages that impairs the usefulness of the information disclosed. For example, two different growth rates were provided seemingly for the same period.

## 5. Findings from limited scope reviews

We continued with the following independent limited scope reviews during the past year (both of which commenced in 2024):

- an IFRS 8 *Operating Segments* review, targeting issuers where we identified potential inconsistencies with the IFRIC agenda decision; and
- a review on the application of IFRS 17 *Insurance Contracts*.

We concluded our remaining four IFRS 8 reviews and the issuers agreed to amend their future segmental reports in line with the IFRIC decision.

Our IFRS 17 review is now largely completed. Our findings report will be issued on 7 November 2025 and will be available on our website.

## 6. The findings in numbers

The purpose of this section is to enable issuers to understand the process that is followed by the JSE. It also reminds issuers that a clean auditor’s report is no guarantee that the AFS will negate regulatory challenge and (where necessary) correction.

In the bulk of cases where we have requested action, we have done so to ensure that there is no future investor prejudice for matters which, fortuitously, may not have been material in the results that we reviewed.

### 6.1 Review process

Annexure 1 contains a high-level overview of the review process for the benefit of readers who are not familiar with it. The potential risk areas we consider in our review are updated on an annual basis. These are driven by both the entity’s specific business circumstances and our reconsideration of general risk areas both locally and internationally. The review of the same issuer from one year to the next (if this were to be done) may therefore identify different matters.

Our completed reviews largely covered AFS for years ending between 30 June 2023 and 31 December 2024.

## 6.2 Statistics

### 6.2.1 Coverage

We perform a combination of detailed and limited scope (or thematic) reviews in order to achieve a desired coverage of the population of our issuers. The table below provides details of the types of reviews completed and examination rate over the past three years.

**Table 1** Number reviews completed during the period compared to previous years

	Equity	Debt <sup>1</sup>	Total 2025	Total 2024	Total 2023
Detailed reviews completed (see 6.2.2)	35	6	41	38	35
Limited scope reviews completed (see 6.2.3)	6	1	7	13	16
<b>Reviews completed</b>	<b>41</b>	<b>7</b>	<b>48</b>	<b>51</b>	<b>51</b>
Examination rate (Percentage coverage of population)			16.3%	17.3%	17.1%

### 6.2.2 Detailed reviews

The table below shows that between October 2024 and September 2025 we completed 41 detailed reviews.

In terms of that process, we performed 38 new detailed reviews, 32 on equity issuers and 6 on debt issuers. We wrote letters of enquiry to 30 of the issuers, with 8 cases being closed immediately without any questions asked.

**Table 2** Detailed reviews workflow for the year

	Equity	Debt <sup>2</sup>	Total
Letters of query	27	3	30
Cases closed immediately	5	3	8
<b>Number of new AFS reviews</b>	<b>32</b>	<b>6</b>	<b>38</b>
Cases b/f from previous year	12	-	12
<b>Total cases reviewed during period</b>	<b>44</b>	<b>6</b>	<b>50</b>
Cases still pending	(9)	-	(9)
<b>Cases completed during period</b>	<b>35</b>	<b>6</b>	<b>41</b>

At of 30 September 2025 nine of the (equity) cases were still pending.

<sup>1</sup> To avoid double counting, issuers that are both an equity and debt issuers are included in the numbers for equity issuers only

<sup>2</sup> Other hybrid instruments and asset back securities are also reviewed and are included in this category

In terms of our findings, we identified **four cases** where non-compliance was material from an IFRS perspective. Those cases are discussed in section 4.1 above. For a further eleven cases, whilst fortuitously there was no material misstatement to the period reviewed, we requested amendments to be made in the next published results to avoid potential investor prejudice. For eleven cases the issuers' segment reports were not yet updated for the IFRIC agenda decision on IFRS 8. These issuers undertook to do so in their next reporting period. Six cases involved smaller disclosure matters where issuers agreed to correct the matters in the future.

**Table 4** Findings from detailed reviews

	2025 Equity	2025 Debt	2024 Total	2024 Equity	2024 Debt
Non-compliance material	4	-	4	1	1
Non-compliance not material this year, but must be corrected in the future to avoid potential investor prejudice	8	3	11	10	-
Most significant issue was misapplication of IFRS 8 (now IFRIC agenda decision)	11	-	11	2	-
Smaller disclosure issues that will be corrected in the future	6	-	6	10	1
AFS in respect of which it was concluded that there were no issues	6	3	9	12	1
<b>Total cases closed</b>	<b>35</b>	<b>6</b>	<b>41</b>	<b>35</b>	<b>3</b>

The percentage of cases where we forced corrections was 34% (12 cases) (2024-32%) for equity issuers and 50% (3 cases) for debt issuers (2024-33%). We have excluded IFRS 8 from these 'forced' numbers as, absent our review process, issuers should still have considered the IFRIC agenda decision.

### 6.2.3 Limited scope reviews

The table below reflects the totals for two separate limited scope reviews, both of which were a continuation of topics we commenced examining in 2024.

**Table 3** Limited scope reviews workflow for the year

	Equity	Debt	Total
Letters of query	3	1	4
Cases closed immediately	-	-	-
<b>Number of new AFS reviews</b>	<b>3</b>	<b>1</b>	<b>4</b>
Cases b/f from previous year	3	1	4
<b>Total cases reviewed during period</b>	<b>6</b>	<b>2</b>	<b>8</b>
Cases still pending	-	(1)	(1)
<b>Cases completed during period</b>	<b>6</b>	<b>1</b>	<b>7</b>

We completed seven limited scope reviews and there is one ongoing case under the IFRS 17 thematic review.

Of the completed reviews, three related to IFRS 17. We reached agreement with these issuers that corrections would be made to their future AFS. All IFRS 17 corrections relate to disclosure matters.

The remaining four issuers completed reviews formed part of our targeted IFRS 8 review. These issuers were specifically selected as their segmental reports did not align with our expectations. As such it is not surprising that all four issuers will be correcting their future AFS for the IFRIC IFRS 8 decision.

We wish to highlight that the four cases included in table 3 are in addition to the eleven cases included in the 'IFRS 8 line' of table 4. The issuers in table 4 were all subject to a normal detailed review, but their most significant findings related to IFRS 8.

#### 6.2.4 Summary of overall findings

Looking at the combined result of detailed and limited scope reviews, we closed 48 cases in the 2025 cycle (see table 1). We made findings in all but 9 instances (see table 4) meaning there were findings in 39 instances (2024-38). Of those the number of cases impacting measurement was at 14.6% (2024-26.6%) for equity issuers and 14.3% (2024-14.3%) for debt issuers. The data continues to reveal that disclosure matters remain the main area of non-compliance.

## Annexure 1 – Understanding the review process

### 1. What does the JSE do and why?

#### Why the review process

Our 2020 report explains that the JSE undertakes the review process because it was requested to do so by The Financial Services Conduct Authority in 2010. The integrity of financial information is a critical element of a well-functioning market. The objective of the review process is therefore to contribute towards the production of quality financial reporting of entities listed on the JSE.

We have based our model largely on the guidelines that the European Securities and Market Authority sets out for the member states of the European Union.

#### Selection process

The JSE applies a random and risk-based approach to its selections. For issuers falling within the pool selected on a random basis, the JSE's considers the risk to investors in terms of market concentration. Therefore, as part of the random selection process, we will select issuers (equity and debt) that have a larger market capitalisation and/or who are active in both the equity and interest rate markets more frequently.

The selection period will be either a 3, 5, 8 or 10-year window, depending upon the size of the issuer. In order to ensure there is an element of unpredictability, issuers are selected 'once within a set window' as opposed to every x number of years. By way of example, an issuer within the top 40 index will be selected at least once in the period 2021 to 2023 and then again once somewhere in the period 2024 to 2026.

#### Types of reviews

The JSE performs two different types of reviews.

*Detailed reviews* consider an issuers' AFS and interims ("financial reports") holistically. They are essentially a vertical review of an entire financial report for a specific issuer. Detailed reviews focus on identified risk areas and potentially material IFRS non-compliance matters, with no limitation placed on the scope of the review.

In contrast *Limited scope or thematic reviews* apply a horizontal lens to the financial reports to focus on a specific area (or theme) across several issuers. These reviews execute an in-depth review of specific focus areas and therefore limit the subject matters considered in those reviews.

Page 2 the 2022 thematic report (which is available on our [website](#)) provides more detail and a comparison between the two types of reviews for those interested in a fuller understanding.

## What do we look at?

Accounting topics examined and risk areas considered are likely to change from year to year. We identify these changes annually, aiming to ensure that the review process remains both attuned to local market developments and aligned to similar international processes.

We aim to be pragmatic in our approach and look to unravel matters that could be price sensitive. As a result, it is necessary to ask questions of issuers to understand certain accounting matters and to ascertain the materiality thereof either on past, current or future accounting periods. Matters are often easily resolved by the issuer submitting a satisfactory IFRS substantiated response.

## Does a clean review in one year mean that the next years' review would also be clean?

It is possible that a subsequent review of the same issuer may lead to different questions being asked. This could be the case even where matters are treated on an identical basis by the issuer from one year to the next. The reason for this is twofold.

Firstly, for *detailed reviews*, the:

- JSE reconsiders the overall process on an annual basis;
- risk areas change from year to year; and
- materiality of matters within the context of specific set of AFS or business environment may differ.

Secondly, a different lens is applied for *thematic reviews*. This process generally involves a 'deeper dive' into a specific topic than is the case with a detailed review. Furthermore, we apply a lower materiality threshold to limited scope reviews. A key objective of the limited scope review is, where possible, to publish detailed findings in order to guide issuers in identifying common pitfalls and so doing increase the quality of future reporting by issuers.

## **2. What is the role of FRIP?**

As a reminder, in terms paragraph 8.65 of the Listings Requirements, the Financial Reporting Investigation Panel ("FRIP") is an advisory body to the Issuer Regulation Department of the JSE ("IRD"). Its role is solely to act as an advisor to the IRD in relation to compliance by issuers with IFRS.

When the IRD has a matter that it considers necessary for the FRIP to consider, the correspondence is with the FRIP chair. For each case the FRIP chair forms a review committee consisting of 4 or 5 members (including the chair) to consider the matter, ensuring that none of those members have a conflict of interest with the issuer. While the names of FRIP members are published, membership of each review committee remain confidential, even from the IRD. All interactions with the review committee are done through the FRIP chair to ensure that such confidentiality is maintained.

For clarity, it is not the role of the FRIP to provide IFRS advice to issuers or to provide detailed feedback on the IFRS arguments put forward by the issuer to the JSE. The report issued by the review committee will express an opinion, and the IFRS reasons for that opinion, but will not necessarily provide a detailed rebuttal of each IFRS argument presented to the committee.

The review committee considers all the IFRS arguments put forward by an issuer. It is for this reason that the report issued by a review committee to the IRD identifies each of the documents that were considered by it in reaching its conclusion. Each document and each IFRS argument set out in the correspondence receives careful consideration.

The FRIP's conclusions are based on the:

- information that is published in the financial statements under consideration;
- review committee's understanding of the facts and circumstances as explained in the correspondence.

For clarity, it is not the role of the review committee to provide evidence in support of a conclusion. Rather its role is to consider the evidence presented to it and reach a conclusion on whether IFRS has been appropriately applied, given its understanding of the evidence presented. The onus is upon the issuer, who is provided with ample opportunity before a matter is referred to the FRIP, to provide explanations and evidence as to how they have complied with IFRS.

The review committee understands that judgment is required to be exercised in the preparation of financial statements. It therefore considers the information presented to it in the correspondence to determine whether it agrees that the conclusions reached are reasonable in the circumstances. Ultimately judgement and internal policies cannot override the requirements of IFRS.

It also implies that the information presented in the financial statements should meet the IFRS requirements without consideration of the additional information presented to the committee in the correspondence. That is because the users of the financial statements do not have access to additional information. The correspondence should assist the committee to understand how the issuer has exercised judgement in applying IFRS, but the extent of the judgments must be clear in the financial statements. Furthermore, in respect of the adequacy of disclosures, the assessment must be based on what is available to users of the financial statements.

## Annexure 2 – Activities of the FRIP

The FRIP is an advisory body, providing the JSE with advice on cases (referred to the FRIP by the JSE) of possible non-compliance with financial reporting requirements.

The JSE concluded one new matter that was referred to the FRIP during the period.

### Case 1

This JSE's referral to the FRIP related to the application of the definition of control with respect to entities that are owned by trusts established for the benefit of group employees to determine whether they should be consolidated in the Group financial statements.

A review committee of the FRIP ("the FRIP committee") considered the application of IFRS 10, *Consolidated Financial Statements*, definition of 'control of an investee' as contained in Appendix A of IFRS 10 and the application guidance relating to Assessing Control as contained in Appendix B of IFRS 10.

The FRIP referral related to a listed parent company ("the issuer" or "the Group"), which has an operating subsidiary company ("Operating Subsidiary") with a preference share investment in a company ("BEE Company"). The BEE Company was set up for the specific purpose of facilitating the participation of persons from historically disadvantaged groups in the business activities of the group to empower the Group and to provide an incentive to employees. The majority of the BEE Company shares are owned by a trust set up to facilitate the participation of Group employees from a historically disadvantaged group ("BEE Trust"). The issuer did not consolidate the BEE Company in its group financial statements as its view was that the BEE Company was controlled by the BEE Trust.

The Operating Company acquired preference shares in the BEE Company in exchange for 26% of the Operating Company's shares.

### *Control discussion*

To have control, an investor must have existing rights that give it the ability to direct the relevant activities, where 'relevant activities' are defined as 'activities of the investee that significantly affect the investee's returns' (Appendix A IFRS 10). Paragraph B5 of IFRS 10 clarifies that *"When assessing control of an investee, an investor shall consider the purpose and design of the investee in order to determine the relevant activities, how decisions about the relevant activities are made, who has the current ability to direct activities and who receives returns from those activities."*

Paragraph B57 of IFRS 10 makes it clear that when considering whether an investor is exposed to variable returns, returns will include returns that the investor will enjoy that are not available to other interest holders. The Group benefits from the empowerment credentials of the Operating Subsidiary. The trust deed of the BEE Trust defines its beneficiaries as "any black person who is also an employee of the company". As the Group will benefit from the

empowerment credentials and potentially more motivated employees, they will derive benefits that are not available to other interest holders.

In considering the variability of returns from the investee, the FRIP committee noted that the only income that the BEE Company was able to generate was the dividends it received on its 26% shareholding in the Operating Subsidiary. Restrictions in various agreements include prohibiting the BEE Company from acquiring assets, incurring liabilities or entering into any suretyship, guarantee or indemnity without written approval of the Operating Subsidiary as well as how the dividend income of the BEE Company must be applied (firstly limited administrative costs, then preference dividends to the Operating Subsidiary and only thereafter to its shareholders i.e. the BEE Trust). The BEE Company may not sell its shareholding in the Operating Subsidiary until the preference shares have been repaid and the Group has approved the buyer, which approval could be withheld to block the sale.

The FRIP committee concluded that the requirement in the control definition to have exposure, or rights to variable returns from the investee is satisfied as the Group can benefit from the empowerment credentials and motivated employees which can affect the profitability of the Group. The FRIP committee also noted that the Group could prevent the BEE Trust from realizing the value of its investment in the BEE company by blocking any proposed sale to a third party, even after the preference debt has been paid.

The FRIP committee concluded that the Group had power over the BEE Company as a result of the restrictions on activities included in various agreements. As the earnings potential of the BEE Company is directly influenced by the ability of the Operating Subsidiary to pay dividends to the BEE Company, and the Group has the ability to prevent the BEE Company from realizing any capital appreciation on the sale of its shareholding in the Operating Subsidiary, the requirement to demonstrate a linkage between power and returns as required in the definition of control is satisfied.

The FRIP committee considered the arguments raised by the issuer in support of its view that the BEE Company was controlled by the BEE Trust and therefore should not be consolidated in the Group financial statements. The FRIP committee disagreed on the basis that the activities of the BEE Trust are predetermined as set out in the BEE Trust Deed and are limited to holding shares in the BEE Company, which cannot be sold without the approval of the Group. Trust beneficiaries are limited to employees of the Group who meet the definition of a 'historically disadvantaged person' and all income of the Trust are required to be distributed to beneficiaries of the Trust in a prescribed manner, which includes in proportion to their Group remuneration. The FRIP committee concluded that the trustees of the BEE Trust have limited powers and that the Trust is essentially a conduit between the BEE Company and the beneficiaries and is not in control of the BEE Company.

The FRIP committee therefore unanimously concluded that the Group has control of the BEE Company and that it should be consolidated in the Group financial statements.

### *Discussion on recognition of Expected Credit Losses (ECL) on preference shares*

While noting that the preference share investment would be eliminated from the Group financial statements if the BEE Company were consolidated, the FRIP committee nevertheless considered whether an ECL should have been recognised on the preference share investment held by the Operating Subsidiary.

The preference shares are recognised using the amortised cost model, with the carrying value being increased by capitalized preference dividends and reduced by preference dividends received.

The FRIP committee was provided with a table that demonstrated that preference dividends paid out were consistently less than the preference dividends capitalized on the preference share asset and specifically, that none had been paid out in the preceding two financial years. While agreeing that there was an increase in credit risk on the preference shares due to the non-payment of dividends, the Group had not recognised an ECL as it was of the view that realization of the shares in the Operating Subsidiary, which were held as security for the preference share investments, would ensure that the full amount would eventually be recovered.

The FRIP committee noted the requirement that the Operating Subsidiary is required to pay a dividend equal to 25% of its after tax profits to the BEE Company, which within 90 days is required to be used to finance dividend payments on the preference shares. As preference dividends had not been paid in the last two years, that suggests that the Operating Subsidiary had not declared dividends, which in terms of the agreement, implies that they were not generating a profit.

While not being able to quantify the amount of the loss, the FRIP committee unanimously concluded that the increase in the carrying amount of the preference share investment asset not only increased the exposure but also suggested that the underlying investment was not performing well which implies that it is appropriate to recognise an ECL.

## Annexure 3 – List of documents for the audit committee’s consideration

Annually we consolidate our previous annual reports on the review process into one report entitled ‘Combined findings of the JSE Proactive Monitoring of financial statements’ (“the Combined Findings Report”). The latest report was issued on 16 October 2025.

For ease of reference, this annexure contains information that all audit committees must consider in fulfilling their responsibilities referred to on page 4 of this 2025 report.

1. This, the 2025 report;
2. The Limited scope review on IFRS 17 *Insurance Contracts* (issued on 7 November 2025) if relevant to their business activities;
3. Given our other common findings, the following sections from the [Combined Findings Report](#) issued in October 2025;
  - a. Financial Instrument: Disclosures (pages 71-79);
  - b. Impairments of Assets (pages 53-56);
  - c. Fair Value Measurement (pages 86-89); and
  - d. Revenue from Contracts with Customers (pages 89-95)

Audit committees should also consider the entire content of the [Combined Findings Report](#) if the issuer:

- is newly listed; or
- had events or transactions that were not present when they considered our previous reports.

The above documents can be accessed via the hyper-link reflected in green or downloaded from the JSE website,  
<https://www.jse.co.za/current-companies/issuer-regulation/accounting-matters>.