

**Proposed Guide
August 2015**

Comments due: 30 October 2015



Guide for Registered Auditors

**Reporting Responsibilities of the Reporting Accountant
Relating to Property Entities in terms of the JSE
Listings Requirements**

WARNING TO READERS:

The content of this proposed Guide should under no circumstances be used or relied upon until it is issued as a pronouncement by the IRBA

REQUEST FOR COMMENTS

The Committee for Auditing Standards (CFAS) of the Independent Regulatory Board for Auditors (IRBA) approved this proposed Guide for Registered Auditors: *Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements* (the proposed Guide) in August 2015 for exposure for a period of 30 days for comment. The proposed Guide may be modified in light of comments received, before being issued in final form.

This proposed Guide has been prepared by a CFAS Task Group comprising representatives of the JSE, technical staff from the IRBA, and auditors with experience in the preparation of property entity reporting accountant reports.

The IRBA's legislative mandate

The objects of the Auditing Profession Act, 2005 (Act No 26 of 2005) (the Act) are set out in section 2 and include, inter alia:

- (c) *“to approve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic; and*
- (d) *to set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession;”*

To give effect to the objects of the Act, section 4 of the Act sets out the general functions of the Regulatory Board (the IRBA), including that *“the Regulatory Board must, in addition to its other functions provided for in this Act”* take steps to meet certain specific requirements. These include section 4(1) which specifies that the IRBA must:

- (c) *“prescribe standards of professional competence, ethics and conduct of registered auditors;” and*
- (e) *“prescribe auditing standards”.*

To enable the IRBA to meet these requirements, section 4(2)(a) states that *“the IRBA may participate in the activities of international bodies whose main purpose it is to develop and set auditing standards and to promote the auditing profession;”.*

Statutory responsibility of the CFAS

The statutory responsibility of the CFAS is set out in section 22(2) which requires that *“the CFAS must assist the IRBA to:*

- (a) *develop, maintain, adopt, issue or prescribe auditing pronouncements;*
- (b) *consider relevant international changes by monitoring developments by other auditing standard-setting bodies and sharing information where requested; and*
- (c) *promote and ensure the relevance of auditing pronouncements.*

REQUEST FOR COMMENTS

The proposed Guide may be downloaded free-of-charge from the [IRBA Website](#).

Comments should be submitted by **30 October 2015**.

Respondents are requested to submit their comments electronically in a Word and .pdf format to the Director: Standards, Imran Vanker to standards@irba.co.za. All comments will be considered a matter of public record and will be posted on the [IRBA Website](#).

Should you have any queries, or experience any technical difficulties in downloading the documents, please e-mail the Standards Department at: standards@irba.co.za or contact:

Imran Vanker Tel: +27 (0)87 940 8838 Fax: +27 (0)86 575 6535 E-mail: IVanker@irba.co.za	Nicolette Bester Tel: +27 (0)87 940 8862 Fax: +27 (0)86 575 6535 E-mail: nbester@irba.co.za
--	--

Copyright © 2015 by the Independent Regulatory Board for Auditors (IRBA). All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: "Copyright © by the Independent Regulatory Board for Auditors. All rights reserved. Used with permission of the IRBA."

Contents	Page
<hr/>	
Explanatory Memorandum	
Introduction	5
Reporting accountant's reports in terms of the JSE Listings Requirements	5
Designing and performing procedures	6
Report on other legal and regulatory requirements	6
Reporting accountant's report on the adjustment column reflected in a property entity's pro forma statement of financial position	7
Project timetable	9
Effective date	9
Guide for respondents	9
Request for specific comments	10
Exposure Draft	
Proposed Guide for Registered Auditors:	11
<i>Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements</i>	

EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background to and an explanation on this proposed Guide for Registered Auditors: *Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements* (the proposed Guide).

This proposed Guide:

- Replaces the previous *South African Institute of Chartered Accountants (SAICA) Circular 9/2005: The Reporting Accountant's Reporting Responsibilities in terms of Section 13 of the Listings Requirements of the JSE Limited Relating to Property Companies* (issued August 2005) (the SAICA Circular) which is to be withdrawn by the SAICA and addresses and updates matters in terms of paragraph 13.15 of the JSE Listings Requirements previously dealt with in the SAICA Circular; and
- Provides guidance on the reporting accountant's reporting responsibilities in terms of paragraph 13.16(e) of the JSE Listings Requirements relating to the provision by the reporting accountant of a review conclusion on the assets and / or liabilities acquired by the applicant issuer in terms of the transaction as reflected in the adjustment column of the pro forma statement of financial position contained in a circular¹ and the related illustrative reporting accountant's report.

The Committee for Auditing Standards (CFAS) approved this proposed Guide in August 2015 for exposure for a period of 30 days.

Reporting accountant's reports in terms of the JSE Listings Requirements

The proposed Guide provides guidance to JSE accredited reporting accountants of JSE listed entities that report on property related transactions, in meeting the JSE Limited Listings Requirements (the Listings Requirements) on the applicable assurance engagements and related reporting accountant's reports for an:

- Engagement in terms of paragraph 13.15 of the Listings Requirements on an entity's forecast statement of profit or loss and other comprehensive income² and the vacancy and lease expiry profile of the property portfolio as a whole (forecast information) and / or;
- Engagement in terms of paragraph 13.16(e) of the Listings Requirements to issue a review conclusion on the assets and / or liabilities acquired by the applicant issuer, as reflected in the adjustment column of the pro forma statement of financial position.

¹ Circular / Pre-listing Statement Prospectus / Listings particulars prepared in terms of the JSE Listings Requirements

² The LR refer to the statement of profit or loss and other comprehensive income as "the statement of comprehensive income" as permitted by IAS 1, paragraph 10

Designing and performing procedures

The nature, timing and extent of procedures performed by the reporting accountant in an assurance engagement are determined by his / her professional judgement.

Reporting accountant's report on an entity's forecast information

Appendix 1 to the proposed Guide contains illustrative assurance engagement risks and a reporting accountant's possible responses to these assurance engagement risks for consideration when the reporting accountant is engaged to report on forecast information in terms of paragraph 13.15 of the Listings Requirements. The risks that have been identified in the appendix are typically present in an engagement to report on forecast information in terms of paragraph 13.15 of the Listings Requirements and the reporting accountant is required to exercise professional judgement in the circumstances of the engagement to adapt the illustrative risks and responses to the identified assessed risks as necessary.

Reporting accountant's report on the adjustment column of the pro forma statement of financial position

The proposed Guide does not contain an appendix of illustrative assurance engagement risks and a reporting accountant's possible responses to assurance engagement risks for consideration when the reporting accountant is engaged to report on the adjustment column of the pro forma statement of financial position in terms of paragraph 13.16(e) of the Listings Requirements. It is believed that ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)) provides sufficient guidance in this regard.

Report on other legal and regulatory requirements

The Listings Requirements³ include additional specific procedures relating to rental revenue that the reporting accountant must perform and report on when engaged to report on forecast information in terms of paragraph 13.15 of the Listings Requirements.

These additional specific procedures are required by the JSE Limited to be performed over-and-above the reporting accountant's responsibility under ISAE 3400 to report on the identified property forecast information and are addressed in a separate section in the reporting accountant's report that is subtitled "Report on Other Legal and Regulatory Requirements" illustrated in Appendix 2, Illustration 1.

ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), states that the ISAs and ISREs have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. The ISAs and ISREs may, however,

³ Changes are proposed to the Listings Requirements, paragraph 13.15(b) to ensure alignment with this proposed guide. Those proposed changes will be issued for public comment early October 2015 and are attached as a separate document to this proposed IRBA Guide. Paragraph 13.15(b) of the Listings Requirements will not be attached to the final IRBA Guide

provide guidance in relation to the engagement process generally for practitioners undertaking an assurance engagement in accordance with ISAE 3000 (Revised)⁴. As a result, the requirement for the reporting accountant to report on the additional specific procedures relating to rental revenue in a separate section in the reporting accountant's report that is subtitled "Report on Other Legal and Regulatory Requirements" has been drawn from the International Standard on Auditing (ISA) 700, *Forming an Opinion and Reporting on Financial Statements* (ISA 700)⁵.

Reporting accountant's report on the adjustment column reflected in a property entity's pro forma statement of financial position

Engagement to report on the assets and / or liabilities acquired by the applicant issuer reflected in the adjustment column of an entity's pro forma statement of financial position

A pro forma statement of financial position is required to be prepared in accordance with paragraph 13.16 of the Listings Requirements. Paragraph 13.16(a) of the Listings Requirements requires that the adjustments reflected in the adjustment column must be extracted from the underlying results of the subject matter read in conjunction with the acquisition agreement. These figures must then be adjusted to their fair values in terms of International Financial Reporting Standards (IFRS). If the transaction involves the acquisition of assets and / or liabilities, the reporting accountant is required to issue a separate assurance report thereon in terms of paragraph 13.16(e) of the Listings Requirements which is covered by the proposed Guide.

However, if the transaction involves the acquisition of a company or a business, then paragraph 13.16(a) of the Listings Requirements also requires the source of those adjustments reflected in the adjustment column to be audited⁶. The proposed Guide does not deal with such situations.

In order to differentiate between the acquisition of assets and / or liabilities and the acquisition of a company or a business in a pro forma consolidated statement of financial position, appendix 3 illustrates these two different scenarios.

The proposed Guide also does not deal with situations when the reporting accountant reports on the pro forma statement of financial position as a whole, as required by paragraph 13.16(f) of the Listings Requirements. This engagement is performed in terms of ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*.

⁴ ISAE 3000 (Revised), paragraph A22

⁵ Drawn from ISA 700, paragraphs 38-39 and A34-A36

⁶ Listings Requirements, paragraph 13.16(a)

Historical financial information

ISRE 2400 (Revised) deals with: (a) The practitioner's responsibilities when engaged to perform a review of historical financial statements, when the practitioner is not the auditor of the entity's financial statements; and (b) The form and content of the practitioner's report on the financial statements⁷. Furthermore, this ISRE is to be applied, adapted as necessary, to reviews of other historical financial information⁸.

The information reflected in the "adjustment column of the pro forma statement of financial position" represents the assets and / or liabilities that will be acquired by the listed property entity from a third party and the reporting accountant is required to, in terms of paragraph 13.16(e) of the LR, issue a review conclusion regarding the assets and / or liabilities being acquired, as reflected in the adjustment column of the pro forma statement of financial position. The review conclusion is required to indicate that the reporting accountant has no reason to believe the assets and liabilities are not prepared, in all material respects in accordance with the accounting policies adopted by the issuer and the recognition and measurement criteria of IFRS which will be set out in the note to the pro forma statement of financial position.

The International Auditing and Assurance Standards Board (IAASB) Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, Glossary of Terms provides a definition of "historical financial information" as follows:

"Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past".

Based on the above, the CFAS has concluded that the information pertaining to the assets and / or liabilities being acquired represents historical financial information:

- The assets and / or liabilities being acquired are presented in financial terms i.e. Rand amounts.
- The assets and / or liabilities being acquired relate to a specific entity and are derived primarily from the accounting records of that entity.
- The assets and / or liabilities exist and are measured based on information available at the date of the pre-listing statement / prospectus / listings particulars / circular. The information relates to economic events that have occurred in the past even though the measurement of the assets and / or liabilities may be based on forecast assumptions e.g. growth rates, discount rates etc.

Accordingly the appropriate assurance standard to be applied in such an engagement is ISRE 2400 (Revised).

⁷ ISRE 2400 (Revised), paragraph 1

⁸ ISRE 2400 (Revised), paragraph 3

Throughout the proposed Guide reference is made to the engagement in terms of paragraph 13.16 of the Listings Requirements being performed in accordance with ISRE 2400 (Revised). An explanation of what ISRE 2400 (Revised) deals with is provided above. The purpose of ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (ISRE 2410) is to establish standards and provide guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report⁹. However, it is to be applied, adapted as necessary in the circumstances, when an entity's auditor undertakes an engagement to review historical financial information other than interim financial information of an audit client¹⁰.

As a result, in circumstances where the reporting accountant is the auditor of the entity whose assets and liabilities are being acquired, ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, rather than ISRE 2400 (Revised) would apply.

Project timetable

Subject to comments received on exposure of this proposed Guide, the CFAS intends to finalise the Guide in the fourth quarter of 2015.

The JSE Limited is running a concurrent public consultation process for the proposed revisions to the JSE Limited Listings Requirements.

Effective date

Depending on comments received, it is anticipated that the final Guide may be approved by the CFAS in November 2015 and issued in December 2015 with such approval and issue being noted at the subsequent meeting of the IRBA Board.

If so, a possible effective date for implementation of the Guide may be applicable to reporting accountant's reports issued on or after 1 January 2016.

The CFAS is interested in whether an effective date of 1 January 2016 would permit sufficient time for implementation of the guidance contained herein, by auditors performing such engagements.

Guide for respondents

The CFAS welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with the proposals in this exposure draft

⁹ ISRE 2410, paragraph 1

¹⁰ ISRE 2410, paragraph 3a

it will be helpful for the CFAS to be made aware of this view.

Request for specific comments

Comments on any aspects of the proposed Guide are welcome. Respondents are requested, in particular, to comment on the following:

1. Whether, in your view, sufficient guidance is provided for a JSE accredited reporting accountant to discharge his / her responsibilities in performing these engagements and reporting in terms of the JSE Listings Requirements.

If not, please provide details of additional guidance you believe is necessary.

2. Whether you agree with the view of the CFAS that ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements* (or ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as applicable) is the appropriate assurance standard to be applied in an engagement in terms of section 13.16(e) of the Listings Requirements.

If not, please advise which assurance standard you believe is more appropriate and provide your reasons therefor.

3. Whether, in your view, sufficient and appropriate guidance has been provided in Appendix 1 to this guide on illustrative assurance engagement risks and a reporting accountant's possible responses to these assurance engagement risks for consideration when the reporting accountant is engaged to report on forecast information in terms of paragraph 13.15 of the Listings Requirements.

If not, please provide details of additional or amended guidance (illustrative assurance engagement risks and / or possible illustrative responses to the assurance engagement risks) you believe is necessary.

4. Whether you agree with the form and content of the report on other legal and regulatory requirements included in the Section 13.5 reporting accountant's report?

If not, please explain your reasons for disagreement and provide any alternative reporting options.

TABLE OF CONTENTS

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

(Effective for reporting accountant reports issued on or after 1 xxx 2016)

Contents	Page
Introduction.....	13
Scope of the Guide.....	13
Users of the reporting accountants reports	15
Effective date.....	15
Definitions.....	15
Applied criteria.....	17
Subject matter: Adjustments included in the pro forma statement of financial position – historical financial information	17
Designing and performing procedures	18
Forecast information	18
Adjustments to the pro forma statement of financial position	19
Written representations.....	19
The reporting accountant’s report	20
Content of the reporting accountant’s report	20
Modified reporting accountant’s reports.....	20
Report on other legal and regulatory requirements when reporting on the forecast information.....	20
Date of the reporting accountant’s report	21
Appendix 1.....	22
Illustrative assurance engagement risks and illustrative responses to the assurance engagement risks pertaining to a property entity’s forecast information in terms of paragraph 13.15 of the LR	22
Appendix 2.....	50
Illustrative reporting accountant’s reports.....	50
Illustration 1: Independent reporting accountant’s report on property forecast information.....	50
Illustration 2: Independent reporting accountant’s review report on the adjustment column in the pro forma statement of financial position.....	55
Appendix 3.....	57
Illustration of an acquisition by a property entity.....	57

TABLE OF CONTENTS

This proposed Guide for Registered Auditors: *Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements* provides guidance to a JSE accredited reporting accountant in implementing the requirements in the relevant International Standards to meet the additional regulatory reporting requirements in the JSE Listings Requirements relating to JSE listed entities that carry out certain property related transactions.

Guides are developed and issued by the IRBA to provide guidance to auditors in meeting specific legislative requirements imposed by a Regulator. Guides do not impose requirements on auditors beyond those included in the International or South African Standard/s or South African regulatory requirements and do not change an auditor's responsibility to comply, in all material respects, with the requirements of the International or South African Standards or with South African regulatory requirements relevant to the audit, review, other assurance services or related services engagement.

An auditor is required to have an understanding of the entire text of every Guide to enable the auditor to assess whether or not any particular Guide is relevant to an engagement, and if so, to enable the auditor to apply the requirements of the particular International or South African Standard/s to which the Guide relates, properly.

In terms of section 1 of the Auditing Profession Act, No 26 of 2005 (the Act), a Guide is included in the definition of "auditing pronouncements" and in terms of the Act, the auditor must, in the performance of an audit, comply with those standards, practice statements, guidelines and circulars developed, adopted, issued or prescribed by the Regulatory Board.

Introduction

Scope of the Guide

1. The purpose of this Guide is to provide guidance to a JSE accredited reporting accountant¹¹ (a reporting accountant) in the implementation of:
 - International Standard on Assurance Engagements (ISAE) 3400 *The Examination of Prospective Financial Information* (ISAE 3400)¹² when engaged to report on an entity's forecast statement of profit or loss and other comprehensive income¹³ and the vacancy and lease expiry profile of the property portfolio as a whole (forecast information) which information is prepared in terms of paragraphs 13.12 – 13.14 and 13.18(d) and (e) of the JSE Limited Listings Requirements (LR) and reported on in terms of paragraph 13.15 of the LR; and / or
 - International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to Review Historical Financial Statements*^{14 15} when engaged to report on the assets and / or liabilities acquired by the applicant issuer in terms of the transaction reflected in the adjustment column of an entity's pro forma statement of financial position which information is prepared in terms of paragraph 13.16 of the LR and reported on in terms of paragraph 13.16(e) of the LR.
2. This Guide does not override ISAE 3400 or ISRE 2400 (Revised), nor does it purport to deal with all considerations that may be relevant in the circumstances of such engagements. The reporting accountant is required to comply with ISAE 3400 and / or ISRE 2400 (Revised) in the performance of the assurance engagement and the preparation of the related reporting accountant's reports on an entity's forecast information and / or adjustments as reflected in the adjustments column of the pro forma statement of financial position respectively.

¹¹ LR, Section 22 sets out the requirements for registered auditors and their audit firms to be accredited by the JSE. Only a JSE accredited reporting accountant may be appointed as the reporting accountant of an applicant issuer listed on the JSE Limited

¹² ISAE 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), paragraph 5: ISAE 3000 (Revised) covers assurance engagements other than audits or reviews of historical financial information. ISAE 3000 (Revised) applies in addition to ISAE 3400 (subject-matter specific ISAE)

¹³ The LR refer to the statement of profit or loss and other comprehensive income as "the statement of comprehensive income" as permitted by IAS 1, paragraph 10

¹⁴ ISRE 2400 (Revised), paragraph 3: This ISRE is to be applied, adapted as necessary, to reviews of other historical financial information

¹⁵ In circumstances where the reporting accountant is the auditor of the entity whose assets and liabilities are being acquired, ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, would apply and would equally apply whenever ISRE 2400 (Revised) is referred to throughout this Guide

3. The LR govern the preparation and publication of forecast information and the adjustments as reflected in the adjustment column of the pro forma statements of financial position by property entities regulated by the JSE. The LR also specify what assurance is required to be provided and prescribes certain additional specific procedures to be performed by the entity's reporting accountant on the forecast information¹⁶. Refer to LR, paragraph 13.15(b) for the list of these additional specific procedures relating to rental revenue that the reporting accountant must perform and report on when engaged to report on forecast information in terms of paragraph 13.15 of the LR.
4. This Guide provides guidance on how to report on the additional specific procedures referred to in paragraph 3 above.
5. If the transaction involves the acquisition of assets and / or liabilities, the reporting accountant is required to issue a separate assurance report on the adjustment column in terms of paragraph 13.16(e) of the LR as set out in paragraph 1 above. However, if the transaction involves the acquisition of a company or a business, then paragraph 13.16(a) of the LR also requires the source of those adjustments reflected in the adjustment column in the pro forma statement of financial position to be audited and this Guide does not deal with such situations. In order to differentiate between the acquisition of assets and / or liabilities and the acquisition of a company or a business in a pro forma consolidated statement of financial position, appendix 3 illustrates these two different scenarios. This Guide also does not deal with situations when the reporting accountant reports on the pro forma statement of financial position as a whole, as required by paragraph 13.16(f) of the LR. This engagement is performed in terms of ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*.
6. This Guide provides an appendix containing illustrative assurance engagement risks and a reporting accountant's possible responses to these assurance engagement risks for consideration when the reporting accountant is engaged to report on forecast information in terms of paragraph 13.15 of the LR.
7. This Guide provides illustrative reporting accountant's reports for circumstances when a reporting accountant is reporting on an entity's forecast information and / or adjustments as reflected in the adjustment column of the pro forma statement of financial position in terms of Section 13 of the LR.
8. The Appendices to this Guide contain the following:
 - Appendix 1: Illustrative assurance engagement risks and illustrative responses to the assurance engagement risks pertaining to an entity's forecast information in terms of paragraph 13.15 of the LR;

¹⁶ LR, paragraphs 13.15(b) and 13.16(e)

- Appendix 2: Illustrative reporting accountant's reports; and
- Appendix 3: Illustration of an acquisition by a property entity.

Users of the reporting accountants reports

9. The users of the reporting accountant's reports on an entity's forecast information and adjustments as reflected in the adjustment column of the pro forma statement of financial position includes the following:
- The JSE who would ordinarily use the financial information and the reporting accountant's reports to evaluate whether the entity has:
 - Complied with paragraphs 13.12 to 13.16 and 13.18(d) and (e) of the LR as it relates to the forecast information;
 - Complied with paragraphs 13.16 of the LR as it relates to the pro forma financial information (adjustments as reflected in the adjustments column of the pro forma statement of financial position);
 - For a new applicant, met the listings criteria in terms of paragraphs 4.28(a) and 4.28(c) or 13.3(a) (for listing on the Main Board) or 21.3(b) and 13.13(t) (for listing on AltX) of the LR; and
 - For an applicant issuer that is a property entity met the listing criteria in order to receive a REIT status from the JSE in terms of paragraphs 13.46(b), (d) and (e) of the LR.
 - The directors of the entity who would ordinarily use the reporting accountant's reports to ensure that the entity has complied with Section 13 of the LR.
 - Investors who would ordinarily use the reporting accountant's reports to make informed investment decisions.
 - Financial institutions who would ordinarily use the reporting accountant's reports to make informed lending decisions.

Effective date

10. This Guide is effective for a reporting accountant's report on an entity's forecast information and / or adjustments as reflected in the adjustment column of the pro forma statement of financial position issued on or after 1 xxx 2016.

Definitions

11. For purposes of this Guide, the following terms have the meanings attributed below:

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE
REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS
REQUIREMENTS

- a) Applicant or applicant issuer – an issuer, or an issuer of specialist securities, or a new applicant¹⁷.
- b) Circular – any document issued to holders of listed securities by an issuer of securities, including notices of meetings, but excluding annual financial statements, interim reports, provisional reports, proxy forms and dividend or interest notices¹⁸.
- c) Company – A company as defined in the Companies Act, South Africa¹⁹.
- d) Criteria – The benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement²⁰.
- e) Forecast information – forecast statement of profit or loss and other comprehensive income and the vacancy and lease expiry profile of the property portfolio as a whole.
- f) IFRS – International Financial Reporting Standards.
- g) Issuer – any company, excluding an issuer of specialist securities, any class of whose securities has been admitted to the List²¹.
- h) LR – The JSE Limited Listings Requirements, as amended from time to time by the JSE Limited.
- i) New applicant – an applicant, no class of whose securities is already listed²².
- j) Property – includes immovable freehold or leasehold property²³.
- k) Property entity – an applicant entity that falls within the ambit of Section 13 of the LR.
- l) Real Estate Investment Trust (REIT) – An applicant issuer which receives REIT status in terms of the LR²⁴.
- m) Reporting accountant – an audit firm, registered with the IRBA and accredited as an audit firm and a reporting accountant on the JSE list of Auditors and their advisers and the individual accredited partner, responsible for preparing the work and issuing the reporting accountant’s report, as described in paragraph 8.45 of the LR²⁵.

¹⁷ LR, definitions

¹⁸ LR, definitions

¹⁹ Companies Act, No. 71 of 2008

²⁰ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 12(c)

²¹ LR, definitions

²² LR, definitions

²³ LR, paragraph 13.1(s)

²⁴ LR, paragraph 13.1(x)

²⁵ LR, definitions

Applied criteria

12. The LR require financial information contained in a property entity's forecast information to be prepared in accordance with paragraph 13.12 to 13.15²⁶.
13. The LR require financial information contained in a property entity's pro forma statement of financial position, including the adjustment column, to be prepared in accordance with paragraph 13.16²⁷.
14. The reference in the reporting accountant's reports to the applied criteria are as follows:
 - Engagement to report on forecast information – “on the basis of those assumptions in accordance with paragraphs 13.12 to 13.14 of the JSE Limited Listings Requirements”; and / or
 - Engagement to report on the adjustments included in the adjustment column of the pro forma statement of financial position in the instance of the acquisition of assets and / or liabilities – “in accordance with paragraph 13.16(a) to (d) of the JSE Limited Listings Requirements for the adjustment column of the pro forma statement of financial position, as set out in note X to the pro forma statement of financial position”.

Subject matter: Adjustments included in the pro forma statement of financial position – historical financial information

15. The adjustment column of the pro forma statement of financial position must be extracted from the underlying results of the subject matter in terms of paragraph 13.16(a) of the LR. Appendix 3 is included for illustrative purposes to differentiate between the acquisition of assets and / or liabilities and the acquisition of a company or a business in a pro forma consolidated statement of financial position.
16. The information reflected in the “adjustment column of the pro forma statement of financial position” represents the assets and / or liabilities that will be acquired by the property entity from a third party and the reporting accountant is required to, in terms of paragraph 13.16(e) of the LR, issue a review conclusion regarding the assets and / or liabilities being acquired, as reflected in the adjustment column of the pro forma statement of financial position. The review conclusion is required to indicate that the reporting accountant has no reason to believe the assets and liabilities are not prepared, in all material respects in accordance with the accounting policies adopted by the issuer and the recognition and measurement criteria of IFRS which will be set out in the note to the pro forma statement of financial position.

²⁶ LR, paragraph 13.4

²⁷ LR, paragraph 13.4

17. The International Auditing and Assurance Standards Board (IAASB) Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, Glossary of Terms provides a definition of “historical financial information” as follows:

“Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past”.

18. Based on the description provided in paragraph 17 above, the information pertaining to the assets and / or liabilities being acquired represents historical financial information:
- The assets and / or liabilities being acquired are presented in financial terms i.e. Rand amounts.
 - The assets and / or liabilities being acquired relate to a specific entity and are derived primarily from the accounting records of that entity.
 - The assets and / or liabilities exist and are measured based on information available to the date of the pre-listing statement / prospectus / listings particulars / circular. The information relates to economic events that have occurred in the past even though the measurement of the assets and / or liabilities may be based on forecast assumptions e.g. growth rates, discount rates etc.

Designing and performing procedures

19. The nature, timing and extent of procedures performed by the reporting accountant in an assurance engagement are determined by his / her professional judgement based on his / her assessment of assurance engagement risk.
20. In circumstances where the entity holds an off-shore property portfolio(s), the nature, timing and extent of procedures performed by the reporting accountant may be required to be adjusted in order to respond to additional assurance engagement risks relating to, for example, foreign tax and ownership rules as well as the effect of foreign currency exchange. This Guide does not deal with such situations.

Forecast information

21. Procedures related to the forecast information are required to be determined and performed by the reporting accountant to enable the reporting accountant to:
- Conclude that nothing has come to his / her attention that causes him / her to believe that the applicant issuer’s assumptions do not provide a

reasonable basis for the preparation and presentation of the forecast information (limited assurance); and

- Provide an opinion that such forecast information is prepared and presented, in all material respects, on the basis of those assumptions and in accordance with the requirements of the LR for forecast information (reasonable assurance).
22. The reporting accountant is required to exercise professional judgement in the application of ISAE 3400 in determining what procedures may be considered necessary pertaining to the financial information.
23. Appendix 1 contains illustrative assurance engagement risks and a reporting accountant's possible responses to these assurance engagement risks for consideration when the reporting accountant is engaged to report on forecast information in terms of paragraph 13.15 of the LR. The risks that have been identified in the appendix are typically present in an engagement to report on forecast information in terms of paragraph 13.15 of the LR and the reporting accountant is required to exercise professional judgement in the circumstances of the engagement to adapt the illustrative risks and responses to the identified assessed risks as necessary.

Adjustments to the pro forma statement of financial position

24. Procedures relating to the assets and / or liabilities acquired by the applicant issuer in terms of the transaction and reflected in the adjustment column of the pro forma statement of financial position are required to be determined and performed by the reporting accountant to enable the reporting accountant to conclude that nothing has come to his / her attention that causes him / her to believe that the financial information is not prepared, in all material respects, in accordance with the LR for the adjustment column of the pro forma statement of financial position, as set out in a note to the pro forma statement of financial position.
25. The reporting accountant is required to exercise professional judgement in the application of ISRE 2400 (Revised) in determining what procedures may be considered necessary pertaining to the adjustments reflected in the adjustment column of the pro forma statement of financial position.

Written representations

26. The reporting accountant is required to obtain written representation from the directors of the applicant issuer that confirms that they have fulfilled their responsibility for the preparation and presentation of the forecast information and / or the preparation of the adjustments reflected in the adjustment column of the pro forma statement of financial position and for the completeness and accuracy of the information provided to the reporting accountant.

The reporting accountant's report

Content of the reporting accountant's report

27. Paragraph 8.51 of the LR sets out the basic elements included in the reporting accountant's report.

Modified reporting accountant's reports

28. The applicant issuer is advised to approach the JSE through its sponsor to discuss the implications of any potential modified reporting accountant report on its circular prior to the circular's submission to the JSE because it is common practice that the JSE will not accept a circular from an applicant issuer where the reporting accountant has issued a modified report.
29. Once the matter has been resolved with the JSE, the reporting accountant should consider the impact thereof on the engagement (including the impact on the applied criteria) and on the reporting accountant's report.

Report on other legal and regulatory requirements when reporting on the forecast information

30. The LR²⁸ include additional specific procedures relating to rental revenue that the reporting accountant must perform and report on when engaged to report on forecast information in terms of paragraph 13.15 of the LR.
31. These additional specific procedures are required by the JSE Limited to be performed over-and-above the reporting accountant's responsibility under ISAE 3400 to report on the identified property forecast information and are addressed in a separate section in the reporting accountant's report that is subtitled "Report on Other Legal and Regulatory Requirements" illustrated in Appendix 2, Illustration 1.
32. ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), states that the ISAs and ISREs have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. The ISAs and ISREs may, however, provide guidance in relation to the engagement process generally for practitioners undertaking an assurance engagement in accordance with ISAE 3000 (Revised)²⁹. As a result, the requirement for the reporting accountant to report on the additional specific procedures relating to rental revenue in a separate section in the reporting accountant's report that is subtitled "Report

²⁸ LR, paragraph 13.15(b) – Changes are proposed to the Listings Requirements, paragraph 13.15(b) to ensure alignment with this proposed guide. Those proposed changes will be issued for public comment early October 2015 and are attached as a separate document to this proposed IRBA Guide. Paragraph 13.15(b) of the Listings Requirements will not be attached to the final IRBA Guide

²⁹ ISAE 3000 (Revised), paragraph A22

on Other Legal and Regulatory Requirements described in paragraphs 30 and 31 above has been drawn from ISA 700³⁰.

33. In the “Report on Other Legal and Regulatory Requirements” section of the reporting accountant’s report the reporting accountant is required to report, based on the procedures performed, whether he / she has detected any exceptions. If any exceptions are detected, the reporting accountant is required to describe those exceptions detected and determine the effect of these exceptions on his / her opinion and / or conclusion on the forecast information.
34. The applicant issuer is advised to approach the JSE through its sponsor to discuss the implications of any potential exceptions detected and reported in the “Report on Other Legal and Regulatory Requirements” section of the reporting accountant’s report on its circular prior to the circular’s submission to the JSE because it is common practice that the JSE will not accept a circular from an applicant issuer where the reporting accountant has reported any exceptions detected as referred to in paragraph 33 above.
35. Once the matter has been resolved with the JSE the reporting accountant is required to consider the impact thereof on the engagement (including the impact on the applied criteria) and on the reporting accountant’s report.

Date of the reporting accountant’s report

36. The date of the reporting accountant’s report on forecast information and / or adjustments as reflected in the adjustment column of the pro forma statements of financial position should be dated on the same day that the directors authorise the issue of the prospectus, pre-listing statement, circular or announcement for formal submission to the JSE³¹.

³⁰ Drawn from ISA 700, paragraphs 38-39 and A34-A36

³¹ LR, paragraph 8.52

Appendix 1

Illustrative assurance engagement risks and illustrative responses to the assurance engagement risks pertaining to a property entity’s forecast information in terms of paragraph 13.15 of the LR

Note: The illustrative assurance engagement risks and the reporting accountant’s responses to these assurance engagement risk are not exhaustive, and not necessarily the only appropriate risks and responses. The reporting accountant exercises professional judgement in the circumstances of the engagement and adapts them as necessary for each engagement.

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	Forecast statement of profit or loss and other comprehensive income	
	<i>Forecast statement of profit or loss and other comprehensive income</i>	
1.	The forecast statement of profit or loss and other comprehensive income may not be arithmetically accurate.	Obtain the completed forecast statement of profit or loss and other comprehensive income, and test the arithmetical accuracy thereof.
	<i>Preparation of the forecast statement of profit or loss and other comprehensive income</i>	
2.	The forecast statement of profit or loss and other comprehensive income may not be prepared in accordance with paragraph 13.14 of the LR.	Through discussions with management, obtain an understanding of how the forecast statement of profit or loss and other comprehensive income was prepared and: <ul style="list-style-type: none"> • Discuss any matters of principle with the management;

³² These are risks that have been identified as typically present in an engagement to report on forecast information in terms of paragraph 13.15 of the LR

³³ The reporting accountant exercises professional judgement in the circumstances of the engagement and adapts the illustrated responses as necessary

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> • Consider whether it has been prepared in accordance with paragraph 13.14³⁴ of the LR; and • Obtain explanations from management about any matters of non-compliance with the LR and consider the impact thereof on the assurance engagement.
<i>Application of accounting policies</i>		
3.	<p>The accounting policies used in the preparation of the forecast statement of profit or loss and other comprehensive income may not:</p> <ul style="list-style-type: none"> • Be in compliance with extant and / or future IFRS; • Agree to those disclosed; • Be applied appropriately; and / or • Be consistently applied. 	<p>Through discussions with management, obtain an understanding of the accounting policies³⁵ applied and:</p> <ul style="list-style-type: none"> • Discuss any matters of principle with management; • Consider whether they comply with extant and / or future IFRS, as applicable; • Consider whether they agree to the accounting policies disclosed; • Consider whether they have been applied appropriately; • Consider whether they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies; and

³⁴ Paragraph 13.14 of the LR provides requirements for the preparation of the forecast statement of profit or loss and other comprehensive income

³⁵ LR, paragraph 13.14(a)

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	<i>Model review</i>	
4.	The forecast model used may not be appropriate and reliable.	Discuss the forecast model used for rental revenue and expenses with management and consider whether it is appropriate and reliable.
5.	The forecast model used may not be consistently applied and / or may not be mathematically accurate.	Perform a review of the forecast model used for rental revenue, recoveries and expenses to determine the consistency and mathematical accuracy of the model.
	<i>Rental Revenue</i>	
6.	<ul style="list-style-type: none"> The rental revenue amounts disclosed in the forecast statement of profit or loss and other comprehensive income may not agree to the aggregated rental revenue amounts contained in the underlying forecast rental revenue schedule(s); The forecast rental revenue schedule(s) may not be arithmetically accurate; and / or The disclosure split between contracted, near-contracted and un-contracted rental revenue disclosed in the forecast statement of profit or loss and other comprehensive 	<p>Obtain the forecast rental revenue schedule(s) for the applicant issuer's property portfolio, and:</p> <ul style="list-style-type: none"> Agree the aggregated rental revenue amounts per the schedule(s) to the amounts disclosed in the forecast statement of profit or loss and other comprehensive income; Check the arithmetical accuracy of the schedule(s); and Re-calculate the disclosure spit contained in the forecast statement of profit or loss and other comprehensive

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	income may be inaccurate based on the information contained in the forecast rental revenue schedule(s).	income between contracted, near-contracted and un-contracted rental revenue.
7.	The split between contracted, near-contracted and un-contracted rental revenue amounts disclosed in the forecast statement of profit or loss and other comprehensive income may be inaccurate based on the existence or non-existence of legally binding agreements.	<p>Through discussions with management and an inspection of selected legally binding agreements, obtain an understanding of any existing legally binding agreements that will expire during the forecast period under review and:</p> <ul style="list-style-type: none"> • Discuss the selected sample of legally binding agreements with management; • Determine that forecast rental revenue in respect of legally binding agreement(s) that expire during the forecast period has been correctly re-classified, with effect from the date of expiry of the legally binding agreement(s), from forecasted contracted rental revenue to either: <ul style="list-style-type: none"> ○ Near-contracted rental revenue in the case of legally binding agreements that have expired and that are reasonably expected to be renewed which expectation takes into consideration the nature of the tenant, the location of the property, historical vacancy levels and relevant economic indicators; or ○ Un-contracted forecast revenue in all other cases;

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> • Determine that in circumstances when a legally binding agreement(s) (in terms of which the forecast rental revenue has been included in contracted forecast rental revenue) is expiring during the forecast period under review and the existing tenant has indicated that it will vacate the premises, the forecast rental revenue has been correctly re-classified, with effect from the date of expiry of the legally binding agreement(s), from forecasted contracted rental revenue to either: <ul style="list-style-type: none"> ○ Near-contracted rental revenue, if a new tenant has been identified on or before the date of issuance of the reporting accountant’s report on the profit forecast and a legally binding agreement is in the process of being drafted (<i>consideration should be given as to whether the near-contracted forecast rental revenue should be adjusted to take into account the potential that the premises may be vacant for a time while it is refurbished and also whether the proposed monthly rental is reasonable in comparison to other recent legally binding agreements for the same property with similar tenants</i>); or

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> ○ Un-contracted forecast rental revenue if there is a reasonable expectation that a replacement tenant will be found within a reasonable amount of time, based on the location or historical vacancy levels of the specific property (<i>consideration should be given as to whether the un-contracted forecast rental revenue should be adjusted to take into account the potential that the premises may be vacant for a time while it is refurbished and also whether the proposed monthly rental is reasonable in comparison to other recent legally binding agreements for the same property with similar tenants</i>); ● Confirm that no forecast revenue has been included in the profit forecast in respect of existing vacant space unless a tenant has been identified and a legally binding agreement is being finalised or a warranty / guarantee has been agreed in respect of such premises; ● Compare the expiry dates of the legally binding agreements per the profit forecast model to the expiry dates per the original legally binding agreements; and

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> • Compared the timing and quantum of movements out of contracted revenue to the movements into near-contracted and un-contracted revenue.
	<i>Contracted Rental Revenue</i>	
	Rental revenue (income producing properties)	
8.	<p>The forecast contracted rental revenue (for income producing properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • Warranties / guarantees for rental revenue in respect of specific premises provided for in the purchase agreement(s) may not have been accounted for appropriately in calculating the contracted rental revenue in the schedule(s); • Details in the forecast contracted rental revenue schedule(s) may not agree to the underlying legally binding agreements; • Arithmetical errors may exist in the calculation of the forecast contracted rental revenue based on the terms stipulated in the underlying legally binding agreements; • The forecast recoveries from contracted rental revenue included in the schedule(s) may be unreasonable 	<p>Obtain the forecast contracted rental revenue schedule(s) for the applicant issuer’s property portfolio, select a sample of income producing properties that represents a combined total coverage of [70³⁶]% of the forecast contracted rental revenue, and:</p> <ul style="list-style-type: none"> • Examine the purchase agreement(s) to determine whether the seller has provided certain warranties / guarantees in respect of specific premises for rental revenue and confirm that: <ul style="list-style-type: none"> ○ These provisions have been taken into account in calculating the contracted rental revenue; and ○ The rental warranty / guarantee has been allocated to the correct premises, for the correct period(s) at the correct rental amount per month;

³⁶ A combined sample coverage as required by the LR, paragraph 13.15(b)

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<p>compared to historical recoveries of the property (or similar properties in the rental portfolio) and / or market average recoveries; and / or</p> <ul style="list-style-type: none"> • The forecast contracted rental revenue earned from profit warranties provided by the seller may not agree to the relevant purchase agreement. 	<ul style="list-style-type: none"> • Agree the forecast contracted rental revenue to the underlying legally binding agreements; • Recalculate and agree the forecast contracted rental revenue as stipulated in the underlying legally binding agreements; • Compare the forecast recoveries from contracted rental revenue to historical recoveries (or to historical recoveries from similar properties in the rental portfolio) and / or market average recoveries and consider whether the forecasted recoveries are reasonable; • Agree the forecast contracted rental revenue earned from profit warranties provided by the seller to the relevant purchase agreement; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	Rental revenue (development properties)	
9.	The forecast contracted rental revenue (for development properties) per the schedule(s) may be materially misstated, including:	Obtain the forecast contracted rental revenue schedule(s) for the applicant issuer’s property portfolio, select a sample of development properties represents a combined total

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> Arithmetical errors may exist in the calculation of the forecast contracted rental revenue; The forecast contracted rental revenue per the schedule(s) may be unreasonable compared to historical revenues of similar listed property development entities and / or market average rentals; and / or The levels of expected tenancy and the forecast rental escalations may not be reasonable compared to detail per the signed contracts with future tenants. 	<p>coverage of [70³⁷]% of the forecast contracted rental revenue, and:</p> <ul style="list-style-type: none"> Discuss the business plan in connection with the property development with the property developer; Recalculate the forecast contracted rental revenue; Compare the levels of expected tenancy and the forecast rental escalations to rentals for similar properties either in the portfolio or in the industry for reasonableness; Compare the forecast rental revenue to historical revenues of similar listed property development entities and / or market average rentals for reasonableness; and Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	<i>Near-contracted Rental Revenue</i>	
	Rental revenue (income producing properties)	
10.	The forecast near-contracted rental revenue (for income producing properties) per the schedule(s) may be materially misstated, including:	Obtain the forecast near-contracted rental revenue schedule(s) for the applicant issuer's property portfolio,

³⁷ A combined sample coverage as required by the LR, paragraph 13.15(b)

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> • Details in the forecast near-contracted rental revenue schedule(s) may not agree to the original underlying legally binding agreements; • Arithmetical errors may exist in the calculation of the forecast near-contracted rental revenue based on the terms stipulated in the underlying original legally binding agreements; and / or • The forecast recoveries from near-contracted rental revenue included in the schedule(s) may be unreasonable compared to historical recoveries of the property (or similar properties in the rental portfolio) and / or market average recoveries. 	<p>select an appropriate representative sample³⁸ of income producing properties, and:</p> <ul style="list-style-type: none"> • Agree the forecast near-contracted rental revenue to the original underlying legally binding agreements that are reasonably expected to be renewed; • Consider the nature of the tenant, the location of the property, historical vacancy levels of the specific property under review and relevant economic indicators in determining the reasonableness of the assumption of a renewal; • Recalculate and agree the forecast near-contracted rental revenue as stipulated in the underlying legal agreements that are reasonably expected to be renewed (<i>forecast near-contracted rental revenue subsequent to the expiry of a legally binding agreement may need to be adjusted downwards as legally binding agreements escalate annually and often the rentals are higher than market averages at the end of the legally binding agreement and</i>

³⁸ LR, paragraph 13.15(b): The JSE may direct the reporting accountant to conduct an inspection of the original legally binding agreements for a certain percentage of the near-contracted rental revenue and confirm that the revenue to be derived therefrom is accurately reflected as near-contracted rental revenue from the date of expiry of the original legally binding agreement and that the near-contracted rental revenue is included at a market related rate. The JSE may make such a request when the issuer has non-rental revenue and the near-contracted rental revenue portion is a large part of rental revenue

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<p><i>are negotiated downwards for purposes of the new legally binding agreement);</i></p> <ul style="list-style-type: none"> • Compare the forecast recoveries from near-contracted rental revenue to historical recoveries (or to historical recoveries from similar properties in the rental portfolio) and / or market average recoveries and consider whether the forecasted recoveries are reasonable; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	Rental revenue (development properties)	
11.	<p>The forecast near-contracted rental revenue (for development properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • Arithmetical errors may exist in the calculation of the forecast near-contracted rental revenue; and / or • The forecast near-contracted rental revenue per the schedule(s) may be unreasonable compared to historical 	<p>Obtain the forecast near-contracted rental revenue schedule(s) for the applicant issuer’s property portfolio, select an appropriate representative sample³⁹ of development properties, and:</p> <ul style="list-style-type: none"> • Discuss the business plan in connection with the property development with the property developer; • Recalculate the forecast near-contracted rental revenue;

³⁹ LR, paragraph 13.15(b): The JSE may direct the reporting accountant to conduct an inspection of the original legally binding agreements for a certain percentage of the near-contracted rental revenue and confirm that the revenue to be derived therefrom is accurately reflected as near-contracted rental revenue from the date of expiry of the original legally binding agreement and that the near-contracted rental revenue is included at a market related rate. The JSE may make such a request when the issuer has non-rental revenue and the near-contracted rental revenue portion is a large part of rental revenue

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<p>revenues of similar listed property development entities and / or market average rentals.</p>	<ul style="list-style-type: none"> • Compare the levels of expected tenancy and the forecast rental escalations to market averages for reasonableness; • If available, discuss the letters of consent from potential tenants with the property developer; • If available, review the letters of consent from potential tenants for reasonableness; • Compare the forecast rental revenue to historical revenues of similar listed property development entities and / or market average rentals for reasonableness; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	<i>Un-contracted Rental Revenue</i>	
	Rental revenue (income producing properties)	
12.	<p>The forecast un-contracted rental revenue (for income producing properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • Arithmetical errors may exist in the calculation of the forecast un-contracted rental revenue; 	<p>Obtain the forecast un-contracted rental revenue schedule(s) for the applicant issuer's property portfolio, select an appropriate representative sample of income producing properties and:</p> <ul style="list-style-type: none"> • Recalculate the forecast un-contracted rental revenue;

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> • The assumed renewals of expiring legally binding agreements, with particular reference to the rental in terms of the expired legally binding agreements, may not be reasonable compared to market related rentals; • Revenue forecast on prospective tenants, where a new legally binding agreement is in the process of being signed, may not be reasonable; • The levels of expected tenancy and the forecast rental escalations may not be reasonable compared to market averages (or similar completed properties in the rental portfolio); and / or • Insufficient lead time may be built into the schedule(s) to allow for the property to be refitted to the tenants' satisfaction before recognising the rental revenue. 	<ul style="list-style-type: none"> • Review the reasonableness of assumed renewals of expiring legally binding agreements, with particular reference to the rental in terms of the expired legally binding agreement compared to market related rentals; • If relevant, confirmation with a prospective tenant that a new legally binding agreement is in the process of being signed (<i>this could be the case for currently vacant space or legally binding agreements that are expiring in the short term. An assumption needs to be made re legally binding agreements expiring more than a few months into the forecast period</i>); • Compare the levels of expected tenancy and the forecast rental escalations to the vacancy levels of other similar property entities for reasonableness; • Discuss with management and confirm that there is sufficient lead time built into the forecast un-contracted rental revenue schedule(s) to allow for the property to be refitted to the tenants' satisfaction before recognising the rental revenue in the forecast; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	Rental revenue (development properties)	
13.	<p>The forecast un-contracted rental revenue (for development properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • Arithmetical errors may exist in the calculation of the forecast un-contracted rental revenue; • The forecast un-contracted rental revenue per the schedule(s) may be unreasonable compared to historical revenues of similar listed property development entities and / or market average rentals; and / or • The levels of expected tenancy and the forecast rental escalations may not be reasonable compared to detail per the signed contracts with future tenants. 	<p>Obtain the forecast un-contracted rental revenue schedule(s) for the applicant issuer’s property portfolio, select an appropriate representative sample of development properties, and:</p> <ul style="list-style-type: none"> • Discuss the business plan in connection with the property development with the property developer; • Recalculate the forecast un-contracted rental revenue; • Compare the levels of expected tenancy and the forecast rental escalations to market averages (or similar completed properties in the rental portfolio) for reasonableness; • If available, discuss the letters of consent from potential tenants with the property developer; • If available, review the letters of consent from potential tenants for reasonableness; • Compare the forecast rental revenue to historical revenues of similar listed property development entities for reasonableness; and

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
14.	<p>The forecast statement of profit or loss and other comprehensive income may not adequately disclose:</p> <ul style="list-style-type: none"> The assumptions made on renewals and new legally binding agreements relating to un-contracted rental revenue; and / or The un-contracted rental revenue included in the forecast statement of profit or loss and other comprehensive income. 	<p>Review the forecast statement of profit or loss and other comprehensive income⁴⁰ to determine that adequate disclosures have been disclosed regarding:</p> <ul style="list-style-type: none"> The assumptions made on renewals and new legally binding agreements relating to un-contracted rental revenue⁴¹; and The percentage of un-contracted rental revenue included in the forecast statement of profit or loss and other comprehensive income⁴².
	<i>Recoveries (included in rental revenue)</i>	

⁴⁰ May be disclosed in the notes to or the basis of preparation of the statement of profit or loss and other comprehensive income

⁴¹ LR, paragraph 13.14(d)

⁴² LR, paragraph 13.14(e)

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
15.	<p>The forecast contracted recoveries in respect of municipal costs and operating and advertising / marketing costs, applicable, (recoveries) (for income producing properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • Warranties / guarantees in respect of recoveries for specific premises provided for in the purchase agreement(s) may not have been accounted for appropriately in calculating the contracted recoveries in the schedule(s); • The amounts in the forecast contracted recoveries schedule(s) may be in excess of the related expenditure item; • Details (including amounts) in the forecast contracted recoveries schedule(s) may not agree to the terms of the underlying legally binding agreements (<i>in particular, the terms of recoveries of common area square meterage from tenants should be considered</i>); • Arithmetical errors may exist in the calculation of the forecast contracted recoveries based on the terms stipulated in the underlying legally binding agreements; and / or 	<p>Obtain the forecast contracted recoveries schedule(s) for the applicant issuer's property portfolio, select a sample of properties that represents a combined total coverage of [70⁴³] % of the forecast contracted rental revenue, and:</p> <ul style="list-style-type: none"> • Examine the purchase agreement(s) to determine whether the seller has provided certain warranties / guarantees for recoveries, and if so, to which expenditure items the warranties / guarantees for recoveries relate to and confirm that: <ul style="list-style-type: none"> ○ These provisions per the purchase agreement(s) have been taken into account in calculating the contracted recoveries; and ○ The recoveries warranty / guarantee has been allocated to the correct premises, for the correct period(s) at the correct recoverable amount per month and in respect of the correct expenditure items; • Agree the forecast contracted recoveries for each specific expenditure item to the related forecast specific expenditure items and confirm that the forecast recoveries, in respect of each specific expenditure item,

⁴³ A combined sample coverage as required by the LR, paragraph 13.15(b)

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> The forecast contracted recoveries included in the schedule(s) may be in excess of 10% or more when compared to historical recoveries for the specific property (or similar properties in the rental portfolio) and / or market average forecast recoveries. 	<p>does not exceed the forecast expenditure for that specific item;</p> <ul style="list-style-type: none"> Agree the forecast contracted recoveries for each specific expenditure item to the terms relating to the recovery from the tenant of the related expenditure item per the underlying legally binding agreements; Recalculate the forecast contracted recoveries for each specific expenditure item in accordance with the terms stipulated in the underlying legally binding agreements and agree the amount to the underlying forecast contracted recoveries for each specific expenditure item included in the schedule(s); Compare the forecast contracted recoveries for each specific expenditure item to historical recoveries in respect of each specific expenditure item (or to historical recoveries for each specific expenditure items from similar properties in the rental portfolio) and / or market average recoveries for each expenditure item and consider whether the forecasted contracted recoveries for each expenditure item are in excess of 10% or more. <i>(Where historical recoveries for all or some expenditure items are 10% or more lower than the forecasted contracted recoveries for those expenditure items, the applicant issuer's legal right to make</i>

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<p><i>recoveries in respect of each specific expenditure item should be considered and the practicalities and costs of implementing a legal recovery process should be considered.); and</i></p> <ul style="list-style-type: none"> • Obtain explanations from management about any such variances and consider the impact thereof on the assurance engagement.
16.	<p>The forecast near-contracted recoveries (for income producing properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • The amounts in the forecast near-contracted recoveries schedule(s) may be in excess of the related expenditure item; • Details (including amounts) in the forecast near-contracted recoveries schedule(s) may not agree to the terms of underlying legally binding agreements (<i>in particular, the terms of recoveries of common area square meterage from tenants should be considered</i>); 	<p>Obtain the forecast near-contracted recoveries schedule(s) for the applicant issuer’s property portfolio, select an appropriate representative sample⁴⁴ of properties, and:</p> <ul style="list-style-type: none"> • Agree the forecast near-contracted recoveries for each specific expenditure item to the related forecast specific expenditure items and confirm that the forecast near-contracted recoveries, in respect of each specific expenditure item, does not exceed the forecast expenditure for that specific item;

⁴⁴ LR, paragraph 13.15(b): The JSE may direct the reporting accountant to conduct an inspection of the original legally binding agreements for a certain percentage of the near-contracted rental revenue and confirm that the revenue to be derived therefrom is accurately reflected as near-contracted rental revenue from the date of expiry of the original legally binding agreement and that the near-contracted rental revenue is included at a market related rate. The JSE may make such a request when the issuer has non-rental revenue and the near-contracted rental revenue portion is a large part of rental revenue

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> • Arithmetical errors may exist in the calculation of the forecast near-contracted recoveries based on the terms stipulated in the underlying legally binding agreements; and / or • The forecast near-contracted recoveries included in the schedule(s) may be in excess of 10% or more when compared to historical recoveries for the specific property (or similar properties in the rental portfolio) and / or market average forecast recoveries. 	<ul style="list-style-type: none"> • Agree the forecast near-contracted recoveries for each specific expenditure item to the terms relating to the recovery from the tenant of the related expenditure item per the underlying legally binding agreements that are reasonably expected to be renewed (<i>a reasonable expectation of renewal is linked to the nature of the tenant – Category A and B tenants can reasonably be expected to renew unless they have expressly indicated otherwise. The same cannot be assumed for Category C tenants</i>); • Recalculate the forecast near-contracted recoveries for each specific expenditure item in accordance with the terms stipulated in the underlying legally binding agreements that are reasonably expected to be renewed and agree the amount to the underlying forecast near-contracted recoveries for each specific expenditure item included in the schedule(s); • Compare the forecast near-contracted recoveries for each specific expenditure item to historical recoveries in respect of each specific expenditure item (or to historical recoveries for each specific expenditure items from similar properties in the rental portfolio) and / or market average recoveries for each expenditure item and consider whether the forecasted near-contracted

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<p>recoveries for each expenditure item are in excess of 10% or more. (<i>Where historical recoveries for all or some expenditure items are 10% or more lower than the forecasted near-contracted recoveries for those expenditure items, the applicant issuer's legal right to make recoveries in respect of each specific expenditure item should be considered and the practicalities and costs of implementing a legal recovery process should be considered.</i>); and</p> <ul style="list-style-type: none"> • Obtain explanations from management about any such variances and consider the impact thereof on the assurance engagement.
17.	<p>The forecast un-contracted recoveries (for income producing properties) per the schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> • The forecast un-contracted recoveries included in the schedule(s) for specific expenditure items in respect of certain premises whose legally binding agreement either will not be renewed or which cannot reasonably be assumed to be renewed (particularly in respect of Category C tenants), may not be reasonable compared to historical recoveries and / or market related terms of recoveries for specific expenditure items; and / or 	<p>Obtain the forecast un-contracted recoveries schedule(s) for the applicant issuer's property portfolio, select an appropriate representative sample of properties, and:</p> <ul style="list-style-type: none"> • Compare the forecast un-contracted recoveries for specific expenditure items in respect of premises whose legally binding agreement either will not be renewed or which cannot reasonably be assumed to be renewed (particularly in respect of Category C tenants), to the historical recoveries and / or market related terms of recoveries in respect of such premises for such specific expenditure items and, where the forecast un-contracted

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> The forecast un-contracted recoveries in respect of existing vacant space may be over-stated. 	<p>recoveries are equal to or in excess of those historically achieved and / or equal to or in excess of market related terms of recovery, compare such forecast un-contracted recoveries to the terms of recoveries for specific expenditure items included in the recently renewed legal-binding agreements for similar premises;</p> <ul style="list-style-type: none"> Confirm that no recoveries in respect of existing vacant space have been included in un-contracted recoveries unless a tenant has been identified and a legally binding agreement is in the process of being finalised or a warranty/guarantee, that includes recoveries, has been agreed; and Obtain explanations from management about any such variances and consider the impact thereof on the assurance engagement.
<i>Forecast statement of profit or loss and other comprehensive income rental revenue disclosure</i>		
18.	The disclosure split contained in the forecast statement of profit or loss and other comprehensive income between rental and other non-rental related income may be inaccurate.	<ul style="list-style-type: none"> Agree the disclosure split contained in the forecast statement of profit or loss and other comprehensive income between rental and other non-rental related income to the underlying schedule(s) or other supporting calculations for interest received and other group amounts; and

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	<i>Rental expenses</i>	
19.	<p>The forecast rental expenses schedule(s) may be materially misstated, including:</p> <ul style="list-style-type: none"> The rental expense amounts disclosed in the forecast statement of profit or loss and other comprehensive income may not agree to the aggregated rental expense amounts contained in the underlying forecast rental revenue schedule(s); The forecast rental expenses schedule(s) may not be arithmetically accurate; and / or Forecast expenditure in respect of municipal costs, in particular electricity, water and rates, may be understated. 	<p>Obtain the forecast rental expenses schedule(s) for the applicant issuer's property portfolio, and:</p> <ul style="list-style-type: none"> Agree the aggregated rental expense amounts per the schedule(s) to the amounts disclosed in the forecast statement of profit or loss and other comprehensive income; Compare the forecast expenses to historical expenses, where relevant, and consider whether the forecasted expenses are reasonable; Discuss with management and review the explanations for variances of 15% or more between the historic and forecast material expenditure line items and assess them for reasonableness; Compare the forecast expenses to prior period expenses and consider whether the differences are in line with the auditor's understanding of the operations of the entity;

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> • For expenses that are based on specific contractual agreements and / or related other service level agreements (agreements), inspect a sample of the agreements and ensure that the rates or percentages applied in calculating the forecast expenses are in line with those disclosed in the agreements; • Compare the forecast expenses as a percentage of the forecast rental income to the historical expenses as a percentage of the historical rental income; • Consider announced price escalations from third party supplies such as Eskom and the relevant municipalities and confirm that announced escalations in excess of inflation have been factored into the profit forecast; • Check the arithmetical accuracy of the schedule(s); and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
20.	<p>The forecast statement of profit or loss and other comprehensive income may not adequately disclose:</p> <ul style="list-style-type: none"> • Each material expenditure item; and / or • Full details and an explanation (or contain a negative statement) for any changes of 15% or more between 	<p>Review the forecast statement of profit or loss and other comprehensive income to determine that adequate disclosures have been made regarding:</p>

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	historical and forecast expenditure for each material expenditure item.	<ul style="list-style-type: none"> • Each material expenditure item⁴⁵; and • Full details and an explanation (or contain a negative statement) for any changes of 15% or more between historical and forecast expenditure for each material expenditure item⁴⁶.
21.	The property management fee and / or other portfolio expenses may be materially misstated, including the calculation of management fees and other portfolio expenses.	Discuss with management and recalculate any property management fees and other portfolio expenses and assess them for reasonableness. Consider the impact of any variances on the assurance engagement.
	<i>Valuation adjustments</i>	
22.	<p>The valuation reports and the valuation adjustment schedule may be materially misstated, including:</p> <ul style="list-style-type: none"> • The valuation reports and the valuation adjustment schedule may not be arithmetically accurate; and / or • The valuation adjustments contained in the forecast statement of profit or loss and other comprehensive income may not agree to the valuation reports. 	<p>Obtain the valuation reports and any valuation adjustments schedule, and:</p> <ul style="list-style-type: none"> • Through discussions with management, obtain an understanding of the assumptions used in the valuation report and: <ul style="list-style-type: none"> ○ Based on evidence obtained while performing procedures on contracted , near-contracted and non-contracted rental revenue evaluate if the

⁴⁵ LR, paragraph 13.14(f)

⁴⁶ LR, paragraph 13.14(g)

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<p>assumptions used in the valuation report are consistent with those used;</p> <ul style="list-style-type: none"> ○ Based on evidence obtained while performing procedures on rental expenses, evaluate if the assumptions used in the valuation report are consistent with those used; and ○ The inputs and variables (e.g. capitalisation rate and vacancy rates) into the model that have a significant impact on the outcome of the valuation and assess the reasonableness of these variables / input factors; <ul style="list-style-type: none"> ● Check the arithmetical accuracy of the schedule; ● Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement; and ● Agree the valuation adjustments contained in the forecast statement of profit or loss and other comprehensive income to the valuation reports.
	<i>Finance costs</i>	
23.	The forecast finance costs may be materially misstated, including:	Obtain the forecast finance cost schedule and any underlying finance agreements, and:

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	<ul style="list-style-type: none"> • The finance costs contained in the forecast statement of profit or loss and other comprehensive income may not agree to the finance cost schedule; and / or • The forecast finance cost schedule may not be arithmetically accurate. 	<ul style="list-style-type: none"> • Through discussions with management, obtain an understanding of the calculation of finance costs used in the forecast statement of profit or loss and other comprehensive income; • Agree the finance costs contained in the forecast statement of profit or loss and other comprehensive income to the finance cost schedule; • Compare the interest rates used to calculate the finance costs per the schedule and the split of the facilities between the variable and fixed components to the interest rates and the terms contained in the finance agreements; • Check the arithmetical accuracy of the schedule; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.
	<i>Other non-rental related income and expenses</i>	
24.	Other non-rental related income and expenses may be materially misstated, including the calculation of other non-rental related revenue and expenses or changes in equity.	Obtain the forecast statement of profit or loss and other comprehensive income and by exercising professional judgement in the application of ISAE 3400, develop and perform procedures considered necessary pertaining to other non-rental related revenue and expenses or changes in equity.

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
	Vacancy profile and lease expiry profile	
25.	The applicant issuer's circular / pre-listing statement may not include a vacancy profile and lease expiry profile on its property portfolio as a whole.	Through discussions with management, obtain an understanding of whether the applicant issuer's pre-listing statement ⁴⁷ includes the following additional information on its property portfolio as a whole: <ul style="list-style-type: none"> • A vacancy profile, by sector by rentable area; and • A lease expiry profile, based on existing legally binding agreements, by revenue and by rentable area per sector⁴⁸.
26.	The vacancy profile and lease expiry profile may be materially misstated, including: <ul style="list-style-type: none"> • The vacancy profile and forecast model may be derived from incorrect sources; • The profiles may not agree to the vacancy profile and lease expiry profile in the forecast model; and / or • The vacancy profile per the forecast model may be unreasonable compared to the historical vacancy levels (or to historical vacancy levels from similar properties in the rental portfolio) and / or market average vacancy levels. 	Obtain the vacancy profile and lease expiry profile contained in the applicant issuer's pre-listing statement and: <ul style="list-style-type: none"> • Review the individual property worksheets to determine whether the vacancy profile and the lease expiry profile included in the forecast model were derived from the correct sources; • Compare the profiles to the vacancy profile and lease expiry profile in the forecast model to determine whether they are in agreement;

⁴⁷ Pre-listing statement / prospectus / listing particulars / circular

⁴⁸ LR, paragraph 13.18(d) and (e)

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

No	Illustrative assurance engagement risk ³²	Illustrative responses to assurance engagement risk ³³
		<ul style="list-style-type: none"> • Compare the vacancy profile per the forecast model to the historical vacancy levels (or to historical vacancy levels from similar properties in the rental portfolio) and / or market average vacancy levels for reasonableness; • Compare the vacancy profile per the forecast model to the results of the procedures performed above on contracted rental revenue – inspection of signed legally binding agreements – and evaluate whether a plausible relationship exists; and • Obtain explanations from management about any variances and consider the impact thereof on the assurance engagement.

Appendix 2

Illustrative reporting accountant's reports

Illustration 1: Independent reporting accountant's report on property forecast information

Circumstances include the following:

- Reporting accountant's report in terms of Section 13.15 of the JSE Limited Listings Requirements
- The entity is a listed property entity
- The entity is a company
- Assurance engagement
- The auditor has concluded an unmodified (i.e., "clean") conclusion that nothing has come to his / her attention that causes him / her to believe that ABC Limited's assumptions do not provide a reasonable basis for the preparation and presentation of the forecast information is appropriate (limited assurance)
- The auditor has concluded an unmodified (i.e., "clean") opinion that the forecast information is properly prepared and presented, in all material respects, on the basis of those assumptions and in accordance with the requirements of the JSE Limited Listings Requirements for forecast information is appropriate (reasonable assurance)
- Report on Other Legal and Regulatory Requirements

Independent reporting accountant's report on the property forecast information of ABC Limited

To the directors of ABC Limited⁴⁹

Report on the identified property forecast information

We have undertaken an assurance engagement of the accompanying property forecast and the related assumptions of ABC Limited for the year ended 31 December 20x1 and 31 December 20x2 set out on pages ... to ... and ... to ..., comprising the forecast statement of profit or loss and other comprehensive income and the vacancy and lease expiry profile of the property portfolio as a whole (the forecast information) as required by paragraph 13.15 of the JSE Limited Listings Requirements.

⁴⁹ Listings requirements, paragraph 8.51 – a reporting accountant's report should be addressed to the directors of the applicant, in the case of an application for listing of new securities, or the listed company, in the case of an acquisition or disposal

Directors' responsibility for the forecast information

The directors are responsible for making and disclosing assumptions that provide a reasonable basis for the preparation and presentation of the forecast information and for the preparation and presentation of the forecast information on the basis of those assumptions in accordance with paragraphs 13.12 to 13.14 of the JSE Limited Listings Requirements (the JSE Limited Listings Requirements for forecast information). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the forecast information, including the assumption that it is free from material misstatement, whether due to fraud or error.

Inherent Limitations

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Consequently readers are cautioned that this forecast may not be appropriate for purposes other than described in the purpose of the report paragraph below.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B).

The firm applies International Standard on Quality Control ¹⁵⁰ and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance engagement on the assumptions

Reporting accountant's responsibility

Our responsibility is to express a limited assurance conclusion on whether the assumptions provide a reasonable basis for the preparation and presentation of the forecast information in accordance with the JSE Limited Listings Requirements for forecast information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, *The Examination of Prospective Financial Information* (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the

⁵⁰ ISQC1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

assumptions provide a reasonable basis for the preparation and presentation of the forecast information in accordance with the JSE Limited Listings Requirements for forecast information.

A limited assurance engagement undertaken in accordance with ISAE 3400 involves assessing the suitability, in the circumstances, of ABC Limited's use of the JSE Limited Listings Requirements for forecast information as a basis for the assumptions applied by ABC Limited in the preparation and presentation of the forecast information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the reasonableness of best-estimate assumptions and agreeing or reconciling with underlying records.

Our procedures included evaluating the directors' best-estimate assumptions on which the forecast information is based for reasonableness.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion on whether the assumptions provide a reasonable basis for the preparation and presentation of the forecast information.

Limited assurance conclusion on the assumptions

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that ABC Limited's assumptions do not provide a reasonable basis for the preparation and presentation of the forecast information for the year ended 31 December 20x1 and 31 December 20x2.

Reasonable assurance engagement on the forecast information

Reporting accountant's responsibility

Our responsibility is to express an opinion on whether the forecast information is properly prepared and presented, in all material respects, on the basis of the assumptions and in accordance with the JSE Limited Listings Requirements for forecast information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, *The Examination of Prospective Financial Information* (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement

to obtain reasonable assurance about whether such forecast information is prepared and presented, in all material respects, on the basis of those assumptions and in accordance with the JSE Limited Listings Requirements for forecast information.

A reasonable assurance engagement in accordance with ISAE 3400 involves performing procedures to obtain evidence that the forecast information is properly prepared and presented, in all material respects, on the basis of the assumptions and in accordance with the JSE Limited Listings Requirements for forecast information. The nature, timing and extent of procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, of the forecast information. In making those risk assessments, we considered internal control relevant to ABC Limited's preparation and presentation of the forecast information.

Our procedures included:

- Inspecting that the forecast information is properly prepared on the basis of the assumptions;
- Inspecting that the forecast information is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best estimate assumptions; and
- Inspecting that the forecast statement of profit or loss and other comprehensive income is prepared on a consistent basis with the historical financial statements, using appropriate accounting policies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the forecast information

In our opinion, the forecast information is properly prepared and presented, in all material respects, on the basis of the assumptions and in accordance with the JSE Limited Listings Requirements for forecast information for the year ended 31 December 20x1 and 31 December 20x2.

Purpose of the report

This report has been prepared for the purpose of satisfying the requirements of Section 13.15 of the JSE Limited Listings Requirements and for no other purpose.

Report on other legal and regulatory requirements

[No exceptions detected:

In accordance with our responsibilities set out in the JSE Limited Listings Requirements, section 13.15(b), we have performed the procedures set out therein. If, based on the procedures performed, we detect any exceptions, we are required to report those exceptions. We have nothing to report in this regard.]

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE
REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS
REQUIREMENTS

OR

[Exceptions detected:

In accordance with our responsibilities set out in the JSE Limited Listings Requirements, section 13.15(b), we have performed the procedures set out therein. If, based on the procedures performed, we detect any exceptions, we are required to report those exceptions. We have detected the following exceptions:

- xxx
- xxx.]

Reporting Accountant's signature

Name of individual reporting accountant

Capacity: e.g. Director or Partner

Registered Auditor

Date of reporting accountant's report

Reporting accountant's address

Illustration 2: Independent reporting accountant's review report on the adjustment column in the pro forma statement of financial position

Circumstances include the following:

- Reporting accountant's report in terms of Section 13.16(e) of the JSE Listings Requirements
- The reporting accountant's audit firm is not the appointed auditor of the entity whose assets and liabilities are being acquired
- The entity is a listed property entity
- The entity is a company
- Limited assurance engagement
- The auditor has concluded an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained

Independent reporting accountant's review report on the adjustment column in the property pro forma statement of financial position of ABC Limited

To the directors of ABC Limited

We have reviewed the assets and liabilities to be acquired by ABC Limited (the company), as reflected in the adjustment column of the pro forma statement of financial position (the financial information) as at 30 June 20X1 included in Annexure X to the circular to be issued on or about 31 December 20X1 (the prospectus) set out on pages ... to ... and ... to ..., as required by paragraph 13.16(e) of the JSE Limited Listings Requirements.

Directors' responsibility for the financial information

The directors are responsible for the preparation and presentation of the financial information in accordance with paragraph 13.16(a) to (d) of the JSE Limited Listings Requirements (the JSE Limited Listings Requirements for the adjustment column of the pro forma statement of financial position), as set out in note X to the pro forma statement of financial position, and for such internal control as the directors determine is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's responsibility

Our responsibility is to express a conclusion on the financial information. We conducted our review in accordance with the International Standard on Review Engagements

(ISRE) 2400 (Revised)⁵¹, *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial information, taken as a whole, is not prepared in all material respects in accordance with the JSE Limited Listings Requirements for the adjustment column of the pro forma statement of financial position. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The Reporting Accountant performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information is not prepared, in all material respects, in accordance with the JSE Limited Listings Requirements for the adjustment column of the pro forma statement of financial position, as set out in note X to the pro forma statement of financial position.

Purpose of report

This report has been prepared for the purpose of satisfying the requirement of Section 13.16(e) of the JSE Limited Listings Requirements, and for no other purpose.

Reporting Accountant's signature

Name of individual reporting accountant

Capacity: e.g. Director or Partner

Registered Auditor

Date of the reporting accountant's report

Reporting accountant's address

⁵¹ This illustrative report assumes that ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*, is relevant since it assumes that the reporting accountant is not the auditor of the entity whose assets and liabilities are being acquired. In circumstances where the reporting accountant is the auditor of the entity whose assets and liabilities are being acquired, ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, would apply.

Appendix 3

Illustration of an acquisition by a property entity

Note: This example is included for illustrative purposes to differentiate between the acquisition of assets and / or liabilities (under which a reporting accountant would be required to issue a report in terms of paragraph 13.16(e) of the LR) and the acquisition of a company or a business (which would be audited in terms of paragraph 13.16(a) of the LR) in a pro forma consolidated statement of financial position.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Introduction

This appendix presents the *pro forma* consolidated statement of financial position of ABC Limited at 30 June 20X1. It provides investors with information about the impact that the acquisition of DSC Limited and Property XY (the transactions) might have had on the historical financial information of ABC Limited (the Company) had the transactions been effected at 30 June 20X1.

The *pro forma* consolidated statement of financial position:

- Is the responsibility of the directors of the Company;
- Has been prepared for illustrative purposes only and may, because of its nature, not fairly present the Company's financial position subsequent to the transactions.

Basis of preparation

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

The *pro forma* consolidated statement of financial position presented in this appendix has been based on the audited financial statements for the year ended 30 June 20X1 of the Company, and is presented in a manner consistent with the format and accounting policies adopted by the Company.

The adjustments to the financial information set out below illustrate the effect of the transactions on the statement of financial position as if the transactions had been effected on 30 June 20X1.

	Audited Year Ended	DSC Limited	Property XY	Sub-total	Acquisition costs	Transaction costs	After transaction
	30-Jun						30-Jun
	20x1						20x1
	Note 1	Note 2	Note 3		Note 4		
ASSETS							
Non-current assets	2,243,986	76,893	129,505	2,450,384	101,055	-	2,551,439
Investment property	2,202,525	76,893	129,505	2,408,923	50,293	-	2,459,216
Goodwill	-	-	-	-	50,762	-	50,762
Property, plant and equipment	31,925	-	-	31,925	-	-	31,925
Other non-current assets	5,781	-	-	5,781	-	-	5,781
Deferred tax	3,755	-	-	3,755	-	-	3,755
Current assets	89,501	2,516	-	92,017	-	(2,374)	89,643
Trade and other receivables	23,824	937	-	24,761	-	-	24,761
Income tax receivable	1,228	499	-	1,727	-	-	1,727
Cash and cash equivalents	64,449	1,080	-	65,529	-	(2,374)	63,155
Total assets	2,333,487	79,409	129,505	2,542,401	101,055	(2,374)	2,641,082
EQUITY AND LIABILITIES							
Equity	1,592,316	34,124	107,805	1,734,245	84,939	(2,374)	1,816,810
Stated capital	945,436	32,716	107,805	1,085,957	86,347	-	1,172,304

PROPOSED GUIDE FOR REGISTERED AUDITORS: REPORTING RESPONSIBILITIES OF THE REPORTING ACCOUNTANT RELATING TO PROPERTY ENTITIES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

	Audited Year Ended	DSC Limited	Property XY	Sub-total	Acquisition costs	Transaction costs	After transaction
	30-Jun						30-Jun
	20x1						20x1
	Note 1	Note 2	Note 3		Note 4		
Retained earnings / (Accumulated loss)	646,880	1,408	-	648,288	(1,408)	(2,374)	644,506
Shareholders' interest	1,592,316	34,124	107,805	1,734,245	84,939	(2,374)	1,816,810
Other liabilities							
Other non-current liabilities	360,066	39,957	21,130	421,153	-	-	421,153
Other financial liabilities	360,066	27,234	21,130	408,430	-	-	408,430
Deferred tax	-	12,723	-	12,723	-	-	12,723
Current liabilities	381,105	5,328	570	387,003	16,116	-	403,119
Current portion of other financial liabilities	337,277	2,465	-	339,742	16,116	-	355,858
Trade and other payables	43,828	2,863	570	47,261	-	-	47,261
Total liabilities	741,171	45,285	21,700	808,156	16,116	-	824,272
Total equity and liabilities	2,333,487	79,409	129,505	2,542,401	101,055	(2,374)	2,641,082
Shares in issue	160,210	7,615	3,926	21,112			208,567
Net asset value per share (cents)	993.89						983.17

Notes: *[This is merely a selection of notes for illustrative purposes and is not a comprehensive list of all notes that would be included. For example it does not discuss the accounting policy and significant judgement exercised in determining whether these are assets of business acquisition, the taxation calculation, etc.]*

1. Extracted from the audited consolidated statement of financial position of ABC Limited at 30 June 20x1.
2. Extracted from the audited statement of financial position of DSC Limited as at 28 February 20x1, which was audited by JSE accredited auditor A. *[This financial information must come from the underlying audited financial statements as it relates to the acquisition of a company and is required to be audited in terms of paragraph 13.16(a) of the Listings Requirements.]*
3. This column relates to the acquisition of Property XY which would require the sign off by the reporting accountant in terms of paragraph 13.16(e) of the Listings Requirements.
4. In this example it is assumed that the transactions are business combinations and therefore this column includes business combination and consolidation entries, including fair valuing the assets and raising of goodwill.