

Key Amendments: Section 15 Investment Entities

Par	Text	Rationale
	<i>Note: Paragraph references refer to the current Requirements, unless otherwise stated</i>	
1	Scope of Section	Reduced significantly to deal with core purpose of the Section only. As per definitions, the Scope of Section does not form part of the Listings Requirements.
2	<p>Exemptions to listing criteria for Listing: Main Board</p> <p>Paragraph 15.3</p> <p>The JSE clarified which exemptions from Section 4 applies in relation to listing of investment entities.</p>	The general exemption in paragraph 15.3 referring to the main Board listing criteria in Section 4 creates confusion, as such it has been clarified that the exemption only applies to audited profit history, as read with paragraph 15.4(a).
3	<p>Exemptions to listing criteria: Main Board & AltX</p> <p>Investment entities do not have a specific exemption for the control requirement, other than the general reference to an exemption to the Main Board listing criteria in Section 4, as explained above.</p> <p>The nature of an investment entity recognises that it will not be required to control its assets (50%+1) as it could hold various minority interests through investments. The objects of an investment entity could fit in with the control provisions referring to reasonable spread of assets in the current paragraph 4.28(d)(ii). However, the wording referring to the <i>“right to actively participate in the management of such assets whether through voting through other rights”</i> may fall short of the intention of investment entities where the aim could be to hold true minority interests in various investments (without such rights).</p> <p>It is therefore proposed to align the control requirement for investment entities with paragraph 4.28(d)(ii) being a reasonable spread of direct interests, however without the right to actively participate in the management of such assets whether through</p>	Adding clarity to the entry criteria for investment entities. It must be recognised that an investment (especially a minority stake) may not allow the issuer to actively participate in the management thereof.

	<p>voting through other rights.</p> <p>The control provision will now read as follows:</p> <p><i>"it must have a reasonable spread of direct interests in the majority of its assets and must have done so for a period of at least twelve months"</i></p>	
4	<p>Contents of PLS</p> <p>Paragraph 15.5(f)(v)</p> <p>The paragraph has been removed</p> <p><i>"the market value of the investment or, if the investment is not listed, a valuation by the directors of the investment entity stating the date of such valuation together with the disclosure that would have been provided pursuant to IFRS 13 had this valuation been presented in the IFRS compliant financial statements"</i></p> <p>and replaced with the following:</p> <p><i>"the valuation amount, the valuation methodology/ies, details of the assumptions, a sensitivity analysis, the date of the valuation and the details of the valuer"</i></p>	<p>The wording aims to achieve the same result of the removed text, merely simplified.</p>
5	<p>Contents of PLS</p> <p>Paragraph 15.5(g)</p> <p>The paragraph has been removed:</p> <p>"(g) an analysis of any provision for diminution in value of investments, naming the investments against which provision has been made and stating for each such investment:</p> <ul style="list-style-type: none"> (i) its cost; (ii) its book value; (iii) the provision made; and (iv) the reason for the provision" <p>and replaced with the following to be added in (f):</p> <p><i>"an explanation for any decrease in the fair value measured against the cost of the investment or the amount reflected in the</i></p>	<p>Provision (g) does not speak to principles found in IFRS. The new proposed wording in (f) captures the intention of (g), but limits disclosure to the large investments as opposed to all of them.</p>

	<i>latest results"</i>	
6	<p>Contents of PLS</p> <p>Paragraph 15.5(j)</p> <p>The paragraph has been removed:</p> <p><i>"the net asset value per share and tangible net asset value per share. The guide on pro forma financial information, issued by SAICA, defines net asset value and net tangible asset value. Net asset value and net tangible asset value are based on the values set out in the statement of financial position of the IFRS compliant financial statements"</i></p>	<p>The investor will have the full financial statement to make their investment decisions. The NAV per share and tangible NAV per share are figures unnecessary created by the JSE and not found in IFRS.</p>

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