

**Listing Decisions Series 6-2 - Rule 14.04(8) - Whether the unique nature of Company A's industry should entitle it to a relaxation of the assets test (September 1999)
(Withdrawn in September 2009)**

[This Listing Decision is no longer applicable after the rule amendments in March 2004 to introduce the new assets ratio in Chapter 14 of Main Board Rules. The relevant rule after the rule amendments is Main Board Rule 14.07(1).]

Summary	
Name of Party	Company A – a listed company
Subject	Whether the unique nature of Company A's industry should entitle it to a relaxation of the assets test
Listing Rule	Rule 14.04(8)
Decision	No exception should be made for Company A

Summary of Facts

Company A proposed to acquire a small operation in the healthcare industry. If the net tangible assets were used as the basis of the assets test, the acquisition would be a very substantial acquisition. If instead net asset value plus the goodwill written off were used, the acquisition would not even be a discloseable transaction.

Analysis

Company A submitted that:

- minimal assets were used by Company A in earning profits, that its value lay in its earning potential and that it was inappropriate to compare Company A with trading companies (which also had a small asset base); and
- the substantial purchased goodwill (which had been written off) should be included in its net tangible assets as such goodwill contributed to its earning potential.

The Exchange was of the view that:

- as a basic principle, the assets test should apply to all listed issuers, including trading companies with similarly small net tangible assets; and
- since Company A's purchased goodwill had been written off, no exception should be made for it.

Decision

The assets test should apply to Company A and the goodwill already written off should not be recognised in such test. Accordingly, the acquisition was treated as a very substantial acquisition