

Office of General Counsel  
ASX Limited  
20 Bridge Street,  
Sydney NSW 2000

Attention: Diane Lewis Senior Manager, Regulatory & Public Policy

**Re: Consultation Paper: Updating ASX's admission requirements for listed entities**

As background, I have undertaken to list a company on the ASX and on the AIM and GXG markets in Europe. In-relation to the proposed changes for the admission requirements for listed entities, it is apparent that they are directed at early-stage or smaller companies (who will likely have less trading depth/volumes and therefore will be less profitable for the ASX). As the ASX has no 'secondary board', as a general comment I do not support any change that is restrictive for any company to access public markets to access capital to fund growth. I have provided feedback below on relevant items in the format requested.

**Consultation questions and answers**

5. Do you support the increase in the net tangible assets and market capitalisation elements of the assets test? If not, please provide your reasons.

No.

Currently, the minimum requirements for entities other than investment entities to meet the assets test are an NTA of at least \$3 million, or a market capitalisation of at least \$10 million. The ASX proposal is to increase these thresholds to an NTA of at least \$5 million or a market capitalisation of at least \$20 million.

I do not support this change as a stock exchange is a mechanism for companies to access capital to fund growth. The proposed changes to the assets tests limits this mechanism on an arbitrary basis and is against the federal Governments 'innovation' agenda. That is, it does not account for the unique scenario and circumstances of the company that may seek a public listing.

This is particularly relevant in the Australian market that has very limited private options for companies to access venture or growth capital. Increasing the NTA by over 50% and doubling the market capitalisation to at least \$20 million is an arbitrary change that is restrictive for many companies to access capital to fund growth.

In addition, there are many examples of successful companies on the ASX that would not meet these new conditions yet have accessed the public capital markets to create significant shareholder value (and fees for the ASX).

6. Do you think it is appropriate to extend the minimum requirement for \$1.5 million working capital after deducting the first year's budgeted administration costs and costs of acquiring any assets (to the extent that those costs will be met out of working capital) to all entities admitted under the assets test? If not, please provide your reasons.

No.

I do not support any change to increase the working capital requirement or a "\$1.5 million" working capital requirement to all entities admitted under the assets test. Entities within the mining, oil and gas exploration industries currently have a \$1.5 million working capital requirement and are generally very capital intensive, loss making in the early years and have a long time horizon to generate profits. I do not support extending the requirement to all entities admitted under the assets test as it is an arbitrary amount that does not account for the unique scenario and circumstances of the company. That is, the working capital requirement for each company will be more or less depending on the industry sector and CapEx, revenues, costs, margins, cash flow, financing and working capital requirements of the company. The minimum requirement should not be restrictive through a \$1.5 million 'catch all' and rather the requirement of each company concerned. For example, within the technology sector (unlike the mining, oil and gas exploration sector that has high fixed development/operating costs) the expenditure of a company can often be significantly reduced while not affecting short/medium-term revenue of the company as a means to manage the working capital of the company i.e. management has levers to manage their working capital requirements including meeting listing requirements.

7. Do you think it is appropriate to maintain a fixed minimum \$1.5 million working capital requirement in addition to a requirement for the entity admitted under the assets test to make a statement that it has sufficient working capital to meet its stated objectives? If you think the fixed working capital requirement should be a different amount, please tell us the amount and explain why.

No.

I do not support any change to impose a requirement to maintain a working capital requirement of \$1.5 million as this is an arbitrary amount that does not account for the unique scenario and circumstances of the company. That is, the working capital requirement for each company will be more or less depending on the industry section and CapEx, revenues, costs, margins, cash flow, financing and working capital requirements of the company. The requirement to maintain \$1.5 million working capital is a restrictive provision that does not enable the company to manage its business and finances in its shareholders' interest.

I do support that the company/board must make a statement that the company has sufficient working capital to meet its stated objectives.

8. Do you support the proposed requirement for entities admitted under the assets test to provide 3 full financial years of audited accounts, unless ASX approves otherwise? If not, please provide your reasons and describe what, if any, alternative approach you consider should be taken by ASX in order to meet the objectives of the proposed change.

No.

I do not support any change to impose a requirement for companies to submit three full financial years of audited accounts for an assets test entity except where the ASX will accept companies through other mechanisms such as those who make suitable disclaimers or on the basis of what ASIC will accept such as less than 3 full years of accounts in a disclosure document, as explained in Part F of ASIC Regulatory Guide 228 (RG 228).

9. ASX has proposed that it will generally accept less than 3 years of audited accounts for an assets test entity (or an entity or business to be acquired by the entity) only in the circumstances where ASIC will accept less than 3 full years of accounts in a disclosure document, as explained in Part F of ASIC Regulatory Guide 228 (RG 228). Simultaneously with the release of this consultation paper, ASIC has released a consultation paper seeking comments on proposed changes to RG 228 setting out these circumstances. Are there additional circumstances where you consider ASX should be prepared to accept less than 3 years of audited accounts to those outlined in ASIC's consultation paper on RG 228?

ASIC's consultation paper proposes that an issuer should disclose audited historical financial statements for two-and-a-half or three years for both the issuer and any business it acquires. This is a restrictive and unduly onerous for an issuer in-relation to the business being acquired. It is also unclear whether this is solely a requirement as part of the ASX supporting a company undertaking a listing. That is, does a company avoid the requirement to produce audited accounts if it acquires a company that is executed post listing? The ASX should accept less than 3 years of audited accounts on the basis of the company meeting the current listing requirements and that suitable disclaimers are made in any prospectus or investment documentation.

14. Do you believe the transition date of 1 September 2016 that ASX proposes for the introduction of the new admission rules is appropriate? If you think it should be sooner or later, please explain why?

No.

Any proposed changes should allow for a minimum of 12 months' notice period with 1 July 2017 the earliest date for the new rules to be introduced.

15. Do you have any other comments on the issues discussed in this paper or the proposed listing rule and Guidance Note changes?

It is apparent that the proposed changes are directed at early-stage and smaller companies who will likely have less trading depth/volumes and therefore will be less profitable for the ASX. As the ASX has no 'secondary board', as a general comment I do not support any change that is restrictive for any company to access public markets to access capital to fund growth.

Sincerely,

Angus MacNee  
Managing Director, Rimbal Financial Pty Ltd

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