

## Chapter 10

# Equity shares (commercial companies): contents of circulars

## 10.1 Preliminary

### Application

- 10.1.1 **R** This chapter applies to a *company* that has a *listing* of *equity shares* in the *equity shares (commercial companies)* category.

### Listed company to ensure circulars comply with this chapter

- 10.1.2 **R** A *listed company* must ensure that *circulars* it issues to holders of its *listed equity shares* comply with the requirements of this chapter.

### Incorporation by reference

- 10.1.3 **R** Subject to **■ UKLR 10.1.5R**, information may be incorporated in a *circular* issued by a *listed company* by reference to relevant information contained in:

- (1) an approved *prospectus* or *listing particulars* of that *listed company*;  
or
- (2) any other published document of that *listed company* that has been filed with the *FCA*.

- 10.1.4 **R** Information incorporated by reference must be the latest available to the *listed company*.

- 10.1.5 **R** Information required by **■ UKLR 10.3.1R(1)** and **■ (2)** must not be incorporated in the *circular* by reference to information contained in another document.

- 10.1.6 **R** When information is incorporated by reference, a cross-reference list must be provided in the *circular* to enable *security* holders to easily identify specific items of information. The cross-reference list must specify where the information can be accessed by *security* holders.

### Omission of information

- 10.1.7 **G** The *FCA* may authorise the omission of information required by **■ UKLR 10.3**, **■ UKLR 10.4**, **■ UKLR 10.6**, **■ UKLR 10 Annex 1R** and **■ UKLR 10 Annex 2R**, if it considers that:

- (1) disclosure of that information would be:

- (a) contrary to the public interest; or
- (b) seriously detrimental to the *listed company*; and

(2) the omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the matter covered by the *circular*.

**10.1.8** **R** A request to the *FCA* to authorise the omission of specific information in a particular case must:

- (1) be made in writing by the *listed company*;
- (2) identify the specific information concerned and the specific reasons for the omission; and
- (3) state why, in the *listed company's* opinion, one or more grounds in **■ UKLR 10.1.7G** apply.

**Sending information to holders of listed equity shares**.....

**10.1.9** **R** A supplementary *circular* must be sent to holders of *listed equity shares* no later than 7 days prior to the date of a meeting at which a vote which is expressly required under the *listing rules* will be taken.

**10.1.10** **G** It may be necessary for a convened shareholder meeting to be adjourned to comply with **■ UKLR 10.1.9R**.

## 10.2 Approval of circulars

### Circulars to be approved

- 10.2.1 **R** A *listed company* must not circulate or publish any of the following types of *circular* unless it has been approved by the *FCA*:
- (1) a *reverse takeover circular*;
  - (2) a *circular* which proposes a cancellation of *listing* which is required to be sent to shareholders under ■ UKLR 21.2.8R(1); or
  - (3) a *circular* that proposes a transfer of *listing* which is required to be sent to shareholders under ■ UKLR 21.5.6R.

### Approval procedures

- 10.2.2 **R** The following documents (to the extent applicable) must be lodged with the *FCA* in final form before it will approve a *circular*:
- (1) a Sponsors Declaration for the Production of a Circular completed by the *sponsor*;
  - (2) for a *reverse takeover circular*, a letter setting out any items of information required by this chapter that are not applicable in that particular case; and
  - (3) any other document that the *FCA* has sought in advance from the *listed company* or its *sponsor*.
- 10.2.3 **R** A copy of the following documents in draft form must be submitted at least 10 clear *business days* before the date on which the *listed company* intends to publish the *circular*:
- (1) the *circular*; and
  - (2) the letters and documents referred to in ■ UKLR 10.2.2R(1) and ■ (2).
- 10.2.4 **R** If a *circular* submitted for approval is amended, a copy of amended drafts must be resubmitted, marked to show changes made to conform with *FCA* comments and to indicate other changes.

**Approval of circulars**

10.2.5 **G** The *FCA* will approve a *circular* if it is satisfied that the requirements of this chapter are satisfied.

10.2.6 **R** The *FCA* will only approve a *circular* between 9am and 5.30pm on a *business day* (unless alternative arrangements are made in advance).**[Note:**  
■ UKLR 6.4.1R requires a *company* to forward to the *FCA* a copy of all *circulars* issued (whether or not they require approval) for publication, by uploading it to the *national storage mechanism*.]

**Sending approved circulars**

10.2.7 **R** A *listed company* must send a *circular* to holders of its *listed equity shares* as soon as practicable after it has been approved.

## 10.3 Contents of all circulars

### Contents of all circulars

#### 10.3.1

R

Every *circular* sent by a *listed company* to holders of its *listed securities* must:

- (1) provide a clear and adequate explanation of its subject matter, giving due prominence to its essential characteristics, benefits and risks;
- (2) state why the *security* holder is being asked to vote or, if no vote is required, why the *circular* is being sent;
- (3) if voting or other action is required, contain all information necessary to allow the *security* holders to make a properly informed decision;
- (4) if voting or other action is required, contain a heading drawing attention to the document's importance and advising *security* holders who are in any doubt as to what action to take to consult appropriate independent advisers;
- (5) if voting is required, contain a recommendation from the board as to the voting action *security* holders should take for all resolutions proposed, indicating whether or not the proposal described in the *circular* is, in the board's opinion, in the best interests of *security* holders as a whole;
- (6) state that, if all the *securities* have been sold or transferred by the addressee, the *circular* and any other relevant documents should be passed to the *person* through whom the sale or transfer was effected for transmission to the purchaser or transferee;
- (7) if new *securities* are being issued in substitution for existing *securities*, explain what will happen to existing documents of title;
- (8) not include any reference to a specific date on which *listed securities* will be marked 'ex' any benefit or entitlement which has not been agreed in advance with the *RIE* on which the *company's securities* are or are to be traded;
- (9) if it relates to a transaction in connection with which *securities* are proposed to be *listed*, include a statement that an application has been or will be made for the *securities* to be *admitted* and, if known, a statement of the following matters:
  - (a) the dates on which the *securities* are expected to be *admitted* and on which dealings are expected to commence;
  - (b) how the new *securities* rank for dividend or interest;

- (c) whether the new *securities* rank equally with any existing *listed securities*;
  - (d) the nature of the document of title;
  - (e) the proposed date of issue;
  - (f) the treatment of any fractions;
  - (g) whether or not the *security* may be held in uncertificated form; and
  - (h) the names of the *RIEs* on which *securities* are to be traded;
- (10) if a *person* is named in the *circular* as having advised the *listed company* or its *directors*, a statement that the adviser has given and has not withdrawn its written consent to the inclusion of the reference to the adviser's name in the form and context in which it is included; and
- (11) if the *circular* relates to cancelling *listing*, state whether it is the *company's* intention to apply to cancel the *securities' listing*.

**10.3.2** **R** If another *rule* provides that a *circular* of a particular type must include specified information, that information is (unless the contrary intention appears) in addition to the information required under this section.

**Pro forma financial information in circulars**.....

**10.3.3** **R** If a *listed company* includes pro forma financial information in a *circular*, it must:

- (1) cite the sources of any unadjusted financial information; and
- (2) explain the basis upon which the pro forma financial information has been prepared.

## 10.4 Reverse takeover circulars

### Reverse takeover circulars

- 10.4.1 **R** A *reverse takeover circular* must also include the following information:
- (1) the information given in the notification required by **■ UKLR 7.5.1R(1)**;
  - (2) if applicable, the information set out in **■ UKLR 7 Annex 2 Part 4** (Synergy benefits, sources of information and pro-forma financial information);
  - (3) the information set out in **■ UKLR 10 Annex 1**;
  - (4) the information set out in **■ UKLR 10 Annex 2**;
  - (5) if the transaction is a *related party transaction*, the information given in the notification required by **■ UKLR 8.2.1R(4)**;
  - (6) a declaration by the *issuer* and its *directors* in the following form (with appropriate modifications): 'The [issuer] and the directors of [the issuer], whose names appear on page [ ], accept responsibility for the information contained in this document. To the best of the knowledge of the [issuer] and the directors, the information contained in this document is in accordance with the facts and the document makes no omission likely to affect its import.';
  - (7) if a statement or report attributed to a *person* as an expert is included in a *circular* (other than a statement or report incorporated by reference from a *prospectus* or *listing particulars*), a statement to the effect that the statement or report is included, in the form and context in which it is included, with the *person's* consent.
- 10.4.2 **G** The information necessary under **■ UKLR 10.3.1R(3)** includes all the material terms of the *reverse takeover*, including the consideration.
- 10.4.3 **R** If the *reverse takeover circular* contains audited financial information which includes a *modified report*, the *reverse takeover circular* must set out:
- (1) the information required by **■ UKLR 10 Annex 1 1.2R(8)**; and
  - (2) a statement from the *directors* explaining why they are able to recommend the proposal set out in the *reverse takeover circular* notwithstanding the *modified report*.



### Takeover offers

- 10.4.4 **R** If a *reverse takeover circular* relates to a takeover offer which has not been recommended by the offeree's board or the *listed company* has not had access to due diligence information on the offeree at the time the *reverse takeover circular* is published, the *listed company* must comply with paragraphs (1) and (2):
- (1) Information on the offeree required by **■ UKLR 10 Annex 2** should be disclosed in the *reverse takeover circular* on the basis of information published or made available by the offeree and of which the *listed company* is aware and is free to disclose.
  - (2) If the takeover offer has been recommended but the *listed company* does not have access to due diligence information on the offeree, the *listed company* must disclose in the *reverse takeover circular* why access has not been given to that information.

### Acquisition or disposal of mineral resources

- 10.4.5 **R** If a *reverse takeover transaction* relates to an acquisition or disposal of *mineral resources* or rights to *mineral resources*, the *reverse takeover circular* must include:
- (1) details of *mineral resources* and, where applicable, reserves (presented separately) and exploration results or prospects;
  - (2) anticipated mine life and exploration potential or similar duration of commercial activity in extracting reserves;
  - (3) an indication of the duration and main terms of any licences or concessions and the legal, economic and environmental conditions for exploring and developing those licences or concessions;
  - (4) indications of the current and anticipated progress of mineral exploration and/or extraction and processing, including a discussion of the accessibility of the deposit; and
  - (5) an explanation of any exceptional factors that have influenced the matters in (1) to (4).

- 10.4.6 **G** The information in **■ UKLR 10.4.5R** should be prepared in accordance with the reporting standards referred to in Appendix I of Primary Market Technical Note 619.1 (available at the following URL: [www.fca.org.uk/publication/primary-market/tn-619-1.pdf](http://www.fca.org.uk/publication/primary-market/tn-619-1.pdf)) and, in the case of a company with oil and gas projects, having regard to Appendix III of Primary Market Technical Note 619.1.

## 10.5 Circulars about purchase of own equity shares

### Purchase of own equity shares

10.5.1

R

- (1) A *circular* relating to a resolution proposing to give the *company* authority to purchase its own *equity securities* must also include:
  - (a) if the authority sought is a general one, a statement of the *directors'* intentions about using the authority;
  - (b) if known, the method by which the *company* intends to acquire its *equity shares* and the number to be acquired in that way;
  - (c) a statement of whether the *company* intends to cancel the *equity shares* or hold them in treasury;
  - (d) if the authority sought related to a proposal to purchase from specific parties, a statement of the names of the *persons* from whom *equity shares* are to be acquired, together with all material terms of the proposal;
  - (e) details about the price, or the maximum and minimum price, to be paid;
  - (f) the total number of *warrants* and *options* to subscribe for *equity shares* that are outstanding at the latest practicable date before the *circular* is published and both the proportion of issued share capital (excluding *treasury shares*) that:
    - (i) they represent at that time; and
    - (ii) they will represent if the full authority to buyback *shares* (existing and being sought) is used; and
  - (g) in relation to a purchase of *equity shares* in the circumstances described in ■ UKLR 9.6.2R(2), an explanation of the potential impact of the proposed *share* buyback, including whether control of the *listed company* may be concentrated following the proposed transaction.
- (2) If the exercise in full of the authority sought would result in the purchase of 25% or more of the *company's* issued *equity shares* (excluding *treasury shares*) the *circular* must also include the following information referred to in the *PR Regulation*:
  - (a) Annex 1 item 3.1 – Risk factors;
  - (b) Annex 1 Section 10 – Trend information;
  - (c) Annex 1 item 15.2 – Shareholdings and stock options;
  - (d) Annex 1 item 16.1 – Major interests in shares; and

(e) Annex 1 item 18.7.1 – Significant changes in the issuer’s financial position;

10.5.2

**G**

In considering whether an explanation given in a *circular* satisfies the requirement in ■ UKLR 10.5.1R(1)(g), the FCA would expect the following information to be included in the explanation:

- (1) the shareholdings of *substantial shareholders* in the *listed company* before and after the proposed transaction; and
- (2) the shareholdings of a holder of *equity shares* who may become a *substantial shareholder* in the *listed company* as a result of the proposed transaction.

## 10.6 Other circulars

### 10.6.1

R

#### Authority to allot shares

A *circular* relating to a resolution proposing to grant the *directors'* authority to allot shares or other securities pursuant to section 551 of the Companies Act 2006 (Power of directors to allot shares etc: authorisation by company) must include:

- (1) a statement of the maximum amount of shares or other securities which the *directors* will have authority to allot and the percentage which that amount represents of the total ordinary share capital in issue (excluding *treasury shares*) as at the latest practicable date before publication of the *circular*;
- (2) a statement of the number of *treasury shares* held by the *company* as at the date of the *circular* and the percentage which that amount represents of the total ordinary share capital in issue (excluding *treasury shares*) as at the latest practicable date before publication of the *circular*;
- (3) a statement by the *directors* as to whether they have any present intention of exercising the authority and, if so, for what purpose; and
- (4) a statement as to when the authority will lapse.

### 10.6.2

R

#### Disapplying pre-emption rights

A *circular* relating to a resolution proposing to disapply pre-emption rights provided by ■ UKLR 9.2.1R must include:

- (1) a statement of the maximum amount of *equity securities* which the disapplication will cover; and
- (2) if there is a general disapplication for *equity securities* for cash made otherwise than to existing shareholders in proportion to their existing holdings, the percentage which the amount generally disappplied represents of the total *equity share* capital in issue as at the latest practicable date before publication of the *circular*.

### 10.6.3

R

#### Reduction of capital

A *circular* relating to a resolution proposing to reduce the *company's* capital, other than a reduction of capital pursuant to section 626 of the Companies Act 2006 (Reduction of capital in connection with redenomination), must include a statement of the reasons for, and the effects of, the proposal.

### Capitalisation or bonus issue

- 10.6.4 **R**
- (1) A *circular* relating to a resolution proposing a capitalisation or bonus issue must include:
    - (a) the reason for the issue;
    - (b) a statement of the last date on which transfers were or will be accepted for registration to participate in the issue;
    - (c) details of the proportional entitlement; and
    - (d) a description of the nature and amount of reserves which are to be capitalised.
  - (2) Any timetable set out in the *circular* must have been approved by the *RIE* on which the *company's equity securities* are traded.

### Scrip dividend alternative

- 10.6.5 **R**
- (1) A *circular* containing an offer to shareholders of the right to elect to receive *shares* instead of all or part of a cash dividend must include:
    - (a) a statement of the total number of *shares* that would be issued if all eligible shareholders were to elect to receive *shares* for their entire shareholdings, and the percentage which that number represents of the *equity shares* (excluding *treasury shares*) in issue at the date of the *circular*;
    - (b) in a prominent position, details of the equivalent cash dividend foregone to obtain each *share* or the basis of the calculation of the number of *shares* to be offered instead of cash;
    - (c) a statement of the total cash dividend payable and applicable tax credit on the basis that no elections for the scrip dividend alternative are received;
    - (d) a statement of the date for ascertaining the *share* price used as a basis for calculating the allocation of *shares*;
    - (e) details of the proportional entitlement;
    - (f) details of what is to happen to fractional entitlements;
    - (g) the record date; and
    - (h) a form of election relating to the scrip dividend alternative which:
      - (i) is worded so as to ensure that shareholders must elect positively in order to receive *shares* instead of cash; and
      - (ii) includes a statement that the right is non-transferable.
  - (2) Any timetable set out in the *circular* must have been approved by the *RIE* on which the *company's equity securities* are traded.

### Scrip dividend mandate schemes/dividend reinvestment plans

- 10.6.6 **R**
- (1) A *circular* relating to any proposal where shareholders are entitled to complete a mandate in order to receive *shares* instead of future cash dividends must include:
    - (a) the information in **UKLR 10.6.5R(1)(d)** and **(f)**;

- (b) the basis of the calculation of the number of *shares* to be offered instead of cash;
  - (c) a statement of the last date for lodging notice of participation or cancellation in order for that instruction to be valid for the next dividend;
  - (d) details of when adjustment to the number of *shares* subject to the mandate will take place;
  - (e) details of when cancellation of a mandate instruction will take place;
  - (f) a statement of whether or not the mandate instruction must be in respect of a shareholder's entire holding;
  - (g) the procedure for notifying shareholders of the details of each scrip dividend; and
  - (h) a statement of the circumstances, if known, under which the *directors* may decide not to offer a scrip alternative in respect of any dividend.
- (2) The timetable in the *circular* for each scrip alternative covered by a scrip dividend mandate plan must have been approved by the *RIE* on which the *company's equity shares* are traded.

#### Notices of meetings

10.6.7

**R**

- (1) When holders of *listed equity shares* are sent a notice of meeting which includes any business, other than ordinary business at an annual general meeting, an explanatory *circular* must accompany the notice. If the other business is to be considered at or on the same day as an annual general meeting, the explanation may be incorporated in the *directors' report*.
- (2) A *circular* or other document convening an annual general meeting where only ordinary business is proposed does not need to comply with ■ UKLR 10.3.1R(4), ■ (5) or ■ (6).

10.6.8

**G**

A *circular* or other document convening an annual general meeting where special business is proposed will need to comply with all of ■ UKLR 10.3.1R (including paragraphs (4), (5) and (6) in respect of special business).

#### Amendments to constitution

10.6.9

**R**

A *circular* to shareholders about proposed amendments to the *constitution* must include:

- (1) an explanation of the effect of the proposed amendments; and
- (2) either the full terms of the proposed amendments, or a statement that the full terms will be available for inspection:
  - (a) at the place of the general meeting for at least 15 minutes before and during the meeting; and
  - (b) on the *national storage mechanism* from the date of sending the *circular*.

Employees' share scheme, etc

- 10.6.10 **R** A circular to shareholders about the approval of an *employees' share scheme* or *long-term incentive scheme* must:
- (1) include either the full text of the scheme or a description of its principal terms;
  - (2) include, if *directors* of the *listed company* are trustees of the scheme, or have a direct or indirect interest in the trustees, details of the trusteeship or interest;
  - (3) state that the provisions (if any) relating to:
    - (a) the *persons* to whom, or for whom, *securities*, cash or other benefits are provided under the scheme (the '*participants*');
    - (b) limitations on the number or amount of the *securities*, cash or other benefits subject to the scheme;
    - (c) the maximum entitlement for any one participant; and
    - (d) the basis for determining a participant's entitlement to, and the terms of, *securities*, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, *rights issue* or *open offer*, sub-division or consolidation of *shares* or reduction of capital or any other variation of capital, cannot be altered to the advantage of participants without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the scheme or for the *company* operating the scheme or for members of its group);
  - (4) state whether benefits under the scheme will be pensionable and, if so, the reasons for this; and
  - (5) if the scheme is not circulated to shareholders, include a statement that it will be available for inspection:
    - (a) at the place of the general meeting for at least 15 minutes before and during the meeting; and
    - (b) on the *national storage mechanism* from the date of sending the *circular*.
- 10.6.11 **R** The resolution contained in the notice of meeting accompanying the *circular* must refer either to:
- (1) the scheme itself (if circulated to shareholders); or
  - (2) the summary of its principal terms included in the *circular*.
- 10.6.12 **R** The resolution approving the adoption of an *employees' share scheme* or *long-term incentive scheme* may authorise the *directors* to establish further schemes based on any scheme which has previously been approved by shareholders but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any *shares* made

available under such further schemes are treated as counting against any limits on individual or overall participation in the main scheme.

#### Amendments to employees' share scheme, etc

10.6.13

R

A *circular* to shareholders about proposed amendments to an *employees' share scheme* or a *long-term incentive scheme* must include:

- (1) an explanation of the effect of the proposed amendments; and
- (2) the full terms of the proposed amendments, or a statement that the full text of the scheme as amended will be available for inspection:
  - (a) at the place of the general meeting for at least 15 minutes before and during the meeting; and
  - (b) on the *national storage mechanism* from the date of sending the *circular*.

#### Discounted option arrangements

10.6.14

R

If shareholders' approval is required by ■ UKLR 9.3.4R, the *circular* to shareholders must include the following information:

- (1) details of the *persons* to whom the *options, warrants* or rights are to be granted; and
- (2) a summary of the principal terms of the *options, warrants* or rights.

#### Reminders of conversion rights

10.6.15

R

- (1) A *circular* to holders of *listed securities* convertible into *shares* reminding them of the times when conversion rights are exercisable must include:
  - (a) the date of the last day for lodging conversion forms and the expected date on which the certificates will be sent;
  - (b) a statement of the market values for the *securities* on the first dealing day in each of the 6 months before the date of the *circular* and on the latest practicable date before sending the *circular*;
  - (c) the basis of conversion in the form of a table setting out capital and income comparisons;
  - (d) a brief explanation of the tax implications of conversion for holders resident for tax purposes in the *United Kingdom*;
  - (e) if there is a trustee, or other representative, of the *securities* holders to be redeemed, a statement that the trustee, or other representative, has given its consent to the issue of the *circular* or stated that it has no objection to the resolution being put to a meeting of the *securities* holders;
  - (f) reference to future opportunities to convert and whether the terms of conversion will be the same as or will differ from those available at present, or, if there are no such opportunities, disclosure of that fact;



- (g) reference to letters of indemnity – for example, if certificates have been lost;
  - (h) if power exists to allot *shares* issued on conversion to another *person*, reference to forms of nomination; and
  - (i) a statement as to whether holders exercising their rights of conversion will retain the next interest payment due on the *securities*.
- (2) The *circular* must not contain specific advice as to whether or not to convert the *securities*.

### Election of independent directors

10.6.16

**R**

Where a *listed company* has a *controlling shareholder*, a *circular* to shareholders relating to the election or re-election of an *independent director* must include:

- (1) details of any existing or previous relationship, transaction or arrangement the proposed *independent director* has or had with the *listed company*, its *directors*, any *controlling shareholder* or any *associate* of a *controlling shareholder* or a confirmation that there have been no such relationships, transactions or arrangements; and
- (2) a description of:
  - (a) why the *listed company* considers the proposed *independent director* will be an effective *director*;
  - (b) how the *listed company* has determined that the proposed *director* is an *independent director*; and
  - (c) the process followed by the *listed company* for the selection of the proposed *independent director*.

10.6.17

**R**

In relation to a *listed company* which did not previously have a *controlling shareholder*, **UKLR 10.6.16R** does not apply to a *circular* sent to shareholders within a period of 3 months from the event that resulted in a *person* becoming a *controlling shareholder* of the *listed company*.



## Reverse takeover circulars – financial information

A *reverse takeover circular* must include the following information:

- (1) when a *listed company* is acquiring an interest in a *target* which will result in a consolidation of the *target's* assets and liabilities with those of the *listed company*:
  - (a) audited consolidated financial information that covers:
    - (i) the *target*; and
    - (ii) the *target's subsidiary undertakings*, if any,  
for a reporting period of 2 years up to the end of the latest financial period for which the *target* or its parent has prepared audited accounts; and
  - (b) an explanation of the proposed accounting treatment of the *target* in the *listed company's* next audited consolidated accounts;
- (2) when a *listed company* is acquiring an interest in a *target* that will be accounted for as an investment, and the *target's securities* that are the subject of the transaction are admitted to an investment exchange that enables intra-day price formation:
  - (a) the amounts of the dividends or other distributions paid in the past 2 years; and
  - (b) the price per *security* and the imputed value of the entire holding being acquired at the close of business at the following times:
    - (i) on the last *business day* of each of the 6 months prior to the announcement of the transaction;
    - (ii) on the day prior to the announcement of the transaction; and
    - (iii) on the latest practicable date prior to the submission of the *reverse takeover circular*;
- (3) when a *listed company* is acquiring an interest in a *target* that will be accounted for using the equity method in the *listed company's* annual consolidated accounts:
  - (a) a narrative explanation of the proposed accounting treatment of the *target* in the *issuer's* next audited consolidated accounts;
  - (b) audited consolidated financial information that covers:
    - (i) the *target*; and
    - (ii) the *target's subsidiary undertakings*, if any,  
for a reporting period of 2 years up to the end of the latest financial period for which the *target* or its parent has prepared audited accounts, if available; and
- (4) where the information in (1), (2) or (3) is not available:
  - (a) a statement by the board that the information is not available;
  - (b) an explanation as to how the value of the consideration has been arrived at; and
  - (c) a statement by the board that it considers the consideration to be fair as far as the *security* holders of the *company* are concerned.

A *reverse takeover circular* must include, for each of the periods covered by the audited financial information in ■ UKLR 10 Annex 1 1.1R(1) and ■ 1.1R(3), the following information:

- (1) a balance sheet and its explanatory notes;
- (2) an income statement and its explanatory notes;
- (3) a cash flow statement and its explanatory notes;
- (4) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners;
- (5) the accounting policies;
- (6) any additional explanatory notes;
- (7) the audit report; and
- (8) if the audited financial information includes a *modified report*:
  - (a) whether the modification or emphasis-of-matter paragraph is significant to shareholders; and
  - (b) if the modification or emphasis-of-matter paragraph is significant to shareholders, the reason for its significance.

## Reverse takeover circulars – non-financial information

The following table identifies (by reference to certain paragraphs of Annex 1 of the *PR Regulation*) the additional information required to be included in a *reverse takeover circular* relating to the *listed company* and the undertaking the subject of the transaction.

Information	Listed company	Undertaking which is the subject of the transaction
Annex 1 item 3.1 – Risk factors	*	*
Annex 1 Section 10 – Trend information	*	*
Annex 1 item 17.1 – Related party transactions	*	
Annex 1 item 18.6.1 – Legal and arbitration proceedings	*	*
Annex 1 item 18.7.1 – Significant change in the issuer's financial position	*	*
Annex 1 item 20.1 – Material contracts	*	*
Annex 1 item 21.1 – Documents available	*	

The information required by this annex must be presented as follows:

- (1) the information required by Annex 1 item 20.1 (Material contracts), Annex 1 item 18.6.1 (Legal and arbitration proceedings) and Annex 1 item 10.1(b) (Trend information) must be presented in separate statements for the *listed company* and its *subsidiary undertakings* and for the undertaking, business or assets to be acquired;
- (2) where the information required by Annex 1 item 18.7.1 (Significant changes in the issuer's financial position) is included for both the *listed company* and the undertaking the subject of the transaction, it must be presented in separate statements for the *listed company* and its *subsidiary undertakings* and for the undertaking, business or assets to be acquired;
- (3) the information required by Annex 1 items 10.1(a) and 10.2 (Trend information) must be presented in a single statement for the *listed company* and its *subsidiary undertakings* (on the basis that the acquisition has taken place).

In determining what information is required to be included by virtue of Annex 1 item 20.1 (Material contracts) if a *prospectus* or *listing particulars* are not required, regard should be had to whether information about that provision is information which *securities* holders of the *issuer* would reasonably require for the purpose of making a properly informed assessment about the way in which to exercise the voting rights attached to their *securities* or the way in which to take any other action required of them related to the subject matter of the *circular*.

The information required by this annex is modified as follows:

- (1) Information required by Annex 1 item 17.1 (Related party transactions);
  - (a) need only be given if it is relevant to the transaction; and

- (b) need not be given if it has already been published before the *circular* is sent.
- (2) Information required by Annex 1 item 3.1 (Risk factors) should be provided only in respect of those risk factors which:
- (a) are material risk factors to the proposed transaction;
  - (b) will be material new risk factors to the *group* as a result of the proposed transaction; or
  - (c) are existing material risk factors to the *group* which will be impacted by the proposed transaction.
- (3) Information required by Annex 1 item 18.7.1 (Significant change in the issuer's financial position) need only be given for the undertaking which is the subject of the transaction if information required by ■ UKLR 10 Annex 1 1.1R(1) and ■ (3) has been included in the *reverse takeover circular*.
- (4) Information required by Annex 1 item 21.1 (Documents available) must include a copy of the sale and purchase agreement (or equivalent document) if applicable. The *issuer* must indicate where the sale and purchase agreement (or equivalent document) is available for physical or electronic inspection.