

## Chapter 10

# Equity shares (commercial companies): contents of circulars



## 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 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.