

[www.pwc.co.uk](http://www.pwc.co.uk)

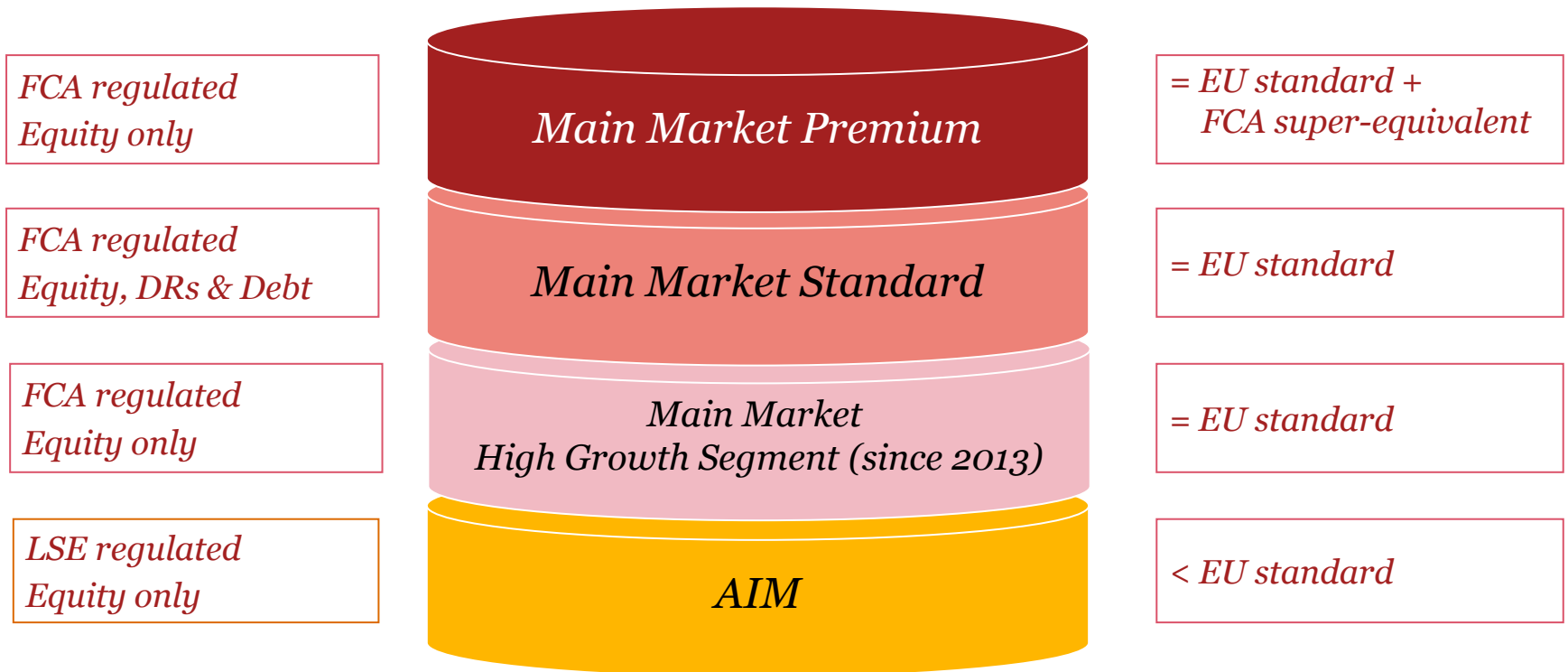
# *London listing considerations*

June 2015

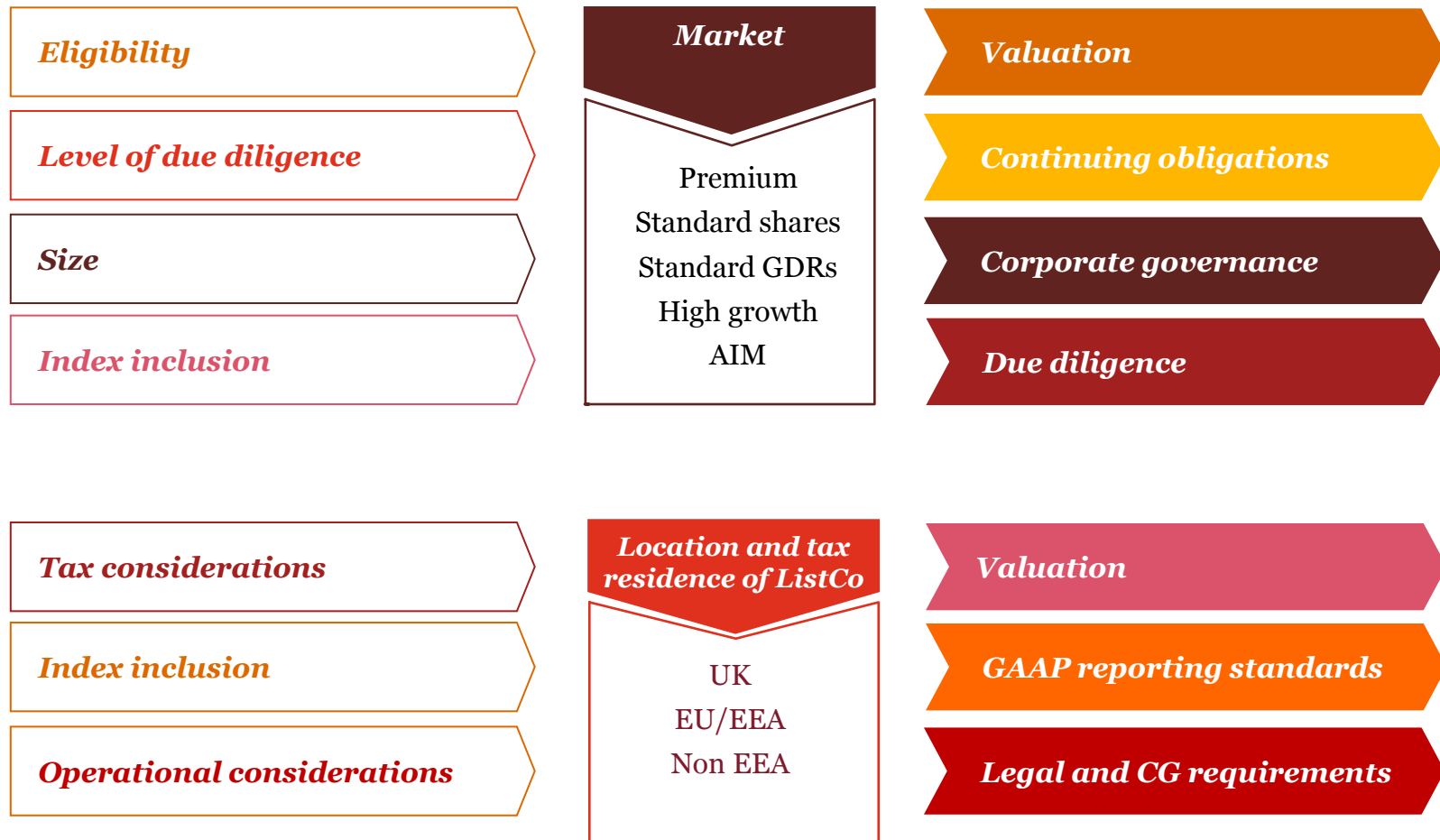


**pwc**

# UK market descriptions



# Two key decisions for a London listing



# Regulation and process – key features



Financial Conduct Authority (UK Listing Authority) – the regulator



Stock Exchange regulates AIM, the junior market



Role of a Sponsor/NOMAD – bears regulatory responsibility and can be fined



Filings remain confidential to the very end – different from the US market



Regulator does not accept multiple classes of shares with different voting rights



Accounts don't have to be final for the first submission



Regulator typically does not challenge accounting issues and judgements – unlike SEC



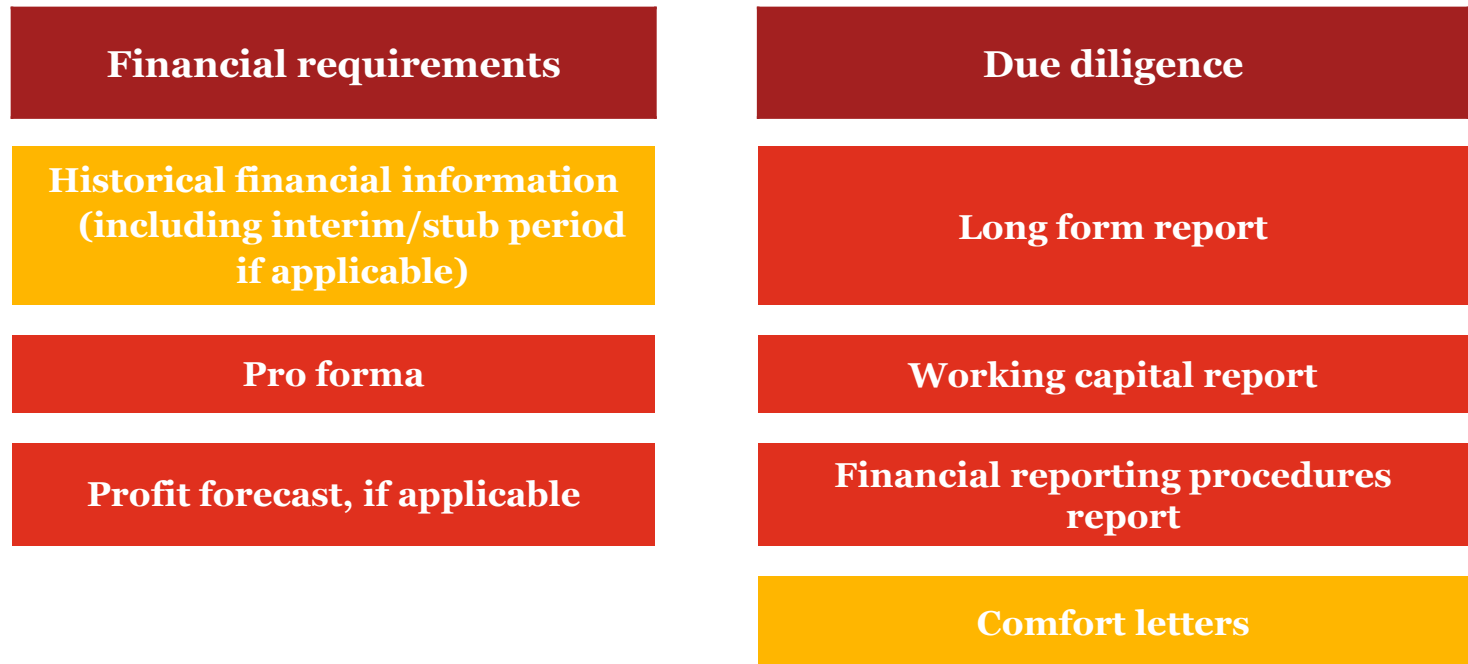
# London listing eligibility requirements – overview

	Premium	Standard shares	Standard GDRs	High Growth market	AIM
Clean 3-year audited track record	>75% of business	X	X	20% revenue CAGR for 3 yrs	X
				If exists, must present 3 years	
Control of the majority of assets (>50%)	✓	X	X	X	X
Appointment of a sponsor/nominated adviser/key advisor	✓	X	X	✓	✓
Audited numbers must not be more than 6 months old	✓	X	X	X	X
Interims if document >9m after end of last audited year	NA	✓	✓	✓	✓
Sufficient working capital for at least 12 months from date of prospectus	✓	✓	X	✓	✓
Long-form accountants' due diligence	✓	(a)	X	✓	✓
Adequate FPP procedures declaration	✓	(a)	(b)	✓	✓
Minimum free float	25%	25%	25%	10% worth £30m	X
Shareholder approval of significant and RP transactions	✓	X	X	Reverse takeovers	Reverse takeovers

(a) For standard share listing, level of diligence similar to premium listing expected

(b) For GDRs, FPP diagnostic often requested

# *London IPO – reporting accountant’s role*



■ Always required ■ Can be required

# Historical financial information

## *3 years IFRS*

*3 years audited consolidated financial information prepared under IFRS*

## *Interims*

*Audited (for premium) or reviewed information to be included if latest audited accounts are more than 6 or 9 months old, respectively*

## *Proforma*

*Sometimes required to illustrate the impact of the transaction(s) on the issuer's business as if it had taken place at the start of the last reported period*

## *Profit forecast*

*Optional and rare, but must be reported on by an accountant if included in the prospectus*

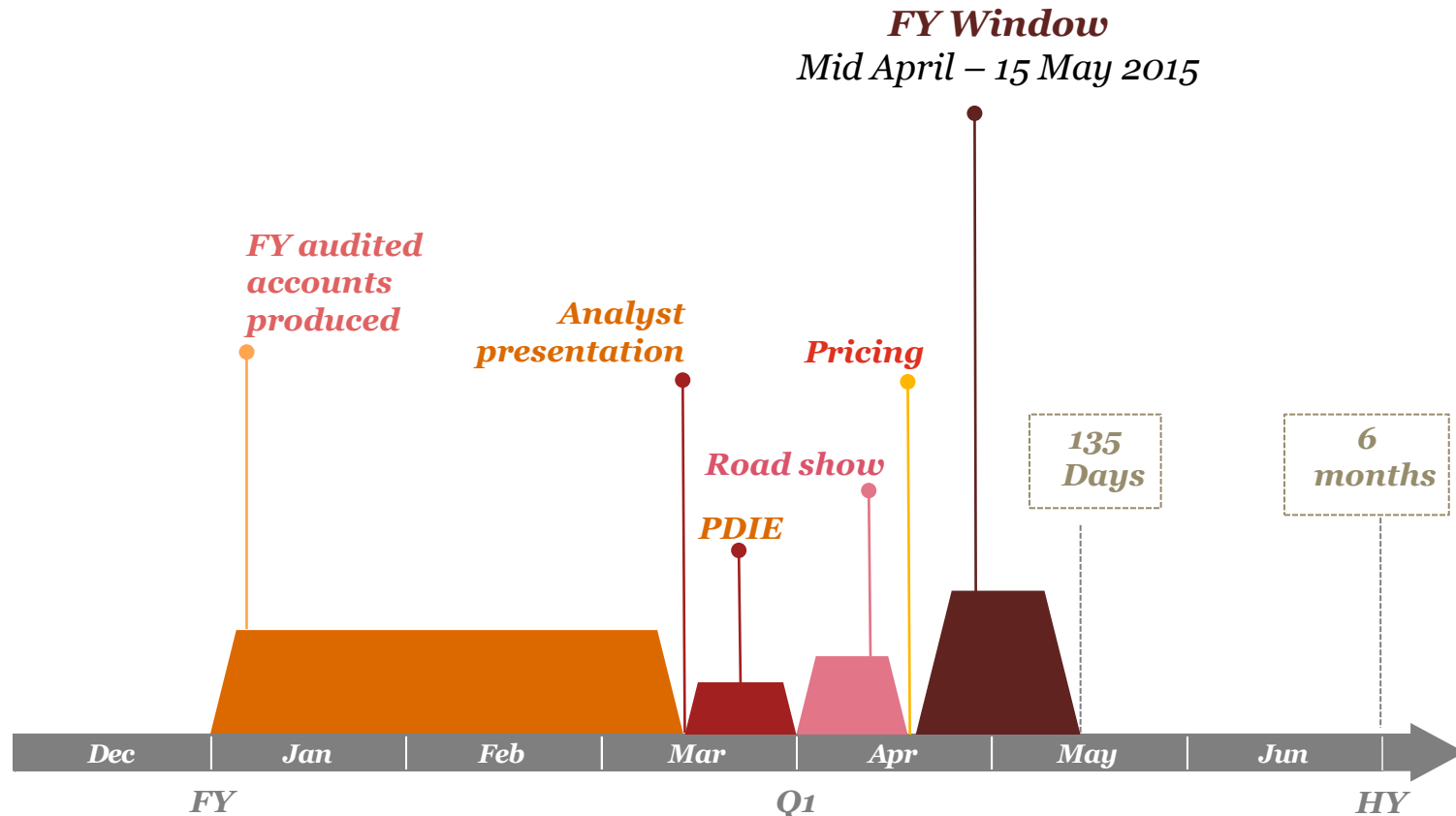
## *Segments*

*Segment data may require realignment with equity story and business description in the prospectus*

## *Complex history*

*Additional information regarding a significant acquisition or disposal in the track record period may need to be presented*

# Timing considerations



## Additional rules for Premium listing:

- Clean audit opinion
- At least 75% of the business is supported by a revenue earning track record
- Control of the majority of assets for the 3 year period
- No more than 6 months old



# *Due diligence by reporting accountant*

## **Long form report**

- The long form report is a due diligence style report that will cover the operational and financial performance of the group over the same period as the financial track record period

## **Working capital report**

- A prospectus must contain a statement by the issuer that the working capital is sufficient for its present requirements (at least the next 12 months from the date of the prospectus).
- The sponsor is also required to report to the UKLA that it is satisfied that the directors can make such statement

## **Financial position and prospects procedures report**

- Accountants provide a factual description of the financial position and prospects procedures in place
- The report is to support the sponsor's statement to the FCA under the Listing Rules that the issuer has established adequate procedures

# *Corporate governance*

## **Corporate Governance Code**

- “Comply or explain” principle
- At least half of the board - INEDs
- Separate Chairman and CEO roles
- Chairman should be independent
- Role of a Senior Independent Director
- Audit, Nomination, Remuneration Committees
- Annual re-election of directors (FTSE 350)
- Annual evaluation of Board performance
- Annual review of the effectiveness of risk management and internal control systems - no external attestation
- Extensive remuneration disclosures
- Shareholder voting on LTIPs

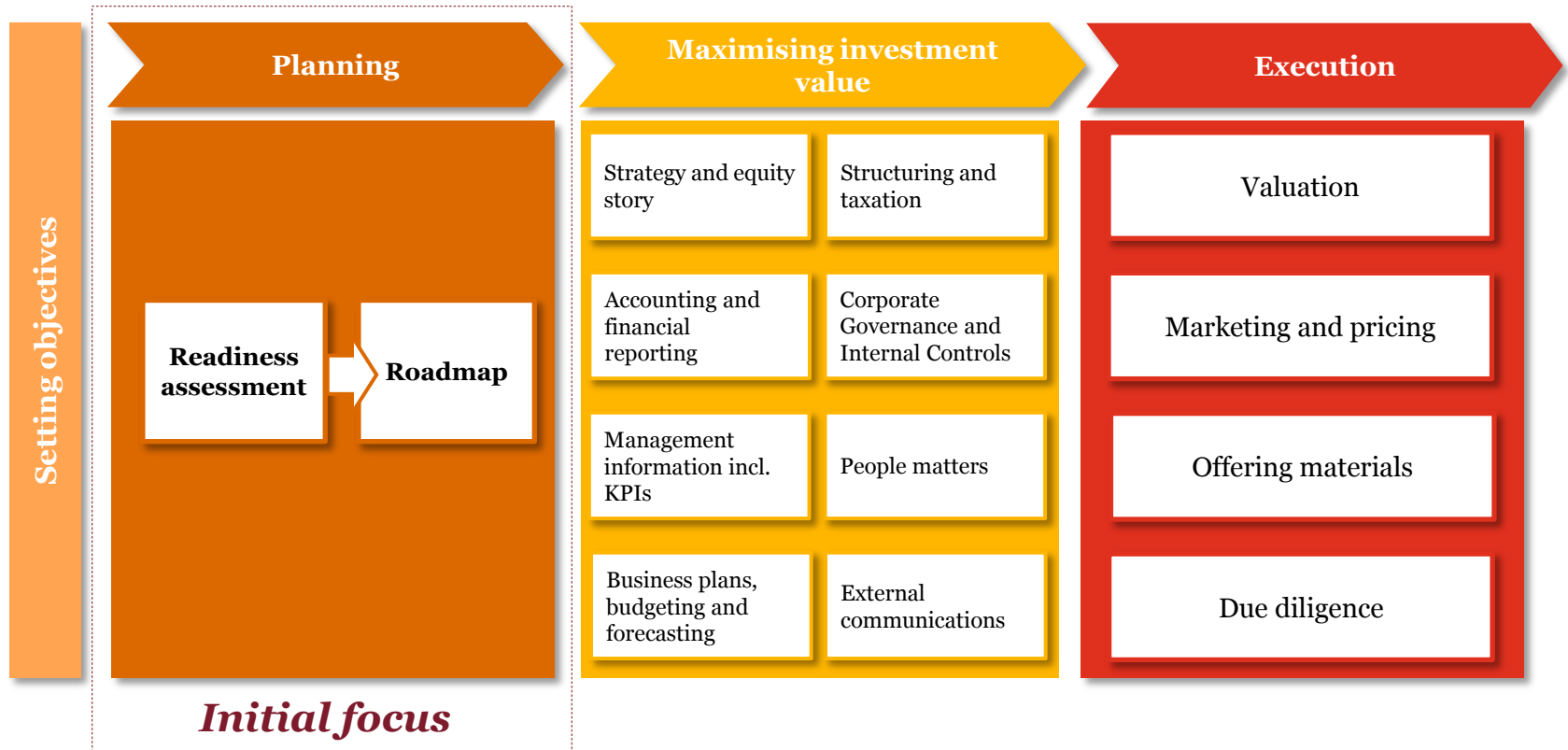
## **Relationship agreements**

- New rules formally introduced in 2014
- Apply to premium listed companies and often voluntarily adopted by non-premium listed foreign companies
- Independence of a controlling shareholder (>30% votes) and its associates
- A legally binding agreement, material changes subject to independent shareholder approval
- Election of INEDs to be approved both by the shareholders as a whole and by the independent shareholders
- Cancellation of listing requires additional approval by independent shareholders

# Roadmap to an IPO - putting readiness in context

There are 3 phases to a successful IPO – assessing readiness is the first key task of Phase 1.

The focus of IPO readiness is to help you prioritise and develop your IPO strategy, but with a focus on the value drivers which will ensure that you maximise the value and minimise execution failure.



# Overview of IPO readiness process

**1**

**Assess the current state of affairs on the key value drivers in a IPO**

**2**

**Identify the main gaps to being IPO ready – requirements vs ‘nice to have’**

**3**

**Convert the gaps into concrete actions and next steps with priorities**

**4**

**Allocate responsibilities and set a high level time line**

## Scope

**Strategy and equity story**



**Structuring and taxation**



**Corporate governance and internal controls**



**Financial and management reporting**



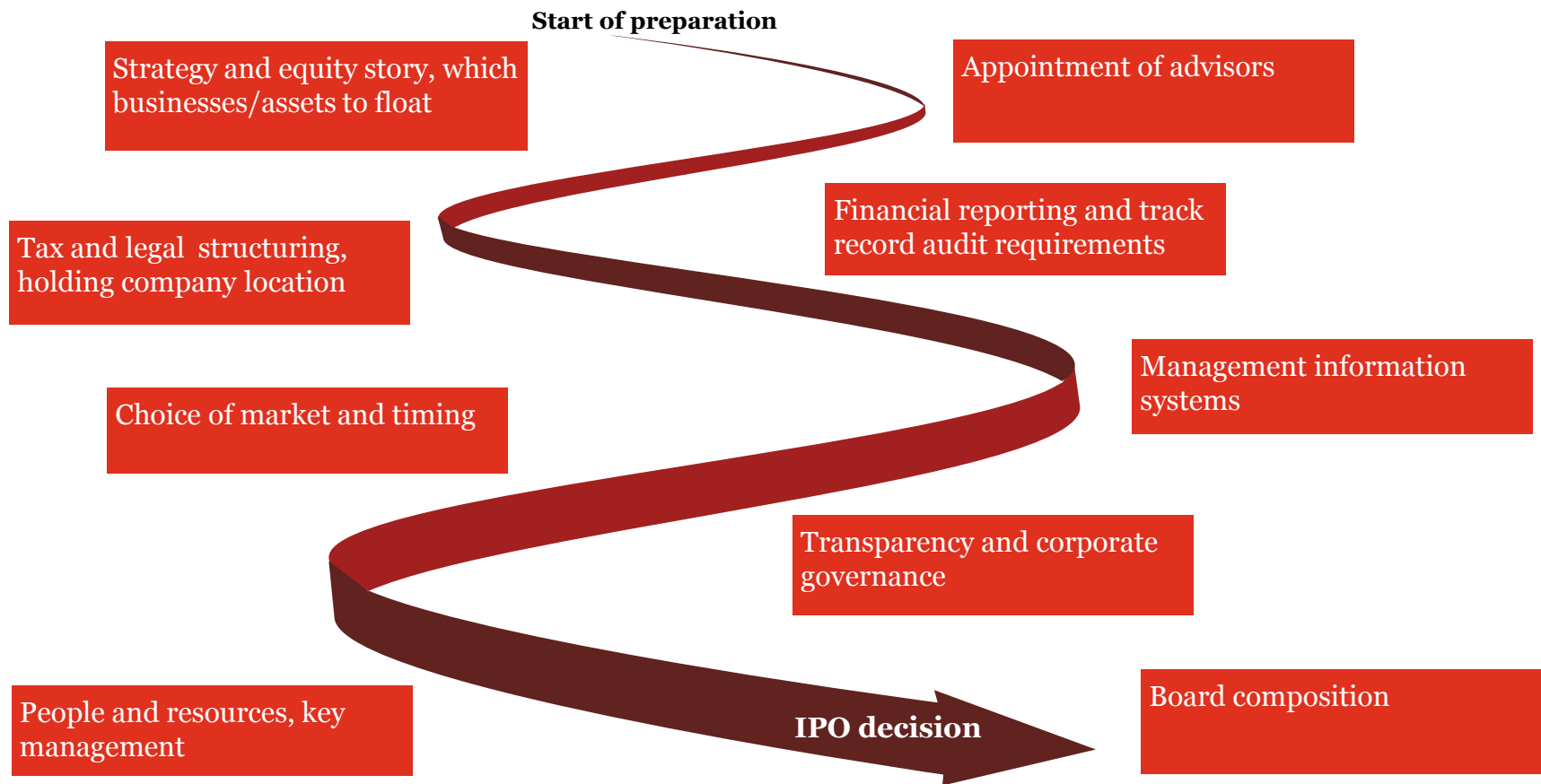
**Business plans, budgets, forecasts**



**People matters**



# *Key decisions on the road to IPO*



---

## ***Recap***



***Distinct differences between different types of listing; FTSE indexation (available to premium listed foreign companies) is an important factor***



***Age of audited financial information and 75% rule – key financial eligibility conditions (for premium listing)***



***More extensive accountants' due diligence process for all types of London listing except GDRs – compared to the US market***



***No external ongoing attestation on internal controls; FPP diligence at the point of IPO does not involve control testing***



***Corporate Governance requirements and controlled company rules differ from the US market***