



Listing on Main Market
September 2009

Types of Listing

- Main Market
 - Primary
 - Secondary
- AIM
- PLUS

Listing on Main Market

- Suits larger and more established companies
- Prestigious
- Global reach – UK time zone benefits
- Equity, debt, depositary receipts and other securities
- Capital, profile, liquidity

Listing on Main Market

- Primary
 - “Gold standard” but high level of regulation particularly in relation to continuing obligations that goes beyond what is required by European law

Listing on Main Market

- Secondary
 - Complies with European law but not necessary to comply with all the continuing obligations which apply to companies with a primary listing
 - It is not necessary for a non-UK company with a secondary listing to have a primary listing elsewhere
 - There are also easier entry requirements in the case of secondary listings, eg easier requirements for trading history and revenue earning record less onerous

Listing Requirements

- Raise minimum £700,000 although in practice should be at least £100,000,000
- Need to produce prospectus which has to be approved by the UK Listing Authority (part of the FSA or Financial Services Authority)
- In addition, London Stock Exchange admits securities to trading on Main Market – so it is a dual process
- Minimum 25% of shares must be in public hands

Global Depositary Receipts

- Efficient and relatively cost effective
- Attractive to non-UK issues in Far East
- DRs are negotiable certificates representing a number of shares and are traded independently or the underlying shares
- Can list DRs on Main Market or Professional Securities Market, which is available to institutional investors

Regulatory Framework

- Prospectus Rules
 - The admission of securities to the Main Market will require the production of a prospectus and compliance with the Prospectus Rules as to the form and content of the prospectus
- Listing Rules
 - These apply to companies which are listed or are seeking admission to the Main Market

Regulatory Framework

- Disclosure and Transparency Rules
 - These apply to listed companies and require disclosure of certain information on an ongoing basis and are designed to provide market transparency
- Specialist Issuers
 - Specialist Issuers (eg mineral companies and property companies) will also need to consider the recommendations of the Committee of European Securities Regulators (“CESR”)

Regulatory Framework

- CESR
 - The CESR recommendations also apply to certain financial information to be included in a prospectus such as profit forecasts and statements of capitalisation and indebtedness

Advantages and Disadvantages

- Advantages
 - Access to capital
 - Market for company's shares
 - Employee commitment
 - Opportunities for acquisitions and growth
 - Public profile
 - Third party relations (customers and suppliers)
 - Efficiency

Advantages and Disadvantages

- Disadvantages
 - Susceptibility to market conditions
 - Potential loss of control
 - Disclosure requirements and ongoing reporting
 - Costs
 - Management time
 - Directors' responsibilities and restrictions

Requirements

- Usually 3 years' accounts, ending no more than 6 months before the flotation date
- Independent trading and revenue – earning record over the same period as accounts, including records on companies/businesses acquired
- Directors and senior management must have appropriate collective experience and expertise and free of conflicts of interest

Requirements

- Working capital – minimum of 12 months. In practice a minimum of 18 months
- Independent operations from major shareholders and dealings on arm's length basis
- Market capitalisation not less than £700,000. In practice, £100,000,000 or more

See also Appendix 1

Methods of IPO

- Placing
- Introduction
- Public offer

Continuing Obligations

- Corporate governance
- Disclosure of price sensitive information to public
- Filing management reports and accounts

See also Appendix 2

Timing

- The earlier structures and systems put in the place the easier the process
- Once in place, will need to allow 12-24 weeks before proposed admission

See also Appendix 3

Conclusion

- Is the Main Market right for your business?
 - Size
 - Profile
 - Liquidity
- Primary, secondary, PSM

Appendix 1

	Main Market			Professional Securities Market
	Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs
Basic requirements for the listing/offering				
Admission document	A company seeking admission to listing must produce a prospectus in accordance with Annexes I-III of the Prospectus Rules and comply with any relevant Listing Rules requirements.	A company seeking admission to listing must produce a prospectus in accordance with Annex X of the Prospectus Rules and comply with any relevant Listing Rules requirements (see Schedule 1).	A company must produce Listing Particulars in accordance with Chapter 4 of the Listing Rules, which references Annex X of the Prospectus Rules.	
Deposit Agreement	The Company and its UK registrar (acting as a depositary) may enter into a deposit agreement governing the terms of the depositary interests.		The Company and depositary will enter into a deposit agreement governing the terms of the DRs.	
Due diligence and verification	The company will normally undertake an extensive due diligence exercise (including preparation by the company's accountants of a "long form report" into the business of the company and 10b-5 style due diligence). The factual contents of the prospectus will normally be subject to a verification exercise.			
Minimum Listing Requirements				
Financial record	3 years' audited accounts ending not more than 6 months from the date of the prospectus.	3 years' audited accounts (or such shorter period as the company has been in operation), ending not more than 18 months (if audited interim accounts included) or 15 months (if unaudited interim accounts included) from the date of the prospectus. (Schedule 1, 20.1 & 20.4.1).		
Accounting standards	IAS or equivalent accounting standards (eg US GAAP). (Schedule 1, 20.1) as adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002.			Local GAAP.

Appendix 1 – Comparison of Key Listing Requirements

	Main Market			Professional Securities Market
	Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs
Basic requirements for the listing/offering				
Minimum market capitalisation	£700,000			
Minimum shares in public hands	25% of class of shares to be listed. ¹ The shares must be freely transferable		25% of DRs listed (no minimum or underlying class of shares). ¹ The DRs must be freely transferable.	
Working capital statement	Sufficient working capital for at least 12 months from publication of the prospectus.		No disclosure required.	
Sponsor	Sponsor must be appointed for application for admission to listing.	Not required.		
Other requirements	Underlying security must conform with the company's national law, be duly authorised by the company's constitution and have any necessary statutory or other consents.			

1. The FSA may modify this rule to accept a percentage lower than 25% if it considers that the market will operate properly with a lower percentage in view of the large number of shares/depository receipts of the same class and the extent of their distribution to the public.

Appendix 1 (cont'd)

Main Market			Professional Securities Market
Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs

Prospectus disclosure requirements

Contents of the Admission Document

The prospectus must disclose inter alia the following information:

- information about the company and business description;
- operating and financial review;
- audited financial statements (see below);
- profit forecasts and estimates (if relevant);
- information on the shares/DRs;
- capital resources;
- directors, senior management and employees;
- major shareholders
- related party transaction
- risk factors; and
- reasons for the offer and use of proceeds.

Pro forma statements (if applicable)

Required

Not required

Depositary interests or receipts

Description of the terms applicable to the depositary interests (if any).

Details on DRs, including description, currency, legislation under which created and whether in bearer or registered form, plus details of the depositary.

Appendix 1 (cont'd)

Main Market			Professional Securities Market
Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs

Financial Information

Historical Financial Information

3 years' profit and loss, balance sheets and cash flow statements, plus accounting policies and notes to annual accounts. Shorter periods may be permitted for mineral or scientific research companies.
Independently audited and audit report to be included.

3 years' (or such shorter period that the company has been in operation) profit and loss, balance sheets and cash flow statements, plus accounting policies and notes to annual accounts.
Independently audited and audit report to be included.

Latest accounts

Must include recent interims if published of more than 9 months since last year end, which may be unaudited and must cover at least the first 6 months of the financial year. (Schedule 1, 20.5.2)
The interim financial information must include comparative statements for the same period in the prior financial year.

Capital Resources

Information concerning the company's capital resources (both short and long) and information on the borrowing requirements and funding structure of the company.

Capitalisation and Indebtedness

Statement of capitalisation and indebtedness no later than 90 days prior to date of prospectus

No statement required.

Forecasts and estimates

Not mandatory but if included, detailed requirements as to assumptions and basis on which produced and must be reported on by accountants.

Appendix 1 (cont'd)

	Main Market			Professional Securities Market
	Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs
Other disclosure requirements				
Disclosure of directors' remuneration and contracts	<p>Amount of remuneration paid and benefits in kind for administrative, management or supervisory bodies. Such information must be provided on an individual basis (unless individual disclosure is not required by the company's home country and is not otherwise publicly disclosed).</p> <p>Details of service contracts (including term sheet and benefits payable on termination).</p>			
Other information on directors	<p>Disclosure of potential conflicts of interest of directors and their private interests/other duties or appropriate negative disclosure.</p> <p>Information regarding board practices, such as terms of office, termination of employment provisions, terms of reference of audit and remuneration committees.</p>			
Information on controlling shareholders	<p>Details of whether the company is owned (eg 30%+ shareholder) including the nature of such control and measures in place to ensure that such control is not abused.</p>			
Information on major shareholders	<p>Insofar as is known to the company, the name and relevant interest of any persons who, directly or indirectly, has an interest notifiable under the company's national law in the company's capital or voting rights.</p>			
Related party transactions	<p>Details of the nature of and extent of any transactions (whether single or in their entirety) material to the company regarding related party transactions that the company has entered into during the period covered by the historical financial information and up to the date of the prospectus.</p> <p>Where such transactions were not at an arms length basis, an explanation must be provided. Information regarding outstanding loans and guarantees must also be given, indicating the amount outstanding.</p>			

Appendix 1 (cont'd)

Main Market			Professional Securities Market
Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs

Mineral Companies			
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Definition	<p>A mineral company is a company whose principal activity is or is planned to be the extraction of mineral resources;</p> <ul style="list-style-type: none"> • “extraction” includes mining, production, quarrying or similar activities and the reworking of mine tailings or waste dumps; • “mineral resources” include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and sold fuels, including coal. <p>Companies that are only involved in the exploration of mineral resources and are not undertaking or propose to undertake their extraction on a commercial scale (ie as a business activity) are not classed as mineral companies.</p>		
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Eligibility requirements for mineral companies	<p>A mineral company is not subject to the usual eligibility requirements that: at least 75% of its business is supported by a historic revenue earning record covering at least 3 years;</p> <p>it controlled the majority of its assets for at least the last 3 years; and</p> <p>it carries on an independent business as its main activity</p> <p>If the mineral company does not hold controlling interests in a majority (by value) of its properties/mines, it must demonstrate a reasonable spread of direct interests in mineral resources and rights to participate in their extraction.</p>	<p>3 years’ (or such shorter period that the company has been in operation) profit and loss, balance sheets and cash flow statements, plus accounting policies and notes to annual accounts.</p> <p>Independently audited and audit report to be included.</p>
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Appendix 1 (cont'd)

	Main Market			Professional Securities Market
	Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs
Prospectus disclosure	If the company is a mineral company the prospectus must also include a CPR describing the company's mineral reserves.			
Contents of the CPR	<p>Agree definitions and content of CPR with the FSA (in practice, this will be based on similar provisions set out in Chapter 19 of FSA listing rules). The CPR will normally include:</p> <ul style="list-style-type: none"> • details of reserves and expected period of working of these reserves; • indication of periods and terms of main concessions/licences and economic conditions for working them; • indication of progress of actual working and explanation of any exception factors affecting these items; • estimate of funding requirements and cash flow for next 2 years (including extraction costs, prices and grade structures of resources to be sold and assumptions on which this is based); and confirmation of cash flow estimate by an independent auditors. 			
Acceptable mineral classification systems	The FSA will accept leading internationally recognised reserve and resources categories (eg JORC).			
Competent person requirements	Competent person ("CP") must provide review and be a suitably qualified and experienced expert. CP must be either independent of the company and its advisers, or its relationships and interests must be clearly disclosed in both the prospectus and the CPR.			
Property Companies				
Definition	Property companies are those issuers whose principal activity is holding of properties, both directly and indirectly and development of properties for letting and retention as an investment, the purchase or development of properties for retention as investment, where property means freehold, heritable or leasehold property or any equivalent.			
Prospectus disclosure	If the company is a property company, the prospectus must also include a valuation report on its properties.			

Appendix 1 (cont'd)

	Main Market			Professional Securities Market
	Primary Listing	Secondary Listing	Listing of DRs	Listing of DRs
Contents of valuation report	<p>The valuation report must:</p> <ul style="list-style-type: none"> • be prepared by an independent expert; • give the date or dates of inspection of the property; • provide all the relevant details in respect of material properties necessary for the purposes of the valuation; • be dated and state the effective date of valuation for each property, which must not be more than 1 year prior to the date of publication of the prospectus provided that the company affirms in the prospectus that no material changes have occurred since the date of valuation; • include a summary showing separately the number of freehold and leasehold properties together with the aggregate of their valuations (negative values must be shown separately and not aggregated with the other valuations; separate totals should be given for properties valued on different bases); and • include an explanation of the differences of the valuation figure and the equivalent figure included in the issuer's latest published individual annual accounts or consolidated accounts, if applicable. 			

Appendix 2 – Main Market Key Continuing Obligations

Listing Route

Rule Reference	Continuing obligations	Primary listing of equity	Secondary listing of equity/DRs
Admission and Disclosure Standards	Compliance with the Exchange's admission and Disclosure Standards	•	•
LR9	Corporate governance	<p>UK incorporated primary listed issuers must comply with the Combined Code (or explain why they do not).</p> <p>International primary listed issuers must disclose whether or not they comply with the corporate governance regime of their country of incorporation and provide a statement of differences.</p>	
LR9 LR14 LR18 DTR4	Annual report and accounts	•	• (DR issuers exempt)
LR9 LR14 DTR4	Half yearly report	•	•
PR DTR	IFRS for financial reporting (or equivalent standard for non UK issuers)	•	•

Appendix 2 (cont'd)

Listing Route

Rule Reference	Continuing obligations	Primary listing of equity	Secondary listing of equity/DRs
LR9	<p>Prior shareholder approval and/or notice required for certain transactions through pre-emption rights and the class tests.</p> <p>Primary listed issuers incorporated outside the UK do not have to comply with the pre-emption rules.</p>	•	
LR9	Compliance with the Model Code	•	
LR8 and 9	A sponsor must be retained for certain transactions	•	
DTR2	Inside information: publication to the market as soon as possible and synchronised in all jurisdictions in which the company has securities listed	•	•
DTR2	Drawing up and maintaining an insider list	•	•

Appendix 2 (cont'd)

Listing Route

Rule Reference	Continuing obligations	Primary listing of equity	Secondary listing of equity/DRs
DTR3	Senior directors must notify the company of any personal transactions in the company's securities which must be reported to the market as soon as possible.	•	•
DTR4	Interim Management Statements	•	• (DR issuers exempt)
DTR5	Major Shareholder Notification	•	• (DR issuers exempt)
PR5	Publication of an 'Annual Information Update' containing or referring to all information which the company has made public over the previous 12 months	•	•

Appendix 3 – Countdown to Flotation Timetable

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
12-24 weeks before admission								
Appoint advisers			✓					
Detailed instructions to all advisers			✓	✓	✓	✓	✓	✓
Detailed timetable list agreed	✓	✓		✓	✓	✓	✓	
6-12 weeks before admission								
Review of problem areas			✓		✓		✓	
Draft prospectus produced			✓		✓		✓	
Other documents in first draft					✓		✓	
Initial review of pricing issues			✓	✓	✓			
First drafting meetings			✓		✓	✓	✓	
Draft documents submitted to the UKLA		✓			✓			
Initial meeting with the Exchange	✓		✓		✓			
Review PR presentations			✓	✓	✓		✓	✓
Analyst presentation			✓	✓	✓		✓	✓

Appendix 3 (cont'd)

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
1-6 weeks before admission								
Drafting meetings			✓		✓	✓	✓	
Due diligence on prospectus			✓		✓	✓	✓	
PR meetings and roadshow			✓	✓	✓			✓
Formally submit and agree all documents and derogations with the UKLA		✓			✓			
Bulk print pathfinder prospectus if required					✓		✓	
1 week before admission								
All documents completed and approved by the UKLA		✓	✓		✓	✓	✓	
Pricing and allocation meeting			✓	✓	✓		✓	
Register prospectus		✓			✓		✓	
Sign subscription agreement			✓		✓			
Bulk print final prospectus					✓			

Appendix 3 (cont'd)

	Exchange	UKLA	Company	Corporate Broker	Sponsor	Accountant	Lawyers	PR
Admission week								
Submit 48 hours documents	✓	✓		✓	✓			
Formal application for listing and admission to trading	✓	✓		✓	✓			
Pay UKLA and Exchange fees			✓	✓	✓			
Listing and admission to trading granted	✓	✓						
Trading commences	✓							

