



JOINING THE MAIN MARKET

A field guide for applicants to the Main Market
of the London Stock Exchange



London
Stock Exchange

INTRODUCTION

The Main Market of the London Stock Exchange is one of the world's longest established and most liquid markets trading the securities of over 1,600 companies from 60 countries. A listing on the Main Market is an aspiration for many companies.

The purpose of this guide is to deal with some of the questions frequently asked by companies contemplating a premium or standard listing of their shares on the Main Market and to provide an overview of the flotation process.

DLA Piper has a wealth of experience in advising Main Market issuers – we have worked with many companies to help them achieve their ambition of a Main Market listing and their plans for growth following flotation.

The Main Market attracts interest from businesses operating in many parts of the world. We have offices in more than 65 cities globally and we act for nearly half of the FTSE 350 or their subsidiaries. The combination of local and international experience delivered by that platform across a wide range of industry sectors makes DLA Piper an ideal partner for your business. We would be delighted to talk with you about how we can help you plan and achieve an IPO on London's Main Market.

If you have any queries about this guide, or for further information generally, please call our national switchboard on +44 (0)8700 111 111 and ask for any of the people listed here:

Alex Tamlyn
Head of Capital Markets EMEA
alex.tamlyn@dlapiper.com

Charles Severs
charles.severs@dlapiper.com

Catherine Simister
catherine.simister@dlapiper.com

Charles Cook
charles.cook@dlapiper.com

John Campion
john.campion@dlapiper.com

Jon Kenworthy
jon.kenworthy@dlapiper.com

Jon Hayes
jon.hayes@dlapiper.com

Jonathan Watkins
jonathan.watkins@dlapiper.com

Jonathan Procter
jonathan.procter@dlapiper.com

Polly Owen
polly.owen@dlapiper.com

Robert Bishop
robert.bishop@dlapiper.com

Stephen Devlin
stephen.devlin@dlapiper.com

Tom Heylen
tom.heylen@dlapiper.com

Yunus Maka
yunus.maka@dlapiper.com



I WHAT ARE THE BENEFITS OF JOINING THE MAIN MARKET?

- **Access to capital** – Joining the Main Market will provide the company with access to a wide institutional and retail shareholder base and a deep pool of capital, giving the company an opportunity to fund its plans for growth through equity fundraisings both on flotation and in the future. This may prove attractive to a company which has reached a stage in its development where it is considering alternatives to bank or venture capital finance.
- **Liquidity of shares** – The company's shares will become more marketable by being traded on a regulated and liquid market at an externally agreed price. The company's market capitalisation and share price performance provides a visible means of comparing the company with its competitors.
- **Employee commitment** – Being listed on the Main Market will provide the company's employees with an opportunity to participate in the ownership of the company. Share incentive schemes are commonly used to help listed companies attract and retain key employees.
- **Profile** – A listing on the Main Market is a real opportunity to raise the company's profile, in particular,

through access to more extensive media coverage. This will help to sustain demand for and liquidity in the company's shares.

- **Comfort for suppliers and customers** – Given the in-depth processes that a company has to undertake to obtain a listing on the Main Market and the ongoing regulatory requirements to which it is subject, customers and suppliers gain a significant degree of comfort as to the organisation, transparency and financial standing of the company.
- **Greater efficiency** – The listing process and ongoing corporate governance requirements help encourage better systems and controls within the company. This, in turn, enhances investors' confidence in the company.
- **Ability to take advantage of acquisition opportunities** – The company will be able to offer its shares as consideration for an acquisition where unlisted shares would be less attractive to a vendor.
- **Exit opportunity** – Listing can allow existing shareholders (for example, venture capital investors and/or family founders) to realise some or all of their investment at the same time as increasing the company's shareholder base.

2 WHAT LISTING OPTIONS ARE AVAILABLE ON THE MAIN MARKET?

When listing equity securities on the Main Market, companies may opt for either a premium listing or a standard listing.

- **Premium listing** – Companies with a premium listing are expected to meet the UK's highest standards of regulation and corporate governance. These standards are super-equivalent to EU minimum requirements. Premium listed shares are also eligible for inclusion in the FTSE UK Index Series, further enhancing the company's profile and the liquidity of its shares.
- **Standard listing** – A standard listing allows companies to access the Main Market by meeting EU minimum requirements only. In general therefore, standard listed companies are not subject to the same stringent requirements as premium listed companies. Consequently, such companies may not enjoy the same high profile as premium listed companies nor have access to the same wide investor base. In particular, standard listed shares are not eligible for inclusion in the FTSE UK Index Series.

KEY FEATURES OF THE MAIN MARKET:

- Home to some of the world's largest and most high profile companies.
- Offers access to a wide range of investors and a deep pool of capital.

3 IS A LISTING ON THE MAIN MARKET RIGHT FOR OUR COMPANY?

In particular, you should consider the following:

- **Eligibility criteria** – The company will need to satisfy a number of basic conditions in order to be eligible for a premium or standard listing on the Main Market:¹
 - it must be duly incorporated under relevant laws. In the case of a UK company this usually means being a public limited company;
 - the shares for which listing is sought must be issued in accordance with relevant laws and the company’s constitution;
 - the shares must be freely transferable;
 - the expected market capitalisation of the company must be at least £700,000 and would typically be expected to be much higher than this;

- once the company is listed, at least 25 per cent of each class of shares being listed must be in public hands in one or more EEA Member States; and

- the application for listing must relate to all shares of the same class issued or proposed to be issued and the shares must be capable of electronic settlement.

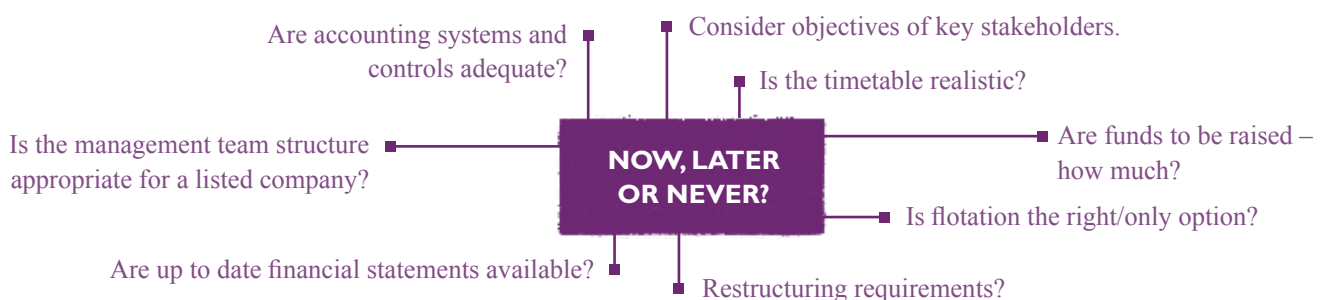
In addition, a company seeking a **premium** listing must comply with the following super-equivalent eligibility criteria:

- it must have published or filed audited accounts covering a three year period and ending no more than six months before the planned flotation;²
- at least 75 per cent of its business must be supported by a three year historic revenue earning record, it must control the majority of its assets (and must have done so for at least three years) and it must demonstrate that it will be carrying on an independent business as its main activity; and

- it must be able to show that it has enough working capital for its current needs and for at least the 12 months following flotation.

- **Business plan** – In order to be an attractive proposition for investors, the company must not only have a solid trading record, it must also have robust and realistic plans for future growth.

- **Management and employees** – Investors like to see that a potential Main Market company has a strong, experienced and stable management team. The company should therefore review the strengths and weaknesses of its current management team and consider whether additional members need to be recruited to bring additional expertise to the team. A key consideration here is the recruitment of able and experienced non executive directors to the board.



¹ These eligibility criteria are set out in Chapter 2 of the Listing Rules.

² The UKLA has the discretion to accept accounts for a shorter period where it is satisfied that investors have the necessary information to make an informed judgment as to investment.

4 HOW SHOULD THE COMPANY PREPARE FOR A LISTING ON THE MAIN MARKET?

Before the flotation process gets underway in earnest, the company should be reviewing every aspect of its business to ensure that it is ready for listing.

This review may involve any or all of the following:

- **Pre-flotation review of assets and liabilities** – It is important, particularly when seeking a premium listing, that the company owns or controls all of the assets needed for the successful operation of its business. A review of the company’s key assets will therefore be required as part of the preparations for flotation. Liabilities (including, for example, tax liabilities) of the group should also be reviewed to ensure that following flotation the company will only be responsible for liabilities that are associated with its own business.
- **Shareholder arrangements** – In general, special rights and obligations of shareholders, and arrangements with shareholders which are not on an arms length basis, tend to be unwound on a flotation. Existing shareholders may be required to enter into lock-up arrangements restricting their ability to sell shares for a certain period following the flotation.
- **Constitutional documents** – These will need to be reviewed to ensure that they are suitable for a listed company.
- **Corporate governance** – In order to prepare for listing and the ongoing corporate governance standards to which the company will be subject,³ the company should review its corporate governance and internal control systems and make any necessary changes to these systems in advance of flotation, to ensure minimum disruption to the operation of the business.
- **Share capital** – It is usually necessary to undertake some form of reorganisation of the share capital of the company (for example a share split/consolidation and/or a bonus issue) in order to ensure that sufficient new shares are available for any issue of shares as part of the flotation and to assist with setting the right issue price.
- **Banking facilities** – These will need to be reviewed to ensure that they are sufficient for the company’s capital requirements going forward.
- **Contracts** – Important contracts should be examined to ensure that there are no change of control provisions which would be triggered by a flotation and which could have an adverse effect on the company’s business.
- **Intellectual property** – Intellectual property rights should be reviewed to verify ownership and to ensure that they are properly protected.
- **Share schemes** – If the company has a share scheme, this should be reviewed. If not, the company may consider establishing one or more such schemes to attract and incentivise employees. The availability of such schemes may be an important factor in valuing the company’s shares and in its future success.
- **Pension schemes** – These should be reviewed to ensure adequacy of funding levels, a particular concern where the company has a final salary scheme.
- **Insurance** – All the company’s insurance policies (including directors and officers insurance) should be reviewed to ensure they provide adequate cover. The directors may also consider obtaining insurance against their liabilities under the prospectus (see question 9 below). Where this is the case, it is essential that insurers are involved in the flotation process at an early stage. They will often wish to be involved in the verification process, for example, so that they are able to make a fully informed risk assessment.

³ Namely, for premium listed companies, the UK Corporate Governance Code published by the Financial Reporting Council, and for standard listed companies the requirements of chapter 7 of the Disclosure and Transparency Rules. See question 10 below for further information.

5 WHAT OTHER ADVISERS WILL I NEED TO APPOINT AND HOW MUCH WILL THE TRANSACTION COST?

The roles of each of the key advisers are summarised below:

- Sponsor/financial adviser (who may also combine the roles of bookrunner, global coordinator and lead adviser)** – The sponsor/financial adviser plays a key role in bringing the company to the Main Market – it co-ordinates and organises the whole flotation process. A company seeking a premium listing must appoint a sponsor. Under the Listing Rules, a sponsor has an important regulatory role – the UKLA relies on the sponsor to confirm to it that the company is suitable for a premium listing, that all eligibility criteria have been met and that all other requirements of the Prospectus Rules and the Listing Rules have been fully complied with.⁴ In particular, the sponsor will liaise with the UKLA and the London Stock Exchange to ensure that the admission and prospectus vetting processes run smoothly.

The sponsor must also be satisfied that the directors are fit to be directors of a listed company and will advise on the structure and make up of the board.

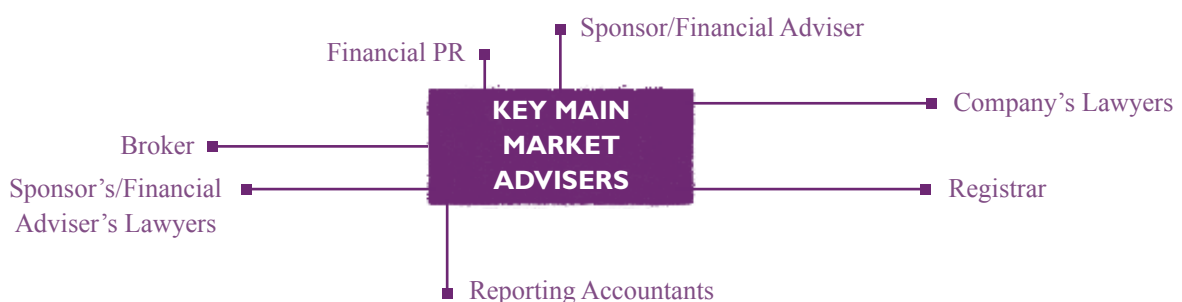
Whilst a sponsor is not required when seeking a standard listing, a lead financial adviser would normally be appointed to co-ordinate the flotation.

In conjunction with the brokers, the sponsor/financial adviser will also advise on the pricing and underwriting on the company’s shares on flotation.

- Broker** – The broker acts as the main interface between the company and the London Stock Exchange. In broad terms the broker’s key roles are to assist in pricing the issue, to prepare the market and to market the issue. Following flotation, the broker will manage the relationship between the company and its institutional investors and will also market the company’s shares in order to sustain their liquidity.
- Reporting Accountants** – The reporting accountant is distinct from the company’s own auditor and its principal function is to

review the company’s financial record and internal systems for the benefit of potential investors. It will produce both a “long form” report (a detailed analysis of the company’s business and financial history) and a “short form” report (the company’s three year financial record that must be included in the prospectus). The reporting accountant will also typically prepare a report on the company’s working capital projections for the 12 to 18 months following flotation.

- Company’s lawyers** – The company’s lawyers advise the company in relation to the legal aspects of the flotation process. This includes carrying out legal due diligence on the company, dealing with any reorganisation of the company’s structure and amendments to its constitutional documentation prior to flotation. The company’s lawyers will also advise the directors in relation to their responsibilities and prepare verification notes in relation to the prospectus. The company’s lawyers also prepare the directors’ service contracts, share incentive schemes and assist in the drafting of the prospectus itself.



⁴ The sponsor’s key obligations are set out in paragraphs 8.4.2R and 8.4.3R of the Listing Rules.



- **Sponsor’s/financial adviser’s lawyers** – The role of the sponsor’s/financial adviser’s lawyers is to advise the sponsor/financial adviser on any agreements between it and the company, in particular any underwriting or placing agreement and to assist in the preparation of the prospectus. They will also review the work done by the company’s lawyers.
- **Financial PR consultants** – Financial PR consultants are employed to generate positive press interest in order to gain maximum coverage of the company and the share offering at the time of flotation. They may also be engaged to monitor the wording and format of any public statements or press releases made during the flotation process.

The usual cost for engaging the above advisers on a flotation is, as a rough guide, around 10 per cent of any money raised in fees.

The typical cost for appointing a sponsor/financial adviser and

broker to advise on admission to the Main Market is usually calculated as a percentage of any new money raised, typically between three and five per cent of the value of the issue, depending partly on whether the sponsor/financial adviser is underwriting the issue or not. Additionally, a corporate finance fee is generally charged.

The company will also be required to pay an admission fee to the London Stock Exchange, the amount of which will depend on the company’s initial market capitalisation. The UKLA will also charge a fee to vet the company’s prospectus.

6 HOW LONG WILL A MAIN MARKET FLOTATION TAKE AND WHAT DOES THE FLOTATION PROCESS INVOLVE?

It can often take up to two years to prepare a company thoroughly for flotation, and most advisers suggest at least a year from decision to execution. This ensures that

appropriate internal financial and management controls are in place and that any necessary restructuring can be carried out. The timetable for the flotation process itself is shorter, typically around three to six months from the appointment of advisers.

The precise timetable will depend on the company’s circumstances and the nature of the fundraising. For example, whether any new or existing shares are to be offered in connection with the flotation (they need not be) and, if so, the offering structure (e.g. retail, institutional, employee or priority allocation offer, or a combination); whether the issue is to be underwritten; whether any offer is to be extended to international investors and the extent of any pre-flotation reorganisation that is required. A further key factor in timing may also be how much work the reporting accountants are required to carry out in order to prepare their long form and short form reports, and to complete the working capital review.

Once advisers have been engaged and the due diligence processes are underway, the countdown to flotation starts in earnest. The period leading up to admission to the Main Market is one of intense activity, typically involving the following:

- **Preparation of the prospectus and verification** – A prospectus is required when seeking either a premium or standard listing on the Main Market. The prospectus is the principal marketing document. It must contain all information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the company, and of the rights attaching to its shares.⁵ It must also contain a number of specific disclosures, as required by the UKLA Prospectus Rules.⁶ The UKLA must also vet and approve the prospectus prior to its publication to ensure that these disclosure requirements have been complied with.⁷ This vetting process can take several weeks to complete, as the prospectus is continually refined and the UKLA's comments and queries are dealt with.

A verification exercise is carried out to help ensure that the prospectus is true, accurate and not misleading. Further, the verification process should assist in ensuring that all material facts have been disclosed in the prospectus. Verification can be a long process, but it is vital. The company's lawyers will be heavily involved in this process and will assist in the production of verification notes and in guiding the board on the issues that it should be considering.

- **Application for admission to trading on the Main Market** – This process runs in tandem with the UKLA's prospectus approval process and application for listing on the official list. The company must also apply to the London Stock Exchange to have its securities traded on the Main Market and ensure that the Exchange's Admission and Disclosure Standards are complied with. The company and its advisers will liaise with the Exchange from a relatively early stage to ensure the admission to trading process runs as smoothly as possible.

- **Marketing** – The success or otherwise of a flotation will depend to a large extent on the marketing of the flotation to potential investors. The scale and nature of the pre-impact marketing will depend largely on the form the flotation is taking, and in particular whether it involves a public offer. The lead role in pre-impact marketing is generally taken by the brokers, since they are in constant direct contact with the market itself and have the clearest feedback on the market's response to the flotation. Typically, the company's directors (in conjunction with the company's sponsor, broker and financial PR advisers) will prepare and carry out a series of roadshows and presentations to potential investors in the weeks leading up to admission.
- **Placing/underwriting agreement** – A placing/underwriting agreement will be entered into between the sponsor/financial adviser, the company, the company's directors and any selling shareholders, under which the sponsor/financial adviser agrees to place the new and existing shares being issued

⁵ This general and overarching disclosure obligation is set out in section 87A(2) of the Financial Services and Markets Act 2000.

⁶ The contents requirements of the prospectus are set out in Appendix 3 (Annexes I, II and III) of the Prospectus Rules.

⁷ Paragraph 3.1 of the Prospectus Rules. The draft prospectus and other supporting documents must be submitted to the UKLA at least 20 working days before the intended approval date for the prospectus.



or sold with institutional investors. If the sponsor/financial adviser is underwriting the issue, it will also agree to subscribe for or purchase any shares not taken up by such investors.

- **Pre-impact day board meeting** – Impact day is the day on which a public announcement is made of the terms and the pricing of the issue and the day on which the prospectus is published. The day before impact day, a board meeting will be held (not surprisingly, referred to as the pre-impact day board meeting) to approve the prospectus and related documents and, crucially, to price the issue.
- **Impact day** – The flotation is announced and the prospectus is approved and published.

- **Admission** – This is the date on which the company’s shares are admitted to listing and trading on the Main Market, and on which dealings in the company’s shares commence. This normally takes place a few days after impact day.

7 DO COMPANIES SEEKING A LISTING ON THE MAIN MARKET HAVE TO BE A CERTAIN TYPE OF COMPANY INCORPORATED IN A SPECIFIC JURISDICTION?

Both UK companies and overseas companies may obtain either a premium or standard listing on the Main Market.

- If the company seeking a premium or standard listing is a UK company it must be a public limited company in order to be able to offer its shares to the public.
- An overseas company must be equivalent in its country of incorporation to a UK public company so that it can offer its shares to the public. There may be local legal and regulatory requirements which overseas companies will need to satisfy before their shares can be listed on the Main Market. In certain jurisdictions these requirements can be onerous, therefore local advice should be taken at an early stage in order to identify their implications for the flotation timetable.

8 ARE THERE LIKELY TO BE ANY RESTRICTIONS PLACED ON THE ABILITY OF KEY MANAGEMENT TO DEAL IN THEIR SHARES?

- Although not a regulatory requirement, the sponsor or financial adviser will usually wish to impose restrictions on the transfer of shares in the company by directors and major shareholders for a period of time after admission in order to avoid the possibility of a large number of shares being made available for sale soon after admission which could distort the market in the company's shares.
- A sponsor/financial adviser will particularly want such restrictions if it is underwriting the issue of shares and has to take up shares in the issue which it will then want to sell in small numbers into the market as and when it can. Such undertakings, (which can take the form of an absolute dealing restriction or simply a requirement to deal through the company's brokers) are typically given for a period of between 12 and 24 months after the listing.

9 WHAT POTENTIAL LIABILITIES WILL THE DIRECTORS BE EXPOSED TO IN CONNECTION WITH THE PROPOSED LISTING ON THE MAIN MARKET?

The publication of documents that are inaccurate or misleading in connection with a flotation can expose the directors to liabilities to compensate investors and even to criminal liabilities. The risk of incurring these liabilities can be minimised by proper and thorough due diligence and verification exercises.

- **Liability to investors** – The purpose of a prospectus is essentially to give potential investors the information they need in order to buy the company's shares. Therefore, if this information is inaccurate or misleading or if important information has been omitted, those responsible for the prospectus (including the company's directors) may be liable to pay compensation to investors who have suffered loss as a result. These liabilities arise under both statute and general law.⁸

- **Criminal liability** – The directors may also incur criminal liability if false or misleading statements are deliberately or recklessly made during the flotation process in order to induce any person to buy the company's shares.⁹
- **Liability to the sponsor/financial adviser** – The company and its directors may also be exposed to liability under the placing or underwriting agreement entered into with the company's sponsor/financial adviser. By agreeing to find investors for the company's shares or by taking up those shares itself, the sponsor/financial adviser exposes itself to legal, reputational and financial risks. It will therefore seek warranty and indemnity protection from the company and the directors to protect itself from these risks.

⁸ Section 90 of the Financial Services and Markets Act 2000 states that an investor has a right to seek compensation from a person responsible for a prospectus (this will include the company's directors) where he has acquired the securities which are the subject of the prospectus; and suffered loss in respect of those securities as a result of any untrue or misleading statement, or as a result of the omission of any matter required by to be included in the prospectus. Persons responsible for the prospectus may also face liability for misrepresentation and/or negligent misstatement as a result of untrue or misleading statements in a prospectus.

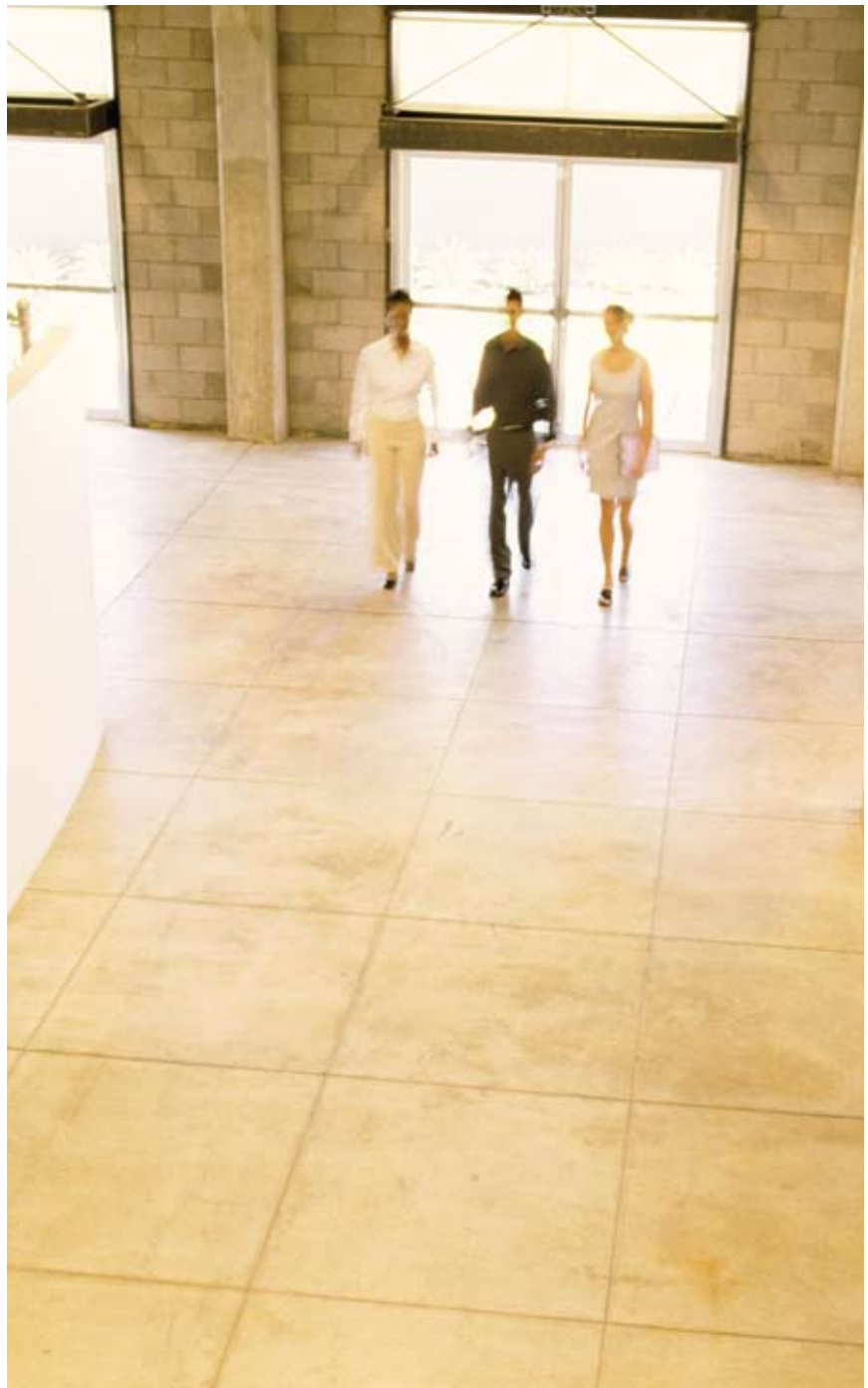
⁹ Criminal liability may arise under section 397 of the Financial Services and Markets Act 2000.

- **Minimising risk** – The rigorous due diligence and verification exercises that are an integral part of the flotation process are designed to help minimise the risk of these liabilities being incurred by the company and its directors. A key driver behind the verification process, for example, is the desire to ensure that the prospectus is accurate, does not mislead and contains all the necessary information about the company and its shares.

10 CAN YOU OUTLINE SOME OF THE KEY PROVISIONS OF THE UK CORPORATE GOVERNANCE CODE?

Although compliance with the UK Corporate Governance Code¹⁰ is not mandatory, the market takes an increasingly judgemental view of companies which do not comply, so management should take careful note of its recommendations.

This should help to make the company more attractive to investors, but in any case, a robust and good quality corporate governance structure will undoubtedly help to protect the company and its directors from regulatory risks. A premium listed company must state in its annual report the extent to which it complies with the UK Corporate Governance Code and justify the areas in which it falls short. Although a standard listed company



¹⁰ The UK Corporate Governance Code is published by the Financial Reporting Council and is available at <http://www.frc.org.uk/corporate/ukgcode.cfm>

is not required to do this, it is subject to a number of corporate governance related requirements¹¹ and may also choose to apply the UK Corporate Governance Code on a voluntary basis in order further to enhance investor confidence.

These are some of the UK Corporate Governance Code's key provisions:

Composition of the board

- the roles of chairman and chief executive should be separated.
- at least half the members of the board, excluding the chairman, should be independent non-executive directors.¹²

Board committees

- a nomination committee should be established to lead the process for board appointments and should consist of a majority of independent non-executive directors.¹³
- a remuneration committee should be appointed to set the level and structure of remuneration for all executive directors and the chairman, including pension rights and compensation payments.

- the board should establish an audit committee of at least three non-executive directors (or two in the case of smaller companies). At least one member should have recent relevant financial experience. The audit committee should monitor and review the effectiveness of the internal and external audit processes.

Directors' remuneration

- salaries should be sufficient to attract, retain and motivate directors of the quality necessary to run the company and a significant proportion of directors' salaries should be linked to corporate and individual performance.
- directors' service contracts should be terminable on no longer than 12 months' notice. Directors should not be given an excessive payoff if they leave due to failure to deliver.
- a directors' remuneration report must be included in the company's annual report and laid before shareholders. This report contains details of the directors' benefits and salary. Shareholders cannot

veto the report, but if they do not approve it this will inevitably create negative publicity.

- a company should have prior discussions with its institutional shareholders before any significant changes to directors' remuneration are made.

Internal control

- the board should maintain sound risk management and internal control systems and should review the effectiveness of these systems on at least an annual basis.¹⁴

Relations with institutional shareholders

- there should be a dialogue with institutional shareholders based on the mutual understanding of objectives.
- the board should make constructive use of the company's AGM and encourage investor participation in this meeting.

¹¹ Namely, the requirement to appoint an audit committee and include a corporate governance statement (which must describe the main features of the company's internal control and risk management systems) in its annual report and accounts (chapter 7 of the Disclosure and Transparency Rules).

¹² Paragraph B.1.2 of the UK Corporate Governance Code. Some of the provisions of the UK Corporate Governance Code do not apply to smaller companies (i.e. those below the FTSE 350 throughout the year immediately prior to the reporting year). In particular, such smaller companies are required to have at least two independent non executive directors as opposed to at least half the board. Paragraph B.1.1 of the UK Corporate Governance Code sets out the criteria for determining a non executive director's independence.

¹³ Paragraph B.2.1 of the UK Corporate Governance Code. The company's chairman may also chair the nomination committee.

¹⁴ Paragraph C.2 of the UK Corporate Governance Code. The Turnbull guidance suggests means of applying this principle in practice.

II WHAT ONGOING REPORTING REQUIREMENTS AND CONTINUING OBLIGATIONS WILL BE REQUIRED OF THE LISTED COMPANY AND ITS DIRECTORS?

There is a broad range of continuing obligations and disclosure requirements to which both premium and standard listed companies are subject, as set out in the UKLA's rules.¹⁵ The two underlying principles behind all these continuing obligations are the timely disclosure of all relevant information and equal treatment of shareholders.

The key continuing obligations are therefore:

- **Disclosure of inside information** – a listed company must give information, in a timely manner to the market as a whole. The Disclosure and Transparency Rules provide that both premium and standard listed companies must notify the market as soon as possible of any “inside information” directly affecting the listed company.¹⁶ Inside information is

information which is precise, not public knowledge and which is likely to have a significant effect on the price of the listed company's shares. Such information could include major developments in the company's activities and changes in the company's financial condition and performance.

- **Financial reporting** – The Disclosure and Transparency Rules require premium and standard listed companies to produce and publish annual and half year financial reports in a timely manner and also prescribe the information that should be contained in such reports.¹⁷ Such reports must generally be produced in accordance with IFRS or an equivalent accounting standard. Additionally, premium and standard listed companies must produce a quarterly “interim management statement” setting out major developments in the company's business and material changes in its financial position during the quarter.¹⁸
- **Transactions** – Prior shareholder approval is required before a premium listed company can

undertake substantial acquisitions and disposals. Details of smaller transactions may need to be disclosed to the market even if shareholder approval is not required. These requirements do not apply to standard listed companies.

- **Directors' dealings in shares** – For premium listed companies, the Model Code (annexed to the Listing Rules) restricts the ability of directors, senior management and their connected persons to deal in the company's shares at certain times (for example, in the period leading up to a results announcement and whenever the directors are in possession of inside information about the company). Details of any dealings by such persons must be disclosed to the company promptly and the company must then report the details of such dealings to the market.¹⁹ Standard listed companies are not required to comply with the Model Code but are required to disclose directors' dealings in the company's shares.

¹⁵ These requirements are contained in the Listing Rules, Prospectus Rules and in the Disclosure and Transparency Rules.

¹⁶ Paragraph 2.2.1R of the Disclosure and Transparency Rules. There are very limited exceptions to this requirement – though the company may delay the disclosure of inside information to protect its legitimate interests provided this would not be likely to mislead the public and the company is able to ensure the confidentiality of the information.

¹⁷ Paragraphs 4.1 and 4.2 of the Disclosure and Transparency Rules. Annual financial reports must be produced within four months of the company's financial year end and half year financial reports within two months of the half year end.

¹⁸ Paragraph 4.3 of the Disclosure and Transparency Rules. Interim management statements must be published in the period between 10 weeks after the beginning and six weeks before the end of each six month period in the company's financial year.

¹⁹ Chapter 3 of the Disclosure and Transparency Rules requires a “person discharging managerial responsibilities” within a UK premium or standard listed company (namely, a director or senior executive) to notify all dealings in the company's securities carried out by him or his connected persons within four business days of the dealing taking place. The company must then pass this information onto the market within one business day of receipt.

- **Interests of major shareholders** – Generally, shareholders of UK premium or standard listed companies who acquire or become interested in three per cent or more of the company’s voting share capital must disclose details of these interests to the company, which is then obliged to pass on such details to the market.²⁰

The key differences between the ongoing obligations to which premium and standard listed companies are subject are summarised in the following table:

	Premium listing	Standard listing
Prompt disclosure of inside information	✓	✓
Annual financial report (IFRS or equivalent)	✓	✓
Half yearly report (IFRS or equivalent)	✓	✓
Quarterly interim management statement	✓	✓
Disclosure of significant interests in the company’s shares	✓	✓
Disclosure of directors’ dealings in the company’s shares	✓	✓
Prospectus required for larger share issues and public offers	✓	✓
Prior shareholder approval for significant transactions	✓	✗
Sponsor to be appointed for significant transactions	✓	✗
Compliance with the Model Code	✓	✗
“Comply or explain” against the UK Corporate Governance Code	✓	✗

12 IS IT POSSIBLE FOR A COMPANY TO SWITCH BETWEEN A PREMIUM AND STANDARD LISTING?

It is possible for a company to move from a premium to a standard listing and vice versa. In both cases, this can be done without cancelling the company’s listing.

Moving from premium to standard listing – Prior shareholder approval (of 75 per cent of the company’s shareholders) is required before a company can switch from a premium to a standard listing. An explanatory circular to the company’s shareholders must be prepared and approved by the UKLA before it is sent to shareholders.

Moving from standard to premium listing – A sponsor must be appointed and the company must satisfy the enhanced eligibility criteria required for a premium listing²¹. An announcement explaining the reasons for the transfer must be made and approved by the UKLA before release.

²⁰ Under Chapter 5 of the Disclosure and Transparency Rules, non-UK premium or standard listed issuers are subject to different notification thresholds (being the minimum required by the Transparency Directive) namely 5%, 10%, 15%, 20% 25%, 30%, 50% and 75%.

²¹ See question 3 for further details.



If you have finished with this document, please pass it on to other interested parties or recycle it, thank you.

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