

Listing in London*

A guide to a primary listing on the Main Market



Listing in London

A London listing gives a company access to one of the world's deepest pools of capital and a diverse investor base. From 1 July 2005, the FSA introduced new rules and guidance for companies wishing to list in London. The new rules have been divided into three separate rule books:

- **The Listing Rules** include the rules and guidance for issuers of equity listed on the Main Market. These focus on eligibility, the sponsor regime and certain continuing obligations.
- **The Disclosure Rules** include the rules and guidance in relation to the publication and control of inside information and the disclosure of information by management and connected persons.
- **The Prospectus Rules** include the rules, regulations and guidance as to when a prospectus is required and its contents.

The decision to float

Once you have decided to seek a listing, or float, you will need to critically appraise your existing business, identifying the extent to which it meets the FSA listing requirements at the time of flotation. These requirements may be analysed into the following areas:

- General suitability - preparation and planning;
- Eligibility for listing; and
- Continuing obligations / filing requirements.

General suitability and initial considerations

Planning and good preparation are crucial to a successful flotation. The following are the key suitability issues that you will need to consider prior to flotation:

- Preparation of a well constructed, attractive investor 'story';
- An experienced board of directors and management team;
- High quality corporate governance standards;
- Suitability of existing capital and organisation structure;
- Appropriateness of the financial track record;
- Quality of management information and financial reporting systems;
- Tax planning;
- Legal housekeeping; and
- Management and employee incentives.

Eligibility for listing

In order to obtain a primary listing on the Main Market, a company must meet the eligibility requirements as set out in the Listing Rules. The main eligibility requirements are set out below.

Main eligibility requirements for listing*

- Appointment of a sponsor
- Production of a prospectus
- A financial track record covering three years with unqualified audit opinions
- At least 75% of the entity's business must be supported by a revenue earning track record for the three year period
- Control over the majority of the entity's assets for the three year period.
- Sufficient working capital for at least 12 months from the date of the prospectus
- Compliance with the Listing Principles, and in particular, the establishment and maintenance of adequate financial reporting procedures
- At least 25% of the shares must be in public hands

*Modified rules apply to certain companies e.g. mineral companies and scientific research based companies

Continuing obligations and financial reporting

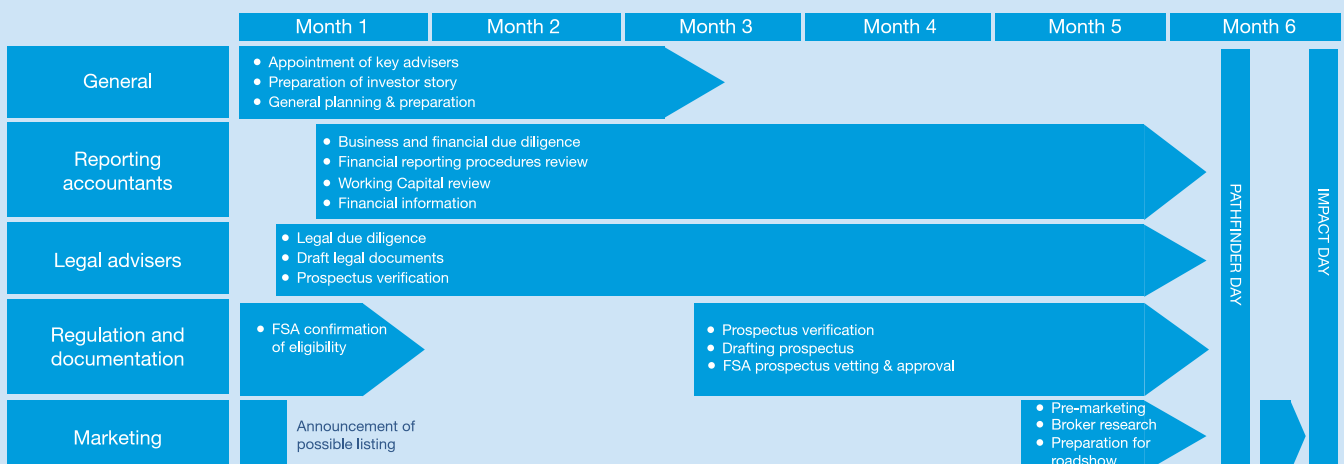
The main continuing obligations for companies with a primary listing are set out below:

Continuing obligations and financial reporting

Continuing obligations and financial reporting	
Sponsor	■ Required for all primary listings and certain other transactions
Inside information	■ Must be disclosed to the market as soon as possible
Significant transactions	■ Transactions which are material in size (classified as a Reverse Takeover or a Class 1 acquisition/disposal) require the preparation of a circular and prior shareholder approval
Related party transactions	■ Transactions with related parties require the preparation of a circular and prior shareholder approval
Preliminary statement of annual results and dividends	■ Must be approved and published within 120 days of the year end
Annual report and accounts	■ Must be approved and published within six months of the year end (TD=4 months)
Half-yearly reports	■ Must be approved and published within 90 days of the period to which it relates (TD=2 months)
Quarterly reporting	■ Not currently required. A quarterly trading statement will be introduced in 2007 under the TD
The Model Code	■ Dealing restrictions on certain persons in possession of inside information.
The Combined Code on Corporate Governance	■ Full compliance with the Combined Code

TD= Transparency Directive which becomes effective January 2007

Flotation timeline



Corporate Governance

UK listed companies are required to include a statement in their annual reports detailing how they apply the principles, and comply with the provisions of the Combined Code. There are modified rules which apply to non-UK companies.

Some of the main provisions are set out below:

The Combined Code on Corporate Governance	
<ul style="list-style-type: none"> Every company should be headed by an effective board, which is collectively responsible for the success of the company There should be a clear division of responsibilities between the running of the board and the company's business The board should have a balance of executive and independent non-executive directors such that no individual(s) can dominate the board's decision taking There should be a formal, rigorous and transparent procedure for appointment of new directors to the board The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance There should be formal and transparent procedures for developing policy on executive remuneration and for fixing remuneration packages The board should present a balanced and understandable assessment of the company's position and prospects The board should maintain a sound system of internal control to safeguard shareholders' investments and the company's assets 	

Financial information disclosure

The presentation of financial information can be a complex area and is generally one of the critical eligibility issues that require consideration at an early stage. The table below summarises the financial information required by the Listing Rules and the Prospectus Rules:

Financial information disclosure	
Historical financial information	<ul style="list-style-type: none"> Three years of unqualified audited accounts. The latest audited accounts must not be more than 6 months old. At a minimum, the last two years must be restated to the basis to be applied in the issuer's next annual accounts
Operating and Financial Review	<ul style="list-style-type: none"> Covering the financial condition and operating results of the issuer
Profit forecast information	<ul style="list-style-type: none"> Must be reported on by an accountant if the issuer chooses to include in the prospectus
Pro forma financial information	<ul style="list-style-type: none"> Required where there has been a significant change in the issuer's business prior to listing. Must be reported on by an accountant
Capitalisation and indebtedness	<ul style="list-style-type: none"> A statement is required within 90 days prior to the date of the prospectus
Unaudited financial information	<ul style="list-style-type: none"> Must be subject to appropriate verification and clearly identified as unaudited

Considerations for Non-UK issuers

Non-UK companies seeking a primary listing must generally comply with all the relevant listing and legal requirements which are applicable to a UK listed company. Specific modifications for non-UK companies are described in the table below:

Financial information	<ul style="list-style-type: none"> Financial information may be presented in accordance with IFRS or equivalent standards. Consideration is being given to whether US, Japanese and Canadian standards are equivalent
Corporate governance	<ul style="list-style-type: none"> Disclosure of whether or not the company complies with the corporate governance regime of its country of incorporation. The significant ways in which its actual corporate governance practices differ from those set out in the Combined Code

The London Capital Markets Group

The London Capital Markets Group is part of the Assurance practice of PricewaterhouseCoopers LLP. It comprises a team of specialists who provide a broad range of services to companies and investment banks in connection with London capital market transactions. These include:

- preparations for becoming a public company;
- selecting the right market and advisory team;
- advising on regulatory issues;
- undertaking financial and business due diligence investigations; and
- assisting with GAAP conversion projects.

The London Capital Markets Group is part of the PricewaterhouseCoopers global network of capital markets specialists. For more information visit www.pwc.com/uk/lcmg

Contacts

Tom Troubridge

tel: +44 (0) 20 7804 4723
email: tom.troubridge@uk.pwc.com

Richard Weaver

tel: +44 (0) 20 7804 3791
email: richard.weaver@uk.pwc.com

Clifford Tompsett

tel: +44 (0) 20 7804 4703
email: clifford.tompsett@uk.pwc.com

Ursula Newton

tel: +44 (0) 20 7212 6308
email: ursula.newton@uk.pwc.com

Kevin Desmond

tel: +44 (0) 20 7804 2792
email: kevin.desmond@uk.pwc.com

Steve Dodds

tel: +44 (0) 20 7804 3643
email: stephen.dodds@uk.pwc.com

Brad Douglas

tel: +44 (0) 20 7804 5270
email: brad.douglas@uk.pwc.com

David Smailes

tel: +44 (0) 20 7804 4779
email: david.n.smailes@uk.pwc.com

Richard Spilsbury

tel: +44 (0) 20 7212 3887
email: richard.j.spilsbury@uk.pwc.com

Meng Fong

tel: +44 (0) 20 7213 4065
email: meng.fong@uk.pwc.com

Companies can gain a London listing through a variety of securities and regulatory platforms. Each of these are quite different in terms of their characteristics and regulatory requirements.

This series of guides provide a brief overview of the key issues and regulatory requirements that a company should consider in contemplating a listing in London.



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