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Primary Market Technical Note

Prospectus content – Financial information

The information in this note is designed to help issuers and practitioners interpret our UK Listing Rules (UKLR), Prospectus Rules: Admission to Trading on a Regulated Market (PRM), Disclosure Guidance and Transparency Rules (DTR), and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA

Rules

PRM App 2 Annex 1.18R Item 18.1; PRM App 2 Annex 6.11R Item 11.1.1; PRM App 2 Annex 7.8R Item 8; regulation 23 of the Public Offers and Admissions to Trading Regulations (POATR)

Historical financial information of issuers that have been operating for less than the specified period

A prospectus drawn up as a single document must include audited historical financial information covering the latest one, two or three financial years (depending on the applicable Annexes) or such shorter period as the issuer has been in operation (PRM App 2 Annex 1.18R Item 18.1, PRM App 2 Annex 6.11R Item 11.1.1 and PRM App 2 Annex 7.8R Item 8.2).

Where an issuer has been in operation for a shorter period than specified in the applicable Annex, the issuer should include audited

historical financial information covering the period that it has been in operation.

The inclusion in a prospectus drawn up as a single document of the issuer's published audited annual financial statements will normally satisfy the relevant Annex requirement, provided that the other applicable disclosure items are complied with (these include, for example in the case of PRM App 2 Annex 1.18R Item 18.1.7 that the latest balance sheet date is not more than 16 months before the date of the prospectus if the issuer includes unaudited interim financial statements, or 18 months if audited interim financial statements are included and that interim financial statements must be included if the prospectus is dated more than 9 months after the date of the last audited financial statements (PRM App 2 Annex 1.18R Item 18.2.1)). However, as explained below, in some circumstances audited historical financial information must be prepared specifically for the purpose of the prospectus.

Financial period of less than one year

Where an issuer is preparing a prospectus and is required to include audited historical financial information in respect of a period of less than one year, the financial information should be prepared to the same standard applicable to the annual financial statements. As such, we would not expect issuers to use IAS 34 when preparing such financial information.

When the issuer has an initial short financial period of less than one year, in general it will be sufficient to comply with item PRM App 2 Annex 1.18R Item 18.1.1 for the prospectus to contain the audited financial statements covering that short period. The inclusion of the audited financial statements together with disclosure of any significant change in the issuer's financial position and performance (PRM App 2 Annex 1.18R Item 18.7.1 and Annex 1.10R Item 10.1(2)) and compliance with the recommendations for start up companies (which form part of the Guidance on specialist issuers - see technical note Primary Market / TN / 619), will normally be sufficient to provide investors with the necessary information required by regulation 23 of POATR.

However, in exceptional circumstances, in order to provide investors with the necessary information required by regulation 23 of POATR,

additional audited financial information as at the latest practicable date before the publication of the prospectus may be more appropriate. For example, where a significant number of months has elapsed since the end of the last audited financial statements and there is no unaudited interim financial information in the prospectus.

Where an issuer has not yet published any audited financial statements, the issuer will need to prepare audited financial information specifically for the purposes of the prospectus. In these circumstances if the issuer's first financial period has not yet ended, audited financial information should normally be prepared for a period ended as at the latest practicable date before the publication of the prospectus.

Start up companies

Issuers that have been operating for less than three years should also take into account where relevant the recommendations for start-up companies which form part of the Guidance on specialist issuers (see paragraphs 137 to 141 of Primary Market / TN / 619).

Newco financial information

Where the issuer is a newly incorporated holding company (newco) inserted over an established business, the same principles apply, so that financial information of newco should be included for the period that it has been in operation. This applies unless the FCA agrees to authorise the omission of such information from the prospectus in accordance with PRM 6.1.2R. The grounds for such omission would normally be that such financial information is of minor importance in relation to a specific admission to trading on a regulated market and would not influence the assessment of the financial position and prospects of the issuer or guarantor, if any (PRM 6.1.2R(2)).

In addition, when the entire business undertaking at the time of the prospectus is not accurately represented in the historical financial information required under item 18.1 (for example when a newco is inserted), the issuer will have to assess whether pro forma financial information (PRM App 2 Annex 1.18R Item 18.4.1) and additional information on the underlying business is needed where the issuer has a complex financial history (PRM 4.4.1R to PRM 4.4.4R).

Examples

The following examples illustrate the financial information that would normally be sufficient to comply with PRM App 2 Annex 1.18R Item 181.1 (and other applicable Annexes), where the issuer has published audited financial statements covering a period of less than one full financial year. In each example the companies have a year end of 31 December.

Example 1

A company was incorporated on 1 February 2020 and has been in operation since June 2020. The company submits a prospectus for approval at the end of January 2022. The company has audited financial information for the short period covering February-December 2020 or June-December 2020 and unaudited interim financial information for the first half-year of 2021.

The audited historical financial information prepared by the company for the period covering February-December 2020 or June-December 2020 would be considered as covering such "shorter period as the issuer has been in operation". The interim financial information must also be included as it is more than 9 months after the date of the last audited financial statements (PRM Appendix 2 Annex 1.18R Item 18.2.1).

Example 2

The company was incorporated on 1 November 2020. The issuer produces a prospectus in June 2021. The issuer could include either:

- i) 2 months of audited financial information for the period ended 31 December 2020. No interim financial information has been published and such information would not be required under PRM App 2 Annex 1.18R item 18.2.1 because it is less than 9 months since the date of the audited financial information.
- ii) audited financial information for the period ended on the most practicable date before the publication of the prospectus (e.g. from 1 November 2020 until 31 March

2021). No interim financial information has been published and such information would not be required under PRM App 2 Annex 1.18R Item 18.2.1 because it is less than 9 months since the date of the audited financial statements. This means that the period covered would not be consistent with the company's future financial statements.

The inclusion of the audited financial information for the 2 months ended 31 December 2020 would normally be sufficient.

Example 3

A company was incorporated in January 2021 and produces a prospectus in June 2021 and a new prospectus in November 2021.

In this example, the company has not yet produced audited annual financial statements at the time of either the first or the second prospectus. The first prospectus should include audited financial information for the period from the date of incorporation to the latest practicable date before publication of the prospectus, prepared for the purpose of the prospectus.

In the second prospectus, it would normally be sufficient to include the audited historical financial information produced for the first prospectus and the unaudited interim half yearly report for the period ended 30 June 2021, if it has been published (PRM App 2 Annex 1.18R Item 18.2.1).