

DRAFT FOR CONSULTATION (VERSION 2)

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Primary Market Technical Note

Financial Reporting Standard (FRS)-102 - Cash Flow Statement Exemptions

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)~~Prospectus Regulation Rules~~, 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

~~PR Appendix 3 Annex I Item 20.1~~PRM Appendix 2 Annex 1.18; ~~PR 2.5.2UK~~; PRM 2.1.1R(1), PRM 6.1.1R and PRM 6.1.2R

While the majority of listed investment companies use International Financial Reporting Standards when preparing their financial statements, there are a significant number who use UK GAAP accounting standards.

~~With effect from 1 January 2015, the Financial Reporting Council (FRC) fundamentally reformed financial reporting in the United Kingdom and Republic of Ireland, replacing the extant financial reporting standards with five Financial Reporting Standards. One of these new Financial Reporting Standards is FRS 102 is one of, the~~

~~Financial Reporting Standards~~ standards applicable in the UK and Republic of Ireland.

~~We are aware that~~ FRS 102 exempts investment funds that meet certain conditions from preparing statements of cash flows in their annual audited financial statements (see the conditions set out in section 7, paragraph 7.1A(c)(i)-(iii) of FRS 102).

It is likely that a number of investment companies will meet the conditions contained in FRS 102. However, a prospectus that includes audited financial information prepared according to national accounting standards (such as FRS 102) must include a cash flow statement (as ~~specifically required by stated in PR Appendix 3 Annex 1 item 20.1~~ Appendix 2 Annex 1.18, item 18.1.5(4) of PRM).

Therefore, investment companies who qualify for the exemption in FRS 102 may wish to consider whether to make use of the exemption ~~in FRS 102~~ when preparing their audited financial information, as the financial information then will not contain all the information required for a prospectus.

We may authorise the omission of information from a prospectus if the disclosure of information would be contrary to the public interest as set out in PRM 6.1.1UK (regulation 25 of the Public Offers and Admissions to Trading Regulations). In addition, ~~We have power to~~ may authorise the omission of information from a prospectus in limited circumstances to the extent that the required information does not fall within PRM 2.1.1R(1) (regulation 23 of the Public Offers and Admissions to Trading Regulations). These include where the information is of minor importance in relation to a specific admission to trading and would not influence the assessment of the financial position and prospects of the issuer or guarantor, if any or and where the disclosure of information would be seriously detrimental to the issuer or to the guarantor, if any, provided that the omission of such information would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the issuer or guarantor, if any, and of the rights attached to the transferable securities to which the prospectus relates unlikely to influence investors' ability to make an informed assessment (regulation 20 of the Public Offers and Admissions to Trading Regulations ~~section 87B(1) FSMA~~, as set out in PR ~~2.5.2UK~~ PRM 6.1.2R). These omission requests will be considered on

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a case-by-case basis. Investment companies producing a prospectus who have not prepared a cash flow statement and wish to make a request to omit information should contact us at an early stage of their transaction and have regard to the requirements set out in PRM 6.1.4R.