

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), 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 Appendix 2 Annex 1.18; 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 accounting standards.

FRS 102 is one of the standards applicable in the UK and Republic of Ireland.

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 required by 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 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 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 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 (regulation 20 of the Public Offers and Admissions to Trading Regulations, as set out in PRM 6.1.2R). These omission requests will be considered on 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.