

# UK Corporate Finance Quick Reference Guide

*Expert knowledge means success*

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

## Key Percentages

(A)	<b>Companies Act</b>
3% and +/-1%	Notification of interests in shares in a public company Notification in writing to the company within 2 working days of any purchase or sale taking a holding through 3% (10% in certain cases) or through an integer above 3% (10% in certain cases) ( <i>ss198-210 CA85</i> )
<b>Directors' dealings 3%+ and directors' dealings</b>	Any dealing to be notified to the company within 5 working days ( <i>s324 CA85</i> ) Notification by company to a <b>Regulatory Information Service ("RIS")</b> by close of business, next day ( <i>s329 CA85, LR 9.11, LR 16.13, AR 15</i> )
50%	Company resolutions <b>Ordinary resolution, 14 days' notice</b> ( <i>s369(1) CA85</i> )
75%	<b>Extraordinary resolution, 14 days' notice</b> ( <i>s 369(1) &amp; s378(1) CA85</i> )
75%	Special resolution, 21 <b>days' notice</b> ( <i>s378(2) CA85</i> )
(B)	<b>Substantial Acquisition Rules</b> (Do not apply to persons who have announced a firm intention to make an offer or to those holding over 30% before or as a result of the purchase)
Resulting holding: 15% -29.9%	No purchase of 10% or more in any 7 day period except (i) from a single shareholder; (ii) pursuant to a Rule 4 tender offer; or (iii) unless a firm offer is to be made and recommended ( <i>Rules 1 &amp; 2</i> )
Over 15% and each + 1% thereafter	Notification of purchase and total holding to the company and Company Announcements Office not later than noon on the business day following the date of acquisition ( <i>Rule 3</i> ). Different rules apply to a Rule 4 tender offer or if an offer is to be made and recommended
(C)	<b>Takeover Code</b> (Variations may be allowed with the consent of the Panel)
0% +	Any cash purchases during an offer period will oblige the bidder to offer cash or make available a full cash alternative at not less than the highest price paid by the offeror ( <i>Rule 11.1(b)</i> ).
10% +	Cash purchases in the 12 months prior to the start of the Offer Period amounting to 10% in aggregate, oblige the bidder to make a cash offer or make available a full cash alternative at not less than the highest price paid by the offeror ( <i>Rule 11.1(a)</i> ). Purchases where the consideration is securities in the 3 months prior to the start of the Offer Period amounting to 10% in aggregate, oblige the bidder to make a securities offer to other shareholders of the same class ( <i>Rule 11.2</i> ).
30% -50%	A cash offer, or a full cash alternative, must be made at the highest price paid in the offer period or 12 months prior thereto to all shareholders once a shareholding breaches 30% or if a shareholding is 30-50% and any further shares are acquired ( <i>Rules 9.1 and 9.5</i> ). Any person holding less than 30% may not acquire shares if their resulting holding of shares or rights over shares is over 30% ( <i>Rule 5.1</i> ) other than in certain circumstances ( <i>Rule 5.2</i> ).
50% +	Freedom for a shareholder holding over 50% to acquire shares in a company without the requirement to make an offer for it ( <i>Rule 5.1, Note 1</i> )
1% +	<b>Any person(s) owning/acquiring 1% + of a bidder or target's shares during an offer period</b> must notify the Company Announcements Office of any dealings in those shares by noon next business day ( <i>Rule 8.3</i> )
General	Where an offer has been announced or posted but has not become or been declared wholly unconditional, no further offer or share purchases giving rise to a Rule 9 offer can be made for 12 months following the lapse or withdrawal ( <i>Rule 35.1</i> )
(D)	<b>Other percentages</b>
5%	Maximum issue price discount without full pre-emption ( <i>ABI/NAPF guideline</i> )
10% +	Requirement to produce listing particulars for any issue(s) by a listed company of securities of an existing class for which listing will be sought ( <i>LR 5.27(e)</i> ), <b>Shareholder's right to requisition an EGM</b> ( <i>s368 CA85</i> )
10% +	<b>Maximum level of a listed company's share capital to be under option</b> (not including share option schemes) or warrant ( <i>LR 3.23</i> )
20%	
20 - 50%	Associate status; proportion of profits taken into <b>holder's accounts</b> ( <i>s260 CA85</i> )
25% +	Ability to block special and extraordinary resolutions ( <i>s378(1) &amp; (2) CA85</i> )
50% +	Subsidiary status; consolidation of accounts; ability to block ordinary resolutions ( <i>s258 CA85</i> )
90% +	Ability to buy out minority shareholders in certain circumstances ( <i>s429 CA85</i> )

## Official List Requirements

### General

Obligation to ensure that securities in issue are sufficiently widely held that their marketability when listed can be assumed (*LR 3.18 & LR 4.2*). Minimum percentage of securities to be in "public" hands within the EU unless a lower percentage is acceptable to LSE (*LR 3.19*) (definition of "public" excludes *inter alia* directors and their connected persons and holders of 5% or more (*LR 3.20*)) 25%

### New applicants

Unqualified consolidated audited accounts, published or filed and prepared in accordance with UK, US or International generally accepted accounting principles (*LR 3.3*) except for certain circumstances (*LR 3.4*) 3 years

Latest audited accounts to be included in listing particulars (Exception: 1 year for an AIM company moving to the Official List or for a listed company making a reverse takeover) (*LR 3.3(a) and 10.39*) within 6 months

Continuity of independent revenue earning business activities (exceptions may be granted if admission is desirable in the interests of the applicant and investors) (*LR 3.6*) 3 years

Minimum expected aggregate market capitalisation of all securities (*LR 3.16*) £700,000

Shareholding at which independence of substantial shareholders (and their associates) from the Board must be demonstrated (*LR 3.12, 3.13*) 30%

### Working capital

Minimum period to which working capital statement must relate (*LR 3.10*) 12 months

### Placing

Maximum allowable discount to middle market price (unless issuer is in severe financial difficulties or there are other exceptional circumstances) (*LR 4.8*) 10%

### Rights issue

Minimum size for a pre-placing of rights (*LR 4.17(a)*) 25%

Minimum period that offer must remain open for acceptance (*LR 4.21(a)*) 21 days

### Open offer

The timetable for an open offer must be approved by the Recognised Investment Exchange on which the company's securities are traded (*LR 4.24*) 15 business days (excludes ex or closing date)

Maximum discount to middle market price (unless issuer is in severe financial difficulties or there are other exceptional circumstances) (*LR 4.26*) 10%

### Vendor consideration placing

Maximum allowable discount to middle market price (*LR 4.30(b)*) 10%

## AIM Requirements AIM Rule(s)

### Eligibility of companies

Company must be a public company, all of its securities freely transferable and admitted to AIM and appropriate settlement arrangements must be in place. Its accounts must be prepared in accordance with national law and UK, US or International generally accepted accounting principles, and it must retain a nominated adviser and a broker at all times. There is no minimum requirement for shares in public hands.

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### Admission document

If required, must contain the information required by the POS regulations and, *inter alia*, a working capital statement (covering a minimum period of 12 months), a lock-in statement (if applicable), full information on directors, disclosure of fees of £10,000+ paid to certain persons and disclosure of holders of 3%+ of the issued capital, disclosure of any director/s who hold any financial products referenced to **the securities to be admitted and the investment strategy of an "Investing Company"**. **Additional disclosures required** if a profit forecast, estimate or projection is made an any other relevant information.

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Schedule 2

### Lock-ins

Related parties and applicable employees holding 0.5%+ in a company whose main business has not been independent or revenue earning for the previous two years must not dispose of such shares (other than in certain circumstances) for a period of 1 year from the date of admission.

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## General Disclosure of Price Sensitive Information

Company must notify a RIS without delay of any major new developments which are not public knowledge concerning a change in its financial position. Company must also notify a RIS without delay of all relevant information which is not public knowledge concerning its financial condition, the performance of its business, or the **company's expectation as to its performance**.

REF

LR 9.1, 9.2  
AR 10

## Transactions

**CLASS TESTS FOR OFFICIAL LIST AND AIM** (LR 10.4 - 10.28, SCHEDULE 3 OF THE AIM RULES)

Assets	Gross assets acquired or disposed of, divided by the gross assets of the issuer
Profits	Profits before taxation and extraordinary items attributable to the assets acquired or disposed of, divided by the profits before taxation and extraordinary items of the issuer
Turnover	Turnover attributable to the assets acquired or disposed of, divided by the turnover of the issuer
Consideration to market capitalisation	Aggregate value of the consideration given or received divided by the aggregate market value of all the issuer's ordinary shares
Gross capital	<b>"Gross capital" of company or business being acquired divided by "gross capital" of the issuer (acquisitions only)</b>

*Note:* Where any of the calculations produce an anomalous result, or the calculations are inappropriate to the sphere of activity of the issuer, the UKLA/LSE may disregard the result and substitute another test (LR 10.6, AIM Rules Schedule 3). Industry specific tests may also be presented (LR 10.5A, AIM Rules Schedule 3).

**OTHER TESTS FOR OFFICIAL LIST AND AIM** (LR 10.4 and LR 11, AIM RULES FOR COMPANIES)

Fundamental change	Acquisition will result in a fundamental change in the business of the issuer or a change in board or voting control
Related party	<b>Transaction with (a) a "substantial shareholder" (10%+) or (b) any person</b> who is (or was within the last 12 months) a director or a shadow director of the listed company or any of its subsidiaries, or with an associate of either (a) or (b)

**TEST RESULTS - OFFICIAL LIST**

CLASSIFICATION	ANY TEST RESULT	ACTION REQUIRED	REF.
Related party	0.25% - 5%	<b>Details to UKLA, "fair and reasonable" report to the UKLA</b> by an independent adviser and details of transaction to be included in next annual accounts.	LR 11.8
Related party	5%+	Announcement via a Regulatory Information Service, circular to shareholders with a <b>"fair and reasonable" statement and transaction subject to shareholder approval with the related party abstaining</b>	LR 11.4
Class 3	up to 5%	No announcement required unless consideration shares to be listed or company releases any details of transaction to the public	LR 10.29
Class 2	5% - 25%	Announcement via a Regulatory Information Service	LR 10.31
Class 1	25% - 100%	Announcement via a Regulatory Information Service, a circular to shareholders and transaction conditional on shareholder approval	LR 10.37
Reverse takeover	100%+ or fundamental business, board or voting change	Treated as a new applicant for listing. Suspension until publication of a Class 1 circular/Listing Particulars. Transaction to be conditional on shareholder approval.	LR 10.39

*Note:*

- (i) A reverse takeover is treated as Class 1 if the target is a listed company (LR 10.4(d))
- (ii) A reverse takeover may be treated as Class 1 if certain conditions are satisfied (LR 10.21)
- (iii) The UKLA may require aggregation of transactions over a 12 month period in certain circumstances (LR 10.25 - 10.28 & 11.9)
- (iv) Class tests for property companies, mineral companies, investment entities and venture capital trusts are varied by LR 18.3 & 4, LR 19.7, LR 21.23 - 21.25 and LR 26.10 - 26.13 respectively

## TEST RESULTS - AIM

CLASSIFICATION	ANY TEST RESULT	ACTION REQUIRED	REF.
Related party	5%+	<b>Details announced via a RIS with a directors' statement that terms of the transaction are "fair and reasonable insofar as shareholders are concerned, having consulted with the nominated adviser.</b>	12 Schedule 4
Substantial transaction	10% - 100%	Announcement via a RIS	11
Reverse takeover	100%+ or fundamental business, board or voting change	Announcement via a RIS, publication of an admission document and transaction subject to shareholder approval	13

*Note: Transactions must be aggregated over a 12 month period in certain circumstances (AIM Rule 14)*

## City Code on Takeovers and Mergers - Illustrative Bid Timetable

minus 28 days	Announcement of a firm intention to make an offer to be issued in <b>circumstances set out in Rule 2 including a statement from the offeror's</b> adviser that sufficient resources are available to make the offer.  Offeree to send the announcement to shareholders and the Panel promptly ( <i>Rule 2.6</i> )
Day zero	Offer document to be sent to offeree shareholders within 28 days of announcement ( <i>Rule 30.1</i> )
(By) day 14	Offeree Board to send advice to offeree shareholders ( <i>Rule 30.2</i> )
(By) day 20	OFT normally decide on referral to Monopolies and Mergers Commission
Day 21	First permitted closing date ( <i>Rule 31.1</i> ) If revised, the offer must be open for at least 14 days after posting the revision ( <i>Rule 32.1</i> )
Day 35	First date for Offer to close if Offer declared unconditional as to acceptances on Day 21 ( <i>Rule 31.4</i> )  Last day for settlement of consideration if Offer becomes or is declared wholly unconditional on Day 21 ( <i>Rule 31.8</i> )
Day 39	Offeree should not, whilst an Offer remains open, announce trading results, profit or dividend forecasts, asset valuations or proposals for dividend payments after Day 39 ( <i>Rule 31.9</i> )
Day 42	Last day for fulfilment of other conditions if Offer is declared unconditional as to acceptances on Day 21 or Offer will lapse ( <i>Rule 31.7</i> )  Right of withdrawal by acceptor arises assuming first closing date is Day 21 unless Offer is already unconditional as to acceptances ( <i>Rule 34</i> )
Day 46	Last day for making and posting a revised Offer ( <i>Rule 32.1</i> )  Last day for offeror to make an announcement of price sensitive information if consideration includes shares ( <i>Rule 32.1</i> )
Day 60	Last day for Offer to become or be declared unconditional as to acceptances (by 5 pm). Only acceptances received and purchases made before 1 pm to be counted ( <i>Rule 31.6</i> )
Day 74	Earliest date Offer may close if it was declared unconditional as to acceptances on Day 60 ( <i>Rule 31.4</i> )
Day 81	Last day for fulfilment of other conditions if Offer unconditional as to acceptances on Day 60 or Offer will lapse ( <i>Rule 31.7</i> )
Day 95	Last day for settlement of consideration if conditions of the Offer fulfilled on Day 81 ( <i>Rule 31.8</i> )
Note:	(i) <i>Flexibility in applying the above may be sought from the Panel in appropriate circumstances</i>  (ii) <i>In the event of competing Offers, the timetable followed is normally that of the latest Offer (Rule 31.6(a)(i))</i>

### Disclosure rules of the Takeover Code

Significant changes to the disclosure rules of the Takeover Code came into effect on 19 April 2010. In summary, the new rules require opening position disclosures to be made by any person who is interested in 1 percent or more of any class of relevant securities of an offeree or offeror company (other than an offeror offering solely cash) following the commencement of an offer period or the identification of the offeror.

Any person who is interested in 1 percent or more of any class of relevant securities of an offeree or offeror company must disclose any dealings and positions in any relevant securities of the offeree or offeror company, even if their interest in the relevant securities of the company dealt in is less than 1 percent.

*Full details available at:*  
<http://www.thetakeoverpanel.org.uk/wp-content/uploads/2008/11/RS200901.pdf>

## Acknowledgement



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## Further Information

This guide is for general interest - it is always essential to take advice on specific issues.

We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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