TRANSPARENCY AS PART OF FUND RAISING PROCESS

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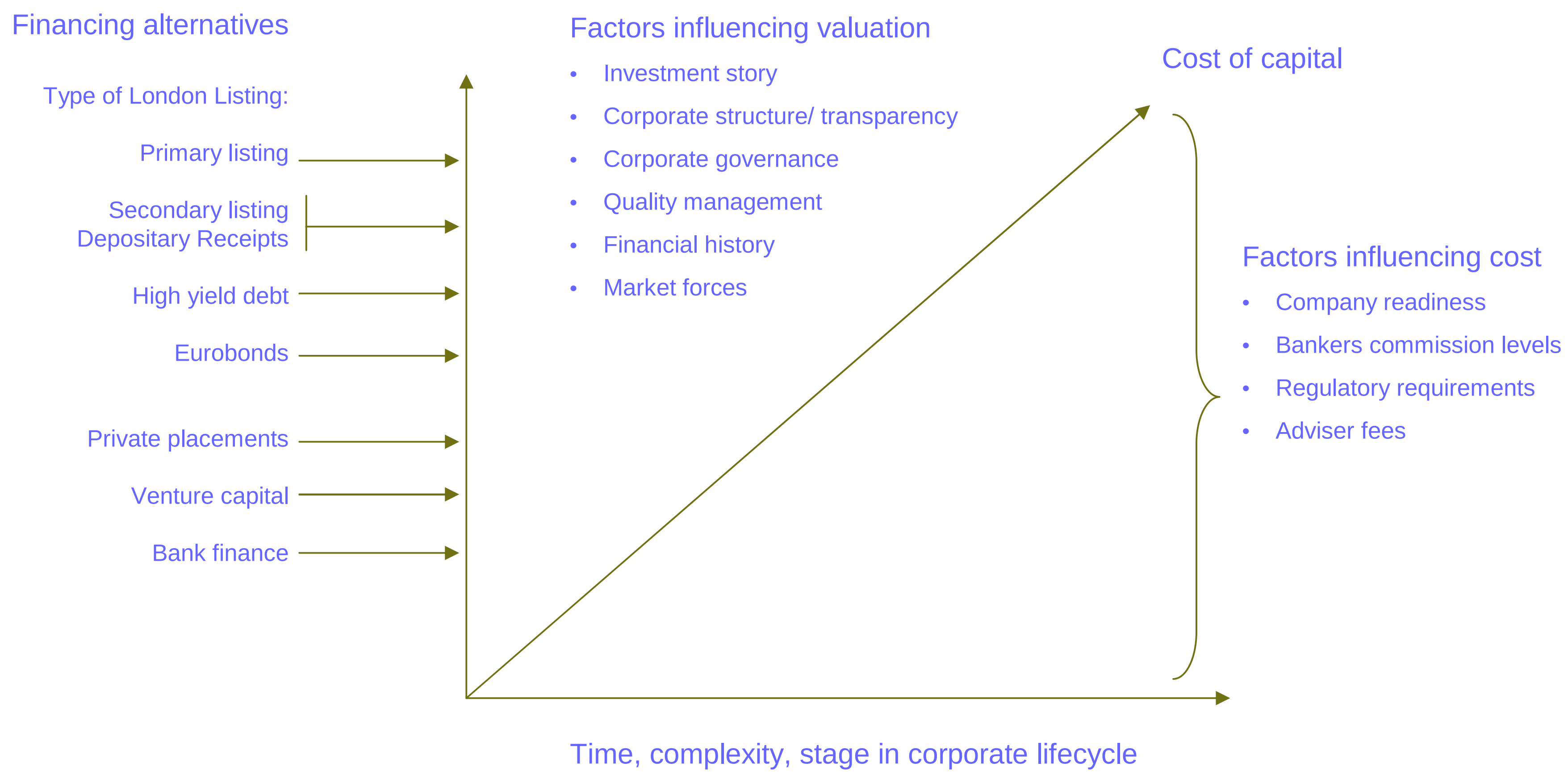
What are the options?



Equity market: Is the company suitable?

Equity story

Well rationalised and presented. It should clearly identify the unique features of the company and articulate the objectives of the offer and rationale behind them. Are you a growth story or a dividend yield story.

Experienced management team

Quality of management is one of the most important criteria by which fund managers assess investment opportunities. Be prepared to justify your current board's experience.

Financial track record

Straight forward or complex. To what extent does your business have published and filed accounts covering three years. Issues relating to GAAP and complex track records must be considered.

Equity market: Is the company suitable?

Financial reporting systems

The quality and standard of reporting demanded by investors and regulators is high. Investors require accurate financial and non-financial information to be produced efficiently and on a timely basis.

Corporate governance

Compliance with international standards of corporate governance is regarded by investors as a sign of quality. Where companies do not comply with best practice, investors will want to know why non-compliance is appropriate.

Eligibility conditions in London

	List	DRs	AIM
Clean three year track record	🗐		
Two years IFRS (or equivalent)	🗐	🗐	🗐
Interim financial information (9 months)	🗐	🗐	🗐
Audited numbers no older than 6 months	🗐		
Adequate controls to meet continuing obligations	🗐		
Adequate financial reporting procedures	🗐		🗐
Sufficient working capital for at least 12 months	🗐		🗐
At least 25% shares in public hands	🗐	🗐	

Financial information disclosure – prospectuses

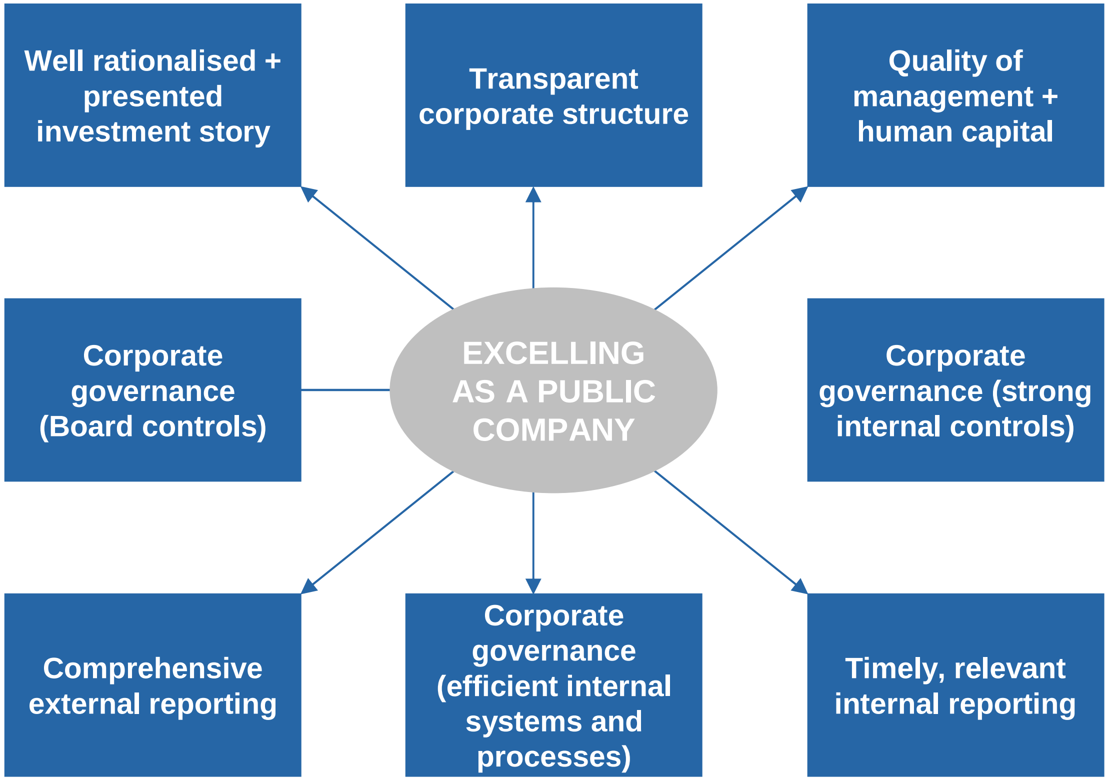
Historical financial information	Three years of clean audited accounts prepared in accordance with IFRS or equivalent GAAP (US, Canadian and Japanese).
Interim financial information	Required if published or if latest audited accounts are 9 months old. Must include comparatives.
Pro forma financial information	Required to illustrated significant changes in the issuer’s business ie acquisitions/ disposals. Must be reported on by an accountant.
Profit forecast financial information	Optional, but must be reported on by an accountant.
Working capital statement	A statement by the issuer that working capital is sufficient for its present requirements.
Complex track records	Acquisitions, disposals, restructurings.
Valuation report	Required if significant part of assets is secured by (or is held as) real estate. The report should present valuation of property and cash flow analysis. The report is <u>not needed</u> in the event of issue of securites based on mortgage secured by real estate while no subsequent valuation was performed.

Continuing Obligations

- Reporting:
  - Annual accounts – audited
  - Interim accounts – unaudited
  - Quarterly reporting – interim management statement
- Corporate transactions:
  - if listed shareholder approval for significant (25% ratio) acquisitions and disposals and material (5% ratio) related party transactions
  - On AIM, transactions >10% of class tests must be disclosed, transactions >100% require the preparation of a circular and prior shareholder approval
- Public announcements - (price sensitive) information
- Corporate governance disclosure required under the Combined Code in their annual reports

Becoming a successful public company

The following analysis shows the areas in which we believe companies need to focus. The analysis is based on a number of critical areas as illustrated in the following diagram.



Listing corporate debt

- Listing debt – mainly a European phenomenon
- Markets – highly international
- Leading markets:
    - London Stock Exchange,
    - Professional Securities Market (London),
    - Luxembourg Stock Exchange.

Conditions for listing in London – bonds

- Two-year trading and financial record
- IFRS or equivalent a requirement for some debt securities (min. 1 year)
- Listing Document (Prospectus)
- Transferability
- Market Capitalisation >£200,000
- Whole class to be listed

Listing corporate debt – characteristics

- Generally less complex than equity
- Lower level of due diligence
- More complex structures may require significant legal input
- Tax issues may largely drive the structure
- Less strict continuing obligations regime but trustee may impose additional reporting obligations
- Rating agencies
- Some equity prospectus requirements may be imposed by banks to increase attractiveness of the offer

Process – common mistakes

- One-off project vs start of continuous process
- Prospectus is the responsibility of “international relations” division
- Financial information is the responsibility of accounting department
- Lack of co-ordination between various departments
- Inconsistent story

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