

Chapter 10

Significant transactions: Premium listing

10.7 Transactions by specialist companies

Classification of transactions by listed property companies

10.7.1

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■ LR 10 Annex 1 is modified as follows in relation to acquisitions or disposals of *property* by a *listed property company*:

- (1) for the purposes of paragraph 2R(1) (the gross assets test), the assets test is calculated by dividing the transaction consideration by the gross assets of the *listed property company* and paragraphs 2R(5) and 2R(6) do not apply;
- (2) for the purposes of paragraph 2R(1) (the gross assets test), if the transaction is an acquisition of land to be developed, the assets test is calculated by dividing the transaction consideration and any financial commitments relating to the development by the gross assets of the *listed property company* and paragraphs 2R(5) and 2R(6) do not apply;
- (3) for the purposes of paragraph 2R(2), the gross assets of a *listed property company* are, at the option of the *company*:
 - (a) the aggregate of the *company's* share capital and reserves (excluding minority interests);
 - (b) the book value of the *company's properties* (excluding those properties classified as current assets in the latest published annual report and accounts); or
 - (c) the published valuation of the *company's properties* (excluding those properties classified as current assets in the latest published annual report and accounts);
- (4) for the purposes of paragraph 4R(1) (the profits test), profits means the *net annual rent*;
- (5) paragraph 5R (the consideration test) does not apply but instead the test in ■ LR 10.7.2 R applies; and
- (6) paragraph 7R (the gross capital test) applies to disposals as well as acquisitions of *property*.

10.7.2

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- (1) In addition to the tests in ■ LR 10 Annex 1, if the transaction is an acquisition of *property* by a *listed property company* and any of the consideration is in the *equity shares* of that *company*, the *listed company* must determine the *percentage ratios* that result from the calculations under the test in (2).

(2) The share capital test is calculated by dividing the number of consideration *shares* to be issued by the number of *equity shares* in issue (excluding *treasury shares*).

10.7.3 **R** ■ LR 10 does not apply to the acquisition or disposal by a *listed property company* of a *property* in the ordinary course of business which:

(1) for an acquisition, will be classified as a current asset in the *company's* published accounts; or

(2) for a disposal, was so classified in the *company's* published accounts.

10.7.4 **G** ■ LR 10 may apply to subsequent transfers of *property* assets from current to fixed assets or from fixed to current assets in the accounts of a *property company*.

Classification of transactions by listed mineral companies

10.7.5 **R** (1) In addition to the tests in ■ LR 10 Annex 1, a *listed mineral company* undertaking a transaction involving significant *mineral resources* or rights to significant *mineral resources* must determine the *percentage ratios* that result from the calculations under the test in paragraph (2).

(2) The reserves test is calculated by dividing the volume or amount of the *proven reserves* and *probable reserves* to be acquired or disposed of by the volume or amount of the aggregate *proven reserves* and *probable reserves* of the *mineral company* making the acquisition or disposal.

10.7.6 **G** If the *mineral resources* are not directly comparable, the *FCA* may modify ■ LR 10.7.5R (2) to permit valuations to be used instead of amounts or volumes.

10.7.7 **R** When calculating the size of a transaction under ■ LR 10 Annex 1 and ■ LR 10.7.5 R, account must be taken of any associated transactions or loans effected or intended to be effected, and any contingent liabilities or commitments.

Classification of transactions by listed scientific research based companies

10.7.8 **G** A *listed scientific research based company* undertaking a transaction should consult the *FCA* at an early stage to determine whether industry specific tests are required instead of or in addition to the *class tests* in ■ LR 10 Annex 1.