

Chapter 13

Contents of circulars:
Premium listing

13.7 Circulars about purchase of own equity shares

Purchase of own equity shares

13.7.1

R

- (1) A *circular* relating to a resolution proposing to give the *company* authority to purchase its own *equity securities* must also include:
 - (a) if the authority sought is a general one, a statement of the *directors'* intentions about using the authority;
 - (b) if known, the method by which the *company* intends to acquire its *equity shares* and the number to be acquired in that way;
 - (c) a statement of whether the *company* intends to cancel the *equity shares* or hold them in treasury;
 - (d) if the authority sought related to a proposal to purchase from specific parties, a statement of the names of the persons from whom *equity shares* are to be acquired together with all material terms of the proposal;
 - (e) details about the price, or the maximum and minimum price, to be paid;
 - (f) the total number of warrants and options to subscribe for *equity shares* that are outstanding at the latest practicable date before the *circular* is published and both the proportion of issued share capital (excluding *treasury shares*) that they represent at that time and will represent if the full authority to buyback *shares* (existing and being sought) is used; and
 - (g) where ■ LR 12.4.2A R applies, an explanation of the potential impact of the proposed *share* buyback, including whether control of the *listed company* may be concentrated following the proposed transaction.
- (2) If the exercise in full of the authority sought would result in the purchase of 25% or more of the *company's* issued *equity shares* (excluding *treasury shares*) the *circular* must also include the following information referred to in the *PR Regulation*:
 - (a) Annex 1 item 3.1 – Risk factors;
 - (b) Annex 1 Section 10 – Trend information;
 - (c) Annex 1 item 15.2 – Shareholdings and stock options;
 - (d) Annex 1 item 16.1 – Major interests in shares;
 - (e) Annex 1 item 18.7.1 – Significant changes in the issuer's financial position;

(f) Annex 11 item 3.1 – Working capital statement (this must be based on the assumption that the authority sought will be used in full at the maximum price allowed and this assumption must be stated). This information is not required to be included in a *circular* issued by a *closed-ended investment fund*.

13.7.1A **G** In considering whether an explanation given in a *circular* satisfies the requirement in ■ LR 13.7.1R (1)(g), the *FCA* would expect the following information to be included in the explanation:

- (1) the shareholdings of *substantial shareholders* in the *listed company* before and after the proposed transaction; and
- (2) the shareholdings of a holder of *equity shares* who may become a *substantial shareholder* in the *listed company* as a result of the proposed transaction.

Pro forma financial information
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13.7.2 **G** ■ LR 13.3.3 R sets out requirements for pro forma information in a *circular* relating to the purchase by the *company* of 25% or more of the *company's* issued *equity shares* (excluding *treasury shares*).