UKLA Technical Note

Reverse takeover and uncapped consideration

Ref: UKLA / TN / 314.1

LR 5.6 and
LR 10

Before rule changes were made following consultation in CP12/2[1], the definition of reverse takeover was contained in LR 10.2.2R. The LR 10.2.2R classification of reverse takeover was subject to what was otherwise provided for in Chapter 10. This recognised explicitly that, for example, a transaction where there is uncapped consideration will be treated as a class 1 transaction when other class tests indicate the transaction is a class 2 transaction (LR 10 Annex 15R(3)).

Following changes made in response to CP12/2, the definition of reverse takeover was moved into LR 5.6.4R. However, LR 5.6.4R still requires an issuer to apply the class tests in LR 10 when calculating the percentage ratio of a transaction. As such, LR 10 Annex 1 (including LR 10 Annex 15R(3) and 5R(3A)) continues to be relevant for issuers to consider when classifying the transaction.

Where there is uncapped consideration in a transaction but otherwise the percentage ratios are 5% or more but less than 25%, the transaction will be treated as a class 1 transaction and not a reverse takeover. Where there is uncapped consideration in a transaction but otherwise the percentage ratios are all less than 5%, the transaction will be treated as a class 2 transaction and not a class 1 transaction or a reverse takeover.

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1   CP12/2: Amendments to the Listing Rules, Prospectus Rules, Disclosure Rules and Transparency Rules (January 2012)