

haysmacintyre

floating on AIM

an introductory pack prepared by haysmacintyre

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01 what is this?

This is a summary of a presentation by London accountants, haysmacintyre, on “Floating on AIM”. It highlights the key issues that companies considering an AIM flotation should be aware of.

This summary provides readers with an understanding of the market and the advantages of a listing. It offers an insight into the mechanics of a flotation and importantly puts you in contact with people that can advise and assist.

Who is haysmacintyre?

haysmacintyre is a 24 partner firm of Chartered Accountants and tax advisers based in London.

haysmacintyre’s corporate finance team has considerable expertise and experience in advising international companies listing on AIM. We have advised on over 30 public fundraisings/AIM admissions, the majority of which have involved overseas companies.

As founding members of MSI Global Alliance, haysmacintyre has a large proportion of international clients and can offer a broad range of services to companies looking to float on AIM, including:

- Acting as reporting accountants
- Performing financial due diligence investigations
- Advising on taxation matters
- Assisting with GAAP/IFRS conversion projects

But most importantly, we are able to introduce companies to a full team of professionals who can act on the flotation.

History of AIM

Since its launch in 1995, over 2,900 companies have chosen to join AIM, the London Stock Exchange’s international market for

smaller growing businesses. It has emerged as the most successful growth market of its type in the world.

These companies have resulted in a market of growing, innovative and entrepreneurial companies from all over the world. AIM has developed to meet the needs of smaller companies that are seeking to develop their business.

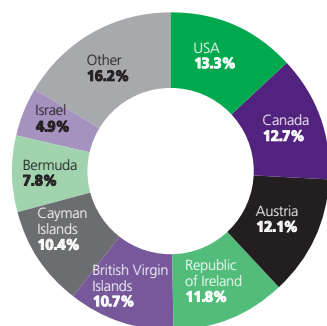
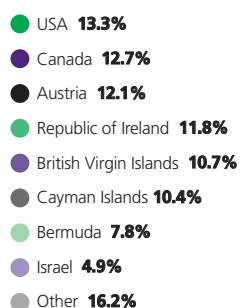
Current position

Currently there are approximately 1,700 companies listed on AIM. The amount of capital raised on AIM has increased sharply in the last few years, rising from £2 billion in 2003 to £15.7 billion in 2006 and income for the City generated by AIM is estimated to be running at around £1 billion a year, of which about half comes from non-British companies.

AIM’s expansion has been boosted by the growing number of international companies now choosing to list on AIM such that over 30% of AIM’s constituents are now from abroad. The total value of international companies floated in the last quarter for 2007 exceeded that of domestic companies for the first time. The total market capitalisation of the 31 non-UK stocks that floated totalled £1.9bn (\$3.8bn) compared with £1.7bn for UK listings.

02 some statistics

Country distribution of international AIM companies by number



Distribution of companies by equity market value (£m)



Source: London Stock Exchange

Why is AIM so successful?

- **AIM specialises in small and mid cap** – AIM is predominantly focused on servicing the financing needs of small and mid cap companies with the average market cap of the 1,634 companies (to December 2006) being \$110m.
- **Regulation** – the competitive strength of AIM lies partly in its regulatory system which is tailored to the needs of smaller companies. There are very few eligibility criteria for listing on AIM, particularly relative to the US markets where Sarbanes-Oxley acts as a major detractor.
- **Good quality institutional investor base** – with London being a huge centre for capital, large European and US institutions invest in AIM. The appetite for AIM stocks is reflected in the fact that AIM companies have raised over £38bn over the past 12 years.
- **AIM listing process is quick** – typically the AIM flotation process will take around three to four months from the appointment of a NOMAD/broker through to the listing and receipt of funds required.
- **Strong after-market performance** – an analysis of after-market returns on new admissions since 2000 suggests that, on average, investors in new AIM companies have outperformed the wider market.
- **Costs** – due to the light regulation and the speed of the process, the costs of an AIM flotation are relatively low compared to other exchanges.

Regulatory framework

- No trading record required – funds and start-ups can float immediately.
- No minimum public shares required – stocks can be introduced to AIM without a public offering.
- No minimum market capitalisation or fund raising – even the smallest of companies can raise money on AIM.
- Admission documents are vetted by a NOMAD not by an independent body.
- Only half year and full year reporting is required rather than quarterly.
- Reporting can be done in a number of standards – the ability to report in Australian, US or Canadian GAAP or IFRS further reduces disruption to existing practices.
- Denomination flexibility – companies quoted on AIM do not need to have their securities denominated in pound sterling. There are numerous dollar and euro denominated stocks.
- Fast-track option for international companies – the admission process for international companies can be accelerated if they have traded for 18 months on certain major markets (including the Toronto, NYSE and NASDAQ exchanges). Dual listing can be done quickly and cost effectively.

03 the professional team

To float on AIM you will need the following advisers:

- **Nominated Adviser (NOMAD)**
- **Broker**
- **Lawyer**
- **Accountant**

Nominated Adviser (NOMAD)

The NOMAD is a corporate finance adviser that has been approved by the London Stock Exchange. Initially the NOMAD will assess whether a company is suitable to be listed on AIM. If a company passes the NOMAD's quality and due diligence thresholds, the NOMAD will support the company's application to AIM which includes the compilation of the AIM Admission Document. It will also ensure that the ongoing regulatory obligations and Director responsibilities are met and provide ongoing general corporate finance and M&A services. A company must retain a NOMAD at all times or it will be de-listed.

Broker

Brokers are securities houses that are also members of the London Stock Exchange. In many circumstances, the NOMAD will also act as the broker so only one appointment will need to be made. The broker is responsible for coordinating the flotation process including setting up and accompanying the management on the investor road show to raise the capital, book building and pricing the issuance.

Lawyers

UK legal counsel will provide advice on capital structure, taxation and organisational issues. It will also cover all legal aspects of the Admission Document including a full verification exercise to ensure the accuracy of the document covering all topics including areas such as IP, employment, property and health and safety. International companies will also usually need legal representation in their local jurisdiction.

Reporting Accountants

Companies require three key reports to be prepared by UK accountants:

- **Long Form Report** – a detailed due diligence report that is used to prepare the Admission Document to help determine the suitability of the company for admission to AIM. This includes a complete description of the business, historical financials and an assessment of accounting policies and financial controls.
- **Short Form Report** – a summary of the historic trading results, balance sheets and cash flows.
- **Working Capital Report** – this confirms that, in the Director's opinion, there is sufficient working capital for its present requirements for at least 12 months subsequent to its AIM listing.

04 admission process

In general the whole listing process takes an average of three to four months.

6-12 weeks before admission

- Produce the draft prospectus/Admission Document
- Produce the first draft of the other required documents
- Conduct the initial review of pricing issues
- Review PR presentations
- Host analyst presentations

1-6 weeks before admission

- Continue drafting meetings
- Carry out and complete due diligence
- Hold PR meetings and roadshow
- Register the prospectus with the UKLA
- Submit 10-day announcement to Exchange of intention to join AIM

1 week before admission

- All documents completed and approved
- Pricing and allocation of the offer
- Register the prospectus
- Sign subscription agreement
- Bulk print final prospectus/Admission Document

Continuing obligations

Once all the stress and late nights involved in the flotation are over, you need to concern yourself with the continuing obligations of being a listed company. Below are just some that haysmacintyre can help you with.

- **Annual accounts** – audited financial statements prepared in accordance with IFRS need to be produced and filed within six months of the year-end.
- **Interim accounts** – half yearly reports need to be produced within three months.
- **Transactions** – where an acquisition would result in a reverse take-over, a new Admission Document is required to obtain shareholder approval.
- **Disclosure requirements** – companies are required to disclose certain related party transactions.
- **Price sensitive information** – such information needs to be published in a timely manner.
- **Staff incentive schemes** – such schemes are important in order to motivate the key employees within the business in a tax efficient manner.

05 financial impact

Impact on your business

Being a listed company is unlikely to significantly affect the day-to-day operations of your business however there are significant benefits. It:

- Allows you to raise capital more easily
- Allows you to offer existing shareholders an exit route
- Raises your visibility and status with customers and suppliers
- Enables you to broaden your shareholder base
- Provides you with an objective business valuation
- Enables you to make acquisitions using your shares
- Allows you to boost motivation with a share ownership scheme.

Costs of an AIM flotation

Costs depend upon the complexity of the flotation, however, below is an indication of costs:

Nominated Adviser	£120,000
Lawyers	£100,000
Accountants	£75,000
Registrar	£15,000
Other costs	£20,000

In addition brokers fees are typically 3-5% of funds raised.

06 how can haysmacintyre assist you?

Expertise and experience

haysmacintyre has significant experience in supporting both domestic and international companies prepare for a listing on AIM. This includes financial, taxation and management advice as well as acting as reporting accountants.

Trusted advisers in place

We have a team of advisers in place to suit your needs. Therefore, if you are looking for lawyers, nominated advisers or brokers then we will be able to introduce you to the right people.

Recent deals

haysmacintyre Medgenics Inc Private fundraising & AIM admission Reporting accountants Biopharmaceutical company	haysmacintyre Cubus Lux Plc Private fundraising, AIM admission, reverse acquisition and placing Reporting accountants Croatian tourism & leisure group	haysmacintyre Playgolf (Holdings) Plc Private fundraising AIM admission & Reporting accountants Operator & developer of multi-sport facilities	haysmacintyre In Cup Plus Plc Fundraising Reporting accountants Manufacturer & distributor of vending machines
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haysmacintyre Elite Strategies Plc Reverse take over of Retec Interface Ltd Reporting accountants Digital communications solutions	haysmacintyre Servision Plc Private fundraising & AIM admission Reporting accountants Manufacturer & developer of video monitoring systems	haysmacintyre Gold Frost Ltd Fundraising & AIM admission Reporting accountants Designer, developer & distributor of kosher food (Israeli based)
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07 for further information

For further information, please contact:

David Cox

T 020 7969 5564

E dcox@haysmacintyre.com

Ian Cliffe

T 020 7969 5531

E icliffe@haysmacintyre.com

Andrew Ball

T 020 7969 5530

E aball@haysmacintyre.com

haysmacintyre

Fairfax House

15 Fulwood Place

London

WC1V 6AY

F 020 7969 5600

W www.haysmacintyre.com

