A guide to floating on AIM

Listing in London

pwc

Floating on AIM

Since the launch of the market in 1995, AIM has emerged as one of the most successful growth markets in the world. It has developed rapidly both in terms of the number and diversity of companies admitted to the market, and the range of institutional and retail investors involved. Its success is built on a simplified regulatory environment which has been specifically designed for the needs of small and emerging companies.

Regulatory environment

AIM companies are governed by the AIM Rules for Companies (AIM Rules) which set out the requirements and guidance for companies quoted or wishing to be quoted on AIM. The admission document requirements are based on the FCA's Prospectus Rules with certain (optional) exclusions. Admission documents relating to a public offer in the UK will need to follow the FCA's Prospectus Rules and require the approval of the FCA.

Key differences between AIM and the Main Market (Premium segment)

AIM	Main Market
No minimum number of shares to be in public hands	Minimum 25% shares in public hands
No trading record requirement (minimum three years if available)	Normally three year trading record required
Prior shareholder approval required only for reverse takeovers and fundamental disposals	Prior shareholder approval required for significant transactions, including significant acquisitions, disposals and related party transactions
Admission documents not pre-vetted by the Exchange. The FCA will vet an AIM admission document where it is also a Prospectus under the Prospectus Directive	Prospectus pre-vetted and approved by the UKLA
Nominated adviser and broker required at all times	Sponsors needed for new applicants and significant transactions
No minimum market capitalisation	Minimum market capitalisation of £700,000
Compliance with a recognised corporate governance code or explain why not	Compliance with UK Corporate Governance Code or explain why not.

Role of the nominated adviser

The initial role of the nominated adviser is to ensure that the company is appropriate to be quoted on AIM and to advise on, and to ensure that the AIM Rules for Companies are complied with on admission. The nominated adviser can be the same entity as the company's broker (who encourages trading of the shares in the market) – and so it is important to carefully consider their selection.

As required by the AIM Rules for Nominated Advisers, the nominated adviser must undertake extensive due diligence, advise the company of its primary or secondary market disclosure requirements, be available to advise and guide AIM Companies for which it acts at all times and liaise with the Exchange and the company's other advisers.

The decision to float

Once you have taken the decision to float you will need to critically appraise your existing business and equity story, to understand its attractiveness to the market and identify the extent to which it will meet the AIM admission requirements. These requirements may be analysed into the following areas:

- General suitability and initial considerations
- Eligibility for admission
- Continuing obligations and reporting requirements

General suitability and initial considerations

Planning and good preparation are crucial to a successful flotation. The following are the key suitability issues that you will need to consider:

- Preparation of a well constructed, attractive equity 'story'
- Establishing an experienced board of directors and management team
- Corporate governance implications
- Suitability of existing capital and organisation structure
- Appropriateness of the financial track record
- Quality of management information and financial reporting procedures
- Tax strategy and planning
- Legal housekeeping
- Board remuneration, management and employee incentives
- External communications and investor relations, including preparation of a company website

Eligibility for admission

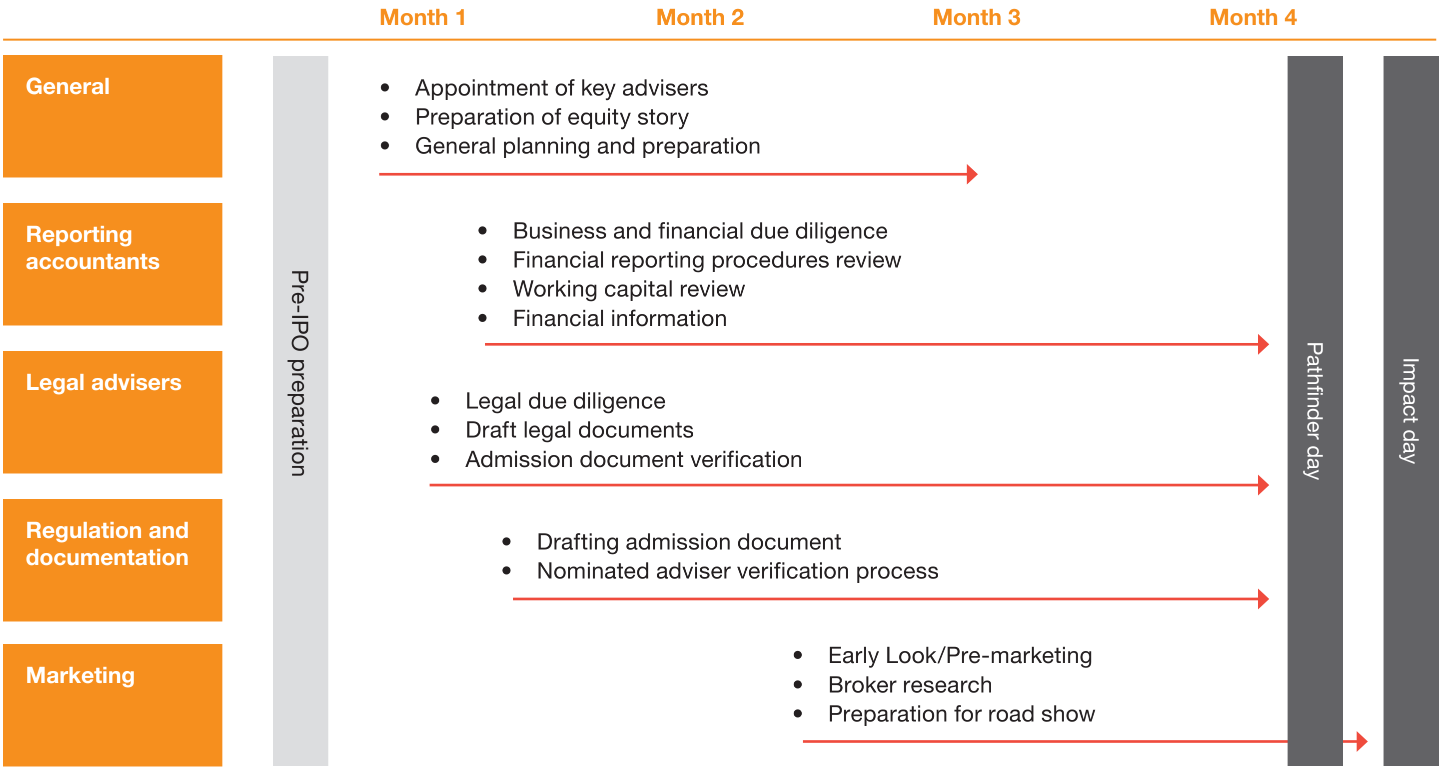
A company must meet the eligibility requirements as set out in the AIM Rules for Companies. The main requirements are set out below:

Main eligibility requirements

- Appointment and retention of a nominated adviser and broker*
- Production of an admission document
- Preparation of financial information for inclusion in the admission document
  - Three years of audited financial information (if available)
  - If the financial information is more than nine months old, unaudited interim financial information with comparatives is required
  - At a minimum, the last two years of the financial information must be restated onto the basis to be applied in the issuers next annual accounts, being IFRS (or equivalent standards for non-EEA companies – see overleaf)
- Sufficient working capital for at least 12 months from the date of admission
- Adequate financial reporting procedures
- Profit forecast, if appropriate

* The nominated adviser and broker must be registered with the Exchange. See the London Stock Exchange website for a list of current approved nominated advisers and brokers.

Flotation timeline



Continuing obligations and financial reporting

The main continuing obligations and financial reporting requirements are:

Continuing obligations and financial reporting

Nominated adviser and broker	• An Exchange approved nominated adviser and broker must be retained at all times
Price sensitive information	• New developments which, if made public, would result in a substantial movement in the share price must be notified without delay
Annual report and accounts	• The annual accounts must be signed and published within six months of the year end
Half-yearly reports (unaudited)	• Half-yearly reports must be published within three months of the period end and contain primary statements with comparatives, as a minimum
Significant transactions	• **Reverse takeovers,** being acquisitions of any of the class tests which exceed 100%, require re-admission to AIM including publication of an admission document and shareholder approval • **Disposals** in a twelve month period exceeding 75% in any of the class tests set out in the AIM Rules require publication of a circular and shareholder approval • An announcement is required for **substantial transactions** exceeding 10% of any of the class tests and outside the ordinary course of business. An announcement is required for related party transactions exceeding 5% of any of the class tests
Further equity issues	• An admission document will only be required where a prospectus is required under the Prospectus Rules, a new class of securities is to be admitted or the transaction qualifies as a reverse takeover
Lock-in arrangements	• Where a company's main activity is a business which has not been independent and revenue earning for at least two years, certain related parties and employees must not dispose of their shares for one year after admission
Website	• A website showing information on the business and all information made available to shareholders over the past 12 months must be maintained
Corporate Governance	• Details of a recognised corporate governance code that the directors of the AIM company has decided to apply, how the AIM company applies with that code, and where it departs from its chosen corporate governance code, an explanation of the reasons for doing so. The information is to be updated annually and the date it was last reviewed included on the company's website

Considerations for non-EEA* issuers

Additional considerations for non-EEA* issuers are set out below:

Considerations for non-EEA* issuers	
Financial information	• Financial information may be presented in accordance with IFRS, US GAAP, Australian IFRS, Japanese GAAP, Canadian GAAP
AIM Designated Market Route	• A streamlined process for admission to AIM • Must have been quoted on an AIM Designated Market for at least 18 months** • Required to publish a detailed pre-admission announcement (an admission document is not required)

* The Channel Islands and Isle of Man are included with the EEA for this purpose

** See the London Stock Exchange website for a list of Designated Markets

Taxation considerations

There are certain tax incentives available to individual and corporate investors which enhance the attractiveness of investing in AIM companies. The tax reliefs available include those relating to:

- The Enterprise Investment Scheme
- Inheritance tax
- Venture Capital Trusts
- Reliefs for losses
- Capital Gains Tax
- Gift relief
- Entrepreneurs Relief
- Stamp Duty exemption

The place of incorporation or other residence status of the company raising funds may be a relevant factor in the investor's entitlement to tax relief, as will the actual activities of the AIM company, its size and the capital being raised.

Individuals are also able to invest in AIM companies through their stocks and shares Individual Savings Accounts (ISAs).

AIM indices

Trading on AIM is supported through the AIM Index series which includes the:

- FTSE AIM 50 UK Index (UK domiciled only)
- FTSE AIM 100 Index (UK and international)
- FTSE AIM All-Share Index (UK and international)
- FTSE AIM All-Share Supersector Index (UK and international)

Each index has specific eligibility criteria relating to general liquidity and free float requirements.

Additional rules for investing companies

Investing companies may float on AIM subject to the following additional rules:

- Minimum of £6 million in cash to be raised on or immediately before admission
- Details of the investing strategy must be published in the admission document
- Shareholders are required to approve the investing strategy on an annual basis until the company is no longer considered an investing company
- Companies which become investing companies through divestment are required to make an acquisition within twelve months of the date of divestment
- An acquisition which departs substantially from the stated investing strategy must be treated as a reverse takeover

Additional rules for mining, oil and gas companies

- A recent competent person's report on all material assets and liabilities should be included in the admission document
- A qualified person independent of the company, its directors, management and advisers, with at least five years' relevant sector experience should review and sign off on each resource or drilling update notified to the market

How PwC can help you

Executing a successful IPO is typically the culmination of a complex process, whatever market you list on. From strategy, accounting, broker selection, reporting, financial systems, governance, media, investor relations and pricing and allocation. To treasury and financial risk management, legal, tax, HR, technology – every piece of the puzzle must be in place, and connected before you proceed.

Planning and good preparation are crucial to a successful IPO, regardless of the market or stock exchange. PwC's dedicated team of capital markets professionals are here to help and make the task at hand an easier experience for you.

We have deep experience and knowledge of the rules and regulations governing all major capital markets – and a successful history of working on both international and domestic IPOs.

Contacts

Peter Whelan
UK IPO Lead

T: +44 (0)7770 977937
E: peter.whelan@pwc.com

Lucy Tarleton
Capital Markets Director

T: +44 (0)7701 295718
E: lucy.c.tarleton@pwc.com

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2019 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

190327-115153-NF-OS