



Burges Salmon **AIM - Jargon Buster**

This Jargon Buster explains some of the common terms which are likely to be encountered by a company seeking admission to AIM.

Admission – admission of the company's shares to trading on AIM. Admission becomes effective when the LSE issues a dealing notice.

Admission Document – the disclosure document which a company applying for admission to AIM must produce (unless it is joining AIM from an AIM Designated Market). The document must contain the information set out in schedule two to the AIM Rules for Companies. Although it looks like a Prospectus, the crucial difference is that it is not reviewed or approved by the FSA.

AIM – the LSE's global market for growing companies.

AIM Rules for Companies – the rules for companies admitted to trading on AIM or which are applying for admission to AIM. The rules are published by the LSE.

AIM Rules for Nominated Advisers – the rules for nominated advisers published by the LSE. They set out the eligibility requirements, ongoing obligations and certain disciplinary matters in relation to nominated advisers.

Broker – every AIM company must retain a broker at all times. Typically the same investment bank or stockbroker acts as Nomad and broker to the company.

CDI – Crest Depository Interest. These are typically used by overseas companies whose underlying securities are not eligible for holding and settlement in CREST. The CDIs represent an entitlement in relation to the underlying international securities.

City Code – the rules, administered by the Panel, governing offers for public companies.

Class tests – the tests set out in the AIM Rules for Companies which are used to establish whether a proposed transaction involving a company is a substantial transaction, a related party transaction, a reverse takeover or a disposal resulting in a fundamental change of business.

Close Period – an AIM company must ensure that its directors and applicable employees do not deal in any of its AIM securities during a close period. A close period is the period of two months before the publication of a company's annual results and the period of two months immediately preceding the announcement of its interim results. A company will also be in a close period if it is in possession of unpublished price sensitive information.

Continuing obligations – the rules applicable to AIM companies on a continuing basis following Admission.

These are contained in the AIM Rules for Companies and in the DTR.

CPR – a competent person's report. The requirement for a CPR is set out in the Guidance Note for Mining, Oil and Gas companies published by the LSE. The guidance sets out specific guidelines relating to resource companies.

CREST – the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited (previously CRESTCo Limited).

Due diligence – the process of obtaining all material information about a company to ensure that the company is appropriate to be admitted to AIM and that the Admission Document contains full and accurate disclosure about the company and its financial position.

DTR – the Disclosure and Transparency Rules published by the FSA. Chapter 5 (Vote Holder and Issuer Notification Rules), which deals with notifications of major shareholdings, applies to AIM companies.

FSA – Financial Services Authority.

FSMA – Financial Services and Markets Act 2000.

Introduction – a method of obtaining admission to AIM without an offering of shares.

IPO – initial public offer or flotation.

Lock-in – an agreement that a shareholder will not dispose of any shares in the company for a specified period after Admission. This is normally subject to certain exceptions such as the acceptance of a takeover offer.

Long form report – a financial due diligence report prepared by accountants on the company and its subsidiaries. In contrast to the short form report, this document is not disclosed to the public.

LSE – London Stock Exchange plc. The LSE operates AIM and the Main Market.

Main Market – the LSE's market for listed securities.

Model Code – the code imposes restrictions on dealing in the securities of a company. Its purpose is to ensure that directors and applicable employees do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have especially in periods leading up to an announcement of a company's results.

Nomad – nominated adviser. Every company applying for admission to AIM must appoint a Nomad. Every company admitted to AIM must retain a Nomad at all times. The Nomad is responsible to the LSE for assessing the appropriateness of an applicant for AIM, or an existing AIM company when appointed as its Nomad, and for advising and guiding an AIM company on its responsibilities under the AIM Rules for Companies. The LSE maintains a register of firms which have been approved to act as Nomads.

Panel – the Panel on Takeovers and Mergers. The Panel is an independent body whose main functions are to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the City Code applies in accordance with the rules set out in the City Code.

Placing – an issue of shares to institutional and other selected persons rather than to the general public.

Placing agreement – the agreement between the company, its directors and the Nomad which sets out how the Placing will be implemented.

Prospectus – a company applying to AIM must produce a prospectus if there is an offer of shares to the public. The FSA must review and approve the prospectus. Most AIM fund raisings are therefore structured as Placings to avoid this requirement. Recent changes to two of the exemptions from the requirement to produce a prospectus may lead to a change in market practice. The threshold for fundraisings which require a prospectus has been increased from €2.5 million to €5 million. Offers of shares made to less than 150 persons per member state will also not require a prospectus - this has been increased from the previous limit of less than 100. So companies applying to AIM will be able to:

- offer shares to a wider group of investors; and
- tap retail demand where it exists,

all without being required to produce a prospectus so long as this part of the fundraising is for less than €5 million. See *Prospectus Flow Chart* for further information.

Prospectus Directive – Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC. A directive amending the Prospectus Directive has been adopted by the European Parliament and Council (Directive 2010/73/EU). This Amending Directive, which introduces a new “proportionate disclosure regime” for smaller companies, must be implemented by member states by 1 July 2012.

Prospectus Regulation – Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses

and dissemination of advertisements. The Prospectus Regulation contains the detailed contents requirements for a prospectus.

Prospectus Rules – the prospectus rules published by the FSA. These form part of the FSA Handbook.

QCA – the Quoted Companies Alliance. The QCA represents the interests of smaller quoted companies on the Main Market and AIM. The QCA has published Corporate Governance Guidelines for Smaller Quoted Companies which contains some helpful guidance on how smaller quoted companies should apply the UK Corporate Governance Code.

Reporting Accountants – the accountants appointed by the company to, among other things, prepare the long form report and the short form report.

Responsibility Statement – a statement by the directors and the company in the form set out below:

“The Company and the Directors, whose names appear on page - of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.”

RNS – the regulatory information service operated by the LSE.

SEC – U.S. Securities and Exchange Commission, the primary regulator of the U.S. securities markets.

Short form report – the accountants’ report on historical financial information which is reproduced in the Admission Document.

UK Corporate Governance Code – this sets out best practice in relation to issues such as board composition and development, remuneration, accountability and audit and relations with shareholders. Although the UK Corporate Governance Code does not apply to AIM companies, the Admission Document often contains a statement that *“The Company intends, insofar as is practicable, taking into account its size, to comply with the relevant requirements of the UK Corporate Governance Code”*.

Verification – the process, based on written questions and answers, which is designed to ensure the accuracy of the information contained in the Admission Document.

Working capital statement – a statement by the directors in the Admission Document that in their opinion the working capital available to the company and its group will be sufficient for its present requirements that is for at least 12 months from Admission. In Inside AIM (Issue 3) the LSE stated that *“We should like to make it clear that, similar to the statement required by Rule 13 (Related party transactions), amendments and caveats to this statement are not permitted.”*

Further information

We hope that this guide will help you to cut through the jargon surrounding a fundraising on AIM. If you would like any further information on AIM please speak to your usual contact at Burges Salmon or:



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