



**The Quoted
Companies Alliance**

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Peter Taylor, *The Daily Telegraph*

AIM Market: Astaire's public punishment is a warning to others

London Stock Exchange - forever walking a fine line between protecting Aim's reputation as a safe place to invest and damaging its appeal as a market with light-touch regulation is reticent about attacking publicly companies that break its rules.

That much is evident from a quick glance at the history books: in Aim's 14-year existence, only four companies quoted on the market have been publicly censured, with just one fined. And until last Monday, only one nominated adviser to an Aim company had been fined and publicly censured.

The exchange's preferred modus operandi is to deliver disciplinary action behind closed doors, and it does so regularly every few months.

There are occasions, however, when even if it were to prefer handling a case in private, the exchange has its hands tied when taking no action publicly would do more harm than good to the market's reputation.

The remarkable saga of Worthington Nicholls, advised by the broker now known as Astaire Securities, is one such case. Astaire Group, the parent of Astaire Securities, is 225,000 poorer after it was fined and censured by the exchange last week.

When Worthington Nicholls listed midway through 2006, its story was as much as it could be for a company that specialised in installing air conditioning and ventilation in hotels - a publicity agent's dream. The company, a family operation that had been founded 33 years earlier by Peter Worthington, initially sought to raise £15m.

But despite a brief collapse in equity markets when investors took fright over US inflation figures several weeks before listing, it instead raised £20m at 50p a share in a float handled by Corporate Synergy, the predecessor to Blue Oar, which was this month rebranded as Astaire.

Mr Worthington, who stayed on as a director, exited the executive ranks with £12.5m and the family kept 42pc of the business - which had an extra £7.5m working and growth capital in the kitty - with Mark Worthington, Peter's son, serving as chief executive.

By close of trade on the day that the air-conditioning business debuted on Aim, during a heatwave no less, it had a market capitalisation of almost 34m. The bubbly was doubtlessly flowing thick and fast.

So too, over the next year, flowed a series of upbeat announcements, all of them, in theory, vetted by Corporate Synergy. Shares climbed to 194p and the group's market value soared to 145.5m.

Then the cracks started to appear. The company put out a correction to its annual results, stating it had understated its business pipeline by half - a bewildering, if positive, revelation. The

share price came off the boil, then collapsed to less than 20p in August 2007 after the group said turnover and profit were likely to be materially below market expectations.

The stock exchange's disciplinary notice, published last week, spells out how Corporate Synergy and Blue Oar broke the rules and lays bare exactly how expectations for Worthington Nicholls' performance became so removed from reality.

Among the company's announcements, Peter Worthington said in November 2006 that quality service had led to a "high percentage of reoccurring (sic) revenue with existing customers", adding that "the quotation register is significantly ahead when compared to the same time last year". He also said Worthington Nicholls was in discussions for potential deals with "five hotel chains, which, in aggregate, own in excess of 90 hotels".

In reality, the value of the group's total orders the previous month had fallen to £164,580 from more than £930,000 for the same month a year earlier, and Worthington Nicholls was in contractual negotiations with just one hotel from each of the five chains. The positive but misleading statements continued. As late as June 2007 it said profit margins would remain stable for the year, having already given its adviser figures that painted a far less rosy picture.

The scandal runs deeper. The disciplinary notice also says that Corporate Synergy failed to ensure Worthington Nicholls carried out several "corrective actions" suggested by accountants in a review to prepare it for listing, such as employing a full-time finance director and moving from quarterly to monthly management accounts.

Corporate Synergy also failed to ensure that the company disclosed an orderly market arrangement in its admission document, and did not carry out appropriate due diligence on the company's directors, the exchange's notice says.

The intonation is clear. Had the broker now known as Astaire Securities done its job, Worthington Nicholls might not have come to market in the first place, or at least have floated with different management procedures and a different board in place.

Simon Beart, who has served as chief executive at Worthington Nicholls, now known as Managed Support Services, since the company embarked on a management, adviser and boardroom clear-out, says that if the company has any concerns with the disciplinary action, it is over the fine for Astaire. It is too small, he says, in the context of the many millions lost by investors misled into buying Worthington Nicholls shares anywhere near its valuation peak.

Astaire Group says it has markedly changed its procedures to ensure such a saga cannot happen again.

The fall out continues elsewhere, with the Serious Fraud Office running its own investigation into Worthington Nicholls, and Managed Support Services this month announcing it is suing the firm that was its auditors until November 2007, HWCA.

And while it appears to be "case closed" for the exchange, it might be well served to observe how the saga has distilled the concerns that some investors continue to hold about the reliability of companies listed on the growth market.

John Pierce, chief executive of the Quoted Companies Alliance, says of the Worthington Nicholls case that "people will admire them [the exchange] for taking a tough line". In that context, the case for Paternoster Square to reconsider its reticence to publicly censure the rule breakers is strong.

After all, few things like a good public flogging serve to remind brokerage houses to show a little caution in who they bring to market in the first place - and the importance of never, ever misleading investors.