



**The Quoted  
Companies Alliance**

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**David O'hara, *Aimzine***  
**Aim in 2010 – Views from the experts**

What would the experts change in order to benefit AIM in the New Year?

Entering 2010, some difficulties within the junior market remain. I contacted experts for their perspective on what they would change to benefit AIM in the New Year. Here are their thoughts and mine:

**Henry Harrison-Topham, Managing Director, Abchurch Communications**

AIM is ending a tough year on a higher note, but it remains a challenging environment for investors and advisers. 2009 has been an evolutionary year. The 'fittest' AIM companies have survived in a year that saw over 250 companies leave the market. As 2009 draws to a close, it is heartening to see that the rate of those leaving the market appears to be slowing.

For advisers, the most coveted present under the financial Christmas tree remains the IPO. They were frustratingly elusive in 2009, which from a capital raising perspective, was dominated by secondary placings and rights issues. But the broader investment and advisory markets must be buoyed by the recent Gartmore and Better Capital IPOs. The simple concept that investors are now ready to invest in fund management and turnaround businesses is itself a meaningful statement and we hope a signs of things to come. All we want for 2010 is for this sentiment to continue permeating throughout the markets.

**David O'Hara, Founder, Blackthorn Focus**

Many executives of AIM companies conduct themselves as if the company was their private fiefdom. This could mean supplying the market with the minimum information to remain within the AIM rules or declining to behave as the investment community expects. However, institutional investors are typically reluctant to show their teeth. This is perhaps because they wish to avoid publicity, or their stake in the company is too small a portion of funds under management for an improvement in governance to make a significant contribution.

Bad behaviour from management deters investors, reduces liquidity and damages perceptions of the market, hurting share prices of all companies.

The lack of institutional engagement undermines a key principle of capitalism, that when management is doing wrong, owners will react and force change. In 2010 I would like to see institutions take more action against AIM executives that need bringing to heel.

**Paul Parker, Investment Manager, Collins Stewart Wealth Management**

Over the past 18 months the reputation of AIM has been tarnished due to a number of early stage companies falling foul to the severe economic conditions and either delisting or going into liquidation. The market has also seen severe volatility which has been exaggerated by the heavy weighting of the Index to the mining and resource sectors. Our hope for 2010 is that the reputation of AIM recovers.

There have been a number of companies that have not only performed well during this period but have posted record results with strong cash flows, solid balance sheets and progressive dividends. Companies such as Group NBT, James Halstead, May Gurney, Nichols and Young & Co. have delivered throughout and AIM should be recognised for the number of successes it has achieved.

**Chris Searle, Partner, Corporate Finance, BDO**

I would like to see a relaxation of the Prospectus and Consolidated Reporting Directives. When an AIM-listed company wishes to raise money via rights issue or open offer, frequently a prospectus must be produced. Main Market companies can incorporate their financial statements into the prospectus by reference but currently AIM companies cannot. Instead, AIM companies either have to include in the prospectus an accountant's report on three years of historical financial information or reproduce the original financial statements. Each option has a cost, yet the prospectus is essentially aimed at existing shareholders who are already aware of their company's financial history. Furthermore, the financial statements of AIM companies are set out on their websites in accordance with AIM Rule 26. A relaxation would help AIM companies seeking to raise money in 2010.

**Kelly Gardiner, Hybridan**

We want to see a greater focus by brokers on liquidity and the AIM community interacting with a range of investors beyond the usual small cap fund managers.

At Hybridan, with our focus on small and micro caps, we are committed to providing after market support for clients, which involves analysing the shareholder register and looking at how to improve liquidity. This is crucial for smaller companies who often fall under the radar of institutional investors. Post transaction, be it IPO or secondary fundraising, it is vital to be consistently marketing the company on an on-going basis, increasing its profile with the key shareholder base, which for micro-caps is probably the retail investor. Private client brokers (PCB's) provide an interface between corporate brokers and high net worth or private investors and are too often dismissed, especially those in the regions. We would like more attention paid to the significant sums of money these PCB's have under management, and their relationships with underlying investors. It is imperative smaller companies engage successfully with existing and potential shareholders to achieve a share price that demonstrates the company's full value.

**Shane Smith, CEO, IIR Group Plc, Irideus.org and PSQ Analytics**

Smaller AIM & Main Market companies have an opportunity to make 2010 a transformational year. During 2009, the London Stock Exchange supported the launch of PSQ Analytics – providing objective, insightful research to investors at a price level that is affordable for smaller companies. Yet even the highest quality research is only as useful as the distribution it enjoys: during 2009 PSQ went from strength to strength, adding powerful retail and private client broker channels to its core institutional reach in order to improve liquidity, dealing spreads, and access to capital for growth companies.

The most exciting development yet is coming in 2010. Asset managers can read research and speak with management, but a meeting is still essential. Yet travel time and cost on both sides, limits what might be realistic for smaller caps. Shortly, companies and fund managers will be able to connect virtually, using a new platform ([www.rovr.tv](http://www.rovr.tv)) to be provided as an adjunct to PSQ Analytics. In 2010, national and international investors will be within reach for smaller AIM and Main Market companies.

### **Marcus Stuttard, Head of AIM, London Stock Exchange**

Over the fourteen years since its launch, AIM has become a mainstream asset class and as we enter 2010, AIM remains the only truly internationally focused growth market in the world. One of AIM's key strengths that has set it apart from other growth markets around the world - this year in particular- has been the access to capital it provides for companies not just at IPO but throughout their life on the market.

An area of considerable focus this year has been the work we have undertaken to urge the Government to provide an additional stimulus to AIM through the fiscal incentives available to investors. For example, we have been lobbying policy makers to give Venture Capital Trusts greater freedom in the investments they make in smaller quoted companies.

At a time when debt finance is increasingly restricted, particularly for smaller and early stage companies, equity finance will be vital to entrepreneurial companies and economic growth. Looking to the future, we can expect to see a strengthening pipeline of companies looking to access AIM to raise funds and raise their profile via the public market.

### **Tony Vine-Lott, Director, Tax Incentivised Savings Association (TISA)**

Most AIM stocks are not accepted in Individual Savings Accounts (ISAs). This prevents those AIM companies from accessing the in excess of £150 Billion of funds held in Stocks and Shares ISA's and the underlying investors from investing in the AIM Market.

Where AIM companies have a dual listing on another Recognised (by HMRC) Stock Exchange they can be invested in via ISAs. This, if anything, rather than helping, causes considerable confusion amongst brokers and investors alike sometimes resulting in financial penalties.

Why, after 15 years, is the AIM Market still not recognised by HMRC? They tell us (TISA) that it is because AIM companies and their underlying investors already receive significant preferential tax treatment.

This government says it wishes to encourage smaller companies and AIM Stocks are permitted in SIPPs. Since the reduction in Capital Gains Tax a few years ago we at TISA believe this Rule banning ISA investment should be reviewed by HMRC and the Treasury and changed.

### **Tim Ward, Chief Executive, Quoted Companies Alliance**

The Quoted Companies Alliance (QCA) would like to see a more open debate on how equity funding can be improved for all smaller companies. With debt difficult to access, there is an ever increasing importance being placed on equity. Tax, disclosure regulations and corporate governance issues all need to be aligned to suit the companies whilst retaining the confidence of investors. It is time to set out a coherent design so that companies can easily access equity

finance to create jobs, new products and strengthen our economic position. Small and mid-cap quoted companies are the engine of the UK economy.

*David O'Hara is an experienced private investor and founder of Blackthorn Focus, a publication and events business dedicated to the financial markets- see <http://blackthornfocus.com>.*