

JOELSON WILSON

THE AIM MARKET OF THE
LONDON STOCK EXCHANGE PLC

AN OVERVIEW

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THE AIM MARKET **OVERVIEW AND ADMISSION PROCESS**

INTRODUCTION

The AIM market opened for business in June 1995. The AIM market operated by the London Stock Exchange plc (“LSE”) is the LSE’s international market for smaller, growing companies.

AIM is designed to be as flexible as possible with no particular track record for companies seeking admission being required, no minimum size requirement and no need to have a designated number of shareholders.

In order to retain this flexibility, the AIM market is not regarded as a highly regulated market. AIM companies and their directors are, however, required to comply with the AIM Rules. In addition, any prospective and existing AIM listed company must retain a “Nominated Adviser” (commonly known as a NOMAD).

Since it opened, AIM has proved to be an attractive market for international companies. The principal advantages include:

- (i) eligibility criteria relatively relaxed when compared with other markets;
- (ii) the continuing obligations under the AIM Rules are not unduly onerous (most transactions do not require shareholder approval making AIM an attractive market for fast growing acquisitive companies);
- (iii) the possible availability of EIS and VCT relief (depending on a company’s structure);
- (iv) admission to AIM heightens the company’s profile in the UK and the rest of Europe; and
- (v) the possibility of Fast Track admission for international companies listed on certain designated markets.

2006 was a prosperous year for AIM, a total of 462 companies joined AIM of which 338 were IPO's. In addition, in 2006 AIM reached the milestone of having over 1,600 companies listed. In 2007 to date a total of £13 billion has been raised on AIM. In view of this and the healthy pipeline of companies expressing an interest in AIM it is predicted that this growth will continue in the future.

NOMINATED ADVISER

Due to the importance of the role of the NOMAD in connection with AIM, the LSE has an approved list of NOMADs which is available on the LSE website at www.londonstockexchange.com.

After admission, all AIM companies must retain a NOMAD at all times. The NOMAD must be available to help and guide the AIM company on the application of the AIM Rules. NOMADs will charge an annual retainer for this service.

ADMISSION

In order for the shares of a company to be admitted to AIM the company, if incorporated in England and Wales, must be a public limited liability company.

Step 1: At least ten business days before the expected date of admission to AIM, the applicant company must file a pre-admission announcement with the LSE.

This announcement, which is in a standard format must contain certain basic information on the applicant company, including the company's name, address, description of its business activities, details of the securities to be admitted to AIM, details of the management team, major shareholders and its nominated adviser and broker.

Step 2: Three business days prior to the expected date of admission, the applicant company is required to submit the following documents to the LSE:

- (i) an electronic copy of its admission document – which must contain the details required by the AIM Rules (including the Annexes which adopt certain specific requirements of the EU Prospectus Directive as applicable to AIM). The AIM Rules contain certain minimum criteria which the admission document must contain in the event that the applicant company is offering its shares to the public;
- (ii) a formal application by the applicant company for its securities to be admitted to AIM, including confirmation that the applicant company will comply with the AIM Rules;
- (iii) a declaration by the NOMAD, which includes confirmation that the applicant company meets the eligibility criteria (ie is able to offer shares to the public, has securities which are freely transferable, and has appointed a NOMAD and a Broker (the Broker's role is to support trading in the company's AIM securities generally and to act as a point of contact for individuals and institutions who wish to acquire shares in the AIM listed company)); and
- (iv) the Admission Fees and ongoing fees.

The standard admission procedure generally takes a minimum of eight weeks. Much of this time is spent in the preparation of the legal due diligence report on the applicant company, the preparation of the reporting accountant's report (both of which are required to give the NOMAD and investors comfort that the applicant company is both eligible and suitable for admission to AIM), and any necessary corporate restructuring to make the company and its shares suitable for AIM.

The preparation of the admission document is also a time consuming and important process, as this document, which is highly detailed and must comply with the relevant provisions of the AIM Rules, is prepared for circulation to potential investors. The directors of the applicant company are legally responsible for ensuring that its contents are accurate and that there are no material omissions. As an integral part of this process the applicant company's legal advisers and the directors will undergo a detailed verification process in respect of each statement contained within the admission document to ensure that the contents are accurate and that there are no material omissions, and that

independent sources are compiled for each statement contained within the admission document.

ROLE OF ADVISERS

In addition to the appointment of a NOMAD and Broker (this function can be undertaken by one entity) the applicant company will also require the services of a firm of lawyers and a firm of accountants to act on its behalf in connection with the preparation of the legal due diligence report, the accountants report, the admission document and to assist with the verification exercise.

A number of other contractual documents will also need to be entered into with the NOMAD and Broker in connection with the admission including a NOMAD Agreement and a Broker Agreement, and a Placing Agreement (which will set out the obligations of the applicant company and the Broker relating to the issue of shares to new investors).

In addition, the NOMAD will expect the applicant company to have entered into Service Agreements and non-executive appointment letters with the directors of the applicant company and will also want to ensure that contractual arrangements with key customers and suppliers are in place.

Need to know more?

Please ask us. Sheldon Cordell, Paul Chiappe, Philippe Hails-Smith and Joelson Wilson's experienced team of lawyers undertake a wide range of corporate and commercial transactions for private limited companies and listed clients in both the UK and overseas. Joelson Wilson have acted on a number of high profile AIM flotations and "Reverse Takeovers" (including transactions in the following sectors: Leisure, food and retail, travel and resources) and would be pleased to answer any queries.

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