

STOCK EXCHANGE AIM NOTICE 30

PROPOSED RULE CHANGES & AIM NOTE FOR INVESTING COMPANIES

PART A: Redlined changes to the current AIM Rules for Companies

Introduction

AIM opened on 19 June 1995. It is regulated by London Stock Exchange plc.

This document contains the AIM Rules for Companies (“these rules”) which set out the rules and responsibilities in relation to **AIM companies**. Defined terms are in bold and definitions can be found in the Glossary.

From time to time the **Exchange** issues separate ~~guidance~~ **Notes** on specific issues which may affect certain **AIM companies**. ~~Such guidance~~ The **Notes** supplement form part of these rules.

Where an **AIM company** has concerns about the interpretation of these rules, it should consult its **nominated adviser**.

The rules relating to the eligibility, responsibilities and disciplining of **nominated advisers** are set out in the separate rulebook, **AIM Rules for Nominated Advisers**.

The procedures relating to disciplinary and appeals matters are set out in the **Disciplinary Procedures and Appeals Handbook**.

The rules for trading **AIM securities** are set out in “Rules of the London Stock Exchange”.

Rule 8

Investing companies

8. Where the **applicant** is an **investing company**, a condition of its **admission** is that it raises a minimum of £3 million in cash via an equity fundraising on, or immediately before, **admission**.

An **investing company** must state and follow an **investing policy**.

An **investing company** must seek the prior consent of its **shareholders** in a general meeting for any material change to its **investing policy**.

Where an **investing company** has not substantially implemented its **investing policy** within eighteen months of **admission**, it should seek the consent of its **shareholders** for its **investing policy** on an annual basis.

Rule 14

Reverse take-overs

14. A reverse take-over is an acquisition or acquisitions in a twelve month period which for an **AIM company** would:
- ◆ exceed 100% in any of the **class tests**; or
 - ◆ result in a fundamental change in its business, board or voting control; or
 - ◆ in the case of an **investing company**, depart substantially from ~~the its~~ **investing policy** (as stated in its **admission document** or approved by **shareholders** in accordance with these rules). ~~strategy stated in its admission document or, where no admission document was produced on admission, depart substantially from the investing strategy stated in its pre-admission announcement or, depart substantially from the investing strategy stated in its circular published pursuant to rule 15.~~

Any agreement which would effect a reverse take-over must be:

- ◆ conditional on the consent of its **shareholders** being given in general meeting;
- ◆ **notified** without delay disclosing the information specified by **Schedule Four** and insofar as it is with a **related party**, the additional information required by rule 13; and
- ◆ accompanied by the publication of an **admission document** in respect of the proposed enlarged entity and convening the general meeting.

Where **shareholder** approval is given for the reverse take-over, trading in the **AIM securities** of the **AIM company** will be **cancelled**. If the enlarged entity seeks **admission**, it must make an application in the same manner as any other **applicant** applying for **admission** of its securities for the first time.

Rule 15

~~Disposals resulting in a f~~**undamental changes**s of business

15. Any disposal by an **AIM company** which, when aggregated with any other disposal~~(s)~~ ~~or disposals~~ over the previous twelve months, exceeds 75% in any of the **class tests**, is deemed to be a disposal resulting in a fundamental change of business and must be:
- ◆ conditional on the consent of its **shareholders** being given in general meeting;
 - ◆ **notified** without delay disclosing the information specified by **Schedule Four** and insofar as it is with a **related party**, the additional information required by rule 13; and
 - ◆ accompanied by the publication of a circular containing details of the disposal and any proposed change in business together with the information specified above and convening the general meeting.

Where the effect of the proposed disposal is to divest the **AIM company** of all, or substantially all, of its trading business, activities or assets the **AIM company** will, upon completion of the disposal, be treated as an **investing company**. The **notification** and circular containing the information specified by **Schedule Four** convening the general meeting must also state its **investing strategy policy to be followed** going forward which must be approved by shareholders.

The **AIM company** will then have to make an acquisition or acquisitions which constitute a reverse take-over under rule 14 or otherwise implement the **investing strategy policy** approved at the general meeting to the satisfaction of the **Exchange** within twelve months of ~~having received the consent of its shareholders~~ becoming an investing company.

Where an **AIM company** proposes to take any other action, the effect of which is such that it will cease to own, control or conduct all, or substantially all, of its existing trading business, activities or assets (including the cessation of all or substantially all of the **AIM company's** business), the above requirements to notify the action, publish a circular setting out its **investing policy** going forward, obtain **shareholder** consent that **investing policy** and implement it within twelve months of taking such action, will apply. **Shareholder** consent for the action itself will not be required.

Rule 16

16. Transactions completed during the twelve months prior to the date of the latest transaction must be aggregated with that transaction for the purpose of determining whether rules 12, 13, 14, ~~15~~ and/or 19 apply where:

◆ ...

Rule 26

Company information disclosure

26. Each **AIM company** must from **admission** maintain a website on which the following information should be available, free of charge:

◆ a description of its business and, where it is an **investing company**, its **investing strategy policy** and details of any **investment manager** and/or **key personnel**;

Schedule One

Pursuant to rule 2, an **applicant** or **quoted applicant** must provide the **Exchange** with the following information:

...

(e) a brief description of its business (including its main country of operation) and in the case of an **investing company**, details of its **investing strategy policy**. If the **admission** is being sought as a result of a reverse take-over under rule 14, this should be stated;

Supplement to Schedule One, for quoted applicants only

A **quoted applicant** must in addition provide the **Exchange** with the following information:

...

(e) details of its intended strategy following **admission** including, in the case of an **investing company**, details of its **investing strategy policy**;

...

(k) information equivalent to that required for an **admission document** which is not currently public, including any information that would be required as part of an **admission document** by the **Notes**;

Schedule Two

A company which is required to produce an **admission document** must ensure that document discloses the following:

....

- (j) where it is an **investing company**, details of its **investing ~~strategy-policy, which must include, as a minimum requirement, such matters as:~~**
 - ◆ ~~the precise business sector(s), geographical area(s) and type of company in which it can invest;~~
 - ◆ ~~how long it can exist before making an investment or having to return funds to shareholders;~~
 - ◆ ~~whether it will be an active or passive investor;~~
 - ◆ ~~how widely it will spread its investments;~~
 - ◆ ~~what expertise its **directors** have in respect of evaluating its proposed investments and how and by whom any due diligence on those investments will be effected.; and~~
- (k) **the information required by the Notes and** any other information which it reasonably considers necessary to enable investors to form a full understanding of:
 - the assets and liabilities, financial position, profits and losses, and prospects of the **applicant** and its securities for which admission is being sought;
 - the rights attaching to those securities; and
 - any other matter contained in the **admission document**.

Schedule Four

In respect of transactions which require **notifications** pursuant to rules 12, 13, 14 and 15 an **AIM company** must **notify** the following information (as applicable):

- (a) particulars of the transaction, including the name of any other parties~~any company or business~~, where relevant;
- (b) a description of the assets which are the subject of the transaction, or the business carried on by, or using, the assets ~~which are the subject of the transaction~~;
- (c) the profits attributable to those assets;
- (d) the value of those assets, if different from the consideration;
- (e) the full consideration and how it is being satisfied;
- (f) the effect on the **AIM company**;
- (g) details of the any service contracts of ~~any~~ proposed **directors**;
- (h) in the case of a disposal, the application of the sale proceeds;
- (i) in the case of a disposal, if shares or other securities are to form part of the consideration received, a statement whether such securities are to be sold or retained; and
- (j) any other information necessary to enable investors to evaluate the effect of the transaction upon the **AIM company**.

Glossary

investing company

Any **AIM company** which, ~~in the opinion of the Exchange,~~ has as ~~its~~ a primary business ~~or objective,~~ the investing of its funds in ~~the securities of other companies, businesses or assets of any description.~~ **acquisition** of a particular business. An **investing company** must have an **investing strategy**.

investment manager

Any **person** who, on behalf of an **investing company**, manages investments of that company.

investing policystrategy

The policy the **investing strategy** of an **investing company** will follow in relation to asset allocation and risk diversification.

The policy must be sufficiently precise and detailed to allow assessment of it, and, if applicable, the significance of any proposed changes to the policy. It must ~~containing~~ as a minimum:

- ◆ the business sector(s), geographical area(s) and type of assets or company in which it can invest;
- ◆ the means or strategy by which the **investing policy** will be achieved;
- ◆ whether such investments will be active or passive and, if applicable the length of time that investments are likely to be held for;
- ◆ how widely it will spread its investments and its maximum exposure limits, if applicable;
- ◆ its policy in relation to gearing and cross-holdings, if applicable;
- ◆ details of any investing restrictions; and
- ◆ the type of returns it will make to shareholders and, if applicable, how long it can exist before making an investment and/or before having to return funds to **shareholders**. the information required by Schedule Two, paragraph (j), published in an **AIM admission document**, a circular produced pursuant to rule 15 or, in the case of a **quoted applicant**, in its pre-admission announcement.

Notes

Separate notes published by the **Exchange** from time to time which form part of these rules. At the date of these rules, these comprise the AIM Note for Investing Companies and the AIM Note for Mining and Oil & Gas Companies.

substantial shareholder

~~In relation to a transaction a~~ any person who holds any legal or beneficial interest directly or indirectly in 10% or more of any class of **AIM security** (excluding **treasury shares**) or 10% or more of the voting rights (excluding **treasury shares**) of an **AIM company** including for the purpose of rule 13 such **holding** in any subsidiary, sister or parent undertaking and excluding, for the purposes of rule 7, (i) any authorised person and (ii) any company with securities quoted upon the Exchange's markets, unless the company is an investing company which has not substantially implemented its investing policy.

Guidance Notes

Guidance to Rule 8

Rule 8: Investing companies

~~An investing company should, as a minimum, seek the consent of its shareholders for its investing strategy on an annual basis.~~

The investing policy must be sufficiently precise and detailed so that it is clear, specific and definitive. The investing policy must be prominently stated in the admission document and any subsequent circular relating to the investing policy, for example pursuant to rules 8, 14 or 15. The investing policy should be regularly notified and at a minimum should be stated in the investing company's accounts and half-yearly reports.

The circular convening a meeting of shareholders for the purposes of obtaining consent for a change in investing policy should contain adequate information about the current and proposed investing policy and the reasons for and expected consequences of any proposed change. It should also contain the information required by paragraph 4.2 of the AIM Note for Investing Companies.

In making the assessment of what constitutes a material change to the published investing policy consideration must be given to the cumulative effect of all the changes made since the last shareholder approval of the investing policy, or if no such approval has been given, since the date of admission. Any material change to the specific points set out in the definition of investing policy is likely to constitute a material change requiring shareholder consent.

In making the assessment of whether or not an investing company has substantially implemented its investing policy, the Exchange would consider this to mean that the investing company has invested a substantial portion (usually at least 75%) of all funds available to it in accordance with its investing policy.

In relation to any requirement to obtain shareholder approval of the investing policy in these rules, if such shareholder approval is not obtained, the AIM company would usually be expected to propose amendments to its investing policy and seek shareholder approval for those amendments, as soon as possible. The return of funds to shareholders or another resolving action should be considered if consent is again not obtained. The nominated adviser must keep the Exchange informed if such a situation occurs. For the avoidance of doubt, if shareholder approval for the change to investing policy is not obtained, the company's existing investing policy will continue to be effective.

~~The fundraising requirement of this rule does not apply when an AIM company becomes an investing company under rule 15.~~

Guidance to Rule 15

Rule 15: ~~Disposals resulting in a f~~undamental changes of business

The consent of **shareholders** for ~~the a~~ disposal or any other action coming within rule 15 may not be required where ~~the disposal~~ is as a result of insolvency proceedings. An **AIM company** must nevertheless seek the consent of **shareholders** for its proposed **investing strategy**policy. The **Exchange** should be consulted in advance in such circumstances.

The **nominated adviser** must inform the **Exchange** when an **AIM company** for which it acts becomes an **investing company**.

~~An **AIM company** will be considered an **investing company** from the date **shareholder** consent is given under this rule.~~

~~**Note:** Where an existing **AIM company** has no trading business and is not an **investing company** it must seek the consent of its **shareholders** for its **investing strategy** at its next annual general meeting. Upon becoming an **investing company** it must, within twelve months, make an acquisition or acquisitions constituting a reverse takeover. For the avoidance of doubt an **AIM company** will become an **investing company** under this measure from the date **shareholder** consent is given in general meeting.~~

PART B: Proposed New AIM Note for Investing Companies

AIM NOTE FOR INVESTING COMPANIES

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1. Introduction

This note sets out specific requirements, rule interpretation and guidance relating to certain **applicants** and **investing companies**. It forms part of the **AIM Rules for Companies** (and comes within the definition of **Note** in those rules) and **AIM Rules for Nominated Advisers**.

For the avoidance of doubt, where an **applicant** is issuing a **Prospectus**, both the **Prospectus Rules** and the **AIM Rules for Companies** must be complied with.

If a **nominated adviser** believes that provisions set out in this note are not applicable or appropriate to a particular **AIM company** they should contact the AIM Regulation team: aimregulation@londonstockexchange.com.

Emboldened terms used in this note have the same meanings as set out in the **AIM Rules for Companies**, unless otherwise defined.

2. “Investing Companies”

The **AIM Rules for Companies** contain the definition of “**investing company**”. The **Exchange** should be consulted if there is any doubt concerning whether or not an **applicant** or an existing **AIM Company** should be treated as an **investing company**.

The definition of **investing company** does not include an **AIM company** which is a holding company or “topco” for a trading business, but it does include entities such as cash shells, blank cheque companies and special purpose acquisition companies.

3. Appropriateness for AIM

3.1 Appropriateness of certain entities

Entity types

In assessing the appropriateness of an **investing company** for **AIM**, a **nominated adviser** should take into account that the company must be appropriate for **AIM's** regulatory framework. The **investing company** should usually be a closed-ended entity of a similar structure to a UK plc, not requiring a restricted investor base. It should be straightforward and not complex in terms of structure, securities and investing policy and should issue primarily ordinary shares (or equivalent).

Controlling stakes

Where an **investing company** takes a controlling stake in an investment, there should be sufficient separation between each investment to ensure that the **investing company** does not become a trading company. Cross-financing or sharing of operations, for example, should be limited.

If an **investing company** is intending to undertake an acquisition that might result in it not being an investing company (e.g. it will become an operating a business further to the acquisition), the application of rule 14 of the AIM Rules for Companies (reverse take-overs) should be considered.

Cross-holdings

An **investing company's** exposure to risk through any cross-holdings should be considered.

Feeder Funds

If an **investing company** is a feeder fund, the impact of this on the company's **investing policy** and whether the master fund's investing policy should mirror that of the **investing company** should be considered.

The **admission document** should contain adequate disclosure of any features discussed in this paragraph 3.1, as applicable.

3.2 Directors and Investment Managers

A **nominated adviser** must satisfy itself that the board of **directors** and any **investment manager** are in each case appropriate and have sufficient experience for the **investing company** and its **investing policy**.

There should be appropriate agreements in place between an **investing company** and any **investment manager**.

Where there is an **investment manager**, an **investing company** should have in place sufficient safeguards and procedures to ensure that its board of **directors** retains sufficient control over its business.

3.3 Independence

The board of **directors** of the **investing company** as a whole, and its **nominated adviser**, should be independent from any **investment manager**. Any issues in relation to independence should be adequately disclosed in the **admission document** or **notified** as appropriate.

The **nominated adviser**, and the board of **directors** as a whole, should also be independent of any **substantial shareholders** or investments (and any associated **investment manager**) comprising over 20% of the gross assets of the company. If they are not, this should again be adequately disclosed in the **admission document** or **notified**.

4. Admission Document requirements

4.1 Application of Annex XV on admission

Unless the **Prospectus Rules** apply, in interpreting Schedule Two (k) of the **AIM Rules for Companies**, an **admission document** in relation to an **investing company** should disclose the information required by Annex XV of the **Prospectus Rules** in addition to the requirements of Schedule Two of the **AIM Rules for Companies**. Disclosure made in accordance with **Annex XV** should:

- ◆ be taken to supersede the requirements of Schedule Two (a) in relation to disclosure otherwise required under **Annex I** of the **Prospectus Rules**;
- ◆ except where **Annex I** disclosure is not required pursuant to Schedule Two (b)(i). These parts of Annex I will continue to not be required.

4.2 Further Disclosures on admission

In interpreting Schedule Two (k) of the **AIM Rules for Companies** the following information should be included within the front part of an **admission document**:

- ◆ the expertise its **directors** have, as board, in respect of the **investing policy**;
- ◆ where there is an **investment manager**:
 - the name of the **investment manager**;
 - the experience of the **investment manager** and its expertise in respect of the **investing policy**;
 - a description of the **investment manager's** regulatory status including the name of the regulatory authority by which it is regulated, if applicable;
 - a summary of the key terms of the agreement(s) with the **investment manager**, including fees, length of agreement and its termination provisions;
- ◆ if applicable the company's policy in relation to regular updates as per 5.3 below.

Adequate information should also be included about the **investing company's** taxation status and any policy or strategy the **investing company** has in relation to taxation, if applicable.

4.3 Financial Information under section 20.1 of Annex I

If the **nominated adviser** thinks it is appropriate, a newly incorporated **investing company** that has not traded, made any investments or taken on any liabilities does not need to comply with the requirements of section 20.1, **Annex I**. Instead the **applicant** must include a statement in its **admission document** that since the date of its incorporation the company has not yet commenced operations and that it has no material assets or liabilities, and therefore that no financial statements have been prepared as at the date of the **admission document**.

5. Interpretation of the AIM Rules for Companies

References to Rules are to rules in the AIM Rules for Companies.

5.1 *Rules 7, 13, 17 and 21 (lock-ins for new businesses, related party transactions, disclosure of miscellaneous information and restrictions on deals)*

An **investment manager** (or any company in the same group) and any of its key employees that are responsible for making investment decisions in relation to the **investing company** will be considered:

- ◆ a **director** for the purposes of the application of **Rules 7, 13 and 21**; and
- ◆ a **director** for the purposes of the disclosure of any **deals** by **directors** under **Rule 17**.

5.2 *Rule 8 (Investing companies)*

The **Exchange** would expect the condition of **admission** to raise a minimum of £3 million in cash via an equity fundraising on, or immediately before, **admission**, referred to in **Rule 8** to usually be satisfied by an independent fundraising and not be funds raised from **related parties**, unless the **related party** was a **substantial shareholder** only and an **authorised person**.

The reference to “immediately before” would usually mean on the same day as **admission**.

5.3 *Rule 11 (General disclosure of price sensitive information)*

Periodic disclosures

The **nominated adviser** of an **investing company** should consider with the **investing company** whether regular periodic disclosures (such as a regular net asset value statement or details of main investments, for example) should be **notified** in order to update market participants, having due regard to market practice and the activities of the **investing company**. The approach to making regular updates should be included in the **admission document** or a relevant circular and any changes to this **notified**. Such periodic disclosures do not negate the need for any **notification** otherwise required by **Rule 11**.

Change of investment manager

The appointment, dismissal or resignation of any **investment manager** (or any key personnel within the **investing company**, or **investment manager**, which might impact achievement or progression of the **investing policy**) would generally be considered price sensitive information requiring **notification** without delay. Any such **notification** should include information on the consequences of the appointment, dismissal or resignation.

Cumulative effect of investment changes

When making an assessment of whether **notification** of an investment or a disposal of an investment is required, the cumulative impact of a series of investments or disposals should be considered.

Change of information previously disclosed

The company's **nominated adviser** should assess with the **investing company** whether any change to the information disclosed on **admission**, pursuant to paragraph 4.2 of this note, should be **notified**.

5.4 *Rule 12 (Substantial Transactions)*

An investment made by an **investing company** that:

- ◆ is in accordance with its **investing policy**; and
- ◆ only breaches the profits and turnover tests contained in the **class tests**, would be considered as being one of a ‘revenue nature in the ordinary course of business’ and would therefore not require disclosure as a **substantial transaction** in accordance with **Rule 12**.

For the avoidance of doubt, however, **Rule 11** may still require **notification** of such investment and the information required by Schedule Four of the AIM Rules for Companies should be considered a useful basis for such **notification**.

5.5 Rule 14 (Reverse take-overs)

Pursuant to **Rule 14**, an acquisition (which includes undertaking an investment in a company or assets, for example) by an **investing company** which exceeds 100% in any of the **class tests** may be considered a reverse take-over, even if such an acquisition is made in accordance with its stated **investment policy**.

However, an acquisition made by an **investing company** that:

- ◆ is in accordance with its **investing policy**;
- ◆ only breaches the profits and turnover tests contained in the **class tests**; and
- ◆ does not result in a fundamental change in its business, board or voting control, would not be considered a reverse take-over under **Rule 14**.

In all other instances, the **nominated adviser** must approach **the Exchange** if it considers that an acquisition falling within **Rule 14** should not be treated as a reverse take-over. For the avoidance of doubt, **Rules 11** and **12** may still require **notification** of such an investment.

5.6 Rule 15 (Fundamental changes of business)

A disposal by an **investing company** which is within its **investing policy** will not be subject to the requirement under **Rule 15** to obtain **shareholders'** consent on the basis of a circular. However a disclosure in accordance with Schedule Four should still be made.

The second and third paragraphs of **Rule 15** will continue to apply in all cases. Therefore, where an **investing company** disposes of all, or substantially all, of its assets, the **investing company** will be required to obtain renewed **shareholders'** consent for its **investing policy** (revised as required) and will have twelve months to implement that policy in accordance with **Rule 15**.