



London
STOCK EXCHANGE

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**For the attention of the Nominated Advisers/ Finance
Directors/ Company Secretaries, all AIM Companies**

AIM22

STOCK EXCHANGE AIM NOTICE

AIM RULES – UPDATE ON AIM NOTICE 15 AND CONFIRMATION OF PERMISSIBLE ACCOUNTING STANDARDS

1. Introduction

The Exchange has previously issued AIM Notice 15 in relation to proposed changes to the 'AIM rules for Companies', regarding acceptable accounting standards for AIM companies.

AIM15 confirmed the mandating of International Accounting Standards (IAS) for accounting periods commencing on or after 1 January 2007 for AIM companies that are incorporated in an EEA member state and that prepare consolidated financial statements.

2. Confirmation of changes to the AIM Rules

Following a review of the responses received, the Exchange confirms through this Notice that both Canadian GAAP and Australian IAS (in addition to IAS and US GAAP) will be treated as acceptable accounting standards for the disclosure of financial information, both on admission and on an ongoing basis for companies incorporated in a non-EEA member state.

Please note that this means that there will no longer be a requirement on admission that financial information prepared under these standards will need to be reconciled against IAS, UK or US GAAP.

Paragraph 4 of this Notice onwards discusses in more detail the changes that have been made to the AIM Rules as a result of the above. These new rules come into force immediately and are available at www.londonstockexchange.com/aim in both a clean copy and, for a short period of time, a version showing in revision-marking the changes that have been made.

3. Miscellaneous AIM Rule changes

The updated AIM Rules also now provide for the concept of civil partnerships. In addition, we have removed some historic references at the end of the guidance notes to POS and other matters. Please note that these deletions are not shown in revision marking on the explanatory copy that has been made available on the website.

4. **Confirmation of International Accounting Standards for companies from EEA countries, Isle of Man and Channel Islands**

AIM15 stated that for all AIM companies incorporated in an EEA country, the AIM rules will be changed so as to treat AIM companies consistently with the requirements of Article 4 of the IAS Regulation (Regulation (EC) No. 1606/2002), in relation to accounting periods commencing on or after 1 January 2007.

AIM15 did not comment on the position in relation to Isle of Man & Channel Islands incorporated companies. By way of this Notice we confirm that both the Isle of Man and Channel Islands will be treated as EEA countries for the purposes of AIM Rule accounting standard requirements.

This means that the requirements for all such companies in respect of accounting periods commencing on or after 1 January 2007 will be as stated in AIM15, namely:

- A. where, at the end of the relevant financial period, an EEA company is a parent company that prepares consolidated financial statements, that consolidated financial information must be prepared and presented in accordance with IAS; or
- B. where, at the end of the relevant financial period, such company is not a parent company, it may prepare and present such financial information either in accordance with IAS or in accordance with the accounting and company legislation and regulations that are applicable to that company due to its country of incorporation.

We anticipate that the first set of results that will be impacted by this rule change will be half yearly reports to 30 June 2007 for companies with a December year end.

5. **Confirmation of International Accounting Standards for companies from non-EEA countries**

AIM15 proposed the harmonisation of the accounting standards required for non-EEA countries on admission and on an on-going basis and the responses received to the consultation were in favour of the measures proposed, save for the adoption of Japanese GAAP.

The Exchange therefore confirms that, with the exception of Japanese GAAP, the proposal made in AIM15 will come into force with effect with immediate effect.

On admission and when preparing both its half-yearly report and its annual report, a non-EEA incorporated company may use one of the following accounting standards (without reconciliation to IAS or employing the CESR measures set out in its draft technical guidance 05-230):

- IAS;
- US GAAP;
- Canadian GAAP; or
- Australian IFRS (as issued by the Australian Accounting Standards Board).

6. Transitional provisions for accounting periods starting prior to 1 January 2007

In relation to accounting periods starting prior to 1 January 2007, we will allow AIM companies to comply with the current rules. This should mainly affect UK companies who wish to continue using UK GAAP until the required time. These transitional provisions are set out in the guidance to Rules 18 and 19 and to Schedule Two.

Please note also the guidance to Rules 18 and 19 which also requires that accounting standard changes should only be made with prior approval of AIM Regulation. This is to ensure that companies do not swap between standards on a frequent basis.

7. Queries and contacts

If you are an AIM company wishing to understand further the implications of this notice and these rule changes, please contact your nominated adviser.

Nominated adviser queries should be addressed to:
aimregulation@londonstockexchange.com

Ray Knowles
Manager, AIM Regulation

Notes:

1. Terms used in this notice are as defined in the accompanying revised AIM Rules for Companies.
2. Notwithstanding the contents of this notice, the Exchange would encourage AIM companies incorporated in the EEA to use IAS both on admission and in the preparation of all post-admission financial information.
3. The Exchange reminds companies producing an admission document of the requirement of paragraph 20.1 of Annex 1 that the last two years' financial information in the document must be presented in a form consistent with that which will be adopted in the company's next published annual accounts.
4. Issuers should also be aware that where an admission document is also a Prospectus then the full requirements of the Prospectus Rules must be complied with instead.
5. For the avoidance of doubt, IAS is also commonly referred to now as International Financial Reporting Standards or IFRS.