



London
Stock Exchange

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

AIM35

STOCK EXCHANGE AIM NOTICE

PROPOSED AIM RULES FOR DISCLOSURE OF DIRECTORS' REMUNERATION AND ELECTRONIC COMMUNICATION WITH SHAREHOLDERS

1. INTRODUCTION

The purpose of this notice is to consult on proposed changes to the AIM Rules for Companies ("AIM Rules") relating to:

- disclosure of the remuneration received by directors; and
- electronic communication to shareholders of annual reports and accounts ("accounts") and admission documents on a reverse take-over ("admission documents").

2. SUMMARY OF PROPOSED RULES CHANGES

The proposed changes to the AIM Rules are attached as Appendix 1 to this Notice and are available at www.londonstockexchange.com/aimnotices.

Directors' remuneration

In order to ensure that investors have access to relevant information about each AIM company and its directors, an amendment to the AIM Rules is being proposed. The proposed amendment to AIM Rule 19 will require an AIM company to provide disclosure of directors' remuneration in its annual audited accounts.

It is proposed that this additional disclosure requirement is implemented by AIM companies with a financial year end of 31 March 2010 or thereafter.

Electronic communication

The proposed amendments to the guidance notes to AIM Rules 14 and 19 provide all AIM companies the option to use electronic communications to send accounts and admission documents to shareholders.

The guidance notes will ensure that AIM companies subject to the UK Companies Act 2006 (the "Act") are still able to send accounts and admission documents to shareholders electronically. The proposed amendments will allow AIM companies not subject to the Act to send such documents by electronic communication (including via website) to shareholders.

3. **RESPONDING TO THE CONSULTATION**

We welcome comments and feedback from all AIM companies, nominated advisers and other market participants on the proposed changes.

If you are an AIM company wishing to understand further the implications of this Notice, please contact your nominated adviser.

Responses or queries on this consultation should be sent on or before **15 January 2010** by e-mail to: aimnotices@londonstockexchange.com

The Exchange will confirm the results of this consultation as soon as reasonably practicable following the end of the consultation period. It is currently intended that the new rules will be finalised by the end of January 2010.

Bob Beauchamp
Acting Head of AIM Regulation

Appendix 1 – Amendments to the AIM Rules for Companies

Part One – AIM Rules

Annual accounts

19. An **AIM company** must publish annual audited accounts which must be sent to its **shareholders** without delay and in any event not later than six months after the end of the financial year to which they relate.

An **AIM company** incorporated in an **EEA country** must prepare and present these accounts in accordance with **International Accounting Standards**. 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 **International Accounting Standards** or in accordance with the accounting and company legislation and regulations that are applicable to that company due to its country of incorporation.

An **AIM company** incorporated in a **non-EEA country** must prepare and present these accounts in accordance with either:

- **International Accounting Standards;**
- US Generally Accepted Accounting Principles;
- Canadian Generally Accepted Accounting Principles;
- Australian International Financial Reporting Standards (as issued by the Australian Accounting Standards Board); or
- Japanese Generally Accepted Accounting Principles.

The accounts produced in accordance with this rule must provide disclosure of:

- :
- any transaction with a **related party**, whether or not previously disclosed under these rules, where any of the **class tests** exceed 0.25% and must specify the identity of the **related party** and the consideration for the transaction; and
 - details of directors' remuneration earned in respect of the financial year.

Glossary

directors' remuneration

The following items for each director of the AIM company:

- emoluments and compensation;
- share options and other long term incentive plan details, including information on all outstanding options and/or awards and any gains made on exercise and/or vesting; and
- value of any benefits through defined benefit or defined contribution pension schemes.

electronic communication

Any communication sent by e-mail or made available on an AIM company's website pursuant to rule 26.

Part Two – Guidance Notes

Disclosure of corporate transactions

Rules 12 and 13: Substantial and related party transactions

Note the definition of a substantial transaction is different from that of a **related party** transaction.

A transaction under this rule includes non pre-emptive issues of securities.

Rule 14: Reverse take-overs

The **admission document** must be made available to the public under rule 26.

An **AIM company** ~~subject to the UK Companies Act 2006~~ is able to send an **admission document** (subject to any other applicable regulations, including the **Prospectus Rules** where it is a **Prospectus**) to **shareholders** in compliance with this rule if it is sent by **electronic communication** in compliance with the applicable requirements of the Companies Act 2006 guidance notes (of this Part Two) to rules 18 and 19, together with the notice of the **shareholder** meeting required by rule 14.

Following the announcement of a reverse takeover that has been agreed or is in contemplation, the relevant **AIM Securities** will be suspended by the **Exchange** until the **AIM company** has published an **admission document** in respect of the proposed enlarged entity unless the target is a **listed** company or another **AIM company**.

It should be noted that the **Exchange** expects the negotiations leading to a reverse takeover to be kept confidential, as allowed by the guidance to rule 11, until the point at which the **AIM company** can **notify** that a binding agreement that effects a reverse takeover has been entered into, which should, as far as is possible, be accompanied by the publication of the requisite **admission document**. If for any reason this is not possible, the **nominated adviser** should seek the advice of the **Exchange** at the earliest opportunity.

If the new entity wishes its securities to be **admitted**, it will need to issue a ten day announcement pursuant to rule 2. In addition, it will need to submit a further fee, an electronic version of its **admission document**, a **nominated adviser's declaration** and a company **application form** at least three **business days** prior to **admission** pursuant to rule 5 and abide by all other requirements to which an **applicant** may be subject under these rules.

However, the new entity may make application in advance of the general meeting so that its securities are **admitted** on the day after the general meeting which approves the reverse take-over.

Half-yearly reports and accounts

Rule 18 and 19: Half-yearly reports and accounts

Where the half yearly report has been audited it must contain a statement to this effect.

In relation to rule 18, the financial period to which financial information has been disclosed in its **admission document** may be the financial period of the main trading subsidiary of the **AIM company**, for example, where the **AIM company** is a holding company. The **nominated adviser** should contact **AIM Regulation** if there is any uncertainty as to reporting timetable required by these rules.

The **Exchange** will suspend **AIM companies** which are late in publishing their half-yearly statement or their annual accounts.

Where an **AIM company** wishes to change its accounting reference date its **nominated adviser** should contact **AIM Regulation** in advance to discuss the revised reporting timeframe.

The requirements set out in rule 19 in relation to an **AIM company** incorporated in an **EEA country** apply to financial periods commencing on or after 1 January 2007. For all periods prior to this, such an **AIM company** may prepare the accounts required under these rules in accordance with **UK** or **US** Generally Accepted Accounting Principles.

The **Exchange** would encourage all **AIM companies** to use **International Accounting Standards** both on **admission** and in the preparation of all post-**admission** financial information.

The choice of accounting standard should be consistently implemented and any change between those standards available to a particular **AIM company** should only be made with the prior approval of **AIM Regulation**.

In respect of each **AIM company**, the term 'parent' should be interpreted in accordance with applicable law. Any other queries over interpretation of these provisions should be addressed by an **AIM company's nominated adviser** to **AIM Regulation** at the earliest opportunity.

Subject to its constitution and any legal requirements in its jurisdiction of incorporation, an **AIM company** ~~subject to the UK Companies Act 2006~~ is able to satisfy the requirement in rule 19 to send accounts to **shareholders** by sending such accounts by **electronic communication** to **shareholders**:

- a) in compliance with the requirements of the **UK Companies Act 2006**; or
- b) providing the following requirements have been satisfied:
 - (i) a decision to use **electronic communication** to **shareholders** has been approved by **shareholders** in a general meeting of the **AIM company**;
 - (ii) appropriate identification arrangements have been put in place so that the **shareholders** are effectively informed; and
 - (iii) **shareholders** individually:
 - have been contacted in writing to request their consent to receive accounts by means of **electronic communication** and if they do not object within 28 days, their consent can be considered to have been given;
 - are able to request at any time in the future that accounts be communicated to them in writing; and
 - are contacted alerting them to the publication of the accounts on an **AIM company's** website.