



London
Stock Exchange

AIM Note for Investing Companies

July 2016

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@lseg.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 its 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 the company and the investment to ensure that the **investing company** does not become a trading company. There should also be sufficient separation between the investment and any other investments the **investing company** has made, 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 (for example, it will become an operating business following 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** principally invests its funds in another company or fund that itself invests in a portfolio of investments, the impact of this on the company's **investing policy** should be considered. This should include an assessment as to whether the **investing company's investing policy** should mirror that of the master fund.

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** covering key matters.

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 **Exchange** would usually expect the board of **directors** of the **investing company** as a whole, and its **nominated adviser**, to be independent from any **investment manager**.

The **investing company** should disclose whether or not its board of **directors**, and **nominated adviser**, are independent from the **investment manager** in its **admission document**. Any subsequent changes to this position should be appropriately **notified**.

The **Exchange** would also usually expect the **nominated adviser**, and the board of **directors** as a whole, to be independent of any **substantial shareholders** or investments (and any associated **investment manager**) comprising over 20% of the gross assets of the company. Again, this should be adequately disclosed in the **admission document** or **notified**.

When considering whether any relevant party is independent, reference should be made to the principles of rules 21 and 22 of the **AIM Rules for Nominated Advisers**.

4. Admission Document requirements¹

4.1 Application of Annex 4 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 4 of the **Prospectus Rules** in addition to the requirements of **Schedule Two** of the **AIM Rules for Companies**.

Disclosure made in accordance with Annex 4 should be taken to supersede the requirements of **Schedule Two** (a) in relation to disclosure otherwise required under **Annex 1** of the **Prospectus Rules**; except where **Annex 1** disclosure is not required pursuant to Schedule Two (b)(i). These parts of **Annex 1** 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 a 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; and
- if applicable, the **investing company's** policy in relation to regular updates as per paragraph 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 18.1 and 18.3 of Annex 1

If the **nominated adviser** considers 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 18.1 and 18.3 of **Annex 1**. 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**.

¹ Annex references updated with effect from 21 July 2019 pursuant to AIM Notice 56

5. Interpretation of the AIM Rules for Companies

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

5.1 Rules 7 and 13 (lock-ins for new businesses and related party transactions)

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 and 13**.

5.2 Rule 8 (Investing companies)

The **Exchange** would expect the condition of **admission** to raise a minimum of £6 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** is a **substantial shareholder** only and an **authorised person**. Cash funds resulting from a fundamental disposal under **Rule 15** will usually be considered independent for these purposes.

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 should be **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 should be interpreted broadly and include 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 **shareholder** consent on the basis of a circular. However a disclosure in accordance with Schedule Four of the **AIM Rules for Companies** should still be made.

However, where an **investing company** disposes of all, or substantially all, of its assets, within the meaning of **Rule 15**, the **investing company** will have twelve months from the date of that disposal to implement its current **investing policy** in accordance with **Rule 15**. If this is not fulfilled, the **investing company** will be suspended pursuant to **Rule 40**. Any change to its **investing policy** will be subject to **Rule 8**, but the twelve month period will continue to apply.



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