

AIM Listing

An overview for your Exec Team

Listing on AIM can be a great way for a company to gain access to additional capital, build its profile and provide a route to exit for founders and existing investors.

Kingsley Napley's Capital Markets Team assists companies through the IPO process with an emphasis on clear commercial advice, adherence to timescale and clarity on costs.

Our Capital Markets Team works closely with other teams within the firm - Banking, Employment, Tax, Regulatory, Real Estate - allowing us to provide a complete, seamless service to our Capital Markets Clients across all aspects of their legal requirements.

We have excellent relationships with other City professionals and will be glad to make introductions to the other advisers required for an IPO.

Appointing your Transaction Team

A company which wishes to list on AIM will need to appoint an appropriate team of professional advisers:

- a Nominated Advisor ("**Nomad**"), which is authorised by AIM. Its role is to ensure the company complies with the AIM Rules and to represent to AIM that the company is suitable to be admitted to AIM.
- a **Broker**, who assists the company in fundraisings and advises on investor relations. The broker must be a member of the London Stock Exchange

(often the same company takes on the dual roles of Nomad and Broker)*

- appropriately experienced **Non-Executive Directors**. Ideally they should comprise more than half the company's board. The Non-Executives job is to hold Management to account and supervise the
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strategy and direction of the business. They will also be members of the company's required Audit, Remuneration and Appointments Committees.

- **Reporting Accountants**, to prepare financial due diligence reports, summary financial information, working capital outlines, pro-forma accounts and the Financial Position & Prospects Procedures ("FPPP") document covering financial controls and governance. and working capital information.
- **Auditors**. The Auditors need to be authorised to audit listed companies. Often the reporting accountants and auditors are the same firm
- **Solicitors**, whose role is set out in more detail below.

Occasionally a **PR Agency** is appointed.

*The Nomad and Broker will also appoint their own Solicitors at the expense of the company.

The Process

1 Preparation and Due Diligence

- Terms of engagement and scope of works are agreed with the professional team.
- A Public Listed Company ("PLC") is put in place to act as group holding company.
- Legal and Financial Due Diligence exercises will be undertaken on the target group, and reports prepared.

2 Preparation of Admission Document and Verification

The *Admission Document* is the key marketing and regulatory document prepared as part of an IPO. The minimum contents and layout of the admission document are prescribed by the AIM Rules (and Prospectus Regulation Rules where it is required to be a prospectus) and includes:

- Initial warnings and important information
 - Details of the Directors, Company Secretary and Advisers
 - A timetable and key statistics on the fundraising (eg number of shares being sold, price, gross and net proceeds)
 - A Business Information section including explanations of what the business does, how it intends
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to grow as well as key information for potential investors such as details of the corporate governance code the company has adopted, dividend policy, use of proceeds and summary financial information.

- Risk factors, which are intended to highlight the key risks of the business and investing in it. It is very important to tailor these to make sure the genuine key risks are disclosed to investors.
- Historical financial information, interim accounts and the pro-forma accounts prepared by the

Reporting Accountants.

- Additional Information, which focuses on technical and factual matters not key to the sale proposition and includes all of the required information not previously disclosed. This is often called the “back-end” of the admission document.

In order to ensure the admission document contains everything required a checklist will be prepared, completed and cross-referenced to admission document by the company’s **Solicitors**.

Each individual statement in the admission document has to be “verified” to confirm it is true, accurate and not misleading. The company’s **Solicitors** lead this process, with support from the **Executive Team**.

While the *Admission Document* is being prepared:

- the **Broker** will put together a research note on the business which they will publish and provide to potential investors; and
- the **Nomad** will file an early notification form with AIM.

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Drafting and Agreeing Other Documents

Once the *Admission Document* is at a reasonably advanced stage, other documents need to be prepared and negotiated with the **Nomad**. These commonly include:

- a *Relationship Agreement*, which contains a series of undertakings from significant shareholders intended to ensure the business is run on an arm’s length basis rather than as their fiefdom.
- a *Lock-In Agreement*, to prevent the key shareholders selling shares for a period following admission.
- a *Nomad & Broker Agreement* setting out the long-term responsibilities of the Nomad and Broker and what they are going to be paid.
- A *Placing Agreement*, setting out the terms on which the Broker will raise money.
- a *Marketing Presentation*, to be used in meetings with potential investors. Its contents will also need to be verified.
- a *Share Dealing Code*, setting out when certain people can deal in shares in the company and who they need to get permission to deal from.
- *Terms of Reference* of the Board Committees.



- a *Memorandum* from the company's Solicitors advising the directors on their duties & responsibilities

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Pathfinder

With the *Admission Document* substantially in its final form, a "*Pathfinder*" Admission Document is approved by the Board. This document is used as the basis on which investors are initially approached in a placing.

At the *Pathfinder* Board meeting the company's **Solicitors** will give the directors a verbal briefing on their obligations as directors of an AIM company.

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Marketing meetings

The **Broker** will arrange a "Road Show" of meetings with potential investors to take place once the *Pathfinder* Admission Document has been approved. These meetings give the directors the chance to sell the business to potential investors and answer their questions arising from the *Pathfinder* and *Marketing Presentation*. This process normally takes 2-3 weeks.

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Impact

Following a successful round of *Marketing Meetings*, any outstanding points in the *Admission Document* are dealt with and verification and due diligence completed. A further Board meeting is held to approve the final form documents.

The **Nomad** will then deal with the remaining AIM requirements for admission including announcement of the Intention To List.

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Allotment

Immediately before the **Admission Date**, a final Board meeting is held to deal with the allotment and issue of shares to the investors subject to admission.

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Admission

Once the required forms have been filed and notice given, the AIM team will grant permission for admission and the company begins life as a listed company.





Timeline

Typically an IPO on AIM takes three months from commencement of work to admission. This breaks down as 8-10 weeks to get to the *Pathfinder* Admission Document and a further 3-4 weeks for **Marketing** and the **Admission Process**.

There will usually be a weekly all-parties conference call to ensure the timetable is being complied with and to deal with any blockages in the process.

Role of the Solicitors

A typical scope of works for the company's Solicitors on an AIM IPO would include:

- Preparing the *Legal Due Diligence report*
 - Reviewing and commenting on the *Admission Document* prepared by the **Nomad/Broker**, including taking primary responsibility for the back-end
 - preparing the *AIM checklists*
 - reviewing and updating *Statutory Registers*
 - carrying out a verification exercise on the *Admission Document, Pathfinder Admission Document* and *Marketing Presentation*
 - preparing a *Memorandum* on Directors' duties and responsibilities
 - preparing a *Share Dealing Code* and suggested insider list formats
 - drafting *Directors' Service Agreements & Non-Executive Directors' Appointment Letters* in a form suitable for the directors of a listed company
 - drafting *Terms Of Reference* for the Board committees
 - drafting and negotiating any *Relationship* and *Lock-In Agreements*
 - negotiating the *Placing Agreement, Placing Letter* and *Nomad & Broker Agreements*
 - providing an *AIM rules Comfort Letter* to the **Nomad**
 - drafting and negotiating the required *Ancillary Documents*
 - guiding the company and its directors through the process.
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Fees

Typically for an IPO we agree a fixed fee for the work within our scope outlined above.





If any additional work is required (eg in addressing issues arising from due diligence or carrying out a pre-admission restructuring) costs that work will be agreed separately.

Working with Kingsley Napley

KN is a well-established mid-market London-based firm of Solicitors, with a turnover of £50m million. Our Corporate Team consists of five partners - three of whom specialise in listed work - supported by five assistants, giving us the capability to ensure that work is completed by staff of an appropriate level thus promoting cost control, speed and efficiency. Typically our team are working on one or two IPOs at any time.

We provide on-going support to our listed clients on a wide range of matters: Reverse Takeovers, Secondary Fundraisings, Acquisitions and Disposals by public companies, Share Buy-Backs, Reductions of Capital and Schemes of Arrangement.

We can also provide advice on Employee Share Schemes, UK Market Abuse Regulation and UK Disclosure and Transparency Rules compliance, Takeover Code and Compliance issues; in short, a seamless and fully-encompassing service to our Capital Markets Clients, all in-house.

Contact us

If you are interested in listing your company on AIM, the standard segment of the Official List and the Aquis Exchange or any other market, or have any questions about the listing process, please contact our Capital Markets Team:

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AIM Listing schedule

