

Need to know

Changes to AIM Rules for Companies – accounting and governance aspects

In a nutshell

- The London Stock Exchange has updated the AIM Rules for Companies.
- Rule 11 *Disclosure of price sensitive information* has been clarified.
- Rule 18 *Half-yearly reports* has been aligned more closely with IAS 34.
- Rule 26 *Company information*, which requires certain information to be pulled together into one section of the company's website, has been updated, including the requirement to disclose information relating to corporate governance.
- With the exception of Rule 26, these changes take effect from 14 May 2014. Rule 26 applies from 11 August 2014.

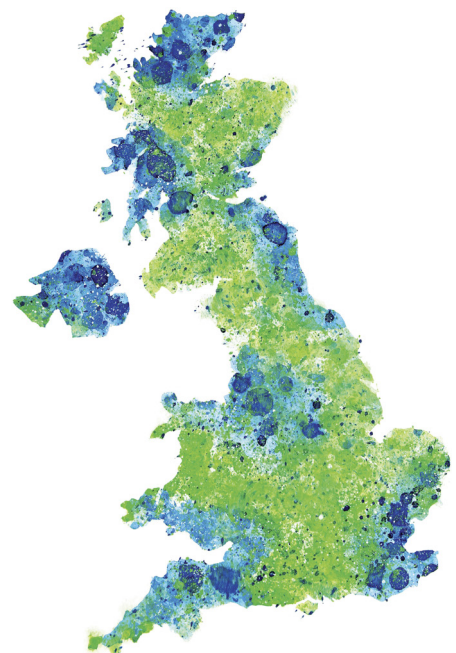
The AIM Rules for Companies have been updated by the London Stock Exchange (LSE) with effect from 14 May 2014. All of the changes take effect from that date, with the exception of the amended Rule 26 *Company information* which takes effect from 11 August 2014, giving companies time to update their websites.

These changes follow a consultation which took place in January 2014 and are largely administrative in nature. This Need to Know discusses changes relevant to financial reporting and corporate governance; companies may wish to discuss the wider rule changes with their Nominated Adviser (Nomad).

Rule 11 *Disclosure of price sensitive information*

AIM Rule 11 implements the UK market abuse regime for companies admitted to trading on AIM (AIM companies). The rule and associated guidance have been amended as follows:

- The rule has been changed to require disclosure of information which, if made public, would be likely to lead to a "significant" rather than a "substantive" movement in share price, aligning more closely with the wording of the Financial Services and Markets Act 2000. The Guidance Notes in part 2 of the AIM Rules make clear that this means information a reasonable investor would be likely to use as part of an investment decision. AIM Notice 39 explains that the LSE do not believe this changes the standard of disclosure.
- The revised Rule 11 makes clear that the list of factors set out in Rule 11 are examples rather than a prescriptive list.
- The Guidance Notes for Rule 11 continue to allow companies not to notify information about impending developments in certain circumstances, provided that this information is kept confidential. New guidance has been added setting out the expectation that companies choosing not to make such information public will have effective procedures and controls in place to ensure confidentiality and minimise the risks of a leak.



Rule 18 Half-yearly reports

AIM Rule 18 previously required a half-yearly financial report to include a comparative balance sheet as at the corresponding date in the preceding financial year. Adoption of IAS 34 by AIM companies is not mandatory, but an AIM company that chooses to do so must include both the comparative balance sheets as at the equivalent date in the preceding financial year (to satisfy Rule 18) and as at the preceding year end (to satisfy IAS 34). Rule 18 has now been updated to remove this problem by permitting companies to present the comparative balance sheet either as at the corresponding date in the preceding financial year or as at the last balance sheet date notified. Companies that wish to continue including both comparative balance sheets may continue to do so.

Rule 26 Company information

AIM Rule 26 requires AIM companies to bring key company information together in one place on the company's website. Four key changes have been made:

- Three years (or, if shorter, the period since admission to AIM) of annual reports must be kept on the website; previously only the most recent set had to be kept available.
- Rule 26 continues to require information about the number of securities in issue, treasury shares, and significant shareholdings, updated at least every six months. This disclosure must now explicitly give the date on which it was last updated.
- There is a new requirement to indicate within the Rule 26 disclosure whether the AIM company is subject to the UK City Code on Takeovers and Mergers (the Takeover Code), or any other such legislation or code in its country of incorporation or operation, or any other similar provisions it has voluntarily adopted.
- Finally, there is a new requirement to give details of any corporate governance code that the company has decided to apply and how it complies with that code. If no code has been adopted, this fact should be stated together with details of the company's current corporate governance arrangements.

Deloitte view

There is no change to the corporate governance requirements for companies – they continue to have the choice to adopt whatever arrangements they wish to. Companies already reporting against a code will not require additional disclosure. However, the new disclosure requirement will focus the minds of companies that do not “comply or explain” against a code:

- Boards of such companies may wish to benchmark their actual practices against the *UK Corporate Governance Code*, the *Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies* or another national code.
- The Rule requirement to explain “... and how it complies with this code” does not explicitly require a “comply or explain” statement. However, wording that stops short of such a statement (e.g. “The company, although not required to comply with ... has chosen to have regard to ...”) is likely to require more narrative to explain actual practices.
- Companies that chose not to make any statement relating to a Code are likely to require narrative to describe their actual practices.
- UK and Irish incorporated companies that choose to “comply or explain” against the UK Corporate Governance Code will trigger the requirement for an ‘enhanced’ auditors’ report, covering the auditor’s identification of risk, determination of materiality, and resultant audit scope. They will also need to consider, in particular, whether they have sufficient processes in place to conclude that the annual report, taken as a whole, is fair, balanced and understandable.
- On the face of it, Rule 26 requires the governance disclosures to be given on the website. In practice, a cross-reference to governance disclosures in the annual report will be the most common way of meeting this requirement.

Further information

AIM Notice 39, announcing the change in rules, can be found [here](#). The London Stock Exchange website also contains copies of the final **AIM Rules for Companies** and a **marked-up version** showing the changes.

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