

Listing on AIM*

A guide for Canadian companies



*connectedthinking

PRICEWATERHOUSECOOPERS 

Listing on AIM

Since its launch in 1995, AIM, a market operated by the London Stock Exchange (LSE) has emerged as the most successful growth market of its type in the world. It has developed rapidly both in terms of the number and diversity of companies admitted to the market, and the range of institutional and retail investors involved.

As of December 2006, there were 43 Canadian AIM listed companies (of which 35% are PricewaterhouseCoopers Canada audit clients), representing approximately 14% of the 306 international companies listed on AIM. The leading industry sector for Canadian AIM listed companies by market capitalization is mining, but other sectors such as technology continue to grow.

Canadian companies are attracted to AIM for a number of reasons, including:

- AIM provides an avenue for raising a company's global profile;
- AIM provides access to investors in the United Kingdom and Europe;
- AIM is an alternative means of raising capital to fund future growth;
- AIM has a simplified regulatory environment (for example, half-yearly financial reporting and no Sarbanes-Oxley type reporting on internal controls) which has been specifically designed for the needs of small and emerging companies;
- AIM listed companies typically incur lower ongoing costs; and
- The AIM exchange platform enables transition onto the LSE main exchange and can be a stepping stone to a listing on another exchange.

Key features of AIM:

Number of Shares	• No minimum number of shares to be in public hands
Trading Record	• No trading record requirement (minimum 3 years if available)
Vetting of Admission Documents	• Admission documents not pre-vetted by the Exchange. The FSA will vet an AIM admission document where it is also a Prospectus under the Prospectus Directive
Sponsor	• Nominated adviser and broker required at all times
Market Capitalization	• No minimum market capitalization
Corporate Governance	• No regulatory requirement on corporate governance, however high standards are expected

Regulatory environment

AIM companies are governed by the AIM Rules which set out the requirements and guidance for companies listed or wishing to be listed on AIM. The admission document requirements are based on the Financial Services Authority (FSA) Prospectus Rules requirements with certain (optional) exclusions. Admission documents relating to a public offering in the UK will require the approval of the FSA.

The decision to list

During your decision to list you will need to critically evaluate your existing business, identifying the extent to which it will meet the AIM admission requirements. These requirements may be analyzed into the following areas:

- General suitability—preparation and planning;
- Eligibility for admission; and
- Continuing obligations/filing requirements.

General suitability and initial considerations

Planning and good preparation are crucial to a successful listing. The following are the key suitability issues that you will need to consider.

- Preparation of a well constructed, attractive investor 'story';
- Establishing an experienced board of directors and management team;
- Corporate governance implications;
- Suitability of existing capital and organization structure;
- Appropriateness of the financial track record;
- Quality of management information and financial reporting procedures;
- Tax planning;
- Legal housekeeping; and
- Management and employee incentives.

Eligibility for admission

In order to list on AIM, a company must meet the eligibility requirements as set out in the AIM Rules.

The main requirements are set out below:

- Appointment and retention of a nominated advisor and broker*
- Production of an admission document
- Financial information for 3 years (if available) prepared in accordance with permissible accounting standards. For financial years commencing on or after January 1, 2007: For companies from the European Economic Association (EEA)—IFRS only; for companies outside the EEA, IFRS, Canadian GAAP, US GAAP or Australian IFRS. Refer to additional considerations for Canadian issuers below.
- Sufficient working capital for at least 12 months from the date of admission
- Adequate financial reporting procedures

*The nominated advisor and broker must be registered with the Exchange. See the London Stock Exchange website (www.londonstockexchange.com) for a list of approved nominated advisers and brokers.



Continuing obligations and financial reporting

The main continuing obligations and financial reporting requirements for companies listed on AIM are set out below:

Continuing obligations and financial reporting	
Nominated adviser and broker	<ul style="list-style-type: none"> An Exchange approved nominated adviser and a broker must be retained at all times
Price sensitive information	<ul style="list-style-type: none"> New developments which, if made public, would result in a substantial movement in the share price must be notified without delay
Annual report and accounts	<ul style="list-style-type: none"> The annual accounts must be signed and published within six months of the year end
Half-yearly reports (unaudited)	<ul style="list-style-type: none"> Half-yearly reports must be published within three months of the period end and contain primary statements with comparatives, as a minimum
Significant transactions	<ul style="list-style-type: none"> Reverse takeovers require re-admission to AIM including publication of an admission document and shareholder approval Disposals in a twelve month period exceeding 75% in any of the class tests set out in the AIM Rules require publication of a circular and shareholder approval An announcement is required for substantial transactions exceeding 10% of any of the class tests and outside the ordinary course of business and related party transactions exceeding 5% of any of the class tests
Further issues	<ul style="list-style-type: none"> An admission document will only be required where a prospectus is required under the Prospectus Rules, a new class of securities is to be admitted or the transaction qualifies as a reverse takeover
Lock-in arrangements	<ul style="list-style-type: none"> Where a company's main activity is a business which has not been independent and revenue earning for at least two years, certain related parties and employees must not dispose of their shares for one year

Considerations for Canadian issuers

Additional considerations for Canadian issuers are set out below:

Considerations for Canadian issuers	
Financial information	<ul style="list-style-type: none"> Financial information may be presented in accordance with Canadian GAAP. No reconciliation of Canadian GAAP to IFRS or other accounting standards is required.
Fast track route	<ul style="list-style-type: none"> A streamlined process for admission to AIM Must have been quoted on an AIM Designated Market for at least 18 months* Required to publish a detailed pre-admission announcement (an admission document is not required)

*See the London Stock Exchange website (www.londonstockexchange.com) for a complete list of Designated Markets, which includes the TSX (but not the TSX Venture)

Additional rules for investing companies

An investing company is any AIM company which, in the opinion of the exchange, has as a primary business the investing of its funds in the securities of other companies or the acquisition of a particular business.

Investing companies may list on AIM subject to certain additional rules, approvals and disclosures.

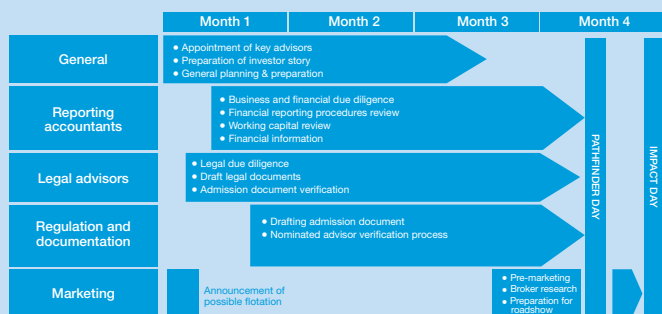
Tax considerations for Canadian issuers

The place of incorporation or other residence status of the company listing on AIM may be a relevant factor in the investor's entitlement to certain tax relief, including:

- The treatment of dividends from foreign investments; and
- The level of withholding tax on dividends.

There may be additional tax costs to foreign shareholders of a public Canadian company that lists on AIM and gives up its Canadian listing.

Listing timeline*



*The timeline assumes an admission document is being prepared and the listing does not require a prospectus prepared in accordance with the Prospectus Rules.

Role of the nominated adviser

The initial role of the nominated adviser is to ensure that the company is appropriate to be listed on AIM and ensure that the AIM Rules are complied with at the time of listing. The nominated adviser must undertake sufficient due diligence, advise the company of its primary or secondary market disclosure requirements and liaise with the Exchange and the company's other advisers. A nominated adviser must be retained at all times to advise and guide the directors and ensure that the company complies with the AIM Rules on an ongoing basis.

The Canadian AIM Listing Services Group

The Canadian AIM Listing Services Group comprises a cross functional team of Transaction Advisory, Global Capital Markets, Assurance and Tax specialists who provide a broad range of services to Canadian companies and their advisors in connection with AIM transactions, including:

- Preparations for becoming a public company;
- Advising on regulatory and admission issues;
- Undertaking business, financial and tax due diligence investigations; and
- Assisting with GAAP conversion projects.

We also leverage our international network and draw upon the expertise of our London Capital Markets Group for technical and regulatory requirements and introductions to local nominated advisors and brokers.

For more information, visit www.pwc.com/ca/aim

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The London Capital Markets Group

The London Capital Markets Group comprises specialists who provide a broad range of services to companies and investment banks in connection with London capital market transactions. For more information visit: www.pwc.com/uk/lcmg.

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Companies can gain a London listing through a variety of securities and regulatory platforms. Each of these are quite different in terms of their characteristics and regulatory requirements.

This guide provides a brief overview of the key issues and regulatory requirements that a company should consider in contemplating a listing in London.

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