Press release

Date	EMBARGOED UNTIL 00:01 30 March 2015
Subject	**Companies urged to reap full benefits of AIM**

The average cost for a company to maintain a listing on the Alternative Investment Market (AIM) is around £220,000 a year with related costs driving this figure many times higher, according to the latest QCA/BDO Small and Mid-Cap Sentiment Index of small and mid-cap quoted companies and their advisors.

Despite this weighty 'premium of membership', many companies are apparently not using their listings to full advantage, the research found. When asked what they considered to be the greatest value of being a quoted company, the majority of small and mid-cap quoted companies (54%) say that it provides a continuing source of capital. However, of the companies surveyed only 43% were intending to raise any capital over the next 12 months and, of these, only 44% intended to do this via the equity markets.

The average costs associated with being an AIM quoted company include retaining an auditor (£85k), stockbroker/NOMAD (£46k), investor relations/financial PR (£40k) and the annual report production and AGM (£15k).

However, these are only the very basic 'maintenance costs' of being quoted, with associated costs, such as attracting and retaining high quality executive directors and employing non-Executive directors, likely to drive this cost many times higher. Accounting for this, BDO and the Quoted Companies Alliance estimate the true cost to be more in the region of £500,000 a year. To cover these costs and start to reap the benefits of being on AIM, it is calculated that a company would have to generate £2 million of benefits from this listing.

Scott Knight, Partner at BDO LLP, said: "Coming to market via an IPO is not the end of the journey, but just the beginning. Being a publicly quoted company comes at a considerable cost, but equally can bring invaluable benefits. It is incumbent on businesses to stay visible and extract maximum value which is, by far and away, the ability to raise share capital. By not doing so on a fairly regular basis, firms are effectively paying for lunch but not eating."

Tim Ward, Chief Executive of the Quoted Companies Alliance, commented: "Companies benefit hugely from being on AIM, especially with more institutional investors investing in Europe's most successful growth market. It is relatively low cost compared to the Main Market and has a less onerous regulatory regime, which is important for the flexibility needed by younger, growing businesses."

So, if companies are not deriving real benefit from the ability to raise equity capital what do they see as the other benefits of being on AIM? Nearly a third of firms (29%) consider the added cachet of being a quoted company added to their visibility and profile with their customers and suppliers whereas 23% valued the ability to attract and reward employees with shares.

The survey also looked at the longer term aspirations of AIM companies and found that 20% intend to move up to the Main Market in the future, which equates to over 200 companies, with 4% (about 40 companies) expecting to do so within the next couple of years. Put into context, over the past 15 years there have only been 86 companies which have graduated to the Main Market, with only six doing so in 2014. This highlights a mismatch between aspiration and reality.

However, with the top 25 AIM companies able to fit comfortably fit within the FTSE 250 many still remain satisfied with what AIM has to offer. This demonstrates the ongoing attractiveness of the market across a wide spectrum, but in particular for young, fast-growth companies. Of those companies happy to remain on AIM, 38% consider the various tax incentives available, such as the inclusion of AIM shares in ISAs, the stamp duty exemption for trading in AIM shares and Inheritance Tax Relief, as the most obvious reason to stay.

Scott Knight, Partner at BDO LLP, said: “The costs of being a quoted company are often highlighted. Whether a company is raising money or not there remain very real benefits that accrue to quoted companies, in terms of improved relationships with customers and suppliers as well as increased market visibility.”

Tim Ward, Chief Executive of the Quoted Companies Alliance, commented: “Companies should be aware of the time and cost required to be a confident and communicative public company. This is a cost of capital-raising that should be appreciated well before an IPO. It is not an opt-in, opt-out cost so should be used wisely and effectively. Advisors and their costs should be managed like any other supplier.”

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Methodological notes

The QCA/BDO Small & Mid-Cap Sentiment Index by BDO and the Quoted Companies Alliance (QCA), powered by YouGov, is an online tri-annual survey across the small and mid-cap quoted company sector.

Methodology: This survey has been conducted using an online interview administered to members and associates of the QCA. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data.

The report is based upon 202 online interviews (133 small mid-cap quoted companies, 69 advisory companies). It was conducted between 12th and 23rd January 2015 by research company YouGov.

Please note that scores in this report may not add up to exactly 100% due to rounding. The margin of error for the survey is +/- 8%.

Note to editors

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