

THE BOARDROOM

AIM - IS THE WELL DRYING UP?

The Alternative Investment Market has seen significant growth over the last ten years and without doubt has become a jewel in the LSE's crown.

Investors and companies alike have found AIM to be an enormously attractive market but is it now in danger of losing some of its lustre?

Some of the key points which have attracted investors and businesses alike, list as follows;

- Easy to list
- Cheap to list
- Taper Relief
- Liquid market

The combination of early stage opportunity, alongside reduced capital gains tax for investors who hold on to their investment for two years or more had made the case for investment, compelling.

As an investor who was happy to take a higher degree of risk with your investment decisions all you had to do was ensure you had conducted your due diligence correctly and then let the dice roll.

The advantages to companies wanting to list on AIM were equally as attractive. Unlike a full listing you do not need to produce a three year historical set of accounts, there is no minimum capitalisation requirement and critically due to the tax advantages you were entering your company, quite cheaply onto a market that had keen investor interest.

Unfortunately though' it now seems like the well may be about to dry up. As from 6th of April 2008 one of the principal benefits of investing in AIM listed companies is about to be removed.

In the chancellor's pre-budget statement he announced a significant change to taper relief on investment into small unquoted companies, as a result accelerated taper relief will now be abolished for these investments.

Over the years there has been an enormous amount of investment into AIM, the taper relief offered had without question proven to be an instrumental part of AIM's successful growth.

It had been the case, over the last four or five years that AIM had become somewhat of a magnet to companies from all over the world. The result being increased liquidity, diversity and deal flow onto the UK market as well as confirming AIM's reputation as one of the strongest growth markets in the world.

With the recent market downturn, 2008 has seen very few IPOs onto AIM and the immediate attraction of an AIM listing is becoming less and less clear. Many are also holding their breath as the end of the tax year approaches with a concern that there could be a lot of selling of AIM stock before April 6th.

So what of AIM post this change ?

AIM is now a fully mature market, it is recognised by the investment community, it is liquid, it remains cheap to list on (in comparison to a full listing), there is no minimum amount of stock that needs to be given up to the market and the red tape is much reduced, no three year historical accounts requirement and no minimum market capitalisation.

Still a compelling case for a company wishing to list !

One more thing! We should not ignore the new kid on the block. The emergence of Plus Markets which is even cheaper to list on and undoubtedly will become a force to be reckoned in a short space of time is in its own right worth firms taking into consideration however, at the moment many suggest that its liquidity is still an issue.

It is a shame that the government has targeted AIM and investors by sweeping away taper relief so swiftly but I am sure that the progress and reputation AIM has gained will see it through this trauma.