22 June 2009

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STOCK EXCHANGE AIM DISCIPLINARY NOTICE

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PUBLIC CENSURE AND FINE – ASTAIRE SECURITIES PLC (formerly BLUE OAR SECURITIES PLC)

AIM DISCIPLINARY COMMITTEE

PUBLIC CENSURE AND FINE

In relation to the conduct of

ASTAIRE SECURITIES PLC

for

Breach of Rule 39 of the AIM Rules for Companies (the "AIM Rules")

and

Breach of Rules 16, 18, and 19 of the AIM Rules for Nominated Advisors, February 2007 (the "Nomad Rules")

SUMMARY

1. The London Stock Exchange plc (the "Exchange") of 10 Paternoster Square, London, EC4M 7LS, announces for the reasons listed below, and having agreed with Astaire Securities Plc (formerly Blue Oar Securities plc ("Blue Oar")) the facts and matters set out below, that on 18 June 2009 the AIM Disciplinary Committee ("ADC") approved a

consent order agreed between the above parties which imposes the following sanctions on Blue Oar:

i. a public censure as detailed below; and

ii. a fine of £225,000.

2. These sanctions were imposed on Blue Oar in respect of breaches of the AIM Rules for Companies (the "AIM Rules") and the AIM Rules for Nominated Advisers (the "Nomad Rules") during the period from 6 June 2006 to 29 June 2007 (the "Relevant Period"). As set out in this censure, these breaches related to Blue Oar's conduct as nominated adviser to an AIM company, Worthington Nicholls Group plc (now Managed Support Services plc) (the "Company"), during the Relevant Period, in respect of which Blue Oar:

- failed to assess adequately the Company's appropriateness for AIM prior to admission;
- failed to carry out appropriate due diligence and to advise the Company properly regarding certain disclosures at admission;
- failed to advise the Company properly in respect of certain announcements after admission; and
- failed on one occasion to liaise appropriately with the Exchange

THE ROLE OF A NOMINATED ADVISER

3. AIM's regulatory structure is designed to facilitate the admission of small and growing companies, balancing the need to protect investors with a desire to control the costs associated with being admitted to a public market.

4. The Exchange delegates certain important regulatory responsibilities to nominated advisers ("nomads"), such as that of assessing the appropriateness of companies for AIM. Accordingly, the role that the nomad fulfils is different from that of other professional advisers acting for an AIM company.

5. Nomads fulfil a vital role in maintaining the quality of companies admitted to AIM and providing advice and guidance to AIM companies about their responsibilities under the AIM Rules. A nomad is responsible to the Exchange with respect to these matters.

RELEVANT REGULATORY PROVISIONS

6. Under the AIM Disciplinary and Procedures Handbook (the "Handbook"), if the Exchange considers that a nominated adviser has

breached its responsibilities under the AIM Rules, it can refer the matter to the AIM Disciplinary Committee (“ADC”).

7. Pursuant to the Handbook, if the ADC approves a consent order agreed between the Exchange and the nominated adviser it may impose one or more of the following sanctions:

- a fine;
- a censure;
- publish the fact that the nominated advisor has been fined and/or censured and the reasons for such fine or censure; and/or
- remove the nominated adviser from the register.

AIM Rules[1]

8. Before the introduction of the Nomad Rules in February 2007, a nomad was required under AIM Rule 39 and Schedule Six to confirm to the Exchange, inter alia, the following information in relation to a company producing an AIM admission document:

- the directors of the AIM company have received satisfactory advice and guidance as to the nature of their obligations to ensure compliance by the AIM company with these rules;

- to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of these rules have been complied with; and

- that in its opinion it is satisfied that the applicant and the securities which are the subject of the application are appropriate to be admitted to AIM.

9. Under AIM Rule 39, a nomad was also required to act with due skill and care at all times.

Nomad Rules[2]

10. The Nomad Rules were introduced by the Exchange in February 2007.

11. Under Nomad Rule 16, a nomad must act with due skill and care at all times.

12. Under Nomad Rule 17, a nomad is responsible to the Exchange for advising and guiding an AIM company on its responsibilities under the AIM Rules, both in respect of its admission and its continuing obligations on an ongoing basis.

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[1] AIM Rules for Companies, July 2005 and AIM Rules for Companies, August 2006
[2] AIM Rules for Nominated Advisors, February 2007

13. Under Nomad Rule 18 and OR1 and OR2 of Schedule Three, in deciding whether a nomad has complied with these Rules, the Exchange will have regard to the matters set out below, which should be exercised with due skill and care and after due and careful enquiry:

   - the nomad should maintain regular contact with an AIM company for which it acts, in particular so that it can assess whether (i) the nomad is being kept up-to-date with developments at the AIM company and (ii) the AIM company continues to understand its obligations under the AIM Rules; and

   - the nomad should undertake a prior review of relevant notifications made by a company with a view to ensuring compliance with the AIM Rules.

14. Under Nomad Rule 19, a nomad must seek the advice of the Exchange in situations where it is unsure as to the application or interpretation of the AIM Rules or it has a concern about the reputation or integrity of AIM. In addition, a nomad should advise the Exchange as soon as it believes the AIM Rules or Nomad Rules have been breached.

BACKGROUND

15. Blue Oar acted as the nomad to the Company at all material times during the Relevant Period. The Company's admission document was published on 6 June 2006. The Company's shares were admitted to trading on AIM on 12 June 2006. On admission the Company's share price was 50p per share and rose as high as 194p on 19 April 2007.

16. On 17 August 2007, the Company released a trading statement which identified that turnover and profit will be materially below market expectations. Following the 17 August announcement, the Company's share price dropped from 50.5p per share to close at 19.875p, a drop of over 60%.

17. On 22 November 2007, the Company announced certain management changes. The Company also announced the appointment of a new nomad with immediate effect.

18. Following a suspension of trading on 3 December 2007 and an internal investigation, the Company announced on 7 December that it was required to write down over £15.9 million from its net assets up to September 2007. Following this announcement, the Company's shares were restored to trading. Upon restoration, the Company's shares fell from 17.375p (prior to the suspension) to close at 12.25p, a drop of almost 30%.

PARTICULARS OF BREACHES

Appropriateness of the Company to be admitted to AIM

19. The Company was admitted to AIM on 12 June 2006. As part of the admission process, Blue Oar was responsible to the Exchange for assessing the appropriateness of the Company for AIM.

20. The Company instructed an accounting firm to act as reporting accountants in connection with the Company's admission (the "Reporting Accountants"). Under the terms of their engagement letter, the Company instructed the Reporting Accountants to complete an audit of its business, including the preparation of a Long Form Report. In the Long Form Report, the Reporting Accountants identified several business and operational issues and, for each issue, proposed a corrective action.

21. Blue Oar reviewed drafts of the Long Form Report before the final version was provided to them on 25 April 2006. Blue Oar did not, however, take appropriate steps to ensure that the Company addressed certain business and operational issues before the Company's admission to AIM. In particular:

    a. The Long Form Report contained specific recommendations by the Reporting Accountants for the production of monthly management accounts which included cash flow analysis, variance from budgets, analysis of contract tenders and wins, and management commentary. Blue Oar failed to ensure that management accounts were produced by the Company on a monthly basis prior to admission or that appropriate procedures were in place to ensure production of monthly management accounts following admission. Although the Company had historically produced quarterly management accounts, these were not produced on a monthly basis until October 2006. When they were subsequently produced, the Company's management accounts did not include all of the information recommended by the Reporting Accountants until February 2007.

    b. The Long Form Report stated that "*The reporting requirements, timetable and level of detail required as a Plc necessitates the appointment of the FD.*" Despite this, the Company employed only a part-time Finance Director. Prior to the Finance Director's full-time appointment in January 2007, the Company did not employ any full-time qualified accounting staff.

    c. The Long Form Report identified that a 'job costing system' (JCS) should be implemented and utilised for:

- Sales, which in part would highlight overdue retention invoices to be raised;
- Monitoring contract outcomes, through pre-quoted third party costs to mitigate the exposure to cost overruns; and
- Monitoring actual job costs compared to planned costs, with all significant variances investigated in full.

In the Long Form Report, the Reporting Accountants stated that "*there are currently a number of weaknesses within the financial control environment and we recommend that these weaknesses are addressed and corrected with immediate effect.*"

If implemented and utilised as recommended, the Reporting Accountants were of the opinion that the JCS should have ensured that the Company had a suitable system of internal financial controls. Despite the specific recommendations and conclusions made in relation to the JCS, Blue Oar did not ensure that the recommendations in the Long Form Report were implemented by the Company.

22. For the above reasons, Blue Oar was in breach of Rule 39 and Schedule Six of the AIM Rules by failing to assess adequately the Company's appropriateness for AIM.

Due diligence and disclosures at admission

23. Prior to the Company's admission, Blue Oar was required pursuant to AIM Rule 39 and Schedule Six to carry out appropriate due diligence on the Company's directors and to advise the Company in the preparation of its admission document.

24. In breach of AIM Rule 39, Blue Oar failed to make certain enquiries in relation to one director which, if made, may have identified potentially material information relating to that director. Blue Oar also failed:

    a. to ensure that an Orderly Market Arrangement agreed with a significant shareholder was disclosed by the Company in the admission document;

    b. to review or identify information in its possession indicating that certain share trades had been transacted by that significant shareholder before admission, which rendered the information in the admission document concerning that shareholder inaccurate; and

    c. to ensure that, when a corrective announcement was released by the Company shortly after admission, it accurately referred to the above share trades having taken place before admission.

Announcements made by the Company after admission

25. Following its admission to AIM, the Company made certain announcements to the market which were misleading and/or omitted material information. By failing to advise the Company appropriately in relation to these announcements, Blue Oar was in breach of AIM Rule 39 and, when introduced, Nomad Rules 16, 18 and OR1 and OR2 of Schedule Three.

10 November 2006 Announcement

26. The Company's announcement on 10 November 2006 stated that "*the emphasis on the quality of client service has led to a high percentage of recurring revenue with existing customers, which means that the quotation register is significantly ahead when compared to the same time last year*".

27. While correct with respect to potential orders, the total value of orders received by the Company for October had actually decreased from £932,077 to £164,580 compared with the previous year. This decrease was noted by Blue Oar in an email to the Company. Blue Oar did not, however, make adequate enquiries regarding this discrepancy or ensure that the Company's announcement was appropriately amended before its release.

28. The Company's announcement also stated that "*the Group is currently in discussions with a further 5 hotel chains which, in aggregate, own in excess of 90 hotels*". This gave the impression that the Company was in contractual negotiations for the provision of services to over ninety hotels. The Company was, in fact, only negotiating contracts in relation to five hotels, one from each of the hotel chains mentioned in the announcement. Blue Oar did not take steps to ensure that the Company appropriately clarified this announcement.

21 February 2007 Announcement

29. On 21 February 2007, the Company announced an agreement with a supplier to the InterContinental Hotels Group ("IHG"), under which it would provide services for the installation and maintenance of a web-based software product (known as ESCAP) developed for IHG in Europe, the Middle East and Africa (EMEA). The Company's announcement stated that "*Under the terms of the agreement, in the first year Worthington Nicholls is aiming to provide ESCAP to up to 197 IHG owned/managed hotels in EMEA*".

30. The above statement implied that the Company had a contractual entitlement to provide ESCAP to up to 197 IHG hotels in the first year of the agreement. This was not, in fact, the case. The Company was only contractually entitled to install ESCAP in the event that any IHG hotels chose to install it (which they were not obliged to do). Despite

this, Blue Oar did not ensure that the wording of the Company's announcement was appropriately corrected before its release.

1 May 2007 Announcement

31. The Company made an announcement on 1 May 2007 regarding the acquisition of certain companies and a placing to raise £20 million. In the announcement, the Company commented on the performance of two recently acquired companies, Project Air Limited and Lumenglow Limited, stating that they had "*exceeded directors' expectations and therefore require additional funds to support their accelerating growth*".

32. Each of these companies was, in fact, performing worse year-on-year and there is no evidence to justify the Company's statements regarding accelerating growth or exceeding directors' expectations.

33. At the time of the announcement, Blue Oar was in possession of the Company's financial forecast as at April 2007 which showed the acquired companies were underperforming. Blue Oar did not, however, ensure that the wording of the Company's announcement was changed accordingly.

29 June 2007 Announcement

34. The Company stated in its announcement on 29 June 2007 that "*We expect profit margins across the Group to remain stable for the full year as a whole recognising the benefit derived from the increased run rate of revenue in the second half of the financial year ... I am very pleased with the development of the group to date and have full confidence of its continued performance in the future*".

35. As at the date of this announcement, Blue Oar had been provided by the Company with financial forecasts as at April and June 2007 which identified that, as of May 2007, the Company's revenue figures year-to-date were 9% short of budget. Furthermore, the Company's expectations of 'secured' revenue (which the Company had described to Blue Oar as "*likely sales*") to the end of the year was almost 20% below market expectations.

36. Against the background of a significant revenue shortfall against budget and the unlikelihood of the Company meeting market expectations, the above statements made in the announcement were misleadingly positive and omitted material information to put them into context. Blue Oar did not, however, take appropriate steps to ensure that the wording of the Company's announcement was amended.

Liaising with the Exchange

37. In February 2007, individuals within Blue Oar identified that the corrective announcement referred to at paragraph 24 above was not, in

fact, correct and that the relevant share trades had taken place before admission, not afterwards as stated in the announcement. Despite this fact, and in breach of Nomad Rule 19, Blue Oar did not contact the Exchange to notify them of this breach of the AIM Rules.

SANCTION

38. In determining the appropriate sanction against Blue Oar, the following matters have been taken into account:

- The role of the nomad in advising AIM companies on its AIM Rules obligations is fundamental to the proper operation of the market. The matters referred to above reveal that, among other things, Blue Oar failed in its duties to the Exchange to assess the Company's appropriateness for AIM at admission and to advise the Company appropriately before and after admission.

- Blue Oar's breaches of the AIM Rules and the Nomad Rules contributed to breaches of the AIM Rules by the Company.

- Blue Oar has co-operated with the Exchange during its investigation.

- Blue Oar's nomad function has undergone significant changes since the matters referred to in this censure took place.

BOB BEAUCHAMP
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AIM Regulation