



21 December 2005

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**For the attention of the Nominated Advisers/ Finance  
Directors/ Company Secretaries, all AIM Companies**

**AIM15**

## **STOCK EXCHANGE AIM NOTICE**

### **AIM RULES – IAS CONFIRMATION & CONSULTATION**

#### **Introduction**

1. In October 2004 the Exchange stated that it intended to mandate International Accounting Standards for AIM companies from 2007 onwards.

This Notice **confirms** that intention and provides an initial explanation as to how this will be implemented and the timetable for its implementation.

This Notice also invites comment from market participants in relation to a proposed rule change in respect of the accounting standards permissible for companies incorporated in non-EEA countries.

#### **Confirmation of mandating of International Accounting Standards**

2. On 7 October 2004 the Exchange issued AIM Notice 10 which stated that the Exchange intended to mandate International Accounting Standards for all AIM companies for financial years commencing on or after 1 January 2007. This was reflected in the guidance to AIM Rule 17 in the AIM Rules issued in October 2004.

The Exchange, by way of this Notice, confirms that in relation to AIM companies incorporated in an EEA member state, the AIM rules will be changed to treat AIM companies consistently with the requirements of Article 4 of the IAS Regulation (Regulation (EC) No. 1606/2002).

For AIM companies incorporated in non-EEA countries, we are proposing a change to the AIM rules which will harmonise the accounting standards to be used both on admission to AIM and on an ongoing basis.

Comments are welcomed on this proposed change.

### **Requirements for existing AIM companies incorporated in an EEA member state**

3. If an AIM company incorporated in an EEA member state is publishing financial information (such as accounts and interim results) for the purposes of the AIM Rules in respect of an accounting period commencing on or after 1 January 2007:
  - A. where, at the end of the relevant financial period, an EEA company is a parent company that prepares consolidated financial statements, that consolidated financial information must be prepared and presented in accordance with International Accounting Standards (IAS); or
  - B. where, at the end of the relevant financial period, an EEA company is not a parent company, they may prepare and produce such financial information either in accordance with IAS or in accordance with the accounting and company legislation and regulations that are applicable to that company due to its country of incorporation.

### **Consultation on proposals in respect of companies incorporated in non-EEA countries**

4. The current position for companies incorporated in non-EEA countries is that on admission to AIM they must comply with the third country issuer provisions of paragraph 20.1 of Annex 1 of the Prospectus Rules. Under these provisions the historical financial information in an AIM admission document must be prepared to IAS or to a third country's national accounting standards equivalent to these standards.

On an ongoing basis an AIM company must prepare a half-yearly report and its annual report and accounts under UK or US GAAP or IAS, in accordance with Rules 18 and 19.

The Exchange proposes a change to this position in order to harmonise these requirements.

It is proposed that an AIM company, both on admission and when preparing both its half-yearly report and its annual report and may use one of the following accounting standards:

- IAS;
- US GAAP;
- Canadian GAAP;
- Japanese GAAP; or
- Australian IFRS (as issued by the Australian Accounting Standards Board).

### **Question 1 – Do you agree with the accounting standards proposed?**

The Exchange is therefore proposing that it no longer requires that the historical financial information in an AIM admission document be prepared to IAS "or equivalent". Rather, the standards acceptable on an ongoing basis will be extended to additionally include Canadian GAAP, Japanese GAAP and Australian IFRS.

**Question 2 – Do you agree that no reconciliation to IAS be required where a company is not producing results under IAS?**

As stated above the AIM rules currently mandate either UK GAAP, US GAAP or IAS as the acceptable accounting standards for an AIM company's half yearly report and annual report and accounts. Currently issuers who do not prepare their accounts to UK GAAP, US GAAP or IAS (e.g. Australian or Canadian issuers) must perform a reconciliation to one of these accounting standards instead.

Given that our proposal in this Notice extends the range of acceptable accounting standards this practice will no longer be allowed.

**Timetable**

5. Responses, comments and queries on this notice should be sent by 27 January 2006 via email to [aimregulation@londonstockexchange.com](mailto:aimregulation@londonstockexchange.com)

We currently propose to issue revised AIM Rules and associated guidance as soon as practicable after this date.

**Ray Knowles**  
**Manager, AIM Regulation**

**Notes:**

1. The European Economic Area (EEA) comprises of all member states of the EU together with Norway, Iceland and Lichtenstein.
2. Notwithstanding the contents of this notice, the Exchange would encourage AIM companies incorporated in the EEA to use IAS both on admission and in the preparation of all post-admission financial information.
3. When preparing financial information for an admission document, AIM companies should be cognisant of the requirement of paragraph 20.1 of Annex 1 that the last two years' financial information in the document must be presented in a form consistent with that which will be adopted in the company's next published annual accounts. Issuers should also be aware that where an admission document is also a Prospectus then the full requirements of the Prospectus Rules must be complied with.
4. For the purposes of this Notice, the term 'International Accounting Standards' means those standards adopted for use in the European Union in accordance with Article 3 of the IAS Regulation. IAS is also commonly referred to now as International Financial Reporting Standards or IFRS. In respect of each AIM company, the term 'parent' should be interpreted in accordance with applicable law. Any other queries over interpretation of these provisions should be addressed with AIM Regulation at the earliest opportunity.
5. The revised AIM Rules and guidance that we will issue to effect these changes will contain provisions on what accounting standards can be used by an EEA company prior to 1 January 2007. It is likely that we will allow such companies to act in accordance with the provisions outlined in this note in advance of 1 January 2007. However, in circumstances where an AIM company intends to prepare accounts in accordance with a standard not currently permitted by the AIM Rules, AIM Regulation must be consulted in advance.