



# ZAI CORPORATE FINANCE LTD

## **AIM LISTINGS FOR FOREIGN ISSUERS: PRACTICAL ASPECTS & TIMETABLE**



# AIM LISTING: 4 MAJOR PHASES

- Due Diligence
- Investor Document (Prospectus)
- Marketing: Raising the Money
- Technical Admission Process - Closing



# TYPICAL AIM FLOAT TIMETABLE

## Typical AIM Listing Timetable for a Domestic UK Company: from 12 Weeks\* Typical AIM Listing Timetable for an International Company: from 18 Weeks\*

04/09/2006		XYZ TIMETABLE																				
ACTIVITY		Start	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul	20-Jul	27-Jul	03-Aug	10-Aug	17-Aug	24-Aug	31-Aug	07-Sep	14-Sep	21-Sep	28-Sep	05-Oct	
		Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
		Respos	MONTH 1			MONTH 2			MONTH 3			MONTH 4			MONTH 5							
			M	T	W	T	F	M	T	W	T	F	M	T	W	T	F	M	T	W	T	F
DUE DILIGENCE PERIOD	Business plan and working capital updated and made available to advisors	Co	X																			
	Long Form work ("X" first draft report available)	Rep Acc				X																
	Reporting accountants working capital work ("C" conference call update, "X" first draft report available)	Rep Acc				C		X														
	Audit (X first draft)	Rep Acc						X			F											
	Short form report (2X first draft available)	Rep Acc								X		F										
	Legal due diligence work ("X" first draft report available)	Sol						X			F											
SHAREHOLDER DOCUMENTS	Drafting of Investor Presentation	All								X		F										
	Verification notes (prospectus and presentation)	ZAI																				
	Drafting of Ad Doc - Verification Draft ("V" Pathfinder ("X"), placing proof ("P"), final document ("F") Verification notes (prospectus and presentation)	ZAI											V				X					P F
	Placing agreement, placing letters and nomad and broker agreement	ZAI Sol													X							
	Board meeting to approve marketing documentation	All															B					
10 day announcement ("X" published)	ZAI																					10
MARKETING	Drafting of prefloat research note ("X" release date)	ZAI						X														
	Marketing meetings booked	ZAI																				
	Marketing presentations to institutions	Co / ZAI																				
	Book closing	Co / ZAI																				
CLOSING / ADMISSION	Board meeting approving placing list	All																				B
	Placing letters sent out ("X") placing letters returned ("Y")	ZAI																				X Y
	Completion board meeting	All																				B
	Shares admitted to trading, monies paid over to Company	ZAI																				D
	Exclusive spread in friendly weekend press of intention to float	PR																				
	Full press coverage on announcement of successful flotation	PR																				

\* If a company is ready for an IPO and all the preliminary works have been carried out



# AIM FLOAT - 4 MAJOR PHASES

1. Due Diligence
  - Accounting
  - Legal
  - Commercial/Industrial
2. Preparing a Shareholder/Investor Document
  - Prospectus / Admission Document (“Ad Doc”)
  - Verification
3. Marketing the Shares
  - IR Firm
  - Research
    - Research Timetable – Quiet periods and Blackout periods
  - Road Show
    - London Institutions
    - International



# AIM FLOAT - 4 MAJOR PHASES CONTINUED

## 4. Technical Admission Steps

- 10 Day Announcement
- ISIN Number/Ticker Symbols assigned
- Arrange 3 – 4 Market makers
- “3 Day” Papers filed with the London Stock Exchange
  - AIM Application Form
  - Nomad Declaration
  - Final Ad Doc / Prospectus
  - Cheque to the Exchange!
- Admission (CREST enablement)
  - Depository Instruments (“DI’s”) for non-UK Issuers



# PHASE 1 – DUE DILIGENCE

## Accountancy Due Diligence

There are 3 standard reports produced by the Reporting Accountants:

- Long Form
- Short Form
- Working Capital



# ACCOUNTING DUE DILIGENCE REPORTS

## **Long Form Report: (50 – 100 Pages)**

- ❑ An historic and “forensic” look at the Company’s business, history and current trading (and prospectus)
- ❑ Based on the Company’s business plan and discussions with management
  - Looks to validate and verify managements’ claims
  - Looks to “independently prove” (or indeed disprove) the Company’s business model
- ❑ Financial Reporting procedures and systems must also be reviewed so that:
  - Directors can declare in the Ad Doc: “procedures have been established which provide a reasonable basis ... to make proper judgements as to the financial position and prospects of the Issuer and its group”.
  - Nomad must also be satisfied for this is true, and the company is therefore suitable.

## **Short Form Report:**

A Presentation of the Company’s audited accounts for the past 3 years



# WORKING CAPITAL REPORT

- ❑ A forward looking finance model, and accompanying report. AIM requires that a Company must have 12 months working capital when listed
- ❑ Most practitioners insist on a minimum 18 month review period
- ❑ Base-case projections are subjected to diverse “sensitivity” analysis, based on the businesses’ main “drivers”
  - Management develop and defend contingency plans based on these sensitivities
- ❑ Conclusion: *“the Directors Working Capital Statement has been made after due and careful enquiry”*





# LEGAL DUE DILIGENCE REPORT

- Verifies title to all major Corporate assets
  - IP is often a concern
- Assures all corporate books and records are complete and accurate
- Addresses Corporate Governance concerns
- Reviews and assesses Litigation
- Legal risks analysis
- Proper contracts for key Directors and Employees
- All material contracts verified
- Tax risks addressed – if not covered by the accountants



# COMMERCIAL/INDUSTRIAL DUE DILIGENCE

In parallel with the other reports the Nomad also conducts their own Due Diligence:

- Site visit
- Quality of management team
- Validity of the business model and investment thesis
- “Presentation” skills of management team
- Market receptivity



## PHASE 2 - PROSPECTUS/ADMISSION DOCUMENT

Companies seeking Admission to AIM must produce an Admission Document with contents specified in Schedule 2 of the AIM Rules including:

- Responsibility and working capital statements
- Risk factors specific to the issuer and its industry
- History and development of the issuer
- Principal activities and markets
- Financial information – up to date and audited (Non-EEA: IAS, US/Canadian GAAP, Australian IFRS)
- Trend information and significant changes since last reported financials
- Material contracts and litigation
- Directors' and major shareholders' interests in shares
- Directors' service contracts, directorships, insolvency history
- Share capital history and summary rights attaching to shares
- Pro forma financial information, if included, must follow specific guidelines and be reported on by independent accountants
- Any other information reasonably necessary for a full understanding of: assets and liabilities, financial position, profits and losses and prospects; rights attaching to securities and any other matters in the admission document



## PHASE 3 - MARKETING

- Pre float research note
- Quiet period
- Road show
- Build “book”, close book
- Placing letters returned, shares admitted subject only  
to Admission



## PHASE 4 – TECHNICAL ADMISSION

- ❑ Board meeting to approve Placing List
- ❑ Placing letters sent/received signed
- ❑ Completion Board meeting
- ❑ Final prospectus and “3 day papers” filed with AIM
- ❑ (3 days later) shares admitted to trading
- ❑ CREST settlement “DVP” (delivery versus payment) takes place on the morning of admission; Certificated shares take 1 week - 10 days longer
- ❑ Monies paid over to Company +/- 3 days after admission (assuming no settlement problems)



## PLACING – PRACTICAL ASPECTS

- ❑ Placing Agreement signed
- ❑ Broker “Book” built:
  - Brokers speak with Clients
  - Informal commitments
- ❑ Formal Placing letters, sent out, signed and sent back, “conditional on Admission”
- ❑ Shares admitted to AIM



# PROBLEM AREAS

Almost all problems come from:

A. Due Diligence deficiencies:

- Accounting

- No Audits or poor quality Audits

- Transparency Issues

- Overly complex holding structures

- Overly “offshore” holding structures

- Tax evasion trap

- Corporate Governance deficiencies

B. Prospectus drafting

- Verification problems



# CONCLUSION

- ❑ Via the NOMAD system, AIM offers issuers an “interactive rule book” that allows issuers to spot problems and correct them in advance
- ❑ The system is flexible, inexpensive, and “user friendly”, but the quality standards remain quite high
- ❑ This combination of flexibility and quality is what attracts Institutional Investors and Issuers alike, and has made AIM the success it is today
- ❑ For a well organised Company, an AIM listing is one of the best products on the market





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