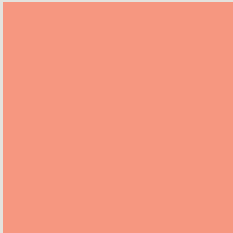


**QUOTED
COMPANIES
ALLIANCE**

REPORT OF THE QUOTED COMPANIES ALLIANCE CONFERENCE

**ENGINEERING GROWTH FOR SMALL
AND MID-CAP QUOTED COMPANIES
24 JUNE 2014**



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HIGHLIGHTS

- 200 delegates attended including:
 - small and mid-size quoted company directors
 - advisors to the sector
 - investors, brokers and market makers
 - journalists
- 1 Government minister spoke and participated in the event
- 5 institutional investors attended and spoke about raising finance
- 3 panel sessions were held on:
 - enhancing public equity markets in the UK
 - errors made in meetings with investors and how to avoid them
 - building better boards
- 3 breakout sessions were held on:
 - using annual reports as an effective tool for communication
 - understanding how your company's shares are traded and your company's share register
 - emerging forms of finance
- 3 keynote speakers were:
 - Matthew Hancock MP, Minister of State for Skills and Enterprise
 - Jon Moulton, Non-Executive Chairman, finnCap, and Founder of Better Capital
 - Luke Johnson, Chairman, Risk Capital Partners
- 25 business leaders, policymakers, investors, regulators and more spoke at the event





KEYNOTE SPEAKERS

ACCESS TO FINANCE REMAINS DIFFICULT FOR GROWING COMPANIES

- Opening Interview: Matthew Hancock MP, Minister of State for Business and Enterprise, interviewed by James Hurley, Enterprise Editor, The Times

Competition and new technology in banking will help small and mid-size quoted companies get access to finance, the Minister for Business and Enterprise told delegates at our conference.

In the opening interview of the annual conference, Matthew Hancock MP, Minister of State for Business and Enterprise was interviewed by James Hurley, Enterprise Editor at The Times.

Hancock told delegates that one of the most common complaints from small and mid-size companies he spoke to was difficulties in getting finance.

But this problem may ease as new banks enter the market together with technology, such as peer-to-peer lending – online platforms, which enable individuals to provide loans directly to each other as well as to small businesses.

“[There is a] really exciting agenda in the longer term about using technology to break this banking market open, for example with peer to peer [lending],” Hancock said. “And banks are being challenged for the first time in the retail market.”



Matthew Hancock MP being interviewed by James Hurley

What about other measures to help small and mid-size companies, such as removing the requirement for business directors to own five per cent or more of shares in their business to qualify for entrepreneurs' relief (tax relief on capital gains tax)?

The Quoted Companies Alliance has been campaigning for this tax rule to be scrapped. Hancock's response was cautious but he didn't rule out a change. "We are constantly looking at all options in this and other areas but you have to target your fiscal firepower," he said.

He also discussed another bugbear of SMEs – late payment. New late-payment legislation will require companies to make their make payment terms clearer, Hancock said.

AIM FOR REAL PERFORMANCE AND GOOD NUMBERS SAYS MOULTON

- Keynote Afternoon Speech: Jon Moulton, Non-Executive Chairman, finnCap, and Founder of Better Capital



Jon Moulton speaking

Too much financial reporting regulation is “mindless drivel” and there are too many consultations on proposed rule changes, veteran investor Jon Moulton said.

Moulton, one of the UK’s best known private equity investors, said that there was too much regulation for financial reporting and much of it was of little use.

“The more you disclose the less likely it is that people will read it,” Moulton said. “You’re less likely to read a [business] prospectus than you are Google’s terms of trade.”

He suggested that companies tell investors they’ll only be sent a hard copy of the annual report if they request one.

“Most directors of public companies haven’t read their accounts,” Moulton said. “They couldn’t bear it.”

Overall, though, it’s a good time to be a director at small or mid-size company. Moulton said that the government is keen to encourage small companies through tax incentives.

He advised small and mid-size companies to focus on cash flow and be reliable. “[Aim for] real performance and good numbers, reliably produced,” he said. “Smaller companies typically have more volatility of earnings because they’re less stable.”

He also advised companies to get good advisors and to treat investors with respect. “These folks are customers and deserve the facts. If they want to visit the factories let them go and see them.”

FOCUSING ON LONG-TERM INVESTMENT

- Closing Speech: Luke Johnson, Chairman, Risk Capital Partners

New share issues are vital to the stock market and small and mid-size companies are the biggest creators of jobs. So said Luke Johnson, Chairman of Risk Capital Partners and a former owner of Pizza Express, in the closing speech at our conference.

Johnson, who invests in small and mid-size companies and is a columnist for the Financial Times, said the purpose of the stock market is to “recycle British savings into companies that are employing people here.”

All the statistics show that the big job creators are the “gazelles” – small and mid-size fast-growing companies – not the biggest companies, Johnson told delegates.

What is his advice for companies planning to float on the stock market? Make sure there are good reasons to go public and check that you have the right board, were among Johnson’s tips.

Fund managers can also help. “I’ve found fund managers really sharp and much more on the ball than I expected,” Johnson said. “It forces you to think about your business. It’s a form of fitness test.”

But he was less complimentary about hedge funds that make short-term investments. “I’m not so interested to learn from hedge funds,” he said. “A certain group of much more short-term investors have had a disproportionate influence on stock markets. When asked about their investment length they talk in months.”



Luke Johnson speaking

PANEL SESSIONS



Giles Hargreave speaking

HOW DO WE MAKE IT CHEAPER AND MORE EFFICIENT TO RAISE PUBLIC EQUITY?

Panel Session 1: Enhancing public equity markets in the UK

- Chairman: Michael Higgins, Chairman, Quoted Companies Alliance
- Mats Isaksson, Head of Corporate Affairs, Organisation for Economic Co-operation and Development (OECD)
- Alexander Justham, Chief Executive Officer, London Stock Exchange plc
- Giles Hargreave, Chairman & Chief Executive Officer, Hargreave Hale Limited

The UK's small and mid-cap market is probably the most successful of its kind in the world but there is room for improvement and companies are too reliant on bank credit, according to Alexander Justham, Chief Executive Officer of London Stock Exchange plc.

Sixty nine per cent of small and mid-size quoted companies questioned recently by the Quoted Companies Alliance and accounting firm BDO said that that investor interest has increased in the last six months.

The hope is that the growth will be sustained and isn't another bubble.

Justham said that there was still a long way to go to really develop an "equity culture" rather than one that's too reliant on bank credit.

This theme was echoed by Quoted Companies Alliance Chairman Michael Higgins who called for speakers and delegates to consider whether equity markets could be improved for small and mid-size companies and for suggestions for making it cheaper to raise equity.



From left to right: Alexander Justham, Mats Isaksson and Michael Higgins

Mats Isaksson, Head of Corporate Affairs at the Organisation for Economic Co-operation and Development (OECD), said that the UK's share of IPOs in OECD countries had nearly halved from between 2001 and 2007 and 2008 and 2013.

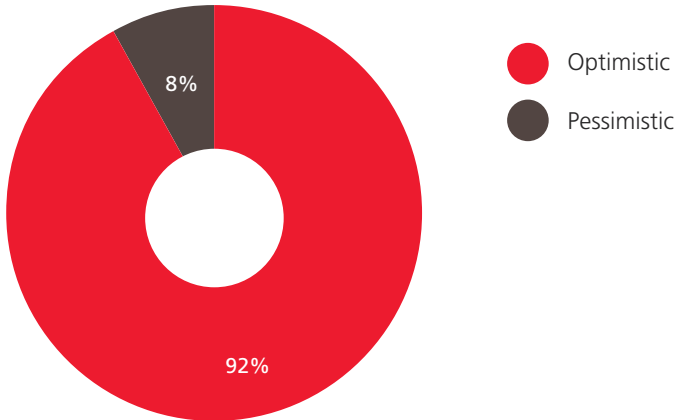
Giles Hargreave, Chairman and Chief Executive Officer, Hargreave Hale Limited, an investment firm, said recent tax breaks for small and mid-cap markets – such as the removal of tax duty on growth market shares – made them more attractive for companies and investors.

"I don't think tax breaks for AIM companies are really appreciated yet," Hargreave said. "Companies on AIM should think very carefully before leaving."

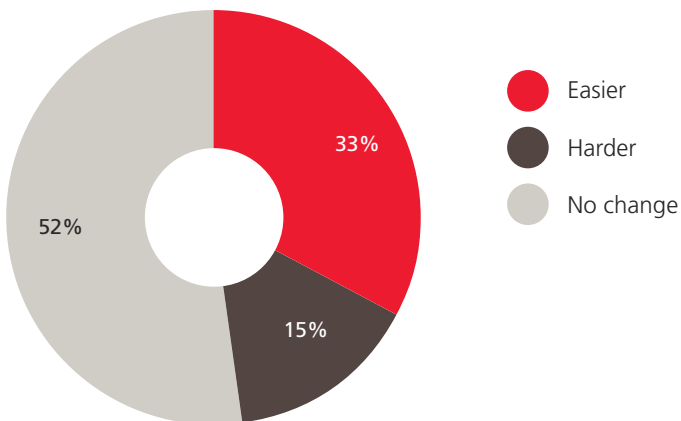
INTERACTIVE QUESTIONS

Below are the results from the interactive questions asked during this panel session to the delegates.

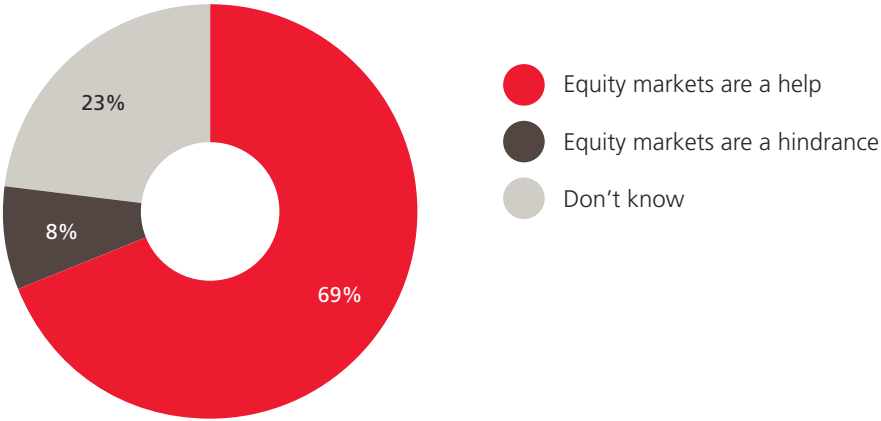
Q1: Are you optimistic or pessimistic about the growth prospects of small and mid-size quoted companies over the next 12 months?



Q2: Over the next year, do you expect raising finance to become easier, harder, or no change?



Q3: Are the equity markets currently a help or a hindrance to the development of small and mid-size quoted companies?





Mark Niznik speaking

HONESTY AND TRUST ARE KEY TO FUND MANAGERS

Panel Session 2: Errors made in meetings with investors and how to avoid them

- Chairman: Alan Newman, Chief Financial Officer, YouGov plc
- Deborah Gilshan, Corporate Governance Counsel, RPMI Railpen
- Andrew Buchanan, Fund Manager, Octopus Investments
- Mark Niznik, Fund Manager, Artemis Investment Management

Pitching your business plan to investors can be nerve wracking, even for seasoned entrepreneurs. Preparation and honesty will help you avoid common errors and help you build a good relationship with investors, delegates heard.

Andrew Buchanan, Fund Manager at Octopus Investments, shared decades of experience and an offbeat humour. His tips? Give investors white paper for making notes (easier to write on); don't be afraid to ask investors for

clarification if you don't understand their question; and relax and enjoy the meeting.

Mark Niznik, Fund Manager, Artemis Investment Management, said fund managers have different criteria for investments so it's important to do your research about their investment preferences before meeting.

Honesty is also important. "Trust is probably the most important thing for fund managers," Niznik said. "I'd rather be told up front about hiccups in a business rather than seeing them buried deep in the company's annual report."

Delegates asked panellists whether they talked to the auditors of companies they invest in. Most of the panellists said they had little contact with auditors although Deborah Gilshan, whose firm has about £20bn of assets under management, said it has done research into auditors and often "engages" with companies' audit committees.

What types of company boards do investors like? Niznik said he liked executives to own some shares in their company, although not too many.

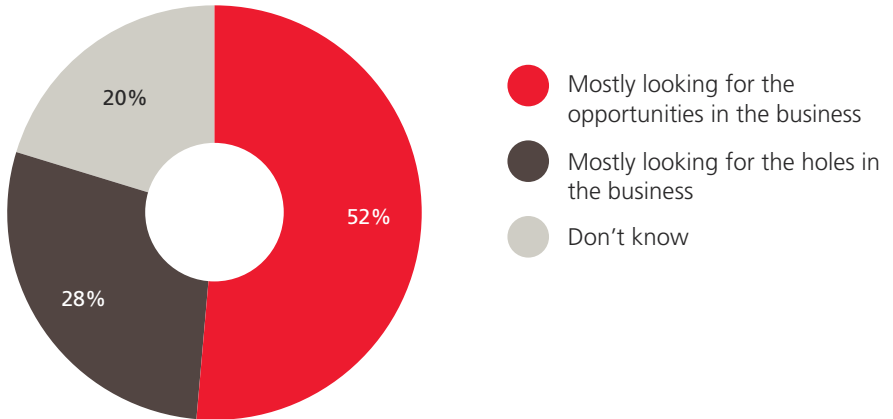


Andrew Buchanan speaking

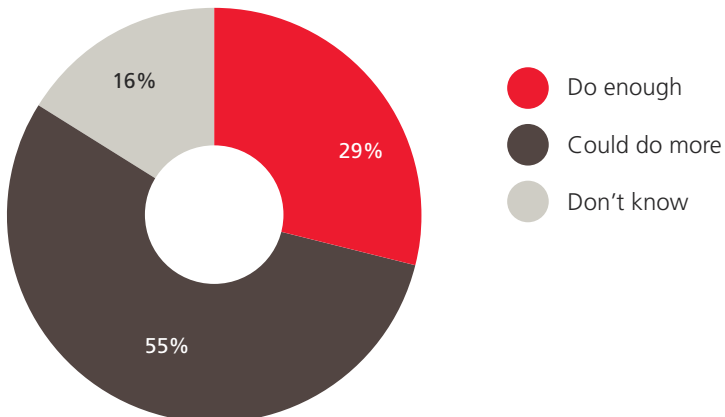
INTERACTIVE QUESTIONS

Below are the results from the interactive questions asked during this panel session to the delegates.

Q4: Which of the following best describes your experience of investors when you meet them?



Q5: Do you generally feel your investors do enough or could do more to understand your business?



DIVERSE BOARDS CAN IMPROVE COMPANY PERFORMANCE

Panel Session 3: Building better boards

- Chairman: Simon Fanshawe, Partner and Co-Founder, astar-fanshawe
- Jane Worlock, former Chairman, Cambridge Cognition Holdings plc
- Chris Hodge, Director of Strategy, Financial Reporting Council

Making your board more diverse can help improve the performance of your business. Having a more diverse board means you're making better use of talent in society. Diversity shouldn't be seen as an irritating regulation to comply with.

These were some of the messages from a thought-provoking and entertaining session on how companies can build better boards.

Simon Fanshawe, a broadcaster who also advises companies and public sector organisations on diversity, told delegates that diversity is "not about quotas or moaning about zero sum games."



Chris Hodge speaking



Simon Fanshawe and Jane Worlock speaking

Instead, it's about making the best use of talent. "Are there blocks to the progression of talent on your board?" he said. "It's about the combination of individuals on your board."

Research suggests that the best-performing companies are made up of more diverse people, Fanshawe said. "Don't appoint the best person for the job, appoint the best team," Fanshawe said.

He added: "Don't go for the first person you find. People often say I wouldn't want to be on the board just because I'm a woman but haven't you ever thought you're on a board just because you're a man?"

Jane Worlock, former Chairman of Cambridge Cognition Holdings, said the relationship between CEO and chairman is vital. "They do have separate roles but they are synergistic and should be clearly defined."

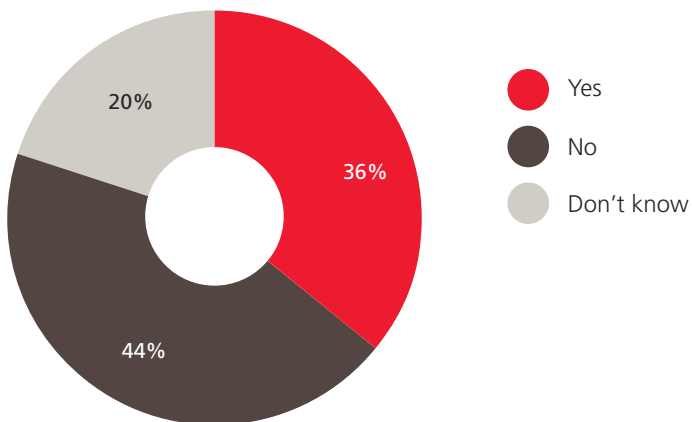
Chris Hodge, Director of Strategy at the Financial Reporting Council, said the UK Corporate Governance Code recommends that small companies have at least two non-executive directors.

He encouraged companies to not think of governance as a compliance exercise - the purpose of governance is to improve decision-making and to ensure that you have a board that is fit for purpose and capable of taking the company forward.

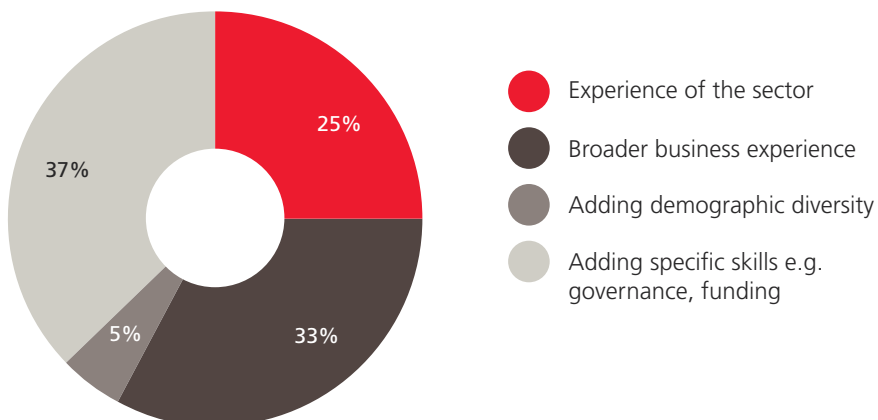
INTERACTIVE QUESTIONS

Below are the results from the interactive questions asked during this panel session to the delegates.

Q6: Is your board currently taking, or has it previously taken, active steps to increase its demographic diversity, as opposed to the diversity of skills, for instance changing the gender, age, ethnicity, or class of the board?



Q7: Which of the following represents the most important requirement for a new appointee to your board right now?



BREAKOUT SESSIONS



TOPIC 1: USING ANNUAL REPORTS AS AN EFFECTIVE TOOL FOR COMMUNICATION

- Chairman: Matthew Stallabrass, Partner, Crowe Clark Whitehill LLP
- Sue Harding, Director – Financial Reporting Lab, Financial Reporting Council
- Iain Richards, Head of Governance and Responsible Investment, Threadneedle Investments

Delegates heard from auditors, regulators and investors about key reporting challenges and how companies can reduce clutter in their annual reports and accounts. The session focused on reporting changes that took place this year, such as the Strategic Report, and reporting initiatives, such as the Financial Reporting Lab's project on Audit Committee Reporting. Speakers discussed how companies can take advantage of these changes to make their reports more informative for investors.





USEFUL LINKS REFERENCED IN THE SESSION:

The Financial Reporting Lab's Project Report:
Reporting of Audit Committees - www.theqca.com/frlabauditcommittee

The Financial Reporting Lab's Project Report:
Accounting Policies and Integration of Related
Financial Information - www.theqca.com/frlabaccountingpolicies

The Financial Reporting Lab: Reminders for
the Reporting Season - www.theqca.com/frlabreportingreminders

TOPIC 2: UNDERSTANDING HOW YOUR COMPANY'S SHARES ARE TRADED AND YOUR COMPANY'S SHARE REGISTER

- Chairman: Julian Palfreyman, Chief Executive Officer, Winterflood Securities
- Ian-Patrick Lauder, Business Development SME Markets, London Stock Exchange
- Peter Swabey, Policy and Research Director, ICSA

This breakout session focused on how your company's shares are traded, the role of the market maker, the differences between trading systems, and the ownership chain of your company's shares and why it is important to keep tabs on your share register. Delegates heard about the London Stock Exchange's criteria and process for allocating securities to the different trading platforms, how recent proposed changes to the Shareholder Rights Directive in Europe could have an effect on how UK companies identify their shareholders, and how market makers play an important role in facilitating trades of less liquid shares.

USEFUL LINKS REFERENCED IN THE SESSION:

A Guide to London Stock Exchange Trading Services for Equity Securities - www.theqca.com/LSExtradingservices

The EU Proposal on amending the Shareholder Rights Directive - www.theqca.com/EUSRDR

The Quoted Companies Alliance Market Maker Events - www.theqca.com/marketmaker2014





TOPIC 3: EMERGING FORMS OF FINANCE

- Chairman: Roberto Rivero, Head of Market Development – Ratings Services, Standard & Poor's Ratings Services
- Calum Macphail, Head of Private Placements, M&G Investment Management Ltd
- Morton Llewellyn, Director – Debt Markets UK, Canaccord Genuity Ltd
- Richard Williams, Finance Director, The Bank of London and the Middle East

Delegates heard about how they can access funding from fast-growing “emerging” finance, such as Islamic finance, retail bonds and private placements. The session focused on how the decline in bank lending has created gaps in the market, which are being filled by emerging finance providers. Delegates were told, when looking for a provider of alternative finance, ask lenders about their expertise in your country or region, check how well they understand your market and their track record and find out if they have an experienced team.

USEFUL LINKS REFERENCED IN THE SESSION:

Bank of London and the Middle East: The UK Mid-Market - www.theqca.com/BLMReport



COMMENTS FROM DELEGATES ABOUT THE DAY

"I BENEFITED FROM NETWORKING AND LEARNING MORE ABOUT AREAS OUTSIDE OF MY COMFORT ZONE. THERE WAS AN EXCELLENT RANGE OF SPEAKERS – REAL EXPERTS."

"AN INTERESTING DAY. GOOD TO HEAR SUCH A RANGE OF VIEWS AND SPEAKERS."

"THE DAY UPDATED MY KNOWLEDGE OF AREAS, EXPLORED DIFFERENT PERSPECTIVES AND PROVIDED GOOD NETWORKING OPPORTUNITIES."

"THE BUILDING BETTER BOARDS PANEL SESSION WAS DIRECTLY RELEVANT TO MY ROLE, WITH EXCELLENT SPEAKERS AND CANDID VIEWS."

"VALUABLE LESSONS FOR MY COMPANY."

**"EXCELLENT EVENT – INTERESTING, VARIED,
GOOD PACE, FANTASTIC SPEAKERS AND GREAT
ORGANISATION."**

**"THE PANEL SESSION ON ERRORS MADE IN
MEETINGS WITH INVESTORS OFFERED GOOD
PRACTICAL ADVICE AND IT WAS HELPFUL TO
HEAR FROM FUND MANAGERS."**

**"IT IS GOOD TO FEEL PART OF THE SME
COMMUNITY AND HEAR TIPS AND PRACTICAL
ADVICE - THERE'S ALWAYS SOMETHING NEW TO
LEARN FROM THE EXPERIENCE OF OTHERS."**

**"THE PANEL SESSION ON ERRORS MADE IN
MEETINGS WITH INVESTORS WAS AN EXCELLENT
REMINDER OF WHAT TO DO AND WHAT NOT DO
IN INVESTOR MEETINGS."**

SAVE THE DATE

4 JUNE 2015

**THE QUOTED COMPANIES ALLIANCE
ANNUAL CONFERENCE 2015**

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