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The Quoted Companies Alliance

Bob Beauchamp
Acting Head of AIM Regulation
The London Stock Exchange
10 Paternoster Square
London, EC4M 7LS

aimnotices@londonstockexchange.com

18 January 2010

Dear Mr Beauchamp,

Stock Exchange AIM Notice – Proposed AIM Rules for Disclosure of Directors' Remuneration and Electronic Communication with Shareholders

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation working for small and mid-cap quoted companies. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The QCA Share Schemes and Corporate Finance Advisors Committees has examined your proposals and advised on this response. A list of committee members is at Appendix A.

RESPONSE

The QCA welcomes the opportunity to respond to this consultation.

Directors' Remuneration

The QCA accepts that AIM companies should be required to publish an annual report which contains details of individual directors' remuneration and share incentive awards, and so supports this proposed change. We do not believe companies will have a problem with the proposed implementation date, which means that companies with year ends of 31 March 2010 or thereafter are caught by it.

Most AIM companies already report these details voluntarily (and we would be interested to know if the proposed rule change was prompted by perceived corporate governance shortcomings being drawn to the AIM team's attention or whether this was a change prompted merely by a realisation that the AIM rules contained a gap which could be exploited). However, given that UK company law (which moreover only affects UK companies) only requires aggregated disclosure of directors' remuneration and share award details for AIM companies, there is certainly the possibility that AIM companies might not choose to give these individual details, and we agree that it would be undesirable for this to happen. It would discredit the market in the current climate and in addition possibly unfairly puts pressure on those companies who do provide full disclosure. It is also odd that under current rules, an AIM admission document is required to contain these details, yet subsequent annual reports do not have to.

If the need for compulsory disclosure on an individual director basis is accepted (and we believe there should be compulsory disclosure), the next question is how much should be disclosed. Here, we welcome the non-specific wording provided, which will lead to companies having flexibility as to form and presentation (compared with the mechanistic format of the remuneration report for companies on the main list).

However, we would make the following points:

a) Requiring the disclosures to be audited may have a disproportionate cost impact and not all the information which companies may want to provide may be capable of audit. We do not think this information need be audited;

b) "Emoluments" does not as a matter of law include "benefits" or "expenses allowances" – we suggest these are added. The term "remuneration" could be used, which has a defined meaning in Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regs or the term "non-pension and non-share scheme remuneration" could be used;

c) The current drafting only catches directors as at the date of the annual report. Individuals who have served as directors in the year should also be caught. Also payments and the provision of other remuneration to directors' service companies or payments to directors for consultancy arrangements need expressly to be included;

d) With share awards, "gains" are not made on exercise or vesting unless shares are then sold, which is not always the case. A better way of expressing what seems intended would be to refer to the market value of shares on that date (less any exercise price, if relevant); and

e) Relatively few AIM companies have final salary schemes. Nonetheless, what is meant by the value of "pension" benefits is unclear. The value of any benefit (which presumably should be measured at year end) to an individual is presumably in terms of the pension that would be available. We would also suggest that the cost of providing these benefits by the company is disclosed whether by way of cash contribution or accrual of further benefits at the company's cost within a year.

Electronic Communication

We believe that these proposed amendments are sensible and have no specific comments to make.

If you wish to discuss these issues with us, we will be pleased to attend a meeting.

Yours sincerely,

Tim Ward
Chief Executive

APPENDIX A

THE QUOTED COMPANIES ALLIANCE CORPORATE FINANCE ADVISORS COMMITTEE

Tom Price (Chairman)	Westhouse Securities
Azhic Basirov	Smith & Williamson Ltd
Richard Brown	Ambrian Partners Limited
Lesley Gregory	Memery Crystal LLP
Rick Thompson	Charles Stanley
Susan Walker	KPMG LLP
David Worlidge/Simon Clements	John East & Partners
Ray Zimmerman	ZAI Corporate Finance Ltd
Tim Ward	The Quoted Companies Alliance
Kate Jalbert	The Quoted Companies Alliance

THE QUOTED COMPANIES ALLIANCE SHARE SCHEMES COMMITTEE

Nicholas Stretch (Chairman)*	CMS Cameron McKenna LLP
David Baxter	Hewitt New Bridge Street
Fiona Bell	Memery Crystal LLP
Daniel Blum	Eversheds LLP
Chris Browne	KPMG LLP
Stephen Chater	Addleshaw Goddard
Sara Cohen	Lewis Silkin LLP
Will Cookson	Mazars LLP
Jared Cranney	ISG plc
John Daughtrey	Equiniti
James Dean	Osborne Clarke
David Ellis/Amanda Flint	BDO LLP
Philip Fisher	PKF (UK) LLP
Jeremy Glover	Stephenson Harwood

Colin Kendon	Bird & Bird
Tarl Lall	Charles Russell
Nigel Mills	M M & K Ltd
Peter Mossop	Sanne Trust Company Limited
Robert Postlethwaite	Postlethwaite & Co
Nick Wallis	Smith & Williamson Limited
Tim Ward	The Quoted Companies Alliance
Kate Jalbert	The Quoted Companies Alliance

*Main Author

APPENDIX B

THE QUOTED COMPANIES ALLIANCE (QCA)

A not-for-profit organisation funded by its membership, the QCA represents the interests of small and mid-cap quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

The QCA is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-cap quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-cap quoted companies; Financial Services Authority (FSA) consultations
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

The QCA is a founder member of European**Issuers**, which represents quoted companies in fourteen European countries.

QCA's Aims and Objectives

The QCA works for small and mid-cap quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are:

Lobbying the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

Promoting the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

Educating companies in the sector about best practice in areas such as corporate governance and investor relations.

Providing a forum for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-cap quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-cap quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:
    - corporation tax payable of £560 million per annum
    - income tax paid of £3 billion per annum
    - social security paid (employers' NIC) of £3 billion per annum

- employees' national insurance contribution paid of £2 billion per annum

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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