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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

In this issue

AIM 20 companies in FTSE 250

BCA Marketplace and stevia sweeteners developer Purecircle are the latest former AIM companies to be moving into the FTSE 250 index. The changes take place on 18 December and will take the number of former AIM companies in the FTSE 250 to 20 – although Booker and Paysafe are being taken over.

BCA Marketplace switched from AIM to the standard list at the time of the reversal of British Car Auctions into the company in April 2015. BCA had a market capitalisation of £1.22bn but it did not fulfil the requirements for a premium listing so it was not eligible for any FTSE index at that time. A recent switch from the standard list to the premium list has made the company eligible.

Purecircle moved to the Main Market in October 2015. It was valued at £745.7m at the time, having originally floated in December 2007 at a valuation of £224.2m. Purecircle joined the FTSE All Share index in August.

Secure Income REIT, Touchstone Innovations and CityFibre Infrastructure, helped by a recovery in the share price post a Vodafone deal (see page 4), are replacing Hotel Chocolat, wealth manager Brooks Macdonald and software and services provider IDOX in the FTSE AIM 50 UK index. IP Group has nearly completed the takeover of fellow technology business investor Touchstone so its stay in the index will be brief. It appears that Central Asia Metals is the next on the list to move into the index.

Budget knowledge boost

Knowledge-intensive companies will be able to raise £10m via the Enterprise Investment Scheme (EIS) and through Venture Capital Trusts (VCT), which is double the current level. A consultation is planned to assess new structures for knowledge-intensive funds. Individual investors can double their total annual EIS investment to £2m, as long as the additional £1m is invested in knowledge-intensive companies.

A principles-based test will be introduced to try to end limited-risk EIS schemes which are purely tax motivated. The main basis of the test will be whether the company intends to grow over the long term and whether there is significant risk of a loss of capital by the investor.

Next year, VCTs will have to invest 30% of funds in qualifying holdings within 12 months of the end of the accounting period. From April 2019, the amount of funds required to be invested by VCTs in eligible companies will be increased from 70% to 80%. The VCTs will have 12 months rather than six months to reinvest gains.

general news

Kore Potash redomiciles ahead of dual quotation

ASX-listed Kore Potash has completed its redomicile to the UK, which leaves it in a position to gain an AIM quotation – as it originally announced in June. Fellow ASX-listed potash company Danakali is also seeking to gain a London quotation in the first half of next year, although it does not specify if it will be on AIM or the standard list.

Kore Potash has retained its ASX listing but the shares have been swapped for CHESS depositary interests. There was $33.9m in the bank at the end of June 2017. Net assets of $151.2m include $117m of exploration and evaluation spending.

The Kola project is in the Republic of Congo and a definitive feasibility study (DFS) is set to be completed in the second quarter of 2018. First production could be in 2022. The probable and proven resource for the Kola sylvinite deposit is 152 million tonnes at a grade of 31.7%.

Danakali (www.danakali.com.au) is developing the Colluli potash project in Eritrea, which is owned 50/50 by itself and the state-owned Eritrean National Mining Company. Danakali has the majority of the board seats in the project company. There is a 1.1 billion tonnes resource, which means that the low cost, opencast mine is expected to last more than 200 years.

Based on current figures, capital investment is estimated to be more than $330m and the DFS suggests that, based on production of 425,000 tonnes a year, Danakali's 50% share of the project's NPV is worth $206m and if production is doubled, so will the NPV.

Strongbow plans

South Crofty tin mine owner Strongbow Exploration wants to join AIM in the first half of next year. TSX-listed Strongbow acquired the South Crofty mine in Redruth, Cornwall, in July 2016 and the mine has a mine permit valid until 2071, subject to planning permissions. The plan is to restart production, although that will require $118.7m of investment. Strongbow raised $2.2m at 14 cents a share in September. In October, a mine water discharge permit was obtained and this enables a water treatment facility to be constructed in order to conduct the dewatering of the mine. Once production commences, dewatering will continue. The preliminary economic assessment suggests a NPV of $130.5m at a 5% discount rate. The operating mine life is more than eight years.

Keystone off to strong start

Keystone Law Group successfully joined AIM at the end of November. Keystone raised £9m from a placing at 160p a share, which valued the legal business at £50m. Existing shareholders raised £5m from a sale of shares. The share price ended the first week of trading at 190.5p.

Keystone has been trading for 15 years. It differs from other law firms in that it has a central administrative and finance function and individual lawyers work from their own offices. There are currently 250 self-employed lawyers in what is effectively Keystone's network. When fees are charged by a lawyer they are collected by the group and the lawyer receives between 60% and 75% of the fees once they are paid. Keystone has plenty of spare capacity in its central office function and it is seeking to attract more lawyers.

In the year to January 2017, Keystone generated revenues of £25.6m and an operating profit of £1.68m. Organic growth is the focus and the higher profile of the group should help in this, but acquisitions of similar business that would expand the business geographically or add new legal sectors are possible.

Late November was busy for AIM flotations. They included Boku Inc, a provider of services to enable people to pay via mobile phones, Beeks Financial, which is a cloud-based provider of automated foreign exchange and futures trading, and Ten Lifestyle, which provides lifestyle and travel services to clients. However, medical device technology company Belluscura has delayed its flotation. Belluscura, where Tekcapital owns 47.5%, had wanted to raise between £7.5m and £10m but there were problems gaining EIS/VCT eligibility. Mirriad Advertising, which can insert branded advertising into existing video content, has also delayed its flotation but it is still expected in December.

advisers

Arden bringing sales team in-house

AIM broker Arden Partners intends to bring its institutional sales trading team in-house. New chief executive Donald Brown believes it is more appropriate for the trading team to be directly employed and integrated with the rest of the business. Arden has served notice on MCP Advisers LLP, which currently employs and provides the trading team. Options awarded to MCP in February to ensure retention of the team will lapse.

Arden was appointed nominated adviser and broker to digital music delivery technology developer 7digital at the end of November. The broker raised £8m for the company at 4p a share. This placing is equivalent to two-fifths of the enlarged share capital. An open offer could raise a further £500,000.

In June, Arden raised £5.1m at 40p a share – a small premium to the market price. At the beginning of November Arden bought back 225,000 shares at 51p each. Chairman Luke Johnson owns 11% of Arden.

AIM Venture Capital Trusts are already raising substantial amounts of additional cash long before the end of the tax year in April. Unicorn AIM VCT closed its offer for subscription on 17 November, having raised £33.6m after costs. Hargreave Hale Aim VCT 1 and 2 also recently closed their offers.

Amati VCT and Amati VCT 2 want to raise £20m in total, with the option for Amati VCT 2 to raise an additional £10m. These VCTs have already raised nearly £3.3m in the first month of the offer.

ADVISER CHANGES - NOVEMBER 2017

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Alba Mining Resources	First Equity	Dowgate	Cairn	Cairn	01/11/17
Circle Property	Smith & Williamson	Peel Hunt	Smith & Williamson	Peel Hunt	01/11/17
RM2 International SA	Strand Hanson	Zeus	Strand Hanson	Strand Hanson	01/11/17
VietNam Holding Ltd	finnCap	Winterflood	finnCap	Smith & Williamson	06/11/17
Distil	Turner Pope	SI Capital	Spark	Spark	09/11/17
Salt Lake Potash Ltd	Shore/Cenkos	Cenkos	Grant Thornton	Grant Thornton	10/11/17
Sovereign Mines	Allenby	Shore	Allenby	Shore	10/11/17
Concepta	Novum/Beaufort	Beaufort	Spark	Spark	13/11/17
AfriTin Mining Ltd	Beaufort/WH Ireland	WH Ireland	WH Ireland	WH Ireland	14/11/17
Kin Group	Peterhouse	Hybridan	Spark	Spark	15/11/17
Clear Leisure	SP Angel/Peterhouse	Peterhouse	SP Angel	ZAI	17/11/17
AorTech International	Stockdale	finnCap	Stockdale	finnCap	20/11/17
Faron Pharma Oy	Panmure Gordon	Panmure Gordon/ Whitman Howard	Panmure Gordon	Cairn	20/11/17
Polo Resources	Allenby/Liberum	Liberum	Allenby	ZAI	20/11/17
Reconstruction Capital	finnCap	Panmure Gordon	Grant Thornton	Grant Thornton	20/11/17
Ukrproduct Group Ltd	Strand Hanson	ZAI	Strand Hanson	ZAI	20/11/17
Vast Resources	SVS/Brandon Hill	Brandon Hill/ Peterhouse	Beaumont Cornish	Beaumont Cornish	21/11/17
Bellzone Mining	SVS/WH Ireland	WH Ireland	WH Ireland	WH Ireland	23/11/17
Primorus Investments	Turner Pope	Optiva	Cairn	Cairn	23/11/17
Oncimmune Holdings	Berenberg/Zeus	Zeus	Zeus	Zeus	27/11/17
7digital Group	Arden	finnCap	Arden	finnCap	30/11/17

company news

Vodafone deal provides backing for the infrastructure plans of CityFibre

Fibre telecoms infrastructure developer *www.cityfibre.com*

Fibre networks developer **CityFibre Infrastructure** has secured a long-awaited deal with Vodafone that will eventually enable its fibre infrastructure to connect with one-fifth of UK households. This will provide a valuable, fast broadband network for the AIM company that will be highly cash generative in years to come. The UK government has committed to a fibre roll-out covering 10 million homes and premises and this deal will cover 50% of that target.

The agreement will last a minimum of 10 years and Vodafone has secured exclusivity. In return, the mobile network has made a minimum guaranteed spending commitment. The initial plan is to cover one million homes by 2021 and increase that to five million homes in 50 cities by 2025. This is expected to cost between £500 and £700 per home passed.

Revenues are forecast to quadruple between 2017 and 2021

Construction will start next year and the first couple of cities should be revealed in a few months. It will take two to four years for the fibre to be installed in each city. Previously, there has been a take-up of 30% in the first two years. Based on the experience in York the take-up could be 50% within five years.

CITYFIBRE INFRASTRUCTURE (CITY)			58.5p
12 MONTH CHANGE %	+2.2	MARKET CAP £M	370.1

The Vodafone deal sparked a recovery in the CityFibre share price. Revenues are forecast to quadruple between 2017 and 2021 from £30.5m to £122.7m, and the losses are expected to continue until 2021. Net debt could be £513m by then, following more than £500m of capex in the peak years of 2019 and 2020. The real benefits of the Vodafone deal will show through in subsequent years. House broker finnCap estimates an underlying pre-tax profit of £95.6m in 2025.

Trakm8 regaining investor confidence

Telematics services and hardware *www.trakm8.com*

Trakm8 produced a positive set of interim figures and this will provide confidence to investors that the telematics hardware and software supplier can meet full-year expectations. A deal with Intelematics will help to boost revenues with road-side assistance businesses in Europe over the next three years.

In the six months to September 2017, revenues were 12% ahead at £14.8m and underlying pre-tax profit bounced back from £378,000 to £891,000. This was achieved at the same time as exiting third-party manufacturing, which led to a fall in hardware sales. Recurring revenues were £5.48m, up from £4.69m. Net debt was £2.32m at the end of September 2017. Trakm8 continues to invest in research and development and the latest product is RoadHawk 600, which combines camera and telematics technology.

TRAKM8 (TRAK)			113.5p
12 MONTH CHANGE %	+7.1	MARKET CAP £M	40.5

House broker finnCap expects a recovery in full-year pre-tax profit from £1.2m to £3m but that is still below the £3.8m reported for 2015-16. That should be surpassed next year, although there are more shares in issue after this year's £2.1m placing at 65p a share so earnings per share will still be lower.

The share price may have risen over one year but it is still less than one-third of the level it was at two years ago. The shares are trading on just over 14 times prospective full-year earnings. That multiple should decline to 11 next year.

Trakm8 has 217,000 connections and it is targeting one million connections by 2020. That would provide a substantial recurring revenue base. This growth is based on significant business in the automotive market via road-side assistance companies, leasing companies and manufacturers.

Bushveld Minerals pushes ahead with energy storage strategy with vanadium purchase

Mining *www.bushveldminerals.com*

Bushveld Minerals is acquiring the 55% of Bushveld Vametco that it does not own and this is classed as a reverse takeover. The deal gives Bushveld control of a high-grade, low-cost opencast vanadium mine and helps the group's plans to grow in the energy storage sector. This follows the recent AfriTin Mining spin-off.

Bushveld is paying Yellow Dragon Holdings $11.1m for the stake – $4.05m in cash and the rest in shares at 9.06p each. Yellow Dragon will have a 9.24% stake in Bushveld. There are further payments of $600,000 after the publication of each of the annual accounts for 2018 and 2019. The final payment will be based on EBITDA for 2020.

Vametco supplies 3.5% of vanadium

Bushveld Vametco owns a 78.8% economic interest in the profitable Strategic Minerals Corporation, which in turn owns 75% of Vamteco Holdings, the owner of the Vametco vanadium mine. Vametco produces 3.5% of annual global vanadium supply and there is scope to increase annual production from 3,035mt to 5,000mt by the end of 2019.

BUSHVELD MINERALS LTD (BMN)			9.25p
12 MONTH CHANGE %	+537.9	MARKET CAP £M	74.7

The deal will make it easier for Bushveld to implement its vertically integrated strategy via 84%-owned energy storage subsidiary Bushveld Energy, which plans to prosper on the back of vanadium redox flow batteries. The company's first vanadium redox flow battery will be deployed during November with Eskom in South Africa. The testing process lasts 18 months. The stationary energy storage market is forecast to be worth $25bn a year by 2025.

US providing growth boost for Beximco

Pharmaceuticals *www.beximco-pharma.com*

Bangladesh-based generic drugs supplier **Beximco Pharmaceuticals** continues to achieve growth in sales that is well into double digits and the launch of products in the US could accelerate that growth rate. Exports are already fuelling growth, up 25% last year, and the size of the US market means that even modest market shares for individual drugs would provide significant income.

A second product, Sotalol Hydrochloride, a generic version of heart drug Betapace, is being launched and the US market is worth $23m. This follows Carvedilol, where exports began to the US last summer. These have not had time to boost the company's figures but they will be important over the next year.

BEXIMCO PHARMACEUTICALS (BXP)			60.5p
12 MONTH CHANGE %	+14.7	MARKET CAP £M	245.4

In the year to June 2017, sales were 12.5% higher at BDT2.89bn (£27.5m). Earnings per share were 15% higher at BDT5.49, equivalent to 4.8p. A dividend of BDT1.25 a share was announced. That is equivalent to around 1.1p a share, although it will depend on the exchange rate at the time of payment.

Beximco is going to have plenty of capacity to take advantage of the growth. It is in the middle of a $153m capital investment plan, of which nearly $90m has been spent. The rest will be invested over the next 18 months. This is predominantly being spent on a completely new facility that will be opening in the first quarter of 2019. There is also a new insulin manufacturing facility, in collaboration with a Polish company, and additional capacity for inhalers and nasal sprays.

Beximco is set to complete the acquisition of an 85.2% stake in Nuvista Pharma by the end of 2017. This enhances the group's position in Bangladesh and broadens the range of products into hormones and steroid drugs. Nuvista is expected to generate sales of £16.75m in 2017, so this is a significant deal.

company news

Tracsis bounces back and is on track for another record year

Transport optimisation software and services *www.tracsis.com*

TRACSIS (TRCS)			570p
12 MONTH CHANGE %	+11.8	MARKET CAP £M	160.6

A cautious trading statement sent the **Tracsis** share price sliding at the beginning of the year. Tracsis tried to reassure investors that the first half shortfall would be made up in the second half but there were understandable fears about whether this would happen. While there was a trimming of the profit forecast, Tracsis slightly beat that forecast and the share price is not just higher than it was one year ago it is at a record level.

In the year to July 2017, revenues were 6% ahead at £34.5m, although the growth was better than that because the previous year included around five months from the Australian traffic data business. Pre-tax profit improved from £3.96m to £4.62m, helped by the removal of the Australian loss. The total dividend was raised from 1.2p a share to 1.4p a share. That is still well-covered by earnings and there is potential for continued increases in the dividend that are greater than earnings growth. Net cash is £14.8m and there is £5.04m of potential deferred payments for past acquisitions.

Net cash is £14.8m

Tracsis is investing up to £1.3m in return for a 28.1% stake (assuming exercising of warrants) in machine learning software and sensor technology company Vivacity Labs. The main initial attraction was the potential for the technology for reducing the cost of processing video for the traffic and data division. Vivacity could prove to be a highly profitable investment in itself and it has already won a number of pilot programmes plus a £1.7m Smart Cities grant.

The expectation for the current financial year is a relatively modest rise in profit, but this should provide scope for future upgrades so that Tracsis gets back into its good habit of regular upgrades. This is even more likely if suitable acquisitions are secured and management is assessing potential deals.

Anisa provides impetus for Sanderson

Enterprise software *www.sanderon.com*

SANDERSON (SND)			78p
12 MONTH CHANGE %	+10.6	MARKET CAP £M	43

Enterprise software provider **Sanderson** has secured an earnings enhancing acquisition that will put it on course for revenues of £50m in three years.

Sanderson is acquiring Anisa, its most sizeable acquisition for some time, for an enterprise value of £12m, some of which is deferred. In 2016, Anisa's operating profit was £380,000 on revenues of £10m. This is a deal that was nearly done a year or more ago so Sanderson has a good understanding of the business.

Anisa appears to be a good fit with no overlap of customers and integration is going to be predominantly about the group taking advantage of the data centre capacity that comes with the purchase.

In the year to September 2017, revenues grew slightly from £21.3m to £21.6m, while underlying pre-tax profit improved from £3.4m to £3.7m. The digital division grew but the distribution and logistics business could not repeat the unusually strong performance in the previous year. The order book of £5.8m includes a major order to be delivered over two years.

There was a £150,000 investment in a telephony over the internet start-up. Net cash was £6.18m at the end of September 2017 but there is a subsequent cash outflow plus debt taken on for the Anisa acquisition.

WH Ireland forecasts a 2017-18 pre-tax profit of £4.6m, which puts the shares on a prospective multiple of 12. A forecast dividend of 2.9p a share provides a yield of 3.8%.

Midwich views income and acquisition growth

Audio visual products distributor *www.midwichgroupplc.com*

Dividend

Audio visual products distributor Midwich made it clear when it joined AIM that it was going to pay a growing dividend that would represent an attractive yield. The dividend for 2016, which represents eight months as a quoted company, was 8.62p a share. The interim dividend was raised from 1.53p a share to 4.17p a share – Midwich was quoted for two months in the corresponding period. A full-year dividend of 12.9p a share is forecast and that would be covered 1.7 times by forecast earnings, which is the level suggested in the flotation prospectus. A dividend of 14p a share is forecast for 2018 and the dividend cover could be at a similar level.

Business

Midwich joined AIM on 6 May 2016 and it raised £24.2m. It did not waste time in spending the money on acquisitions and has already completed five since then. The latest is audio and lighting distributor Sound Technology for an undisclosed amount, although Midwich says it is on similar terms to previous acquisitions, with part of the payment deferred for six months. Sound had revenues of £21m in the year to September 2017. The deal should be earnings enhancing in 2018 and it adds to the lighting operations of the group, which are still being built up.

Midwich is an international business with relationships with a range of suppliers including LG, Samsung, NEC and Epson. The UK still generates around two-thirds of revenues but Germany, France and Australasia are all growing, with new markets, such as Spain and Portugal, being entered via acquisition. Gross margin is more than 15%, which is good for a distribution business.

MIDWICH GROUP (MIDW)	
Price (p)	514.5
Market cap £m	358
Historical yield	1.7%
Prospective yield	2.5%

In the six months to June 2017, revenues increased by one-third to £211.6m. Organic growth was 15%. Underlying pre-tax profit was 36% ahead at £10.3m.

The acquisition of Netherlands-based Gebroeders van Domburg was after this period. Midwich acquired a 70% stake for an initial €2.1m plus an earn-out for the period to December 2018. There is an option to acquire the remaining 30% with the payment based on earnings growth over a three-year period. This takes Midwich into the Benelux markets and provides annual revenues of around €30m.

Net debt was £22.8m at the end of June 2017 and, even though cash generation is normally greater in the second half, it could be at a similar level at the end of the year. That is after paying £8.7m in dividends during 2017. The debt could rise because of acquisition payments.

Full-year profit is forecast to improve from £17.9m to £22.1m. That is prior to the latest acquisition but it will not make much difference this year. The shares are trading on around 21 times prospective earnings for 2018.

The share price has more than doubled from the original placing price of 208p a share 19 months ago.

Dividend news

Corporate and consumer vouchers and incentives provider **Park** reported an increased loss but it always makes a first-half loss and the comparative figure was unusually low. The interim dividend was raised 5% to 1p a share and a full-year dividend of 2.96p a share is forecast. The Love2Shop business supplies vouchers and incentives to more than 31,000 organisations. Fisher Moy has been integrated and has won a contract with a large vehicle manufacturer to launch reward products in 16 countries. The consumer order book is 4% ahead of the same time last year. Full-year profit is forecast to improve from £12.4m to £13.2m.

Cambria Automobiles increased its full-year dividend by 11% to 1p a share and it intends to increase the dividend this year despite the tougher market conditions in the motor trade. In the year to August 2017, underlying pre-tax profit was 7% ahead at £11.3m but it is forecast to fall to £9.5m this year. The new car market is declining but it is still ahead of the 17-year average of 2.35 million cars a year. Capital expenditure on new franchises of £30m over the next two years will take time to show through in profit terms.

Gas, electricals and building maintenance services provider **Bilby** doubled its interim dividend to 0.5p a share on the back of a jump in pre-tax profit from £1.05m to £2.88m. This shows that Bilby is back on a growth footing following delayed contracts and accounting adjustments. A full-year profit of £5.4m is forecast along with a full-year dividend of 2.75p a share. The heightened awareness of the need to invest in the maintenance and safety of social housing means that there is pressure on the government to provide more funding. That would provide further opportunities for Bilby.

expert views

Expert view: The broker

Polarean Imaging preparing for AIM listing in Q1 2018

By Vadim Alexandre

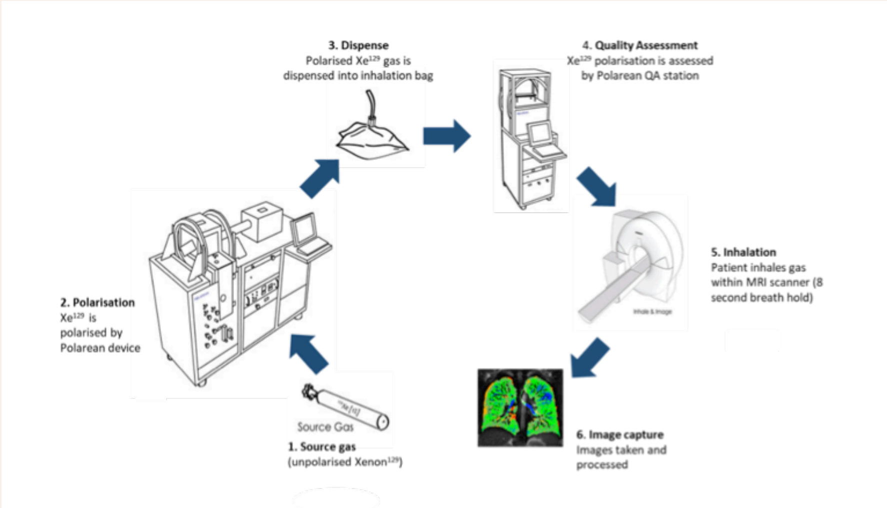
Polarean Imaging Limited* (Polarean) is a revenue-generating medical healthcare company based in the Research Triangle Park, North Carolina. The Company has developed a non-invasive medical imaging technique which can provide clinicians and researchers with information that is more accurate and less harmful to the patient than current methods. Polarean is preparing to list on AIM in Q1 2018.

Novel method of imaging lung function

The platform uses a 'polarised' Xe129 (an inert non-radioactive isotope of Xenon gas) to visualise pulmonary function. Polarean's device polarises Xe129 which is inhaled by the patient during an MRI scan (see figure). This allows for visualisation of pulmonary ventilation (ability of air to reach the alveoli in the lung) and gas-exchange (movement of gases between lung tissue and the circulatory system) without the use of radiation. The technology can visualise the small airways of the lung, where many pulmonary diseases originate. This is a level of resolution which is difficult to achieve with current techniques. The procedure could potentially enable faster diagnosis and treatment and reduce hospital admissions, an attractive prospect to healthcare decision-makers.

Already revenue-generating

Unlike most clinical-stage healthcare companies, Polarean is already revenue-generating. The company supplies its platform to medical institutes for research purposes. There are already c.15 polarisers installed at medical-research institutes in the US and EU, with several new orders due by 2018. The growing interest in gas hyperpolarisation technology from the medical-research community bodes well for the future clinical adoption of Polarean's platform.



Clear regulatory pathway to clinical market

Polarean's polariser technology is set to commence a pivotal Phase III trial in 2018, and has received clear guidance from the US Food and Drug Administration (FDA) regarding the trial. The trial will test if Polarean's technology is non-inferior to a forty-year-old nuclear medicine technique. We expect Polarean to successfully meet the trial's non-inferiority endpoint. Upon successful trial completion and FDA approval, Polarean can market its products to hospitals and clinics, where over 11,000 MRI machines are installed in the US alone. The platform can be easily integrated into existing MRI systems with minimal change to clinical practice.

Polarean is already revenue-generating

Major market opportunity

Pulmonary diseases such as COPD and asthma are endemic in the US and have an estimated burden of disease of over US$150bn. As such, there is an unmet clinical need for accurate diagnosis and monitoring of these conditions. There is recent big pharma activity within this sector; Astra Zeneca (LON:AZN) receiving FDA approval for Fasenra™ an asthma treatment and GSK (LON:GSK) receiving approval for Trelegy Ellipta, a COPD treatment.

Polarean is another company from the stable of Amphion Innovations (AIM: AMP), whose partner company, Motif Bio., (AIM/NASDAQ: MTFB), announced positive readouts from two Phase 3 trials for iclaprim, the Company's lead candidate antibiotic. With an asset ready to enter a pivotal Phase III trial, we exect Polarean to repeat the clinical success of Motif Bio.

**Northland Capital Partners acts as Nomad and Broker to Polarean Imaging limited*

VADIM ALEXANDRE is head of research at Northland Capital Partners.

expert views

Expert view: The lawyer

Guidance from European Securities and Markets Authority on trading in closed periods

By Simon Charles

It is fair to say that market practitioners are still to an extent finding their feet when it comes to the application and extent of certain provisions of the Market Abuse Regulation (MAR), which befell us in July of last year.

Fortunately, the European Securities and Markets Authority (ESMA) publishes guidance from time to time on certain matters arising under Market Abuse Regulation. Its latest guidance was issued last month and it addressed matters arising in relation to the prohibition on dealings by persons discharging managerial responsibilities (PDMRs) during a closed period of a company to which Market Abuse Regulation applies.

Closed period

Under Market Abuse Regulation, a closed period is the period which is 30 calendar days before the announcement of a company's financial statements which that company is obliged to announce under the rules of the relevant exchange or law.

Many companies have adopted the 30-day period in their own securities dealing codes, which is a more modest period than was the case under the previous AIM Rule requirements which Market Abuse Regulation in effect replaced for that purpose.

ESMA has previously confirmed that the announcement by a company of its preliminary financial statements would be enough to end a closed period, but with the proviso that all key financial information is included in the relevant announcement.

Market Abuse Regulation also contains a prohibition on dealings in a company's securities lawfully being able to be effected when there is inside information in relation to the securities concerned. That prohibition appears in article 14 of Market Abuse Regulation.

> A closed period is 30 calendar days before the announcement of financial results

Questions

Rather surprisingly in my view (as to the fact the question was raised rather than as to the answer provided) ESMA has addressed how a PDMR would be expected to treat a situation where it was provided with permission to deal during a closed period under one of the Market Abuse Regulation safe harbours contained in article 19(12) of Market Abuse Regulation but where there is inside information in relation to those securities.

The regulator has confirmed that the insider dealing prohibition would still apply notwithstanding permission to deal having been granted to the PDMR.

This raises the question as to what the relevant company was doing in granting the permission in the first place, but it is possible to foresee scenarios where a company is unaware of inside information but where a PDMR is aware of, for example, an impending bid for the company which has not yet been formally communicated to the company.

PDMR beware

In any event, lest there were any doubt – article 14 applies, beware therefore the insider dealing prohibition at all times if you're a PDMR.

I am also surprised by the fact that the second question was asked but perhaps it was better that it was rather than there linger any vestigial doubt.

The types of "transaction" prohibited under a closed period under article 19(11) of the Market Abuse Regulation are indeed the same types of "transaction" defined in article 19(1) of the Market Abuse Regulation, which imposes a dealing notification obligation on PDMRs (and certain others).

> This is a more modest period than under previous AIM Rules requirements

SIMON CHARLES is a Corporate Partner at Marriott Harrison LLP

feature

Trading reaches record levels

Trading in AIM shares is as strong as it has ever been even though there are fewer companies than at the peak a decade ago.

Trading in AIM shares continues to be at record levels – in terms of number of trades at least. After ten months of 2017, the number of trades is already higher than in any previous full year. There is even still a slim chance that the value of the trades could reach the current record of £72.4bn back in 2007, when there were 1,694 companies on the junior market compared with 957 in October 2017.

There have been three months in a row, and four out of five, when there have been more than one million trades on AIM. September was the most active month, with an average of 48,928 trades a day, but October was not far behind, with 48,186. January was the least active month, with an average of 40,616, so this shows that the activity has been relatively constant even in a seasonally less active month of the year.

Five out of the top ten most traded shares were also in the top ten six months ago. Sirius Minerals moved to the Main Market during April and is in the FTSE 250 index, so that removes nearly 4% of trades in April. Three of the others – CVS, Dart and Highland Gold Mining – are still in the top 14 traded companies. The number of trades in Sound Energy has fallen by two-thirds.

There has been a small increase in the share of trading by the ten most traded shares. In April, it was 41.3% and by October it was 42.7%. The make-up of the top ten regularly changes, so this is not a worry, although a broader spread of trading would be better.

Online fashion retailers ASOS and Boohoo.com still accounted for just over 20% of trades in October 2017, which is slightly higher than in April 2017. However, ASOS alone accounted for 20.8% of April 2016 trades. The two companies account for 7% of AIM's market capitalisation, down from 10% six months before.

Not all the larger AIM companies are traded regularly. During October, there were 496 trades in Argentina-based oil and gas producer Phoenix Global Resources. The value of these trades was less than 1% of market capitalisation.

The mining and oil and gas sectors have declined in terms of market capitalisation but they still represent a significant percentage of the trades. The resources sectors have generated 26.6% of trades in 2017. This is down from 33.2% in the first four months of the year. The resources sectors account for less than one-fifth of the value of trades.

The technology sector accounts for 14.3% of trades this year, up from 10.4% in the first four months of the year.

Value

The £6.52bn of trading in October was a record for the year, although September's daily average was slightly higher at £305.2m because there were fewer trading days. The total value for 2017 is £56.6bn. In reality, £67bn could be achievable for the whole year, given that there are fewer trading days in December. That would not be far from the existing peak.

The average value of daily trades in 2007 was £286m, and the average so far this year is not far behind at £268.1m.

AIM TRADING LEVELS

COMPANY	ACTIVITY	NUMBER OF TRADES OCTOBER 2017	NUMBER OF TRADES APRIL 2017	NUMBER OF TRADES APRIL 2016
ASOS	Online retailer	123,907	118,300	97,391
Boohoo.com	Online retailer	88,698	41,317	8,263
Fevertree Drinks	Spirit mixers	41,203	29,539	10.506
IQE	Technology	41,054	14,113	1,914
UK Oil & Gas Investments	Oil and gas	28,396	1,014	2,494
Greatland Gold	Mining	27,495	454	824
Clinigen	Healthcare	27,361	16,406	8,306
Plus500 Ltd	Financials	25,817	12,541	11,471
Purplebricks	Estate agency	25,360	7,982	2,052
Abcam	Healthcare	23,430	27,028	18,130

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer services	17.4	9.9
Financials	16.9	16.8
Industrials	16	16.8
Healthcare	13.5	8.9
Technology	11.9	12.5
Consumer goods	9.8	5.9
Oil & gas	7.3	10.4
Basic materials	5.4	13.9
Telecoms	1.3	1
Utilities	0.5	1

KEY AIM STATISTICS

Total number of AIM	957
Number of nominated advisers	32
Number of market makers	48
Total market cap for all AIM	£104.3bn
Total of new money raised	£104.8bn
Total raised by new issues	£43bn
Total raised by secondary issues	£61.8bn
Share turnover value (2017)	£56.6bn
Number of bargains (2017)	9.6m
Shares traded (2017)	731.1bn
Transfers to the official list	184

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	1026.48	+25.3
FTSE AIM 50	5878.54	+29.2
FTSE AIM 100	5280.49	+34.3
FTSE Fledgling	10743.27	+25.2
FTSE Small Cap	5770.97	+17.2
FTSE All-Share	4033.84	+9.2
FTSE 100	7326.67	+8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	164
£5m-£10m	100
£10m-£25m	177
£25m-£50m	157
£50m-£100m	124
£100m-£250m	140
£250m+	95

TOP 5 RISERS OVER 30 DAYS

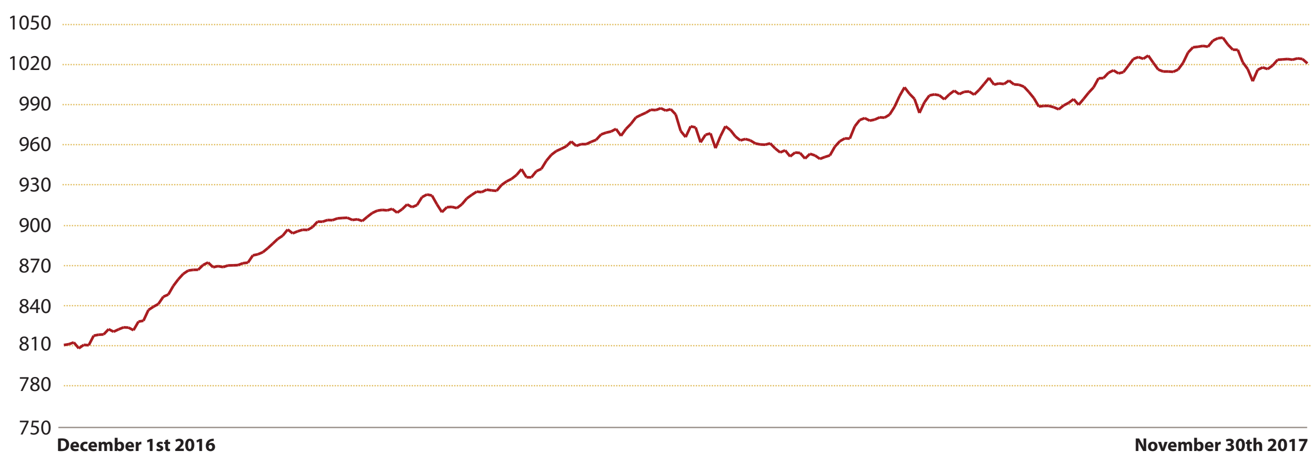
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Physiomics	Healthcare	17.12	+1656.4
Serica Energy	Oil and gas	66.75	+160.5
Zoltav Resources Inc	Oil and gas	14.75	+156.5
Zanaga Iron Ore	Mining	14.88	+150.2
Versarien	Advanced materials	44.25	+132.9

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Kin Group	Shell	6.75	-97.4
BOS Global Holdings	Software	0.98	-80
Accrol Group Holdings	Household goods	37.5	-73.1
Tower Resources	Oil and gas	0.82	-71.6
Fishing Republic	Retail	16.37	-65.3

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th November 2017, and we cannot accept responsibility for their accuracy.

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We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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