



Read all about it

A listing on AIM is great news, but admission documents miss the point and risk stifling investment, says **Jon Moulton**

In April, the professional services firm MHA was admitted to the AIM market. The adviser raised a gross £98m. Most of this was used, perhaps unsurprisingly, to pay off loans due to partners in the underlying businesses. It seems like a flicker of life in this sickly market. It's good news. Looking at this admission rapidly brought back memories of busier days.

But I did make a rather silly mistake. I confessed on the MHA website that I lived in Guernsey. As a result I was barred from downloading the admission document from the website. However, it only took me a minute to acquire multiple copies from UK contacts. It gets even sillier – a UK resident can easily get a copy of the admission document from the company website, but must agree not to copy or distribute this document. That's clearly a waste of time.

The admission document is 209 pages long. It remains very difficult to read, let alone understand, a document like this. The London Stock Exchange (LSE) recently published a discussion paper on AIM and I note it has raised questions about admission documents. Less would, without a doubt, be better. Some of the really turgid stuff merits careful reading and may well be different to what you could reasonably assume. For example, the broker owes no responsibility except to the LSE. Potential victims would surely be the investors? It also disclaims liability for any content of the document "including its accuracy, completeness ...".

For full disclosure, Cavendish was the broker. I am the second largest shareholder in Cavendish, owning 5.2% of their shares.

The document says that investors "must" rely on their own legal advisers and accountants for "legal, financial, business, investment, tax or other related matters". Perhaps some investors do this, but I have never seen it happen – which rather raises the question of the utility of such a great tome. The next page reveals a contradiction: "Prospective investors should rely only on the information contained in this document." Baffled?

There is silly stuff – any reference to "£" is remarkably stated to be a reference to the lawful currency of the UK and later referred to as the "official currency".

The unthinking copying of precedent documents is clearly present. There are 12 pages of risk factors and many of them seem to assume feeble-mindedness in the

investors. Some of them seem to point to an actual problem. One example was that the underpayment of holiday pay had occurred, but not been quantified – but it could have an adverse effect. Not so helpful.

M&A for growth

Many of our readers are accountants, who'd be delighted to learn that "Over the past five years MHA's average fees from its top 10 clients have increased by 224%." This tripling of revenues contrasts with inflation of around 25%. Clearly audit reform has already had its benefits.

The company has been very active in acquisitions – so many that the text just refers to "numerous" acquisitions, including seven in the past three years. Historical partnership structures have been changed to employed status structures. All of which necessarily makes the 95-page financial section tough to follow; I gave up.

As is usual in AIM admissions there was a roadshow for potential investors. You must hope that it was a clearer and more usable presentation of prospects than this monster. But it is hard to see how all investors are being treated equally, when roadshows are typically given only to larger potential investors.

All this is long, tedious and unread – in my experience – even by the directors. All the document does is avoid any useful contractual protection for investors and contributes to the £6.5m placing costs to raise a gross £98m.

Significant improvements could easily be implemented. A brief financial overview and narrative on a couple of pages would obviously help; MHA actually has a section of its website helpfully entitled 'Why invest?' Some of the material is the same for most floats. For example, most AIM companies need substantially the same articles. Publishing only the differences from a standard would shorten things. Risk factors can also be much reduced in volume. An attitude that relevance is more important than comprehensiveness should lead to shorter, more digestible documents.

AIM needs to be easier and cheaper to access. Reducing the burden of these documents would help.

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