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Press Release

ShareSoc Launches AIM Company Rating System

ShareSoc has been concerned for some time with the quality of companies on AIM. Private investors often get sucked into investing in companies with poor corporate governance, poor basic infrastructure, no track record, and with incompetent or untrustworthy directors. New AIM IPOs are particularly problematic with companies frequently failing or subsequently delisting. But how can investors sort the wheat from the chaff?

ShareSoc has devised a simple tool to help investors differentiate between good companies and those that are more questionable. It is a check list of 47 questions of readily available information and aims to summarise in a single score various aspects of how shareholder friendly the company is, the corporate governance, director remuneration policies, legal and regulatory problems and other aspects that investors might need to examine.

But it is not a black and white rating system – it only provides a relative quality score and no AIM company is likely to tick all the boxes. It's the boxes that are not ticked that the investor needs to consider and judge whether that is of concern (although ShareSoc suggests that the items being scored are all important).

ShareSoc Chairman Roger Lawson had this to say about the new system: *"No doubt we will be criticised for introducing the ultimate 'box ticking' corporate rating system, but investors in the AIM market urgently need a simple tool to help them focus on the quality of companies. We hope that promotion of this standard will help to improve the choices that AIM company directors and their promoters, brokers and Nomads decide to make. We have covered the problems in AIM companies in our past newsletters and met with staff of the LSE on the subject, but with no positive results as yet. Although some AIM companies have been enormously profitable for investors, many have not. If reform cannot be achieved by regulation and better corporate governance standards, then investors have to try and persuade companies more directly or avoid the ones that are likely to disappoint in due course."*

More Information

Note that the system is not designed to give buy or sell recommendations on companies and is not a substitute for full financial analysis and other due diligence that investors should perform before they invest in a company. But it's interesting to mention the scores that resulted when we rated two companies which ShareSoc has commented on in the past. These are Intercede (which ShareSoc has criticised for its pay arrangements, lack of a Non-Executive Chairman and shortage of independent Non-Executive directors) and Lo-Q which is a popular AIM company among private investors. Intercede scored positive ticks on 53% of questions and Lo-Q scored 85% - clearly a major differentiation. Note that we will not be disclosing the details of the scoring because some of the answers are subjective and may vary over time – this is not a recommendation to buy or sell the shares in those companies.

The rating system is available to anyone on the ShareSoc web site here: www.sharesoc.org/scorecard.html) so you can rate any company in about 30 minutes yourself.

We welcome feedback on the new system, and ShareSoc may use it when reviewing AIM companies in future. Other organisations who report on AIM companies are also welcome to use it so long as they give an acknowledgement of the source.

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Note any members of the press who wish to receive a complimentary copy of our informative monthly newsletter should send a request to info@sharesoc.org . Our newsletters cover not just the affairs of our organisation but contain general financial news and commentary. An example of our past newsletters is available on our web site. You can also follow ShareSoc on Twitter from @ShareSocUK.

About the UK Individual Shareholders Society (ShareSoc)

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