

The PLUS market - an overview for companies and investors

By Colin Ellis



Originally created as a trading facility for unquoted and unlisted securities, the PLUS Market has some advantages over AIM for smaller companies and can provide a rung on the ladder to the more senior investment markets. In addition to UK companies, both markets have become increasingly attractive to international companies who benefit from a public market to fund further expansion and to raise their global profile.

PLUS at a glance

Unlike the London Stock Exchange's Official List and AIM (which the LSE also owns) PLUS is an independent UK market regulated by the Financial Services Authority, specialising in smaller and growing companies. Over 150 companies currently use PLUS, with the market having a total capitalisation of just under £2bn. In comparison AIM has nearly ten times the number of companies and a capitalisation in excess of £70bn.

Its focus on smaller businesses in effect means that the requirements, and therefore cost, to list on PLUS are less than on AIM. However, with a lower profile comes a reduced shareholder base, meaning that PLUS may be right for some but not for others.

Why join PLUS?

The most obvious advantage to joining PLUS is an increased ability to raise equity-based finance if you are a young company. Around 80% of funds raised to date have been for "secondary" issues - funding growth rather than initial set up.

An admission to a public market such as PLUS provides an independent valuation for the business, enabling you to use your shares as a currency for acquisitions of private or quoted companies. In a similar way this can also make

achieving an exit through a trade sale easier.

In addition, existing shareholders, whether family members, the founders or equity providers, are better able to realise the value of their investment through the trading facility in the company's shares. This can also have an impact on the success of employee share schemes.

Companies simply looking for a share trading facility and objective valuation, without issuing shares, can do so on PLUS without issuing a prospectus, which saves costs.

Suitability for PLUS

PLUS is generally seen as most suitable for companies looking to raise up to £5m and with a market capitalisation of up to £20m. There are no formal restrictions on the type of business or industry sector and applicants may be start-up or trading businesses.

The Professionals

All applications have to be made through an PLUS Corporate Adviser, a member of PLUS who decides whether a company is suitable for admission. They will be looking for a strong management team, with key roles occupied by suitably qualified people; good prospects



for growth; strong financial controls and an established system of management reporting, including the timely production of accurate management accounts.

You will need to retain the Corporate Adviser at all times, although there is no requirement to retain a broker. You will also need to demonstrate appropriate levels of corporate governance, which, in practice, means that you should have at least one independent non-executive director.

A Solicitor and a Reporting Accountant will also be necessary and, in the case of a fund raising, will act both for you and for your retained PLUS Corporate Adviser.

Investors wishing to deal in PLUS traded securities will need to retain the services of an FSA regulated stockbroker.

Documentation

One of the most attractive features of PLUS is that a prospectus is only required in the event of a share issue. Companies looking for a share trading facility and objective valuation only will, in most cases, need to complete an Admission Document. In a few limited cases, including where no fund raising is involved, a comprehensive business plan may be sufficient for the listing process.

Costs and Timing

Whereas the average costs of admission to AIM range from £300,000 to £400,000, the cost of entering PLUS can be below £100,000 if no prospectus is being issued. This is one of the attractions of PLUS to smaller companies that may also not be ready for the burden in management time and cost of entering the more senior markets. As with AIM admissions, preparation well in advance pays dividends. Following admission it should be remembered that you will have ongoing obligations to inform investors and the board of PLUS immediately of any new developments in your "sphere of activity" which are not public knowledge and which might have a material effect upon the value of your securities.

Taxation

There are various tax planning issues and reliefs which may be available for the individual investor in respect of PLUS traded shares via CGT Taper Relief; CGT Gift Relief; Inheritance Tax business property relief; The Enterprise Investment Scheme; and Venture Capital Trusts. Corporate investors may also be able to benefit from the Corporate Venture Scheme and Substantial Shareholding Exemption.

If you are interested in finding out more about The PLUS Market, or its advantages against other methods of raising equity, please contact Colin Ellis on 020 7292 7800. If you are interested in PLUS investment or tax breaks, please contact Charles Green or Malcolm Coomber on 020 7292 7800.

To learn more about investing or taking your company to PLUS, please contact Colin Ellis on 020 7292 7800 or email cle@hydecorpfin.com

