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QCA AIM Commission: Final Report

1. Introduction

AIM has been an engine driving UK productivity and business growth for 30 years. In 2023 its companies contributed £35.7 billion gross value added to UK GDP and directly supported more than 410,000 jobs[1].

Many of the companies that use the market operate in fast-growing sectors identified as part of the Government's 2025 industrial strategy: biotech, fintech, defence, smart buildings and telecoms.

They are well spread across the UK, embedded in regional economies. Their employees are almost 50% more productive than the national average. Their growth rates outperform their privately-owned peers across a number of metrics[2].

In many respects, AIM has delivered on the blueprint for "The Enterprise Market", drawn up by the Quoted Companies Alliance's founders in 1993 and presented to the London Stock Exchange (LSE) as a model for a new smaller companies market to operate in place of the Unlisted Securities Market that was earmarked for closure.

"This market will be promoted as being focused on high growth/entrepreneurial type companies, where the potentially high rewards for investors are accompanied by higher risks," the document went.

By taking up the challenge to launch and run with what was christened the Alternative Investment Market, the value of the LSE's regulatory umbrella to companies and investors cannot be underestimated. But, as the 30th anniversary of AIM nears, there is a growing focus on the future of the UK's primary growth market, not its past.

The number of companies using the platform stands at a 20-year low. Today, growth companies have a plethora of routes to source funding, including via venture capital, private markets and internationally.

Perhaps unsurprisingly, how the UK supports its smallest public companies is sparking anxiety and opportunity in equal measure. A report from the Tony Blair Institute for Global

[1] Grant Thornton. *Economic Impact of AIM.* (2024). p.6.
[2] Ibid. p.11.

Change and Onward suggested AIM should be rolled into the LSE's Main Market[3]. The LSE's continued ownership of AIM is frequently questioned, although its chief executive, Dame Julia Hoggett, describes it as "the 'Jewel in the Crown' of London's markets". And the bold acquisition by Swiss group SIX of the UK's challenger exchange, Aquis, signals there is value to be had from getting behind scaling businesses.

This report does not presume to be another blueprint for "The Enterprise Market" of the future. But as the LSE issues its own discussion paper "Shaping the Future of AIM"[4], the QCA AIM Commission seeks to give a voice to arguably the market's most critical stakeholders: the companies that use it to raise funds, invest, recruit and grow. It is designed to reflect their experiences and stimulate the debate by assessing what AIM offers to entrepreneurs today - and what it lacks. A point-by-point response to the LSE paper from the wider QCA membership will follow.

Our Commission brought together eight seasoned company directors – CEOs, CFOs, NEDs and founders – who have helped to grow businesses small and large, across a range of industry sectors and geographies. Almost all of them have used AIM before; some are involved with companies that use the market today. Their biographies can be found at the end of the document.

[3] Tony Blair Institute. *Capital Issues: Reforming the UK's Capital Markets to Boost Science and Tech.* (2024).
[4] London Stock Exchange Group (LSEG). *Discussion Paper: Shaping the Future of AIM.* (2025).

2. The Challenge

Commissioners spoke fondly of what AIM was and what it could be. "If it was working properly, on the demand side and the supply side, this is where you get a good company becoming a great company," said one.

However, the twin challenges of excessive cost and complexity and weak liquidity came up time and again in conversations. Going forward, Commissioners concluded AIM must address both, including where perception outpaces reality.

In order to attract more market users, Commissioners added a third, overarching challenge: to better express AIM's USP. One Commissioner put it succinctly: "to achieve venture returns in a public equity setting". That addresses investors' appetite, but what about entrepreneurs? The Commissioners concluded some founders would simply not go there, hastening the need for a cultural reset and repositioning.

"You cannot avoid failure," said one. "That is part of investing in early-stage, high-growth companies. What you want to avoid is fraud and a lack of alignment between management and shareholders." And attracting more capital is key for AIM. "If you can't find a way of getting more liquidity you won't be here in two years' time," one Commissioner declared.

Very few growth markets of its type operate internationally, so AIM suffers from its uniqueness to some degree. It has UK political goodwill, as a QCA roundtable on the subject in Downing Street demonstrated recently. It remains a vital conduit for some growth companies and could serve many more.

Commissioners said the market needed to be more global, to the benefit of domestic companies and the domestic economy alike. They said AIM's ownership was irrelevant. Its ability to distil what it stands for and congregate an enthusiastic adviser community around it remains more important.

The reduction in Business Property Relief (BPR) on qualifying AIM shares, from 100% to 50% from April 2026, is a blow that is still being processed by market participants. However, the remaining relief recognises AIM's vital role in the UK's economic growth agenda. While the case should be made for additional incentives, companies must also work to demonstrate their appeal to investors on their fundamentals.

Just as the growing companies that use it must do when trying to expand and break new ground, AIM must reassert its offer in a competitive marketplace. It is part of a funding continuum that supports scaling companies, but within that continuum it must be competitive as well as collaborative to appeal to those that might otherwise pursue other funding options or come to market later.

3. A Champion of Growth

One Commissioner put it bluntly: “AIM must answer the question of why it has the right to exist.”

With consistent annual net decreases in the number of AIM companies over the past 17 years[5], the market must set out clearly its growth story and the type of company and investor it wants to attract.

Commissioners agreed that “there is a need from a UK Plc viewpoint to have a public equity market for early-stage, high-growth companies.” But one added: “Entrepreneurs are open minded, but we’re very much in a world where there’s a whole category of them that are looking to expand, grow and raise capital, and AIM is just not in their lexicon.”

The recent relaxation of the LSE’s Main Market has diminished some of the differences between the Main Market and AIM. Commissioners agreed the rules must change – and this report addresses that point in a later section – but establishing AIM’s unique offering to market participants was regarded as fundamental to its future success too.

“There has to be a clear difference between AIM and Main Market,” said one. “We have massively blurred that in the last few years. There is a major rebranding exercise to be done.”

What needs emphasising? The type of companies using AIM today and that have benefited from it in the past. Its founder-friendliness, source of permanent capital and standards designed to give investors’ confidence without leaving ambitious directors hamstrung. A listing that is a kitemark when trading overseas; the visibility the market offers versus other forms of ownership.

There needs to be greater recognition that while on AIM there is not “as much protection against failure… but you have more opportunity of growth and upside” compared to the Main Market. It must be positioned as a destination in its own right.

It must also consider its profile in relation to the director talent its companies want to attract, so that they have all the requisite skills around the boardroom table to drive growth.

What about the name AIM? Commissioners debated whether a change was required and concluded that that would be “regressive”. Perhaps finessing it to emphasise the offer was one solution raised, something as simple as: “AIM: For Growth”.

But an extensive marketing push, centred on “promoting the success of its companies” would only work alongside improvements made to AIM’s culture and after bearing down on costs.

[5] From 2007 – 2024, AIM experienced a net loss of companies in all but one year: 2014. Source: London Stock Exchange. *AIM Factsheet: AIM Since Launch.* (2025).

4. A Culture of Risk

Commissioners felt AIM's risk culture, ideal for less mature, high-growth companies, had eroded over time. They pointed to a compliance burden that in "trying to achieve the avoidance of failure had become a strait jacket on the whole market".

That culture stemmed from the AIM Rules and their interpretation. All agreed they should be reset so that they were never more onerous than those on the Main Market. "AIM rules are as tough, if not tougher than the Main Market," one Commissioner remarked.

Examples were given in the area of directors' responsibilities:

AIM company directors that sit on a private company board that goes into administration are required to disclose this information, those on Main Market boards are not;

AIM company directors that sit on more than one board are required by their Nominated Adviser (Nomad) to attend training sessions multiple times, those on the Main Market are not;

AIM company directors must fill out extensive questionnaires when changing Nomad, those on Main Market boards are not.

The requirements placed on companies and their directors focused Commissioners' attention on the relationship with their Nomad.

Nomads are required to fulfil a dual function: they are responsible for advising companies on their obligations under the AIM Rules alongside offering corporate finance advice; meanwhile they are answerable to the LSE when confirming a company's suitability for admission to AIM and their ongoing compliance with the AIM Rules.

However, what was once conceived as a more flexible, lighter-touch approach to regulation has become more stringent and beset by risk aversion at all costs. "They have become like police enforcement rather than trusted advisers," one Commissioner remarked.

As Dame Julia Hoggett puts it in the foreword to her discussion paper, "Whilst the AIM Rules have remained broadly unchanged over recent years, we recognise that market practice has continued to evolve..." which has "often resulted in additional due diligence, compliance requirements and record keeping."

Commissioners commented on the increased amount of checks being conducted on companies when making transactions. In one recent deal, "The Nomad wanted to see our working capital model, even though they were not actually reviewing it," one said. "You are paying for their lawyers... you are just paying for people to check everything constantly, and even if something has been checked fairly recently, it has to be checked all over again."

Another added: "When you do a transaction, everything is geared towards the Nomad having no responsibility in it, and the directors having all responsibility, and yet the fees go up. The fees don't reflect where the responsibility lies."

So is the solution to abolish the Nomad function altogether? Commissioners strongly disagreed. However, challenges to the existing system were proposed in the form of developing a more prominent role for company secretaries, a function which is often outsourced at smaller quoted companies, combined with taking greater legal counsel on following the AIM Rules. Such a reform could generate competition among advisers and, it was thought, drive down costs for companies.

Commissioners also had significant sympathy for the position that Nomads are put in. “I don’t blame them because they are basically being regulated by people who want more regulation,” said one. They identified the LSE, as AIM regulator, as having placed increased pressure on Nomads’ own compliance function.

Over time, the LSE has introduced greater oversight but it was felt that guidance and support had fallen away. Going back to 2007, significant changes were introduced on AIM including formalising previously tacit rules and expectations of Nomads. Compliance visits to Nomad firms increased, alongside the monitoring of annual returns to confirm continued Nomad eligibility[6].

Today, a fear of falling foul of the rules among AIM companies and their Nomads was summed up as “the nervous leading the terrified,” by one Commissioner. Excessive compliance, a reduction in entrepreneurial activity and an increase in costs is a cycle that needs to be broken.

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[6] London School of Economics. *From Local to Global. The rise of AIM as a stock market for growing companies. (Commissioned by the London Stock Exchange)*. (2007). pp.25-30.

5. Squeeze Out Costs

The AIM ecosystem must be a profitable one to thrive but Commissioners talked at length about challenges from the rising cost of doing business. They were eager to identify areas for savings, including where cost could be taken out of the system through collaboration. “If this is a market for growth companies, then you’ve got to make it easier and cheaper to operate, not put up barriers,” one said.

Commissioners raised the problem of excessive annual reporting requirements[7] and smaller company audits as driving up costs for AIM companies[8]. The QCA continues to campaign for reforms on both fronts.

Several more ideas emerged:

1. Relax class tests for smaller AIM companies

The LSE should relax the current rules around class tests for smaller AIM companies. If the smallest companies, for example, those with a market capitalisation of under £10 million, acquire a new business that fails a class test, even one which is very small in absolute terms, then it is treated as a “Reverse Takeover” and an admission document needs to be prepared.

These typically cost between £750,000 and £1m in fees. Commissioners said these costs deterred an unlisted company being acquired by a small AIM company. “If you are a company that wants to grow and acquire, it’s made incredibly difficult and expensive to do so,” said one Commissioner. “This needs to be looked at.”

The LSE should change the rules so that shareholders can vote to disapply the class tests and treat a small acquisition (for example less than £5m consideration) as a “Substantial Transaction”, which has a much lighter reporting requirement.

2. Revise enforcement of AIM rules breaches

The LSE should introduce a materiality threshold on the reporting of breaches of the AIM Rules by Nomads. At present, Nomads have a requirement to notify AIM of any breach of the rules, however minor. The result of this is a vigorous, disproportionate and costly investigation.

3. Centralise record keeping for directors

When changing Nomads, director checks, including directors’ questionnaires, are required to be carried out, which comes at a significant cost to companies. This is the case even though the previous Nomad, approved by the Stock Exchange, has completed all of the necessary checks. Can switching advisers be made simpler? Establish a centralised database of qualified AIM directors to reduce the cost of checks.

4. Streamline Nomad training requirements

[7] Quoted Companies Alliance. *Close the Book: It’s Time to Cut Annual Reports Down to Size.* (2025).
[8] Quoted Companies Alliance, The Association of Financial Mutuals (AFM), the Building Societies Association (BSA), and UK Finance. *Audit for Growth: Proportionality in Audit and Reporting.* (2025).

Directors who sit on multiple AIM boards must attend annual Nomad training even if they have already attended a session that year through another one of their company boards. At the very least, use on on-demand videos to save time and money for companies which are charged by Nomads for each session.

5. Consider non-cash pay for NEDs

Another key issue is how the market attracts talent to company boards. Commissioners explored the subject of non-cash pay for non-executive directors, with opinion on this issue divided. “One way of cutting the cash cost of a Plc board is to free up those rules so you can pay NEDs partially or entirely in equity,” one Commissioner said.

6. Get Capital Flowing

Many of the AIM Commission meetings concentrated on capital and the fundamental challenge of stimulating liquidity on the market. One Commissioner said: “For me there is one issue which is the overwhelming AIM problem – a lack of motivated investors.” Another added: “The real reason why AIM was so successful is because we were able to match good companies with good quality institutional money and that is what has been lost.”

Several ideas emerged to get more capital flowing, some AIM-specific, others more general:

1. Retain Business Property Relief on qualifying AIM shares

The Government should reconsider the reduction in the rate of Business Property Relief. As a minimum, the Government should commit to retaining the revised 50% rate until 2035, giving companies and investors certainty to deploy capital. In addition, the Government should review the exclusion of AIM investments from the £1m business property relief allowance and clarify whether eligible AIM companies held in SIPPs are allowed to receive the relief.

2. Capitalise on Mansion House Accord and Pensions Investment Review

Work to capitalise on the inclusion of AIM (and Aquis) companies in the Mansion House Accord. Ensure UK equities take their share of UK pensions’ greater domestic allocation following the Government’s Pensions Investment Review.

3. Modernise Venture Capital Schemes

The Government should remove the Finance (No.2) Act 2015 restrictions on venture capital schemes EIS, SEIS and VCT. In particular, this should include the removal of the restriction on the age of the company for AIM (and Aquis) companies from investing within seven years of the first commercial sale, or within ten years for a knowledge-intensive company.

Relax the “no business acquisition” rule which prevents companies from using EIS or VCT funding when acquiring another company. This will help to drive more institutional investment into small, growing companies.

In addition, relax rules on “connectedness”. Currently, it is challenging for a company director to get EIS tax breaks on an investment in their own business, or one they join in the initial years following an EIS investment. This restriction should be relaxed to enable small public companies to attract top talent who are prepared to put their own capital to work.

4. Reform FCA lending guidance

At present, the largest banks in the country attach no value to a public quote compared to an equivalent unquoted company – and neither do they take account of the substantial cost. For example, this means a profitable private group (holding company plus profitable trading subsidiaries) generating £400,000 of unaudited consolidated profit could borrow £1-£2m from a bank, but if it spends £500,000 on annual public market costs - turning that profit into a £100,000 audited loss, it will be deemed unbankable.

No value is placed on the audit or the other listing costs - even though the company could delist in preference to defaulting on the loan, or could raise equity capital more readily than if it were a private company. Neither Plc-related costs nor the ability to raise capital should be an adverse factor in lending considerations.

5. Revise Remit of the British Business Bank

As the UK's economic development bank, the British Business Bank (BBB) should have its remit expanded to include supporting small, growing companies on AIM (and Aquis) which are struggling to bridge a funding gap. Those private companies that accept its support should also commit to listing in London when the time comes to IPO. "Something the UK government could be doing is to say if you're going to take our capital, then any listing has to take place on a UK exchange," one Commissioner said.

6. National Wealth Fund Investment

The Government should establish a mechanism to direct investment from the National Wealth Fund (NWF) to smaller businesses based on their tax contributions. HMRC could advise the NWF of the amount each AIM-quoted company has paid to HMRC in VAT, Corporation Tax, National Insurance, and PAYE.

The NWF would then offer to invest in each AIM company, to the value of 10% of that amount, either as equity at the market price, or as a corporate bond paying a commercial rate of return to the NWF. This would help to ameliorate issues for smaller companies who often miss out on passive fund investment due to their size.

7. Rethink Indexation

Index providers (FTSE, MSCI, S&P Dow Jones, Bloomberg, Wilshire) should take the opportunity to create new growth indices that slice UK-focused, profitable or sectoral baskets for ETFs and trackers. This would create greater excitement around AIM stocks and channel passive money into areas where they are currently underweight.

7 Conclusion

In a 2007 report on the growth of AIM commissioned by the LSE, the following question was posed: "Could AIM become too big?"[9] Written at a high-water mark for the market when it was larger than the Main Market[10], the researchers queried how AIM might reposition itself at a time when it had expanded rapidly in size.

Initially a growth market for ambitious smaller British companies, by 2007 AIM had absorbed larger businesses, international companies, equity investment vehicles and property funds. In its concluding remarks on how AIM might respond to these changes, the authors stated that:

"The regulatory arrangements will also need to evolve, as has happened over the last three years, but this is likely to take the form of incremental adaption, rather than radical reform of a distinctive system that has proved to be effective..."[11]

Since 2007, AIM has shrunk in size by more than half[12] and is again facing questions about its future direction. However, incremental adaption will not do as then.

This research has sought to highlight AIM's predicament from the perspective of the market's core constituent: the companies themselves. We offer it as a contribution towards the discussion for the LSE, Government, market participants and wider stakeholders. As the future of the UK's preeminent growth market is decided, a restatement of its purpose and how it is communicated, a reset on risk, cost reductions and the stimulation of capital flows must be central to the debate.

Finally, to borrow from our 1993 blueprint for "The Enterprise Market" once more: "For any market to succeed, it must be dynamic."

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[9] London School of Economics. *From Local to Global. The rise of AIM as a stock market for growing companies.* (Commissioned by the London Stock Exchange). (2007). p.62.
[10] There were 1,656 companies quoted on AIM in June 2007 compared to 1,590 listed on the Main Market. Source: London School of Economics. *From Local to Global. The rise of AIM as a stock market for growing companies.* (2007). p. 9.
[11]London School of Economics. *From Local to Global. The rise of AIM as a stock market for growing companies.* (Commissioned by the London Stock Exchange). (2007). p.63
[12] As of December 2024, there were 685 companies quoted on AIM compared to 1,694 companies by the end of 2007. Source: London Stock Exchange. *AIM Factsheet: AIM since launch*. (2025).

8 The QCA AIM Commissioners

Elizabeth Lake

Experienced CFO currently at EARNZ and formerly at Revolution Beauty, Everyman Media and Science in Sport. Earlier finance roles at Hugo Boss, Marks & Spencer, Guardian Media Group.

William Reeve

Internet-focused entrepreneur and co-founder of Fletcher Research, LOVEFiLM.com and Secret Escapes. Chair at Augmentum Fintech, former NED of Dunelm and Paddy Power

Sangita Shah

Portfolio NED and senior consultant. Chair at Kinovo Group, NED at Inspired and Nasdaq-listed Forward Industries. QCA board member.

Roger Parry

Media and technology executive and investor. Chair of Oxford Metrics; NED Uber UK. Former chair of YouGov, MSQ Partners, Mobile Streams, Future Publishing.

Sophie Tomkins

Stockbroker turned NED and audit committee chair. System1 (SID and audit committee chair); Wilmington (NED and audit committee chair); Virgin Wines UK (NED and audit committee chair). Formerly at Hotel Chocolat (NED and audit committee chair).

David Evans

Independent biotech professional. Several leadership positions including CEO at Shield, later Axis-Shield. Then serial life sciences NED.

Vijay Thakrar

Big Four accounting partner turned NED and investor. Chair of Alumasc Group and Treatt. NED and audit committee chair at Alpha Group International. RSM UK NED.

Nick Clark

Chief executive of Built Cybernetics, the AIM-listed smart buildings group, and a non-executive at cybersecurity risk management business Acuity RM Group.

Contributors

With thanks to all of our AIM Commissioners for their time and ideas. This report was authored by Ben Cornwell, the QCA's Policy and Research Manager, with research conducted by Tanvir Chowdhury, Policy Executive.

About the QCA

The Quoted Companies Alliance champions the UK's community of 1000+ small and mid-sized publicly traded businesses and the firms that advise them. We believe the public markets can be the best place for companies to source the funds to grow, operate transparently and distribute wealth, fairly.

The QCA seeks to inform policy in dialogue with regulators and government, showcase the latest thinking on leadership, investment, technology and governance through our events and research, and provide a forum to share good practice among our members, who are quoted on the Main Market, AIM and the Aquis Stock Exchange.

For more information, please visit www.theqca.com