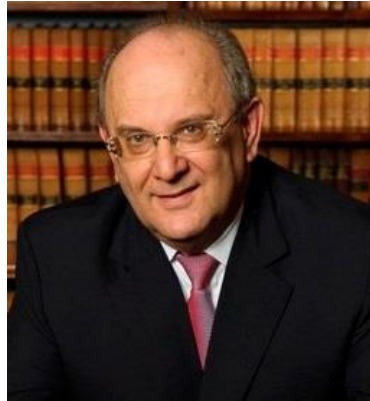


FRANK LEWIS FCA

Chairman and Non-Executive Director of listed and private companies.



Internationally experienced chairman and non-executive director with over 20 years of experience as finance director, CEO and chairman, supporting private and listed businesses within the distribution, manufacturing, technology and natural resource sectors across the UK, EMEA region and China.

A former member of AIM advisory council

Significant commercial, financial, IPO and corporate governance experience

Leading and managing a diverse portfolio of businesses including aim quoted companies as well as private equity investments



SUPERIOR STRATEGIES FOR BUSINESS GROWTH ; LEADING A BUSINESS THROUGH IPO, EXIT AND BEYOND.

- Deciding whether to float or not?
- Short, medium, long term – the pros/cons of different scenarios
- How to enhance shareholder / stock value
- What are the pitfalls which can result in a flotation and how to avoid them
- What are the Corporate Governance, risk mitigation and due diligence requirements?
- How do you go about assembling an effective Board of Execs and NEDs?
- What are the key skills of a successful Non-Executive Chairman?
- Examples of leading ailing businesses through turnaround and learnings gained.

DECIDING WHETHER TO FLOAT OR NOT?

Need to be certain you want to move into a public spotlight that comes with being listed

Significant greater rules and regulations as a public company

Undergo internal audit to ascertain whether the business is in a position to do so. A full business review

Assessing in advance issues including

- Corporate structure
- Board structure
- Board and senior management abilities
- Corporate Governance analyses
- Issues which would prevent Listing
- Internal control reviews
- Tax check ups and requirements

UNDERSTANDING THE REQUIREMENTS OF INSTITUTIONAL INVESTORS

- Solid management team
- Proven concept
- Sizeable market opportunity
- Differentiated proposition
- Rationale for joining the AIM
 - Growth Capital
 - Raise profile
 - Incentive / retain staff through tradable equity

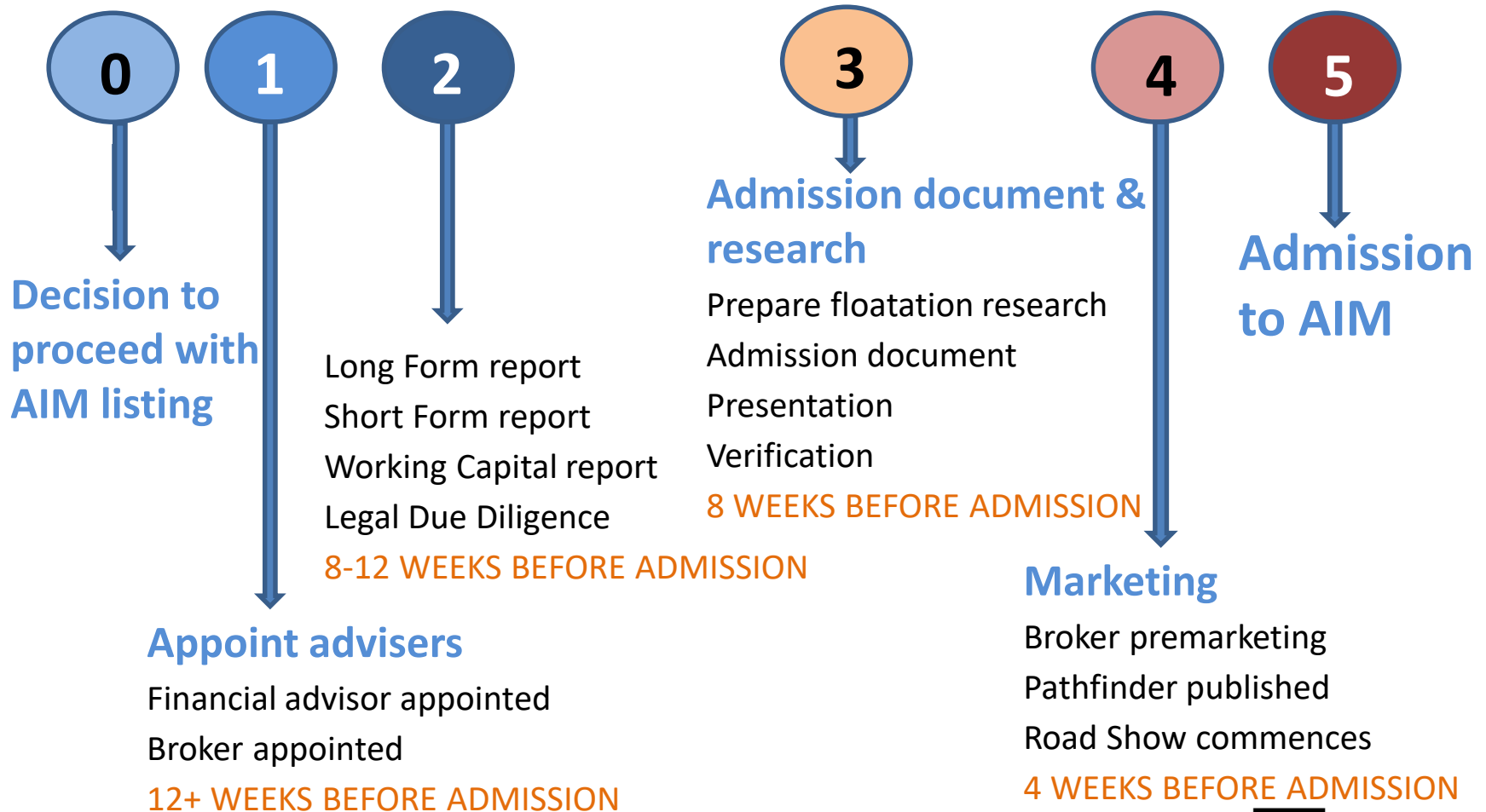
The items above should form an executive summary to the business plan and strategy document, together with a financial summary, to use as a preliminary document to start to assist the Company.

IPO PROCESS – PHASE 1 – STRATEGIC ISSUES

□ Strategic issues

- Business Plan and Strategy
- Rationale for an IPO
- Capital Structure and Debt Financing
- Intentions of major shareholders post listing
- Issue size and structure
- Timing
- Advisors
 - Nomad
 - Legal
 - Accountants
 - PR
 - Registrars

Indicative AIM floatation timetable



The Advisors

AIM Candidates

Auditor

Issue Audit opinion on Financial statements
Comfort and consent letters

Reporting Accountant

Short form report
Pro forma
Long form report
FPPP
Working capital report
Comfort and consent letters

Nomad

Test Marketing
Identify investors
Valuation
Benchmarking
Marketing roadshows
Book-building & pricing

Lawyers

Legal due diligence
Verification notes
Material contracts
Underwriting agreement

Other

Financial PR
Registrars
Development of IFRS compliance
Tax structuring and transfer pricing
Management incentives
NED system
Specialists

IPO PROCESS – PHASE 2 – PLANNING

□ Planning

- Corporate Structure and domicile
- Financial Track record
- Dividend policy
- Board Structure and Corporate Governance
- Incentivisation Schemes
- Employee Participation
- Project Timetable

DUE DILIGENCE

- Financial Modelling
- Long Form report
- Commercial due diligence
- Legal due diligence
- Prospectus Drafting
- Shareholder Agreement
- Underwriting Agreement
- Lock up undertakings
- Roadshow presentation

We will guide you in the selection of the relevant professionals who can provide relevant services around the above activities

COMMERCIAL AND FINANCIAL DUE DILIGENCE

- Detailed operational, commercial and strategic plan for the business
- Business development opportunities
- Detailed budgets and forecasts

At this preliminary stage this only needs to be provided at a high level and in summary form

LONG FORM REPORT

- Nature and scope of business
- Adequacy of accounting systems and internal controls
- Past record of forecasting of results and working capital requirements
- Appropriateness of accounting policies

SHORT FORM REPORT

- Financial Statements and Cash flow for 3 years
- Accountants to confirm that accounts are fair and reasonable

WORKING CAPITAL REPORT

- Statement is required in prospectus / admission document that company has sufficient working capital for the next 12/15 months
- Detailed review of monthly working capital requirements and compliance with relevant covenants together with sensitivity analysis

Not required at this preliminary stage

SHORT, MEDIUM, LONG TERM

THE PROS/CONS OF DIFFERENT SCENARIOS OF AN IPO

Short Term (PROS)

18 Months

- Providing access to Capital for growth – Raise finance for further developments as Company grows
- Placing an objective market value on the Company's business
- Increasing the Company's ability to make acquisitions (Available Currency)
- Create a market for Company's shares and broadening the shareholder base
- Encourage Employee commitment and incentivising their long term motivation e.g. share options
- Creating heightened public profile
- Always under promise and over deliver

SHORT, MEDIUM, LONG TERM THE PROS/CONS OF DIFFERENT SCENARIOS OF AN IPO

Short Term (CONS)

Dealing with increased disclosure and greater Regulatory obligations

Additional costs associated with new audit fees, investor relations, NEDs, etc.

SHORT, MEDIUM, LONG TERM

THE PROS/CONS OF DIFFERENT SCENARIOS OF AN IPO

Medium Term

3-5 years

- Stable Management team pulling in the same direction
- Stay focussed on Plan
- Maintain momentum- with shareholders following IPO
- Be transparent- To obtain the long term support of all shareholders
- Consistently meet the delivery or growth plan
- Do not become obsessed with share price

Change Board / Chair at what point and why?

SHORT, MEDIUM, LONG TERM

THE PROS/CONS OF DIFFERENT SCENARIOS OF AN IPO

Long Term

5 year +

- Investors looking for:
- A committed and experienced management team
- Commitment to strong corporate governance procedures
- A viable Corporate Culture
- Sustainable Competitive position
- Growing business operating in an expanding market, locally and / or internationally
- Visibility and quality of earnings
- In summary: Quality, Good Governance and Value

HOW TO ENHANCE SHAREHOLDER / STOCK VALUE

- ❑ Once transformation into a Public Company is complete, it is just the beginning, and company then needs to meet the ongoing obligations of public markets
- ❑ Management needs to execute strategic initiatives and transactions
- ❑ Invest in good people and continue to evaluate the performance of the Board and management team
- ❑ Under promise and over deliver – Turnover, Profits, etc.
- ❑ Engage with investors effectively through a clear communication plan
- ❑ Manage Risk and Promoting good Corporate Governance , will add value
- ❑ Do not over-value the business. This is less important at IPO time.

WHAT ARE THE PITFALLS WHICH CAN RESULT IN A FAILED FLOTATION AND HOW TO AVOID THEM

- ❑ Management – Comply with rules, culture, etc
- ❑ Need to be sensible when valuing Company
- ❑ Investors will not invest in Companies where the Revenues or Assets are not substantiated
- ❑ Need a clear vision with credible management team committed for the long term
- ❑ Cannot raise all the funds needed
- ❑ Down turn in economy and stock market
- ❑ Fraudulent information
- ❑ Intellectual Property Rights – issues relating there too

FINANCIAL DUE DILIGENCE

The Business Plan prepared by the Company

- Detailed operational and strategic plan for the business
- Business development
- Detailed Budgets and forecasts

BOARD EFFECTIVENESS

Long form report prepared – by the reporting accountants who records the results of the financial due diligence

- Nature and scope of business trends
- Adequacy of accounting systems
- Forecasting, working capital, accounting policies

Short Form Report

- 3 year Financial statements (Audited)

Working Capital Report - 18 Months

Legal including verification of, Material contracts, Underwriting Agreements

WHAT ARE THE CORPORATE GOVERNANCE, RISK MITIGATION ?

RISK MITIGATIONS (who is responsible for reviewing Risk mitigation issues)

- Auditors
- Reporting Accountants
- Lawyers
- NOMAD (Nominated Advisors)

All above would assist in ensuring that the information is correct and ensure due care with risk mitigation

The end result being the admission document which is the responsibility of the NOMAD to the Stock Exchange, ensuring everything is correct and verified.

STRUCTURE AND REQUIREMENTS OF AN EFFECTIVE BOARD

- ❑ Well functioning Board is led by the Chairman

Role of the Chairman

Does more than simply manages Corporate Governance

Success hinges on relationship with the CEO – based on honesty, trust, transparency

Has a good knowledge of the business to provide a constructive level of challenge to the CEO

He is not there to run the business, but instead to support and guide

Run and maximise the effectiveness of the Board and manage the relationships with the shareholders and stakeholders.

Role of the CEO

To run the day to day business of the Company

Responsible for the Business Plan and vision

To communicate with the Chairman and Board

To gain the confidence of the Board

Role of the NED

Usually 2 (can include Chair)

Independent and conviction to say things that need saying when necessary

Provide oversight to delivery of strategy for benefit of shareholders

CORPORATE GOVERNANCE FOR GROWING COMPANIES

WHAT ARE THE OBJECTIVES OF CORPORATE GOVERNANCE?

Corporate Governance is the system of processes, activities, standards and reporting to facilitate and deliver growth in long term shareholder value by reducing risk while maintaining a flexible, efficient and effective management framework within an entrepreneurial environment,

It represents a dynamic relationship between shareholders, the Company and the Directors, influenced by a number of external factors including regulation and social responsibility

It reduces the risk of uncommercial and inappropriate bad decisions being made.

Corporate Governance Code

QCA Guidelines

CORPORATE GOVERNANCE FOR GROWING COMPANIES

THE PRINCIPLES OF THE QCA CODE

- **Establish a strategy and business model which promotes long term value for shareholders**
- **Seek to understand and meet shareholder needs and expectations**
- **Take into account why the stakeholder and social responsibilities and their implications for long term success**
- **Embed effective risk management, considering both opportunities and threats throughout the organisation**
- **Maintain the board as a well functioning, balanced team led by the chair**
- **Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities**
- **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**
- **Promote a corporate cultures that is based on ethical values and behaviours**
- **Maintain governance structures and processes that are fit for purpose and support good decision making by the board**
- **Communicate how the company is governed and is performing by maintaining a dialog with shareholders and other relevant stakeholders**



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