

MARCH 2017

RISK & ADVISORY SERVICES (RAS)
ALTERNATIVE
INVESTMENT
MARKET (AIM)

INTRODUCTION

BDO is a leading adviser to the Alternative Investment Market (AIM).

Over the past two years BDO has strengthened its position of leadership for AIM-listed companies, within industry sectors such as Consumer Markets, Manufacturing, Healthcare, Technology, Business Services and Transport and Logistics.

In the Midlands, we advise over a quarter of the region's AIM-listed businesses and nationally we are the number one reporting accountant for AIM IPOs.

Put simply, we are advisers to ambitious businesses, providing exceptional service in the UK and worldwide through our international network.

We help our AIM-listed clients to succeed by advising them on leading governance, risk management and internal control practices which helps to maximise and protect shareholder wealth. We pride ourselves on offering our clients a competitive advantage through outstanding commercial insights; we know who is doing what in the sectors we work in, and so can share our knowledge of fresh ideas, trends, benchmarks and emerging issues.

Our 140-strong national Risk & Advisory Services (RAS) practice works with a broad range of sectors, so you can rest assured of our knowledge and understanding of your concerns and challenges. Our practice is truly global, with well over 1,000 exceptional internal audit and risk management specialists, all of whom are committed to providing valued insight and technical excellence.



BDO RISK & ADVISORY SERVICES

IF YOU ARE AN AIM-LISTED COMPANY, OR YOU ARE LOOKING TO LIST, WE CAN HELP YOU WITH ADVICE AND SUPPORT.

HERE WE ILLUSTRATE SOME OF THE MOST COMMON WAYS IN WHICH WE ARE ASKED TO HELP OUR AIM CLIENTS.

CORPORATE GOVERNANCE BENCHMARK

Evaluating your governance arrangements against best practice principles; thereby advising on how to make the business a more attractive investment.

INTERNAL AUDIT SUPPORT

Providing outsourced internal audit services, to help clients manage their risks most effectively.

RISK ASSURANCE MAPPING

Helping to define your risk landscape and the strength of assurances, giving greater confidence to stakeholders that the business is under control.

CYBER SECURITY REVIEWS

Advising you on how to protect against the latest cyber threats preventing reputational damage, downtime and data loss.

FPP PROCEDURES SUPPORT

Helping you prepare to list on AIM by working with you to establish required Financial Position and Prospects Procedures.

The world is changing fast, and with change comes uncertainty and risk. All businesses are exposed to risk, and although the management of risk is traditionally concentrated on controlling potential negative outcomes, it occasionally deals in opportunity. With the pace of change getting faster, it is increasingly harder to be prepared for every eventuality.

Well-managed businesses are more adept at keeping a 'weather-eye' on emerging threats and opportunities. In most cases, this ability to 'horizon-scan' effectively derives from robust governance, risk management and internal controls measures.

When done well, 'controlling' risk not only protects us, it makes us more aware, stronger and more capable to navigate the challenges posed by an ever-changing world. By managing risks, controls and governance successfully, businesses not only survive, they are proven to thrive, quickly taking advantage of new opportunities by seeing risk as a driver rather than a deterrent.

CORPORATE GOVERNANCE BENCHMARK

UK CORPORATE GOVERNANCE CODE REQUIREMENTS

A Corporate Governance Code ('the Code') has existed in the UK since 1992. The initial Code, stemming from the 1992 Cadbury Report, started with a specific focus on accountability and transparency. The financial crisis of 2007-8 accelerated an intended review of the Code in the UK, and in June 2010, the Financial Reporting Council (FRC) issued an updated UK Corporate Governance Code providing a set of principles and provisions for boards, rather than a list of rigid rules, to use under the cornerstone of a 'comply or explain'. The FRC issued further updates to this Code in 2014 and 2016 placing greater emphasis on the:

- Need to establish an audit committee with suitably independent members and suitable skills mix
- Quality of information investors receive concerning the long-term health and strategy of companies
- Board being responsible for determining the nature and extent of the principal risks and the requirement to maintain sound risk management and internal control systems.

Although companies on the London Stock Exchange's long-established growth market, AIM, are not mandated under AIM Rules to adhere to the provisions of the Code, they are encouraged to develop strong governance processes and are advised to aspire to achieve the key elements set out in the Code as they grow.

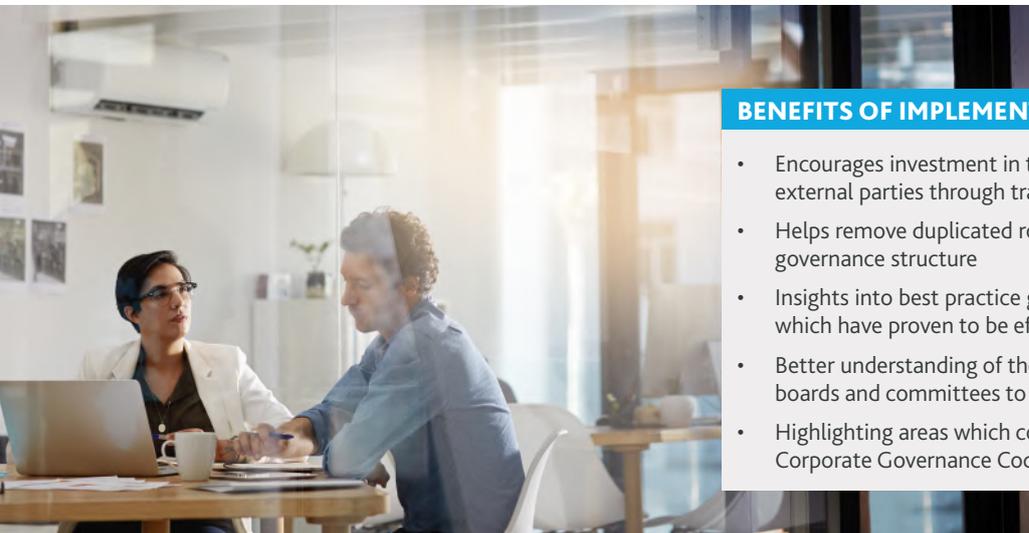
As a minimum, all AIM companies are encouraged to adhere to the Quoted Companies Alliance (QCA) Guidelines, which are based on the Code but specifically tailored to the needs of growth companies and their investors. Often, the main reason for a listing on AIM is to gain access to institutional investors and to have increased ability to raise finance. Adherence to the principles of the Code should give investors confidence about the governance of a company.

HOW CAN WE HELP YOU?

BDO can provide you with a comprehensive review of your governance framework, comparing board and committee structures against best practice and the arrangements of other similar organisations.

Any recommendations developed are done so in a pragmatic and realistic way to help you bring into line your governance processes with best practices set out in the UK Corporate Governance Code, or where these prove too burdensome, the QCA guidelines. With our extensive client network across a wide range of sectors, we can also draw on our experience to benchmark your methods against other good practice governance structures we have encountered.

This service can be tailored to your organisation and any specific requirements you may have. It can be augmented by training and workshops providing guidance in areas such as structures, succession planning, skills and training, induction, challenge and oversight, business planning, forecasting and budgetary control.



BENEFITS OF IMPLEMENTING GOOD GOVERNANCE

- Encourages investment in the business by giving confidence to external parties through transparent compliance reporting
- Helps remove duplicated roles and inefficiencies in the governance structure
- Insights into best practice governance structures and processes which have proven to be effective
- Better understanding of the composition requirements on boards and committees to maximise value
- Highlighting areas which could be strengthened in line with UK Corporate Governance Code.

INTERNAL AUDIT SUPPORT

In a world with increased emphasis on corporate responsibility and accountability, Internal Audit has raised its profile across all sectors as a credible business partner to help businesses evaluate how well their risks are being managed.

Organisations face renewed corporate governance concerns, as well as intense internal and external scrutiny. Many are struggling to keep pace with the changing regulatory environment and to distinguish, let alone deal with, the complex risks they face.

Boards are now far more aware of the importance of understanding risk. Unlike external auditors, Internal Audit looks beyond financial risks and statements to the wider issues that help businesses to navigate through the potential minefield of risks to which they are exposed. This means the strategic value of Internal Audit is greater than it has ever been.

A reactive approach to Internal Audit is no longer acceptable; there can be no surprises when it comes to dealing with the risks and opportunities in your business. Internal Audit has always been one of the cornerstones of good governance.



BENEFITS OF INTERNAL AUDIT

Internal Audit can play an important role in any organisation's governance processes, especially in the management of risk, by providing assurance over fundamental internal controls, helping to detect and prevent fraud, and monitoring compliance with company policy and regulation / legislation.

Internal Audit is not just for larger FTSE listed organisations. All AIM-listed companies simply cannot afford high profile financial or reputational loss, making Internal Audit even more important.

RISK ASSURANCE MAPPING

The existence of a clear and suitably maintained assurance map is now an expectation for potential investors and board members.

Centred on an organisation's risk management framework, an assurance map consolidates evidence from internal and external assurance providers to clearly illustrate how much coverage is provided over how well key risks faced by the business are being managed.

There is a growing trend for listed companies to publish in their annual reports how they gain assurance that their principal risks are being managed. We support our listed clients with the development of these assurance frameworks, using dynamic, leading edge practices and tools. Our considerable experience of working with our clients in the development of integrated risk assurance maps that befit the needs of their stakeholders means that we can offer pragmatic solutions which do not create additional bureaucracy. Instead we use and develop existing frameworks, and knowledge of risk and control, to provide more in depth information giving greater comfort to senior management, the board and potential investors.

			
GOVERNANCE	RISK	CONTROL	ASSURANCE
Good practice governance arrangements encourage investment	Robust risk management increases the likelihood of success	Well established internal control frameworks prevent risks and reduce losses	Transparent assurance mechanisms inspire confidence from stakeholders

BENEFITS OF ASSURANCE MAPPING

- Publishing the company's approach to assurance within your annual report inspires confidence in the readers that your company is a safe investment
- Provides the board and shareholders with assurance that the company has satisfactory risk mitigation strategies in place capable of reducing the likelihood and impact of principal risks to an acceptable level
- Aiding in the identification and removal of process and control inefficiencies and duplicated effort
- More readily pinpoint areas where assurance is required and better direct assurance providers to areas of greatest need, thus helping to maximise value and save on unnecessary third party support
- Greater transparency for directors, particularly non-executives, to better enable them to fulfil their duties.

FPP PROCEDURES SUPPORT

Directors of a company seeking an admission to trade on AIM must have established adequate procedures that provide a reasonable basis for them to make proper judgements on an ongoing basis as to the financial position and prospects (FPP) of the company and its group.

Accordingly, any company considering joining AIM should seek the advice of a Nominated Adviser (Nomad). The Nomad will advise a company on its responsibilities in relation to its admission to AIM, as well as its continuing obligations once a listing is achieved. The Nomad will:

- Undertake due diligence to ensure the company is suitable for AIM and confirm this to the London Stock Exchange
- Advise the company throughout the flotation process and help produce the AIM admission document
- Ensure the company is prepared for being a listed entity
- Act as the main regulator for the company whilst it is on AIM.

Risk and Advisory Services regularly supports BDO's Corporate Finance clients through the admission process, by helping with the establishment of these adequate procedures. We also help with the development of the published assurance report and, often, a long form or commentary report, on the extent of compliance with the FPP procedures (which we have helped the Directors establish).

BENEFITS OF USING US TO HELP DEVELOP YOUR FPP PROCEDURES

- Professional advice to ensure you have appropriate procedures as required by AIM admission
- Benchmarking your procedures against other AIM-listed clients
- Bridging the gap between existing procedures and those that need to be established
- Providing best practice advice on appropriate working capital and financial reporting systems and controls reviews.



CYBER SECURITY

CYBER SECURITY READINESS ASSESSMENT (CRA)

Organisations today can yield significant benefits from large-scale collection of data and enhanced connectivity with customers and third parties through digital platforms. However, these same factors expose organisations to cyber threats. Cyber Security remains the prominent digital challenge of the 21st century, with attacks becoming increasingly sophisticated and complex.

Attacks can range from phishing, ransomware and sophisticated socially engineered attacks, to targeted, advanced persistent attacks against the organisation. Too often, cybersecurity may be viewed as a technical issue to be dealt with an IT department rather than be driven by the business. As a result, management may not have sufficient sight of the organisation's capability to withstand cyber security attacks.

Our BDO Cybersecurity Readiness Assessment (CRA) helps our clients align policy, business and technological approaches, to managing cybersecurity risk. Specifically, it helps an organisation assess its ability to prevent, detect and respond to a cyber breach.

BENEFITS OF A CYBER SECURITY READINESS ASSESSMENT

- Prioritising and managing IT security risks
- Meeting your regulatory requirements relating to cybersecurity
- Minimising penalties set by regulators
- Managing IT security spending more effectively
- Reduction of the chance and impact of legal claims
- Improve your ability to gain and maintain customers.



CYBER THREAT MODELLING (CTM)

Your organisation's cyber security strategy should embrace proposals to lessen the risk of cyber threats specific to your organisation. Typically, cyber-attacks and threat sources vary across sector and threat type. Having this context is critical prior to formulating your cyber security strategy. Questions such as "what are your critical assets?" and, perhaps more importantly, "who and what is your organisation defending against?" can help in the initial stages.

Given today's complex tech-enabled business environments, most organisations are likely to be vulnerable to threats and attacks (including fraud and sabotage), resulting in reputational damage, fraud, organisational downtime and non-compliance.

How do you know if your organisation is doing enough to protect its 'crown jewels'? Threat modelling follows a structured approach to identify potential threats and re-focus your investments in security.

Our Cyber Threat Modelling solution is focused on working together with business and IT, to identify the attack paths that threat vectors may potentially follow. During this exercise, we will assess the countermeasures in place and residual threat scenarios that are likely to emerge. BDO's approach includes holding sessions with senior management within the business as well as from IT.

BENEFITS OF A CYBER THREAT MODELLING

- Our approach ensures that the business is actively involved in the identification of key cyber threats and critical business assets. The approach is unique, since it enables the business to actively engage with IT using a common understanding of the organisation's cyber threat profile
- A key advantage of performing threat modelling is that security controls are directly aligned to threats, attack vectors and vulnerabilities with the return on investment easily being linked to prevailing threats.

ABOUT US

BDO UK

8 Offices **250** Partners
1 Office **3,500** Staff

FOR THE **THIRD YEAR RUNNING**
MORE OF **86%**
OUR CLIENTS
WOULD RECOMMEND US
THAN **ANY OTHER FIRM**¹

2015/2016 RESULTS:
REVENUES
UP **3.8%** TO **£405m**

1. Independent research (Mid Market Monitor 2013-2016) undertaken by Meridian West shows BDO, for the third year running, have the highest proportion of clients who would recommend their advisers among its peers.



BDO INTERNATIONAL

US\$7.6 billion
2016 REVENUE

158 Countries **1,400** Offices
68,000 Staff



BDO MIDLANDS TEAM

RISK ADVISORY



TIM FOSTER
PARTNER
HEAD OF RISK & ADVISORY SERVICES

+44 (0)7583 114 121
tim.foster@bdo.co.uk



JON LANES
SENIOR MANAGER
RISK AND ADVISORY SERVICES (RAS)

+44 (0)7976 198 484
jonathan.lanes@bdo.co.uk

CYBER SECURITY



JASON GOTTSCHALK
PARTNER
CYBER SECURITY

+44 (0)7976 597 979
jason.gottschalk@bdo.co.uk



TOM DELANEY
MANAGER
TECHNOLOGY RISK ASSURANCE

+44 (0)7583 065 300
tom.delaney@bdo.co.uk

AUDIT



GARETH SINGLETON
PARTNER
AUDIT

+44 (0)7931 352 115
gareth.singleton@bdo.co.uk



ANDREW MAIR
PARTNER
AUDIT

+44 (0)7710 157 939
andrew.mair@bdo.co.uk

TAX



RICHARD ROSE
PARTNER
TAX

+44 (0)7800 682 745
richard.rose@bdo.co.uk



CHRIS BOND
PARTNER
TAX

+44 (0)7792 018 593
chris.bond@bdo.co.uk

CORPORATE FINANCE



GRAHAM ELSWORTH
PARTNER
CORPORATE FINANCE
TRANSACTION SERVICES

+44 (0)7771 954 698
graham.elsworth@bdo.co.uk



VINNY PATEL
DIRECTOR
CORPORATE FINANCE TRANSACTION
SERVICES

+44 (0)7800 682 482
vinod.patel@bdo.co.uk



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