AIM Company reports – an unexpected accolade!

by Peter Parry

UKSA has a small team working its way through the annual reports of top 100 AIM companies. This is being driven in part by a concern that the more relaxed reporting rules for AIM companies are being interpreted a little too liberally by some. The team currently consists of Eric Chalker, Hubert Beaumont and Sandy Forbes. Their work recently received an unexpected accolade when the new company secretary of *Abcam plc* contacted the UKSA AIM 100 team saying their review of the Abcam report was "wonderful". Having had difficulty herself reading her predecessor's report, she agreed with UKSA's comments and added that she intends to follow UKSA's advice in drafting the next report, on which she is just about to start.

The AIM reports by the UKSA team do not seek to comment on whether a company's shares are worth buying, although they are an excellent 'first filter' for those who want to go on and do more investment research. Instead they focus on the quality of the reporting by the company – for example, is the report easy to read, is it clear what the company does and do the notes to the accounts adequately address issues raised by the accounts themselves? The reports, which appear on the UKSA website, are relatively short and succinct and are very readable. As well as picking up shortcomings, the UKSA team also highlight the good features of the annual report.

The AIM 100 project is a real success story. However, the team needs more resource to help maintain progress. Input does not necessarily require skills in financial analysis. The ability to read the narrative sections of a company's report and assess them for clarity of meaning is just as valuable. If any members can help and would like to share in the success of the Project please get in touch with Peter Parry at peter.parry@cerbera.org

AIM 100 team – bang to rights!

The following news item just missed the deadline for the last copy of TPI.

In their review of *GW Pharmaceuticals* in February 2016 the AIM 100 team commented:

'The CFO forecasts (p10) cash outflow from operations in the range £32/37m in the first half of fiscal 2016 and says that the outflow for the second half will *"be highly dependent on the timing of key decisions to be taken re the scaling up of our commercial team,"* so we must assume a figure in excess of £37m. This suggests that, assuming success of the current trials, cash outflow from operations for the year is likely to be at least £75m plus forecast capex of £13/15m to give a total outflow approaching £100m and significantly reducing the available cash. The risk report says *"We have significant and increasing liquidity needs and may require additional funding,"* but nowhere is there any mention of how this problem is to be addressed.'

As if to reinforce the 'gypsy's warning', one of the members of the AIM100 team followed this up with a post on 13th April on the ADVFN bulletin board, saying:

'Agreed that GWP had £235m in the bank at 30/09/15. At today's date this will be under £200m on their own forecasts and, without some form of cash raising, is likely to be under £150m by 30/09/16. At this level, with negative cash flow of £100m pa or more, there is a 'going concern' risk, so it looks as if something has to happen. If the share price can be got back to 600p or so, another placing might be reasonable.'

To the surprise of many, but not UKSA AIM 100 readers, GW Pharmaceuticals announced on 13th July (the share price having closed at 613p on 12th) that it was raising $252 million by way of a rights issue on the NASDAQ Global Market!

Peter Parry