A market for small, young and growing companies operated by the London Stock Exchange as a regulated market of a Recognised Investment Exchange and set up in June 1995. It replaced the Unlisted Securities Market (USM). The market provides an opportunity for companies to raise capital for expansion, a trading facility and a way of establishing a market value for their shares.

There are about 400 companies listed on AIM. The market cap of the index varies quite widely. AIM companies tend to trade on wider spreads than companies on the main market, and liquidity can be a problem.

One of the advantages of investing in AIM companies is that for tax purposes they are treated as 'unquoted investments' (even though they are quoted). The significance of this is that for every year that you hold AIM shares, you get 5% 'taper relief' on any gains you subsequently make. So if you are a higher rate taxpayer who would normally pay 40% CGT, and you hold shares for one year then sell them, you only pay 35% CGT. If you hold shares for four years or more, the tax rate falls to 10%. Note that this only applies to shares bought after 6th April 2000.

The official blurb...

Specifically tailored to growing businesses, AIM combines the benefits of a public quotation with a flexible regulatory approach. AIM gives companies from all countries and sectors access to the market at an earlier stage of their development, allowing them to experience life as a public company. Since AIM opened in 1995, more than 1,300 companies have been admitted and more than £11 billion has been raised collectively. An AIM quotation offers:

- A flexible regulatory regime
- Access to a unique, globally respected market
- Access to a wide pool of capital
- Enhanced profile – heightened interest in your company
- Increased status and credibility
- Currency for and easier rules on acquisition
- Eligibility for a range of tax benefits

The table below highlights the main differences in the admission criteria for the Main Market and AIM:

Main Market	AIM
▪ Minimum 25% shares in public hands ▪ Normally 3 year trading record required ▪ Prior shareholder approval required for substantial acquisitions and disposals ▪ Pre-vetting of admission documents by the UKLA ▪ Sponsors needed for certain transactions ▪ Minimum market capitalisation	▪ No minimum shares to be in public hands ▪ No trading record requirement ▪ No prior shareholder approval for transactions* ▪ Admission documents not pre-vetted by Exchange or UKLA ▪ Nominated adviser required at all times ▪ No minimum market capitalisation

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