Edison investment research

The PLUS stock exchange

Half-yearly review
February 2010

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PLUS

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About Edison Investment Research

Edison is Europe's leading independent investment research company. It has won industry recognition, with awards in both the UK and internationally. The team of more than 50 includes over 30 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 250 companies across every sector and works directly with corporates, investment banks, brokers and fund managers. Edison's research is read by every major institutional investor in the UK, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority.

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Prices as at 5 February 2010

Published 23 February 2010

Welcome to the first edition of the PLUS review. Working in partnership with the PLUS stock exchange, this review aims to enhance the visibility of PLUS-quoted companies and will be published every six months.

Our analysts have been in contact with the 52 companies profiled in this review, aiming to provide investors with a snapshot of each company's activities, strategy and trends within the industries they operate in. Edison's analysts have relied on consensus earnings estimates, where available, but have reflected feedback received by companies on historic and forecast numbers. All Star Minerals, Oracle Coalfields and U308 Holdings are under full Edison coverage and the forecasts are those of the analyst.

Each review starts with a market overview from Edison's strategist, Alex Gunz. In this edition, Alex takes a look at equity markets and outlines the key thematic drivers that we believe will influence the direction of equities over the next year. More information about PLUS and the companies on the exchange can be found on its website www.plusmarketsgroup.com.

We welcome any comments/suggestions our readers may have. If you have any questions or queries, please contact us on +44 (0) 20 3077 5700 or via enquiries@edisoninvestmentresearch.co.uk.

Neil Shah

Director of Research

Edison Investment Research

The PLUS review is an exciting new initiative and forms a cornerstone of our ongoing commitment to raise the visibility and profile of our PLUS-quoted companies. We are delighted to be working with Edison Investment Research in its production.

The review highlights just some of the success stories on our market and is the first of its kind dedicated to companies on the PLUS stock exchange. We hope you find the research notes useful and informative and we look forward to the next edition of the review in August.

I would welcome the opportunity to speak to you regarding the PLUS stock exchange and the companies on our market. If you have any questions or you wish to know more about PLUS, please contact me on +44 (0)20 7553 2042 or +44 (0)7525 986906 or by email at paul.haddock@plusmarketsgroup.com.

Paul Haddock

Head of Capital Markets

PLUS Markets Group plc

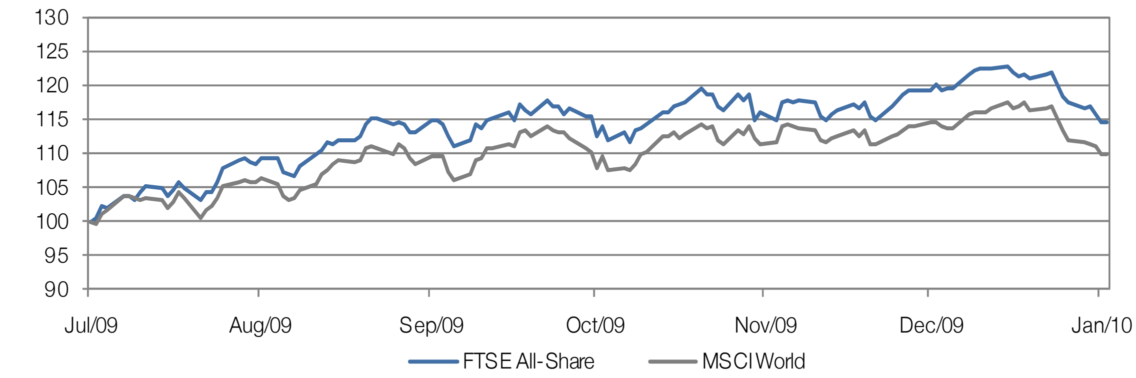
Equity market overview

The tumultuous events of January serve only to reinforce our conviction in our thesis on equities: namely there is a strong case for adopting increasingly defensive portfolio strategies. Risk aversion is replacing risk appetite and the list of potential uncertainties about the outlook – global GDP trends, banking sector regulation and reform, earnings momentum and visibility and the health of the consumer – continues to rise. Against this background, we reiterate our view on sector allocation: overweight utilities and telecoms (based on their defensive characteristics), and also basic materials (we remain mostly confident about global demand trends and the sector appears cheap); underweight financials and consumer names (risks rising in both sectors).

The year of uncertainty

The performance of the UK equity market in January is indicative of our uncertainty thesis. The FTSE continued its robust upward trend of 2009 through until 20 January, gaining 2.0%, only for the market to fall 5.8% in the seven subsequent trading days. The FTSE will have declined for more days than it gained in January and the market is now back at levels last seen in November 2009. Another pertinent market performance statistic is that on 28 January, the S&P 500 in the US fell below its 100-day moving average for the first time since April 2008, suggesting to experienced watchers of trends that a protracted pull-back in equities is now possible.

Exhibit 1: Equities now back to November 2009 levels



Source: Datastream, Edison Investment Research

Investors are, therefore, faced with something of a conundrum: does recent equity weakness present a buying opportunity, or are the events of January a lead indicator into the need for the adoption of more defensive portfolio strategies? We have argued for some time that recovery scenarios have become increasingly discounted by investors. Assuming this is so, the obvious concern relates to what may happen to equities should the recovery thesis become derailed. We are not suggesting this is the case – yet – and indeed the IMF raised its global GDP estimates on 26 January, but UK economic growth of 0.1% for Q409 could be little more than a rounding-error and there is real risk that GDP once again turns negative for Q1 in the UK.

Even if the IMF is correct and the UK economy does grow by 1.3% in 2010 (Chancellor Alistair Darling also sticks with his 1.0-1.5% assumption for now), this performance would be sclerotic in the context of assumptions for other developed countries (eg 2.7% for the US), the globe (3.9%) and particularly emerging markets (China is forecast to grow at over 8%). The UK does face certain country-specific risks – soaring debt levels and the very real scenario of a hung parliament among them – but notwithstanding these concerns, it is still difficult to make a coherent case for being overweight UK equities relative to other international equity markets. Moreover, if the choice comes down to being one of equities versus other asset classes, we still see gold as being a logical option for investors, high in scarcity value and a hedge against most economic eventualities.

Assuming, however, one has to be invested in UK equities, we believe that stock-picking will increasingly matter in 2010. In broad terms we favour high quality growth stocks on modest valuations, and especially those with diversified global exposure. It would also be fair to highlight that after the 4.4% fall in the FTSE in January, equities are looking somewhat better value than was the case at the start of the year, even if earnings visibility may be poor. Sectors that appear attractive to us include telecoms (9.9x 2010 P/E) and basic materials (on a multiple of 10.9x for the current year, and notably, the worst performer in January).

Market performance: Several steps back rather than any forward movement

If there were one trend that stood out in January for us then it would be lack of consistency, namely the data points provided were insufficient to suggest in what obvious direction the economy and, by implication, the equity market will next move. January's key statistic is indicative of the problem: on 26 January, the ONS confirmed that – after six quarters – the UK had moved out of recession, with GDP growing by 0.1% in Q4. Such growth was below consensus expectations (for 0.4% growth) and sceptics would be justified in highlighting that 0.1% is just the first estimate for growth and subsequent revisions could indeed suggest that this is a rounding error and growth may have been flat or negative.

This presents challenges to policymakers going forward. The Bank of England voted unanimously to keep interest rates on hold in January and an uncertain GDP outlook could influence future policy direction. Certainly, with poor trends in retail (the ONS reported that retail sales grew just 0.3% in November and December versus consensus expectations for at least 1.0% growth), the case for keeping rates low can be made. However, December's inflation figure of 2.9% was the largest month-on-month jump in inflation reported since the Bank gained its independence, even if Governor Mervyn King does ascribe some of the change to temporary factors such as petrol price falls and the temporary cut to VAT. Meanwhile for every retailer positive on the outlook (eg Tesco), it is possible to find one equally as cautious (eg Marks & Spencer).

Trends in other areas are equally as inconsistent. While unemployment fell for the first time in 18 months according to the ONS in figures released on 20 January for the three months to the end of November, several high profile companies continue to make job cuts. Bosch, Lloyds, Orange and Shop Direct all announced staff reduction plans in January, equivalent to the loss of c 3,500 jobs, cancelling out half of the reversal the ONS asserted had occurred in November. 2.46m people remain unemployed in the UK, equivalent to 7.8% of the working population. Against this background and given consumer spending trends, investors should not forget that consumer confidence in December fell by five percentage points, the worst performance decline since November 2008. Although confidence rose again in January (by three percentage points), the Nationwide writes that "the dip in confidence last month was a timely reminder that consumers remain cautious about the speed at which the UK [economy] will recover."

Beyond having to contend with an uncertain outlook at home, investors have had to face not only conflicting data-points but also unexpected developments elsewhere. While it has become well understood that the BRIC economies are providing much of the fuel driving economic growth, recent comments from finance officials in China and India have given rise to fears that these economies may be overheating, implying a risk of monetary policy tightening occurring at a date earlier than previously anticipated. The US economy, at least, appears to be in improving health, with ISM production growth rising in December at its fastest rate in three years and consumer confidence improving for the third consecutive month. However robust the economy may be in the

US, the announcement from President Barack Obama on 21 January of his plans for the banking sector was more than sufficient to send to the US (and global) equity markets into tailspin.

Banking sector reform will likely take time with Obama's initial plans probably watered down, but they serve as a useful reminder. That is to say, reform would not be needed (and equities would not have rallied >50% from their March trough) had the world not emerged from the worst financial crisis witnessed since the Great Depression. Against this background, it is more than defensible for investors to have made a sober re-assessment of future prospects. At the least, economic uncertainties and proposed banking reform have provided investors with an opportunity to take profits; on a more balanced view, risk aversion levels should now rise. Indicative of this, it is worth noting that the VIX volatility indicator is up 19.1% in the last month.

Growing risk aversion is also evident among corporates. While Kraft was able finally to win the endorsement of Cadbury's board in its protracted take-over, this deal has not been a panacea for the market. Several transactions and IPOs have been mooted (eg the sale of Pearson's Interactive Data Corporation asset; IPOs of Promethean and Telecity), but these may be put on hold – even temporarily – post Obama's banking reform plans and January's market correction.

The upcoming reporting season (for UK-listed companies with December year-ends) will also be an interesting indicator for sentiment and a potentially helpful pointer for equity market direction. The US Q4 reporting season showed a mixed picture (tech noticeably better, financials generally worse) and it seems likely that similar trends could play out in the UK and the rest of Europe.

Sector performance

Only one UK sector is up in absolute terms year-to-date, a reversal of the situation from the previous 12 months, where all sectors bar one have gained. Technology has been the stand-out performer, gaining 4.6% since 1 January (and 70% in the last 12 months). The sector has been helped by a strong recent reporting season from the US, where results from Apple, Google, IBM and Intel have all impressed.

By contrast, at the other end of the spectrum, the basic resources sector lost 8.9% in January, making it the worst performer. Some of this performance may be down to profit taking, since the sector has gained 84% in the last 12 months, but rising risk aversion levels and concerns over a potentially more risky outlook for global GDP growth may also have been contributory factors.

Exhibit 2: Relative performance of FTSE All-Share Index sectors

Note: * 3 March 2009.

	Top three				
	YTD	Last quarter	Last six months	Last year	Since trough*
Best	Technology	Technology	Technology	Basic materials	Basic materials
	Industrials	Basic Materials	Basic Materials	Technology	Financials
	Utilities	Utilities	Industrials	Financials	Technology
	Bottom three				
	YTD	Last quarter	Last six months	Last year	Since trough*
	Financials	Telecoms	Oil & Gas	Healthcare	Oil & gas
	Oil & Gas	Oil & Gas	Financials	Telecoms	Telecoms
Worst	Basic Materials	Financials	Healthcare	Utilities	Utilities

Source: Datastream, Edison Investment Research

Recent market volatility has played to the strengths of more defensively positioned sectors, with the utility sector losing only 0.7% in January, making it the third best performer over the month. On a three-month view, utilities have now outperformed the broader UK market by eight percentage points, and the sector is the only one in the UK to remain down on an absolute basis (admittedly by just 1.0%), suggesting scope for further gains. Healthcare and telecoms have lagged not just the utility sector, but also the market, underperforming on both a one- and three-month view. Although still somewhat unfashionable, we believe a compelling case can be made for these sectors on both a defensive and valuation basis.

Moving from sectors to indices, it is also important to note that smaller companies continue to outperform their larger peers in the UK. As Exhibit 3 shows, the FTSE 250 has outperformed the FTSE-100 index over all of the time periods we have analysed. Moreover, the Small Cap index in the UK has similarly delivered consistent outperformance relative to the All-Share (with the exception of the three-month time span analysed). These trends support our oft-stated assertion that stock-picking (as opposed simply to sector strategy) is becoming increasingly important.

Exhibit 3: Relative performance of major UK indices (in percentage points)

	YTD	Last quarter	Last six months	Last year	Since trough
FTSE 100	(4.8)	1.3	13.6	19.8	45.3
FTSE 250	0.0	4.1	19.2	43.4	59.7
FTSE Small Cap	1.4	(0.6)	19.3	53.4	71.9
FTSE All-Share	(4.1)	1.6	14.4	22.8	47.4
Relative UK performance					
FTSE 100 vs FTSE 250	(4.8)	(2.8)	(5.6)	(23.6)	(14.4)
FTSE 250 vs FTSE All-Share	4.1	2.5	4.8	20.6	12.3
FTSE Small Cap vs FTSE All-Share	5.5	(2.2)	4.9	30.6	24.5

Source: Datastream, Edison Investment Research

European footnote

Europe's markets have endured a noticeably worse performance than the UK year-to-date, with the Euro Stoxx losing 6.2% and Spain falling almost 10.0%. Similar to the UK, macro data points have painted an inconsistent picture. In Germany, for example, business confidence reached its highest level in 18 months according to IFO, but figures released on the same day by GfK showed that consumer confidence had reached a three-month low on concerns over rising unemployment.

Exhibit 4: Performance over 2009 of major European indices (in percentage points)

	YTD	Last quarter	Last six months	Last year	Since trough
DJ EURO STOXX	(6.2)	0.0	9.0	21.2	52.7
DJ EURO STOXX 50	(8.2)	(1.5)	6.4	17.8	51.2
France CAC40	(6.6)	0.7	10.7	19.9	46.4
Germany DAX30	(7.7)	0.8	7.1	22.6	50.1
Spain IBEX35	(9.9)	(5.3)	1.6	24.5	58.9
Italy MIBTEL30	(7.3)	(3.2)	8.0	17.8	71.2
FTSE 100	(4.8)	1.3	13.6	19.8	45.3
FTSE All-Share	(4.1)	1.6	14.4	22.8	47.4
UK relative to Europe					
FTSE 100 vs EURO SROXX 50	3.4	2.8	7.2	2.0	(5.9)
FTSE All-Share vs EURO STOXX	2.1	1.6	5.4	1.6	(5.3)

Source: Datastream, Edison Investment Research

The eurozone's economic outlook has been further compounded by concerns over sovereign debt default. While Greece has been in the epicentre, risks prevail across the whole of the EU, and Italy, Portugal and Spain have been mooted as other countries at potential default risk. This has had a clear impact on the stock markets and also on Europe's currency, with the euro reaching a six-month low versus the US dollar and a five-month low versus sterling (although the UK is clearly not without its own debt issues).

Our strategy: Asset allocation intact, key themes for 2010

Investors have unfortunately had to get used to being caught off-guard by unexpected developments in the last two years. January has suggested that this pattern of unforeseen developments continues to prevail. Much of the optimism that characterised sentiment towards the end of last year seems to have dissipated and risk appetite has noticeably faded. At the least, near-term visibility has receded, the recent US reporting season has provided limited clues as to the direction of corporate earnings, and we expect the upcoming UK/ European reporting season to send similarly conflicting signals.

A case for equities can be constructed premised on valuation (equities are trading on just 1.5x book value, a level last seen after the bubble had burst at the end of the dotcom era), and operating leverage (rising revenues on low cost bases), while further M&A activity would boost sentiment. However, the sceptics have on their side concerns over sovereign debt and rising CDS spreads combined with a spike in volatility, mixed signals from emerging market risks and low political/regulatory visibility.

Against this background, we make three key assertions that have constituted our stance on equities for some time, namely:

- We advocate moving towards a more defensive portfolio bias.
- We are more confident on global growth prospects than UK growth prospects.
- We believe that bottom-up analysis and stock-picking will move increasingly to the fore in 2010.

Exhibit 5 below illustrates our preferred sector allocation, which we caution is strictly illustrative since it relates just to hypothetical positioning across UK equities whereas, in reality, investors will likely take into consideration a much broader range of factors. Based on the commentary above, we have made several small revisions to our preferred sector allocation. We provide additional explanation and justification below:

- Our core underweight sectors are financials and consumer.
- Our preferred overweight sectors are primarily defensive, based on yield and value (utilities, telecoms, healthcare).
- We have become somewhat more positive on utilities (moving from #4 to #1 in our rankings).
- We have become slightly more cautious on basic materials (dropping from #1 to #2 in the ranking).

Exhibit 5: Towards a sector weighting

Note: * Edison View; ** All Share benchmark weight.

Position	Weight*	Sector	Weight**	P/E	Yield	YTD	Last quarter	Last six months	Last year	Since trough
Best	OW	Utilities	3.6%	21.3	5.5%	(0.7%)	9.6%	11.9%	(1.0%)	14.8%
	OW	Basic materials	11.2%	10.9	0.8%	(8.9%)	10.4%	27.0%	84.3%	104.3%
	OW	Telecoms	5.7%	9.9	5.4%	(4.9%)	(3.6%)	13.0%	1.8%	22.5%
	OW	Healthcare	8.0%	10.8	4.4%	(4.0%)	2.0%	6.9%	1.9%	27.7%
	N	Industrials	7.0%	13.8	2.9%	(0.4%)	4.9%	22.0%	26.6%	27.7%
	N	Technology	1.6%	20.3	1.2%	4.6%	10.6%	28.8%	69.9%	75.9%
	N	Oil & gas	18.2%	17.1	4.6%	(5.4%)	(3.4%)	11.4%	11.4%	24.8%
	UW	Consumer services	9.9%	14.5	2.9%	(1.4%)	4.9%	15.6%	25.2%	42.1%
	UW	Consumer goods	12.2%	18.4	3.2%	(1.3%)	6.3%	18.6%	18.6%	39.2%
Worst	UW	Financials	22.6%	27.5	3.1%	(5.4%)	(3.6%)	9.5%	33.1%	92.4%
Average	(ex-weight, equal to sum)		100.0%	15.4	3.4%	(4.4%)	1.2%	14.4%	22.8%	47.7%

Source: Datastream, Edison Investment Research

Underweight financials

We have had structural and valuation concerns over the UK financial sector for some time. While it is fair to highlight that risk premiums have begun to reduce as credit has normalised, risks clearly remain. Some of these have been brought to the fore by the Obama banking sector review plans. These will likely take time to be implemented and may well be watered down, but it is a clear reminder that the sector remains an obvious (and perhaps justified) political target. How proposed reforms are interpreted and subsequently implemented in the UK remains unclear, but the country's likely next chancellor, George Osborne of the Conservative Party, has given his endorsement to US reform.

At the least, reform has the ability to impact sentiment and increase uncertainty. More fundamentally, UK-listed banks will have to deal with the challenges imposed by new Basel requirements, increased funding costs, the risk of rising non-performing loans and a generally muted new business environment. The Bank of England also notes that "many banks still have high levels of leverage and unbalanced funding structures" (Financial Stability Report, 18 December). On its own estimates, British banks will need to refinance over £1,000bn in wholesale funding in 2010, which could result in potential volatility in both the debt and equity markets. If, as is possible, quantitative easing is not continued by the Bank (its next review comes in early February) then this could introduce a further uncertainty, resulting in continued sector underperformance.

Underweight consumer goods and services

As January's stock market performance shows, upbeat post-Christmas trading statements are a necessary, but not sufficient, indicator of the sector's robustness. Home Retail, Next and Marks & Spencer among others reported strong December trading only to suggest that 2010 would be a much more difficult year and correspondingly saw their share prices weaken. Historic trading will likely have been helped by lower VAT as well as the valid point made by Verdict (a retail consultancy) that retailers 'won' £1.4bn of custom over 2009 simply from the collapse of Woolworth, Zavvi and other failed retailers.

2010 will likely be considerably harder for UK retailers. Not only will these retailers not be able to take up the slack made available from failed casualties, but they will have to contend with higher VAT and a more sluggish UK consumer. Two weeks of snow (and therefore less shopping activity) at the start of the year will also likely have compounded matters near-term. Moreover, according to a recent survey from the CBI (released on 27 January), UK high street sales in January fell at their sharpest annual rate for five months.

How much of this more risky scenario relating to the UK consumer is discounted in current valuations is not clear, but we struggle to see a strong case for outperformance until management teams can sound a noticeable voice of confidence on visibility and the outlook. At 14.5x current P/E for the consumer services sector and 18.4x for the consumer goods sector, and with both groups offering sub-market dividend yields, we also do not believe that there is a strong value case to be made at present.

Looking ahead, while some consumer sub-sectors such as pubs & restaurants, sportswear retailers, bookmakers and advertising agencies may benefit from a football World Cup-related affect in 2010, we do not expect this to be a panacea for the broader industry.

Overweight defensive sectors: utility, healthcare and telecoms

Over January we met with more than 30 institutional investors managing both traditional and alternative funds. The prevailing sense was that if investors were not beginning to position themselves short (UK) equities, then they were clearly moving towards adopting a more defensive sectoral bias. As mentioned above, some of this has been borne out in terms of recent relative outperformance in the UK utility sector, although healthcare and telecoms continue to lag.

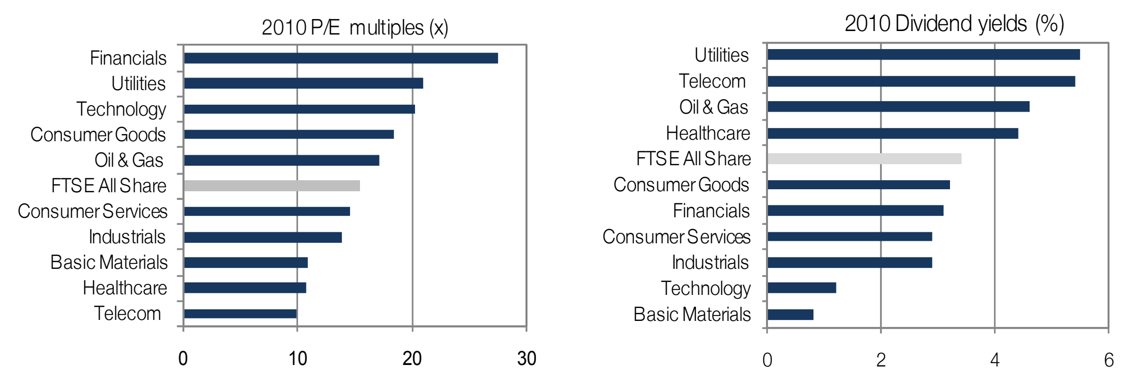
The appeals of such sectors are broadly understood: namely, yield and value, combined with relatively low economic risk. Current dividend yields are 5.5%, 5.4% and 4.4% for the utility, telecoms and healthcare sectors respectively, with the telco and healthcare sectors also both trading on current P/Es of less than 12x. It is also worth noting the yields described above are higher than that of the 10-year UK bond (3.9%) and political/currency concerns could suggest that defensively positioned equities constitute bond-like proxies with lower risk. Moreover, it is also fair to contend that the regulatory environment for telecoms (in particular) and utilities is becoming more benign.

Overweight basic materials

This perhaps constitutes our most 'controversial' sector stance, especially given the notable underperformance of the basic materials sector in January (down 8.9%). Bears also highlight the risk of the BRIC economies over-heating and potentially tighter policy stifling growth. Nonetheless, we believe a strong case can be made for the sector, above and beyond valuation (basic materials trade on 10.9x current P/E) and scope for M&A (Lonmin especially is often cited as a possible target).

Our contention remains simply that as the (emerging) world industrialises, demand for basic resources will endure and consensus is potentially being too cautious in estimating growth prospects. As a reminder, the Chinese economy grew by 10.7% in Q4 (and 8.7% in 2009), and is soon set to overtake Japan as the world's second largest economy. Comparisons between the Japanese economy of the 1980s and China today are both facile and misplaced in our view, with significant potential for China still to build out its infrastructure, especially in more rural areas. Over 200 cities in China have more than 1m inhabitants, but fewer than 40% of these have airports or roads that extend more than 20 miles beyond the urban boundary. GDP estimates for 2010 assume that the Chinese economy will grow by 8.6% with India close behind (6.3%). While current forecasts are not so attractive for Brazil and Russia, both these continue comfortably to outpace their Western peers.

Exhibit 6: 2010 P/E multiples and dividend yields for UK sectors



Source: Datastream, Edison Investment Research

Footnote: Political change and the equity outlook

The UK must elect a new government by 3 June at the latest. Its decision and whether a new administration is installed (as voting intentions currently suggest – the Conservatives lead by 13 points) or Labour retains power will have ramifications both for economic policy and the stock market. At the least, uncertainly on future direction could well be negative for UK equities. We highlight two issues in particular.

First, the UK GDP figure of 0.1% growth for Q4 provides no obvious direction for forming a policy stance, especially given that growth may reverse in Q1. The first estimate for Q1 GDP is released on 23 April, just weeks before the election. For Labour, its forecast of 1.0-1.5% GDP growth in 2010 may look increasingly misjudged, while for the Conservatives, if growth continues to disappoint, then it will likely be harder to enforce rapid spending cuts without running the risk of bringing about a ‘double-dip’ recession.

Second, there is a high likelihood in our view of a hung parliament. In order for the Conservative party to win an absolute majority, a bigger electoral voting swing than when Labour came to power in 1997 would be required. If this scenario does not come to pass and the UK has a hung parliament for the first time since the 1970s, then policy delay and possible stasis would seem likely. One result this could bring about would be a weakening of sterling. Such an outcome would be a potential positive in our view for stocks deriving a large portion of their earnings from outside the UK. This plays to our overweight basic resources thesis and would also favour defensive stocks with international exposure (such as Vodafone).

Conclusions

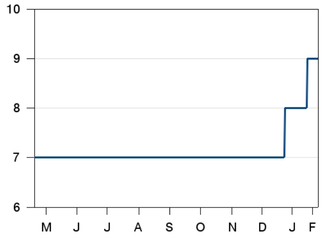
The tumultuous events of January reinforce conviction in our thesis on equities: namely there is a strong case to be made for adopting increasingly defensive portfolio strategies. Risk aversion is replacing risk appetite and the list of potential uncertainties about the outlook – namely global GDP trends, banking sector regulation and reform, earnings momentum and visibility and the health of the consumer – continues to rise. Against this background, we reiterate our view on sector allocation: overweight utilities and telecoms (based on their defensive characteristics), and also basic materials (we remain mostly confident about global demand trends and the sector appears cheap); underweight financials and consumer names (risks rising in both sectors).

3D Diagnostic Imaging (X3D.P) Market cap: £10m

Sector: Pharma & Healthcare

Price: 9.00p

Share price graph (p)



Company description

3D Diagnostic Imaging is a holding company whose wholly-owned subsidiary, CarieScan, has acquired certain rights for the use of ACIST (Alternating Current Impedance Spectroscopy Technique) to identify the characteristics and measure the integrity of an object or system.

Price performance

%	1m	3m	12m
Actual	0.0	28.6	N/A
Relative*	2.4	14.1	N/A

* % Relative to local index

Analyst

Robin Davison

COMPANY COMMENT

Start-up company 3D Diagnostic Imaging wholly owns subsidiary CarieScan, which acquired rights to AC Impedance Spectroscopy Technology from former AIM quoted Idmos. The CarieScan PRO is a hand-held scanner that uses this technology, providing reportedly more effective and reliable detection of early dental decay than existing methods. 3D was granted 510(k) clearance for the device and now needs to lock in US distribution agreements. The business model depends on placement of the scanner, with potential repeat turnover from sales of single-use disposable sensor element.

INDUSTRY COMMENT

The main UK market for the scanner is among private dental practices, where it is expected to offer efficiencies as a preventive device. The US has the largest single potential market. The advantages of the product are seen to be its ease of use, effectiveness, and safety in comparison with existing methods. The extent of IP rights on ACIST is unknown risk factor.

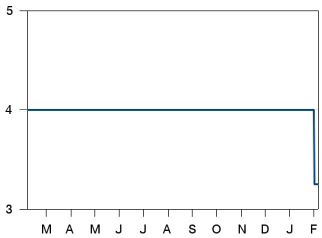
Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	N/A	N/A	N/A	N/A	N/A
2009A	5.87	(1.12)	(1.12)	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Ace Liberty and Stone (ALSP) Market cap: £6m

Sector: Property

Price: 3.25p

Share price graph (p)



Company description

Ace Liberty & Stone was established to build a commercial and residential property investment portfolio that will take advantage of opportunities in property trading and development.

Price performance

%	1m	3m	12m
Actual	(18.8)	(18.8)	(18.8)
Relative*	(16.8)	(27.9)	(37.3)

* % Relative to local index

Analyst

Roger Leboff

COMPANY COMMENT

Recent sales have left AL&S finances in shape for acquisitions. However, economic conditions have not so far resulted in the buyer's market that many anticipated at the beginning of 2009, and which would suit a property trader. The interim statement expressed frustration that energy devoted to researching potential purchases has yielded nothing tangible so far. The intention is to continue to seek good properties with sound covenants to underpin long-term growth. Turnover for the six months to October 2009 was £60,549; pre-tax loss £49,996.

INDUSTRY COMMENT

The UK's commercial and residential property markets ended 2009 positively. The former is driven by strong interest from investors for prime located and well-let properties. The latter has been underpinned as low interest rates took some of the pressure off mortgage borrowers. The outlook for the residential market remains uncertain. As the economy stumbles out of recession, rising unemployment, public sector budget cuts and rising mortgage rates may well see price adjustments that are better suited to AL&S's strategy.

Y/E Apr	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.08	(0.06)	(0.83)	(0.04)	N/A
2009A	0.43	(0.29)	(0.32)	(0.02)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Travel & Leisure

Price: 12100.00p

Adnams (ADBO) Market cap: £34m

COMPANY COMMENT

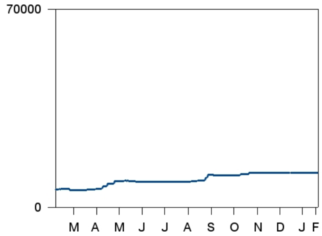
The latest trading update (August) suggests, albeit now at some remove, Adnams is recovering well from a difficult 2008, when profit (excluding property sales) fell by two-thirds as the downturn coincided with gearing up for expansion. Strength in off-trade, growth in cask beer and good early returns from three key pub purchases contributed to almost 10% higher turnover in H109 and associated margin restoration. The company looks to have enough headroom (interest cover of 7x in H109) to expand further at the right price.

INDUSTRY COMMENT

Although Q409 showed the lowest fall (3.6%) in UK beer sales (pubs and supermarkets) for two years, it is "too early to say if this fragile recovery will become a trend" (British Beer and Pub Association). Sales for 2009 as a whole were down by 4.2% (5.5% in 2008). Intriguingly, while sales in pubs, bars and restaurants stemmed their decline, off-trade sales recorded their biggest fall in 30 years.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	47.37	4.21	7.46	360.80	33.54
2008A	47.07	1.52	1.33	56.20	215.30
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Share price graph (p)



Company description

Adnams is a regional brewer, pub owner, hotelier and wine merchant, based in Southwold on the Suffolk coast.

Price performance

%	1m	3m	12m
Actual	0.0	(0.8)	93.6
Relative*	2.4	19.3	49.5

* % Relative to local index

Analyst

Richard Finch

Sector: Construction & Blding Mat.

Price: 24.00p

AH Medical Properties (AHMP) Market cap: £16m

COMPANY COMMENT

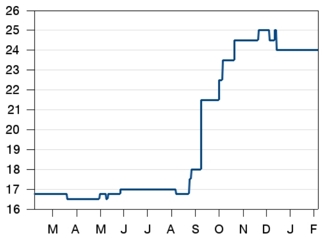
A strong first half to end-October 2009 reflected the resilience of the primary care property model. Rental revenue grew 13% to £3.24m (2008: £2.86m), and revenue surplus 32% to £0.5m. The interim dividend was up 50% to 0.75p/share. This, plus an improvement in investment yields over the half (from 6.38% to 6.06%), pushed up adjusted NAV/share to 37.5p (30 April 2009: 28.6p). After the period-end, AHMP acquired four properties for £11.8m.

INDUSTRY COMMENT

The outlook for UK commercial property is far more positive than it was 12 months ago, but AHMP's niche was operationally untouched by the factors behind the sector's overall volatility. Primary care property is characterised by strong covenants, rental growth, high occupancy rates and continuing demand for new purpose built product from occupiers. Full conversion of an £86m pipeline of current development opportunities would grow the investment portfolio c £200m.

Y/E Apr	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	5.15	(4.12)	(8.26)	(1.90)	N/A
2009A	6.04	2.06	(1.39)	(12.80)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Share price graph (p)



Company description

AH Medical Properties is a property investment company whose principal activity is the purchase, development and management of property primarily allied to the provision of medical facilities delivering NHS-led primary care.

Price performance

%	1m	3m	12m
Actual	0.0	(2.0)	43.3
Relative*	2.4	25.3	10.6

* % Relative to local index

Analyst

Roger Leboff

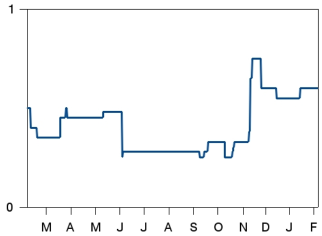
Edison investment research

PLUS

Sector: Mining

Price: 0.60p

Share price graph (p)



Company description

All Star Minerals plc is a uranium exploration company focused on Sweden where it owns 100% of the mineral exploration licences over three projects: Gilpas, Samon and Kuusivaara. The licences cover a total of 111km2 and are valid until between August 2010 and February 2011.

Price performance

%	1m	3m	12m
Actual	9.1	84.6	20.0
Relative*	11.7	93.6	(7.4)

* % Relative to local index

Analyst

Warren Johnstone

All Star Minerals (ASMO) Market cap: £1m

COMPANY COMMENT

The second phase of radon survey results released in November last year confirms the potential of a new uranium discovery at All Star Minerals' Gilpas project in northern Sweden. In Q110, the company plans to drill Zone 1, the most prospective part of an anomalously radioactive area of c 157,500m2 identified last year. Based on a comparison of the company's listed peers, we calculate a sector multiple of US$9.4 per pound of in-situ U3O8 resource. Compared to All Star's enterprise value of £760,000, the market appears to be pricing in a resource of 129,362lbs. This equates to a mineralisation thickness for Zone 1 of just 3.7m compared to two nearby deposits, which have thicknesses of between 7m and 30m.

INDUSTRY COMMENT

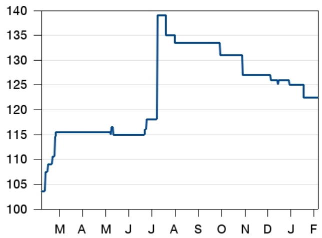
Our valuation of All Star is dependent on the success of the Gilpas drilling planned for Q110. As such, an investment in All Star has a relatively high risk/reward ratio. Meanwhile, the company is currently awaiting approval for the 600m drilling programme while it secures the services of a drill rig.

Y/E Nov	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.00	(0.17)	(0.15)	(0.20)	N/A
2008A	0.00	(0.36)	(0.36)	(0.60)	N/A
2009E	0.00	(0.10)	(0.10)	(0.10)	N/A
2010E	0.00	(0.30)	(0.30)	(0.20)	N/A

Sector: Technology

Price: 122.50p

Share price graph (p)



Company description

ANS Group is a technology infrastructure specialist in the provision of hardware, software and 24/7 managed services to enterprise businesses.

Price performance

%	1m	3m	12m
Actual	(2.0)	(3.5)	18.9
Relative*	0.4	(18.6)	(8.2)

* % Relative to local index

Analyst

Roger Leboff

ANS Group (ANS) Market cap: £15m

COMPANY COMMENT

Interims to end-September 2009 saw 7% turnover growth to £5.5m, operating profit in line y-o-y. That was resilient to the market, with early benefits from recent investments. The order intake during the period was slightly ahead of last year and recurring revenues grew. The tougher market has squeezed gross margins - down 1.5% to 31.9% due mainly to hardware product margins coming under competitive pressure - but gross profit was still up 2% in absolute terms, of which 50% is recurring and average contract terms increased.

INDUSTRY COMMENT

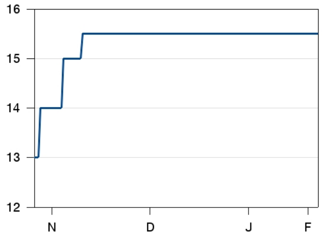
ANS sees the market approaching the end of a long downturn and looks well placed to capitalise, thanks to maintained levels of investment in staff and infrastructure. This is already delivering results, notably higher recurring managed services revenues. It defines its key focus area as the "next generation data centre", where its competitive advantages were recently underpinned by invitation onto Cisco's UCS Advanced Technology Program.

Y/E Mar	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	10.29	1.06	1.39	10.50	11.67
2009A	12.36	1.19	1.41	9.16	13.37
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Technology

Price: 15.50p

Share price graph (p)



Company description

Arrowpoint Technologies is a holding company which, through its subsidiary companies based in the USA and India, offers information technology products, services and solutions to the retirement and financial services industry, primarily in the USA.

Price performance

%	1m	3m	12m
Actual	0.0	10.7	N/A
Relative*	2.4	N/A	N/A

* % Relative to local index

Analyst

Roger Leboff

Arrowpoint (ARWP) Market cap: £31m

COMPANY COMMENT

December's interims saw revenues grow by 8% y-o-y in H1 to $8.23m, EBITDA over 10% to $0.9m. Revenue growth reflects both repeat business and three new customers in the period. Lynchval secured a $1.7m re-compete contract with the Pension Benefit Guaranty Corporation (PBGC) and other project extensions. Margins benefited from the success of the group's offshore development centre (ODC) in India. This has enabled it to leverage steady growth in demand for its automated pensions administration products and services. It expects to derive further returns from recent investment in ODC infrastructure.

INDUSTRY COMMENT

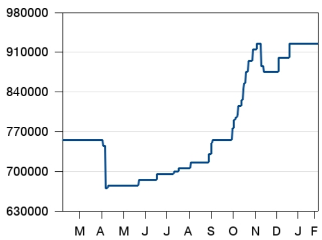
Arrowpoint's products target the US retirement industry where it has an established market position and steady private and public sector client base. A confident interim statement confirmed that H2 revenues were significantly ahead y-o-y, with gross and operating profit improving. Arrowpoint should benefit from investment in product development, which includes a new asset liability management (ALM) product under development since 2007.

Y/E Mar	Revenue (US$m)	Op. Profit (US$m)	PBT (US$m)	EPS (c)	P/E (x)
2008A	9.03	0.44	0.15	N/A	N/A
2009A	15.16	0.53	0.18	(0.31)	N/A
2010E	18.00	0.70	0.00	(0.04)	N/A
2011E	23.10	2.20	1.40	0.55	45.51

Sector: Travel & Leisure

Price: 925000.20p

Share price graph (p)



Company description

Arsenal Holdings is the holding company of the Arsenal Group of companies. The group operates a professional football club, Arsenal Football Club, and carries out the property development activity associated with its Emirates Stadium project.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	22.5
Relative*	2.4	14.8	(5.4)

* % Relative to local index

Analyst

Anil Sharma

Arsenal Holdings (AFCO) Market cap: £537m

COMPANY COMMENT

Arsenal's investment case hinges on a prospective takeover. The potential bidders are the two largest shareholders, Stan Kroenke (30.08%) and Alisher Usmanov (26.17%). Metalloinvest, half owned by Usmanov, has revived plans for an IPO, which could value the group at $20bn (£12.3bn) and could raise the funds required for Usmanov's Red and White Holdings to pursue a more aggressive takeover of Arsenal Football club. The 3rd and 4th largest shareholders are Danny Fiszman (16.17%), and Nina Bracewell Smith (15.96%). Fiszman has made public his allegiance with Kroenke. Bracewell Smith resigned from the board in controversial circumstances in 2008, triggering an end to a five-year lockdown agreement among main shareholders under which they agreed not to sell to outsiders.

INDUSTRY COMMENT

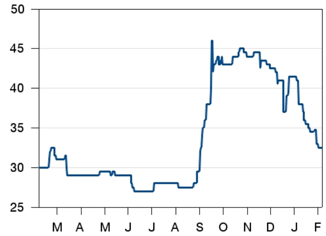
Acquisitions of Premiership football clubs has been a regular occurrence over the last few years. The majority have struggled to turn around operations into sustainable profitable businesses.

Y/E May	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	225.00	26.73	36.67	N/A	N/A
2009A	315.89	23.18	45.51	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 32.50p

Share price graph (p)



Ascot Mining (ASMP) Market cap: £11m

COMPANY COMMENT

Ascot Mining went from developer to producer in December last year when it poured first gold from its flagship Chassoul Mine (100%) in Costa Rica. It is embarking on an aggressive programme of expansion to increase annual production rates to over 20,000oz. Only one of the mine's nine known veins has been explored, so there is obvious potential upside to current output levels. In addition to its mine at Chassoul, it is developing mine plans for its Tres Hermanos (100%) and El Recio (100%) projects, and a 10-year ore supply agreement with the concession owners and miners of the nearby Boston deposit.

INDUSTRY COMMENT

Despite rallying for much of last year, gold has retraced some of these gains on the back of recent US dollar strength. Nevertheless, the outlook for gold remains positive as inflation concerns start emerging.

Y/E Sep	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.00	(0.01)	(0.01)	(10.00)	N/A
2008A	0.10	(0.90)	(0.90)	(4.50)	N/A
2009E	0.00	N/A	(0.02)	(0.05)	N/A
2010E	0.11	N/A	0.07	0.21	154.76

Company description

Ascot Mining plc is a junior mining company with 100% of a small operational gold mine in Costa Rica. Having completed the first pour, the company is focused on increasing annual production rates to over 20,000 oz. In addition, the company has two other development stage projects and an ore supply agreement.

Price performance

%	1m	3m	12m
Actual	(21.7)	(26.1)	8.3
Relative*	(19.8)	3.0	(16.4)

* % Relative to local index

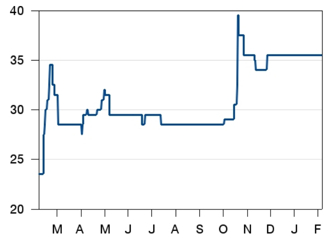
Analyst

Michael Starke

Sector: Engineering

Price: 35.50p

Share price graph (p)



Avation (AVAP) Market cap: £9m

COMPANY COMMENT

Avation looks to have done well with its latest proposed A320 purchase by securing attractive terms (including free vendor finance), and broadening its fleet (currently mainly Fokker 100). Management recently warned that funding might become more expensive (until now c 6% pa) in the current climate. A trebling of revenue, a substantial development of the asset base, and strong cash flows in a demanding year to June 2009 suggest the establishment of a sustainable business.

INDUSTRY COMMENT

IATA has recently become less positive about the financial prospects of the global airline industry as renewed pressure on yields and higher fuel prices risk eroding the benefits of expected volume recovery. 2010 should be markedly less traumatic than the preceding two years but losses could be slow to fall.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	5.03	9.39	8.15	28.75	1.23
2009A	16.28	8.76	4.99	10.40	3.41
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Company description

Avation Plc is a procurement and leasing company. It owns commercial aircraft that are leased to a major regional airline. It is also a supplier and financier of broadcasting equipment to radio and television broadcasters.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	51.1
Relative*	2.4	10.5	16.6

* % Relative to local index

Analyst

Richard Finch

Sector: Media & Entertainment

Price: 10.50p

Chemistry Comms (CHCP) Market cap: £4m

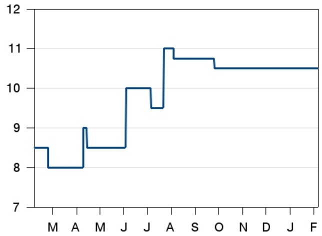
COMPANY COMMENT

The latest published figures are for the six months ending May 2009, before the most difficult market conditions took hold. They showed very healthy growth continuing through from H2 of the prior year and the outlook statement indicated a good pipeline of second-half business. Expenses and overheads had, however, been increased and gearing stood at 46% at the period end. Last year, full-year results were published in April. The group's clients include TfL, Emirates and SCA, with particular strengths in digital and direct response.

INDUSTRY COMMENT

Although Q409 saw marketing budgets fall by 7.3%, the ninth consecutive quarter of reductions, the results were considerably better than the previous quarter's -18%, according to the latest Bellwether. It looks as if budgets for 2010 will have been set above the level of 2009, with direct marketing, internet and internet search the areas in which there is the most optimism.

Share price graph (p)



Company description

Chemistry Communications is a marketing communications group that specialises in Customer Relationship Management (CRM).

Price performance

%	1m	3m	12m
Actual	0.0	0.0	23.5
Relative*	2.4	(15.3)	(4.6)

* % Relative to local index

Analyst

Fiona Orford-Williams

Y/E Nov	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	13.60	(0.77)	(1.03)	(3.10)	N/A
2008A	13.40	0.92	0.56	0.98	10.71
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Support Services

Price: 40.00p

China CDM Ex Centre (CCEP) Market cap: £47m

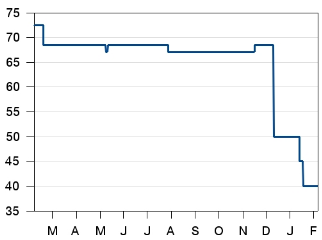
COMPANY COMMENT

After an overtly confident statement last spring, the company is now strikingly muted. Success in 2008 (revenue up by over a half, profit by a quarter) suggested to management that its business was unaffected by the economic crisis because of its specialisation and its robust model, developing relationships worldwide, notably with electricity companies in China and Japan, and broadening its services. However, H109 saw profit down by a quarter in the face of lower industrial activity and the share price has fallen sharply in recent weeks. The company had no bank debt at end 2008.

INDUSTRY COMMENT

China is expected to overtake the US in greenhouse gases emissions by 2025 and become the major player in the global carbon market. It is already the largest seller of CDMs. Economic recovery should lead to a pick-up in international carbon trading prices, thereby encouraging new CDM projects.

Share price graph (p)



Company description

China CDM is a Jersey incorporated company providing brokerage, advisory and research services relating to the reduction of greenhouse gases in Asia.

Price performance

%	1m	3m	12m
Actual	(20.0)	(40.3)	(44.8)
Relative*	(18.1)	(47.0)	(57.4)

* % Relative to local index

Analyst

Richard Finch

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	6.15	4.85	4.60	N/A	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Edison investment research

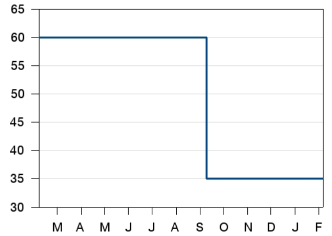
PLUS

Creative Financial Tech (CFTP) Market cap: £4m

Sector: Financials

Price: 35.00p

Share price graph (p)



Company description

Creative Financial Technologies seeks to establish high growth businesses in financial services and technologies sectors.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(41.7)
Relative*	2.4	(48.2)	(55.0)

* % Relative to local index

Analyst

Maana Ruia

COMPANY COMMENT

Unforeseen regulatory challenges in the Nigerian market and the global credit crunch last year mean the company has postponed its Experian-based Credit Bureau solution. Instead it will focus on providing a range of financial services, including trade and project finance and e-payments to the African market. New opportunities will require additional resources.

INDUSTRY COMMENT

Bank credit to the private sector in the region dried up after the global crisis, but is expected to regain momentum in 2010. The pick-up of oil and commodity prices should underpin African GDP growth in 2010 of 4% (source IMF). Government reform reducing start-up costs for new enterprises should increase demand for trade finance too.

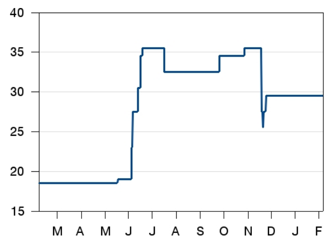
Y/E Apr	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	N/A	N/A	N/A	N/A	N/A
2009A	0.00	(0.28)	(0.28)	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

DHAIS (DHAP) Market cap: £17m

Sector: Media & Entertainment

Price: 29.50p

Share price graph (p)



Company description

DHAIS is a public limited company trading as both a retailer of hearing and mobility products and also as a freelance marketing company.

Price performance

%	1m	3m	12m
Actual	0.0	(16.9)	59.5
Relative*	2.4	(19.5)	23.1

* % Relative to local index

Analyst

Fiona Orford-Williams

COMPANY COMMENT

The group has been expanding its interests beyond its original sphere of lead generation for hearing aids into the broader mobility market, with revenues now split around equally. Several acquisitions, some from administrators, have brought into the group a net 13 retail outlets selling a broad range of mobility products. A hearing testing concession being run in Matalan branches was not economic and has been exited. Cash flow and funding have been challenging issues.

INDUSTRY COMMENT

The Office of Disability Issues estimates that there are 11 million disabled people in the UK, of whom 800,000 are children. Key Note sized the market for products to assist them at £1.6bn in 2008, up from £1.43bn in 2004. The existing market is highly fragmented, often differentiated by the nature of the need. The NHS is the largest supplier, but there are a large number of specialist retail outlets, with no nationally dominant chain.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	2.45	0.57	0.50	5.20	5.67
2009A	4.80	(0.49)	(0.44)	(0.80)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

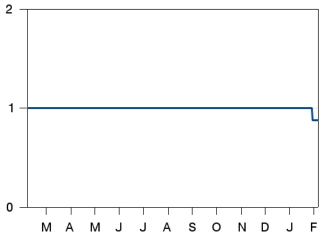
dotDigitalGroup (DOTP)

Market cap: £11m

Sector: Media & Entertainment

Price: 0.88p

Share price graph (p)



Company description

London-based dotDigitalGroup is a full-service digital marketing agency founded in 1999.

Price performance

%	1m	3m	12m
Actual	(12.5)	(12.5)	(12.5)
Relative*	(10.4)	(22.4)	(32.5)

* % Relative to local index

Analyst

Fiona Orford-Williams

COMPANY COMMENT

From its origins in email marketing, with the well-recognised brand of dotMailer, the group has broadened out into a full service digital agency. Its consultancy, eCommerce and SEO offerings are all now contributing toward the revenue line. The pre-close trading update indicated revenues up over 40% like-for-like over the six months to end December, a period when many other agencies have been suffering difficult trading. Overheads have been increased to build the business for the longer term, with the full benefits of the investment likely to lag.

INDUSTRY COMMENT

UK online advertising spend is forecast by eMarketer to rise by 4.7% in the current year to £3.54bn; Enders is expecting even better performance - an increase of 6.9%. Overall marketing budgets are still expected to be under pressure, however, with only direct response, internet and internet search coming out in positive territory in the latest Bellwether survey.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	2.47	0.73	0.75	0.19	4.63
2009A	4.72	1.07	1.08	0.14	6.29
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

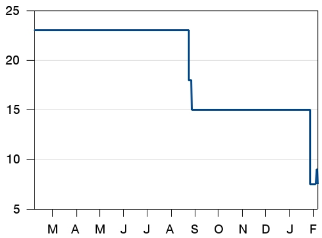
DXS International (DXSP)

Market cap: £2m

Sector: Pharma & Healthcare

Price: 7.50p

Share price graph (p)



Company description

DXS supplies up to date information to doctors, nurses, and pharmacists about medical conditions, the currently available treatments, drugs, hospital and treatment centre facilities and capabilities, as well as a comprehensive range of information that can be printed out to help educate patients.

Price performance

%	1m	3m	12m
Actual	(50.0)	(50.0)	(67.4)
Relative*	(48.8)	(71.1)	(74.8)

* % Relative to local index

Analyst

John Savin

COMPANY COMMENT

DXS International distributes repackaged, updated and well-organised online data to GPs wanting an accurate data source for use during consultations. In the UK, DXS serves 22,000 GPs (50% share), 20,000 nurses and 4,500 pharmacies (38%). Turnover was £1.1m to April 2009. The £109k loss was due to the costs of the company gaining a PLUS market quotation. Cash was £10k, with creditors of £747k vs debtors of £226k. Revenues to September 2009 ran at an annualised rate of £1.5m. Cash outflow for FY09 was £63k so might now be positive.

INDUSTRY COMMENT

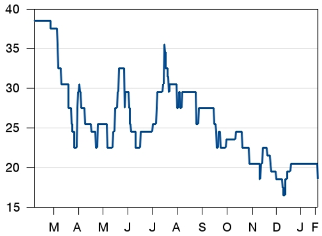
Growth depends on building relationships with PCTs, which fund the service, and EMIS, a competitor which services the other 50% of GPs. Suppliers of practice management IT and electronic patient records, like IMPS and CSE, are also crucial; EMIS is working with these suppliers to build integrated practice systems. A DXS US product is now ready to launch and partners are being sought. A South African product is in use by 3,000 doctors. Mexico has 300 pilot sites.

Y/E Apr	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.93	(0.33)	(0.33)	(2.20)	N/A
2009A	1.15	(0.11)	(0.11)	(0.50)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price: 18.50p

Share price graph (p)



Company description

Eden Research has intellectual property and expertise in encapsulation, terpenes and environmentally friendly technologies.

Price performance

%	1m	3m	12m
Actual	(9.8)	(9.8)	(52.0)
Relative*	(7.6)	(44.4)	(62.9)

* % Relative to local index

Analyst

Stephen Rogers

Eden Research (EDEO) Market cap: £8m

COMPANY COMMENT

Interim results for the six months to June showed a loss of £1m (six months 2008: £1.4m), reflecting the end of the costs associated with the registration of 3AEY. Post interims, the group announced it had secured a development option and technology agreement with Teva Animal Health, one of the world's largest pharma companies. The deal includes a milestone payment of $1.1m and a royalty payment agreement when sales start. The company is currently funded by 7.5% convertible loan notes advanced by the company's shareholders with no fixed terms of payments. At the end-December balance sheet date, loan notes totalled £2.2m. Related party transactions for the year totalled c £420k.

INDUSTRY COMMENT

According to Freedonia, the global pesticide industry is estimated to be worth around $26bn a year. Biopesticides currently represent a small proportion of the overall market, but are experiencing rapid growth in developed markets due to environmental concerns.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.36	(2.62)	(2.62)	(5.13)	N/A
2008A	0.08	(2.15)	(2.15)	(3.86)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Food & Drink

Price: 14.50p

Share price graph (p)

Company description

English Wines Group produces and markets a range of still and sparkling wines made from English grapes. While most are white wines, the proportion of red and sparkling wines has been increasing steadily.

Price performance

%	1m	3m	12m
Actual	(6.5)	(9.4)	11.5
Relative*	(4.2)	(19.6)	(13.9)

* % Relative to local index

Analyst

Fiona Orford-Williams

English Wines Group (EWG) Market cap: £6m

COMPANY COMMENT

Medicore harvests in 2007 and 2008 meant volumes being down 19% in H109. However, good demand led to increases of 8% in average selling prices. By end September, the group had planted 72 acres of 116 acquired at Kits Coty in Aylesford, Kent, to supplement the original 25 acres at Tenterden, where the winery is located. This will help reduce the volume of grapes currently bought in from around the South East. £1.1m was raised in shareholder loan on 1 July to support the investment programme in production and in marketing.

INDUSTRY COMMENT

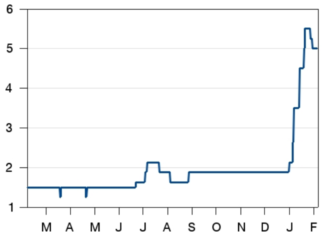
The 2009 English harvest was considerably better than those of 2007 and 2008, helped by the dry flowering season and warm early autumn. Favourable growing conditions mean the quality is good, as are the yields. There is considerably more acreage under vine and volumes are expected to exceed the three million bottles of 2006. The policy of pursuing quality above volume is leading to greater recognition of English wines in the domestic and the international trade.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	2.48	0.17	0.09	0.21	69.05
2008A	2.34	0.13	0.07	0.16	90.63
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Financials

Price: 5.00p

Share price graph (p)



Company description

Ezybonds (UK) is the official marketing company of the Ezybonds Global Payment system and is quoted on the PLUS stock exchange.

Price performance

%	1m	3m	12m
Actual	135.3	166.7	233.3
Relative*	141.0	136.6	157.3

* % Relative to local index

Analyst

Maana Ruia

Ezybonds (EZB) Market cap: £11m

COMPANY COMMENT

Ezybonds has continued with the development of the Ezybonds multi currency payment systems, though the progress has been slower than expected. Ezybonds Inc and Ezypromotions Limited have amended the terms of their Royalty Agreement with Ezybonds Inc, agreeing to pay a 50% royalty in perpetuity subject to the issue to Ezybonds Inc of 75,000,000 fully paid ordinary shares of 10p in Ezybonds (UK) plc.

INDUSTRY COMMENT

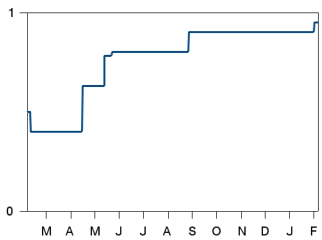
Electronic transactions are a rapid growth sector. A study by ACI showed a CAGR from 2004-2009 of 12.9% compared to global GDP growth of 3.4%, with electronic payment revenues doubling over the next 10 years. The USA and China are the largest markets.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.02	(0.20)	(0.20)	(0.19)	N/A
2009A	0.05	(0.07)	(0.07)	(0.05)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Financials

Price: 0.95p

Share price graph (p)



Company description

Frontier IP Group specialises in the commercialisation of intellectual property.

Price performance

%	1m	3m	12m
Actual	5.6	5.6	90.0
Relative*	8.1	5.4	46.7

* % Relative to local index

Analyst

Stephen Rogers

Frontier IP Group (FIPP) Market cap: £5m

COMPANY COMMENT

Frontier is 77% owned by AIM-listed Sigma Capita and was spun out from Sigma in April 2009. Frontier has launched two university IP funds, one each for Robert Gordon University (RGU) and the University of Dundee (UoD). In the second half of 2009, the RGU fund completed its first investment: B1 Medical, an orthopaedics business that has a long-term agreement to selectively commercialise IP from RGU, the University of Aberdeen and NHS Grampian. In February Rapid Quality Systems, a UoD spin-out company in which Frontier owns a stake, reported that it had launched its first product (a tool to support software design).

INDUSTRY COMMENT

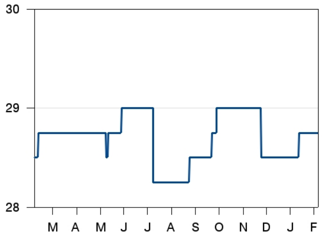
Frontier IP's partnership with RGU runs until 2031, while its partnership with UoD runs until 2016. A high percentage of the academic teaching staff at these two universities (UoD: 88% of 505 staff; RGU: 73% of 171 staff) received research quality profiles recognised as international or world-leading for originality, significance and rigour in the 2008 Research Assessment Exercise.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	N/A	N/A	N/A	N/A	N/A
2009A	0.05	(0.12)	(0.12)	(0.10)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price: 28.75p

Share price graph (p)



Company description

General Medical Clinics provides primary medical care in the City of London, specialising in general practice, health screening, occupational health, physiotherapy, and travel vaccinations.

Price performance

%	1m	3m	12m
Actual	0.9	(0.9)	0.9
Relative*	3.3	(9.7)	(22.1)

* % Relative to local index

Analyst

John Savin

General Medical Clinics (GMCP) Market cap: £5m

COMPANY COMMENT

General Medical operates four private central London GP centres with related activities such as dentistry, gynaecology, dermatology and travel clinics (vaccinations). It also operates the Liverpool Street NHS walk-in centre that saw 22,000 patients in 2009 and where contract renewal is being discussed. The most recent unit is at Baker Street with a £157k investment; this is starting to become profitable. A dividend of 0.5p was paid in October. Turnover was £6.6m with a PBT of £121k. Cash was £1.4m.

INDUSTRY COMMENT

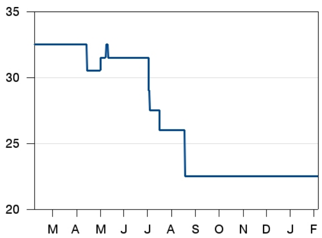
Business is focused on large cooperate contracts with legal, accounting and banking firms, which have suffered in the credit crunch. There are a growing number of individual patients. While contracts have held up as survivor firms protect staff, consultations (as lower client staff numbers) and travel-related business has dropped limiting growth. In 2010, the Baker Street operations should aid a return to growth. Renewal of the NHS contract is a risk factor.

Y/E May	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	6.54	0.20	0.30	1.30	22.12
2009A	6.60	0.05	0.12	0.30	95.83
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Financials

Price: 22.50p

Share price graph (p)



Company description

Geo Genesis Group is a Marshall Islands registered company. It operates as an investment vehicle/strategic adviser to companies based and/or operating in emerging markets, especially China, seeking to raise capital in the EU, Hong Kong and the US.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(30.8)
Relative*	2.4	(23.2)	(46.5)

* % Relative to local index

Analyst

Stephen Rogers

Geo Genesis Group (GEOP) Market cap: £15m

COMPANY COMMENT

At the end of 2009, Geo Genesis announced a strategic reorganisation that resulted in the closure of its Chinese subsidiary, Qingdao China Partners. Activities previously conducted by this subsidiary are now being channelled through its New York-based subsidiary, which also has a Beijing office. Details on any expected cost savings were not given. In its latest financial statement (six months to March 2009), the group recorded net income of $4.7m, primarily due to a non cash gain of £3.7m. Cash at balance sheet date was $22k.

INDUSTRY COMMENT

Geo Genesis focuses primarily on investment opportunities in China. According to the Centre for Forecasting Science at the Chinese Academy of Sciences, China's GDP could grow by 11% in the first quarter of the year, before slightly slowing down for the rest of 2010. Investment is expected to increase as a result of the government's economic stimulus package, but overall growth in investment for the year could fall to 25%.

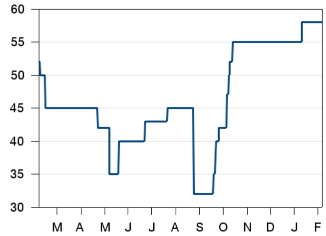
Y/E Sep	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.06	(0.08)	(0.08)	(0.30)	N/A
2008A	0.17	(2.44)	(2.42)	(3.70)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Alternative Energy

Price: 58.00p

Good Energy Group (GEGP) Market cap: £5m

Share price graph (p)



Company description

Good Energy Group is the holding company of Good Energy Limited and Good Energy Generation Limited.

Price performance

%	1m	3m	12m
Actual	5.5	5.5	11.5
Relative*	8.0	14.3	(13.9)

* % Relative to local index

Analyst

Anil Sharma

COMPANY COMMENT

In January Good Energy Group closed the £11.8m finance package for the re-powering of its wind farm at Delabole in North Cornwall. The Co-operative bank will provide £9.6m debt finance, with the £2.2m balance to be satisfied by Good Energy. Construction is expected to be completed by Q410. With final planning permission granted in December 2009, the speed of arranging financing is of significance given the macroeconomic environment and offers encouragement for the future.

INDUSTRY COMMENT

The long-term fundamentals of the wind industry are reassuring, although concerns remain on the short-/medium-term macroeconomic environment and its effect on turbine demand. With onshore wind, obtaining planning permission can be a lengthy process, generally dependent on the local political environment towards wind turbines. We expect this to shorten as national pressure grows to increase renewable energy generation.

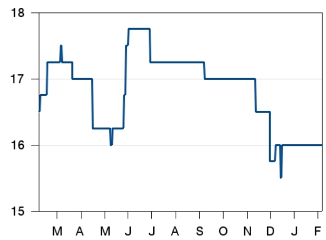
Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	12.88	0.64	0.55	7.90	7.34
2008A	17.67	0.49	0.51	6.80	8.53
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 16.00p

Great Western Mining (GWMO) Market cap: £5m

Share price graph (p)



Company description

Great Western Mining Corporation is developing a number of early stage copper and uranium/gold/silver exploration targets on its 100% owned properties in south-western Nevada, USA.

Price performance

%	1m	3m	12m
Actual	0.0	(5.9)	(3.0)
Relative*	2.4	(17.7)	(25.1)

* % Relative to local index

Analyst

Michael Starke

COMPANY COMMENT

Based in Dublin with projects in Nevada, USA, Great Western Mining Corporation is a junior explorer that owns 100% of 411 'unpatented lode mining claims' on early stage uranium, copper, gold and silver prospects. Following completion of a Competent Persons Report last year, the company is progressing with a programme of further exploration with the aim of establishing an initial resource. On 29 October 2009, it raised £213,262 through the issue of 1,501,628 shares at 14p each. In addition to working capital, the funds will be applied to the ongoing exploration programme. The company is evaluating the feasibility of a low-cost heap leach operation to process surficial, high grade copper-oxide deposits.

INDUSTRY COMMENT

2009 was a good year for commodities largely as a result of a weaker US dollar, restocking and investment demand. Looking ahead, we do not expect a repeat performance this year but remain bullish on key industrial bulk commodities.

Y/E Dec	Revenue (€m)	Op. Profit (€m)	PBT (€m)	EPS (c)	P/E (x)
2007A	0.00	(0.27)	(0.26)	(1.04)	N/A
2008A	0.00	(0.41)	(0.39)	(1.47)	N/A
2009E	0.00	N/A	(0.40)	(1.31)	N/A
2010E	N/A	N/A	N/A	N/A	N/A

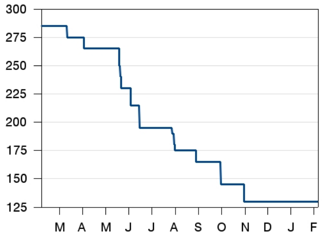
Edison investment research

PLUS

Sector: Basic Industries

Price: 130.00p

Share price graph (p)



Company description

Green Chemicals researches and develops 'cleaner, greener and safer' chemicals for global industrial use. It has a patented chemistry platform with numerous but distinct industrial applications - so far in the textile, paper, hair treatment and antimicrobial markets.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(54.4)
Relative*	2.4	(34.1)	(64.8)

* % Relative to local index

Analyst

Anil Sharma

Green Chemicals (GNCP) Market cap: £10m

COMPANY COMMENT

In mid-2009, Green Chemicals arranged an unsecured loan from "certain existing shareholders and others", which was required to continue operations. Accordingly, it agreed with IP2IPO (a subsidiary of IP Group), Stephen Winston and another non-related party unsecured borrowings of up to £250k. The loan is undated, at a rate of 7% a year for the first six months, then 9% after that. IP Group is the parent company of Techtran and of the IP Venture Fund, which collectively have control of c 30.5% of Green Chemicals. Winston is a director and CEO of the company.

INDUSTRY COMMENT

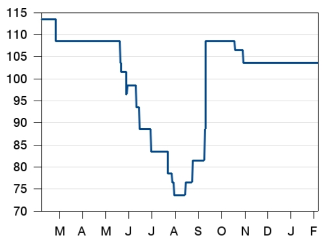
Green Chemicals is attempting to commercialise its IP belonging to emergent technology companies, which it has either acquired or invested in. It is engaged in researching and developing chemicals for global industrial use across specific end markets such as textiles, paper, hair treatment and antimicrobials. It holds 100% interest in Perachem.

Y/E Mar	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.00	(0.82)	(0.81)	(9.74)	N/A
2009A	0.00	(0.83)	(0.85)	(10.24)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Property

Price: 103.50p

Share price graph (p)



Company description

GSC Property Holdings, through its subsidiaries Princedown Developments Limited & Tidalgate Investments Limited, owns a substantial property investment portfolio.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(8.8)
Relative*	2.4	24.9	(29.6)

* % Relative to local index

Analyst

Roger Leboff

GSC Property Holdings (GSC) Market cap: £11m

COMPANY COMMENT

The group's lower-risk approach to commercial property investment has been reflected in a stable performance, operationally, despite the market turmoil of the last few years. Interim rental income was £3.9m, in line with H108. H109 pre-tax profit was £0.7m (£0.54m) and the last appraisal (December 2008) of the investment portfolio saw an 8% decline to £86.5m, which resulted in a fall in NAV/share to 175p/share. The underlying quality of the portfolio is reflected in the fact that of 32 properties with 78 tenants, GSC experienced only one tenant failure in 2008 - already replaced at a higher rent. The interim dividend was held at 2p.

INDUSTRY COMMENT

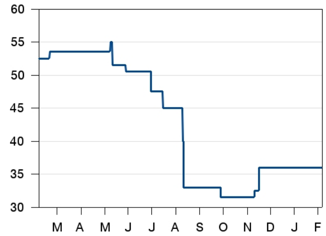
Towards the end of the period there were encouraging signs that the property investment market was stabilising, albeit at valuations well below those 12 months earlier. With financing in place, GSC can move very quickly if the right investment opportunity presents itself, principally quality properties with unrealised potential.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	7.50	3.97	(1.55)	(96.77)	N/A
2008A	7.79	2.66	(3.51)	(122.37)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Support Services

Price: 36.00p

Share price graph (p)



Company description

HR GO is predominately involved in UK recruitment via its network of nearly 50 joint venture companies.

Price performance

%	1m	3m	12m
Actual	0.0	14.3	(31.4)
Relative*	2.4	(29.0)	(47.1)

* % Relative to local index

Analyst

Fiona Orford-Williams

HR GO (HRGO) Market cap: £6m

COMPANY COMMENT

HR GO is a long-established recruitment agency that works through a JV model. While it does have some national verticals, its primary attribute is its local knowledge base and relationships with clients built over many years. Net fee income at the half-year stage was down 34%, pushing the group into loss. However, given cost cutting that had already taken place (and expensed), the group was expecting to return an operating profit in the second half. Full-year results should be published in May.

INDUSTRY COMMENT

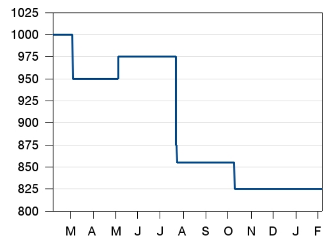
Generalist recruitment in the UK was obviously a very difficult market in 2009, but there was some improvement toward the end of the year. In the view of the CEO of the REC "The (UK) labour market is out of intensive care but it is still in a fragile state. While employers are hiring more now than at any other time in the last year, the recovery is tentative and must not be put at risk by taxes or regulatory changes".

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	87.94	1.59	1.03	1.86	19.35
2008A	90.93	0.50	1.94	3.64	9.89
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Travel & Leisure

Price: 825.00p

Share price graph (p)



Company description

The company was incorporated in 1895 and carries on the business of hoteliers. It operates the Hydro Hotel, Mount Road, Eastbourne, East Sussex.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(17.5)
Relative*	2.4	(14.4)	(36.3)

* % Relative to local index

Analyst

Richard Finch

Hydro Hotel (HYDP) Market cap: £5m

COMPANY COMMENT

Management can take credit for stabilising the business in unprecedented conditions, delivering a year-on-year increase in H2 trading profit after a marked deterioration in the traditionally loss-making first half. A focus on volume rather than margin looks to have paid off, as has a commitment to investment (up by a third in FY09) to maintain the hotel's premium standing. However, while the Hydro is a geared recovery play, the share price risks getting ahead of itself, given recent cautious trading news. The company remains debt-free, allowing a maintained dividend despite the reduced outturn.

INDUSTRY COMMENT

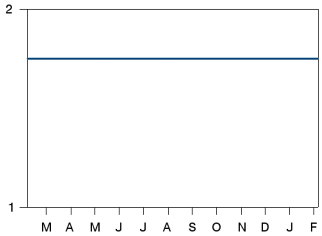
2009 was predictably tough for the UK regional hotel market, with room yield down by 12% according to PKF, compared with just 2% the year before and a rise of 4% in pre-recession 2007. While occupancy has picked up of late, this may well be at the expense of room rate, which can be hard to recover, and is obviously against weak comparatives. The industry expects a gradual recovery.

Y/E Oct	Revenue (€m)	Op. Profit (€m)	PBT (€m)	EPS (c)	P/E (x)
2009A	N/A	N/A	N/A	N/A	N/A
2010A	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A

Sector: Technology

Price: 1.75p

Share price graph (p)



Company description

Keycom is a communications service provider focused on the UK's tertiary education and key-worker sector.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	0.0
Relative*	2.4	(11.3)	(22.8)

* % Relative to local index

Analyst

Roger Leboff

Keycom (KCO) Market cap: £8m

COMPANY COMMENT

Keycom's focus is providing broadband services to student accommodation. It plans an expansion into other multiple-occupancy sites, such as NHS and key-worker locations and MoD establishments, which are markets with similar end-user characteristics. Recent acquisitions established a platform for growth. The interims to end-March 2009 saw a 130% increase in turnover to £2.4m, boosted by three acquisitions in late 2008. Divisional gross margins were steady, while cost control saw overhead growth well below that in turnover and gross profit.

INDUSTRY COMMENT

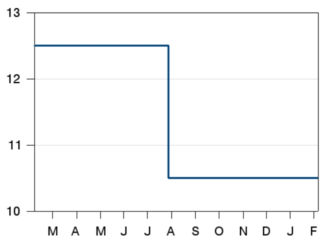
Before the start of the 2008/09 academic year and recent acquisitions, Keycom provided broadband services to 15,000 rooms. Acquisitions and new contracts increased this to over 40,000 rooms from September 2009. A strong pipeline should drive growth in the medium term. Acquisitions enhance the group's position in the student sector, services for key workers and residents in military accommodation.

Y/E Sep	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	1.19	(2.09)	(2.40)	(6.69)	N/A
2008A	1.89	(0.74)	(1.05)	(0.74)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Construction & Blding Mat.

Price: 10.50p

Share price graph (p)



Company description

King Tech International is an environmental technology company and its core business is the production and supply of asphalt rubber for paving roadways in China.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(16.0)
Relative*	2.4	(11.3)	(35.1)

* % Relative to local index

Analyst

Roger Leboff

King Tech International (KTIP) Market cap: £6m

COMPANY COMMENT

After a challenging 2008, the interims to June 2009 saw revenues fall from RMB8.2m (£0.8m) to RMB0.4m (£34,000), with an RMB8.9m (£0.8m) pre-tax loss. However, the group has continued to win road contracts, including new projects secured with Xianning City in Hubei Province in H209. There is potential for further road extensions and an asphalt-rubber consulting and supply contract with the Shijiazhuang Communication Bureau for constructing the Xibaipo Highway.

INDUSTRY COMMENT

King Tech is an environmental technology company, which principally produces and supplies asphalt rubber (obtained by shredding used tyres), for paving roadways in China. The advantages over conventional paving roadway substances include durability, versatility, lower cost and noise. The group expects to benefit from PRC and SAR HK government recognition of the need for a future generation of high performance roadways, and a commitment to investment in infrastructure.

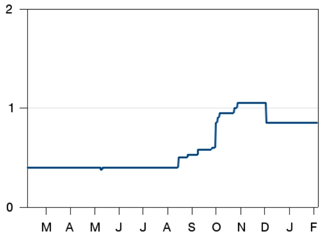
Y/E Dec	Revenue (¥m)	Op. Profit (¥m)	PBT (¥m)	EPS (fen)	P/E (x)
2007A	9.09	(15.22)	(30.70)	(0.73)	N/A
2008A	8.18	(21.78)	(22.56)	(0.43)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Magnolia Petroleum (MAGP) Market cap: £3m

Sector: Oil & Gas

Price: 0.85p

Share price graph (p)



Company description

Magnolia Petroleum is engaged in the acquisition, exploitation and development of oil and gas properties primarily located onshore in the US.

Price performance

%	1m	3m	12m
Actual	0.0	(19.1)	112.5
Relative*	2.4	88.5	64.0

* % Relative to local index

Analyst

Stephen Rogers

COMPANY COMMENT

In its drilling update in December, Magnolia reported drilling results from its latest horizontal well at Dunn County, North Dakota, which it partnered with Hunt Oil (Magnolia stake 0.4%). The well produced c 750bopd and 490mcfpd, a rate the company believes will generate pay back in nine to 12 months. This well adds to Magnolia's current portfolio of six wells with partner Marathon, producing on average c 490bopd and 220mcfpd.

INDUSTRY COMMENT

The ability to economically enhance shale oil recovery rates has improved radically over the past 10 or so years, reflecting the advent of horizontal drilling and multi-stage, high pressure hydraulic fracturing. The former allows maximum exposure to the reservoir, while the latter facilitates oil flow along the wellbore following the creation of large fractures in the reservoir material.

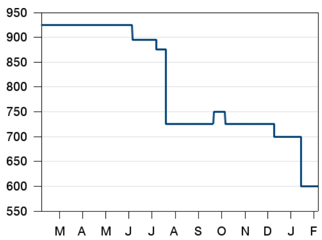
Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.00	(0.02)	0.00	0.00	N/A
2008A	0.00	(0.09)	(0.06)	(0.06)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Newbury Racecourse (NYR) Market cap: £29m

Sector: Travel & Leisure

Price: 600.00p

Share price graph (p)



Company description

The company owns Newbury Racecourse and stages 28 days of national hunt and flat horse racing each year. It also derives income from non racing activities.

Price performance

%	1m	3m	12m
Actual	(14.3)	(17.2)	(35.1)
Relative*	(12.2)	(26.6)	(49.9)

* % Relative to local index

Analyst

Richard Finch

COMPANY COMMENT

The current rights issue (one for two at 400p to raise £5.7m net) will transform the company's prospects, both in terms of securing its finances and, in due course, funding the major redevelopment of the racecourse, for which outline planning permission has just been granted. Meanwhile, the expected softness in corporate hospitality (-21% in the year to October) has continued to be offset, at least partially, by a focus on leisure markets (eg concerts) and cost control. Management is cheered by the renewal of its media rights contract with Turf TV on potentially much more favourable terms from 2013.

INDUSTRY COMMENT

Arena Leisure, the UK's leading racecourse operator, has recently confirmed that while its attendances remain resilient to the downturn, there are, unsurprisingly, shortfalls on hospitality business. This pattern is expected to continue. The weather this winter may yet prove harsher than last (already one race day lost at Newbury this year against two in 2009).

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	7.00	(1.94)	(2.25)	(68.00)	N/A
2008A	11.00	(0.26)	0.34	10.80	55.56
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

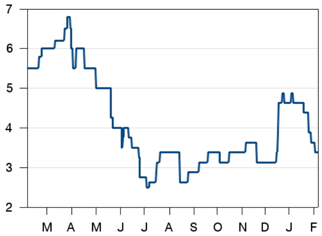
Edison investment research

PLUS

Sector: Mining

Price: 3.38p

Share price graph (p)



Company description

Oracle Coalfields plc is a coal exploration and development company. Block VI, its main project, has total measured resources (JORC) of 1.4bn tonnes of lignite coal and is located in southern Pakistan's Thar coalfield.

Price performance

%	1m	3m	12m
Actual	(27.0)	0.0	(43.8)
Relative*	(25.3)	(11.3)	(56.6)

* % Relative to local index

Analyst

Warren Johnstone

Oracle Coalfields (ORCP) Market cap: £4m

COMPANY COMMENT

Oracle Coalfields remains resolute in its objective of developing a lignite coal mine at its flagship Block VI project in Pakistan. The company recently announced potentially transformational deals with the Karachi Electric Supply Company (for the development of a mine-mouth power plant) and Lucky Cement (for coal off-take). While the company's valuation has improved somewhat in response, it continues to trade at a discount to a number of its peers. Over the coming year, Oracle Coalfields plans to complete the Bankable Feasibility Study and Environmental Impact Assessment started at Block VI earlier last year.

INDUSTRY COMMENT

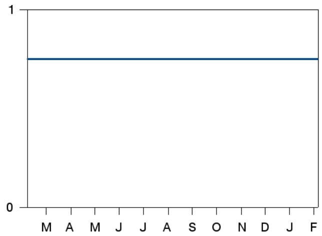
The Pakistan government continues to be supportive of the development of the Thar coalfield as part of its strategy to meet growing domestic demand for low-cost energy.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	0.00	(0.24)	(0.23)	(0.30)	N/A
2008A	0.00	(0.23)	(0.22)	(0.20)	N/A
2009E	0.00	(0.10)	(0.09)	(0.10)	N/A
2010E	0.00	(0.10)	(0.09)	(0.10)	N/A

Sector: Financials

Price: 0.75p

Share price graph (p)



Company description

Paycorp is a provider of integrated electronic payment and currency conversion solutions for Australia- and New Zealand-based corporates and institutions.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	0.0
Relative*	2.4	(11.3)	(22.8)

* % Relative to local index

Analyst

Stephen Rogers

Paycorp (PPSP) Market cap: £8m

COMPANY COMMENT

Paycorp's most recent final results for the six months to June 2009 show a reduced loss of £31k on flat revenue of £1.2m, reflecting the benefits of a cost-reduction programme. The group expects an improvement in second-half performance, partly due to the launch of a new PCI Risk Management Solution. Paycorp's balance sheet showed c £630k of net debt, of which a £225k is repayable by April 2010.

INDUSTRY COMMENT

Globally the number of electronic transactions is estimated at around 400bn per year and growing at 12% annually. Australia, which is a key market for Paycorp, is ranked in the top 10 markets worldwide.

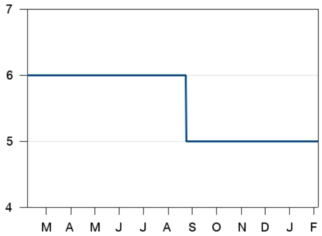
Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	1.00	(0.34)	(0.36)	(0.03)	N/A
2008A	3.09	(0.44)	(0.52)	(0.04)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Pegasus Helicopter Group (PEGP) Market cap: £10m

Sector: Engineering

Price: 5.00p

Share price graph (p)



Company description

Pegasus Helicopter Group is the holding company for Pegasus Helicopters Holdings Limited and its wholly owned subsidiary, Pegasus Helicopter, Inc.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(16.7)
Relative*	2.4	(26.1)	(35.7)

* % Relative to local index

Analyst

Richard Finch

COMPANY COMMENT

Pegasus continues to look for funding to produce helicopter flight demonstrators using pressure jet technology and begin production of helicopter kit units. While this quest has been protracted, management has secured two proposed distributors and a manufacturing agreement in the US. Operating expenses in this pre-revenue period are being kept to a minimum.

INDUSTRY COMMENT

Pegasus seeks to emulate the success of the US company, RotorWay, which has long pioneered the kit helicopter, but promotes the use of pressure jet technology, which is arguably cheaper to operate, simpler to maintain and safer to fly than the conventional piston helicopter. Civilian and military markets worldwide will be targeted. RotorWay is privately owned, so its financial performance is hard to assess.

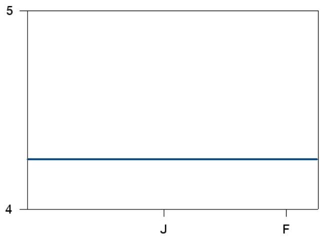
Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	0.00	(0.69)	(0.71)	(0.35)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Phoenician Corporation IV (PC4P) Market cap: £5m

Sector: Financials

Price: 4.25p

Share price graph (p)



Company description

Phoenician Corporation IV Limited aims to identify and actively pursue acquisitions of the whole or part of Sharia-compliant businesses.

Price performance

%	1m	3m	12m
Actual	0.0	N/A	N/A
Relative*	2.4	N/A	N/A

* % Relative to local index

Analyst

Stephen Rogers

COMPANY COMMENT

Phoenician was listed on PLUS in March 2009 and has four investments. The largest are a $0.3m investment in TSX Venture Exchange-listed PharmEng (mkt cap c C$3m); and a $1.3m investment in Phoenician Corporation V, a PLUS-quoted company that is currently suspended (mkt cap £0.8m). The company has also made two small investments of $0.1m each in undisclosed businesses. As yet, the company has not actively managed its investments but intends to, once suitable targets are acquired. Initial due diligence will be conducted by the directors and consultants will carry out Sharia, financial and legal due diligence. The company had cash of $2.2m at end-October 2008.

INDUSTRY COMMENT

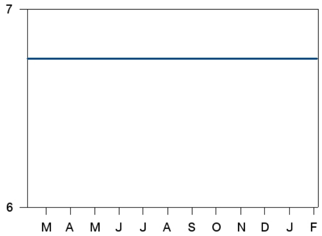
Sharia-compliant investing is growing at a rate of 10-15% per year and its influence is spreading internationally. For example, Islamic banks have more than 300 institutions spread over 51 countries. According to the Economist, it is estimated that over US$820bn worldwide sharia-compliant assets are managed.

Y/E Dec	Revenue (US$m)	Op. Profit (US$m)	PBT (US$m)	EPS (c)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	0.00	(0.45)	(0.52)	(0.60)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Technology

Price: 6.75p

Share price graph (p)



Company description

Prize Mobile owns technology that allows mobile video games to build in a points system to reward games players with prizes on a secure basis and to collect and manage valuable consumer data essential to advertisers.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	0.0
Relative*	2.4	(11.3)	(22.8)

* % Relative to local index

Analyst

Roger Leboff

Prize Mobile (PZMP) Market cap: £4m

COMPANY COMMENT

With its product in development, Prize Mobile was pre-revenues in FY09. A £0.4m pre-tax loss (FY08:£0.23m loss) was administrative expenses plus finance costs. The balance sheet benefited from a £0.2m equity issue at 4p/share in August. The cash will support efforts to capitalise on growth in the mobile advertising market. December's results reported the proposition winning acceptance and confidence regarding client wins, but progress is delayed as branded goods companies defer new project launches in current economic conditions.

INDUSTRY COMMENT

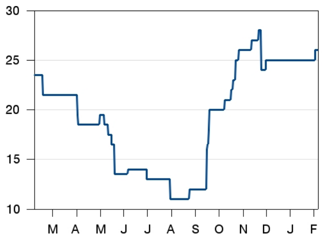
The proposition should appeal to digital marketeers for branded entertainment content, product sampling and discount marketing on mobile phones. In 2009 the advertising industry as a whole suffered the largest fall in media advertising spend in decades but comparatively the new digital media industries have shown improvement as their cost economics become more readily appreciated. Prize Mobile has secured the services of a major global mobile marketing services agency to gain access to their brand clients.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.00	(0.23)	(0.23)	N/A	N/A
2009A	0.00	(0.39)	(0.41)	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Media & Entertainment

Price: 26.00p

Share price graph (p)



Company description

Quercus Publishing is an independent publisher based in London. The company was founded by Mark Smith and Wayne Davies in May 2004.

Price performance

%	1m	3m	12m
Actual	4.0	0.0	10.6
Relative*	6.5	109.7	(14.6)

* % Relative to local index

Analyst

Fiona Orford-Williams

Quercus Publishing (QUPP) Market cap: £5m

COMPANY COMMENT

Quercus published a positive trading update at the end of January, highlighting the the success of the Stieg Larsson novels and the forthcoming film of the first book in the series. Non-fiction performance was also good over the Christmas trading period. An earlier trading update in November stated that estimates would be materially exceeded and the momentum was expected to continue into 2010, despite the difficulties besetting the UK retail trade.

INDUSTRY COMMENT

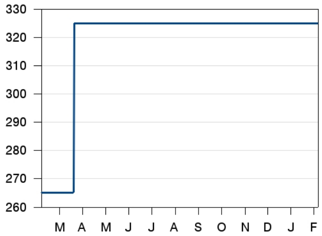
The Neilsen BookScan UK Total Consumer Market trend for 2009 showed volume sales down by 0.5% to 235.6m and a fall in value of 1.5% to £1.75bn. Within this there were strong sales by individual authors, with the underperformance of market value reflecting the growth in different distribution channels, such as the multiple grocers, particularly for hit titles. Amazon is reported to have had good Christmas trading. Its UK sales are not separately identified, but international media sales were up 37% year-on-year.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	8.63	0.27	0.15	1.01	25.74
2008A	10.94	0.03	(0.28)	(1.95)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Financials

Price: 325.00p

Share price graph (p)



Company description

RAK Real Estate is an investment company focusing on actual and potential commercial property and real estate ventures in the Middle East and North Africa.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	22.6
Relative*	2.4	(11.3)	(5.3)

* % Relative to local index

Analyst

Roger Leboff

RAK Real Estate (RAKP) Market cap: £604m

COMPANY COMMENT

In February 2009 the group paid US$927m for the interests in two substantial commercial property developments in Kuwait City, satisfied by the issue of 185.4m shares at $5/share. These assets are the Salmiyah Commercial Complex, a 20-floor tower in a prime location to be built over four years, and the Khorafi Commercial Complex, which includes a 26-floor office tower and a projected two-year construction period. The group is pre-revenue. Interim results ($0.3m loss) reflect the administrative costs involved in getting the business to this stage.

INDUSTRY COMMENT

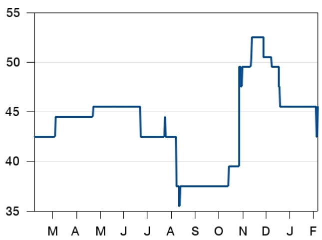
RAK looks to acquire suitable Middle East & North Africa (MENA) real estate businesses. It believes this geographical market offers material opportunities for growth in shareholder value. The interim statement in October confirmed that the directors are actively considering a number of specific projects in the region. The strategy is to create a real estate industry leader in MENA countries.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	0.00	(0.56)	(0.56)	(1.74)	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Travel & Leisure

Price: 45.50p

Share price graph (p)



Company description

Rangers Football Club was established in Glasgow in 1873 and celebrated 100 years as a limited company on 27 May 1999. The club's home is the Ibrox Stadium, close to the city centre on the south side of the River Clyde and is well served by road, rail and air transport facilities.

Price performance

%	1m	3m	12m
Actual	0.0	(8.1)	7.1
Relative*	2.4	(5.0)	(17.4)

* % Relative to local index

Analyst

Richard Finch

Rangers Football Club (RFC) Market cap: £44m

COMPANY COMMENT

October's statement concerning a possible offer for Rangers is necessarily of overriding interest. The Murray Group, which owns the vast majority of the company, is said to be considering the sale of part or all of its stake. Meanwhile, banking facilities have been extended until the end of 2010 with, importantly, no obligation to sell players in the recent transfer window. Current trading is mixed - while season ticket sales are down 7% on last year despite domestic success, there has been Champions League involvement. With the club sitting top of the SPL, there is the prospect of further such involvement next season.

INDUSTRY COMMENT

Football investment is bedevilled by the uncertainty of turnover and the high cost of maintaining a player squad. After a long-standing tendency to live beyond their means, ie borrow, clubs are now finding lenders notably less accommodating, which may well increase the generation of revenue from player sales. Ahead of a proposed bond issue, Manchester United is the world's most profitable but indebted football club.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	64.45	0.64	6.57	6.60	6.89
2009A	39.70	(17.30)	(11.73)	(11.63)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

PLUS

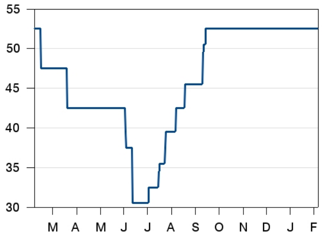
Scancell Holdings (SCLP)

Market cap: £5m

Sector: Pharma & Healthcare

Price: 52.50p

Share price graph (p)



Company description

Scancell Holdings is the parent company of Scancell Limited and acts purely as a holding company.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	0.0
Relative*	2.4	17.9	(22.8)

* % Relative to local index

Analyst

John Savin

COMPANY COMMENT

ScanCell is a specialist cancer vaccine company based in Nottingham. It is seeking approval for a clinical trial of its Immunobody product SCIB1, a melanoma vaccine. If granted, the study could start in Q210 and may last at least a year. The company has a delivery method through the TriGrid system from Ichor Medical Systems. A potential patent issue with Merck KaGA has been resolved with Merck having an option to exclusively license Immunobody–based products. Cash at the interim stage was £1.1m with an interim loss of £594k. Clinical trial costs will be partly included but we would expect further funding in H110.

INDUSTRY COMMENT

SCIB1 is a gene construct that causes a sophisticated, antibody-like protein to be made. This displays the well known and non-exclusive Tyrosinase-Related Protein 2 (TRP2) vaccine marker plus immune stimulating proteins. Other melanoma vaccines have worked but not well enough as single therapeutic entities. If the technology works in Phase II, the obvious route is license or acquisition by Merck.

Y/E Apr	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.00	(0.51)	(0.45)	(5.60)	N/A
2009A	0.00	(0.90)	(0.84)	(7.17)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

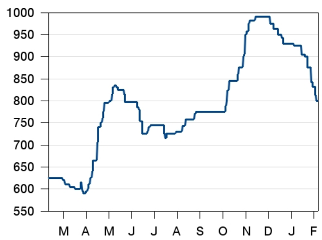
Shepherd Neame (SHEP)

Market cap: £92m

Sector: Travel & Leisure

Price: 800.00p

Share price graph (p)



Company description

Shepherd Neame is a family controlled brewer based in Faversham, Kent, since 1698. It owns over 370, mostly tenanted, pubs in Kent and the South East of England and brews ales, such as Spitfire and Bishops Finger, and premium niche lagers, such as Asahi Super Dry.

Price performance

%	1m	3m	12m
Actual	(14.0)	(16.4)	28.0
Relative*	(11.9)	(2.8)	(1.2)

* % Relative to local index

Analyst

Richard Finch

COMPANY COMMENT

Shepherd Neame has impressed in the downturn with markedly higher beer volumes (against a steadily declining market) and increased like-for-like managed pub sales in the year to June 2009. Much of the margin decline (from 12% to 8%) has happily been attributed to short-term items such as higher overheads during reorganisation and raw material cost pressures, which have now abated. The current year has begun well, with considerable optimism about the high-quality Punch acquisition (13 pubs) replacing underperforming smaller units. The company remains securely financed.

INDUSTRY COMMENT

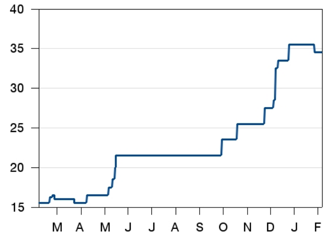
Although Q409 showed the lowest fall (3.6%) in UK beer sales (pubs and supermarkets) for two years, it is "too early to say if this fragile recovery will become a trend" (British Beer and Pub Association). Sales for 2009 as a whole were down by 4.2% (5.5% in 2008). Intriguingly, while sales in pubs, bars and restaurants stemmed their decline, off-trade sales recorded their biggest fall in 30 years.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	101.72	10.87	8.68	49.30	16.23
2009A	109.47	7.85	6.94	44.70	17.90
2010E	116.18	12.33	7.73	49.27	16.24
2011E	119.68	12.39	8.09	50.43	15.86

Sector: Personal Care & Household

Price: 34.50p

Share price graph (p)



Company description

Based in Coventry, UK, Sprue Aegis designs, manufactures and distributes innovative home safety products, notably smoke and carbon monoxide detectors, under the FireAngel brand.

Price performance

%	1m	3m	12m
Actual	(2.8)	35.3	122.6
Relative*	(0.5)	42.4	71.8

* % Relative to local index

Analyst

Fiona Orford-Williams

Sprue Aegis (SPRP) Market cap: £12m

COMPANY COMMENT

The group has grown from its academic origins into a major supplier of both smoke and CO alarms, with European and US patent protection. It has been investing in overheads to build the infrastructure appropriate for a larger business. A disagreement with DuPont on the repayment of royalties was settled in October, removing a cause of uncertainty. Having held a minority, the group has now bought in the outstanding shares in Pace Sensors, the Canadian suppliers of electrochemical components in the CO monitors, securing long-term supply.

INDUSTRY COMMENT

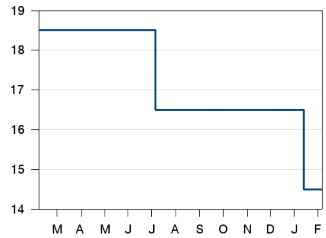
FireAngel is one of six suppliers of smoke alarms and one of two for CO monitors (alongside Honeywell) listed on the Fire and Rescue Service purchasing framework, Firebuy, covering around 85% of the UK population. This endorsement also carries through to the local authority/ALMO sector, communities, local government and MoD. The group also supplies the retail trade, including B&Q and Tesco, and the social housing sector. More recently it has been growing its level of business with the utilities sector.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	7.26	0.93	0.77	3.50	9.86
2008A	9.37	1.55	1.58	3.40	10.15
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & Healthcare

Price: 14.50p

Share price graph (p)



Company description

Sunrise Biotech Holdings is a holding company incorporated in Jersey. Its trading subsidiaries Beijing Sunrise Biology Technology and Hebei Sunrise Biology Technology both focus on producing mulberry-based products and developing technology related to mulberry-based products.

Price performance

%	1m	3m	12m
Actual	(12.1)	(12.1)	(21.6)
Relative*	(10.0)	(22.0)	(39.5)

* % Relative to local index

Analyst

Stephen Rogers

Sunrise Biotech Holdings (SBHP) Market cap: £39m

COMPANY COMMENT

Interim results to June 2009 showed the affects of the global economic downturn, with revenues down primarily as a result of declining orders for animal feed from Japan. A rise in admin expenses, from £237k to £309k, was reportedly due to higher development expenditure. There was an exceptional charge of £254k for the period, which related to the termination of leasing agreements with China-based farmers. The period-end pre-tax profit was £33k (six months 2008: £813k). The FY08 balance sheet showed related-party debtor transactions of £1.8m during the year, of which £371k was due at year end.

INDUSTRY COMMENT

China's rapidly developing economy has resulted in the increasing modernisation of its agriculture industry. Animal feed is becoming important as cost-effective way of increasing yields as well as meeting the demands caused by industrialisation and the consequent reduction in land available for agriculture. Other end uses for mulberry include tea and as a health supplement.

Y/E Dec	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	1.24	0.44	3.69	1.41	10.28
2008A	5.26	1.79	1.82	0.68	21.32
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

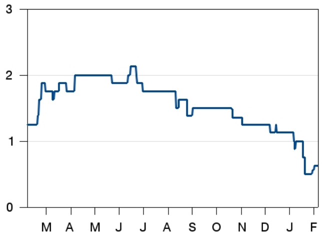
Edison investment research

PLUS

Sector: Support Services

Price: 0.63p

Share price graph (p)



Company description

SureTrack Monitoring is the parent company of SureTrack Europe. SureTrack Europe is a UK-based business that generates its revenue by providing tracking and recovery services.

Price performance

%	1m	3m	12m
Actual	(44.4)	(50.0)	(50.0)
Relative*	(43.1)	(68.3)	(61.4)

* % Relative to local index

Analyst

Roger Leboff

SureTrack Monitoring (STMP) Market cap: £2m

COMPANY COMMENT

Two new deals were announced in September - a main UK distributorship agreement with Secure Options Group that it expects to add £0.25m pa to revenues and a contract with Network Rail, in partnership with Tew+. The latter will potentially see it supply tracking services for up to 2,000 items of plant, equipment and cabling. Interim turnover to end-July 2009 rose 12% to £0.28m (2008: £0.25m). The gross margin increased 58% to £0.16m, but higher admin costs, mainly related to the IBP acquisition and integration, resulted in a £79,783 net loss.

INDUSTRY COMMENT

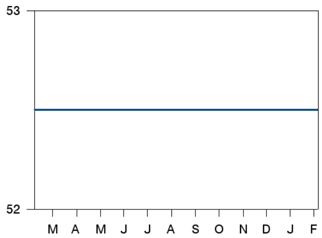
Recent growth, organic and acquisition, was achieved in a very difficult trading environment. It creates a base for improved performance for H2 and beyond. Recent contract wins provide initial revenues, while extensions under discussion could add significantly to repeat revenue streams in the relative short term. The deal with SOG should enable its IBP division to accelerate its growth and target markets where standard security measures prove inadequate.

Y/E Jan	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.30	(0.19)	(0.19)	(0.08)	N/A
2009A	0.36	(0.31)	(0.31)	(0.12)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Support Services

Price: 52.50p

Share price graph (p)



Company description

Team (Impression) Holdings is the holding company for its wholly owned trading subsidiary Team (Impression) Limited. It has been a consistently profitable print company since trading began in 2001.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	0.0
Relative*	2.4	(11.3)	(22.8)

* % Relative to local index

Analyst

Roger Leboff

Team (Impression) Holdings (TIHP) Market cap: £6m

COMPANY COMMENT

Trading was steady in the year to end-May 2009, with turnover down 0.3%, but pre-tax profit fell 55% to £0.4m. This was achieved against a difficult backdrop for general print. Profits suffered due to: increased cost of raw materials as sterling fell in value against both the dollar and the euro; unsustainably low pricing by competitors in an attempt to secure work; and the affect of higher (first year) depreciation on recent capital expenditure. The latter reflects investment in equipment and operations that will allow the group to produce the whole print and marketing project, and reduces the need for outsourced work and the associated costs and administrative issues.

INDUSTRY COMMENT

The group has positioned itself for a challenging year with little underlying improvement in the economy. This requires consolidation of existing operations, a significant reduction in capital expenditure and lower borrowing. The latter will be assisted by the expiry of finance and hire-purchase agreements on plant and equipment, which are not yet due for replacement.

Y/E May	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	7.36	0.87	0.61	4.17	12.59
2009A	7.34	0.40	0.18	1.02	51.47
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

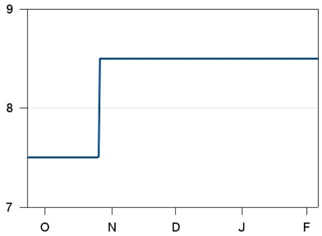
Sector: Technology

Technis International (TECP)

Market cap: £5m

Price: 8.50p

Share price graph (p)



Company description

Technis was formed to acquire, develop and commercially exploit a portfolio of technology companies and intellectual property primarily spanning the mobile, telecoms and software sectors.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	N/A
Relative*	2.4	N/A	N/A

* % Relative to local index

Analyst

Roger Leboff

COMPANY COMMENT

Technis has a development portfolio of 11 products, all focused on advanced telecommunications applications. The company is currently pre-revenue, but is in discussion regarding potential licensing opportunities with a number of interested parties. It joined Plus Markets in September 2009 and raised £0.47m gross to cover working capital needs for the first year. Two subsequent issues raised another £0.034m.

INDUSTRY COMMENT

Technis's first acquisitions were a suite of modular voice-to-text/voice-to-voice language transcription and translation, item tracking and global positioning products. It will seek to acquire private companies in the mobile, telecoms and software sectors. These will have a trading history and either be profitable, or likely to achieve this in the year following acquisition assuming access to modest additional working capital. The intention is to cross the company's perceived investment gap and breakout of the UK domestic market.

Y/E Sep	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	N/A	N/A	N/A	N/A	N/A
2009E	N/A	N/A	N/A	N/A	N/A
2010E	N/A	N/A	N/A	N/A	N/A

Sector: Travel & Leisure

Thwaites (Daniel) (THW)

Market cap: £91m

Price: 145.00p

Share price graph (p)

Company description

Daniel Thwaites was founded in 1807 and incorporated in 1897. It remains an independent family-controlled business operating from its original town centre site in Blackburn, Lancashire.

Price performance

%	1m	3m	12m
Actual	(9.4)	(14.7)	0.0
Relative*	(7.2)	(19.6)	(22.8)

* % Relative to local index

Analyst

Richard Finch

COMPANY COMMENT

September's £77m disposal of the Stafford Hotel was welcome both for removal of Thwaites' exposure to the troubled luxury market and for the high-exit multiple (29x FY09 trading profit). At a stroke net debt was more than halved, easing banking and pension concerns, which mitigated disappointment at likely significant profit dilution in FY10. Conditions remain testing across the estate but, thanks to restructuring, brewery operations, now the major profit centre, held profit in the half to September despite 7% lower volume in the core pub estate.

INDUSTRY COMMENT

Although Q409 showed the lowest fall (3.6%) in UK beer sales (pubs and supermarkets) for two years, it is "too early to say if this fragile recovery will become a trend" (BBPA). Intriguingly, while sales in pubs slowed their decline in 2009, off-trade sales showed their biggest fall in 30 years. 2009 was tough for regional hotels, with room yield down by 12% (PKF). While occupancy has picked up of late, this may be at the expense of room rate, which is hard to recover. The industry expects a gradual recovery.

Y/E Mar	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	161.40	15.60	9.90	12.30	11.79
2009A	158.50	14.60	9.00	11.40	12.72
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

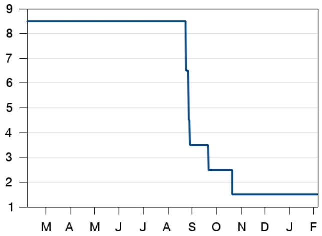
Edison investment research

PLUS

Sector: Pharma & Healthcare

Price: 1.50p

Share price graph (p)



Company description

Transdermal Cosmetics focuses on producing, distributing and commercialising cosmetics produced using a technology that facilitates the delivery of a variety of cosmetic substances (such as collagen and elastin, which have high density molecular weights), into the skin without causing skin inflammation.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(82.3)
Relative*	2.4	(84.3)	(86.4)

* % Relative to local index

Analyst

Fiona Orford-Williams

Transdermal Cosmetics (TRCP) Market cap: £18m

COMPANY COMMENT

The intended launch of Entre Derm (a patented agent that will pass collagen and elastin through the skin thereby smoothing out wrinkles) is now imminent, after a number of false starts. The company's main asset is £29m (as at 31 August 2009) of prepaid US TV media rights and booking fees. £3.9m of this book value has recently been sold for £3.1m, implying that a write-down of £5.3m will be needed on the remaining rights. The cash generated from the sales will support the infrastructure needed for delivering product to customers generated through the TV shopping channels.

INDUSTRY COMMENT

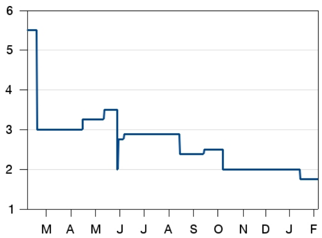
The anti-ageing product market in the US is very large, estimated at $1.6bn and an effective non-surgical solution - or even ameliorator - could prove very lucrative. Achieving additional coverage from beauty editors across other marketing channels and stimulating positive response across social media will be key to gaining and holding market share.

Y/E Feb	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	N/A	N/A	N/A	N/A	N/A
2009A	0.00	(0.90)	(0.51)	(0.04)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 1.75p

Share price graph (p)



Company description

U3O8 Holdings is a junior precious metal and uranium exploration company focused on Chile and Argentina where it owns 100% of five projects and 61.98% of a further five projects. It also holds 0.20% of Sirius Exploration, 3.25% of Siroko Power and 2.75% of Circle Opportunities.

Price performance

%	1m	3m	12m
Actual	(12.5)	(12.5)	(70.8)
Relative*	(10.4)	(46.0)	(77.5)

* % Relative to local index

Analyst

Warren Johnstone

U3O8 Holdings (U3OP) Market cap: £1m

COMPANY COMMENT

Having signed an option to acquire unlisted Entropy Resources in October last year, U3O8 Holdings has built up a portfolio of 10 early-stage exploration projects prospective for gold, copper and uranium. Mineral resources have yet to be established and, to that end, the company plans to drill a number of prospective targets this year. On a sum-of-the-parts basis, we value the company at £1.62m compared to the current market capitalisation of £1.34m and the value of equity raised since listing, £1.39m. Upside to the current share price is contingent on the discovery of a mineral resource at any of its projects.

INDUSTRY COMMENT

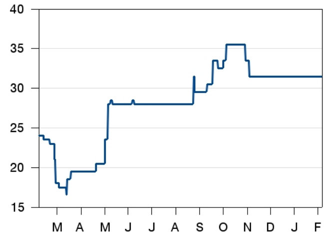
As an early-stage exploration company, an investment in U3O8 is necessarily high risk/reward. If the results of further exploration at any of the 10 projects result in the discovery of a potentially significant deposit, investors could reasonably expect an uplift in the share price. However, the converse of this should also be considered.

Y/E Sep	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2007A	N/A	N/A	N/A	N/A	N/A
2008A	0.00	(0.50)	(0.49)	(1.50)	N/A
2009E	0.00	(0.25)	(0.24)	(0.40)	N/A
2010E	0.00	(0.25)	(0.23)	(0.30)	N/A

Sector: Financials

Price: 31.50p

Share price graph (p)



Company description

Western Selection is an investment company with a mix of strategic investments and a general portfolio of UK stocks.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	31.3
Relative*	2.4	(0.2)	1.3

* % Relative to local index

Analyst

Stephen Rogers

Western Selection (WESP) Market cap: £6m

COMPANY COMMENT

Western's results for the year to June 2009 show a decline in the carrying value of its investments from £9.8m to £8.9m, although the pre-tax loss was reduced to £0.9m (2008: loss £2.6m), due to a lower impairment charge. Reflecting the general improvement in the stock market, the company's listed investments have also shown share price appreciation in recent months. We would expect this to be reflected in the group's financial performance for the six months to December.

INDUSTRY COMMENT

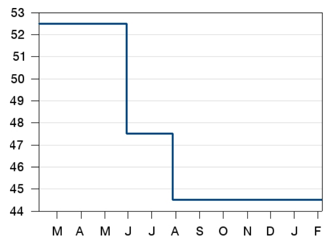
It is Edison's view that many of the features that were in place at the start of the last bull run in 2003 are also present today. Most noteworthy is the (steep) shape of the yield curve and the fact that equities are trading on just 1.5x book value, a level last seen after the bubble burst at the end of the dot-com era. Operating leverage (rising revenues on low cost bases) could also help boost earnings momentum. Moreover, some 55% of investors expect a better global outlook in 2010 according to a survey by Barclays Capital.

Y/E Jun	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	0.16	(2.61)	(2.57)	(16.40)	N/A
2009A	0.21	(1.03)	(0.86)	(4.80)	N/A
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

Sector: Support Services

Price: 44.50p

Share price graph (p)



Company description

Woodspeen Training was incorporated in November 2007 with the aim of creating a substantial UK vocational training business principally by acquiring existing businesses providing government sponsored and/or privately funded vocational training.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(15.2)
Relative*	2.4	(11.3)	(34.6)

* % Relative to local index

Analyst

Roger Leboff

Woodspeen Training (WSTP) Market cap: £9m

COMPANY COMMENT

Interim operating profit disappointed at £111,354 (£14,032 H108/09), although revenues were £2.15m vs 0.76m. Futures Training Centres suffered as national funding was reduced for one of its programmes, although headcount reductions have now restored divisional profitability. A&R Training Services, acquired in May 2009, is performing ahead of expectations and other benefits will be derived from the recent completion of centralised accounting functions. The statement expressed more confidence regarding H2 trading.

INDUSTRY COMMENT

All A&R's programmes are priority areas for both major political parties and are relatively defensive in the face of funding plans. For example, pre-apprenticeship and apprenticeship training for school leavers in the childcare and social healthcare sectors, and 'New Deal' programmes for the unemployed. The group continues to investigate potential acquisitions of businesses that run programmes where it believes government funding will be secure.

Y/E Mar	Revenue (£m)	Op. Profit (£m)	PBT (£m)	EPS (p)	P/E (x)
2008A	N/A	N/A	N/A	N/A	N/A
2009A	1.97	0.03	0.05	0.14	317.86
2010E	N/A	N/A	N/A	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A

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