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FEBRUARY 2010

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Bond market open for AIM companies

AIM-quoted companies have another potential source of finance following the launch of the London Stock Exchange's new retail bond market. This is not just a market for large companies, it can be tapped by smaller companies as well.

At last autumn's QCA dinner, LSE chief executive Xavier Rolet made it clear that he believes that debt in small and medium sized companies could be attractive to retail investors.

Launched at the start of the month, there are currently 49 gilts and 11 corporate bonds traded but as the market finds its feet, the LSE expects the number of corporate listings to rise sharply. While most of the corporate bond listings are from FTSE 100 companies, the market is open to any bond that meets the listing requirements. The market is regulated and new issues are governed by the EU prospectus directive. Dealing sizes can be as low as £1,000.

The LSE is hoping to replicate the success of bond markets in Europe, where retail bonds are big business. The Italian exchange, Borsa Italia, saw £110bn of bonds traded in the first half of 2009 with 590 bonds listed. But that is still small in comparison to Germany, where turnover annually is over €10bn.

Astaire buys Hoodless Brennan

AIM adviser Astaire is buying private client broker Hoodless Brennan for £3.61m in its latest move to consolidate the smaller company broking sector. Astaire's majority shareholder, Evolve Capital, says it is considering restructuring its relationship with Astaire.

AIM-quoted investment company Evolve is concerned that the true value of both businesses is not being recognised by the market. Astaire is valued at well below its net asset value.

Astaire is offering 0.9403p in cash and 4.4665p of convertible loan notes for each HB share. Acceptances have been received from owners of 66.6% of the share capital. Astaire's broker Fairfax IS values the convertible loan notes at 55p in the pound. The conversion price is 6p per Astaire share.

The private client stockbroking side of HB will be rebranded and there should be cost savings from merging these operations. HB has taken a lease on an 8,000 square foot office in the City of London and the two businesses could both move to this site. The Bristol offices can also be merged. The deal will also enable Astaire to move into market making without the cost of setting up a new operation.

HB's corporate finance operations were spun off last year and are now known as Allenby Capital (see page 3). HB still owns 9.9% of Allenby and is allowed to increase the stake to 50%.

In this issue

HubInvest publishes AIM Journal

www.hubinvest.com

general news

Chinese companies on AIM outstrip their international rivals

Seymour Pierce says that its AIM China index increased by 92.1% in 2009. This is the fifth year running that the Seymour Pierce AIM China index has outperformed AIM as a whole.

Seymour Pierce says that the 62 constituents of the AIM China index have a combined value of £4.4bn, which is equivalent to just over 13% of AIM.

Property and mining were the best performing sectors last year. Around one-fifth of the AIM China index is accounted for by property companies, with coal miners not far behind. The whole mining sector accounts for roughly the same proportion of the index as property.

The best performing Chinese company was West China Cement, whose share price rose by 538% in 2009. WCC has announced that it has applied for a listing on the Hong Kong Stock Exchange.

Chairman Robbie Robertson said last year that AIM had "served the company well in helping to finance its growth from a small company to a regional leader" and that WCC was considering whether to maintain a London quotation. WCC should produce 7.5m tonnes of cement in 2010, compared with 1.5m tonnes in 2003 when it floated on AIM.

According to Seymour Pierce, China remains an attractive investment opportunity from an economic perspective. Economic growth of 8.7% is estimated for 2009 and 9.1% growth is forecast for 2010. The positives are offset by political tensions. The Chinese government is also trying to rein back economic growth by lifting the reserve requirements for banks by half a percentage point for the second time this year. The move means that major banks will now be required to keep 16.5% of deposits as reserves.

New issues build up

There are tentative signs that the queue to join AIM is building up but a number of larger, Main Market flotations have been pulled and that could happen to the proposed AIM entrants.

Equatorial Palm Oil, Future Film and Walton & Co (Banking) are all expected in February. ASX-listed Scotgold Resources has changed its expected date of admission from late February to 'TBC'. Debt adviser Winterhill Group was due to float in January but has still not joined AIM.

Oxford Nutrasciences, which raised £890,000 at 1.75p a share, was the first proper new issue on AIM this year, following three readmissions and one transfer from the Main Market. This was followed by Kea Petroleum, which raised £6m at 5p a share in order to finance exploration for oil in New Zealand. That valued Kea at £36.8m. The main shareholder is Ian Gowrie-Smith, who has been behind a number of AIM and small listed companies including Skyepharma and Triple Plate Junction.

Ex-Torex Retail executives face fraud charges

Retail software supplier Torex Retail is still having an effect on AIM more than two years after it left the market following the appointment of an administrator. Clarity Commerce Solutions' finance director Chris Ford has resigned after he was charged by the Serious Fraud Office for offences relating to his time as finance director of a subsidiary of Torex.

Ford has been charged with conspiracy to defraud, false accounting and misleading an auditor when he was finance director of Torex subsidiary XN Checkout – itself a former AIM company. The offences occurred during 2006.

In the summer of 2005, AIM-quoted retail systems supplier Torex Retail offered 2.547 of its shares for each XN share, valuing the company at £72.7m. Christopher Moore was chief executive of Torex and a non-executive director of XN. This was one of many acquisitions by Torex in a short period of time. In fact, Torex was acquiring another AIM-quoted retail software company, Anker, at the same time as the XN bid.

The Serious Fraud Office started an investigation into Torex in January 2007. KPMG was appointed as administrator to Torex on 19 June 2007. The Torex retail software and systems businesses were sold to Cerberus for £204.4m.

Ed Dayan, the boss of XN when it was quoted and subsequently Torex's chief technology officer, was also charged with the offences.

Clarity chief executive Ken Smith published a supportive statement relating to Ford: "We are shocked by these developments and wish him well with his intention to defend against these allegations". Clarity says it "reluctantly agreed to accept his resignation".

advisers

Adam Wilson buys stake in second broker

Former Hichens Harrison boss Adam Wilson has taken a 9.99% stake in **Allenby Capital**, the former corporate finance interests of broker Hoodless Brennan.

This follows the appointment of former Teathers boss and Hichens Harrison chairman Jeremy Delmar-Morgan as non-executive chairman of Allenby. Wilson is chairman of Atlantic Coal, one of Allenby's clients.

Wilson is also about to take over as chief executive at rival AIM adviser **Daniel Stewart Securities**. He has sold his Middle East financial consultancy MENA-RL to Daniel Stewart in return for 50m shares.

MENA, which generated a profit of $349,000 on revenues of $1.34m in 2009, gives Daniel Stewart exposure to the Middle East. The broker previously tried to gain exposure to the region through a tie-up with Egypt-based Prime Group. Prime was going to invest £2.31m in the broker at 2.1p a share but this fell through.

Wilson is already a 9.8% shareholder and non-executive director of Daniel Stewart and he will distribute nearly 17m of the shares he receives to certain employees of the MENA group, leaving him with 19.9% of Daniel Stewart. The broker's current chief executive Peter Shea will become executive chairman.

FinnCap, a sponsor of AIM Journal, has made its own high profile appointment. Former Alchemy boss Jon Moulton has become FinnCap's non-executive chairman. FinnCap says that Moulton will "help continue to develop its profile and to build its network in the growth company space".

Moulton runs private equity firm Better Capital, which floated feeder fund Better Capital Ltd on AIM at the end of 2009.

It is not all good news for AIM brokers and advisers. Brokers are struggling at the smaller end of the market. Small broker **Wills & Co**, which has raised money for a number of AIM companies, has stopped trading. The Financial Services Authority will not allow Wills to "dispose of, deal with or diminish the value of any of its assets" without its permission. Wills has raised cash for mining companies DiamondCorp, Berkeley Mineral Resources, Noventa and Conroy Diamonds & Gold in recent months.

Wills's rival Montague Pitman is not doing any better. AIM-quoted **Alltrue Investments** has appointed Antony Batty & Co as administrator to its broking subsidiaries Falcon Securities and Montague Pitman, which is an appointed representative of institutional broker Falcon.

This news follows a review by the FSA of retail broker Montague Pitman's activities in relation to the sale of higher risk shares to retail investors. Alltrue owns 81% of Montague Pitman which might have to pay compensation if any mis-selling claims are upheld. If Montague Pitman can't pay the liabilities, then Falcon becomes responsible. The directors of the two companies believe that they do not have sufficient assets to meet all potential liabilities. This will leave Alltrue as a shell company.

ADVISER CHANGES - JANUARY 2009

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Braemar Group	Zeus	WH Ireland	Zeus	Zeus	04/01/2010
Matra Petroleum	Matrix	Westhouse	Matrix	RFC	04/01/2010
TSE Group	Zeus	Dowgate	Zeus	Beaumont Cornish	04/01/2010
Entertainment One Ltd	Cenkos/ Singer	Singer	Singer	Singer	05/01/2010
Vatukoula Gold Mines	Arbuthnot / WH Ireland	WH Ireland/ Religare Hichens Harrison	WH Ireland	WH Ireland	05/01/2010
JSM Indochina	Panmure Gordon	Numis	Panmure Gordon	Numis	06/01/2010
Plant Impact	Allenby/Hybridan	Hybridan/ Religare Hichens Harrison	Allenby	Blomfield	06/01/2010
Origin Enterprises	Goodbody	Davy	Goodbody	Davy	11/01/2010
Kryso Resources	WH Ireland/Orbis	WH Ireland/Orbis/Fox-Davies	WH Ireland	WH Ireland	11/01/2010
Qonnectis	Merchant John East	FinnCap	Merchant John East	FinnCap	11/01/2010
Canisp	Keith Bayley Rogers	Canaccord Adams	Strand Hanson	Canaccord Adams	12/01/2010
Fairpoint Group	Shore/Oriel	Oriel	Shore	Oriel	12/01/2010
Inland	FinnCap	KBC Peel Hunt	FinnCap	KBC Peel Hunt	15/01/2010
Solo Oil	Astaire/ Beaumont Cornish	Rivington Street/Beaumont Cornish	Beaumont Cornish	Beaumont Cornish	15/01/2010
Fletcher King	Astaire	Astaire	Cairn	Astaire	15/01/2010
Blue Star Capital	Panmure Gordon	Alexander David	Panmure Gordon	Astaire	15/01/2010
K3 Business Technology	Canaccord Adams	Daniel Stewart	Canaccord Adams	Daniel Stewart	18/01/2010
Specialist Energy Group	Fairfax IS	Fairfax IS	Fairfax IS	Grant Thornton	20/01/2010
Tower Resources	Westhouse/Astaire	Astaire	Astaire	Astaire	20/01/2010
EIH	Singer/Seymour Pierce	Seymour Pierce/Fairfax IS	Seymour Pierce	Seymour Pierce	21/01/2010
PetroLatina Energy	Evolution/Strand Hanson	Strand Hanson	Strand Hanson	Strand Hanson	22/01/2010
Chariot Oil & Gas Ltd	Ambrian/BMO	BMO	KPMG	KPMG	21/01/2010
Agriterra Ltd	Ambrian/Seymour Pierce	Seymour Pierce	Seymour Pierce	Seymour Pierce	26/01/2010
Chaarat Gold Holdings Ltd	Westhouse/Mirabaud	Canaccord Adams	Westhouse	Canaccord Adams	29/01/2010

company news

Ten Alps targets factual expansion in the Asian media markets

Factual media publisher *www.tenalps.com*

Factual media publisher **Ten Alps** is hoping to replicate its model in Asia. The first step is the acquisition of the assets from Reed Business Information Asia plus an internet search optimisation business. Ten Alps owns 60% of Ten Alps Communications Asia, with the rest owned by the Asian operation's managing director Raymond Wong.

The Singapore-based subsidiary will own ten titles including Television Asia, Pharma Asia, Electronics Manufacturing Asia and Logistics Insight Asia. Ten Alps has an option to buy the other 40% of the business in 2013.

In the UK, Ten Alps has shown that it can successfully migrate print publications to online and thereby cut costs and boost margins. This was the main reason for the 39% improvement in interim profits in the six months to September 2009 even though revenues were flat. Ten Alps specialises in publications and websites covering niche industrial

and public sector markets. The Asian portfolio will provide opportunities to repeat the formula of migration from print to online and the Singapore base will also give Ten Alps the opportunity to generate more business for the UK-based titles.

Ten Alps is developing an editorial team in China and chief executive Alex Connock believes that there is potential in the television production sector.

Ten Alps has also sold its Teachers TV format in Thailand. The channel

TEN ALPS (TAL)			27.5p
12 MONTH CHANGE %	+1	MARKET CAP £M	17.8

should launch in April and will generate revenues for Ten Alps without the risk of upfront investment.

Ten Alps is the majority shareholder of the UK government-funded Teachers TV, which has been broadcasting for five years. This has been a strong contributor to the TV production side of the business but the most recent performance payment was lower than before because terms had been changed. The terms are currently being renegotiated.

Connock says a number of other territories are interested in the Teachers TV concept and he is particularly positive about the potential in the US. He says that there is a "great big gap in the market in America" and plans to launch a US company.

Spode acquisition boosts Portmeirion

Tableware producer *www.portmeiriongroup.co.uk*

Portmeirion Group says that its revenues grew from £32m to £43m in 2009 and profit will be above expectations.

The Stoke-on-Trent-based tableware and giftware producer admits that this figure is flattered by exchange rate movements. However, sales volumes grew significantly in the US, UK and Korea. The acquisition of Spode and Royal Worcester in

PORTMEIRION GROUP (PMP)			332.5p
12 MONTH CHANGE %	+195.6	MARKET CAP £M	33

April 2009 contributed more than £8m to revenues. That is higher than the £7m originally expected.

Portmeirion reported an increase in revenues from £15.3m to £17m in the first half of 2009. Profits improved from £406,000 to £532,000. Full year profits of £2.6m were forecast for 2009 but Seymour Pierce has increased its forecast to £3.6m. The 2010 profit forecast is £4.4m.

The shares are trading on 13 times estimated 2009 earnings, falling to 11 in 2010. An unchanged total dividend of 14.7p a share provides a dividend yield of 4.4%. Full year results will be reported on 23 March.

company news

Rusina merger consolidates European Nickel's Philippines interests

Nickel miner *www.enickel.co.uk*

European Nickel is merging with fellow AIM-quoted nickel miner Rusina Mining in a move that will make it easier to finance and develop their nickel interests.

Rusina's nickel interests are in the Philippines. It currently owns 72% of the Acoje project. European Nickel has a 20% interest and had the right to earn up to 40%. The project will have a simpler structure after the merger. A Definitive Feasibility Study is due to be completed in 2011.

European Nickel is offering four of its shares for every five Rusina shares. This deal values Rusina at £18.1m at 7.45p a share – based on the weighted average European Nickel share price over the 10 days prior to the announcement. Perth-based Rusina's board is recommending the bid. European Nickel already owns 2.9% of Rusina, whose shareholders will end up with 27.3% of the enlarged company.

Rusina is also listed on the ASX. European Nickel says that it will seek an Australian listing via CHESS Depositary Interests.

At the same time as announcing the bid, European Nickel raised £12.1m via a placing at 7p a share. Part of this cash was used to repay a $5m loan provided by Endeavour Financial Corporation. Endeavour will also receive 1.35m shares in lieu of interest. Rusina had cash of A$4.95m at the end of 2009.

EUROPEAN NICKEL (ENK)			7.05p
12 MONTH CHANGE %	+193.8	MARKET CAP £M	38.7

European Nickel's main project is in Turkey. The Çaldağ project will be the world's first commercial-scale nickel laterite heap leach operation.

The combined group will have a JORC resource base of 1.35m tonnes of contained nickel and will target production of 50,000 tonnes of nickel a year in the medium term.

This is a merger and not purely a European Nickel takeover. Rusina's chief executive, Robert Gregory, will become managing director of the enlarged group. Rusina's finance director will take up that role at European Nickel.

Niger scuppers NWT's Kalahari plan

Uranium and metals explorer *www.kalahari-minerals.com*

Niger Uranium's largest shareholder NWT requisitioned an EGM as a first step in a strategy to get **Kalahari Minerals** to distribute its shareholding in uranium explorer Extract Resources to its own shareholders. However, Niger looks to have scuppered the move by selling more than half of the shares it owns in Kalahari.

NWT wants to remove Niger's chairman, David Weill, appoint Wayne Isaacs to the board and get Niger to requisition a general meeting at Kalahari to give its shareholders the chance to vote on the plan to distribute the Extract stake. Niger owned 27.68m shares in Kalahari, equivalent to 13.2% of its share capital, but it has sold 14m shares at 165p a share. That raised £23.1m which will be paid to shareholders in the form of a 20.4p a share dividend.

KALAHARI MINERALS (KAH)			163.5p
12 MONTH CHANGE %	+269.5	MARKET CAP £M	342

NWT helped to defeat Niger's previous plans to distribute its shares in Kalahari to shareholders. The remaining stake is too small to requisition a Kalahari EGM.

Kalahari owns 40% of Extract, whose main asset is the Rossing South uranium deposit which is near to an existing uranium mine owned by Rio Tinto – itself a major shareholder in Kalahari. Rossing South already has a JORC compliant resource of 292m lbs of U308. Extract believes that the asset could support a mine producing 15m lbs of U308 a year. A resource upgrade is due in the second quarter of 2010.

According to Kalahari's broker Ambrian, the "asset has the potential to drive Extract into the FTSE 100 in due course". In that case, Kalahari would be worth significantly more than it is now.

company news

Finance shortage doesn't discourage Sceptre

Amusement machine rental *www.sceptreleisureplc.co.uk*

Sceptre wants to buy other gaming machines distributors

SCEPTRE LEISURE (SCEL)			56p
12 MONTH CHANGE %	+75	MARKET CAP £M	31.1

Amusement machine rental company **Sceptre Leisure's** ability to grow was hit by the withdrawal of asset finance facilities. An experienced management team was able to cope with this challenge and still increase the company's profits.

Sceptre was able to raise £5.5m from a share issue at 33.1p a share in July 2009 in order to continue expanding. All the shares were bought by Hillroad Investments, which has taken a 29.9% stake. Net debt fell from £19.3m to £16.7m at the end of October 2009. In December Sceptre agreed a £6m revolving credit facility and £500,000 overdraft with Lloyds to replace a £3m overdraft. Net debt is expected to rise by the end of the year because of spending on new machines but this capital expenditure will fall next year enabling net debt to fall back again.

Sceptre continues to grow its business on the back of pubs trying to find additional revenue streams. Revenues increased from £17.9m to £21.2m in the six months to October 2009. Profits jumped from £151,000 to £924,000. Average weekly machine rental rose 1% to £39.15 during the six-month period. The doubling of the jackpot on the machines to £70 should help to improve revenues.

Sceptre has won new business from Whitbread and it now supplies amusements machines to around one-half of Whitbread's pub estate. Greene King is another major customer.

The cash raised in the summer helped to finance the purchase of Australian 8 Ball Company, which boosts the group's coverage in the south of England. The deal will add £2m to annual revenues and there should also be cost savings from combining the businesses. Sceptre wants to acquire and integrate other gaming machines distributors into its business.

Healthcare sparks growth for Allocate

Work optimisation software *www.allocatesoftware.com*

ALLOCATE SOFTWARE (ALL)			73.5p
12 MONTH CHANGE %	+88.5	MARKET CAP £M	44.3

Work optimisation software provider **Allocate Software** has performed strongly over the past six months and this looks set to continue. Management is taking a long-term view and has built a base that can cope with higher revenues when they come through.

Revenues increased by 38% to £9m in the six months to November 2009. There was a contribution from acquisitions but there was underlying organic growth of 30%. Healthcare was the fastest growing part of the business. It generated well over two-thirds of group revenues. Allocate gained 17 additional NHS Trusts as customers for its rostering software during the period. Management believes that cost saving in the NHS might spark an increase in demand for its software.

Pre-amortisation profit improved from £703,000 to £1.08m. Net cash was £4.47m at the end of November 2009. Cash was generated from operations in the first half and the cash pile is set to increase over the next couple of years.

Swedish rostering supplier Time Care was acquired after the end of the interim period. This was financed by a £8.3m placing at 55p a share. There is scope to expand sales into other Nordic countries.

House broker Numis forecasts an increase in Allocate's full year profits from £2.5m to £3.1m for the year to May 2010.

NWF keen to maintain dividend growth

Food, fuel and feed distributor *www.nwf.co.uk*

NWF	(NWF)
Price	98.5p
Market cap £m	46.2
Historical yield	4.2%
Prospective yield	4.4%

Dividend

Food, animal feed and fuel distributor NWF maintained its interim dividend at 1p a share but signalled that it plans a small rise in the final payout for the year to May 2010.

Chief executive Richard Whiting (pictured) reaffirmed the company's progressive dividend policy. Cheshire-based NWF has edged up its dividend each year even when profit performance has varied. The dividend has been consistently more than twice covered by earnings.

Ten years ago NWF paid a total dividend of 2.04p a share – adjusted for the bonus issue in 2007 – and it is forecast to pay a total dividend of 4.2p a share for the year to May 2010. The latest dividend should be 2.3 times covered by earnings.

Short-term growth in the dividend is expected to remain modest. NWF is a strong cash generator so it can continue to grow the dividend even when there is a dip in profit performance.

Business

The disposal of the garden centres division last year helped to cut borrowings and gives NWF scope to grow. Net debt is down to £17.5m at the end of November 2009, while total facilities are £47.8m. Whiting has no intention of reducing the facility when it comes up for renewal in May 2011.

The benefits of reduced debt can be seen in the lower interest charge at the interim stage – although £600,000 of the £1m decrease related to a one-off interest swap loss. That helped NWF improve interim profit from £1.8m to £2m in the six months to November 2009. Food distribution made a record operating profit but animal feed and fuels could not repeat their previous strong performance.

All three of NWF's divisions have the ability to grow. Food distribution is running at near to capacity but it is well placed to take advantage of changes in the sector and would like to open a warehouse further south. There are bolt-on acquisition opportunities in fuel distribution and NWF plans to invest £500,000 in a new branch in Sheffield. The animal feed market is switching from compound to blended feed, where NWF is strong. Highly borrowed rivals could provide consolidation opportunities.

The second half is always strongest. Daniel Stewart forecasts a fall in profit from £7.4m to £6.2m in the year to May 2010. NWF reported a profit of £4.2m in 2007-08.

Dividend news

Many AIM-quoted companies are paying dividends before the end of the tax year. By paying them in the current tax year shareholders will not be subject to the new 50% rate of tax for 2010-11.

Dividends are paid with a 10% tax credit. At the moment, anyone subject to a 40% marginal tax rate has to pay a further 32.5% tax on dividends. In 2010-11, anyone who has taxable income of more than £150,000 will be subject to a new dividend additional rate of 42.5%.

Flooring supplier **James Halstead** suggested at its AGM in December that it might pay its interim dividend early this year. It has decided to pay 8p a share, up from 7.25p a share, on 31 March – the day it will release its figures for the six months to December 2009.

This payment is just over nine weeks after a 15p a share special dividend was paid. Halstead expects its interim turnover and trading profit to be higher than the comparative period.

Online gaming firm **Gaming VC** will pay a special dividend of at least €0.50 a share in lieu of the final dividend, which was €0.20 a share in 2008. The 2009 interim dividend was €0.20 a share.

Gaming VC had €17.6m (€0.565 a share) in cash in January 2010. The dividend will be paid after the redomiciliation of the company from Luxembourg to the Isle of Man, where there is no withholding tax. The redomiciliation document has not been sent out yet but management is confident the dividend will be paid in late May. Profits are expected to fall in 2010 due to investment in international expansion so the dividend will fall but Gaming VC will still pay 75% of net cash generated.

expert views

Expert view: The broker

Darkest before the dawn

By ANDREW DARLEY

Amino Technologies' unfortunate 2009 has led investors to overlook its potential as one of the global top three Internet Protocol TV set top box providers. Strong order flow and the prospect of being acquired, mean that technology for use as video on demand, effectively as a hosted personal video recorder with thousands of hours of video, is imminent reality and customers will already be aware of all the elements of that offering.

Amino Technologies is a global player in the IPTV set top box (STB) market

Amino is an interesting opportunity for investor and consolidator exposure to a global presence in a growing TV market.

Amino is a global player in the IPTV set top box (STB) market, behind market leader Motorola and a close competitor in scale for Sagem which also has a market share of about 12%. Motorola's strength lies in US relationships with Verizon and AT&T, alongside some large European operators. Sagem's strength is in France, which has embraced IPTV and pushed Sagem to top spot in Europe.

Amino's strength has been in smaller (sub 50,000 units) markets as demonstrated by strong market performance in Eastern Europe. Hence statistically the company's strength so far lies in "Rest of the World". It is clear that Amino has exposure to most customers, and therefore proven compatibility with most IPTV ecosystems.

A growing market

IPTV subscriber growth is forecast at 200% globally between 2009 and 2013, from 26m to 81m, of whom Europe will constitute 34m, or 42%, although growing at a mildly slower pace.

There is scope for development of the model to remove the walled garden and allow functionality in line with a games console IPTV or the combination of Digital Terrestrial Television with "Over the Top" internet TV. DTT/OTT

Last October, Amino announced and demonstrated an IPTV STB powered by the new Intel Atom Processor, CE1400. This leading edge processor provides advances in flexibility and functionality and opens a gateway for advances in processing power to enable further development of hybrid IPTV/OTT devices. This new STB has already gained an order from a tier 1 Western European company.

Technology for use as video on demand, effectively as a hosted personal video recorder with thousands of hours of video, is imminent reality

Delayed orders

The year to November 2009 was not enjoyable for shareholders or management. Amino's two unfortunate 2009 trading updates revealed continuing strategic advances but a disappointing pace of rollouts. The double beating understandably exaggerated the effect of sentiment over simple reduced expectations, and the company is struggling to gain the benefit of the doubt just when developments would indicate that this is among the most exciting times for product suitability and order traction.

Amino reported an adjusted pre-tax loss of £5.8m in the year to November 2009, against an adjusted pre-tax profit of £1.9m the year before. Revenues fell from £31.9m to £25.3m as contracts were delayed and component shortages hampered progress.

These results did not surprise, given the December trading update, but showed cash at a reassuring £9m. Cost controls had, as promised, restrained admin costs to a run rate of £11m going in to the year to November 2010.

Established larger STB manufacturers seeking IPTV specialisation are expected to be interested in acquiring Amino, giving an immediate top 3 IPTV STB presence as well as content management services through its subsidiary Asset House.

We expect box sales of 500,000 this year and 550,000 in 2010-11, compared with 277,000 orders received in the second half of the last financial year, therefore building in outperformance potential.

We forecast breakeven this year and an adjusted pre-tax profit of £1.4m in the year to November 2011. Tax losses mean that no tax should be payable for the foreseeable future. At 32p, the shares are trading on 13 times prospective 2010-11 earnings.

The operational gearing potential delivers forecast upside. Even on current forecasts, at a target of 6 times EV/EBITDA, 45p is a sensible target price. We would look to a bid north of 75p

ANDREW DARLEY is a Research Director specialising in telecoms at FinnCap.

feature

AIM specialists left behind by VCT boom

Venture capital trusts are expecting to have a good fundraising season but the AIM specialists are likely to continue to account for a small proportion of the cash raised.

There is a spring in the step of many Venture Capital Trust managers this year. Predictions are for a rush of new cash into VCTs ahead of the government's renewed assault on high earners in the coming tax year

Martin Churchill, editor of the Tax Efficient Review, estimates as much as £250m in new money could be raised, a 70% increase on last year as the highest paid seek to escape the new restrictions on pension relief and 50% income tax above £150,000.

The one exception to this upbeat mood looks set to be the specialist AIM-focused section of the market, despite the AIM All-Share index rising by two-thirds over the past 12 months.

No new trusts

Only two existing AIM VCTs are currently looking to raise new money and they want around £16m. There is no sign of a new AIM VCT. The most recent launch was ViCTory VCT, then known as Singer & Friedlander AIM 3, which started trading on 8 October 2008.

Two tough years for AIM took their toll on the performance tables of VCTs and although 2009 was a much better year the longer-term performance is still relatively poor.

To some extent, it is a marketing issue. VCT fund managers are still raising money to invest in AIM, but it is now primarily coming through generalist trusts, which can still choose to put their cash into the junior market, rather than with a now less fashionable AIM wrapper.

Changes to the rules governing the type of investments allowable for a VCT have also had a major impact on the specialist AIM-focused trusts. The size of company eligible has been reduced. Companies now cannot have gross assets of more than £7m or more than 50 employees to be eligible for VCT inclusion. Money raised prior to the rule changes can still be invested on the old basis which provides a wider choice of companies.

> Only two existing AIM VCTs are looking to raise money

> Noble has done nearly all of the fundraising by AIM VCTs in the past couple of years

Consolidation

Rather than look for new money, the recent trend has been for consolidation between the AIM funds to take advantage of the looser rules in the past.

Two AIM VCTs run by fund manager Artemis merged last year, albeit controversially because of concerns over the rebasing of the fee structure for the merged trust.

In December, Unicorn also proposed the merger of its Aim 1 and Aim 2 VCTs. The reasons it put forward were mostly related to cost savings, but it also says being larger will give it "increased flexibility in continuing to meet the various requirements for qualifying VCT status and also give greater liquidity in the secondary market".

The UK Shareholders Association has recommended that shareholders

VCT FACTS

Investment

An individual investor can invest up to £200,000 in total in one or more VCTs in each tax year. Individual VCTs set their own minimum investment levels. They can be as low as £2,000 or be £25,000 or more.

Tax benefits

The rate of income tax relief has varied over the years between 20% and 40%. It is currently 30%. This can be claimed as a reduction on tax owed in the tax year of the investment or it can be claimed back as a rebate from tax that has already been paid.

The tax relief means the net cost of every £1,000 invested is £700. Dividends and capital gains are tax free.

VCTs need to be seen as a long-term investment. In order to retain all these tax benefits the shares have to be held for at least five years. If all or some of the shares are sold during that five year period then all or part of the benefits will be lost and the HMRC can claim back the tax relief. The longer the shares are held before disposal the less that will have to be paid back.

feature

vote against the proposal because of a new fee structure being put in place, but even it agrees in principle with the broader thinking behind the merger.

Limiting rules

Paul Jourdan at Noble AIM VCT, one of the two AIM-focused trusts looking for more cash this year, says he would not launch a new AIM VCT at present because the current rules are too limiting to make it worthwhile, even though he believes it is still a good time to be looking at AIM.

He says there are good investments out there. "A lot of smaller companies are not back to their fair value," he adds.

The most recent sector analysis of its portfolio shows that industrials, healthcare and technology make up the majority of the holdings.

Noble AIM VCT has been one of the most consistent money raisers in recent years. "We have done nearly all of the fundraising (by AIM VCTs) in the past couple of years," says Jourdan. It looks like this year will be the same.

Management buyout vehicle Amati Global Partners recently acquired the trust's fund manager Noble Fund Managers.

Amati was set up by Jourdan and Douglas Lawson who were already managing the Noble AIM VCT and the CF Noble Smaller Companies Fund. These two funds will continue to be managed in the same way as they are now. Amati also plans to broaden the range of investment products it offers.

The Noble AIM VCT wants to raise an additional £14m. That is £10m of new money and the rest will be via reinvestment through a buy-back of existing shares. The management has developed a process where older shares are bought back at a 1% discount to NAV and the cash reinvested in new shares.

By doing it this way Jourdan retains the ability to reinvest cash under the older rules which provides more flexibility for the trust. The age of the fund means that the vast majority of the cash can be invested under the old, broader VCT rules.

> Martin Churchill of the Tax Efficient Review estimates as much as £250m in new money could be raised

Baronsmead, with funds managed by ISIS, is the UK's largest VCT manager and has £70m invested in AIM through a number of generalist and one specialist trust.

The Baronsmead AIM VCT is looking to raise a modest €2.5m this year. Under the current EU directives that is the maximum that can be raised without the need for a prospectus.

Its funds are long established so it can also take advantage of the older rules, but it is concerned that too much money could be heading for the sector this year with limited opportunities to invest it, especially with the eligibility rules now so tight. "It is not just about raising money but about returns and good investment," one fund manager said.

> The trend has been for consolidation between AIM funds

New proposals

The London Stock Exchange has been arguing for months for two key proposals to increase small and medium company access to finance via VCTs.

In particular, the LSE wants to see a relaxation of the investment criteria and for VCT participation in secondary market trading of quoted securities.

Its proposals would enable companies with gross assets of £25m instead of £7m and 250 employees instead of 50 employees to qualify for VCT investment. That would substantially increase the reach of VCTs.

That would certainly broaden the number of companies eligible, and could spark a resurgence in new funds, but without that type of direct boost the AIM specialists could be in the shade a little bit longer yet.

AIM

AIM funds invest predominantly in qualifying AIM-quoted companies. Some of them may also have a small proportion of their cash invested in Plus-quoted or other unquoted companies.

Generalist

Generalist funds tend to invest in a combination of private equity, AIM and Plus-quoted investments. There are no required levels of investment in any particular area as long as 70% of the cash is invested in these 'unquoted' investments in the requisite three year time frame. This gives the fund manager greater flexibility to diversify the portfolio.

Specialist

Specialist funds will focus on one particular sector or group of related sectors. These include technology, media and leisure, healthcare, and environmental.

Limited Life

Limited life funds have specific dates set for when they will be wound up.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	26	23.7
Basic materials	17.6	12.8
Oil & gas	17	9
Industrials	12.1	18.6
Consumer services	7.7	12.4
Technology	6.9	9.7
Consumer goods	4.3	5.2
Health Care	4.1	5.7
Utilities	2.9	1.2
Telecoms	1.4	1.6

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	667.53	+65.0
FTSE AIM 50	2718.11	+47.7
FTSE AIM 100	3010.22	+55.8
FTSE Fledgling	4074.51	+73.0
FTSE Small Cap	2811.5	+57.9
FTSE All-Share	2689.04	+29.4
FTSE 100	5247.41	+26.5

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	348
£5m-£10m	190
£10m-£25m	287
£25m-£50m	199
£50m-£100m	122
£100m-£250m	101
£250m+	46

KEY AIM STATISTICS

Total number of AIM companies	1,293
Number of nominated advisers	62
Number of market makers	48
Total market cap for all AIM	£56.63bn
Total of new money raised	£65.65bn
Total raised by new issues	£33.07bn
Total raised by secondary issues	£32.58bn
Share turnover value (2009)	£33.67bn
Number of bargains (2009)	3.98m
Shares traded (2009)	205.71bn
Transfers to the official list	136

TOP 5 RISERS OVER 30 DAYS

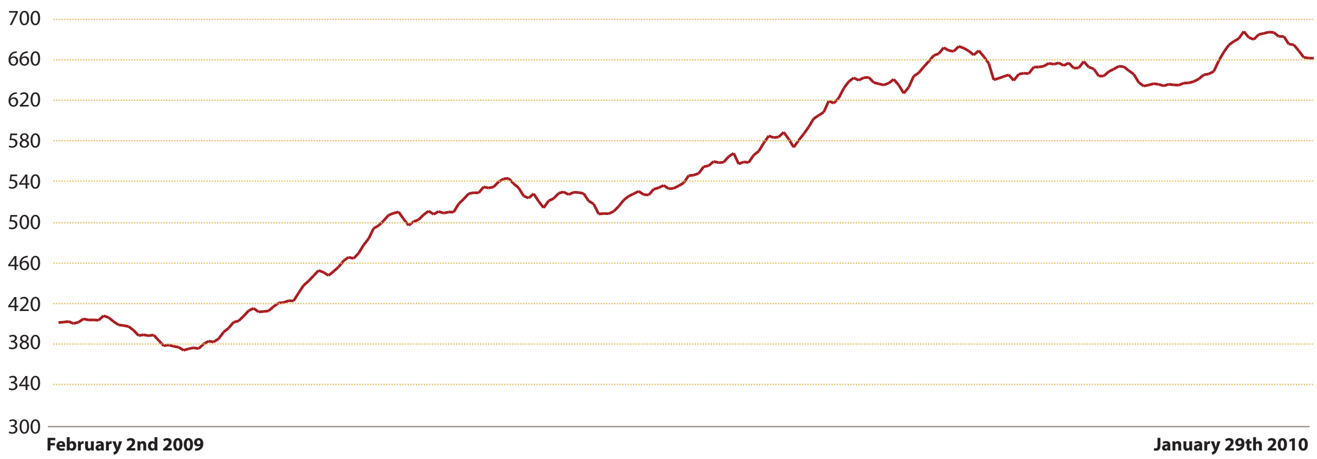
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Merchant House	Financial	1.05	+425.0
Deo Petroleum	Oil and gas	2.375	+375.0
Tricor	Telecoms	0.11	+109.5
NetServices	Telecoms	9	+94.6
Environmental Recycling Tech	Chemicals	2.125	+93.2

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
London Town	Pubs	0.875	-89.1
Zirax	Chemicals	1.25	-58.3
Invu	Software	0.65	-56.7
Talent Group	Media	2.5	-37.5
Clarkson Hill	Financials	4.25	-37.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th January 2010, and we cannot accept responsibility for their accuracy.

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FinnCap is a client focused institutional broker and corporate advisor, with a strong track record in advising and raising capital, providing research and after-market care for both growing and established smaller companies. The institutional broking team provides a dedicated, bespoke agency broking service to fund managers and private client brokers.

FinnCap is a top ten AIM adviser and broker. It works with over 65 corporate clients and raised just over £90m for clients in 2009.The finnCap research team was shortlisted at the 2009 AIM awards. FinnCap is a Nominated Adviser (NOMAD) for AIM companies and a Corporate Adviser for Plus Markets.

In August 2007, JM Finn transferred its corporate finance, research and institutional broking business into a new subsidiary, JMFinn Capital Markets (FinnCap). The management team and employees of FinnCap have taken a significant equity stake in the business, meaning they have made a substantial financial commitment.

About J M Finn & Co

JM Finn is an independent private client stockbroker with approximately £4bn under management as at July 2007. Its 260 staff are based in London, Bristol, Leeds and Suffolk.

JM Finn was founded as a partnership in 1945, incorporated as a private limited company in 2006 and has been a member of the London Stock Exchange for over 60 years.

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