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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

AIM liquidity improvement continues

Liquidity is continuing to improve on AIM, with the average number of daily bargains moving back towards the peak reached in 2007. This has been achieved even though the number of companies has fallen by nearly 17% over the past year.

The average number of daily bargains was 15,745 in 2009, compared with 15,632 in 2008. In the first quarter of 2009 the average number of bargains was more than 3,000 lower than in the first quarter of 2008, so the figures indicate a strong recovery later in the year. The average number of bargains in 2007 was 16,460.

However, average daily trading values in monetary terms are still well below past levels. At £133.1m a day, they are less than half of the 2007 average of £296.6m. The value of AIM is much lower now than it was then. Expressing the year's trading value as a percentage of the average AIM capitalisation at the beginning and end of the year provides a different viewpoint.

In 2009, the trading volume represents 80% of the average capitalisation for the year. That is the same as in 2007 and slightly higher than in 2008 and 2006. The 2005 figure is 95%, so it is still much higher. This is only a rough calculation but it does show that underlying trading volumes are not as poor as they appear at first glance.

QCA urges UK markets rethink

The new standard listing has come under fire from the Quoted Companies Alliance, the voice for the UK's small quoted companies.

The QCA criticises the lack of corporate governance for standard listings on the Main Market and points out that there is no requirement for a sponsor and shareholder approval is not needed for takeovers. This is not the only concern of the QCA and it is calling on the government to set up a working group to design an appropriate structure for UK equity markets.

The QCA believes that a series of measures are threatening the structure and operation of the UK markets. Others include potential changes to the EU Prospectus Directive that could hamper the ability of AIM companies to raise funds and the confusing array of tax benefits for investing in smaller companies, which differ depending on the market they are traded on. For example, the QCA reckons that not being able to buy AIM shares in an ISA is an impediment to their liquidity.

"Nobody has looked at these changes in the light of the overall function and operation of equity markets as a whole," says Tim Ward, the chief executive of the QCA.

In this issue

HubInvest publishes AIM Journal

www.hubinvest.com

general news

Sefton acquires 14% stake in DVD distributor MBL

An Isle of Man-based hotels and leisure company chaired by 1980s corporate raider Graham Ferguson Lacey has acquired a 14% stake in home entertainment products distributor MBL Group.

Peter Long and his family sold the stake in MBL to Sefton Group and as a result of the transaction Capital International Group, where Long is chairman, has taken a near 15% stake in Sefton.

Sefton Group runs hotels, restaurants and leisure operations on the Isle of Man. It also has property and construction activities. Sefton reported a profit of £1m on revenues of £14.9m in the six months to June 2009 and full year figures should show further growth. The 2009 annual report will be published in the second quarter. Sefton's broker is Collins Stewart.

Sefton's executive chairman, Graham Ferguson Lacey, is football club Millwall's second largest shareholder, with a 14% stake in the AIM-quoted company through Sports Regeneration. At one stage the stake was as high as 28.9% and Lacey tried to get Millwall's management to change their development plans for the club's stadium.

MBL, which used to be known as Air Music and Media, has a chequered past but it has profited from the demise of Woolworths, which owned its main competitor, Entertainment UK. In the six months to September 2009, sales jumped 124% to £78.2m, while reported profits improved from £2.3m to £3.2m. House broker Seymour Pierce forecasts a full year profit of £8.8m.

The MBL share price has more than doubled over the past year. MBL has signed new contracts with Morrisons and Best Buy in recent months and it has also moved into digital media through the purchase of Global Media Vault. A trading statement is promised at the end of January.

Formjet's laptop contract

Formjet is set to be one of the beneficiaries of the UK government's plan to hand out 270,000 laptops to low income families to give them access to broadband. The laptops will come with Formjet's Ability Office software, which is a low cost alternative to Microsoft Office.

Each laptop is expected to cost £500 so the total cost of the project will be £135m. Of course, Formjet is not going to get much of that but whatever it receives it will still be significant to the business. For every £1 in revenue from each computer Formjet will generate £270,000. Formjet reported first half revenues of £1.45m but that included Panda Software which has been sold.

Former Blue Oar boss Andrew Monk has big plans for Formjet and owns nearly 23% of the company. He is looking at acquisitions in software and other sectors. The most important thing is that the businesses should be profitable and cash generative.

Pay disclosure rules planned for AIM

AIM intends to tighten up its regulations relating to directors' pay. Up until now AIM-quoted companies have not been obliged to provide full disclosure of the pay and benefits of their directors. If the proposed additions are made to the AIM rules then companies will be required to provide information about the pay and benefits of all directors in each year's accounts.

AIM has issued a consultation notice about the disclosure of directors' remuneration. An amendment to the AIM rules is proposed and this would "require an AIM company to provide disclosure of directors' remuneration in its annual audited accounts". Some AIM companies already do this but most do not.

This will involve a change to Rule 19 of the AIM rules, which covers the area of company accounts. The current rule does not include any mention of reporting director pay.

Companies will have to provide information about each director. This includes all pay and compensation, share options and share incentives, plus the value of any pension benefits.

AIM is also inserting regulations for sending out documents electronically in its rules. This gives companies the option to send accounts and reverse takeover documents electronically.

The London Stock Exchange hopes to have the new rules in place by the end of January and it is planned that they should be in force for accounts related to periods ending on 31 March 2010 or thereafter.

AIM asked for feedback from AIM companies, nominated advisers and other market participants and it will be assessing their views on the proposed changes.

advisers

No Daniel Stewart placing

AIM adviser Daniel Stewart Securities will not be getting the proposed £2.31m cash injection at 2.1p a share from Middle East investment bank Prime Group.

The original deal with Prime was announced in September and a circular was promised by Daniel Stewart's management. Just before the end of 2009, Daniel Stewart announced that the share placing would not happen. Prime and Daniel Stewart have undertaken due diligence on each other but a co-operation agreement is planned instead of an investment. The Daniel Stewart share price fell from 2.875p the day before the announcement of the proposed placing to 1.75p by the time it was revealed that it was not going to happen.

Cairo-based Prime has four offices in Egypt and the Middle East. The tie-up is expected to help Daniel Stewart gain access to the Gulf Cooperation Council and North African markets. The two businesses are considering starting an asset management business and a private bank.

Cash has been a problem for Daniel Stewart. There was £881,000 in the bank at the end of September 2009 but the operational cash outflow in the six-month period was £1.62m. Daniel Stewart has signed a £1m, two-year unsecured credit facility to provide working capital. The primary provider is Swiss trust company FCI AG. This will help to cover some of the cash injection that would have come from Prime. Even so, Daniel Stewart needs to reduce the cash outflow from operations.

New nomad

Cairn Financial Advisers has been approved as a nominated adviser by the London Stock Exchange.

The firm has been launched by Tony Rawlinson, James Caithie, Liam Murray and Simon Sacerdoti, who used to work for Dowgate until it was acquired by Astaire. Rawlinson resigned as chairman of Dowgate at the end of June 2009 and the board subsequently recommended the cash and shares bid.

In recent years the London Stock Exchange has rarely approved new nominated advisers. In fact, there have been more withdrawing than being approved. Dowgate was removed from the register on 4 January – four days before Cairn was approved.

Nomura International has also dropped its nominated adviser status although it still has approval through Nomura Code.

ADVISER CHANGES - DECEMBER 2009

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
GW Pharmaceuticals	Piper Jaffray	Investec	Piper Jaffray	Investec	1/12/09
Dragon-Ukranian Properties & Development	Panmure Gordon	KBC Peel Hunt	Panmure Gordon	KBC Peel Hunt	2/12/09
BPC Ltd	FirstEnergy Capital/Novus	Novus/Fox-Davies	Strand Hanson	Strand Hanson	3/12/09
Sarantel Group	Seymour Pierce	Merchant John East	Seymour Pierce	Merchant John East	4/12/09
Unitech Corporate Parks	Numis	Numis	Arbuthnot	Numis	4/12/09
Avisen	Zeus Capital	Merchant John East	Zeus Capital	Merchant John East	4/12/09
Energy Technique	FinnCap	Keith Bayley Rogers	FinnCap	Blomfield	7/12/09
CVS Group	Brewin Dolphin	Panmure Gordon	Brewin Dolphin	Panmure Gordon	7/12/09
Indian Film Company	Elara Capital	Elara/Oriel	Grant Thornton	Grant Thornton	9/12/09
Mediterranean Oil & Gas	Ambrian/WH Ireland	WH Ireland/Tristone	WH Ireland	WH Ireland	9/12/09
API Group	Numis	Numis	Grant Thornton	Numis	10/12/09
AGI Therapeutics	Davy	Davy/Piper Jaffray	Davy	Piper Jaffray	10/12/09
Summit Corporation	Singer	Panmure Gordon	Singer	Panmure Gordon	11/12/09
Milestone Group	Hybridan	Hybridan/Arden	Strand Hanson	Arden	11/12/09
CBay Systems Holdings	Jefferies	Jefferies	Strand Hanson	Jefferies	16/12/09
Intellego Holdings	Rivington Street	Dowgate	Beaumont Cornish	Beaumont Cornish	16/12/09
Motive Television	Hybridan	Throgmorton Street Capital	Dowgate	Dowgate	17/12/09
Network Group Holdings	Arden	Dowgate	Arden	Dowgate	17/12/09
Stratic Energy	FirstEnergy Capital/Oriel	Oriel	Lazard	Lazard	17/12/09
Gas Turbine Efficiency	Matrix	Collins Stewart/Mirabaud	Matrix	Collins Stewart	18/12/09
Natasa Mining	WH Ireland	WH Ireland	Strand Hanson	WH Ireland	21/12/09
Dominion Petroleum	Mirabaud/Canaccord	Canaccord/Seymour Pierce	Seymour Pierce	Seymour Pierce	22/12/09
Nexus Management	Daniel Stewart	Rivington Street	Merchant John East	Merchant John East	22/12/09
Faroe Petroleum	Oriel/Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	23/12/09
Garner	Merchant John East	Astaire	Merchant John East	Dowgate	23/12/09
Allied Healthcare International Inc	Piper Jaffray	Cenkos	Piper Jaffray	Cenkos	24/12/09
Lombard Medical Technologies	Evolution	Nomura Code	Evolution	Nomura Code	24/12/09
EIH	Seymour Pierce	Seymour Pierce/Fairfax IS	Seymour Pierce	Seymour Pierce	30/12/09
TanzaniteOne Ltd	Ambrian	Ambrian/Evolution	Ambrian	Evolution	30/12/09

company news

Avanti Communications secures finance for second satellite launch

Satellite operator *www.avanti-communications.com*

Satellite operator **Avanti Communications** has raised £280m to finance the construction and launch of a second satellite. A share placing at 400p a share raised £86m of the cash and the rest will come from debt finance.

HYLAS II will have nearly three times the capacity of HYLAS I, which is due to be launched by Arianespace in the second quarter of this year.

Avanti's satellites are able to deliver more data than conventional satellites because they use Ka band spectrum. This is because Ka band uses small spot beams rather than one large beam. Avanti chief executive David Williams says that demand for Ka band broadband services is growing faster than originally expected.

HYLAS I will provide broadband

services to remote European areas, including parts of the UK that can't access broadband. Avanti has been selling capacity from the first satellite around Europe and it is set to be a beneficiary of the UK government's Digital Britain initiative to provide access to broadband to everyone in the UK.

HYLAS II is expected to be launched in the first half of 2012 and

AVANTI COMMUNICATIONS (AVN)	449p		
12 MONTH CHANGE %	+182.4	MARKET CAP £M	308.3

it will cover Europe, the Middle East and Africa. Broadband coverage can be poor in many of these areas and the satellite will provide people with the opportunity to access broadband services.

The Avanti share price has performed strongly over the past year. In July 2009, Avanti raised £31.5m at 225p a share in order to secure a firm slot for the launch of the first satellite. Daniel Stewart has more than doubled its target price from 540p to 1,111p a share. Avanti is expected to move into profit in the year to June 2011 and it should be highly cash generative from then on.

Accountant RSM Tenon moves up the top 10

Accountant *www.tenongroup.com*

Tenon's merger with RSM Bentley Jennison has created an accountancy business that is seventh in the Accountancy Age league of accountants based on UK fee income. The business, which has been rebranded RSM Tenon, has annualised revenues of £250m.

Tenon raised £40m from a placing at 45p a share and is issuing up to 47.7m shares for RSM. The deal valued the business at up to £76.3m. Management has identified cost savings of £6.3m, although this

RSM TENON (TNO)	48.75p		
12 MONTH CHANGE %	+21.9	MARKET CAP £M	155.7

will cost £3m to implement.

The merger has helped to fill in the geographic gaps in the office network, while internal audit and risk management operations will become a significant contributor to the enlarged group.

There should also be benefits from joining the RSM network because overseas companies with UK operations will become potential clients.

Daniel Stewart forecasts profits of £24.3m in the year to June 2010, when RSM Bentley Jennison should make a six-month contribution. The combined business is expected to produce profits of more than £35m in its first full financial year - to June 2011. The shares are trading on around six times prospective 2010-11 earnings.

RSM Tenon intends to move to the Main Market in the first half of 2010.

company news

DCD Media looks to North American TV for organic growth

TV programme producer *www.dcdmedia.co.uk*

TV programmes producer **DCD Media** intends to focus its growth on the US TV market. Having reduced and restructured its debt, DCD is in a good position to push forward with its growth plans.

The US is already important and around one-third of revenues are currently generated there. DCD would have done worse last year if it had still been dependent on the UK TV market. Drama production commissions have dried up in the UK although other operations have continued to prosper. The BBC has commissioned a second series of BAFTA-winning children's science programmed Richard Hammond's Blast Lab. Events producer Done and Dusted is also trading strongly.

Chief executive David Green says that ideally in a few years around 50% of revenues will come from US TV productions, 25% from UK productions and the rest from IP rights distribution. DCD has already won $13.8m of US business since the year end. The financial side of the business is more stable than it has been for a while. Highbridge Capital Management has swapped £6.93m of convertible loan notes for £2.48m in cash and 7.63m DCD shares – 12.5% of the enlarged share capital. The remaining loan notes are now redeemable in November 2012, three years later than originally planned, and the conversion price has been reduced to 18p a share.

DCD MEDIA (DCD)			8.625p
12 MONTH CHANGE %	-49.3	MARKET CAP £M	5.27

DCD has raised a £3m loan from Coutts to help pay the cash consideration. The convertible represented most of DCD's debt.

Stripping out goodwill impairment and restructuring costs, DCD swung from a loss of £3.65m to a profit of £544,000 in the year to June 2009. Revenues edged up from £34m to £34.5m.

Mortice appoints new chief executive

Facilities management services *www.morticegroup.com*

Facilities management services provider **Mortice** reduced its interim loss and has appointed a new chief executive. The India-focused business has operations covering 29 of the 35 states in India and has won 84 new contracts since the end of September 2009.

Revenues improved from $11.6m to $13.6m in the six months to September 2009. The facilities management operations are where most of the growth is coming from. The loss fell from $1.87m to $665,000. Customers are being tougher on prices but Mortice is winning new work. Net debt was $887,000 at the end of September 2009.

MORTICE (MORT)			52.5p
12 MONTH CHANGE %	+5	MARKET CAP £M	25

Vaibhav Dayal has taken over from Andrew Barker as chief executive. Barker joined the company before it floated on AIM in May 2008 and he has helped to build up the facilities management business on the back of the original manned guarding business. Dayal joined Mortice via the acquisition of Delhi-based Rotopower Projects at the end of June 2009.

Rotopower has taken Mortice into the market for providing maintenance and services for telecoms base stations in India. This is a fast growing market and it could become increasingly important for the group. Mortice is keen to add new services to its offering.

Mortice intends to use its quotation to build up its facilities management business in India and other Asian countries. Mortice appointed Seymour Pierce as broker in September.

company news

Coffeeheaven gives Costa European boost

Coffee shops operator *www.coffeeheaven.eu*

Whitbread's subsidiary Costa Coffee is acquiring European coffee shops operator **Coffeeheaven** International for 24p a share, which is a 140% increase on its flotation price. The bid values the operator of 90 coffee shops in central and eastern Europe at £36m.

Coffeeheaven joined AIM in December 2001, not a good time for the market, and raised £750,000 at 1p a share – equivalent to 10p a share after the 10-for-one share consolidation in November 2005. The business was demerged from AIM-quoted in-store bakery operator Bakery Services. Bakery Services is now an unquoted shell company and the subject of an all share bid from Maji Capital Partners.

More recent investors in Coffeeheaven haven't done so well because £3.5m was raised at 30.5p a share in June 2008. Since that time the AIM index has fallen by around one-third, while the bid price is 21% below the June placing price – not that the relative outperformance will console anyone who bought the shares at the time.

COFFEEHEAVEN INTERNATIONAL (COH)	23.75p		
12 MONTH CHANGE %	+37.7	MARKET CAP £M	31.7

Costa, which has a compound growth rate of 19% a year, is the largest coffee shop chain in the UK, with more than 1,000 outlets. On top of that Costa already has more than 400 shops in 25 other countries. Coffeheaven will provide a strong platform in central and eastern Europe. Along with China and Russia this is an area where Costa is focusing its expansion. The majority of the sites are in Poland but Coffeeheaven also has outlets in the Czech Republic, Bulgaria, Hungary and Latvia.

Costa generated interim revenues of £155.4m in the six months to August 2009, while Coffeeheaven's first half revenues were £12.5m in the six months to September 2009 – similar to Costa's interim profit.

Mears fends off bid rivals for Supporta

Home care services provider *www.supportaplc.com*

Home care services provider **Supporta** has agreed an all-share merger with social housing maintenance group Mears.

Mears is offering 0.115 of a share for each Supporta share. That deal was worth approximately £27.2m when it was announced and valued each Supporta share at 31p. Supporta had net debt of £17.3m at the end of September 2009.

AIM-quoted Allied Healthcare International Inc considered a cash bid for Mears and 28.2% shareholder Romac Investments, which itself

SUPPORTA (SOR)			34.5p
12 MONTH CHANGE %	+72.5	MARKET CAP £M	29.8

considered a bid in 2008, was keen on this potential cash bid. Rival home care staffing provider Allied submitted an indicative cash offer for Supporta but following due diligence it decided not to proceed. There is no sign of any other rival to the Mears bid.

Local authorities spend more than £3bn a year on domiciliary care. Mears moved into the home care services market less than two years ago when it acquired Careforce. Supporta will nearly double its turnover in this sector although Mears makes a much higher profit from its operations.

Nearly all of Supporta's operations relate to home care services but Supporta Datacare offers document management services. Interim revenues fell from £1.26m to £905,000 but there is a £3.2m order book.

This business made an interim operating profit of £42,000. Supporta also has a non-core consultancy business.

dividends

RWS translates patent earnings into dividends

Patent translation *www.rws.com*

Dividend

Patent translator **RWS** is a cash generative business with a blue chip customer base. RWS translates patents from their original language into other languages so that they can be filed in other countries. The so-called London Agreement means that EU patents no longer need to be filed in every language so that has cut out some business but RWS continues to grow profits and dividends.

Over a six-year period, RWS has increased annual dividends from 5p a share to 11.65p a share. Over all of that time the dividend has always been more than twice covered. Chief executive Andrew Brode says dividend growth will be at least in line with earnings.

WH Ireland forecasts a total dividend of 12.85p a share for 2009-10, while house broker Numis forecasts 12.45p a share – both are covered around 2.1 times by forecast earnings. The difference is more marked for next year when WH Ireland forecasts dividends of 14.15p a share and Numis dividends of 13.3p a share. The main difference is that the WH Ireland figure is covered twice, while the Numis dividend forecast is still covered 2.1 times.

Business

RWS managed to grow its revenues by 2% to £55.3m in the year to September 2009 even though the changes in EU regulations have reduced the overall requirement for translating patents. The weaker pound helped, as did initial contributions from acquisitions. Revenues are growing in Continental Europe, America and Asia but declining in the UK, which accounts for 14% of total revenues. Underlying profits improved from £14m to £14.5m.

RWS HOLDINGS	(RWS)
Price	325p
Market cap £m	137.5
Historical yield	3.6%
Prospective yield	3.9%

The Beijing office is near to breakeven. Huawei, the world's number one filer of patents, is a customer. RWS is winning new clients elsewhere as well. There is good visibility of work because RWS is still translating patents filed between 2005 and 2008.

There is £24.3m cash in the bank. RWS hopes to bring four offices together on one site in July 2010. RWS has the option to buy this building for around £9m-£10m but that would still leave plenty of spare cash.

Interest income will decline because of lower interest rates. Even so, profits could rise to £15.6m in the year to September 2010.

Commercial and technical translation is growing in importance to RWS and its acquisition strategy is focused on these sectors. There is one possible acquisition that could be completed by the end of March 2010. There is an increasing flow of potential deals but management says that the quality is generally poor.

Dividend news

Italian restaurants operator **Carluccio's** has maintained its dividend despite a fall in profits from £5.63m to £2.96m in the year to September 2009. The 1.6p a share final means the total dividend is still 2.3p a share. Even if the £1.7m asset impairment and onerous lease provisions relating to Oxford and Manchester sites are excluded there was still a decline in profit from £5.63m to £4.66m. The decline was split between a higher depreciation charge and lower gross profit. Carluccio's has £3m in the bank and it was cash generative enough to cover the cost of new restaurant openings before the £1.3m cost of the annual dividend. Trading in the first eight weeks of this financial year has been slightly ahead of expectations.

Central and eastern European property investor **Carpathian** is paying a dividend of €0.045 (4p) a share and it has reaffirmed its plan to pay total dividends of at least 8p (€0.09) a share by the end of May 2010. That will be equivalent to around three-quarters of Carpathian's uncommitted cash at the end of August 2009. Any further dividend distribution by May 2010 will be dependent on working capital requirements and compliance with funding terms agreed with lenders.

Flooring supplier **James Halstead** is paying its fourth special dividend in five years. The 15p a share special dividend is payable on 25 January. Halstead paid 30p a share in February 2007 and also paid regular dividends of 24.25p a share last year. Halstead had net cash of more than £27m at the end of September 2009. The special dividend will cost just over £7.7m. Halstead is considering bringing forward its interim dividend so it is paid in the current tax year.

expert views

Expert view: The broker

Going for gold at H&T

By DUNCAN HALL

Pawnbroker H&T is in the process of rolling out an ambitious expansion programme aimed at doubling the size of its retail estate to 200 stores. Over the longer term, if the group can maintain its traditional operating profit margin across the newer element of its retail estate, there is still useful upside potential in the shares – possibly around 30%.

Our previous price target of 300p a share has been exceeded and if investors gain confidence in delivery, 420p a share seems feasible as a price target based on achieving historical margins across the estate and earnings per share approaching 40p by 2012-13.

Growth profile

The pawnbroking sector has demonstrated historically a steady growth profile in the UK where the loan facility offered has been combined with other financial service products, such as pay-day advances.

H&T has also seen strong demand for its gold buying service because of the rise in the gold price, the profits from which have resulted in a sharp upgrade to 2009 estimates. The costs of expansion will become more apparent in 2010 and gold buying profits are obviously prompted by a high gold price so they cannot be guaranteed to continue at the same level.

First-half trading was strong and it continued into the second half. The interim figures revealed gross profit up 30% to £22.1m and the pledge book 16% higher at £34m. Earnings per share rose 83% to 16.4p a share and the interim dividend was increased 25% to 2.5p a share.

Stripping out the effect of a higher gold price, underlying operating profit grew 14%, reflecting the store opening programme. Three new stores opened in the first half of 2009, taking the total to 108, against 95 one year earlier, and the number was on course to reach 117 by the year end.

> Current estimates do not assume a repeat of successes in 2009 but neither do they incorporate fully the impact of higher margins across a larger retail estate.

A trading update from H&T in October brought the welcome news that the group's trading was well ahead of expectations.

Net debt at the end of June 2009 was £39.8m. The group has arranged a four-year bank facility of £50m, secured on a mixture of inventories and the pledge book. Through swaps H&T has achieved an interest rate of 2.63% fixed on £34m for three years. Owing to aggressive expansion and working capital absorption, we do not expect debt to reduce in the short term but expect progress by 2010-11.

The 2009 figures are due to be published in March. An improvement in pre-tax profits from £10m to £17m is forecast for 2009. Revenues are expected to have grown from £52.8m to £64m.

Expansion costs

In the short term, expansion costs are expected to cramp earnings per share growth in 2010 but the unknown contributor to earnings is the group's gold-buying activity. That uncertainty is why flat sales of £63.5m and a decline in pre-tax profits to £14.5m are currently forecast for 2010. That equates to a 13.5% decline in earnings per share in 2010. Dividends are expected to continue to grow, though. A 13% increase to 8.5p a share is forecast for 2010. That provides a prospective yield of 2.6%.

> H&T has seen strong demand for its gold buying service because of the rise in the gold price, which has resulted in a sharp upgrade to 2009 estimates.

At 320p a share, H&T has a market capitalisation of £113m. The shares are trading on 11 times forecast earnings for 2010.

Current estimates do not assume a repeat of successes in 2009 but neither do they incorporate fully the impact of higher profit margins across a larger retail estate.

We estimate that if H&T achieved the same rating as rival AIM-quoted pawnbroker Albemarle & Bond it would add 40p to the share price.

DUNCAN HALL is a Research Director at FinnCap.

feature

AIM shrinks to move forward

AIM may have got much smaller in terms of number of companies in the past year but in many other ways it made good progress in 2009.

AIM recovered strongly in 2009 with share prices and the average size of companies on the junior market rising strongly. The number of companies has declined sharply with a net 257 leaving during the year but the junior market has been due that type of shake-up.

The FTSE AIM All Share index rose 65.9% in 2009, compared with a 25% uplift in the FTSE All Share. The only major Main Market index that beat AIM was the FTSE Fledgling, which includes the smallest listed companies. The Fledgling rose 73.9% but this was in line with the experience on AIM because the AIM 100 index rose 58.7%, suggesting that the larger AIM companies held back the performance of the overall market. However, AIM is still underperforming on a two year view.

AIM continues to be a source of significant funding for companies. They need to have a strong argument and good management but money can be raised. Secondary issues by existing AIM companies raised £4.77bn, against £3.2bn in 2008. That is the third largest amount raised in any single year.

If reversals are included in the companies leaving AIM there are only three years in the past 16 years when more companies joined AIM than the number that left in 2009. That goes some way to putting into context the great shift in numbers during the year. The number of companies on AIM has not been at the current level since 2005 and they are just over 400 below the peak at 1,293.

The reduction in company numbers, combined with a rise in the value of AIM as a whole from £37.7bn to £56.6bn, means that the average size of AIM companies has increased from £24.3m to £43.8m.

Leaving by choice

Just over two-fifths of the 275 companies leaving AIM last year chose to drop their AIM quotations. That compares with 54 out of the 216 companies that left in 2008. Some of these companies left because they were running short of money but the vast majority decided that AIM was not for them.

> The average size of AIM companies has increased from £24.3m to £43.8m.

There was an increase from 41 to 51 in the number of companies getting into financial difficulties and departing AIM. That is not particularly high considering the state of the economy. There were also 12 companies that deciding to wind themselves up and some of those did so because they were running short of money.

However, shareholders voted to wind up the renewable energy investment company KSK Emerging India Energy, which floated on 9 June 2008, because they wanted their cash back.

There has not been any increased trend for AIM companies to switch to the Main Market. The number fell by two to 10 in 2009. The number of takeovers fell from 68 to 50, although they did include a £584m bid for mining company CAMEC.

Pioneer leaves

Those companies leaving by choice include a historical milestone - the last remaining company that joined AIM when it opened on 19 June 1995. Document management technology developer Inspectron Holdings, originally known as Formscan, left AIM last August. The business lost money for most of the time it was quoted and didn't manage to use its quotation to grow.

The other nine companies that floated on the first day have all left AIM for relatively positive reasons.

Investment company Athelney Trust and Dawson Holdings moved to the Main Market. Property investor Norcity II was voluntarily wound up at the end of 1996.

The rest were taken over – some after they moved to the Main Market. Minerals explorer Brancote, garden centres operator Country Gardens, property investor Gander Holdings, IT staffing provider Lorien (after transferring to the Main Market and subsequently returning to AIM), property investor Norhomes and pubs operator Old English Pub Company were all taken over.

There is still one remaining link with the first 10 AIM companies still traded on AIM. Brancote span off Patagonia Gold, formerly known as HPD Exploration, in 2001. Patagonia was originally quoted on Ofex and moved to AIM in March 2003. It focuses on gold exploration projects in the Santa Cruz province of Argentina.

feature

The combined market capitalisation for the first 10 AIM companies was £82.3m. There were 147 AIM companies that were valued at more than £100m at the end of 2009.

International deserters

One of the things that stands out in the figures is the number of international companies leaving AIM. Whatever definition of an international company is used there appear to be a greater proportion of international companies cancelling their quote. That is certainly true when it comes to those leaving by choice.

Many international companies were enticed to AIM by the London Stock Exchange and brokers but subsequently found that there was limited investor interest in them. Some companies that also had a quotation on another market have decided to drop the AIM quotation because there was little trading on the London-based market.

When international companies are thinking about floating on AIM they, and their advisers, need to consider whether there will be enough investor interest in them. There are still overseas businesses keen to join AIM. Water leak detection firm American Leak Detection Inc plans to reverse into smart meter developer Qonnectis.

There have been some good performances by international companies. Grant Thornton's India Watch index of Indian companies on the London markets jumped by 212% during 2009. This index includes both Main Market and AIM companies. The 327% increase in fully listed Vedanta Resources, the largest firm in the index, with a valuation of £7.1bn, accounts for a large chunk of that index performance. There were a number of AIM companies that also performed well. Shares in OPG Power Ventures jumped 338%, while small property company Naya Bharat Property rose 251%. This shows that international AIM companies can find an interested investor base.

Even so, there have hardly been any Indian flotations on AIM in the past 18 months. An exception is wind power generator Indian Energy which joined last September.

New-issue drought

The reduction in company numbers should not be seen as a negative because if the companies really believe that they are not getting any benefit from their quotations they might as well leave. The main problem is that there are so few new companies wanting to replace them.

There was a dearth of new issues in 2009 as investors were either unwilling to put their money into new companies or were using what cash they had to help their existing investments.

There were 36 new admissions during 2009, compared with 114 in 2008, and they raised £740m, compared with £1.1bn. However, these figures include reverse takeovers, reintroductions after changes in the company's domicile and transfers from the Main Market. There were also two introductions that did not raise any cash. The number of completely new companies raising money fell from 38 to 13.

Nearly all the companies that raised money in 2008 floated in the first half. In 2009, they mainly joined in the second half. There was a period between the end of November 2008 and the end of May 2009 when there were no fundraisings by new companies.

Max Property Group raised £220m at the end of May. That is nearly twice as much as the biggest new-issue fundraising in 2008.

There has been talk of advisers dusting off potential flotations but there are few signs of a sustained upturn in new issues as yet.

AIM has a strong base from which it can push forward this year. Those companies that have a sound, cash generative business and strong management should continue to find investors but those with unproven technology will continue to find it difficult to raise cash.

Companies are still withdrawing from AIM and the reduction in the number of companies on the junior market looks set to continue for the time being, so the number of companies could fall to 1,200 in the near future.

The encouraging thing is that AIM's recovery has come at a time when share liquidity is also improving, with the average number of daily bargains approaching peak levels.

The FTSE AIM All Share index rose 65.9% in 2009

REASONS FOR LEAVING AIM

REASONS	2009	2008	2007
Choosing to cancel quotation	111	54	17
Financial problems	51	41	16
Takeover	50	68	74
Shares suspended for six months	18	7	6
No nominated adviser	16	15	15
Winding up	12	11	4
Move to Main Market	10	12	13
Shell without suitable acquisition	7	8	17
Total	**275**	**216**	**162**

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	26.1	23.3
Basic materials	18.1	12.7
Oil & gas	16.6	8.9
Industrials	12.1	19.1
Consumer services	7.8	12.5
Technology	6.9	9.8
Consumer goods	4.2	5.3
Health care	3.9	5.8
Utilities	2.9	1.2
Telecoms	1.4	1.5

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	654.17	+65.9
FTSE AIM 50	2670.57	+56.7
FTSE AIM 100	2938.77	+58.7
FTSE Fledgling	4037.17	+73.9
FTSE Small Cap	2776.92	+49.8
FTSE All-Share	'2760.80	+25.0
FTSE 100	5412.88	+22.1

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	344
£5m-£10m	189
£10m-£25m	301
£25m-£50m	196
£50m-£100m	133
£100m-£250m	97
£250m+	44

KEY AIM STATISTICS

Total number of AIM companies	1,323
Number of nominated advisers	62
Number of market makers	49
Total market cap for all AIM	£56.77bn
Total of new money raised	£64.72bn
Total raised by new issues	£32.92bn
Total raised by secondary issues	£31.80bn
Share turnover value (2009)	£31.49bn
Number of bargains (2009)	£3.76m
Shares traded (2009)	£192.89bn
Transfers to the official list	136

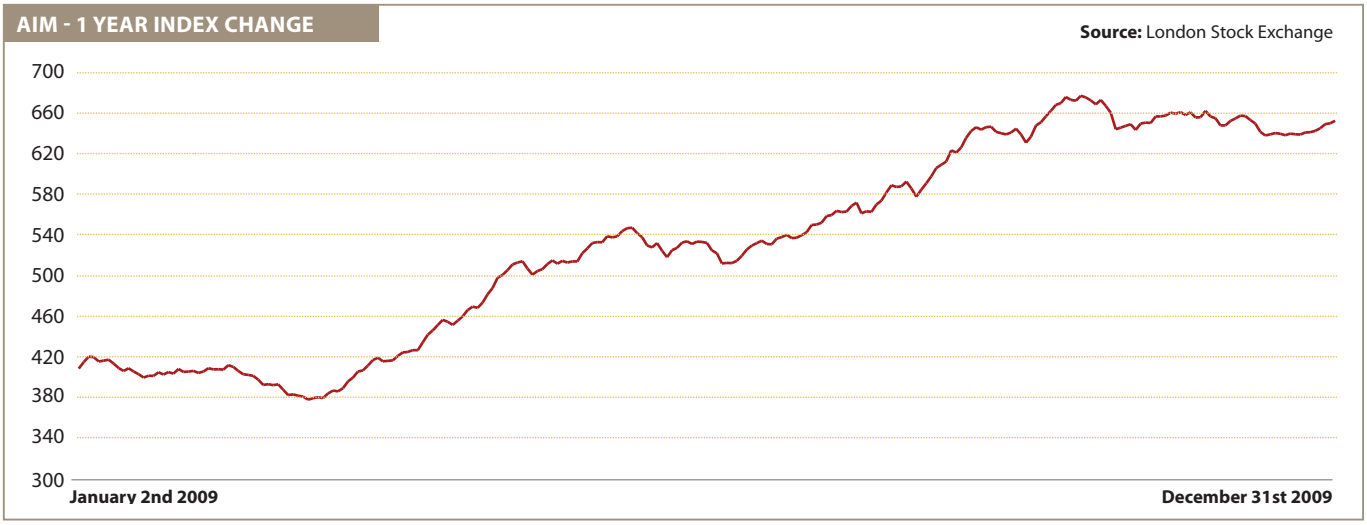
TOP 5 RISERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Persian Gold	Mining	9.75	+105.3
Brainspark	Financial	0.64	+95.4
Oxeco	Shell	1.15	+91.7
Cybit Holdings	Industrial transport	72	+89.5
Accuma	Financial	15.5	+87.9

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Equest Investment Balkans	Investment company	70	-70.8
Green Compliance	Cleantech	2.5	-70.0
Deo Petroleum	Oil and gas	0.5	-53.5
Sound Oil	Oil and gas	1.85	-49.7
Hexagon Human Capital	Support services	13	-44.7

AIM - 1 YEAR INDEX CHANGE



Data: Hubinvest Please note - All share prices are the closing prices on the 31st December 2009, and we cannot accept responsibility for their accuracy.

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finnCap

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 employs 39 members of staff and is 50% owned by JM Finn, an independent private client stockbroker founded in 1945. In 2008, FinnCap won 14 new clients and has a total of 60 clients. 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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