

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

In this issue

Energetix to undertake energy supply

Energetix plans to become an energy supplier as part of its strategy to grow the sales of the Kingston microCHP boiler developed by its Genlec subsidiary.

There are 1.5m boilers installed in the UK each year and they can cost between £2,500 and £3,500 each. Energetix intends to offer its Kingston boiler to householders at no charge except for installation costs of around £1,000. In return Energetix will generate income from selling gas and electricity to the customer, who has to sign up for five years. Energetix will not have to buy energy at peak rates in the winter because of the electricity generated by the boiler. There is also potential to generate

additional income from feed-in tariffs but these are not essential for the business to be profitable.

Reducing the cost of manufacturing the boiler is important to the success of the business. At the moment the cost is around £2,000 per boiler and it should be £1,200 by the end of 2013. A target cost of £800 per boiler once volume production is fully underway should ensure that the company will be able to make a significant profit.

The energy supply business will be launched and rebranded in the autumn. The strategy will require significant cash resources so more cash will need to be raised.

Shell bids for Cove Energy

Shell has launched a 220p a share recommended cash bid for Cove Energy, which values the Kenya and Mozambique-focused oil and gas explorer at £1.12bn. That is nearly double the Cove share price when it effectively put itself up for sale at the beginning of 2012. In 2009, when Lapp Plats changed its name to Cove and focused on oil and gas it raised £4.2m at 12p a share, which valued the company at £6.3m.

Cove has attracted other potential suitors but Shell is the only one that has tabled a firm bid and sent shareholders an offer document.

Cove provides Shell with an entry into Kenya and Mozambique, with gas

discoveries in the latter providing potential for further growth of Shell's LNG business. Mozambique's minister of natural resources has given his consent to the indirect acquisition of Cove Mozambique and the Rovuma Area 1 interest.

Shell started the bidding by tabling an indicative cash bid of 195p a share back in February. It has subsequently matched an indicative bid from Thailand-based PTT Exploration and Production, which says that it is considering its options. There is a break fee of £11.1m payable to Shell if an independent competing offer is announced before the acquisition is completed.

02 GENERAL NEWS
Incadea motors to AIM

03 ADVISERS
Kingswalk wealth purchase

04 NEWS
Hydrodec cleans up

06 NEWS
LiDCO progress

07 DIVIDENDS
MP Evans grows dividend

08 EXPERT VIEWS
Front line views on AIM

09 FEATURE
AIM liquidity

11 STATISTICS
Market indices and statistics

general news

Incadea motors towards AIM flotation

AIM continues to attract international companies that could choose other international markets. Austria-based automotive dealership software supplier Incadea plans to join AIM on 25 May. It is choosing AIM rather than going to the Entry Standard or another Deutsche Börse market.

Incadea (www.incadea.com) was formed in 2000 and it was used as an international consolidation vehicle for the automotive dealership software sector by Reynolds & Reynolds following its acquisition in 2003. This included the acquisition of AIM-quoted DCS in 2006 for 31.5p a share. That valued DCS at £10.9m and it had a similar level of net debt.

North America-based Reynolds & Reynolds merged with Universal Computer Systems and then, in 2007, sold Incadea back to its original owner Peter Wenger. Reynolds & Reynolds retained its core North American dealership management software operations as well as part

of its European business. Incadea has no base in North America but it does sell to Mexico via its Spanish subsidiary.

Cyprus-based Danbury Enterprises currently owns 74.9% of Incadea. That is before any dilution from a fundraising at the time of the flotation. There is no indication of how much money Incadea will want to raise or what valuation will be put on the business.

There are more than 50,000 users of Incadea software in 2,000 dealerships across 78 countries. The main product is the dealer management system incadea. Engine. Incadea also supplies business management and customer relationship management software. In March 2011, Incadea acquired 75.1% of Russian rival BrightConsult.

A Jersey-based holding company has been set up for the business. The nominated adviser and broker is Cenkos Securities.

Enteq's first buy

Cash shell Enteq Upstream has secured its first acquisition as part of its strategy to build a global oil and gas services company.

Enteq is paying \$46.1m (£28.5m) for XXT Incorporated, which provides measurement while drilling (MWD) services to the oil and gas sector.

Enteq is raising £42m at 100p a share – the same as the original flotation price – in order to help finance this acquisition and others that are in the pipeline.

North America-focused XXT is profitable and cash generative and gives Enteq exposure to directional and horizontal drilling market, which is forecast to be worth \$13m. XXT more than trebled its revenues to \$17.1m in 2011, while pre-tax profit jumped from \$1.13m to \$5.73m. That profit could have been \$3m higher based on the proposed ongoing cost base.

Caspian Energy considers return to London market

Former AIM-quoted oil and gas explorer Caspian Energy Inc has secured a partner that will help it to push ahead with the development of its Kazakhstan oil and gas assets.

Progress has been kick started by the signing up of Chinese joint venture partner Asia Sixth Energy. This deal took a long time to complete but it was finally closed at the end of 2011. Asia Sixth acquired the 50% stake in Caspian's Kazakh-focused subsidiary owned by its previous partner plus 10% of the company from Caspian, which retains 40%.

The joint venture agreement with Asia Sixth provides \$80m of investment for drilling wells. Caspian has already spent \$104m on its exploration areas.

A six-well programme is underway at a cost of \$35m. It is known that there is oil in the area so there is a good chance that each of the wells should hit oil and it will then be a case of whether the discovery is commercial. Management is confident that the results will be positive.

Exploration licences are renewable

at the end of this year while the production licence lasts until 2032. There are already two producing wells and in December they produced at an average rate of 4,060 bopd.

Caspian estimates that its net asset value, including proven, probable and possible reserves, is 77 cents a share.

Caspian was quoted on AIM but dropped the quotation on 3 March 2009 in order to save money. It is considering rejoining a London market at some point in the future.

advisers

Kingswalk moves into wealth management

Kingswalk Investments Ltd has made the first step on the road to becoming a financial services business following the purchase of 33.3% of wealth manager European Wealth Management Group.

Kingswalk was previously known as Equity Pre-IPO Investments Ltd. It has other investments, including corporate consultancy Combined Management Services and 49.9% of security equipment installer Vermeesch Installaties BV, but it appears that the focus of the company will be the financial services sector. European Wealth will be the vehicle for this strategy and Kingswalk is likely to increase its stake in the future if things go to plan.

Kingswalk is issuing 92m shares for the 33.3% stake in European Wealth. That is nearly as many shares as are currently in issue. A further share issue is raising £700,000 at 0.75p a

share, although it is dependent on shareholder approval. Shares will be issued at the same price to satisfy a £24,000 debt.

European Wealth has an experienced management team. The founders of European Wealth include former Aberdeen Asset Management chairman George Robb and Rod Gentry, who used to run wealth manager Ashcourt Holdings. Another founder is former Syndicate Asset Management boss John Morton. Kishore Gopaul of Swiss financial company Courvoisier, which is an original backer of European Wealth, and Rod Gentry are joining the Kingswalk board. Courvoisier and Rod Gentry are two of the subscribers to the share issue.

European Wealth has already made acquisitions in Maidstone and Cheltenham and it plans further purchases in order to grow the

business. It also has offices in London and Brighton and management wants to have further regional offices in the UK and mainland Europe. European Wealth is 15 months old and it has £155m of funds under management. The target is to have £1bn under management in three years and £3bn in five years.

European Wealth made a start-up loss of £1m in 2011. There are significant fixed costs in the business, particularly due to the costs of regulation, and once revenues get past £2m the business should move into profit and this profit will rise sharply as additional revenues are added.

Courvoisier will own 21.5% of Kingswalk, Rod Gentry 10.4% and John Morton 5.9%. Non-executive director Tim Revill is subscribing for shares through Hearth Investments and his stake will be 10.6%.

ADVISER CHANGES - APRIL 2012

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Sirius Minerals	Jeffries Hoare Govett/ Liberum /Macquarie	Liberum/Macquarie	Macquarie	Macquarie	02/04/2012
HC Slingsby & Sons	Merchant Securities	Evolution	Merchant Securities	Evolution	02/04/2012
Digital Learning Marketplace	Northland	Rivington Street	Beaumont Cornish	Beaumont Cornish	03/04/2012
Noricum Gold	Fairfax IS	Old Park Lane/Cornhill	Fairfax IS	Beaumont Cornish	03/04/2012
Providence Resources	Liberum/Cenkos	Cenkos	Cenkos	Cenkos	04/04/2012
West Pioneer Properties	Shore	Religare/Evolution	Shore	Evolution	04/04/2012
Dillistone Group	WH Ireland	Religare	WH Ireland	Religare	10/04/2012
Asian Citrus	Liberum/Seymour Pierce	Seymour Pierce	Seymour Pierce	Seymour Pierce	11/04/2012
Prime Focus London	Northland	Northland	Northland	Grant Thornton	17/04/2012
SacOil Holdings	GMP/finnCap/First Energy	finnCap/First Energy	finnCap	finnCap	17/04/2012
Eruma	First Columbus	Cairn	Cairn	Cairn	19/04/2012
Iofina	Investec	Ambrian/Mirabaud	Investec	Strand Hanson	19/04/2012
Vatukoula Gold Mines	Canaccord Genuity/WH Ireland	WH Ireland	WH Ireland	WH Ireland	19/04/2012
TXO	Fox-Davies	Beaumont Cornish	Fox-Davies	Beaumont Cornish	20/04/2012
AorTech International	finnCap	Evolution	finnCap	Evolution	23/04/2012
Jubilant EnergyNV	Panmure Gordon/Deutsche Bank	Evolution/Deutsche Bank	Panmure Gordon	Evolution	23/04/2012
Penna Consulting	Charles Stanley	Westhouse	Charles Stanley	Westhouse	23/04/2012
Universe Group	finnCap	Allenby	finnCap	Allenby	24/04/2012
China New Energy Ltd	VSA/SVS	SVS	Cairn	Cairn	25/04/2012
Ukrproduct Group Ltd	Seymour Pierce/SP Advisors	Allenby	WH Ireland	WH Ireland	25/04/2012
Renewable Energy Holdings	Strand Hanson	Novus	Strand Hanson	Strand Hanson	30/04/2012

company news

Hydrodec steps up progress following management changes

Waste-oil cleaning technology

www.hydrodec.com

Waste-oil cleaning services provider **Hydrodec** has overhauled its management team in the past six months and the most high profile example of this is the appointment of Ian Smale as chief executive. He took over in January and has recruited an experienced team to back him up.

Benefits are already being seen in areas such as the acquiring of feedstock for the company's plant in the US. This is because more is being acquired on a contract basis rather than being bought on the spot market.

Hydrodec takes waste transformer oil and removes PCBs and other contaminants. The cleaned-up oil is then sold back to the utilities and other users that produce the waste oil. The oil can be of better quality

There was a strong first quarter with volumes 15% higher

than new oil following the cleaning process. The viability of the waste-oil cleaning plant does not rely on government subsidy but this can help.

The market for transformer oil is growing at 2% a year, with much of that growth in Asia. The Japanese joint venture has not progressed as quickly as hoped – the turmoil following last year's earthquake and nuclear meltdown understandably slowed things down. Smale believes that the appointment of Takuichi Murachi will help to push the

HYDRODEC (HYR)	11.75p
12 MONTH CHANGE %	+62.1
MARKET CAP £M	54.9

venture forward.

Revenues grew 26% to \$22.4m in 2011 even though volumes were flat at 20.3m litres. However, there was a 15% increase in second-half volumes. Improved product and a change in customer mix were behind the higher prices. Hydrodec remains loss making. The cash outflow from operations was \$3.5m in 2011. Net debt was \$6.5m at the end of 2011.

A steadier supply of feedstock will help to improve capacity utilisation and efficiency. There was a strong first quarter, with volumes 15% higher than the first quarter of 2010 and much higher margins.

Maple commences ethanol production

Ethanol producer, oil and gas

www.maple-energy.com

Production commenced at **Maple Energy's** new ethanol production plant in Peru during April. Maple grows sugar cane on its own land and this is used to produce the ethanol, which means that Maple will not have to worry about fluctuating feedstock prices. Sugar cane yields are high in Peru and Maple has its own water reservoir and drip-irrigation system. There is scope to earn additional revenues from selling spare electricity generated from the cane waste.

Peru has a fast-growing economy and there is demand for ethanol but

MAPLE ENERGY (MPLE)	77p
12 MONTH CHANGE %	+62.1
MARKET CAP £M	114.9

the primary market will be overseas. The location of the plant has been carefully chosen so that it is near to the coast. At the moment Europe is the most attractive market in terms of price but Asia could be an important market.

Maple's oil and gas interests continue to generate cash but their contribution is likely to decline steadily over the coming years.

As production ramps up at the

ethanol plant Maple will become highly cash generative. House broker Cenkos expects net debt to peak at \$152m at the end of 2012 but it forecasts that it could be nearer \$100m two years later. Cenkos forecasts EBITDA of \$50m a year from the plant once it reaches full capacity of 35m gallons a year.

Maple will consider other opportunities in the ethanol sector. It took five years to develop the first plant but management believes that this could be reduced to less than four years now that it has experience of what is required.

company news

Lok'nStore ready to return to expansion strategy when self storage market improves

Self storage operator

www.loknstore.co.uk

Self storage operator **Lok'nStore** remains cash generative and there are signs that the storage market may be strengthening enough for the company to consider expanding its number of sites.

Revenues grew 18% to £6.41m in the six months to January 2012, while pre-tax profit dipped to £470,000 due to higher interest charges. Occupancy rates and prices fell slightly during the period. The Saracen document storage business made an initial profit contribution. Underlying overhead cost increases have been kept to a minimum. The underlying NAV is 230p a share – twice the share price.

A £40m revolving credit facility with LloydsTSB lasts until October 2016. The interest charge is currently 3.1%. Net debt was £25.4m at the end of January 2012. This leaves scope to expand the business when management believes that the

There are opportunities to obtain new sites at better prices

market is attractive. Nearly all of the sites have been operating for at least five years so they are relatively mature. This indicates how cautious management has been throughout the recession.

Planning permission has been granted for the joint venture with supermarkets operator Lidl in Maidenhead. Lidl will finance the development, with Lok'nStore taking the upper floor and part of the ground floor. This site could open in 2013. It will be the first new site for around five years.

Planning permission for housing at the Reading site has been renewed. Replacement sites for Portsmouth

LOK'NSTORE (LOK)	114.5p
12 MONTH CHANGE %	-6.1
MARKET CAP £M	29.3

and Southampton were secured some time ago but Lok'nStore is not going ahead with them yet.

There are currently opportunities to obtain new sites at better prices than before.

Lok'nStore already charges VAT so it will not be hit by the plans to put VAT on all self storage business. Most competitors are deregistered for VAT so they may have to increase prices.

New Real Estate Investment Trust rules will enable AIM companies to become REITs. Management says that Lok'nStore has tax losses so the tax benefits of a REIT are not immediately attractive. However, conversion to a REIT could be considered in the future. The 2% conversion charge is being abolished, which would save Lok'nStore £1.6m.

Telford Homes makes significant progress

Residential property developer

www.telfordhomes.plc.uk

Residential property developer **Telford Homes** says that there will be a significant increase in its profit for the year to March 2012 and it has agreed terms on a number of new sites. There should be a further large increase in profit this year.

The profit for the year to March 2012 will be ahead of expectations thanks to the delivery of pre-sales that had previously been secured. Margins are also improving, thanks to savings in building costs. Sales of 314 properties were completed last

TELFORD HOMES (TEF)	105p
12 MONTH CHANGE %	+36.4
MARKET CAP £M	52

year, up from 281 the year before. Telford has exchanged contracts on 460 properties during the year, up from 368 in 2010-11. There is a mixture of sales to owner-occupiers and investors, including those from overseas.

Since the beginning of April 2011, Telford has acquired or agreed terms on 19 additional sites

which can add more than 1,200 properties to the development slate. These sites have a total land value of £47m.

The focus remains east London but Telford is also looking at opportunities in central and north London.

London remains a resilient market and Telford still has spare bank facilities that it can use to secure further development land.

The full-year figures will be published on 30 May.

May 2012 : 5

Lighting - The Third Revolution

Major new publication by Cleantech Investor ■ Essential background on LED and OLED Technology ■ Profiles of over 150 companies in the sector

Infocus

www.cleantechinvestor.com

company news

LiDCO primed for sustained profitability as disposable revenues grow

Fluid monitoring medical devices

www.lidco.com

Fluid management medical technology developer **LiDCO** has developed a base from which it can push forward into profitability next year.

Revenues increased 14% to £7.12m in the year to January 2012, with much of that improvement coming from the distribution of Argon products. This helped to offset a decline in monitor revenues due to the timing of US orders. Disposable revenues are the key to the future prosperity of LiDCO and these jumped 36% to £5.02m. LiDCO made an underlying pre-tax loss, excluding share based payments, of £19,000, down from £340,000 the previous year. LiDCO made a small profit after R&D tax credits.

The UK government is pushing

LiDCO made a small profit after R&D tax credits

for more use of the type of monitors that LiDCO supplies and the NHS Technology Adoption Centre has included LiDCO in its adoption pack listing fluid management technology. Individual trusts can decide for themselves which technology to buy.

The company has appointed a partner in the important Japanese market. There are also potential revenues from licensing agreements. A deal with CNSystems takes the company into blood pressure technology which doubles the size of the potential market.

LIDCO (LID)	19.38p
12 MONTH CHANGE %	+ 27.1
MARKET CAP £M	33.8

LiDCO had £1.55m in the bank at the end of January 2012, helped by £518,000 raised from the sale and leaseback of 77 monitors. There are finance lease liabilities relating to the sale and leaseback plus other borrowings so net debt was £819,000. A cash outflow is expected this year but LiDCO should be cash generative in 2013-14. The cash buffer appears to be comfortable.

House broker finnCap forecasts an underlying profit of £300,000 this year, trebling to £900,000 in 2013-14. There are £25m of tax losses available for use over the coming years.

Surgical Innovations builds momentum

Keyhole surgery instruments

www.sigrouplc.com

Keyhole surgery instruments developer and manufacturer **Surgical Innovations** made further progress in 2011 and the momentum has continued into 2012.

Underlying growth in 2011 revenues was 18%, while own brand sales grew 23%. Overall revenue growth was held back because there was no repeat of a large non-surgical project in 2010. Total revenues rose from £7.05m to £7.6m. As volumes increase margins are improving. Pre-tax profit moved from £1.55m to £1.71m.

Net debt was £1.1m, including finance leases. Surgical Innovations is a strong cash generator but it invests a lot in new product development.

SURGICAL INNOVATIONS (SUN)	11p
12 MONTH CHANGE %	+ 12.8
MARKET CAP £M	44.3

New products are being launched every year and this is the reason capitalised development costs rose from £1.67m in 2010 to £2.5m in 2011.

The company supplies responsible instruments for minimally invasive surgery where part of the instrument is disposable but the main instrument is reusable. US sales are building up and approval has been gained for some of the company's instruments in Japan. US sales are 23% of the total and the rest of the world sales

are 17%, up from 9% in 2010. The company also develops instruments for other manufacturers and the latest deal is for an adhesive device for Advanced Medical Solutions.

Surgical Innovations has so far focused on a relatively narrow laparoscopic surgery market niche. There are plans to move into new surgical areas, such as the spine, heart and brain.

WH Ireland forecasts a 2012 profit of £2.55m. Surgical Innovations has spare capacity but additional capacity may be needed in around three years time so management is already considering options for adding capacity.

6 May 2012

Lighting - The Third Revolution

Infocus

www.cleantechinvestor.com

Major new publication by Cleantech Investor ■ Essential background on LED and OLED Technology ■ Profiles of over 150 companies in the sector

dividends

MP Evans returns to dividend growth

Palm oil plantations, cattle

www.mpevans.co.uk

Dividend

Plantations and cattle ranch operator MP Evans (MPE) was fully listed for decades before it made the move to AIM in 2002, although it was then known as Rowe Evans Investments. It has been paying dividends for many years. The total dividend for 2011 was increased from 7.5p a share to 8p a share.

MPE paid one dividend a year until 2005 when it started to pay interims. The total dividend for 2005 was 6.25p a share. In the three years prior to 2010 the dividend had been held at 7p a share.

House broker Peel Hunt expects the total dividend to continue to increase by 0.5p a share in each of the next two years.

Business

MPE continues to increase its production of palm oil in Indonesia. It produced 249,300 tonnes of fresh fruit bunches from its majority-owned plantations in 2011, which is 27% higher than in 2010. Newer projects are behind the majority of the growth, with almost doubled production of 49,800 tonnes. There are a few more years before these reach maturity which ensures future growth in production. These newer estates are currently losing money but they will move into profit as they mature. Production from associated estates also rose.

The palm oil market has been strong, with an average price of \$1,123/tonne in 2011, up from \$905/tonne the year before. The price remains relatively high at around \$1,175/tonne, which is good news considering that MPE continues

MP EVANS (MPE)	
Price	497.5p
Market cap £m	268.8
Historical yield	1.6%
Prospective yield	1.7%

to increase production. The target production for 2012 is 300,000 tonnes of fresh fruit bunches. MPE wants to produce 500,000 tonnes by 2015.

The palm oil mill at East Kalimantan was completed at the end of 2011. This enables MPE to secure more of the value than it would do if third-party mills are used.

MPE also has Australian beef cattle operations at Woodlands and a 34.4% stake in The North Australian Pastoral Company (NAPCo), which is based in Queensland. NAPCo's main focus is exports, particularly to Asia, and the decline in cattle herds in the US is helping to maintain the strong market, although prices have eased so far this year. Woodlands made a small profit but MPE's share of NAPCo's profit increased 79% to \$4.2m. MPE may sell its Woodlands cattle business in order to concentrate on NapCo, which is increasing its cattle numbers. MPE is keen to increase its stake in NAPCo.

MPE's total revenues increased from \$42.1m to \$57.8m, while pre-tax profit improved from \$16m to \$21m. Net debt was \$4m at the end of 2011.

There are also \$43.5m of Malaysian property assets in the balance sheet which will be sold over time. This includes the 70 acre Bertam Estate and 40% of Bertam Properties, which owns adjoining properties. Some land sales are expected this year.

Dividend news

Online gaming provider **GVC** continues to grow its B2C gaming business, particularly in Latin America, and it plans to pay quarterly dividends in 2013. The final dividend for 2011 was higher than expectations at 11 cents a share, taking the total to 21 cents a share. The strategy is to pay at least 75% of cash flow as dividends. In 2011, revenues increased 17% to €64.3m but increased investment in marketing led to a fall in profit from €4.1m to €100,000. However, cash flow from operating operations was €6.6m. The figures include the discontinued activities of Betaland, where revenues decreased by 16%. The Betboo operations in Brazil are growing.

Telecoms projects manager **Norcon** has declared a 2011 dividend of \$1m. That equates to 2.05 cents a share. In future, at least 25% of net income will be paid out in dividends and there may be an interim as well as a final. Norcon reported a fall in revenues from \$68.6m to \$66.6m in 2011, while pre-tax profit dipped from \$6.7m to \$5.4m. The 2012 profit forecast is \$3m, with a recovery to \$4m expected next year. This will mean a sharp fall in the dividend for 2012.

Pennant International is prospering as demand for its training systems remains strong, particularly in overseas territories where defence budgets are growing. In 2011, pre-tax profit rose by one-third to £697,000 on revenues of £10.4m. Total dividends were increased from 1.25p a share to 1.5p a share. Net cash was £2.33m at the end of 2011 but this was boosted by advanced payments – it is likely to be lower at the end of 2012. Pennant's training contract with helicopter maker AgustaWestland has increased in value to £12m. This underpins expectations of revenues of £12.8m in 2012 and £13m in 2013.

May 2012 : 7

Lighting - The Third Revolution

Major new publication by Cleantech Investor ■ Essential background on LED and OLED Technology ■ Profiles of over 150 companies in the sector

Infocus

www.cleantechinvestor.com

expert views

Expert view: The broker

Still plenty of upside at Redhall

By DAVID BUXTON

The recent AWE contract setback is a short term disappointment but does not affect our view that engineer Redhall is fundamentally undervalued. It has strong prospects and an attractive position in nuclear engineering that, as a result of high barriers to entry, has strategic value, as well as having significant growth opportunities.

We expect news flow on the appointment of a new chief executive and progress on contract tendering for the nuclear new build programme. There are strong and identifiable catalysts for a resumption of a share price recovery.

Setback

Redhall has encountered technical difficulties on its contract with AWE for the provision of blast-proof frames and doors. In the short term this has resulted in additional costs and a

monies, which we estimate in the range of £5-8m – enough to eliminate the majority of debt. We believe there is little downside risk for Redhall.

Improving trend

Setting aside the recent AWE contract setback, which has resulted in additional costs, underlying trading is improving, with the order book strengthening and tendering activity picking up.

After many false starts and delays we believe that, finally, the government will proceed with its nuclear new-build programme. The first project is Hinkley Point C, where Redhall is currently tendering for work. Redhall is well positioned to pick up significant contract work on new-build projects as it has been working at both Sellafield and other nuclear sites for many years. Redhall's skill-set and the regulatory barriers to entry make it a valuable strategic asset in what we believe will

makes it strategically attractive to trade investors, as evidenced by the recent 15% share purchase by Groupe Gorge, with the nuclear opportunity likely to become a hot spot of interest. The shares should see a rerating once Vivergo is consigned to history, and thereafter should outperform as nuclear contracts are awarded, the scale of which could prove dramatic and game-changing in Redhall's context.

Rating

We would fairly point out that Babcock, AMEC and Serco trade on significantly higher P/E ratings, partially as a result of their size. The breadth of their activities, however, limits their use as accurate valuation benchmarks. The market widely regards Babcock as a good way to play the nuclear sector, in both civil and military applications, and has accorded Babcock a premium rating. We would argue that Redhall provides investors a more focused way to play this huge opportunity and should therefore bear Babcock in mind when valuing Redhall. Both have ownership of IP in manufacturing as well as engineering maintenance operations.

The 41% P/E discount currently applied to Redhall is a significant anomaly. We see five years of above average earnings growth from nuclear. A return to net cash will also allow management to consolidate its position in its chosen niches, with bolt-on acquisitions. Our one-year fair value target of 157p a share, based on peer averages, points to the shares offering significant upside.

Redhall's niche market position makes it strategically attractive to trade investors

delay on project delivery which has affected 2012 forecasts. In the longer term we believe Redhall's engineering reputation is unaffected as problems relate to subcontracted work, with Booth Industries being one of only a few able to provide this specialist equipment.

The group continues to pursue Vivergo on the grounds that the contract for work on a bioethanol plant was terminated unlawfully, incurring significant trading costs that have not been settled. All adjudication rulings have found in favour of Redhall. The final hurdle is the independent court assessment and award of outstanding

become a hot space for trade players wishing to buy into this programme. Redhall is tendering on contracts worth £225m per reactor. We are relaxed about RWE and E.ON withdrawing from two potential nuclear sites as they were not near-term prospects for Redhall.

Contracts in other end markets including oil & gas, food & beverage, infrastructure, power and defence appear to be improving. Of the £116m firm order book, £65m relates to the current year, while high-level prospects are placed at £143m, excluding nuclear new-build opportunities.

Redhall's niche market position



DAVID BUXTON is a research director at finnCap.

feature

AIM trading levels continue to improve

AIM is still finding it difficult to attract new companies because of uncertain world stock markets but overall trading in AIM shares is running at levels that have not been reached since 2008.

There are many ways of assessing AIM. Generally, fairly narrow measures tend to be used. This may be the number of new companies coming to the junior market, the total number of companies or the market value of the whole of AIM. These suggest a disappointing first quarter for the junior market. Yet, other measures of AIM's performance show much greater progress.

There has always been too much of an obsession with the number of

February 2012's average number of bargains of 29,736 is the highest ever monthly average

companies rather than their quality. This is changing, with a general recognition that having a large number of companies is not good in itself. The fall in the number of companies from their peak of 1,700 at the beginning of 2008 to just over 1,100 has been greeted positively because it is believed that the smallest companies are leaving. In fact, there are a significant number of companies at the higher end of the valuation scale that have also left. Companies valued at less than £25m still make up the majority on AIM.

There is undoubtedly a need for replenishing the companies on AIM because there will always be a steady stream of companies leaving, whether it is for financial reasons, takeover, move to a different market or management thinking that the company is not gaining from being quoted. The rate of cancellations is not unduly high at the moment but there are few companies coming to AIM to replace them and that is why numbers are still falling.

Trading

One area where AIM is doing well is in terms of liquidity and the number of trades. This will surprise many people who have a fixed view of AIM as illiquid.

The trouble with any market is that liquidity is not constant across all the companies on the market. AIM is no different. One thing that is certain is that the trading levels on AIM are

continuing to recover and, on some measures reaching new peaks.

Some AIM companies are highly liquid. For example, in each of February and March the number of shares traded in Africa-focused oil and gas explorer Cove Energy was much higher than the number of shares in issue. The equivalent of 154% of Cove's share capital was traded in March. Of course, the bid activity in Cove led to the interest of investors but it shows that if that interest can be sparked then there is scope for extensive trading activity.

Bargains

Some of the most positive statistics concerning AIM are the average number of daily bargains, or trades. February's average of 29,736 is the highest ever monthly average and it is twice the level in February 2008, prior to the global financial crisis.

Monthly averages vary and can change significantly month by month. The average number of daily bargains

in January of 24,659 was slightly lower than in the previous January. However, to put this in perspective, it was the still the second best ever January and the number was nearly three times the level in January 2005.

The average daily number of bargains for the first quarter of 2012 is 27,746, up from 26,485 for the same time in 2011. Although that level of trading did not continue for 2011 as a whole, the average for 2011 as a whole was still a new annual record of 22,811.

The total number of bargains in the first quarter of 2012 is greater than the total number of bargains in each of the first 10 years of AIM, excluding 2000 when the internet boom peaked. There were fewer companies in the early years but, on an annualised basis, there are still many more trades per company than in those early years.

In the whole of 2004, there were 1.68m bargains, compared with 1.78m in the first three months of 2012. Yet there were just over 1,000 companies at the end of 2004, which is not much fewer than now.

The total number of bargains originally peaked in 2007 – at the time that the number of companies was nearing its peak. That figure was surpassed last year and it is on course for a new record in 2012.

Daily value

Despite record trading the value of the trades remains well below their peak, although it is recovering. The total value of AIM trades in the first quarter of 2012 was £14.1bn, which is the highest for any first quarter since 2008 when the figure was £15.2bn. It remains well below the peak of £19.4bn in 2007.

feature

This shows that there is more trading but the average value of those trades is lower than in the past.

The February 2012 average daily value of £262.4m was the highest for that month since 2007, when the figure was £300.7m. The figure in March was lower at £219.5m but it was still a strong figure. There is no guarantee that these monthly valuations will continue to be strong, and most years have a poor period at some point, but 2012 is still currently well ahead of the same period last year.

The trend remains positive and the average value traded per company is much higher than back in 2007.

Liquidity

These liquidity figures are good news but it is not all positive. There are still many companies where there is little trading, which can lead to low share prices. Gaming machines rental company Sceptre Leisure is the latest

TOTAL AIM LIQUIDITY (FIRST QUARTER)

INVESTOR	NUMBER OF BARGAINS	TURNOVER VALUE (£BN)
2012	1,775,770	14.11
2011	1,668,586	12.59
2010	834,640	7.47
2009	773,243	5.21
2008	992,500	15.23
2007	1,023,907	19.43
2006	1,007,999	16.82
2005	631,453	10.36

for the year to April 2012. Before the share price fall due to the cancellation announcement, the shares were trading on five times prospective 2011-12 earnings. It costs £250,000 a year to be quoted on AIM, according to Sceptre.

During March, there were nine trades in Sceptre valued at £2,404, indicating

half of first-quarter trading by value and bargains. Oil and gas has been the most active sector for some time but its dominance is increasing. Mining remains the second most active sector but the gap is widening.

It is noticeable that total trading in companies in the industrial sector has declined in the first quarter. AIM is strong in a number of sectors so if one is less active this can be made up for by strength in other sectors. Even so, AIM needs to attract more interest in non-resources sectors so that there is a better spread of the liquidity.

Overall, though, liquidity is improving. It could be better but the trends are going in the right direction. This is something that is not as widely known as it should be.

Trading levels on AIM are continuing to recover and, on some measures reaching new peaks

company that plans to drop its AIM quotation because of a lack of trading and the subsequent difficulty in raising cash at an acceptable share price to the board. House broker Panmure Gordon forecasts earnings of 2.8p a share

how many AIM companies, even if they have a reasonable free float, still find it difficult to attract interest.

The focus of investor interest remains resources companies. Oil and gas companies accounted for more than

DAILY AIM LIQUIDITY (FIRST QUARTER)

AVERAGE DAILY NUMBER OF BARGAINS

	2012	2011	2010	2009	2008	2007
January	24,659	26,277	16,700	11,058	16,894	15,513
February	29,736	26,852	11,556	12,837	14,586	16,908
March	28,794	26,348	11,718	12,922	16,554	15,658

AVERAGE DAILY VALUE (£M)

	2012	2011	2010	2009	2008	2007
January	179.6	192.7	153	76.1	247.6	276.7
February	262.4	225.2	99.3	88.4	236.4	300.7
March	219.5	184	105.5	83.8	253.6	333.3

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	27.3	11.4
Financials	16.8	22.5
Basic materials	16.6	15.5
Industrials	10.4	18.8
Technology	8	9.5
Consumer services	6.8	9.6
Consumer goods	6.2	5.1
Health care	5.4	5.5
Telecoms	1.6	1.2
Utilities	0.9	1.1

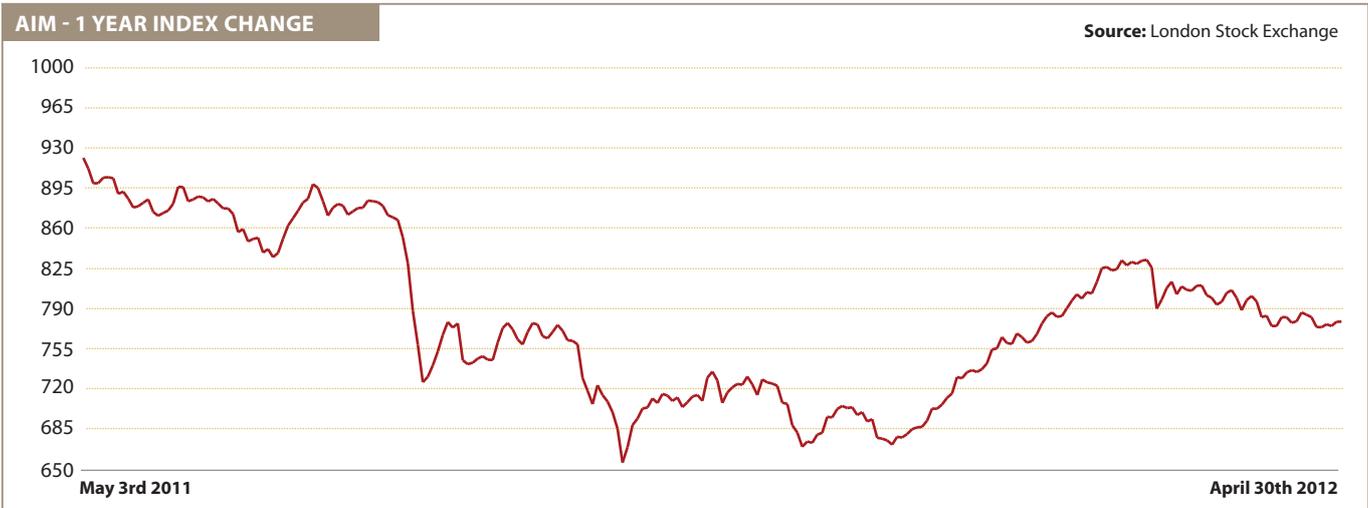
KEY AIM STATISTICS	
Total number of AIM	1,118
Number of nominated advisers	59
Number of market makers	59
Total market cap for all AIM	£68.3bn
Total of new money raised	£78bn
Total raised by new issues	£35bn
Total raised by secondary issues	£43.1bn
Share turnover value (2012)	£14.1bn
Number of bargains (2012)	1.78m
Shares traded (2012)	71.9bn
Transfers to the official list	161

FTSE INDICES		
INDEX	PRICE	ONE-YEAR CHANGES % CHANGE
FTSE AIM All-Share	776.9	-15.7
FTSE AIM 50	3141.81	-13.6
FTSE AIM 100	3543.82	-16.5
FTSE Fledgling	4544.92	-9.5
FTSE Small Cap	3120.2	-5.8
FTSE All-Share	2984.67	-5.4
FTSE 100	5737.78	-5.5

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	253
£5m-£10m	155
£10m-£25m	239
£25m-£50m	184
£50m-£100m	142
£100m-£250m	89
£250m+	56

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Matra Petroleum	Oil and gas	2.3	+150
Forum Energy	Oil and gas	165	+135.7
CIC Mining Resources	Mining	1.85	+89.7
West African Minerals Corp	Mining	40.25	+77.9
Gold Oil	Oil and gas	6.88	+77.4

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Asia Digital Holdings	Media	0.045	-72.7
Public Sector Properties	Property	17.5	-72.4
GMA Resources	Mining	0.062	-67.1
Stellar Diamonds	Mining	3.12	-56.1
Summit Corporation	Healthcare	3.12	-47.9



Data: Hubinvest Please note - All share prices are the closing prices on the 30th April 2012, and we cannot accept responsibility for their accuracy.

 **sponsors**

finnCap

finnCap is an independent, client-focused institutional broker and corporate adviser, whose chairman is Jon Moulton. The firm is 95% employee owned and it has a dedicated small cap focus. finnCap's goal is to be the leading adviser and broker in the small cap space. The broker has a full service offering, plus strong aftermarket care and client service. A proactive team approach means that there is support from all departments for all of the firm's corporate clients. This helped finnCap become the

fastest growing broker in both 2009 and 2010. finnCap is ranked as the number two broker/nominated adviser on AIM by overall client numbers. It is number one ranked in healthcare, technology and industrials sectors.

finnCap was shortlisted for AIM Broker of the year, AIM Adviser of the year and Analyst of the year at the 2011 Growth Company Awards. It has also been shortlisted for best research at the AIM Awards. finnCap's corporate broking and sales trading teams have achieved

Extel Top 10 rankings for two years running.

finnCap has a strong track record of raising money for clients and it has advised on £280m of fundraisings and more than £300m of M&A transactions since May 2009. More than £140m was raised for clients in the year to May 2011.

Clients have a combined market value of around £3bn, with an average market capitalisation of approximately £40m. The top 20 clients have an average market capitalisation of more than £100m.



Quoted Cleantech

- Monthly newsletter covering cleantech stocks from Cleantech Investor (publisher of Cleantech magazine)

- Expanded in size in October 2009

Register online for a **FREE** trial

www.quotedcleantech.com

PUBLISHED BY:	Hubinvest Ltd,	Mobile:	07849 669 572
ADDRESS:	1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.	EDITOR:	Andrew Hore
TELEPHONE:	020 8549 4253	DATA:	Andrew Hore
		PRODUCTION & DESIGN:	David Piddington

SPONSORSHIP & ADVERTISING editor@aimmicro.com
or telephone 020 8549 4253

Hubinvest Ltd uses due care and diligence in the preparation of the AIM Journal but is not responsible or liable for any mistakes, misprints or typographical errors. Information in the AIM Journal is for general information only and is not intended to be relied upon by individual readers in making or not making investment decisions. Appropriate independent advice should be sought. You acknowledge and agree that you bear responsibility for your own investment research and investment decisions, and that Hubinvest or its employees shall not be held liable by you or any others for any decision made or action taken by you or others based upon reliance on or use of information or materials obtained or accessed through use of the AIM Journal. Journalists and contributors to the AIM Journal, from time to time, may hold shares in the companies they write about. The views expressed by contributors, both professional and amateur, are not necessarily those of the publishers. All rights reserved, reproduction in whole or in part without written permission from the publisher is strictly prohibited.