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AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

US technology firm heads for AIM

US-based Digital Globe Services Inc (DGS) is considering joining AIM as a way of financing its international expansion. DGS provides online advertising services. That is a market that was valued at $94bn (£58bn) in 2011. The paid search section of the market, where DGS is focused, is set to treble in size between 2011 and 2016.

DGS (www.digitalglobeservices.com) provides clients with the ability to bid for paid search results on Google, Yahoo and other search engines. The company has developed software that enables it to assess what the most profitable adverts will be. DGS wants to grow its business in Asia Pacific, Europe and Latin America. DGS also offers affiliate marketing and call-centre services. The business has been profitable since 2009, helped by growth in mobile advertising. It is also cash generative, which will make it attractive to investors.

N+1 Singer has been appointed as fundraising adviser to DGS, with an AIM flotation one of the main alternatives. DGS is keen to become better known outside the US and joining the junior market in London would help.

Ronaldo Sports Stars Media pact

Footballer Cristiano Ronaldo, just like his manager at Real Madrid, José Mourinho, is going into business with animation firm Sports Stars Media. Ronaldo will use his 52m Facebook friends and 13m Twitter followers to help develop a worldwide, crowd-sourced football tournament for adult amateurs, which is planned for launch in October 2013. Revenues will come from global sponsorship, monthly subscriptions from players, licensing rights, online advertising, team sponsorship and "online gamification".

Ronaldo and his management company, Polaris, will own 2% of the new company being set up to run the project and have options to take their stake to 15%. Sports Stars Media will own the rest.

The project requires €875,000 of funding, which is being raised via a placing at 1p a share, to develop the social network, mobile app development and staff costs. The new company will pay a fee of 5% of its EBITDA to the owner of Ronaldo's image rights, with a guaranteed minimum fee.

The original developers of the project have been issued warrants exercisable at 1p a share if one of a number of criteria is met. They include signing up to 500,000 current users, generating annual revenues of €2m, EBITDA exceeding €700,000, the business being sold for more than €4m or the Sports Stars Media share price staying above 2.5p for 21 consecutive dealing days. The share price high is 1.35p.

In this issue

general news

Schroders on course for £100m property investment flotation

Fund manager Schroders intends to float property investment company West End of London Property Investment Company (WELPIC) on AIM and raise more than £100m. The issue will not proceed if it does not raise at least £100m – £98m after expenses.

Guernsey-incorporated closed-ended investment company WELPIC can have gearing of up to 20%. The fundraising is a way of raising additional cash for the institutional investment fund West End of London Property Unit Trust (WELPUT), which was established in 2001 and already has a portfolio worth £873m. All of the cash raised by WELPIC will go towards acquiring units at their asset value. The WELPUT portfolio is predominantly made up of office properties in the West End of London. The strategy is to refurbish and re-let the properties

WELPUT has delivered a total return of 26% a year over the three years to September 2012, which was a much better performance than the benchmark IPD index. Restricted scope for new developments in the West End provides a positive long-term backdrop.

Shareholders in WELPIC will receive any income from WELPUT units, after expenses, as dividends. WELPUT makes quarterly distributions and the current annual yield is 3.6%. Ongoing operating costs of WELPIC are expected to be £320,000 a year.

If the WELPIC fundraising proves attractive to investors then it is likely to come back to the market for more cash at a later date in order to reach a market capitalisation of £250m. WELPIC, which has an unlimited life, is also likely to transfer to the Main Market of the London Stock Exchange.

Metnor buyout

Minority shareholders in formerly AIM-quoted metal galvaniser Metnor are being offered the chance to sell out for 25p a share to a company owned by chief executive Stephen Rankin.

The cash bid values Metnor at £5m and there is a share swap alternative valued at 18p a share. The most recent trades in Metnor were at 20p a share. Metnor left AIM in April 2009. More than five weeks before the cancellation was proposed Rankin bought 632,500 shares at 40p each and just before cancellation he bought 502,509 shares at 15p each. Since then there have been 19 trades at an average share price of 19p. Revenues fell from £84m in 2007 to £48.5m in 2011, while pre-tax profit has dipped from £3.1m to £2.53m over the same period.

Jubilee Platinum plans purchase of former AIM-quoted miner

Jubilee Platinum is in talks to acquire ASX-listed Platinum Australia, which could give the combined group an annual output of 70,000 ounces of platinum group metals if production is restarted at the Smokey Hills mine. Heads of agreement have been exchanged and exclusivity lasts until 28 January.

The bid would involve a share swap and the main creditors would be paid through a combination of cash and shares. Some debt will also be swapped for shares. Jubilee has mining and power generation interests in South Africa and Australia and it believes combining the two businesses will enable it to finance growth through its own cash generation.

Platinum Australia was quoted on AIM between December 2005 and July 2010 when it decided to save money and concentrate on its ASX listing. Platinum Australia appointed Pitcher Partners Accountants as administrator in July 2012, when it got into financial difficulties.

Platinum Australia's main interest is the 70%-owned Smokey Hills platinum mine on the eastern limb of the Bushveld complex in Limpopo province, South Africa. Mining commenced at Smokey Hills in 2009 as a shallow underground operation. There were problems with the original contractors and the company took over management of mine operations early in 2012. Even so, output was still not high enough for the mine to make money and falling metal prices led to the suspension of mining in the middle of last year. Jubilee plans to restart production in the second half of 2013.

Jubilee already has a deal with a subsidiary of Platinum Australia which has agreed to toll process 800,000 tonnes of Dilokong chrome mine platinum-bearing tailings at its concentrator at the Smokey Hills mine.

advisers

AIM adviser Westhouse leaving AIM

Westhouse Holdings, the owner of AIM adviser Westhouse Securities, has decided to cancel its quotation on the junior market. Westhouse already has the backing of shareholders owning 75.4% of the company's share capital so the shareholder meeting to agree to the cancellation should be a formality. Unsurprisingly, the share price slumped after the announcement.

Trading volume has averaged 9,000 shares a day over the past year and Westhouse wants to save money in order to help it return to profit. In the first few hours of the day of the exit announcement 15,870 shares were traded.

Since the merger with Arbuthnot the number of employees has been cut from 99 to 59. However, trading has been tough and increases in recurring revenues have not been enough to move the company into profit. The quotation will be cancelled on 12 February. A matched bargain facility will be in place so dealings can occur after the interim and full-year figures are published.

At the end of 2012, Paul Compton resigned as chief executive of WH Ireland without any explanation from the broker. The reason for Compton's departure is unclear. He was chief executive for less than two years.

A subsequent trading statement from the broker suggests that trading performance was not an issue in Compton's departure. The statement talked about a greater focus on fee income for the private wealth management business, which has more than £1.6bn under management.

The corporate broking business has added new clients and institutional commissions are increasing. There is an increasing pipeline of corporate finance work. Whether all the new clients can be retained now that Compton has left is uncertain. He undoubtedly played a part in attracting them to WH Ireland.

Recently appointed head of wealth management Richard Killingbeck has taken temporary control of WH Ireland, dependent on the approval of the FSA. WH Ireland's chairman Rupert Lowe will assist him.

Paul Compton wasted little time in selling his stake in WH Ireland and he made a £23,000 gain on his investment. He sold his 1.19m shares at an average price of 51.54p a share and this raised £613,000. Compton had made a number of share purchases over a three-year period. The total cost was £590,000.

AIM adviser Peterhouse Capital has acquired small company adviser St Helen's Capital from AIM-quoted Evolve Capital.

ADVISER CHANGES - DECEMBER 2012

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Sula Iron & Gold	Northland	Merchant Securities/ Northland	Northland	Northland	03/12/2012
Ortac Resources Ltd	RFC Ambrian/ Seymour Pierce	Seymour Pierce	Seymour Pierce	Seymour Pierce	05/12/2012
Avingtrans	Numis	finnCap	Numis	finnCap	11/12/2012
Oxford Catalysts	Numis/Cenkos	Cenkos	Cenkos	Cenkos	11/12/2012
3Legs Resources	Northland/ Jefferies Hoare Govett	Jefferies Hoare Govett	Jefferies Hoare Govett	Jefferies Hoare Govett	13/12/2012
Amerisur Resources	Investec/RBC	RBC	RBC	RBC	14/12/2012
Japanese Residential Investment Company	Liberum/Westhouse	Westhouse	Smith & Williamson	Smith & Williamson	17/12/2012
Rialto Energy Ltd	Investec/GMP	RBC/GMP	Investec	RBC	18/12/2012
Sable Mining Africa Ltd	MC Peat/GMP	GMP/Matrix	Seymour Pierce	Seymour Pierce	18/12/2012
Totally	Allenby	Merchant Securities	Allenby	Merchant Securities	18/12/2012
Sinclair IS Pharma	Peel Hunt	Jefferies Hoare Govett	Peel Hunt	Jefferies Hoare Govett	19/12/2012
Intandem Films	finnCap	XCAP/Northland	finnCap	Northland	20/12/2012
Xcite Energy	Liberum/ Morgan Stanley	Oriel/Morgan Stanley	Liberum	Oriel	20/12/2012
Nighthawk Energy	Investec/Westhouse	Westhouse	Westhouse	Westhouse	21/12/2012
Asia Digital Holdings	Peterhouse	Northland	ZAI	Northland	24/12/2012
CIC Mining Resources Ltd	Northland/Symvan	Northland/Symvan	Cairn	Northland	24/12/2012
Shore Capital	RBC	RBC	Grant Thornton	Deloitte	31/12/2012

HomeSend promises international mobile money growth for eServGlobal

Mobile money technology *www.eservglobal.com*

International remittances business HomeSend has gained new mobile network customers in the past year but **eServGlobal** has still to reap the benefits of this. Usage of the HomeSend service is set to increase significantly in the next few years.

HomeSend has been up and running since April 2010. Mobile network partners include Vodafone, Airtel and MTN and they like the service because it helps to reduce customer churn. eServGlobal has also signed up money transfer businesses Moneytrans and XpressMoney. The core market is in developing countries where banks are difficult to access. Remittances to developing countries are forecast to rise by 8% this year and 10% next year. Total worldwide remittances for 2012 are estimated at $534bn.

Monthly costs are running at A$2.2m

The mobile network customers have a total of 1.2bn subscribers between them. HomeSend still has to integrate its system with many of the operators so the usage is still relatively low but this will build up over the next couple of years.

In the year to October 2012, revenues were A$28.1m (£18.5m), while the loss before tax was A$15.4m. The majority of revenues still come from the original mobile money and value-added services business, and recurring revenues account for 47% of the total.

ESERVGLOBAL (ESG)			23.5p
12 MONTH CHANGE %	+ 5.4	MARKET CAP £M	53.2

Monthly costs have been reduced and the second half loss was much smaller than the first-half one.

There was A$3.8m in the bank and A$7.2m of borrowings at the end of October 2012. A subsequent placing and subscription raised A$9.5m and a second fundraising of A$7.3m is planned. This gives the company plenty of cash to invest in new product development and will enable debt to be repaid.

Monthly costs are running at A$2.2m and the amortisation charge will fall this year but the big uplift in revenues is probably still another year away.

Cohort order book augurs well for full year

Defence *www.cohortplc.com*

Defence and security technology supplier **Cohort** reported an improved profit in the six months to October 2012 even though revenues fell.

Group revenues declined from £37.4m to £33.8m, while pre-tax profit jumped from £1.8m to £4.32m. That profit was boosted by a £1m earn-out release, lower amortisation charges and positive currency movements but underlying profit still improved from £2.97m to £3.37m. The balance sheet is strong, with net cash of £12.1m at the end of October 2012. The interim dividend was increased by one-fifth to 1.2p a share. The main growth in profit came from the surveillance systems engineering business SEA, whose core markets are defence, space and transport. This business also generates revenues from training. Management changes helped the improved performance of this business even though some space contracts have been delayed.

COHORT (CHRT)			123.5p
12 MONTH CHANGE %	+ 20.5	MARKET CAP £M	50.4

Defence technical advisory business SCS has made annualised cost savings of £500,000 in order to offset lower revenues.

Defence and information systems business MASS remains the main revenue and profit generator. Lower revenues were due to a reduction in work in the educational sector. There are a number of opportunities for the company's data management system.

The order book is worth £103.2m and £27.3m of those orders are deliverable in the second half – half of them are in the SEA business. The defence market remains tight and the diversification into other sectors has improved prospects.

Investec forecasts a full-year profit of £7.1m, which puts the shares on less than nine times prospective 2012-13 earnings.

company news

Noble hopes to coin it in from fine arts and antiques

Coins and other collectibles *www.baldwin.co.uk*

NOBLE INVESTMENTS (NBL)			199.5p
12 MONTH CHANGE %	+ 13.2	MARKET CAP £M	32.8

The 2013-14 profit forecast has been raised from £3.4m to £4.1m

Noble has moved into the antiques and fine arts sector through the purchase of The Fine Art Auction Group (TFAAG). The acquisition has sparked a significant profit forecast upgrade by house broker WH Ireland.

Noble will pay up to £5.48m for TFAAG, which owns two well-known auctioneers, Dreweatts and Bloomsbury. Dreweatts has been operating since 1759 and it values and auctions fine arts, antiques, jewellery and collectibles. Bloomsbury specialises in rare books and manuscripts. Noble's coins subsidiary AH Baldwin & Sons has been operating since 1872. Combining these businesses with Noble's auction operations makes the enlarged group the fifth-largest auctioneer in the UK.

The initial payment is £2.75m – £1.03m in cash and the rest in shares at 170p each. Management of TFAAG have subscribed for an additional 158,823 shares at 170p each. The deferred consideration of £2.73m is dependent on the business achieving EBITDA targets and can be paid in cash or shares.

In 2011, TFAAG made a pre-tax profit of £526,000 on revenues of £6.8m. Stephan Ludwig (executive chairman) and Peter Floyd (company secretary and chief financial officer) have joined the Noble board.

WH Ireland has increased its sales forecast for the year to August 2013, which includes eight months from the acquisition, from £12.7m to £15m but the profit upgrade is more modest – up from £3.2m to £3.3m – partly due to one-off deal costs. The real benefits will come from a full year's contribution from the new business. For the year to August 2014, the profit forecast has been raised from £3.4m to £4.1m. The shares are trading on 10 times 2013-14 prospective earnings.

The share price has held up well since the acquisition was announced even though former director Robert McDonald has sold nearly all his shares in the company.

Venn outlines its international aspirations

Pharma research services *www.vennlifesciences.com*

VENN LIFE SCIENCES (VENN)			34.5p
12 MONTH CHANGE %	N/A	MARKET CAP €M	6.94

Clinical research organisation **Venn Life Sciences Holdings** will use its AIM quotation to expand in Europe. Venn wants to offer a full service covering phase II, phase III and phase IV research activities. Venn targets revenues of £30m-£40m in three year's time.

Venn has operations in France, Switzerland and the Netherlands and it plans to be a consolidator in the European clinical research market. The global market is worth €20bn and Europe accounts for a large chunk of that. The plan is to acquire small regional European rivals and to widen the range of services offered. Once the expansion is completed Venn expects to be acquired by a larger international rival which does not have the exposure to Europe.

The Venn business reversed into ISDX-quoted Armscote in return for 9.6m shares at 30p each. At the same time as moving to AIM a placing at 30p a share raised £2.5m (£2.05m net) for the company, while the vendors of the Venn business raised £460,000 by selling some of the consideration shares. Venn was originally seeking £1.5m but there was strong demand for the shares.

Tony Richardson, who used to run wound care company Alltracell, is chief executive of the group. David Evans, who has been on the board of a number of AIM pharma companies, is chairman. Venn generated revenues of €4.04m in the 15 months to March 2012 but it made an underlying loss due to personnel changes in the French business.

company news

Park Group set for strong year despite the woes of the high street

Vouchers and Christmas savings *www.parkgroup.co.uk*

High street gift vouchers and Christmas savings company **Park Group** has prospered even though some of the retailers that accept its Love2Shop vouchers have got into financial difficulties. Park makes all of its profit in the second half but the interim figures show that the business is growing fast enough to absorb additional costs put in place for expansion.

JJB Sports, Clinton Cards, Comet and Jessops were all accepting Love2Shop vouchers.There are still more than 80 retail groups that take the vouchers so the holders do not lose out like the holders of vouchers in the individual retail groups. Despite the uncertainty on the high street, billings increased from £48.6m to £54.6m in the six months to September 2012 as more business was secured online. Most of these billings relate to corporate business where the vouchers are used as incentives. Sun Bingo and Sheffield Insulation Group were added as clients in the period.

Park has developed its own processing platform for flexecash pre-paid cards

Interim revenues rose from £46m to £46.9m, while the loss edged down from £4.4m to £4.1m – mainly thanks to higher interest income. Park spent less on promotion of its Christmas savings business in the period. The dividend was raised by 5% to 0.55p a share.

Park has developed its own card processing platform for its flexecash pre-paid cards and it is FSA regulated. The platform could be used to generate revenues from running gift and loyalty cards for individual retailers.

PARK (PKG)			63.5p
12 MONTH CHANGE %	+ 32.9	MARKET CAP £M	107.5

Cash peaks in November and this year the figure was £170m, up from £152m one year earlier. Much of that cash relates to the Christmas savings product. At the end of September 2012, Park had cash of £3.55m.

Last year, Peter Johnson reduced his interest in Park to 29.95% following the sale of 60.1m shares at 52.5p each.

Arden expects an improvement in underlying pre-tax profit from £8.6m to £9.5m. The shares are trading on less than 16 times prospective 2012-13 earnings.

Begbies hit by drop in insolvency rate

Insolvency services *www.begbies-traynorgroup.com*

Insolvency specialist **Begbies Traynor** is bemoaning the lack of insolvencies in recent years. Banks remain reluctant to put businesses into administration, which would mean that they had to write down the value of these assets in their books.

A lack of demand for the company's services was behind the decline in revenues from £29.4m to £26.1m in the six months to October 2012. Underlying profit fell from £4.1m to £3.2m, with all the decline coming from the insolvency business.
The profit contribution from risk consulting and investigation services was flat. The interim dividend was maintained at 0.6p a share.

BEGBIES TRAYNOR (BEG)			35.13p
12 MONTH CHANGE %	+ 30.1	MARKET CAP £M	31.6

Net debt fell from £20.1m to £18.3m in the six months to October 2012. There is likely to be a second-half cash outflow due to provision payments of £1.5m, deferred consideration of £400,000 and the £1.4m cost of the final dividend. A £30m loan facility lasts until 2014 and there is also an overdraft facility of £5m.

The full-year performance should be broadly in line with the previous year, although there will be additional exceptional reorganisation costs in the second half. The insolvency market is not likely to change over the next year or two so the medium-term outlook is not much more positive.

Begbies is still looking for add-on insolvency practitioner acquisitions, with the focus on owners that may want to retire.

Central Asia Metals produces happy dividend surprise

Mining *www.central asiametals.com*

Dividend

Copper producer Central Asia Metals announced at the end of 2012 that it would start paying dividends and chief executive Nick Clarke said that he felt it was important to be "delivering meaningful cash returns to our shareholders". The Kounrad copper project has been in production for eight months and is generating cash. The dividend policy is to pay a minimum of 20% of the revenues from the project as dividends. Dividend cover should be three times or greater. The target payout level for 2012 is 30% of revenues.

The maiden interim dividend is 3.3p a share – based on a total payout of $4.5m. The company believes that it will be able to pay a similar final dividend and that will be announced in March.

On top of this a special dividend of 3.7p a share – equivalent to $5m – has been declared due to savings made in the construction of the mine. This will be paid at the same time as the interim but the yield in the table excludes it. Central Asia Metals had $37.5m in the bank. This leaves plenty of cash for the further development of Kounrad and for exploration. If the special dividend is excluded, the 2013 total dividend should be similar to the 2012 total.

Business

Central Asia Metals, which joined AIM in October 2010, is a copper producer and precious and base metals explorer in Kazakhstan and Mongolia. The company produces copper from waste dumps that came from the Kounrad open-pit mine between 1936 and 2005. It is estimated that there is more than 700,000 tonnes of copper contained in those dumps. Kounrad produced more than 6,586 tonnes of copper in its first eight months of production and 6,383 tonnes were sold by the year end.

CENTRAL ASIA METALS (CAML)	
Price	126.13p
Market cap £m	107
Historical yield	N/A
Prospective yield	5.2%

The initial 2012 copper production target for Kounrad was 5,000 tonnes, which was then increased to 5,750 tonnes in September. That target had already been passed by December. This was achieved because production continued despite the cold weather that began in November. More than 90% of production had been delivered to customers through an offtake agreement with Traxys, with the rest sold locally in Kazakhstan.

Central Asia Metals still plans to produce 10,000 tonnes of copper in 2013 from its 60%-owned solvent extraction-electrowinning (SX-EW) plant. A JORC compliant resource statement will be published in the first quarter of 2013. Feasibility assessments continue for the potential second 10,000 tonne per annum SX-EW plant at Kounrad.

Central Asia Metals also has interest in three projects in Mongolia. It has 70% of the Alag-Bayan copper-gold exploration licence near to an existing mine, 80% of the Handgait molybdenum project and 85% of the Ereen gold project. The second and third of these projects are currently held for sale.

Dividend news

Vimto soft drinks manufacturer **Nichols** continues to grow steadily and generate cash from both its core brand and newer licensed brands, including Weight Watchers. Revenues grew 9% to £108m in 2012 on the back of higher UK and export sales and that should generate £20m of pre-tax profit despite higher raw materials costs. Net cash is forecast to rise from £20.1m to £28.3m, after paying out £6.2m in dividends. Dividends are forecast to increase from 16.4p a share to 18.6p a share this year, with further growth to 20.6p a share expected for 2013. The dividend will continue to be more than twice covered by earnings.

Transport CCTV systems supplier **21st Century Technology** says that its 2012 pre-tax profit will be one-fifth higher at £1.8m and it is paying a maiden dividend. The profit would have been higher but bus manufacturing schedules were changed which led to delays in supplying systems for new buses. If cash generation and profitability are maintained then 21st Century will pay a dividend equivalent to at least one-third of pre-tax profit. That is £600,000 so the dividend should be equivalent to 0.64p a share. The 2012 figures will be published in March.

Interactive gaming business **NetPlay TV** had a stronger second half than expected as marketing spending reaped rewards last year. There was a 29% year-on-year increase in fourth-quarter revenues as active depositing players rose to more than 25,000. N+1 Singer has upgraded its 2012 earnings per share forecast by 12% to 1.2p so the 0.4p a share forecast dividend is covered three times. NetPlay TV will continue to invest in marketing but it is not guaranteed that the return will be as good as last year. Even so, the business should continue to be cash generative, with net cash of £15.1m forecast for the end of 2013.

expert views

Expert view: The broker

Disney digs in

By DUNCAN HALL

Strong underlying trading lifted adjusted earnings per share to more than 20p and supports media services provider Avesco's* commitment to a rising dividend stream (4p a share for 2011-12). The Disney litigation edges forward, despite Disney having petitioned for a second appeal hearing.

Avesco has forged a unique role for its services in the marketing and entertainment markets, but still has room for organic growth in all the geographic areas it currently addresses. The economic climate does not help, nor perhaps do highly competitive conditions in local Far Eastern markets, but on the back of trends towards single sourcing for global promotional activity by multinational groups, the group is seeking to build on the progress achieved last year. In view of the prevailing economic sentiment, we see the next two years as ones of consolidation.

2012

Last year was a good one for the group, as a number of events worked in Avesco's favour. However, without the losses in China, the outcome would have been even stronger. Responding to opportunities in the US, where capex leapt to £11.7m from £3m, but also in Europe (where again capex leapt, from £2.6m to £7.3m), Creative Technology is in a position to reinforce its global service offering.

Group capex peaked at £32m, approximately double its annual run rate. Net debt mirrored this, increasing from £12.1m to £24.7m, but this was within expectations, and capex will now retreat to nearer £16m, with depreciation at £20m pa. Refinancing falls due in 2015, with negotiations expected to commence in 2014.

Creative Technology accounted for £95.5m in revenues, out of a total of £143m, and EBIT of £4.5m, post Chinese losses, out of a group total of £7.4m (61%). US turnover advanced 11% in a difficult year. The London Olympics helped the outcome, but CT performed consistently throughout the year, while Broadcast activities (Presteigne) are clearly second -alf weighted, benefiting particularly from the Olympics' outside broadcast requirements.

Disney

The Disney case continues to attract a lot of interest. From the perspective of the original case concerning the US version of Who Wants to be a Millionaire, the jury award in favour of Complete was $320m, comprising an award for damages of $270m and pre-judgement interest of $50m. Disney contested the outcome, and, on appeal, the original judgement was upheld.

Disney has now petitioned for a hearing "en banc" in the Appeal Court. While the initial appeal was heard by three judges, an en banc hearing is drawn from a wider number of judges (11 in the first instance) attached to the Ninth Circuit, who are selected from 28 appointees. The Ninth Circuit covers a wide territorial expanse embracing Alaska, California, Montana, Idaho, Nevada, Hawaii and East and West Washington, and is the largest in the US. The Supreme Court is generally reserved for matters of major importance (interpretation of new laws etc) and access can be either following a hearing en banc, which can take 12 months, or if a request for a rehearing en banc has been turned down.

Whether or not Disney is successful at the current en banc petition stage, which could take up to six months, an approach to the Supreme Court would most likely involve an extended litigation timescale beyond the end of 2013. Avesco's costs are covered up to the point of a Supreme Court hearing.

Future

Avesco's objective is to maximise returns from its operating footprint. The company is emerging from a period of intensive capital investment and needs to generate a return from this. Also behind forecasts for 2013 lies the ambition to generate a breakeven result in the Far East rather than the seven-figure loss incurred during 2012. Even so, a decline in group pre-tax profit from £5.9m to £3.8m is forecast

> The Disney litigation is possibly worth circa 140p a share

Colouring the group's thinking is the uncertain macroeconomic outlook. As a consequence, Avesco is taking a cautious view of high-level marketing spend.

Although traditionally having an earnings bias towards even years, management's objective is to continue streamlining the group's operating profile, aiming to decrease the annual earnings volatility in the process and support a growing dividend stream. NAV per share is 152p which excludes the Disney litigation, possibly worth circa140p if settled along current judgement lines.

**Avesco is a corporate client of finnCap*

DUNCAN HALL is a research director at finnCap.

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feature

Takeovers take centre stage in 2012

AIM recovered towards the end of 2012 but the outlook remains mixed. The rate of decline of company numbers continues to slow, with takeover the main reason for their exits. However, new companies remain in short supply.

It has been another tough year for AIM as the continuing global financial crisis makes investors wary of investing in smaller companies. The junior market index ended 2012 slightly higher but less money was raised during the year.

The market value of AIM was just under 1% lower at £61.7bn and the largest 10% of the AIM companies account for nearly half of that figure.

The number of companies on AIM continues to decline but at a lower rate than previously. They fell from 1,143 to 1,096 over the year. The number of new companies coming to the market remains too low to offset the number of leavers, which were dominated by takeovers last year.

For much of 2012 it appeared that AIM would decline for a second year in a row but the FTSE AIM All Share index ended 2% higher after a strong end to the year. At the end of November, the index was slightly lower than at the end of 2011. The FTSE AIM All Share index lost one-quarter of its value during 2011 so the improvement does not constitute much of a recovery.

AIM's performance was still not that good because it compares with a 6% increase in the FTSE 100 and a 24% jump in the FTSE Small Cap index.

The FTSE AIM 50 index, which includes the largest UK-based companies on AIM, rose by 13%. The doubling of the ASOS share price was a major factor in that performance, as is the fact that it is not as dependent on the mining sector as either the FTSE AIM All Share index or the FTSE AIM 100 index, which was the poorest performer of the three measures.

Even so, five of the top ten largest AIM companies are still resources based. However, the value of the basic materials sector, predominantly mining companies, has slumped from £11.96bn to £8.1bn. The oil and gas sector has held up better, with a more modest decline in its value from £14.8bn to £14.6bn. The share prices of Mongolian oil explorer Petro Matad and South Africa-based Coal of Africa both fell by nearly three-quarters.

> The £2.44bn raised by existing companies was the lowest amount since 2004

Takeovers

To be fair, European Goldfields was taken over for £1.57bn and Kalahari Minerals for £632m early last year. That accounts for a large chunk of the decline in the value of the mining sector. There were also takeovers of oil and gas companies, including Cove Energy for £1.22bn, Dominion Petroleum and Nautical Petroleum. The difference between the mining and the oil and gas sectors is that the latter found it easier to raise additional funds.

Takeovers were the reason for 45% of the AIM departures in 2012 and they made up the biggest percentage of companies leaving AIM since 2007, when the figure was 45.7%. There were eight software and technology companies acquired, including two, Clarity Commerce Solutions and Synchronica, that were contested bids.

Hamworthy was one of the most consistent AIM performers even though it was hit by the cyclicality of the shipbuilding sector so it was sad to see it leave AIM. Finland-based marine services provider Wartsilla bid 825p a share for Hamworthy, which valued the marine fluids handling equipment supplier at £383m.

Another AIM company whose strategy succeeded was drug developer Proximagen, which agreed to an unusual offer. Minnesota-based Upsher-Smith offered 320p a share in cash plus up to 192p a share by way of a contingent value right (CVR). Excluding the contingent value of up to £133.8m, the bid valued Proximagen at £223m.

Proximagen raised £49m net at 140p a share in June 2009 in order to make acquisitions and it had a low-risk strategy when it came to spending its own money on developing the drugs in its portfolio.

The CVR value is based on 57.5% of revenues after development costs for inflammation treatment VAP-1 and 39.5% of revenues after development costs for PRX00933, an obesity treatment, for a five-year period.

feature

The number of companies leaving AIM because they went into administration or had other financial problems has fallen from 20 to 11. There were some high-profile failures among these: black cab manufacturer Manganese Bronze, sports goods retailer JJB Sports and property adviser Colliers International. Music Festivals was hit by a poor summer and competition from the Olympics and other events and could not persuade investors to part with more cash even though the company had floated 15 months earlier in June 2011 when it raised £6.5m. The company's boss, Vince Power, bought back the Benicassim festival in Spain.

Spread betting firm Worldspreads identified possible financial irregularities and a shortfall of client money of £13m. Gross amounts owed to clients were £29.7m but the company had total cash of £16.6m. There was nothing left for shareholders.

There were still plenty of companies deciding that AIM was not for them. It was not surprising in some cases. One shareholder owned 99.77% of Malaysia-based digital media company Infoscreen Networks so the company's years on AIM were pretty pointless.

Football club Tottenham Hotspur decided to leave AIM, which left Celtic as the only football club on the junior market. That was changed at the end of the year when Rangers joined AIM.

There were 71 admissions in 2012, down from 90 in 2011. However, the money raised by them increased from £608.8m to £707.1m. Stripping out reversals and readmissions, the number of new entrants to AIM fell from 67 to 52.

The overall money raised from new and existing companies fell from £4.27bn to £3.14bn. The £2.44bn raised by existing companies was the lowest amount since 2004.

Liquidity

Trading levels in 2012 fell just short of the level achieved in 2011. The number of trades slipped from 5.73m to 5.45m. Liquidity had been strong in the first half of 2012 but it fell away in the second half. In February, there were an average of 29,736 trades a day but this average fell to 16,078 a day in August and it has not recovered significantly since then. The average in December was 13,996, which was more than 2,000 trades a day lower than the next lowest figure. The annual daily average declined from 22,811 to 21,611.

The value of the trades in 2012 dipped from £38.6bn to £38.1bn, with an average daily value of £151m.

> Trading levels in 2012 fell just short of the level achieved in 2011

Future

The number of nominated advisers has fallen due to the takeovers of Collins Stewart and Arbuthnot and the merger of N+1 Brewin and Singer. Others, such as Altium, Matrix, Religare and Lazard & Co, have decided to drop these activities. There are still advisers wanting to take on the nominated adviser role. SPARK Advisory Partners (www.sparkadvisorypartners.com), which was set up by former Brewin Dolphin corporate financiers at the beginning of 2012, is in the process of gaining nominated adviser approval. The fact that the main principals have all been working on AIM transactions in recent years should make this straightforward. VSA is still trying to become a nominated adviser but because of slow deal flow its main corporate financiers have not done enough deals to qualify for the status.

January tends to be a slow month so it is difficult to read much into the start of the year even though it has been positive. There are potential new issues for AIM but they have not progressed far enough for a formal announcement.

If AIM shares are allowed into Individual Savings Accounts (ISAs) this could help to give the junior market an additional boost this year. There is no guarantee that this will happen, though. It is probable that 2013 will be another tough year for AIM but the market is in a sound position to cope with this.

REASONS FOR LEAVING AIM

REASON	2012	2011	2010	2009	2008	2007
Choosing to cancel quotation	30	40	47	111	54	17
Financial problems	11	20	15	51	41	16
Takeover	45	34	62	50	68	74
Shares suspended for six months	5	8	9	18	7	6
No nominated adviser	2	2	2	16	15	15
Winding up	3	3	11	12	11	4
Move to Main Market	3	10	11	10	12	13
Shell without suitable acquisition	1	2	3	7	8	17
Total	**100**	**119**	**160**	**275**	**216**	**162**

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	24.2	11.8
Financials	18.3	21.2
Basic materials	13.4	16.3
Industrials	11.9	18.4
Consumer services	9.7	9.4
Technology	8.5	9.6
Consumer goods	6.1	5.2
Health care	5.2	5.8
Telecoms	1.8	1.2
Utilities	1	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	707.21	+2
FTSE AIM 50	3192.13	+13.2
FTSE AIM 100	3167.77	+1.2
FTSE Fledgling	4751.92	+16.4
FTSE Small Cap	3419.07	+24.4
FTSE All-Share	3093.41	+8.2
FTSE 100	5987.81	+5.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	284
£5m-£10m	129
£10m-£25m	223
£25m-£50m	187
£50m-£100m	136
£100m-£250m	90
£250m+	45

KEY AIM STATISTICS

Total number of AIM	1,094
Number of nominated advisers	52
Number of market makers	54
Total market cap for all AIM	£59.9bn
Total of new money raised	£79.8bn
Total raised by new issues	£35.6bn
Total raised by secondary issues	£44.3bn
Share turnover value (2012)	£36.4bn
Number of bargains (2012)	5.18bn
Shares traded (2012)	196.3bn
Transfers to the official list	162

TOP 5 RISERS OVER 30 DAYS

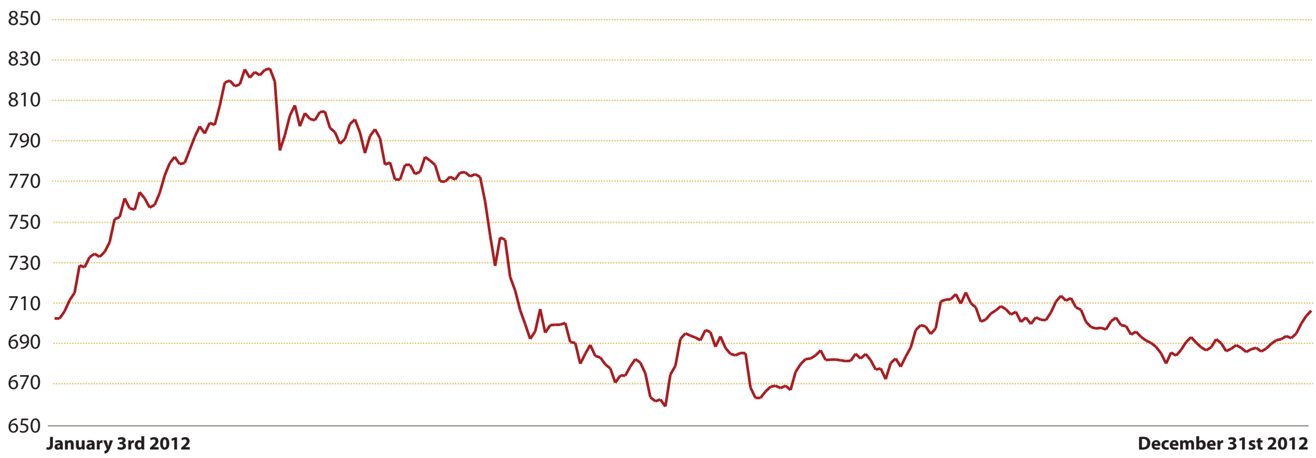
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
P3D Resources	Shell	0.53	+200
RCG Holdings	Technology	3.43	+174
Baobab Resources	Mining	24.88	+161.8
Alexander Mining	Mining	7	+107.4
Angel Mining	Mining	0.79	+101.3

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
PeerTV	Technology	3.25	-54.4
Supercart	Consumer	0.3	-52
Hermes Pacific Investments	Shell	0.75	-45.5
Brady Exploration	Shell	0.8	-44.8
Ascent Resources	Oil and gas	0.9	-40

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st December 2012, and we cannot accept responsibility for their accuracy.

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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 won the Best Research award at the 2012 AIM Awards. 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. 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 June 2009. More than £140m was raised for clients in the year to June 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.

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