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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

In this issue

ShareSoc wants nominee reform

Private shareholder pressure group UK Independent Shareholders Society (ShareSoc) has launched a campaign to reform UK share ownership and in particular the system of nominee accounts. ShareSoc argues that the current nominee system has disenfranchised the majority of private shareholders and undermined their right to have a say in the running of companies. It argues that there should be substantial changes so it is easy for all shareholders to vote.

Private shareholders predominantly hold their shares in nominee accounts. ShareSoc argues that the nominee system takes more account of the interests of brokers and other advisers and many of the rights of shareholders on the register are lost or difficult to exercise. Holding shares via a nominee account means that the investor is not a member of the company.

In its document, Guaranteed Votes For All Shareholders, ShareSoc argues: "The nominee system must be both reformed and usage curtailed, with most investors placed on the share register of the company. In addition, tax efficient vehicles such as ISAs and SIPPs must support direct share registration of investors rather than require the use of nominee accounts."

ShareSoc highlights the Australian settlement system (CHESS) because it retains the principle of individual shareholder names being registered, which enables the company to continue to contact shareholders directly.

H-Scores point to performance

Company Watch says that the share prices of companies with high H-Scores, the measure it uses to analyse the financial health of quoted companies, perform more strongly than those with low H-Scores. Fund manager Anthony Bolton has written about how he looks at the H-Score of a company when he is considering investing.

H-Scores are calculated by analysing the accounts of companies and assessing the characteristics of financially distressed companies and also assessing the characteristics of successful companies. Company Watch monitors the financial health of businesses using H-Scores and the warning area for financial frailty is classed as an H-Score of less than 25. Share prices of companies in this area are twice as likely to more than halve and ten times as likely to slump by more than 90%.

The figures have been calculated for UK and international companies over the past five years. Companies with an H-Score of more than 25 outperform the rest on average by more than 8%. This outperformance is consistent over the years, excluding volatile markets during 2008.

A guide to the methodology of H-Scores with examples of how they can help to predict good and poor performance is available for free from info@companywatch.net

HubInvest publishes AIM Journal
www.hubinvest.com

general news

Quartix raises profile with AIM

Vehicle tracking and data services provider Quartix Holdings has joined AIM, which will help to increase the profile of the business in the UK and overseas. Quartix already supplies equipment and services in France and recently opened an office in Chicago, although this operation is still at an early stage.

The £11.4m raised at the placing price of 116p a share will all go to the founders and other existing shareholders. There is no new money being raised and the business is cash generative although it does have to spend money on technology development. Net debt was £2.1m at the end of June 2014. A dividend of 50% of free cash flow is planned.

Quartix focuses on smaller businesses and it has more than 6,000 customers paying monthly subscriptions for more than 56,000 vehicles. Quartix installs the hardware and charges £20 a month to provide information and data. Customers are signed up for an initial 12-month period but once signed up they tend to stay. The hardware and installation costs are written off immediately and Quartix will generally start making money on a contract within nine months. The insurance business, which has installed 67,000 telematics systems, generates revenues from the insurance companies rather than the vehicle users.

In 2013, revenues increased from £8.3m to £13.2m, with £9.2m coming from fleets and £4m from insurance customers, while profit improved from £2.8m to £4.6m. In the six months to June 2014, revenues increased from £6.2m to £7.4m, while underlying pre-tax profit improved from £2.1m to £2.5m.

The fleet management systems market in Europe is forecast to grow at 16% a year between 2012 and 2017.

Fyffes bid off

Bananas supplier Fyffes has terminated its proposed merger with Chiquita Brands International after the latter's shareholders voted against the deal due to a potential $14.50 a share bid from a Brazilian consortium of fruit-juice maker Cutrale and investment bank Safra. The original deal was announced in March but a revised agreement in September meant that Chiquita shareholders would have increased their stake in the merged company from 50.7% to 59.6%. The offer was changed to 0.1113 of a Chiquita share for each Fyffes share. At the same time the termination fee payable to Fyffes was increased from 1% to 3.5% of the value of the share capital of Chiquita. Fyffes is entitled to this fee if there is a successful bid for Chiquita within nine months. In the first half of 2014, Fyffes incurred merger costs of €8.3m.

Hargreaves rejects generation option for higher dividends

Following its strategic review, Hargreaves Services has decided not to go ahead with any investment in coal-fired power generation and instead will be paying higher dividends to shareholders. Coal supplier Hargreaves also intends to buy back shares.

There will be a continued focus on the core coal operations, which will provide spare cash. This will enable Hargreaves to pay 40% of its underlying earnings in dividends from 2015-16. The company also intends to buy back up to 10% of its shares and it will start after the renewal of permission is passed at the AGM on 5 November.

Management will consider energy sector projects, possibly via a joint venture, but it is committed to the dividend and share buy-back policies so any investment would have to be funded from existing resources without affecting this new policy.

Hargreaves has also started a consultation process for the future of its Monckton coke works in Yorkshire. This process should be completed in December. Although Monckton could make a profit of £2m this year, once the higher-margin contracts end it will struggle unless market conditions improve significantly. If Monckton is closed then the cancelling of contracts will wipe out the profit. It will cost £3m to close the coke works and a further £1.8m for remediation of the property. This will be more than covered by the £22m of working capital that could be released over the next two years, providing additional funds for buy-backs or a one-off dividend.

As a consequence of the changed dividend policy, WH Ireland has increased its dividend forecast for the year to May 2016 from 28.9p a share to 42p a share. This would provide a dividend yield of 6.4%. Hargreaves is expected to have minimal net debt by the end of May 2016. Given potential energy shortages the ongoing business is in a good position.

advisers

Crowdfunding initiative from finnCap

Leading AIM broker and nominated adviser finnCap, sponsor of AIM Journal, has launched an equity crowdfunding service in association with InvestingZone. This service is part of the offering of the finnCap Angel Network (fAN Club) and will be open to quoted and unquoted companies. finnCap chairman Jon Moulton is chairman of the advisory board of InvestingZone.

Sam Smith, chief executive of finnCap, says that "traditional banking models are not providing adequate access to growth capital for ambitious listed and private companies". Wine maker Chapel Down, an ISDX-quoted client of finnCap, recently raised £3.95m, with £2.2m of the money coming from crowdfunding via Seedrs. It was the first company quoted on a UK market to raise money this way. fAN Club has already worked with InvestingZone (www.investingzone.com) on two fundraisings. Online contact lenses retailer GetLenses.co.uk raised £8.5m and WiFi service provider Wifinity raised £400,000.

finnCap will conduct due diligence on all the potential investee companies. InvestingZone has developed online financial reporting and shareholder voting tools for the companies.

finnCap's quarterly survey of non-executive directors showed that nearly two-thirds of the 50 directors on the panel said that their companies would seek additional finance in the next 12 months. However, two-thirds also thought that UK banks are not doing enough to help companies to grow. There was a split over peer-to-peer lending, with 24 in favour, 20 against and six classed as other.

ADVISER CHANGES - OCTOBER 2014

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
CEB Resources	Peterhouse/Sanlam	Peterhouse/N+1 Singer	Sanlam	N+1 Singer	01/10/2014
Lansdowne Oil & Gas	Cantor Fitzgerald	Cenkos	Cantor Fitzgerald	Cenkos	01/10/2014
Lok'nStore	finnCap	Panmure Gordon	finnCap	Panmure Gordon	01/10/2014
Reach4Entertainment	Allenby	Allenby/ Cantor Fitzgerald	Allenby	Cantor Fitzgerald	01/10/2014
Tertiary Minerals	SP Angel/Beaufort	Beaufort/ Cantor Fitzgerald	SP Angel	Cantor Fitzgerald	02/10/2014
Nighthawk Energy	Canaccord Genuity/ Westhouse	Westhouse	Westhouse	Westhouse	06/10/2014
Oilex Ltd	Strand Hanson	RFC Ambrian	Strand Hanson	RFC Ambrian	06/10/2014
Guscio	Peterhouse/Sanlam	Sanlam	Sanlam	Sanlam	08/10/2014
Connemara Mining Co	Dowgate/Westhouse	Westhouse	Westhouse	Westhouse	13/10/2014
Cluff Natural Resources	Allenby/ Panmure Gordon	Panmure Gordon	Panmure Gordon	Panmure Gordon	14/10/2014
Scancell Holdings	Panmure Gordon	Cenkos	Panmure Gordon	Cenkos	14/10/2014
Powerhouse Energy Group	Allenby	Allenby/Sanlam	Allenby	Sanlam	16/10/2014
Biofrontera AG	Shore	finnCap	Shore	finnCap	20/10/2014
China Growth Opportunities Ltd	RFC Ambrian/ Peterhouse	N+1 Singer	RFC Ambrian	N+1 Singer	20/10/2014
GVC Holdings	Cenkos	Daniel Stewart	Cenkos	Daniel Stewart	20/10/2014
Hightex Group	ZAI	finnCap	ZAI	finnCap	20/10/2014
Sula Iron & Gold	VSA	Daniel Stewart	Cairn	Cairn	21/10/2014
600 Group	finnCap	finnCap	SPARK	finnCap	22/10/2014
SolGold	GMP/SP Angel	SP Angel	SP Angel	SP Angel	22/10/2014
Victoria Oil & Gas	Numis	Fox-Davies	Strand Hanson	Strand Hanson	22/10/2014
Porta Communications	Sanlam	N+1 Singer	Sanlam	N+1 Singer	23/10/2014
Baobab Resources	Canaccord Genuity	Shore	Canaccord Genuity	Grant Thornton	28/10/2014
Dekeloil	Beaufort/ N+1 Singer/Optiva	N+1 Singer/Optiva	N+1 Singer	N+1 Singer	28/10/2014
International Mining & Infrastructure	Pareto	WH Ireland	Strand Hanson	WH Ireland	30/10/2014
Obtala Resources	Fox-Davies	Fox-Davies	ZAI	Fox-Davies	30/10/2014
Red Emperor Resources NL	Fox-Davies	Fox-Davies	Grant Thornton	Fox-Davies	30/10/2014
Fox Marble Holdings	Fox-Davies	Fox-Davies	Cairn	Fox-Davies	31/10/2014
Golden Saint Resources	Cornhill / Beaumont Cornish	Optiva	Beaumont Cornish	Beaumont Cornish	31/10/2014
Plethora Solutions	Daniel Stewart	Hybridan/Daniel Stewart	Daniel Stewart	Daniel Stewart	31/10/2014

company news

MartinCo consolidates leading position in UK property lettings market

Property lettings — *www.martinco.com*

Property lettings franchise company **MartinCo** is acquiring the property franchise business of Legal & General and this deal should be immediately earnings enhancing. MartinCo will pay £5m plus a further figure of around £1m depending on the net assets of the acquired business, while its managing director, Michael Stoop, will become group managing director of MartinCo.

MartinCo recently secured a £5m five-year loan facility with Santander and it had £5.46m in the bank at the end of June 2014.

There is also a ten-year agreement with Legal & General for access to its mortgage, life assurance and general insurance products for all of the MartinCo group's franchisees

The acquisition brings with it 89 offices and 75 franchisees, under the brands CJ Hole, Ellis and Co, Parkers and Whitegates. MartinCo says that each of its five brands can

The deal should be immediately earnings enhancing

be developed although the MartinCo brand is the national one. The other four are regionally focused and they have more of a mix of property lettings and estate agency business – MartinCo recently started offering estate agency services. In the first half of 2014, the number of MartinCo offices offering estate agency services increased from 97 to 145 and the revenue generated from this activity by franchisees was more than £1m in the period. In September, it started an online estate agency service, which charges a flat fee. The enlarged group will generate 19% of its revenues from estate agency.

MartinCo did not previously trade

MARTINCO (MCO)			125p
12 MONTH CHANGE %	N/A	MARKET CAP £M	27.5

in 44 of the acquired franchise areas, particularly in regions around Bristol, the M4 corridor, Yorkshire, Lancashire & Merseyside and in London. There will be 46 offices in Greater London, out of a total of 283 offices. There are more than 43,000 managed properties in the group.

There should be a £300,000 contribution to revenues in the last two months of 2014. In 2013, the business made a pre-tax profit of £600,000 on revenues of £1.8m.

Bournemouth-based MartinCo was founded in 1986 and started franchising under the Martin & Co brand in 1995. MartinCo joined AIM at the end of 2013. The shares are trading on 15 times previous forecast earnings for 2015 but this figure will be reduced by the acquisition.

Allocate recommends private equity bid

Rostering software — *www.allocatesoftware.com*

Acorn Bidco, which is funded by private equity firm HgCapital, has launched a recommended bid for healthcare rostering software provider **Allocate Software** that is worth £109.6m.

The bid is 153.55p a share in cash and shareholders will also receive the final dividend of 1.45p a share. Allocate had net cash of £13.7m at the end of May 2014, so the underlying cost of the bid is lower than the headline figure. The bid

ALLOCATE SOFTWARE (ALL)			158p
12 MONTH CHANGE %	+39.2	MARKET CAP £M	107.9

is more than 30% higher than the previous share price high in the past 16 years and values Allocate at around 20 times forecast 2014-15 earnings.

Although Allocate's revenues predominantly come from healthcare it does have sales in other sectors, including defence, maritime and transport. Allocate believes that future progress will not be smooth and it will need to make further investments in product development for the healthcare sector. Management argues that technology-focused investor HgCapital can take a longer-term view and cope with short-term risks such as the UK election and legislative changes in the healthcare sector in Sweden.

Foundations laid for significant profit growth at email marketing company dotDigital

Email marketing — *www.dotdigitalgroup.com*

Email marketing services provider **dotDigital** reported better than expected figures for the year to June 2014, which provide the foundations for future growth. More of a surprise, though, was the announcement that chief executive Peter Simmonds intends to retire at the end of September 2015. However, the succession plan is already in place.

Non-executive director Simone Barratt has been appointed deputy chief executive and will take over as chief executive next year. She is a former managing director of eDialog in Europe and Asia Pacific so she is experienced in the digital marketing sector. She has spent two years on the dotDigital board so already has a good understanding of the business

dotDigital has a strong long-term record

that can be deepened over the coming year.

Revenues increased from £13.8m to £16.4m and profit edged up from £3.3m to £3.6m. Additional management was taken on during the period and this hit operating margins but they will recover this year. Net cash improved from £6.1m to £9.3m. The final dividend was doubled to 0.2p a share.

Although profit growth was modest the base has been laid for much faster growth in the next two years. Profit forecasts for 2014-

DOTDIGITAL (DOTD)			28.88p
12 MONTH CHANGE %	+35.1	MARKET CAP £M	82.1

15 have been trimmed to £5.2m because of higher than expected costs due to the handover period to the new chief executive but the benefits of recent investment are still set to show through. A further jump in profit to £8.6m is forecast for the year to June 2016.

dotDigital has a strong long-term record and it is highly cash generative – if it meets forecasts then net cash could be more than £15m by June 2016. The shares are trading on less than 18 times prospective 2014-15 earnings, falling to 12 in 2015-16.

Daisy recommends bid from chief executive's consortium

Telecoms services — *www.daisygroupplc.com*

Independent directors of telecommunications services provider **Daisy Group** have recommended a cash bid from a consortium made up of Toscafund Asset Management, Penta Capital and Daisy chief executive Matthew Riley. In July, the consortium proposed a 190p a share bid but this was reduced to 185p a share, which values Daisy at £494m. Net debt was £141.2m at the end of June 2014.

The original Daisy business reversed into Freedom4 Group, previously Pipex Communications, in July 2009 and the deal was partly funded via a share issue at 80p

DAISY (DAY)			183.5p
12 MONTH CHANGE %	+8.9	MARKET CAP £M	489.9

a share. Daisy has subsequently grown significantly and widened the range of services it offers, helped by 22 acquisitions, but the consortium believes that Daisy will be in a stronger position to participate in further consolidation of the sector under its ownership. Potential acquisitions are likely to be larger than in the past. Toscafund has been an investor in Daisy since it joined AIM, while Penta has invested in other telecoms services businesses including Six Degrees Group, Wireless Infrastructure Group and SpiriTel, an AIM-quoted company acquired by Daisy in 2010.

Matthew Riley owns 24.5% of Daisy but he will own 49.7% of the bid vehicle. He has waived his entitlement to a £5.93m payment on acquisition of Daisy. Executive chairman, and one of the independent directors, Peter Dubens is taking £2.47m of his £2.97m award and finance director Steve Smith will take £2.1m of his £3.04m award. Dubens is also managing partner of Oakley Capital whose corporate finance offshoot is earning £4.31m in fees from the deal.

Castleton secures electronic document services acquisition as MXC increases stake

IT managed services *www.castletonplc.com*

Castleton Technology is acquiring public-sector IT services provider Documotive for £4m in cash and loan notes. This is part of the new strategy to provide IT managed services to the public sector and in particular social-housing operations.

Documotive provides electronic document and record management services. This is the second acquisition by Castleton, formerly known as Redstone, since its change of direction at the beginning of the year. Managed services business Montal was acquired in June. Montal had 60 social-housing associations as clients and Documotive has 95 with little overlap. The addressable market is the 600 largest social housing associations. Documotive is estimated to have increased its revenues from £2.76m to £3.24m in the year to October 2014 and EBITDA is estimated at £808,000, up from £427,000 in 2012-13 as overhead cost rises were kept to a minimum.

> Castleton has disposed of all its original businesses

Castleton is raising £5.5m at 1.1p a share to finance the acquisition. There was cash of £200,000 in the bank at the end of September 2014. Castleton has disposed of all its original businesses and has agreed a reduction in deferred consideration from the sale of Comunica Holdings to Coms. The amount has been cut from £1.1m to £825,000 because of tax advice costs and related payments to HMRC. There

CASTLETON TECHNOLOGY (CTP)			1.53p
12 MONTH CHANGE %	74.3	MARKET CAP £M	9.51

is a further £302,000 expected from deferred consideration for Maxima Information and the resolution of certain items with AIM-quoted Redcentric, which was demerged last year. There is £831,000 of loan notes relating to the Montal acquisition although £200,000 of these will be converted into shares at the placing price.

MXC Capital, which recently joined AIM, has taken up £1.2m of the placing shares, giving it a stake of 10.6%, and been issued with a warrant, exercisable at the placing price, over 5% of the enlarged share capital. MXC Capital is effectively controlled by a business run by Castleton chief executive Ian Smith.

Energy efficiency growth for Entu

Home improvement products *www.entu.org*

Home improvement products installer **Entu** started trading at a small premium after it joined AIM on 30 October. Existing shareholders, including management, sold £32.8m-worth of shares at 100p each, which is equivalent to 50% of the share capital. No new money was raised.

Entu generates most of its revenues from windows, doors and solar panels but it is growing its sales of boilers and insulation and the focus is increasingly on energy efficiency products. Entu has grown by acquiring a number of regional

ENTU (UK) (ENTU)			103.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M	67.9

brands, including Zenith, Weatherseal, Penicuik, Staybrite Solar, Europlas and Norwood. The company has a national installation brand, Job Worth Doing. Entu does not manufacture, which differentiates it from AIM-quoted rival Safestyle, so it is a cash-generative business with little need for capital expenditure. The group's market share of the home improvement sector is estimated at 2.6%.

Entu is modestly rated. Edison forecasts a 2014 profit of £10m on revenues of £119.4m, rising to £11m on revenues of £127.6m in 2015. The shares are trading on less than nine times 2014 prospective earnings. Net cash is expected to be £4.2m at the end of 2014 and the cash pile will continue to increase unless Entu makes further acquisitions. A dividend of 8p a share is expected in the first full year as a quoted company. That represents a yield of 7.8%. Entu is dependent on the strength of consumer spending.

Walker Greenbank brands pay dividends

Supplier of fabric & wallcoverings *www.walkergreenbank.com*

Dividend

Walker Greenbank reported an increased interim dividend of 0.35p a share, up from 0.28p a share in the first half of the previous year. The total dividend is forecast to improve from 1.85p a share to 2.3p a share.

Walker Greenbank was paying dividends up until 2001 but it slumped into loss. At that time the company was on the Main Market and it moved to AIM in 2003. It restarted paying dividends in 2010 with a 0.5p a share final dividend and this was followed by a total dividend of 0.95p a share the following year. The dividend has been steadily increased since then.

This year's forecast dividend would be covered nearly five times by forecast earnings and despite investment in printing equipment net cash is expected to stay at £1.5m by the end of January 2015.

Business

Walker Greenbank owns a range of brands in the furnishings sector as well as fabric and wallpaper printing facilities. The company has shown its ability to create new brands and offshoots of existing brands in order to grow. Last year the Anthology wallpaper brand was launched. Anthology is distributed through Harlequin but it is a standalone brand. The other main brands are Sanderson, Morris & Co and Zoffany. The Abracazoo wallpapers range for children has been launched by Sanderson this year.

Growth has been international although not every territory grows each year and there are signs that the contract business is recovering. In the six months to July 2014, revenues improved by 5% to £41.1m, while underlying pre-tax profit was 7% higher at £3.28m despite the negative effect of currency movements. Walker Greenbank has invested in new websites for its brands and this has increased online traffic.

WALKER GREENBANK (WGB)	
Price (p)	179
Market cap £m	105.6
Historical yield	1%
Prospective yield	1.3%

The manufacturing businesses are strong contributors to profit and there are few competitors in the premium end of the market in the UK. Continued investment in digital printers will increase capacity.

An underappreciated part of the business is the catalogue of historic designs which are not valued in the balance sheet. Licence income for the brands generates a small income for the business and it intends to take on a dedicated licence director in order to build on this base. This is high-margin income so it could provide a significant boost to profit once additional income covers the extra costs.

WH Ireland forecasts a rise in full-year profit from £7.3m to £7.7m, although earnings per share will be flat because of a higher tax charge as tax losses are used up. The shares are trading on 16 times prospective 2014-15 earnings. The higher tax charge will hold back earnings growth in the short term and the business is dependent on the consumer market. However, Walker Greenbank has shown that it can cope with downturns and it has a number of valuable brands.

Dividend news

Veterinary medicines and animal identification products supplier **Animalcare** edged up its full-year dividend to 5.5p a share, which was in line with 3% growth in earnings to 10.8p a share. The balance sheet remains strong, with net cash of £3.8m. Animalcare continues to invest in new vet medicines, with seven candidates in development, and it has also been boosting its sales team. Animalcare believes that merger activity in the sector will distract the larger competitors from their development of new drugs. There should also be opportunities to grow outside the UK.

Regulatory reporting and compliance software provider **Lombard Risk Management** continues to benefit from regulatory changes in the global financial services sector. In the six months to September 2014, revenues grew by 27% to £9.3m and it made a small profit, compared with an interim loss in the previous year. Restatement of capitalised software numbers did not have a significant effect on the figures. The interim dividend is 0.035p a share. The second half tends to be stronger and Charles Stanley forecasts a full-year profit of £4.6m and a total dividend of 0.11p a share.

Silicon wafer reclaim services provider **Pure Wafer** is paying a maiden final dividend of 0.7 cents (0.43p) a share. This marks the turnaround from a highly indebted loss-making business to a profitable and cash-generative one. In the year to June 2014, revenues dipped from $37m to $35.9m but pre-tax profit improved from $3m to $3.9m thanks to better production yields. Net cash was $1.5m at the end of June 2014. There should be future growth on the back of growth in demand for semiconductors and a dividend of 1 cent a share is forecast for 2014-15, which would be covered 12 times by forecast earnings.

Expert view: The broker

Tristel: a business transformed

By DR KEITH REDPATH

Disinfection and infection-control products manufacturer and supplier Tristel* reported preliminary figures in line with upgraded expectations from earlier this year and they clearly show the transformation that has occurred over the past 12 months. This is as a result of decisions taken several years ago to diversify and to internationalise the business.

We forecast continued double-digit earnings growth for the next two years with dividend cover maintained at two times. We raise our target price from 78p to 85p.

Human healthcare, which supplies infection control products to hospitals, continues to be the mainstay of the business, but contamination control, which supplies pharma cleanrooms, is performing well both in the domestic market and internationally. The performance of the latter vindicated, in our opinion, the investment that was made in developing this brand, Crystel, from scratch, and in the new manufacturing facilities that were required to address this market.

The animal healthcare business was essentially flat last year, but it should be remembered that this was a business that Tristel entered in 2012 following a contractual dispute with a company for which it was a contract manufacturer. We believe Tristel has captured the lion's share of the market rapidly and that the business will remain a cash cow for the group.

Results

There were four forecast upgrades between January and June 2014. Tristel's preliminary results were in line with our upgraded forecasts, with revenue of £13.5m (finnCap estimate: £13.4m), EBITDA of £2.7m (£2.7m) and pre-tax profit of £1.8m (£1.8m).

Gross margin improved from 66.4% to 69.8% while EBIT margin recovered from 4.8% to 13.6%.

Net cash at the period end was £2.6m, up from £562,000 one year earlier. The dividend was increased significantly from 0.4p a share to 1.6p a share and cash generation is strong enough to maintain a progressive dividend policy.

Growth was not confined to any one segment of the business nor geography. All of the growth was organic. Human healthcare revenues grew by 29.2% to £11.5m, with a faster rate of growth in overseas revenue.

Tristel has reclassified the human healthcare business into three segments that are described by their areas of use:

Ambulatory care – the disinfection of small medical instruments. This includes the Tristel Wipes System and the Stella endoscope decontamination system. Revenue grew by 44.1% to £7.33m.

Critical Surface Disinfection – which includes all products for near-patient surfaces, as well as floors. This part of the division is still the smallest but it grew fastest. Revenues rose by 56.7% to £1.23m.

Other – this now includes the legacy endoscopy business, water and other smaller applications of Tristel's technology. Revenue dipped by 2.7% to £2.96m due to the decline in the legacy business.

The newer contamination control business increased its revenue by 31.1% to £1.19m. with overseas revenue growing by 53.8%.

Animal healthcare revenue rose by 3.2% to £762,000, with all of the growth coming from overseas sales. UK revenue was 1.2% lower.

After three years of steering Tristel through the transformation that has occurred, the chairman, Christopher Samler, is to stand down. We do not view his leaving as at all negative, and believe he has presided successfully over a period of immense change for the company.

Forecasts

We make no changes to our forecasts for 2015, with revenue expected to increase to £15m and pre-tax profit to £2.3m with earnings per share growing at a faster rate because the tax rate is expected to fall from 30% to 24%.

> We forecast continued double-digit earnings growth for the next two years

Our new estimates for 2016 are revenue of £16m and pre-tax profit of £2.6m. Our target price of 85p puts Tristel on a P/E of 17 times and gives an enterprise value/sales of two times. We remain firmly of the opinion that the risks to our forecasts remain on the upside.

**Tristel is a corporate client of finnCap*

DR KEITH REDPATH is a research director specialising in health care and pharmaceuticals at finnCap

AIM Awards 2014

The nineteenth AIM Awards, sponsored by accountants PwC, were held at Old Billingsgate on 9 October. Here are the winners.

COMPANY OF THE YEAR

Utilitywise

Energy procurement consultancy Utilitywise joined AIM in June 2012 and little more than two years later it has won the best use of AIM award in 2013 and this year been named AIM company of the year. Following the awards night, Utilitywise reported a 78% increase in underlying pre-tax profit to £13.1m in the year to July 2014. This was achieved through a combination of organic and acquisitive growth. The number of energy consultants will be doubled to 720 by July 2016 and the company is moving to new offices in North Tyneside by the end of this month. The rapid growth has also required a restructuring of management, with finance director Andrew Richardson moving to deputy chief executive to enable chief executive Geoff Thompson to focus on strategy. Non-executive Jon Kempster takes on the role of finance director. A profit of £18m is forecast for 2014-15, rising to £25m the following year.

INTERNATIONAL COMPANY OF THE YEAR

SQS Software Quality Systems

Germany-based software testing company SQS won this award for the second time since floating in September 2005, which was the year before Utilitywise was formed. SQS won for the first time in 2008. In 2007, revenues were €121.1m and underlying profit was €9.7m.

This year, SQS is forecast to generate revenues of €273.2m and profit of €20m. More of the business is coming from managed services rather than one-off contracts and last year's acquisition of Thinksoft has given SQS a strengthened market position in India. Average revenue per client has increased. SQS has become the largest independent software testing services provider in the world, although it is still some way behind many large system integration businesses that have software testing businesses.

SQS is one of the companies presenting at the growth companies seminar called Into the Political Storm at Westhouse Securities in London (events@westhousesecurities.com).

ENTREPRENEUR OF THE YEAR

Edmund Truell, Tungsten Network

Tungsten Corp chief executive Edmund Truell led the buyout of Hambro Ventures and formation of Duke Street Capital, where he sold his interest in 2007. He subsequently co-founded Pension Insurance Corporation, which has more than £9bn of assets under management. Edmund and Danny Truell founded Tungsten in order to acquire a business in the financial services sector and it bought OB10, a business-to-business e-invoicing network at the time that it joined AIM in October 2013. Tungsten has completed the acquisition of a bank and intends to provide trade finance to its invoicing clients. It has also signed a licence deal with AIM-quoted @UK to use its spend analysis software under the TungstenAnalytics brand. The £4m acquisition of DocuSphere provides accounts payable automation technology. Tungsten is still loss-making but house broker Canaccord Genuity believes that it can make a profit of £21.9m in the year to April 2016.

BEST NEWCOMER

Safestyle UK

Safestyle UK has been joined on AIM by rival replacement windows and doors supplier Entu since it won the best newcomer award. Safestyle has been growing its market share, with volume growth of more than 6% in the first half of 2014 compared with estimated market growth of 4%. The prospects of steady growth in profit from £15m to £17m this year and a total dividend of around 9p a share make the company an attractive investment although the share price has not been immune to short-term market weakness. It does, at 154p a share, remain well above its 100p placing price at the end of 2013, though; it was more than double the placing price in April. The shares are trading on ten times forecast 2014 earnings and yield 6%.

BEST USE OF AIM

Redcentric

IT managed services supplier Redcentric is using its AIM quotation to help it to become a consolidator in its sector, following its demerger from Redstone in April 2013. The main move was the acquisition of

feature

the InTechnology managed services business at the end of 2013, which doubled the size of the business. The two companies have been integrated ahead of schedule and they have been trading under a single brand since the summer. The original business grew organically in the six months to September 2014. Redcentric is seeking further acquisitions it can bolt on to its business. A full-year profit of £16.6m would put the shares, at 123p, on less than 13 times prospective 2014-15 earnings.

BEST RESEARCH

WH Ireland

Broker WH Ireland had grown its corporate client list to 92 at the end of May 2014, the majority of which are on AIM. Research is a key component in attracting clients and WH Ireland has been building up its team of analysts, recently appointing Ian Berry, who has worked at a number of other brokers. On top of its institutional research, WH Ireland also publishes WHI Spy, which is edited by Miles Nolan. This monthly publication provides accessible research and ideas for private clients.

AIM TRANSACTION OF THE YEAR

Alternative Networks

Telecoms and managed services provider Alternative Networks has been using the cash it generates from its original operations to move into higher-margin area. In January it paid £39.4m for Control Circle, which supplies cloud-based hosting and managed services. This purchase, along with the acquisition of Intercept IT the month before, provided Alternative with a strong base from which to grow in the cloud-based sector. This is an area where customers tend to be more sticky than the original telecoms operations where churn is much higher. There are cross-selling opportunities for both sets of clients and these are yet to be fully realised. The Control Circle acquisition, and the Intercept one for that matter, was earnings enhancing in the year to September 2014. Strong cash generation means that Alternative was able to acquire Control Circle and feel comfortable with the resultant increase in net debt, while continuing to grow its dividend. The figures for the year to September 2014 will be published on 10 December.

BEST TECHNOLOGY

REX Bionics

REX Bionics has gained media exposure following its flotation earlier this year. including coverage on Horizon on BBC TV. That must have given additional momentum when it came to the judging of this award. Auckland-based REX has developed a robotic exoskeleton that enables wheelchair users to move in an upright position. There have already been sales of the REX Personal, which is the first-generation product, but the cost needs to be reduced. The current focus will be selling the REX Rehab to rehabilitation centres while a third-generation product is developed at a price affordable to individuals. Insurance companies that pay for rehabilitation and treatment are already becoming aware of the product. The marketing focus will be North America, the UK, Australia and New Zealand. Former Biocompatibles boss Crispin Simon has joined the board as chief executive and he has experience of exploiting medical technology. He takes over from Jeremy Curnock Cook who organised the reversal into Union MedTech in May when the renamed holding company moved from ISDX to AIM. REX raised £10m at 180p a share and the share price has dipped below this level.

BEST COMMUNICATION

IGas Energy

Involvement in the controversial UK onshore shale gas industry has meant that IGas has needed to be on top of its investor communications. It has been a busy year for IGas. At the beginning of 2014, IGas agreed a farm-in agreement with French oil and gas giant Total for two potential shale gas licences in the Gainsborough Trough in Lincolnshire. Total will eventually acquire a 40% interest. The Competition and Markets Authority has cleared the subsequent acquisition of Dart Energy, which also has an interest in the Lincolnshire and other onshore licences, thereby securing IGas greater stakes in its main licences. IGas plans to acquire 3D seismic over its acreage in the North West and then submit applications for sites for drilling and hydraulic fracturing of gas from shale in the first half of 2015. The share price has fallen by more than a quarter over the past year, with most of the decline since the end of July.

BEST PERFORMING SHARE

Crawshaw Group

Meat and delicatessen products retailer Crawshaw won this award, which covers the beginning of August 2013 to 31 July 2014, because the share price was more than 11 times the level it was at the start of the 12-month period. Crawshaw reversed into shell Felix in April 2008 and raised £4m at 37.5p a share and it took six years to get back to that share price. House broker and AIM best research winner WH Ireland made a number of forecast upgrades during the period, although there was a subsequent downgrade. Crawshaw has gone from being lowly rated to a prospective 2014-15 multiple of 46 – at 50.65p a share. Schroders increased its stake to 5.11% on the day of the AIM awards dinner.

statistics

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	21.9	18.7
Oil & gas	14.5	12
Industrials	13.7	16.8
Consumer services	12.9	10.7
Technology	10.7	10.8
Health care	8.8	6.6
Consumer goods	6.9	5.6
Basic materials	6.5	15.9
Telecoms	2.5	1.3
Utilities	1.6	1.4

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	720.17	-10.9
FTSE AIM 50	3473.15	-18.9
FTSE AIM 100	3138.09	-14.4
FTSE Fledgling	6709.79	+5.3
FTSE Small Cap	4333.34	-0.7
FTSE All-Share	3503.46	-2.3
FTSE 100	6546.47	-2.8

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	230
£5m-£10m	137
£10m-£25m	226
£25m-£50m	177
£50m-£100m	138
£100m-£250m	130
£250m+	61

KEY AIM STATISTICS

Total number of AIM	1099
Number of nominated advisers	46
Number of market makers	52
Total market cap for all AIM	£74.7bn
Total of new money raised	£88.6bn
Total raised by new issues	£38.7bn
Total raised by secondary issues	£49.9bn
Share turnover value (2014)	£34.2bn
Number of bargains (2014)	5.1m
Shares traded (2014)	256.3bn
Transfers to the official list	170

TOP 5 RISERS OVER 30 DAYS

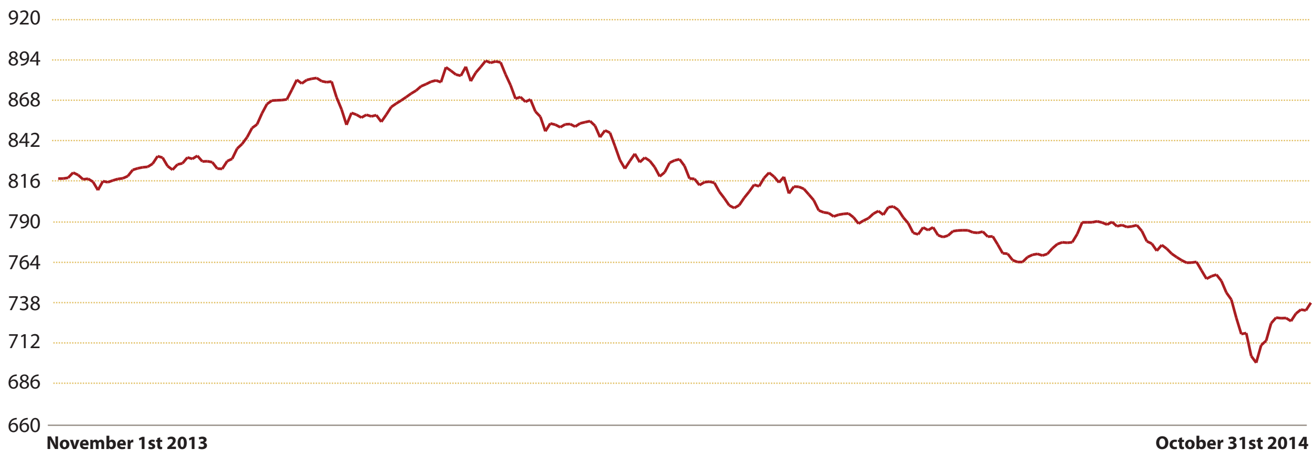
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Fitbug Holdings	Health	4.92	+936.8
GoldStone Resources Ltd	Mining	3.5	+833.3
Great Western Mining	Mining	1.67	+189.6
Kalimantan Gold Corp	Mining	1.68	+103
Surface Transforms	Industrials	14.88	+88.9

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Tangiers Petroleum Ltd	Oil and gas	0.53	-77.9
MoPowered Group	Telecoms	6.25	-77.1
Ultrasis	Health	0.15	-76.9
Forte Energy NL	Mining	0.085	-72.1
Surgical Innovations	Health	1.38	-69.4

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 31st October 2014, and we cannot accept responsibility for their accuracy.

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finnCap's mission is to help ambitious companies grow and to be the leading independent broker to ambitious companies, focused on fuelling growth through long term partnerships. We will exceed client expectations through faultless execution, joined-up service and proactive thinking, all tailored to the needs of each individual client.

finnCap, whose chairman is Jon Moulton, is 95% employee-owned and is the top AIM broker by overall client numbers, according to research compiled by financial website Morningstar. The broker is also the number one adviser in the technology, industrials and healthcare sectors, number three broker in the oil and gas sector and in the top five in the basic materials sector.

In 2013, finnCap commenced market making and launched fAN Club, a new offering aimed at providing specialist support to ambitious small private businesses seeking pre-IPO funding.

finnCap was presented with the Best Research award at the 2012 AIM Awards, while finnCap's corporate broking and sales trading teams have achieved Extel Top 10 rankings for three years running. finnCap is a sponsor of the AIM Awards, the plc Awards and the UK tech Awards.

In the year to April 2014, finnCap reported a 36% jump in revenues to £15.5m and operating profit was 92% higher at £5m. The finnCap 40 Mining index, finnCap 40 E&P index and finnCap 40 Tech index were launched in 2014.

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