

MARCH 2012

# AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

## New market maker for AIM

NYSE and Euronext-listed Knight Capital Group Inc intends to start making markets in AIM-quoted companies by the middle of March.

New Jersey-based Knight ([www.knight.com](http://www.knight.com)) has operations in the Americas, Europe and Asia Pacific and makes markets in more than 1,100 European-listed stocks. Knight also offers electronic trading services, and institutional sales and trading services. Knight has been listed since July 1998.

The AIM market-making desk will be co-managed by Daniel Dempsey and Nathaniel Peck. Dempsey was previously employed by Matrix Corporate Capital, where he specialised in the natural resources, business services and biotech sectors.

"We believe that Knight's offering will fill a significant gap in the marketplace," says Kee-Meng Tan, managing director and head of Knight's Electronic Trading Group in Europe. Knight believes that one of its main differentiators is a large, diverse client network, so this move into AIM market making could help to bring AIM to the attention of new investors. Knight is already the largest market maker in Nasdaq stocks.

In 2011, the company generated revenues of \$1.4bn (£894m) and net income of \$115m. The market-making division grew its revenues by 69% to \$704.5m and pre-tax earnings by 181% to \$256m even though trading volumes were weak in the fourth quarter.

## Rialto plans AIM move

ASX-listed Rialto Energy is the latest company to plan an additional quotation on AIM. Rialto has an 85% participating interest in Block CI-202 in Côte d'Ivoire and it plans to drill three wells this year with a view to commencing production in 2013.

Rialto announced a fundraising in January that was expected to raise a total of A\$87m (£395m). That takes pro forma cash to A\$106m and the drilling of the three wells is expected to cost A\$73m. The first two wells will be on the Gazelle field and Rialto already has a gas sales agreement with the Côte d'Ivoire government. Petroci owns 15% of Block CI-202 and it has an option to increase the stake to 26%.

Rialto has exploration interests in Western Australia and Ghana. The focus of expansion is Africa. Rialto has a joint venture with drilling contractor Challenger Minerals, which provides an opportunity to appraise additional assets but without any obligation to participate in any project. Rialto joined the ASX on 28 July 2006 and its non-executive chairman is Bruce Burrows, a former finance director of JKK Oil and Gas.

However, Singapore-listed oil and coal producer Mirach Energy has postponed its AIM quotation because of market conditions. Mirach believed that it could not conclude the planned placing on acceptable terms.

### In this issue

**02 GENERAL NEWS**  
M&A for oil and gas

**03 ADVISERS**  
VSA aspires to Nomad status

**04 NEWS**  
Lo-Q gets smarter

**06 NEWS**  
Andes Energia plans split

**07 DIVIDENDS**  
Maiden payout for Amino

**08 EXPERT VIEWS**  
Front line views on AIM

**09 FEATURE**  
AIM/TSX companies

**11 STATISTICS**  
Market indices and statistics

## general news

# Oil and gas M&A continues to thrive

The oil and gas sector continues to be a hive of takeover activity. Royal Dutch Shell launched a £1bn indicative bid for Cove Energy and this sparked a bid battle for the East Africa-focused explorer. However, this is not the only AIM oil company being approached by suitors and there could be more to come. This follows the completed takeovers of EnCore Oil by Premier Oil and Dominion Petroleum by Ophir Energy.

Following the Shell bid, two other bidders have entered the fray for Cove although no firm offer has been made by any of the potential bidders. Thailand-based PTT offered 220p a share, compared with the Shell bid of 195p a share. This was followed by news that GAIL (India) Ltd was considering making a bid.

Whichever company wins the bid battle it will need the approval of

the Mozambique government for the transfer of Cove's Mozambique assets, which include a 8.5% interest in the Rovuma offshore block.

The government may possibly levy a tax on the transfer of ownership of the assets.

West Africa-focused Bowleven is another AIM oil company that has attracted the attentions of a much larger suitor in the form of Dragon Oil. Nomura has estimated that Dragon could build up a cash pile of around \$4bn by 2015 so it will have plenty of cash to finance acquisitions.

North Sea oil explorer Ithaca Energy has been approached by an unnamed suitor. Ithaca has a 22.5% interest in the Athena FPSO project, where production should commence later this year at a rate of 22,000 barrels a day.

# Bushveld spin-off

AIM-quoted Obtala Resources is spinning off its interests in the Bushveld in South Africa through the flotation of Bushveld Minerals Ltd. The company has two main assets. The first is the Bushveld iron-ore project, which has an open-cast resource of more than 600m tonnes of iron ore, with potential to increase this from further exploration drilling. The other is the Mokopane tin project, where the resource is estimated to be 5,000 tonnes of tin. Bushveld Minerals is also looking at additional projects in the Bushveld area.

Bushveld Minerals ([www.bushveldminerals.com](http://www.bushveldminerals.com)) wants to raise £5.72m of new money, which will value the company at £56.7m. Obtala is expected to retain a 46% stake. The main new investor will be BlackRock, which will take a 7.1% stake.

# Abcam uses cash pile to acquire Californian antibody manufacturer

Abcam, the online supplier of protein research tools, is acquiring San Francisco-based Epitomics International Inc for \$170m.

Epitomics develops and produces rabbit monoclonal antibodies (RabMAbs) for research and diagnostic customers. This is a new area for Abcam and the deal will widen the product range and customer base.

The net cost of the acquisition, excluding cash acquired, is expected to be around \$155m, which will be paid in equal amounts of cash and shares. There is a \$10m mutual break fee if the acquisition

is not completed. One condition is that Abcam must obtain acceptances of more than 90% of the share capital.

Epitomics has an antibody development and production base in Hangzhou, China. It has developed 3,200 RabMAbs for its catalogue. Epitomics also generates income from royalties paid by life science tools companies that use its technology to develop their own antibodies.

In 2011, Epitomics made a pre-tax profit of \$6.8m (£4.3m) on revenues of \$24.7m. Revenues have grown at an annual compound growth

rate of 31% over the past five years. The acquisition is expected to be earnings neutral in the first full year of ownership.

The price paid for Epitomics appears high but Abcam has gained a strong position in a niche market with high margins and it could increase its in-house manufacturing through Epitomics' Chinese factory.

The acquisition will use up most of Abcam's spare cash but it is not changing its dividend policy. The interim dividend was increased by 17% to 1.69p a share. This is in line with the policy to distribute 40% of post-tax earnings.

## advisers

# VSA unveils nominated adviser aspirations

Accountant KPMG has dropped its nominated adviser status but there are still firms that want to become nominated advisers. AIM broker VSA Capital is the latest that wants to join the nominated adviser list.

VSA, which is run by former Blue Oar boss Andrew Monk, has recruited James Pinner, Derek Crowhurst and Peter Trevelyan-Clark from Religare where they were involved in nominated adviser activities.

VSA has appointed former London Stock Exchange chief executive Gavin Casey as non-executive chairman.

Panmure Gordon is selling US advisory business ThinkEquity back to its management. The merger of the two businesses in 2007 was

designed to create a transatlantic firm with bases in London and New York. Panmure paid \$62.3m (£31.9m) for ThinkEquity – 8.9m shares, at a price of 181.5p a share, and £15.7m in cash.

The latest deal involves management subscribing for \$500,000, and Panmure for \$345,000, of preferred shares in a new company that will buy ThinkEquity for a nominal amount. There is an agreement relating to potential legal claims that caps Panmure's exposure to these costs at \$900,000. The two businesses will continue to work together but Panmure will concentrate on the UK.

In 2006, ThinkEquity generated revenues of \$64m. The downturn in

the global markets has meant that ThinkEquity has consistently lost money. Panmure's US operations generated total revenues of £19.4m in 2010.

Panmure chief executive Tim Linacre has previously announced his intention to step down by the end of the year.

Alexander David Securities has completed the acquisition of Bridge Hall Stockbrokers for £30,000. Bridge Hall, which is in liquidation, has 939 clients and £6m of client funds. Alexander David is raising additional working capital via a £350,000 preference share issue. Poor market conditions have left the AIM broker requiring this additional cash.

### ADVISER CHANGES - FEBRUARY 2012

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
<b>Leni Gas &amp; Oil</b>	Old Park Lane/Shore Capital	Shore Capital	Beaumont Cornish	Beaumont Cornish	01/02/2012
<b>Expansys</b>	Singer/Cenkos	Cenkos	Cenkos	Cenkos	01/02/2012
<b>GEM BioFuels</b>	Allenby	Shore Capital	Allenby	Shore Capital	03/02/2012
<b>Manganese Bronze</b>	MC Peat	Matrix	Grant Thornton	Grant Thornton	03/02/2012
<b>Vane Minerals</b>	Northland/Allenby	Allenby	Allenby	Allenby	03/02/2012
<b>Lochard Energy</b>	Merchant Securities/finnCap	finnCap	finnCap	finnCap	06/02/2012
<b>Resources In Insurance Group</b>	Zeus/Rivington Street	Rivington Street	Zeus	Allenby	06/02/2012
<b>Goals Soccer Centres</b>	Collins Stewart	Peel Hunt	Collins Stewart	Peel Hunt	08/02/2012
<b>Immunodiagnostic Systems Holdings</b>	Peel Hunt	N+1 Brewin	Peel Hunt	N+1 Brewin	09/02/2012
<b>West African Minerals Corporation</b>	Evolution/Beaumont Cornish	Evolution/Beaumont Cornish	Beaumont Cornish	Religare	09/02/2012
<b>HydroDec Group</b>	Cenkos/Numis	Numis	Numis	Numis	10/02/2012
<b>Tanfield Group</b>	WH Ireland	Arbuthnot	WH Ireland	Arbuthnot	10/02/2012
<b>Touchstone Gold Ltd</b>	Northland/Collins Stewart	Collins Stewart	Collins Stewart	Collins Stewart	10/02/2012
<b>Trinity Capital</b>	Arden	Evolution	Arden	Evolution	10/02/2012
<b>Agriterra Ltd</b>	MC Peat/Seymour Pierce	Seymour Pierce	Seymour Pierce	Seymour Pierce	13/02/2012
<b>Speymill</b>	Beaumont Cornish	Lewis Charles	Beaumont Cornish	Smith & Williamson	13/02/2012
<b>Aureus Mining Inc</b>	RBC/ GMP	Evolution/RBC	RBC	Evolution	14/02/2012
<b>Swallowfield</b>	Singer	Smith & Williamson	Singer	Smith & Williamson	14/02/2012
<b>Hardide</b>	N+1 Brewin	N+1 Brewin	N+1 Brewin	Seymour Pierce	15/02/2012
<b>URU Metals</b>	Fairfax IS	Daniel Stewart	Fairfax IS	Beaumont Cornish	15/02/2012
<b>Continental Coal Ltd</b>	Investec/GMP	GMP	RFC	RFC	17/02/2012
<b>TyraTech Inc</b>	First Columbus / N+1 Brewin	N+1 Brewin	N+1 Brewin	N+1 Brewin	17/02/2012
<b>Canaccord Financial Inc</b>	RBC/Keefe, Bruyette & Woods	Charles Stanley/Keefe, Bruyette & Woods	RBC	Charles Stanley	20/02/2012
<b>NewRiver Retail Ltd</b>	Investec/Cenkos	Cenkos	Cenkos	Cenkos	20/02/2012
<b>Max Petroleum</b>	Oriel/Macquarie	Macquarie	WH Ireland	WH Ireland	21/02/2012
<b>Altona Energy</b>	Old Park Lane	Old Park Lane	WH Ireland	Evolution	22/02/2012
<b>Netcall</b>	finnCap	Evolution	finnCap	Evolution	22/02/2012
<b>Pactolus Hungarian Property</b>	Midas	Religare	Singer	Singer	23/02/2012
<b>Environmental Recycling</b>	WH Ireland	Evolution	WH Ireland	Evolution	24/02/2012
<b>Frontier IP</b>	Fairfax IS	Arbuthnot	Fairfax IS	Arbuthnot	24/02/2012
<b>Thor Mining</b>	Simple	Simple	Grant Thornton	Daniel Stewart	24/02/2012
<b>Plant Health Care</b>	Nomura Code	Evolution	Nomura Code	Nomura Code	27/02/2012
<b>Produce Investments</b>	Shore Capital	Shore Capital/Investec	Shore Capital	Investec	27/02/2012
<b>China Private Equity Investment</b>	Smith & Williamson	Shore Capital/SVS	Smith & Williamson	Shore Capital	28/02/2012
<b>Conroy Gold &amp; Natural Resources</b>	Shore Capital	XCAP	Merchant Securities	Merchant Securities	28/02/2012
<b>International Greetings</b>	Cenkos/Arden	Arden	Cenkos	Arden	29/02/2012
<b>Kolar Gold Ltd</b>	Singer/Ocean Equities	Cenkos/Ocean Equities	Singer	Cenkos	29/02/2012
<b>RAM Active Media</b>	XCAP	Rivington Street	Libertas	Libertas	29/02/2012

March 2012 : 3

## company news

# Lo-q gains theme park customers and hopes to get smarter

Queuing technology

www.lo-q.com

Queuing technology developer and supplier **Lo-Q** managed to grow revenues even though the theme park market was weak last year. There was a 9% increase in park customers using Lo-Q systems and a 17% like-for-like increase in average customer spend. This year there are a larger than normal number of new installations, including more water park customers for the Q-band.

Revenues grew by one-fifth to £24.5m in the year to October 2011. Pre-tax profit improved from £2.32m to £2.7m. There were four installations in the period.

Net cash improved from £6m to £7.5m. This is a high point for the year, although October revenues were relatively strong so trade debtors increased. Net cash could

## Lo-Q is developing a version of its core product for smartphones

be more than £10m in two years' time. This is despite the substantial investment in new installations. Even so, no dividend is planned.

Lo-Q has renewed its deal with its biggest customer Six Flags for a further six years and the Q-band will be installed in nine water parks.

Lo-Q is developing a version of its core product for smartphones which should help to boost margins by removing the requirement for separate hardware. Mastercard's

LO-Q (LOQ)	257.5p
12 MONTH CHANGE %	+77
MARKET CAP £M	44.5

contactless payments technology is also being integrated into the company's system.

There are already 11 new installations planned for this year. Water park revenues are lower margin than normal revenues and that is why gross margins are expected to fall. House broker Canaccord Genuity forecasts a 2011-12 profit of £3.1m, rising to £3.6m the following year. The shares are trading on just over 18 times 2011-12 prospective earnings. This reflects the potential long-term growth of the company in existing and new markets.

# Goals cuts openings to boost cash

Five-a-side football centres

www.goalsplc.co.uk

**Goals Soccer Centres** has had a tough couple of years but from now on it will be able to show just how cash generative its 42 five-a-side football centres in the UK can be. The number of new openings is being cut so the cash generated from operations can predominantly go towards reducing borrowings. In recent years, the level of borrowings has worried some investors.

Revenues were 9% ahead at £30.4m in 2011, with like-for-like growth of 1%. Pre-tax profit was one-fifth higher at £9.2m. The tax charge was lower than expected which helped to offset the dilution from the

GOALS SOCCER CENTRES (GOAL)	106p
12 MONTH CHANGE %	-19.7
MARKET CAP £M	51.5

most recent share issue.

The core football revenues are holding up well but revenues from the bar, birthday parties and corporate events have declined. Bar revenues were lower because the company decided not to pass on the VAT increase.

Goals has taken full control of the US business and it has moved into profit. There are opportunities to expand in the US but they are not likely to happen in the near future.

A modular building system will help to reduce the cost of those centres that are opened from £2.2m to £1.5m. The reduction in the pace of opening of new centres is enabling Goals to cut its borrowings. Net debt was £53.2m at the end of 2011. A new four-year banking agreement provides a facility of £56m. The net debt figure could fall to £45m by the end of 2012.

This year's figures will benefit from the Euro championships. The underlying like-for-like trend is slightly positive, with overall revenues 6% ahead so far this year. Peel Hunt forecasts a 2012 profit of £9.7m.

4 March 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

## company news

# Escher wins largest ever contract in first year as AIM company

Postal industry software

[www.eschergroup.com](http://www.eschergroup.com)

**Escher Group Holdings**, which provides point of sale software for the postal industry, has won its largest ever contract. The contract with the United States Postal Service is for an initial 54-month period and is worth \$50m (£31.9m) over its potential 15-year term.

The contract was won after a tender process. Ireland-based Escher will generate \$4m in revenue from the contract in 2012 and the roll-out will gain pace in 2013, thereby increasing the revenue generated. Escher's AIM quotation will have provided additional credibility in the tender process.

As the volume of conventional mail declines post offices need to offer additional services in order to generate revenues from new sources to offset the fall-off in the core business. Escher's software

## The US Postal contract is worth \$50m over its potential 15-year term

enables new product lines to be added more easily and efficiently. The Riposte software is used in 30 countries and territories and handles more than 13bn transactions a year. The customer base also includes An Post (Ireland), Deutsche Post and SAPO in South Africa. Africa is a region that Escher believes will provide new customers over the coming years.

When Escher floated last summer it raised £15.4m at 170p a share and this was used to clean up its balance sheet and provide development capital for the business.

ESCHER GROUP HOLDINGS (ESCH)		272.5p
12 MONTH CHANGE %	N/A	MARKET CAP £M 46.4

The share price has risen by 60% since flotation and most of that rise was sparked by the US Postal Service contract.

The positive news has overshadowed a lower than expected outcome for 2011, although this was partly due to the costs of bidding for the contract. Panmure Gordon had forecast underlying net earnings of \$3.1m but the outcome is likely to be \$2.4m. The 2011 figures are due to be published on 26 March.

The shares are trading on around 11 times prospective 2012 earnings and there is scope for significant upgrades for 2013. The business is strongly cash generative.

# Tracsis optimises progress of MPEC acquisition

Rail resource optimisation software

[www.tracsis.com](http://www.tracsis.com)

Rail resource optimisation software supplier **Tracsis** continues to beat expectations. It has achieved strong growth even though there is an uncertain outlook for the UK rail industry, which has slowed decision making on software purchases.

Revenues almost trebled to £3.66m in the six months to January 2012, while pre-tax profit jumped from £127,000 to £1.13m. WH Ireland had originally forecast a profit of £1.41m for the full year. A maiden interim dividend of 0.2p a share has been declared.

Last June's acquisition MPEC,

TRACSIS (TRCS)		73.5p
12 MONTH CHANGE %	+51.6	MARKET CAP £M 17.7

which supplies condition monitoring software, was responsible for most of the growth in revenues, although consulting services also grew strongly thanks to new rail franchise activity.

MPEC has won a £2.9m order for datalogging and condition monitoring equipment, which will be delivered over 12 months. There is also scope to increase international revenues, particularly in Scandinavia and Australasia.

Less than one year ago, Tracsis raised £1.95m from a share placing at 45p a share. The business generated £1.49m from operations in the first half and there is little requirement for capital spending. Cash increased to £5.95m at the end of January 2012. There is likely to be a £1m payment before the end of the year to satisfy the deferred consideration for MPEC.

Tracsis has already said that it will beat expectations for the full year in a trading statement that preceded the interims. Tracsis is seeking acquisitions to add to organic growth.

March 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](http://www.cleantechinvestor.com)

## company news

# Andes Energia unveils plans to split electricity and oil and gas operations

Electricity, oil and gas

[www.andesenergia.com.ar](http://www.andesenergia.com.ar)

Latin America-focused **Andes Energia** is splitting itself into two separate businesses – electricity and oil and gas. Andes Energia believes that positive drilling news from the oil and gas exploration operations will be better reflected if the business is independent of the electricity operations.

The proposed demerger is still in its early stages. Andes Energia is consulting with its legal, tax and regulatory advisers. This will enable it to choose the most tax efficient structure. Andes Energia also has a listing on the Buenos Aires Stock Exchange. Westhouse Securities believes that the oil and gas business will probably be quoted in London but the electricity operations are more likely to be listed in Buenos

## The Corralera shale play could contain more than 22bn boe

Aires because it will have a number of peers on that market.

The progress of the Argentina-focused oil and gas business has been behind the strong performance of the share price in the past six months. The Corr.x-1 well on the Corralera concession (13.5% owned by Andes) encountered hydrocarbons. The Corralera shale play is operated by YPF and could contain more than 22bn barrels of oil equivalent. Light oil has been discovered on the Mata Mora block. The company also has some

ANDES ENERGIA (AEN)		82.75p
12 MONTH CHANGE %	+ 200.9	MARKET CAP £m 145.4

producing assets.

However, nearly all of the revenues come from the electricity operations, which comprise hydroelectric generation and electricity distribution. The division is dominated by the EDEMSA electricity distribution business. This is a regulated business with a monopoly in part of the Argentine province of Mendoza.

Andes Energia has extended its option to acquire 78.44% of electricity distribution company Empresa Distribuidora de Electricidad de La Rioja S.A. (EDELAR) to the end of March 2012.

# Chaarat on track for gold production

Gold explorer

[www.chaarat.com](http://www.chaarat.com)

**Chaarat Gold** remains on course to start gold production in the middle of 2013 and it has increased its gold resource estimate by 27% to 5.59m ounces although only a small part of the exploration area has been drilled.

Chaarat owns 100% of its Chaarat gold project in the north west of the Kyrgyz Republic, which was discovered by Soviet geologists just over two decades ago, and last year it raised £50m to develop the mine. The Chaarat mine is on the Tien Shan gold belt. Mining will commence later this year so that a stockpile can be built up before the

CHAARAT GOLD (CGH)		30.5p
12 MONTH CHANGE %	- 39	MARKET CAP £m 76.4

processing plant comes on stream. The initial rate of production will be 30,000 ounces of gold a year at a cost of production of around \$350 per ounce.

The Kyrgyz Republic has a 10% tax rate and royalties of 7% of revenues.

The low share price could attract the attentions of potential bidders, possibly from neighbouring China, but Chaarat boss Dekel Golan is not willing to sell at such a low price. Although Chaarat has all the

cash it requires to develop the first phase of the Chaarat mine, the pace of development of the project could be faster if there were more cash available. Further cash will be required to increase the production rate to 200,000 ounces a year.

The company has three other exploration assets to the west of Chaarat. They are Chontash, a copper, molybdenum and gold prospect, Mironovskoye, a copper, gold and silver project, and an iron oxide deposit at Kyzil Ompul. There has been drilling at Chontash and Mironovskoye is ready to mine but Chaarat is looking for a partner.

6 March 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

# Amino exhibits confidence in technology prospects

*IPTV technology developer*

[www.aminocom.com](http://www.aminocom.com)

### Dividend

IPTV technology developer Amino Technologies has an up and down track record when it comes to reported profitability. The fact that Amino has decided to start paying dividends shows that the company expects to maintain and build upon its current underlying profitability.

The maiden dividend of 2p a share was announced with the full-year figures to November 2011. This already provides an attractive 3.7% yield and it is covered 1.7 times by earnings. There is scope for steady growth in the dividend while also increasing the forecast dividend cover. A dividend of 2.3p a share is forecast for 2011-12. Cash generation was particularly strong last year as working capital was reduced. There was £14.1m in the bank at the end of November 2011 and even with the cost of the dividends this is expected to increase over the next two years. Nearly half of the market value of Amino is covered by the cash. Some of the cash may be used for share buy-backs.

### Business

Amino is growing on the back of the increasingly wide use of IPTV and over the top (OTT) technology and its performance last year was better than expected. OTT technology enables the viewer to watch programmes at the time they want to rather than when they are scheduled to be broadcast. Newer products are integrating the OTT technology into the IPTV product.

Revenues grew 18% to £51.8m in the year to November 2011, while the business increased its underlying profit. The reported loss fell from

AMINO TECHNOLOGIES (AMO)	
Price	53.5p
Market cap £m	31
Historical yield	3.7%
Prospective yield	4.3%

£882,000 to £619,000 but stripping out the goodwill impairment and the previous year's onerous contract provision the profit improved from £794,000 to £1.66m.

There were 601,000 units supplied last year, a small decline on the previous year, but a change in mix enabled the revenues to grow. Much of the growth in full-year revenues came in the first half but the profitability was better in the second half because revenues were much higher than in the first half. The US and Italy were important markets last year. One of Amino's strengths is its geographic spread of revenues and the stronger markets can vary from year to year. Latin America has growth prospects.

The order book covers 102,000 units. Older products are being phased out and the product range simplified. Higher-margin products with lower sales prices will help gross margins to grow, as will improved buying of components. Obtaining components can be difficult and Amino has managed to ride out supply problems in the Far East. Hard disc drives supply has been a problem but further supplies have been obtained at a higher than normal price.

House broker finnCap forecasts a rise in underlying profit to £2.8m in 2011-12. The shares are trading on less than 11 times prospective earnings.

## Dividend news

Recruitment firm **Hydrogen** increased its final dividend to 2.9p a share, making a total of 4.3p a share. The dividend had been held steady at 4.1p a share for the previous three years. A further rise to 4.5p a share is expected this year. Net fee income increased 8% to £29.8m in 2011, with all the growth coming from the technical and scientific division. Pre-tax profit jumped 48% to £3.71m. The balance sheet is strong and Shore Capital forecasts a 2012 profit of £4.2m.

Mobile data capture systems supplier **Belgravium Technologies** has increased its recurring income to more than two-fifths of revenues in 2011 and its confidence in future trading has enabled it to resume dividend payments. Belgravium is paying a 0.1p a share final dividend. It is four years since Belgravium previously paid a dividend – at that time it was a 0.38p a share final dividend, taking the total for that year to 0.52p a share. Since then Belgravium has built up a £1m cash pile. The latest dividend is covered nearly nine times and even though earnings are expected to be flat this year an increase to 0.25p a share is forecast.

Animal pharma products supplier **Animalcare** reported a lower underlying interim profit but it still increased its dividend by 50% to 1.5p a share. Revenues fell 10% to £5.4m in the six months to December 2011, while underlying profit dipped from £1.44m to £1.22m. The reasons for the downturn were weak animal ID sales and the temporary loss of supply of analgesic Buprepare. Net cash rose to £1.75m at the end of 2011. House broker N+1 Brewin forecasts a flat full-year profit of £2.9m and a total dividend of 5p a share. New product launches will help Animalcare grow in 2012-13.

March 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](http://www.cleantechinvestor.com)

 expert views

 **Expert view: The broker**

# Headwinds for Immunodiagnostic Systems

By DR KEITH REDPATH

Immunodiagnostic Systems (IDS) manufactures and distributes diagnostic instruments and reagents. It has enjoyed rapid growth, driven primarily by its number two position in the vitamin D testing market, but this is under significant pressure as major diagnostic companies launched competing products in 2011. Its next

to bundle their vitamin D test with others for the same instrument. The Roche Cobas platform for example is the largest installed base of instruments of all of the above competitors. Thus we believe that Siemens, Roche and Abbott are well placed to take share in the vitamin D market from both DiaSorin and IDS. On top of this, the market's rate

and major diagnostic companies.

To exploit its instrument platform, and diversify further, IDS intends to develop and launch panels of tests for specific conditions. The next planned introduction of new tests for the IDSiSYS, renin and aldosterone, will be concurrent with DiaSorin launching the same panel into its installed base.

## Siemens, Roche and Abbott are well placed to take share in the vitamin D market

panel of tests will, we believe, launch concurrently with the same offering from its nearest competitor.

The global market for immunoassays was estimated to be \$7bn (£4.5bn) in 2010. The specific segments in which IDS is active had estimated revenues of \$3.4bn in that year, although it is worthy of note that IDS has no assays in oncology, thus the market in which it operates will be smaller than this figure would suggest.

### Vitamin D

IDS' initial focus was on the vitamin D testing market, estimated globally to be worth €270m (Source: DiaSorin), in which it has grown to be the second-largest company (until recently in a field of two). However this market is now under increasing cost and competitive pressure with the entry of major multinationals.

Three multinationals (Roche, Abbott and Siemens) have recently launched an automated vitamin D test into their installed instrument base. This has already resulted in downward price pressures and significantly increases the competition for IDS's key assay.

The new competitors will be able

of growth is forecast to slow over the next four years.

Where the numbers of samples to be assayed are small, for example in research laboratories, manual assays are more than adequate; however, this is a smaller market. The greater market potential is in clinical diagnostics where

## There is clearly uncertainty in forecasting

the volume of throughput favours a degree of automation.

To address this market, IDS' automated analyser, the IDS-iSYS, was launched in February 2009 and gained FDA approval in July 2010. This instrument allows for full walk-away automation of assays with several detection modalities in the one instrument – it is able to perform immunoassays (with colorimetric or light detection), and for future assay development the instrument already has biochemistry and blood coagulation test capabilities built-in.

However, we believe that IDS now faces increasing competition in the provision of a diagnostic system to small and medium laboratories from its closest competitor, DiaSorin, which has a much larger existing industry footprint,

### Declining growth rate

All of the above leads to a rapid deceleration of historically high growth rates (sales CAGR [2007-2011] +50%, PBT +66%) to sales growth in mid-single digits and no profit growth in our forecast period. There is clearly uncertainty in forecasting both the rate of decline of IDS's vitamin D business and the uptake of the instrument and associated test panels.

Despite the uncertainties and the

recent profit warning, until very recently IDS's shares traded on multiples similar to DiaSorin and the recent acquisition multiple for Axis Shield. We do not believe such a rating was warranted.

Lost vitamin D sales are, in our model, replaced by IDS-iSYS revenues. However visibility of these revenues is poor.

We value IDS using a peer group analysis, selecting seven companies in the immunodiagnostic space as comparators. On this basis we believe the shares are now fairly valued and initiate our coverage with a hold recommendation, and 360p share price target.

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

## feature

# ISA opportunities on AIM

Many companies on AIM are also listed or quoted on other markets around the world. One of these markets is the Toronto Stock Exchange (TSX) and those listed on the TSX are eligible for inclusion in Individual Savings Accounts (ISAs).

The Quoted Companies Alliance and other organisations continue to lobby the government about allowing AIM shares to be put into Individual Savings Accounts (ISAs). Government ministers have consistently refused to consider this move and it does not look as though it is going to happen in the near future.

Lord Sassoon, commercial secretary to the Treasury, has reiterated that the government does not have any plans to allow AIM shares in ISAs following a question put to him by Baron Northbrook in the House of Lords. "ISAs have been a very successful product. We need to protect the ISA brand and the products within it," said Lord Sassoon.

That is not a helpful attitude for the government to take, after all many fully listed shares are just as risky as AIM ones.

However, some AIM companies can be included in ISAs. This is because they also have a proper listing on a recognised stock exchange. Examples of these markets are the Australian Stock Exchange (ASX), the Johannesburg Stock Exchange (JSE), the Toronto Stock Exchange (TSX) and the main US markets.

### TSX

This month we are looking at the TSX but in future editions we are likely to return to the subject and look at other markets.

There are 22 companies that are quoted on AIM and listed on the TSX. Unsurprisingly, the AIM

companies that have TSX listings are predominantly in the mining and oil sectors.

There are 14 mining companies in the total. Three of these are also traded on another market: Eastern Platinum (Eastplats) on the JSE, Minera IRL on the Lima Stock Exchange and Caledonia Mining Corp on the NASDAQ-OTC.

The AIM oil and gas sector is a hive of takeover activity at the moment. North Sea oil-focused Ithaca Energy is one of the companies that has been approached by a potential bidder. Westhouse Securities believes that Antrim Energy, a fellow AIM-quoted and TSX-listed explorer, is

at 267m barrels. In 2011, average production was 13,051 barrels and 2012 production began at 16,048 barrels a day.

There are some non-resources companies. These include background music provider Mood Media Corporation. Last year, Mood Media bought Muzak and this helped it beat expectations for its 2011 figures.

### Listing

It is important to understand that it is markets that are the equivalent of the Main Market of the London Stock Exchange that AIM companies need to be listed

## AIM companies can be included in ISAs if they also have a proper listing on a recognised stock exchange

a potential bid target. Westhouse says that Antrim's near-term development assets in the North Sea are valued at an enterprise value/proven and probable reserves valuation of \$8.11 per barrel of oil equivalent. The core net asset value is 72p a share but there is additional risked upside of 160p a share.

Bankers Petroleum is one of the largest 10 AIM companies. It is focused on oil and gas reserves in Albania. It has proven reserves of 172m barrels of oil equivalent, which is 43% higher than one year ago. Proven and probable reserves are 12% higher

on to be eligible for ISAs.

Junior markets in other countries are taken as the equivalent of AIM so if an AIM company is also quoted on these markets it is still not eligible as an ISA investment. That is why AIM companies quoted on the TSX Venture Exchange are not included in the table even though there are more than a dozen.

The inexact use of the term listing does not help. Any kind of quotation or trading facility is called a listing by many people. That is why there is confusion when shares are traded on a market but they are not listed.

## feature

For example, when shares were traded through Plus they were not quoted or listed on its market. Sometimes a stock exchange has a trading facility where shares are traded but they are not quoted on the regulated market.

Noricum Gold is an example of a company which if you believe its announcement is listed on the Frankfurt Stock Exchange but in

(Regulated Unofficial Market) of FWB Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange)". The Transparency Standard is described on the website as Second Quotation board.

It is therefore not surprising that people get confused about whether or not an AIM share is eligible for an ISA when it is traded on another market. This is

retain the listing on the other market without investors having to sell the shares in an ISA.

Noventa Ltd, which produces tantalum concentrate from the Marropino mine in Mozambique, voluntarily delisted from the TSX on 8 March. This was because limited trading activity on the TSX and a lack of Canadian shareholders meant that the cost of maintaining the listing was not thought to be justified. The TSX listing commenced on 23 December 2010.

Generator technology developer Turbo Power Systems is in danger of losing its TSX listing, which is being reviewed. Turbo Power has 120 days from 30 January to regain compliance with listing requirements. No details of the breaches of requirements were included in the announcement.

As long as investors take the risks into account there are opportunities to take advantage of the tax benefits of ISAs and invest in AIM companies.

## There are 22 companies that are quoted on AIM and listed on the TSX

fact in legal terms it is not.

When anyone tries to look up Noricum on the Deutsche Börse website a message comes up on the screen which includes the information: "The shares of this company are neither admitted to trading on the Regulated Market nor included in trading on the Regulated Market. They are included in trading in the Open Market

why it is important to be careful when making these types of investment decisions.

If an AIM company drops its listing on a recognised exchange then it will no longer be eligible for ISAs. There is always a risk that this can happen and the investor is given a set amount of time to sell the investment after the listing has ended. A company could drop the AIM quote and

### COMPANIES ON AIM AND TSX

COMPANY	ACTIVITY	ADDITIONAL MARKETS	AIM CODE	OTHER CODES	WEBSITE
<b>Antrim Energy Inc</b>	Oil and gas		AEY	AEN	www.antrimenergy.com
<b>Aureus Mining Inc</b>	Gold exploration		AUE	AUE	www.aureus-mining.com
<b>Bankers Petroleum</b>	Oil and gas		BNK	BNK	www.bankerspetroleum.com
<b>Caledonia Mining Corp</b>	Minerals exploration	NASDAQ-OTCBB	CMCL	CAL/CALVF	www.caledoniamining.com
<b>Canaccord Financial Inc</b>	Investment bank		CF.	CF	www.canaccordfinancial.com
<b>Caza Oil &amp; Gas Inc</b>	Oil and gas		CAZA	CAZ	www.cazapetro.com
<b>Cluff Gold</b>	Gold miner		CLF	CFG	www.cluffgold.com
<b>Eastern Platinum</b>	Platinum explorer	JSE	ELR	ELR/EPS	www.eastplats.com
<b>EMED Mining</b>	Minerals exploration		EMED	EMD	www.emed-mining.com
<b>Horizonte Minerals</b>	Minerals exploration		HZM	HZM	www.horizonteminerals.com
<b>Ithaca Energy Inc</b>	Oil and gas		IAE	IAE	www.ithacaenergy.com
<b>Kirkland Lake Gold</b>	Gold miner		KGI	KGI	www.klgold.com
<b>Mariana Resources</b>	Minerals exploration		MARL	MRY	www.marianaresources.com
<b>Minera IRL Ltd</b>	Minerals exploration	BVLAC(Lima)	MIRL	IRL/MIRL	www.minera-irl.com
<b>Mood Media Corporation Inc</b>	Background music provider		MM.	MM	www.moodmedia.com
<b>Nautilus Minerals Inc</b>	Minerals exploration		NUS	NUS	www.nautilusminerals.com
<b>Orsu Metals Corp</b>	Minerals exploration		OSU	OSU	www.orsumetals.com
<b>Patagonia Gold</b>	Gold exploration		PGD	PAT	www.patagoniagold.ca
<b>Polo Resources</b>	Minerals exploration		POL	POL	www.poloresources.com
<b>Sandvine Corporation</b>	Telecoms equipment		SAND	SVC	www.sandvine.com
<b>Serabi Gold</b>	Gold exploration		SRB	SBI	www.serabigold.com
<b>Turbo Power Systems Inc</b>	Generator technology		TPS	TPS	www.turbopowersystems.com

## statistics

# Market Performance, Indices and Statistics

AIM SECTOR INFORMATION		
SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	25.2	11.3
Basic materials	19.7	15.2
Financials	16.5	22.2
Industrials	11.2	18.9
Technology	7.5	9.7
Consumer services	6.5	9.7
Health care	5.5	5.7
Consumer goods	5.7	5.1
Telecoms	1.4	1.2
Utilities	0.8	1

KEY AIM STATISTICS	
Total number of AIM	1,129
Number of nominated advisers	60
Number of market makers	59
Total market cap for all AIM	£67.1bn
Total of new money raised	£77.22bn
Total raised by new issues	£34.91bn
Total raised by secondary issues	£42.31bn
Share turnover value (2012)	£3.77bn
Number of bargains (2012)	517,839
Shares traded (2012)	28.03bn
Transfers to the official list	160

FTSE INDICES		
INDEX	ONE-YEAR CHANGES	
	PRICE	% CHANGE
FTSE AIM All-Share	825.73	-11.2
FTSE AIM 50	3287	-6.6
FTSE AIM 100	3820.1	-9.6
FTSE Fledgling	4540.85	-7.6
FTSE Small Cap	3098.69	-4.3
FTSE All-Share	3043.91	-2
FTSE 100	5871.51	-2

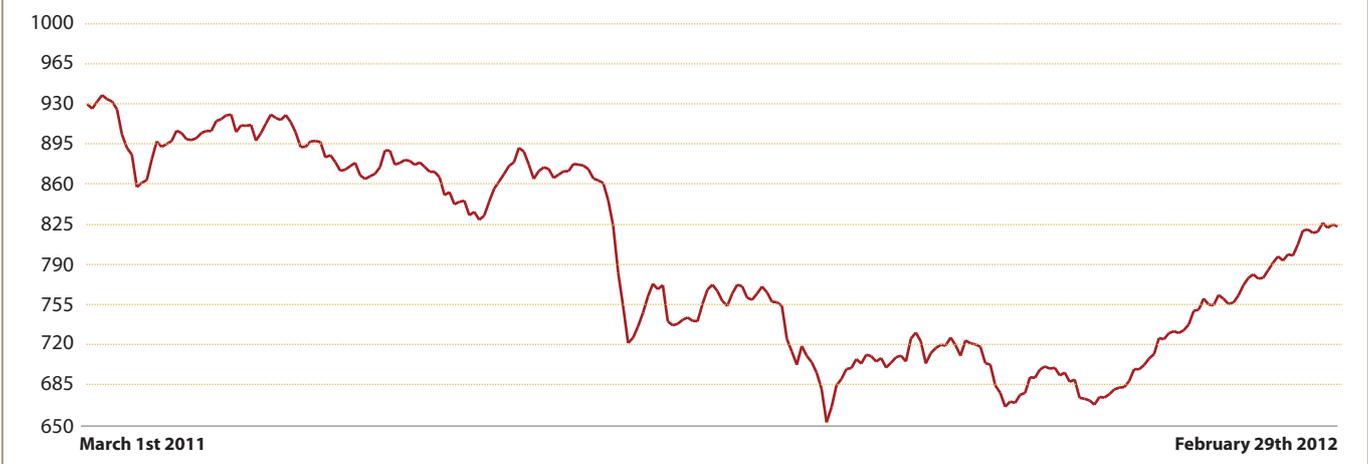
COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	263
£5m-£10m	157
£10m-£25m	230
£25m-£50m	208
£50m-£100m	131
£100m-£250m	89
£250m+	51

TOP 5 RISERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Coms	Telecoms	1.27	+131.8
DCD Media	Media	5.75	+130.0
Bango	Telecoms	174	+118.9
Legendary Investments	Financials	0.18	+100.0
Bahamas Petroleum Company	Oil and gas	13.75	+91.0

TOP 5 FALLERS OVER 30 DAYS			
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Avia Health Informatics	Software	13.5	-69.7
TyraTech Inc	Cleantech	6.5	-67.5
HaloSource Inc	Cleantech	27.5	-48.6
Merchant House Group	Financials	0.075	-46.4
PetroNeft Resources	Oil and gas	10.25	-37.9

### AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 29th February 2012, and we cannot accept responsibility for their accuracy.

March 2012 | 11


**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 April 2009. More than £140m was raised for clients in the year to April 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](http://www.quotedcleantech.com)

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

**SPONSORSHIP & ADVERTISING** [editor@aimmicro.com](mailto: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.