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AIM INSIGHT Bulletin

AIM fundraisings on recovery path

AIM has enjoyed its fourth straight month on month increase in funds raised by companies, helped by a renewed interest in mining companies. However, this cash is being raised by existing AIM companies and not new issues which are still almost non-existent this year.

Longer-term, there is uncertainty about where investment will come from. Only £6.4m was raised by AIM-focused Venture Capital Trusts in the 2008-09 tax year, according to figures compiled by Matrix Private Equity Partners.

The rise in the gold price is making gold miners more attractive. Steven Poulton, chief executive of natural resources specialist Altus-Strategies, says that if you have a good mining story you can find backers in the current environment. Seven out of the 10 fund raisings of more than £5m in March 2009 were resources companies.

In November 2008 £67.3m was raised by AIM companies, which was slightly lower than the previous month. That marked the bottom. Since then, £159.1m was raised in December, £164.8m in January, £197.2m in February and £278.1m in March. Nearly all of this was raised by existing AIM companies. So far this year £3m has been raised by new entrants with nothing raised in March.

The March figures include £76m raised by Raven Russia via a preference share issue. That is more than was raised in the whole of November 2009.

VCTs raised a total of £153m in 2008-09, compared with £220m in 2007-08. AIM specialists have been out of favour for some time. They raised £10m in 2007-08 – not much more than last year - and £29m in £2006-07. This leaves very little for the AIM specialist VCTs to invest over the next few years. Generalist VCTs raised £59m last year and some of that may find its way into AIM companies but it will not provide much comfort for the companies desperate to raise cash in order to grow.

AIM outshines Footsie

AIM has significantly outperformed the FTSE 100 and FTSE All-Share in the first quarter of 2009. Whichever AIM index is used the junior market has risen over the period against a fall of more than 10% for the FTSE 100 and FTSE All-Share. This is very different to the image of doom and gloom for AIM and the trend has continued since the end of the first quarter.

The FTSE AIM All-Share index increased by 4.66% in the first quarter, while the FTSE AIM 50 did even better, rising by 5.69%. The FTSE AIM 100 lagged behind slightly with a 4.26% improvement.

That is in sharp contrast to the FTSE All Share index which fell 10.19% and the FTSE 100 which slumped 11.46%.

Smaller companies in general have outperformed their larger counterparts in the first quarter of 2009. The FTSE Fledgling index did even better than AIM and rose 6.51%.

By the beginning of Easter the AIM All-Share index had risen by 9.4% over the year so far. This represents a strong performance in the first two weeks of April. The FTSE 100 is still 10% lower this year.

To put this in perspective AIM is still worth less than half what it was 12 months ago.

In this issue

general news

Singer absorbs Teathers

AIM broker Teathers has fallen foul of the financial problems of its latest Icelandic parent company and the rump of the business has merged with Singer Capital Markets. However, there has been a mass exodus of clients from the broker with Canaccord and Arden being major beneficiaries.

Teathers lost 22 nominated adviser and broker clients in March 2009 alone, although Mobile Streams dropped Teathers as nominated adviser but retained it as broker. The client losses in March include Advanced Computer Software, which had been won from Collins Stewart on 2 March.

Canaccord gained four clients during March and all of them came from Teathers, while Arden gained three clients from Teathers.

FinnCap, which won seven new clients in March, got two of those from Teathers. Two of Arbuthnot's five new clients came from Teathers. Cenkos and Matrix each added two clients from Teathers.

Singer transferred nine clients from Teathers on 1 April, which was the official date for the integration of the Teathers business. On the same day Teathers lost another client.

The retained clients are from a number of sectors, including technology, financials, mining and waste management. (A list of some of the March adviser changes is on page six. A full list will be in the quarterly Aim Bulletin magazine.)

Blue Oar to rebrand as Astaire

Blue Oar is going it alone following the breakdown of merger talks with fellow stockbroker WH Ireland. Management has cut half the workforce of its institutional stockbroking division and intends to focus on its wealth management activities.

Edward Vandyk, the boss of majority shareholder Evolve Capital, has taken over as chief executive of Blue Oar. The company will change its name to Astaire and rebrand most of its operations. Rowan Dartington will retain its name. Vandyk was previously the company's boss when it was known as Corporate Synergy.

Blue Oar Asset Management is being closed because it is sub-scale and the Australian operations will be exited.

Blue Oar lost £16.1m in 2008 but it still has net cash of £13.6m. At 4.75p a share, Blue Oar is valued at £7.98m. Overall trading remains tough and there will be no final dividend.

Stock Exchange launches Investor Days

The London Stock Exchange has launched a series of Investor Days to encourage investors to meet smaller quoted companies. The first was in Birmingham and the next is in Edinburgh on 23 April.

AIM-quoted property developer and investor Terrace Hill is already pencilled in to present in its home city of Edinburgh.

The management of small, growing companies on both the Main Market and AIM will present to private client investment managers and regional pension funds. The managements can meet these potential investors and build up relationships with them and make sure that they understand their businesses. Hopefully, this will mean that the investors can be a source of capital if any of the companies need additional funding.

Four out of the seven companies that made presentations in Birmingham were quoted on AIM - IPTV technology developer Amino Technologies, IT services provider Maxima, pensions consultant Mattioli Woods and semiconductor wafers producer IQE.

The remaining Growing Company Investor Day dates are:

London on 18 June
Leeds on 15 October
Manchester on 19 November
London on 1 December

Chancellor urged to change Venture Capital Trust rules

The London Stock Exchange has reiterated its proposals that Chancellor Alastair Darling should widen the range of companies eligible for investment and allow VCTs to invest in existing shares.

At the moment VCTs can only invest in newly issued shares in companies that have gross assets of no more than £7m and no more than 50 full-time employees.

The London Stock Exchange wants companies with gross assets of up to £25m and up to 200 staff to be eligible for VCT investment.

By enabling VCTs to invest in existing shares this should help the aftermarket.

MPF sets up new professional services index

Managing Partners Forum, an association of professional firm management, along with broker Noble, has launched a new professional services index.

They believe that professional services businesses are underappreciated by the market and has decided to try to do something about it.

Paul Jackson, chief executive of accountants Vantis, believes that having a separate index will help analysts focus on, and better understand, the professional services sector.

The MPF Professional Services index has outperformed the AIM 100 index over the two years since March 2006. It also outperformed the FTSE 350 index excluding investment companies for most of those two years up until the last few months.

Even so, the spread of companies is very wide. It covers Main Market and AIM companies in the media, support services, property, software, oil services and accountancy sectors valued at between £20m and £1bn.

To qualify, 80% of a quoted company's core business must require specialist knowledge of a subject, field or science. There were 70 companies that fitted the criteria, according to Alan Hodgart, who chairs the MPF Listed Firms Committee. The market capitalisation range narrowed this down to 35 initial constituent firms.

Of these, 16 are quoted on AIM, including two in the top 10 companies. The AIM companies include patent translator RWS Holdings, outplacement and recruitment company Penna Consulting and market research firms ToLuna and Research Now.

The success of this index will depend on whether analysts and investors continue to follow it after its initial launch. There will need to be continued promotion of the index so that more people get to find out about it.

Sibir denies bid rumours and takes directors to court

Sibir Energy, which has launched High Court proceedings against two former directors over unauthorised payments, has denied rumours that BP's Russian joint venture will bid for the Russia-focused oil and gas company. There was speculation that TNK-BP would bid £2.3bn for Sibir, which is currently valued at £675.52m.

The rumour is that TNK-BP shareholder German Khan is trying to drum up support for a potential 600p a share offer. That looks surprisingly generous given the present share price. Sibir shares were suspended in February at 174.75p each after it emerged that one of its largest shareholders, Chalva, Tchigirinski, owed the company nearly three times the amount originally published.

The High Court proceedings are against Tchigirinski, former chief executive Henry Cameron, Gradison Consultants, a company owned by Tchigirinski, and Derbent Management Limited.

Sibir says that Cameron has been dismissed "as a result of his conduct".

Sibir has informed the Financial Services Authority that it believes that the price of its shares may have been manipulated between 16 October 2008 and 31 October 2008 and that a significant number of the transactions in its shares between those dates was conducted using money that had been taken from the company.

Last year, Sibir originally announced that $115m had been advanced to Tchigirinski as part of a $157m deal to buy two real estate assets. It subsequently turned out that Tchigirinski owes $325m

The total amount claimed by Sibir is not less than $328m but is anticipated that it will rise to approximately $400m.

AIM brain of the year answers

Nadia Yaqub of Brewin Dolphin was the winner of the 2008 AIM Brain of the Year quiz. She answered 21 out of the 22 questions correctly and received the three bottles of Pomerol as her prize.

1. d	2. b	3. b	4. c	5. d	6. d	7. a	8. a	9. c	10. b	11. a
12. b	13. c	14. c	15. a	16. b	17. b	18. c	19. d	20. d	21. d	22. b

news

Velti's mobile marketing boost

Software & Computer Services

Greece-based **Velti** is growing rapidly with mobile marketing and advertising revenues becoming increasingly important. The rate of growth of the mobile phone technology and services business may slow down but it is set to continue to be the envy of other AIM companies.

Revenues jumped 164% to €52.5m in 2008. Profit growth of 58% to €7.93m was slower but still significant. It excludes a non-cash cost of €1.1m relating to a foreign exchange loss on intercompany loans. Underlying earnings per share were around 19 cents.

Most of the revenue growth came from the mobile marketing and advertising division. This business more than trebled in size. Velti only consolidates its share of the revenues from the Ansible joint venture with Interpublic. The majority of the division's revenues came from other customers, anyway. Margins are lower than on the rest of the business as there are a number of costs that are just passed through to the customer. Customers also prefer revenue share or Software-as-a-Service models so the revenues are spread over a longer period.

VELTI (VEL)			115.50p
12 MONTH CHANGE %	- 28.92	MARKET CAP £M	38.96
TURNOVER €M	52.45	FORECAST P/E	4.80

The development of mobile platforms and services continues to be an important profit contributor and this will not change.

Net debt was €2.08m at the end of 2008. Velti invested €11.2m in intangible assets in 2008 but this figure, which relates to capitalised development costs, should reduce in 2009. The business is cash generative but doesn't generate enough to cover those capitalised costs. Even so, the balance sheet is still strong. A smoothing of seasonality and an increasing amount of business in countries where payments are made more quickly should improve working capital. Velti is continuing to grow its revenues - first quarter group revenues are 50% higher. Velti has yet to see the full benefits of its investment in China and it is just opening a business in India.

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Shed Media widens its programme portfolio

Media

TV programme maker **Shed Media** has built up a range of programming and is no longer dependent on a couple of shows.

Reported comparative figures are for 16 months. Annual revenues grew from £49m in 2007 to £81.9m in 2008, while profits improved from £8.2m to £11.9m. Even this does not give the full picture because two acquisitions were not included for a full 12 months in 2007. A large part of the profit growth is coming from the exploitation of rights. That includes selling formats and repackaged versions of programmes overseas. Shed has come a long way since it was dependent on Footballers' Wives and Bad Girls.

SHED MEDIA (SHDP)			62.75p
12 MONTH CHANGE %	- 6.34	MARKET CAP £M	50.02
TURNOVER £M	81.94	FORECAST P/E	N/A

ITV now accounts for 1% of total revenues. The BBC generates 35% of revenues from programmes such as Waterloo Road, New Tricks and Who Do You Think You Are?

US broadcaster ABC accounts for around one-third of revenues and the US is a major growth area. US broadcasters are keen on formats that have proved themselves in the UK. Supernanny in the US is the biggest single earning programme for Shed and It's Me or the Dog, another format originally on Channel 4, is set to become a major earner in the US this year.

New programmes, such as drama Hope Springs, which will be broadcast in May, make up for others that were not commissioned for a second series, such as Rock Rivals. There is a spread of drama and factual programming.

Net debt is £23.6m. This was built up through the company's acquisitions. The businesses are cash generative. There is still £4.33m of deferred consideration payable.

Management is keen to make more acquisitions but does not want them to be dilutive. Shed is keen move into quiz and entertainment programmes. Comedy is another area where it is barely represented.

Nationwide adds six new sites

Support Services

NATIONWIDE ACCIDENT REPAIR SERVICES

Nationwide Accident Repair Services grew its 2008 revenues by 18% to £179m, with like-for-like growth of 15%. Nationwide has achieved this while also maintaining its gross margins at 46.5%. Pre-exceptional profits rose 14% to £7.8m. That does not include the £750,000 bad debt incurred just before the figures were released. This customer (OneCarOne) went into administration in March 2009.

The business is cash generative and this is being reinvested in acquiring new sites, additional pension payments and paying dividends - increased from 4.5p to 5p

Car sales tend to take six years from the start of the downturn to return to previous levels.

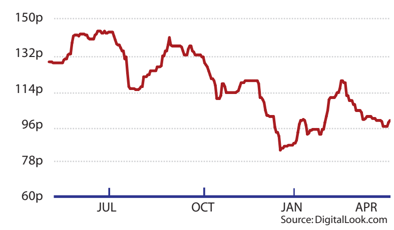
a share for 2008. Net cash improved slightly to £5.4m even though Nationwide bought back £1.69m of shares during the year.

Six crash repair sites were added during 2008, although they made a combined loss in 2008. The number of accidents appears to be falling but the type of accident is the most important indicator of achievable margins. Labour has the best margin and parts the worst. Management says that in the last recession the car manufacturers put up the prices of their parts in order to make up for the lack of vehicle sales. This could make things more difficult for Nationwide if it happens again but it is trying to reduce the impact it will have on the company's figures.

Nationwide is also keen to provide

NATIONWIDE ACCIDENT REPAIR (NARS) 97.50p

12 MONTH CHANGE %	- 22.92	MARKET CAP £M	42.12
TURNOVER £M	179.34	FORECAST P/E	7.00



other services, such as MOTs and servicing. This is 2% of revenues at the moment and it will never become a significant percentage of total revenue.

Statistics suggest people are more likely to repair rather than buy a new car during a downturn. Car sales tend to take six years from the start of the downturn to return to previous levels. A significant recovery is not expected until 2013.

Daniel Stewart forecasts 2009 profits of £8.5m.

GNE

General Retailers

Minority shareholders have forced the main investors in former petrol stations owner **GNE Group** to bid for the company. Norcliffe Investments is offering 190p a share, which values GNE at £26.4m. GNE investors had been promised a 150p a share special dividend but this was ditched in favour of turning GNE into a technology investment trust. Martyn Ratcliffe and North Atlantic Smaller Companies Investment Trust have set up Norcliffe for the purposes of the bid. Norcliffe intends to obtain

GNE (GNE) 191.50p

12 MONTH CHANGE %	+ 101.58	MARKET CAP £M	26.63
TURNOVER £M	N/A	FORECAST P/E	N/A

75% of the shares and hold an EGM to cancel the AIM quotation. GNE will then pursue the strategy of investing in undervalued technology companies. Norcliffe has gained acceptances totalling 50.7% of the share capital of GNE. The offer remains open until 28 April.

■ Strong turnaround and corporate recovery revenues helped **Tenon** improve its pre-tax profits by 15% to £4.7m in the six months to December 2008. Revenues declined by 1% to £74.9m as Tenon ditched low margin personal finance and tax business.

There should be plenty of work for the recovery side of the business over the next two or three years. Management also plans to sell more to its existing client base of more than 30,000. Costs are being cut by around £5m a year. This will lead to reorganisation costs of £1m in the second half.

news

Helesi raises cash at a premium

Support Services

Delayed payment of government grants has hampered **Helesi's** cash flow but the waste containers and services supplier has secured additional facilities from its banks. The company is also raising up to €10m from its chief executive and other shareholders at well above the current market price.

The fund raising is in two parts. Helesi has to get permission from shareholders in order to issue the second lot of shares. TECMEC, a company controlled by Helesi chief executive Sakis Andrianopolous and his wife, and fellow director, Christina Thanassoulia, will subscribe for €2.1m of shares at 64c a share. That is equivalent to 59p a share, which is well above the present share price. TEMEC will subscribe for another €1.9m of shares in the second part of the placing. Helesi needs to find other investors to take up the rest of the shares. Finance director Apostolos Binomakis is keen to point out that the company wanted to be fair to existing shareholders and that is why the share price was set higher than the market price. Helesi was keen to minimise dilution for existing shareholders. The share price has fallen on modest trading volumes. It has not been at 64c since the beginning of the year.

The share price has fallen on modest trading volumes. It has not been at 64c since the beginning of the year.

Net debt was €67m at the end of 2008. That was mainly down to the failure to obtain the payment of €21m of government grants in Greece and Italy. They should be paid during 2009.

Revenues increased by nearly one-third to €65.8m in 2008, while profits improved from €7.01m to €7.28m. Higher oil prices increased the cost of plastic. Bins revenues were 20% higher but most of that was due to price increases to cover higher costs. Volumes rose by 4%.

HELESI (HLS)			33.00p
12 MONTH CHANGE %	- 74.62	MARKET CAP £M	11.90
TURNOVER €M	65.80	FORECAST P/E	2.60

There was a change in sales mix with services growing in importance. Services would be doing even better if projects were not being delayed by local authorities. Vehicles and accessories also made a higher contribution but that was mainly down to an acquisition last year. Waste containers still account for 55% of revenues and recent investment means there is spare capacity.

Capital spending has passed its peak and will fall from €44.7m to around €5m in 2009. If local authorities can be persuaded to pay more promptly and the grant money comes in then the cash position will improve significantly this year.

ADVISER CHANGES - UP TO 17TH MARCH

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Advanced Computer Software	Teathers	Collins Stewart	Teathers	Collins Stewart	02/03/2009
ContentFilm	TBC	Evolution	Grant Thornton	Evolution	02/03/2009
Datatec Ltd	Jeffries/Investec	Investec	Jeffries	Investec	02/03/2009
Independent Media Distribution	Charles Stanley	Teathers	Charles Stanley	Teathers	02/03/2009
Coastal Energy	Thomas Weisel/Tristone	KBC Peel Hunt	Strand	KBC Peel Hunt	03/03/2009
Software Radio Technology	Hanson Westhouse	Numis	Hanson Westhouse	Numis	03/03/2009
SovGEM Ltd	Hanson Westhouse	Teathers	Smith & Williamson	Teathers	04/03/2009
Coe Group	Zeus Capital	KBC Peel Hunt	Zeus Capital	KBC Peel Hunt	04/03/2009
Chromex Mining	Ocean Equities/Blue Oar	Blue Oar	Blue Oar	Blue Oar	05/03/2009
Nexus Management	Rivington Street/Hybridan	Hybridan	John East	John East	05/03/2009
Molectra Group Ltd	Arbuthnot	Matrix	Arbuthnot	Matrix	06/03/2009
LonZim	Beaumont Cornish	Collins Stewart	Beaumont Cornish	Collins Stewart	06/03/2009
Kalahari Minerals	Mirabaud/Ambrian	Ambrian	Blue Oar	Blue Oar	09/03/2009
Kiwara	FinnCap	Investec	FinnCap	Investec	09/03/2009
Jubilee Platinum	FinnCap	Investec/Ambrian	FinnCap	Investec	09/03/2009
SciSys	Canaccord	Teathers	Canaccord	Teathers	10/03/2009
African Diamonds	FinnCap	RBC	FinnCap	RBC	11/03/2009
Persian Gold	FinnCap	Blue Oar	FinnCap	Blue Oar	11/03/2009
WH Ireland	Oriel	Oriel	Oriel	NM Rothschild	12/03/2009
Energybuild	Arbuthnot	Seymour Pierce	Arbuthnot	Seymour Pierce	12/03/2009
Advanced Medical Solutions	Investec	Teathers	Investec	Teathers	13/03/2009
Rockhopper Exploration	Canaccord	Teathers	Canaccord	Teathers	13/03/2009
Hurlingham	Arbuthnot	Teathers	Arbuthnot	Teathers	16/03/2009
Marwyn Materials Ltd	Cenkos	Collins Stewart	Cenkos	Collins Stewart	16/03/2009
Atlas Estates Ltd	Fairfax IS	UBS	Fairfax IS	UBS	17/03/2009

expert views

THE INSIDE TRACK

Expert view: The lawyer

Prepare to catch the next AIM wave

By Simon W. Holden

The ongoing economic malaise is providing food for thought for most in the corporate community, but arguably none more so than AIM advisers. The swelling of AIM's ranks over the past few years is being tempered by a reduction in the number of companies retaining their quotation (and their advisers) and the near extinction of the phenomena of fundraising.

In November 2008, the UK became the first country to enact legislation specifically targeted at environmental issues with the Climate Change Act 2008.

Replacing the gloomy outlook with a more optimistic one, the current lull in work provides an opportune time to explore new opportunities. Recently published AIM research reports have provided helpful insights into the types of stimulus the market needs. The 'Taking AIM Survey 2009' published by Faegre & Benson and Baker Tilly underlines the importance of AIM as a market for growing companies and its regulatory flexibility as principal factors that will encourage its recovery and growth.

Mention of some of the initiatives that are going on behind the scenes, most notably those of The Quoted Companies Alliance in seeking an increase in the financial limit above which a prospectus is required to €10 million and that offers to existing holders of securities are exempted from the need for a prospectus, should provide solace that we can come out of the recession in a lot better shape than we went into it.

Given the impetus of advisers seeking to refine their tools so as to shape AIM for the future challenges it faces, there will be an increased onus on those candidates coming to the market to have the 'wow' factor. But where will it be found?

If you remember the BT advert from the 80's in which Maureen Lipman chastised her grandson because he informed her that he had failed all his exams, when in actual fact he had gained an 'Ology,' you should recall her sage advice; "You get an Ology, you're a scientist." Perhaps she was over-egging the case for her grandson's sociology qualification somewhat, but given what has transpired in other Ology sectors over the last two decades, Maureen's advice was prescient.

Given the prevalence of technology in modern times, and our increasing dependence on it, its use in everyday lexicon has mushroomed. To name but a few, we have biotech, edtech and medtech. The term is essentially used to describe the utilisation of technology in a specific setting, and it has come to be used a lot more recently in the form of 'cleantech'.

According to Cleantech Group, despite the credit crisis and the onset of global recession, cleantech investment reached a record $8.4bn in 2008 (2007: $6.1bn, 2006: $4.5bn). The beneficiaries of this investment have been primarily located in the US, China and India. Companies based in the UK have featured too but not as prominently.

In November 2008, the UK became the first country to enact legislation specifically targeted at environmental issues with the Climate Change Act 2008. This may provide the UK with some first mover advantage, with a number of cleantech funds already housed here, including Carbon Trust and Climate Change Capital.

As more pressure is exerted on governments and industries across the world to adopt greener initiatives, cleantech will reap the benefits. The election of Barack Obama, who has committed to ensuring that 10% of electricity in the US comes from renewable resources by 2012 and aims for an 80% reduction in the US' greenhouse gas emissions by 2050, will provide the sector with an added ounce of credibility.

As uncertain as the future is, one thing is for sure – cleantech will continue to generate significant investor appetite. Notwithstanding any future tweaks to the market, AIM is well positioned to be a significant beneficiary of this.

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expert views

Expert view: The broker

Management is the key to success

By MICHAEL BELL

With investor confidence in the equity markets shaken, the small cap sector has generally been shunned by the institutional investor. The perception of higher risk and a lack of cash to back new issues has taken its toll. Approximately 71% of the 1,550 companies listed on AIM have a market cap of less than £20m – and 38% are valued below £5m.

The downturn has been indiscriminate in hitting both good and bad companies yet the excuse of the Credit Crunch can only be used so many times to disguise a weak underlying structure or inexperienced management team. For investors, relying on a low P/E or a high yield is only part of the story when stockpicking.

So what do we look for in selecting the winners if simple ratios are not going to help? Rather than the mantra of 'Location, Location, Location' it is all about 'Management, Management, Management .'

Small cap company boards are filled with managers who have earned their spurs in larger organisations and the transition to a smaller structure is not always easy. Equally, for those from a private company background, learning to deal with shareholders is frequently a new skill.

Consequently there is no substitute for meeting and researching the management of companies you plan to invest in. Track record is important, as is the collective drive and ambition for the opportunity they have identified. It's not just about the chief executive, it's how the whole management team works together. The role of owner-manager changes as a company grows and it takes the support of a strong divisional management and a good finance director to see the challenge through.

The extent of shared interest is also important to understand. Frequently directors' and shareholder interests are aligned through stock ownership. Sometimes they are not, which can lead to different results. Understanding these dynamics is important. However, it is not difficult to track directors buying and selling shares and it is a much cheaper option than employing an analyst. If the owner of a business is selling out, are you sure you want to buy in?

It's vital that you understand what a company actually does before investing. Can it explain its business in an accessible way investors can understand? How great are the commercial risks? If a company relies on only a few products , they need to be the right ones.

What about cash-flow? Many small companies don't make profits in the early stages. Some have no revenue. In 2008, only 44% of companies listed on AIM generated annual profits and only 22% paid a dividend. So investors need to be happy that funding is robust and further support is likely should it be needed.

Currently, cash flow is king. Financing is tight and relationships with banks are being tested. Investors remain divided over debt and its uses. There are plenty of good acquisition opportunities if the means are available (preferably internally generated). In many sectors, the price of private companies is still above their quoted sector peers but the gap is closing. Successful companies will be able to use a combination of debt, equity and convertibles to take advantage of this and several larger money managers are starting to encourage them to do this now.

So the management stacks up and the numbers look OK; what else? Companies need to be able to successfully manage expectations of the stock market in setting realistic earnings and performance targets and overdelivering on them. The market is littered with horror stories of over enthusiastic managements and their brokers, but it has never indulged underperformance and the hand of justice is particularly swift at the moment.

So is it all doom and gloom? For the year to date the FTSE is down 10%, but the mid cap FTSE250 and FTSE AIM indices are both nearly 10% higher. If investors continue to ignore the opportunities in the small cap market, it may well be the companies themselves that steal the lead from us in the next few months.

In 2008, only 44% of companies listed on AIM generated annual profits and only 22% paid a dividend.

MICHAEL BELL was previously head of sales at Daniel Stewart and before that, co-head of European equity sales and trading at Fox-Pitt Kelton, where he led the 23-strong sales and trading team. Prior to that, he was co head of US equities at SBC Warburg and has also worked as a fund and investment manager at Arbuthnot and Royal Exchange Trust.

feature

Smile returns to AIM's gold miners

A resurgence of interest in sold mines has given AIM a boost this year. Miners are moving swiftly to take advantage.

The recovery of the junior market's string of small gold miners helped AIM comfortably outperform the main market this year so far.

Some have seen spectacular spikes in their share prices in the space of just a few months.

Many, admittedly, still have some way to go before they regain the heights seen in past years, but from a mood of despondency in November, many are optimistically looking forward again.

A surge in the price of gold to \$900-\$1,000 per ounce has driven the improvement in sentiment. While this may be down to concern over the spending policies of many western governments, one spin-off is that it has seen money start to flow into the sector again, throwing a lifeline to many of AIM's miners.

Australia-focused Norseman has been one of the better performers in 2009. Worries over its balance sheet and a couple of forced institutional sellers sent the share price sliding to 1.6p in November, valuing the company at serious distress levels, but good results, strong cash flow and an advantageous refinancing has seen a bounce to 13.25p, a 728% gain on its low point in November.

Norseman executive director David Steinepreis says the price collapsed because two funds had to sell their Norseman shares at virtually any price when its market value fell below their minimum size thresholds and, with no buyers, the price just kept falling.

While that is a common tale across the AIM market, and still remains so in many cases, in the gold sector both companies and investors agree that attitudes have definitely changed for the better. The environment for raising money is still not easy, but it is certainly more receptive than four months ago.

Window of opportunity

Steven Poulton, chief executive of natural resources specialist Altus-Strategies, suggests there is now clearly a window open for mining companies that need funds if the project and the management stack up.

> Norseman, which runs one of the oldest gold mines in Australia, saw several new investors coming to the company when it launched its refinancing.

He suggests that on a scale of one to ten, the mood has improved from "zero" in December to "about four currently".

Poulton says that at the end of 2008 there were fantastic investment opportunities due to a combination of fund redemption selling, leveraged selling and a complete lack of buyers. Companies with good liquidity were hit equally as hard as they were the shares that could be sold.

Now, "There are very selective people who know they are doing and choosing opportunities very carefully," he says, adding that if you have a good mining story you can find backers in the current environment.

Mark Parker, chief executive of African Eagle, also says that funds are keen to invest in projects at present, especially if they are near production or actually producing.

African Eagle needs between \$300m and \$400m to get its core nickel project Dutwa in Tanzania into production, but even here he says he is seeing lots of interest "from development banks, private equity and new investment funds."

"If you've got a good project you can get it financed," he says. That applies even more so to gold projects.

Aside from nickel, African Eagle has three gold projects that are "reasonably" advanced. Interest has been shown in partnering the group on these projects, but a decision isn't expected until mid-May, the end of the wet season in East Africa. The investment could be by way of a farm-in, or a new vehicle. African Eagle thinks it could develop an operation on at least two of these gold projects "fairly quickly" to finance the third. "But that depends on how partners want to play it."

Norseman, which runs one of the oldest gold mines in Australia, saw several new investors coming to the company when it launched its refinancing. Institutional investor Baker Steel is now its largest shareholder with a 13.69% stake, while JP Morgan owns 10.7%.

Both funds subscribed in a placing to raise £5m in March at 8p a share. The firm used the funds to buy back A\$15m of convertible notes at a discounted cost of A\$10m from a hedge fund that was hit by a wave of redemptions. The convertible notes were paying a 7% coupon.

Good results also helped Norseman. The company posted a profit of A$4.1m in the half year to December 2008. It determinedly follows a policy of not hedging its output and saw the full benefit of the recent spike in the price of the metal. Higher output and lower diesel prices, which account for some 30% of costs, also gave a boost.

Production costs fell to the lowest since Norseman took over the mine and are projected to fall further to about A$600 per ounce produced, from A$775. Steinepreis concedes that conditions were very favourable with the high gold price combining with lower oil prices and a weak Australian dollar against the US dollar, the base currency for gold prices.

But better margins will be a theme across the sector, whatever happens to the gold price suggests Poulton at Altus as miners themselves become more efficient and profitability is helped by lower cost of inputs such as fuel and labour.

He advises miners to move quickly to take advantage of the current more favourable conditions. "The old investment saying is to feed the ducks if they are quacking," he says. "After silence for the past nine months, there is the odd quack or two now."

Indeed, Norseman has not been alone in raising money this year. Allied Gold, Medusa Mining, Archipelago Resources and Cluff Gold are among those that have announced decent sized and well-supported cash calls over the past two months. Central China and Kalimantan also got extra funding from their shareholders.

Allied reported that its A$30.75m placing at 50c per share was heavily over-subscribed. The money will help fund repayment of original financing deal for its Simberi Oxide project and to accelerate the feasibility study for the 100,000oz Simberi Island sulphide expansion initiative being considered.

Broker Hanson Westhouse points to renewed interest in gold miners in Canada as a guide to how it might develop in the UK.

The placement represented approximately 15% of the company's shares with demand for the new shares described as heavy from existing institutional shareholders predominately-based in the UK. Two global institutional gold funds also bought shares in Allied for the first time.

The size of the deals also suggests there is a growing appetite for new equity in gold miners. Medusa, raised A$24m at 54p, Cluff Gold raised $10m and Archipalego raised $13.7m.

Renewed interest

Broker Hanson Westhouse points to renewed interest in gold miners in Canada as a guide to how it might develop in the UK. Companies expected to go into production over the next 2-3 years should have little problem refinancing if the project stacks up, says its mining analyst Mark Heyhoe.

Gold is attracting most interest but longer-term thinkers are looking at iron ore, nickel and tin on the basis of economic recovery two-to three years out, he suggests.

Of course, what happens to the price of gold, the US dollar and other stores of wealth will have a big impact on the miners, but despite the recent retreat in the gold price from the $1,000 mark seen early in 2009, many observers believe the long-term prognosis for the sector remains bright.

The recent run-up in the gold price was driven by concerns that the print money policies adopted currently by many western governments will stoke inflation and devalue the dollar and other major currencies.

Joe Lunn at broker FinnCap expects the gold price to be underpinned by distrust about paper currencies for some time as the current problems could take 3-5 years to sort out.

A lack of credible alternatives at present also provides support while other longer –term supply constraints, such as decades of underinvestment when the gold prices were stuck below $500, will also act as a prop. Last year for example, saw the lowest supply of gold for 13 years.

If prices do stick at $900 per ounce, that undersupply situation will change. Projects that had been mothballed only six months ago are now being dusted off again and for the first time in months there is decent chance of getting the finance to move them forward.

BEST PERFORMING GOLD COMPANIES IN PAST THREE MONTHS

COMPANY	MARKET CAP £M	% CHANGE
Norseman Gold	19.35	404.76
Frontier Mining Ltd	1.25	228.57
Anglo Asian Mining	17.48	195.65
Archipelago Resources	30.6	150.00
African Eagle Resources	7.7	141.67
Peninsular Gold	18.78	138.60
Trans-Siberian Gold	23.78	124.00
Mercator Gold	5.27	123.08
Medusa Mining	126.62	108.22
Greystar Resources Ltd	105.83	105.41

Based on share price on 9 April 2009.

statistics

market performance, indices and statistics

AIM SECTOR INFORMATION

SECTOR NAME	AS % OF AIM MARKET CAP	AS % OF AIM COMPANIES
Mining	15.35	10.64
General Financial	11.61	12.39
Oil & Gas Producers	9.96	6.26
Equity Investment Instruments	9.23	4.24
Real Estate	7.96	6.46
Travel & Leisure	5.80	4.38
Support Services	5.50	8.89
Food Producers	4.31	1.62
Software & Computer Services	3.96	7.34
Media	2.99	6.33
Construction & Materials	2.67	2.22
Pharmaceuticals & Biotechnology	2.42	3.84
Electronic & Electrical Equipment	2.13	3.37
General Retailers	2.11	1.68
Industrial Transportation	1.99	0.88
Electricity	1.64	0.94
Health Care Equipment & Services	1.30	2.56
Nonlife Insurance	1.10	0.88
General Industrials	0.85	1.48
Industrial Engineering	0.83	2.02
Chemicals	0.70	1.89
Mobile Telecommunications	0.65	1.14
Technology Hardware & Equipment	0.63	1.95
Food & Drug Retailers	0.55	0.54
Oil Equipment & Services	0.53	0.74
Life Insurance	0.45	0.07
Fixed Line Telecommunications	0.45	0.40
Banks	0.42	0.13
Forestry & Paper	0.26	0.27
Personal Goods	0.25	1.14
Household Goods	0.24	0.88
Industrial Metals	0.23	0.40
Beverages	0.21	0.20
Gas Water & Multiutilities	0.21	0.20
Aerospace & Defence	0.21	0.20
Automobiles & Parts	0.14	0.74
Leisure Goods	0.08	0.47
Nonequity Investment Instruments	0.05	0.07
Investment Entities	0.01	0.13

KEY AIM STATISTICS

Total number of AIM companies:	1485
Number of market makers:	48
Total market cap for all AIM:	£39627.21m
Total of new money raised:	£60706.40m
Transfers to the official list:	129

AIM COMPANY PERFORMANCE

Statistics for March 2009

No. of shares rising:	573
No. of shares falling:	725
No. of shares unchanged:	187
Advance/Decline Ratio:	0.79
Market Volatility:	33.16

FTSE INDICES

ONE-YEAR CHANGES

INDEX	31/03/2009	31/03/2008
FTSE AIM All-Share	412.71	959.10
FTSE AIM 50	1801.22	4855.40
FTSE AIM 100	1930.69	4862.80
FTSE Small Cap	1757.56	3055.40
FTSE All-Share	1984.17	2927.05
FTSE 100	3926.14	5702.10
FTSE 250	6373.89	10013.20

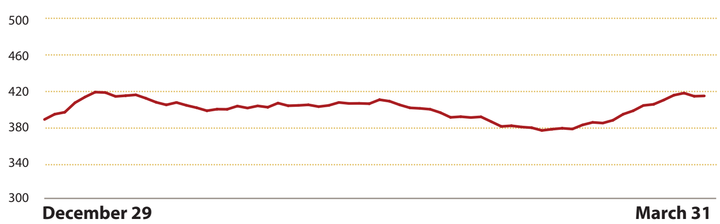
COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	569
£5m-£10m	242
£10m-£20m	242
£20m-£50m	234
£50m-£100m	116
£100m-£250m	66
£250m+	16

RISERS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Everfor Diamonds	Mining	5.00	640.74
European Nickel	Mining	9.32	296.60
Solomon Gold	Mining	10.75	290.91
Premier Management Holdings	Support Services	0.20	233.33
Red Leopard	Equity Investment Instruments	0.10	233.33
Pangea DiamondFields	Mining	1.80	213.04

AIM - 13-WEEK INDEX CHANGE



Source: DigitalLook.com

Top Director Dealings in March

TOP DIRECTORS' DEALINGS

COMPANY NAME	TICKER	VALUE (£)	BUY/SELL	TRADE	TITLE	SURNAME	FIRST NAME	DATE
Numis Corporation	NUM	£15,723,521	Sell	13102934 x 120.00p	Mr	Spencer	Michael A	18-Feb-09
Maple Energy	MPLE	$1,386,000	Sell	900000 x 154.00c	Mr	Hanks	Jack W	06-Feb-09
Kirkland Lake Gold	KGI	$C1,455,000	Buy	300000 x 485.00c	Mr	Dobson	D Harry W	04-Feb-09
Geopark	GPK	£802,467	Buy	455947 x 176.00p	Mr	O'Shaughnessy	Gerald E	09-Feb-09
Property Recycling Group	PROP	£616,064	Buy	3733721 x 16.50p	Mr	Rackham	Paul	24-Feb-09
ARC Capital	ARCH	$488,840	Buy	1111000 x 44.00c	Mr	Gradel	Christopher M	12-Feb-09
Young & Co's Brewery 'A'	YNGA	£255,528	Sell	56160 x 455.00p	Mr	Sligo-Young	Torquil	06-Feb-09
Young & Co's Brewery 'A'	YNGA	£176,212	Sell	38728 x 455.00p	Mr	Goodyear	Stephen	06-Feb-09

Source: Digital Look Please note - All share prices are the closing prices on 31st March 2009, and we cannot accept responsibility for their accuracy.

Faegre & Benson

Faegre & Benson LLP is an international law firm which offers an integrated team of more than 525 lawyers in Europe, the US and Asia. In the UK, Faegre & Benson focuses on advising middle market and high quality emerging companies meeting their legal needs, both domestically and internationally, in corporate finance, mergers and acquisitions, dispute resolution, employment, commerce and technology and commercial property.

With lawyers who have been advising companies and nomads since the AIM market began, the firm provides sophisticated advice and practical experience in flotations and fundraisings, takeovers and reverse takeovers, mergers and acquisitions, corporate governance and regulatory issues.

Lawyers at the firm are at the forefront of the AIM market and have strong relationships with the major players in the AIM community. Members of the team serve at the highest levels with the Quoted Companies Alliance, which lobbies for the interests of smaller quoted companies, and have made significant contributions to legal and regulatory reforms which have shaped the market.

For further details about the firm and its legal services for AIM companies please contact Donald Stewart on +44(0)20 7450 4586 or dstewart@faegre.com.

finnCap

FinnCap is a client focused institutional broker and corporate advisor, with a strong track record in advising and raising capital, providing research and after-market care for both growing and established smaller companies. The institutional broking team provides a dedicated, bespoke agency broking service to fund managers and private client brokers.

FinnCap employs 39 members of staff and is 50% owned by JM Finn, an independent private client stockbroker founded in 1945. In 2008, FinnCap won 14 new clients and has a total of 47 clients. FinnCap is a Nominated Adviser (NOMAD) for AIM companies and a Corporate Adviser for Plus Markets.

In August 2007, JM Finn transferred its corporate finance, research and institutional broking business into a new subsidiary, JMFinn Capital Markets (FinnCap). The management team and employees of FinnCap have taken a significant equity stake in the business, meaning they have made a substantial financial commitment.

About J M Finn & Co

JM Finn is an independent private client stockbroker with approximately £4bn under management as at June 2007. Its 260 staff are based in London, Bristol, Leeds and Suffolk.

JM Finn was founded as a partnership in 1945, incorporated as a private limited company in 2006 and has been a member of the London Stock Exchange for over 60 years.

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