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THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Eldersteet stake acquired

Venture capital firm Draper Esprit has taken a 30.8% stake in venture capital trust manager Elderstreet. Both investment managers focus on the technology sector and they will be able to co-invest. Elderstreet has investments in a number of AIM-quoted companies through its VCTs. The purchase was funded by an issue of Draper Esprit shares worth just over £250,000.

Simon Cook, the chief executive of Draper Esprit, is a former partner at Elderstreet so he knows the business and the people who run it, although he did leave more than 14 years ago. Cook has previously acquired portfolios from 3i and Cazenove, two other firms where he has worked. Draper Esprit has an option to acquire the remaining shares in Elderstreet, which has more than £25m under management.

Adding Elderstreet to the group enables Draper Esprit to offer investors a range of EIS funds, VCTs and an ISA qualifying listed evergreen patient capital fund. The enlarged group has venture capital assets under management of more than £350m. At the end of September 2016, Draper Esprit had a net asset value of 352p a share, which is similar to the current share price. The June 2016 flotation price was 300p a share. Draper Esprit is quoted on Ireland's Enterprise Securities Market as well as AIM.

Mongolian opportunity

Mongolia-focused property investor and cement manufacturer Asia Pacific Investment Partners (APIP) plans to float on AIM later this month. APIP had previously considered a flotation on the Hong Kong Stock Exchange.

The Hong Kong-based company was formed 15 years ago because American businessman Lee Cashell and his Mongolian wife Tsendsuren Bordukh saw an opportunity to develop houses for expatriate workers in the resources sector. APIP has subsequently developed houses and shopping malls. Three-fifths of the population of Mongolia still live in traditional tents but there is increasing urbanisation and a young population so there is likely to be increasing demand for homes. Middle-income earners are the potential customer base for the business.

DTZ Cushman & Wakefield has valued APIP's Mongolian property assets at $312.8m. APIP owns 570,000 square feet of shopping malls and other properties in the Mongolian capital, Ulaanbaatar, and has development land in prime locations in the capital and the surrounding area.

APIP plans to use money raised in the flotation to invest in further property assets and to provide mortgages to individuals and businesses. There are also longer-term plans to move into Myanmar and other developing countries in the region.

In this issue

general news

Premium funding for Globalworth

Romania-focused property investor Globalworth Real Estate Investments Ltd has secured a significant investment from a South African REIT at a large premium to the prevailing share price. Growthpoint Properties Ltd and other investors are subscribing €200m at €8 a share – a 58% premium to the previous day's market price.

Growthpoint will own 27.7% of the enlarged share capital. Globalworth floated at a share price of €5 back in July 2013. The share price increased by more than one-fifth to €6.25 after the subscription was announced.

Globalworth says that it is seeking shareholder approval for the subscription and for a change in dividend policy which will lead to the company distributing to shareholders 90% of free funds from operations. A dividend of €0.22 a share has already been declared to cover the six months to June 2017. That will be paid in the third quarter of next year, with another €0.22 a share payable for the second half of the year.

The investment follows a change in the way that the internal investment manager is awarded its fees, which had been at the discretion of the group's remuneration committee. Although Globalworth owns the investment manager, its executives own preference shares, and fees have been distributed to managers via the preference shares. The changes involve a fixed fee based on costs plus a profit margin which will be paid every year, while additional fees will be based on achieving specific targets and/or a minimum internal rate of return on equity.

Nasdaq listings

Verona Pharma intends to follow in the footsteps of such companies as GW Pharmaceuticals and obtain a Nasdaq listing in the first half of 2017. Verona had pro forma cash of more than £40m at the end of June 2016 and this will fund phase II clinical trials for its main respiratory disease treatment. Antibiotics developer Motif Bio is moving ahead with its Nasdaq listing, which was delayed earlier this year, and has raised $21.4m net via a combination of ADSs in the US and ordinary shares in Europe at 28p each. There was $19.5m in the bank at the end of June 2016. Motif is financing two phase III clinical trials of antibiotic iclaprim for the treatment of acute bacterial skin and skin structure infections.

Keywords joins FTSE AIM 50

Electronic games development services provider Keywords Studios, gold miner Solgold and gems miner Gemfields will all join the FTSE AIM 50 index later this month, while wine retailer Majestic Wine, Pantheon Resources and IT managed services provider Redcentric have fallen out of the index.

Keywords floated in 2013 and it has used its quotation to be a consolidator in the market for art, localisation and audio services for gaming developers. Keywords has used shares to help pay for its acquisitions and the share price has still more than trebled as the company consistently beats forecasts.

SolGold was the beneficiary of a bidding war between investors wanting to help finance its Cascabel copper/gold project in northern Ecuador and Newcrest had to pay 16 cents a share – double the original price it offered. The share price is 15 times the level it was one year ago. Gemfields has been a strong performer as the market starts to appreciate the value of its gem mines.

The companies coming out of the index include the winner of the best-performing share at this year's AIM awards, Pantheon Resources. The share price of the US-focused oil and gas explorer has fallen by three-fifths since the award period ended but it is still more than treble the level at the start of the award period. There has been disappointing drilling news from Pantheon's Texas exploration interests.

Majestic Wine has been in the AIM 50 since it was formed in May 2005 but it has also been replaced. The share price has nearly halved in just over three years. Redcentric's valuation has plunged since the discovery of financial irregularities last month.

advisers

SyndicateRoom chooses AIM companies to watch

Crowd funding platform SyndicateRoom, is trying to provide additional capital for quoted smaller companies by launching its AIM WatchList. SyndicateRoom's members can pledge capital to a company on the list. Each company on the WatchList has an experienced professional as a Watcher. SyndicateRoom has previously been involved in raising money for AIM-quoted companies, including Scancell and Fitbug, with mixed results but the initial WatchList companies have a much more solid base and are less risky.

Members can pledge money at a required discount and SyndicateRoom will aggregate the demand and approach the company, which chooses whether or not to accept the funding on those terms. The pledges are binding and SyndicateRoom says that it will obtain the best possible transaction and terms for members. The companies on the WatchList provide existing financial and corporate information and have potential access to, and an indication of, additional funding with little additional cost.

These companies have been trading for a number of years and are generating revenues. The WatchList includes automotive testing systems supplier AB Dynamics and 3D x-ray technology developer Image Scan, where Charles Breeze of Larpent Newton is the Watcher, and utility infrastructure services provider Fulcrum Utility Services and touch-screen products manufacturer Zytronic, where Chris Boxall of Fundamental Asset Management is the Watcher.

AIM-company focused crowdfunder PrimaryBid is offering investors the chance to become involved with broker-led placings rather than just bidding for shares in a particular company without any guarantee that the company wants the funds. It has already successfully raised cash as part of placings for Sound Energy and Mobile Streams.

PrimaryBid will notify any registered user who is 'watching' a particular company when a broker has approached the crowdfunder as part of a book build for a placing. A user can choose to participate and will immediately have to pay the amount of the investment by debit card.

PrimaryBid has simplified its registration procedure and a new smartphone app is due to be launched, which will enable applications for broker-led placings direct from a phone.

ADVISER CHANGES - NOVEMBER 2016

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
ECO Animal Health Group	N+1 Singer/Peel Hunt	Peel Hunt	Peel Hunt	Peel Hunt	01/11/16
Orchard Funding Group	finnCap	Panmure Gordon	finnCap	Panmure Gordon	01/11/16
Nu-Oil and Gas	Beaufort	Beaufort	Strand Hanson	Cenkos	07/11/16
Verseon Corporation	Cantor Fitzgerald/ Mirabaud/Cenkos	Cenkos	Cenkos	Cenkos	07/11/16
Advanced Oncotherapy	Stifel Nicolaus/ Stockdale	Beaufort/Stockdale	Stockdale	Stockdale	08/11/16
Strategic Minerals	Optiva/SP Angel	Allenby	SP Angel	Allenby	09/11/16
OneView Group	Hybridan/finnCap	finnCap	finnCap	finnCap	10/11/16
Tethyan Resources	Cairn	finnCap	Cairn	finnCap	17/11/16
Volga Gas	SP Angel	Stifel Nicolaus	SP Angel	Stifel Nicolaus	17/11/16
Avingtrans	N+1 Singer	Numis/N+1 Singer	N+1 Singer	Numis	21/11/16
Totally	Cenkos/Allenby	Allenby	Allenby	Allenby	21/11/16
Bos Global Holdings NL	Peterhouse	RFC Ambrian	RFC Ambrian	RFC Ambrian	23/11/16
Purplebricks Group	Investec/Peel Hunt	Peel Hunt/Zeus	Zeus	Zeus	29/11/16
Jersey Oil & Gas	Arden	FirstEnergy	Strand Hanson	Strand Hanson	30/11/16
Modern Water	WH Ireland	Numis	WH Ireland	Numis	30/11/16

company news

Huntsman deal first step towards profitability for Haydale Graphene Industries

Graphene and composites *www.haydale.com*

Advanced materials developer **Haydale Graphene Industries** is starting to reap the benefits of its strategy of acquiring businesses with customer bases that can exploit the group's graphene technology in their products. The joint development agreement with Huntsman Advanced Materials is an example of this.

Huntsman, whose best-known brand is Araldite, has been working with Haydale on developing a range of graphene-enhanced resins that provide greater thermal conductivity and fracture toughness than standard resins. The agreement gives Huntsman exclusive worldwide rights to market, distribute and sell the resins that have been developed using Haydale's graphene technology. Huntsman will acquire the graphene material from Haydale and the two companies will work on developing further products.

Further development work is required on the new resins and then Huntsman will approach customers about trials within the next 12 months. These could be industrial, automotive or sports products companies. If these trials are a success the products could provide a significant revenue stream for both companies.

Huntsman deal could generate significant revenues

Haydale has developed a scalable plasma process that functionalises graphene and nano materials. The company is initially focusing on developing uses of its technology in inks, 3D printing, sensors, composites, paints and coatings. There are other potential partners in these sectors that could be as significant as Huntsman.

In 2014, Haydale acquired EPL Composite Solutions as a way to incorporate its technology into composite products. Earlier this year, it bought Advanced Composite Materials (ACM) for up to $7m. As well as adding revenues of $2.2m, ACM provides a US base for Haydale and enables it to enter the silicon carbide fibres market.

HAYDALE GRAPHENE INDUSTRIES (HAYD)			179p
12 MONTH CHANGE %	+3.2	MARKET CAP £M	30.7

Haydale already generates revenues from the acquisitions it has made but it has also been spending money on developing products with Huntsman and other potential customers. Even so, Haydale could break even on revenues of £11m in the year to June 2018, helped by a full-year contribution from ACM and the Huntsman deal, and move into profit in the following year.

Constellation float investors double their money

Medical billing services *www.constellationhealthgroup.com*

US healthcare revenue management services provider **Constellation Healthcare** is recommending a $3.36 a share bid – equivalent to 270p a share – with $2.93 a share in cash and the other 43 cents in promissory notes. The unsecured promissory notes accrue interest at an annual rate of 5% and are repayable after seven years. The bid represents a multiple of 15 times forecast 2016 earnings and values Constellation at $309.4m (£248.6m).

The acquirer CC Capital is a private US firm that buys and builds growing businesses with strong cash flow. CC Capital believes that Constellation will be in a better position to grow as an unquoted business. The Constellation board believes that the price offered recognises growth prospects as well as the potential risks. Constellation can still hold discussions with rival bidders but it will have to pay a termination fee if a higher bid is received.

CONSTELLATION HEALTHCARE TECHNOLOGIES (CHT)			215p
12 MONTH CHANGE %	+20.1	MARKET CAP £M	196.4

The market for medical billing services in the US is $37bn. Constellation was expected to generate revenues of $128m in 2016 so there is plenty more to go for. Constellation has made a number of acquisitions since it floated on AIM at the end of 2014. At that time, Constellation was valued at £75m at 135p a share. The original shareholders have doubled their money in two years.

company news

Global automotive R&D growth fuels expansion at AB Dynamics

Automotive testing *www.abd.uk.com*

AB DYNAMICS (ABDP)			495p
12 MONTH CHANGE %	+60.9	MARKET CAP £M	87.9

Automotive testing and measurement products supplier **AB Dynamics** continues to grow ahead of its move into new premises later next year. Global demand for AB's products is increasing, with the automotive sector in China growing rapidly. Chinese automotive firms accounted for a quarter of AB's revenues last year.

There was a dip in global automotive R&D back in 2010 but it soon surpassed the previous high and is estimated at $109bn for 2015. AB has a global customer base. The product range will be expanded by the launch of a simulator that was developed jointly with the Williams Formula 1 team. This will assist in the development of new vehicles by reducing the number of prototypes required during development. A site has been leased for the demonstration model of the simulator.

AB has a global customer base

In the year to August 2016, revenues were 24% higher at £20.5m and pre-tax profit increased from £3.82m to £4.45m. The fastest growth is coming from track testing equipment – 74% of the total – but sales of lab testing equipment are also increasing. The dividend has been increased by 10% to 3.025p a share.

House broker Cantor Fitzgerald forecasts a pre-tax profit of £5.1m this year, ahead of the benefits of the new facility, and then £6.8m next year. There was already net cash of £10.4m at the end of August but the company has raised £5.4m from a placing at 475p a share and could raise a further £1m from an offer for subscription. The shares are trading on just under 22 times prospective earnings.

Tracsis delivers on second-half promise

Transport software and services *www.tracsis.com*

TRACSIS (TRCS)			510p
12 MONTH CHANGE %	+10.3	MARKET CAP £M	140.9

When it reported its interim figures, transport-related software and services provider **Tracsis** promised that the second half of its financial year would be much stronger and produce the vast majority of the year's profit. Tracsis has not disappointed in the past and it did not this year.

In the year to July 2016, the underlying pre-tax profit improved from £5.6m to £6.7m as revenues grew from £23.1m to £31.4m. The full-year dividend was increased by one-fifth to 1.2p a share. There was net cash of £10.7m at the year end, although there is potential deferred consideration of £6.15m payable for past acquisitions – a figure that could be generated from operations in one year.

The rail technology and services division grew organically even after stripping out an initial contribution from software company Ontrac, which was acquired last year. The remote-control monitoring equipment business generated lower revenues but this year it will benefit from a US contract. There is scope to diversify the customer base internationally and to move into new areas, such as monitoring of wind turbines.

Traffic & data services benefited from a contribution from traffic-planning services provider SEP in a stronger part of its financial year – the first half included a partial contribution during the off-season. This year SEP will make a much bigger contribution in the first half because it includes summer months.

Earnings per share were slightly flattered by a lower tax rate. A return to a more normal tax charge will hold back potential earnings growth this year to around 9% even though pre-tax profit is forecast to improve to £8m helped by a full contribution from SEP. The shares are trading on 21 times prospective earnings.

company news

Sirius secures cash required to finance Yorkshire fertiliser mine development

Fertiliser project developer *www.siriusminerals.com*

Sirius Minerals has secured the first phase of funding for its ambitious polyhalite project in North Yorkshire. The $1.2bn of funding has come via a combination of shares, convertible bonds and a royalty financing agreement. The share price has fallen back sharply over the past three months but this is not that surprising when such a large amount of money has to be raised and the shares are still more than double their level three years ago – but below the placing price. The risks have been reduced but there is still a long way to go.

The North Yorkshire project has high grades of nutrient-rich polyhalite. Despite the tough market background, Sirius has managed to raise £370m in a share placing and two-for-25 open offer to existing shareholders at 20p a share. The open offer of £37m was modestly oversubscribed.

Liberum believes the shares are worth 60p

There has also been a $400m guaranteed convertible bond issue and a royalty financing arrangement with Australian-owned Hancock British Holdings. The convertible bonds are due on 28 November 2023 and have an annual interest rate of 8.5%. The conversion price has been set at a 25% premium to the placing price at 30.76 cents a share – based on an exchange rate of $1.2304/£ at the time.

The initial cash will pay for the sinking of shafts and the second phase will cover surface infrastructure, underground transportation systems and the rest of the infrastructure required. Six banks have underwritten $700m of the remaining $2.6bn required to complete the project. Sirius believes that this cash can be raised without any further dilution for the shareholders.

Broker Liberum believes that the shares could be worth 60p each. This is a discount to a net present value calculation of 98p a share. The calculation assumes polyhalite production will commence in 2022 and will build up over the subsequent five years to 20 million tonnes a year.

SIRIUS MINERALS (SXX)			18p
12 MONTH CHANGE %	-4	MARKET CAP £M	770.4

James Latham defies margin pressures

Timber supplier *www.lathamtimber.co.uk*

Timber supplier **James Latham** traded strongly in the first half but margins are coming under pressure. In the six months to September 2016, revenues improved by 4% to £100m, partly through volume improvements and higher import prices. Pre-tax profit was 22% higher at £7.7m as overheads were held steady.

Net cash was £15.1m even though capital spending was higher during the period as progress is made in the relocation of older depots at Yate and Wigston. The pension deficit increased by £7.7m to £23.2m due to the fall in interest rates. The interim dividend has been raised from 4p a share to 4.5p a share. The shares go ex-dividend on 5 January.

JAMES LATHAM (LTHM)			695p
12 MONTH CHANGE %	+2.2	MARKET CAP £M	136.5

Revenues have continued to grow since the end of September but margins have slipped slightly and they could continue to be under pressure because of the decline in sterling.

Lower prices and exchange rates boosted margins in the second half of last year so the comparatives are tough. House broker Northland expects an increase in revenues from £186m to £196m but a decline in full-year pre-tax profit from £12.9m to £11.6m. That represents an operating margin of 5.9%, which is still slightly higher than the level in 2014-15. A full-year dividend of 15.7p a share will be covered three times by forecast earnings. The shares are trading on less than 15 times prospective earnings.

International income attractions at Beximco Pharma

Pharmaceuticals *www.beximcopharma.com*

Dividend

Beximco Pharmaceuticals has paid cash dividends for part of its time on AIM and in other years it has paid stock dividends – or sometimes a combination of both as in the past couple of years. For British investors, the level of cash dividend is complicated by movements in the exchange rate with the Bangladesh currency.

According to Morningstar.co.uk, the most recent dividend was worth 0.47p a share, while the previous dividend, which was double the level in local currency, was 0.89p a share. Bangladesh charges 20% tax on the dividend.

Beximco has ambitious investment plans. The company is in the middle of a capital investment programme worth $154.7m and net debt will peak at about $95m in 2017. This debt could be paid off by 2023 through cash generated from operations.

Business

Beximco manufactures and sells generic drugs in Bangladesh and it is increasingly growing in international markets to supplement its growth rate. The ordinary shares are traded on the Dhaka and Chittagong stock exchanges in Bangladesh. Beximco joined AIM via a GDR issue in 2005 – one GDR is equivalent to one ordinary share – and annual revenues have more than quadrupled over the past decade.

The original strategy was to make drugs affordable for the local population in Bangladesh. Beximco has done this by reverse engineering existing products and it sells more than 300 drugs. There is a World Trade Organisation waiver exempting the least-developed countries from enforcing IP rights on patented pharma products and this has been extended until the beginning of 2033. Beximco has been gaining approvals for drugs in additional countries and export sales are growing rapidly.

BEXIMCO PHARMACEUTICALS (BXP)	
Price (p)	52.75
Market cap £m	210.5
Historical yield	1.7%
Prospective yield	1.7%

Beximco secured US FDA approval for a manufacturing site as well as approval for carvedilol, a treatment for heart failure and hypertension. Exports of carvedilol to the US started in August and a second drug should be on the US market early next year.

The Bangladesh authorities told companies to change their financial year end to June and recent figures were for 18 months. Annualised revenues and profit continue to grow in double digits and the benefits of the move into the US market are yet to show through. First-quarter figures show revenues increasing from taka3.39bn to taka3.77bn, while pre-tax profit improved from taka572m to taka710m.

The taka exchange rate used by the company in 2014 was 121.45 to the pound but it is currently around 85. House broker Daniel Stewart expects annualised revenues to grow from taka13.8bn to taka15.9bn, with pre-tax profit rising from taka2.6bn to taka3.1bn.

Trading volumes can be limited but there are spikes in trading on news announcements, such as the US market entry. The shares are trading on less than nine times prospective earnings.

Dividend news

Property fund manager **First Property** maintained its interim pre-tax profit at £4.47m even though there was a sharp fall in non-recurring profit. This indicates that the quality of income is improving and the interim dividend has been increased by 4% to 0.4p a share. The NAV increased by one-fifth to 45.9p a share. This figure was boosted by the decline in sterling during the period. Poland accounts for 48.6% and Romania 4.8% of the property portfolio. The rest of the assets under management are invested in the UK, where management is positive about the outlook.

Data analytics provider **D4T4 Solutions**, formerly IS Solutions, is motoring ahead as it starts to benefit from cross-selling its original services and Celebrus software to their respective client bases. Interim revenues were 18% ahead at £10m and pre-tax profit was a quarter higher at £2.1m. The interim dividend rose by the expected 10% to 0.55p. A fullyear dividend of 2.2p would be 4.5 times covered by forecast earnings. Non-executive director Peter Simmonds has used some of the cash from his DotDigital share sale to buy 70,000 shares in D4T4 at 142p each, but Helium Rising Stars has more than halved its stake to 1.7%.

Telecom services provider **AdEPT Telecom** reported better than expected interims and increased its dividend by 25% to 3.75p a share. The full-year dividend is forecast to be 7.5p a share. Net debt was £10.8m at the end of September 2016, following the acquisition of Comms Group UK. Revenues grew 19% to £16.5m via a combination of an initial contribution from Comms and organic growth. The growth in profit from the managed services business is more than offsetting the decline in the fixed-line operations. A full-year pre-tax profit of £6.4m is forecast and the expected dividend will be covered three times by earnings.

Expert view: The broker

A lower-risk molecule

By Vadim Alexandre

"Low risk" is not normally synonymous with drug development. However, sometimes a molecule's therapeutic efficacy has a substantial amount of evidence supporting it, making the treatment a lower-risk investment when compared with its peers. AIM's Evgen Pharma* (Evgen) – a clinical-stage drug development group focused on the treatment of cancer and neurological conditions – is conducting research on just such a treatment. The business's core technology, Sulforadex, allows for the production of a synthetic and stable version of the naturally occurring compound sulforaphane, the medical prospects of which have been overwhelmingly demonstrated in several disease indications.

Sulforaphane is a naturally occurring molecule derived from brassica vegetables such as broccoli. Over the past twenty years, a growing body of academic research has shown sulforaphane to have an effect in the treatment of several cancers and neurological disorders, including breast and prostate cancer, stroke, traumatic brain injury, multiple sclerosis and Alzheimer's disease, among several other conditions. Given the substantial body of evidence supporting sulforaphane's therapeutic potential, we estimate that the molecule exhibits a favourable risk-return profile as a drug-development candidate.

Unlocking the potential of sulforaphane…

Although brassica vegetables are a good source of sulforaphane, reaching therapeutic doses would require the daily consumption of several kilograms of these vegetables. For this reason, there is a need for a synthetic, high-concentration and stable form of sulforaphane to be produced, ideally to be delivered in pill form.

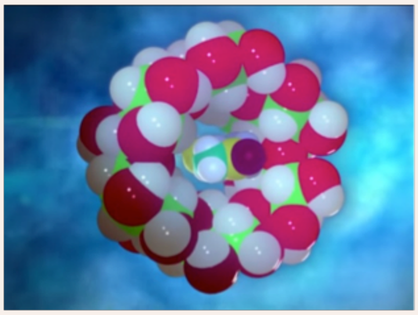
The difficulty in creating such a pill is that sulforaphane is highly unstable. Currently, sulforaphane needs to be stored and shipped at -20 degrees Celsius to maintain its stability, making it challenging to store and to administer to humans. If sulforaphane were to be stored at room temperature, it would undergo a significant loss of activity after just a few months. As such, despite the large body of evidence supporting the molecule's potential as a treatment for various diseases, the practical considerations surrounding the drug's storage and delivery have hindered the clinical development of the treatment.

Evgen's Sulforadex® technology allows for the delivery of a stable version of sulforaphane, namely SFX-01, unlocking the medical and commercial potential of the drug. Sulforadex stabilises sulforaphane in a lattice of sugars (see figure), enabling the molecule to be kept stable in powder form for over 24 months. This innovation is a major breakthrough for sulforaphane, as it allows the molecule to be delivered in high concentrations in conventional pills or capsules.

Having been tested on animals and humans, SFX-01 has demonstrated the ability to deliver significant sulforaphane concentrations to blood plasma, indicating that the stabilising sugar lattice does not inhibit sulforaphane absorption by the human body. The treatment has also been shown to have an equivalent half-life and to be equipotent to sulforaphane, supporting the fact that the treatment is equivalent to sulforaphane.

Evgen's Sulforadex technology allows for delivery of a stable version of sulforaphane

SFX-01



…and locking down its use

Evgen is positioning itself to become the world's unique provider of sulforaphane and sulforaphane-like pharmaceuticals. The group is already a first-mover in the area, having the only sulforaphane-based pharmaceutical product, SFX-01, in clinical development. Today, SFX-01 is in Phase 2 trials for two indications, and the treatment has the potential to target several further indications. Evgen has also in-licensed a range of novel sulforaphane analogues, under a worldwide exclusive agreement with the University of Seville and the Spanish Research Council. This agreement provides a pipeline of future potential sulforaphane-like treatments and effectively locks down the sulforaphane landscape, substantially increasing barriers to entry for potential competitors.

Given Evgen's lockdown on sulforaphane's delivery and use – and the substantial evidence of the molecule's therapeutic properties – we estimate that the company provides a unique investment opportunity.

**Northland Capital Partners Ltd acts as Nomad and Broker to Evgen Pharma plc*

VADIM ALEXANDRE is head of research at Northland Capital Partners

Expert view: The lawyer

An opportunity missed – recoverability in law for loss of chance

By Simon Charles

How often do we hear the words: "If only…", and "But I would have got X if Y hadn't got in the way/ not happened" and so forth. We are often asked as solicitors whether a so-called "loss of chance" or "lost opportunity" is recoverable as a matter of law and, if so, what the basis of damages would be. There is a long and venerable body of case law in existence which sets out the principles the courts apply in considering the recoverability or otherwise of damages between parties for breach of contract but the case law on the recoverability of loss of chance, falling outside contract law, has been less well developed.

The Court of Appeal recently handed down judgment in the case of **McGill v The Sports Entertainment Media Group** [2016] EWCA Civ 1063. The case gives us a very helpful overview and reminder of the doctrine of lost opportunity and shows us that the law continues to develop in this area. The case raises a number of issues which are not considered in this brief overview but it is an interesting case on an interesting area of law and I draw it to your attention.

Breach of contract

This case involved a football agent who sued another football agent for, among other things, inducing a professional football player to breach his contract with the claimant. The footballer's career involved his eventual transfer to Bolton Wanderers, the wisdom or otherwise of which is mercifully beyond the scope of this note. The claimant's case included allegations that the defendant had unlawfully induced a breach of contract by cutting him out of a transfer deal which he had arranged for his football player client, thereby denying him the opportunity to receive his not inconsiderable fee of some £300,000 either from the player or from Bolton itself.

The claimant's contract with the player was oral only. Under the relevant regulations of the FA that were in force at the time, such contracts were required to be in a standard form and reduced to writing. Those regulations did not have statutory force however.

The claimant had previously claimed for breach of contract against the footballer and those proceedings settled on a full and final basis between those parties for £50,000.

Subsequently, the claimant issued proceedings against the second agent. He asserted that the second agent had become aware of the Bolton arrangement which the claimant had effected, and had induced the footballer to breach his contract with the claimant. This had resulted in the defendant being unable to assume that arrangement and to see it through to finalisation and completion on almost identical terms to those originally arranged, with the result that it was the defendant that was to pocket the commission and not the claimant.

Appeal

The Court of Appeal held that the claimant was entitled to be made an award of damages against the defendant replacement agent for the loss of his chance to earn a fee under a written agency agreement with the player. It found that the claimant's loss was the opportunity to receive the commission from either the footballer or Bolton under a written agreement which would have satisfied the FA regulations, because the claimant's loss was the loss of a chance to obtain that pecuniary advantage (the commission). This of course depended on the future actions of a third party or parties other than the claimant.

The High Court at first instance found that the chance of the claimant entering into a compliant written agreement with the footballer fell below 50%. The Judge rejected the claim because he found that the claimant had accordingly failed to show that on the balance of probabilities (less than 50%), he would have obtained a written (and therefore compliant) agreement and accordingly the commission. The High Court found the claimant had failed to show the necessary causation on the balance of probabilities.

Overturning the original judgment, the Court of Appeal found that there was a "real or substantial chance" that but for the defendant's unlawful interference in the oral contract, the footballer would have entered into a compliant written agreement with the claimant which is what the oral agreement contemplated. Accordingly, contrary to the High Court's finding, the vital element of causation attributable to the defendant's unlawful interference had been established.

The question of the level of damages was to be assessed by reference to the relevant percentage with regard to the chance, judged by the Court, of the claimant actually obtaining the benefit the subject of the claim. The Court of Appeal remitted the matter back to the High Court for the purpose of assessing the percentage likelihood that the footballer would have actually entered into a written agreement with the claimant. It would be that multiplier which would be applied in calculating the eventual level of damages for the loss of the opportunity claimed.

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feature

December flotations rise again

A rise in the number of potential AIM new entrants this month has been pointed out in the press but this is not unusual for December and does not necessarily imply a general upturn.

At least seven companies are already set to join AIM this month and it might become one of the most active months this year for new admissions. December can tend to be an active month, though, as companies seek to complete their flotation ahead of the end of the year.

In the seven years from 2009, following the global economic slump, December has had the most flotations in a single month in three of those years and raised the most money in a month in two of them. In 2009, seven of the 36 new entrants were in December and they raised one-fifth of the new money.

The worst year was 2011 when there were three new admissions in December compared with 90 for the year. Every other year, between 10% and 15% of new admissions were in December.

Last year, £318.4m of the £1.16bn raised by AIM admissions was generated in December – although it was mainly attributable to large acquisitions by two existing AIM companies, Alliance Pharma and Benchmark. That was not a prelude to a strong new-issues market in 2016. January and February tend to be quiet months, with March normally one of the most eventful months for new entrants but there were a relatively modest nine this year, raising £137.9m – and that included three readmissions.

There were seven new entrants in June, including one readmission, and 13 in May, including three readmissions, with lower numbers in each of the other months. Around one-third of the £1.06bn raised by new admissions so far this year was raised in May and June.

> In 2015, £318.4m of the £1.16bn raised by new entrants was generated in December

December 2016

Putting Asian Growth Properties Ltd to one side because it is being reintroduced following a change in domicile from the British Virgin Islands to Bermuda, there are seven companies that say that they are likely to join AIM this December. ThinkSmart, which provides digital, paperless and retail point of sale finance services via its SmartCheck technology, has already switched from ASX to AIM via an introduction on 2 December, leaving six more to come.

December is not only set to be one of the most active months in terms of number of new entrants, it could also be a strong month for money raised.

Diversified Gas & Oil currently has debentures quoted on ISDX but the US-focused oil and gas producer is set to raise $60m from an ordinary share issue on AIM. Diversified generated revenues of $13.6m in the nine months to September 2016 and it continues to buy oil and gas production assets.

Oxford BioDynamics has raised £20m – with the company getting £7.1m and the rest going to existing shareholders – and this values the biomarkers developer at £136m. Oxford BioDynamics has developed, and is generating revenues from, epigenetic biomarkers for use by pharma and biotech companies. Biomarkers are a rapidly growing market, particularly for use in personalised medicine. The company's EpiSwitch platform can help pharma companies to develop new drugs more efficiently.

Surgical endoscopy products developer Creo Medical Group is raising £20m to further develop its electrosurgical energy generation and control technology. Creo wants to launch a range of medical instruments for gastrointestinal therapeutic endoscopy before moving into other markets. Regulatory approval is expected in Europe next year and in the US the following year.

ECSC is a cyber-security business that assesses risk, identifies potential problems and implements technology for its customers. Bradford-based ECSC was formed in 2000 and wants to raise £5m of new money. That would value the company at £15m.

Video analytics technology provider Big Sofa is not a new name to AIM because it was originally going to reverse into former AIM company New World Oil and Gas but that deal fell through because of concerns about the shell. Instead, Big Sofa is reversing into another Adam Reynolds controlled shell, HubCo Investments, which had previously been quoted on ISDX but failed to secure a deal in sufficient time to retain that quote. HubCo has never had another business so there are no legacy issues. Big Sofa Technologies, as it will be renamed, is raising £6.1m at 17p a share, valuing the enlarged share capital at £9.5m.

Mongolia-focused property investor and cement manufacturer Asia Pacific Investment Partners is covered on page 1. There is no guarantee that all these companies will float. However, there could be additional flotations this month. Just do not assume that this increased level of interest from new admissions will continue.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Financials	16.3	17.6
Consumer services	18.1	10.9
Healthcare	15.5	9.1
Industrials	13.9	16.4
Technology	10.1	11.7
Consumer goods	8.9	6
Basic materials	8.3	15.2
Oil & gas	6.5	10.5
Telecoms	1.4	1.5
Utilities	0.9	1.2

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	819	+11.1
FTSE AIM 50	4549.29	+13.3
FTSE AIM 100	3932.96	+13.4
FTSE Fledgling	8578.68	+10.8
FTSE Small Cap	4923.3	+7.6
FTSE All-Share	3692.4	+5.7
FTSE 100	6783.79	+6.7

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	208
£5m-£10m	109
£10m-£25m	194
£25m-£50m	145
£50m-£100m	153
£100m-£250m	111
£250m+	75

KEY AIM STATISTICS

Total number of AIM	995
Number of nominated advisers	33
Number of market makers	49
Total market cap for all AIM	£80.9bn
Total of new money raised	£99.1bn
Total raised by new issues	£41.6bn
Total raised by secondary issues	£57.5bn
Share turnover value (2016)	£26.5bn
Number of bargains (2016)	5m
Shares traded (2016)	332.1bn
Transfers to the official list	182

TOP 5 RISERS OVER 30 DAYS

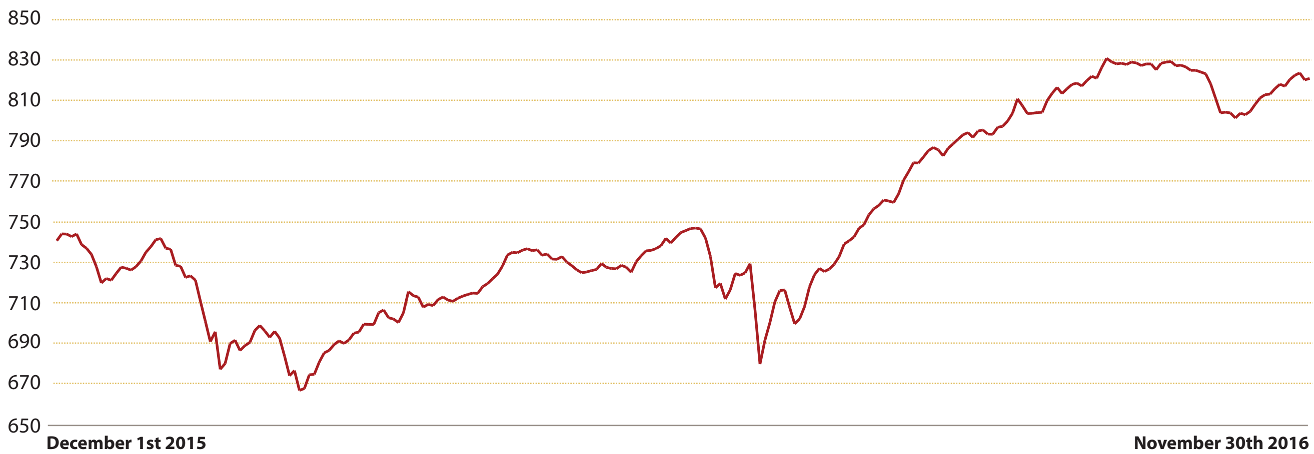
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
BOS Global Holdings Ltd	Software	13.5	+315.4
GCM Resources	Mining	41	+190.3
Weatherly International	Mining	0.92	+184.6
MediLink-Global Ltd	Software	1.75	+180
Amur Minerals Corporation	Mining	10.5	+162.5

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
The People's Operator	Telecoms	6	-63.6
Milestone Group	Media	0.45	-61.7
African Potash	Mining	0.09	-55
Sirius Minerals	Mining	18	-53.3
Kimberly Enterprises NV	Property	0.37	-53.1

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th November 2016, and we cannot accept responsibility for their accuracy.

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Northland Capital Partners

Based in London, Northland Capital Partners Limited is an independent institutional stockbroker and corporate adviser. Northland enables growth companies to access capital and offers a full nomad service to AIM-quoted small and midcap companies. It has excellent connections with investors, providing them with equity research, advice and trading services. Northland has assembled a team of highly motivated and experienced professionals that aims to deliver unparalleled service to our clients.

Northland has a strong track record in advising and raising funds for growth companies. We always aim to provide innovative ideas and solutions that will enable our clients to fulfil their long-term growth ambitions in a wide range of sectors, including healthcare, TMT, consumer, resources and support services.

As the most successful growth market in the world, AIM is an important platform for helping small companies raise capital. At Northland, we see the AIM Journal as an opportunity for investors to learn more about the many great companies quoted on AIM.

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Marriott Harrison LLP is pleased to be sponsoring the AIM Journal. We are firmly embedded in the AIM community as legal advisers to nomads and brokers, investors and public companies, with a well-respected team of partners and associates with good experience and strong track records in the market. The backgrounds of our 12 corporate partners with Magic Circle, other significant City and international law firms stand us in good stead in advising on legal issues arising out of corporate finance transactions. Two of the partners in the team, Simon Charles and Andrew Williamson, formerly worked as nomads and Main Market sponsors. The team has international capability, with particular expertise in the film and television production, healthcare and life sciences, leisure and hotels, technology, music, recruitment, renewables and cleantech, resources, retail and telecoms sectors.

We host a regular Nomad Forum which has been established to provide nomads with the opportunity to discuss AIM regulatory issues on a Chatham House basis, and to provide briefings on key legal developments. Submissions are often subsequently made to AIM Regulation as a result of discussions held.

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