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AIM JOURNAL

In this issue

GT Energy considers 2013 float

Geothermal heat projects developer GT Energy is considering a flotation on AIM in 12 to 18 months' time. This follows its recent agreement with electricity generator E.ON to develop five deep-geothermal heat and distribution systems that would have a generating capacity of 500MW.

The five plants will require total investment of €125m (£100m). These projects are in northwest England and they will use the heat that occurs naturally a few kilometres underground. The projects will take advantage of the GB's Renewable Heat Incentive. It is estimated that the UK could generate 100GW of electricity from geothermal sources, although it will take a long time to tap even a small percentage of this power. A study by consultancy Sinclair Knight Merz suggests that 4GW of geothermal electricity could be generated in the UK each year by 2030.

Ireland-based GT wants to raise up to €15.5m over the coming year on the back of the E.ON news prior to any flotation. The initial fundraising will be €3m, with the rest likely to be raised early next year.

GT has received planning permission for the first geothermal electricity plant in Ireland. This plant, which is south of Dublin could be operational by the end of 2012. There is another potential project in Ballymena, Northern Ireland but the Renewable Heat Incentive does not yet cover Northern Ireland.

NBNK to return cash

Cash shell NBNK Investments could not agree terms with Lloyds Banking Group over the purchase of its Verde package of banking assets and the NBNK board believes that there are no other suitable acquisitions to pursue. It will therefore be returning cash to shareholders two years after it raised £50m at 100p a share.

According to the Business XL Cash Shells Directory 2012 published by Vitesse Media (contact: samantha.coles@vitessemedia.co.uk), NBNK is the AIM cash shell with the most cash. The latest published cash figure for NBNK is £41m while all 34 AIM cash shells in the report had a total of £229.8m in the bank, up from £197.1m a year earlier when there were 30 companies. NBNK accounts for 18% of the total. There are seven other AIM shells with £10m or more in the bank.

However, the NBNK figure is a year out of date and there have been subsequent costs in trying to secure an acquisition. Management says that it should be able to return nearly 40% of the cash it originally raised – £20m (40p a share).

NBNK obtained the backing of a number of institutions when it joined AIM and they include Invesco, Aviva, Baillie Gifford, F&C and Blackrock.

general news

Fairy Fox continues resurgence of Chinese floats

Chinese flotations have been making a comeback. In just over three months half a dozen Chinese and east Asia-focused companies have joined AIM and fashion retailer Fairy Fox is set to follow them.

One of the attractions of many of the latest Chinese flotations is that they are sizeable businesses making profits and floating at attractive valuations. Fairy Fox is even promising a 6% dividend yield for its first full year as a quoted company. It hopes to raise up to £13m which will value the company at £61m – a multiple of five times earnings.

The Fairy Fox brand is focused on men and women between 16 and 28 years old in third-tier cities in China. These cities can still have a population of five million people and Fairy Fox already has 859 outlets. All but three of these stores are owned by distributors that buy clothes from Fairy Fox at a 50% discount. They pay 30% on delivery and the rest up to 90 days later.

Fairy Fox will use the cash raised to open more of its own stores while continuing to grow the number of distributor-owned outlets and thereby retain more gross margin. It also plans to grow its ecommerce activities.

Fairy Fox is not the only Chinese company paying a dividend. Components and IT devices supplier Kada Technology floated at a valuation of £103m, having reported a pre-tax profit of $13.6m in 2011. Kada is forecast to increase its profit to $18m in 2012. A dividend yield of 3% is forecast.

NWF stake sale

Atorka's 25.2% stake in groceries, fuel and feed distributor NWF has been bought for 124p a share by AO fjarfestingarfelag ehf (AOF), which has been formed to hold assets for several Icelandic pension funds. The NWF share price was 93p prior to the announcement of the sale. Although the deal price is a large premium to the market price it is unclear if the reason for the high price was more to do with the requirements of the deal for Atorka, which is due to be wound up once it sells its 27% stake in AOF, rather than a view on the underlying value of NWF.

Pension funds in Iceland have limited opportunities to invest in overseas assets because of currency controls, which makes the NWF stake attractive to them.

Rockhopper secures Sea Lion finance from Premier

Falkland Islands oil explorer Rockhopper Exploration has secured fully listed Premier Oil as its farm-in partner for the Sea Lion oil discovery north of the Falkland Islands. Premier will invest $1bn to earn a 60% stake in Sea Lion and it will also become operator of the field with a view to starting production in 2017.

The deal, which requires the approval of the Falkland Islands government, values the Sea Lion field at $1.7bn, which is well down on the estimated value of $4.7bn. That reflects the challenging nature of the engineering requirements of the field and the political uncertainty in the region.

Premier is making an upfront payment of $231m, and has an exploration carry of $48m and a $722m development carry.

Premier will also provide standby financing to cover additional development spending if Rockhopper wants to take it. All this means that Rockhoper will be fully funded for its share of the development cost. The deal covers six licences in the North Falkland Basin.

There is an additional element to the agreement which covers an Area of Mutual Interest (AMI) covering the North Falkland Basin and South Africa, Namibia and southern Mozambique, which is geologically similar. Premier will finance the first $120m gross of expenditure, worth $48m net to Rockhopper, in this area. Rockhopper will lead the exploration.

Westhouse Securities believes that the political issues mean it would have been better for a non-UK oil major, such as Exxon or Chevron, to be the partner and they would have also been better placed to develop an infrastructure in the Falkland Islands. Westhouse argues that a mini-Aberdeen needs to be created.

advisers

Religare gives up nominated adviser status

Religare Capital Markets has asked to be removed from the register of nominated advisers. Religare changed its name from Hichens Harrison in March 2010.

Back in 2008 Indian financial services provider Religare Enterprises acquired broker Hichens Harrison, which was founded in 1803, for £55.5m in cash. Regency Mining and Red Rock Resources recently replaced Religare as nominated adviser with Grant Thornton. These were the two remaining nominated adviser clients of Religare.

Evolution Securities has also given up its nominated adviser status following its acquisition by Invesco.

VSA Capital is still seeking to become a nominated adviser and it has employed the qualified executives that it requires to gain the status. These include James Pinner, Derek Crowhurst and Peter Trevelyan-Clark, who all joined from Religare.

VSA has to complete enough qualifying transactions to prove its competence and once this has been done it will apply to the London Stock Exchange for nominated adviser status. This could be obtained by the end of this year.

VSA wants "to become the leading independent resource focused investment bank in London". The broker has 26 mandated clients, not all of which are on AIM.

Plus-quoted Rivington Street Holdings has finalised the sale of 50.1% of Rivington Street Corporate Finance, which has changed its name to Peterhouse Corporate Finance. The original deal was to sell the whole business to management but Rivington Street decided that it made sense to retain a significant minority stake.

Peterhouse Capital has paid £300,000 for the 50.1% stake and Rivington Street has "ongoing profit participation and fees from a fixed monthly facilities contract". The original deal announced at the end of 2012 valued the broker at £3m, with £2.7m in the form of a five-year loan and the rest in cash. Peterhouse had paid £150,000 in cash at the time of that announcement. The business was acquired by Rivington Street for £681,000.

In the six months to February 2012, the broker made a profit of £279,000 on revenues of £788,000. Peter Greensmith continues to run the broker.

ADVISER CHANGES - JUNE 2012

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Croma Security Solutions Group	WH Ireland	N+1 Brewin	WH Ireland	N+1 Brewin	01/06/2012
Sefton Resources Inc	Fox Davies/Dowgate	Fox Davies/Dowgate	Fox Davies	Northland	01/06/2012
Lombard Risk Management	Charles Stanley	Allenby	Charles Stanley	Allenby	06/06/2012
Shariah Capital Inc	Allenby	Investec	Allenby	Investec	06/06/2012
AFC Energy	MC Peat	Allenby	Allenby	Allenby	07/06/2012
Autologic Holdings	Cenkos	Canaccord Genuity	Cenkos	Canaccord Genuity	07/06/2012
Sierra Rutile	RBC/Mirabaud	Canaccord Genuity	RBC	Canaccord Genuity	07/06/2012
Aisi Realty Public	Liberum	Seymour Pierce	Liberum	Seymour Pierce	11/06/2012
Lochard Energy	Merchant Securities/finnCap	finnCap	finnCap	finnCap	11/06/2012
Churchill Mining	Northland	Midas	Northland	Northland	13/06/2012
Green Compliance	N+1 Brewin/Canaccord Genuity	Canaccord Genuity	N+1 Brewin	Canaccord Genuity	13/06/2012
Kalimantan Gold	VSA	Alexander David	RFC Ambrian	RFC Ambrian	13/06/2012
Anturion Ltd (Plus-quoted)	Fairfax IS/Rivington Street	Rivington Street	Fairfax IS	na	14/06/2012
Ilika	Numis	Nomura Code	Numis	Nomura Code	14/06/2012
Mercom Oil Sands	Beaufort International/Libertas	Libertas	Libertas	Libertas	14/06/2012
Fitbug Holdings	Hybridan/Seymour Pierce	Seymour Pierce	Seymour Pierce	Seymour Pierce	15/06/2012
iPoint-media	Libertas	Cairn	Rivington Street	Cairn	15/06/2012
Rapid Realisations	Singer	Singer	Singer	Grant Thornton	15/06/2012
Mediterranean Oil & Gas	Liberum/GMP	GMP/Panmure Gordon	Liberum	Panmure Gordon	18/06/2012
Jarvis Securities	WH Ireland	Westhouse	WH Ireland	Westhouse	20/06/2012
Ukrproduct Group Ltd	Seymour Pierce/SP Advisors	Seymour Pierce/SP Advisors	Seymour Pierce	WH Ireland	21/06/2012
Mountfield Group	WH Ireland	First Columbus	WH Ireland	Cairn	25/06/2012
Premier Gold Resources	Merchant Securities	Rivington Street	Merchant Securities	Libertas	27/06/2012
Argos Resources Ltd	Cenkos	Evolution	Cenkos	Evolution	29/06/2012
Braveheart Investment Group	Merchant Securities	Merchant Securities/ Seymour Pierce	Merchant Securities	Seymour Pierce	29/06/2012
Horizonte Minerals	finnCap	finnCap/Panmure Gordon	finnCap	Panmure Gordon	29/06/2012
Manx Financial Group	Beaumont Cornish	Fairfax IS	Beaumont Cornish	Beaumont Cornish	29/06/2012
Oracle Coalfields	Seymour Pierce/Novus	Novus Libertas	Seymour Pierce	Libertas	29/06/2012

company news

i-design contract wins underpin future profitability

Cash machine advertising software *www.i-designplc.com*

Cash machine advertising software developer **i-design** continued to be profitable in the six months to March 2012, having moved into profit for the first time in the previous six months. Recent contract wins provide confidence that profitability can be sustained and an upturn in the advertising sector could further boost revenues.

The new contracts underpin expectations of further growth in revenues for the full year. Advertising costs grow in line with advertising revenues while the overhead cost base should not need to be increased significantly. This means that as income grows more of it will fall through to profit.

Revenue increased from £1.43m to £1.61m even though the advertising market was tough. The number of machines taking third-party advertising was broadly unchanged in the period, with the growth in cash machine numbers coming from clients that only advertise their own products. High-margin software sales were strong in the period, rising from £310,000 to £553,000. A pre-tax profit of £45,000 was made in the first half compared with a £105,000 loss in the comparative period.

The latest contract is with First Data Corp

Since March, Barclays and Cardtronics have each acquired licences for 1,500 cash machines, with the latter using them in the US and Canada. The latest contract is with First Data Corp, which is acquiring licences for one of the UK banks it has as a client.

This takes the number of cash machines using the software to around 28,000, with 8,000 taking third-party advertising. Moving more cash machines to third-party advertising would help to accelerate growth. Major consumer brands are already using the system.

I-DESIGN (IDG)			47p
12 MONTH CHANGE %	+32.4	MARKET CAP £M	6.63

Net cash was £802,000 at the end of March 2012 and i-design should be cash generative from now on so it will not need to come back to the market for additional finance.

Full-year underlying profit is expected to edge up from £136,000 to £178,000. The shares are trading on nearly 40 times Edison Investment Research forecast earnings of 1.2p a share. This rating should decline rapidly as profit grows over the next couple of years.

Real Good Food deal with Mauritius-based Omnicane

Food ingredients, bakery products *www.realgoodfoodplc.com*

Sugar producer Omnicane International Investments has taken its stake in **Real Good Food** to 20%, following a £2.4m investment at 60p a share – an 8% premium to the then market price. This will provide the ingredients and cakes supplier with an opportunity to accelerate its growth.

Omnicane is the largest sugar producer in Mauritius and it has duty free access to the EU market. Omnicane has developed a low-cost model of cane sugar refining combined with electricity

REAL GOOD FOOD GROUP (RGD)			51.75p
12 MONTH CHANGE %	- 25.5	MARKET CAP £M	35.8

co-generation and it wants to use its technological expertise around the world.

Omnicane's wish to sell in the EU fits well with Real Good Food subsidiary Napier Brown's distribution expertise in the sugar market. Omnicane also wants to develop joint ventures in sugar production and to sell Real Good Food products in Africa. Ominicane will appoint a representative on the Real Good Food board.

Real Good Food reported figures for the 15 months to March 2012 that showed an underlying pre-tax profit of £4.91m on revenues of £305.5m. The January-March period is the quietest quarter of the year and these figures included two of these periods.

Napier Brown and the ingredients businesses both showed like-for-like profit growth but Haydens Bakeries reported a higher loss. Net debt was £28.7m at the end of March 2012, prior to the latest cash injection.

company news

Silverdell widens range of services and boosts order book

Decommissioning services *www.silverdell.co.uk*

Asbestos removal and decommissioning services provider **Silverdell** has completed the earnings enhancing acquisition of EDS Group and it will help to boost its second-half figures. The enlarged group is also winning new orders.

Revenues rose 12% to £31.4m in the six months to March 2012 but profit fell from £1.07m to £968,000 as Silverdell invested in expanding its management team. Annual cost savings of £1.4m were made prior to the EDS acquisition but there is little overlap between the two businesses.

The growth in revenues came from the consulting division and its improved profit contribution partly offset higher overheads and a lower contribution from remediation services.

EDS provides decommissioning and dismantling services and the main customer base are the chemicals, pharmaceutical and power generation industries. Customers include Rolls-Royce, GlaxoSmithkline and Rio Tinto. The acquisition provides cross-selling opportunities and enables expansion into Canada and Australia. An initial £15m was paid in cash and shares with potential deferred consideration of up to £3.6m. Managing director Darren Palin is staying with the business and he is investing £300,000 of the sale proceeds in Silverdell shares.

> The acquisition provides cross-selling opportunities

A £8.81m placing at 11p a share helped to finance the acquisition of EDS. Prior to this, net debt was £6.7m at the end of March 2012 and it is expected to fall to £6m by the end of September 2012. New facilities have been secured with HSBC since the EDS purchase.

SILVERDELL (SID)			12.88p
12 MONTH CHANGE %	+ 15.8	MARKET CAP £M	40.3

Silverdell and EDS already had a joint venture that won a £304m framework contract for Magnox. Only part of this is in the order book. The combined order book is £209m, with £46m relating to the rest of this financial year and £92m next year.

House broker finnCap forecasts a profit of £5.1m on revenues of £78m in the year to September 2012. A full-year contribution will help revenues increase to £133m and push profit to £9.9m in the following year. The shares are trading on eight times prospective 2011-12 earnings, falling to less than six the following year.

KBC moves upstream with latest purchase

Refinery consultancy *www.kbcat.com*

Refinery consultancy and software provider **KBC Advanced Technologies** is widening its customer base through the acquisition of Infochem Computer Services, and this is a deal that will be immediately earnings enhancing. Infochem takes KBC into the upstream oil and gas sector.

KBC is paying £9.5m, net of £1.4m cash in the balance sheet, for Infochem, which supplies reservoir fluid modelling software, with £1.9m payable in 12 months. The Multiflash software enables oil companies to extract as much oil as possible from fields. This is a high-margin business and there were other potential buyers. In 2011, Infochem generated a profit of £600,000 from revenues of £1.2m and demand is strong for software and consultancy.

KBC ADVANCED TECHNOLOGY (KBC)			77.5p
12 MONTH CHANGE %	+ 11.5	MARKET CAP £M	43.4

Infochem could also open up the upstream oil and gas market for KBC's Petro-SIM software, which up until now has been used in refineries, and the two can jointly develop future software. Schlumberger is a reseller of Infochem software.

KBC is forecast to move from net cash of £5.82m at the end of 2011 to net debt of £2.06m at the end of 2012 due to the acquisition. KBC should return to a net cash position in 2013. House broker Cenkos forecasts a 2012 profit of £7.1m, rising to £7.9m the following year. The contribution from Infochem is helping to offset the reduction in Pemex business during 2013.

Proximagen acquisition strategy pays off with Upsher-Smith bid

Drug developer *www.proximagen.com*

Proximagen has secured an attractive bid from Upsher-Smith Laboratories Inc, which is already a partner of the drug developer.

Minnesota-based Upsher-Smith is offering 320p a share in cash plus up to 192p a share by way of a contingent value right (CVR). Excluding the contingent value of up to £133.8m, the bid values Proximagen at £223m. Upsher-Smith already owns 7.6% of Proximagen.

In July 2008, the two companies entered an agreement concerning PRX1, a programme for the treatment of Parkinson's disease based on an improved version of L-Dopa – a known treatment. At the time, Proximagen said that the upfront and milestone payments alone could come to $232m, most of which has yet to be paid, plus double-digit royalties on sales. There was a subsequent agreement relating to migraine treatment Tonabersat.

Proximagen shareholders have ongoing exposure to the success of two drugs

Proximagen raised £49m net at 140p a share in June 2009 in order to make acquisitions and subsequently bought Minster Pharmaceuticals and Cambridge Biotechnology.

Shareholders will receive one CVR share for each Proximagen share they hold. The CVR value is based on 57.5% of revenues after development costs for VAP-1 and 39.5% of revenues after development costs for PRX00933, an obesity treatment, and it lasts for five years. VAP-1 is a treatment for inflammation and a phase I study is underway. The treatment could be out-licensed in 2014. Upsher-Smith will attempt to out-license PRX00933 following completion of the takeover. Phase II trials showed dose dependent weight loss.

PROXIMAGEN (PRX)			370p
12 MONTH CHANGE %	+ 179.2	MARKET CAP £M	233.5

If Upsher-Smith is taken over before the end of the CVR term then Proximagen shareholders will receive the full 192p a share. The deal will save Upsher-Smith money because it will not have to pay out the remaining cash for the PRX1 deal and it will get a cash injection of £48m, while it also offers Proximagen shareholders ongoing exposure to the success of two of its drugs.

Berkeley progresses Zambian tailings project

Tailings processor *www.bmrplc.com*

Tailings processor **Berkeley Mineral Resources** (BMR) is on course to commence processing of lead/zinc tailings at Kabwe in Zambia. There should be 7,000 tonnes of metal in the stockpiles on the site. Tailings projects are attractive because there are no exploration costs and it is easier to assess how much metal is in the stockpile. BMR has obtained a large-scale mining licence for Kabwe, which also enables the company to extract metal from the old mines. A joint venture partner will be sought if any mining is planned. Decisions still have to be made on how to commercialise the project. There is existing processing plant on the site that can be redeveloped. The capital cost of a new plant could be up to $11m. An offtake agreement will be secured before production starts. The washplant slimes could be saleable without further processing.

BERKELEY MINERAL RESOURCES (BMR)			3.28p
12 MONTH CHANGE %	- 26.3	MARKET CAP £M	35.5

BMR reckons that it can make an average operating profit of $14m a year over the 11-year life of the project. BMR has plenty of cash for its immediate needs. There was £9.3m in the bank at the end of 2011. There are warrants exercisable at 6p a share, which could raise a further £7m. BMR plans to add copper tailings projects to its portfolio. BMR has an option to acquire 80% of the Chingola project north of Kabwe, where tailings are thought to contain 1.45m tonnes of copper, but there are problems with due diligence.

Eckoh gains recognition for growth

Speech recognition services *www.eckoh.com*

Dividend

Speech recognition services provider Eckoh has not been paying dividends for as long as many other AIM companies but, despite the relatively modest level of the current payment, there is scope for growth over the next few years.

Last year, Eckoh paid a maiden dividend of 0.1p a share and the latest dividend was doubled to 0.2p a share. The shares do not go ex-dividend until 22 August.

Analysts forecast pre-tax profit of around £1.6m for the year to March 2013. The forecast dividend is 0.25p a share. That should be covered more than three times by earnings. A dividend of more than 0.3p a share is forecast for the following year, which would still be covered more than three times by 2013-14 forecast earnings.

Net cash has increased to £6.37m by the end of March 2012 and the business should continue to be cash generative. A deferred tax asset of £1.3m has been recognised and there is a further £3.2m that can be recognised. No tax will be payable for at least the next couple of years. Edison Investment Research forecasts a cash pile of £9.2m by the end of March 2014 – nearly two-thirds of forecast net assets.

Business

Eckoh reported improved revenues and margins in the year to March 2012. Revenues grew 15% to £10.4m and 87% of these revenues are recurring. Gross margin improved from 74% to 76% and growth in overheads was not as fast as for revenues. Underlying operating profit improved from £627,000 to £1.11m.

ECKOH (ECK)	
Price	11.25p
Market cap £m	22.9
Historical yield	1.8%
Prospective yield	2.2%

An unnamed financial services client has renewed a contract with Eckoh. The contract has transactional commitments of a minimum of £1.1m – a 17% increase on the previous agreement. Renewing and expanding contracts is an important component of growth. There have been a number of renewals in the past year as well as new contracts – for example with Essex County Council and Bristol Water. National Rail Enquiries is moving to a new platform by the end of 2012.

New products and services also drive growth. Payment services products EckohPROTECT and EckohPAY will be increasingly important for the company. Eckoh has Level 1 PCI DSS accreditation, which gives customers assurance about security. Mobile services are another growing area and smartphone apps are being developed.

Indirect sales channels are being expanded. The contract with BT has been renegotiated on a non-exclusive basis and lasts until October 2014. New partners include Servebase, Azzurri and CyberSource.

Additional business can be handled with minimal extra cost. The existing platform can cope with 500,000 calls each hour. Capacity utilisation can vary depending on whether there is a large event on at the time but typically it is no more than 10%. Eckoh can cope with many languages and services from its UK base.

Dividend news

A strong performance in the year to March 2012 enabled vouchers and prepaid cards supplier **Park Group** to increase its total dividend by 18% to 2p a share. The improvement in profit was masked by the one-off VAT repayment and property disposal gain of £5.5m in the previous year. Underlying profit rose 23% to £8.6m in the year to March 2012 even though revenues were flat at £279m. The majority of the profit growth came from the corporate business and its profit contribution is now larger than the consumer division, which includes the Christmas hamper business.

Agricultural products supplier and retailer **Wynnstay Group** continues to grow its dividend. with the latest interim 10% higher at 2.85p a share. Wynnstay did slightly better than expected in the six months to April 2012. Revenues rose from £164.6m to £193.7m, with recent acquisition GrainLink accounting for £23.8m of that growth. Pre-tax profit improved from £3.97m to £4.52m. The retail side generated revenues of £1.5m from solar installations for farmers but this business is likely to decline in the second half. There are other renewable energy products that could be sold to farmers, such as heat recovery systems for milking parlours.

Shipbroker **ACM Shipping** edged up its full-year dividend by 1.5% to 10.15p a share even though underlying pre-tax profit fell from £6.1m to £4.32m in the year to March 2012. The dividend was still covered 1.7 times by earnings and net cash was £3.09m. The sale and purchase division, which puts together buyers and sellers of ships, was hit by the loss of part of its team and the new dry cargo business made a larger loss. The time charter business is at around the bottom of the cycle. Profit is likely to be flat this year but the dividend should at least be maintained.

expert views

Expert view: The broker

M&A returns to oil and gas sector

By WILL ARNSTEIN and EMILY ASHFORD

M&A activity returned to the E&P sector with Cairn's recommended bid to acquire Nautical Petroleum in a deal valued at £414m. Our initial reaction to the deal was positive; both in the sense of valuation and asset fit, although we do have some concerns that the economics of the deal could be negatively affected by a lack of operational control over the assets.

We highlight Valiant Petroleum, which has de-rated by 25% since April

Experienced operators in Premier and EnQuest should alleviate these concerns; however, we believe the lack of operated assets is an issue with Cairn's North Sea strategy and one that deserves a discount. With Cairn trading on a very similar valuation multiple to Premier we continue to prefer the latter and retain our hold rating on Cairn.

Among the smaller and mid caps, larger share price movements have created more attractive valuation opportunities. Specifically, we highlight Valiant Petroleum, which has de-rated by 25% since April, as attractively valued and upgrade it to buy. Afren, Salamander, Lansdowne and Jupiter are also among our preferred stocks.

June performance

Chariot was the best-performing stock in our coverage group during June, rising 22.4% and recovering some of the losses from the previous month. While this demonstrates a classic reversal from oversold levels there were also suggestions that the rig contracted to drill the Nimrod prospect might arrive on location earlier than expected. The prospect targeting 4.9Bbbl (billion barrels) is due to spud in July.

Sound (5.1%), Salamander (4.1%) and SacOil (4%) were also strong performers, but Premier, which made the only notable discovery (Carnaby) during the period, lost 0.7% having risen by nearly 6% at one point.

Weakening front-end oil prices and risk aversion continued to weigh on the E&P sector during June, with the average stock in our coverage losing 4.7%. Ascent (-20.5%), Lochard (-17.4%), Europa (-17.0%), Frontera (-11.5%), Aurelian (-10.9%) and Afren (-10.7%) were the worst-performing in the group despite limited news flow during the month.

The exception was Lochard Energy, which reported that one of the four production wells on the Athena field was shut in due to a downhole restriction and was unlikely to be repaired before the end of the year. Elsewhere in the sector, Valiant reported yet another unsuccessful exploration well, with the Tryfan well encountering only sub-commercial quantities of gas.

Drilling

July is set to be another quiet month for drilling results. Aurelian has already reported on the Sosna-1 exploration well. Sosna encountered oil shows within a primary target reservoir; however, the well failed to flow when perforated. Additional testing may be considered. Sosna is currently valued at 0.7p/share in our total NAV of 26.1p/share.

Sound Oil is due to report on the Jatayu-1 exploration well in Indonesia, which, like Sosna-1, was delayed from our June schedule.

NAVs

After two months of heavy falls, spot oil prices fell by a more modest 4% in June, taking the cumulative decline to 22.5% from YTD highs. FX moves during the month were also unfavourable, although these changes were more than offset by a 2.9% increase in gas prices and a twist in the Brent forward curve that saw oil prices further out on the curve increase. As a result, the average change in total NAV was 0%.

Valiant upgrade

Since initiating coverage on Valiant in April, the share price has fallen 35%, driven by equity markets, oil prices and disappointing exploration and appraisal results. This decline has exceeded the fall in total NAV during this period, leading to a 25% de-rating that has taken it from a premium rating to a small discount to both Afren and Premier. While there may be risks of further weakness in the share price driven by market conditions, we believe the company is relatively well positioned to recover, with a strong balance sheet, stable production and few exploration commitments and this supports our upgrade to buy.

Large share price movements have created more attractive valuation opportunities

WILL ARNSTEIN is finnCap's research director covering the oil and gas sector and EMILY ASHFORD is an oil and gas sector analyst.

feature

AIM set for flow of Plus graduates

Shareholders in Plus Markets Group have agreed to the disposal of Plus-SX to ICAP. That appears to secure the future of the Plus-quoted segment for the time being. However, the uncertainty about Plus-quoted has encouraged many of the companies to reassess where their shares should be quoted and some are moving to AIM.

Plus-quoted, formerly known as Ofex, has provided a flow of companies to AIM throughout its history. The uncertainty around Plus's future has led to Plus-quoted companies considering their position even though the market has been acquired by ICAP.

The resolutions for the Plus-SX disposal and the company's new investing strategy got the backing of 63.8% of the shares voted at Plus Markets Group's general meeting. However, just over 22% of the shares in issue were voted in favour. There were abstentions totalling 130.7m shares, which is nearly as many as the total number of shares voted. ICAP said: "Upon completion, ICAP will recapitalise Plus and provide the necessary funds to build and develop the market". Plus Markets Group will eventually be wound up.

Despite the positive statement from ICAP it seems unlikely that a market of rarely traded micro-cap companies will be of much interest to the company. ICAP will want to use the stock exchange status of Plus to develop markets in more frequently traded shares and securities.

GXG

While some companies are looking to AIM as a new home, others are considering GXG Markets, a junior market rival that started up last year. Ascot Mining, Ford Eagle, Hello Telecom and IMC Exploration have gained additional quotations on GXG, while US Oil & Gas and Proventus Renewables have moved from Plus-quoted to GXG.

Proventus moved after completion of its reversal into Plus-quoted Captive Audience Display Systems. Proventus is developing wind farms and solar farms in Bulgaria and Greece. Management believes that GXG is a better home for Proventus because it is a matched bargains market rather than a market maker driven one.

Companies are still joining Plus-quoted. VSA is floating shell company Anglo African Agriculture and says it intends to transfero AIM later, when it secures an African agricultural acquisition. The board includes VSA boss Andrew Monk and Konrad Legg, who has been on the board of a number of plantations companies.

Sportingbet, Genus and Lo-Q are three of the companies that started out on Plus-quoted

AIM transfers

There have been a steady stream of companies moving from Plus-quoted to AIM since 1995. Online betting company Sportingbet, animal genetics company Genus and queuing technology developer Lo-Q are three of the companies that started out on Plus-quoted. Genus is in the FTSE 250 index.

In recent times shells have floated on Plus-quoted and when they secure an acquisition they move to AIM. For example, mobile software developer Globo was originally a shell on Plus-quoted

In 2011, Frontier IP, Wessex Exploration, dotDigital Group, Sovereign Mines of Africa, Great Western Mining Corporation and Ceres Media International all moved from Plus-quoted to AIM. In the first half of 2012, Eden Research made the switch but there are more to come.

Companies set to move to AIM in the second half include:

Ideagen

Price: 14p
Market cap £m: 10.9

Ideagen made the move at the beginning of July. The document, compliance and standards management software supplier had already stated its intention to move to AIM last year in order to attract additional investors.

The company is two decades old and founder Les Paul is still on the board. It was known as Datum International when it joined Plus-quoted in 2005 and the name was changed last year. The pace of growth increased after chief executive David Hornsby joined the board in 2009.

Ideagen has made three acquisitions since 2010, with the most recent being compliance software supplier Proquis in January. Just before it was bought Proquis won a US contract potentially worth $10.7m over five years. Proquis is an important element of the company's growth strategy. Ideagen will cross-sell between users of Proquis and Ideagen's KnowledgeWorker enterprise content management software. Further acquisitions are likely.

House broker finnCap estimates that pre-tax profit doubled to £1m in the year to April 2012, and it is forecasting a £1.7m profit in 2012-13.

feature

Good Energy

Price: 103p
Market cap £m: 8.05

Renewable energy supplier Good Energy intends to move to AIM on 24 July. Good Energy is based in Chippenham in Wiltshire and offers 100% renewable electricity to its customers. The origins of the business go back to 1997 when it was an offshoot of a German power company called Unit Energy Europe. The business was bought by management more than a decade ago. The company launched an offer for subscription, raising £600,000 at 50p a share in 2002. Two years later another offer at 75p a share raised £1.03m prior to the company joining Plus-quoted on 1 September 2004. In 2007, Good Energy raised £1.07m at 110p a share - or 100p a share for existing shareholders, customers and employees. There have been no significant share issues since then.

Chief executive Juliet Davenport believes that a move to AIM will help Good Energy to attract institutional investors and enable the company to raise cash to finance expansion. Good Energy reported a profit of £1.06m on revenues of £21.6m for 2011, with generation making a much larger contribution than the year before.

Good Energy operates a 9.2MW wind farm at Delabole in Cornwall and is planning a 4.6MW wind farm in Aberdeenshire. Good Energy supplies 30,000 customers with electricity and 6,700 with gas.

Obtaining enough generating capacity is a constraint on growth and in the past Good Energy has had to turn away customers because it did not have enough renewable electricity. Good Energy is looking at other forms of generation, such as small hydroelectric projects and solar.

In the first half of 2012, Eden Research made the switch but there are more to come

Central Asian Minerals and Resources

Price: 63.5p
Market cap £m: 10.6

Tajikistan-focused explorer Central Asian Minerals and Resources (CAMAR) acquired the joint owner of a Joint Tajik-Canadian Limited Liability Company called Aprelevka in April 2011.

CAMAR has raised £4.5m from the issue of 10% Unsecured Convertible Loan Notes 2013 to three of its existing shareholders.

The loan notes convert into ordinary shares if CAMAR joins AIM and raises at least $15m before the end of June 2013. The loan notes are convertible at 75% of the placing price.

There is also a standby loan facility of up to £2.5m provided by a company related to CAMAR chairman Oliver Vaughan.

The cash will be used to undertake further exploration at the Aprelevka mine in order to obtain a JORC-compliant inferred resource by early next year and to commence underground production at the Aprelevka East mine. Current production at Aprelevka is 1,000 ounces of gold per month.

Frontier Resources International

Price: 8p
Market cap £m: 6

Frontier Resources International has already appointed Beaumont Cornish as its nominated adviser and it subsequently raised £436,000 at 7.5p a share in order to finance the costs of the AIM flotation. Frontier has always intended to make the move but the uncertainty surrounding Plus has brought it forward.

Frontier is an oil and gas company with production in Texas and exploration in Zambia and Namibia, where it gained its first exploration licence in January 2012 for the Owambo Basin in northern Namibia.

There will be a two-year exploration programme in Namibia. The Zambian exploration licence is located in the Kafue Trough 150km southwest of the capital Lusaka.

Negotiations have been ongoing for a licence in the Middle East.

Anturion

Price: 13.25p
Market cap £m: 27.1

Anturion believes that it can become highly profitable by taking advantage of legislation that will reduce permissible emissions from cars. Testing of prototype NOx sensors for exhaust gases from vehicles has started. Anturion has also signed a development agreement with Sensenor for thermal imaging sensors for the automotive market.

The initial market for the NOx sensor is likely to be in the EU, where stricter regulations on NOx emissions come into force in 2014.

Each car would use two sensors. The sensors will be available for evaluation by car makers by the end of this year. Anturion has also developed a version of the sensor for diesel engines. The core technology is licensed from the University of Florida and Anturion has the worldwide rights to use the sensor for gasoline and diesel internal combustion engines.

Anturion is raising £1.3m at 16p a share – a premium to the market price – from Jexpress, a components manufacturer in China. This is payable in four tranches, with the first two having raised £697,000.

Anturion has supportive shareholders that could help to finance the business while it waits for sales to build up but the current valuation is assuming success. The move to AIM will increase the number of potential investors.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Oil & gas	24.8	11.6
Financials	16.2	22
Basic materials	12.8	15.4
Health care	11.3	5.8
Industrials	10.5	18.9
Technology	8.1	9.3
Consumer services	7.3	9.4
Consumer goods	6.5	5.3
Telecoms	1.6	1.2
Utilities	0.8	1.1

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	675.07	-20.3
FTSE AIM 50	2923.31	-18.2
FTSE AIM 100	3039.2	-21.7
FTSE Fledgling	4243.93	-15.9
FTSE Small Cap	2977.54	-8.3
FTSE All-Share	2891.45	-5.3
FTSE 100	5571.15	-4.9

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	273
£5m-£10m	151
£10m-£25m	234
£25m-£50m	194
£50m-£100m	124
£100m-£250m	93
£250m+	45

KEY AIM STATISTICS

Total number of AIM	1,114
Number of nominated advisers	57
Number of market makers	57
Total market cap for all AIM	£64.1bn
Total of new money raised	£78.6bn
Total raised by new issues	£35.1bn
Total raised by secondary issues	£43.6bn
Share turnover value (2012)	£21.2bn
Number of bargains (2012)	2.84m
Shares traded (2012)	103.6bn
Transfers to the official list	161

TOP 5 RISERS OVER 30 DAYS

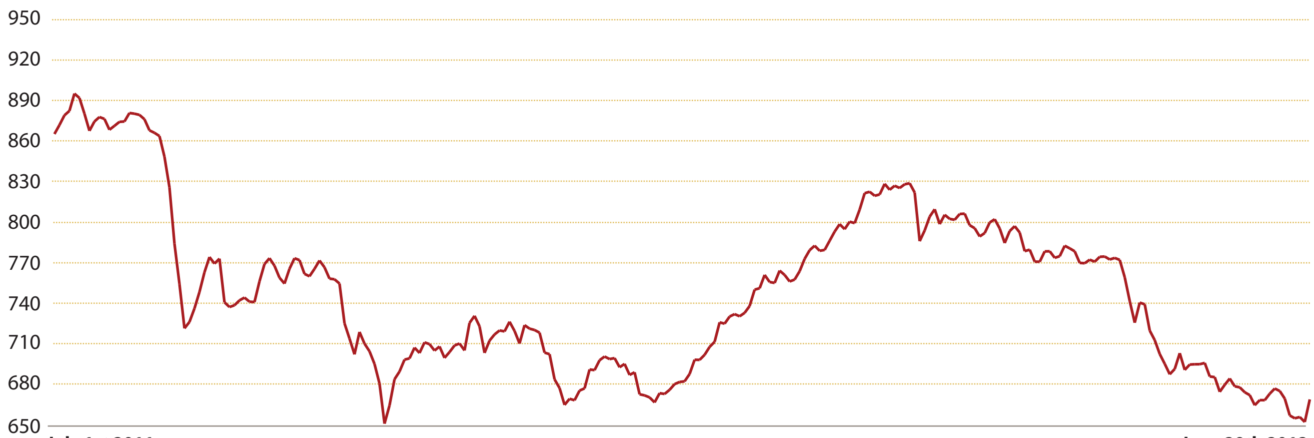
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Nautical Petroleum	Oil and gas	458	+69.3
O Twelve Estates Ltd	Property	6.75	+68.8
Amerisur Resources	Oil and gas	33.75	+68.8
Pure Wafer	Electronics	5	+66.7
Mediterranean Oil & Gas	Oil and gas	8.88	+65.1

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
ATH Resources	Mining	3.5	-65.9
Noventa Ltd	Mining	1.62	-64.3
Independent Resources	Oil and gas	13.25	-61.6
Max Petroleum	Oil and gas	3.85	-61.2
Neos Resources	Oil and gas	0.39	-55.7

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th June 2012, and we cannot accept responsibility for their accuracy.

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finnCap

finnCap is an independent, client-focused institutional broker and corporate adviser, whose chairman is Jon Moulton. The firm is 95% employee owned and it has a dedicated small cap focus. finnCap's goal is to be the leading adviser and broker in the small cap space. The broker has a full service offering, plus strong aftermarket care and client service. A proactive team approach means that there is support from all departments for all of the firm's corporate clients. This helped finnCap become the fastest growing broker in both 2009 and 2010. finnCap is ranked as the number two broker/nominated adviser on AIM by overall client numbers. It is number one ranked in healthcare, technology and industrials sectors.

finnCap 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 June 2009. More than £140m was raised for clients in the year to June 2011.

Clients have a combined market value of around £3bn, with an average market capitalisation of approximately £40m. The top 20 clients have an average market capitalisation of more than £100m.

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