

AIM **Bulletin** INSIGHT

Pivotal year looms for AIM

Welcome to the first edition of our new monthly PDF, AIM Bulletin Insight. While it might not seem an ideal time to start a new publication focusing on the junior market, the fact remains that AIM is still a significant part of corporate life in the UK and will remain so despite the gloomy backdrop.

So far, AIM has made a decent start to 2009 with the key indices ahead of where they were at the start of the year.

With many share prices languishing at levels that discount virtually every negative possibility, there is reason to hope for some improvement in sentiment, especially

towards the second half of the year when the current dust starts to settle.

Activity may not be at the level of the 2007 boom times but deals will be done, takeovers be made, good companies will thrive and the weaker ones struggle.

In the coming months, we will endeavour to keep you informed about the most interesting company deals, the issues that affect the AIM market and analyse the companies, executives and advisors helping to keep AIM moving forward in what could be a pivotal 12 months in the development of the junior market.

Hirco postpones EGM after Laxey broadside

Hirco has postponed its EGM to discuss the proposed merger with Hirco Developments and the Hiranandani Investment Co, so that "all views" about the merger can be considered.

The Indian real estate investment firm confirmed it has met a number of shareholders, including Laxey Partners, the activist investor leading a shareholder revolt at Hirco.

"Following these discussions it is apparent that there is a variety of views about the proposed merger and how best to address Hirco's share price discount," said the group. "The Board feels it essential that sufficient time is allowed for all views to be considered and discussions to be held with Shareholders," it added. Hirco said the EGM has been adjourned until further notice.

Activist investors complained that Hirco's restructuring proposals were "shocking and ill-conceived." Laxey, which owns about 10% of Hirco, is opposed to a plan that will see the company be controlled by the Hiranandani family. Niranjani Hiranandani is the chairman of Hirco. The family want to reverse their loss-making company into Hirco and take a stake of more than 50%.

Existing investors would be heavily diluted and lose their preferential claim on £350.8m of preference shares that pay a 12% dividend, Laxey claims. The preference shares have to be repaid in full before any profit share. "In a volatile world Hirco is being asked to increase its risk and reduce its income potential and to hand de-facto control of Hirco to Hiranandani," said Laxey.



In this issue

02 GENERAL NEWS
Evolve wins battle for Blue Oar

03 NEWS
Kalahari seeks to unseat Extract chairman

07 EXPERT VIEWS
Front line views on AIM

09 FEATURE
AIM starts overdue shake-out

11 STATISTICS
Market indices and statistics

12 SPONSORS
Faegre & Benson
FinnCap


 general news

Evolve wins battle for Blue Oar

Four directors have resigned at AIM adviser Blue Oar so the EGM requisitioned to remove them will not go ahead.

Andrew Monk, Mark Brumby, Peter Joy and Gordon Lawson have all stepped down from the board. No indications were given about what agreements had been reached between the former directors and the company's new owner, **Evolve Capital**.

By the 13 January 2009, Evolve had received acceptances totalling 65.3% of Blue Oar's share capital. The offer has now closed and

can't be accepted by the other shareholders.

Along with other employees, the former directors have put in an offer for Blue Oar Securities, Astaire and Blue Oar Asset Management. As part of this deal they would offer their Blue Oar shares for cancellation. If that happened it could increase Evolve's stake in Blue Oar to more than 75% - although it is difficult to assess because it is not clear how much of Blue Oar the group of people owns.

Evolve's four appointees have joined the board. Justin Lewis will

take over as interim chief executive and Bernard Leaver as executive chairman. James Noble of AIM-quoted Albany Capital and ex-Sage chairman Michael Jackson become non-executive directors. They are both directors of Evolve. The new board will assess the offer and the company's strategy.

The Evolve bid was 1,025 of its own shares for every 1,000 Blue Oar shares.

KBC Peel Hunt resigns as nominated adviser and broker on 5 February 2009. One month later the Blue Oar quotation will be cancelled.

Private shareholdings fall further

Private shareholdings hit an all time low at the end of 2008 according to figures from registrar Capita, but there are signs of an upturn in interest from private investors. Although these are figures for the whole stock market they have a bearing for AIM companies.

Private investors own 9.6% of the UK stock market. The falling market, and share sales by small

investors, has reduced the value of private shareholdings to £118bn.

Even in monetary terms there are only three years - 1974, 1979 and 1981 - when the private investor shareholding was lower, even when adjusted for inflation. Back in 1963 the value of private investor shareholdings was more than £400bn and they accounted for half of the market. There has been a consistent downward trend

since then.

Private investors were selling out of financials and oil companies last year. They switched into utilities and other more solid sectors. It is not all bad news. Michael Kempe, operations director of Capita Registrars says: "We are seeing signs private investors are prepared to dip into the market again". Private investors were net buyers in October and November last year.

Rights issues subscription period reduced

The Financial Services Authority has proposed reducing the subscription period for rights issues from 21 calendar days to 14 calendar days or 10 business days.

The move comes in response to increased market volatility which has played havoc with companies' attempts to price their rights issues at levels likely to attract a healthy take-up. Sally Dewar, managing director of wholesale

and institutional markets at the Financial Services Authority (FSA) said: "Reducing the subscription period will enable companies to raise capital much more quickly from the markets, when they need it most. Taking these steps will help limit the potential for rights issues to be disrupted by market instability, which could potentially damage investors' confidence."

The FSA's proposal endorses the

findings of the Rights Issue Review Group's report to the Chancellor of the Exchequer on 24 November 2008.

Seasoned stock market observers are expecting a spate of rights issues this year as companies burdened with heavy debts find their bankers less willing to roll-over banking facilities. The FSA said it is seeking responses to its proposal by 26 January.

news

Kalahari seeks to unseat Extract chairman

Mining



KALAHARI MINERALS

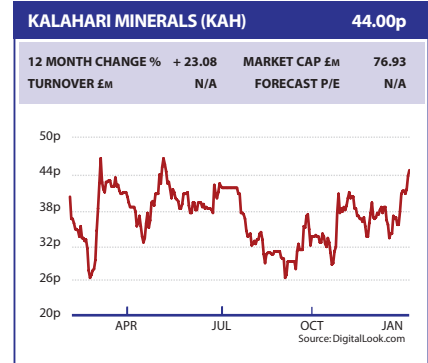
Kalahari Minerals' merger with uranium explorer Extract Resources fell through because shareholders in Kalahari thought that Rio Tinto would take advantage and gain the group's uranium exploration business on the cheap. Kalahari now wants to remove Extract's chairman Bob Buchan and dump its TSX listing.

Kalahari, which owns 39.1% of ASX-listed Extract, has two representatives on Extract's six

person board. Extract has set up a committee of the three other directors. Two out of the three directors believe that the removal of Buchan will upset the balance of the board. This suggests that the board is currently equally split. The shareholder meeting is due to take place on 2 February.

Rio owns 14.9% of Kalahari and 13.9% of Extract. It would have held 19.8% of Kalahari if the merger had gone ahead. Rio would not commit to refraining from acquiring any more shares after the merger went ahead so Kalahari shareholders said that they would vote against the merger. It is easier for Rio to bid for Kalahari than Extract.

Rio controls the Rossing uranium mine, which is near to the uranium exploration assets owned by Extract.



There has been more good news from the exploration of Extract's Rossing South interests. The latest exploration in zone 1 suggests that the resource base will be at the upper end of the indicated range of 57.3lbs to 92.5lbs of U308. The resource should be even larger in zone 2. A JORC compliant resource should be reported later in January.

Kalahari has raised £3.95m at 32p a share and the share price has continued to move to new highs. Emerging Metals Ltd acquired a large chunk of the shares in the placing taking its stake in Kalahari to 6.28%.

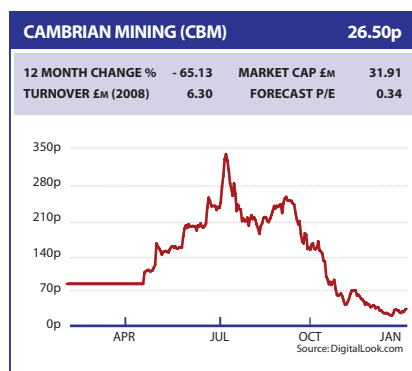
Cambrian and Western Canadian to merge

Mining

Cambrian Mining is continuing its strategy of refocusing on its coal operations by agreeing in principle to a merger with Western Canadian Coal Corp.

Last year Cambrian acquired Coal International and at that time it was considering selling its stake in WCC. The fall in the price of coal made that difficult.

A full combination of the two companies will create a business with a geographically diversified set of coal assets. The group could potentially produce 10m tonnes of coal a year in Canada and West Virginia as well as having a 50.6% stake in AIM-quoted South Wales-based coal producer Energybuild.



Cambrian owns around 37% of WCC's ordinary shares, as well as convertible debt and loans of C\$34m. The other main shareholder in WCC is Dresdner Bank, which

owns 20.4%.

The proposed merger would be in the form of an offer of 0.75 of a WCC share for each Cambrian share.

This makes sense because WCC has quotations on AIM and TSX, whereas Cambrian has an AIM quotation – having given up its ASX listing. Due diligence has to be completed and Cambrian is required to refinance its debts before the merger goes ahead.

There are still non-core assets in the Cambrian portfolio including a gold and antimony mine in Australia and a 45% stake in AIM-quoted Xtract Energy. WCC has announced plans to cut production at two sites because of increasing coal stocks.

news

Positive feedback for Futura

Pharmaceuticals & Biotechnology

Futura Medical has gained a positive regulatory opinion about the pharmaceutical aspects of its condom product that helps men to maintain a firmer erection. This product, which is called CSD500 at the moment, could generate significant royalty revenues for Futura when it goes on sale.

The regulatory news means that the product is nearer to gaining the CE Mark needed to gain full approval for a medical device.

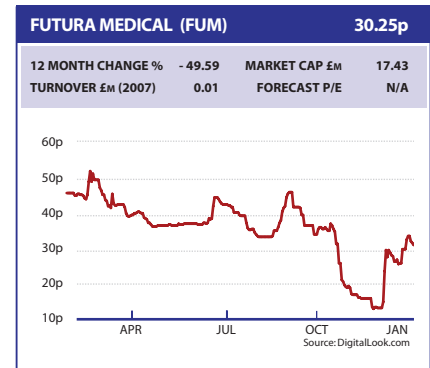
Futura has a global distribution deal with Durex for CSD500, which is a condom that contains a gel additive.

The brand name of the product will

Futura's annual costs are running at around £2.7m so a 3% market share could cover its costs.

be announced after full regulatory approval is received. It will be a premium price product. Futura will receive more than £1m in royalties for every 1% of market share gained by the new product.

Futura's annual costs are running at around £2.7m so a 3% market share could cover its costs.



Futura has other potential products but they are at an earlier stage of development.

CMR Fuel Cells plans AIM exit

Electronic & Electrical Equipment

After three years on AIM, **CMR Fuel Cells** has announced its intention to return part of its cash pile to shareholders and leave the junior market. CMR plans to send a document to shareholders outlining its proposals.

The fuel cells developer joined AIM via a placing at 176p a share. The share price fell to 10p prior to the announcement of the cash return, although it has recovered since then. The shares are still trading at a discount to forecast cash at the end of 2008 so there is no value placed on the technology that is being developed.

Shareholders will be able to tender all or some of their shares to be purchased by CMR for 20p each. Any shares which are not tendered will receive a special dividend of 17p a share. The maximum amount payable will be £3.8m.

Unsurprisingly, given the investment being made in fuel cell

CMR plans to send a document to shareholders outlining its proposals.

development, CMR is losing money. The loss was £1.73m in the six months to June 2008.

Edison Investment Research forecast a year end cash balance of £5.58m. That is expected to fall to £1.92m at the end of 2009. Revenues are expected to be around £500,000 in 2009.

If revenues don't rise significantly then CMR was expected to run out of cash in 2010 – and that is before any cash returned to shareholders.

CMR will save some money by cancelling its AIM quotation but management also believes that there will be less short-term pressure on the business as a private company.

CMR admits that it will have to raise more cash in the medium-term.

CAMBRIAN MINING (CBM)		26.50p	
12 MONTH CHANGE %	-65.13	MARKET CAP £M	31.91
TURNOVER £M (2008)	6.30	FORECAST P/E	0.34

That is likely to mean later this year.

Management believes that if CMR can show further progress it will be able to raise that cash in the future but if markets do not turn up that may still be difficult. CMR is targeting the market for rechargeable batteries for portable electronic equipment, which has significant potential over the medium-term. CMR has technology that is still not fully commercial but it has made solid progress.

Demonstration models have been well received at fuel cell trade shows and a deal with an Asian manufacturer that was signed on the back of one of these trade shows should help CMR to produce a prototype of a direct methanol fuel cell charger within 12 months.

Focus Solutions keen to consolidate

Software & Computer Services

Focus Solutions is keen to be a consolidator in the financial software sector. The purchase of financial services consultancy and training company, The Coaching Platform, is a small step but with the backing of 29.2% shareholder Azini Capital Partners it could make a larger move this year.

The consumer-facing financial software developer is paying an initial £100,000, plus up to £300,000 based on profits in the period to March 2010. This deal will enable Focus to offer classroom and online training for its software.

Nicholas Habgood of Azini has been appointed as a non-executive director of Focus. Azini also owns 19.8% of AIM-quoted Portrait Software.

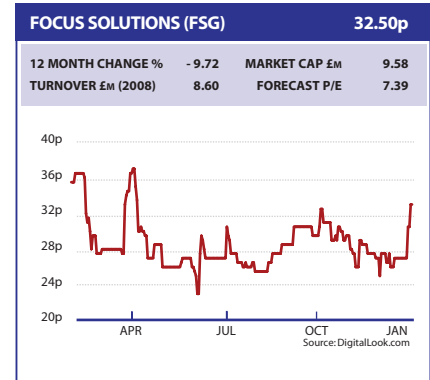
Two potential purchases fell through last year because of disagreements about price but Azini

...Azini should help it find more suitable acquisition candidates. Focus wants to move into new areas...

should help it find more suitable acquisition candidates. Focus wants to move into new areas of the financial services market.

Profits more than doubled from £357,000 to £741,000 in the six months to September 2008. Capitalised development spending increased from £243,000 to £431,000. Revenues rose 23% to £4.9m. Net cash was £2.29m at the end of September 2008.

HSBC remains the core revenue generator and Focus has already started the second phase of a project with the bank, worth £4.9m.



Focus won an additional £767,000 of consultancy work with HSBC and a £543,000 contract with Bank of Ireland just before Christmas.

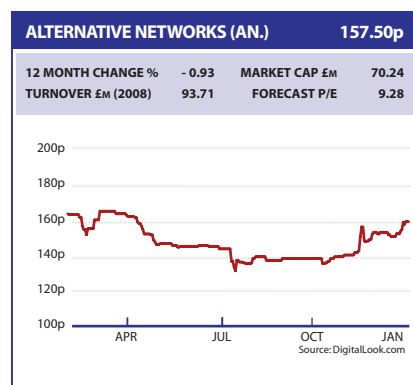
House broker Daniel Stewart forecasts profits could rise to £1.9m in the year to March 2009. The shares are trading on less than eight times forecast earnings.

Bumper Alternative figures

Mobile Telecommunications

Telecoms services provider **Alternative Networks** goes from strength to strength. It also has a stronger balance sheet than many of its competitors in the small company-focused area of the telecoms market and is in a good position to take advantage of consolidation in the sector.

Overall revenues grew 30% to £93.7m in the year to September 2008, helped by the full contribution from advanced services provider Echo. Underlying organic revenue growth was 7%. Pre-tax profits increased from £7.95m to £8.9m. The rate of profit growth was lower than revenues because of higher amortisation of customer contracts that came with acquisitions.



Most importantly those profits turn into cash. There was £10.3m generated from operations. Alternative bought back £4.1m of shares during the year and a further

£1.8m was paid in dividends. Yet it ended the year with net cash of £3.23m, which is nearly double the figure at the end of the previous year. There is little need for capital expenditure.

Dividends increased faster than profits or earnings per share – which were enhanced by the share buy back. The final dividend is being increased from 2.3p to 3.1p a share and the total dividend for the year is 39% higher at 4.6p a share.

The top ten customers account for just over 5% of revenues so Alternative is not dependent on any customer or sector. Debts of more than £7,500 are insured. All three divisions grew revenues and profits.

news

GNE changes mind over share payout

General Retailers

GNE has changed its mind about paying a 150p a share special dividend and is instead retaining its cash to invest in technology businesses. Martyn Ratcliffe, the chairman of software company Microgen, is joining the board as executive chairman and has acquired 15% of GNE.

Ratcliffe, along with North Atlantic Smaller Companies Investment Trust and Patrick Barbour, owns 28.7% of GNE. Ratcliffe will become executive chairman if the new investing strategy is approved by shareholders.

The new strategy is to become a technology-focused investment company. A new circular will be sent to shareholders outlining the proposals. The remaining operations of GNE may be sold. GNE sold petrol retail chain Petrol Express for £51.66m in September 2008.

The original intention was to pay a dividend of 150p a share by the end of January 2009. That would have left GNE with £15m in cash, a fuel card business and some property. Instead

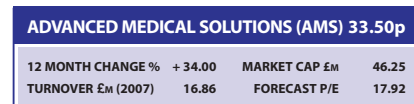


of the dividend GNE intends to use some of the cash to buy back shares.

In recent weeks Lord Alliance has acquired a 4.4% stake, Invesco 4.25% and Michael Cronk a 3.6% stake. GNE's management estimated that after the disposal the company's net asset value was 282p a share.

Advanced Medical on top of game

Health Care Equipment & Services



Rising share prices have been rare on AIM over the past year. Woundcare company **Advanced Medical Solutions** was one of the successes with its share price rising by one-third. Before Christmas, AMS confirmed that its 2008 figures would be at the top end of expectations.

The 2008 figures will be published in March. Analysts' profit forecasts for 2008 range from £2.4m to £2.6m. Some believe profits could exceed £3m in 2009. AMS has already locked in part of its US dollar exposure but it will get some benefit from the strengthening dollar in 2009. Management is hopeful that the FDA will give approval for selling LiquiBand tissue adhesive in the US during this year.

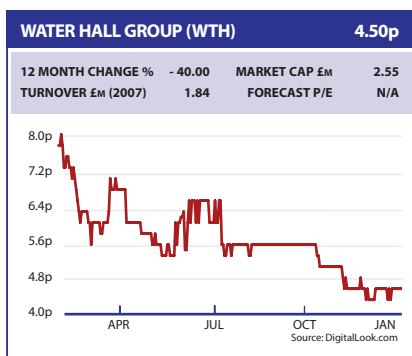
Water Hall drops £700,000 on Lloyds TSB punt

Mining

Quarry operator **Water Hall Group** has seen a decline of £733,000, or more than half, in an investment in Lloyds TSB shares made just four months ago.

The quarry operator invested £1.27m of its £4m cash pile in Lloyds TSB shares in September 2008, attracted by the high yield on offer.

The timing proved poor. Lloyds TSB has since acquired HBOS and can't pay dividends due to the terms of the



government bail out of the UK banks. Water Hall says it will retain its stake, which is still worth nearly £500,000.

The group added that following the difficult trading conditions experienced in the third quarter, sales were in line with expectations for the last three months of 2008.

"This outcome was only achieved through the adoption of an aggressive pricing policy to attain increased volumes," said Water Hall.

 expert views

THE INSIDE TRACK

 Expert view: The lawyer

2009 – The Year of the Micro Cap Challenge

By Donald Stewart



A short term history of AIM might show that the market reached its Zenith around the middle of 2007 with almost 1,700 companies listed.

The most recent market statistics (November 2008) show that

of the introduction of the AIM Rules for Nominated Advisers is also causing things to be tougher. To add insult to injury the switch to IFRS is leaving some quoted companies with odd and unflattering financial results.

So with the New Year upon us, you could be forgiven for thinking that de-listing rather than listing is the name of the game for 2009.

out with the bathwater. The AIM market has matured considerably over the last 13 years. It still has getting on for 30% more companies on it than it did in June 2005 when it celebrated its 10th anniversary.

Perhaps it is time to acknowledge that AIM is no longer simply an “IPO market” where the new listing is all and the success of the market is judged by the number of companies on it. The bold move for AIM at this time would be to consolidate on its success and move positively to increase the quality of companies on the market – perhaps by extending the current minimum £3m raise on admission for investing companies to all companies or to put some further flesh on the bare bones of the appropriateness test.

There are some who may think such a move a betrayal of the original values and ethos of AIM. But time has moved on and the AIM market has moved with it. Besides there are now some very real and appropriate alternatives for those companies which might not make the grade on a revised AIM market.

Perhaps it is time to acknowledge that AIM is no longer simply an “IPO market” where the new listing is all...


the market now has only 1,580 companies listed – 114 less than at the end of December 2007. More depressingly the aggregate funds raised on AIM to the end of November 2008 were a somewhat disappointing £4.1bn in comparison with £16.1bn for 2007.

Commercial deals remain hard for AIM companies. In addition the regulatory compliance costs of rights issues, takeovers and reverse takeovers appear to be leaving many micro-caps victims of the “quoted company poverty trap” where the mechanics of deals make them just too expensive to do. To accompany the general doom and gloom there is also some bridling in the market, particularly amongst Nomads, that the increased level of regulation which arose as a result

of the introduction of the AIM Rules for Nominated Advisers is also causing things to be tougher. It remains today far bigger and stronger than at the top of the bull market which accompanied the internet rage from 1999 to 2001. The money raised in 2008 is only £500k less than was raised in 2004 and is almost twice what was raised in 2003.

There is no doubt there are many untraded, untracked and unloved companies at the bottom end of the market. There are some systemic and regulatory issues which could help smaller AIM companies get back on their feet, such as simplifying the prospectus requirements on rights issues and greater clarity on the application of the Takeover Code to AIM companies.

But now is not the time to wring our hands and throw the baby

 DONALD STEWART is a partner at international law firm Faegre & Benson LLP, who specialise in providing services to AIM companies. He is also chairman of the Quoted Companies Alliance. Donald can be contacted on +44(0)20 7450 4586 or at dstewart@faegre.com.

January 2009 · 7

 expert views

 Expert view: The broker

AIM's core strengths remain intact

By Clive Carver



The past year has been tough for small businesses and they will continue to bear the brunt of the recession over the next year. The

AIM market is being well and truly shaken up for both companies and their professional advisers.

The dramatic fall in the value of sterling, the increased cost of borrowing and the reluctance of banks to lend to SMEs have all hit firms hard. For those companies listed on AIM, access to funds has become more difficult to come by and, despite government promises, the landscape doesn't look set to change any time soon.

Small public companies will continue to bear the brunt of the recession as they typically have less financial resources and are dependent upon larger companies up the foodchain for work and payment. They also have less scope to manage their cost base, usually less by way of in-house expertise, and, as many are finding to their detriment, are often less important to their banks than their larger peers.

Some businesses will fail, while others will decide the cost of being on AIM is too high and the support they receive and lack of capital access is not worth the money. It is fair to say more companies will de-list, while others may be able to drive their stock price up more independently and flourish.

And its not just businesses themselves that will suffer. There can be no doubt that some AIM nomads and brokers focussing on small

cap companies are facing severe financial difficulties of their own. A look at the decline in the valuation of the quoted nomad and broking businesses over the past 12 months demonstrates this. Not only are their clients falling in value, but there is a marked lack of trading in stocks and corporate activity. Marketmakers are also suffering from the lack of activity in equities.

As a result, the number of brokers prepared to service small cap companies is diminishing as many experienced nominated advisers and brokers have decided now is the time to move 'up market' and to seek to compete with the large and mid tier financial advisers for larger commissions.

What does this mean for smaller companies? There are concerns that it may leave the bulk of the AIM market and most of the full list market with less bodies providing financial and regulatory advice at a time when it is most needed. However, this isn't necessarily a bad thing. Many would argue that the AIM market especially has been bursting at the seams with a proliferation of advisers offering their services, not necessarily of a similarly high standard.

A downturn in the market will hit the weaker players first, who arguably shouldn't be there in the first place, and ensure that remaining operators tighten up their offering.


Businesses need all the help they can get. Good support for small businesses in 2009 will translate into good support for the economy. So who can smaller companies turn to for professional advice to develop and grow their companies? Even more than boom times, the role of the adviser is a key support for any management team. Nomads,

brokers, lawyers and accountants who are happy to roll up their sleeves and help small companies grow when times are tough, are keenly sought after for their high-level advice.

While corporate activity such as acquisitions has been drying up, there is still a big requirement for outside help. Companies will need sensible advice on a variety of crisis and rescue corporate activity over the next year, as well as help 'tidying up' the business. This could include emergency fund raisings, assisting in debt renegotiations, advising on cost cutting, assisting in disposing of non core businesses and merging business

Although times have been tough for the past year and don't look set to improve for some time to come, there is nothing fundamentally wrong with the AIM market. While it is big and unwieldy, and needs to reduce to a more realistic and manageable size with less companies, a smaller AIM market staffed with quality advisers and companies is good news.

By increasing the percentage of quality companies with a real growth story, respected management and earnings power, this will create more room for serious investment opportunities and raise its credibility for the AIM market, as well as silencing its critics.

 CLIVE CARVER is head of corporate finance at FinnCap. He is former head of corporate finance at Seymour Pierce and former head of corporate finance and corporate sales at Williams de Broe (now part of Evolution). He is also non-executive chairman of Kazakhstan oil & gas business (Roxi Petroleum) that raised \$80m when it floated on AIM early 2007. He is a chartered Accountant (FCA) Qualified Corporate Treasurer (MCT)

feature

AIM starts overdue shake-out

For the first time in its existence AIM ended a year with fewer companies than at the start.

The net decline of 144 companies in 2008 meant that there are now fewer AIM companies than at the end of 2006, a significant event for a market that is used to growing year by year.

However, it is not all bad, as weaker businesses and those not committed to an AIM quotation are the main leavers and that should give the junior market a better base of companies.

The exodus has not finished and AIM looks set to continue to decline in numbers for the next few months at least. It looks a good bet that there will be a lot fewer companies on AIM at the end of 2009.

There were 1,550 companies quoted on AIM at the end of 2008. In 2007, there was a net increase of 60 companies but the net decrease in 2008 was more than double that. Nine companies have left AIM in the first nine days of January 2009 and no new companies have joined.

New entrants

The number of new entrants more than halved to 114 in 2008, although that includes five reintroductions and 37 reverse takeovers of existing AIM companies. There were 72 new companies that joined during the year

and the number of new companies fell off significantly in the second half of 2008.

The money raised by the new entrants also fell sharply from £6.6bn to just over £1.1bn. Existing AIM-quoted companies raised around one-third of the £9.6bn they raised in 2007.

For the first time in its existence AIM ended a year with fewer companies than at the start.

The number of companies joining AIM was boosted by transfers from the Main Market. The times when there were a flood of companies moving in that direction have gone but there were still 11 that switched to AIM in 2008, up from eight in 2007. Most of those did not raise any cash.

Choosing to leave

More companies than ever decided that AIM was not the market for them. The number leaving out of choice more than trebled to 54.

Many of these companies also had quotations on other markets and did not think it was worth maintaining two quotes. There were still a significant number which do not have any public market on which their

shares are traded and don't intend to find one in the short-term, at least.

Secora chose to leave AIM and move to Plus-quoted. This was the only company to make this direct move during 2008. There have been expectations that the number of companies transferring to Plus-quoted would become more

significant but many companies were happy not to replace their AIM quote with another market or trading facility.

There are plenty more companies planning to cancel their quotation. They include International Marketing & Sales Group Ltd, which is also quoted on the Swedish AktieTorget market.

Not all shareholders are agreeing to the board's decision to drop the AIM quotation.

Amur Minerals Corporation and Atlas Estates Ltd both failed to get their motions passed at their respective EGMs. This shows that shareholders will not support the motion if the argument for the cancellation is not attractive to them.

AIM has been keen to encourage companies with international

REASONS FOR LEAVING AIM		
REASONS	2008	2007
Suspended for six months	7	6
Chose to cancel quotation	54	17
Financial problems	41	16
Move to Main Market	12	13
No nominated adviser	15	15
Shell unable to find an acquisition	8	17
Takeover	68	74
Winding up	11	4
Total	216	162

NET NUMBER OF COMPANIES JOINING/EXITING AIM		
MONTH	NET NEW ENTRANTS/ CANCELLATIONS 2007	NET NEW ENTRANTS/ CANCELLATIONS 2008
January	1	-1
February	-3	-10
March	5	-2
April	2	-6
May	0	-16
June	17	-2
July	17	-18
August	12	-13
September	-3	-17
October	-4	-12
November	6	-17
December	10	-30

feature

businesses to come to London. This has been successful but holding on to these companies is proving difficult. There are a large number of international companies leaving AIM purely because they do not think it is worth the extra burden of a quotation a long way away from their base. Many are quoted on other markets.

Not all shareholders are agreeing to the board's decision to drop the AIM quotation.

In percentage terms, 37% of the international companies leaving AIM in the final quarter of 2008 did so by their own choice against 22% of the UK companies leaving. Businesses going into administration and other financial problems were the main reasons for UK companies leaving AIM in the fourth quarter.

Financial difficulties

Unsurprisingly, companies getting into financial difficulties and exiting AIM jumped from 16 to 41 over the year. Some of these companies went into administration but in other cases it was their subsidiaries and the holding company is not in administration or receivership. Even so the company has no reason to retain the quotation.

The rate of leavers due to financial difficulties increased over the year from 11 in the first half to 30 in the second half.

This is likely to be an area that will continue to grow over the coming year. There are a number of companies just managing to survive at the moment and any further negative surprises could put them in trouble.

The third area where there was significant growth in numbers was in companies being wound up. The 11 companies in this category, up from four in 2007, range from investment funds winding themselves up to companies that have sold their businesses and decided to go into voluntary liquidation and distribute

any cash to shareholders.

It could be argued that some of these companies also fit in the financial problems sub-section because they would have got into financial difficulties if the business had not been sold.

Takeovers remain the main reason for companies leaving AIM although

the number dipped from 74 to 68 in 2008. There was a different make up to the companies being taken over last year. In 2007 there were a handful of takeovers worth more than £1bn. There was nothing that size in 2008 and most of the takeovers were valued at between £10m and £50m.

There are still plenty of shell companies on AIM despite the clear out in 2006. The number losing their quotation fell from 17 to eight.

Although there are few new shells joining AIM, because of the requirement to raise a minimum of £3m, there are an increasing number of companies that are selling existing businesses and turning themselves into shells. Fuel cell products developer Voller Energy is one example. It has wound up its operating business and returned most of its remaining cash to shareholders. It has retained enough cash to keep it going for 18 months and the rights to its IP. Voller will look around for a suitable acquisition target. More AIM companies are likely to exit their

such as Domino's Pizza, Mears Group and Synergy Healthcare. There were a number of companies, such as Peter Hambro Mining, that talked about a move but have put it off for the time being.

There may be an increased move towards full listings after the opening of the London Stock Exchange's new Specialist Fund Market.

"The SFM is an EU Regulated Market, with admission standards that offer sufficient flexibility for single strategy hedge funds, private equity funds and other alternative strategies and structures", according to the London Stock Exchange.

Marwyn Value Investors Ltd was the first company to move from AIM to SFM and is included in the 12 companies that moved to the Main Market in 2008.

MVI switched on 8 December and it is set to be followed by IRF European Finance Investments Ltd, which invests in financial services businesses in Europe, in the middle of January 2009.

The year ahead

This year is likely to continue to be tough for AIM. There were no new entrants to the market in the first nine days of January but nine more left and there are more to go.

It appears that there are still plenty of companies keen to join AIM but many of them have been on the starting blocks for some time. They are waiting for the right moment to float and that does not look as though it is going to be in the next few weeks or

AIM has been keen to encourage companies with international businesses to come to London.

businesses and many will end up as shells.

The number of companies switching from AIM to the Main Market was similar to 2007 – 12 against 13 last year. They include some of the best AIM performers over the past decade,

even months.

There will be little new issue activity in the short-term so many brokers and corporate finance firms will turn their attentions to deals and M&A. This is likely to be even more focused on the smaller end of the market this year.

statistics

market performance, indices and statistics

AIM SECTOR INFORMATION			
SECTOR NAME	AS % OF AIM MARKET CAP	AS % OF AIM COMPANIES	
Mining	11.76	10.65	
General Financial	11.58	12.25	
Real Estate	8.95	6.48	
Equity Investment Instruments	8.38	4.17	
Oil & Gas Producers	8.17	6.16	
Support Services	6.09	8.79	
Travel & Leisure	5.33	4.55	
Food Producers	4.16	1.60	
Software & Computer Services	3.93	7.18	
Media	3.61	6.29	
Nonlife Insurance	3.00	0.90	
Electronic & Electrical Equipment	2.53	3.46	
Construction & Materials	2.53	2.18	
Industrial Transportation	2.46	0.90	
Pharmaceuticals & Biotechnology	2.34	3.85	
General Retailers	2.06	1.86	
Electricity	1.64	0.90	
General Industrials	1.61	1.48	
Health Care Equipment & Services	1.27	2.50	
Banks	1.08	0.19	
Industrial Engineering	1.01	1.99	
Chemicals	0.93	1.80	
Technology Hardware & Equipment	0.74	2.25	
Mobile Telecommunications	0.67	1.15	
Oil Equipment & Services	0.54	0.71	
Life Insurance	0.49	0.06	
Food & Drug Retailers	0.49	0.51	
Fixed Line Telecommunications	0.42	0.45	
Household Goods	0.34	0.90	
Aerospace & Defence	0.30	0.19	
Forestry & Paper	0.28	0.26	
Personal Goods	0.27	1.09	
Gas Water & Multiutilities	0.24	0.19	
Automobiles & Parts	0.21	0.77	
Beverages	0.20	0.26	
Industrial Metals	0.15	0.45	
Investment Entities	0.08	0.13	
Leisure Goods	0.08	0.45	
Nonequity Investment Instruments	0.05	0.06	

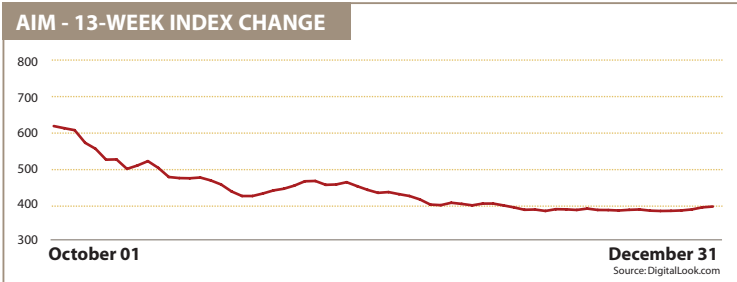
KEY AIM STATISTICS	
Total number of AIM companies:	1559
Number of market makers:	47
Total market cap for all AIM:	£40111.33m
Total of new money raised:	£59983.30m
Transfers to the official list:	127

AIM COMPANY PERFORMANCE	
Statistics for December 2007	
No. of shares rising:	420
No. of shares falling:	249
No. of shares unchanged:	890
Advance/Decline Ratio:	1.69
Market Volatility:	26.88

FTSE INDICES			ONE-YEAR CHANGES	
INDEX	31/12/2008	31/12/2007		
FTSE AIM All-Share	394.32	1049.00		
FTSE AIM 50	1704.26	5248.30		
FTSE AIM 100	1851.79	5145.00		
FTSE Small Cap	1854.22	3420.30		
FTSE All-Share	2209.29	3286.67		
FTSE 100	4434.17	6456.90		
FTSE 250	6360.85	10657.80		

COMPANIES BY MARKET CAP	
MARKET CAP	NO.
Under £5m	588
£5m-£10m	256
£10m-£20m	261
£20m-£50m	255
£50m-£100m	121
£100m-£250m	62
£250m+	16

RISERS				
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)	
Urals Energy Public Company	Oil & Gas Producers	15.00	421.74	
Futuragene	Software & Computer Services	29.00	197.44	
Nostra Terra Oil and Gas Company	Oil & Gas Producers	0.53	162.50	
Music Copyright Solutions	Media	3.25	160.00	
Titan Europe	General Industrials	18.50	155.17	
Cryo-Save Group	Health Care Equipment & Services	35.50	129.03	



Top Director Dealings in December

TOP DIRECTORS' DEALINGS								
COMPANY NAME	TICKER	VALUE (£)	BUY/SELL	TRADE	TITLE	SURNAME	FIRST NAME	DATE
Rurelec	RUR	£3,304,762	Buy	11802721 x 28.00p	Mr	Earl	Peter Richard Stephen	22-Dec-08
IPSA Group	IPSA	£3,200,000	Buy	10000000 x 32.00p	Mr	Earl	Peter Richard Stephen	22-Dec-08
Prosperity Minerals Holdings	PMHL	£1,501,500	Buy	13650000 x 11.00p	Mr	Wong	David	03-Dec-08
K3 Business Technology Group	KBT	£607,820	Buy	1013034 x 60.00p	Mr	Claesson	Per Johan	19-Dec-08
Penna Consulting	PNA	£598,500	Sell	420000 x 142.50p	Mr	Rowlinson	Stephen	15-Dec-08
TVC Holdings	TVCH	€600,000	Buy	1500000 x 40.00c	Mr	Reihill	Shane	15-Dec-08
Polymer Logistics	POLL	£325,000	Buy	1000000 x 32.50p	Mr	Wascher	Uwe	16-Dec-08
Africa Opportunity Fund	AOF	\$369,000	Buy	1230000 x 30.00c	Mr	Knapp	Robert C	19-Dec-08
BowLeven	BLVN	£243,000	Buy	900000 x 27.00p	Mr	Hart	Kevin	08-Dec-08

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, JM Finn 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.

Digital Look®

PUBLISHED BY

Digital Look Ltd, 4th Floor,
107 Leadenhall Street,
London EC3A 4AF.
Telephone: +44 (0)20 7743 0050
Fax: +44 (0)20 7504 3627

PUBLISHER EDITOR DEPUTY EDITOR SENIOR CONTRIBUTOR DATA PRODUCTION AND DESIGN SHARECAST TEAM

Andrew Yates
Philip Whiterow
Jamil Hussein
Andrew Hore
Angela Barham
David Piddington
Lee Wild
Jana Weigand
John Harrington
Rory Gallivan

SPONSORSHIP & ADVERTISING

aimbulletin@digitallook.com
or telephone +44 (0)20 7743 0050

Digital Look Ltd uses due care and diligence in the preparation of the AIM Bulletin but is not responsible or liable for any mistakes, misprints or typographical errors. Information in the AIM Bulletin is for general information only and is not intended to be relied upon by individual readers in making or not making investment decisions. Appropriate independent advice should be sought. You acknowledge and agree that you bear responsibility for your own investment research and investment decisions, and that Digital Look or its employees shall not be held liable by you or any others for any decision made or action taken by you or others based upon reliance on or use of information or materials obtained or accessed through use of the AIM Bulletin. Journalists and contributors to the AIM Bulletin may, from time to time, hold shares in the companies they write about. The views expressed by contributors, both professional and amateur, are not necessarily those of the publishers. All rights reserved, reproduction in whole or in part without written permission from the publisher is strictly prohibited. We would be happy to receive any feedback on the AIM Bulletin by e-mail to AIMBulletin@DigitalLook.com and will reply to any written feedback as appropriate and as possible.