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THE SMALL COMPANY

SHAREWATCH

January 2011

MARKET COMMENT

By the end of 2011 we will have answers to three questions:

- *is the US recovery self-sustaining? i.e. no longer in need of extraordinary Government support and record low interest rates*
- *can China contain its inflation and property boom, with a "soft landing"?*
- *does the eurozone now have a realistic, long term, solution to its problems?*

If the US gets its act together, it will add new dynamism to the world recovery. Equally if the economy starts back-sliding expect more "shock and awe" initiatives from the Federal Reserve.

If China can engineer a moderate slow down, large parts of the world economy, increasingly dependent on China, can breathe a sigh of relief. Not being answerable to an electorate provides considerable flexibility.

If the EU can reform the eurozone, a significant risk to the world's banking system will be removed.

These are three big "ifs". Perhaps the least likely to reach a positive outcome, with limited pain, is the eurozone. There is a race, with the bureaucrats and politicians on one side, and voters and taxpayers and investors on the other. A relatively benign outcome requires that the patience of the latter holds out while the clumsy decision-making processes of the former clunk towards a solution

But if these three issues can be resolved through 2011, the debt problems of much of the developed world *could* be gradually controlled by continuing economic recovery and growth, moderate inflation, and selective sovereign defaults. And the remainder of the world, particularly Asia and emerging markets, can continue on their long term growth path, with occasional cyclical interruptions.

We live in hope. But living in hope is not an investment strategy. So as we enter 2011 your strategy must reflect these risks. For example, the key to investing successfully is not overpaying. It doesn't matter how good the business you have analysed, if you over pay you won't make money.

HUMMINGBIRD (HUM)

FT Sector :	Not listed in FT
Latest Price :	161p
High/Low	174.5p - 163.5p
Market Cap. :	£85.9m
Shares in issue:	53.36m
end 5/2010 EPS/PER	- -
end 5/2011 EPS/PER est	- -
end 5/2012 EPS/PER est	- -
Telephone	020 7766 7560
Registrars	0871 664 0300
CALENDAR	
Int/Fins/AGM	FEB/NOV/JAN

Dan Betts, chief executive of gold explorer Hummingbird, likes to shoot from the hip and makes little effort to hide the fact that investors might balk at the thought of gold prospecting in Liberia, given memories of the country being a war torn and dangerous place. But as he points out, the gold deposits within Liberia are part of the prominent Birimian greenstone deposit, which extends through Ghana, the Ivory Coast, Guinea and Burkina Faso. These are some of the most prolific gold producing regions of the world - so much so that it includes the world's second biggest mine, Obuasi in southern Ghana, with reserves of over 40 million ounces, whilst there are dozens of other mines across the region with multi-million ounce reserves. In mining terms, Betts says the Birimian is "elephant country."

The only unexplored region of the Birimian

During the exploration boom of the 1980s and 90s, Liberia underwent an intermittent 14-year civil war and gold prospecting was off limits. It was precisely as a result of the war that Liberia has remained the only unexplored region of the Birimian sequence. Fortunately this has been no bar for Betts to start acquiring exploration licences in Liberia and in five years he has assembled 14 separate land tenements.

The exploration licences cover a vast 7,170 sq km and most of the last five years have gone on establishing the necessary infrastructure but - after just eight months of actual drilling - the company has already defined a 812,000 oz gold resource at its *Dugbe F* deposit.

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• Next issue on Saturday 12 February

Always remember the risks in buying shares. With small companies, which comprise most of our recommendations, there is an above average degree of risk compared to buying blue chips. You may lose all or part of your capital. The difference between buy and sell prices can be wide and the market in some cases can be limited or could become so. Past performance is no indication of future success.

The block represents just 1% of Hummingbird's Liberian land holding and more drilling is now underway, not just at Dugbe F but also at the more remote blocks. We therefore confidently expect the resource estimate to rise many-fold when Hummingbird begins to announce its next drilling results during 2011.

History

Betts says Hummingbird has spent US$15m as a private business to take it to where it is now. As he says, back in 2005, when he first started acquiring the exploration licences from the government you couldn't even get to the Dugbe location, let alone do any exploration. There were no roads, no infrastructure, no bridges - just a hilly topography, which comprised mostly of jungle. But in the past five years he has already put in place a huge infrastructure platform including roads, two base camps, a vehicle repair facility and basic medical facilities.

Birimian setting is key

As he says, the keynote for anyone looking at Hummingbird now is the fantastic Birimian and geological setting in Eastern Liberia. The terrain and the tectonic events (earthquakes) that occurred 2.1 billion years ago have played host to many of the great gold discoveries and given birth to gold supremos such as Ashanti Gold and **Randgold** (RRS; 5304p). The past civil conflicts mean it remains the last frontier of the Birimian and Hummingbird, with its 14 Mineral Exploration Agreements (MEAs), is now the biggest land owner in this geologically proven terrain.

Furthermore, Betts says that the country has also enjoyed almost eight years of stability since the war ended and a strong UN presence remains. All this means that a proper legal framework for the mining industry - based on the Australian mining code - has evolved, so mining concessions are not based on the whims of an African chief. In fact, mining legislation was put in place in 2006.

Each of Hummingbird's 14 MEAs is effectively a five year exploration licence and each has a break clause that kicks in during the third year when Hummingbird must relinquish 50% of the licence area relating to the MEA. During this time it has to pay a small amount of land rent and carry out a certain amount of work on site.

The reason the government wants operators to relinquish some land during year three is that as part of the process, they also hand over the mining data to the government and this information is useful in allowing the government to develop the industry further. In truth, however, the landmass Hummingbird presently holds is really just too large for it to develop itself but the process also means that there will be plenty of “ball juggling” in the next few years to ensure it keeps the choicest parts for itself.

Betts says that if during the five years of an MEA an operator thinks it may have found something commercially worthwhile, it has the right to apply for a Mineral Development Agreement (MDA) and move it towards becoming a mine; but even though Dugbe F is already sufficiently large to be economically interesting, Hummingbird hasn't yet applied for that as it continues to enlarge the resource.

Dugbe open in three directions

As we are learning, the Birimian greenstone belt is a geological province characterised by rocks of a certain age. It largely contains low grade and generally evenly distributed gold deposits, says Betts. Because the gold is evenly dispersed over a large area this gives way to large open pit mining.

The best indication of exactly what Hummingbird is about is the Dugbe tenement (100% owned). Dugbe comprises nine blocks (A to I) and Hummingbird has started by working on Block F. In total it has drilled 88 holes at Dugbe F, covering over 14,000 metres and has found gold in each of them.

In just eight months since drilling began, 812,000 oz of resource has been defined. The indicated element is 15.9m tonnes at 1.1 g/t gold, which equates to 552,000 oz of gold. There is a further 260,000 oz of inferred resource.

Betts says that the total cost of this drilling campaign was US$15m, which equates to US$18/oz. When you note that this includes all the in-country costs and infrastructure, it looks like a cracking price.

He also says that the gold is all near surface and metallurgy looks straightforward as the ore appears non-refractory. Yes, the resource is relatively low grade at 1.21g/t but nobody yet knows how big it is going to be and Betts says it is certainly going to be much, much bigger as the resource is open to the south, north and east side and down dip.

In terms of depth, he says, any drilling is unlikely to go beyond 150 metres as it wouldn't then be open pit. But in any case, depth is not important because clearly the easiest resource increases will come from the new MEAs acquired to the west and south of Dugbe F that touch the current resource (respectively these are the *Joe Village* and *Nemo Creek* blocks). There is also the chance of these being much higher grades (>2g/t), which could all significantly enhance the economics of Dugbe F.

Around 20km to the east of Dugbe F is *Dugbe B* where in particular Betts also expects to find higher gold mineralisation. Recent trench samples have already picked up some anomalies of up to 10.8g/t albeit the area has been heavily leached so the deposit is patchy. Further afield a drilling campaign is also planned at *Zia*, a northern block, which is unrelated to Dugbe F.

Cheap discovery cost

Little wonder then with such an exciting drilling future ahead that Hummingbird has been able to attract a strong management team. The Chairman is Ian Cockerill, the former chief executive of Gold Fields, the world’s fourth largest gold producer. The mining team on the ground is otherwise small but highly experienced.

Daniel Betts, 34, himself doesn't come across as the type with dirty finger nails (although we have only spoken to him over the phone) having previously been a management consultant from Accenture.

There is an unspoken series of dos and don'ts in the mining sector. As one analyst recently quipped, it's best not to back those people with gold Rolex watches, leather jackets, shiny suits, shoes with tassels or men with man bags. We're not quite sure if Betts lands himself into this category but in his defence his family do have a history of over two centuries as bullion dealers in Birmingham and therefore have some presence of dealing in West Africa. Together with his father, Betts owns 16.8% of the equity. Similarly the other City face is non exec Matthew Idiens, a former merchant banker who we have come across at uranium explorer **Vane Minerals** (VML; 3.25p).

None of this has put off other investors. Last month Hummingbird raised US$37m through a placing on AIM of 15.26m new shares by broker Liberum at 167p. This valued it at £89m. Of the funds raised, almost US$29m is earmarked for more drilling totalling over 45,000 metres. The first results come in January, with more to follow in March.

Iron ore licence

In addition to its gold exploration, Hummingbird also holds one iron ore exploration licence, *Mount Ginka*, covering 155 square kilometres. Here it has already discovered what it thinks is low grade magnetite but given that its hands are already full with its gold exploration activities, it has signed a Memorandum of Understanding (MOU) with a South African company (Petmin) to develop it further. The joint venture looks promising as the site is located in northern Liberia close to BHP Billiton's Mount Kitoma iron ore exploration project, as well as Arcelor-Mittal's Yekepa project containing the Mount Nimba iron ore mine.

Conclusion

At the float, broker Liberum calculated that the Dugbe F resource was worth US$107m, equivalent to $132/oz. They have also ascribed US$12m to the iron ore and other gold assets. That gave a pre-new money valuation of US$119m when Hummingbird came to market.

The shares initially opened at 190p compared to their placing price of 167p but due to selling by some pre-IPO backers (in at a US$26m valuation before any resource had been found) the shares have retraced back to below the float price. At current levels we think they are an attractive buy with plenty of exciting newsflow in 2011. If it pans out as expected, ultimately Hummingbird will be taken out before any production by a predator wanting resources in the ground, which they can stockpile for later production. *An exciting albeit somewhat speculative buy. Don’t chase though! Let the price come to you.*

UPDATES

West China Cement (WCC) 26.1p

FT : Not listed in FT

Just before the new year, West China made another acquisition, further strengthening its market position in Ankang in southern Shaanxi. The purchase, which had been outlined in its HK prospectus last August, shows that WCC has effectively paid RMB378m for an 80% interest in the Jianghua plant, which also has debt of RMB298m. The plant, which has an annual capacity of 1.1m tonnes, comes with sufficient limestone reserves to support its operations for many years.

2010 worked out very well for our (several) WCC recommendations. The gain now stands at 617% since we first tipped the shares at the equivalent of 3.64p in May '09. Take a chunk of those profits if you haven't already done so.

Tarsus (TRS) 124.5p

FT : Not listed in FT

Shares in Tarsus with its "category killer" events have finally woken up, helped by the fact that 2011 is once again an "on year" for its big biennial events - the labelling exhibition *Labelexpo Europe* (in September) and the *Dubai Airshow* (in November). Orders for the former are running well ahead of the 2009 event whilst the Dubai Air Show will benefit from being held at an expanded Dubai Airport exhibition venue.

Ahead of results on 7 March Tarsus said these will be "comfortably ahead" with the business firing on all cylinders. Labelexpo Americas in September was its most successful for 10 years, Labelexpo South China was profitable in its first edition and Labelexpo in India, which launched in December, performed strongly and rebookings have also been "exceptionally strong." At the same time, the discount clothing event, *OffPrice,* in August performed strongly and saw the highest ever re-book rate for the event in February.

Elsewhere in other events, the medical business, which runs 23 anti-ageing/preventative medicine events and has evolved into a strong educational component, grew 18% in 2010. The December event set another record. MEBA, the business jet show in Dubai in December, produced strong results. *Rebookings and advance payments will mean Tarsus is oozing cash to pay off debts. Investec forecasts eps of 16.3p for 2011, up from the forecast 9.8p for the year just ended. Buy.*

Hutchison Chi Med (HCM) 514p

FT : AIM, Pharmaceuticals

There has been a string of positive corporate developments at HCM since our last update. The most significant has been news that the R&D division, Hutchison MediPharma, has received a private investment from Japanese conglomerate Mitsui and venture capital firm SB China Venture Capital. The two have invested US$20.1m in new convertible preference shares effectively giving them 12.2% and 7.5% of MediPharma. The new money will be used to support the continued development of its R&D programmes including that for lead candidate HMPL-004 for treatment of inflammatory bowel disease.

Separately, the China Healthcare division, Chi-Med, increased indirect ownership of its Hutchison Baiyunshan joint venture from 75% to 80% for US$2.7m.

It's probably okay to speculate that the new money raised by MediPharma is pre-IPO funding ahead of that division being spun onto NASDAQ this year. Keep on buy list.

Photo-Me (PHTM) 63p

FT : Retailers

We met the FD, Madame Françoise Coutaz-Replan, shortly after the interims last month. These showed a 25% improvement in adjusted pretax profit to £14m. Of course, profit is only half the story as the sizeable depreciation charge on the estate of vending equipment depresses profits and Photo-Me continues to churn out a tidal wave of cash. EBITDA was £28.5m, representing 24% of revenue (a high percentage). In the past six months the cash pile has gone from £8m to £29.4m - which says it all really.

The latest H1 performance was driven by the vending side, which was 82% of total sales. Divisional sales here were up 3% to £97.1m but operating profits grew by a third to £15.4m helped by restructuring activities during the past 18 months. The performance was driven by sharply increased profitability in all three major geographic areas: 20% in Europe (driven by France which is in fact 75% of divisional profit) whilst the smaller UK and Asian operations each lifted profit by over 50%.

In terms of the latter, Japan is a big area and doing well already. China is still small (250 units) and Photo-Me operates only in Shanghai where it has been for three years but it now plans to expand very rapidly. The process takes time as you need a licence on a region-by-region basis but Coutaz-Replan says ultimately there's no reason why China should not get to 20,000 units (ie. much the same size as the whole of the rest of the world).

The story in the developed world is one of Photo-Me continuing to improve site location helped by new generations of booths such as the designer "Starbooth" photobooth featuring touchscreen, webcam and reality options that will be rolled out from next year. Coutaz-Replan says it is initiatives like this that will help margins and attract new sites.

The key to Photo-Me's future success and the expectation that profits may surge in the current year is the manufacturing side, which in H1 saw sales down 10% to £21.3m and similar operating profit of £0.6m. But don't let these numbers fool you as the groundwork has been laid with substantial orders received after the period end from two OEMs: Mitsubishi has placed an order for 1,300 *Photobook Maker / Pocketbook* machines and there has also been an OEM contract (Fuji, Dai Nippon?) for a new machine, the *Photobook Builder*.

The latter is a form of book binder that enables retail sites that operate minilabs (such as Photo-Me's DKS minilab machine) to bind photographs into a book. The unnamed OEM plans to buy 1,000 Photobook Builders by next July and 5,000 within 18 months but given that there is an installed base of 100-150,000 minilabs, not just the DKS but other third party ones also, to which these could be cross-sold, the opportunity looks sizeable. In any case, delivery against these two orders should ensure the division is well loaded and margins will be strong.

JM Finn forecasts full year EBITDA of £45.9m. Strip out the cash and the shares trade on 4.8x cash earnings. *Tipped at 10.75p in November '08 and several times afterwards, a six bagger but still a buy/strong hold.*

Zetar (ZTR) 204p

FT : AIM, Food & Beverages

Ahead of interims later this month, Zetar has announced that trading was in line with expectations with sales up 5% to £60.2m. As had been the case previously, there has been a wide divergence in performance with confectionery trading strongly reflecting the growth in everyday lines whilst the natural snacks business was impacted by raw material costs. On a positive note, net debt continues to fall and at the seasonal high point, year-on-year it has fallen by almost £4m to £26.6m. Broker Shore Capital forecasts eps of 37p for the year to 30 April, which puts the shares on a PE of 5.5. *Strong hold.*

SuperGroup (SGP) 1265p

FT : Retailers

A sell off for the shares in the highly rated branded retailer followed the interim results although there was nothing untoward in the results themselves. It may have been just profit taking after the meteoric rise or perhaps the CEO's throwaway remark about higher cotton prices impacting next year's margins that rattled some (cotton prices have been rising all year and it hasn't halted Supergroup's ascent thus far but analysts expect it to reduce gross margins by 2% - Editor).

Overall sales grew a blistering 65% to £90.3m. Adjusted pretax profit was up 68% to £13.5m and eps was 11.3p, both of which exclude the effect of new accounting policies (on charging for freight and duty costs).

On the retail side, sales went up 72% to £54.4m. The plan here is to increase the store/concession footprint and to widen the merchandise and Superdry has scored on both counts. The store roll-out programme saw 13 openings to leave 55 whilst a further 13 in-store concessions also opened (mainly womenswear) taking the total to 69. There are plenty of lease incentives being offered by landlords to Superdry and net store capex was only £4.2m after cash contributions from landlords of £5.6m. Helped by that, Supergroup ended with £19.5m net cash, an increase of £9m prior to the IPO proceeds.

The wholesale arm saw sales up 56% to £35.9m as the brand continues to expand internationally, adding seven new countries in the half (to 43) and 17 new franchise/licensee stores (to 53 in 15 countries), of which most were in Europe.

Overall gross margins advanced by a mammoth 500 basis points to 55% but Superdry has stepped up its investment in infrastructure to support future growth so EBIT margin therefore showed a 10 basis point improvement to 14.9%.

In terms of outlook, ahead of a further trading update on 12 January, Supergroup said that early Christmas trade was encouraging and the new collections have been well received. The Spring order book is strong as is the pipeline of new store

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openings. That provides support to Arden's forecast of 43.4p eps for the year to 30 April and 59.3p the year after.

Tipped at 546p in April '10, the shares went over £16 last month. We don't yet think this growth story has run its course. A very strong hold.

International Greetings (IGR) 62p
FT : AIM, Media

Any weakness because of current nerves over retail would be a wonderful opportunity for long-term investors to buy shares in IGR, the supplier of gift wrap, crackers and cards as the signs are there that the performance is about to go up a notch. Latest interims to 30 September show sales up 13% to £105m (6% on constant currency) whilst pretax profit doubled to £2.1m. Net debt was down by 15% to £86m year-on-year and this is the seasonal peak so by the March year end, it will be c.£40m.

Our first question when we spoke to Paul Fineman, IGR's chief executive, was why gross margins have only increased by 10 basis points to 18.3% given the restructuring of last year, the operational gearing, the favourable exchange rates plus the fact that these results show that IGR's own brand product sales have risen to almost 50%. Fineman says the answer is due to a combination of factors; the last few months saw cost pressures eg. China has seen double digit wage inflation and some raw material prices lifted 15% whilst freight rates have also risen. To counteract this, IGR has redesigned some products, passed on some rises and also changed the product mix. There was also a move to sell older stock at lower margins, which depressed the overall mix.

That said, EBIT margins went up from 3.1% to 3.6% and Fineman says that going forward the inflationary pressures will not be as great and his expectation is that margins are going to improve further in H2.

Another particular factor why we expect greater things from IGR is that its recently launched range of Everyday greeting cards and single cards are themselves higher margin (8-10% higher gross margin) than other products and the proportion of these cards of overall sales is rising (now 10%, up from 6% of sales last year). In 09/10 IGR sold 5m cards whereas this financial year it will sell over 50m and most of this growth has only been coming since August through sales to Tesco, Asda and Dollar Tree. Furthermore, Fineman says that these cards are increasingly easier to launch on a global basis, which adds particular efficiencies. It was also precisely this development that played its part in growing UK sales (the biggest region) by 8% to £100m and also helped the US, which is another big territory and a historical loss-maker to move to a profit despite sales being down 6%. Elsewhere, Europe saw sales lifted by 8% helped by good sales momentum in Eastern Europe.

No change then to headline forecasts of £5.1m pretax for the year to 31 March and £6.9m next year from Arden but eps forecasts rise by 15% in each case to 7.3p and 10.4p respectively due to changes in tax rate.

On a PE of 8.5 dropping to 6.0, we think the shares are still a buy.

RCG Holdings (RCG) 25.5p
FT : Not listed in FT

Explaining the recent drop in the shares was a very ugly looking statement that emerged from RCG, which says that whilst sales in H2 will slightly exceed H1, margins in H2 have slumped to two-thirds of that achieved in H1. In particular, the consumer side has seen margins almost halve as the product mix has included more lower margin hardware. Meanwhile, the enterprise segment, which includes biometric products for commercial use, has seen margins fall one-third, as RCG has reduced selling prices to maintain market share. The solutions side, which sells bespoke systems, has also seen some implementation delays. RCG also said it is going to write off some of the goodwill on past acquisitions, recognising it has overpaid in some cases whilst also increasing its provision for doubtful debts.

Since the update, RCG has placed 6.45m shares at 25.8p to raise £1.7m before expenses. *The shares had started to look a bit long in the tooth at the time of our last update but sadly the single figure PE looked too tempting. We are now dropping update cover.*

Low & Bonar (LWB) 51.5p
FT : Construction & Materials

Another positive update from Low & Bonar ahead of results on 8 February. Recent progress has been maintained and as a consequence sales growth will exceed 10% and full year pretax profits will be at the upper end of market expectations. In the light of the results Peel Hunt has upgraded to pretax profit of £18.5m (eps 4.4p) with £22m (eps 5.2p) this year. *Strong hold.*

Anite (AIE) 64.75p
FT : Tech - Software & Services

More new highs followed H1 results, which showed a continuing strong performance in the wireless division. Overall, turnover was up 20% to £42.3m and adjusted pretax profit was up 160% to £6.5m. Eps was 1.6p. Net cash was £28.4m.

The focus of most attention remains the Handset Testing business where sales were £20.6m, up 35% year-on-year and operating profit was £3.5m, up 11%. The half finished strongly with the business concluding a number of deals in late October that had been anticipated to complete in the early weeks of the second half. 2G and 3G revenues have stabilised whilst Anite's traction in 4G (LTE) continues to build with LTE now 24% of Handset Testing's revenues (versus 12% in FY 2010 and 21% in Q4 2010). Impressively, LTE revenues were £4.9m in H1 2011 and have grown by 41% on the previous half.

Similarly, the Network Testing side also performed better than expectations with sales up 38% to £12m and adjusted operating profit more than doubled to £3.6m but the company notes that this market is much more competitive and order book visibility short and so is not guiding expectations up just yet.

As had been expected, the progress in wireless has been offset by a further decline on the travel side where operating profit was down 40% to £1.5m on sales down 14% to £9.7m. Much of this had to do with the phasing of milestones associated with work for TUI, which reduced licence and development revenue. The Travel order intake of £7.4m declined 56% sequentially and the business remains very much in a "care and maintenance" mode rather than going anywhere fast.

Anite says it has never been better placed to exploit the new generation of networks. Overall the Wireless order intake during the half was £31.2m, an increase of 49% sequentially and handset testing now accounts for 65% of the total Wireless order intake. *Tipped at 43p just five months ago, strong hold.*

Editorial shareholdings of companies covered in this issue: Tarsus, Telecom Plus, Superglass, SHFT, French Connection, Eros, Photo-Me, CSF Group

Innovation (TIG) 15p
FT : Not listed in FT

TIG has reported its full year results to 30 September, which follows the restructuring undertaken by the new chief executive, Andy Roberts (ex ICL, Data Sciences, IBM), during the second half. Overall turnover was up 4% to £162m on constant currency and adjusted pretax profit was £9.8m, in line with expectations. Eps was 0.6p.

In the last few years there has been a significant shift in TIG's strategy from being a software vendor to a software-led BPO where it transfers an insurer's entire claims function (most of the work being motor claims) over to itself and takes a transaction fee for managing each claim on behalf of the insurer. This transaction income, or "outsourcing services" as it is reported in the accounts, grew by 9% last year and now stands at £141.8m or 87% of sales (vs 80% in FY09). Reassuringly TIG has managed to improve its gross margin on this activity by 4% to 38% reflecting some of the structural changes put through the organisation (delayered management structure and rationalised property portfolio) and central costs of £4.5m are well below expectation.

As in previous periods TIG is reporting geographically but for the first time says it has achieved profitability in every region. The UK, Germany, South Africa and Asia Pacific made profits of £1.9m, £5.7m, £5.3m and £0.5m, respectively. Of those territories the UK went backwards sharply due to lower software licence income whilst South Africa got a shot in the arm with the group's largest ever contract in its history from South African Nedbank, worth £31m over five years. Meanwhile, the formerly lossmaking bits elsewhere in Europe (Spain, Belgium, France and Netherlands) made a combined £0.8m whilst the North American region achieved breakeven having lost £3m in FY09. A good result.

Overall, TIG received £75m of new orders and at least six pilots are also said to be moving towards full deals where the additional claims volumes are going straight to profits. Based on this, Investec forecasts £13.8m pretax this year for eps of 0.9p.

We tipped the shares at 6.5p in February '09 but they are now finally looking ready for a further run. Speculative buy.

Superglass (SPGH) 30p

FT : Construction & Materials

Due to lack of space we didn't review Superglass' full year results last month. Since then, shares have risen strongly due to a combination of relief that bank facilities have been proactively renegotiated through to 2014; a positive view of the future; and of course the coldest winter since records began will have put insulation back into the fore of peoples' minds.

Superglass is one of the country's leading suppliers of insulation. As it was, sales last year were hit by low levels in Carbon Emissions Reduction Target (CERT) related activity and one of its furnaces catching fire, which restricted output in the final two months (£0.9m estimated impact on profits). As a result, revenue declined 18% to £31.4m (FY09: £38.1m) and adjusted pretax profit fell to £3.7m (FY09: £5.3m).

EBITDA was £5.8m (FY09: £8.2m), which helped pare net debt by £4.5m to £17.2m year-on-year so the now rapidly dwindling debt no longer casts a long shadow on the shares. Excluding amortisation, eps was 7p vs 8.3p.

One fact brokers are fairly reticent on is that the £4m amortisation of goodwill and intangibles, which dates back to the leveraged buyout of the group in 2007, ends this year, removing the non cash charge but which will make results look much better. This is at a time when there is a much better year in prospect.

An extension to the CERT scheme has been announced and more than 80% is to be allocated to loft and cavity wall insulation. This extension of CERT from March 2011 to December 2012 means a cost to the utility companies of £2.4bn for the extended period (equivalent to spending of £114m/month). Meanwhile, growth has also returned to other channels - distributors and builders merchants - which are 40% of sales, making them together as big as CERT. Superglass says sales to specialist distributors like Wolseley and SIG were up 7% in H2 over H1 whilst its builders merchants volumes lifted by 30%.

Operational capacity at the failed plant has been restored since the year end and an insurance settlement is pending. Having refurbished the first furnace, the group has decided to bring forward the refurbishment of the second.

Prospects look bright; buy.

KSK Power (KSK) 520p

FT : Not listed in FT

Another going the same way as **OPG** (OPM; 79p) is KSK Power, which has announced with its interims to 30 September that it is enjoying good output from its plants and a stronger energy tariff.

The period saw a transformational change to the group as its Indian listed subsidiary (now 55% owned) expanded its portfolio and it generated significant new revenue from the fourth and fifth thermal power plants (the 135MW VS Lignite, the 135MWx2 Wardha phases).

KSK has also signalled its intention to enter the wind sector and announced it has bought a small 52MW wind generation project in Tamil Nadu. Overall, these projects mean that production capacity now stands at 601MW but including two more phases at Wardha, there is a further 313 MW expected to commission over the next six months to take year end (March 2011) capacity to 900MW. Meanwhile, the 3.6GW project in Chattisgarh, which is the key project for the group and which will promote the company into the top five independent power generators in India, has received the required clearances, EPC contracts have been signed and construction commenced.

The consolidated operating revenue for the reporting period from power generation sales, mining activities and project development activities grew to $82.6m with a pretax profit of $35.5m (eps 13 cents). Gross margin increased from 50% to 54.3%. Arden forecasts sales of US$202m for the full year and a pretax profit of US$115m (eps 38.7cents). For next year this rises to US$394m sales, US$209m pretax and eps of 63.6 cents. Clearly KSK is rapidly growing into its valuation. A *new round of coal awards are imminent, which could trigger a rerating. Arden sets an £8 valuation.Still a buy.*

Assetco (ASTO) 58p

FT : Not listed in FT

Assetco's latest interims are very much a watershed, reflecting the much sharper focus that has returned to the outsourced fire and rescue service. Overall revenues were up 4% to £17.1m and pretax profits increased by 22% to £4.2m. EPS grew by 2% to 3.2p. Recourse debt at the period end was £18.4m whilst non-recourse debt due to its PFI contracts was £59m.

Since the results, Assetco has taken its recent refocusing to the logical conclusion of selling its remaining equipment manufacturing divisions, which provide ladders and gantries, hose-reels and other rescue equipment, for £5.25m. The businesses usually make £1m and the disposal is eps dilutive in the short-term. That said, it does mean that Assetco has a more focused base on which to materially build profits going forward.

Key to this is the start of the front line firefighting contract in Abu Dhabi, which covers five of the region's 98 firestations and has now begun. Assetco didn't really provide any further embellishment and whilst the contract is estimated to have contributed £0.5m to profits in H1 and should contribute £2.5m in H2, clearly there is exceptional growth potential in the region to extend its services, for instance into the oil and gas sector. In the UK, the two contracts with London and Lincoln have also continued in-line although there are risks of budget cuts with some cuts in short-term hire contracts already seen. H2 will also be impacted from tough comparatives as last year had seen a benefit from the work to create a reserve fire service in London (£3m sales), which will not repeat but overall Assetco said it remains confident of a good overall performance.

Broker Arden forecasts £10.4m pretax for the full year to 31 March for eps of 8.5p but this looks a tad on the high side. Keep holding.

Severfield Rowen (SFR) 334p

FT : Industrial Engineering

Severfield-Rowen has reported that trading has remained in line with expectations. Although demand in the UK and Ireland is presently depressed, there is a glimmer of recovery in 2012 in certain sectors. The UK order book stands at £251m.

Meanwhile, the joint venture in India, JSW Severfield Structures, has now fully commissioned its plant in India during the month. The plant at Karnataka opens with an orderbook for £10m and Severfield said that the opportunities are abundant. *Tipped at 164p in April '09; hold for more.*

OPG POWER (OPG)

FT Sector :	Not listed in FT	
Latest Price :	80p	
High/Low	86p - 53p	
Market Cap. :	£229.5m	
Shares in issue:	286.9m	
end 3/2010 EPS/PER	0.7p	114.3
end 3/2011 EPS/PER est	2.6p	30.8
end 3/2012 EPS/PER est	5.1p	15.7
Telephone	01624 681200	
Registrars	020 7556 8800	
CALENDAR		
Int/Fins/AGM	DEC/JUL/SEP	

OPG Power Ventures (OPG), an operator of thermal power plants in India, has the makings of a remarkable growth story. The company had just one power plant with a capacity of 19.4MW at Tamil Nadu when the shares joined AIM two years ago but by the end of last year it had opened two more: a 10MW plant, which opened shortly after the float and a 77MW plant, which opened last August, both in Chennai, to take its operating capacity to 107MW. The upside of the phasing in of the new capacity is that growth is virtually built in with broker Cenkos expecting OPG to double its pretax profit to almost £13.1m for the year to 31 March with a further jump to £21.6m pretax next year. Earnings per share are expected to emerge at 2.6p and 5.1p, respectively.

The company has, however, also broken ground on a new 77MW plant at Chennai on the same site as well as a 300MW plant at Gujarat. These two plants, both of which are fully funded, will be operational in 2012 and 2013, respectively and will lift capacity to 483.4MW. All other things being equal, once these plants are up and running broker Cenkos reckons that it will take group EBITDA to £137m and earnings to a mighty 26.7p.

Cenkos says that applying an industry multiple of 18.9 to those future earnings gives a price target of 504p, which is an illustration of where the broker thinks the shares could be heading. Unlike some companies in the sector, which have been going off half cock by announcing plants before they have the coal supply organised or funding in place, OPG only likes to make its announcements when it has everything in hand and the current opening programme is by no means the limit of management's ambition with other projects on the drawing board to take capacity to 1,200MW by 2015. Once these are announced in due course, we expect the shares to take off - almost vertically.

Touches on the big theme

Quite often the most successful investments are those riding on the back of major trends in the world economy. In the case of OPG, the story

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touches on the big theme, which is the explosive emergence of India as an economic powerhouse and its burgeoning need for infrastructure. Everyone seems almost fixated on China with its emerging high-rise cities, new airports, modern highways, and fantastic growth - which has exceeded 9% for the past three years- but India offers not dissimilar scope and in fact the country is already the fourth largest economy in the world after the US, China and Japan and last year it clocked up growth of 8.8%.

Fixing India's clogged ports, sweeping power blackouts, inadequate roads and over-stretched airports would also be a huge boost to productivity and it is astonishing India has achieved what it has given it has been so heavily circumscribed in those areas. Everywhere you look there is a need for more and better infrastructure; take the power sector for instance - if India's economy does grow by 8% or 9% annually then by 2030 it will need three to four times as much energy as it currently uses. Demand is bottomless it seems and as history shows any increase in demand for electricity has consistently and substantially outstripped the additions to supply.

In a roundabout way this then acts as an introduction to OPG, which was established by its current chief executive, Arvind Gupta, a first generation entrepreneur who started off his career at Kanishk Steel, a family business. It was precisely during this time in the steel trade that Gupta was confronted with the almost ludicrous situation where the state owned electricity board would insist that some customers take "holidays" of one day each week when they were not allowed to draw power and it was here that he spotted the opportunity to develop independent power plants to supply industrial customers.

Gupta's timing couldn't have been more prescient. It was around about this time that India had begun the process to deregulate its power sector. Finally, a seismic change came in the form of the Electricity Act 2003, which allowed private enterprises to enter the sector. The licensing requirements for generators were removed, open access to transmission and distribution networks was granted (with a statutory right to use the utility's networks at cost) and new guidelines were laid out enabling private companies to supply industrial customers with their electricity.

No cap on OPG's returns

As Gupta says, enshrined within the Act was the concept of "group captive power plants" (GCPP) - the type that OPG likes to open. This was a key development as it prescribed new rules that enabled operators like OPG to partner with a number of industrial users to set up a captive power plant for use solely by them. OPG became the first company in India to develop the concept of a GCPP.

Under the rules for a GCPP, whilst the industrial users of energy are not required to contribute to the equity financing of such a plant, the developer has to guarantee that it will supply at least 51% of the output from its plant to these customers. The operators can negotiate pricing tariffs with the users directly without the regulator having any say in fixing the price. It also has a price advantage over the State Electricity Boards which are overstaffed, bureaucratic operations with bloated cost bases and also have to cope with pilfering (where local peasants tap into the long low voltage power lines in the rural parts of India). As a result, OPG can often supply power 20% cheaper. The beautiful aspect to all this for OPG is that it gets a guaranteed buyer for 51% of its output and contracts are typically on a ten year basis.

At this point, some subscribers might be wondering exactly what the differences are between OPG and **KSK Power**, which we have also featured before (see page 5 for update). KSK has other activities such as mining coal but that aside, both companies do, in fact, have similar business models but whereas KSK has a willingness to supply more than 51% of its power to captive customers (indeed it averages c.65%), OPG tends to stick to the statutory minimum. As the performance shows, because there is a shortage of power, OPG is also finding that it can sell the remaining balance (49% or less) of its output at high spot prices to either the power trading companies or to the State Electricity Boards to maximise its returns.

Plans for bigger plants in future

Up until a couple of years ago, the problem for OPG was that the rules required it to give some of the equity away to the industrial users themselves and it could only own 44% of any given project with 56% being held by the users of the power.

Its profit share from the first two plants reflects this and is therefore not representative of where OPG is going. By way of background the first 19.4MW plant at Tamilnadu (44% owned) has a direct pipeline to the local Cauvery gas wells with which it has a rolling five year agreement to provide its gas. The second 10MW plant (33% owned), based in Chennai, is on the site of Kanshik sponge steel plant. This is a waste heat recovery unit that utilises unburnt coal (dolchar) generated from the steel operations.

Under the new rules OPG is now able to own up to 74% of each new power plant and receive 99% of the profit. This new shareholding structure has been implemented from the third plant onwards. The third plant then at Chennai is a 77MW plant using coal imported from Indonesia. OPG has already secured contracts to sell the entire output of the first plant at a 10% discount to the prevailing state utility price. The contracts with customers are indexed to the price of coal and the price that the utilities charge for electricity whilst the cost of transmission is borne by the customer. During the past six months, OPG's three operating units achieved energy selling prices of c. Rps 4.80 per KWh with the new plant presently selling its power at Rps 5.1/kwh. Such has been the demand that OPG is now planning two similar 77MW plants at the same site and work is already underway on the second of these.

Outsource all the operation

What is unusual at OPG is that across all its plants the plan is to outsource all the operational activities (eg. loading coal on the conveyor belts to feed the plants), which leaves it focused on the development of plants. In the case of the existing 77MW plant, for instance, private utility, Tata, is operating the plant for OPG and because this is "meat and drink" to Tata they have also achieved much higher Plant Load Factors (PLF) and efficiencies than if OPG were to do the work itself. OPG says that the PLF achieved has been 85% and the third plant is expected to see sales of £19m this year and £38m next. Operating margins are high at around 60%.

OPG tends to fund the equity investment of

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its plants itself with 75% financed by bank debt. In terms of capital expenditure it typically costs US$1m for 1MW of power and debt is readily available for those with the equity. For those who don't have enough capital life is tough. But as we describe above, such is the profitability of plants that it's easy to see the payback on a plant is under four years and plants will typically have a life of around 30 years.

Gujarat will be 74% of overall capacity

But there are other reasons for expecting the rate of progress at OPG to accelerate. The main reason is OPG's plan to open its biggest ever plant, a 300MW coal fired plant at Gujarat. Not only will the bigger plant have significant economies of scale but with some quirky genius OPG is finding that the level of industrial growth in the region is running at 2-3x the Indian average and the plant is therefore likely to achieve very high selling prices. After this plant opens, Gujarat will represent 74% of overall capacity for OPG.

If OPG's plans run into place as expected (and the only real risk is failing to have its equipment delivered on time by its Indian subcontractor) then OPG is going to be a much bigger business in two or three years time.

India remains many years from being self sufficient in power, which should enable OPG to string together several years of strong growth and become a sizeable energy generator; *buy*.

UPDATES & IDEAS

>> Continued from page 8 - Shaft Sinkers Holdings

The numbers paint a visible picture of how well the business is doing. In 2008, SHFT made a pretax profit of £4.98m on sales of £99m, which ballooned to £12.46m on sales of £147m in 2009. In the first six months of 2010 it made £9.4m on turnover of £80m. True there were some windfall elements to these profits with one lapsed contract proving particularly lucrative although two others suffered temporary setbacks.

As has been the case for a while, SHFT is heavily reliant on three big South African customers who account for 80% of the work, the largest of which is Impala Platinum. But the plan now is to win more work outside South Africa, including Russia (which holds the second largest PGM resources) and India and it has already had early success in both countries (21% now outside South Africa) as well as applying its skills to gold and also to potash. This has resulted in the order book ballooning to £474m over four years, of which £160m is for delivery in 2011, so ensuring good profit progress this year.

Market cap. at float was £58.9 and with a three year record under its belt the shares have joined the Full List. No forecasts just yet due to a 30 day blackout. *It's not yet a well known story but our view is that as the year progresses the shares are sure to attract a following; buy.*

2011 NAPS

2010 NAPS: Gain 58.8%

Company	Recd Price p	Latest Price p	Change (%)	High p	Change (%)
Character	66.5	168	+152.6	180	+170.7
West China Cement	9.3	26	+179.6	29	+211.8
Findel	37	19*	-48.6	37	+0.0
Caretech	435	301	-30.8	443	+1.8
Spice	71.5	70**	-2.8	71.5	+0.0
Photo-Me	43	63	+46.5	81	+88.4
Eros	143	228	+59.4	288.5	+104.5
Iomart	44.5	91	+104.5	91	+102.2
JD Sports	516	866	+67.8	933.5	+80.9
Average Gain			**+58.8**		**+84.4**

** Stop-lossed **Bid*

This is now the 17th year we have selected a shortlist of companies or NAPS for the year ahead. I know we all get a bit finicky when it comes to investing, detesting the bother of the detail at this time of year and instead preferring short NAPS (named after a five card game "Napoleon" in case you ever wondered) but it is always a fairly pressured task for the Editor. Last year's exercise included nine companies and had pleasing results. If you bought all and still hold them the gain is currently a respectable 58.8%. If you had been clever enough to sell each at their high, the gain-to-high increased the average to 84.4%. Analysing the statistics, three had doubled by the year end. Anyway, here are this year's ten vignettes:

• We tipped **Hutchison China** (HCM; 505p) at 245p in June and it was a main write up in July at 304p. HCM's core business is the manufacture and sale of prescription and over-the-counter drugs and it also has an exciting R&D division. HCM's portfolio includes 17 medicines within the 307 that are mandatory for all Chinese state-owned healthcare facilities to stock. The R&D business is primed for a NASDAQ float this year. If it happens, expect the shares to be closer to £10 rather than £5.

• A heavyweight share price is not going to be a bar to a sizzling performance from **Telecom Plus** (TEP; 437p). It supplies a range of utilities on a single bill to over 357,000 households, ensuring its price rises are below the average of the Big Six energy suppliers. This year it intends to add TV over broadband (Youview) following deregulation that forces Sky to provide its content to third parties. That will enable TEP to go after Sky's broadband/TBV customers and accelerate organic growth prospects.

• **Shaft Sinkers** (SHFT; 158p) is a new name and a new issue. It's Fully Listed and ISAble. It builds shafts for underground mines and has excellent profit margins and an extended orderbook providing eps visibility. It's expected to announce a new contract win shortly. See page 8 for more details.

• Sterling-based **Superglass** (SPGH; 29.5p) has a share price that suggests it has been in a car crash. But it is now benefiting from an 18 month extension to the CERT programme, which sets binding targets on utilities to achieve domestic energy savings through better insulation in customers' homes. It is paying off debt at £2.2m or so every six months (will be just £12m by 2012) so even if the share price doesn't move, the rating on an enterprise value is getting better each day. It won't sit on the shelf for long on a PE of 4x. See page 5.

• **GGG** (GGG; 23.75p) is the joker in the pack as the gold explorer in Australia has no earnings but the shares have doubled since we mentioned them in September. It owns 50% of the Bullabulling gold project in Western Australia and the size and scope of the project appears far greater than the current 1.98m oz inferred resource suggests. Infill drilling results soon should lead to resource upgrades. The aim is to get into production in 2013. If you want something sexier, replace with Hummingbird (HUM; 161p). Don't let Liberia put you off - earlier this year we did just that when we met African Aura, an iron ore explorer in Liberia and then later Bellzone, a similar one. Both doubled. Speculative obviously.

• **French Connection** (FCCN.; 72p) owns the eponymous clothing brand. A stake owned by Standard Life that overhangs the shares finally lifted last month. Like-for-likes in retail are soft but wholesale is doing exceptionally with orders for Summer 2011 well ahead. The latter sees a contemporary clothing line for Sears, which launches in 500 US stores in March. Numis forecasts 5.4p for year starting 1 February. With cash of 37p a share, ex-cash multiple is 7 but could pleasantly surprise.

• The restaurant sector has suddenly shrunk with two companies lost to bids. One that could easily go this year is **Prezzo** (PRZ; 56p), which is generating a tidal wave of cash (£12m pile already). Shares floated in '02 with two pizza and pasta units and having put plans on hold in 2009, it started expanding again recently by buying 11 units and seven openings, to put its estate at 143 units. Evolution forecasts eps of 4.8p this year. Simmering.

• We said **CSF** (CSFG; 74p) was a "good candidate for a 2011 NAP" last month and some of you decided to beat us to the punch with the shares inching ahead. CSF operates four Tier 3 data centres across South East Asia where companies rent server space on a multi-year basis. Total capacity is 208,000 sq ft of net rentable space. A new fifth centre to add 201,000 sq ft is being constructed with the first phase to complete in late 2011. Shares trade on a cash adjusted forward PE of 8.8x versus rivals on ratings 50% higher.

• **OPG Power** (OPG; 79.5p) - Post Lehman Brothers' collapse the equity market lost its appetite for the power generation sector in India but it is coming back. OPG's expansion continues unabated and it has cash/borrowings available for it to achieve 400MW (mostly in Gujarat). One broker talks in terms of this being sufficient to generate EBITDA of £137m and eps of 26.7p.

• **Alliance Pharma** (APH; 30p) has been held back by technical reasons relating to conversion of 'in the money' loan notes. Its mainstay is the purchase of branded prescription pharmaceuticals and Alliance manages the outsourced manufacturing and marketing of them. 18 transactions and 57 products now, most off patent but few generics available, which provides sustainable profits. Gross margin is 55%. Fincap forecasts eps of 3.4p this year with a 41p share price target. Pays a small dividend too.

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UPDATES & IDEAS

• Mining contractor **Shaft Sinkers** (SHFT; 158p) is currently going through a red hot phase of growth. The company's prime activity is sinking deep and/or wide vertical shafts for the extraction of platinum and other group metals (PGMs). As you would expect, most of the business has therefore been in South Africa, which has a high percentage of such deposits.

SHFT has been around a long time, since 1961 in fact when it was set up as a division of Anglo American. In 2001, it underwent a management buyout, which was supported by a couple of mining companies and venture capital firm IMR, which all ended up holding stakes. The dual purpose of the float last month was to effectively enable the two mining shareholders to sell down their minority holdings (leaving IMR with 48%) but also for SHFT to obtain a stockmarket listing to raise its profile globally. SHFT certainly had no need for new money with the company holding £6m of cash including customer deposits. In the end, of the £27.6m net raised through broker Arbuthnot, £24.2m went on immediately buying out the minority shareholders and as is often the case with investors not prepared to pay a premium for the chunk of shares being sold by former backers, the shares ended up placed at 124p, a low multiple of probably 5-6x year one profits.

The float comes at a time when the company's performance has stepped up a gear driven by the commodities boom and platinum producers continuing to invest the windfall profits made from the high prices and the search for new resources at greater depths. As the company says, there are plenty of mining contractors in South Africa but few with the experience of the really deep (over 500 metres) and/or wide (5-20 metre diameter) shafts. SHFT has already laid claim to the deepest ever South African shaft (to 3,131 metres) and is currently engaged in seven of the nine vertical shafts of depths in excess of 350 metres. Not only does the company dig out tonnes of rock and seal the shafts, which can be a complex process dealing not only with difficult rock situations but also water and gas occurrences, but it also takes responsibility for any infrastructure such as vehicles and belt systems needed to move the ore to the surface.

SHFT generally operates with fixed price contracts rather than on a time and materials basis. That means that it receives a lump sum payment, often a large chunk in advance and is contracted to deliver the project with subsequent payments made on a pre-agreed scale determined by a measurable quantity, eg. depth sunk, square metre of lining or quantity of rock removed. In order to safeguard itself, it normally includes cost escalation clauses to allow for unforeseen conditions.

> Continued on page 7

THE GROWTH PORTFOLIO 2

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		+4.06%	+614.95%
FTSE-100	6019.5	+4.77%	+ 5.22%
FTSE-All Share	3121.1	+4.29%	+16.73%

A strong finish to 2010 for Growth Portfolio 2 with a month-on-month gain of 4%, in line with our benchmarks. There were some notably strong performers. French Connection finally took off like a forest fire. Tipped at 53p in November, the shares did nothing for a month and then rocketed almost vertically and now stand at 72p. Anecdotal evidence across the Christmas table from fashionable young twenty and thirty somethings suggests things are going very well for it. It was a bit like Entertainment One last year - nobody had really bothered with the shares when we alighted on them last February but since then they have been hitting successive new highs and even made it into the lineup of New Year recommendations for one of the Sundays.

Two others that performed very well were Hargreaves and Telecom Plus, both for a similar reason, being the cold weather, which turned UK gas demand up to record levels as people opted to work from home rather than brave the ice. The latter should see further outperformance when/if it gets approval for its new Tower colliery shortly.

Elsewhere in terms of newsflow we are waiting for Eros to announce its move to the Full List, which could come at any time. The story is simple; India's economy expanded by almost 9% last year (see OPG recommendation) and that means more money for the average Indian to spend on cinema-going whilst the number of multiplexes continues to rise, which will together ensure Eros' films continue to break new box office records.

Two changes to report this month. We have finally decided to take some profits in West China Cement, which had become top heavy in the portfolio. Added barely 18 months ago at the equivalent of 5.5p, we have sold three quarters of our holding at 26p, leaving the rest in for 'free.' One subscriber rang up to say thank you and to tell us that on the back of our recommendation he had made enough on that single share to buy himself a flat in Paris. We also added 15,000 shares in CSF.

Hopefully the New Year brings more of the same. As is traditional we include or NAPS. Some have featured before and there are one or two new names.

		Shares Bought	Date Bought	Buying Price (p)	Total Cost (£)	Present Price (p)	Value Now (£)
3000	*	Mears	27/3/2001	55	1675	303	9090
2500		James Fisher	2/1/2004	271	6877	510	12750
20000	*	BATM	11/10/2004	16.5	3350	22.25	4450
5000		Tarsus	4/8/2005	123	6242	124.5	6225
4000		Caretech	7/11/2005	188	7633	301	12040
3000		Hargreaves Srv	10/1/2006	312	9500	828	24840
75000		Photo-Me	10/11/08	11.75	8945	63	47250
15000	*	Topps Tiles	18/3/09	26	3959	78	11700
15000	*	Yell	8/4/09	19.5	2969	14.75	2213
25000		Superglass	29/4/09	28	7105	29.5	7375
2000		Synergy Health	2/7/09	480	9744	898	17960
5000		Eros	10/7/09	130	6598	228	11400
37500	*	West China Cement	13/8/09	5.5	2093	26.1	9788
25000		Prezzo	15/2/10	34	8628	56	14000
25000		Alliance Pharma	8/3/10	33	8374	30	7500
20000		Adv Comp Software	29/3/10	40.5	8222	34.25	6850
15000		Entertainment One	10/5/10	62	9440	149	22350
20000		Photo-Me	12/7/10	38	7714	63	12600
3000		Telecom Plus	19/10/10	380	11571	437	13110
3500		Medusa Mining	22/10/10	330	11723	410	14350
15000		French Connection	18/11/10	53	8069	72	10800
12000		Norseman Gold	26/11/10	72.5	8831	61.5	7380
15000		CSF Group	13/12/10	70	10658	74	11100
						Cash £	60356
						Total £	357476

Transactions take full account of dealing charges and bid offer spreads. Income from dividends is ignored. Current holdings in the portfolio are valued at mid prices and include all buying costs. * Part profits taken Starting capital £50,000 (13 March 2001).

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