



A review of the  
PLUS market – 2007

**PLUS**

“You do things when the  
opportunities come along”

Warren Buffet

**think success**

PLUS Markets Group's creation and launch of the trading platform known as the PLUS service in December 2005 has been followed by an increased level of activity and interest in the market now known as PLUS.

AIM has become increasingly expensive and regulated and has therefore attracted larger companies. At 31 December 2007, the average market capitalisation of an AIM listed company (and there were over 1,600 of them) was more than £57 million. By contrast, the average market capitalisation of the more than 200 PLUS-quoted companies was just over £11 million.

PLUS recently obtained Recognised Investment Exchange ("RIE") status. This gives it the same rights and privileges as the London Stock Exchange and has enabled the PLUS-listed market to be opened. The team at PLUS have ambitious plans to grow their market and at 31 December 2007 there were 1,410 PLUS-traded companies (those with a secondary listing on PLUS) and trading volumes are increasing.

Is now the time to consider PLUS as a realistic option for an IPO and for raising funds?



## Number of PLUS-quoted companies

There are now over two hundred companies with their primary quote on PLUS ("PLUS-quoted").

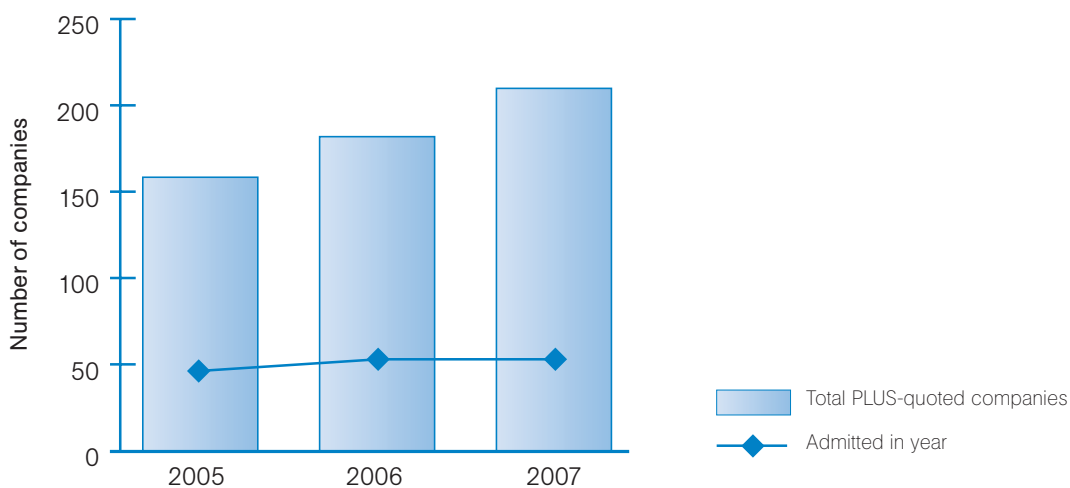
Sixteen companies joined the exchange in 1995, the year the original OFEX trading facility was set up. During the remainder of the 1990s and to 2004, an average of just 7 companies joined the market each year. OFEX became PLUS Markets Group plc in November 2004, following a refinancing and the appointment of a new Board and management team.

In 2005, 44 companies were admitted to the market and in 2006 there were 60 new admissions. In 2007, the number of companies joining the market was again 60 and at 31 December 2007 the total number of companies with their primary quotes on PLUS was 215.

The chart below shows the growth in new admissions and total number of PLUS-quoted companies from 2005 onwards.



Total PLUS-quoted companies and when they were admitted



## PLUS indices

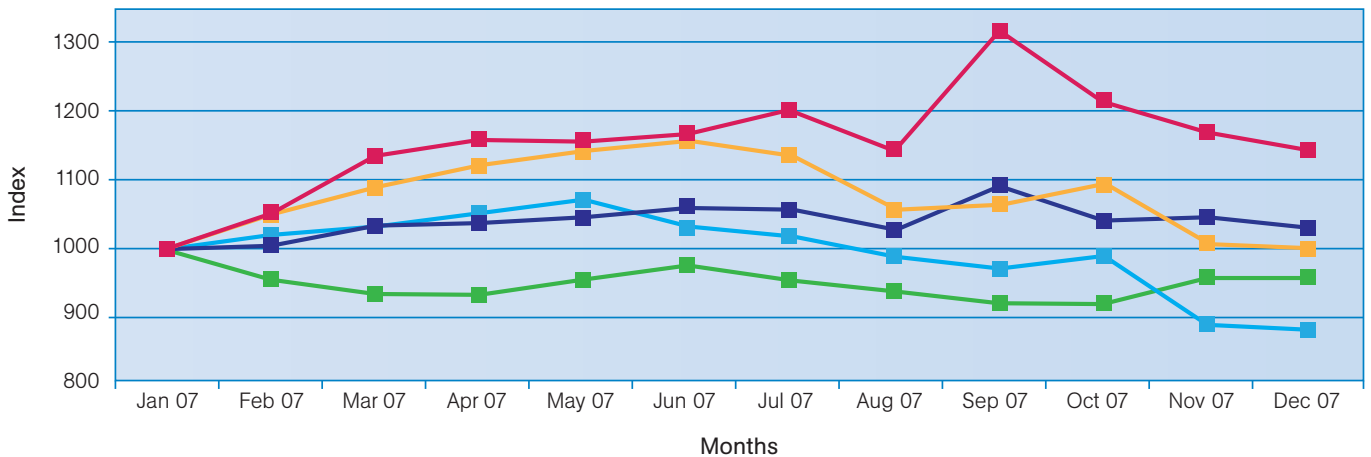
We have produced three indices for PLUS-quoted companies. These are the PLUS All Share (all shares), PLUS 10 (largest 10 shares) and the PLUS Small Cap (all shares excluding largest 10 shares). The indices are calculated at each month end and are adjusted as necessary for changes in the constituents. These have then been compared to the FTSE Small Cap and AIM All Share indices.

During 2007, the PLUS All Share increased by 2.7% and the PLUS 10 increased by 14%. During the same period, the AIM All share lost 0.5%, the PLUS Small Cap lost 4.8% and the FTSE Small Cap lost 12.4% of their respective values.

Thus, during 2007, the largest PLUS-quoted companies and the index as a whole performed better than the FTSE Small Cap and AIM All Share indices. It will be interesting to report whether this trend continues through the turbulent start to trading in 2008.



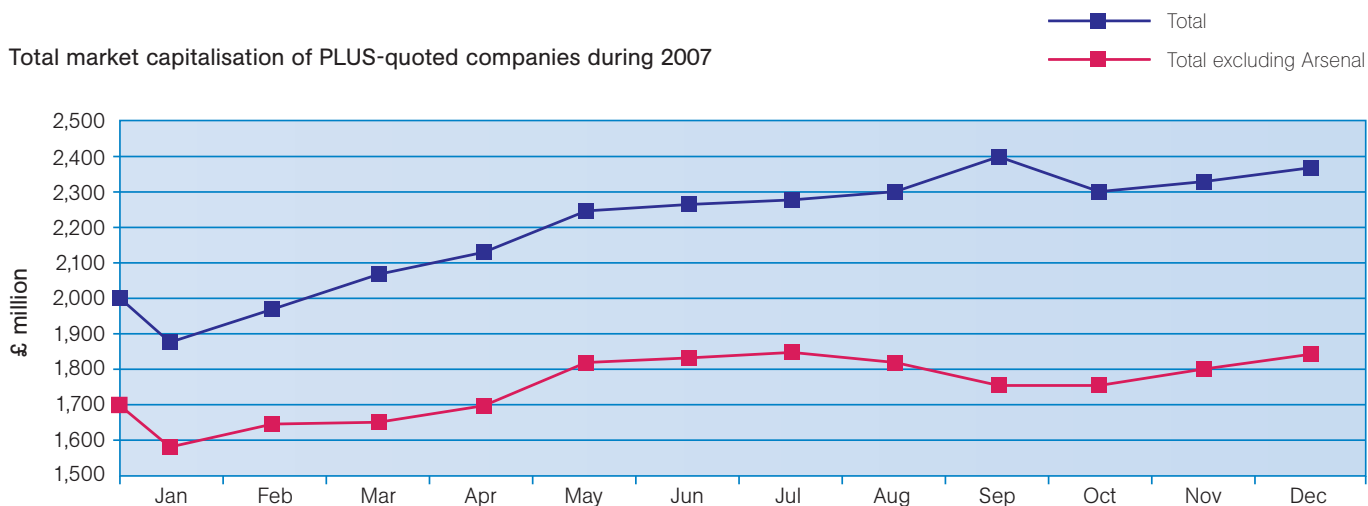
Monthly index movement for the period from 1 January 2007 to 31 December 2007



### Total market capitalisation and average share price

The total market capitalisation of PLUS-quoted companies at 31 December 2007 was £2.38 billion, up 19.4% from £1.99 billion at the end of 2006. These figures are significantly influenced by the largest company listed on PLUS, Arsenal Holdings Plc and if the market capitalisation of this company is ignored, the market capital of the remaining companies at 31 December 2007 was at its highest ever level at any month end at £1.85 billion, up 9.5% from £1.69 billion at the beginning of the year.

For details of the largest companies by market capitalisation, see facing page.



## Top 10 companies by market capitalisation

At 31 December 2007, the ten largest companies on PLUS by market capitalisation, had market capitalisations of £37 million or above. The five largest of these are the holding company for Arsenal Football Club, brewers Daniel Thwaites and Shepherd Neame, emissions traders China CDM Exchange Centre and cosmetics company Transdermal Cosmetics. All of these with the exception of China CDM Exchange are headquartered in the UK. Of the other five largest companies, three are UK based, the others being located in Ireland and China.

These largest companies include three brewers and two football clubs.

These top ten companies represent 57% of the total market capitalisation of PLUS-quoted companies



Company	Rank Dec 07 (Sept 07)	Sector	Market Cap (£m)	Profit/(Loss) per latest accounts (£k)	P/E
Arsenal Holdings plc	1 (1)	Leisure and hotels	532	2,816	188.91
Thwaites (Daniel) plc	2 (2)	Leisure and hotels	211	9,100	23.19
Shepherd Neame Ltd	3 (3)	Leisure and hotels	149	9,292	16.03
China CDM Exchange Centre Ltd	4 (16)	Support services	105	271	387.45
Transdermal Cosmetics plc	5 (-)	Personal care and household products	78	-	n/a
Sandhaven Resources plc	6 (6)	Oil and gas	74	-	n/a
Rangers Football Club plc	7 (4)	Leisure and hotels	66	92	714.87
Adnams plc	8 (5)	Leisure and hotels	55	2,642	20.72
First London Securities plc	9 (-)	Speciality and other finance	43	-	n/a
China New Energy Limited	10 (10)	Speciality and other finance	37	(137)	n/a

\* Applied Engineering Products Holdings plc have not produced consolidated accounts so the company's own loss is recorded.

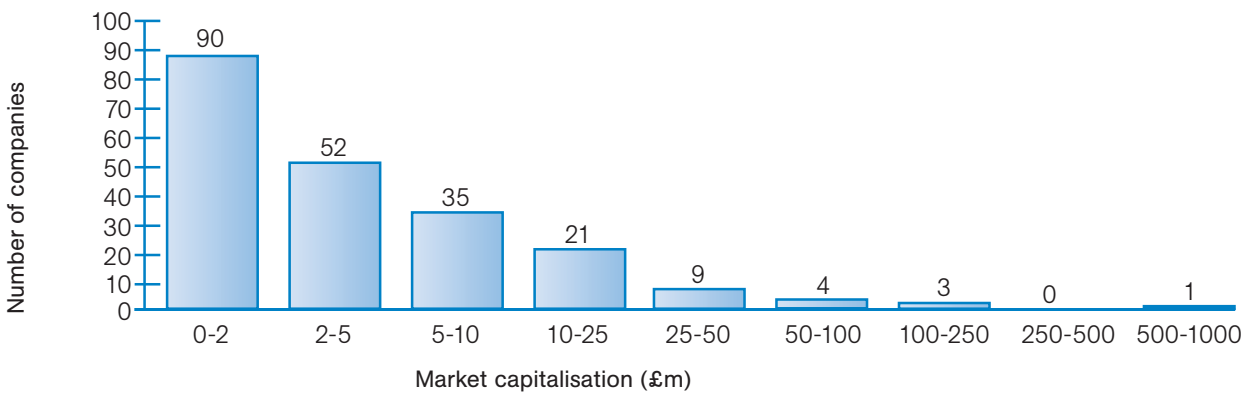
### Distribution of companies by market capitalisation

The average market capitalisation of a PLUS-quoted company at 31 December 2007 was just over £11 million. However, this figure is perhaps a little misleading as the four largest companies had a market capitalisation totalling £997 million, which skews the average. The median market capitalisation is much lower, at £2.5 million, with more than 40% of companies having a market capitalisation of less than £2 million. A further 23% of the companies had a market capitalisation of between £2 million and £5 million.

The total market capitalisation of all PLUS-quoted companies at 31 December 2007 was £2.38 billion.



### Distribution of PLUS-quoted companies by market capitalisation



## Business sector and location of PLUS-quoted companies

PLUS-quoted companies operate in a wide range of sectors, with many of them operating in niche areas.

Perhaps the most common activity carried on by companies within the market is investment, typically in other, often small, companies. These operations are actively seeking out profitable investment opportunities, and around a quarter of the companies in the market are within this sector.

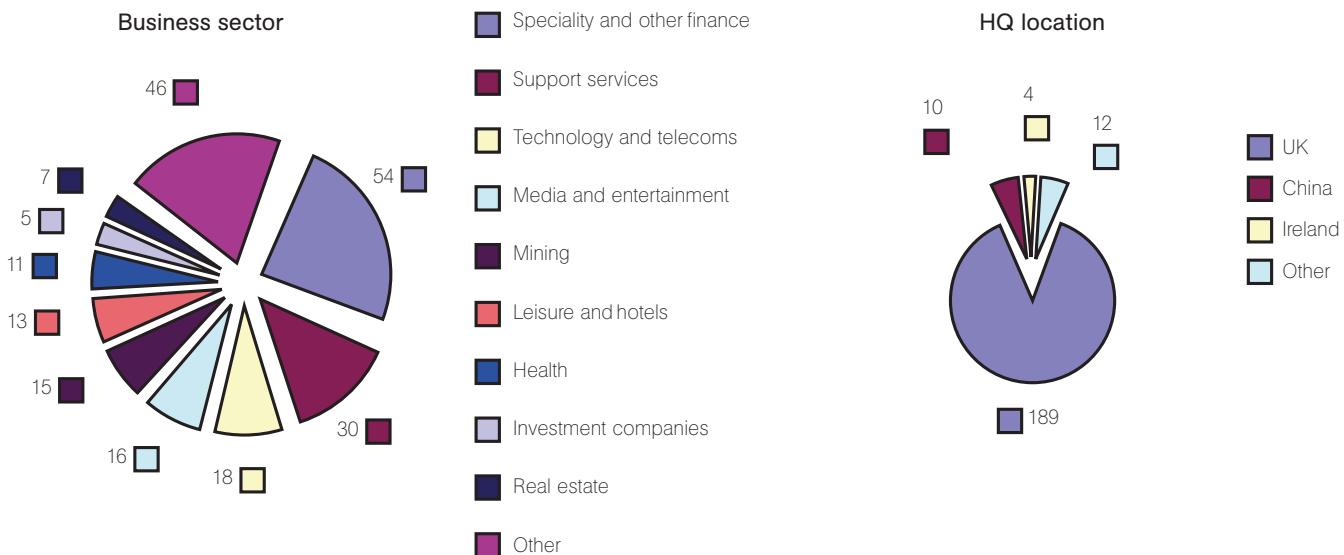
The best represented sectors were:

Speciality and other finance	25%
Support services	14%
Technology and telecoms	8%
Media and entertainment	7%
Mining	7%
Leisure and hotels	6%
All others	33%

Companies quoted on PLUS are typically based in the UK, with around 88% having their headquarters here.

There were 26 companies listed as having their headquarters outside of the United Kingdom, with 10 based in China and four in Ireland. There were two companies with their headquarters in each of Canada, Singapore and the USA. Other locations represented were Hong Kong, the Isle of Man, Israel, Malaysia, Switzerland and Turkey.

This international flavour may be a trend that will continue to persist as London continues to be a prestigious location for international listings.



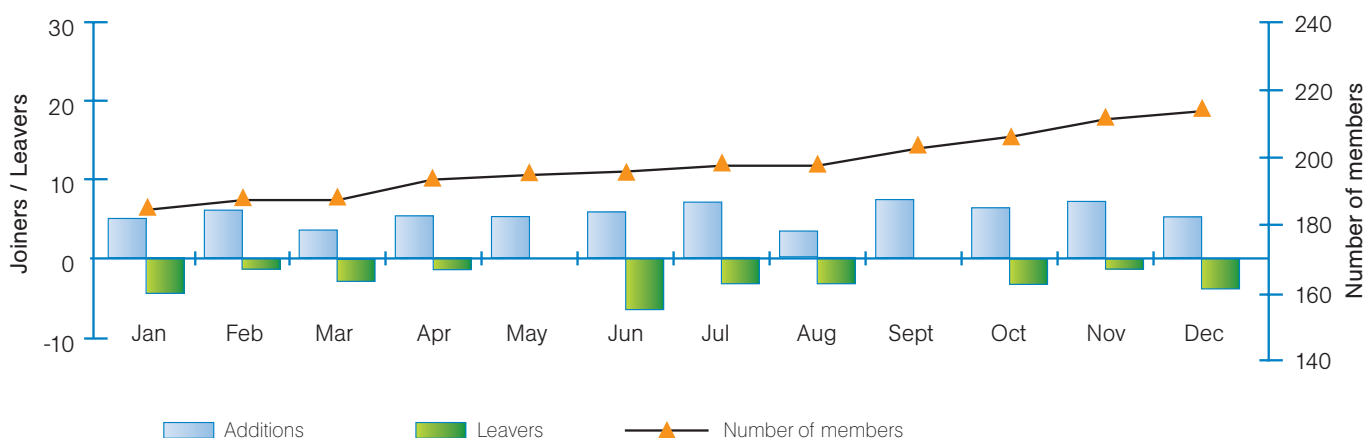
## PLUS-quoted companies – joiners and leavers

The growth in the number of companies throughout 2007 has been relatively steady with a net growth per month of approximately 3 companies.

There were a total of 60 new joiners in the year, comprising mainly smaller companies probably seeking a more cost effective route to initial public offering (“IPO”).

The companies that left the PLUS Market in 2007 did so for a variety of reasons including privatisation or for a move to AIM. The rate at which companies left PLUS to move to AIM slowed considerably from 2004 through to 2007, as PLUS has become better able to cater for growing companies wanting to raise money, and as a listing destination in its own right.

The movement between the PLUS Market and AIM has recently become two-way and the end of 2007 saw the first AIM company leave AIM to join PLUS. Shoprite cited PLUS's RIE status as a reason for the move and felt that the size of their business was better suited to the average market cap of companies on the PLUS market than to that of AIM.



## Share price performance – best and worst

Share price performance in the quarter ended 31 December 2007 was varied.

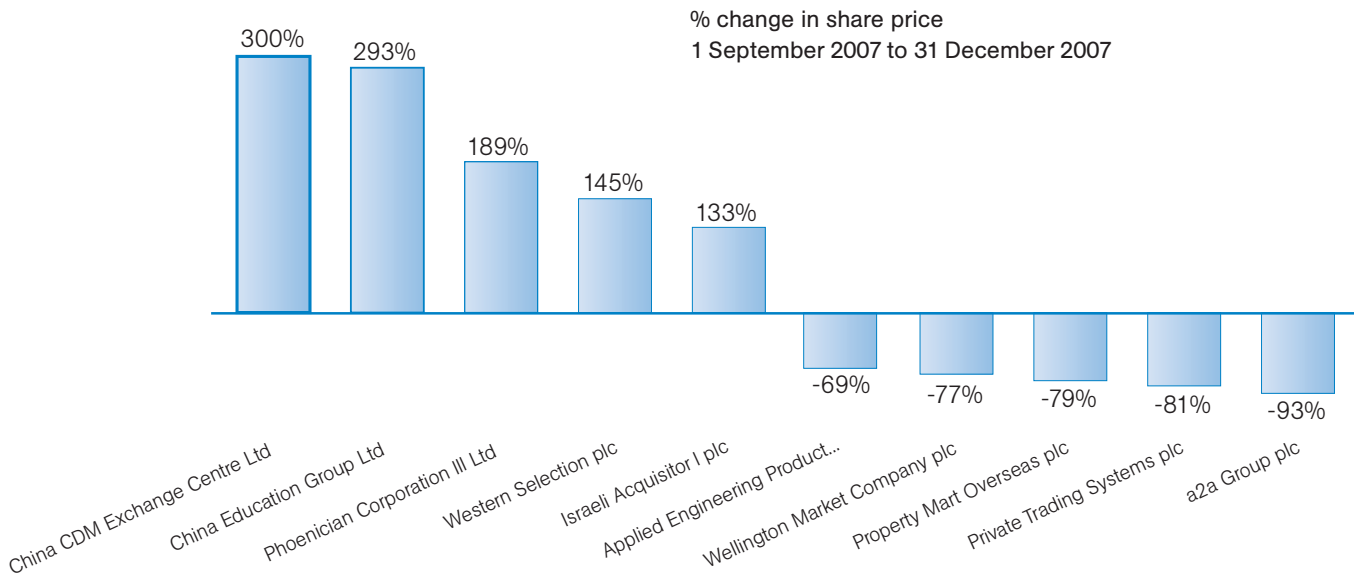
China CDM Exchange Centre plc (“CCEP”) shares increased in value from 25p to 100p, taking their market capitalisation to £105 million. This has resulted in CCEP becoming the fourth largest company by market capitalisation to be PLUS-quoted.

The peak of CCEP’s rise, since its listing in June 2006 at 24.5p per share, was 105p in November 2007.

The large increase in value of CCEP can be linked to the issue of 5 million new shares in November, valuing the company at £100 million. With the CEO announcing “The new funds will enable us to continue the rapid expansion of our business and will enable us to consolidate our position as a leading player in the Chinese CDM market.”

All five of the top performing PLUS-quoted shares more than doubled in value in the last three months of 2007.

At the other end of the spectrum, a2a Group Plc saw a 93% (£5.46m) reduction in its market capitalisation as its share price fell from 0.7p to 0.05p.



## Money raised during 2007

Despite challenging market conditions in 2007, the PLUS-quoted market saw an increase in both the number of companies coming to market and the funds raised. Total funds raised in 2007 exceeded £65 million.

The ability of these relatively small companies to raise equity finance testifies to the opportunity that PLUS offers as a successful source of equity finance for young companies. However, there are clearly only relatively small sums raised by a small number of companies and PLUS cannot yet claim to rival AIM in this regard.

It is also noteworthy that a significant majority of the new listings in 2007 did not raise new money at IPO, preferring either an introduction without raising funds or a private placement.

Additionally, since the companies that raised new equity at IPO raised under €2.5 million each, they only required a PLUS admission document rather than a full prospectus. This is true for an AIM admission too but an AIM admission document is likely to be more costly to produce.

Prior to receipt of RIE status, there was a barrier to institutions investing in PLUS-quoted companies. Fund managers were often obliged to invest "on-exchange". This barrier was lifted part way through 2007 and bodes well for future fundraisings.

### Key fundraisings during the year included:

#### IPO / primary fundraisings

- Oriental City Group Plc raised £2.0 million
- Private Trading Systems raised £1.25 million
- Prestigious Retirement Villages plc raised £1.1 million
- Hamilton Partners plc raised £1.0 million
- Azurite Investments plc raised £1.0 million

#### Secondary fundraisings

- AH Medical Properties plc raised £13.8 million
- Avation Plc raised £11.5 million
- China New Energy plc raised £10.0 million
- St Helen's Capital plc raised £1.8 million



## Trading volumes

By far the majority of trading activity on PLUS is on PLUS-traded companies. These are companies whose shares are already listed or quoted on other markets but also trade on PLUS to provide greater market exposure.

In addition to the 215 PLUS-quoted companies, at 31 December 2007 there were 1,410 PLUS-traded companies, including companies such as BP, Barclays and Royal Bank of Scotland.

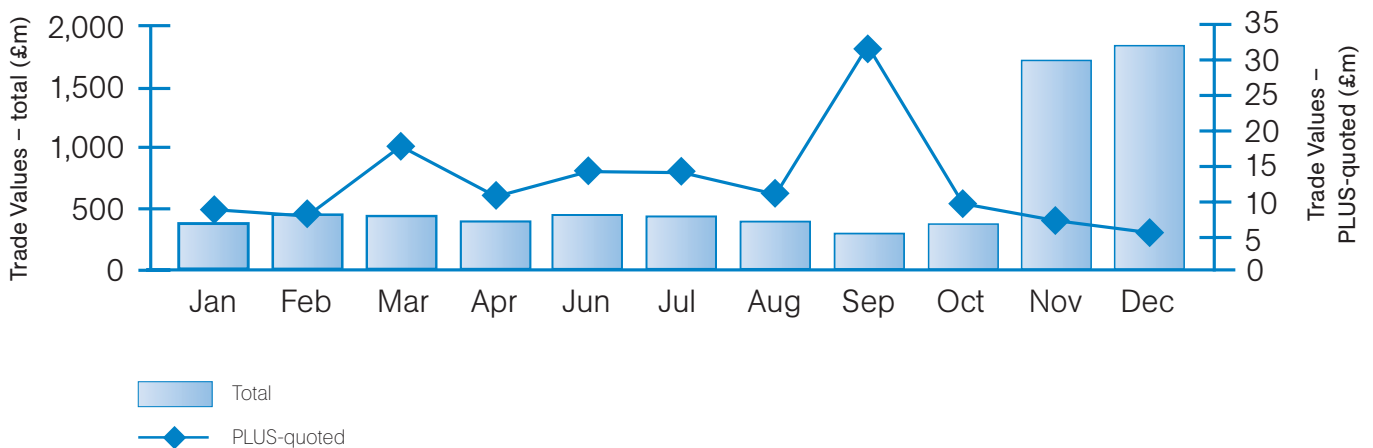
The companies that were traded most in the last quarter of 2007 were:

Company	Number of trades	Number of shares	Value of trades £m
Northern Rock	23,785	53,586,613	58.0
Royal Bank of Scotland	22,930	53,660,954	238.1
Barclays	18,556	38,027,049	200.7
BP	8,933	12,827,430	77.6
Lloyds TSB	6,877	14,195,443	68.3

In November 2007, PLUS launched its new trading platform and announced a significant expansion of its market offering under MIFID. Full London-listed stock coverage is now available for trading on the PLUS market. This has resulted in very significant increases in the level of PLUS-traded shares.

During the month of December, one-third of all daily UK retail activity took place on PLUS, including some 40% of trades in those AIM stocks dual-trading on its market. The average daily number of bargains during December was 10,901 (December 2006: 2,788). On the basis of these figures, PLUS have become the third largest stock exchange in Europe, by negotiated trades.

Trading in PLUS-quoted stocks during the year amounted to £143 million, an average of approximately £12 million per month.



## About Vantis

Vantis plc is an AIM listed UK accounting, business and tax advisory group. Our objective is to be the provider of choice for ambitious organisations (from owner-managed businesses to listed companies and not for profit organisations), high net worth individuals and other professionals.

As entrepreneurs with entrepreneurial clients, Vantis is constantly finding new ways to solve business issues. We work with like-minded people who challenge the process and make a difference. We are qualified accountants and business advisers providing an innovative, flexible and commercial approach to doing business.

Increasingly our clients expect to be dealing with advisers who are skilled in their industry sector. Vantis has specialist industry groups to help clients achieve their objectives, as well as individual experts across the organisation who can meet the needs of clients outside these sectors.

At Vantis we have a team dedicated to working with public companies and those seeking a listing. Our team, which is drawn principally from large and mid-tier firms, brings together experience of working with companies that are considering an Initial Public Offering ("IPO"), of helping them through the process and of acting for companies on the markets operated by PLUS Markets and the London Stock Exchange, including AIM and PLUS-quoted.

For aspiring companies, we can explain the process, describe the advantages and disadvantages of an IPO and if appropriate suggest other routes to growth. For the right companies, we can provide practical advice on timing, strategy, and preparing for an IPO and assistance through the process and beyond.

For listed companies, we offer the full range of support from assistance with the production of published accounts and IFRS implementation, through to liaison with the audit committee, tax planning, advice on share incentive schemes and public company takeover advice. We are Corporate Advisers on PLUS.

Through our international network, HLB International, we can offer access to advice worldwide.

**For more information about Vantis' Public Companies Group, please contact:**

Nick Winters  
+44 (0)20 7467 4296  
nick.winters@vantisplc.com

James Pearce  
+44 (0)20 7467 4242  
james.pearce@vantisplc.com

## Methodology

This is the first PLUS market update prepared by Vantis. The data used is taken from information available on the PLUS website ([www.plusmarketsgroup.com](http://www.plusmarketsgroup.com)). The FTSE Small Cap and AIM All Share indices data is taken from The London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)). All indices are rebased at 1 January 2007 when each index was rebased to 1,000.



## About PLUS

PLUS Markets plc ("PLUS") is a new stock exchange for London. Its quote-driven (market-maker) electronic trading platform currently trades a broad range of securities including full coverage of all London-listed shares like the FTSE 100, and unlisted shares quoted on the AIM and PLUS markets. It is a Recognised Investment Exchange in the UK and a Market Operator under MiFID, authorised to operate both secondary and primary markets.

The PLUS trading platform (known as the "secondary market" in equity markets terminology) offers an execution venue for trading securities listed on the Official List and AIM as well as its own PLUS market, combining independent price formation with trade reporting. Current participants include around 60 trading members, comprising market makers and brokers.

"PLUS-traded" describes companies which are listed or quoted on other markets but also traded on PLUS.

The PLUS "primary market" is a quotation and listing destination, comprising of the PLUS-quoted and PLUS-listed markets, offering a meeting place for companies and capital in London.

At 31 December 2007, over 200 small and mid-cap companies had their primary public quote with PLUS as "PLUS-quoted" companies, an exchange-regulated market for small and mid-cap companies. PLUS offers an alternative to AIM for high-quality applicants offering the potential for investment returns.

Following receipt of RIE status, a new "PLUS-listed" market was opened, as an EU Regulated Market for listed securities. It offers a choice of admission options (i.e. the LSE's Main Market or the PLUS-listed market) for companies admitted to the Official List by the FSA's UK Listing Authority.

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[www.vantisplc.com](http://www.vantisplc.com)

[publiccompanies@vantisplc.com](mailto:publiccompanies@vantisplc.com) [www.vantisplc.com/publiccompanies](http://www.vantisplc.com/publiccompanies) T: +44 (0)845 602 4590

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