

Welcome to Objective's Small & Mid-Cap Review

Market Commentary

Retirement seems to be suiting Mr Greenspan rather well. Freed from the constraints of office he no longer has to observe the niceties that earned him his reputation as the latter day oracle of Delphi. In a recent address to the Senate Foreign Relations Committee he said that "the balance of world oil supply and demand has become so precarious that even small acts of sabotage or local insurrection have a significant impact on prices". Makes the 1996 warning over "irrational exuberance" seem like being whipped with a feather duster!

Clearly his observation seems right. But that is not really our point here. Rather it is to wonder how Mr Bernanke must envy his mentor's new-found freedom for plain speaking. Since taking office at the start of the year he has appeared alternately dovish and hawkish over interest rates as he first appeared to be relaxed over inflation prospects (or at least neutral) and then sought to push that particular genie back in the bottle. Never an easy task.

In truth the signals from the US and other economies have been sometimes contradictory – but then, who said forecasting was supposed to be easy? In early May the combination of some data mildly stronger than expected and a more hawkish tone from still the new kid on the block pushed US interest rate futures lower and those took the equity markets with them.

The resulting 5% - 10% falls in most equity markets bore all the characteristics of cyclical capitulation as the equity risk premium re-asserted itself. Emerging markets and cyclical sectors took the worst hits. The accompanying table shows that the FTSE All-World Index fell by some 4% (in USD). The index of Developed Economies fell by almost that amount while that for Emerging economies by over 10%.

Contents

In our review of the month

- » A straight-talking Mr. Greenspan gives clues to possible market directions
Read more on pages 1-3

Upcoming flotations

- » Recently announced flotations
See our table on page 5

In our sector comment

- » We look at the calm of the UK utility stocks in the midst of market volatility
Read more on pages 6-7

Companies to watch

- » **Belgravium Technologies** (BVM) 9
- » **Creston** (CRE) 10
- » **Great Portland Estates** (GPOR) 11

Speculation of possible flotations

- » Speculation in the media of possible future flotations
See our table on page 12

Newcomer of the month

- » This month we welcome **Avarae Global Coins** (AVR)
Read more on pages 13

Companies in the news

- » **Carter & Carter** (CART) 14
- » **Inter Link Foods** (ITF) 14
- » **Vislink** (VLK) 14
- » **Phytopharm** (PYM) 15
- » **Fountains** (FNT) 15

Recent flotation data

- » The numbers from recent flotations on the markets
See our table on page 16

FTSE All-world price change (US\$, %)

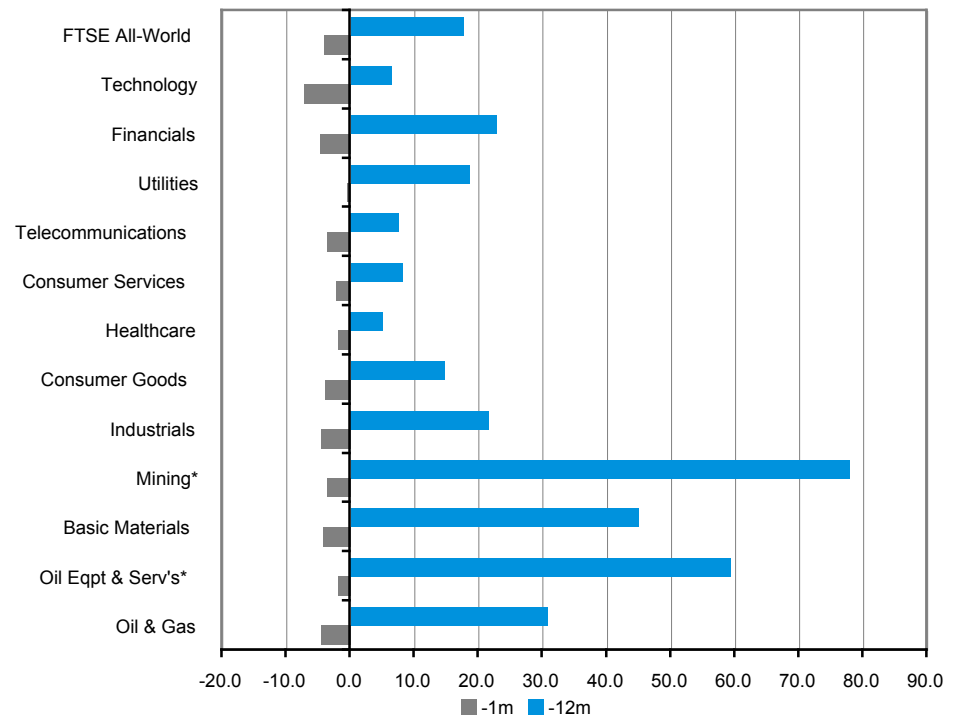
Region	-1m	-12m
All World	-4.2	17.6
Developed	-3.6	16.2
Emerging	-10.5	38.9
USA	-3.0	7.5
Australia	-5.4	23.4
China	-2.2	47.9
Hong Kong	-6.3	18.0
India	-14.9	43.1
Japan	-6.3	34.4
Eurobloc	-3.8	25.5
Eastern Europe	-13.4	70.0
UK	-2.2	19.0
South Africa	-15.0	47.8

Sector	-1m	-12m
Oil & Gas	-4.6	30.7
Oil Eqpt & Serv's*	-1.9	59.3
Basic Materials	-4.3	44.8
Mining*	-3.6	77.8
Industrials	-4.6	21.6
Consumer Goods	-4.1	14.6
Healthcare	-1.9	5.0
Consumer Services	-2.3	8.1
Telecommunications	-3.6	7.4
Utilities	-0.5	18.5
Financials	-4.9	22.7
Technology	-7.2	6.4
FTSE All-World	-4.1	17.6

* denotes subsector

Source: FTSE Nomura

FTSE All-world sector performance (%. US\$)



Among global sectors it was the usual suspects taking most of the pain: Forestry & Paper down 8% (USD), more than halving the previous 12-month gains; Construction down 7%, Leisure Goods down 7.5%, and almost wiping out the previous 12-month gains; Technology down by over 7%, more than halving the 12-month gains.

Given that the proximate cause was a re-ignition of inflation fears, the falls are the more surprising when set against the backdrop of the oil price falling also, from the near US\$75 highs to below US\$70. Anyone notice the halving of the Saudi equity market this year?

But the risk premium started off high, as we argued in our last edition. That feature seems to have helped arrest the falls and some markets have staged something of a modest recovery subsequently. It could have been a rather different story if it had started with real bond yields significantly above dividend yields – i.e., from a more risk tolerant base. Not a bad roller coaster ride in the space of only four weeks.

What then of the outlook? We start with a simple observation: for all the talk of inflation (and we have even heard the “stagflation” word whispered in polite company for the first time in a long while) bond yields and gold prices have been falling. When stagflation last stalked the world, in the 1970s, the addition of unemployment rate and inflation rate produced a misery index in the USA of over 20%. Today, the unemployment rate is 4.6% and the inflation rate is 3.5%, depending on your preferred measure. Today's misery index is a little over 8%. Taking the gap between 10-yr Treasury yields of around 5% and real yield on 10-yr TIPS of below 2.5%, the average expected inflation over ten years is some 2.5%. With the unemployment rate below 5%, that suggests no dramatic worsening of the misery index.

About Objective Capital:

Objective is a leading UK provider of objective corporate research.

We offer investors two levels of insight – a regular survey of the complete small and mid-cap segment, highlighting those stocks where attention should be focused, and our detailed institutional-quality, sponsored research coverage. As always, our research doesn't offer trading recommendations or advice but an objective uptodate assessment of the prospects, and risks, of the companies we cover.

While the companies we cover sponsor our research, it is always written on behalf of our readers. It is of the essence of our research that it be **independent** — that is opinions, estimates and valuations be solely those of Objective's analyst; **objective** — that is based upon verifiable data; and **transparent** — that is based upon explicit assumptions.

Our research complies with all FSA recommendations as may arise out of CP172 and CP176, i.e., that it be independent of any broking or trading interests; and CP205, i.e., that it comply with standards for objectivity.

Clearly the current reading is not comfortable (see what's happening to consumer confidence) but, as Mr Greenspan also told the Senate (albeit in another context) "it's not a choice between good and bad" but between "not so good and worse"!

The "not so good" in this case is US GDP growth apparently stuck at around 3.5% after peaking at almost 4.5% in 2004. It is the 10+% plunge in the University of Michigan Consumer Confidence index so far this quarter to levels approaching those seen on the way out of the deep recession of the early 1990s.

Those are already feeding through into other areas. Crucially the US housing market is softening as new home sales drop from the 500,000 monthly rate of end 2005 to the more recent rate of 400,000. New home price inflation has fallen from 20% annually in 2005 to low single figures recently. Existing home price rises have fallen from 15% to less than 4%. Unsurprisingly the growth rate in average mortgage has flattened after peaking at 15% in 2005.

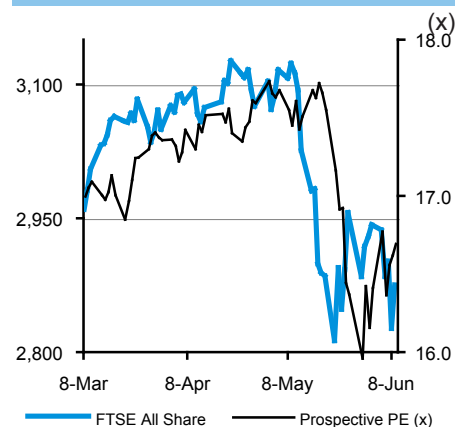
Without that source of "income" to boost consumption, US consumers have only got wages and savings to fuel further acceleration. But after a decade of "binge spending" the US savings ratio has fallen from 4.5% to negative 0.5%. And real hourly wages have resumed their two-year slump after a brave rally in the second half of last year.

What does all this suggest for the investment outlook? Against this background the starting point for us is an expectation that the worst inflation fears of the market will prove unfounded. That in turn should mean that what remains of the US rate cycle will be more muted than worst fears. We believe that we are within sight of the top with the peak in Fed Funds at around 5.25% in early 2007.

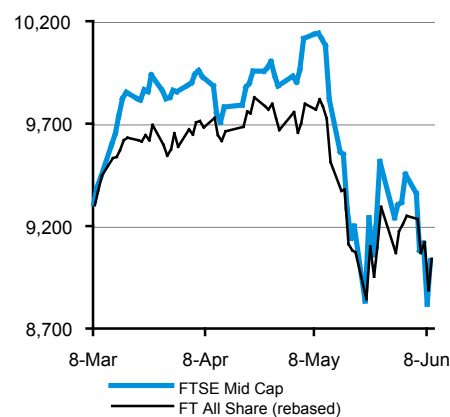
We have focused inevitably on historically the country of the consumer of last resort. Similar observations may be made for the UK where the Bank of England recently, but quietly, revised lower its expectations for economic activity and forecast a declining inflation profile (after a modest rise) assuming interest rates rise in line with market expectations to 5%. We interpret that (contained in the BoE's May Inflation Report) as implicitly calling the top of the rate cycle in the UK also at around 5%.

Where should that leave investors? In our opinion the key is in our belief of in fact a benign inflation outlook and thus a modest interest rate cycle from here with yield curves inverting in the USA and UK, flattening in Continental Europe and Japan. In that context the characteristics of the cyclical capitulation which characterised the recent falls in equity markets are likely to be repeated in coming months. The worst is arguably over in the bond markets, yield-plays and bond surrogates (utilities) are likely to outperform straight cyclicals (including hard commodities) and oil stocks remain our portfolio hedge against terrorism. Thanks for the straight talking Mr Greenspan.

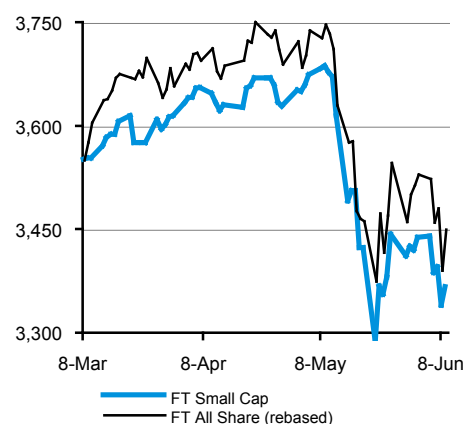
FTSE last 3 months



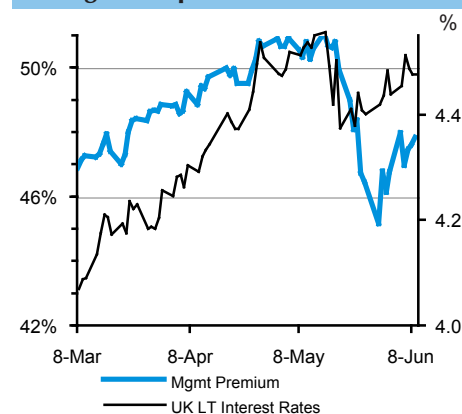
FT Mid Cap last 3 months



FT Small Cap last 3 months

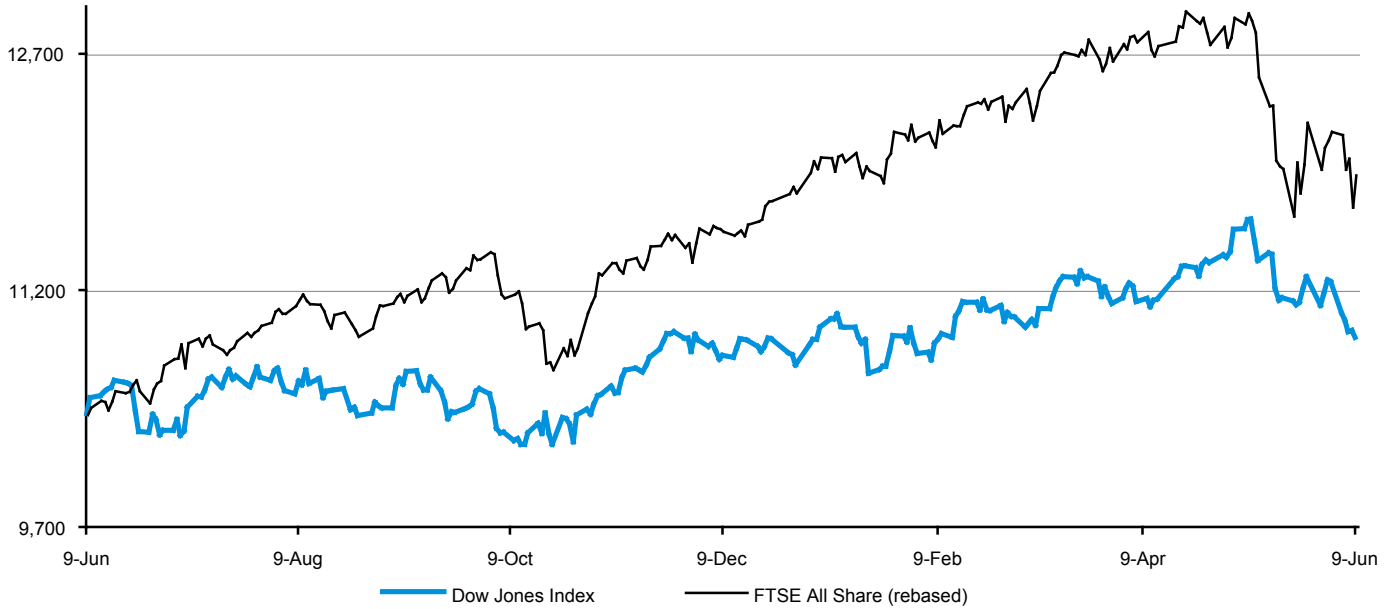


Management premium in the FTSE¹

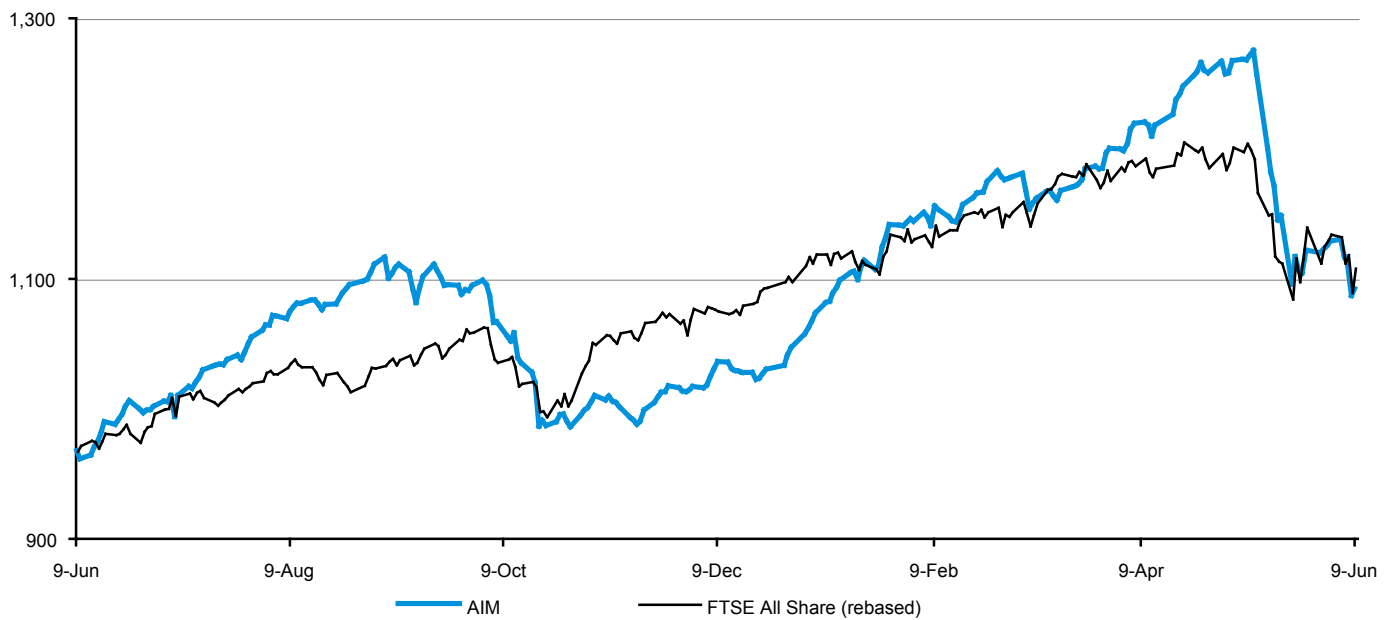


¹ management premium is the % of the FTSE that the market is paying for the "value" management is expected to generate. See page 9 for details.

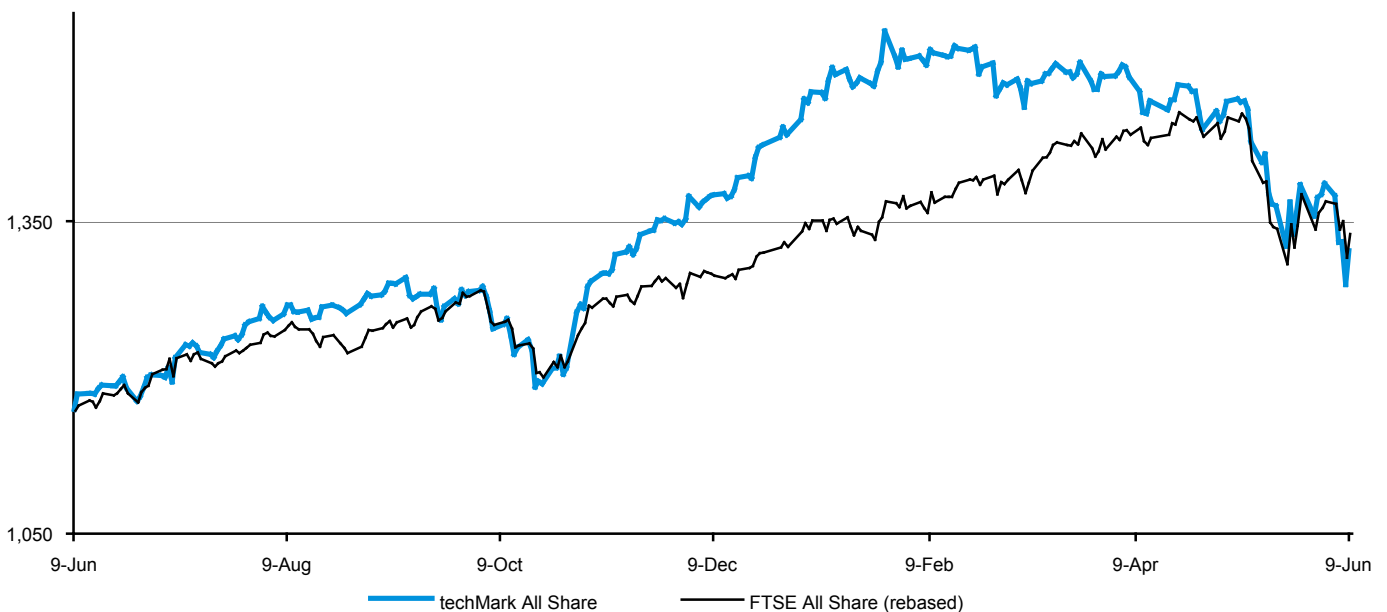
Dow Jones v. FTSE All Shares (rebased), 12-mth



AIM Index v. FTSE All Shares (rebased), 12-mth



techMark Index v. FTSE All Shares (rebased), 12-mth



Recently announced flotations

Company	Market	Type	Mkt Cap/ Amnt Raise	Issue Date	Description
Radiancy	Main	Placing	£65.0m / £30.0m	2006	Cosmetic treatment company
IVT Wireless Technology	Aim	Placing	TBC / £2.0m	2006	Bluetooth products
Plasma Warehouse Group	Aim	Public Offer	£2.0m / TBC	2006	Specialist audio visual systems
Gameaccount	Aim	Placing	£100.0m / £10.0m	2006	Internet gaming
Rosneft	Main	Placing	£5,500.0m / £5,500.0m	2006	Russian oil company
Braveheart Investment	Aim	Placing	£40.0m / £25.0m	09-Jun-2006	Investment group
Worthington Nicholls	Aim	Placing	£35.0m / £20.0m	12-Jun-2006	Air conditioning systems
Leo Capital	Aim	Introduction	TBC / n/a	12-Jun-2006	Investment company
VietNam Holding	Aim	Placing	TBC / TBC	12-Jun-2006	Investment company
Avisi	Ofex	Introduction	TBC / n/a	14-Jun-2006	Digital screen technology
Tianshan Goldfields	Aim	Placing	TBC / £5.0m	14-Jun-2006	Chinese gold exploration
Dillistone	Aim	Placing	£7.5m / £0.3m	15-Jun-2006	Recruitment software
HML Holdings	Aim	Placing	TBC / TBC	15-Jun-2006	Property services
African Consolidated Resources	Aim	Placing	TBC / TBC	16-Jun-2006	Miner
Financial Payment Systems	Aim	Placing	TBC / £5.0m	16-Jun-2006	Software
Puma Brandenburg	Aim	Placing	£185.0m / £185.0m	16-Jun-2006	German real estate
Secure Design KK	Aim	Introduction	TBC / n/a	20-Jun-2006	Fingerprint verification
Norkom	Aim	Placing	TBC / € 30.0m	26-Jun-2006	Anti-finance crime software
Ethanol Africa	Aim	Placing	TBC / £100.0m	H2 '06	Ethanol manufacturing
Hydrogen Group	Aim	Placing	TBC / £20.0m	July	Recruitment consultancy
ClinPhone	Aim	Placing	£100.0m / £15.0m	June	Clinical trials technology
Wire One	Aim	Placing	£60.0m / £14.0m	June	Videoconferencing specialist
Brulines	Aim	Placing	£30.0m / £8.0m	June	Draught drink protection systems
Extra Aviation	Aim	Placing	£45.0m / £20.0m	June	High performance aircraft
ARC Capital	Aim	Placing	TBC / TBC	June	Investment company
AFI Europe	Aim	Placing	TBC / € 100.0m	June	Real estate investor
Protonex Technology	Aim	Placing	TBC / TBC	June	Fuel cell technology
Infoserve	Aim	Placing	TBC / £9.0m	May	Online marketing
OCZ Technology	Aim	Placing	£30.0m / £10.0m	May	US computer components maker
TurkPharma	Aim	Placing	\$240.0m / \$240.0m	May	Pharmaceuticals
Leisure Link	Aim	Placing	£210.0m / TBC	May	Fruit machine operator
Euphony	TBA	Introduction	TBC / n/a	May	Telecom services
Talvivaara Mining	Aim	Placing	TBC / € 100.0m	Oct / Nov	Finnish miner
Merchant Securities	Aim	Introduction	TBC / n/a	Q4	Private client fund manager
Spazio Industriale Investments	Aim	Placing	£400.0m / TBC	Summer	Investment company
Eyebright	Aim	Placing	£11.5m / £5.0m	TBC	Elective day surgery
Ashingo	Aim	Placing / Offer	TBC / TBC	TBC	Digital media advertising
Carlton Clubs	Aim	Placing	£40.0m / TBC	TBC	Bingo club owner
Isle of Man Int. Broadcasting	Aim	Placing	£75.0m / £13.0m	TBC	Radio broadcaster
Planet Conservatories	Aim	Placing	£70.0m / £10.0m	TBC	Bespoke conservatories
Miras Imaging	Aim	Public Offer	£6.4m / £1.0m	TBC	Medical devices specialist
TNX Television	Aim	Placing	£50.0m / £15.0m	TBC	Commuter train television
BCM Capital	Aim	Introduction	TBC / n/a	TBC	Construction
Barracuda	Aim		£300.0m / TBC	TBC	Pubs and bars
Petrosearch International	Aim	Introduction	TBC / n/a	TBC	Resource sector investments
Nyati Resources	Aim	Placing	£1.7m / £1.1m	TBC	Oil and gas exploration
AM2	Aim	Placing	£15.0m / £15.0m	TBC	Investment company
Medco Energi	Main	Placing	£800.0m / £214.0m	TBC	Indonesian oil and gas company
Talia Technology	Aim	Placing	£30.0m / £10.0m	TBC	Eye screening equipment
Afcan Mining Corporation	Aim	Placing	TBC / £10.0m	TBC	China-focused miner
First Croatia Properties	Aim	Placing	£46.5m / £46.5m	TBC	Commercial property
Lamont Property	Aim	Placing	TBC / TBC	TBC	Commercial property
Concept Group	Aim	Placing	TBC / £6.0m	TBC	Manufacturing consultancy
D-Pharm	Aim	Placing	£15.0m / TBC	TBC	Israeli biotech
Templin Airport Corporation	Aim	Placing	TBC / £13.9m	TBC	Airport development
Glennstars Investments	Aim	Placing	TBC / TBC	TBC	Investment company
Zone 4 Play	Aim	Placing	TBC / £7.0m	TBC	Online casino software

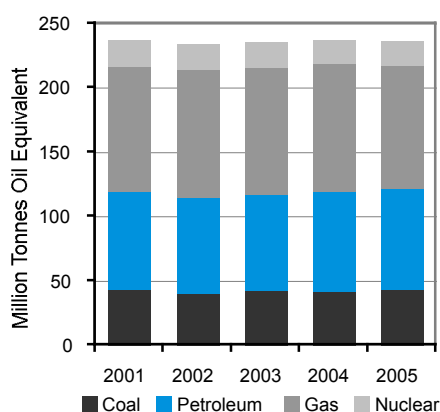
Sector in Focus

UK Utilities: an oasis of calm in troubled markets

The UK utility sector appears to represent something of an oasis of calm during the turbulent market conditions. Historically it has acted as a bond surrogate for equity portfolios and recently it has been the subject of consolidation, particularly driven by Russian interest in Centrica. We believe that the historical forces are at work again. In the background are the structural changes being wrought by the 2003 Energy White Paper in which the government set out its goals for long-term energy policy in general and the stimulus for renewables in particular. We believe that the combination of bond surrogacy, M&A and UK government policy provide continuing opportunities within the sector.

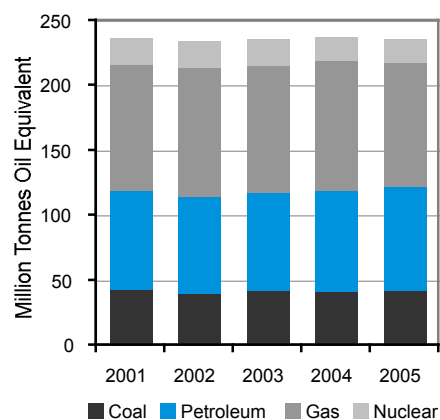
The recently published government consultation document, Our Energy Challenge January 2006, makes clear the government's continuing commitment to create a low carbon economy over the long term. It's difficulty of course has been securing identifiable progress towards that goal as evidenced in the debate over the achievement of the targets established in the Kyoto protocol. Alongside that difficulty has been the emergence of the UK as a net importer of gas more quickly than had been anticipated (see later).

UK energy consumption



Source: DTI

UK energy sources



Source: DTI

In truth the recent data suggests that little yet has changed in the patterns of UK energy production and consumption. The charts to the left are based on data published by the DTI.

Over the five years from 2001 to 2005 (incl) consumption varied modestly between 235 million tonnes of oil equivalent (mtoe) and 239 mtoe. Note that the data are seasonally adjusted and for temperature also.

Most recently consumption has eased and, although not shown, year-on-year consumption data shows a modest 3% fall in the first three months of 2006, something the UK's MPC and other interest rate watchers may care to reflect upon! But that's another story (except for its implications for gilt yields – see later).

Not only is the overall consumption figure relatively stable, so too is its composition. That is striking in the context of the significant hikes in oil prices and a remarkable demonstration of price inelasticity (so far!) in the demand for petroleum across the economy.

Filling that demand, production shows a similarly stable picture. Total production over the five years has hovered in a similarly narrow range to that of consumption but, significantly, with a modest bias towards an energy deficit of a little over 1 mtoe annually.

So far so dull! Apart from the emergence of the UK as a net energy importer the overall picture is relatively stable and no great growth opportunities in a hurry – apart from the currently miniscule proportions generated by renewables.

But it is precisely that characteristic that provides the “oasis of calm” for investors in otherwise turbulent markets. Even with the dramatic rises in the oil price petroleum and gas consumption have not collapsed – we need it and the regulator necessarily allows a significant proportion of the rise in wholesale energy prices to be passed on to the consumer (remember when they tried to buck that trend in California and in the Ukraine – rolling “brown outs” and blackouts respectively).

The utility companies provide the certainty at least that comes from the observation that we all have to consume energy (and water) even if our consumption growth will simply itself be a surrogate for overall economic activity.

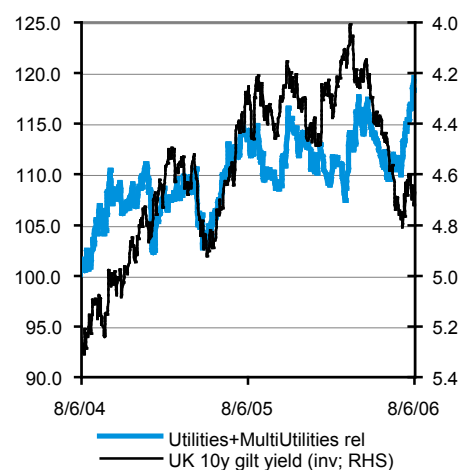
Which of course fits well with the “bond surrogacy” thesis. The chart to the right shows two series: our composite of the Electricity and Multi-Utility sectors relative to the UK market; and the UK 10 year gilt yield (inverted).

Two features are immediately striking: that our composite of the utility sectors has generally outperformed the UK market despite the rising oil price (see above for the regulator allowing pass-through of costs); and that the relative performance shows a remarkable inverse correlation with the gilt yield. In other words, that as gilt prices have risen so too has the relative performance of the utility sectors.

What does the chart suggest for the future? At face value the sector appears to have run ahead of itself. On a strict reading of the inverse correlation the price relative is already discounting a drop in gilt yields to below 4.5%. But that view has to be tempered with the amount of corporate action in the sector. Gazprom and Centrica may be the brightest prospect to command the headlines at the moment but, lower down the capitalisation rankings Bristol Water Group (£165m) has just been acquired by Agbar SA of Barcelona.

We present the following table of smaller companies in the group of sectors we have considered here. Although we make no recommendation on them they represent a surprisingly wide range interests from traditional regulated electricity and water supply to renewables via power generation in Latin America and Southern Africa.

UK Utilities rel. to market



Source: Objective Capital

Select companies in the sector

Name	Symbol	Price (p)	Market Cap (£m)	Description
Dee Valley Grp	DVW	1035	47.80	Water company in NE Wales & Cheshire
IPSA Grp	IPSA	38	20.76	Independent power plant operator in Southern Africa
Jersey El “A”	JEL	4175	73.76	Electricity supplier in Jersey
KP Renewables	KPR	33.5	15.39	Investor in and developer of “green energy” projects
Monkton Grp	MONK	76.5	5.16	Holding company of Good Energy Ltd and Monkton Generation Ltd
Novera Energy	NVE	57	31.24	Renewable energy generation (landfill gas, wind and waste generation)
Renewable Energy Generation	RWE	119	65.45	Investor in renewable energy projects particularly in EU
Renewable Energy Hldgs	REH	45	20.37	Investor in and operator of renewable energy projects
Rurelec	RUR	41	28.00	Power generator in Latin America
Solar Integrated Technologies	SIT	190.5	65.99	Non-residential photovoltaic roofing systems

Company Survey

From the Model

The Objective Capital model works to identify possible examples of mispriced stocks at both ends of the scale. We try to identify: stocks that have been unduly beaten down by mildly adverse corporate developments; those whose price action may not have fully reflected positive developments; and those whose price may be well ahead of the performance justified by good news, or slow to discount the bad.

In this section of the company comments we attempt to isolate those stocks that fall towards the extreme ends of the distribution of the model's results. We then look in more detail – in a formalised way – at the reasons for their being priced as they are. Considerations for selecting the companies to highlight are standard valuation criteria including PSR, prospective PE relative to earnings growth, ROE, price to cash flow, prospective yield and margins.

We also particularly filter stocks for analyst coverage, preferring those stocks that rank as lower risk and where analyst coverage is thin or non-existent, on the basis that it is here that the scope for mispricing is greatest.

We then select the best three or four stocks on these criteria as a distillation of the model's results for this month. Where appropriate we provide information on broker forecasts and recommendations, using consensus numbers and recommendations where possible. We leave readers to judge how appropriate these recommendations may be.

How do we “watch” the whole market?

In such a large and diverse group of stocks as the small and mid-cap segment, every investor needs a way of directing their research effort. Because the key to any company is the quality of its management, we focus on an objective assessment of what the market currently pays for the management's ability and scope to improve the value of their company.

Using consensus estimates we can approximate what investors believe they are paying for management's “value add”. Changes in this level tell us when the market's view on the management or its situation has changed – and on which company's our attention needs to be focused.

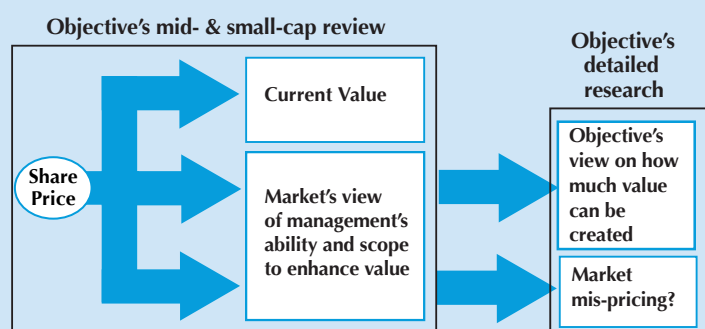
Our detailed company research answers the question of whether the change is justified or if what the market currently pays misses the real value management can add.

Not a recommendation – but a relative pricing tool

We aim to help our readers navigate the mid- and small-cap segment. Our screening tool is based on the same rigorous framework of risk and return that our detailed objective research uses.

When tracked over time, this model allows us to derive the market's expectation of the increase in value of business on a risk and interest rate adjusted basis. At a glance analysts or investors can see which stocks or sectors are relatively cheap or expensive. We provide the results of our screening tool as a service to our readers.

For more information on the detailed methodology of our screening tool or the interpretation of its results please contact us at +44 (0)870 080 2965.



What we are measuring ...

Management's Ability and Scope:

- to extract lasting improvements in asset and operating efficiency
- to enhance value through synergies from acquisitions, etc
- to enhance value through barriers to entry
- changes in the environment (e.g., de-regulation)
- the value of timing differences between capex and depreciation, tax and other mis-matches

This Month's Companies to Watch

Name (EPIC): Belgravium Technologies (BVM)

Sector: Technology hardware and equipment

Basic business: The company is involved in the design and manufacture of real time electronic data capture systems. The company is focused on providing equipment for any business with a mobile computing requirement, typically for allowing representatives in the field access to company data and the ability to input from mobile terminals. It has particular expertise in systems used in retail, point of sale, supply chain, logistics, fuel and energy sectors.

Reason for potential mispricing: Excessive adverse price reaction to mild profit warning. Belgravium's AGM statement on 25th May noted that the company had seen slow trading in the first quarter of the year and no significant upturn in second quarter numbers, to the extent that it was now unlikely that the company would meet expectations of sales and profits for the full year. Nonetheless the company still has a solid order book and more recent acquisitions are much less susceptible to price pressure than the rest of the business. Customers have also delayed the implementation of some contracts until next year. The company remains confident that its healthy long-term order book will convert into revenue.

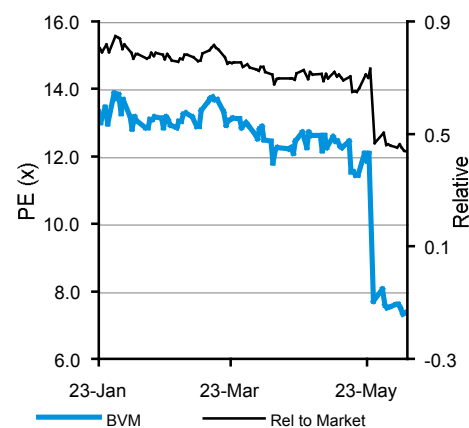
Value criteria: Belgravium had previously been expected to make pre-tax of £2.86m in 2006, according to a forecast from company broker Teather & Greenwood. On the assumption that the company has a profit standstill and generates earnings of a penny a share, the stock stands on a multiple of ten times and has a projected yield close to 5%. Return on equity is in the region of 24% and the shares sell at 11 times cash flow.

Analyst coverage: Teather & Greenwood, the company's broker, is the only firm to publish forecasts on the group.

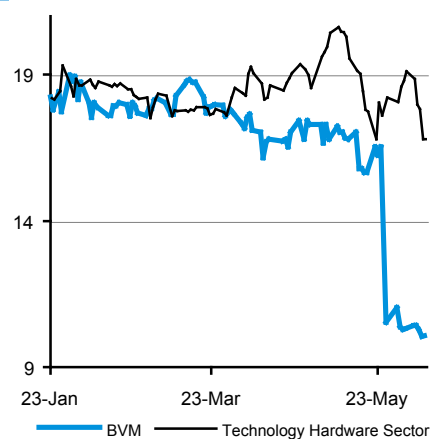
More information: www.belgraviuminvestorrelations.com

Next results: Interim – early September

BVM PE & PE relative



BVM v. Tech. hardware sector



Name (EPIC): Creston (CRE)

Sector: Media

Basic business: Marketing services. The company offers a range of services related to advertising, marketing, brand development and opinion research. A former shell, it has expanded by acquisition over the past five years. Among the companies it has purchased include TMW, ICM Research, Red Door Communications, CML Research, The Real Adventure, and a number of others.

Acquisitions are sought among companies in a tightly focused range of sectors that have consistent growth, good prospects, an established blue-chip client base, a low attrition rate in the client list, and committed management. Purchases are typically funded through cash and shares with a three-year earn-out.

Reason for potential mispricing: Modest price appreciation following recent placing to fund major acquisitions. The shares have risen 4.5% over the past month in the wake of a successful placing at 165p to fund the acquisition of ICM Research and TMW. This substantially increases the group's size and for the first time brings a well-known name into the company's roster of subsidiaries. Profits in the year to March 2006 are expected to reach £7.4m pre-tax and perhaps as much as £12.6m in the year to March 2007.

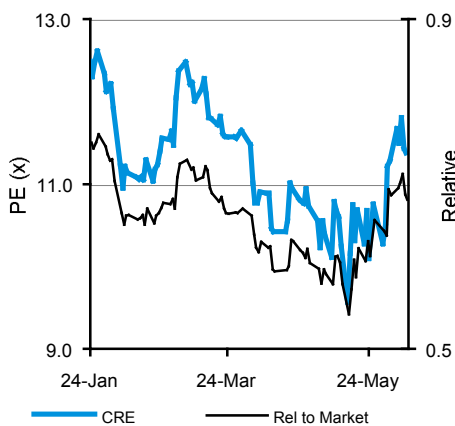
Value criteria: The stock sells on 12.6 times likely earnings for the year to March 2006 (due to be released in late June). Dilution from the placing and previous acquisitions means that earnings will not advance in a meaningful way in 2007, according to current forecasts. Consensus numbers call for pre-tax of £12.6m in the year to March 2007 and earnings per share of 14.2p. The stock has a return on equity in mid single figures but sells at just under 11 times historic cash flow.

Analyst coverage: Three firms cover the stock, including company broker Charles Stanley.

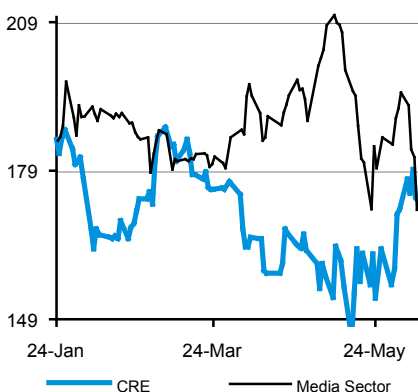
More information: www.creston.com

Next results: Finals – late June.

CRE PE & PE relative



CRE v. Media sector



Portion of CRE share price attributed to "management value add"



Name (EPIC): Great Portland Estates (GPOR)

Sector: Real estate

Basic business: Property investment and development. The company is a leading property owner in Central London, notably the area north of Oxford Street, and elsewhere.

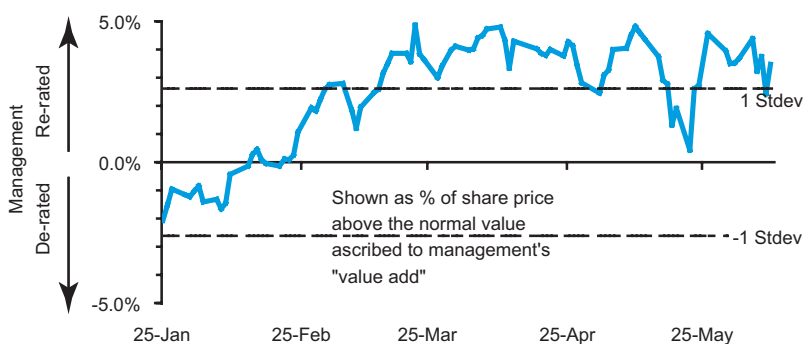
Reason for potential mispricing: Share price increase following announcement of possible conversion to REIT status. The company expects to make a definitive announcement regarding its possible conversion to REIT status in the second half of the current financial year. The company believes it could convert to the new format without restricting its ability to continue developing properties and is currently reviewing how such a change might affect shareholders.

The REIT regime, which will allow property companies to escape corporation tax if they pay out at least 90% of their profits in dividends, is widely thought to favour companies like Great Portland, which have large portfolios of income producing properties. Peer companies like British Land, Land Securities and Hammerson have all announced their intention to convert when the new regime begins in January 2007.

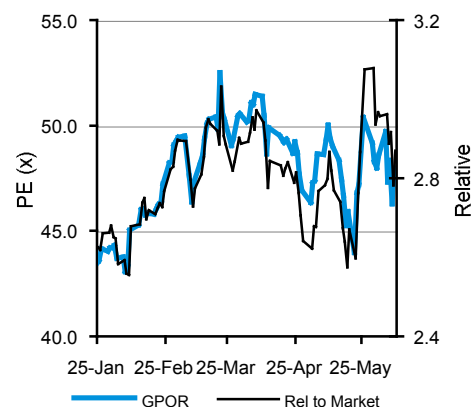
The issue surrounding the possible mispricing at GPOR's shares is purely related to valuation. On the basis of current revenue profits of some £18m, the company's likely post REIT dividend payout would generate a net yield, on the basis of current share prices, in the region of just over 2%.

This reflects current excessively low (albeit rapidly-growing) rental yields on Central London properties. REITs are, however, expected to compete with each other for investor money and also to be compared with gilts and other income-producing investments. GPOR's pro-forma post-REIT yield is at the low end of range for those likely to convert. Some likely REIT conversion candidates could be producing a yield closer to 6%.

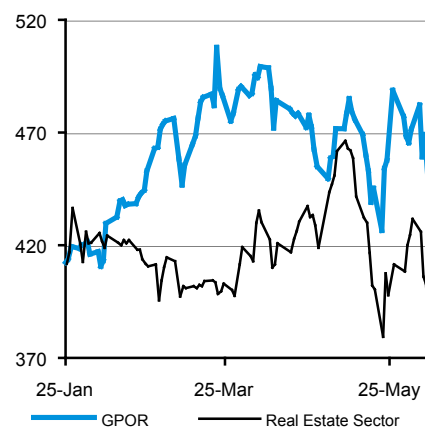
Portion of GPOR share price attributed to "management value add"



GPOR PE & PE relative



GPOR v. Real estate sector



Value criteria: It is also worth noting that on an NAV basis, the company's current 470p share price compares with consensus projected NAV calculations for the year to March 2007 of 490p per share. British Land, a not dissimilar company, sells at a 25% discount to NAV for the year to March 2007.

Analyst coverage: Three analyst firms have published forecasts: Oriel Securities, UBS and Merrill Lynch. JPMorgan Cazenove is the firm's broker.

More information: www.gpe.co.uk

Next results: Interim – late November

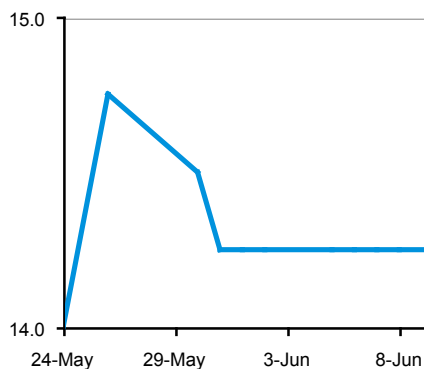
Speculation in the media of possible future flotations

Company	Market	Type	Mkt Cap/ Amnt Raise	Issue Date	Description
Pendragon Medical Technology	Aim	Placing	£68.0m / TBC	2006	Glucose monitoring device maker
Euclidian	TBA		£125.0m / TBC	2006	Fully integrated insurance group
Merlin Petroleum	Aim	Placing	£7.8m / £6.0m	2006	Australian oil explorer
Hogg Robinson	Main	Placing	£700.0m / TBC	2006	Business travel
Standard Life	Main	Placing	£5,000.0m / £1.0bn	2006	Mutual life insurer
African Arabian Petroleum	Main	Placing	£600.0m / TBC	2006	Oil business
The Capital Pub Company	Aim	Placing	£20.0m / £10.0m	2006	Traditional pubs
Match Day Media	Aim	Placing	TBC / £10.0m	2006	Stadium advertising
Argent Energy	Aim	Placing	TBC / £35.0m	2006	Renewable energy
Vue Entertainment	Main	Placing	£400.0m / TBC	2006	Cinema operator
Trident	Aim	Placing	£100.0m / £30.0m	2006	Internet gambling
Go Lower	Aim	Placing	TBC / TBC	2006	Health snacks
Ministry of Sound	Main		£100.0m / TBC	TBC	Dance club and leisure brand
Amtico	TBA	Placing	£150.0m / £20.0m	TBC	Floor tiles specialist
Altodigital	Main		£400.0m / TBC	TBC	Internet services
Zeus Technology	Main	Placing	£150.0m / £15.0m	TBC	Internet software
Elaterral	Main	Placing	£90.0m / £30.0m	TBC	Software developer
ACG Holdings	Aim	Public Offer	£1.2m / TBC	TBC	Security software developer
GasForce	Main		TBC / TBC	TBC	British Gas service arm
Unicorn Entertainment	Main	Placing	£100.0m / TBC	TBC	Management company
Cox & Kings	Main		£30.0m / TBC	TBC	Upmarket holiday operator
United Biscuits	Main		TBC / TBC	TBC	Snack food manufacturer
Xchanging	Main		£1,000.0m / TBC	TBC	Support-services group
Altin	Main	Placing	£50.0m / TBC	TBC	Hedge fund investment
Pubmaster Group	Main		TBC / TBC	TBC	Pub operator
Rose Bowl	Aim	Public Offer	£7.5m / £5.0m	TBC	Sport and ent. centre operator
IAC Group	Aim	Placing	£40.0m / £15.0m	TBC	TV finance and dev. company
Proquote	Main	Placing	£50.0m / £5.0m	TBC	Internet-broking info. service
IntroNet	Main		TBC / TBC	TBC	Edinburgh software company
Affinitas Financing	Aim	Placing	£6.0m / £1.0m	TBC	Financial Services
Trucost	Main		£100.0m / £5.0m	TBC	Company rating service
GoldQuest Mining Corp.	TBA	Placing	TBC / £1.0m	TBC	Gold expl. in the Dominican Republic
Mloop	Aim	Placing	£20.0m / TBC	TBC	Online phone exchange
Oxford Natural Products	Aim		£100.0m / TBC	TBC	Natural pharmaceuticals firm
Crown Dilmun	Main		£150.0m / TBC	TBC	Upmarket housebuilder
Intersolar Group	Aim	Placing	£45.0m / £18.0m	TBC	UK solar technology company
Sporting Options	Aim	Placing	£15.0m / £5.0m	TBC	Online betting exchange
Aberdeen Property Investors	Main		£150.0m / TBC	TBC	Property investment
Virgin Blue	Main		£520.0m / TBC	TBC	Australian airline
Apex Platinum	Aim	Placing	£20.0m / £5.0m	TBC	Platinum exploration
Resourceworks	Aim	Placing	TBC / TBC	TBC	Corporate finance boutique
Intellipower	Aim	Placing	TBC / TBC	TBC	Energy conservation consultancy

Newcomer of the Month

This section analyses a recently listed company from a more qualitative standpoint. Futures issues of Objective's Small & Mid-Cap Review will comment periodically on the progress of these companies

AVR - price since listing



Price (p)	14.25
Quote	AIM
Ticker	AVR
Hi-Lo since listing (p)	14.5 - 12.5
Shares issued (m)	53.33
Market Cap'n (£m)	7.6
Issue price (p)	12.5
Net Proceeds (£m)	4.9
Advisors and brokers:	Daniel Stewart

Avarae Global Coins (AVR)

- Only publicly listed closed end fund dedicated to investment in rare coins
- Managed by Noble Investments (UK), a leading numismatic firm.
- Quality shareholder list, including major investors in Noble.
- Coins attracting increasing interest as an alternative to stock market investing.
- More funds may follow if successful.

Listed at 12.5p on 24th May 2006, the stock traded at a modest premium almost immediately. The current price is around 14.25p. The nominated adviser and broker is Daniel Stewart.

The company is a closed-end fund set up to invest in rare coins. There are no other comparable funds currently listed in London. The cash raised by the listing, around £5m, will be applied to investing in a range of rare coins in a number of markets.

The fund will be managed by Noble Investments (UK), the only listed coin dealer in London. Noble recently acquired AH Baldwin, a leading coin dealer and auction house, and has access to Baldwin's extensive stocks of coins, some of which may be used as the basis for the Avarae portfolio. Coins will be selected from a range of countries and from different historical eras. The value of individual coins or portfolios of coins could range from a few hundred pounds to tens and even hundreds of thousands of pounds. Coins will mainly be acquired with a view to their forming a long-term part of the portfolio, although opportunities may be taken from time to time to make shorter-term purchases and sales.

Coins are an established part of the alternative investing and collecting scene. Long-term returns from coin investment can be judged by auction results. Recent sales of major collections have shown that long-term returns can be in the region of 10-15% annually, although generating returns of this nature tends to depend on astute purchasing and on keeping the coins for lengthy periods. This applies particularly to private investors in coins, who must bear hefty dealer markups (although markups in coins are somewhat lower than for example in the stamp market). Professional investors in coins are, however, able to negotiate better deals.

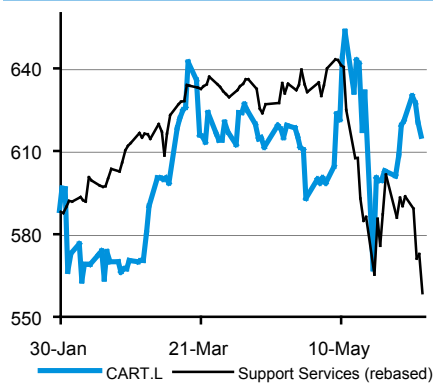
The idea behind the fund came from one Noble's major shareholders, and investors in Noble are believed to have been heavy subscribers for Avarae shares. It is likely, if the fund proves successful and established a solid track record of performance, that other funds will be established, perhaps to invest in specific national coin markets.

Avarae's NAV, which simply reflects the net proceeds of the share issue, is currently 9.2p per share. Avarae is likely to be assessed on NAV for the time being, with the manager's subsidiary company Baldwins being in a position to supply accurate arms-length valuations by virtue of its extensive auctions and dealing activities.

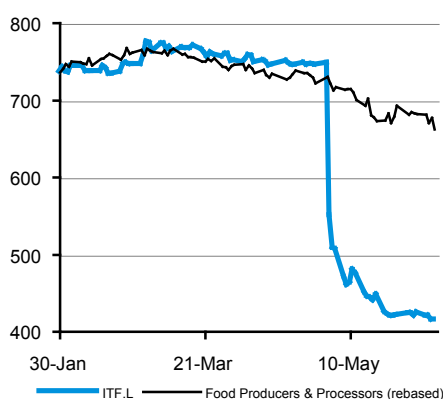
Companies in the News

The following comments relate to other companies highlighted by the model, and those that we have highlighted in previous issues, where news has emerged in the past month or so.

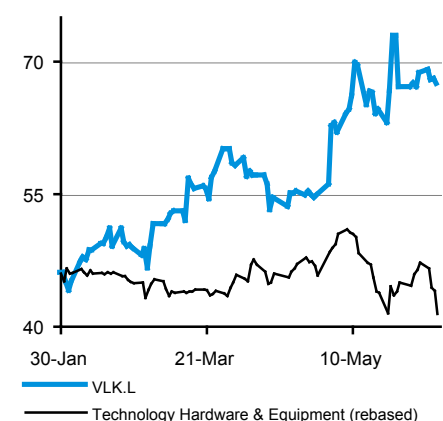
CART v. Support services (rebased)



ITF v. Food prod. & processors (rebased)



VLK v. Tech. hrdwre & equip. (rebased)



Carter & Carter (CART)

The adult learning provider has bought automotive training specialist Retail Motor Industry Training Ltd (ReMIT) from the Retail Motor Industry Federation for £25.5m. The acquisition of the company, Carter's largest competitor, has been partly funded by a £23m share placing. According to the company this will make it the market leader in the provision of government-funded apprenticeship schemes for car mechanics, and will double its number of apprentices to 12,000.

Last year ReMIT generated sales of £25.2m, pre-tax profit of £1.2m and had gross assets of £10.6m. This is Carter & Carter's third acquisition over the last year and has led its house broker ABN Amro to upgrade its earnings forecast for 2008 by 9%. Trading since the beginning of the year has been encouraging with record levels of bids and tenders.

More information: www.carter-and-carter.com

Inter Link Foods (ITF)

Profits for the year will fall below market expectations following a drop in trading volumes in April, traditionally one of the company's busiest trading periods. The adverse effect on trading was the result of less than successful major promotional activity during the month. Nonetheless, full year results, which will be announced in July, are expected to show a year-on-year sales growth of around 34% and like-for-like organic growth of around 8%, with earnings per share of not less than 9%. The shares have dropped some 44% over the past month following the announcement.

Changes in infrastructure have seen the closure and subsequent integration into other facilities of two bakeries and a new factory for Soreen, the iconic malt loaf product. The company continues to look for further attractive acquisition opportunities.

More information: www.interlinkfoods.co.uk

Vislink (VLK)

Operating profit for the first four months of 2006 increased by 50% over the £3.2m reported for the whole first half of 2005. The company, which supplies security systems, has also seen a 72% surge in sales over the same period last year.

Vislink's various divisions are all flourishing. Advent, the satellite communications business has returned to profitability and orders at Hennis, the specialist marine security and safety business, are up 50% over the first four months last year. MRC, the company's US broadcast business continues to be strong in both the international and domestic markets. The stock is up 18% over the past month.

More information: www.vislink.co.uk

Phytopharm (PYM)

There is some good news at last from Phytopharm. The company has suffered over the last year from various misfortunes, not least of which was the resignation of Canaccord as house broker after being targeted by animal rights extremists.

Back in December Cogane, the company's Alzheimers drug, suffered from disappointing test results, but more recent clinical trials have been encouraging, especially in treating patients with moderate Alzheimer's Disease. On the strength of this the company is seeking global partners and preliminary talks have taken place with suitable licensees.

There has also been good news for Phytopharm's obesity formulation, which has moved into second stage testing. The product, which is being developed jointly with Unilever, can reduce a person's calorie intake by 1,000 units a day and is being developed in a less concentrated form as a slimming product.

Interim results showed a pre-tax loss of £4m compared to a profit of £500,000 last year. The year-earlier period did however include a £3m milestone payment from Yamanouchi Pharmaceutical for the rights to Cogane, which they subsequently returned. Revenue this time was £880,000 compared with £6.34m for the same period last year.

More information: www.phytopharm.com

Fountains (FNT)

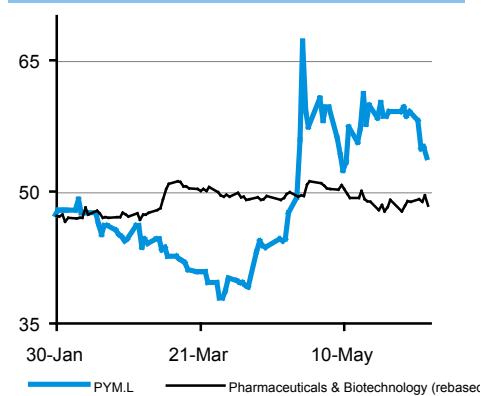
The company, which specialises in vegetation management, reported a pre-tax loss of £2.44m for the first six months, down from a profit of £720,000 for the same period in 2005. This was in line with guidance issued by the company earlier in the year.

Delays and increased costs for a large fixed-price rail contract were blamed for the poor results. The chairman remarked that overall trading was in line with expectations and the business was expected at least to break even for the remainder of the year.

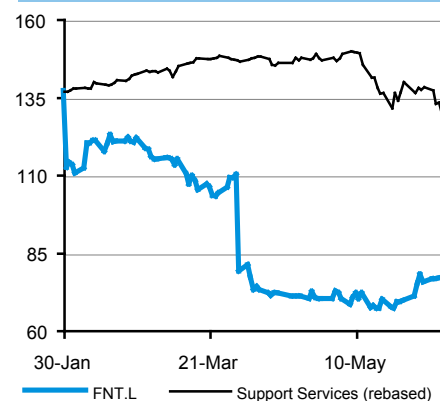
A group of disgruntled shareholders with a combined holding of 10.7% has asked the company to hold an EGM for the purpose of removing chairman, Barry Gamble, as a director of the company. Fountains recently appointed Richard Haddon as CEO for an initial interim period and commented that he should be given time to implement strategic changes before any changes in personnel are called for.

More information: www.fountainsplc.com

PYM v. Pharma. & biotech. (rebased)



FNT v. Support services (rebased)



Objective Corporate Research

Call us today to find out
how our sponsored research
can benefit you

Objective Capital Limited

Token House
11-12 Tokenhouse Yard
London EC2R 7AS
Tel: +44-(0)870-080-2965
Fax: +44-(0)870-116-0839
editor@objectivecapital.com

Corporate: www.ObjectiveCapital.com
Research: www.ObjectiveCapital.co.uk

Recent flotation data

Company	Market	Type	Mkt Cap/Amnt Raised	Issue Date
Summit Resources	Aim	Placing	£5.4m / £3.7m	08-Jun-2006
Brinkley Mining	Aim	Introduction	£152.4m / n/a	05-Jun-2006
Macau Property Opp. Fund	Aim	Placing	£105.0m / £105.0m	05-Jun-2006
Corsie	Aim	Placing	£5.0m / £1.5m	05-Jun-2006
Hello Telecom (UK)	Ofex	Placing	£5.9m / £0.5m	05-Jun-2006
Ithaca Energy	Aim	Placing	£60.7m / £28.3m	05-Jun-2006
Inspired Gaming	Aim	Placing	£115.1m / £108.0m	02-Jun-2006
Proactis	Aim	Placing	£12.9m / £4.0m	01-Jun-2006
Essentially Group	Aim	Placing	£9.1m / £2.0m	31-May-2006
TRIO Finance	Main	Placing	\$125.0m / \$125.0m	31-May-2006
Condor Resources	Aim	Placing	£12.2m / £4.1m	31-May-2006
International Nuclear Solutions	Aim	Introduction	£22.8m / n/a	31-May-2006
PowerFilm	Aim	Placing	£39.6m / £9.6m	31-May-2006
Develica Deutschland	Aim	Placing	€250.0m / €250.0m	31-May-2006
Ciref	Aim	Placing	£49.7m / £28.2m	26-May-2006
Cape Diamonds	Aim	Placing	£82.1m / £13.0m	26-May-2006
Monto Minerals	Aim	Placing	£22.7m / £16.8m	25-May-2006
Summit Germany	Aim	Placing	€ 80.0m / € 80.0m	25-May-2006
Close AllBlue Fund	Aim	Placing	£144.3m / £144.3m	25-May-2006
Close AllBlue Fund	Aim	Placing	\$144.3m / \$144.3m	25-May-2006
Close AllBlue Fund	Aim	Placing	€ 144.3m / € 144.3m	25-May-2006
IGM	Aim	Placing	£40.2m / £8.2m	24-May-2006
Prosperity Minerals	Aim	Placing	£191.0m / £115.0m	24-May-2006
Avarae Global Coins	Aim	Placing	£6.7m / £5.0m	24-May-2006
Debts.co.uk	Aim	Placing	£35.0m / £5.0m	24-May-2006
Dalian Business Institute	Ofex	Introduction	£0.3m / n/a	24-May-2006
Infinity Bio-Energy	Aim	Placing	\$596.6m / \$516.0m	23-May-2006
Awabi	Ofex	Placing	£1.3m / £0.1m	23-May-2006
Global Entertainment	Ofex	Introduction	£9.3m / n/a	23-May-2006
Stageworx	Ofex	Introduction	£0.9m / n/a	23-May-2006
Mariana Resources	Aim	Placing	£7.1m / £3.6m	19-May-2006
Inova	Aim	Placing	£21.0m / £10.0m	19-May-2006
Hutchison China Meditech	Aim	Placing	£140.8m / £40.0m	19-May-2006
St James's Energy	Aim	Placing	TBC / £4.0m	19-May-2006
DHX Media	Aim	Placing	£37.0m / £9.9m	19-May-2006

This report has been prepared by Objective Capital Limited.

Objective Capital is a provider of corporate research. Our research reports provide information, analysis, and estimates and may reference our opinion on the value of highlighted companies. Objective Capital is not registered by any financial authority, and does not provide or purport to provide investment advice or recommendations of any description.

The information in this report is designed to present the opinion of Objective's analysts and what they believe to be the objective prospects of the highlighted company. Where reference is made to estimates of value or relative value of a specific company these are based on standard analysis assuming an "average" investor. There is no guarantee that these estimates are reliable or will eventuate. They should not be relied upon in forming specific investment decisions and readers should seek advice specific to their situation and investment requirements from a person authorized under the Financial Services and Markets Act 2000, before entering into any investment agreement.

Objective Capital's detailed reports are only available to ordinary business investors, market counterparties, high net-worth and sophisticated individual investors.

This report does not constitute an offer or invitation to purchase or acquire any shares in any company or any interest therein, nor shall it form the basis of any contract entered into for the sale of shares in any company.

The information in this report is believed to be correct, but its accuracy or completeness cannot be guaranteed. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise.

Objective Capital (including its Directors, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, subject to restrictions imposed by internal rules. Objective Capital and its analysts are barred from trading in the shares of companies on which Objective Capital provides coverage.

You are reminded that the value of shares in any company may go up or down. Past performance is not necessarily a guide to future performance.