

Investment update

UK Equity Research

20 December 2006

Independent International Investment Research * (IIR)

Speciality Retailers

Trading update

Previous close price (p):

8.8

Market cap (£m):

2.2

FTSE index:

AIM

52 week high (p):

11.8

52 week low (p):

6.1

Net debt 2006 (£m)

0.0

Year to 28 Feb (£'000s)	2005	2006	2007E	2008E
Turnover	683	914	1,089	2,092
EBITDA	(123)	(104)	15	745
Pretax profit IdB	(293)	(207)	(33)	711
IdB EPS (p)	(1.9)	(1.0)	(0.1)	2.2
Growth rate (%)	n/a	n/a	n/a	n/a
DPS (p)	-	-	-	-
P/E (x)	n/a	n/a	n/a	3.9
Yield (%)	-	-	-	-

Source: Insinger de Beaufort, IdB profit before goodwill and exceptionals

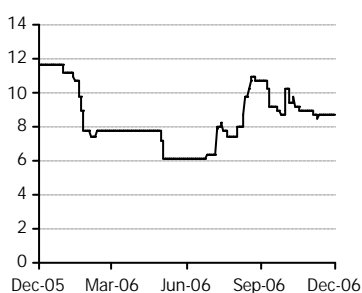
Reason for report

Trading Update

Upbeat trading statement

IIR announced a positive trading update this morning. The total value of contracted business has increased substantially since the interims in October this year. As a result, management expect to exceed our 2008 revenue forecasts on contracted business alone. Although impact for the current year to Feb 2007 will be limited, high operational gearing translates to a significant earnings uplift for 2008.

Share price performance (p):



Currency movements a negative

Our revenue upgrade is muted to some degree in Sterling terms by currency movements. The US dollar has declined by 4% against Sterling over the last 2 months, while the Indian Rupee has depreciated by 3%. The majority of the Group's revenue is denominated in US dollars, whereas costs are largely in sterling or Indian Rupees. IIR's currency exposure is not hedged.

Pronet currency service making progress

Despite a slower than hoped for start, the Pronet FX currency advisory has been sold to two major Chinese domestic institutions in the Peoples' Republic of China. Our forecasts currently assume only a small revenue contribution from Pronet.

Valuation remains attractive

We lift our 2008 EBITDA forecast by 210% to £745k, while pretax profit rises by 280% to £692k and EPS moves up 261% to 2.2p. Our 2007 forecasts remain unchanged. On our upgraded forecasts, IIR trades at what we would regard as a anomalous 83% discount to research-oriented peers, including Datamonitor, TNS and Toluna. The business remains small, but is building scale quickly.

Source: Insinger de Beaufort, Bloomberg

Analyst

Paul Bethell, CFA +44 (0)20 7190 7198
researchldn@insinger.com

* Insinger de Beaufort are nominated advisors and brokers to the Company

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Independent International Investment Research

IIR provides research on global companies and currencies for broker-dealers, investment banks, money managers and private clients world-wide. Pronet Analytics is the Group's currency research firm, whilst Independent Financial Markets Research offers a US-based research service on non-US companies (primarily those with ADRs).

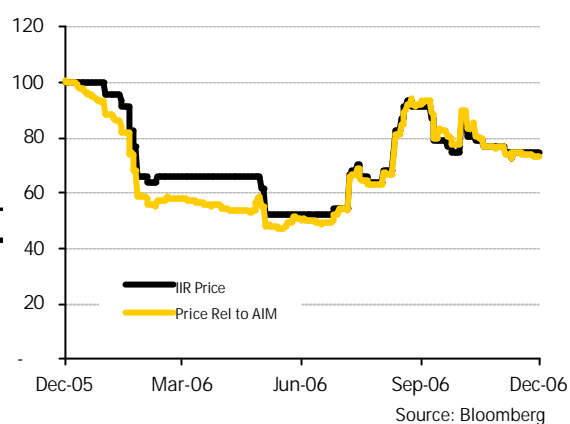
Profit & Loss forecasts

Year to 28 Feb (£'000s)	2005	2006	2007E	2008E
Turnover	683	914	1,089	2,092
Operating profit	(283)	(194)	(32)	686
Margin (%)	(41)	(21)	(3)	33
EBITDA	(123)	(104)	15	745
Exceptionals	0	0	0	0
Net interest	(10)	(13)	(22)	5
Pretax profit	(293)	(207)	(53)	691
Pretax profit IdB	(293)	(207)	(33)	711
Tax	(10)	0	0	0
Tax rate (%)	(3.4)	0.0	0.0	0.0
Av. No. shares diluted (m)	15.8	19.6	28.9	31.9
EPS (p)	(1.9)	(1.1)	(0.2)	2.7
IdB EPS (p)	(1.9)	(1.0)	(0.1)	2.2
Growth rate (%)	n/a	n/a	n/a	n/a
DPS (p)	0.0	0.0	0.0	0.0

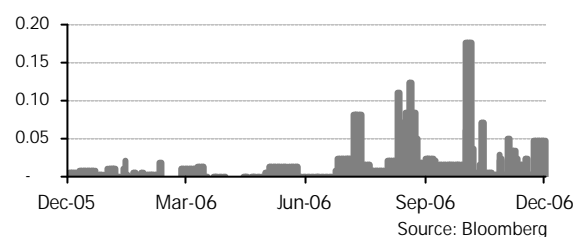
Cash Flow forecasts

Year to 28 Feb (£'000s)	2005	2006	2007E	2008E
Operating profit	(283)	(194)	(32)	686
Depreciation	160	81	26	39
Amortisation	0	9	20	20
Change in working capital	48	200	(122)	(132)
Other	0	0	0	0
Operating cash flow	(75)	96	(107)	613
Net interest	(10)	(13)	(22)	1
Tax paid	26	0	0	0
Other	0	0	0	1
Free Cash Flow (FCF)	(59)	83	(129)	616
Dividends	0	0	0	0
Capex	(11)	(5)	(35)	(80)
Acquisitions	0	(5)	0	0
Disposals	0	0	0	1
Equity issued	0	99	0	0
Other	0	0	0	(1)
Increase in funds	(70)	172	(164)	535
Net debt (cash)	(174)	(2)	(166)	370
Shareholders funds	(322)	(30)	(83)	608
Gearing (%)	(54)	(7)	(199)	(61)
Interest cover (x)	(7.5)	7.4	(5.0)	Cash

Relative share price performance



Trading volume (m)



Other information

	%
Current price (p)	8.8
12 month high (p)	11.75
12 month low (p)	6.13
12m average volume	16,120
Market capitalisation (£m)	2.2

Major shareholders

	%
Shane Smith (CEO)	65.4%
Roy Nominees Ltd	5.7%
PPMV Nominees Ltd	5.9%
Richard Hutchinson (FD)	5.8%
K Moody	3.5%
Squaregain	2.5%

Previous results

Interims	24-Sep-06
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Next results

Prelims (estimate)	24-Jul-07
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