20 February 2017

METALS & MINING

Flashnote

Marketing Communication (Connected Research)

Goldplat#

BBG Ticker: GDP LN *Price: 6.125p* *Mkt Cap: £10.3m* **BUY**

Year to June	Revenue (£'000)	EBITDA (£'000)	PBT (£'000)	EPS (p)	DPS (p)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)	Div Yield (%)
2015A	16,628	(132)	(796)	(0.68)	n/a	0.3x	neg	neg	n/a
2016A	20,185	1,878	1,942	0.56	n/a	0.4x	4.6x	10.2x	n/a
2017F	25,061	2,999	2,335	0.65	n/a	0.3x	2.9x	8.8x	n/a
2018F	25,020	3,364	2,349	0.70	n/a	0.3x	2.6x	8.2x	n/a

***SOURCE**: Company, VSA Capital estimates.*

On Track for Strong FY 2017F

Earnings on Track for Strong FY 2017

Goldplat (GDP) has delivered strong H1 FY 2017 results as Sterling denominated gold prices along with strong production, up 22% YoY and 5% HoH to 21.3koz, drove revenues up by 35% YoY and 52% HoH to £14.4m. Despite headwinds of a significantly stronger Rand, EBITDA of £1.4m was up 161% YoY and 9% HoH and GDP is on track to reach our full year estimate of £3m. However, net income of £742k was down 22% HoH as a result of FX losses.

The stronger Rand is expected to have a negative impact on earnings, however, this is likely to be offset by significantly stronger than expected production in South Africa. We have upgraded our production estimate by 5koz to 43.5koz for the group in FY 2017F, as a result.

Kilimapesa Development on Track

The first mill at Kilimapesa, in Kenya, was successfully commissioned in early 2017, and we expect the benefits of the expanded production capacity to begin to be reflected in earnings during H2 FY 2017. Production is currently running at a rate of 4,500ozpa although we expect this to increase through the balance of the year as phases two and three of the development are completed. We believe that the turnaround of Kilimapesa and return to profitability will unlock significant value for GDP. Losses in recent years have undermined the performance of the wider group and we view the turnaround as a key catalyst for the shares which are up 188% from the 2015 lows.

Recommendation and Target Price

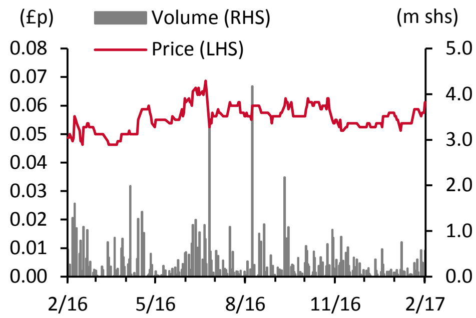
With the development at Kilimapesa on track we believe that this provides a strong catalyst to drive a rerating while robust operational performance in the broader group underpins our forecast for a strong increase in earnings for FY 2017F.

We maintain our Buy recommendation and 11.2p/sh. target price.

Company Description

Goldplat plc is a gold recovery services company with operations in South Africa and Ghana. It also has a small gold exploration & mining portfolio.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	8.9%	11.4%	25.6%

***SOURCE**: FactSet, as of 17 February 2016 close.*

Market:	LSE AIM
Target price:	11.2p
Shares in issue	167m
Free float:	90%
Net cash (Dec 2016):	£835k
Enterprise value:	£9.5m
Major shareholders	
Halifax Share Dealing	11.66%
Toronto Dominon Bank	10.07%
FIL Limited	10.06%

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Strong Interim Results

Goldplat's (GDP) interim results demonstrate strong operational performance with earnings on track for a strong YoY increase in FY 2017F. Production of 21.3koz was up 22% YoY and 5% HoH, driven primarily by increased production at Ghana although gains at Kilimapesa and South Africa were also made. However, ounces sold and transferred declined by 7% YoY and 27% HoH to 16.7koz due to an inventory build in Ghana which has already been sold and will be reflected in H2 FY 2017 earnings.

GDP benefitted from higher average gold prices which were up 5% HoH and 15% YoY to US$1,277/oz. The weakness of the Pound following Brexit meant that Sterling gold prices increased significantly as a result of the depreciation of the USDGBP rate; however, this was offset by the strengthening of the GBPZAR rate which had a negative impact on earnings. The average GBPZAR rate averaged 17.78 in the period with the Rand stronger by 20% HoH and 15% YoY. Revenue in the period was up strongly by 35% YoY and 52% HoH to £14.4m owing to a combination of these factors.

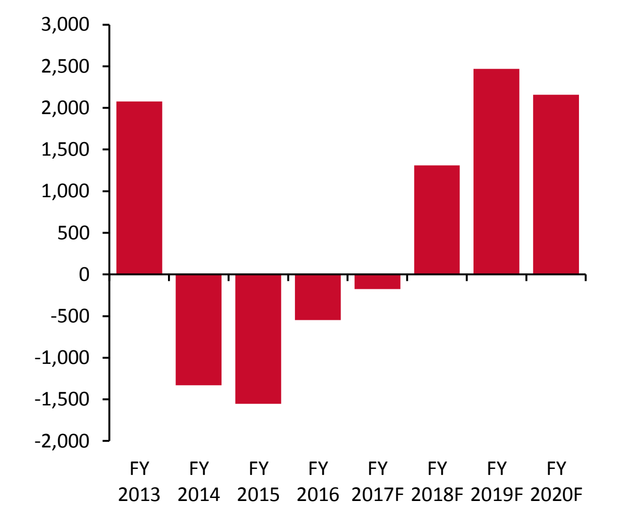
Interim Results Highlights, £000

		H1 FY 2016	H2 FY 2016	H1 FY 2017	*% Chng, YoY*	*% Chng, HoH*	FY 2017F
Production	*Koz*	17,457	20,209	21,317	22%	5%	45,000
Sales	*Koz*	14,756	12,782	16,653	-7%	-27%	45,000
Gold income	*£'000*	10,673	9,512	14,415	35%	52%	25,061
Gross Profit	*£'000*	1,201	1,807	2,122	77%	17%	4,089
EBITDA	*£'000*	555	1,323	1,448	161%	9%	2,999
EBITDA margin, %	*%*	5%	14%	10%			12%
Net finance Costs	*£'000*	150	620	325	117%	n/m	770
Profit Before Tax	*£'000*	395	1,547	1,334	238%	-14%	2,335
Tax	*£'000*	(203)	(331)	(401)	n/m	21%	(707)
Net income	*£'000*	(11)	957	742	n/m	-22%	1,094
Capex	*£'000*	(682)	(602)	(1,160)	n/m	n/m	(2,000)

SOURCE: *Company Data, VSA Capital Research.*

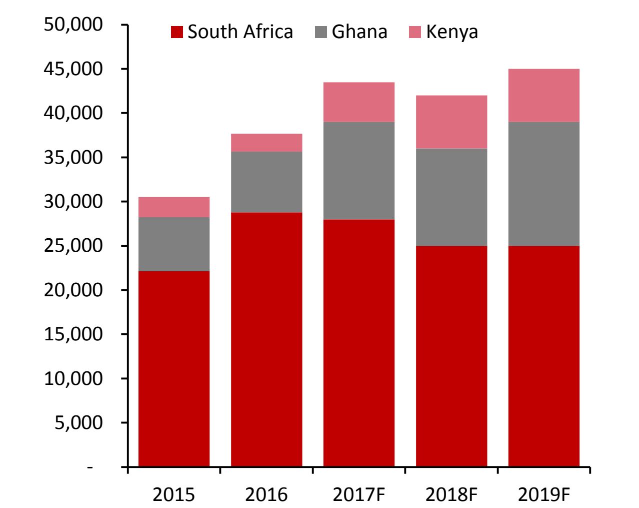
Gross profit was up strongly to £2.1m, 17% HoH and 77% YoY, owing to a weak H1 FY 2016. The stronger top line along with a number of high margin contracts being completed during the period drove the increase in gross profit. EBITDA of £1.4m more than doubled YoY and was up 9% HoH. Owing to greater FX losses PBT was down 14% HoH to £1.3m which meant that the bottom line was down 22% HoH to £742k.

Free Cash Flow Forecast, £'000



SOURCE: *Company data, VSA Capital estimates.*

Production Breakdown, oz



SOURCE: *Company data, VSA Capital estimates.*

We have upgraded our expectations for revenue for FY 2017F from £22.2m to £25m, however, owing to the impact of exchange rates our earnings forecasts are largely unchanged. We believe that full year group production is likely to be closer to 43.5koz versus our original estimate of 38.5koz as owing to a strong H1 as well as significant new contracts at the South African operations.

As a result of our increased production forecasts we believe that the negative impact of the stronger Rand will likely be offset and our earnings estimates are largely unchanged with EBITDA likely to be around £3m as previously forecast.

Goldplat Financial Highlights, £'000

	FY 2014	FY 2015	FY 2016	FY 2017F	FY 2018F	FY 2019F	FY 2020F
Production, oz	29,814	30,524	37,666	43,500	42,000	45,000	45,000
Sales, oz	28,216	24,904	40,763	43,500	42,000	45,000	45,000
Revenue	21,020	16,628	20,185	25,061	25,020	28,082	27,657
EBITDA	574	(132)	1,878	2,999	3,364	4,282	3,494
Operating Profit	153	(711)	1,172	2,021	2,386	3,037	2,249
Minority Interest	171	251	462	534	575	735	541
Net Income	(527)	(1,143)	946	1,094	1,177	1,505	1,108
P/E, x	neg	neg	10.2x	8.8x	8.2x	6.4x	8.7x
EV/EBITDA, x	16.3x	neg	4.6x	2.9x	2.6x	2.0x	2.5x
EPS	(0.31)	(0.68)	0.56	0.65	0.70	0.90	0.66
Capex	(510)	(909)	(1,284)	(2,000)	(1,300)	(500)	(300)
FCF	(1,329)	(1,553)	(549)	(177)	1,310	2,470	2,159
Gold price	1,286	1,229	1,168	1,259	1,300	1,360	1,340

***SOURCE**: Company data, VSA Capital Research*

An additional impact of the stronger Rand is that capital expenditure in Sterling terms is likely to increase in H2. H1 FY 2017 spending of £1.16m largely reflected the development spending at Kilimapesa and the majority of spending for the year has been completed. However, as a result of the currency impact we have increased our estimate for the full year to £2m from £1.8m.

The stock continues to trade at a significant discount to the long term average of 5.8x EV/EBITDA at 2.9x. We believe that the return to profitability at Kilimapesa provides a key catalyst to drive a rerating from current levels.

Kilimapesa Turnaround Underway

Pre-commissioning on the new process plant at Kilimapesa began in late calendar 2016 marking the end of constrained production at the mine. Although production of 1,190oz was up 28% YoY and 11% HoH the turnaround is not expected to be felt until H2 FY 2017. H1 FY 2017 was a crucial period in terms of development, however and GDP demonstrated with its recent announcement that Kilimapesa is poised for a strong turnaround beginning H2 FY 2017. The capital spend to fund the turnaround is £1.2m.

The development is taking place in three phases, the first of which has been completed on time and on budget. Phase 1 involved the commissioning of the first of two plants, excluding the crushing circuit. As a result, a stockpile of suitable material is being processed until Stage Two is completed. Stage Two involves the installation of a crushing circuit as well as three leach tanks. Stage Three relates to the installation of the second mill and a further three leach tanks. Stage One capacity is 60tpd while Stage Two will increase capacity to 120tpd with full capacity expected to be 200tpd. We anticipate steady state production to be around 6,000ozpa although initially this may be higher as the remaining tailings are processed. We leave our estimate of 4,500oz production from Kilimapesa in FY 2017F unchanged.

GDP has previously announced the preparatory work on the underground mine which will feed the expanded plant. A new adit was created and additional mineralisation has also been identified. Comprehensive sampling and mapping has enabled a 3D model to be constructed which will be used for mine planning. A Kempe drill has been acquired for underground exploration although additional parts must be sourced before it will be operational. A mining license application will be made during H2 FY 2017. In the meantime GDP will continue to process tailings and stockpiled material.

GDP also states that it is seeking additional resources in the region either via acquisition or through further exploration within the current tenement.

Ghana

H1 FY 2017 production was 7.6koz in Ghana, up 246% HoH and 62% YoY. We maintain our full year forecast of 11koz, however, with the Obuasi mine in Ghana now having closed there is less availability of material for processing. Therefore production in H2 is likely to be lower. Whilst GDP is actively seeking additional contracts and we recognise that there is upside risk to our estimate we believe that this therefore a prudent forecast for H2 FY 2017. This is the reason for the move to sourcing processing material from South America and solid progress is being made, reportedly.

Sales of 2.4koz were significantly lower than production as GDP held back containers ready for export as it awaited the receipt of the renewed license. This renewed license is valid for a period of three years providing that certain milestones relating to the installation of a new elution column are met. GDP has announced that it has already sold the gold which was held and we therefore expect the working capital impact to normalise through FY 2017F.

Our estimates for Ghana remain unchanged with the capital spend of US$2m (£1.4m) spread over FY2017-2019F, with commissioning in FY 2018F and we maintain our long term production forecast of 14kozpa.

South Africa

South Africa production of 12.5koz was up 6% YoY although down 26% HoH. The prior period contained a significant increase in production as backlogged inventory was cleared, hence the decline. Production in this period was ahead of our expectations and alongside GDP’s guidance that it has significant by-product material on site awaiting production we believe that production in H2 is likely to be particularly strong and higher than FY 2016 production. Consequently we are upgrading our production estimate for South Africa to 28koz from 23koz.

The increase comes as GDP has been actively seeking additional contracts from smaller producers in addition to contracts from the majors. There has been a trend in recent years for junior and mid-tier producers to acquire non-core assets from the majors and there is now a broader range of mine owners operating South Africa’s gold mines.

We also note that the Rand Refinery dispute is nearing resolution and GDP remain positive on the result. Additionally, although unrelated Rand Refinery has notified GDP that it has changed its repayment terms. This is likely to affect GDP’s working capital management as Rand Refinery has proposed to extend its payment period. However, given GDP’s financial position we do not believe that this will have a material impact over the longer term.

Valuation

Changes to Assumptions

Due to a sharp fall in gold prices in Q4 2016 as the Fed increased interest rates we have pushed out our forecast for a recovery in gold prices. Whilst we maintain a positive view on global growth we believe that fewer rate hikes than the three that are currently predicted by the market are likely to occur in 2017. Gold demand as a hedge against political uncertainty is likely to remain strong. We highlight key European elections in Holland, Germany and France where anti-establishment figures present a significant challenge to established parties.

VSA Gold Price Forecast

	FY 2013A	FY 2014A	FY 2015A	FY 2016A	FY 2017F	FY 2018F	FY 2019F	FY 2020F	FY 2021F	LT
Old	1,604	1,286	1,229	1,168	1.350	1,365	1,345	1,315	1,285	1,275
New	1,604	1,286	1,229	1,168	1,259	1,300	1,360	1,340	1,300	1,275

SOURCE: *Bloomberg, VSA Capital Research.*

We have adjusted our GBP/ZAR outlook to reflect the post Brexit correction. We do, however, expect Sterling to strengthen in the medium term with recent lows reflecting a worst case scenario and therefore a low point. The negative impact for GDP is likely to have been most keenly felt in the recent period and therefore largely reflected in earnings.

GBP/ZAR Assumptions

	FY 2013A	FY 2014A	FY 2015A	FY 2016F	FY 2017F	FY 2018F	FY 2019F	LT
Old	13.80	16.90	18.02	21.46	21.00	23.00	23.50	24.60
New	13.80	16.90	18.02	21.46	17.40	18.50	19.00	20.00

SOURCE: *IMF, VSA Capital Research.*

Earnings Update

The most significant adjustments to our earnings assumptions have been due to fluctuations in gold prices and currency movements. We have pushed out our forecast for a gold price recovery. The near term impact of a strengthening in the GBPZAR rate has been partly offset by higher Sterling gold prices dampening the inflationary impact on cost of sales. Consequently our near term earnings estimates are largely unchanged although net income now recognises net finance costs which largely relate to FX in FY 2017F. Given the strong operational performance in South Africa we have increased our annual production estimate by 3koz to 25kozpa offsetting the FX impact.

Earnings Changes, £'000

	Revenue			EBITDA			PBT			Net Income		
	Old	New	% Change	Old	New	% Change	Old	New	% Change	Old	New	% Change
2017F	22,198	25,061	13%	3,094	2,999	-3%	1,928	2,335	21%	965	1,094	13%
2018F	23,346	25,020	7%	3,306	3,364	2%	2,141	2,349	10%	1,073	1,177	10%

SOURCE: *Company data, VSA Capital Research.*

Valuation Update

Our valuation for **Goldplat (GDP)** is based on a 50/50 blend of NAV and 12 month forward EV/EBITDA multiple. GDP has historically traded on a trailing EV/EBITDA multiple of 5.8x. Following the changes to our operational and macro assumptions our blended valuation is unchanged.

Our blended target price for GDP is therefore 11.2p/sh., which implies 95% upside potential.

Valuation Summary

1 yr forward EBITDA, £'000	2,999
Target 12-mo forward EV/EBITDA	5.8x
Fair EV, £'000	**17,397**
Net Debt, £'000	(2,542)
Other, £'000	1,642
Total Fair Equity Value, £'000	**16,497**
# of shares (2015)	167,441
Per Share Fair Value, £'000	9.85
NAV fair target price	12.55
Blended 12-mo Target Price, GBp/share	**11.20**
Current Price, GBp	6.13
Upside, %	95%

***SOURCE:** Company data, VSA Capital Research.*

NAV-based Valuation Approach

Our NAV-based valuation approach is based on a discount rate of 8% and P/NAV multiple of 1.0x. While the South African, Ghanaian and Kenyan operations are distinct, the reporting is collective and our valuation is therefore based on the combined operations. We do not attribute a value to the exploration assets in Burkina Faso and Ghana.

Goldplat NAV Valuation

Division	Division NAV (£'000)	P/NAV	Fair Equity Value, £'000
Goldplat	20,119	1.0x	20,119
Total NAV, £'000			**20,119**
Consolidated Net Debt			(2,542)
Minority Interest			1,642
Total Equity Value			**21,018**

***SOURCE:** Company data, VSA Capital Research.*

Risks

- **Commodity Prices**. The company is primarily exposed to the gold market and unexpected changes to commodity prices are likely to affect our valuation.
- **Political Risk.** Changes to the political regime and mining code in the countries in which GDP operates would potentially alter the risk profile, namely Ghana and South Africa.
- **Operational Risk.** The potential for delays and operating issues are an inherent industry risk and there is the potential for delays to the construction of additional elution capacity. Disruptions to the supply chain present the biggest potential risk for GDP given it is necessary to regularly procure raw materials.

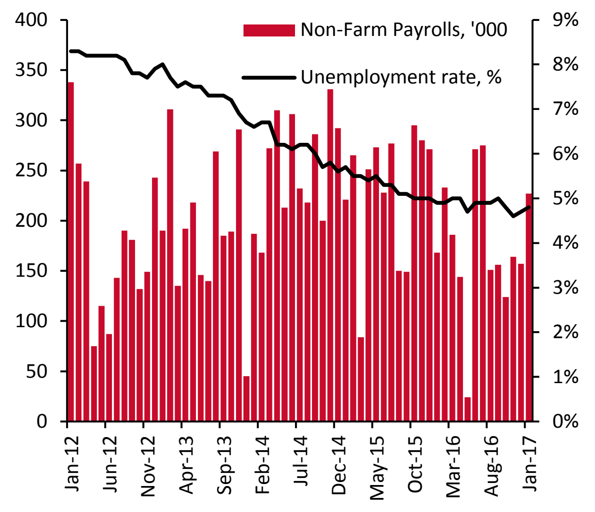
Appendix 1: Gold Market Update

Slower Rate Rise Trajectory and Political Uncertainty to Support Prices

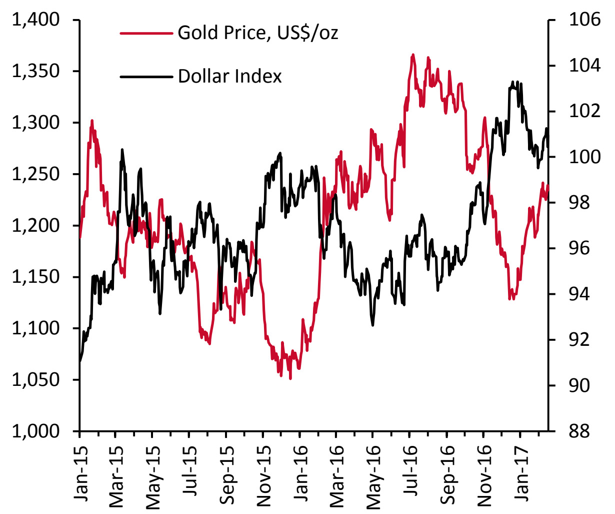
Although the Fed is committed to a rate hiking upcycle which is likely to place downward pressure on the gold price we believe that political concerns, particularly in relation to the Trump Presidency, are likely to be dominant in the short to medium term. Consensus anticipates three rate hikes during 2017 as the US economy maintains its momentum turbo charged by an expansionary fiscal policy spearheaded by infrastructure investment. However, we expect just two increases in interest rates by the Fed during 2017.

Two key factors underpin our outlook; an expectation that the US recovery is likely to show signs of slowing after two rate hikes if not after one and secondly although the Republicans have majorities in both the Senate and Congress a loose fiscal policy is likely to face stiff opposition. We anticipate that an infrastructure investment programme as proposed by Donald Trump is likely to be smaller than currently anticipated by markets and furthermore there is likely to be a lag between its implementation and inflationary impact. Consequently the trajectory for interest rate increases is likely to be shallower than is currently priced in. We believe that this reduces the impact of a major headwind for the gold price in 2017.

Key US Data



US$ Index versus Gold price, US$/oz



SOURCE: *Bloomberg, VSA Capital Research.*

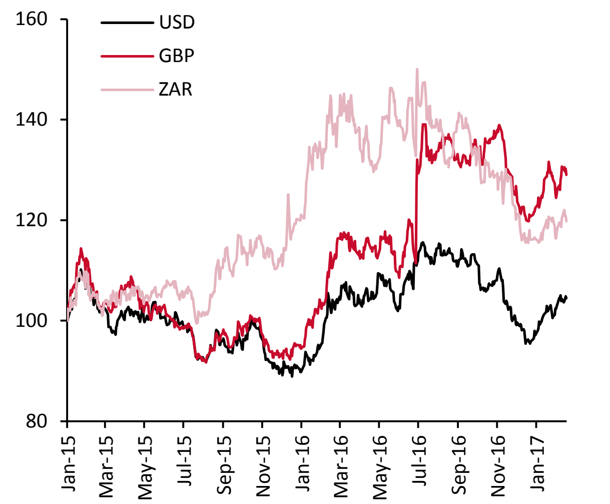
Donald Trump's rhetoric has also been a key contributor to both dollar and gold price volatility in recent months. So far aggressive initial positions have given way to more conciliatory tone. For example, Trump's initial questioning of the 'One China' policy which has set Sino-US diplomatic relations for decades was followed by a swift U-Turn. He has now committed to respecting the policy of not formally recognising Taiwan as a nation state which is crucial to China and the US maintaining open diplomatic channels. There is, however, plenty of potential for further volatility but the above example shows how rapidly the President's position can change. The path to the "good Trump" low tax, low regulation economy is likely to be unpredictable.

With key elections coming up in Holland, France and Germany it is not just US politics that are likely to have an impact on the gold price. Eurosceptic parties present serious challenges to the status quo in each of these elections and we expect heightened volatility in the build-up, while the results are likely to have a significant impact on the future of the EU, Euro and Brexit negotiations. Europe is the second largest market for gold coins and bars and although annual demand of 196t was down 11% YoY in 2016 demand was up strongly in Q4 2016 76% QoQ and 7% YoY to 62t and we expect investment demand to remain strong through 2017.

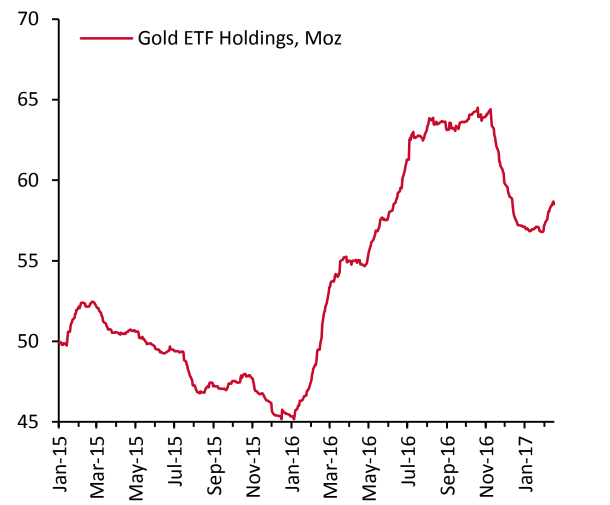
Investment Demand

Demand for ETFs through 2016 was the second highest to date at 532t despite the 193.1t in outflows as the gold price corrected in Q4 2016 as US interest rates were raised. Owing to the factors we have mentioned we believe that investment demand will remain robust as investors seek a hedge against the political and macro risks that litter 2017. We expect this buying to be underpinned by a recovery in the price as the number of rate hikes disappoint. In Europe, as well as political disruption interest rates remain at historic lows and a key concern for investors. We therefore believe that whilst headwinds from rate rises remain, investors perceive gold as an important hedge against unexpected volatility which may arise in the short to medium term.

Gold in Key Currencies



Gold ETF Flows

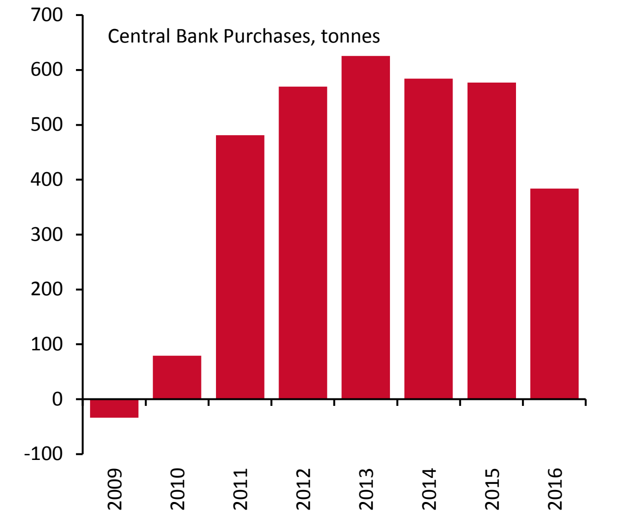


SOURCE: *FactSet, Bloomberg, VSA Capital Research.*

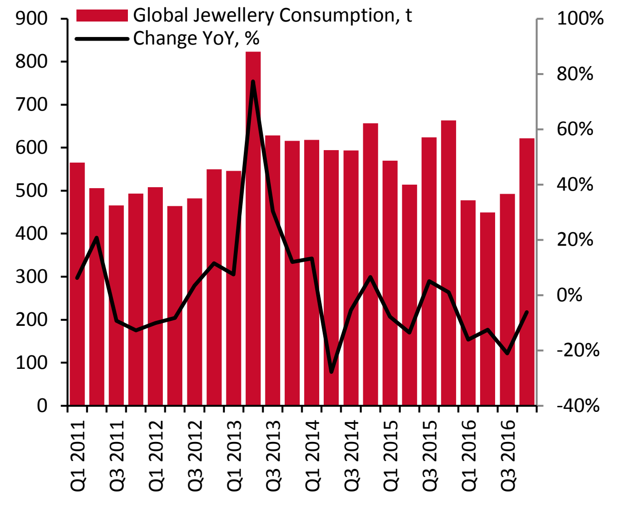
Central Banks Net Purchases Continue

2016 was the seventh consecutive year of central bank net purchases at 384t; this was, however, 33% lower YoY. Russia, China and Kazakhstan dominated contributing 80% of demand. Diversification of reserves is a key priority for emerging market Central Banks particularly, both Russia and Kazakhstan experienced significant currency depreciation as commodity prices declined and while there has been some recovery of the value of the Tenge and Ruble it appears that the Central Banks are unwilling to maintain this level of Dollar exposure. We do, however, note that Chinese central bank purchases slowed markedly in Q4 2016. We expect emerging market Central Banks to continue to diversify their reserves over the medium term to reduce their currency exposure.

Central Bank Purchases



Global Quarterly Jewellery Consumption



SOURCE: *Bloomberg, VSA Capital Research.*

Jewellery Demand Weak in 2016

The two largest markets for gold jewellery, India and China, experienced a slowdown in demand during 2016 accounting for 80% of the 15% YoY decline to 2,042t. Significant disruption due to a jewellers strike in India in Q1 2016 set local jewellery demand off to a weak start with global demand in Q2 2016 of 449t at the lowest level since Q2 2009. The decline in prices in Q4 2016 did, however, result in some recovery in demand as consumers took advantage of the weaker prices. Indian jewellery demand in Q4 2016 of 182t was 4% higher YoY. Global demand in Q4 recovered 26% QoQ owing to additional buying in India, however, weakness in China persisted meaning global demand was 6% lower YoY at 622t. China also experienced weak jewellery demand during 2016 with a particularly disappointing Golden Week, which meant that in 2016 jewellery demand was 17% lower YoY at 629t. Currency controls in China have affected banks' ability to import gold reducing domestically available gold.

Price Forecast Pushed Out

Gold prices were up 8% YoY in calendar 2016 despite the second US rate rise as macro uncertainty dominated the agenda. Investors believe that gold has an important role to play as a hedge once again and we believe that there is significant potential for volatility given key elections in Europe and the uncertainty associated with the USA. We believe that given the uncertain outlook, the attraction of gold as a safe haven will prompt strong demand for gold providing further support for the upward trend in prices.

VSA Gold Price Forecast YE June

	FY 2013A	FY 2014A	FY 2015A	FY 2016A	FY 2017F	FY 2018F	FY 2019F	FY 2020F	FY 2021F	LT
Old	1,604	1,286	1,229	1,168	1.350	1,365	1,345	1,315	1,285	1,275
New	1,604	1,286	1,229	1,168	1,259	1,300	1,360	1,340	1,300	1,275

SOURCE: *Bloomberg, VSA Capital Research.*

Appendix 3: Financial Statements

Profit and Loss (£000)

	2014A	2015A	2016A	2017F	2018F	2019F	2020F
Revenue	**21,020**	**16,628**	**20,185**	**25,061**	**25,020**	**28,082**	**27,657**
Cost of sales	19,202)	(15,660)	(17,177)	(20,972)	(20,570)	(22,729)	(23,126)
Gross Profit	**1,818**	**968**	**3,008**	**4,089**	**4,450**	**5,354**	**4,531**
SG&A	(1,665)	(1,679)	(1,836)	(2,068)	(2,064)	(2,317)	(2,282)
Finance Income	429	843	809	614	2	2	2
Finance costs	(830)	(807)	(39)	(300)	(39)	(39)	(39)
Impairment of assets	-	(121)	-	-	-	-	-
Profit before taxation	**(248)**	**(796)**	**1,942**	**2,335**	**2,349**	**3,000**	**2,212**
Mining and income tax	(108)	(96)	(534)	(707)	(597)	(759)	(562)
Profit for the year	**(356)**	**(892)**	**1,408**	**1,628**	**1,752**	**2,240**	**1,650**
Non-controlling interest	171	251	462	534	575	735	541
Attributable to equity holders of the company	**(527)**	**(1,143)**	**946**	**1,094**	**1,177**	**1,505**	**1,108**

SOURCE: *Company data, VSA Capital Research.*

Balance Sheet (£000)

	2014A	2015A	2016A	2017F	2018F	2019F	2020F
Non-current Assets							
Property, Plant & Equipment	4,202	4,449	5,404	6,426	6,747	6,002	5,057
Intangibles	7,194	7,033	9,726	9,726	9,726	9,726	9,726
Pre-production Expenditure	2,457	2,136	-	-	-	-	-
Proceeds from Sale of Shares in Subsidiary	1,448	1,357	1,271	1,271	1,271	1,271	1,271
Non-Current Cash Deposits	202	233	160	160	160	160	160
Total Non-Current Assets	**15,503**	**15,208**	**16,561**	**17,583**	**17,904**	**17,159**	**16,214**
Current Assets							
Inventories	5,088	7,727	7,747	8,926	8,911	7,694	7,577
Trade & Other Receivables	4,786	3,305	6,255	8,239	6,855	7,694	7,577
Taxation	-	-	-	-	-	-	-
Cash & Bank Balances	1,455	630	2,148	2,597	3,610	6,413	8,939
Total Current Assets	**11,329**	**11,662**	**16,150**	**19,762**	**19,376**	**21,800**	**24,093**
Total Assets	**26,832**	**26,870**	**32,711**	**37,344**	**37,280**	**38,960**	**40,308**
Equity							
Share Capital	1,685	1,685	1,675	1,675	1,675	1,675	1,675
Share Premium	11,498	11,498	11,441	11,441	11,441	11,441	11,441
Exchange Reserve	(5,847)	(6,707)	(6,218)	(6,218)	(6,218)	(6,218)	(6,218)
Retained Earnings	11,011	9,868	10,953	12,047	13,224	14,729	15,837
Minority Interest	1,642	1,893	2,246	2,246	2,246	2,246	2,246
Total Equity	**19,989**	**18,237**	**20,097**	**21,191**	**22,368**	**23,873**	**24,981**
Non-Current Liabilities							
Loans & Borrowings	-	56	-	-	-	-	-
Obligations Under Finance Leases	106	199	157	157	157	157	157
Provisions	129	121	383	383	383	383	383
Deferred Tax Liabilities	430	459	510	510	510	510	510
Total Non-Current Liabilities	**665**	**835**	**1,050**	**1,050**	**1,050**	**1,050**	**1,050**
Current Liabilities							
Bank Overdraft	-	-	92	-	-	-	-
Loans & Borrowings	-	104	55	55	55	55	55
Obligations Under Finance Leases	169	120	129	129	129	129	129
Taxation	27	18	153	153	153	153	153
Trade & Other Payables	5,982	7,556	11,135	14,767	13,525	13,699	13,939
Total Current Liabilities	**6,178**	**7,798**	**11,564**	**15,104**	**13,862**	**14,036**	**14,276**
Total Liabilities	**6,843**	**8,633**	**12,614**	**16,154**	**14,912**	**15,086**	**15,326**
Total Equity & Liabilities	**26,832**	**26,870**	**32,711**	**37,344**	**37,280**	**38,960**	**40,308**

SOURCE: *Company data, VSA Capital Research.*

Statement of Cash Flows (£000)

	2014A	2015A	2016A	2017F	2018F	2019F	2020F
Cash Flows From Operating Activities							
Net Income	(527)	(1,143)	1,002	1,094	1,177	1,505	1,108
Depreciation	393	390	514	978	978	1,245	1,245
Amortisation	28	189	192	-	-	-	-
Loss on sale of PP&E	35	148	62	-	-	-	-
Equity settled share based payment transactions	28	-	16	-	-	-	-
Changes in Working Capital							
(Increase)/decrease in inventories	(651)	(2,639)	(20)	(1,179)	15	1,217	116
Decrease/(increase) in trade and other receivables	(27)	1,481	(2,950)	(1,984)	1,384	(839)	116
Decrease in trade and other payables	1,970	1,574	3,579	3,632	(1,241)	174	240
Provisions	(5)	(8)	244	-	-	-	-
Interest received	429	843	809	-	-	-	-
Interest paid	(832)	(679)	(39)	-	-	-	-
Taxes paid	187	(76)	(342)	-	-	-	-
Net cash generated by operating activities	**470**	**219**	**2,872**	**2,541**	**2,313**	**3,303**	**2,826**
Cash flows from investing activities							
Payments for property, plant and equipment	(510)	(909)	(1,284)	(2,000)	(1,300)	(500)	(300)
Other	(467)	(99)	57	-	-	-	-
Net cash from investing activities	**(977)**	**(1,008)**	**(1,227)**	**(2,000)**	**(1,300)**	**(500)**	**(300)**
Cash flows from financing activities							
Proceeds from borrowings	-	160	(105)	-	-	-	-
Repayments of Borrowings	-	-	-	(92)	-	-	-
Dividends paid	(201)	-	-	-	-	-	-
Payment of finance lease liabilities	(199)	(196)	(114)	-	-	-	-
Net cash used in financing activities	**(400)**	**(36)**	**(219)**	(92)	-	-	-
Net increase in cash and cash equivalents	**(907)**	**(825)**	**1,426**	**541**	**1,013**	**2,803**	**2,526**
Cash and cash equivalents at the beginning of the year	**2,362**	**1,455**	**630**	**2,056**	**2,597**	**3,610**	**6,413**
Cash and cash equivalents at the end of the year	**1,455**	**630**	**2,056**	**2,597**	**3,610**	**6,413**	**8,939**

SOURCE: *Company data, VSA Capital Research.*

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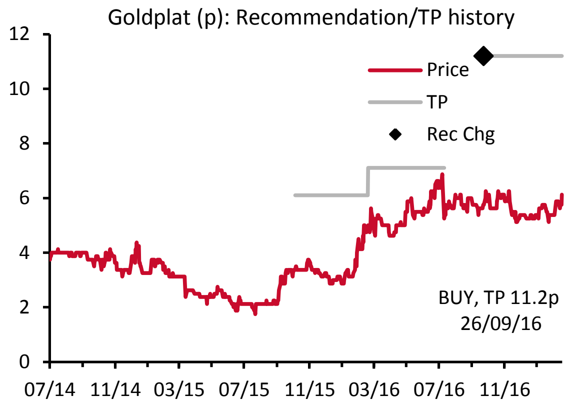
Equities breakdown: 30 June 2015	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	26.3%	68.4%	5.3%	0.0%
Companies to which VSA has supplied investment banking services	25.0%	75.0%	0.0%	0.0%

Recommendation and Target Price History



***SOURCE**: FactSet data, VSA Capital Research.*

Valuation basis

Our valuation for GDP is based on a 50/50 blend of NAV and 12 month forward EV/EBITDA multiple.

Risks to that valuation

Commodity prices, political risk, execution risk.

This recommendation was first published on 5 October 2015.