Company Watch

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Four in ten AIM stocks* in poor financial health,

new Company Watch research reveals

Research from Company Watch shows that many AIM companies are in less-than-robust financial health.

Of the 758 companies surveyed by Company Watch, the financial health monitoring specialists, a worrying 310 companies (41%) are in the Warning Area, recording health ratings of below 25. Statistics on all UK companies for the past 13 years show that one in four companies in this 'red danger zone' have either filed for insolvency or undergone a major financial restructuring.

The analysis is based on each company's last five years published accounts as processed through the Company Watch "H-Score" risk assessment model. *Company Watch excludes companies operating in financial services.

The average H-Score across the whole AIM sample was 44 out of a maximum 100.

Analysis reveals that the worst performing sectors on AIM are Motor (with an average health score of only 19 out of 100), Telecoms (28 out of 100), Leisure (30 out of 100), Construction (32 out 100) and Property (34 out of 100).

Sectors with the best scores are Energy (80 out of 100), Logistics (58 out of 100) and Pharmaceuticals (55 out of 110). The manufacturing sector had the most companies (31% of those analysed) and scored 51 out of 100, a commendable outcome and a tribute to the efforts of these companies' management.

Nick Hood, Head of External Affairs at Company Watch, commented:

"Our survey shows the strains affecting companies listed on AIM in these tough times. It highlights that sectors most affected by government cost cutting and the collapse in consumer confidence, such as construction, leisure and motor are in serious trouble. In all of these sectors, prices are under severe downward pressure, profit margins are falling and major stake holders such as banks, suppliers and trade insurers are applying increasingly strict credit policies.

"The fact that the whole market only rates at 44% of maximum financial health and that 41% of non-financial AIM stocks are in our high risk Warning Area is deeply worrying. Worse still, these figures are based largely on 2010 financial results. As accounts for the more troubled 2011 start to be filed from next March onwards, we fear that the sluggish growth now hobbling the UK economy and the slow motion financial car crash in the Eurozone will create an even worse profile for AIM companies.

"There has never been a time when AIM investors need to look more carefully at their portfolios and discuss them with their broker or financial adviser. Suppliers and customers of AIM companies need to be equally vigilant to avoid bad debts and supply chain interruptions. Unfortunately, a public listing is no guarantee of financial health in these turbulent economic conditions."

The detailed sector analysis is shown below:

Sector	**No of Co's**	**Average H-Score**	**No in Warning Area**	**% of Sector**
Energy	**23**	**80**	**1**	**4%**
Logistics	**6**	**58**	**1**	**17%**
Pharmaceuticals	**8**	**55**	**2**	**25%**
Agriculture	**7**	**51**	**2**	**29%**

Manufacturing	168	51	51	30%
Wholesale	14	50	4	29%
Business Services	235	44	95	40%
Retail	13	41	6	46%
Natural Resources	117	40	52	44%
Media	51	35	26	51%
Property	25	34	14	56%
Construction	26	32	15	58%
Leisure	**37**	**30**	**23**	**62%**
Telecoms	16	28	10	63%
Motor	12	19	8	67%
Totals	*758*	*44*	*310*	41%

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Notes for Editors:

About Company Watch

Company Watch provides in-depth analysis of the financial health of companies worldwide by applying its unique H-Score® methodology to published financial data. Since its launch in 1998, the H-Score® has identified nine out of ten corporate insolvencies or restructurings in advance. The Company Watch service is used by major international blue chip corporations, banks, fund managers, insurance companies, public sector bodies, accountancy firms, restructuring practices and other professional organisations throughout the world.