



The small company specialists

COMPANY INFORMATION

Application Developments plc (PLUS-ADL)

Info sheet compiled December 2006

Company Eye Ranking

17/50

EDITOR'S NOTE

Applications Development (ADL) is principally a technology business which differentiates itself from other suppliers by providing reliable, easy to implement solutions for challenging industrial coding and labelling applications. ADP comprises of four core divisions which operate in a broad range of market sectors with a global market value in excess of \$100 billion.

The Company's core labelling systems can be used in a wide variety of applications, including CD & DVD labelling, pharmaceutical and bottle labelling and carton and pallet labellers. Labels, consumables and support services are all vital elements of the integrated solution proposition offered by the Company. Whilst ADL has expended little effort in pursuing this aspect of the business, many customers find the convenience of single source supply compelling.

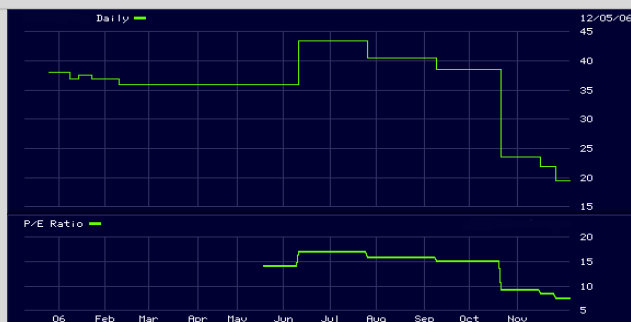
Since 1997, ADL has gained considerable experience by developing complex, bespoke labelling, packaging and product handling systems. In 2000, ADL gained a valuable

government SMART Award, which was used to research and develop a range of labelling solutions, ultimately resulting in the branded Labelling and Product Handling Machines now used by a range of blue chip customers through-out the UK.

Application Developments recently released a trading update that explained reasons for the poor interim results that show a loss of £307,817. The directors overestimated the sales of InventRis and underestimated the time that it would take to implement these services. The company admits to targeting the wrong areas and has restructured accordingly. The Board expect the second half of the year to be profitable but not to cover the losses of the first half.

We believe the recent news from ADL has caused shareholder distrust in the management. Although the company could have a bright future the management needs to prove that it does not lack competence and is not over optimistic about the future profits, two shortcomings that have been highlighted, before an investment is made.

1 YEAR CHART : P/E RATIO



FUNDAMENTALS

Company Name	Application Developments plc
Current Price	19.50
Status	PLUS
Market Cap	£2.83m
Shares in Issue	14,534,111
Activities	Innovative labelling, coding and packaging solutions for customers throughout the UK and overseas
Sector	Support Services
Corporate advisor	St Helen's Capital plc
Registrar	SLC Registrars Ltd

HISTORY

Application Developments Ltd was formed in 1995 as a specialist supplier of labels and labelling solutions. Initially concentrating on the UK market, ADL quickly gained an impressive customer base, expanding to supply

companies in the USA, Europe, Australia and Japan. In 1998 ADL developed its machinery business, gaining a reputation for supplying innovative solutions to technically challenging automation requirements.

THE BUSINESS

Application Developments Plc (ADL) is a Support Services company which specialises in innovative labelling, coding and packaging solutions for customers through-out the UK and overseas.

ADL is principally a technology business which operates three core divisions:

- * InventRis - Auto ID Systems (Automatic Identification including Barcoding and Radio Frequency Identification - RFID);
- * Automated Labelling Systems;
- * Labels and Consumable supply & maintenance services.

The Company differentiates itself from other suppliers by providing reliable, easy to implement solutions for challenging industrial coding and labelling applications. ADL's core competencies encompass mechanical engineering, electrical, electronic and software development which enable it to integrate new technically advanced solutions with customers existing hardware, software and machinery, and develop new product such as InventRis in response to identified customer needs.



The small company specialists

COMPANY INFORMATION

ACTIVITIES

The Company has released a new Automatic Identification System called InventRis. This product is aimed at Inventory and Asset Management applications. Initial sales of the product have been extremely encouraging with a number of blue chip companies including SAB Miller, Hewden Plant Hire, AVIVA (Norwich Union) and The Bill (Thames Television), purchasing the system. InventRis offers potential scalability through OEM and resellers, with the potential for multi-million pound sales worldwide. The Directors plan to develop this division into a significant Auto Identification Systems business supplying Automated Labelling Systems are sold to customers including HMV, Virgin (Retail) and Tarmac Group, and sales are growing strongly. The Directors intend to develop this division from being a provider of specialised labelling machinery to the

UK market into a provider of Automated Product Handling and Packaging Machinery to both UK and major overseas markets. The initial sales growth is planned to come predominantly from developing international sales, new modular versions of existing systems and releasing innovative 'bolt on' sortation systems. The Company has an established label and consumable business, which has developed on the back of the automated labelling systems business. This division is generating £740,000 of annual revenues without any dedicated sales team or sales focus, and is supplying customers such as Rhodia, Total Fina and Nacco (Yale & Hyster). The Directors plan to develop this division into a Support Services business providing a full range of label 'Print Management' services.

LIST OF CLIENTS

Application Developments plc has an enviable list of blue chip clients: HMV, Virgin (Retail), Tarmac Group,

Rhodia, Total Fina, Nacco SAB Miller, Hewden Plant Hire, AVIVA (Norwich Union), The Bill (Thames Television),

PRODUCTS

Inventris is ADP's latest product introduction, and is designed as an advanced modular data-collection system for inventory management, asset recording and order processing applications in small to medium sized businesses. The InventRis Enterprise package is a web based, wireless management system, which will link to popular accounts software, a combination which currently appears to be unique in its field. The software is designed to incorporate a host of powerful features including sales order processing, automated purchasing, stock receiving, order picking and despatch. The system can accommodate rental transactions and batch traceability. Proposed software developments include e-commerce functionality and supply chain management options. Initially intended for the SME market, the product has gained interest from a number of additional market sectors including Health, Education, Defence, NGOs and Departments within larger organisations.

The Labelling & Packaging Machinery Division provides a comprehensive range of industrial solutions, including: Electronic Label & Bar Code Printing Systems; Label Applicators & 'Just In Time' Label Print and Apply Machinery; Intelligent Product Handling, Feeding and

Collecting equipment.

Where possible, ADP designs solutions to be scaleable, modular and expandable. The Company's core labelling systems can be used in a wide variety of applications, including CD & DVD labelling, pharmaceutical and bottle labelling and carton and pallet labellers.

Labels, consumables and support services are all vital elements of the integrated solution proposition offered by the Company. Whilst ADP has expended little effort in pursuing this aspect of the business, many customers find the convenience of single source supply compelling.

Since 1997, ADP has gained considerable experience by developing complex, bespoke labelling, packaging and product handling systems. In 2000, ADP gained a valuable government SMART Award, which was used to research and develop a range of labelling solutions, ultimately resulting in the branded Labelling and Product Handling Machines now used by a range of blue chip customers through-out the UK.

ADP uses its close working relationships with customers to design solutions based on defined requirements and focuses on producing leading edge solutions using sophisticated but established technology.

STRATEGY

The Company aims to grow sales and profits significantly and substantially increase shareholder value over the next five years. The key strategies to achieve this are:

1. Exploiting the market potential of InventRis by expanding the UK Direct Sales Team, developing the Indirect and Export Sales Teams and strengthening and accelerating product development.
2. Enhancing the Machinery Products offered and developing export sales with new product introductions aimed at providing comprehensive Automated Materials

Handling solutions. The Company will also increase penetration of the UK market through development and possible acquisition, and grow overseas markets, initially the USA.

3. Building the Labels and Consumables business by establishing a focused Sales and Account Management Team and enhancing the marketing effort to create long-term customer relationships and introduce new prospective clients. The Company will also consider possible diversification into other print fulfilment services.



The small company specialists

COMPANY INFORMATION

TARGET MARKET

The three divisions of ADP operate in a growing global market with a potential value in excess of \$100 billion:

Sector	Potential Market Value	Rate of Growth
Auto ID (inc bar code, RFID)	\$13.88 Billion	15.8%
Packaging Machinery (inc Labelling)	\$31 Billion (1)	5%
Labels (inc Self Adhesive)	\$73 Billion (2)	7%
	1. Predicted figure for 2008 2. Predicted figure for 2007	

The key market opportunities that have been identified include:

- Export Sales (through dealers for InventRis)
- Sales through reseller channels;
- Increased direct sales in the UK;
- Sales of additional product lines to existing customer base;
- Opportunities in new and emerging technologies such as RFID.

National Statistics indicate that 680,920 UK companies have over 5 employees, of which approximately 18% undertake activities that are part of the InventRis target market. With an average selling price of £4,000 even capturing a very small share of this market will enable the Company to achieve its InventRis sales forecast.

The InventRis product is generating interest from (and has already received orders from) departments within large companies and organisations. This market, for small-scale applications within larger organisations, represents a significant opportunity for the InventRis product. In addition, the Company is negotiating applications in the NHS, Education and Local Government. It is anticipated that these markets may result in significant sales.

Figures from Venture Development Corporation indicate that the EMEA region accounts for approximately 27% of

the Global market for AIDC (Auto ID Collection) systems. The Americas account for approximately 56% of the Global Market. The Directors believe that there are good opportunities to exploit the export potential of InventRis.

UK Packaging Machinery accounts for only 3.3% of world production, with the USA representing 28%, the majority of which is for the domestic market. By expanding into export markets, developing new modular versions of existing product and the release of innovative product sortation machinery, the Directors are of the opinion that a significant increase in sales can be achieved.

The Directors believe that there are opportunities to promote sales of both InventRis and ADP Machinery Products through reseller channels and OEMs. InventRis has appointed one UK dealer and has interest from potential dealers in the USA. The Company is also working with a number of independent Sage consultants who are generating useful enquiries. The Directors propose to expand the independent consultant network to represent a significant element of the UK reseller channel.

The Directors consider that Labels, Consumable and Service business should grow inline with machinery and InventRis sales. Most of the solutions supplied by ADP require some form of consumable or service. Expanding the division to encompass additional products and services should provide further market opportunities.

DIRECTORS

Richard Allen - Chairman

Richard has over twelve years Main Board Director experience with two PLC's, ACAL PLC and W. Canning PLC, and experience with a Private Equity backed Management Buy Out, IEC Group Limited. He is a qualified chartered accountant with an MBA from Harvard. As Group Divisional Managing Director at ACAL PLC he was responsible for growing an embryonic IT Storage Networking connectivity business from zero to Europe's leading player with \$50 million sales, 10% plus EBIT, and 60% EMEA market share. As Chief Executive of IEC Group Limited he led the £20 million Management Buy Out from W Canning backed by CINVEN Venture Capital, and made further successful acquisitions in France and the UK. He has had first hand experience in disposing of businesses, moving manufacturing to China, and achieving cost savings. In addition he has extensive international experience having lived and managed in the U.S.A.,

Mainland Europe and the U.K, and is a fluent French speaker.

Ian Parkinson - Chief Executive

Ian has over 15 year's experience of senior positions in the Labelling Machinery and Software arena. Prior to starting Application Developments in 1995, Ian was Sales Manager at MAP80 Systems Ltd., one of the leading labelling software businesses. During his time at MAP80, Ian was responsible for building the European Business substantially and positioned the company as the leading supplier of Pharmaceutical Labelling Software, gaining significant contracts with Glaxo and other major manufacturers. Before joining MAP80, Ian was involved in two businesses supplying Architectural Ironmongery and Construction Services to Building Developers in the South East. Ian's early career was as an Export Sales Executive, supplying a wide range of product to markets in the West Indies.



The small company specialists

COMPANY INFORMATION

Tony Dean - Finance Director

Tony has over 20 years of commercial and financial experience gained in consumer electronics, personal computers, telecommunications and software technology at main board level in both public and private companies. He has a successful track record in completing acquisitions and disposals and raising equity and debt finance. Tony's early career was with PriceWaterhouseCoopers and Rio Tinto in London, In 1985 he joined UK public company Amstrad plc holding a number of senior executive roles during a period of rapid international growth and was appointed main board Group Finance Director in 1992. During his 5 year tenure he oversaw annual revenues of over £300m and key acquisitions within the PC, consumer electronics and mobile phone manufacturing interests. After playing a key role in Amstrad's restructuring and turn-around including the flotation of PC subsidiary Viglen in 1997, Tony became main board Finance Director of quoted SDX Business Systems plc, a telecoms equipment manufacturer that was later sold to Lucent. He has more recently held FD roles in early stage companies including Vistorm an IT business, raising of £25m of venture capital and network operator Bulldog Broadband. Tony is a Chartered Accountant and a

member of the Institute of Directors. He is a graduate of the University of Bristol with a BSc in Economics.

Andrew Halse - Business Development Director

Andrew has over 15 years experience in new product and business development within the labelling, machinery and software sector. Andrew has worked in the industry for the last 15 years starting at MAP80 Systems Ltd, a software and hardware company, where he helped build the business from a relatively small company to a £3.5 million turnover business. After leaving MAP80 Andrew setup ADP with Ian Parkinson and has been responsible for new sales and business development. At ADP Andrew has secured a number of key accounts including Siemens, Redland, Nacco and Humber VHB. Andrew has spearheaded the development of the Machinery division since its inception and he is responsible for pioneering the sales of InventRis. Prior to working in this business sector, Andrew started his career with Staefa Control Systems PLC. Staefa is an air-conditioning controls company, and, as a Sales Engineer Andrew was responsible for an internal sales department. He then progressed through the company to develop new prime accounts such as Marks & Spencer and other major projects such as Canary Wharf, John Lewis and Lakeside Thurrock.

SHAREHOLDINGS

	Number	%
Ian Parkinson	5,000,000	34.4
Andrew Halse	5,000,000	34.4
Oxford Gateway Fund No.2	750,000	5.16

	Number	%
Giltspur Nominees Ltd	719,663	4.95
Andrew Scott	485,549	3.34

FINANCIAL HISTORY

Profit and loss account for 6 months to 30th September 2006

£	6 months to 30th September 2006	Year ended 31st March 2006
Turnover	965,952	2,481,231
Cost of Sales	569,164	1,274,601
Gross Profit	396,788	1,206,630
Distribution costs	134,794	298,312
Administrative expenses	569,811	591,098
Other operating income	-	22,250
Net operating expenses	704,605	867,160
Operating profit/(loss)	(307,817)	339,470
Other interest receivable and similar income	4,228	6,631
Interest payable and similar charges	(23,882)	(33,855)
Profit/(Loss) on ordinary activities before taxation	(327,471)	312,246
Taxation on profit on ordinary activities	(12,335)	46,753
Profit/(Loss) for the period	(315,136)	265,493
Dividends	-	-
Retained profit/(loss) for the period	(315,136)	265,493

Balance Sheet As At 31 March 2006

£	YEAR ENDED 31 MARCH 2006	YEAR ENDED 31 MARCH 2005
Intangible assets	848,177	121,533
Tangible assets	140,242	43,169
Investments	101	101
TOTAL ASSETS	988,520	164,803
NET CURRENT ASSETS	836,964	42,013
TOTAL ASSETS LESS CURRENT LIABILITIES	1,825,484	206,816
Profit and loss account	370,771	191,927
SHAREHOLDERS' FUNDS	1,467,547	192,925



The small company specialists

COMPANY INFORMATION

RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable.

In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

If the Company has not undertaken an acquisition or a significant investment within 24 months of the start of trading on PLUS, there is no guarantee that the Company can maintain a PLUS trading facility if the Directors do not deem any acquisitions or investments to be suitable within any such period.

It is likely that the Company will need to raise further funds in the future, either to complete a proposed investment or acquisition or to raise further working or development capital for such a transaction. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that the new investors will be prepared to subscribe for Ordinary Shares at prices that are the same or greater than the price at which they are being introduced.

CONTACT

Unit 4 The Business Centre
Molly Millars Lane
Wokingham
Berkshire
RG41 2QZ

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	21
Customers	15
Low cost	
Management	
- corporate governance	
- quality	15
- shareholding	15
Product	18
Sector	20
Financial evaluation	
Early and profitable exit potential	
Financial strength	
- cash flow	
- conservative accounting	
- need for funding	15
Growth at a reasonable price	19
Risk	15
Overall average rating	17



The small company specialists

COMPANY INFORMATION

FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

Sector

Is the company in an attractive sector that is profitable and adds value?

This document must not be reproduced without the prior written consent of Company Eye.

Risk Warning: Should you have any doubts about the suitability of this investment please consult with a professional adviser in accordance with the Financial Services and Markets Act 2000 ("FSMA 2000"). This document is provided as information only and is not intended to act as a financial promotion without the approval in accordance with section 21 of the FSMA by an authorised and regulated company. Company Eye does not accept responsibility for the accuracy of the information contained in this document and investors should not rely on this document when contemplating an investment. The value of investments can go down as well as up and you may not get back the full amount originally invested. This document should not be reproduced without the prior consent of Company Eye.