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COMPANY INFORMATION

SPDG Technologies plc (Ofex – SPDG)

Date: July06

Company Eye Ranking

15/50

EDITOR'S NOTE

The company appears to have good products and has a decent target to aim at, although time and money could be a factor. The current valuation has 'blue sky' factor, and

the significant loss last year and small turnover makes this a rather risky one in our opinion. Could be worth a gamble, but we can't see an early exit opportunity.

HISTORY

The Company, which is headquartered in Cumbria, has a portfolio of cutting edge technologies based on agriculture and has operations in countries in Europe and Africa. In Italy, Spain and South Africa, the Company is using natural fibre combined with polymers to produce new lightweight

materials for use in the automotive, construction and electronics industries. In the UK and Uganda, SPDG is extracting natural remedies from biomass for the pharmaceutical and nutraceutical industries.

THE OPPORTUNITY

The opportunity derives from two important and related factors.
 Firstly, the collapse of the rural economy and the consequent migration of rural populations is a global problem, giving serious concern to governments world wide, regardless of whether their economy is classed as "developed" or "less-developed".
 Secondly, the EU continues to implement environmental legislation that requires materials used in the construction, packaging, automotive and electrical goods industries to be renewable, recyclable or biodegradable. This has necessitated the introduction of new materials which do not contain hazardous materials and that are renewable by design. This, in turn, has provided the opportunity for the emergence of a new, agricultural-based industry, producing and processing annual crops of natural fibres as a source for the manufacture of new "environmentally friendly" materials. Agricultural processes also provide the base material for a new range of natural products for the pharmaceutical and nutraceutical industries which governments and NGOs (Non Governmental Organisations) are promoting as preferred solutions to global diseases such as malaria.

FUNDAMENTALS

Company Name	SPDG Technologies plc
Current Price	10.50p
Status	Ofex
Market Cap	£13.50 m.
Shares in Issue	112,517,000
Activities	The company has a portfolio of cutting edge technologies based on agriculture and has operations in countries in both Europe and Africa.
Sector	Chemicals
Corporate advisor	Atlantic Law
Registrar	Share Registrars Ltd

THE SOLUTION

SPDG has compiled a target list of countries where the rural economy is a high priority and where the government has declared its intent to invest heavily to reverse the migration of people from the countryside. Joint Venture projects have been established with governments in South Africa, Uganda and Spain. SPDG has invested heavily over several years to identify and acquire new and advanced technologies, which could promote the establishment of agri-based industry in rural areas.

The technologies thus acquired have been presented to government in selected countries and have been met with enthusiasm and financial support. The following projects all involve new and cutting edge, agri-based, technologies in countries where there is a guaranteed market for product and where the government has committed to become an investor and/or sponsor. The projects are ready to produce revenue and should be highly profitable. SPDG has two divisions: Sustainable Materials and Natural Products.



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SUSTAINABLE MATERIALS

New materials from natural sources

South Africa

SPDG is investing in two companies Brits Automotive Systems Pty (BAS), Sustainable Fibre Solutions Pty (SFS) with the Government of the Republic of South Africa (RSA) and Brits Textiles Pty (Brits), the largest textile manufacturer in the RSA, as co-investors. SPDG's equity position will be initially 31%. Government would stay involved until an agreed exit point when they would sell shares to SPDG leaving 10% available to a selected Black Empowerment Partner.

The project is based on the cultivation and harvest of a natural fibre crop (Kenaf), processed in the farmlands of Kwa Zulu Natal with the fibre then shipped to mat and pellet production plants in nearby Durban. Mat and pellet will be used in production of new high performance materials as an alternative to fibre-glass and glass reinforced plastics for use in the auto, construction, packaging and electronics industries. The materials are cheaper, lighter, stronger and comply with all known existing and proposed EU legislation concerning recyclability and biodegradability.

Purchase orders are in hand in the RSA with several customers that include Toyota, BMW, Nissan and Daimler Chrysler. The order book continues to grow principally because the product qualifies as 100% indigenous to the RSA and is thus eligible for major tax concessions. Furthermore, exports of 100% of indigenous material can be exported into the USA and the EU free of duty. The companies have strong sales revenues from the existing factory at Pinetown, Durban. A new processing plant at Winterton and state-of-the-art mat line at Pinetown will come into production in May 2006.

SPDG has invested £250,000 and requires a further £1.5 million to cover its full contribution, thus becoming entitled to an immediate share of existing profits. The Government has committed and paid £1.5 million to date and Brits has contributed £2 million in assets and £750,000 in cash. BAS currently turns over £3.25 million per year and is forecast to reach £6 million by 2007. For a further contribution of £1 million, SPDG would own 31% of a Group with assets and business conservatively estimated at £10.8 million. By 3rd quarter 2006 the combined fibre, mat and pellet lines, working at full capacity, would be capable of generating sales revenue in excess of £15 million per year.

Spain

This is a similar model to the South African Fibre project. KIESA has agreed with regional and federal government in Spain to develop a capability for the production of new high performance alternatives to fibre glass and glass reinforced plastics for auto, construction, packaging and electronics industries. A nine hectare site has been acquired and rezoned by the regional government. The permitting process is complete and site preparation is underway. Both governments have committed to a non-refundable capital grant (25% of capital costs) and project finance has been agreed with banks. A European market has been identified and the project is planned to have sales revenues by July 2006.

SPDG has grown Kenaf in Spain for five years and has 5,000 tonnes of fibre stored. Spain provides a Northern Hemisphere alternative to RSA as a source of Kenaf fibre.

China

A further project on the South African model is under development in China. An R&D programme is currently underway, paid for by Chinese partners, to grow and process Kenaf and to establish production of new high performance materials as an alternative to fibre glass, glass reinforced plastics for auto, construction, packaging and electronics industries. Studies are also in hand to evaluate suitability of Kenaf to produce paper pulp in China. A report to the Government is due by the end of 2005.

Italy

SPDG has acquired an Italian company, Idroplax, producing biodegradable plastics for the healthcare sector and for the oil and gas industries. Idroplax currently has a 1.4 million euro turnover with considerable scope for expansion. The Company owns valuable IP and Know How and has critical market access. The facility, based in Montecatini, Italy, has developed a range of biodegradable polymer which has the mechanical and thermal properties of conventional plastic material. It can be used in generic machinery (injection molded, extruded, blown, thermoformed, etc). It can be blended with numerous additives/fillers (colours, fragrances, and agriculture based fillers). The polymers are water soluble at a temperature which can be selected according to proposed application, and all blends of polymer are completely biodegradable.

“NATURAL” PRODUCTS

The technology comprises a low temperature process for the extraction of high value bioactive compounds and oils from all types of plant biomass (seeds, roots, bark, leaves or flowers) and permits very selective extraction at

ambient temperatures, leaving volatiles and natural ingredients with their activity uncompromised by heating or oxidation. The resulting extracts are free from toxic residues and entirely sterile.



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AUSTRALIA

A further R&D capability will be based in two major hydroponic facilities in Australia to accelerate growth of plants containing high value compounds, and to produce high quality seed stocks in a controlled environment. To support the Naturool technologies, providing centres of excellence in the identification of the most cost-effective

botanical compounds in each plant type and then mass producing seedlings of the selected varietal, SPDG has acquired Rebest Pty, an Australian company with state-of-the-art hydroponic facilities at Tamworth and Adelaide. The audited asset value of the two hydroponic farms is £1.6 million with sales revenues of £750,000 per year.

SUMMARY

SPDG has developed projects employing new and cutting edge technologies which are based on agriculture and therefore suitable for establishment in the rural economy. The technologies produce products which offer

improvement in performance over existing materials, are environmentally friendly and are fully compliant with existing and proposed legislation. The projects should be highly profitable and are ready to produce revenue.

DIRECTORS

Non-Executive Chairman: Tony Baldry MP

Tony Baldry has been a Member of Parliament for 22 years and has taken a keen interest in promoting the rural economy in both the developed and the developing worlds. He was a Minister in the Department of the Environment for four years, where he had responsibility for the environmental protection and the countryside; he was subsequently a Minister at the Foreign and Commonwealth Office where he had responsibility for international development and he was Minister of Agriculture, Fisheries and Food. He chaired the Commons Select Committee on International Development. He travels extensively to developing countries. He is a barrister at Law, a Governor of the Commonwealth Institute, a member of the Council of the Overseas Development Institute and a member of the Council of Chatham House.

Chief Executive: Michael Cunningham OBE

Michael Cunningham left the RAF as Group Captain to act as a senior advisor to Ministry of Defence and British Aerospace ("BAe"). Within BAe he was promoted to Director of The Defence Systems Division. In 1993, he left BAe whilst retaining a UK Government contract to remain available as a senior advisor to the Royal Saudi Air Force. He reviewed technologies for of the Russian Space Ministry, for which he was awarded the order of Yuri Gagarin in 1993. He continued to work in the area of Defence Conversion and, in 1999, selected software from the Ministry of Defence for development in the commercial market. Through Sustainable Project Development Group, he brought the first three technologies into production and revenue through SPDG.

Chief Operating Officer: John Cunningham

John Cunningham joined Geopolitical Research Associates (GRA), which provided geopolitical analysis, in 1991. As Managing Director, he was responsible for providing analysis to high-level clients in the US energy, finance and fund management industries. In 1994, he was instrumental in the formation of The Coach House Group (UK) (CHG). GRA became the geopolitical analysis division of CHG. He was the Director of Operations for CHG, responsible for identifying opportunities and evaluating and implementing CHG's portfolio of environmentally sound technologies in emerging economies world wide. The company established projects in Spain, Italy, Uganda and South Africa. He has most recently been responsible for implementing a natural fibre bio-composite project with the South African government.

Finance Director: David Collins

A qualified chartered accountant, David Collins has been part-time Finance Director at menswear retailer Gieves & Hawkes. He also held senior positions at Blackwell's, the academic book group, ladies wear chain LK Bennett and fashion manufacturer Aquascutum. He is also the Finance Director of Eden Research.

Director of Agronomy: Bruce Crossing

Bruce Crossing has spent his career in agriculture, agribusiness and agripolitics. He farmed for 35 years in Australia and held senior positions in farming organisations. He was instrumental in negotiating legislation which allowed Australian agriculture to remain competitive. He represented Australia, having lead delegations to the US and sat on numerous Government sponsored committees.



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SHAREHOLDINGS

	Number	%		Number	%
Total		6.6			

FINANCIAL HISTORY

Consolidated Profit and loss (Unaudited)

£'000	2005
Turnover	233
Gross Profit	198
Loss on ordinary activities after tax	(433)

It has a financial year commencing July 1, 2005 and ending on June 30, 2006. This announcement represents the six-month results of SPDGT and includes limited results from subsidiaries acquired during this period.

Consolidated Balance Sheet as at 2005

£'000	2005
Fixed Assets	5,839
Net Current Assets	3,563
Profit and Loss account	(425)
Total capital and reserves	4,909

FINANCING

SPDG offers a unique opportunity for investors to fulfil social responsibility targets and to meet environmental aims without forsaking commercial common sense. All technologies and projects are sustainable, environmentally beneficial and commercially viable. Most projects would qualify under legislation governing carbon emissions and could provide a source of carbon credits. Prior to

admission to Ofex, SPDG raised £1 million in debt and equity which will be used to increase production capacity at Idroplax SRL in Italy and at the Naturoil plants in Thirsk and Uganda. The equity portion was raised at an average discounted price of 5 pence per share. Some funds will also be required to maintain development momentum in South Africa and Spain.

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.



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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, result 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 Ofex, there is no guarantee that the Company can maintain an

Ofex 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

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RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	20
Customers	
Low cost	
Management	10
- corporate governance	
- quality	25
- shareholding	20
Product	10
Sector	15
Financial evaluation	
Early and profitable exit potential	
Financial strength	
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	
Risk	10
Overall average rating	15



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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?

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.

Low costs

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

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?

Product

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

Sector

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

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?

Profitable exit potential

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

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?

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.

Risk

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

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