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COMPANY INFORMATION

Disperse Group plc (LSE:DGP)	Info sheet compiled December 2006

Company Eye Ranking **18/50**

EDITOR'S NOTE

Disperse Group plc started out in development and exploitation of dispersion technology. Since then it has grown to incorporate cosmetics and toiletries into its core products and invests a small amount in developing a targeted Drug Delivery System.
Recently the Group has gone through some major reorganisation to cut costs and thereby increase margins on the brands that they sell. Unfortunately this restructuring has not aided the company to become profitable this year.

The company has issued several trading updates stating that the company will not reach the targets that it set itself in its annual reports. Disperse have now stated that they expect to make a £1.8 million loss for the year, unless the Christmas period exceeds all of the Group's expectations. The company has gone someway to correcting this in appointing a new Chairman but in our opinion this stock is a very high risk investment and one to be avoided for the moment

1 YEAR CHART

FUNDAMENTALS

Company Name	Disperse Group plc
Current Price	5
Status	AIM
Market Cap	3.72
Shares in Issue	82.68
Price-to-Book Ratio	0.4
Activities	Involved in the design, importation and distribution of branded cosmetics and personal care products and the research of high quality health and beauty products
Sector	Personal and Household Goods
Corporate advisor	Smith & Williamson
Registrar	Capita Registrars Ltd

HISTORY

Disperse Group plc was originally incorporated in April 1995 as a private company Disperse Technologies Ltd. Initially the company set up their laboratories in Cornwall with an office in Dorking. By March 2000 the company needed more capital to expand and so floated on OFEX as Disperse Technologies plc with the subscription that was more than three times oversubscribed.
The company moved to purpose built offices and laboratories in Guildford after the flotation and began expanding into the US. By February 2001 the company had established a subsidiary in the US with offices and laboratories in Paramus, New Jersey.
2004 saw the change its name to Disperse Technologies Group plc and the acquisition of a cosmetics company, Elizabeth French. Subsequently the Group moved to AIM in July 2004.

THE BUSINESS

The principal activities of the Group are the design, importation and distribution of branded cosmetics and personal care products and the research, design, development, formulation and manufacture of high quality health and beauty products for a variety of third party customers.

The group has grown both organically and through the acquisition of Elizabeth French, Woods of Windsor and Hanworth Laboratories. These acquisitions have bolstered both production and major brands that the company markets.

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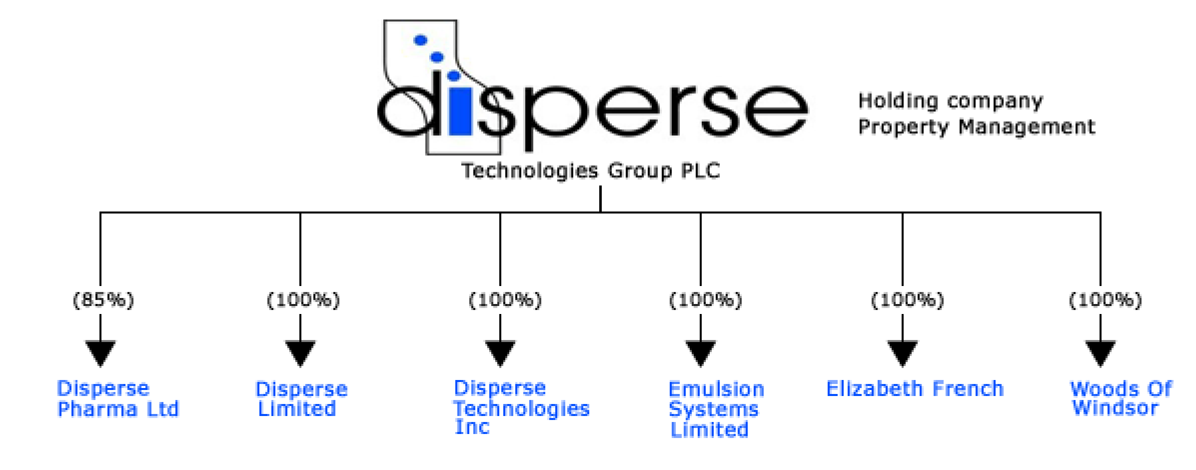
ACTIVITIES



Disperse Pharma Ltd
This is the branch of the Group that is concerned with the development and commercialisation of pharmaceutical technologies in the two specific areas of dermatology and oral drug delivery.

Disperse Ltd
Disperse Ltd is the main operating company. It is the owner of all the Intellectual Property and employs all of the UK staff involved in management and sales, sales support and research development.

Disperse Technologies Inc
This is the US subsidiary of the company that fulfils the same role as Disperse Ltd but in the US.

Emulsion Systems Limited
Emulsion Systems Limited specialises in licensing emulsion technology. Emulsion Systems Limited sells and markets this technology. It provides technical services, equipment and support, to enable companies to adopt this technology on an industrial scale. The company has pilot facilities and equipment as well as analytical equipment on The Surrey University Research Park in Guildford.

Hanworth Laboratories
Hanworth became part of Disperse Group in July 2005. The company has well-established expertise in manufacturing and packaging a wide range of premium cosmetic and toiletry products. It also has significant product development capabilities especially in skincare and colour cosmetics. Customers range from small cosmetics houses to large chain stores.

Elizabeth French
Elizabeth French plc was founded in 1992, and is an established designer, importer and distributor of branded cosmetics and toiletries. It was acquired in July 2004 and has brought three brands to the Group, which have subsequently been re-launched and positioned as Disperse Group brands:

• VIVO – a range of everyday cosmetics aimed at women from their early 20s upwards.
• Lizzie – aspirational, fashion focused cosmetics and accessories for teenagers and their mums.
• KT and Friends – fun toiletries, cosmetics, accessories and stationery for the under-12s.

Elizabeth French Gift designs and sources a contemporary range of everyday gift ideas to meet the key gift giving opportunities.
It also provides a bespoke gift development service to meet its key customers' requirements.

Woods of Windsor
The Woods of Windsor story dates back to 1770, when the flagship store in Windsor began life as an apothecary and over the years gained many Warrants for its services to the Royal Family.
In a fascinating discovery a collection of archived perfume recipe books were found in the attic of the Windsor store. Using these time-honoured formulations, along with a wealth of experience for creating high-quality products, Woods of Windsor created their signature English floral fragrances.
Woods of Windsor brands are enjoyed every day in more than 50 countries worldwide.

LIST OF CLIENTS

Bath and Bodyworks Corporation,
Estée Lauder,
and
Reckitt and Coleman (now Reckitt Benckiser)

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DEVELOPMENT HIGHLIGHTS

October 1998 - First ATD licence agreement with Reckitt and Coleman (now Reckitt Benckiser).
April 1999 - Second ATD licence with Estée Lauder Corporation
September 2000 - Moved to Guildford, Surrey, and establishment of purpose-built offices and laboratories.
February 2001 - Establishment of offices and purpose-built laboratories in Paramus, New Jersey, USA.
July 2004 - Acquisition of Elizabeth French
May 2005 - Acquisition of Woods of Windsor
July 2005 - Acquisition of Hanworth Laboratories

EXPANSION

Following the acquisitions of Woods of Windsor and Hanworth Laboratories, the Company's operations have been rationalised. Its warehouse and distribution functions have been consolidated into Warrington. Its manufacturing facility is at Hanworth Laboratories, near Cambridge, and its sales and marketing office is in Hurst, Berkshire.
Disperse has installed a new integrated IT system designed to significantly improve the quality of information available to manage the business. The new system is allowing management to improve financial and stock management.

DIRECTORS

Colston Herbert - Executive Chairman
Colston Herbert was appointed Executive Chairman in February 2002.
He has considerable experience of managing businesses which are undergoing rapid, international growth and of developing and managing brands, spending much of his working life in the pharmaceutical and healthcare fields.
He spent 27 years working for various arms of Sterling Winthrop before finally becoming President of Sterling Health Europe, building the company into the largest OTC business in Europe. He was also Chairman of the The Royal Surrey County Hospital Trust, one of the largest NHS Trusts in the country employing over 2,500 staff, from 1995 to 2002. He is a Director of several other companies as well as Chairman of Governors at Tormead School.
David Harris - Chief Executive Officer
David was appointed CEO in October 2006. He has considerable experience at senior executive level, predominantly within the leisure and retail industry, including appointments as Managing Director in businesses such as Going Places and UCI cinemas.
Tony Williams - Group Finance Director / Company Secretary
Tony Williams was appointed full time Group Finance Director in September 2004. Tony had previously been Finance Director of the Ellis Hayward Group, a multinational business services provider. Tony has also held the position of Finance Director, at a pan-European OEM supplier of business components.
Graham Norfolk - Non-Executive Director
A chartered accountant and former partner in BDO Stoy Hayward, the UK member of BDO International, Graham Norfolk is a director of Acorn Corporate Finance Limited. He specialises in corporate finance providing advisory services for all types of corporate transactions from management buyouts to flotations. He has particular expertise in advising and raising equity finance for early stage technology companies.
Kenneth Primrose - Non-Executive Director
Ken holds a BSc in Chemistry from Bristol University and an MBA from Manchester Business School. He joined March Consulting Group in 1985, where he specialised in marketing strategy and business development for technology-based companies, universities and public bodies. Currently, Ken is Managing Director of Optomo plc and a Non Executive Director of Ofex-listed j4b.
Professor Richard Williams - Non-Executive Director
A co-founder and major shareholder in the Company. Richard's role includes advising on the management of research and innovation within the company. He is also Professor of Mineral and Process Engineering and Director of the Centre for Particle & Colloid Engineering at the University of Leeds and has 20 years' experience in colloid technology, instrumentation and chemical process engineering. Richard has previously held senior academic posts at UMIST and University of Exeter. In 1998 he was awarded the prestigious Beilby Prize and Gold Medal for work of 'outstanding practical significance in the chemical industries' in relation to development of on-line process instrumentation from the Society of Chemical Industry, Royal Society of Chemistry and the Institute of Materials. Richard is a Fellow of the Royal Academy of Engineering.

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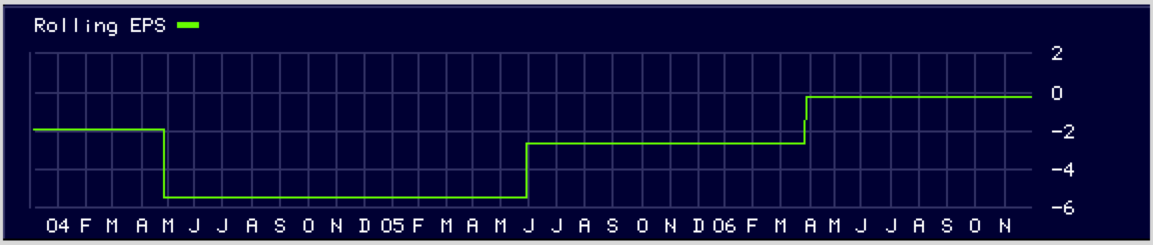
ROLLING EPS



SHAREHOLDINGS

	Number	%
Redbird Holding	11,741,666	14.2
Octopus Asset Management	4,811,527	5.82

	Number	%
Pennine AIM VCT 5	3,125,000	3.78

FINANCIAL HISTORY

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

£000	6 Months to 30th June 2006	16 Months to 31st Dec 2005
Turnover	5,614	24,191
Cost of sales	(2,922)	(12,871)
Gross profit	2,692	11,320
Administrative expenses	(5,246)	(9,527)
Operating (loss)/profit before restructuring costs, research & development and amortisation	(2,554)	1,793
Restructuring costs	-	(874)
Research & development	-	(382)
Amortisation	(225)	(414)
Operating (loss)/profit	(2,779)	123
Profit on sale of Subsidiary	-	40
Interest (payable)/receivable	(131)	(343)
Loss on ordinary activities before tax	(2,910)	(180)
Taxation	-	12
Loss on ordinary activities after taxation	(2,910)	(168)
Earnings per share - basic and diluted (pence)	(3.52p)	(0.24p)

Balance Sheet as at 30th June 2006

£000	30th June 2006	31st Dec 2006
Intangible assets	7,960	8,185
Tangible	2,269	2,227
Investments	158	158
Fixed Assets	10,387	10,570
Stock	4,213	3,442
Debtors	4,096	4,006
Debtors due after more than one year	941	941
Cash	332	602
Current Assets	9,582	8,991
Creditors - Amounts falling due within one year	(9,512)	(5,712)
Net Current Assets	70	3,279
Total assets less current liabilities	10,457	13,849
Creditors - Amounts falling due after one year	(2,817)	(3,048)
Provision for Liabilities and Charges	-	(251)
Net Assets	7,640	10,550
Capital and Reserves	-	-
Called up Share Capital	827	827
Share Premium Account	12,832	12,832
Other Reserves	(150)	(150)
Profit and Loss account	(5,869)	(2,959)
Equity Shareholders' Funds	7,640	10,550

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:

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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.

CONTACT

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Barleycastle Lane,
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Cheshire,
WA4 4QT,
United Kingdom

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	22
Customers	22
Low cost	15
Management	15
- corporate governance	18
- quality	24
- shareholding	11
Product	18
Sector	20
Financial evaluation	
Early and profitable exit potential	
Financial strength	
- cash flow	19
- conservative accounting	20
- need for funding	15
Growth at a reasonable price	13
Risk	20
Overall average rating	**18**

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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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