



31 May 2007

Morning meeting bulletin

Thursday 31 May

Bids & offers

Bids

BAGGERIDGE BRICK*
 CHARLES TAYLOR CNSL.
 DELTA*
 STATPRO GROUP*
 SPORTECH*
 CERES POWER HOLDINGS
 HAMPSON INDS.*
 NETSERVICES*

Offers

AURUM MINING*
 AVOCET MINING
 ALEXANDER MINING*
 CLINPHONE
 CLARKE (T)*
 CYBERVIEW TECH.(REGS)*
 HIGHLAND TIMBER
 MISSION CAPITAL
 MICROEMISSIVE DISPLAYS GROUP*
 MEARS GROUP*
 MINERA IRL*
 NWIDE.ACCID.REPR.SVS.*
 SAFELAND*
 SALVESEN(CHRIS.)
 TITANIUM RESOURCES GP.*
 VISONIC*

Randgold Resources

RRS.L / 1155p / £795.2m / TP: 1500p

Event: Trading statement

Strong Buy

No Water Problems at Loulo

Randgold Resources has put out an announcement stating that the Company's Loulo Mine in Mali is not affected by a water shortage. This announcement was in response to reports that the Canadian-listed gold producer Nevsun is anticipating that water supply shortages at Nevsun's Tabakoto Mine in Mali may halt the processing operations at the mine. Randgold Resources has fully designed for sufficient storage capacity to maintain continuity of supply and state they have more than 6-month supply available. This is a pre-emptive announcement as Randgold's share price has not materially been affected by this issue at Nevsun's operation.

Gold Price Outlook Remains Positive

However, Randgold Resource's share price has pulled back in the last week, mainly due to the gold price softening to below \$655/ounce with the strengthening US dollar, supported by positive US economic figures.

At this point it is worth highlighting that the average gold price this year has been \$660, which is above the average price used in our model and valuation for the Company. Furthermore, we maintain that the outlook for gold remains positive.

Despite the present volatility, the fundamentals for gold remain firm, with evidence of continued strong investment and jewellery fabrication demand for gold against limited mine supply. For example, exchange traded funds in gold increased their combined holdings in Q1 2007 over the Q4 2006 while similar funds have been initiated in India during the period. The demand for jewellery in the traditional markets of India and the Middle East continues to accept the higher prices for gold with anecdotal reports of increasing demand in China. We continue to expect that gold will finish the year above \$700/oz.

Opportunity to Buy Randgold Resources

We therefore see the recent pull back in the share price as a buying opportunity for Randgold. We reiterate our Strong Buy recommendation at the 1500p target price.

John McGloin, 020 7012 2090, johnmcgloin@arbuthnot.co.uk

Tim Dudley, 020 7012 2097, timdudley@arbuthnot.co.uk

*Arbuthnot Securities acts as broker and/or advisor to this company

Sales team

James Bishop	020 7012 2042	Melanie Sharp	020 7012 2092
David George	020 7012 2039	John Skinner	020 7012 2044
Nicholas Feldman	020 7012 2045	Robert Taylor	020 7012 2041

Sales trading

Paul Kersey	020 7012 2030
Lisa Letham	020 7012 2029
David Llewellyn	020 7012 2031

STX 70705

Arbuthnot Securities Limited is authorised and regulated by The Financial Services Authority ("FSA") and is a member of The London Stock Exchange.

Arbuthnot is the trading names of Arbuthnot Securities Limited. Registered Office: Arbuthnot House 20 Ropemaker Street London EC2Y 9AR. Registered in England Number: 762818.

This document has been issued and approved by Arbuthnot Securities Limited ("Arbuthnot"). This research is classified as being "not impartial" as defined by the FSA's Conduct of Business Rule 7.16.5. Please refer to www.arbuthnotsecurities.co.uk for a summary of our conflict of interest management policy. This includes organisational controls (departmental structure, a Chinese wall between corporate finance and other departments, etc), procedures on the supervision and remuneration of analysts, a prohibition on analysts receiving inducements for favourable research, editorial controls and review procedures over research recommendations and a prohibition on analysts undertaking personal account dealings in companies covered by them. Any recommendations contained in this document are intended for professional investors and business customers to whom it is distributed. It is not intended for use by Private Customers who should consult their investment adviser before following any recommendations. In any event this document should not be regarded as a substitute by the recipient of the recipient's own judgement. This document is based on information obtained from sources which we believe to be reliable, however it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by Arbuthnot. Expressions of opinion herein are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to buy or sell any securities. Arbuthnot and its associated companies and/or their officers, directors and employees may from time to time purchase, subscribe for, or add to or dispose of any shares or other securities (or interests) discussed herein. Any US recipients of this document are believed, by Arbuthnot, to be major US institutional investors only. Any US institution wishing to obtain further information or to effect a transaction in any security discussed herein should do so only through the correspondent US broker-dealer of Arbuthnot, Auerbach Grayson & Company Incorporated, which accepts responsibility for its contents.



31 May 2007

Morning meeting bulletin

Thursday 31 May

Bids & offers

Bids

BAGGERIDGE BRICK*
 CHARLES TAYLOR CNSL.
 DELTA*
 STATPRO GROUP*
 SPORTECH*
 CERES POWER HOLDINGS
 HAMPSON INDS.*
 NETSERVICES*

Offers

AURUM MINING*
 AVOCET MINING
 ALEXANDER MINING*
 CLINPHONE
 CLARKE (T)*
 CYBERVIEW TECH.(REGS)*
 HIGHLAND TIMBER
 MISSION CAPITAL
 MICROEMISSIVE DISPLAYS GROUP*
 MEARS GROUP*
 MINERA IRL*
 NWISE.ACCID.REPR.SVS.*
 SAFELAND*
 SALVESEN(CHRIS.)
 TITANIUM RESOURCES GP.*
 VISONIC*

Leisure & Gaming

LNG.L / 20.25p / £14.47m / TP: 35p

Event: Trading statement

Likely % change in earnings forecasts: > -15%

Leisure & Gaming's trading statement demonstrates encouraging top-line performance and adequate profit conversion for the first four months of the year. However, adverse football margins in May have led to a loss at the gross profit level of US\$2.7m. While this represents an exceptional level of volatility, L&G does not yet have the product mix, or machines to offset it. We will therefore be cutting our forecasts for 2007E substantially (c.50%), though 2008E forecasts should remain unchanged (PBT US\$7.5m, EPS 6.7c), putting the stock on 6x forward earnings. We therefore reiterate our Strong Buy recommendation.

Despite this setback, we continue to believe that L&G holds an attractive medium-term position in the Italian market, with 1,100 licences across the country. We would also highlight that the current sports mix in Italy would mean that all operators that are becoming exposed to this market are likely to experience such volatility.

Paul Leyland, 020 7012 2089, paulleyland@arbuthnot.co.uk

Strong Buy

Morgan Crucible

MGCR.L / 283.3p / £804.6m / TP: 320p

Event: Site visit

Likely % change in earnings forecasts: No Change

Morgan hosted a visit yesterday to Morgan Advanced Ceramics in Rugby, one of the units within its Technical Ceramics division (MTC). The purpose of the visit was to demonstrate the quality of the facility (into which the business moved in 2005) and the management, to explain the technologies and market dynamics and the potential for considerable further improvement. While nothing of a price-sensitive nature was discussed, Morgan took the opportunity to repeat its medium-term target of mid-teens operating margins for both the group and this segment.

MTC has improved its performance considerably over the last three years, with revenues rising at a compound 9% pa (reported currency) and operating margins recovering from 0.5% in 2003 to 10.5% in 2006 (equivalent to around 15% EBITDA margin). Morgan monitors the margins of its competitors and reckons that CeramTec (its main competitor in orthopaedic implants) makes EBITDA margins of 25-30%. The drivers that are expected to raise margins are cost- and revenue-focused. Having improved the returns in Rugby since the business moved to its new, purpose-designed facility, Morgan sees scope to do the same in other operations that are 'dragging their heels'. One of its significant operations in California has moved from negative margins to around breakeven but work is in hand to drive profitability. This alone would have a measurable impact on segmental margins. Across the board, operational gearing, mix change and pricing initiatives, based on improved delivery to customers and recognition of the value delivered to customers from highly-specialised bespoke components, should deliver the rest of the improvement. The main market sectors are medical, aerospace and defence and lasers and power tubes.

We are not changing our estimates and retain a Buy recommendation.

Michael Blogg, 020 7012 2091, michaelblogg@arbuthnot.co.uk

Buy

*Arbuthnot Securities acts as broker and/or advisor to this company

Sales team

James Bishop	020 7012 2042	Melanie Sharp	020 7012 2092
David George	020 7012 2039	John Skinner	020 7012 2044
Nicholas Feldman	020 7012 2045	Robert Taylor	020 7012 2041

Sales trading

Paul Kersey	020 7012 2030
Lisa Letham	020 7012 2029
David Llewellyn	020 7012 2031

STX 70705

Arbuthnot Securities Limited is authorised and regulated by The Financial Services Authority ("FSA") and is a member of The London Stock Exchange.

Arbuthnot is the trading names of Arbuthnot Securities Limited. Registered Office: Arbuthnot House 20 Ropemaker Street London EC2Y 9AR. Registered in England Number: 762818.

This document has been issued and approved by Arbuthnot Securities Limited ("Arbuthnot"). This research is classified as being "not impartial" as defined by the FSA's Conduct of Business Rule 7.16.5. Please refer to www.arbuthnotsecurities.co.uk for a summary of our conflict of interest management policy. This includes organisational controls (departmental structure, a Chinese wall between corporate finance and other departments, etc), procedures on the supervision and remuneration of analysts, a prohibition on analysts receiving inducements for favourable research, editorial controls and review procedures over research recommendations and a prohibition on analysts undertaking personal account dealings in companies covered by them. Any recommendations contained in this document are intended for professional investors and business customers to whom it is distributed. It is not intended for use by Private Customers who should consult their investment adviser before following any recommendations. In any event this document should not be regarded as a substitute by the recipient of the recipient's own judgement. This document is based on information obtained from sources which we believe to be reliable, however it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by Arbuthnot. Expressions of opinion herein are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to buy or sell any securities. Arbuthnot and its associated companies and/or their officers, directors and employees may from time to time purchase, subscribe for, or add to or dispose of any shares or other securities (or interests) discussed herein. Any US recipients of this document are believed, by Arbuthnot, to be major US institutional investors only. Any US institution wishing to obtain further information or to effect a transaction in any security discussed herein should do so only through the correspondent US broker-dealer of Arbuthnot, Auerbach Grayson & Company Incorporated, which accepts responsibility for its contents.