

Speculative Buy
Price: 0.09p-0.11p
EPIC: LEG.L (AIM)

Legendary's Active Strategy demonstrably working Results for the Year to 31 March 2014

Sector: Investment Company

Share price performance



Key Data

Mkt. cap: £2.51m
 No. of shares: 2,460m
 Website: leginvest.com

Analyst

Harry Stevenson
 (t) +44 (0) 207 382 8384
 (e) harry.stevenson@beaufortsecurities.com

These results clearly demonstrate Legendary's ability to source, invest in and proactively add value to investments with potential for massive capital appreciation. The majority of the £901,000 profit was due to the uplift in the value of **Virtualstock** as crystallised by its April fund raise of £525,000 at a post money valuation of £25.4 million or over 12x the valuation of £2.1 million at which Legendary originally invested. Moreover, this is just the beginning of the journey for Virtualstock. In addition, the other principal investments continue to progress.

Following on from the fund raise, in May 2014, also post balance sheet, Virtualstock was accepted on the UK Government's G-Cloud 5 Framework programme. G-Cloud 5 provides central government departments, executive agencies and non-departmental public bodies with an innovative, cheaper and faster way to access and purchase government-approved IT products and services through a service catalogue portal. By being accepted on G Cloud 5, Virtualstock is now able to provide its services to public sector organisations. Discussions with respect to large contracts with certain public sector organisations are underway.

Virtualstock is in the critical space of aggregating and processing data from a variety of sources. Its SaaS solutions are applicable to a wide range of sectors of which retail is only one. Critically, its solutions have the ability to connect with otherwise fragmented legacy systems without heavy integrations. Virtualstock is well on its way to becoming an industry standard inventory, supply and logistics value chain and data management utility.

Legendary has proactively supported and assisted Virtualstock to reach this stage during which substantial milestones have been achieved by and substantial value has been added to Virtualstock. Legendary looks forward to continuing to assist Virtualstock in achieving further significant milestones and continuing to grow significantly its value. Legendary expects further strategic transactions in the near to medium term with an attendant crystallisation of value.

Bosques Energeticos Ebe S.A. de C.V.

Bosques continues to make steady progress, having advanced its research, development and innovation program each year. Since its establishment in late 2009 and the investment by Legendary in late 2010, its innovation based modus operandi has scored many "firsts" in Mexico and the region.

Prior to November, 2013, Bosques's best pongamia strain was flowering in less than two and a half years compared to five or more years for normal pongamia. In November 2013, Legendary announced that Bosques had further improved its G2P pongamia, which was by then flowering in 23 months, less than two years, and exhibiting seed pods (which at maturity contain seed). This is believed to be another first for Bosques.

Since then, G2P pongamia have continued to flourish. Bosques currently has 300 G2P pongamia of which some 30% have already flowered and are already exhibiting seed pods.

Also in November 2013, Bosques announced that it had developed early and high yielding G4J jatropha. The G4J jatropha commences yielding seeds in as early as six months compared to up to two years for normal jatropha. In addition, the G4J jatropha exhibits multiple branching leading to high yields. Bosques expects that under optimal conditions, G4J jatropha could yield as much as 6,000 plus kg of seeds per hectare in year five. Moreover, G4J jatropha, unlike many jatropha variants, is non-toxic. Bosques currently has 28,000 G4J jatropha of which 14,000 are producing seeds.

Bosques has managed to reduce the time to seed for both its pongamia and jatropha plants, bringing forward cash flows and thereby increasing returns. Increasing yield also increases returns. In addition, its G4J jatropha is nontoxic. The cake remaining after pressing can be used as animal feed which commands a higher price than cake which can be used only as organic fertiliser.

In March 2014, Bosques reported that it had been invited to and had joined the Steering Committee of Project Jatropha on the basis of the strength of the Bosques' cutting edge development work and its strains of bio-diesel crops. Project Jatropha, established by Alternative Fuels America, Inc., is an industry organisation devoted to advocacy, support and collaboration by and for small and mid-sized jatropha producers and jatropha based biodiesel producers seeking to contribute to the growing movement to blend traditional aircraft petroleum with jatropha biodiesel for cleaner aviation fuel.

Post the year end in July 2014, Bosques announced that it has 18 ha under cultivation, 11 ha in Puebla and another 7 ha in Morelos, with 16,000 pongamia trees of which 300 are G2P, 28,000 jatropha plants of which 14,000 are G4J, and 3,000 castor plants. Having proven its techniques on its initial 11 ha test plantation and now successful growing G4J jatropha on an additional 7 ha in Morelos, Bosques is in early stage discussions on several fronts, including obtaining larger tracks of land on which to plant its cutting edge pongamia and jatropha. Legendary has been assisting Bosques in all aspects of its development for the last few years and looks forward to continuing to do so.

Legendary has a substantial minority stake of 40% in Bosques which it holds on its balance sheet at £83,000.

Companies similar to Bosques in size of test plantation and number of plants are valued at several million pounds. Value crystallisation might be expected in the medium term.

Amedeo

The build of the offshore vessel yard continued apace: Wharf building commenced in October 2013; and wharf and finger piers were nearing completion, with work on the skidway and 900 tonne gantry crane advanced and civil works and workshops 50% completed by January 2014. The yard became operational, post balance sheet, in April 2014.

Progress on the build of Explorer 1 continued to quality and on schedule: Steel was struck in August 2013 and the customer agreed an increased specification for the rig at an increased price of US\$175 million in October 2013.

The keel was laid, at the by then operational new offshore vessel yard, post balance sheet, in April 2014. MGR Resources, with the help from Amedeo's investment and Amedeo's contacts, increased the volume of ferrous metals broking it conducted. As a result of this increased activity, it was able to pay Amedeo fee income, interest income and dividend income totalling £311,000 (US\$488,000) from April 2013 to January 2014. This was on the back of an equity investment of US\$49,900 and the advancement of a US\$1.95 million convertible loan by Amedeo to MGR Resources.

Amedeo, with its new shareholders, management and strategy is on what we believe will be an exciting journey.

The sectors that it has targeted are buoyant and are expected to remain so. The ticket size in the sectors, at around the US\$200 million mark for rigs, is an order of magnitude larger than Amedeo's current market capitalisation of around the £30 million mark. While rig builds take two to three years, Amedeo has secured immediate recurring income through its investment in MGR Resources.

Financial Review

During the year, Legendary made a net gain on investments of £1,119,000 (2013: £38,000). This was primarily due to the gain on the Virtualstock equity and derivative stakes, although there were also gains and losses on other investments.

Administrative costs were £214,000 (2013: £196,000).

The Company has a policy of keeping administrative costs as low as practicable and aligning director interests with shareholder interests, keeping cash remuneration for directors at a minimum unless profitable realisations of investments are made. Of the £214,000 (2013: £196,000) of administrative costs, share based payments accounted for £48,000 (2013: £15,000), leaving cash administrative costs as £166,000 (2013: £181,000)

Within the remaining £164,000 (2013: £158,000) of administrative costs, certain costs rose (primarily subscriptions, accountancy and audit fees) while other costs fell (primarily travel) reflecting the various activities undertaken by the Company.

The operating profit was £905,000 (2013 loss: £158,000). There were £4,000 of finance charges (2013: £nil) as a result of Legendary taking out a short term loan of US\$250,000. The profit before taxation for the year was £901,000 (2013 loss: £158,000).

As at the year end, Legendary's investments (fixed asset investments and current asset investments) were recorded at £1,628,000 (2013: £509,000), an increase of 210%.

Debtors due within one year were £39,000 (2013: £10,000 excluding £25,000 of the debtors due within one year which was attributable to cash balances held in the client account of Legendary's accountants). As at the balance sheet date, debtors due within one year included a short term loan to Virtualstock of £38,000 (2013: nil).

Cash amounted £63,000 (2013: £126,000 of cash, including £25,000 held in the client account of Legendary's accountants).

As at the year end, creditors falling due within one year increased to £199,000 (2013: £65,000). This was primarily due to Legendary taking out a short term loan of US\$250,000 bearing interest at 10% per annum. Overall, net and total assets for the year were £1,503,000 (2013: £554,000) an increase of 171%, and £1,732,000 (2013: £649,000), an increase of 167%, respectively.

Conclusion

Legendary currently has a capitalisation of [£2.5m]. With cash at 18th July 2014 of £783,000, and Legendary's investment in VSHL is held at on its books at £1.4m, the market is valuing it's other investments at just £300,000. Legendary's stake in VSHL is probably already worth more than £1.4, and its other investments are certainly worth more that £300,000. The other principal investee companies are given in the appendix. There is without doubt significant value in the top three investments where it would not be difficult to arrive at a sum of the parts to put a value in excess of £4m. **Speculative Buy**

Strengths and Weaknesses

Strengths

- Strong management with remuneration tied directly to shareholder return, and running a very tight ship;
- Proactive investment: Legendary assists all investee companies to varying degrees;
- VS and Bosques Energeticos stakes potentially worth more than current market capitalisation;
- Immense value not reflected in NAV or share price.

Weaknesses

- Exposure to mining sector – although underlying companies are strong, and in any case form a small part of the portfolio;
- Small size of investment portfolio;
- Early stage businesses may require further funding;
- Development of some of the businesses may take longer to be realised.

Sources: Company announcements Company Presentation, Company Website, ProQuote

Appendices

Principal Investments

Virtualstock delivers a revolutionary, end-to-end, cloud-based, managed software solution, The Edge™, which seamlessly connects with its clients' set of systems and suppliers, allowing for a far greater range of products to be offered on-line. The clients are given total control of all essential product and order data, enabling the rapid deployment of their 'Endless Aisle' strategy.

Virtual Stock provides a cloud-based, software-as-a-service supply-chain solution, to retailers enabling them to tackling two critical challenges:

- Rapid growth on online retail versus slowing growth on traditional retail:
 - In the UK¹, over £90bn spent online / 16% growth for the online retail market in 2013. IMRG forecast for 2014: 17% market growth /£107 billion to be spent online in the UK
 - In Continental Europe as a whole², European online sales to grow at over 11% compound to 2017 to c.\$250bn equiv.
 - In the United States³, E-commerce sales to grow to over \$430bn by 2017
- Amazon
 - Amazon reported 24% revenue growth in year to December 2013;
 - many analysts expect its revenue to surpass \$100bn in 2014...

In November 2013, Virtual Stock signed a significant contract extension with **Office Depot International** to support international expansion following which the collaboration spans eight European territories. The extension underlines the scalability of the Virtual Stock solution.

In late 2013, Virtual Stock signed a landmark Kiddicare.com, part of Wm Morrison Supermarket, the UK's fourth largest retailer.

Virtualstock Clients

In October 2012, Virtual Stock achieved a significant milestone by implementing an "end-to-end turn-key solution" for the online branded product range of **Bear Grylls**.

In June 2013, signed a landmark three-year renewable contract with **Tesco**, the UK's largest retailers to supply a SaaS solution which will enable the retailer to increase significantly its online presence by expanding its non-stocked product range supplied by hundreds of its dropship suppliers.

Bosques Energeticos EBE S.A. de C.V. – Pioneering Latin American biodiesel company

Innovating, sustaining and empowering in Latin America and beyond

Innovating: Upstream focus on high value add crop production based on:

- Knowhow and innovation based on proven R&D
- Elite materials: pongamia and jatropha
- Already achieved several “firsts” in Mexico, the region and, possibly, worldwide
- Sustaining: Carbon neutral, non food competing, soil improving
- Pongamia, jatropha and castor seeds produce green biodiesel
- Non food competing crops on non food competing intermediate soils
- Nitrogen fixing crop, native crop and proven cash crop
- Empowering: Make use of local resources and provide local employment
- Investing in and improving local resources through estate farming
- Investing in and providing local employment
- International profile, expertise and investors
- Profile amongst international community
- Profile amongst financial community

Legendary:

- Sourced and negotiated investment in 2010
- Provided capital at “adventure stage” - November 2010
- Upon investing and as progress made, made RNSs facilitating exposure and raising profile
- Helped devise strategy, brought in experience and expertise and is helping implement strategy
- Plans to take the company through to listing or trade sale

As a comparison, Alternative Fuels America, Inc. is at a similar stage of development to Bosques Energeticos. It is smaller than Bosques with 40,000 jatropha plants (no pongamia or castor) on a 10 ha plantation in Costa Rica. Alternative Fuels America, Inc. trades on the OTC market in the US with a market capitalisation of US\$9.2m [71m *0.13].

With successful research and innovation, Bosques Energeticos is now seeking to plant out a pilot plantation of a few thousand ha, with the aim of going to several thousand ha in the medium-term.

Legendary’s investment at very early stage of under £100k led to a 40% stake. The Alternative Fuels America, Inc. market capitalisation suggests that Legendary’s stake in Bosques Energeticos could be valued around US\$3.7m or £2.2m.

Amedeo Resources PLC – Specialising in investments in the resource and resource infrastructure sector-(AMED.L, £26.54m market capitalisation.)

Opportunity to take advantage of growth in the resource and offshore infrastructure sector

- In 22 months, Amedeo has
 - Made two key investments:
 - YZJ Offshore Engineering – New offshore rig yard
 - First rig order secured and being built. Keel laid
 - In discussions on further orders

- Yard build ahead of schedule
- MGR Resources – ferrous metals trader
 - Already providing a cash return
 - In discussions to secure larger and longer term contracts
- Amedeo has:
 - Strong, experienced and expert management
 - Global contacts
 - Access to capital
 - Strong partners and shareholders

Amedeo offers an attractive sector, strong management team and progress with capital injected of only £17m, and now a market capitalisation of over ££26.5m in only 22 months. Legendary hold 19,230,769 shares valued at circa £160,000.

Recommendations

During the three months to end-July 2014, the number of stocks on which Beaufort Securities has published recommendations was 283, and the recommendations were as follows: Buy - 49; Speculative Buy - 199; Hold - 29; Sell - 6.

Full definitions of the recommendations used by Beaufort Securities in its publications and their respective meanings can be found on our website [here](#).

This report is published by Beaufort Securities ("Beaufort Securities"). Beaufort Securities is Authorised and Regulated by the Financial Conduct Authority and is a Member of the London Stock Exchange.

This research is non-independent and is classified as a Marketing Communication under FCA rules. As such it has not been prepared in accordance with legal requirements designed to promote independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research in COBS 12.2.5. However Beaufort Securities has adopted internal procedures which prohibit analysts from dealing ahead of non-independent research, except for legitimate market making and fulfilling clients' unsolicited orders.

RELIANCE ON THIS NOTE FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL OF THE FUNDS, PROPERTY OR OTHER ASSETS INVESTED OR OF INCURRING ADDITIONAL LIABILITY.

By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of Beaufort Securities. When distributing this document, Beaufort Securities is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, Beaufort Securities will not be responsible to any recipient for providing the protections afforded to its clients.

Beaufort Securities may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Beaufort Securities may be a shareholder in any of the companies mentioned in this report. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to Beaufort Securities or the Group, which is not reflected in this material. The remuneration of the author of this report is not tied to the recommendations on any shares mentioned nor to the any transactions undertaken by Beaufort Securities or any affiliate company. Further information on Beaufort Securities' policy regarding potential conflicts of interest in the context of investment research and Beaufort Securities' policy on disclosure and conflicts in general are available on request. Please refer to <http://www.beaufortsecurities.com/important-info>.

This document is not an offer to buy or sell any security or currency. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment or currency will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. The listing requirements for securities listed on AIM or ISDX are less demanding and trading in them may be less liquid than main markets.

This document is based on information Beaufort Securities has received from publicly available reports and industry sources. Beaufort Securities may not have verified all of this information with third parties. Neither Beaufort Securities nor its advisors, directors or employees can guarantee the accuracy, reasonableness or completeness of the information received from any sources consulted for this publication, and neither Beaufort Securities nor its advisors, directors or employees accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law). This document is not to be relied upon and should not be used in substitution for the exercise of independent judgment.

This document includes certain statements, estimates, and projections with respect to the anticipated future performance of securities listed on stock exchanges and as to the market for these shares. Such statements, estimates, and projections are based on information that we consider reliable and may reflect various assumptions made concerning anticipated economic developments, which have not been independently verified and may or may not prove correct. No representation or warranty is made as to the accuracy of such statements, estimates, and projections or as to its fitness for the purpose intended and it should not be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only and may change without notice. Other third parties may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared them. This report has not been disclosed to any of the companies mentioned herein prior to its publication.

The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose. Other persons who receive this document should not rely on it. Beaufort Securities, its directors, officers and employees may have positions in the securities mentioned herein.

© Beaufort Securities Ltd
131 Finsbury Pavement, London EC2A 1NT

Company Name	Disclosure
Legendary Investments	7

- In the past 12 months, Beaufort Securities Limited or its affiliates have had corporate finance mandates or managed or co-managed a public offering of the relevant issuer's securities or received compensation for Corporate Finance services from the relevant issuer.
- Beaufort Securities Limited expects to receive or intends to seek compensation for Corporate Finance Services from this company in the next six months.
- The investment analyst or a member of the investment analyst's household has a long position in the shares or derivatives of the relevant issuer.
- The investment analyst or a member of the investment analyst's household has a short position in the shares or derivatives of the relevant issuer.
- As of the month end immediately preceding the date of publication of this report, or the prior month end if publication is within 10 days following a month end, Beaufort Securities Limited and / or its affiliates beneficially owned 1% or more of any class of common equity securities of the relevant issuer.
- A senior executive or director of Beaufort Securities Limited or a member of his or her household is an officer, director or advisor, board member of the relevant issuer and / or one of his subsidiaries.
- Beaufort Securities Limited acts as corporate broker to the relevant issuer.

The investment analyst who is responsible for the preparation of this investment research is employed by Beaufort Securities Limited.