Worship Street Investments plc

Newsletter January 2011

Better late Than Never

We apologise for our communications being less frequent than they should be. As a quoted company you cannot always communicate when you'd like to.

Worship Street Investments is a long term investment vehicle. As such our intention is to deliver steady and sustained growth in Net Asset value per share. As you will see below that is what we are doing. But that clearly has not been reflected in the share price which has languished thanks to some scrappy or, in at least one case, desperate panicked selling. The shares now stand at 1.25p which clearly does not reflect asset backing.

SO WHAT CAN WE DO TO ADDRESS THE GAPING DISCOUNT BETWEEN SHARE PRICE AND NAV?

1. We can update the market more often on progress. Mea culpa. We will do so.

2. We can continue to grow NAV. We will aim to do so.

3. The spread on WSI is a joke. We have asked the directors of WSI to consider a share consolidation which would lift WSI from the penny stock leagues and this would, we believe, narrow the spread and - by making the shares more tradeable - make them more attractive as an investment proposition. We will keep you posted on this.

As of 24 January 2011 the **UNAUDITED, ESTIMATED** Net Asset Value for the company was 2.251p which illustrates the gap between the market price of Worship Street Investments and the actual value of the underlying investments. Although commendable we admit that the NAV could be better and believe that it is in fact not a true depiction of the potential of the developing portfolio. We have from the inception of Worship Street Investments, employed, and continue to employ a long term approach to our stock selection. We have without doubt already seen some solid capital appreciation through a number of our holdings but our long term view means that growth will not always be realised so rapidly. Our prudent portfolio management means we endeavour to maintain a healthy cash position and have invested in a number of Convertible Loan Notes which provide a solid financial foundation for the company to operate from. Costs and overheads are tightly managed so that they are kept in line with interest payment inflows. Our focus as investment managers is to develop a portfolio of fundamentally strong investments which will provide capital growth on a long term view. We believe we are doing just that. We have however had, as previously mentioned a number of rapid capital appreciations within our portfolio. Our investment into In-Solve, the PLUS investment vehicle, has already seen material growth and we are currently expecting a future announcement from London based Ophir Energy in regards to the possible farm in of Wilton Petroleum's Marovoay Block 2102, on shore Madagascar. In-Solve's stake in Wilton is 6.55%. It has been suggested that the potential value of this investment for In-Solve could be worth 107p per share. Having purchased the majority of our holding at 1.75p we are content to hold and await news and we be happy with a far more modest gain. We have also seen a sizeable return from our investment in One Media Publishing Group (detailed in the companies section below), along with Ascot Mining, where we have recently taken the opportunity to purchase a number of Warrants which deliver the opportunity of acquiring shares in the company at a price of 20p. Ascot is currently trading at 47.5p, but we believe it to be the cheapest miner in London and worth a whole lot more than its current market valuation. The Warrants also have the added benefit of being listed (currently trading at 29.5p) adding further liquidity to the portfolio.

Moving forward from here, having added a number of new holdings to the portfolio over the last few months (where we see real value), via National Milk Record (profiled below), and Keycom (the PLUS provider of Broadband and voice services to British universities), we are confident that we will continue along the path of developing a sensibly managed asset backed portfolio which will in time equate to a much improved share price. The current market price of 1.25p represents a 80.10% discount to the **UNAUDITED AND ESTIMATED** NAV of the underlying investments. This is unjustified.

We are content that we are building a strong portfolio which will see capital appreciation most profoundly over a long term view, but will no doubt continue to deliver some short to medium term uplifts in the mean time. The plan for the next 3 months leading up to the next investor newsletter is to do much of the same. We will continue to invest where we see real value and then hold until the eventual re-rating takes place.

Tom Winnifrith & Ross Jones

In with the New...

Following court approval to reorganise the issued share capital of **NATIONAL MILK RECORDS** on 5 November 2010 Worship Street Investments was offered the opportunity to take up a stake in the leading supplier of dairy and livestock services to the UK dairy farming market. The opportunity was presented as the company moved to consolidate every 320 ordinary shares of 10p into one Interim Share of £32. This was then followed by a subdivision back into 320 ordinary shares of 10p. The justification behind the reorganisation and subsequent subdivision was that the management believed due to the historic share structure of the company that the majority of minority shareholders were no longer actively engaged with the operations of the company. The reasoning behind this was such that from inception shares in the company were issued as compensation to dairy farmers across the UK, directly proportionate to their milk production in 1994, following the breakup of the Milk Marketing Board. As the total issued share capital at the time would not have been fully divisible by 320 any existing shares representing fractional Interim Shares (which did not make up full Interim shares of 320 ordinary shares) were to be aggregated and placed out to existing investors looking to consolidate their holding, or in turn offered to new investors looking to build positions. This is where WSI was given the opportunity to subscribe for shares in the company.

Following the share capital reorganisation WSI acquired 535,000 ordinary shares in the company at a purchase price of 28p, representing a 15% discount to the share price at the time. Currently capitalised at £2.2 million, following the announcement of the share reorganisation the company announced its results for the 6 months ended 30 September 2010. The financials illustrated a productive period of growth for the company, derived through both organic advances via increased product offerings, notably the increased development of the Silent Herdsman product, and through strategic alliances. Turnover for the 6 month period totalled £6,347,000 which generated a profit of £457,000, an increase of 457%.

Revenues are derived through three operational arms, with the core focus of the company being the delivery of milk recording services to more than 50% of UK dairy farmers. The company operates within a niche market and with the dairy industry consolidating and herds increasing in size two other growing divisions help to diversify top line growth. The product offerings of the company delivery fairy farmers with cost effective management processes to increase the day to date efficiencies of herd and livestock management. A second, developing subsidiary of the company, National Milk Laboratories provides clients with the testing services to help detect and control disease in milk produced in the UK. The company currently tests the quality of 95% of the milk produced in the UK and has recently moved into the Irish market via a JV agreement with Progressive Genetics. It is hoped that although primarily in regards to the lab division, the JV agreement will work as a launch pad for the company's other products into the large Irish dairy market. Although Ireland is notably smaller than the UK the Irish dairy industry is just as large. The final division of the company is its National Livestock records operation. With a similar focus as the milk records division the livestock records operation aims to deliver recording and livestock management services to the wider UK sheep industry. The company believe that increased EU compliance and legislature in regards to the management of livestock will see a material up lift in demand for the company's products. Currently working in conjunction with the Welsh Assembly Government the company see this division as a key developing revenue generator for the future growth of the company.

The company aims to underpin expansion of the lab testing division with cash generated from the core records business. With a solid Irish foothold we expect to see revenue booked from this JV immediately and would not be surprised if the company looked for further regional, national and international synergistic agreements to boost top line growth. The underlying operations of the company are cash generative businesses and we expect to see this illustrated in the financial statements for the year ended 31 March 2011 which we believe will show EBITDA of roughly £1 million. Having purchased at a discount to the market price we are already a head on our investment but reckon the value of our holding is set to appreciate much further moving forwards. The only caveat is a pension fund deficit but we expect this to be cleared steadily over the next decade. As such the underlying shares look incredibly cheap.

On 18 November 2010 what was **LOTUS RESOURCES** announced the disposal of its subsidiary Lotus Minerals Mongolia Ltd in line with a fundamental revaluation of its presence in the Mongolian mining sector initially addressed on 14 September 2010. The disposal saw the company left debt free with roughly £200,000 following certain deductions for, inter alia, settlements in regards to outstanding creditors and unpaid license fees. Following the disposal and a number of Board changes the company announced on 3 December 2010 the final element of its strategic review. A complete change in investment strategy was proposed which would see the company change its name to Alpha Universal Management plc and focus its attention on investments into debt portfolios and the purchase of other discounted assets, plus the reorganisation of its share capital (every 50 shares of 1p were to be consolidated into 1 new share of 10p, plus 1 Deferred Share of 40p). A Boardroom over haul saw Gobind Sahney take the position of Executive Chairman. With over ten years experience in the analysis, purchasing and collection of discounted assets, such as debt portfolios we expect Sahney to push the company forward from here onwards.

The name and strategy changes took effect on 20 December 2010 capitalising the company at £192,561, a discount to Net Cash. Looking forward the company is now focused upon using its new key managerial positions to specialise in the purchase, trading and recovery of stressed, distressed, and delinquent consumer and commercial receivable portfolios. Essentially what the company now aims to do is to purchase debt portfolios, and the like, at a material discount to their receivable value and subsequently work to realise value from each. Although in the early stages of the new investment strategy, the management are confident that through taking advantage of the current economic environment shareholder value can be added from here. Frankly this is one we got wrong. The former management team have approached us asking for backing for their next Mongolian venture. There is absolutely zero chance of that happening as they screwed up big time. We now hope that the new team can get some or all of our money back. We just wait & watch.

ONE MEDIA PUBLISHING GROUP is a leading digital music and video rights company owning/controlling in excess of 100,000 audio tracks as well as over 100 hours of video content. The focus of the company is the provision of digital intellectual copyrights via a Business to Business (B2B) model which negates the need for the storage of large amounts of CDs and DVDs. One Media derives its revenue through operating as a conduit to major online digital entertainment stores, via iTunes, Spotify, Amazon and HMV. Total digital entertainment trade revenues were recorded at $4.2 billion as of 2009, a 12% increase on the previous year. With more people opting to choose downloads as opposed to the conventional CDs and DVDs this industry is expected to grow further.

Operating within such a fast paced industry saw the company report, as of the Interims for the 6 months ended 30 April 2010 announced on 30 July 2010, substantially increased revenue of £580,949, an increase of 69%. The results also illustrated how the company is now beginning to see the befits of operational gearing having reached critical mass with EBITDA for the 6 months recorded at £154,247, up 264% from a year earlier. Most importantly the company delivered a much improved underlying net profit margin of 14% delivering a profit for the period of £79,256. We expect that the management will aim to widen this further. Cash at period end stood at £153,927. Since then the company announced on 17 December 2010 that it had completed a large share buyback, over half of the issued share capital at the time (52.43%), via the purchase of 47,909,291 ordinaries at a price of 0.458p, for a total consideration of £219,424.

Following this the company is currently capitalised at £1.19 million. We believe this to still air on the undemanding side for a company that is likely to report revenues of roughly £1.1 million for the Full Year ended 31 October 2010. We reckon the company will continue to prudently manage its over heads, and coupled with the increasingly widening music catalogue we are looking for EBITDA for the Full Year to be, at least, £330,000, which would equate to a pre tax profit for the period of £200,000. These are prudent estimates given the company's most recent growth trajectory. We are at this point 450% ahead on our initial investment in One Media but the stock cannot be said, even after such a gain, to look expensive.

Tom Winnifrith & Ross Jones

If any investor in WSI wishes to discuss the results or WSI with me please drop me an email at
tom.winnifrith@t1ps.com with a telephone number and I shall call you back.