

The Monthly April 2010

7 April 2010

One of the biggest influences on company profitability, and upon analysts' forecasts, is currency movements. As the world economy emerges from the trauma of the credit crisis, and dramatic changes have taken place in values of almost everything else, currencies have been remarkably stable. In particular the UK Pound, which us British have thought of as being in serious difficulties, has been only a modest underperformer, as the charts on the right show.

Against Britain's two key trading currencies, the Euro and the US Dollar, the UK Pound has actually gained slightly in value over the past twelve months. On a nine month view, the Pound is down only 4% against the Euro and 8% against the US Dollar. There have been some pretty violent movements elsewhere in the currency markets, but where it matters Britain has had a pretty easy time in spite of a Budget deficit running at 13.5% of GDP (vs 9.5% for Greece)^a and 30% of tax revenue^b.

Against our third major trading partner, the China/Asia bloc, stability is also the watchword. For our chart we have taken the Hong Kong Dollar as a proxy for the entire area – the Yuan is a controlled currency so the exchange rate here tells us very little. Against the Hong Kong Dollar, the Pound is also higher than twelve months ago.

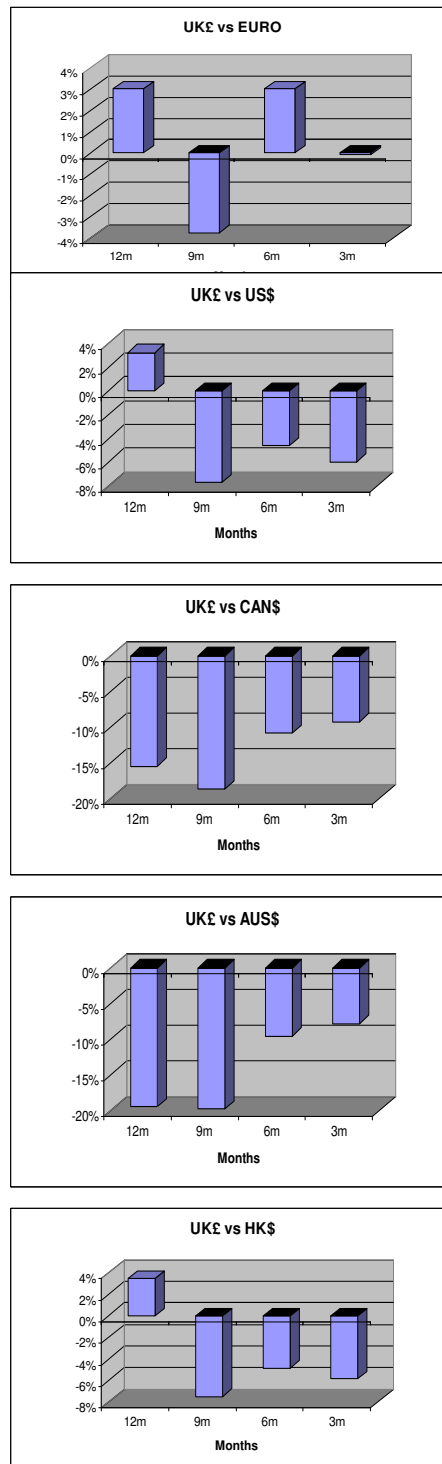
Against the US Dollar and Hong Kong Dollar, there has been some slippage over the last three months, but this is hardly major at a time when there is a threat of a credit rating downgrade to Britain, the possibility of a hung and therefore paralysed parliament has become very real, and other countries worldwide are powering out of the financial crisis.

Volatility has also been low – far less than the stock market, for example, and far less than some of the key metals that industry relies upon for raw materials. Even taking in some pretty sudden and short lived spikes both on the upside and downside, the Pound has only fluctuated within an 11% range against the Euro in the past twelve months, 16% against the US Dollar and 17% against the Hong Kong Dollar.

This stability has important implications politically, economically and for the stock market.

Politically it suggests that the world at large is not too fussed about the prospect of a hung parliament or fourth outright Labour victory. As Tony Blair famously said shortly before his resignation, "Am I bovered?". If the Pound has only fallen 5% against the major currencies in the three months when this possibility has emerged, and a number of other serious negative factors have emerged as well, then it is fair to assume that the Pound could only have another 5% or so to fall if the possibility becomes a certainty. From the point of view of economics, it suggests that the world is rather more sanguine about the size of Britain's Budget deficit than are those of us living in the UK.

Here is some logic in this. If the Government's Budget deficit can be financed by domestic UK saving and the growth of the Government's share of GDP funded by a corresponding reduction in spending by the consumer and the private sector, this will merely be the switching of resources between one national pocket and another. Only a continuation of 'quantative easing' or extensive borrowing internationally will create currency pressures. At the time of Waterloo, Britain's national debt was 'colossal' but only 4% of it was held overseas^c so there was no impact on the currency.



From the stock market point of view, it means that currency change as an influence on corporate earnings will pretty soon become yesterday's story. Short term, there will be no benefit in chasing companies with a large element of overseas earnings, and as large companies tend to be more international than small ones, it means short term we should no longer expect large companies to outperform small ones.

What does this mean for the British economy?

To us it indicates the following:

- We should stop worrying overmuch about the deficit, or which Government we have. It is a fair bet that the international money markets have decided that whichever party takes control of the Government, action will get taken on the deficit, and that there is little enough to choose between the parties as far as the international financial community is concerned.
- That the decline in the UK economy vs the 'tiger economies' has already been taken into account in exchange rates – the currency markets are already discounting Britain's future economic underperformance for the next two years.
- The world is expecting the City to remain the engine room of the world's financial markets. Financial services accounted for 9% of the British economy and provided 27% of Britain's tax revenue in 2007^d. So it would be folly for any Government to risk this.

Nevertheless, in the coming election we would like to see the winning party introduce the following:

- A simpler legal and tax structure for all business. How much potential productive capacity is tied up in lawyers and accountants negotiating Government regulations on behalf of business? These people are a drain on the economy, and shouldn't be. In truth, almost all of them would dearly love to be doing sensible, productive jobs. Set them free.
- For the same reason, a simpler legal framework for both businesses and individuals, in order to reduce the number of disputes that end up in the courts.
- Straightforward employment legislation. The low paid badly need protection from big business but they are not getting it. Yet high earners use the industrial tribunals to claim six and seven figure sums. Make employment tribunals easier to win for the employee. Place a cap of a year's national average earnings for all claims. Ban legal representation for both sides.
- Cut top rates of tax. Balance this by eliminating exemptions and reliefs.
- Push up the age for claiming the State pension, male and female, immediately.

a. *The Economist* 3.4.2010.

b. *The Times* 25.3.2010.

c. *Trevelyan, English Social History*

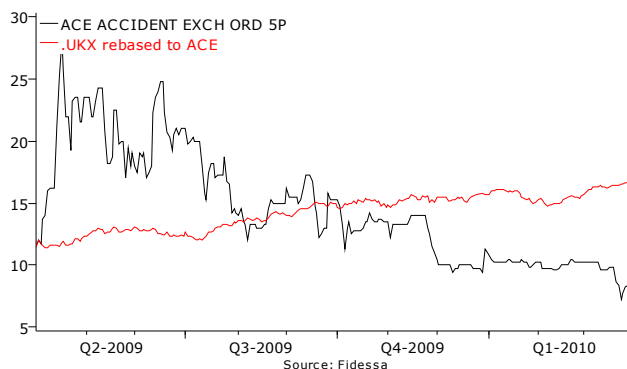
d. *David Hare, The Power of Yes.*

Market Indicator	Price	Previous Month Price	% Change in 1 month	Year High	Year Low
FTSE 100	5,725	5,247	9.1%	5,764	3,930
FTSE Small Cap	2,886	2,812	2.6%	2,950	1,904

ACCIDENT EXCHANGE

The Interim Management Statement gave a clear picture of this dramatically downsized company. Over the four months 1 November to 28 February there has been a 37% reduction in the headcount, a 30% reduction in the vehicle fleet size (this will rise to 45% over the next three months), a reduction in vehicle fleet debt of 37%, a reduction in total net debt of 15%, and a reduction in rental days of 32%.

We were encouraged by proceeds from vehicle sales being 'in line with expectations'. In this industry, and in particular with a highly geared balance sheet, the alignment of real vehicle values with book values is always a tricky issue, and can be doubly so when a big strategic change in direction is pushing a large number of similar vehicles onto the second-hand market at once. Clearly the vehicle values in the accounts are robust, and we find this reassuring.



No banking covenants have been breached, although there has been 'an adjustment to terms' by lead supporter Morgan Stanley. The company states that 'future covenant compliance will require ongoing flexibility from Morgan Stanley'.

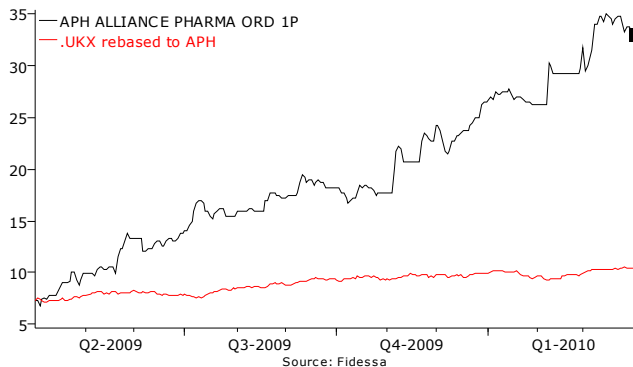
The legal cases against Autofocus and certain of its former employees continue. Court judgements to date appear to be hugely in Accident Exchange's favour.

The precise value of the shares will depend on the terms of the refinancing currently being negotiated. Existing agreements expire in the Autumn.

Accident Exchange				ACE	Price p.	7.13	
Full List				Specialty Finance	Cap £m	9.8	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
April	£m	Profit/(Loss) £m	Profit £m	Diluted eps p.	Ratio	p.	%
2008A	161.9	9.9	13.9	12.0	0.6	2.5	35.1%
2009A	132.0	-55.4	13.3	9.6	0.7	0.0	0.0%
2010E		Estimates	under	review			
2011E		Estimates	under	review			

*2009A sales have been adjusted for the debtor impairment write-down

ALLIANCE PHARMA



Alliance Pharma released its full year results to 31 December 2009 last month. Sales of £31.2m were up 43.6% year on year, declared profit before tax of £5.7m was up 137% year on year, adjusted profit before tax of £8.6m was up 254% year on year and adjusted eps of 3.55p were up 203%.

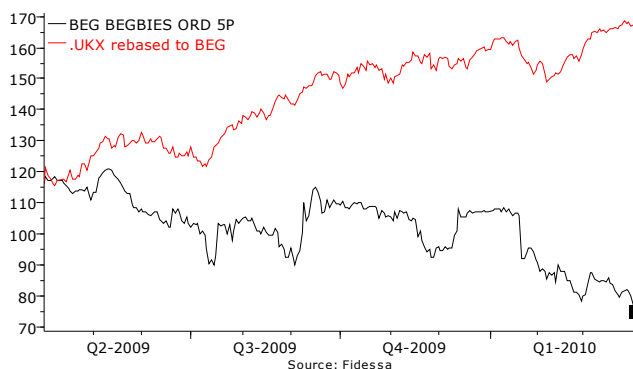
In our view this was a transformational year for Alliance Pharma with the company, having now fully written off the value of its development portfolio, completely committed to the trading side of its business. Subsequent to this latest set of results we have upgraded our forecasts and have no difficulty in envisaging the shares in this now

£75m market cap company reaching the 50p mark.

Alliance Pharma				APH	Price p.	33.00	
AIM				Pharmaceuticals	Cap £m	74.6	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit £m	Profit £m	Basic eps p.	ratio	p.	%
2008A	21.8	2.40	2.40	1.55	21.3	-	-
2009A*	31.2	5.70	8.60	3.55	9.3	0.30	0.9%
2010E	46.3	12.30	14.30	4.70	7.0	0.40	1.2%
2011E	42.9	10.90	11.90	3.82	8.6	0.40	1.2%

*adjusted to reflect a one-off non cash impairment charge of £2.8m

BEGBIES TRAYNOR



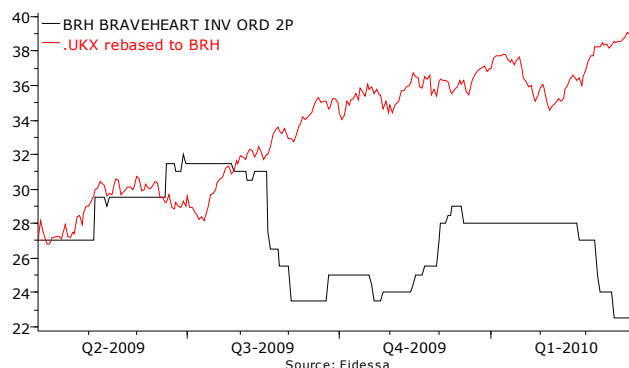
There has been no news release from Begbies Traynor since our last Monthly. (However, we understand that its insolvency practitioners were appointed in c1, 370 new insolvency cases in 2009). This represents growth of >11% over 2008, with liquidation appointments up by >18%. BT was appointed to the largest number of new insolvencies, with its total representing c90% of the combined totals for Tenon Recovery and Vantis, which ranked 2nd and 3rd, respectively. This analysis, however, does not reflect the relative size of cases, particularly those undertaken by the "big four" international firms, or the projected level of fee income.

Begbies Traynor				BEG	Price p.	75.00	
AIM				Support Services	Cap £m	67.1	
Y/E	Group	Declared	Adjusted	Adjusted	p/e	Divi	Yield
April	Sales £m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	48.1	5.7	7.0	6.0	12.5	2.5	3.3%
2009A	62.1	7.2	9.8	7.8	9.7	2.8	3.7%
2010E	70.1	9.3	10.8	8.1	9.3	3.1	4.1%
2011E	78.0	11.9	12.9	9.6	7.8	3.4	4.5%

BRAVEHEART INVESTMENT GROUP

Investment manager Braveheart reported last month that it had led a further funding round into existing portfolio company Tayside Flow Technologies (“TFT”). TFT is a Dundee based life sciences company formed to develop and commercialise novel cardiovascular devices based on a new understanding of blood flow dynamics called Spiral Laminar Flow. Cardiovascular disease can be attributed to circa 7m deaths per year. TFT’s products are aimed at the peripheral vascular disease (“PVD”) market where the obstruction of large peripheral arteries can lead to a reduction in blood supply. In the US alone around 10m people are affected by PVD each year.

The US market is estimated to be worth \$2.6b fuelled by an aging population, diabetes and obesity. The company’s lead product, a peripheral vascular graft (“PVG”), has been given regulatory approval in both Europe and the US, around 30 distributors have been appointed and sales are progressing well.

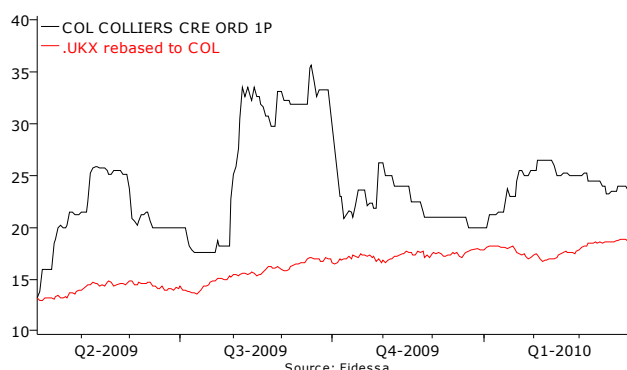


Braveheart				BRH		Price p.	22.50
AIM				Equity Investments		Cap £m	3.1
Y/E	Income	Declared Profit	Adjusted	Declared EPS	NAV/share	Divi	Yield
March	£m	IFRS £m	Profit £m	IFRS p.	p.	p.	%
2008A	1.1	0.1	0.1	0.7	52.8	-	-
2009A	0.3	-1.3	-1.3	-9.2	44.4	-	-
2010E	0.8	-0.9	-0.9	-6.5	35.7	-	-
2011E	1.7	-0.04	-0.04	-0.3	36.6	-	-

COLLIERS CRE

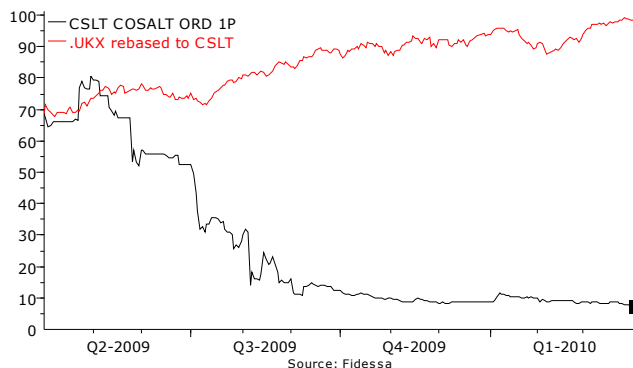
Colliers CRE has released its full year results for the year to 31 December 2009. As expected turnover was £57.9m and the company reported an operating loss of £10.1m. After writing down investments and loans to the value of £2.2m and recording a goodwill impairment of £24.1m Colliers CRE reported a pre-tax loss of £39.6m and a loss per share of 60.76p.

Management is now looking forward to the year ahead and in particular to 24 May when the company will be re-branded as “Colliers International”. We are currently reviewing our estimates for the year ahead.



Colliers CRE				COL		Price p.	23.0
AIM				Real Estate		Cap £m	34.2
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit £m	Profit £m	Basic eps p.	ratio	p.	%
2008A	78.0	-11.1	-4.6	-6.5	0.0	-	-
2009A	57.9	-39.6	-13.5	-21.3	0.0	-	-
2010E	No Estimates						
2011E	No Estimates						

COSALT



Cosalt's mid-March IMS reported that the Group has recently seen some signs of improvement in trading conditions. Alongside this, the Group's preliminary results announcement in February reported that a number of new, and renewed, contracts would contribute to an improvement in trading in the second half. Given the strong start to FY 2009, we believe that this is of greater significance than the 3% reduction in revenue, to £30m, for the first four months of FY 2010.

FY 2010 will also benefit from the full impact of the £3m of annualised cost savings implemented in FY 2009, as well as an initial contribution from further

cost savings now being introduced.

Cosalt ended FY 2009 with headroom of over £20m, within its £33m facility, putting it in a sound position to respond to a recovery in trading and to meet expected obligations for payment of deferred consideration. Our FY 2010 forecast expects a further reduction in net gearing, to <33%, with a continuing pay down of debt and an increase in shareholders' funds.

Cosalt				CSLT		Price p.		7.13
Full List				Diversified Inds		Cap £m		28.8
Y/E	Sales	Declared	Adjusted	Headline	p/e	Divi	Yield	
October	£m	Profit £m	Profit £m	eps p.	ratio	p.	%	
2008A	105.0	1.5	7.2	7.7	0.9	6.0	84.2%	
2009A	107.8	-3.4	5.6	4.2	1.7	0.0	0.0%	
2010E	110.3	5.4	6.0	1.1	6.5	0.0	0.0%	
2011E	No	Estimates						

DUALINVEST RESIDENTIAL INCOME UNIT TRUST

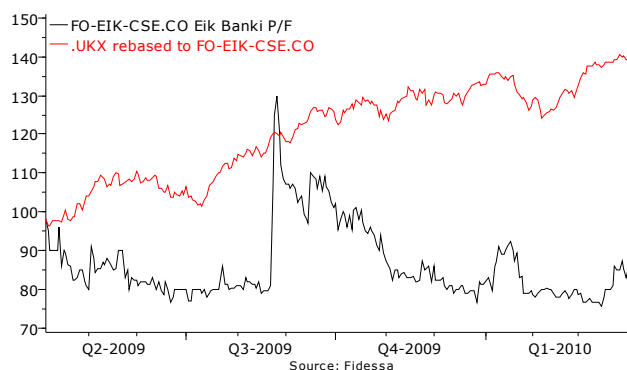
Dualinvest is currently marketing units in its residential property investment fund. The business model anticipates selling a property after two years of ownership. A feature of the fund is its attractive IRR yield, targeted at 7.75%. Please call or email for a copy of our research note.

Not Listed	Residential property fund						
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2007A	-	-	-	-	-	-	-
2008A	-	-	-	-	-	-	-
2009A	-	-	-	-	-	-	-
2010E	No	Estimates					

EIK BANKI

After downgrading the expected result for the year 2009 to a DKK 310-320 million loss, Eik Banki Group stated that its annual result for 2009 is a loss of DKK 297 million. The result is therefore slightly better than predicted in its Profit Warning but DKK 150 million higher than the Group's estimate of 30 October 2009.

Net interest income has increased to DKK 518 million, whereas costs are unchanged in 2009 compared to 2008. On the other hand, fees and commission have decreased from DKK 204 million to DKK 113 million.



Eik Banki Group's CEO Marne Jacobsen says "As we have already stated, the challenges are still in the financing of corporate real estate market on the Danish market. The Bank is, however, not exposed towards agriculture or operating financing of Danish corporations. The retail market and the other areas of operation in Denmark, as well as the Faroese market are developing in a satisfactory manner"

The loss can mainly be ascribed to two factors:

- 1) impairments of loans are higher than expected, especially the before mentioned corporate real estate segment
- 2) fair value adjustments of unlisted securities also contribute negatively

Liquidity is DKK 5.1 billion, corresponding to an excess cover of 140.5 per cent of statutory requirement. Eik Banki Group expects a positive result for the year 2010.

Y/E	Group Revenue*	Declared Pre-Tax Profit/(Loss) DKKm	Adjusted Pre-Tax Profit** DKKm	Declared After-Tax eps** DKK	p/e ratio	Divi DKK	Yield %
December	DKKm	DKKm	DKKm	DKK		DKK	%
2007A	676	465	310	51.6	1.7	10.67	12.4%
2008A	743	-511	350	-51.2	0.0	0.0	0.0%
2009A	633	-386	191	-38.0	0.0	0.0	0.0%
2010E	No	Estimates					

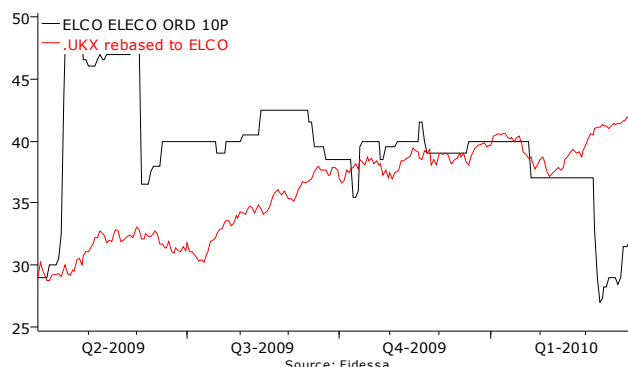
*Net interest income + fees etc

**excludes impairments, market value adjustments

ELECO

Interim results announced last month were broadly as expected. They showed revenues of £32.5m vs our £30m forecast, an adjusted pre-tax loss stripping out exceptionals of £1.04m vs our £1m forecast. There was no interim dividend – we had pointed out that this was likely.

A legal dispute is under way in Germany. This concerns employees of Eleco who allegedly left to join a competitor and also involves the ownership and rights to certain software. This is a nasty business that is impacting the continuing p & I account as well as creating exceptional costs, and it will continue into the second half.



The biggest trading deterioration came in 'Other Building Systems', which includes the nailplate businesses, roofing systems and the timber frame housing components activities. These experienced a 37% fall in revenue and a 9.1% negative operating margin at the 'adjusted' level. Pre-cast concrete activities also made a small loss, however, in spite of maintaining revenue, indicating how serious pricing pressures are in this market at present.

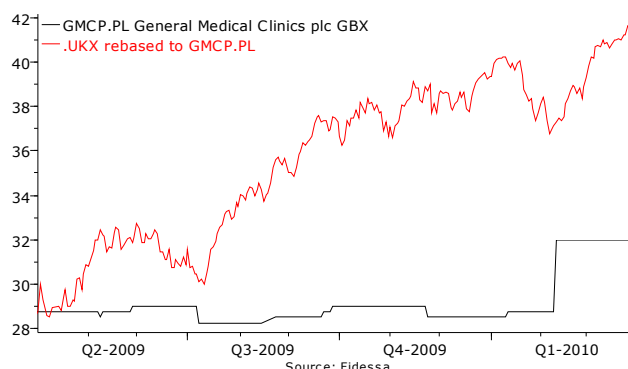
Since we produced our research note on the interim results (March 5) there has been no indication from any of Eleco's competitors of any improvement in industry conditions or lessening of pricing pressures. Rather the opposite in fact – Laing O'Rourke has opened a new highly automated pre-cast concrete factory, adding to industry capacity problems. We downgraded slightly on the Interim Results, are aware that we are 'top of the range' and are watching carefully in case a further downgrade should prove necessary.

Eleco		ELCO			Price p.	30.5	
AIM		Diversified Inds			Cap £m	18.1	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
June	£m	Pre-tax Profit £m	Pre-tax Profit £m	eps p.	ratio	p.	%
2008A	84.9	8.2	9.1	12.1	2.5	3.0	9.8%
2009A	70.6	-1.4	0.9	1.4	21.8	0.8	2.6%
2010E	64.0	-3.0	-1.5	-2.4	0.0	0.4	1.3%
2011E	No	Estimates					

GENERAL MEDICAL CLINICS

There has been no new development from General Medical this month. The company is in discussion with Westover Medical Limited regarding the takeover proposal. Westover Medical approached General Medical with an offer of 34p cash per ordinary share on 10 February.

General Medical Clinics provides GP related medical services, health checks and travel immunisations for individuals and companies in Central London.



Hardman & Co is a connected advisor under the Takeover Code because it is contracted to write research on the company.

General Medical Clinics				GMCP	Price p.		32.0
PLUS				Healthcare	Cap £m		5.3
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
May	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A*	6.54	0.30	0.48	2.1	15.2	0.4	1.3%
2009A**	6.61	0.12	0.36	1.7	18.8	0.5	1.6%
2010E	Estimates	Withdrawn.	Bid	Situation			
2011E	Estimates	Withdrawn.	Bid	Situation			

*2008 adjusted profit include an exceptional cost of £96,000

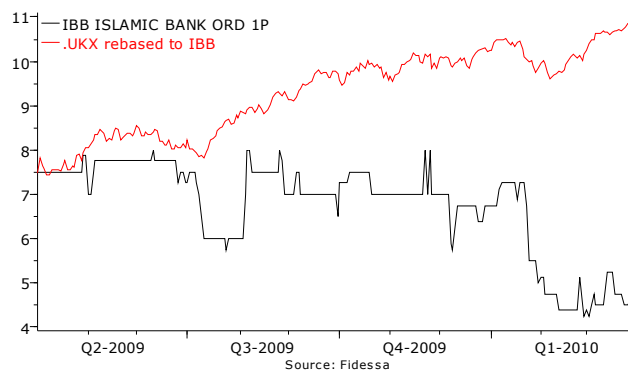
**Adjusted figures in FY09 exclude the development costs incurred in the Baker St clinic

ISLAMIC BANK OF BRITAIN

There has been no further news from Islamic Bank of Britain. We await results for the full year to end-December 2009; these are due for imminent release.

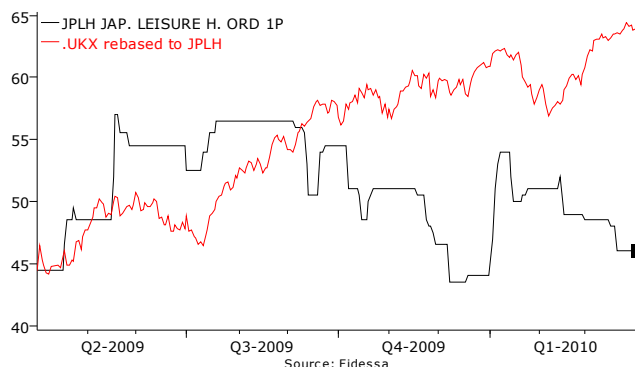
The shares have risen slightly over the past month ahead of the announcement. We do not attribute any significance to this.

We also expect an equity raising at some point. Islamic Bank of Britain would have a far better chance of producing a good return to shareholders if its capital base were larger. The Middle East investment community is likely to be involved in this.



Islamic Bank of Britain				IBB	Price p.		4.75
AIM				Financials	Cap £m		26.0
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit/Loss	Profit/Loss	Diluted	ratio	p.	%
		£m	£m	eps p.			
2008A	4.3	-5.9	-5.9	-1.4	-	0.0	-
2009E	3.1	-9.3	-9.3	-1.7	-	0.0	-
2010E	6.4	-7.5	-7.5	-0.6	0.0	0.0	-
2011E	15.4	-3.2	-3.1	-0.2	0.0	0.0	-
2012E	27.5	0.8	0.8	0.1	47.5	0.0	-

JAPAN LEISURE HOTELS



Results for year ended December 2009 are due to be released shortly. We do not yet have a date. The results will not be particularly important because the group is still sub-optimal size, and the figures for H1 2010 will also mean very little because one of the six hotels, the Yokkaichi, will be shut for refurbishment and improvement for part of the trading period.

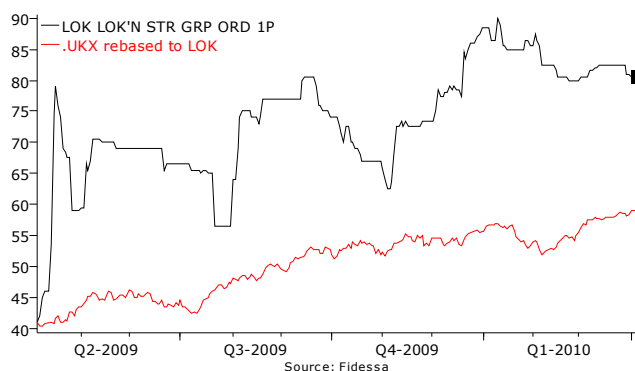
We continue to expect an equity capital raising at some point. Japan Leisure Hotels has a management structure and central overhead (which includes the costs of being a quoted company) that could support a far larger number of hotels. It could

take advantage of distressed seller opportunities that currently exist in the Japanese hotel marketplace.

It should be pointed out that there the Yen/Sterling exchange rate is currently 139, while our February research note was written while the exchange rate was 145.

Japan Leisure	JPLH				Price p.	46.0	
AIM	Hotels				Cap £m	21.0	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	¥m	Profit £m	Profit £m	eps UKp.	ratio	p.	%
2008A	1,180	28	28	0.0	-	0.0	-
2009E	1,174	0	0	0.1	-	1.0	2.2%
2010E	1,280	94	94	0.9	51.1	1.5	3.3%
2011E	1,391	172	172	1.7	27.1	2.0	4.3%

LOK'NSTORE



There has been no further trading news of significance from the sector after the flurry of trading announcements from all three quoted self storage companies earlier in January/February. On a three month basis, the shares of all three companies have lagged the FTSE, with Lok'nStore's performance being comfortably in line with that of its two larger quoted competitors, Big Yellow (BYG) and Safestore (SAFE).

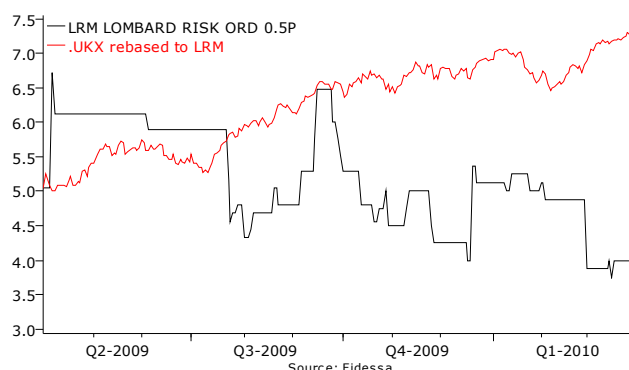
Results are due on April 26.

Lok'nStore	LOK				Price p.	81.0	
AIM	Support Services				Cap £m	20.3	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
July	£m	Profit/(Loss) £m	Profit/(Loss) £m	eps p.	ratio	p.	%
2008A	10.83	-0.74	-0.31	-1.50	-	1.00	1.2%
2009A	10.01	-0.66	-0.66	-2.40	-	1.00	1.2%
2010E	10.30	0.10	0.10	0.40	202.5	1.00	1.2%
2011E	11.11	0.55	0.55	2.19	37.0	1.00	1.2%

LOMBARD RISK MANAGEMENT

Banking computer software specialist Lombard Risk Management issued a Trading Statement in March that warned of revenue over the past six months being lower than expected due to the postponement by the UK FSA of regulatory deadlines for bank reporting. Also one substantial deal with a major international financial institution, that Lombard had been favourite to win, has gone in house – for the time being at least.

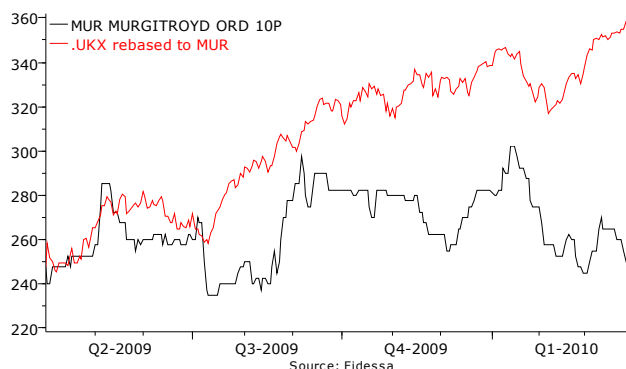
Revenue recognition is always a thorny point as far as companies like Lombard are concerned, and even though Lombard has won £2.8m of new business over the past four months, most of these revenues will be recognised in the year to March 2011, rather than the financial year just concluded. While this appears to be a negative, we would far rather Lombard recognise its revenue late rather than early. All the revenues concerned should be recognised by the end of the financial year to March 2011.



Lombard Risk Mgt				LRM	Price p.	3.38	
AIM				Software	Cap £m	7.0	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit/(Loss) £m	Profit/(Loss) £m	Basic eps p.	ratio	p.	%
2008A	8.5	-1.11	-1.11	-0.7	-	-	-
2009A	8.7	-1.25	-1.25	-0.8	-	-	-
2010E	Estimates	Under	Review				
2011E	Estimates	Under	Review				

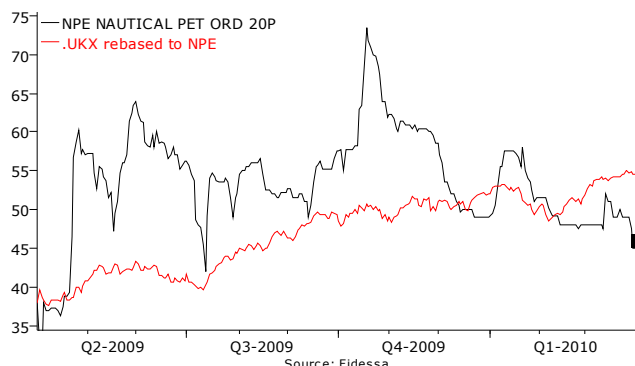
MURGITROYD

There has been no trading news from Patent and Trade Mark Attorney, Murgitroyd Group, this month. On the corporate side, Murgitroyd Group has appointed Brewin Dolphin Limited as its new Nominated Adviser and Broker. Options over 166,000 ordinary shares have been issued to senior employees of the company including three of the company's directors, Keith Young (Chief Executive and Finance Director), Graham Murnane (Executive Director) and David Castle (Deputy Chairman and Executive Director). The options are all exercisable at 247.5p per share – Murgitroyd's shares are currently trading at 250p – and the options can be exercised between 26 February 2013 and 25 February 2025 on the proviso that there is a greater than inflationary improvement in the Group's earnings per share between the date of the grant and the date of exercise.



Murgitroyd				MUR	Price p.	250.0	
AIM				Support Services	Cap £m	21.3	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
May	£m	Profit £m	Profit £m	Basic eps p	ratio	p.	%
2008A	25.7	2.9	3.1	25.3	9.9	9.5	3.8%
2009A	28.9	3.1	3.4	27.0	9.3	9.5	3.8%
2010E	30.4	3.5	3.5	27.9	9.0	10.0	4.0%
2011E	31.1	3.8	3.8	30.0	8.3	10.5	4.2%

NAUTICAL PETROLEUM



Nautical Petroleum's analyst meeting for its Interim Results was upbeat, with some drilling activity scheduled this year and the directors stressing the huge amount of technical work done on Kraken (CSEM and sand distribution modelling) plus geological modelling on the Mariner Maureen field.

Nautical believes that there is a CSEM anomaly over the majority of the Kraken field, and drilling on the Kraken-D appraisal well is due to take place during the summer in order to confirm the sand distribution model, obtain fluid samples, and also test prospective resources to the west of the Kraken fault via a sidetrack.

On Mariner, Nautical says that it is hoping for a better recovery rate than has been factored in previously. First production is currently thought likely in 2015.

A little sensible pruning has taken place on the exploration blocks, with a couple of North Sea blocks dropping out of the portfolio.

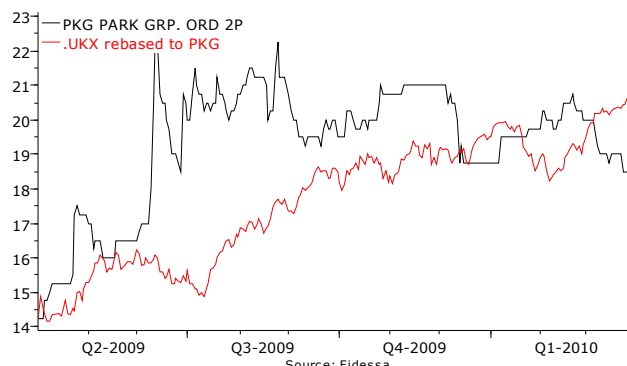
The earliest news is likely to come from the UK onshore field in Lincolnshire at Keddington, where Nautical has a 10% equity interest. Drilling here is due to start in early April in an attempt to boost production from this low yield field. Following that an exploration well is scheduled to spud in the North Sea Catcher prospect in May 2010.

Nautical had £16.8m cash in the bank at end-December, with £7.5m of undrawn bank facilities. The 2010 exploration programme will be expensive, but that is what the money is for, and even so management expects to finish 2010 with £5m still left in the bank. On a market cap of £29m, half that of Xcite Energy (after Xcite's recent capital raising), that is interesting.

Nautical Petroleum				NPE	Price p.		46.00
AIM				Oil	Cap £m		29.2
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
June	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	0.0	-4.50	-4.50	-7.44	-	-	-
2009E	25.0	-6.60	-6.60	-9.28	-	-	-
2010E	No	Estimates					
2011E	No	Estimates					

PARK GROUP

We were interested by the Park Group announcement of the launch of a range of pre-paid cards in the UK. When we visited Birkenhead in October we saw work on this scheme well advanced, but management was adamant that it wanted to wait until it could ensure a flawless launch before going public. Pre-paid cards are big business now – they have replaced book tokens at W H Smith, for example, and are starting to be used by restaurant groups, i-tunes, Marks & Spencer, Boots, Debenhams and other retailers. They are a natural extension to the product range of Park Group, whose core businesses are corporate vouchers and savings schemes that result in retail customers receiving printed vouchers. Subsidiary Park Card Services Ltd has been awarded Authorised E-Money Issuer status by the Financial Services Authority.



The cards are known as Flexecash, and are redeemable at selected retailers including Comet, Debenhams, HMV and Matalan. Bespoke schemes will be created to suit a diverse range of customers. Park Group says that the launch has the potential to open up a number of important new markets to the group. We agree.

The FSA approval is hugely important, because this places Park at an advantage to many would-be competitors. It also permits it to control the cash, thereby hanging on to part of the margin that would otherwise go to Master Card, Visa or one of the financial bodies that have made a name specialising in this area, for example Newcastle Building Society.

We don't think the City has yet grasped how big the gift card/pre-paid card market is. Why should it when so few quoted companies are involved in this area? Until last month there was only one quoted UK company active in the marketplace, **Motivcom**, (AIM - MCM, market cap £24m). Motivcom is to some extent symbiotic with Park anyway because the two companies have a trading relationship. We see Flexecash driving a faster rate of growth at Park Group over the next three years, and the business was already doing well at the operating level even before the Flexecash introduction.

Our only caution is that, short term, interest rates continue very low, so the prospect of Park Group earning significant interest income on its peak cash flow in the August – December period is looking less likely.

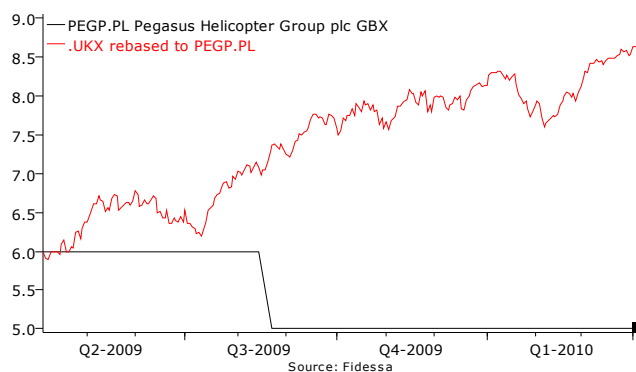
The dividend looks utterly safe to us, and from next year onwards the operating profit growth will be making up for the loss of interest income. We continue to believe that Park Group is a 'must have' for high income funds and private client portfolios.

Park Group				PKG		Price p.	18.50
AIM				Consumer Finance		Cap £m	30.5
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	225.1	4.5	5.2	2.2	8.4	1.2	6.5%
2009A	250.5	6.2	6.2	2.4	7.7	1.3	7.1%
2010E	255.8	5.0	5.0	2.2	8.4	1.4	7.3%
2011E	266.9	5.5	5.5	2.4	7.7	1.4	7.6%

PEGASUS HELICOPTER GROUP

There have been no new developments from Pegasus Helicopter this month. On the corporate side, Pegasus Helicopter has appointed Merchant Capital Limited as its new corporate advisor.

MD Helicopters Inc., one of the major players in this market, has recently announced its fleet of NOTAR helicopters has clocked more than 1,000,000 flight hours since its exclusive NOTAR anti-torque technology was introduced in 1991. MD Helicopter's Vice President of Engineering believes although this leading-edge technology has been in the market for some time, no one is yet offering it at the moment.



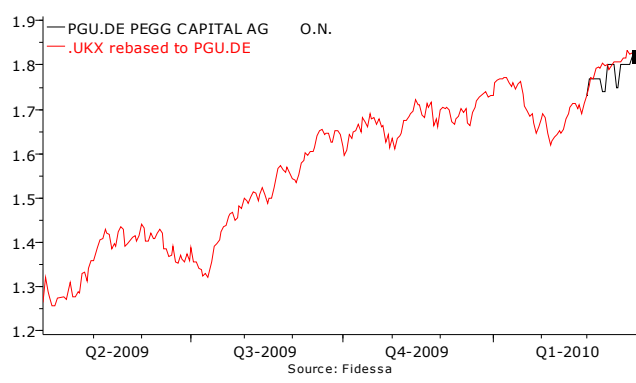
Pegasus Helicopter Group Price p. 5.0
 PLUS Aerospace and Defence Cap £m 10.0

Y/E	Sales	Gross Profit	Declared	Adjusted	P/E	Divi	Yield
December	\$m	\$m	Profit \$m	eps p.	ratio	p.	%
2009E	-	-	-0.49	-0.15	-	-	-
2010E	9.0	3.6	-0.05	-0.01	-	-	-
2011E	36.8	14.7	4.25	0.58	8.6	-	-
2012E	77.5	41.6	16.71	1.99	2.5	-	-

Pegasus Helicopter Estimates, Not Hardman & Co Estimates.

PEGG CAPITAL AG

PEGG Capital AG shares which listed on the Frankfurt Stock Exchange on 1 March at €1.73 are now trading up 5.2% at €1.82. The company has now formalised its contract with Global Emerging Markets, Global Yield Fund Limited ("GEM") whereby GEM will provide PEGG with up to €20m in equity funding. Under the contract terms PEGG may draw down funds in tranches with GEM required to subscribe for PEGG shares at a 10% discount to the average closing price of PEGG's shares over a 15 day trading period prior to the drawdown. PEGG has now indicated an intention to execute a partial drawdown this month in order to fund further investments. PEGG will also issue 4.5m warrants to GEM exercisable up to 4.5 years from the issue date at a price of €3.60 per share.



PEGG has also announced that it has incorporated a new Isle of Man based technology investment company, Techmanx Limited, to invest in high growth e-business projects. The Isle of Man's government is supportive of technology companies providing a range of grants covering up to 40% of re-location and establishment costs for e-business companies that migrate to the Isle of Man.

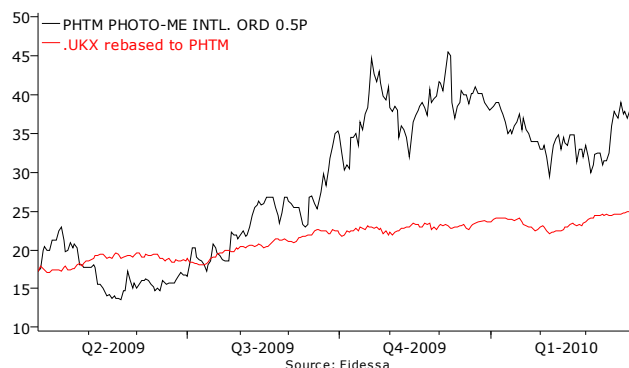
PEGG Capital AG Price € 1.82
 Frankfurt Stock Exchange Equity Investment instruments Cap €m 32.7

Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	-	-	-	-	-	-	-
2009A	-	-	-	-	-	-	-
2010E	No	Estimates					
2011E	No	Estimates					

PHOTO-ME INTERNATIONAL

We upgraded on the Interim Management Statement that was issued in mid-March. This was the fourth time that we had upgraded in five months.

The IMS covered the Christmas quarter, and Photo-Me generally makes a loss in this quarter. This time, however, the loss was described as 'much reduced', and for the first nine months of the year the dominant Operations Division made 'substantial' profits. Also the Sales & Servicing Division, which is smaller but had previously produced losses for two years, was 'substantially improved' and in profit pre-exceptionals after nine months.



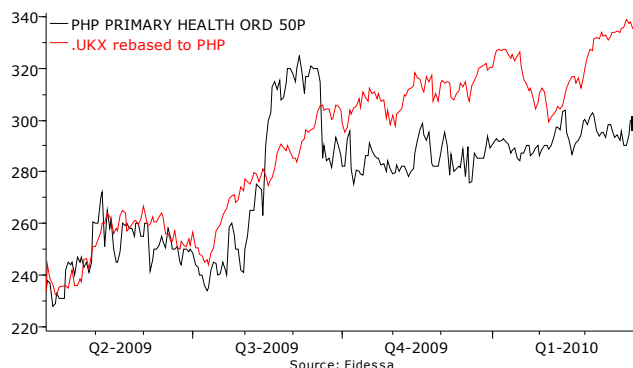
Accordingly we increased our estimate from £9.2m to £10.5m pre-tax profit, on an adjusted basis, for the current year. We also increased our estimate for the year to April 2011, because the Interim Management Statement stressed that the company was 'optimistic' about longer term prospects. It seems that the threat of digitisation of photos for passports in the French market is not turning out to have a serious short term impact, and we are pleased about that.

Photo-Me shares have traded in the 30-40p range throughout 2010 to date, and with the exception of some very relatively short lived spikes have been within this range for six months now. The shares are currently trading on an EV/EBITDA of 3.0, which for a business with proven longevity and a history of relatively stable EBITDA generation ex exceptionals is not asking very much at all.

We are watching the situation carefully, particularly with regard to currencies, in case there is a need for a further earnings upgrade.

Photo-Me				PHTM		Price p.	36.50
Full List				Support Services		Cap £m	131.4
Y/E	Sales	EBITDA	Adjusted	Adjusted	p/e	Divi	Yield
April	£m	£m	Profit £m	eps p.	ratio	p.	%
2008A	193.5	36.5	-6.3	-1.8	0.0	-	-
2009A	210.5	38.6	1.6	0.2	182.5	-	-
2010E	223.8	43.3	10.5	2.0	18.3	0.5	1.4%
2011E	223.8	42.1	12.1	2.2	16.6	0.75	2.1%

PRIMARY HEALTH PROPERTIES



Investment in new properties continues at an impressive pace as Primary Health Properties utilises the additional capital that was made available by last year's share placing.

Primary Health Properties has acquired a medical centre in Leigh in Lancashire for £6.9m. There are 17.7 years remaining on the lease. It is fully let to five GP practices and a pharmacy. It has also acquired a medical centre in Lanark, Scotland for £3.6m. This is let to the local GP practice and Lloyd's pharmacy. No rental information on either property has been disclosed.

Within the GP sector, corporate activity continues apace. PLUS quoted **AH Medical** has received a takeover approach. **MedicX Fund** has completed a £25m equity fundraising that takes its market cap up to £101m, breaking an important barrier in terms of size but still some way short of the £183m market cap of Primary Health Properties, which remains the largest business in the sector. It is interesting to note how little overlap there is between major institutional shareholdings in Primary Health Properties and MedicX Fund. The big PHP shareholders are Blackrock, Aberdeen Asset Management and Legal & General. The largest MedicX Fund shareholders are Rensburg Sheppards, CCLA, East Riding Council and Rathbones.

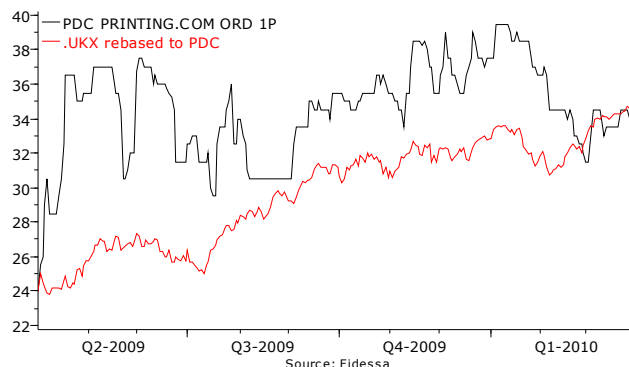
Primary Health Full List			PHP Real Estate		Price p.	298.50
					Cap £m	183.0
Y/E	Revenue (Rent etc) £m	Adjusted Profit* £m	Adjusted Eps* p.	p/e ratio	Divi p.	Yield %
December						
2007A	15.7	4.2	13.3	22.4	15.18	5.1%
2008A**	19.7	4.6	14.0	21.3	15.91	5.3%
2009A	21.3	7.8	20.2	14.8	17.25	5.8%
2010E	26.0	11.0	18.0	16.6	17.50	5.9%

* EPRA basis Ex rights adjusted **Restated

PRINTING.COM

We have slightly reduced our estimate for the year ended March 2010 following a Pre-Close Update issued on 6 April stating that March trading had been 'soft' and that profits would be marginally below expectations. We have made no change to our March 2011 estimate at this stage.

We pointed out last month that some key printing machinery leases were due to expire in 2011, dropping a significant item off the cost base. This will benefit results in 2012, and 2012 is now close enough for investors to take it into account when deciding whether to buy or sell a share.



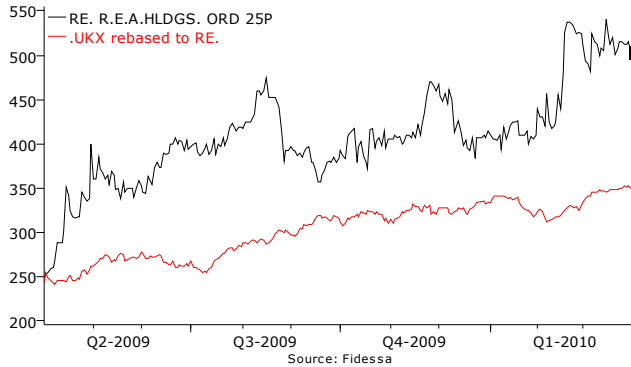
We point out that the dividend yield for this share is exceptionally high. However, it will be uncovered for both the March 2010 and 2011 years. This is not a major problem as long as profits bounce back in 2012, because the company has spare cash and is a strong cash generator. There is of course a risk that the dividend will be reduced, but we think on balance that it will be maintained.

Printing.com needs consideration by all investment managers chasing income.

Printing.com				PDC		Price p.	28.5
AIM				Retailing		Cap £m	12.7
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	13.5	2.4	2.4	3.5	8.1	3.00	10.5%
2009A	14.5	2.1	2.1	3.3	8.7	5.15*	18.1%
2010E	14.0	1.7	1.8	2.7	10.6	3.15	11.1%
2011E	13.9	1.8	1.8	2.9	9.8	3.15	11.1%

*2009A Dividend includes a special dividend of 2p/share

R.E.A. HOLDINGS



Palm oil prices have held steady over the month and are up 75% from their low point at the worst of the financial crisis.

The second largest palm oil producer in Malaysia, **IOI Corporation Berhad**, has raised MYR1.16bn (UK£230m) for acquisitions, including Indonesian palm oil estates. R.E.A.'s chairman Richard Robinow owns 30% of R.E.A. Holdings' shares so R.E.A. is not an obvious contested takeover target. Nevertheless it seems likely that there will be future consolidation in the Indonesian palm oil sector and this is probably not currently reflected in the market prices of the European listed Indonesian palm oil

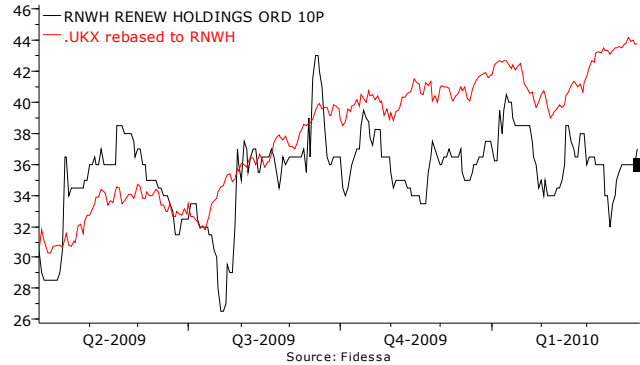
stocks.

We point out, once again, that we have nothing yet in our estimates for open cast coal production, which could turn out to be a significant profit earner for R.E.A. Holdings on a two year time span.

R.E.A. Holdings				RE.	Price p.		
Full List				Food	Cap £m		
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	USDm	Profit USDm	Profit USDm	eps c/share	ratio	P.	%
2007A	57.6	47.0	39.0	73.0	11.0	2.0	0.4%
2008A	79.6	36.3	39.0	77.2	10.4	3.0	0.6%
2009E	73.0	37.9	34.8	67.9	11.8	4.0	0.8%
2010E	92.6	53.8	50.8	102.8	7.8	6.0	1.2%

RENEW HOLDINGS

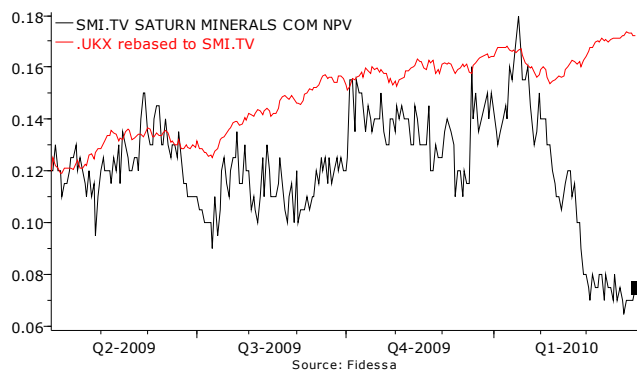
Specialist engineering and construction company, Renew Holdings, last week released a trading update ahead of its interim results for the six months ended 31 March 2010, confirming that Renew remains “on track to meet expectations”. Current consensus forecasts for the full year to 30 September 2010 are for £4.7m net profit before tax and 6.0p earnings per share. The company also announced further that a contract has now been signed for a £44m project to provide a new campus for Kirklees College in Huddersfield. While Renew is already on site at Kirklees formal work on this new contract will start early July and work is expected to complete in the summer of 2012.



Although the markets in which Renew operates remain competitive it is pleasing to note that Renew’s order book remains strong, comfortably ahead of the £202m reported last November.

Renew Holdings				RNWH	Price p.	36.0	
AIM				Construction	Cap £m	21.6	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
September	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	390.6	6.7	9.5	11.4	3.2	3.0	8.3%
2009A	316.6	1.2	5.5	6.0	6.0	3.0	8.3%
2010E	298.8	4.4	4.7	5.6	6.4	3.0	8.3%
2011E	309.0	4.7	5.0	6.1	5.9	3.0	8.3%

SATURN MINERALS



The Canadian markets have been taking a breather this month with energy, venture and small-cap indices all coming off their rising trend towards the end of March. As we have seen with our recent analysis of Australian juniors, the Canadian metals & mining index is being buoyed by the majors, as producers start to gain once again from increasing Asian demand. This sentiment will eventually flow through to explorers, but not this month.

Saturn is back at the computers re-processing geophysical data and refining its model before setting out the goals for a second round of drilling. We expect any second round to include drilling to

test the extent of the 10m seams of coal that were found on the Armit property, but it is possible that new targets may be highlighted and followed up as appropriate.

Meanwhile the provincial power company SaskPower has engaged a partnership between Canadian engineering giant, SNC Lavalin, and Shell subsidiary, CanSolv, to provide the carbon capture technology for the Boundary Dam CCS project as Saskatchewan bids to develop as a world centre of excellence in carbon capture and storage.

Saturn Minerals Inc				SMI	Price CND\$	0.08	
TSX				Mining	Cap CND\$	3.6	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	\$m	Profit \$m	Profit \$m	eps \$.	ratio	c.	%
2007A	0	-0.7	-	-0.03	-	-	-
2008A	0	-2.6	-	-0.08	-	-	-
2009E	No	Estimates					
2010E	No	Estimates					

SWIFT RESOURCES

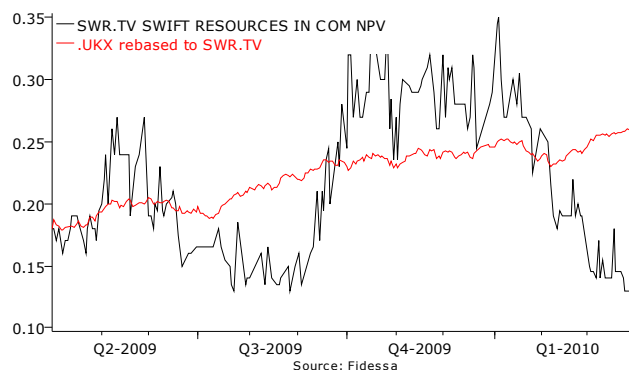
Swift is preparing for a summer grassroots exploration campaign on its 100% owned Amazing Grace property near Castlegar, BC having received the results from its first drilling campaign, earning in towards the 60% JV option with Eagle Plains Resources on the Iron Range property.

We have been unable to discuss the Iron Range results with Eagle Plain's geologists, but it seems apparent that the locations of the drilling were part of an ongoing strategy to test the potential of this long and highly prospective property. The gold-bearing vein structure was intersected in at least two of the seven diamond drill holes with highest

assay of 7.53g/t over 1m at a depth of 9.5m. Further channel sampling and geochemical sampling was also carried out that helps constrain the interpretation of the main structural elements on the property.

The news release from Eagle Plains points to a high degree of variability of gold grade along the strike of the main fault. In geostatistical terms this is known as the 'nugget effect' and it can make life interesting when planning both exploration and extraction since it means that there is a low degree of spatial co-variance between geological samples. Over time, geological systems with a high nugget effect are usually found to have some factors controlling the grade distribution, in other words they are not completely random, but these factors are not usually found during early stages of exploration and usually rely on a fair degree of pattern drilling to be able to successfully model them in three dimensions.

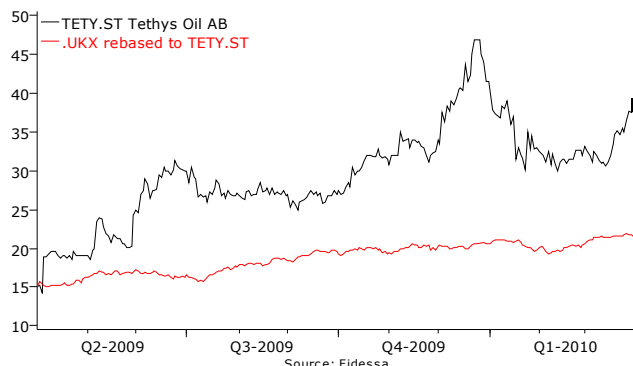
We hope to hear more from Iron Range as work progresses, but are looking forward to mobilisation on Amazing Grace in the Spring/Summer.



Swift Resources SWR Price CND\$. 0.14
 TSX.V Mining Cap CND\$m 2.0

Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	\$m	Profit \$m	Profit \$m	eps \$.	ratio	c.	%
2007A	0	0.01	-	-0.03	-	-	-
2008A	0	0.3	-	-0.08	-	-	-
2009E	0	0.9	-	-0.06	-	-	-
2010E	No	Estimates					

TETHYS OIL



Since our last monthly Tethys Oil AB has conducted two private share placings, for working capital (c.f. the expanded seismic program). These have been completed at or with a minimal discount to prevailing market prices. Shares have been placed with institutional buyers.

The first issue on 12 March placed 350,000 shares at SEK 30.75 per share, raising SEK 10.76 million before issue costs. The second issue on 23 March placed 150,000 shares at SEK 33.75 per share raising SEK 5.06 million, again, before issue costs. The AGM authorised allotment for new equity has now been fully utilised bringing the total number of

shares in issue in the company to 29,343,542.

Operationally, the 400km² 3D seismic survey cube over the East Saiwan structure on Block 4 has been completed. Accelerated processing of an area around the Saiwan East-2 well has generated new maps which will be integral to the resources and reserves report being prepared by Gaffney Cline. They will also be key to setting the upcoming well locations for the proposed field development plan in-design. Processing of the remaining area continues.

As we stated in our last monthly, the seismic acquisition program has been extended to cover a larger area of the Block 3 expanding out from the Farha South well. This work will further define and map the oil bearing Farha South structure and will map the extent of the Barik formation along the entire Farha trend where a number of structures similar to Farha South have been identified but as yet have not been drilled.

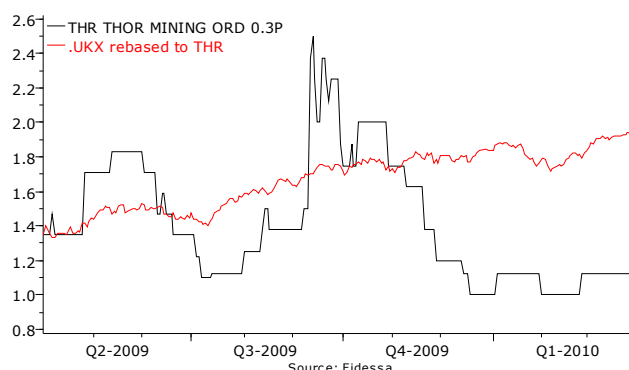
The entire survey will encompass 740 km², starting with an area surrounding the Farha South-3 well and then continuing on to the rest of the trend. The acquisition is expected to be completed during May. Both seismic surveys were conducted by BGP Oil and Gas Services of China.

We await the Gaffney Cline report.

Tethys Oil				TETY.SE		Price SEK.	38.5
AIM				Oil		Cap MSEK	1078.0
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	SEK m	SEK m	SEK m	eps SEK	ratio	SEK.	%
2007A	-	-24.7	-24.7	-1.41	-	-	-
2008A	-	-16.4	-16.4	-0.72	-	-	-
2009E	No	Estimates			-	-	-
2010E	No	Estimates					

THOR MINING

Interim results from AIM quoted Thor show the first results of some sensible measures taken to control costs. The results showed a loss, which is inevitable because Thor does not yet have a producing mine, but investors should note that there are £1.04m of positive exchange differences that are not included in the published p & l account. There is also no debt, and the end-December cash has since been augmented by a small share issue to Australian investors.



As we reported last month, Thor has added a 340 km² gold exploration prospect to its portfolio. This acquisition has been cleverly structured financially.

We expect at least one further gold prospect to be added to the portfolio.

Key short term news, and very pleasing news at that, is the recovery in the molybdenum price which has more than doubled from its low point of US\$8/lb to US\$17/lb. The tungsten price has also been moving upwards. We are also encouraged by developments in the marketplace for iron (Molyhil is a mixed moly-tungsten-magnetite deposit).

The iron ore price has also recovered strongly. In its new quarterly contract with Japan's Nippon Steel, Vale has negotiated a price of US\$105/tonne; the 2009 annual price for this contract was US\$62/tonne.

The three metal prices between them are now not far off the level now where the Molyhil project can be resurrected.

We think a further equity capital raising is likely, and would view this as good news because it will show the company moving forward once more.

Please call or email for our latest research note.

Thor Mining				THR	Price p.		
AIM				Mining	Cap £m		
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
June	£m	Profit £m	Profit £m	eps p.	Ratio	p.	%
2008A	0.0	-1.1	-1.1	-0.8	-	-	-
2009A	0.0	-1.3	-1.1	-0.6	-	-	-
2010E	0.0	-0.9	-0.7	-0.3			
2011E	No	Estimates					

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Hardman & Co
4 - 5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: 020 7929 3399
Fax: 020 7929 3377

www.hardmanandco.com

