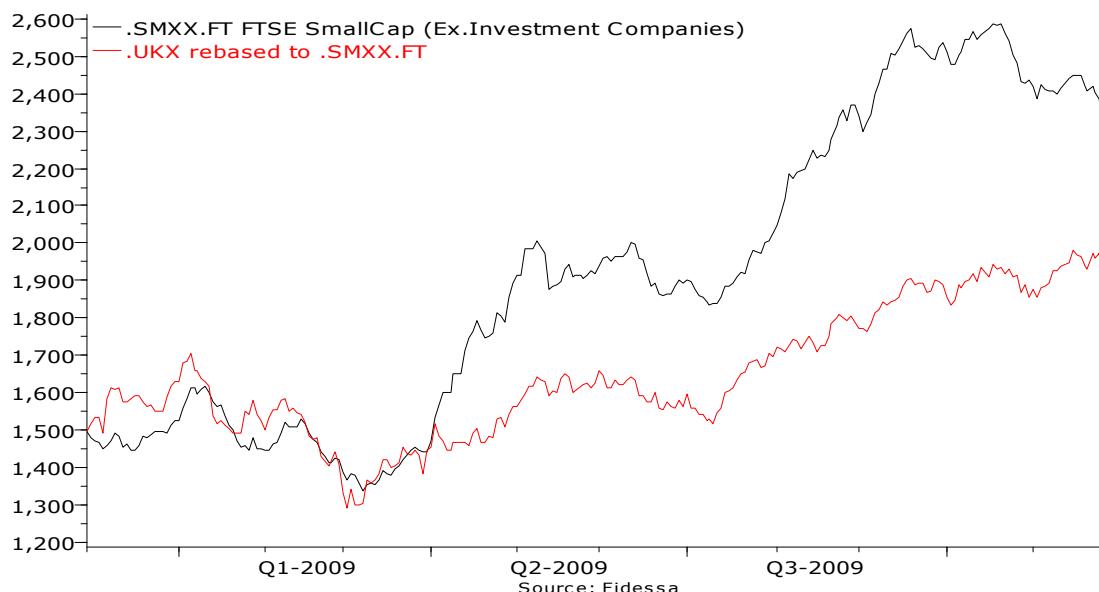


The Monthly December 2009

02 December 2009



FTSE Smallcap vs. FTSE 100

Small companies have lost a lot of their gloss over the last two months. The heady outperformance of the various small cap indices over the FTSE100 has reversed; The FTSE Small Cap Index, ex Investment Trusts, fell more than 10% between 19 October and the end of November. Compared to this, the FTSE100 has barely changed. Volumes in the small cap marketplace also appear to be heading downwards, with fewer big days over 100m small cap shares traded, and more 'small' ones with fewer than 60m shares traded.

What is behind this? Earnings ratings on the small companies appear to have gone ahead faster than those on the big stocks, and maybe this is the pendulum swinging back in a natural correction. Also big companies tend to have a greater proportion of their earnings coming from overseas, and if there is one worry that the current economic situation creates, it is the possibility of a further significant downward shift in the value of the Pound. The stock market is a forward indicator with a lead time over real economic events of, allegedly, around 18 months. In that time we could see Sterling below parity with the Euro, at a lower level against the Renminbi, and even against the sickly US Dollar. Buy the large multinationals as a hedge against a weakening Pound? We have certainly heard worse investment arguments put forward over the last three years.

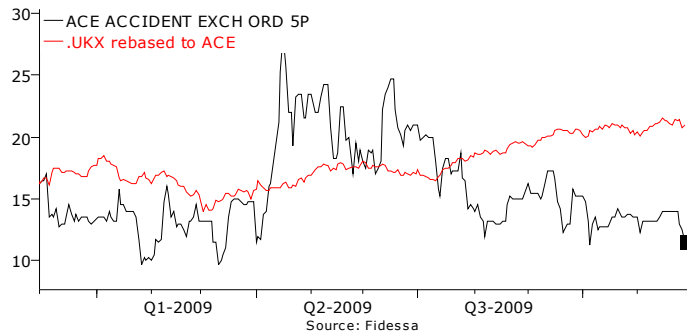
Of course that scenario holds good only for domestic investors. If you happen to be based in a strong currency zone, why should you want any exposure to the Pound Sterling at all? Perhaps this explains why, on ThomsonReuters calculations, the British stock markets have the third lowest p/e ratio of the major economies. ThomsonReuters has the UK market on a p/e of 12.5, with only Spain and Russia, each on a p/e of 11.8, a fraction below it. On these numbers, the UK trades at a 42% discount to the USA, a 41% discount to France and a 33% discount to China.

Market Indicator	Price	Previous Month Price	% Change in 1 month	Year High	Year Low
FTSE 100	5,214	5,123	1.8%	5,164	3,512
FTSE Small Cap	2,731	2,890	-5.5%	2,896	1,643

**ACCIDENT EXCHANGE**

We are withdrawing our estimates on Accident Exchange following last week's pre-close trading update.

It is now clear that the first half results for the six months to end October 2009 will show a loss at the declared level due to above average settlement discounts being conceded on closed claims and a further slug of 'exceptional' redundancy/restructuring and debtor impairment charges. Overall rental days, at 585,000, were 2.6% ahead of the position at end October 2008 but all of the increase was driven by lower margin mainstream rental days (up 30% up on the comparable period last year). Prestige rental days in the first half were down a larger than expected 20%.



In response to what continues to be a very difficult trading environment, £24m of annualised costs are to be taken out of the cost base by the end of the 2010 financial year mainly through further redundancies and reductions in the mainstream fleet. The strategy going forward will be to focus on growing the group's smaller, more profitable prestige vehicle hire business thus releasing valuable working capital currently tied up in lower return mainstream business.

The two most pressing short term issues facing the group, however, continue to be working capital management and the renegotiation on acceptable terms of the group's £40m three-year working capital facility with Morgan Stanley. This is due to expire in September 2010 and the statement clearly stipulates that cash collections must show an improvement on current levels if the group is to continue to operate within its facilities and comply with all covenants.

Meanwhile the Autofocus court case remains ongoing and is likely to take 'some time to conclude'.

The interim results for the six months to 31 October 2009 are expected to be announced towards the end of December and we will be revisiting our estimates at this time.

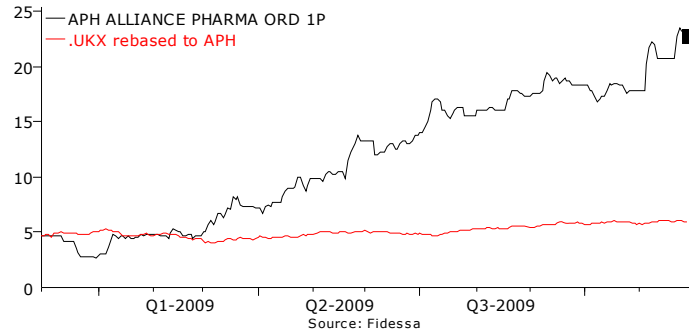
Accident Exchange				ACE	Price p.	11.0	
Full List				Specialty Finance	Cap £m	15.1	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
April	£m	Profit/(Loss) £m	Profit £m	Diluted eps p.	Ratio	p.	%
2008A	161.9	9.9	13.9	12.0	0.9	2.5	22.7%
2009A	132.0	-55.4	13.3	9.6	1.1	0.0	0.0%
2010E		Estimates	under	Review			
2011E		Estimates	under	Review			

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

**ALLIANCE PHARMA**

Alliance Pharma released a trading statement last month announcing that trading conditions have continued to be strong. Subsequent to this announcement we upgraded our full year 2009 profit before tax forecast for Alliance Pharma from £6.3m to £7.4m and our 2010 profit before tax forecast for 2010 from £6.8m to £8.1m.

These forecasts are predicated on the assumption of a more competitive market for one of Alliance’s key brands, Deltacortril. If a third player does not enter the market in 2010 than our forecasts are likely to be conservative, and we foresee a further 15% uplift in profits.



Alliance’s shares have continued their strong run and are up a further 15% since our last note.

The shares have risen fivefold in the last twelve months, and the market capitalisation of the company is now £37m. Yet the prospective p/e ratio is still, after our latest estimate upgrade, only in single figures.

Alliance Pharma				APH		Price p.	22.75
AIM				Pharmaceuticals		Cap £m	36.9
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit £m	Profit £m	Basic eps p.	ratio	p.	%
2007A	18.2	-3.21	0.37	0.23	98.9	-	-
2008A	21.8	2.40	2.40	*1.55	14.7	-	-
2009E	29.6	7.40	7.40	3.10	7.3	0.20	0.9%
2010E	30.6	8.10	8.10	3.02	7.5	0.20	0.9%

\*2008 eps includes the benefit of a £600,000 tax credit

**BEGBIES TRAYNOR**

While there has been no news from Begbies Traynor during the past month, the insolvency sector has been in the news on several occasions.

First, the Insolvency Service released figures for Q3 2009. These showed corporate insolvencies still ahead year-on-year, but with the rate of increase slowing for the third quarter in a row. It was just +10%, down from the peak of +69% in Q4 2008.

Further, this slowing rate of growth has meant that, quarter-on-quarter, the number of new cases, which peaked in Q1 2009, have actually fallen in each of the last two quarters. Lest complacency should set in, though, it is worth noting that the number of new cases in the year to September represents 0.9% of the active company register, up from 0.8% in the year to June and one rung closer to the peak of >1% expected next year. The industry still expects insolvencies to pick up again as the economy comes out of recession; with cash flow under pressure, and credit still tight, many will find it difficult to fund the increased working capital requirement of resumed growth.

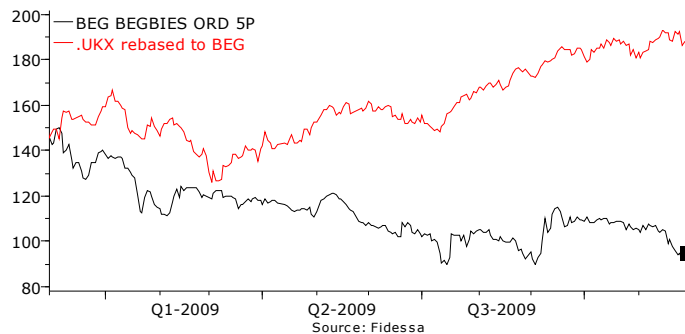
Total personal insolvencies rose again year-on-year, and here the rate of growth has seen only a very small dip in the latest quarter, to +22%, with figures still rising quarter-on-quarter. Figures are likely to go higher still as credit remains tight, inflation appears to be returning and unemployment, typically, does not peak until 12-18 months after the end of a recession – and this time, too, there is the prospect of it being stoked by potentially significant public sector cuts.

Secondly, we had the news that the OFT has launched an investigation into the insolvency industry – looking at the appointment process, the level of fees charged and recovery rates for different classes of creditor (which might be interpreted as a swipe at “pre-pack” administrations where unsecured creditors often lose out). Having recently been sent the charging schedule of one of the “Big 4” in a recent case, we understand that it is significantly higher than those of the quoted segment of the sector. When this is taken together with firms in this sector having strengthened their ability to undertake cross-border cases – in Begbies’ case through its Global Network and BTG Mesrirow joint venture – it is no wonder that the response from Begbies was to support any opening up of the market to competition for larger insolvencies. The enquiry, too, was seen by **Tenon** as supporting its belief in the benefit of a competitive and transparent market.

There is, though, another side to the case. If appointments were to be opened up to firms not on creditor panels then this will increase competition for those that are, including Begbies and the other two quoted firms – Tenon and Vantis. So, watch this space, with the investigation expected to be concluded by end-2010.

There was a further story, too, on plans by the Insolvency Service to extend the existing protection from creditors for small companies restructuring via a CVA to medium and larger companies. However, with a General Election due shortly, it is not sure when this might pass into law, if at all. In any case, with CVAs only infrequently used by insolvency practitioners, it may, even if enacted, be of limited significance.

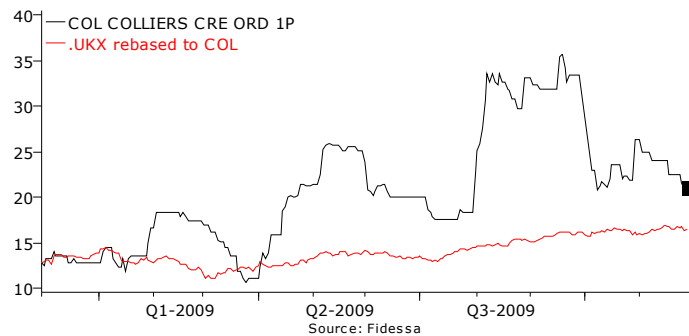
Meanwhile – perhaps on the back of a return of appetite for risk, perhaps given the lack of news flow from the company, Begbies’ shares have languished over the past month, coming off by 12%, to 95p against a decline of just 2% in the FTSE AIM All Share Index. We have not changed either our forecasts or our 180p Fair Value Price, and know of no reason for the weakness.



Begbies Traynor				BEG		Price p.		95.50
AIM				Support Services		Cap £m		85.4
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	16.0	2.5	2.6%	
2009A	62.1	7.2	9.8	7.8	12.3	2.8	2.9%	
2010E	67.6	10.1	11.6	8.9	10.8	3.1	3.2%	
2011E	74.4	12.6	13.7	10.4	9.2	3.4	3.6%	

**COLLIERS CRE**

Post FirstService Real Estate Advisers taking a 29.9% stake in Colliers CRE earlier this year a number of changes have been made to the company's Board of Directors. Mr Douglas Frye, Mr Christopher McLernon and Mr Geoffrey Bledin, have all been appointed as Non-Executive Directors. Mr Frye is the CEO and President of Colliers Macaulay Nicolls Inc (trading as Colliers International), Mr McLernon is a senior member of Colliers Macaulay Nicolls' management team while

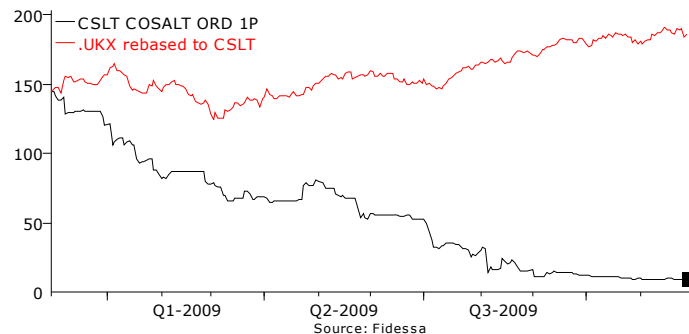


Mr Bledin, a Chartered Accountant, has been appointed as an independent director. Mr Andrew Graham, Mr Colin Wagman and Mr David Munns have all retired from the Board of Colliers CRE. In addition, in accordance with arrangements made at the time of FirstService subscribing to its stake in Colliers CRE, Mr Mark Sample has ceased to be a Director of Colliers CRE. He continues in his role as Group Finance Director.

Colliers CRE				COL	Price p.		21.0
AIM				Real Estate	Cap £m		9.8
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit £m	Profit £m	Basic eps p.	ratio	p.	%
2007A	117.5	12.2	9.4	11.8	1.8	5.0	23.8%
2008A	78.0	-11.1	-4.6	-6.5	0.0	-	-
2009E	59.4	-11.2	-7.9	-9.0	0.0	-	-
2010E	68.6	2.8	2.8	1.3	16.2	-	-

**COSALT**

This week's brief pre-close trading update confirmed that the group continues to trade in line with the Board's expectations thanks to recent cost-cutting initiatives. As a result we expect the FY results to end October 2009 to be in line with our forecasts below. The results are expected to be announced in the first week of February 2010.



A number of Board changes have also been announced. Entrepreneur and major shareholder David Ross has been re-appointed as Group Chairman replacing interim Chairman and Non-Executive Director David Hobdey. In addition, Calum Melville, head of the group's higher margin Offshore Oil & Gas Division has joined the Board as an Executive Director while Simon Gilbert has been appointed as a Non Executive Director. We will be issuing a new research note on Cosalt shortly after the FY results announcement.

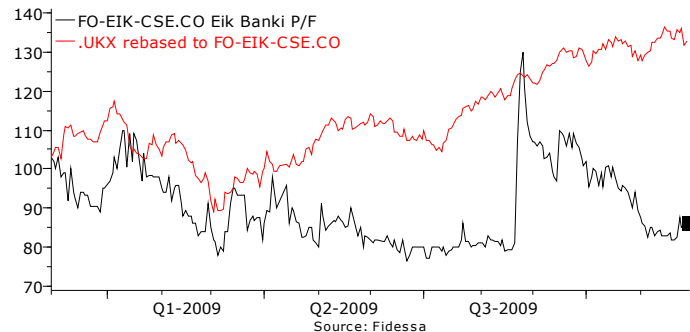
Cosalt				CSLT	Price p.		8.9
Full List				Diversified Inds	Cap £m		7.9
Y/E	Sales	Declared	Adjusted	Headline	p/e	Divi	Yield
October	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2007A	66.9	0.1	1.0	11.6	0.8	12.00	135.1%
2008A	105.0	1.5	7.2	23.4	0.4	6.0	67.6%
2009E	115.5	-0.2	5.2	4.2	2.1	0.0	0.0%
2010E	119.3	4.9	7.5	*1.3	6.8	0.0	0.0%

\*2010E eps includes a full 12 months dilution from the 378m new shares issued as part of the recent £17.1m fund raise

**EIK BANKI**

We reported on the Eik Banki nine month numbers in the previous *Monthly*. In the statement, Eik downgraded its estimated outcome for the full year 2009, and said that while impairments had decreased in the third quarter, they were expected to remain at a high level.

The impairments primarily concern loans to Danish corporate real estate, and the same challenges were not been seen in other business areas, either in Denmark or the Faroe Islands, said Marnar Jacobsen, the group CEO.



Probably not enough attention was given by the markets to the improvement in the bank's core operation, with net fees and commission income increased by DKK 31m. Also, the interest margins on corporate business have been increased, while staff and administrative costs are running at a lower level than a year ago.

Over the past month the Eik Banki share price has held steady.

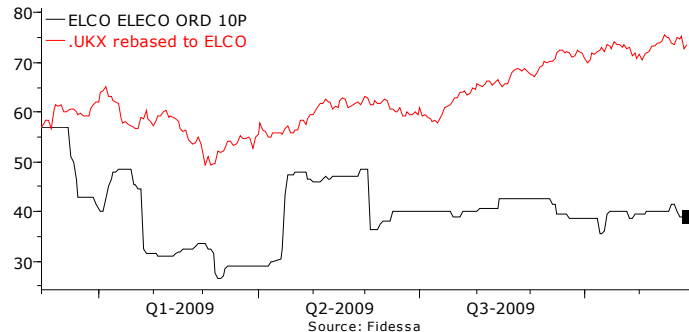
Eik Banki Copenhagen Stock exchange		FO-EIK CSE Banks			Price DKK	86.0	
Y/E	Group Revenue*	Declared Pre-Tax	Adjusted Pre-Tax	Declared After-Tax	p/e ratio	Divi	Yield
December	DKKm	Profit/(Loss) DKKm	Profit** DKKm	eps** DKK		DKK	%
2007A	676	465	310	51.6	1.7	10.67	12.4%
2008A	796	-416	384	-38.6	0.0	0.0	0.0%
2009E	571	-150	89	-13.4	0.0	0.0	0.0%
2010E	No	Forecasts					

\*Net interest income + fees etc

\*\*excludes impairments, market value adjustments

**ELECO**

Eleco's AGM statement on 12 November was very much 'steady as she goes', without dramatic headlines. Chairman John Ketteley talked of 'new orders that we are favourably placed to secure', but did not detail any actual new contract signings. Clearly any new business that Eleco does land will only impact the second half rather than the first – Eleco has a June year end so the financial year is already five months through.



The company was benefiting 'to a modest degree' from the upturn in sentiment in the housebuilding sector, Ketteley said, and the software division was profitable and trading ahead of the early part of the previous year.

Also – important news this – Eleco has bitten the bullet and decided to close its defined contribution pension scheme. The deficit Eleco carries is relatively small compared to its earning power and assets, but even so we are both pleased and relieved by this decision. We wish more companies would follow its example.

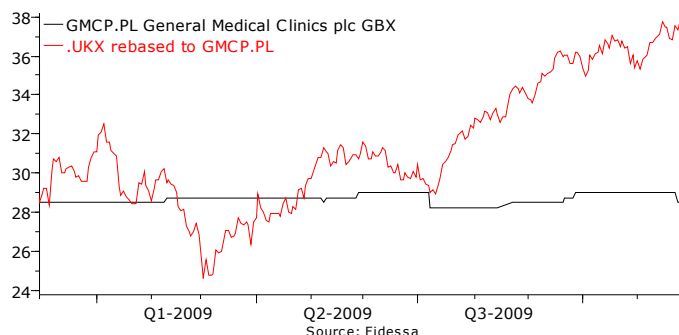
In terms of contracts, top item on Ketteley's letter to Father Christmas must be some news on the prison building front. Industry gossip has it that Eleco's precast concrete operations are involved in several tenders, but so far through a combination of Government inaction and difficult PFI funding conditions, no contracts have actually been given the go-ahead. Any business wins on this front could have a major impact on Eleco's 2010/11.

Eleco		ELCO			Price p.	39.0	
AIM		Diversified Inds			Cap £m	23.1	
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	3.2	3.0	7.7%
2009A	70.6	-1.4	0.9	1.4	27.9	0.8	2.1%
2010E	70.2	1.1	1.8	2.3	17.0	1.0	2.6%
2011E	No	Estimates					

**GENERAL MEDICAL CLINICS**

There have been no new developments at General Medical this month.

Company Health Group, one of General Medical's competitors, has announced that it is in advanced discussions with a third party to sell all its operating subsidiaries before the end of the current year, subject to due diligence, contract and shareholder approval. The AIM-listed healthcare provider also said that following completion of disposals, these disposed subsidiaries will form part of a significantly enlarged trading group and the company will in turn become a shareholder. Also, Company Health has advertised that its winding up petition is due to be heard on 3 December. Company Health's shares have been suspended since June.



General Medical Clinics	GMCP	Price p.	28.5
UK: PLUS	Healthcare	Cap £m	4.7

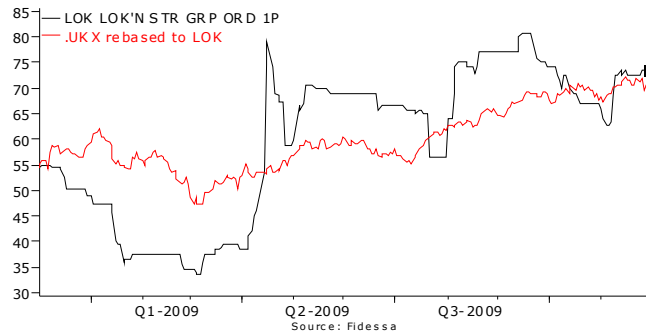
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
May	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A*	6.54	0.30	0.48	2.1	13.6	0.4	1.4%
2009A**	6.61	0.12	0.36	1.7	16.8	0.5	1.8%
2010E	Estimates	Under	Review				
2011E	Estimates	Under	Review				

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

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

**LOK'NSTORE**

Lok'nStore's full year results showed revenues and group EBITDA ahead of our forecasts, albeit 7.6% and 10.6% respectively below the previous year. The results reflected the benefits of a return to occupancy growth in the second half and a 6.6% reduction in operating costs. Promotional activity meant that pricing suffered - falling 2.3% to 17.50 sq ft during the year - but having arrested the decline in occupancy we understand average rates per sq ft are now on the rise again.



The y/e external property valuation gave an adjusted NAV per share of 207p/share, 15% below the previous year but 3.5% ahead of the directors' valuation of 200p/share at end January 2009.

With annualised sales running at £10.3m and the group benefiting from a reduction in operating and interest costs we are upgrading our adjusted pre-tax profit estimate to £0.1m (vs. our previous forecast of £(0.56)m) and our dividend per share estimate from zero to 1p/share. For 2011, we expect revenue and pre-tax profit to move sharply higher because by then the economic recovery ought to be on a more stable footing. Whilst all of the data on enquiries, reservations, occupancy, and more recently pricing continue to show forward movement uncertainty remains about the extent of the UK recovery in 2010. Consequently we think it unlikely that any of the four stores in the development pipeline will open before H2 2011.

The shares have moved higher post the results but the 65% discount to NAV continues to be significantly higher than the discount afforded to larger competitors Big Yellow and Safestore. Placing the shares on a more reasonable 40% discount to NAV would suggest a target share price of 124.5p, a 70% increase on the current 73.5p.

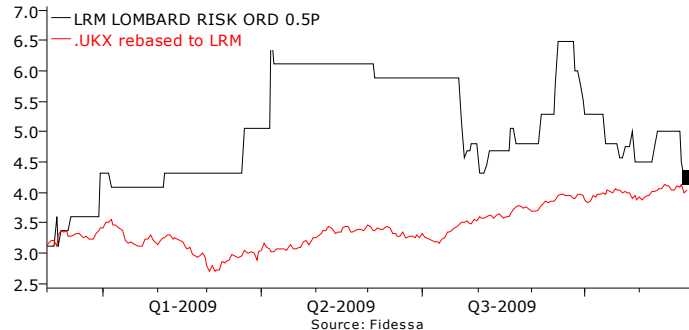
Lok'nStore		LOK			Price p.	73.5	
AIM		Support Services			Cap £m	18.4	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
July	£m	Profit/(Loss) £m	Profit/(Loss) £m	eps p.	ratio	p.	%
2008A	10.83	-0.74	-0.31	-1.50	-	1.00	1.4%
2009A	10.01	-0.66	-0.66	-2.40	-	1.00	1.4%
2010E	10.30	0.10	0.10	0.40	183.8	1.00	1.4%
2011E	11.11	0.55	0.55	2.19	33.6	1.00	1.4%

**LOMBARD RISK MANAGEMENT**

Shares of this banking software company have fallen by a third since their September peak. The company has a March year-end, and last year its Interim Results (for the six months to end-September) were released on 31 December. So the current year Interim Statement could come at any time and Lombard is heavily in close period.

There are two reasons the share price has been drifting. First, there was a major placing of new shares in September, raising £1.8m of additional capital. The placing was at 4p a share, and there will inevitably have been some 'leakage' of shares onto the market. Second, there has been no new contract news from Lombard. We believe that Lombard Risk Management is well placed in some new contract negotiations with some of the world's major banks. But in spite of the pressures on the world banking community caused by the implementation of Basel II and new risk management and compliance requirements worldwide, the big banks are still nervous about committing capital to new software purchases.

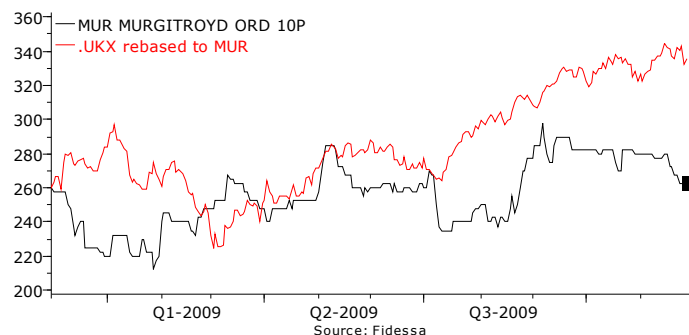
No date has yet been released for the Interim Results.



Lombard Risk Mgt				LRM	Price p.	4.3	
AIM				Software	Cap £m	8.8	
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 news from Patent and Trade Mark Attorneys, the Murgitroyd Group. Battles over Intellectual Property rights will, however, always be a fact of life. Recent high profile cases have included a fight over the copying of a crochet pattern by fashion house, Chanel, the assertion of plagiarism by stand-up comedians, record company EMI suing a US based website for offering unauthorized downloads of Beatles hits and the heirs of Jamaican superstar Bob Marley enforcing their rights to the Marley name, look and sound.

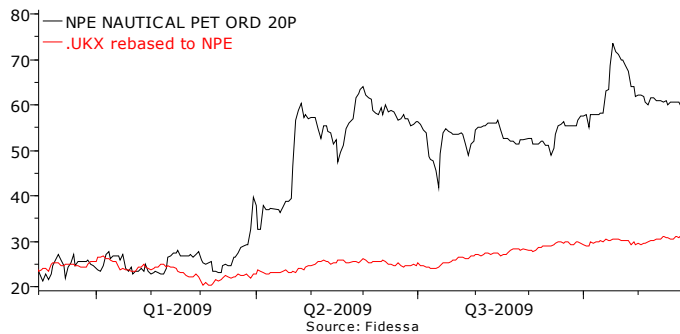


Murgitroyd				MUR	Price p.	262.5	
AIM				Support Services	Cap £m	22.3	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
May	£m	Profit £m	Profit £m	Basic eps p	ratio	p.	%
2008A	25.7	2.9	3.1	25.3	10.4	9.5	3.6%
2009A	28.9	3.1	3.4	27.0	9.7	9.5	3.6%
2010E	30.4	3.5	3.5	27.9	9.4	10.0	3.8%
2011E	31.1	3.8	3.8	30.0	8.8	10.5	4.0%

**NAUTICAL PETROLEUM**

Nautical's full year results were published on 9 November recording an after tax of £5.9m (2008, £4.5m) including write-downs and relinquishments. G&A of £1.6m remained flat year-on-year with costs partially offset by £0.5m in net foreign exchange gains, finance income of £1.3m and a net taxation credit of £0.7m. Net cash is reported as £19.1m, i.e. little changed on last year.

We are currently reviewing our estimates, please see our note, 'Results. Focus on Mariner and Kraken' published on the 9 November.



The focus at Nautical Petroleum remains on heavy oil in the North Sea. At Mariner, gross volumes have been revised upwards by 34%, to 369mmbbo, and if all goes well first oil can be expected in 2015. Statoil is continuing its progress towards concept selection on Mariner in 2010 and award of the contract for front end engineering and design (FEED) studies. Mariner Field Development Plan (FDP) submission es expected in 2011.

At the analyst meeting held for the latest results, Nautical's management stressed that Statoil views Mainer as important and is committed to the project.

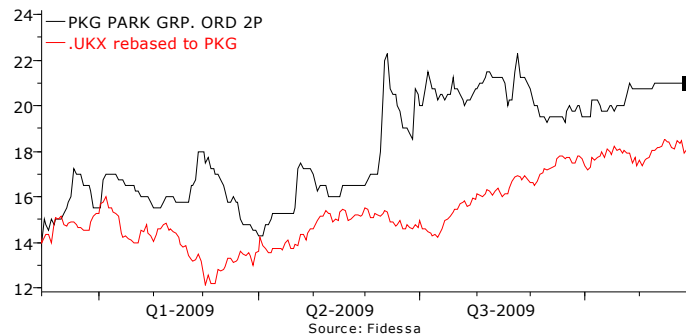
We viewed the results as reassuring.

A fuller research note will be published shortly.

Nautical Petroleum				NPE		Price p.		58.5
AIM				Oil		Cap £m		37.1
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield	
June	£m	Profit £m	Profit £m	eps p.	ratio	p.	%	
2007A	0.0	-4.50	-4.50	-7.44	-	-	-	
2008A	25.0	-6.60	-6.60	-9.28	-	-	-	
2009E	Estimates	Under	review					
2010E	Estimates	Under	review					

**PARK GROUP**

The Park Group interim results are due on Tuesday December 8. The last official announcement from the company stated that it 'continued to trade broadly in line with market expectations'. The interim results give a very clear indication of the likely trading outcome for the full year, because the outcome of the 2009 Christmas trading cycle will be known by December 8.



Park Group has also announced that its Love2Shop voucher scheme has won a significant number of new clients. We covered progress here in our last research note, in October, which followed a site visit. Please email or call for a copy.

The biggest change affecting Park Group has been the continued narrowing of the gap between LIBOR and the UK Base Rate (which will possibly be reversed by the Dubai crisis). The 3 month LIBOR rate has been down as low as 0.6%. This will have affected interest income during the peak October-November period, when Park has well over £100m out on deposit. It was clear from our visit, however, that Park is doing some very imaginative things on the trading front, and that the opportunity to enhance trading margins is rather greater than we thought, so any lowering of expectations on the interest income front is likely to be offset by what has been happening at the trading level.

This company remains solid as a rock. The shares yield well over 6% and are on AIM rather than the main market. It is difficult to think of a better qualifying stock for a private client broker servicing IHT portfolios.

Park Group				PKG		Price p.	21.0
AIM				Consumer Finance		Cap £m	34.7
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	9.5	1.2	5.7%
2009A	250.5	6.2	6.2	2.4	8.8	1.3	6.3%
2010E	255.8	5.3	5.3	2.3	9.1	1.4	6.4%
2011E	266.9	5.5	5.5	2.4	8.8	1.4	

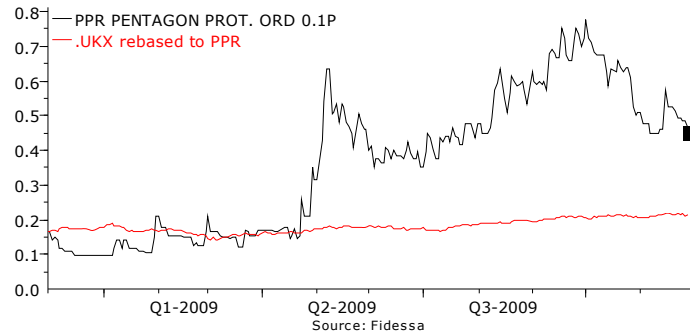
**PENTAGON PROTECTION**

This month, the board of Westminster Group confirmed the group has made an approach to Pentagon's board. However, Pentagon believes the figure fails to reflect the value of the company.

No details of an indicated price have been released to the general public, and no formal offer has yet been made.

Pentagon Protection is now on the Takeover Panel List. Because of this we are heavily restricted in the comments we can make. The Takeover Panel considers us to be an Interested Party under its rules.

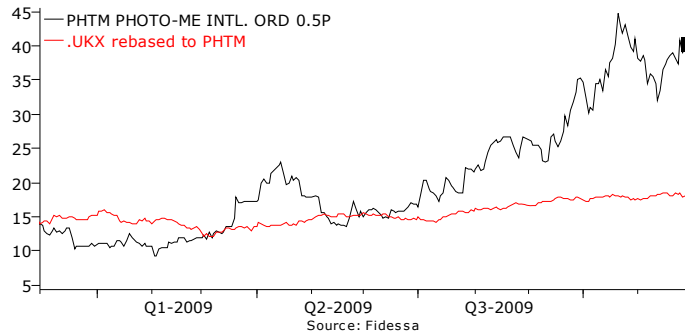
We can say, however, that the recent share price movement of Pentagon is not typical of that of a company in a contested bid situation. It is not usual for a company in receipt of a serious takeover approach to experience a share price fall.



Pentagon Protection				PPR	Price p.	0.44	
AIM				Support Services	Cap £m	2.8	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
September	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2007A	1.74	-0.33	-0.33	-0.10	-	-	-
2008A	1.44	-2.99	-0.60	-0.15	-	-	-
2009E	No	Forecasts					
2010E	No	Forecasts					

**PHOTO-ME INTERNATIONAL**

We have upgraded our Photo-Me International estimates for the second time in a month, following a positive Trading Statement. We now look for £6.2m adjusted pre-tax profits, vs. our previous forecast of £3.4m, and 1.4p eps vs. 0.9p. While this is hugely dramatic and very exciting, we continue to believe that the real measure of progress at Photo-Me International is EBITDA, because of this company carries a very heavy depreciation charge. In EBITDA terms, our estimate rises from £35.4m to £39.0m, which is still very significant, but is more indicative of the core underlying stability of this company.



We were fascinated by the insight the company gave into its balance sheet position. The net debt, which had been £26.1m at end-April, has been totally eliminated, and there are no distortions here – Photo-Me expects to still have no net debt at its April 2010 year end. This means Photo-Me has wiped out circa £50m of debt in just eighteen months of trading, a truly phenomenal performance which totally justifies our insistence, throughout all the issues with rebel shareholders, asset relifings and gyrating share price, that the key to this company is its fabulous cash generation.

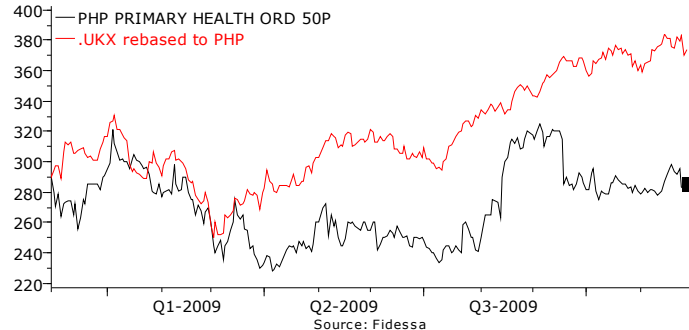
There will come a time when Photo-Me needs to ratchet up its capital spending programme, and then of course cash generation won't be as rapid, and obviously might even reverse for a spell. But meantime we are seeing a profits rise because of three factors, not just the two given in the company's official announcement. The company points to revenues (sales) being better than it expected and to a cost savings programme being more successful than anticipated. In addition, however, it also has a declining depreciation charge, which is allowing a greater proportion of gross profit to feed down to shareholders and eps. This is a fascinating company.

Interim results are due on Wednesday 9 December.

Photo-Me			PHTM		Price p.		40.2
Full List			Support Services		Cap £m		144.8
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	201.1	-	-
2010E	220.4	39.0	6.2	1.4	28.7	-	-
2011E	No	Forecasts					

**PRIMARY HEALTH PROPERTIES**

The Interim Management Statement at end-November confirmed our view that property values in the medical sub-sector have stopped falling and have levelled. Outside valuers Lambert Smith Hampton said there had been 'no material change' in values over the quarter. The interim results a week later from **Assura Group**, whose property ownership profile is very similar to that of Primary Health Properties, confirmed this. In fact the analysis from **Investment Property Databank** that during calendar year 2008 medical properties generally fell by only 4.6% compared to the fall in its All Property Index of 22.1% does rather suggest that this entire area is more stable than any of the companies involved have been given credit for.



Rental growth during the quarter was at a weighted average of 3.16%. Again, the Assura results statement confirmed that this was no freak - in the six months to end-September Assura's rental growth was an annualised 3.4%. A word of explanation is necessary here, because both figures are some way ahead of the inflation rate, and the standard assumption on GP surgery rent patterns is that they are adjusted by the authorities to shadow the inflation rate. First, rent reviews usually occur on a three yearly basis, and the reviews are therefore adjusting for a period when the average inflation rate was rather higher than it is now. Second, Primary Health Properties in particular has been making small improvements to a number of properties – the kind of improvements that don't merit a press release and usually involve only modest expenditure – and these minor upgrades justify a little additional upwards rental creep.

PHP's theoretical liabilities under interest rate swaps had risen, the statement noted. This is one of the consequences of fixing borrowing costs. We have always said we would far rather PHP fixed its rates and risked a theoretical p & I account negative under IFRS accounting, rather than leave its interest rates floating which would risk wiping out the real p & I account completely if rates turned upwards.

We liked the news that borrowings at end-October were £172.9m vs. facilities of £265m; plenty of headroom there. Now we would like news on property purchases to use up some of that facility, in order to increase PHP's earnings power. Because PHP has borrowings fixed at levels above today's rates, the money it raised in its placing and rights issue is currently earning less than it is paying to service its term debt. That cash needs to be invested at a better return so that PHP can avoid earnings dilution.

Primary Health			PHP		Price p.	289.50
Full List			Real Estate		Cap £m	177.5
Y/E	Revenue	Adjusted	Adjusted	p/e	Divi	Yield
December	(Rent etc) £m	Profit* £m	Eps* p.	ratio	p.	%
2007A	15.7	4.2	13.3	21.8	15.18	5.2%
2008A	19.7	4.6	15.6	18.6	15.91	5.5%
2009E	20.8	6.7	16.4	17.7	17.00	5.9%
2010E	26.0	11.0	18.0	16.1	17.50	6.0%

\* EPRA basis

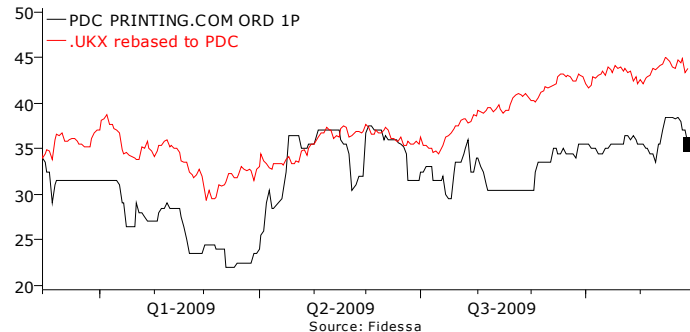
**PRINTING.COM**

Interim results from franchised business to business print specialist Printing.com showed flat turnover and further margin erosion. Current trading remains at a slightly lower level than the previous year and because of continued margin pressure we have downgraded our current year pre-tax profit estimate by 11%.

We have also conservatively downgraded our 2011 pre-tax profit estimate by 10% based on our view that margin growth will lag the recovery in volumes as economic conditions improve. However, with utilisation running at just 50% at the group's central hub, Printing.com remains ideally placed to capitalise on the upturn at very little incremental cost and our 2011 estimate could well prove to be overly pessimistic.

Meanwhile the net cash position remains healthy, at £1.79m, even after payment of the final full year and special dividend and the group continues to generate positive cash flow. Also, at the current share price the shares offer an almost unrivalled prospective yield of 9%.

For a more detailed analysis of the interim results, please call for a copy of our most recent note on the company, 'Printing.com – Waiting for the Upturn' published on 10 November 2009.

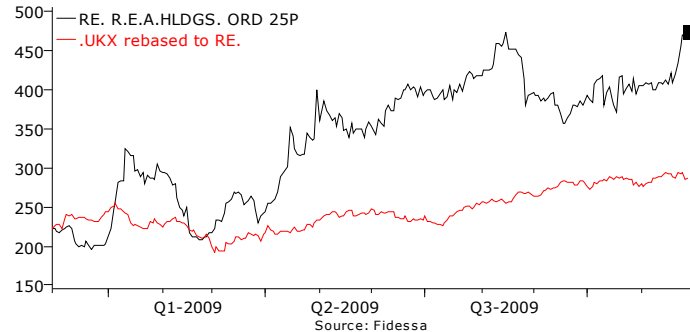


Printing.com				PDC		Price p.	35.5
AIM				Retailing		Cap £m	15.8
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	13.5	2.4	2.4	3.5	10.1	3.00	8.5%
2009A	14.5	2.1	2.1	3.3	10.9	*5.15	14.5%
2010E	14.4	1.8	1.8	2.9	12.2	3.20	9.0%
2011E	15.3	2.1	2.1	3.2	11.1	3.50	9.9%

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

**R.E.A. HOLDINGS**

Encouraging progress continues to be made on the palm oil plantations in East Kalimantan, Indonesia. Harvested FFB crop output for the 10 months to 31 October 2009 was within a whisker of management's expectations, at 397,000 tonnes (vs. 368,000 tonnes for the corresponding period in 2008), the crude palm oil extraction rate has improved to 23.5% (vs. 23.1%) and the palm kernel rate has also increased, from 4.5% to 4.7%. Whilst it is possible that output in the final months of the current financial year/early next will be hit by the widely reported El Nino weather pattern the news to date has been very good and together with recent stability in the CPO price gives us some confidence that our current FY09 estimate will be met.



2,000 H of new oil palm is likely to be developed in 2009 rising to 4,000 H in 2010 and 2011. The latest Interim Management Statement also surprised on the upside with news that the group has recently increased its fully titled land area by 5,211 H to 52,025 H. We believe this is particularly reassuring following the delays to the land titling process experienced last year. By 2010, R.E.A. expects to obtain accreditation from the Roundtable of Sustainable Palm Oil and reaffirming its green credentials is also actively engaged in initiatives to conserve orang-utan populations and other endangered species such as crocodiles in local and surrounding areas.

At the coal mining operations in Liburdinding, production has started at a very modest 5,000 tonnes per month and is to be progressively increased to 30,000 tonnes per month. This is still small-scale in industry terms and the sulphur content of the coal produced is quite high making it unsuitable for export markets. Despite this, the group has been accepted as one of a limited number of approved suppliers to the Indonesian state electricity company (PLN) so selling the coal is unlikely to be an issue. Having moved into commercial coal production, management is now evaluating the purchase a larger coal concession in East Kalimantan for a total consideration \$4.5m. We expect further news on this front to be unveiled alongside the full year results announcement early next year.

R.E.A. Holdings				RE.		Price p.	474.5
Full List				Food		Cap £m	158.5
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	6.5	2.0	0.4%
2008A	79.6	36.3	39.0	77.2	6.1	3.0	0.6%
2009E	66.9	34.2	34.2	66.4	7.1	4.0	0.8%
2010E	73.4	39.5	37.5	73.7	6.4	4.0	0.8%

**RENEW HOLDINGS**

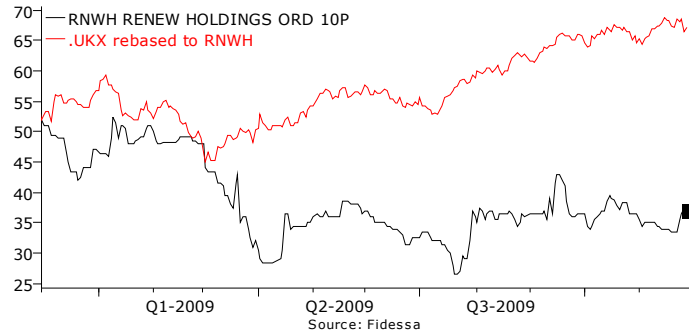
Specialist Engineering and Construction company, Renew Holdings, released its full year results to 30 September 2009 last week. Specialist Engineering turnover of £114.8m was 23% higher than the £93.3m achieved in 2008 while operating profit at £4.0m was 16% higher than that earned in 2008.

The Group continues to focus on the Specialist Engineering arm of its business in which its markets – Nuclear, Water, Land Remediation and Rail – are more resilient, than the Group’s Specialist Building arm, and

by the year ended 30 September 2010 Renew expects that Specialist Engineering will account for circa 50% of its business. Turnover in Specialist Building decreased from £294.6m to £202.4m while profits fell from £4.9m to £2.5m. The lower turnover was primarily in Retail and other non-specialist areas.

In September the Office of Fair Trading (“OFT”) released a decision finding Renew and its subsidiary Allenbuild liable for a penalty of £0.5m following an investigation into bid rigging and Renew, and its former subsidiary, Bullock Construction, jointly and severally liable for a penalty of £3.0m. Renew has now appealed against these fines and a provision has been made in the Group’s accounts for only the £0.5m relating to Allenbuild.

Renew’s shares are attractively priced and offer investors a yield of circa 8.1%.



Renew Holdings				RNWH		Price p.	37.0
AIM				Construction		Cap £m	22.2
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
September	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2007A	390.6	6.7	9.5	11.4	3.2	3.0	8.1%
2008A	316.6	1.2	5.5	6.0	6.2	3.0	8.1%
2009E	298.8	4.4	4.7	5.6	6.6	3.0	8.1%
2010E	309.0	4.7	5.0	6.1	6.1	3.0	8.1%

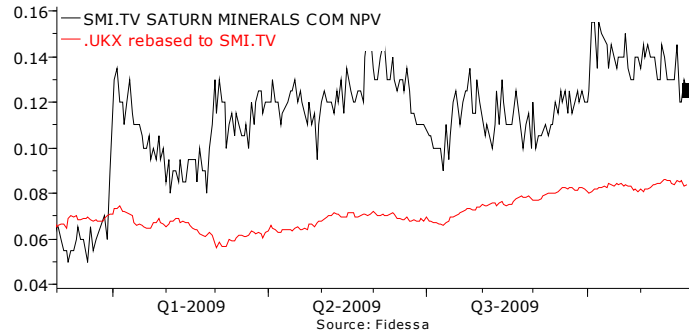
**SATURN MINERALS**

Saturn Minerals has started a 24-hole drilling program on its coal properties in Saskatchewan following the delivery of a 43-101 compliant independent geologist's report that brings together all the available geological information on the Durango Trend thermal coal play.

The 85-page report is very detailed and we will release a separate note on it once it has been fully digested, but our initial reaction is that a new geological interpretation has provided much better focus for ongoing exploration and

that under the new interpretation, the air-borne geophysics has provided some excellent targets for a first round of drilling. This is the first report that we have seen for the area that takes an overview of all publicly accessible geological data, including that for adjacent properties and, if the drilling supports its findings, should be a good guide for the next few steps along the project plan.

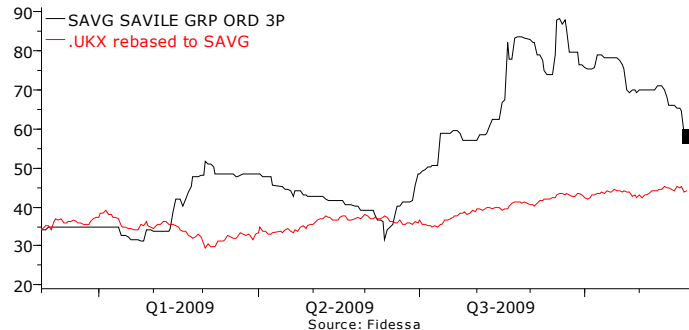
In the mining news for Saskatchewan; The first NI 43-101 compliant coal resource has been announced on the Durango Trend. Goldsource Mines inferred and indicated resource totals over 150Mt from 14 separate sub-basins. The province's potash mines are provoking corporate interest due to price weakness in the fertilizer market. Junior miners, including Chinese juniors miners, are also starting to explore for new deposits of potash in the province based on long-term global demand projections. Finally there are growing doubts surrounding the Cigar Lake uranium mine and whether it will reach its specified production capacity given its ongoing engineering issues.



Saturn Minerals Inc				SMI	Price	CND\$	0.12
TSX				Mining	Cap	CND\$	6.0
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	N/A	N/A	N/A
2008A	0	-2.6		-0.08	N/A	N/A	N/A
2009E	No	estimates					
2010E	No	estimates					

**SAVILE GROUP**

Savile has announced that it has acquired the rights to take a controlling interest in Ashbourne Assessment Limited in exchange for a working capital loan facility of up to £300k. Oxfordshire based Ashbourne Assessment provides assessment, selection and training services across the public sector, notably to the MOD and NHS and is on six of the preferred supplier frameworks with HM Treasury's Office of Government Procurement/Commerce. With a number of reforms and spending cuts on the cards the public sector is both a strategically important and potentially fast-growing market for HR services.



Management expects Ashbourne to report a loss in the current financial year to end December 2009 on turnover of £2m. FY2010 should be better however, as the deferred revenue from tenders won in 2009 starts to flow and recent measures to realign the cost base take effect.

Under the terms of the deal, Savile can only exercise its option to acquire more than 50% of Ashbourne on or after 1 July 2010 i.e. after the group's June 2010 financial year end. In the event of a full takeover, the option places a minimum value of £1m on Ashbourne subject to actual performance in both 2009 and 2010, a valuation which we view as reasonable.

In the interim period, the two companies will work in partnership to open up additional opportunities in the public sector for Savile's three divisions – Fairplace, IDDAS and CEDAR.

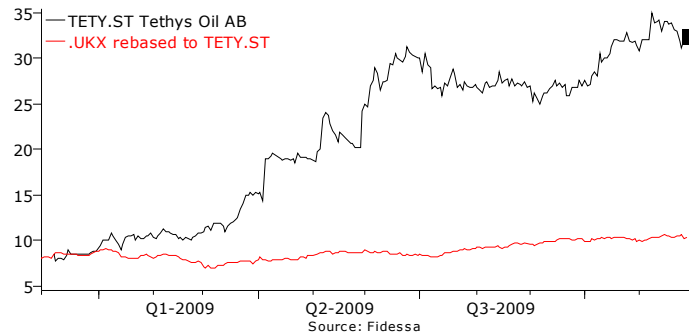
In early November Savile raised £1.8m at 67p/share in order to take advantage of further acquisition opportunities as well as to invest in the organic growth potential of its existing brands. The placing has brought several new and well-respected institutions on board including AXA Framlington and ISIS.

Following these latest announcements, we are maintaining our FY 2010 PBT estimate of £2m but scaling back our eps estimate to 7.65p (vs. our previous estimate of 8.32p) to reflect the increased number of shares in issue. In our view, the alliance with Ashbourne makes strong strategic sense and provides scope for future estimate upgrades.

Savile Group				SAVG		Price p.	58.0
AIM				Support Services		Cap £m	10.0
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
June	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	7.0	0.72	0.90	6.04	9.6	-	-
2009A	10.4	1.85	1.85	8.52	6.8	2.3	3.9%
2010E	11.2	2.00	2.00	7.65	7.6	2.5	4.3%
2011E	No	Forecasts					

**TETHYS OIL**

Tethys has reported its operating results for the first nine months of 2009 and has begun testing operations on Block 3, Oman. As of 30 September 2009 Tethys Oil has yet to make a maiden petroleum sale recording a loss for the first nine months of 2009 of 52,612 TSEK (TSEK -3,759 for the corresponding period last year) and TSEK -24,442 (TSEK 4,872) for the third quarter 2009. Earnings per share amounted to SEK - 2.04 (SEK - 0.17) for the first nine months 2009 and SEK - 0.89 (SEK 0.20) for the third quarter 2009.



This nine month result has been significantly impacted by net foreign exchange losses amounting to TSEK 27,143 due to a weaker US dollar. The majority of these exchange rate losses are translation differences and are therefore non cash related items. Write downs of TSEK 15,778, mainly regarding Morocco, have also negatively affected the result of the first nine months 2009.

Cash and cash equivalents as per 30 September 2009 amounted to TSEK 13,864 (TSEK 29,886) with Tethys Oil receiving an additional TSEK 13,616 (approximately MUSD 1.9) from the exercise of 592,000 warrants after the reporting period.

Operationally, the Q4 Omani testing program is now underway with a rig currently on site at the Farha South oil discovery Farha South-3 well conducting operations to assess the productivity of the Barik sandstone.

The Barik had excellent oil shows when it was drilled, but it was neither logged nor tested at the time. Data obtained during suggests that the Barik sandstone is considerably thicker than the Lower Al Bashir layer which is estimated to contain some 8 to 10 million barrels of recoverable oil and tested more than 754 bopd.

If the testing of the Barik sandstone is successful, it could have an important impact on the reserve potential of the Farha South structure. Additional tests will also be performed on the Lower Al Bashir layer.

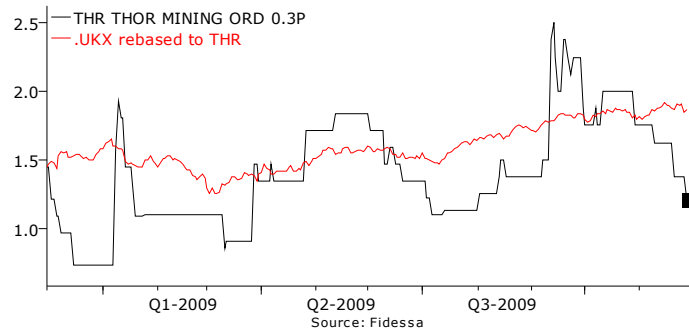
After work on the Farha South structure has been completed, the rig will move to test the heavy oil zones encountered in East Saiwan-2 on block 4, drilled in May/June this year.

We are currently updating our estimates.

Tethys Oil				TETY.SE		Price SEK.	31.4
AIM				Oil		Cap MSEK	879.2
<b>Y/E</b>	<b>Sales</b>	<b>Declared</b>	<b>Adjusted</b>	<b>Adjusted</b>	<b>p/e</b>	<b>Divi</b>	<b>Yield</b>
<b>December</b>	<b>SEK m</b>	<b>SEK m</b>	<b>SEK m</b>	<b>eps SEK</b>	<b>ratio</b>	<b>SEK.</b>	<b>%</b>
<b>2007A</b>	-	-24.7	-24.7	-1.41	-	-	-
<b>2008A</b>	-	-16.4	-16.4	-0.72	-	-	-
<b>2009E</b>	No	estimates	at present		-	-	-
<b>2010E</b>	No	estimates	at present				

**THOR MINING**

Thor has puts development of its Molyhil molybdenum/tungsten development into suspension because of the continuing decline of the molybdenum price – down from circa US\$40/lb three years ago to just US\$11 at the moment. During the (British) summer it looked as if the moly price was rebounding well, and that the end-2008/early-2009 price tumble was just a temporary glitch. Since then, however, the price has collapsed again, and while it is still too early to draw firm conclusions there is the increasing probability that the summer rally was nothing more than a dead cat bounce. In any case, Thor’s board, led by Chairman Mick Billing, has firmly grasped the nettle and is refusing to bet the farm on a quick recovery. We agree with him. This is utterly the right thing, Thor is stopping development work here and saving cash while it still has a sensible amount of money in the bank.



One unfortunate effect of this decision is that Thor’s highly respected Managing Director, Ian Sheffield-Parker, is being made redundant. All other directors are voluntarily taking a 50% cut in their remuneration.

Understandably, and utterly correctly, the stock market interpreted the announcement as bad news, and the shares have fallen 40% from their peak in September, when the moly price was higher and it looked like the first ore might flow as early as end-2010.

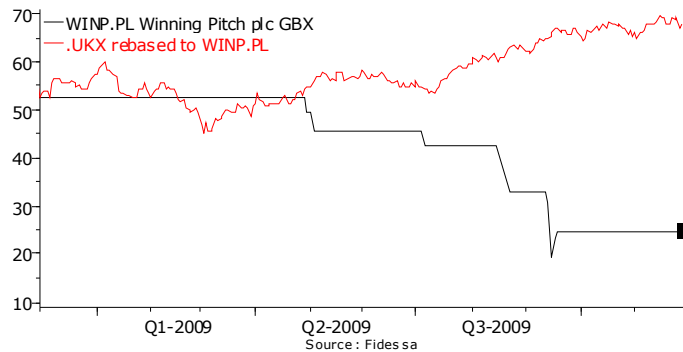
The board’s decision means that Thor lives to fight another day. It has a number of other projects in the early stages, but in our view none of these look like being company makers. At the Annual Meeting on 25 November Billing suggested that other projects were being examined prior to purchase, and we anticipate a new exploration/development project being brought into Thor sometime over the next six months. A gold play would make the most sense in our opinion. If the project is substantial it would probably involve a further stock issue.

Meanwhile, the orebody at Molyhil won’t go away. It has substantial medium term value, in spite of the current metal price. Thor would be crazy to sell it cheaply during the current price trough, and is fortunate that its finances are in a good enough position for it not to be a forced seller.

Thor Mining			THR		Price p.		1.2
AIM			Mining		Cap £m		2.5
<b>Y/E</b>	<b>Sales</b>	<b>Declared</b>	<b>Adjusted</b>	<b>Adjusted</b>	<b>p/e</b>	<b>Divi</b>	<b>Yield</b>
<b>June</b>	<b>£m</b>	<b>Profit £m</b>	<b>Profit £m</b>	<b>eps p.</b>	<b>Ratio</b>	<b>p.</b>	<b>%</b>
<b>2008A</b>	0.0	-1.1	-1.1	-0.76	-	-	-
<b>2009A</b>	0.0	-1.3	-1.3	-0.77	-	-	-
<b>2010E</b>	No	estimates	at present				
<b>2011E</b>	No	estimates	at present				

**WINNING PITCH**

Winning Pitch is now in close period ahead of the release of its full year results for the year ended 25 September 2009. The company continues its work in the area of “innovation” with a recent study revealing that three London boroughs – Hounslow, City of London, Tower Hamlets - have the greatest potential for economic growth, as measured by the proportion of high growth businesses in each area. According to Winning Pitch London has the highest number of Gazelles – businesses with turnover of more than £1m within 3 years of start-up or that are predicted to grow by 20% year on year for at least three years – at 7%, while Wales has the lowest number of Gazelles at 4.3%.



Winning Pitch PLUS				WINP Support Services		Price p. Cap £m	24.5
							1.3
Y/E	Sales	Declared	Adjusted	Basic	p/e	Divi	Yield
September	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2007A*	0.44	0.14	0.14	2.26	10.8	-	-
2008A	1.30	-0.24	-0.03	-4.37	-5.6	-	-
2009E	2.50	0.00	0.00	0.00	-	-	-
2010E	3.50	0.50	0.50	10.00	2.5	-	-

\*nine months to 30 September 2007 based on statutory accounts at time of admission to PLUS

**Disclaimer**

The conclusions and opinions expressed in the investment research accurately reflect the views of the first named analyst. Hardman & Co provides professional independent research services and the companies researched pay a set fee in order for this research to be made available. While the information in the research is believed to be correct, this cannot be guaranteed. There are no other conflicts of interest.

Neither Hardman & Co nor the analysts responsible for this research own shares in the companies analysed in this research note. Neither do they hold any other securities or derivatives (including options and warrants) in the companies concerned. Hardman & Co does not transact corporate finance and therefore does not earn corporate finance fees. It does not buy or sell shares, and does not undertake investment business either in the UK or elsewhere.

Hardman & Co does not make recommendations. Accordingly we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price.

Our research is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. Members of the professional investment community are encouraged to contact the analyst concerned.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this research should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

This research is not an offer to buy or sell any security.

Past performance is not necessarily a guide to the future and the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This document must not be accessed or used in any way that would be illegal in any jurisdiction.

In some cases research is only issued electronically and in some cases printed research will be received by those on our distribution lists later than those receiving research electronically.

The report may be reproduced either whole or in part on condition that attribution is given to Hardman & Co, and on condition that Hardman & Co accepts no liability whatsoever for the actions of third parties in this respect.

Hardman & Co is not regulated by the Financial Services Authority (FSA).

© Hardman & Co.

**Hardman & Co**

4 - 5 Castle Court  
London  
EC3V 9DL  
United Kingdom

Tel: 020 7929 3399  
Fax: 020 7929 3377

[www.hardmanandco.com](http://www.hardmanandco.com)

