

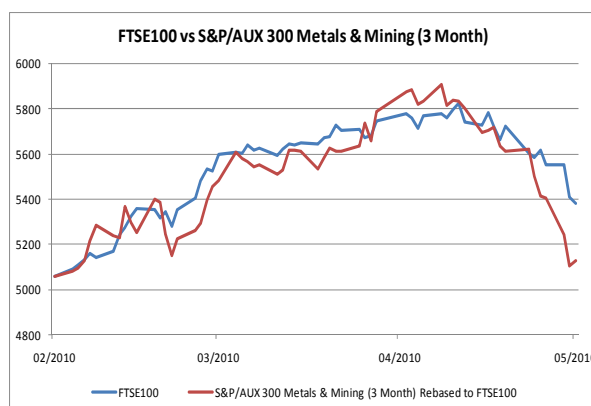
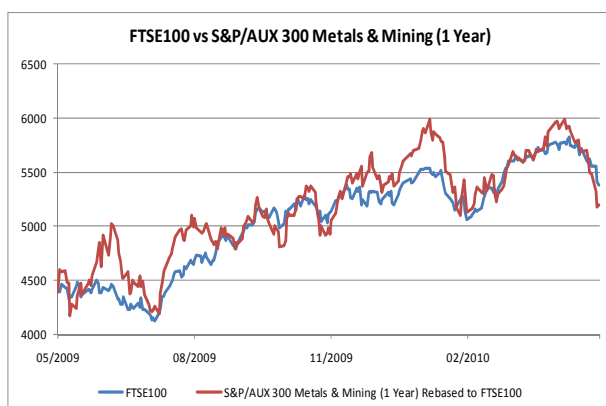
The Monthly May 2010

6 May 2010

Reasons to treat large companies with caution, and pay more attention to smaller ones:

- Big companies occasionally get hit with one-off tax demands. The Australian levy on major mineral producers is just the latest example of this. Going back not very far in time, this has also happened to the banks, and to utility companies. Some investors grumble that these are unpredictable one-off items and that it is just bad luck if an investment you hold happens to be hit by a one-off levy or tax. This is disingenuous. Any large company or industry making particularly good profits is liable to suffer in this respect, and the only uncertain element is in which particular year the axe will fall. Small companies are rarely if ever affected by this type of item. Valuations of large companies/multinationals need to reflect the inevitability of this kind of action.
- Defined benefit pensions – the situation keeps getting worse, and worse, and worse. The combined pension deficits of FTSE 100 companies at end-December was £73bn, up 40% on a year earlier. This is in spite of a near 40% rise in the value of equities over the period, which considerably boosted the gross assets of pension schemes. A very modest change in the discount rate from 6.2% to 5.8% was enough to cause this damage. Small companies tend to be younger, and the younger the company the less likely it is to have a defined benefit pension scheme. The only good defined benefit pension scheme is, to paraphrase John Wayne, a dead one. Not one that is merely closed to new entrants or closed to new contributions, but one closed, wrapped up and the liabilities sold on.
- Big companies don't always give an investor greater spread against risk, sometimes they just take bigger risks. The BP oil spill is an interesting example, with the shares falling 15% in less than two weeks. Big pharma stocks are also vulnerable, with heavy reliance on a very small number of 'blockbuster' drugs with a very short patent life ahead of them.

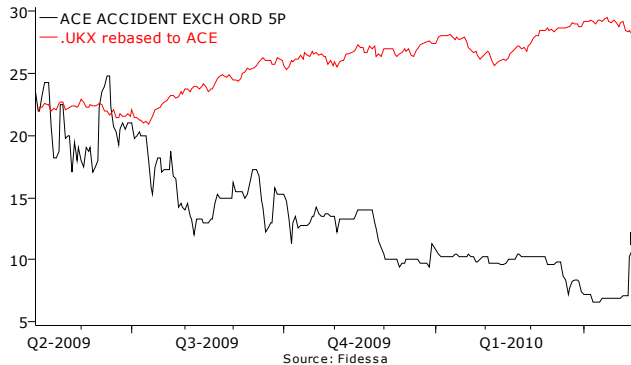
Of course big companies have their plus points that shouldn't be ignored. They are more likely to be paying a dividend, and getting money back from a company is, in the long term, the only measure of investment performance that really matters. They are more likely to have undervalued assets, either in property or a little noticed subsidiary that could be spun off and be floated for additional shareholder returns. They are more likely to be geographically diversified. But that doesn't make them superior. It doesn't even make them safer. Mid-sized and small companies have earned their place in investment portfolios so far in 2010, and we expect this trend to continue.



Mining companies led the market on the way up, now they are leading them on the way down. Large company valuations need to reflect the inevitability, sooner or later, of an excess profits tax. Index figures to month end.

Market Indicator	Price	Previous Month Price	% Change in 1 month	Year High	Year Low
FTSE 100	5,533	5,679	-2.6%	5,825	3,930
FTSE Small Cap	2,960	2,887	+2.5%	2,9940	1,904

ACCIDENT EXCHANGE



Accident Exchange shares had a strong run upwards in the last week of April, rising from 7p on 27 April to 11.75p on Tuesday 1 May. The influences here are very clearly company specific, because the shares of rival Hephire have not reacted at all over this period, and indeed are slightly lower than they were three months ago. We are not aware of any change in the company's trading fortunes that would explain a sudden share price movement of this nature.

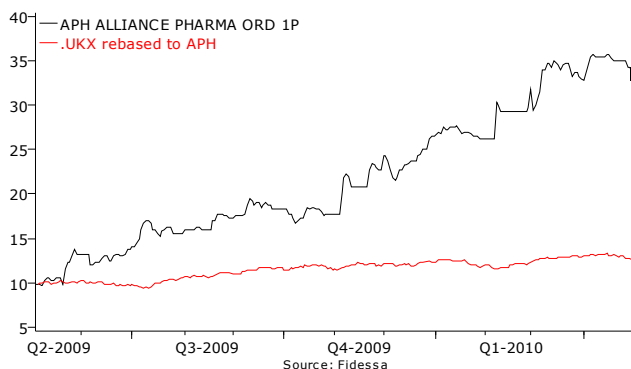
year trading statement is possible, but we think it unlikely, and probably the next trading news from Accident Exchange will be its full year results announcement.

Accident Exchange has an April year-end and we think the results announcement will probably be made in July – we have no date as yet. An end-of-

Accident Exchange				ACE	Price p.	11.3	
Full List				Specialty Finance	Cap £m	15.5	
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	12.1	0.9	2.5	22.2%
2009A*	132.0	-55.4	13.3	9.6	1.2	0.0	0.0%
2010E	No	estimates					
2011E	No	estimates					

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

ALLIANCE PHARMA



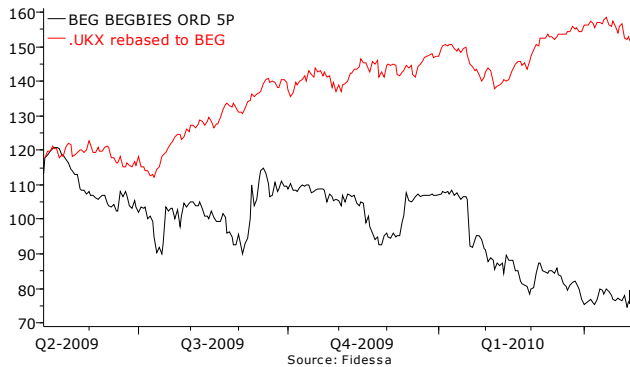
Post Alliance Pharma releasing its full year results to 31 December 2009 we upgraded our forecasts for the 2010 financial year lifting our profit before tax forecast from £13.8m to £14.3m and our eps forecast from 4.6p to 4.7p (4.2p fully diluted). We forecast 2011 profit before tax of £11.9m and eps of 3.8p (3.5p fully diluted). The lower earnings in 2011 reflect 1) lower sales of a toxicology product acquired following Alliance's acquisition of Cambridge Laboratories in February and 2) lower sales of Alliance's Deltacortril brand.

Holders of Alliance's Convertible Unsecured Loan Stock, convertible at 21p per share up until 30 November 2013, can only be pleased with the performance of this close to £80m market cap company.

Alliance Pharma				APH	Price p.	33.25	
AIM				Pharmaceuticals	Cap £m	75.8	
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	1.17	28.4	0.00	0.0%
2009A	31.2	5.70	8.60	3.55	9.4	0.30	0.9%
2010E	46.3	12.30	14.30	4.70	7.1	0.40	1.2%
2011E	42.9	10.90	11.90	3.82	8.7	0.40	1.2%

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

BEGBIES TRAYNOR



Begbies has started its new financial year with the announcement of the successful extension and enlargement of its banking facilities. The renewal announcement was expected, given the expiry dates on the earlier facilities, but we see the diversification to two providers as additional positive news.

The new facilities comprise a £15m RCF from Yorkshire Bank, expiring in January 2014, and a £15m RCF from HSBC, expiring in July 2015, both at a margin of 2% over 3-month LIBOR, and a £5m overdraft facility with HSBC, at a margin of 1.95% over Base Rate.

The margins secured are very competitive. Begbies has had to concede an increase in the RCF margin of only 0.6% for the extension, and the enlargement of the facility from £20m (with RBS, and due to expire in April 2011) to £30m. On its overdraft facility, it has actually secured a reduction in margin. The earlier £5m facility with RBS was at 2.75% over Base Rate until April 2010, which would have been expected to increase for FY 2011. We also regard the total arrangement cost, including legals, of £0.4m as competitive.

The announcement makes clear the growth focus of the business, stating that the longer term financing structure and the availability of additional funds will enable the Group to consider both organic investment and acquisition opportunities, principally in the insolvency and restructuring sector.

The end of April saw the publication of Begbies' Red Flag Alert statistics for Q1 2010. Very much as expected, following the fall in the number of companies with problems in Q3 2009, the y-o-y comparison shows a fall of 13%, to 161,600 companies with either critical or significant problems. However, the q-o-q comparison is less rosy. It shows a 14% increase over Q4 2009, which represents an accelerating trend after the 6% rise between Q3 and Q4. Some comfort, though, might be derived from the fact that the increases are more marked for companies with significant problems than for those with critical problems – where we understand that, although there was an increase, this did not fully reverse the fall seen in Q4 2009.

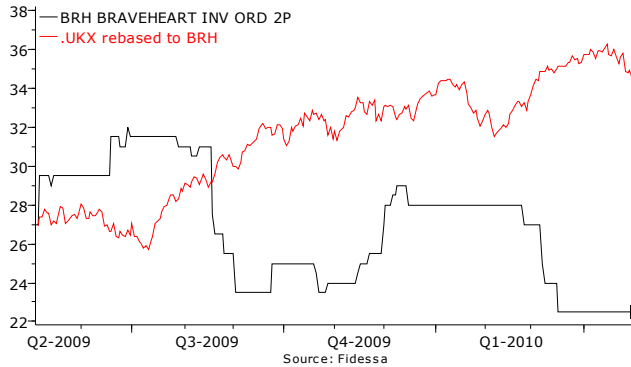
The accompanying commentary highlights that the companies in difficulty owe over £55bn, and estimates that the increase can be attributed roughly equally to a more aggressive attitude being taken by creditors and to the normal seasonal uplift.

The statistics highlight the risks faced by companies as they try to recover from the recession; risks that can only be increased by the 18% increase in the 3-month Libor rate since its monthly average bottomed in October 2009. The next indication of corporate health will come with the release by the Insolvency Service on 7 May of insolvency data for Q1. Early indications from other sources suggest that these will be down y-o-y but up q-o-q, while personal insolvencies continue their inexorable rise for the ninth successive quarter.

All of this suggests a robust future for the insolvency sector, even if economic stimulus and government support measures have trimmed the peaks in insolvencies that might otherwise have been expected.

Begbies Traynor				BEG	Price p.	77.50	
AIM				Support Services	Cap £m	69.3	
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	13.0	2.5	3.2%
2009A	62.1	7.2	9.8	7.8	10.0	2.8	3.6%
2010E	70.1	9.3	10.8	8.1	9.6	3.1	4.0%
2011E	78.0	11.9	12.9	9.6	8.1	3.4	4.4%

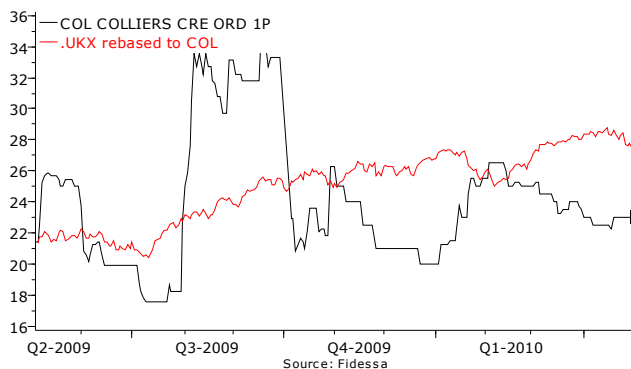
BRAVEHEART INVESTMENT GROUP



An article appearing in newspaper “Scotland on Sunday” on 18 April, revealed that Elonics, an investee company accounting for circa 6% of Braveheart’s portfolio, is set to receive a further £4m in funding (£2.5m was raised in 2008). The money is to be used to help develop the company’s product portfolio. Elonics’ latest device, a multi-band tuner module used to receive digital TV and radio broadcasts, is expected to open up new and bigger markets. It can be employed in a range of technology, including the likes of digital set top boxes, portable media players and in-car television units. Elonics, founded in 2003, is hopeful that it will break even towards the end of the current year.

Braveheart AIM	BRH Equity Investments				Price p. Cap £m	22.50 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



Following the release of Colliers CRE’s financial results for the year to 31 December 2009 we have updated our forecasts for the year to 31 December 2010. While we have retained our turnover forecast of £68.4m, we now assume a break even position for the year. For 2011 we expect the outlook to be better forecasting turnover of £76.6m and profit before tax of £5.6m.

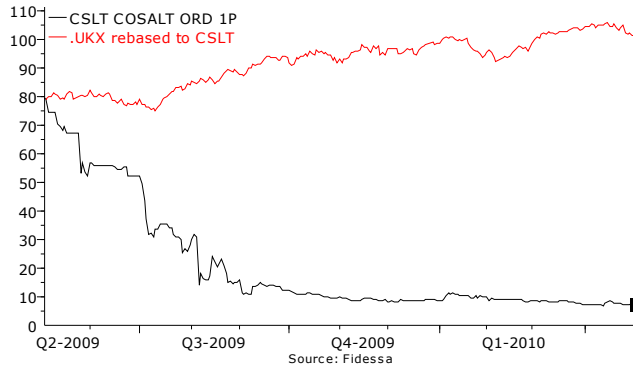
Following the refinancing of Colliers CRE’s balance sheet undertaken in September 2009 Colliers CRE’s net debt at year end stood at £7.6m, cash at bank was £2.3m and NAV was 24.3p per share, a premium to the current share price of 23p. The

company’s AGM is to be held later this month, following which we expect to see Colliers CRE be rebranded as Colliers International UK.

On 14 April 533,333 new ordinary shares were issued in respect of the second anniversary tranche of consideration following Colliers CRE’s acquisition of Godfrey Vaughan in April of 2008.

Colliers CRE AIM	COL Real Estate				Price p. Cap £m	23.0 34.3	
Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted Basic eps p.	p/e ratio	Divi p.	Yield %
December	£m	Profit £m	Profit £m	Basic eps p.	ratio	p.	%
2008A	78.0	-11.1	-4.6	-11.8	0.0	-	-
2009E	57.9	-39.6	-13.5	-21.3	0.0	-	-
2010E	68.4	-	-	-	-	-	-
2011E	76.6	5.6	5.6	3.8	6.1	-	-

COSALT



There has been no trading news out of Cosalt over the past month. The main feature of the period was the sharp increase in the share price (from 6.9p to 8.5p) in the middle of the month, with almost 24m shares traded over a 3-day period. Press comment attributed the rise, and the volume, to the clearing of a significant stock overhang.

On the trading front, there is a growing body of comment that suggests an increase in port activity, and we are optimistic that this will feed through to improved demand for the services provided by Cosalt Marine. While the rise in oil prices – Brent crude is up \$24.60bbl (40%) y-o-y – is expected to

see projects revived, there is always a delay between a price rise and oil companies committing to expenditure. We believe that the circa 3% rise in the Brent crude price over the past month, coming on top of the earlier strength, should help the decision process. In the meantime, Cosalt Offshore will benefit from its recent programme to align its cost base to the lower level of activity.

Looking further ahead, we expect Cosalt to strengthen its market position by increasing its focus on regulatory-driven products and services; by continuing to take an active part in the ongoing consolidation of the safety sector into fewer and larger players; and by positioning its Offshore business to follow its customer base into new oil and gas provinces outside the North Sea. We also understand that the business is looking at opportunities to extend its activities into the offshore wind power generation arena.

Cosalt	CSLT				Price p.	7.38	
Full List	Diversified Inds				Cap £m	29.8	
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	1.0	6.0	81.3%
2009E	107.8	-3.4	5.6	4.2	1.8	0.0	0.0%
2010E	110.3	5.4	6.0	1.1	6.7	0.0	0.0%
2011E	No estimates						

DUALINVEST RESIDENTIAL INCOME UNIT TRUST

We have recently published a research note on the Dualinvest Residential Income Unit Trust, which is currently marketing units in its Series 1 Sub Fund. The Sub Fund is looking to raise a minimum of £1m, with the minimum unit of investment set at £10,000.

Dualinvest offers subscribers the opportunity to invest in the buy-to-let residential property market in a fund that has a number of unusual, or unique, features that, we believe, may be attractive. The Dualinvest business model anticipates selling a property after two years of ownership. A Vendor can elect for a one-year extension, but only on payment of further up front rent at the time of giving notice – i.e. six months before the end of the initial term,

The first feature concerns the exit route. While the Fund proposes to invest in a 65% interest in properties that it acquires, it intends to negotiate that, on a disposal, it will have first call to a sum equal to 70% of the purchase price out of which to return their initial capital to investors. Therefore, the value of a property would have to fall by 30% before investors would not receive full return of their initial investment – even though 5.5% of that will be a subscription fee and will not be invested in property.

The second feature also concerns the exit route, in that Dualinvest intends to negotiate that it will also receive 15% of any uplift in value of a property during the period of ownership, and that this will be passed on to investors, giving them the opportunity to participate in any capital appreciation. The purchase price of a property will be set as the average of the valuation of two appointed estate agents, from a panel selected by the property investment and asset manager, while the exit price will also be set by an approved estate agent.

The third feature is the rental structure within the proposed acquisition agreement. When Dualinvest purchases its 65% interest, the balance of 35% will remain with the Vendor, in a co-ownership model that secures its interest in the management and maintenance of the property. The proposed purchase agreement would require the Vendor to pay up front a rent of 13.5% of value of 100% of the property for the first two years, and 6.75% in respect of any third-year extension. This protects the Fund from the risk of rental voids or bad debts – with the Vendor responsible for sub letting the property, and paying a proportion of sub rents received to the Fund.

A further feature of the Fund is its attractive IRR yield, targeted at 7.75%. This is achieved by paying investors a 13.5% coupon on their investment when the relevant rent is received from the Vendor, and then returning their investment out of disposal proceeds when received.

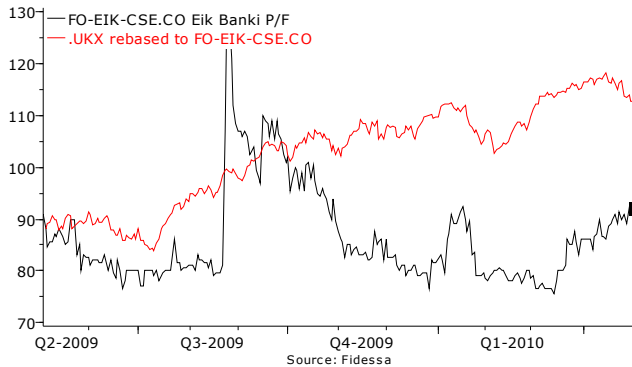
Dualinvest.

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	No	estimates					
2008A	No	estimates					
2009E	No	estimates					
2010E	No	estimates					

EIK BANKI



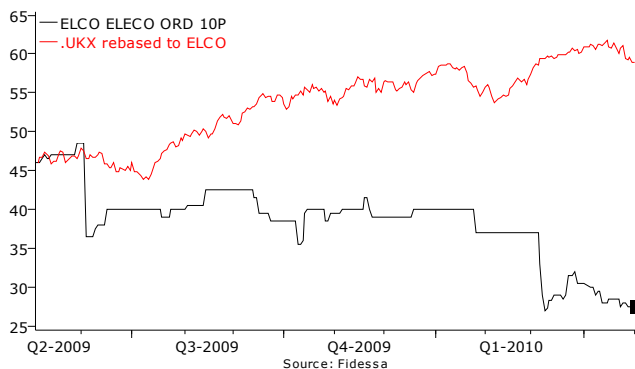
Eik Bank, the largest bank in the Faroe Islands, has elected its first ever non-Faorese director to its board. He is Jacob Leth, who is Danish and until last year was the CEO of the Danish savings bank Sparekassen Kronjylland. He is also a past deputy president of the Danish Bankers Association. Also, Mrs Hanna Thorleiffsson has been elected to the board as an employee board member.

At the Annual Meeting, the company stated that it expected impairment charges to be lower in 2010 than they were in 2009, and that there should be 'a positive result' for 2010.

Eik Banki Copenhagen Stock exchange				FO-EIK CSE Banks		Price DKK	91.5
						Cap DKK	743.9
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						
2007A	676	465	310	51.6	1.8	10.67	11.7%
2008A	743	-511	350	-51.2	0.0	0.0	0.0%
2009E	633	-386	191	-38	0.0	0.0	0.0%
2010E	No	Estimates			0.0		

*Net interest income + fees etc **excludes impairments, market value adjustments

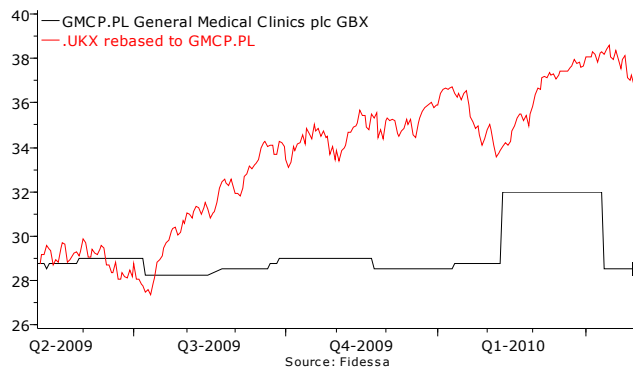
ELECO



Conditions in the UK construction industry continue to be poor, the announcements from other companies in the building systems/pre-cast concrete space have been unexciting at best, and we now think our published estimates should be viewed as being at the top end of expectations.

Eleco AIM				ELCO Diversified Inds		Price p.	26.5
						Cap £m	15.7
Y/E	Sales	Declared Pre-tax Profit £m	Adjusted Pre-tax Profit £m	Adjusted eps p.	p/e ratio	Divi p.	Yield %
June	£m						
2008A	84.9	8.2	9.1	12.1	2.2	3.0	11.3%
2009A	70.6	-1.4	0.9	1.4	18.9	0.8	3.0%
2010E	No	Estimates					
2011E	No	Estimates					

GENERAL MEDICAL CLINICS



General Medical has announced this month that the group has terminated talks with Westover Medical Limited, because Westover was unable to complete the proposed offer. Westover approached GenMed on 10 February with a proposed offer of 34p cash per ordinary share, which valued the group at approx £5.65m.

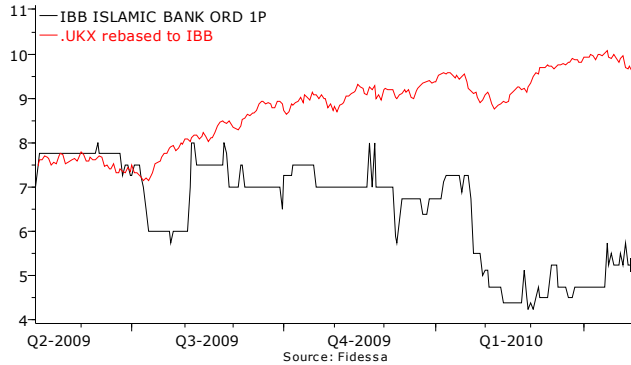
GenMed's share price has dropped back to its previous level following the news of termination of talks, at 28.5p.

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	No	Estimates.					
2011E	No	Estimates.					

*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



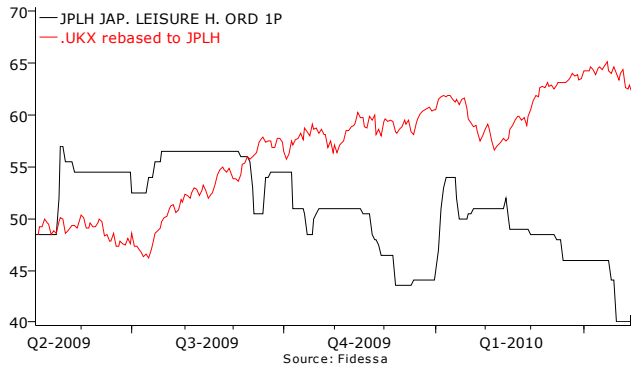
The Annual Report revealed the expected loss – inevitable given the rapid changes in the world financial markets during the year. Interestingly, though, impairments were very modest, with only the consumer finance accounts requiring a further provision. The level of this, at £0.8m or 15% of the consumer finance book, was no doubt higher than shareholders would have liked on a £5m asset book, but needs to be viewed in the context of a total book at the year-end, for all business classes, of over £200m. This means total impairments over the group amounted to less than 0.4%, which puts Islamic Bank of Britain very much at the better end of the industry statistics.

The consumer finance book is in the process of being wound down to zero, so not only is it irrelevant in terms of total assets at present, in another three years it will have ceased to exist completely and is of no strategic significance whatsoever. We are rather more interested in the Home Purchase Plans investment, because this has risen from £7m at end-December 2008 to £33m at end-December 2009, and we estimate is probably running at in excess of £40m currently. There have been no impairments whatsoever here, and IBB appears to be running a very clean and satisfactory business here assisting young Muslims to enter the housing market. We stated in our major review of this business that we published in January 2010 that we expected Home Purchase Plans to be the most important part of the business going forward, and we still hold to this view.

We continue to believe that a raising of a significant amount of additional equity capital would be the best way for management to progress this business in future.

Islamic Bank of Britain				IBB		Price p.	5.25
AIM				Financials		Cap £m	28.7
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
December	£m	Profit/Loss £m	Profit/Loss £m	Diluted eps p.	ratio	p.	%
2008A	4.3	-5.9	-5.9	-1.4	-	0.0	-
2009A	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	52.5	0.0	-

JAPAN LEISURE HOTELS



Japan Leisure Hotels reported its Full Year results on Tuesday May 5. The numbers were better than we forecast, and we have been reassured by the results.

Revenue was Y1.197m compared to our forecast of Y1.174m. Like-for-likes were down 4.7%, which given economic conditions in Japan during 2009 we consider a good out-turn. Like-for-likes in Japan have to be viewed in the context of an appreciating currency and negative inflation. This really is a very sound performance.

Operating costs were down significantly, both overall and on a like for like basis. EBITDA was 15% better than our forecast and EBITDA margins were an all time high of 29.4% on a like-for-like basis. Management is confident that costs can be pushed down further, but this is a long way from just being a cost reduction play. All kinds of interesting things are happening with the new hotel refit at the Yokkaichi that re-opens on May 21, and in terms of customer loyalty schemes. This is very much a forward looking business, and one that should grow once Japan's economic conditions start showing signs of improvement.

Cash was also well up on the previous year. This company has no debt, which makes it highly unusual for a hotel company.

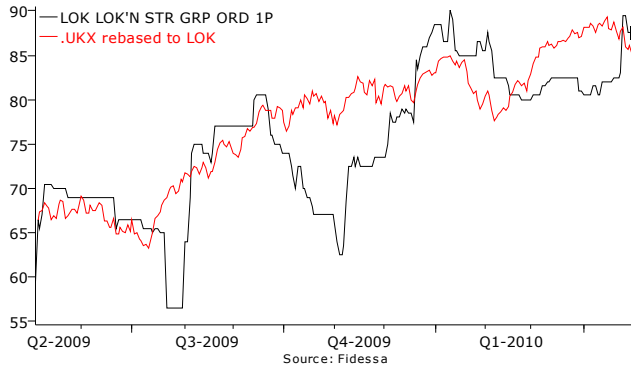
Current year trading is clearly not easy, but indications are that January and February were worse than March and April. We think a small loss in H1 is probable, but in H2 the Yokkaichi will be back from its refurbishment and earning revenue once more, and H2 will benefit from that. We think that on balance our estimates for the next two years are probably still in the right place.

This is a hugely interesting company. It would benefit from having a larger equity base in order to make acquisitions and act as an industry consolidator. Investment managers should look carefully at any capital raising proposals that are offered to them.

Japan Leisure AIM				JPLH Hotels		Price p. Cap £m	40.0 22.6	
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield	
October	¥m	Profit £m	Profit £m	eps UKp.	ratio	p.	%	
2008A*	1,184	566	-21	0.0	-	0.0	-	
2009E	1,197	43	43	0.0	-	1.0	2.5%	
2010E	1,280	94	94	0.9	44.4	1.5	3.8%	
2011E	1,391	172	172	1.7	23.5	2.0	5.0%	

*Minor revision to 2008 historic numbers

LOK'NSTORE



Half year results confirmed that the recession is over for this self-storage company. Square feet of self storage space let bottomed out in December 2008, and 11 of the 15 months since then have shown growth. Also revenue per square foot has grown, and costs, in particular interest costs, are down. The result was a very good set of numbers that has led us to UPGRADE our full year estimate and our estimate for a year out.

What we find really interesting is that Lok'nStore's positive trading news is not the only encouraging information to be coming out of the sector. The firm's two (bigger) quoted rivals, Safestore and Big

Yellow, have also been reporting increases in space let out and in rates achieved. None of the companies is claiming that this amounts to a return to boom conditions, but it gives us confidence in predicting a continued modest increase in let space over the next two years, plus rate increases that at least keep pace with inflation.

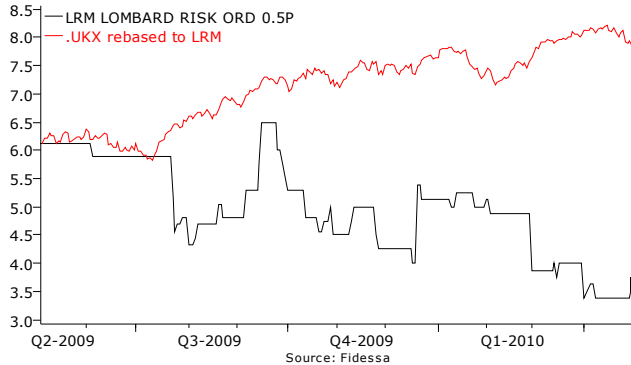
This industry is extraordinarily sensitive to occupancy and price changes, so we could see some very interesting profits from all three of the quoted companies.

In past years we have emphasised that this industry should not be judged on immediate profitability, because a new storage site can take two years to reach breakeven and five years to reach maturity, so any self storage company with an expansion programme will tend to have limited profitability, or (as in the case of Lok'nStore in the past) will deliberately run at a loss. This dictum is starting to look a little faded, however, and we may be about to see this industry demonstrating its true underlying profitability. This is for two reasons. The first is that Lok'nStore, and to a lesser extent its two rivals, has severely curtailed its new opening programme because of the financial crisis, and has yet to start it up again, so the burden of carrying loss making stores through the early part of their trading is becoming less significant with each month that goes by. The second is that Lok'nStore's most recent openings have reached an acceptable level of occupancy relatively quickly; either the company's management is learning new tricks or the dynamics of the industry are changing; we suspect a bit of both.

Double dip economic recession or not, we like this company, we like the industry.

Lok'nStore		LOK			Price p.	87.5	
AIM		Support Services			Cap £m	21.9	
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	0.0	1.00	1.1%
2009A	10.01	-0.66	-0.66	-2.40	0.0	1.00	1.1%
2010E	10.30	0.30	0.30	1.20	72.9	1.00	1.1%
2011E	11.11	0.55	0.55	2.19	40.0	1.00	1.1%

LOMBARD RISK MANAGEMENT



A move of NOMAD and stockbroker from Execution Noble to Allenby Capital Management has been followed within two weeks – on the last trading day of April – with a major series of board changes.

Keith Butcher, who joined the board as Finance Director on 1 September 2009 and moved up to Chief Executive on 15 March 2010, has left the company. Chris Langridge joins as Chief Operating Officer and Finance Director. The company’s Chief Technology Officer, Nicholas Davies, is made a director. Mike Shinya, CEO of the Stockholm headquartered IBS, becomes a non-executive director. Ian Peacock, who has been a non-

executive director for many years, is to leave the board before the end of 2010.

Philip Crawford, one-time President International of EDS and a former Chief Executive of Oracle in the UK and Ireland, is appointed non-executive chairman.

John Wisbey, the founder and 49% shareholder, had moved up from Chief Executive to Chairman on 15 March 2010. Now, after six weeks, he moves back to being Chief Executive.

Additionally, the firm’s financial PR account moves from Broker Profile to Paul McManus and Bob Huxford at Walbrook PR.

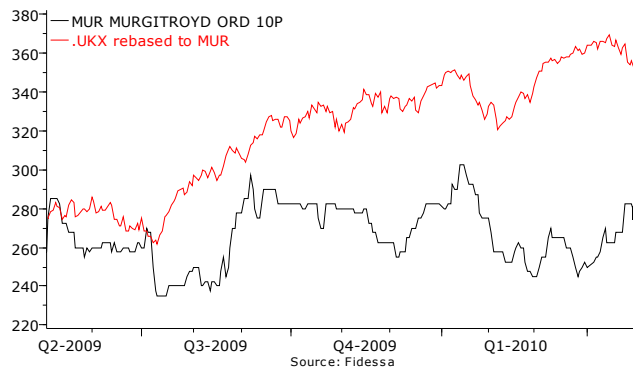
These changes are hugely interesting. Lombard’s outside shareholders had been suggesting privately to the company that a widening of the board would be desirable. It was not entirely clear that the move, just six weeks earlier, of Wisbey up to Chairman and Butcher to CEO was in itself sufficient to meet their expectations.

Meanwhile, Lombard Risk Management has passed its financial year end (March 31) and is now in close period. The statements accompanying these changes made no reference to the likely outcome for the last financial year or to current trading. As we have already stated in past notes, we expect a loss for the year to end-March 2010 and hope for a small, first ever profit in the year to March 2011. A lot will depend, however, on the accounting treatment adopted for some long term contracts, notably the ABN Amro contract win announced in December and the major contract announced in April 2009 with an un-named ‘top tier 1 European bank’.

We shall be publishing a fuller report shortly.

Lombard Risk Mgt		LRM			Price p.	3.50	
AIM		Software			Cap £m	7.2	
Y/E	Sales	Declared Profit/(Loss) £m	Adjusted Profit/(Loss) £m	Adjusted Basic eps p.	p/e ratio	Divi p.	Yield %
March	£m						
2008A	8.5	-1.11	-1.11	-0.7	-	-	-
2009A	8.7	-1.25	-1.25	-0.8	-	-	-
2010E	No	estimates					
2011E	No	estimates					

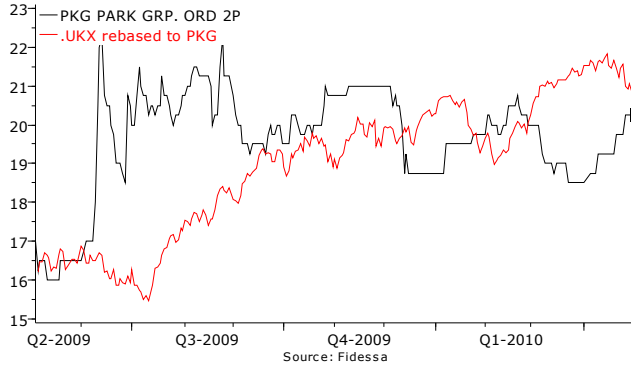
MURGITROYD



Patent and Trade Mark Attorney, Murgitroyd Group, has now opened its first office in the Nordic region. The office, in Finland, is headed up by Robert Ljungberg, a qualified European and Finnish Patent Attorney and member of the Chartered Institute of Patent Attorneys. Murgitroyd's expansion into the Nordic region will further help the Group to provide its clients with seamless IP advice.

Murgitroyd				MUR		Price p.	277.5
AIM				Support Services		Cap £m	23.6
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	11.0	9.5	3.4%
2009A	28.9	3.1	3.4	27.0	10.3	9.5	3.4%
2010E	30.4	3.5	3.5	27.9	9.9	10.0	3.6%
2011E	31.1	3.8	3.8	30.0	9.3	10.5	3.8%

PARK GROUP



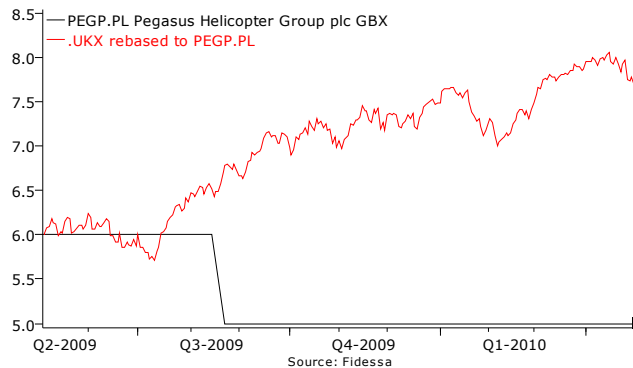
A month ago Park Group announced the launch of a range of pre-paid cards in the UK. We expect to see the first practical impact of this during May. As we said last month, pre-paid cards in the UK are big business now, and we expect Park's business to be given a boost by the addition of cards to its product armoury. The cards are known as Flexecash and are redeemable at a wide range of outlets, including Comet, Debenhams, HMV and Matalan. We expect bespoke schemes to be created for specific customers and customer groups. We also expect Park to take full commercial advantage of the fact that its new subsidiary, Park Card Services Ltd, has been

awarded Authorised E-Money Status by the Financial Services Authority.

Park has historically earned a large part of its profit from the interest it receives on customer cash held in the run-up to Christmas, its busiest trading period. Last year, interest rates were very low in summer and autumn, which will result in a drop in reported profits for y/e March 2010 (though only a very modest dip, and the management deserves a lot of credit for this). Interestingly, term rates have been showing the first signs of edging upwards in recent weeks, and this may be helpful to the company in the financial year to March 2011. We expect profits to rise again in y/e March 2011, under the twin influences of Flexecash and very slightly higher average interest rates.

Park Group				PKG		Price p.	20.25
AIM				Consumer Finance		Cap £m	33.4
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	9.2	1.2	5.9%
2009A	250.5	6.2	6.2	2.4	8.4	1.3	6.5%
2010E	255.8	5.0	5.0	2.2	9.2	1.4	6.7%
2011E	266.9	5.5	5.5	2.4	8.4	1.4	6.9%

PEGASUS HELICOPTER GROUP



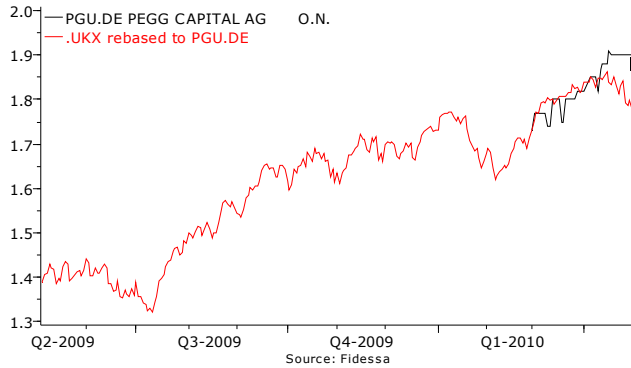
Pegasus Helicopter announced in a trading statement that the company remains focused on raising capital to produce three helicopter flight demonstrators and then to proceed with production and sales of kit units. The company has kept a tight control on its operating expenses and it is expected to be lower than FY09.

Pegasus is cautiously optimistic that current talks with potential investors will be successful.

Pegasus Helicopter Group			PEGP		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.	%
2009A	-	-	-0.49	-0.15	-	-	-
2010E	9.0	3.6	-0.05	-0.01	-	-	-
2011E	36.8	14.7	4.25	0.58	8.6	-	-
2011E	77.5	41.6	16.71	1.99	2.5	-	-

Pegasus Helicopter Estimates, Not Hardman & Co Estimates.

PEGG CAPITAL AG



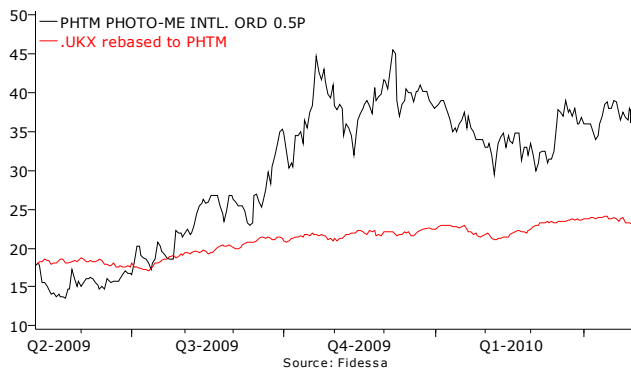
PEGG Capital AG shares are now trading at €1.85 giving this newly listed private equity vehicle a market cap of circa €33m. The company released a quarterly update last month in which it updated the market on the progress of several of its investee companies.

Data Insurance International (DII) in which PEGG holds a 35% stake has now finalised arrangements with a number of key partners including insurance underwriters TSM Agencies, a Lloyds syndicate. Azurn EU Limited in which PEGG holds a 90% stake has entered into new agreements, including one with Monarch Airlines. BT Global Services

Financial Markets have now completed trialing Azurn and PEGG's management expect Azurn to be deployed to the group's clients in Q2 of this year. Freemans Grattan Holdings have reported better than expected conversion rates following the deployment of Azurn, increasing the likelihood of a roll-out to the wider Otto Group. Both companies are reported to be performing to management's expectations.

PEGG Capital AG					Price €	1.85	
Proposed listing – Frankfurt SE					Equity Investment instruments	Cap €m	33.3
Y/E	Sales	Declared	Adjusted	Adjusted	p/e	Divi	Yield
March	£m	Profit £m	Profit £m	eps p.	ratio	p.	%
2008A	No	estimates					
2009A	No	estimates					
2010E	No	estimates					
2011E	No	estimates					

PHOTO-ME INTERNATIONAL



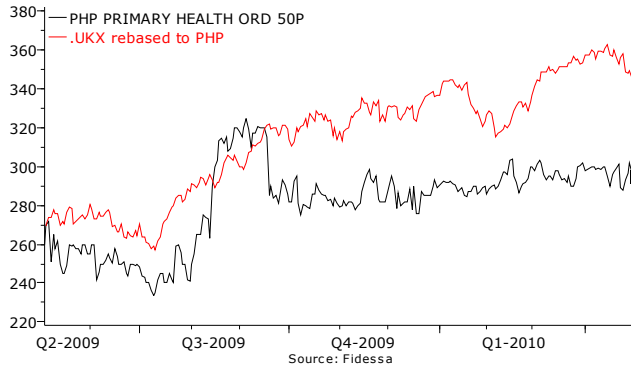
Richard Seurat, who in November was appointed CEO Designate and had been due to become CEO on 1 May, has left the company. Serge Crasnianski will continue as CEO.

Schroders has increased its shareholding and now owns over 11% of the company.

Photo-Me International is in close period; no date has yet been announced for the release of the results. In its recent trading statements, Photo-Me International has consistently exceeded expectations.

Photo-Me					PHTM	Price p.	37.25	
Full List					Support Services	Cap £m	134.1	
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	186.3	-	-	
2010E	223.8	43.3	10.5	2.0	18.6	0.5	1.3%	
2011E	223.8	42.1	12.1	2.2	16.9	0.75	2.0%	

PRIMARY HEALTH PROPERTIES



The Interim Management Statement released at the Annual Meeting at the end of April was reassuring, if lacking in red-blooded excitement. The key point was that management felt brave enough to suggest that the property yields in the healthcare sub-sector had moved from 6% at end-December 2009 to 5.8%; on this basis the Primary Health Properties net asset value per share would be 300p, rather than the 280p (on an EPRA basis) shown in the last accounts. This means that Primary Health Properties shares are once again trading at a discount to net asset value.

The beneficial move in yields is not a surprise, and the Interim Management Statement has clearly been crafted after consultation with the outside valuer, so investors can feel pretty confident in this.

Primary Health Properties now needs to find more GP surgeries to buy, in order to invest the proceeds of last year's capital raising and restore gearing to a commercially sensible level (albeit with a little more headroom for flexibility than the company had eighteen months ago). In the first four months of the current year, an additional £48m has been invested in properties, including one entire portfolio from another company. We understand that the pipeline is strong, and we expect PHP to add a further £30m - £40m of fully let properties to the portfolio by the end of June.

Rental growth on rent reviews has been slowing. Rent reviews are conducted three-yearly, and this slowing of the rate of rent increases is a reflection of the negligible rate of inflation in 2008 and early 2009. We expect this to be a temporary phenomenon, and over time rent reviews should comfortably outpace inflation because of work undertaken improving and extending properties, an increasingly important part of management's workload.

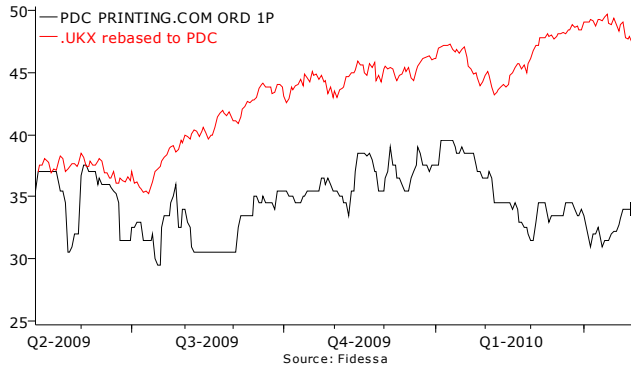
Primary Health Properties has increased its dividend every year since it joined the stock market 15 years ago, a record unmatched by any other quoted company. We expect this to continue, and dividends will be increased again, and fully covered, in 2010 and 2011.

The share price has been left behind by the recent stock market rally, but only because the hot money is chasing other, less substantial investment stories.

Primary Health	PHP			Price p.	290.50	
Full List	Real Estate			Cap £m	178.1	
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	14.0	20.8	15.91	5.5%
2009E	21.3	7.8	20.2	14.4	17.25	5.9%
2010E	26.0	11.0	18.0	16.1	17.50	6.0%

* EPRA basis Ex rights adjusted **Restated

PRINTING.COM



Printing.com is heavily in close period and we expect its full year results to be published on Tuesday June 1. The company issued a Trading Statement on 6 April stating that it expected profits to be 'marginally' below expectations, and accordingly we have made an appropriate adjustment in our forecasts. Our current figures leave the company with an uncovered dividend, but given the strong cash position in the company, its likely levels of future cash generation when the current leasing contracts on printing machinery expire shortly, and the fact that chief executive Tony Rafferty is the largest single shareholder in the company, we expect the dividend to be

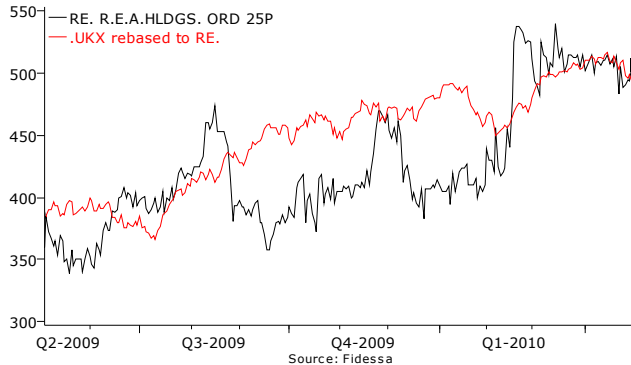
maintained.

We believe Printing.com to be one of the lowest cost producers, if not the lowest cost producer, of business cards and other printing for SMEs. Unfortunately selling price competition in this marketplace has gone beyond the merely cut-throat, and is now in the position where we think many competitors to Printing.com are selling product at a loss purely in order to keep machinery occupied and generate short term cash flow. We predict a large number of bankruptcies among poorly capitalised private companies in this marketplace; the first of them are now starting to be seen.

Printing.com				PDC		Price p.	34.0
AIM				Retailing		Cap £m	15.1
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	9.7	3.00	8.8%
2009A	14.5	2.1	2.1	3.3	10.4	*5.15	15.1%
2010E	14.0	1.7	1.7	2.7	12.6	3.15	9.3%
2011E	13.9	1.8	1.8	2.9	11.7	3.15	9.3%

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

R.E.A. HOLDINGS



This palm oil producer announced its full year results at end-April. They were very much as we expected, showing an increase of 8.6% in the crop of fresh fruit bunches to 490,000 tonnes and 30,990 hectares either planted or under development at end-December, an increase of 2,690 hectares during the year.

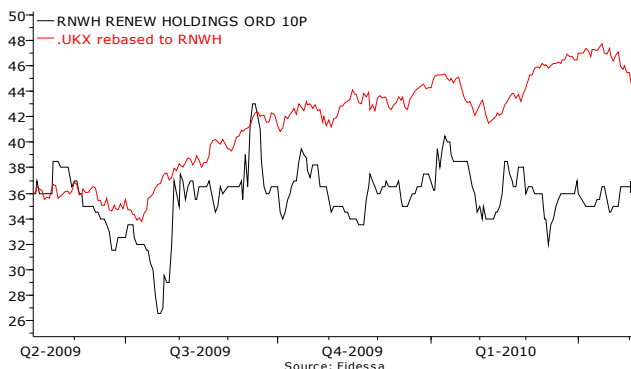
The profit before tax, net of the illogical and misleading 'biological assets' adjustment that is forced upon all companies in this industry, was £31.9m, compared to £39.0m the previous year. The difference was due to lower palm oil prices internationally. Prices have risen since the year end

and it is almost certain that the 2010 average price will be substantially higher than the 2009 average price. When this is added to higher tonnages, very good oil yields from the fresh fruit, and the coming into production of additional hectares from recent plantings, the future outlook is in fact very good.

We are delighted with the progress that this company is making. A fuller research note, and revised estimates two years forward, will be published shortly.

R.E.A. Holdings				RE.	Price p.	505.5	
Full List				Food	Cap £m	168.8	
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	11.1	2.0	0.4%
2008A	79.6	36.3	39.0	77.2	10.5	3.0	0.6%
2009A	78.9	41.7	31.9	51.9	15.6	4.0	0.8%
2010E	92.6	48.8	45.0	89.0	9.1	6.0	1.2%

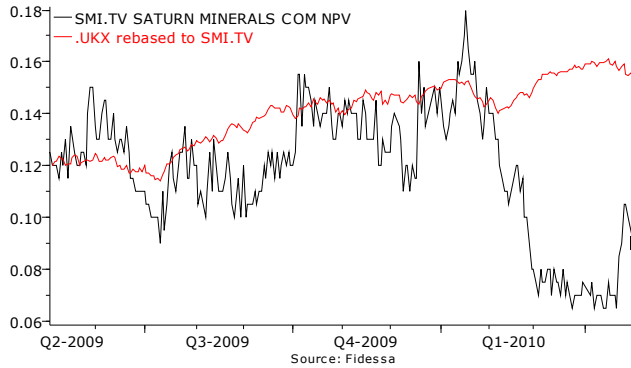
RENEW HOLDINGS



Specialist engineering and construction company, Renew Holdings, is in close period ahead of the release of its half year results later this month.

Renew Holdings				RNWH	Price p.	36.5	
AIM				Construction	Cap £m	21.9	
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	8.2%
2009A	316.6	1.2	5.5	6.0	6.1	3.0	8.2%
2010E	298.8	4.4	4.7	5.6	6.5	3.0	8.2%
2011E	309.0	4.7	5.0	6.1	6.0	3.0	8.2%

SATURN MINERALS



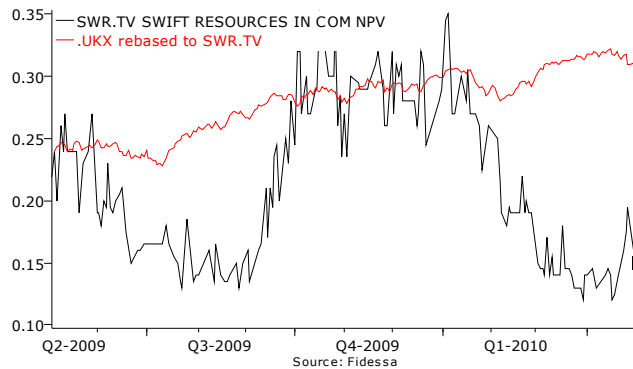
Saturn's geologists are hard at work and we anticipate that the geophysical data gathered during the winter drilling campaign is in the process of being integrated into their regional models. The consolidated dataset should inform the second round of drilling permit applications on the Durango Trend coal properties in Saskatchewan.

Just to the north of Saturn's Armit property Goldsource Mines continues to prove up its existing resources, re-enforcing the prospectivity of this geological trend.

We have been reading the recent National Academies Press publication 'Liquid Transportation Fuels from Coal and Biomass' with great interest. While most readers will be aware of, if not familiar with, coal-to-liquids technology used for a large part of the last century to supply petroleum substitutes to markets without access to them, they may not be aware that the market place is shifting towards mass uptake of this technology. The 390-page tome is a great intro to the state of current knowledge and comes to the conclusion that coal-to-liquids (CTL) technology with CO2 capture and geological storage should be cost-effective at US\$70/bbl of gasoline equivalent. Current crude oil price is US\$85/bbl. CTL technology is one of the options for the development of coal deposits along the Durango Trend.

Saturn Minerals Inc				SMI	Price	CND\$	0.09
TSX				Mining	Cap	CND\$	4.1
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					

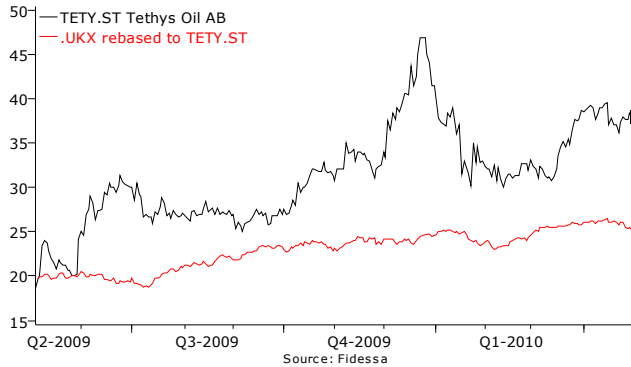
SWIFT



Swift is preparing its Spring/Summer gold exploration program on its Amazing Grace property in British Columbia and Hardman & Co is reviewing some of the extensive data upon which that program will be based. We expect to produce a note in the near future that will describe and assess the up-coming program. We know already that assays well over an ounce of gold per tonne have been found at surface on the property, so it looks like this year should be exciting for Swift.

Swift Resources				SWR	Price p.	0.15	
AIM				Mining	Cap £m	0.03	
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



While we wait for the Gaffney Cline reserves report which we anticipate very shortly, Tethys have publically confirmed that design work for Block 3 Farha South production program is being fast-tracked in the run up to the AGM on 19 May.

It is currently anticipated that first production will be from the Farha South-3 well, which produced from the Barik formation at a rate of 1,010 bopd. A new horizontal well, Farha South-4, is now being planned to be drilled to further boost production. The exact location and timing of the new well will depend on the result of the ongoing 3D seismic survey over the Farha trend.

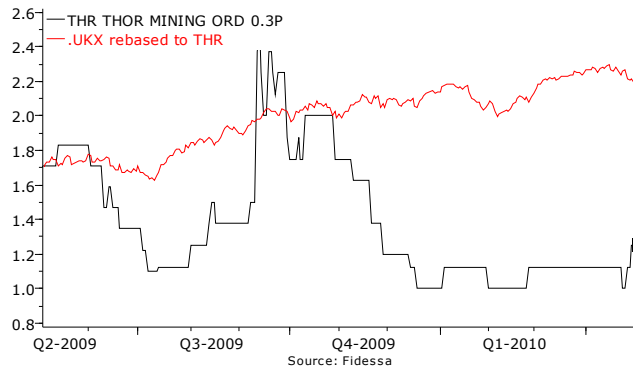
Tethys has also detailed some of the work under-way to further assess the Khufai discovery at Saiwan East block 4 which is set to intensify with a step out well being planned from Saiwan East-2, the Khufai formation discovery well drilled last year. Saiwan East-3, which is planned as an appraisal/development well, will be spudded 1.2 km from the discovery well with a horizontal leg in the Khufai. The processing and mapping of new 3D seismic information acquired in autumn 2009 is ongoing.

On a wider view, front month June West Texas Intermediate (WTI) crude futures are not far below the 18-month high of \$87.09 hit on April 6 2010 and are heading for a third straight monthly gain ahead of the US 'driving season'. April is set to be the first month since September 2008 when the front-month contract has traded continuously above \$80 a barrel.

More pertinently ICE Brent crude for June gained 56 cents to \$87.46 trading at about \$1.65 above U.S. benchmark futures. WTI traded at discounts of more than \$3 to Brent earlier this week under pressure from soaring inventories at the Cushing, Oklahoma delivery hub. This will become increasingly relevant to Tethys' investors with Omani crude pricing being tied closer to Brent than to WTI.

Tethys Oil				TETY.SE	Price SEK.	37.4	
AIM				Oil	Cap MSEK	1047.2	
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



The latest statement from Thor suggests that management is becoming somewhat more optimistic about the prospects of moving into production at the Molyhil orebody in Northern Australia. The molybdenum price is roughly double its low point at US\$17/lb, the tungsten price has also recovered somewhat, and demand for coal is also rising worldwide which suggests the market appetite for magnetite also ought to be better.

We still think that prices need to recover a little further before production would be justified – we would be happier with a molybdenum price of US\$25/lb before calling this deposit truly economic.

But the news is interesting. We now look for an equity capital raising to facilitate both the move to production at Molyhil and an exploration program at the new gold prospects obtained by the company.

Thor is quoted both in Australia and on AIM.

Thor Mining				THR		Price p.	1.3
AIM				Mining		Cap £m	2.6
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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