

Market Analysis

Issue No. 426

www.stockmarket.co.nz

December 10, 2007

Inside Market Analysis

Candle Australia (Clarius Group) dip offers buying opportunity 4
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Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Financial markets continue to worry about the *Credit Crunch* - but we are starting to see signs of good investment value emerging on stockmarkets. Remain fully invested in shares.

Investment Outlook.

Financial storm clouds usually have a silver lining. As investors worry about the crisis of the day and stockmarkets decline, this usually creates some attractive buying opportunities - particularly among financially strong, growing companies.

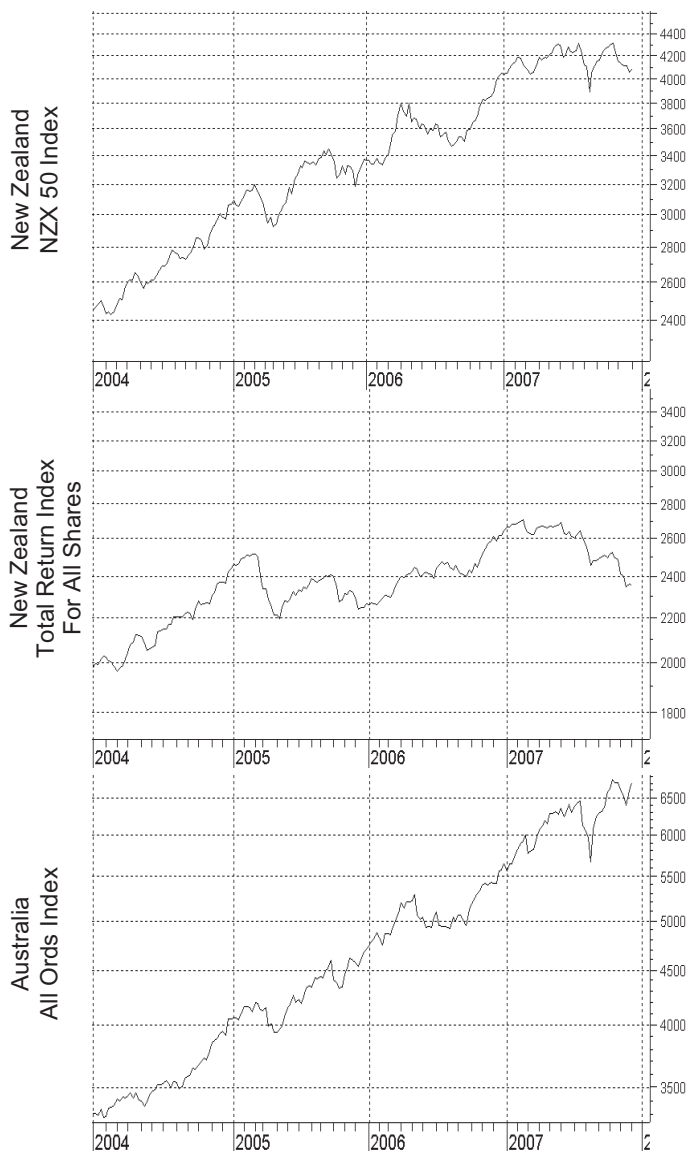
The current crisis related to problems with Sub-Prime Mortgages and the resulting *Credit Crunch* has been a little different. Stockmarkets have fluctuated widely, but both downwards and upwards in price. Overall, prices haven't moved too much - or created many of the attractive buying opportunities that can usually be found in such market turmoil.

That may, however, be changing. Over the last month we are beginning to see some attractive value situations starting to emerge. Good investment value can emerge where a growth company's share price lags behind (or even weakens) while its revenues and profits continue to grow strongly (e.g. Computershare). Or where a financially strong company's share price is marked down sharply on a small, short term setback owing to pessimistic investor sentiment (e.g. Candle Australia). 6-12 months of a share slipping, while the company's business continues to grow, can significantly improve the fundamental valuation of most shares.

Most investors know that growth company shares can make great investments. Often, however, these shares trade at a high valuation (i.e. P/E ratios of 30-50), *anticipating* many years of future growth. A financial crisis can do wonders to lower those expectations (and share valuations!) and create more attractive valuations for buyers. Better still would be a glitch - where revenue and profit growth slows, or dips - and investors dump the shares! Many of our best growth share investments were bought at single digit P/E ratios, and benefited from the compounding impact of strong profit growth *and* being re-rated to P/E ratios of 20-30. Finding those opportunities requires some searching and patience - and the help of financial crises!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	81% (Bullish)	54% (Neutral)
New Zealand:	57% (Neutral)	34% (Bearish)



Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A2 Corporation	C	23	4.58	NE	Nil	Infratil NZ	B	297	1.97	40	6.3	Provenco Group	E	54	0.44	NE	Nil
AMP Onyx Mgmt	C	124	7.92	21	6.3	Jasons Media	B	91	1.26	25	4.9	Pumpkin Patch	C	265	1.21	16	5.1
AMP Limited	B	1192	1.32	20	3.9	Just Water Int.	C	65	1.57	NE	8.2	Pyne Gould Corp	C	392	2.01	13	8.0
Abano Health.	D	500	1.29	23	3.3	Kermadec Prop.	D	91	6.23	12	Nil	Rakon Ltd	C	410	4.71	47	Nil
Affco Holdings	D	35	0.18	13	4.3	Kidicorp	B	23	N/A	NE	Nil	Renaissance	C	68	0.16	4	23.0
Air New Zealand	C	182	0.44	9	6.6	Kingfish Ltd	B	123	N/A	2	7.3	Restaurant Brds	C	91	0.30	14	9.0
Akd Int Airport	B	289	N/A	38	4.2	Kirkcaldie & St	B	340	0.75	30	4.4	Richina Pacific	E	45	0.10	7	Nil
Allied Work.	D	105	0.33	16	7.8	Kiwi Property	C	135	9.51	16	7.1	Rubicon Limited	E	91	0.41	NE	Nil
Allied Farmers	D	169	0.30	NE	1.8	Life Pharmacy	E	58	3.48	NE	1.3	Ryman Health.	C	212	5.57	26	1.9
Apple Fields	D	8.0	3.72	14	Nil	Lion Nathan Ltd	A	1090	2.78	23	3.6	Salvus Strat.	A	100	2.33	3	8.2
Barramundi Ltd	D	85	N/A	4	Nil	Livestock Imp.	A	192	0.48	6	19.4	Sanford Limited	C	410	0.98	15	8.0
Blis Technology	E	7.5	N/A	NE	Nil	Loan & Building	A	590	1.73	21	3.9	Satara Co-op	C	106	0.31	23	7.0
Botry-Zen Ltd	D	5.0	N/A	NE	Nil	Lombard Group	D	65	0.46	3	Nil	Savoy Equities	E	3.0	N/A	NE	Nil
Brierley Invest	E	124	2.62	96	4.2	Lytelton Port	A	260	3.48	28	2.3	Scott Tech. Ltd	B	190	1.61	16	7.1
Briscoe Group	C	139	0.79	11	8.6	Mainfreight Grp	B	721	0.72	13	3.1	Sealegs Corp	E	66	7.67	NE	Nil
Broadway Ind	C	81	0.34	15	2.5	Marlin Global	E	81	N/A	NE	Nil	Seeka Kiwifruit	C	300	0.40	13	10.0
Burger Fuel	D	60	N/A	NE	Nil	Media Tech.	E	5.0	0.26	NE	Nil	Skellerup Hold.	C	96	0.52	NE	4.7
CDL Investments	D	39	2.75	8	8.8	Methven Limited	B	218	1.65	16	7.8	Sky Network TV	B	566	3.56	19	2.6
Cabletalk Group	D	25	0.20	NE	Nil	Metro. LifeCare	B	765	3.90	22	2.9	Sky City Ltd	A	491	2.73	22	7.9
Camachus Tech Ltd	E	14	1.50	NE	Nil	Michael Hill	C	103	1.12	19	3.8	Smartpay NZ Ltd	D	3.5	0.20	NE	Nil
CanWest Media	B	269	2.40	25	4.7	Mid-Cap Index	D	310	N/A	NE	Nil	Smiths City	C	57	0.11	7	9.6
Canty Bldg Soc.	A	592	1.30	21	3.8	Millennium & C.	C	68	1.27	9	5.5	Sol. Dynamics	D	46	0.39	NE	Nil
Cavalier Corp	B	308	0.95	14	9.2	Mowbray Collect	D	160	3.87	NE	2.3	South Port NZ	A	225	4.04	26	5.1
Cavotec MSL	D	495	1.45	24	Nil	Mr Chips Hold	A	140	0.72	12	4.3	Speirs Group	C	56	1.4	NE	8.0
Cert Organics	D	10	2.46	NE	Nil	NZ Exchange Ltd	C	925	8.46	34	2.6	Steel & Tube	C	367	0.69	12	11.8
Charlie's Group	E	18	1.89	NE	Nil	NZ Experience	B	31	1.21	9	14.4	Sthn Travel	B	38	0.17	10	11.8
Col Motor Co	C	340	0.21	14	10.1	NZ Finance Hold	D	65	1.25	15	4.0	Tag Pacific Ltd	D	37	0.22	3	2.5
Comvita	C	280	1.27	33	2.7	NZ Invest Trust	B	1115	N/A	NE	0.7	Taylor's Grp Ltd	C	175	0.64	12	10.2
Connexion	E	24	2.38	NE	Nil	NZ Oil & Gas *	N/R	112	9.92	18	Nil	TeamTalk Ltd	B	216	1.79	12	13.8
Contact Energy	C	847	2.44	20	4.8	NZ Refining Co	A	780	4.64	14	8.6	Telecom Corp	B	444	1.64	10	11.9
Cynotech Hold.	C	23	2.05	12	3.2	NZ Wine Company	A	250	2.02	23	4.2	Tenon Ltd	E	151	0.20	14	Nil
Delegat's Group	A	255	1.92	17	2.6	NZ Windfarms	D	113	N/A	NE	Nil	Toll NZ Ltd	B	297	0.86	18	Nil
Dominion Fin.	C	140	1.23	5	9.0	NZ Wool Service	D	38	0.18	19	Nil	Tourism Hold.	B	231	1.19	17	7.1
Dorchester Pac	C	94	0.34	11	14.3	NZSX 10 Fund	D	128	N/A	NE	Nil	Tower Limited	D	218	0.57	17	Nil
Eastern Hi-Fi	D	35	0.23	NE	Nil	NZSX 50 Por.	D	182	N/A	NE	Nil	Training Sol.	E	242	N/A	NE	Nil
Ebos Group Ltd	B	520	0.62	19	6.5	NZX Aust MidCap	C	758	N/A	NE	Nil	Trust Power Ltd	B	840	4.23	27	4.8
F & P Appliance	B	340	0.68	16	7.9	Nat Property Tr	D	60	3.79	15	8.4	Turners & Grow.	C	212	0.36	12	9.9
F & P Health.	C	329	4.72	29	5.6	New Image Group	D	14	1.16	NE	Nil	Turners Auction	C	111	0.41	10	15.5
Feltex Ltd	E	3.0	0.02	NE	Nil	Northland Port	A	345	N/A	16	4.8	Utilico Int'l	C	50	2.82	7	Nil
Finzsoft Sol'ns	C	110	1.22	50	6.1	Nuplex Indust	B	700	0.39	21	6.0	VTL Group Ltd	D	2.0	0.01	0	Nil
Fletcher Build.	C	1169	0.98	12	5.7	Oyster Bay	B	275	2.58	63	2.7	Vector Ltd	B	251	1.86	25	7.7
Freightways Ltd	C	374	1.70	19	7.2	Ozzy (Tortis)	C	400	N/A	NE	Nil	Viking Capital	E	16	3.13	4	Nil
Genesis Res.	E	24	3.00	NE	Nil	PGG Wrightsons	B	194	0.53	21	9.2	WN Drive Tech.	C	49	N/A	NE	Nil
Goodman Prop.	B	146	N/A	18	7.0	POD Ltd	D	49	0.32	NE	Nil	Wakefield Hlth	B	820	1.74	30	3.1
Guinness Peat	D	178	0.58	22	1.6	Pac Edge Bio.	E	13	N/A	NE	Nil	Warehouse Group	C	664	1.17	18	3.9
Hallenstein G.	C	392	1.17	11	13.3	Pike River Coal	E	111	N/A	NE	Nil	Widespread Port*	N/R	1.5	N/A	NE	Nil
Hellaby Hold.	C	241	0.25	14	6.2	Plus SMS Hold.	E	7.0	N/A	NE	Nil	Windflow Tech.	D	325	8.00	NE	Nil
Heritage Gold *	N/R	5.3	N/A	NE	Nil	Port Tauranga	B	680	6.50	24	4.8	Wool Equities	C	80	0.89	NE	Nil
Horizon Energy	B	345	2.87	16	8.2	Postie Plus Grp	E	70	0.20	10	12.8	World Index Fd	D	139	N/A	NE	Nil
ING Med. Prop.	C	122	8.70	17	7.8	Propertyfinance	E	20	0.07	NE	Nil	Xero Live Ltd	D	81	N/A	NE	Nil
ING Property	C	112	8.01	17	9.4	Property F Ind.	C	134	9.46	19	6.5	Zintel Comm.	C	36	0.45	7	8.3
												Ave of 153 Cos	C	229	0.36	12	4.3
ABB Grain Ltd	A	842	1.06	18	3.6	ConnectEast Grp	C	164	N/A	NE	4.0	Newcrest Mining	A	3292	7.01	NE	0.2
ABC Learning	B	536	1.48	18	3.2	Cons Minerals	A	499	3.85	37	1.3	News Corp.	B	2497	2.31	19	0.6
AGL Energy Ltd	B	1342	1.55	14	2.6	Corp Express	B	648	0.96	18	3.3	Nufarm Limited	A	1672	1.63	27	1.9
AMP Ltd	B	1055	1.39	22	3.8	Crane Group	B	1690	0.47	24	3.8	Oil Search Ltd	A	474	6.19	10	2.2
ANZ Bank	C	2848	4.66	13	4.8	DB Rref Trust	B	210	8.66	5	5.4	Orestal Ltd	B	650	1.32	27	2.6
APA Group	D	363	2.94	24	5.5	DUET Group	B	347	2.48	77	7.1	Orica Ltd	B	2875	1.88	16	2.6
APN News Media	D	524	1.88	15	1.9	David Jones	B	523	1.19	22	4.2	Origin Energy	B	909	1.27	22	2.3
ASX Limited	B	5997	N/A	35	2.7	Deutsche Div Tr	C	131	6.10	14	7.1	Oxiana Ltd	B	393	N/A	NE	2.0
AWB Limited	C	294	0.21	10	6.8	Djerriwarrah	A	534	N/A	12	4.9	Pacific Brands	C	326	0.90	15	5.1
AXA Asia Pac	C	809	2.31	21	2.3	Downer EDI Ltd	B	528	0.31	10	4.0	Paladin Energy	E	735	N/A	NE	Nil
Abacus Property	C	184	5.66	9	6.8	Dyno Nobel Ltd	B	248	1.24	18	2.3	Pan Australian	C	105	N/A	NE	Nil
Adelaide Bank	C	1558	4.93	18	4.2	Energy Resource	A	2006	N/A	88	0.8	Paperlin X Ltd	C	253	0.15	14	4.3
Adelaide Bright	C	376	2.58	20	3.3	Energy World	B	96	N/A	19	Nil	Perpetual Ltd	C	7040	6.22	16	5.1
Allico Finance	B	750	4.76	12	5.9	Equinox Min.	C	609	N/A	NE	Nil	Platinum Asset	D	504	8.38	18	Nil
Alumina Ltd	B	646	N/A	15	3.7	FKP Limited	A	737	4.60	10	2.2	Portman Limited	C	1145	4.17	17	Nil
Amcor Ltd	B	727	0.65	12	4.7	Fairfax Media	B	481	3.27	27	4.2	Primary Health	B	1250	5.59	28	3.6
Aneka Tambang	C	620	N/A	NE	1.8	Felix Resources	A	842	6.55	34	0.7	Publishing & Br	B	2080	7.01	49	2.6
Ansell Ltd	B	1194	1.38	17	2.0	Flight Centre	A	2834	2.32	22	2.3	Q.B.E. Insur.	B	3290	2.26	18	2.9
Aquarius Plat.	A	4037	4.13	16	1.2	Fortescue Metal	C	5675	N/A	NE	Nil	Qantas Airways	B	578	0.76	16	5.2
Aquila Res.	B	987	N/A	NE	Nil	Foster's Group	B	653	2.70	17	3.6	Queensland Gas	D	340	N/A	NE	Nil
Argo Investment	B	815	N/A	26	3.3	Futuris Corp.	B	219	0.52	16	4.3	Ramsay Health	B	1122	0.92	18	2.6
Aristocrat Leis	B	1183	5.15	23	3.0	GPT Group	B	468	N/A	7	5.9	Reece Australia	A	2890	2.20	28	1.8
Arrow Energy	B	297	N/A	NE	Nil	GWA Internat'l	B	378	1.64	19	5.2	Resource Pac.	B	305	N/A	NE	Nil
Ausenco Ltd	A	1408	8.00	86	0.7	Goodman Group	B	615	N/A	16	5.1	Rio Tinto Ltd	A	14548	1.96	7	1.0
Aust W'wide Exp	C	336	N/A	43	Nil	Goodman Fielder	C	196	1.07								

Recommended Investments

Lyttelton Port Company earned a \$9.6 million profit in the year to June 2007, but had predicted that would fall to around \$8.5 million this year - owing to higher interest and depreciation charges. The Company has now upgraded that forecast by 5-10% to \$8.9-9.4 million "following an excellent first quarter".

Coal exports through Lyttelton Port Company will increase by around 1.3 million tonnes (about 50%) annually over the next three years and continue at those higher levels for around the next 18 years. This follows an agreement between **Solid Energy** and **Pike River Coal** that will enable the Pike River coal to be transported by rail to Lyttelton. The "financial implications for LPC

will be advised once they have been fully determined" but this contract should increase coal handling revenues by around 50% and have a significant impact on profitability. Coal handling is also a very steady and reliable business for a port company.

Nuplex Industries has agreed to buy the North American business of *G-Cure* from German based **Cognis**. The business, which generates annual revenues of around US\$13 million, produces acrylic polyol based resin for industrial coatings, used mainly in industrial maintenance and automotive refinishing.

Postie Plus Group reports first quarter revenues down 2.8% to \$27.2 million, (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation	Performance	Issued	Vola-	Price/	Price/	Gross	Recent	Cash	Total		
		- Date -	Forecast	Shares	tility	Sales	Earnings	Dividend	Share	Dividends	Return		
	NZ Shares	Code	Price	(mil.)	Ratio	Ratio	Ratio	Yield	Price	Rec'd	%		
HOLD	CDL Investments Ltd	CDI	12/01/99	25	D	218.9	1.4	2.75	8	8.8	39	15.6	+118%
BUY	Cavalier Corporation	CAV	05/12/95	156*	B	65.5	0.9	0.95	14	9.2	308	210.0	+232%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.5	0.21	14	10.1	340	315.8	+337%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	A	102.3	0.7	3.48	28	2.3	260	63.3	+116%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	4½*	C	382.8	0.9	1.12	19	3.8	103	22.2	+2404%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	B	79.9	0.5	0.39	21	6.0	700	197.0	+156%
BUY	Postie Plus Group	PPG	08/05/06	71	C	40.0	1.1	0.20	10	12.8	70	8.5	+11%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	39.0	1.1	0.16	4	23.0	68	50.9	+40%
BUY	Smiths City Group	SCY	09/10/06	64	C	53.0	1.3	0.11	7	9.6	57	5.5	-2%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.7	4.04	26	5.1	225	94.3	+166%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.2	0.7	0.69	12	11.8	367	193.0	+284%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.7	0.64	12	10.2	175	74.0	+144%
Australian Shares (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	A	54.2	1.0	0.98	33	0.6	393	22.5	+246%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	B	89.3	1.3	3.05	14	7.9	45	15.5	-18%
BUY	Austin Group Ltd	ATG	08/02/05	93	C	62.2	1.7	0.28	NE	Nil	24	7.0	-67%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	406*	A	51.6	0.3	2.80	35	2.0	3449	297.6	+823%
BUY	Candle Australia	CND	08/04/03	86	B	53.4	0.8	0.45	10	7.6	251	52.5	+253%
HOLD+	Cellnet Group Ltd ¹	CLT	12/02/02	147*	D	74.3	1.2	0.06	NE	Nil	57	32.4	-18%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	A	305.6	0.7	1.59	NE	2.7	483	34.0	+639%
HOLD+	Circadian Technologies	CIR	10/02/04	188	D	40.1	1.0	N/A	NE	Nil	113	65.0	-6%
HOLD	Commander Comm.	CDR	11/09/01	92	E	228.8	1.7	0.08	NE	5.3	38	25.2	-32%
BUY	Computershare Ltd	CPU	12/08/03	189	B	590.9	0.6	3.65	22	1.7	1020	51.5	+467%
BUY	Devine Ltd	DVN	13/11/06	94	B	284.2	0.8	0.62	16	5.7	140	8.0	+57%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	68.4	1.2	1.25	24	Nil	84	Nil	+71%
HOLD+	Housewares Int'l	HWI	13/11/06	171	D	125.0	0.8	0.73	16	Nil	216	Nil	+26%
HOLD+	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.5	0.02	NE	Nil	39	4.0	-76%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	C	232.9	0.8	0.97	9	4.9	445	64.0	+8%
HOLD	Keycorp Ltd	KYC	10/08/04	123*	D	82.2	1.7	0.26	NE	Nil	30	Nil	-76%
BUY	M2 Telecommunications	MTU	09/10/06	33	A	60.2	1.2	0.96	18	4.3	70	3.0	+121%
HOLD	Mercury Mobility ¹	MMY			C	105.0	2.0	N/A	NE	Nil	29	Nil	
HOLD	Melbourne IT	MLB	10/02/04	53	B	76.0	0.6	2.53	41	2.3	341	29.0	+598%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	A	385.3	0.9	2.93	31	3.0	140	9.3	+78%
HOLD-	Namoi Cotton Co-op Ltd	NAM	14/03/06	65	B	107.8	1.3	0.13	4	12.5	44	3.5	-27%
BUY	Ross Human Directions	RHD	14/08/01	92	C	82.9	1.3	0.13	9	7.3	55	29.0	-9%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	104.6	0.6	0.42	20	3.9	564	98.5	+426%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	297.7	1.0	4.22	22	3.4	111	13.1	+182%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	A	162.1	1.2	3.74	9	3.3	104	0.9	+133%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	A	25.6	0.5	1.22	28	2.3	1340	78.5	+452%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +228.8%. This is equal to an average annual rate of +38.9%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 138 closed out) is +34.8%, compared with a market gain of +7.9% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

(1) Cellnet Group returns include 1½ shares of Mercury Mobility distributed to shareholders.

Recommended Investments

(Continued from Page 3)

but with “signs of sales recovery” during November.

Jan Cameron has purchased a further 1,337,537 Postie Plus Group shares, lifting her holding to 4,785,417 shares or 11.96% of the company.

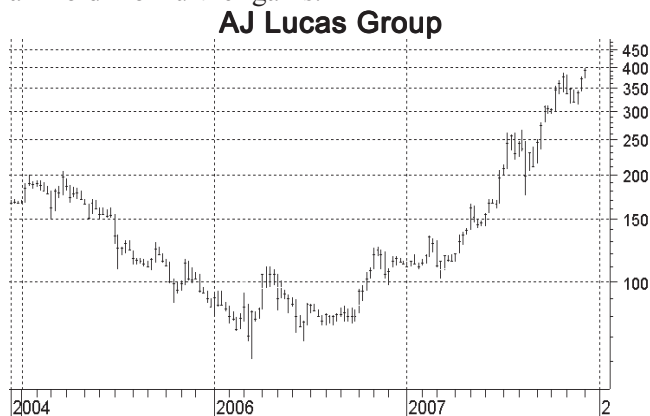
Australian Shares

(This section is in Australian currency, unless stated.)

AJ Lucas Group intends to “spin off and separately capitalise” the coal seam methane **Lucas Energy** business “within the next 12 months” which could crystallise significant value in this division. The company expects to announce its “first formal estimate of proven [gas] reserves” at Gloucester Basin early in 2008. Methane could be used to produce electricity at a small scale power station at Stratford, sold direct to a number of industrial businesses and/or transferred via a new pipeline (to be completed by 2010) to Hexham to join an existing gas pipeline.

Overall the company is predicting that total group revenues will rise 70% to \$370 million this financial year, with improved profit margins (i.e. so profits should be up significantly more than 70%). The company is also looking to “potentially produce very significant capital assets” by “investing in and/or creating entrepreneurial situations” in water, infrastructure and other one-off situations where there is an opportunity to add value.

Owing to the expected increase in earnings - and potential to build capital assets in methane and/or infrastructure projects - AJ Lucas Group shares remain a “Hold” for further gains.



Campbell Brothers lifted revenues 20.5% to \$356.3 million for the six months to 30 September 2007. Trading profits were 24.4% higher at \$32,391,000 (62.4 cents per share) and the interim dividend will be raised 25.0% to 35 cents. In addition there was a \$5.5 million gain (after tax) on the sale of its shares in **CCI Holdings**.

The operating cash surplus increased almost 2½ times to \$22.7 million.

The Laboratory division continues to dominate, generating 57% of revenues and 87% of group profits!

Candle Australia, which has changed its name to **Clarius Group**, has warned that its first half profit will be “slightly below” last year's \$6.4 million owing to “significant under-performance of **Lloyd Morgan Australia**”. This business was acquired in November 2005 but suffered a “substantial loss of staff”, particularly around June 2007. These are now being replaced and

this division should recover in the second half of the current financial year.

The company has also incurred pre-tax costs of \$1.1 million restructuring the business and recruiting two new senior executives. So first half profits could be down 15-25% to around \$5.3 million.

The restructuring, however, will deliver \$800,000 annually in cost savings, helping to improve the second half result.

The stockmarket appears to have over-reacted to this 15-25% *short term* profit dip, marking the shares down about 25% in value.

The company has also announced the acquisition of **SouthTech Personnel** for \$5 million in cash and shares, plus undisclosed “incentives for over achievement of agreed profit targets” over the next year.

Clarius Group's profits and share price have grown strongly over recent years and the future growth potential is still attractive. The recent dip in the share price has reduced the Price/Earnings ratio to a low 10 and increased the Dividend Yield to a high 7.6%. Following the share price dip, three *insiders* bought shares on-market last week. The new Chief Executive, D Eillert, bought her first 200,000 shares on-market at 241 cents and P Morris bought her first 40,000 shares at 243 cents. GJ Moles bought a total of 400,000 shares at prices from 228-245 cents, lifting his holding to 1,325,324 shares. Clarius Group shares therefore look to offer good value, we continue to rate them a “Buy” and investors could look at adding to holdings in this company.

Clarius Group (Candle Australia)



Centennial Coal is waiting to obtain approval from the Australian Taxation Office and then will proceed “as soon as practically possible” with its \$2.00 per share capital repayment.

Coal prices are very strong, the company is in a sound financial position, intends to pay fully franked dividends for the current financial year and has growth potential from its existing mines. As we have said previously, this could become a very profitable business, capable of paying high dividends, but estimating future profitability is difficult. We don't have a lot of faith in profit forecasts, but 12 stockbrokers follow Centennial Coal closely enough to publish profit forecasts. These estimate earnings per share of 8.5-16.7 cents to June 2008, rising to 22-38 cents for the year to June 2009. That could justify a share price of around 330-460 cents (i.e. up 10-35%, after deducting the proposed capital repayment) within about 18 months.

The \$2 capital repayment would also repay our initial

investment of 70 cents (being our cost of **Austral Coal** shares which became Centennial Coal shares via a scrip takeover) several times over!

Centennial Coal



Commander Communications has sought to reassure shareholders that the worst is behind it and that the business is recovering, but earnings (before interest and depreciation) are still predicted at \$67-75 million this financial year - which would be around a break-even net profit. Most of the revenue and profits are also earned in the final June quarter, so it is difficult to get any meaningful guidance in the immediate future.

The company, however, is “clearly highly geared at present” and the directors are considering “whether or not some form of equity raising might be appropriate”.

Computershare reports further very strong growth! Results for the first four months (i.e. to the end of October) are up 40% on the same period in 2006 - which itself was up 100% on the same period in 2005 (i.e. this year has started almost *three* times more profitably than 2005). Profits for the full year are predicted to be up more than 30%.

Computershare shares trade on a Price/Earnings ratio of 20, but 30% growth this year would reduce that to 15.

Computershare is seeking to make a Euro 60 million (US\$88 million) takeover for **VEM Aktienbank AG**, a German bank involved in initial public offerings and other corporate actions. Computershare already owns just over 8%, has purchased a 30.2% stake from the company founders and Managing Director, plus other shareholders with 8.6% have agreed to sell. This business is being acquired for about 7 times earnings (before interest, tax and depreciation) which is a reasonably attractive valuation. The acquisition will also help “transform Computershare's German operation into a fully integrated issuer services business” and “enhance significantly” its access to “Clearstream clearing and settlement infrastructure”.

Computershare



Devine has announced a contract to sell its *Hideaway @ Currumbin* site which will realise a very significant profit! The site, which was bought in September 2003 for \$27 million, will be on-sold to **FKP** for \$75 million, payable in staged settlement over four years. Devine has performed little or no physical work on this site, but has taken the proposed development through various stages of planning and obtaining necessary approvals. The contract is conditional on Devine obtaining operational works approval from the **Gold Coast City Council** for the development. This is expected in the March quarter of 2008, when Devine will receive its first instalment of \$25 million.

Three-quarters of the Currumbin site will remain as public space or natural vegetation and 16 hectares will become an artificial lake. The plan is to develop 106 home sites and 421 villas, with a final value of around \$300 million.

The sale of this site will realise a pre-tax profit of \$48 million, less expenses incurred over the planning process, for Devine over the next four years and enable the company to focus its resources on other developments. This one transaction will make a significant contribution to profits which were \$21.4 million (after tax) last year.

Devine has agreed to acquire a 43.65 hectare site in Pakenham, 55km south-east of Melbourne for \$20.7 million where it will build a masterplanned residential community. Settlement of the site purchase is expected in January 2009, with construction of Stage I expected to begin in March 2009. The final value of this project will be around \$200 million.

Devine is also advancing its plans to establish a *Funds Management* division. This will provide a new source of revenue and profits from management fees and profit sharing, while raising additional capital from external investors to help finance the expansion of the company's development business for the benefit of shareholders. The company is “well advanced” with plans for a land fund which it expects to be “operational this financial year”. External investors would finance the large amounts of capital required to buy and hold land for development. This would enable Devine to expand and grow its residential development business without the need to raise additional capital from shareholders.

The company is also planning its own income producing property trust - which would buy and hold commercial properties either built by Devine or acquired from third parties. This is an extension of the group's existing property skills, but also provides further sources of external financing and a potential purchaser (at market prices) for future development projects.

A third fund would focus on 3-5 year development opportunities, including broad acres, infill sites and CBD redevelopment sites.

As we noted last month, the timetable for Devine's cash issue was too tight - especially for NZ investors. On 6 December the company did announce it was extending the closing date to 10 December but on 7 December announced it had “been unable to extend the closing date”. The only way for a NZ resident to make this deadline was by an electronic BPAY from an Australian bank account as there was

(Continued on Page 6)

Recommended Investments

(Continued from Page 5)

no time to mail back the *Entitlement and Acceptance Form* with a cheque.

Macquarie Investment Services will provide NZ residents with a high interest, Australian cheque account but investors will need to maintain a minimum balance around A\$5000.

Housewares International reports an “encouraging first four months” with revenues and profits above budget and the same period last year. For the full year to June 2008 the company predicts that earnings (before interest, tax and depreciation) will be above last year's \$33.8 million and “potentially above” the 2006 result of \$37.0 million.

The Chief Executive believes the company is “poised for significant growth in the years to come”. 80 new products were released over the last year and the company intends to release a significantly higher number over the next year.

International All Sports reports that the Equine Influenza has reduced Australian horse racing turnover by 25% - or a loss of turnover of \$25 million and revenue of \$1.5 million this year. Nevertheless, earnings (before interest, tax and depreciation) for the first four months is up 133% to \$2,048,000 compared with budget.

A division breakdown shows four month earnings of \$6.7 million for IASbet (up from \$8.6 million for the full year to June 2007), while Canbet which is “struggling through its embryonic growth stage” lost \$4.8 million owing to start-up costs. Proprietary gambling also lost \$1.2 million, while Global Sports Entertainment (i.e. Asian Racing) “performed well” earning \$1.1 million.

The company reports that “local and international gaming players, major companies in the industry had expressed interest in acquiring” the company. The directors will “seriously consider any genuine offer”.

Iuka Resources has announced two mineral sands discoveries. Firstly, it has found a new, large, high grade mineral sands deposit in the northern Murray Basin. The *Nepean* discovery is 70km north of Balranaid town and 40km north of the company's *West Balranaid* deposit. The deposit is over 9km long, and open to the north, with grades greater than 30% and rutile and zircon greater than 20%. The northern 6km is “relatively close” to the surface, under 37-55 metres of overburden, but the deposit plunges to the south to depths over 100 metres.

Secondly, at the *Dromedary Prospect*, 45km north east of Ceduna, recent drilling intersected “significant heavy mineral” sand deposits believed to be about 500 metres by 1000 metres just 25 metres below the surface, with heavy mineral grades of 1% to 15%. Further drilling will be necessary to determine the extent and character of this deposit.

Mercury Mobility has reported revenues of \$2.2 million for the September quarter and a cash operating surplus of \$666,000. Cash on hand (boosted by \$3.0 million raised in its recent cash issue) is \$3.5 million.

Ross Human Directions expects its first half year profits to be similar to last year.

Skilled Group has made an institutional share placement, issuing 14.4 million new shares at 520 cents to raise \$75 million. A further 2.0 million shares will be

placed with **Hedonsax**, the major shareholder and a company owned by Skilled Group's Managing Director, on similar terms (raising a further \$10.4 million) subject to shareholder approval at an EGM in January.

The money raised will help reduce interest bearing debts from \$300 million to \$225 million. Debts have increased significantly over the last two years to finance acquisitions. Repaying some of these debts will leave \$125 million of undrawn facilities that provide “flexibility to continue to fund growth opportunities”.

The company is now predicting earnings to June 2008 up 45% to \$98-103 million with net profits 24-35% higher at \$36-39 million and earnings per share 7-16% higher at 27.6-32.1 cents on the increased capital.

The company reports increased demand for labour, “opportunities to increase market share” and a “very positive overall outlook”.

Technology One has reported for the transitional three month period to 30 September - its new balance date. This is traditionally a “very quiet” period, so these results are meaningless. Revenues were \$17.1 million and there was a net profit of \$488,000.

The company expects profits to September 2008 to be 15-20% ahead of the last full year (i.e. to June 2007) but with a “quieter than normal” first half and “a number of very large contracts” in the second half.

TFS Corporation has confirmed its plans to develop (and sell to investors) at least 650 hectares of Indian Sandalwood plantations this year - a 16% increase on last year. In fact, the growth in the company's nursery and operational infrastructure gives it the capacity to develop 800 hectares (up 43% on last year). The company is in a strong financial position, with no debt (following the planned sale of its loan book) and with strong cashflows. So it is likely that TFS Corporation will seek to develop 800 hectares, retaining ownership of any plots not sold to external investors.

Investigation of its recently acquired *Kingston Rest* property has also revealed that 2400 hectares will be suitable for Sandalwood, up from the 1900 hectares thought suitable when this property was purchased. The company has also acquired 250 hectares in two small purchases and 300 hectares of leasehold land.

At 104 cents, TFS Corporation shares trade on a low Price/Earnings ratio of 9 but have excellent growth potential as the company expands the rate of development of new plantation *and* builds increasing recurring annual revenues from managing the plantations developed in previous years. The shares remain a “must Buy” for investors seeking capital appreciation.

TFS Corporation



Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

STRENGTH RATING													STRENGTH RATING																												
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Broker Following	Price to NTA	Return on Equity	Volatility	Price/Earn.	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Broker Following	Price to NTA	Return on Equity	Volatility	Price/Earn.	Dividend Yield	Price/Sales Ratio	Market Cap'n														
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average																												
Sthn Travel	38	+2.5	-5.9	21	0-0	-	1.1	12	1.4	10	11.8	0.17	5	Kermadec Prop.	91	-5.7	+1.4	70	5-0	-	0.8	7	0.7	12	Nil	6.23	56	Charlie's Group	18	-58.3	+0.0	98	0-0	-	3.4	0	1.1	NE	Nil	1.89	51
Nuplex Indust	700	+2.6	+0.8	20	6-0	5	1.9	9	0.5	21	6.0	0.39	559	Ryman Health.	212	-1.5	+2.1	43	3-6	4	0.8	3	0.4	26	1.9	5.57	1,060	Lombard Group	65	-26.1	-2.6	96	0-0	-	55.1	-	0.9	3	Nil	0.46	15
Livestock Imp.	192	+1.5	+1.4	27	0-0	-	0.6	10	0.9	6	19.4	0.48	57	F & P Health.	329	-4.8	-0.5	62	0-14	6	8.7	30	0.5	29	5.6	4.72	1,682	Plus SMS Hold.	7	-21.9	+1.1	94	2-0	-	2.0	-	2.2	NE	Nil	N/A	24
PGG Wrightsons	194	+7.4	+0.2	7	5-0	4	1.3	6	0.7	21	9.2	0.53	546	Mowbray Collect	160	-2.1	-0.3	47	0-1	-	4.6	-	0.3	NE	2.3	3.87	17	Viking Capital	16	-21.3	-1.1	94	0-0	-	0.6	14	1.1	4	Nil	3.13	11
Ebos Group Ltd	520	+0.7	+1.9	31	0-0	2	2.0	11	0.5	19	6.5	0.62	192	Nat Property Tr	60	-7.1	+1.1	78	0-0	4	0.5	3	0.6	15	8.4	3.79	77	NZ Finance Hold	65	-19.6	-2.0	92	0-4	-	2.4	15	0.5	15	4.0	1.25	50
Mr Chips Hold	140	+7.8	-1.1	6	1-0	-	1.9	15	0.8	12	4.3	0.72	34	Apple Fields	8	-2.6	-1.1	50	0-0	-	5.3	38	2.5	14	Nil	3.72	5	Burger Fuel	60	-16.6	-0.4	91	0-0	-	-	-	0.9	NE	Nil	N/A	32
Kirkcaldie & St	340	+3.9	+0.8	15	0-1	-	1.5	5	0.5	30	4.4	0.75	34	Sky Network TV	566	-0.1	+0.6	35	3-0	6	2.0	11	0.3	19	2.6	3.56	2,203	Provenco Group	54	-13.3	+1.7	88	0-0	2	1.3	-	0.6	NE	Nil	0.44	75
Fletcher Build.	1169	+1.2	+0.1	28	1-3	6	2.5	21	0.4	12	5.7	0.98	5,837	Life Pharmacy	58	-7.0	-1.2	77	0-0	-	0.8	-	0.6	NE	1.3	3.48	17	Pumpkin Patch	265	-13.2	-2.1	87	2-8	4	4.0	25	0.4	16	5.1	1.21	443
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													INSIDER BUYING: Most Insider Buying, Relative Strength > 0																												
Mr Chips Hold	140	+7.8	-1.1	6	1-0	-	1.9	15	0.6	12	4.3	0.72	34	AMP Limited	1192	+2.6	-1.0	21	7-0	-	7.6	37	0.4	20	3.9	1.32	22,024	Kiwi Property	135	-4.6	-0.4	60	0-2	3	0.8	5	0.4	16	7.1	9.51	964
Sthn Travel	38	+2.5	-5.9	21	0-0	-	1.1	12	1.1	10	11.8	0.17	5	Nuplex Indust	700	+2.6	+0.8	20	6-0	5	1.9	9	0.3	21	6.0	0.39	559	Property F Ind.	134	-2.0	-0.8	46	0-0	4	1.0	5	0.4	19	6.5	9.46	279
Toll NZ Ltd	297	+1.7	-0.3	25	0-0	-	1.7	10	0.5	18	Nil	0.86	624	PGG Wrightsons	194	+7.4	+0.2	7	5-0	4	1.3	6	0.4	21	9.2	0.53	546	ING Med. Prop.	122	-4.7	-0.4	61	1-0	5	0.9	5	0.4	17	7.8	8.70	170
Livestock Imp.	192	+1.5	+1.4	27	0-0	-	0.6	10	0.7	6	19.4	0.48	57	Port Tauranga	680	+2.9	-1.4	18	3-0	4	1.4	6	0.4	24	4.8	6.50	911	NZ Exchange Ltd	925	-2.6	-0.2	51	0-2	1	10.8	32	0.3	34	2.6	8.46	217
Fletcher Build.	1169	+1.2	+0.1	28	1-3	6	2.5	21	0.4	12	5.7	0.98	5,837	WN Drive Tech.	49	+18.1	+7.5	1	4-2	-	6.9	-	0.9	NE	Nil	N/A	150	ING Property	112	-3.8	+0.2	57	1-0	3	0.9	5	0.4	17	9.4	8.01	607
Ebos Group Ltd	520	+0.7	+1.9	31	0-0	2	2.0	11	0.4	19	6.5	0.62	192	Mr Chips Hold	140	+7.8	-1.1	6	1-0	-	1.9	15	0.5	12	4.3	0.72	34	Sealegs Corp	66	-6.4	+3.5	74	0-3	-	26.1	-	1.5	NE	Nil	7.67	41
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													INSIDER SELLING: Most Insider Selling, Relative Strength < 0																												
Hallenstein G.	392	-4.6	-0.0	61	0-4	4	3.5	32	0.3	11	13.3	1.17	234	Telecom Corp	444	-2.2	+1.5	48	3-20	10	2.5	26	0.3	10	11.9	1.64	7,973	F & P Health.	329	-4.8	-0.5	62	0-14	6	8.7	30	0.5	29	5.6	4.72	1,682
Telecom Corp	444	-2.2	+1.5	48	3-20	10	2.5	26	0.4	10	11.9	1.64	7,973	F & P Appliance	340	-2.1	-0.3	47	0-7	6	1.4	9	0.4	16	7.9	0.68	964	Pumpkin Patch	265	-13.2	-2.1	87	2-8	4	4.0	25	0.4	16	5.1	1.21	443
Turners & Grow.	212	-3.1	+0.5	54	0-2	2	0.7	6	0.5	12	9.9	0.36	196	Mainfreight Grp	721	-1.4	+0.8	41	0-5	5	4.5	36	0.4	13	3.1	0.72	696	Hallenstein G.	392	-4.6	-0.0	61	0-4	4	3.5	32	0.2	11	13.3	1.17	234
ING Property	112	-3.8	+0.2	57	1-0	3	0.9	5	0.5	17	9.4	8.01	607	NZ Finance Hold	65	-19.6	-2.0	92	0-4	-	2.4	15	0.5	15	4.0	1.25	50	NZ Exchange Ltd	925	-2.6	-0.2	51	0-2	1	10.8	32	0.3	34	2.6	8.46	217
PGG Wrightsons	194	+7.4	+0.2	7	5-0	4	1.3	6	0.5	21	9.2	0.53	546	Brierley Invest	124	-7.0	-0.9	76	0-4	-	1.1	1	0.6	96	4.2	2.62	1,696	ING Med. Prop.	122	-4.7	-0.4	61	1-0	5	0.9	5	0.4	17	7.8	8.70	170
Cavalier Corp	308	-1.5	+0.5	42	1-0	3	3.1	23	0.7	14	9.2	0.95	202	Steel & Tube	367	-4.8	-2.9	63	0-3	5	2.3	20	0.5	12	11.8	0.69	324	ING Property	112	-3.8	+0.2	57	1-0	3	0.9	5	0.4	17	9.4	8.01	607
NZ Refining Co	780	+5.1	+0.7	12	0-0	2	3.1	22	0.2	14	8.6	4.64	1,872	Sealegs Corp	66	-6.4	+3.5	74	0-3	-	26.1	-	1.4	NE	Nil	7.67	41	Sealegs Corp	66	-6.4	+3.5	74	0-3	-	26.1	-	1.4	NE	Nil	7.67	41
Briscoe Group	139	-5.7	+0.1	68	4-0	5	2.6	23	0.6	11	8.6	0.79	295																												
Sanford Limited	410	-3.0	-1.0	53	0-0	3	0.8	5	0.4	15	8.0	0.98	384																												
Pyne Gould Corp	392	-4.4	+0.3	59	3-1	1	1.7	13	0.5	13	8.0	2.01	384																												

Strongest NZ Shares

STRENGTH RATING													STRENGTH RATING														
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Broker Following	Price to NTA	Return on Equity	Volatility	Price/Earn.	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Broker Following	Price to NTA	Return on Equity	Volatility	Price/Earn.	Dividend Yield	Price/Sales Ratio	Market Cap'n
Abano Health.	500	+24.5	+6.2	0	0-0	1	2.2	10	0.9	23	3.3	1.29	115	South Port NZ	225	+3.6	-4.5	15	0-0	1	2.3	9	0.6	26	5.1	4.04	59
WN Drive Tech.	49	+18.1	+7.5	0	4-2	-	6.9	-	1.5	NE	Nil	N/A	150	Akd Int Airport	289	+3.4	-2.7	16	0-2	8	1.8	5	0.6	38	4.2	N/A	3,531
New Image Group	14	+17.5	+4.3	1	1-0	-	60.9	-	3.5	NE	Nil	1.16	30	Lytelton Port	260	+3.3	+1.9	17	0-0	3	2.2	8	0.7	28	2.3	3.48	266
Cert Organics	10	+15.3	+5.1	2	0-0	-	3.7	-	3.1	NE	Nil	2.46	15	Finszsoft Sol'ns	110	+3.0	+1.2	17	0-0	-	2.3	5	1.0	50	6.1	1.22	9
A2 Corporation	23	+14.6	-10.7	2	0-0	-	-	-	1.8	NE	Nil	4.58	35	Port Tauranga	680	+2.9	-1.4	18	3-0	4	1.4	6	0.5	24	4.8	6.50	911
Jasons Media	91	+9.0	-1.3	3	1-0	-	28.3	-	1.3	25	4.9	1.26	15	Methven Limited	218	+2.9	-2.4	18	0-3	2	4.8	30	0.8	16	7.8	1.65	126
Canty Bldg Soc.	592	+8.7	+1.1	4	0-0	-	1.4	7	0.4	21	3.8	1.30	39	Infratil NZ	297	+2.8	+0.9	19	3-3	2	0.7	2	0.8	40	6.3	1.97	1,568
Loan & Building	590	+8.5	+3.2	4	0-0	-	1.5	7	0.3	21	3.9	1.73	26	Nuplex Indust	700	+2.6	+0.8	20	6-0	5	1.9	9	0.5	21	6.0	0.39	559
Ozzy (Tortis)	400	+8.4	+0.6	5	0-0	-	-	-	0.6	NE	Nil	N/A	132	AMP Limited	1192	+2.6	-1.0	20	7-0	-	7.6	37	0.6	20	3.9	1.32	22,024
Michael Hill	103	+8.3	-1.8	5	3-11	4	5.4	29	0.9	19	3.8	1.12	394	Sthn Travel	38	+2.5	-5.9	21	0-0	-	1.1	12	1.4	10	11.8	0.17	5
Mr Chips Hold	140	+7.8	-1.1	6	1-0	-	1.9	15	0.8	12	4.3	0.72	34	Salvus Strat.	100	+2.4	+0.7	22	0-1	-	0.7	30	1.2	3	8.2	2.33	20
PGG Wrightsons	194	+7.4	+0.2	7	5-0	4	1.3	6	0.7	21	9.2	0.53	546	Wool Equities	80	+2.2	+5.2	22	0-0	-	1.5	-	1.0	NE	Nil	0.89	19
Cynotech Hold.	23	+7.3	+7.9	7	0-0	-	2.5	21	2.3	12	3.2	2.05	18	NZ Invest Trust	1115	+1.9	+0.2	23	1-2	-	-	-	0.4	NE	0.7	N/A	113
Delegat's Group	255	+6.5	-1.3	8	0-0	3	2.0	12	0.8	17	2.6	1.92	256	Cavotec MSL	495	+1.9	-0.5	24	0-1	4	7.6	31	0.7	24	Nil	1.45	315
CanWest Media.	269	+6.4	-1.7	9	0-0	-	1.7	7	0.7	25	4.7	2.40	610	Goodman Prop.	146	+1.9	-0.3	24	2-1	3	1.2	7	0.8	18	7.0	N/A	917
NZX Aust MidCap	758	+6.0	+0.9	9	0-0	-	-	-	0.6	NE	Nil	N/A	64	Toll NZ Ltd	297	+1.7	-0.3	25	0-0	-	1.7	10	0.8	18	Nil	0.86	624
Botry-Zen Ltd	5	+5.9	+8.7	10	0-0	-	4.6	-	4.1	NE	Nil	N/A	8	Oyster Bay	275	+1.7	-1.5	26	0-0	-	1.4	2	0.7	63	2.7	2.58	25
POD Ltd	49	+5.5	-1.9	11	0-0	-	1.7	-	1.6	NE	Nil	0.32	22	Pike River Coal	1												

Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell									Brokers Following	Cur. Price	4-Wk Chg.	Rank 0-99	Insider Buy/Sell								Brokers Following	
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average														
Rockeby Biomed	2	-9.6	-0.2	76	1-0	-	-	3.7	NE	Nil	N/A	11	Natural Fuel	18	-39.3	-1.3	99	1-0	-	0.5	-	1.1	NE	Nil	N/A	59	
Ambri Limited	3	-17.5	+2.6	89	0-0	-	1.3	-	2.9	NE	Nil	N/A	5	Aust Ren. Fuels	6	-37.1	-5.9	99	0-0	-	0.3	-	1.6	NE	Nil	0.79	11
Gateway Mining	13	-3.5	+5.8	58	1-0	-	-	-	1.2	217	Nil	N/A	13	Segue Resources	10	-35.9	+2.6	99	1-0	-	-	-	1.5	NE	Nil	4.66	6
Advent Ltd	67	-6.3	+2.3	68	0-0	-	0.9	-	0.7	NE	35.8	9.93	14	Agri Energy Ltd	7	-35.4	-8.7	99	2-0	-	0.2	-	1.7	NE	Nil	N/A	15
Transurban Grp	727	-3.5	+1.1	58	7-2	12	2.1	-	0.2	NE	7.4	9.84	7,767	Aust Biodiesel	4	-33.9	+0.3	99	2-0	-	0.2	-	2.1	NE	Nil	0.28	5
Roma Petroleum	6	-8.8	+2.3	75	0-0	-	-	-	1.7	NE	Nil	9.83	15	Golden State	15	-32.8	+1.9	99	1-1	-	-	-	1.6	NE	Nil	N/A	29
Euro Inv Gbl Pr	95	-5.1	+0.4	65	0-0	-	0.9	28	0.7	3	11.3	9.80	30	Lafayette Min.	2	-32.8	-3.2	99	0-0	-	-	-	3.1	NE	Nil	N/A	15
Valad Property	161	-3.4	-2.4	58	2-0	7	1.3	11	0.5	12	6.9	9.79	1,329	Coziron Res.	17	-32.7	+1.5	98	1-0	-	-	-	1.1	NE	Nil	N/A	11
Mooter Media	23	-17.1	+3.2	88	0-0	-	0.9	-	1.3	NE	Nil	9.70	9	KH Foods Ltd	20	-32.5	+2.8	98	0-0	-	0.2	-	0.8	NE	Nil	0.39	24
Finbar Group	82	-0.8	-1.5	49	5-0	-	1.9	5	0.5	37	9.8	9.49	112	Electro Optic	56	-31.9	-2.9	98	0-0	-	1.8	-	0.6	NE	Nil	0.73	38
Pacific Energy	45	-7.7	-1.9	72	2-0	-	2.0	-	0.9	NE	Nil	9.38	10	ST Synergy Ltd	45	-31.2	+3.8	98	0-0	-	3.5	-	0.6	NE	Nil	N/A	31
ING Priv Equity	94	-1.6	-1.8	52	2-0	-	0.7	10	0.7	7	8.0	9.10	40	Viagold Capital	170	-30.7	+2.1	98	0-0	-	-	-	0.5	NE	Nil	0.38	22
Bonaparte Diam.	9	-11.5	-0.2	80	3-0	-	-	-	1.5	NE	Nil	9.03	12	GOLDLink Income	19	-30.4	+5.4	98	3-0	-	0.3	-	0.9	NE	Nil	1.29	24
B & B Wind Part	185	-0.1	+2.2	46	0-0	4	2.4	2	0.6	144	6.8	8.97	1,061	Rox Resources	12	-30.3	-1.4	98	0-0	-	-	-	1.6	NE	Nil	N/A	7
CVC Limited	162	-3.8	-1.4	60	7-0	-	0.8	9	0.6	9	9.3	8.89	278	United Uranium	16	-30.2	-3.2	98	0-0	-	-	-	1.3	NE	Nil	N/A	6
Aurora Oil Gas	44	-1.9	-5.3	53	0-0	-	-	-	1.3	NE	Nil	8.85	71	African Energy	39	-28.0	+2.4	97	2-0	-	-	-	1.0	NE	Nil	N/A	57
Carbcharge Ltd	1115	-3.1	+3.4	57	7-0	12	8.5	33	0.4	26	2.7	8.79	1,327	Retail Star Ltd	2	-28.0	+2.5	97	0-0	-	-	-	2.6	NE	Nil	N/A	10
Biopharmacia Ltd	8	-19.4	-10.6	91	0-1	-	1.3	-	2.0	NE	Nil	8.79	5	Coneco Ltd	25	-27.8	+2.7	97	0-0	-	2.3	-	1.5	NE	Nil	N/A	10
Medic Vision	16	-16.8	-1.2	88	1-0	-	1.6	-	1.0	NE	Nil	8.76	14	Remison Cons	4	-27.8	+1.0	97	3-0	-	-	-	2.0	NE	Nil	N/A	25
China Education	35	-3.8	+6.0	60	7-0	-	5.0	13	1.5	37	Nil	8.45	113	Elemental Min.	10	-27.6	+0.9	97	0-0	-	-	-	1.4	NE	Nil	N/A	5
Ad Braking Tech	5	-4.3	+4.2	62	0-0	-	0.8	-	1.8	NE	Nil	8.42	22	Sino Securities	105	-27.4	-1.8	97	0-0	-	5.8	-	0.6	NE	Nil	N/A	33
Platinum Asset	504	-14.9	-1.1	86	1-1	4	-	-	0.7	18	Nil	8.38	2,827	Imagine UN Ltd	5	-27.0	-14.4	97	0-0	-	1.7	83	1.6	2	Nil	0.78	7
Sunshine Heart	16	-5.4	-0.5	65	1-0	-	1.7	-	1.0	NE	Nil	8.38	27	Anadis Limited	10	-26.9	-1.2	97	1-0	-	2.5	84	1.3	3	Nil	2.33	10
Desane Group	72	-2.4	+0.7	55	0-0	-	0.8	7	0.7	12	4.2	8.31	20	Atom Energy Ltd	19	-26.8	-2.8	97	0-0	-	-	-	1.2	NE	Nil	N/A	16
Macarthurook P	105	-1.3	-0.9	51	2-0	1	1.0	14	0.5	7	9.1	8.27	205	Quiktrak Netwks	6	-26.5	+1.7	97	2-0	-	-	-	2.3	NE	Nil	7.97	22
Macquarie C'Wde	200	-2.3	+0.2	54	1-1	8	1.0	19	0.3	5	7.8	8.23	2,626	Korab Resources	29	-26.4	+3.1	97	1-0	-	-	-	1.0	NE	Nil	N/A	13
Intermin Res	28	-6.2	+1.0	68	9-2	-	-	-	1.0	NE	Nil	8.00	26	Range River Gld	4	-26.3	+0.1	97	0-0	-	-	-	2.2	NE	Nil	1.99	25
Quiktrak Netwks	6	-26.5	+1.7	97	2-0	-	-	-	2.4	NE	Nil	7.97	22	Gage Road Brew.	14	-26.3	-1.6	97	0-0	-	1.6	-	1.2	NE	Nil	2.94	6
APN Property	278	-3.8	-0.4	60	0-1	1	7.3	35	0.5	21	3.6	7.90	359	Montec Int'l	4	-26.2	+7.1	97	1-0	-	1.8	-	2.1	NE	Nil	N/A	5
Orchard Indust.	80	-5.1	-0.9	65	4-0	2	-	-	0.9	NE	Nil	7.87	276	Adv. Magnesium	13	-26.2	+3.8	96	3-0	-	1.6	-	1.0	NE	Nil	N/A	11
Biodiem Ltd	20	-14.4	-3.6	85	0-0	-	1.4	-	1.1	NE	Nil	7.86	10	B & B Env. Inv.	50	-26.2	+3.9	96	3-0	1	0.5	5	0.8	10	Nil	0.76	66
Ark Fund Ltd	120	-0.1	-3.6	46	0-0	-	-	-	0.6	17	2.9	7.84	7	MXL Limited	3	-26.1	-0.5	96	1-0	-	-	-	2.3	NE	Nil	N/A	18
Clinical Cell	3	-22.3	+1.1	94	0-0	-	0.7	-	2.9	NE	Nil	7.84	12	Nafl Leisure	13	-26.1	-4.0	96	5-0	-	-	-	1.2	NE	Nil	0.67	40
Sthn Cross Exp.	6	-10.5	-13.2	78	0-0	-	-	-	2.2	13	Nil	7.79	6	Queyscan Hold.	107	-26.0	+1.8	96	0-2	-	-	-	0.5	NE	Nil	N/A	136
Arana Thera.	117	-12.0	+1.0	81	2-0	-	0.9	3	0.6	38	Nil	7.74	192	Fermy Magnesium	15	-25.9	+1.8	96	1-0	-	-	-	1.3	3	Nil	4.17	23
Reverse Corp	423	-5.6	+2.2	66	1-5	3	47.0	-	0.4	19	5.2	7.67	390	Clinuvel Pharm.	39	-25.7	-4.2	96	1-0	1	2.4	-	0.8	NE	Nil	N/A	118
Bendigo Mining	34	-12.1	+6.1	81	3-0	2	1.6	-	1.0	NE	Nil	7.66	168	Greater Pacific	2	-25.5	-1.5	96	0-1	-	-	-	3.2	NE	Nil	N/A	13
Impact Capital	65	-1.2	+1.7	51	3-1	-	2.4	-	0.6	NE	Nil	7.65	42	Safety Medical	28	-25.2	-0.5	96	2-1	-	14.0	-	0.8	NE	Nil	N/A	20
Stem Cell Sci.	62	-16.2	+3.0	87	0-0	-	-	-	0.9	NE	Nil	7.61	14	Blina Diamonds	23	-25.2	-0.6	96	0-0	-	-	-	1.4	NE	Nil	N/A	42
Probiomics Ltd	4	-6.0	+3.6	67	0-0	-	-	-	2.3	NE	Nil	7.55	7	Two Way Limited	12	-25.1	+0.7	96	3-0	-	0.7	-	1.1	NE	Nil	5.11	11
Empire Beer Grp	16	-12.3	+0.6	82	3-0	-	-	-	1.2	NE	Nil	7.44	5	Nuenco NL	7	-25.0	+0.9	95	0-0	-	-	-	1.4	NE	Nil	N/A	61
Strike Oil Ltd	27	-1.3	+2.0	51	2-0	-	-	-	1.3	NE	Nil	7.32	74	Uraniumsa Ltd	15	-24.8	-0.3	95	3-0	-	-	-	1.2	NE	Nil	N/A	9
Novogen Ltd	128	-15.4	-1.8	87	3-0	-	2.3	-	0.7	NE	Nil	7.22	125	NGM Resources	19	-24.2	-0.0	95	3-1	-	-	-	1.1	NE	Nil	N/A	22
Reef Casino Trt	351	-5.1	+1.3	65	0-0	2	1.5	6	0.3	26	4.6	7.21	175	Uraniun Equitie	20	-24.1	-0.6	95	2-0	-	-	-	1.5	NE	Nil	N/A	38
RP Data Ltd	165	-7.1	-0.1	71	0-0	2	-	-	0.6	86	1.1	7.17	228	Strategic Min.	7	-23.9	-2.8	95	3-0	-	-	-	1.5	NE	Nil	N/A	15
Transol Corp	3	-9.8	+2.9	77	1-0	-	3.0	18	2.5	17	Nil	7.14	9	Emperor Mines	7	-23.5	+3.0	95	2-0	1	1.8	-	1.9	NE	Nil	0.77	75
Adv Nanotech.	12	-4.1	+2.7	61	3-0	-	3.0	-	1.5	NE	Nil	7.14	22	Erongo Energy	33	-23.5	+1.8	95	1-0	-	-	-	1.0	NE	Nil	N/A	17
Tasmanian Perp	661	-3.2	-1.0	57	1-0	-	7.8	42	0.4	19	4.8	7.09	144	Nthn Uranium	48	-23.4	+3.8	95	0-1	-	-	-	0.8	NE	Nil	N/A	24
ASF Group Ltd	2	-0.0	+0.0	45	0-0	-	-	-	3.1	9	Nil	7.08	24	Celtex Ltd	19	-23.4	-7.9	95	0-0	-	19.0	-	1.0	NE	Nil	N/A	38
Van Eyk Blue AP	932	-5.8	-1.0	67	1-2	-	0.9	7	0.4	12	12.8	7.06	37	Planet Gas Ltd	17	-23.2	-4.1	95	0-0	-	1.7	-	1.0	NE	Nil	N/A	31

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

TNG Limited	46	-2.6	-2.9	56	1-10	-	-	-	0.7	NE	Nil	N/A	84
Roc Oil Company	298	-1.1	-0.4	50	1-10	7	-	-	0.6	NE	Nil	6.10	889
IBA Health Ltd	91	-6.4	+0.8	69	0-6	3	4.3	32	0.7	14	1.7	4.19	313
Village Road.	310	-2.8	+0.0	57	0-6	1	-	-	0.4	17	5.8	5.00	769
Cadence Capital	108	-3.3	-0.3	58	0-5	-	0.8	17	0.6	4	3.7	0.43	29
WAM Capital Ltd	178	-1.5	-1.1	51	0-5	-	0.9	19	0.4	5	9.0	N/A	154
Metallica Min.	70	-2.2	+4.1	54	1-6	-	-	-	0.8	NE	Nil	N/A	64
Australis Aqua.	46	-8.3	+0.6	74	0-4	-	3.1	-	0.7	NE	Nil	N/A	41
Pepinini Min.	116	-16.6	+2.1	88	0-4	-	-	-	0.8	NE	Nil	N/A	74
PMP Limited	184	-1.0	+5.5	50	0-4	6	3.2	27	0.6	12	1.6	0.42	553
Wasabi Energy	3	-2.6	-										

“Neglect” Ratings of NZ Shares

“Neglected” Shares = 1-2 Brokers, “Moderately Followed” Shares = 3-4 Brokers, “Widely Followed” Shares = 5 or more Brokers.

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP Onyx Mgmt	4	853	Freightways Ltd	4	481	NZ Refining Co	2	1,872	Scott Tech. Ltd	1	47
Abano Health.	1	115	Goodman Prop.	3	917	Nat Property Tr	4	77	Seeka Kiwifruit	1	38
Air New Zealand	5	1,914	Guinness Peat	2	2,241	Nuplex Indust	5	559	Skellerup Hold.	3	101
Akd Int Airport	8	3,531	Hallenstein G.	4	234	PGG Wrightsons	4	546	Sky Network TV	6	2,203
Allied Work.	1	27	Hellaby Hold.	2	121	Pike River Coal	1	222	Sky City Ltd	9	2,213
Briscoe Group	5	295	Horizon Energy	1	86	Port Tauranga	4	911	South Port NZ	1	59
Cabletalk Group	1	8	ING Med. Prop.	5	170	Postie Plus Grp	1	28	Steel & Tube	5	324
Cavalier Corp	3	202	ING Property	3	607	Property F Ind.	4	279	TeamTalk Ltd	1	43
Cavotec MSL	4	315	Infratil NZ	2	1,568	Provenco Group	2	75	Telecom Corp	10	7,973
Col Motor Co	1	95	Just Water Int.	1	48	Pumpkin Patch	4	443	Tenon Ltd	3	101
Comvita	1	50	Kiwi Property	3	964	Pyne Gould Corp	1	384	Tourism Hold.	4	227
Contact Energy	6	4,885	Lytelton Port	3	266	Rakon Ltd	2	501	Tower Limited	5	409
Delegat's Group	3	256	Mainfreight Grp	5	696	Renaissance	1	27	Trust Power Ltd	3	2,648
Ebos Group Ltd	2	192	Methven Limited	2	126	Restaurant Brds	3	88	Turners & Grow.	2	196
F & P Appliance	6	964	Metro. LifeCare	1	669	Rubicon Limited	2	227	Turners Auction	2	30
F & P Health.	6	1,682	Michael Hill	4	394	Ryman Health.	4	1,060	Vector Ltd	4	2,510
Fletcher Build.	6	5,837	NZ Exchange Ltd	1	217	Sanford Limited	3	384	Wakefield Hlth	1	116
									Warehouse Group	4	2,065

“Neglect” Ratings of Australian Shares

“Neglected” Shares = 1-4 Brokers, “Moderately Followed” Shares = 5-10 Brokers, “Widely Followed” Shares = 11 or more Brokers.

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
A.P. Eagers	1	430	Austal Limited	4	508	Centennial Coal	12	1,476	Equinox Min.	5	2,687
ABB Grain Ltd	2	1,217	Austindo Res	1	17	Centrebet Int'l	2	161	EservGlobal Ltd	1	174
ABC Learning	6	2,508	Aust Infra.	7	1,199	Chal K Japan Tr	2	172	Espreon Ltd	1	53
AED Oil Ltd	4	687	Austar United	9	2,115	Chal Infra Fund	5	1,014	Everest Babcock	2	382
AGL Energy Ltd	11	5,818	Aust Education	4	202	Chal Financial	10	3,536	FKP Limited	5	1,922
AJ Lucas	2	213	Aust Wealth Mgt	6	1,468	Chal Div Prop	3	568	Fairfax Media	12	7,117
AMP Ltd	14	19,780	Austereo Group	11	841	Chandler McLeod	1	142	Fantastic Hold.	8	403
ANZ Bank	16	53,106	Automotive Hold	2	664	Charter Hall GR	5	1,262	Felix Resources	6	1,581
APA Group	8	1,567	Avexa Limited	2	231	ChemGenex Pharm	1	188	Fleetwood Corp	5	545
APN Property	1	359	Avoca Resources	5	512	Clarius Group	7	134	Flexicorp Ltd	6	492
APN News Media	9	2,412	Axiom Property	2	156	Clinuvel Pharm.	1	118	Flight Centre	8	2,677
APN/UKA Euro Pr	3	638	B & B Env. Inv.	1	66	Clive Peeters	3	201	Fone Zone Group	1	100
ARB Corporation	4	273	B & B Infrastr.	11	3,021	Clough Limited	1	413	Forest Ent Aust	1	259
ARC Energy	4	455	B & B Wind Part	4	1,061	Coal & Allied	3	6,927	Fortescue Metal	3	15,881
ASG Group Ltd	2	226	B&B Power	4	2,051	Coates Hire	13	1,638	Foster's Group	13	12,875
ASX Limited	12	10,246	B&B Capital Ltd	4	928	CocaCola Amatil	11	8,034	Frigrite Ltd	1	27
AWB Limited	6	1,018	B&B Res Land	2	129	Cochlear Ltd	12	4,161	Funtastic Ltd	5	80
AXA Asia Pac	14	14,103	B&B Japan Prop.	5	779	Codan Ltd	3	146	Futuris Corp.	9	1,604
Abacus Property	4	1,065	BHP Billiton	9	145,990	Coffey Int'l	6	451	G.R.D. NL	2	442
Acruz Ltd	1	193	BSA Ltd	1	135	Collection Hse	1	61	G.U.D. Holdings	10	638
Adcorp Aust.	1	23	Babcock & Brown	7	7,266	Com'wealth Bank	16	78,470	GBST Holdings	2	158
Adelaide Bank	8	1,688	Bank of Q'land	15	2,025	CommanderComm.	7	86	GPT Group	8	9,554
Adelaide Bright	11	2,038	Bannerman Res.	1	474	Computershare	14	6,027	GWA Internat'l	9	1,058
Aditya Birla	5	827	Beach Petroleum	4	1,344	ConnectEast Grp	5	1,996	Gale Pacific	1	44
Aevum Ltd	3	313	Becton Prop Grp	5	706	Cons Minerals	5	1,136	Galileo Japan	4	240
Albidon Ltd	5	436	Bemax Resources	1	226	Cons Rutile	1	189	Geodynamics Ltd	1	364
Ale Property	1	364	Bendigo Bank	14	2,277	Cooper Energy	1	155	Gindalbie Met.	2	595
Alesco Corp Ltd	10	747	Bendigo Mining	2	168	CopperCo Ltd	2	410	Globe Int'l Ltd	4	50
Allco Eq Part.	2	358	Berkeley Res.	1	149	Corp Express	12	1,195	Gloucester Coal	5	514
Allco Finance	7	2,600	Billabong Int'l	12	3,055	Count Financial	6	687	Goodman Group	7	10,148
Allco Hit Ltd	1	191	Blackmores Ltd	2	345	Coventry Group	3	142	Goodman Fielder	8	2,590
Allegiance Min.	2	442	Bluescope Steel	14	7,162	Crane Group	10	1,025	Graincorp	3	543
Altium Limited	1	78	Bolnisi Gold NL	1	899	Credit Corp	8	228	Grange Resource	1	266
Alumina Ltd	13	7,543	Boom Logistics	10	316	Cromwell Group	1	829	Great Southern	2	620
Amadeus Energy	1	124	Bradken Ltd	7	1,569	Customers Ltd	1	214	Gujarat NRE Res	1	193
Amalgamated Hld	1	845	Brambles Ltd	12	17,764	DB Reef Trust	7	6,079	Gunns Ltd	8	1,463
Amcor Ltd	12	6,428	Bravura Sol.	5	254	DKN Financial	2	137	HFA Holdings	4	624
Amcom Telecom.	2	106	Brickworks Ltd	3	1,738	DUET Group	7	2,086	Harvey Norman	12	7,505
Andean Res.	1	622	Bunnings W/hse	6	708	DWS Adv Bus Sol	4	397	Hast Div Util	3	622
Ansell Ltd	7	1,729	C'wth Prop Off.	9	2,765	Dark Blue Sea	1	82	Hastie Group	6	514
Antares Energy	1	63	C.S.R. Ltd	11	2,681	Data 3 Ltd	1	117	Healthscope	14	1,300
Anvil Mining	1	186	CBH Resources	4	512	David Jones	12	2,359	Heartware Ltd	1	126
Anzon Australia	3	630	CFS Retail Prop	6	5,227	Devine	1	398	Henderson Group	7	6,474
Arasor Int'l	1	130	CMA Corporation	1	251	Dexion Ltd	6	109	Highland Pac.	1	74
Aristocrat Leis	11	5,533	CPI Group	2	31	Dominion Mining	1	526	Hills Indust.	6	1,026
Arrow Energy	2	1,658	CSG Ltd	3	296	Domino's Pizza	7	217	Home Bldg Soc.	1	575
Aspen Group Ltd	2	642	CSL Limited	10	19,988	Downer EDI Ltd	7	1,695	Horizon Oil Ltd	2	265
Atlas Iron Ltd	1	418	Cabcharge Ltd	12	1,327	Dyno Nobel Ltd	11	1,999	Housewares Int.	8	270
Ausdrill Ltd	2	321	Caltex Austria	9	5,940	E.R.G.	1	85	Hutchison Tel.	8	132
Ausenco Ltd	3	1,154	Campbell Bros	3	1,780	Emeco Holdings	9	757	IBA Health Ltd	3	313
Aust W'wide Exp	11	1,507	Cardno Ltd	5	460	Emperor Mines	1	75	IMD Group	4	461
Austin Eng.	3	158	Carindale Prop	2	329	Energy Resource	10	3,826	ING Real Estate	1	682
Aust Pharm. Ind	5	472	Cathrx Ltd	1	81	Energy Develop.	8	566	ING Indust Trt	6	3,023
Aust Agricult.	6	823	Cellnet Group	1	42	Envestra	6	844	ING Office Fund	7	2,186
Austbrokers	5	217	Centro Property	8	5,045	Equity Trustees	2	258	IOOF Holdings	9	602
Australand Prop	3	2,411	Centro Retail	7	1,712	Equigold NL	4	741	iiNet	5	263

pay \$50,000 for the right to operate a "Full Concept" outlet (or \$17,500 for an "Express" outlet) over an initial five year term, with a five year right of renewal.

Renewal Fees: Operators pay around \$5000 to exercise their right of renewal for the second five year period. Further five year renewals will generate fees of \$10,000 to \$35,000.

Franchise service fees: "Full Concept" stores pay a service fee of around 7% of their revenue (with a minimum of \$270/week) to Retail Food Group.

Training fees: The company provides initial training to new franchisees for \$7,500 - \$10,000 and refresher training after five years for \$4,000.

Supplier product licence fees: Retail Food Group controls the menu and often the intellectual property of menu items. Some suppliers pay product licence fees to supply items to its franchise systems.

Transfer Fees: The company can also receive \$7,500 to \$13,000 if an outlet is transferred to a new franchisee.

Marketing fund revenue: Franchisees pay 3% of their revenues into their respective marketing funds which Retail Food Group will spend marketing each franchise system.

Growth Potential

Retail Food Group is seeking growth from a large number of areas, including acquisitions, expansion of outlets, vertical integration and investigating the potential of international expansion to India and Asia.

Acquisitions:

In December 2006 the company offered \$38 million to acquire **Brumby's Bakeries** - a coffee and bakery franchise with 316 outlets - and eventually gained control in May 2007 after increasing its offer to \$45.8 million to over-bid a management buyout proposal. In the year to June 2006 this company generated a net profit of \$2,080,000 so the business was acquired at a fairly high Price/Earnings ratio 22. The acquisition, however, is forecast to generate synergies of "at least \$1 million per annum", which would reduce the P/E ratio to around 16.

In September 2007, Retail Food Group announced the acquisition of **The Michel's Group Australia** (TMGA) - which manages the *Michel's Patisseries* franchise system with 346 outlets at a total cost of \$106-144 million. This consists of (1) an initial cash consideration of \$50 million, (2) an earn out of up to \$38 million (payable in Retail Food Group shares) based on eight times earnings (before interest and tax) in excess of \$13.25 million for the year to June 2008 and (3) taking over existing TMGA debts of \$56 million. This acquisition is therefore priced at an enterprise value of eight times earnings (before interest and tax), with the \$50-88 million cash and share consideration equal to 8.1-9.3 times net profits for the current year.

These two large acquisitions have required the company to raise \$44.4 million from the placement of 24.0 million shares at 185 cents per share. This increases the issued capital by around 33% to 97.6 million shares. The final earn out consideration for TMGA could require issuing a further 20-21 million new shares. Both acquisitions, however, will significantly add to earnings and the net profit for the current financial year.

Outlet Expansion:

Organic growth will come from new store openings - generating initial franchise fees and training fees as well as recurring service fees.

In the year to June 2007 the company increased its number of *Donut King* outlets from 268 to 289 (i.e. 30 new stores and 6 closures) and plans to increase that to 309 (i.e. 26 new stores, 6 closures) over the current year.

bb's cafe outlets increased from 67 to 71 (i.e. 7 new outlets, 3 closures) over the last year and the company expects that to reach just 72 (i.e. 5 openings, 4 closures) this year). In December 2006, the company began trialling a new *bb's cafe PLUS* business which included the traditional coffee shop with a licensed restaurant with an extended menu.

At June 2007 there were 321 *Brumby's* outlets and Retail Food Group plans to lift this to 335 (i.e. with 21 new outlets, 7 closures) this year.

Vertical Integration:

In August 2006 the company established a joint venture *Coffee Roasting Facility* (in partnership with coffee roaster **Koffee-Tek**) to supply its outlets with coffee and replace its third party coffee supplier. This vertical integration offers "improved quality coffee", "safeguards coffee supply" and "when operating at full capacity will provide attractive returns for the company". Since then the company has *tripled* its outlets with the acquisition of *Brumby's Bakeries* and *Michel Patisseries* - so there is potential to further significantly expand this business.

The company also established a *Central Manufacturing Facility* to manufacture donuts, muffins and other food items. This became operational in March 2007, initially supplying outlets in South East Queensland and is currently being expanded to supply outlets in North Queensland and Northern New South Wales. At present this operation can only supply 50 *Donut King* outlets - so there is excellent potential for growth and expansion. The company is trialling the shipment of frozen product to one store which will eventually enable it to distribute to all stores, including interstate and remote outlets.

International Expansion:

Retail Food Group is "actively investigating licensing opportunities in other countries including Asia and India". Any international expansion would significantly leverage the company's franchises, brands and intellectual property rights and provide new growth in revenues and profits. While successful international expansion would create significant shareholder wealth, this is a high risk area that could require some large up-front expenditure. The acquisition of the *Brumby's* and *Michel's Patisseries* does provide economies of scale to pursue possible international expansion - plus additional franchise systems that *may* be suitable for other markets.

Recent Results

For the year to June 2006, revenues rose 5.7% to \$26.0 million with profits up 75.6% to \$5,936,000 (8.3 cents per share) but no dividend was paid to the public shareholders (as the company had just completed its IPO). The net operating cash surplus was \$5.3 million.

For the year to June 2007 - which included no contribution from *Brumby's Bakeries* - revenues rose 14.5% to \$29.7 million while profits were up 26.7% to \$7,520,000 (10.3 cents per share). Interim and final dividends of 3.125 cents made an annual dividend payout of 6.25 cents. The net operating cash surplus was 20% higher at \$6.4 million.

With the two recent large acquisitions Retail Food Group is now predicting (Continued on Page 12)

Company Analysis: Retail Food Group

(Continued from Page 11)

that earnings (before interest and tax) will rise 167% to \$20 million for the current year to June 2008 - which we estimate should lift the net profit (after significantly higher interest costs and after tax) about 80% to \$13.5 million. Unfortunately, that initial growth will be diluted by the recent share placement and any further shares issued to meet the up to \$38 million earn out. The share placement would dilute an 80% increase in profits to a 33% increase in earnings per share of 13.8 cents. The earnout could increase the issued capital by a further 21-22%.

The acquisitions, however, leverage the company structure with over \$100 million of new debt - which has enabled the total number of outlets to *triple* while the issued capital will have increased only 70%. Any future growth in earnings (i.e. from growth in revenues, new outlets, cost savings and/or synergies) will therefore almost double the potential growth in net profits and earnings per share. As Retail Food Group has reliable revenue income from its Franchise service fees (i.e. 7% of retail sales) it is in a sound financial position to service this higher debt.

Investment Criteria

At 184 cents, Retail Food Group shares trade on a high Price/Sales ratio of 4.48, a Price/Earnings ratio of 18 and a Dividend Yield of 3.4%.

A high P/S ratio is appropriate for a franchise company as it is earning a percentage of the ultimate sales of the franchisee. This type of business should be able to earn high profit margins - similar to a property investment company that earns a rental income.

The Price/Earnings ratio and Dividend Yield appear to offer reasonable value - so the ultimate returns from an investment in Retail Food Group would depend upon its future growth rate. New store openings will provide some steady, long term growth, while acquisitions could boost short to medium term growth, and vertical integration and international expansion would add significantly to medium to long term growth potential.

With an issued capital of around 97.6 million shares the market capitalisation is \$177 million, making this a *medium sized* listed Australian company.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Horizon Energy	7.50	07-12	14-12	Full
ING Property Trust	2.030	07-12	14-12	0.345
Kircaldie & Stains	5.00	07-12	17-12	Full
National Property Trust	1.20	16-11	03-12	PIE
Postie Plus Group	2.50	09-11	11-12	Full
Sanford Ltd	13.00	07-12	12-12	Full
Tower Ltd	6.00	25-01	05-05	Full
Trust Power	15.00	30-11	14-12	Full
<i>Australian Shares</i>				
Campbell Brothers	35.00	30-11	17-12	

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. Subscribe online at www.stockmarket.co.nz or www.australia-stockmarket.com or email james@stockmarket.co.nz.

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The directors still retain a significant investment in this company. Chief Executive AJ Alford owns 22,383,156 shares or 22.9% of the company. Executive Director NN Nixon holds 5,293,229 shares (5.4%). The Chairman, JT Cowley has 51,175 shares and the Non-executive Director CC Archer has 195,705 shares.

There have been four *insider* buys (and no sells) over the last year. The Managing Director bought 194,572 shares on-market at around 100 cents in December 2006 plus 11,750 shares at 133 cents in April, 30,000 shares at 156 cents in September and 35,000 shares at 180 cents this month.

There are a number of institutional investors, owning around 35-40% of the company, and that may have increased following the recent share placement. The shares are relatively *neglected* by brokers, with just two firms following the company closely enough to publish profit forecasts.

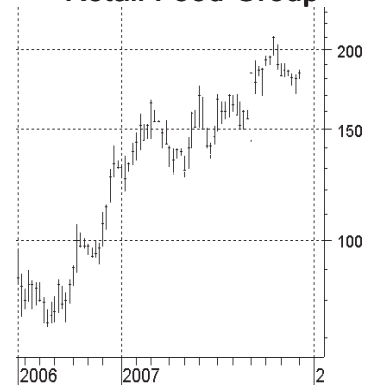
Technically the shares are in a strong uptrend, with a Relative Strength rating of +14.2%, ranked 15 (on a scale of 0-99).

Summary and Recommendation

Retail Food Group has made two major acquisitions over the last year which have tripled the size of the business and should yield some economies of scale and synergy cost savings. Real growth in shareholder wealth, however, will come from its low risk strategy of expansion of franchised outlet numbers and vertical integration. The potential for international expansion will involve significantly higher risk, but has the potential to significantly expand revenues and profits over the medium to long term.

The shares could therefore be attractive to investors seeking long term capital appreciation from the growth of this franchise company.

Retail Food Group



Next Issue:

The next issue of *Market Analysis* will be emailed in five weeks time on Monday January 14, 2008.

The print version will be delivered later that week, depending upon printing and postal delivery times.