

Market Analysis

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Inside Market Analysis

Unexciteable newsletter writer (and company *insiders*)
excited by current low share valuations 1

SELL Centennial Coal 11, 12

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"Fair Dividend Rate" Tax Rules 18, 19

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Shares are starting to offer value not seen in 30 years - at the beginning of a 10-20-fold decade long boom! *Insiders* are loading up on these under-valued shares. We recommend being 100% invested in recommended shares.

Investment Outlook.

The current stockmarket is more fun than being a kid in a candy shop. Perhaps because 6 pence or a shilling never went far in a sweet shop. Perhaps wandering around the stockmarket, wondering where to spend our money is just more exciting. Perhaps it is just the pleasures of sugar are short lived, while the enjoyment of owning Michael Hill or Campbell Brothers or Centennial Coal shares continues to grow over the years! Or perhaps the real reason we are now so excited is that today we can find low valuations that just haven't been around since the late 1970's and early 1980's.

Contrary to popular belief that the stockmarket boomed in 1986/87 (and it actually rose little in 1987, ahead of the infamous October crash) the market enjoyed a massive boom which started in early 1978 and went through to 1986. Over that 9-year period the NZ stockmarket rose around 11-fold in value. Re-investing the high dividend yields then available and the gain would be around 18-fold. That huge gain over almost a decade grew from the low valuations available on an out-of-favour stockmarket in the late 1970's and early 1980's.

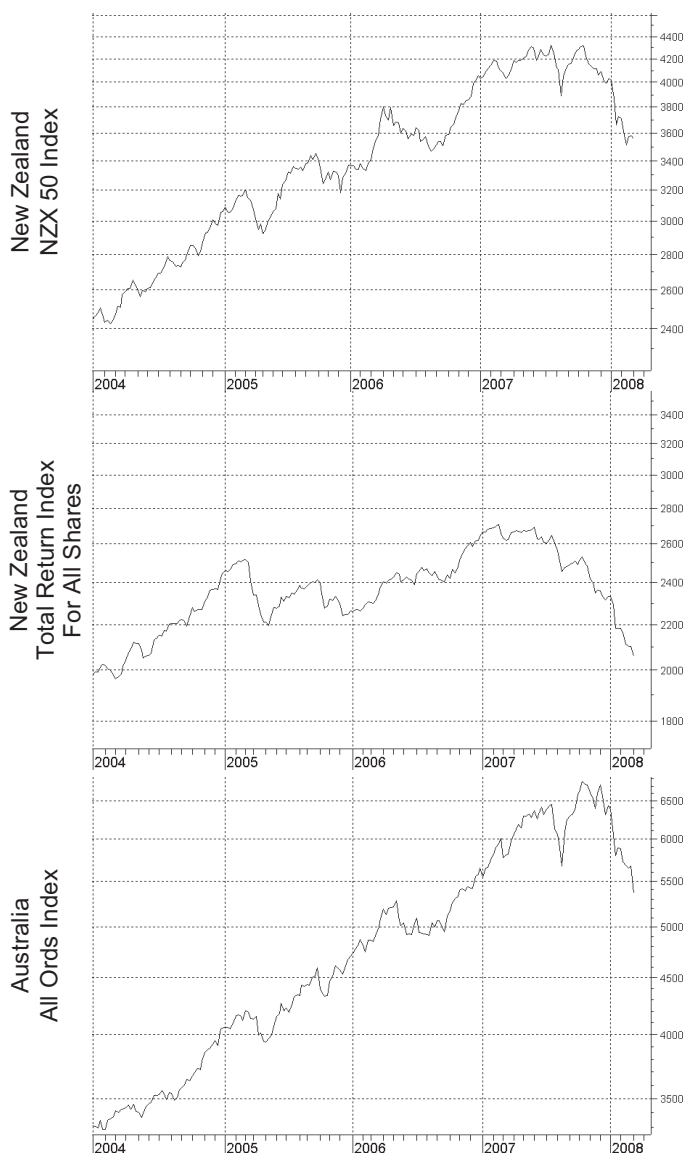
We thought that was a "once in a lifetime boom". Over the years we have remembered back to the good old days when the stockmarket was extremely out-of-favour and valuations were low (but when, alas, we had little capital to invest) . . . but never really expected to see those wonderful days again!

But perhaps we were wrong and it was a "once in a generation boom". Thirty years later those same low valuations are again emerging. The stockmarket has quickly fallen out-of-favour with investors. The public has started to blame economists and politicians for encouraging people to invest in shares, setting up an equity owning government Superannuation fund and those Kiwi Saver funds which will cause everyone to suffer losses!!

We aren't the only people apparently excited by the current stockmarket situation. *Insiders* - who are widely considered to be the most knowledgeable investors - have been heavily buying shares over recent weeks. In New Zealand (where *insiders* seldom buy shares) an amazingly high 82.9% of *insider* trades have been Buys. In Australia 88.8% of trades have been Buys.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	16% (Bearish)	42% (Neutral)
New Zealand:	41% (Neutral)	38% (Neutral)



Recommended Investments

New Zealand companies issuing half year profit reports now have to comply with "New Zealand equivalents to International Reporting Standards". To complete and review accounting changes required to comply with these new standards, the NZ Stock Exchange will allow companies up to 75 days to release their half year reports. Consequently, many companies are reporting slightly later than normal.

CDL Investments recorded a 22.5% increase in revenues to \$38.1 million for the year to 31 December

2007. Profits improved 38.9% to \$15,089,000 (6.5 cents per share), but the annual dividend will remain steady at 2.3 cents (plus imputation tax credits).

There was a net operating cash *deficit* of \$5.0 million (down from a surplus of \$8.8 million last year - but this was after paying \$25.6 million to acquire new land for development).

The company's investment in land for development increased \$20.9 million over the year to a book value of \$80.2 million - but these assets (*Continued on Page 4*)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation		Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
			- Date -	Price									
NZ Shares													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	B	218.9	1.2	2.82	8	8.6	40	15.6	+122%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	65.5	0.8	0.81	12	10.8	263	210.0	+203%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.20	13	10.7	320	315.8	+324%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	A	102.3	0.7	3.35	27	2.4	250	63.3	+109%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.8	0.8	1.08	18	3.9	99	22.2	+2324%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	C	79.9	0.5	0.36	20	6.5	646	197.0	+141%
HOLD+	Postie Plus Group	PPG	08/05/06	71	D	40.0	1.2	0.18	9	14.9	60	8.5	-4%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	39.0	1.3	0.15	4	24.9	63	50.9	+34%
BUY	Smiths City Group	SCY	09/10/06	64	C	53.0	1.5	0.09	6	11.2	49	7.0	-13%
HOLD	South Port New Zealand	SPN	13/02/96	120	A	26.2	0.8	4.13	27	5.0	230	97.0	+172%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.2	0.8	0.66	11	12.4	350	193.0	+272%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.8	0.55	10	11.9	150	74.0	+120%
Australian Shares (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	A	54.2	0.7	0.94	32	0.7	377	26.0	+236%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	A	89.3	1.3	1.51	4	11.3	36	15.5	-30%
HOLD+	Austin Group Ltd	ATG	08/02/05	93	D	62.2	2.0	0.17	NE	Nil	15	7.0	-76%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	406*	B	51.6	0.3	2.03	25	2.8	2500	297.6	+589%
HOLD+	Cellnet Group Ltd ¹	CLT	12/02/02	147*	C	74.3	1.3	0.04	NE	Nil	40	32.4	-26%
SELL	Centennial Coal Ltd	CEY	16/01/01	70*	A	305.6	0.6	2.29	NE	3.0	440	222.0	+846%
HOLD	Circadian Technologies	CIR	10/02/04	188	C	40.1	0.9	15.90	NE	Nil	103	65.0	-11%
BUY	Clarius Group Ltd	CND	08/04/03	86	B	53.4	0.8	0.31	7	10.9	174	61.5	+174%
BUY	Computershare Ltd	CPU	12/08/03	189	B	590.9	0.5	2.86	17	2.1	800	61.5	+356%
BUY	CPT Global Ltd	CGO	10/03/88	88	B	35.6	0.9	0.76	10	8.8	88	Nil	
BUY	Devine Ltd	DVN	13/11/06	94	B	284.2	0.9	0.46	12	7.7	104	8.0	+19%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	B	68.4	1.1	0.98	19	Nil	66	Nil	+35%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	33.1	0.8	2.99	15	4.4	240	Nil	-8%
HOLD	Housewares Int'l	HWI	13/11/06	171	D	125.0	0.7	0.60	13	Nil	180	Nil	+5%
HOLD	Iluca Resources Ltd	ILU	12/10/04	471	B	232.9	0.7	0.79	7	6.1	362	64.0	-10%
BUY	Integrated Research Lt	IRI	14/01/08	40	A	166.3	1.2	2.01	13	6.8	44	1.5	+14%
HOLD+	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.6	0.02	NE	Nil	32	4.0	-80%
HOLD	Keycorp Ltd	KYC	10/08/04	123*	D	82.2	2.0	0.16	NE	Nil	19	Nil	-85%
BUY	M2 Telecommunications	MTU	09/10/06	33	A	60.2	1.1	0.91	17	4.5	66	5.0	+115%
HOLD	Mercury Mobility ¹	MMY			C	105.0	1.8	N/A	NE	Nil	24	Nil	
HOLD	Melbourne IT	MLB	10/02/04	53	A	76.8	0.5	1.48	16	4.4	297	29.0	+515%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	A	385.3	0.7	3.39	36	2.6	162	9.3	+104%
BUY	Probiotec Ltd	PBP	11/02/08	116	B	46.5	0.9	1.01	11	Nil	117	1.0	+2%
BUY	Ross Human Directions	RHD	14/08/01	92	B	82.9	1.2	0.11	8	8.2	49	29.0	-15%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	104.6	0.6	0.26	13	6.3	350	98.5	+256%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	297.7	1.0	2.92	15	4.9	77	13.1	+105%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	A	162.1	1.0	3.34	8	3.7	93	0.9	+109%
HOLD	The Reject Shop Ltd	TRS	11/01/05	257	B	25.6	0.4	0.90	20	3.2	982	78.5	+313%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +196.1%. This is equal to an average annual rate of +34.0%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 39 current and 140 closed out) is +32.7%, compared with a market gain of +6.9% (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 return includes 1½ shares of Mercury Mobility distributed to shareholders.

Recommended Investments

(Continued from Page 3)

have a market value of \$202.7 million! That is future, unrealised pre-tax profits of \$122.5 million (53 cents per share) - which will increase further as the company converts bare land into residential subdivisions.

CDL Investments is debt-free and holds cash of \$9.6 million (4.2 cents per share). The net asset backing per share is 38.8 cents per share at *book value* - or 91.9 cents (before provision for tax) at market values or 76.0 cents (after tax).

At 40 cents, CDL Investments is both a high income investment with a gross Dividend Yield of 8.6% and also an under-valued asset investment, trading at a 47% discount to the after tax value of its debt-free land assets.

CDL Investments notes that the "positive property cycle between 2004 to 2007 has eased", but with huge unrealised gains on its land holdings there is unlikely to be any significant negative impact on profitability! The company predicts "a satisfactory level of demand" and will "focus on maintaining profitability and market share".

Cavalier Corporation's revenues were 12.6% higher at \$111.6 million for the six months to 31 December 2007. Profits were 6.5% higher at \$7,648,000 (11.4 cents per share). The second interim dividend will be 9.1% higher at 6.0 cents (plus imputation tax credits), lifting the dividend payout for the half year 5.9% to 9.0 cents.

The net operating cash surplus was 22% higher at \$16.0 million.

The company is expecting earnings for the full year to June 2008 to be around 7% ahead of 2007 - with growth in Australia offsetting "softer conditions in the residential market in New Zealand". The company will discontinue the *Microbial Technologies* project, but incur a further \$500,000 in closure costs. Cavalier Corporation has been spending just under \$1 million annually on this project, so discontinuing this will increase profits from next year by around 4%.

At 263 cents, Cavalier Corporation shares trade on a Price/Sales ratio of 0.81, a Price/Earnings ratio of 12 and offer a high gross Dividend Yield of 10.8%. This is a sound business, with steady growth and offering a high income yield. That makes Cavalier Corporation an ideal share for retired investors requiring income - and as a sound *core* holding in any diversified share portfolio.

Cavalier Corporation



Lyttelton Port Company's revenues grew 9.5% to \$40.6 million over the six months to 31 December - despite the 28% drop in coal volumes during the period. Profits increased 25.8% to \$4,871,000 (4.8 cents per share). The interim dividend will be raised 15.4% to 1.5

cents.

The net operating cash surplus was up 67% to \$11.0 million.

The company is "well over half way through" a major \$6.8 million maintenance program to "refurbish key harbour structures" - which will reduce future on-going annual maintenance costs by around \$1.25 million annually.

The current period benefited from a 17% volume growth in container shipping. Coal volumes fell 28% to just 844,000 tonnes but should increase almost 2½-fold over the next two years to around 4.0 million tonnes annually following the agreements allowing **Pike River Coal** to transport coal by rail to Lyttelton Port.

The port company has also begun public consultation, ahead of submitting a resource consent application, to deepen the navigation channel to enable container ships with 14.5 metre draught to access the port on all tides.

Michael Hill International increased sales revenues just 5.6% to \$210.8 million over the six months to 31 December 2007, but managed to reduce the cost of goods sold, enabling profits to rise 27.1% to \$19,480,000. Earnings per share increased 30.9% to 5.1 cents, helped by the re-purchase of 3% of the company's capital over the last year! The interim dividend will be increased 20.0% to 1.2 cents (plus full imputation tax credits or full franking credits).

The net operating cash surplus was down 82% to \$5.6 million. That reflects both an unusually high cash surplus in the previous year and increased investments in stocks for both new stores and for diamond jewellery.

Over the period the company opened two stores in NZ, opened 11 stores (and closed one) in Australia and opened five stores in Canada. It now has 210 stores: 52 in NZ, 136 in Australia and 22 in Canada.

The 17 stores in West Canada lifted profitability 80% to C\$801,000 but that growth was offset in the current period by start up losses in Ontario (East Canada) where the company opened five stores and established a separate retail management team.

So while the current result shows steady growth in revenues and strong growth in profits the most significant achievement is probably the expansion and establishment of the business in a new geographic location - and the future growth potential that this will continue to bring to the company!

At 99 cents Michael Hill International shares trade on a Price/Sales ratio of 1.08, a Price/Earnings ratio of 18 but offer a gross Dividend Yield of only 3.9%. That is not cheap, but neither is it too expensive for a company with a successful business and a very long term record of expansion in existing and *new* markets! We still consider Michael Hill International shares a sound, long term holding in our portfolio. "Hold+".

Nuplex Industries experienced just a 3.5% increase in revenues to \$748.3 million for the six months to 31 December 2007, but trading profits increased 46.5% to \$24,619,000 (30.7 cents per share). The interim dividend will be increased 29.0% to 20.0 cents (plus just 2.0 cents of imputation tax credits for NZ investors but full franking credits for Australian investors).

The net operating cash surplus increased 3¾-fold to \$44.1 million.

The sale of property in Avondale (Auckland) and Seven Hills (Sydney) will be completed this calendar year which together with "an increased focus on inventory management" is predicted to generate further strong cash surpluses and lead to a "material" reduction in interest bearing debts this year.

Raw material costs are continuing to rise but are being recovered through price increases. Nuplex Industries expects "continued growth beyond the current year" to June 2008, with "minimal impact" from a soft US market.

Nuplex Industries shares trade at a reasonable valuation, so growth this year and beyond should drive an increase in the share price over the year ahead.

Postie Plus Group lifted second quarter revenues (i.e. for the three months ending 31 January 2008) by 4.0% to \$37.1 million. Revenues for the first six months were 1.1% higher at \$65.1 million. Profit margins, however, were significantly reduced and as previously announced in January the first half *loss* could be around \$2.8 million, ahead of a second half recovery.

The major shareholder, Jan Cameron, has purchased a further 783,824 shares on-market (at an average price of 64¾ cents), lifting her holding to 5,569,241 shares or 13.9% of the company.

Renaissance Corporation is to start importing and distributing NEC computers, including the *Powermate* hybrid PC which is the "top selling desktop" computer in Japan.

South Port NZ saw revenues fall 5.7% to \$6.9 million over the half year to the end of December 2007, while profits slipped 19.6% to \$875,000 (3.3 cents per share). A steady 2.75 cents dividend (plus full tax credits) will be paid.

The net operating cash surplus was 39% lower at \$957,000. Port volumes were down 4% to 1,052,000 tonnes.

A NZ Lumber Shippers\Jepsens service exporting timber to the United States has ceased owing to rising fuel costs and a 200% increase in shipping charter rates and this will have a negative impact upon the port's future revenues and profits.

The company has conditional contracts for the sale of its backup mobile harbour crane and a Dunedin investment property. If completed, the total annual profits will be 5-10% lower than last year.

In the longer term there is potential new work from possible oil exploration drilling in the Great South Basin, South Port has made a proposal to provide warehousing for **Dairy Trust's** new milk powder plant under construction at Awarua, **Marstel Terminals** intends to build a bulk liquid storage facility on the company's *Island Harbour* land and **TrustPower** is planning an 83 turbine wind farm, with the turbines and equipment to be imported through South Port.

Steel & Tube Holdings' revenues rose 6.9% to \$245.6 million for the six months to the end of December 2007, but profits fell 41.9% to \$8,565,000 (9.7 cents per share). A quarter of this decline - or \$1.57 million - results from a restructuring charge. Volatile steel prices and competition reduced margins which resulted in the remainder of the profit decline. The interim dividend will be reduced 40.0% to 9.0 cents (plus tax credits).

The net operating cash surplus increased 120% to

\$22.6 million.

The second half year is expected to be similar to last year - when the company earned a profit of \$13.0 million. That would make the full year result about 22% lower at \$21.6 million.

Taylor's Group - as warned last month - suffered a 40.0% drop in first half profits to \$1,156,000 (4.8 cents per share) from revenues 4.2% higher at \$34.3 million. The interim dividend will remain steady at 6.0 cents (plus full tax credits).

The net operating cash surplus was 15% lower at a still very high \$6.1 million.

Labour costs rose 9.5% to \$1.3 million and new investment in plant and equipment resulted in increased depreciation, up 6.5% (to \$321,000) and interest, up 2¾-fold (to \$246,000), which depressed current profitability.

The full year result is expected to be around 30% lower than last year.

Australian Shares

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

AJ Lucas Group lifted revenues 141.4% to \$205.3 million for the six months to 31 December 2007. Profits recovered strongly, up 6½ fold to \$8,237,000 (15.1 cents per share). The company will reinstate interim dividends with a 3.5 cents payment for the period.

The net operating cash surplus also improved significantly, up over 5 fold to a high \$24.2 million.

Pipeline revenues recovered to \$95.3 million - from just \$19.3 million in the same period in 2006 - with pre-tax profits of \$7.4 million (up from \$2.1 million). The second half will be even busier with the *Bonaparte* project to be completed during the May to October dry season and the majority of the *Eastern Pipeline* to be completed during the period to the end of December 2008. The company is also tendering for water and gas projects and "confident of securing additional work".

Drilling revenues were 96% higher at \$58.2 million, with pre-tax profits up 10-fold to \$10.1 million. This division is focused upon coal and coal seam gas sectors where the company expects to "experience continued strong demand".

Construction and Civil revenues were 43% higher at \$51.8 million and pre-tax profits 74% higher at \$1.7 million.

AJ Lucas Group spent \$6.4 million on exploration at its 70% owned *Gloucester Basin*, invested \$0.7 million in **Arawan Energy**, a coal seam gas exploration company operating in British Columbia, Canada, and \$1.5 million on other "strategic investments" in this sector. Certified gas in the *Gloucester Basin* is 14.9 billion cubic feet (BCF) of Proved Volumes, 170.2 BCF of Proved and Probable volumes, 359.2 BCF of Proved, Probable and Possible volumes plus another 166.2 BCF of Contingent Resources. That is a potential 525.4 BCF of recoverable gas from 1600 BCF of gas in place. The company estimates that the total gas in place may be 2500-3000 BCF and a reserves upgrade will be possible in late 2008 or early 2009 based upon further exploration and data from the current production test wells.

Full year revenues to June 2008 are predicted at around \$430-450 million with "margins similar" to the first half which would suggest profits around \$17.2-18.1 million (31-33 cents per share). *(Continued on Page 6)*

Recommended Investments

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AJ Lucas Group is still looking to maximise shareholder wealth from the “divestment of its coal seam gas assets” (i.e. either as a “spin-off” as a separate company to shareholders, or a stockmarket listing or a trade sale).

AJ Lucas Group shares have risen very strongly over the last year - from around 61-124 cents in 2006 - so are the shares getting expensive? *If* the company can achieve profits this year round \$17.2-18.1 million, then at 377 cents the shares will be on a Price/Earnings ratio of about 11½-12. In addition, there is perhaps \$50-100 million (90-185 cents per share) of value in its coal seam gas assets. So AJ Lucas Group shares could be as under-valued as many other shares - that is, valued at 90-185 cents for its gas assets and at 6-8½ times the earnings of its other businesses!

More likely the market significantly under-priced AJ Lucas Group in 2006 rather than over-pricing them today! We believe the shares still offer good value - and will let our profits run.

Of course, investors who bought a lot more AJ Lucas Group shares in 2006 (i.e. perhaps after we upgraded them to a “Hold+” in December 2006) or in early 2007, *may* be getting a little over-weighted in this company and some partial profit-taking (and re-investing elsewhere to improve portfolio diversification) may be appropriate.

Atlas South Sea Pearl has been required to introduce an accounting change to reflect the *market* value of growing oysters and the value of harvested pearls carried forward and sold in the next accounting period. The company estimates that this would have increased after tax profits by \$2.2 million in the periods to December 2006 and resulted in gains of \$6.5 million (\$4.6 million after tax) for the period to 31 December 2007.

Under the old accounting standards revenues would have been reported 11.0% higher at \$14.4 million, while under the new accounting standard revenues are 61.1% higher at \$21.0 million. Under the old standards, profits would be up 18.4% to about \$3.5 million while under the new standards profits are up 148.7% to \$8,046,044 (9.0 cents per share). The company has already paid dividends totalling 4.0 cents, up 14.3%.

The net operating cash surplus fell 62%. That reflects both an exceptionally large surplus of \$5.5 million last year, plus a significant investment in stocks of oysters (over and above the revaluation to market values) during the current period.

The company has been offered a bank facility of \$6.0 million (subject to some conditions to be met) to finance its expansion into Malaysia.

At 35½ cents, Atlas South Sea Pearl shares are trading on a Price/Earnings ratio of under 4 and offer a Dividend Yield of 11.3%. Given that information, any true investor should be itching to logon to their online brokerage account and Buy, Buy, Buy!

Austin Group's revenues fell 16.0% to \$24.8 million for the six months to 31 December 2007 and the business traded at a *loss* of \$3,482,000 (*minus* 5.6 cents per share). There was a small operating cash *deficit* of \$624,000.

This result was depressed by inventory write downs of \$1,291,000 and redundancy costs of \$529,000.

Market conditions remain “highly competitive” but the company is seeking to further “restructure supply chain management” to “achieve greater synergies in the future”, while the company “rapidly transforms” into a supplier of branded apparel. The directors predict “business at similar levels” for the remainder of this financial year but that “actions currently being undertaken” will lead to the company's future return to profitability.

The company plans to change its name to **Mercury Brands**.

Two things make it worth holding on to our Austin Group shares. Firstly, the share price has *already* fallen so far that we don't have too much value left in this investment! So we have little left to lose and might as well remain a shareholder in this now *micro-cap* \$10 million capitalisation company. Secondly, the Chief Executive Officer, Chief Financial Officer and major shareholder all made significant investments in Austin Group last September. The major shareholder, **Hawkswood Investments**, bought 2.8 million shares at 45 cents (lifting its holding to 12.3 million shares) and provided a \$5.5 million loan to the CEO to buy 12.3 million shares at 45 cents and a \$1.35 million loan to the CFO to buy 3.0 million shares at 45 cents. Hawkswood Investments also provided \$6 million of funding to Austin Group in November by subscribing to convertible notes (with Hawkswood having the option to be repaid in cash or convert to ordinary shares at 45 cents). So this small group will be highly motivated to turn the company around!

Last week another director, M Abela, bought his first 91,400 shares on-market at prices around 15½-16½ cents. Did we ever mention that *insiders* are the stockmarket's most knowledgeable investors?

Campbell Brothers' share price had been marked back sharply over recent months. There is a widely held belief - although not by this newsletter - that “the market is never wrong”. The company's latest announcement would also suggest *the market* was wrong again this time! Although, at the present time, *the market* could be wrong about quite a lot of things!!

Campbell Brothers reports “continuing strong performance” in its Laboratory analysis business and that two recent acquisitions have “integrated well and are contributing ahead of expectations”. The directors have upgraded their previous forecast of 25% profit growth and now expect profits to rise 35% to “approximately \$70 million” (134 cents per share).

Campbell Brothers shares aren't cheap. This is a high quality company that has established a global business in a sector with excellent growth potential and good economies of scale. At \$25.00 the shares, however, trade at just 18½ times this year's forecast profits. We would probably favour other, more under-valued shares for new purchases - but 18½ times earnings is too low for a company that should be able to continue to grow 25-35% over many years. “Hold+”.

Cellnet Group reports revenues 8.9% lower at \$244.3 million for the half year to 31 December 2007 and a trading *loss* of \$836,000 (*minus* 1.1 cents per share), compared with a small profit of \$699,000 last year. The current year result includes a bad debt write off from an earlier year of

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\$3.1 million, so the *current year* result (excluding that prior period bad debt) was a profit of \$1.8 million.

The operating cash surplus was \$2.8 million.

Following the recent cash issue Cellnet Group is in a sound financial position and will focus upon improving operational efficiencies over the next six months.

Circadian Technologies' listed investments are worth \$13.2 million (33 cents per share) plus it directly holds \$32.8 million in cash (82 cents per share) and indirectly holds \$9.6 million cash (24 cents per share), via its share of unlisted **Venegics**. That is an asset backing of 139 cents (excluding its interest in unlisted joint venture projects).

Clarius Group has reported a first half result in line with its recent announcement. Revenues rose 12.7% to \$163.0 million for the six months to 31 December 2007 while profits were down 17.8% to \$5,282,000 (9.6 cents per share). About one-third of the decline was from under-performance of a division (which has been corrected) and the majority from one-off restructuring costs. The interim dividend will remain steady at 9.0 cents.

There was a net operating cash *deficit* of \$4.1 million, compared with a surplus of \$6.3 million in the same period of the previous year. That resulted from the need to invest \$5.1 million in working capital in two acquired businesses, plus a 14th fortnightly contractor pay period (i.e. instead of the usual 13) of \$4.0 million.

An economic slowdown may be “challenging” but Clarius Group is “focused on high growth/high demand sectors”, has low debt and is looking for organic growth. The second half year is expected to show an improvement on the first half result.

At 174 cents, Clarius Group shares trade on a Price/Sales ratio of 0.31, a low Price/Earnings ratio of 7 and a Dividend Yield of 10.9%. High quality, cash generating companies have seldom been available on single digit P/Es since the late 1970's and early 1980's when the stockmarket was so out-of-favour with investors! Even then double digit income yields were uncommon.

So our dreams have come true! A return to the low valuations that helped propel our portfolio up from virtually nothing (i.e. \$500 in 1971 and just a few tens of thousands in 1980). Today we are playing with *real* amounts of money, so the game is moving to the next level. Move over Warren Buffett! And, yes, that is a “Buy” on Clarius Group shares - if Mr Buffett doesn't take over the whole company first.

Clarius Group



Computershare lifted revenues 12.3% to US\$790.5 million for the six months to 31 December, but operating expenses rose only 6.5%, so the net profit was 29.8%

higher at US\$154.9 million. Earnings per share rose 36.7% to 27.2 US cents per share - helped by the repurchase of 35.2 million shares at an average of A\$9.75. The interim dividend will be raised 25.0% to 10.0 Australian cents.

The operating cash surplus was 50% higher at US\$206.2 million.

For the full year to June 2008 the company predicts profits will rise 40% (so earnings per share would be up about 47%).

At \$8.00, Computershare trades at 17 times last years profits and about 11½ times *this year's* predicted profits. If that low valuation looks “too good to be true” and you're wondering what bad news *the market* knows that you don't know, just remember this: 4½ years ago *the market* was happy to sell us Computershare at 189 cents, less than one-quarter of their current price. So *what does the market* know? Dare we say “Nothing, its just a collection of irrational, manic-depressive, unknowledgeable individuals who make up a mob”?

Devine's revenues rose 1.8% to \$245.6 million for the six months to 31 December 2007, but profits increased 43.7% to \$10,044,000. Earnings per share were 31.4% *lower* following the placement of shares with **Leighton Holdings** and the cash issue over the last year which have *doubled* the issued capital. A steady interim dividend of 4.0 cents will be paid.

The operating cash surplus/deficit is relatively meaningless in this industry owing to the development/settlement of major projects. To December 2007 there was a cash *deficit* of \$149.6 million, compared with a surplus of \$59.4 million in the same period in 2006.

Over the last six months the group has doubled its land holdings to the equivalent of 9000 individual residential lots, coming close to its target of owning land equal to 10,000 lots by 2010. To improve its financial position the company has negotiated a \$50 million increase in its general banking facility to \$125 million. That is in addition to project specific debt to finance development projects.

The full year result will be “substantially above” 2007 and the company expects to maintain the 8.0 cents annual dividend on the increased capital.

Devine has announced a second 50/50 joint venture with **Leighton Holdings** (its 40% shareholder) to redevelop the old south rail yards in Townsville into a \$1000 million, inner city, riverside village just 600 metres from the CBD. The joint venture has acquired the site on the south bank of the Ross Creek for \$25 million and will develop up to 1200 medium to high density apartments, plus retail, office and commercial space. Construction will start in mid-2009 and be developed in stages over the next 7-10 years.

Ellex Medical Lasers lifted revenues 19.8% to \$26.0 million for the six months to December 2007. Profits increased 2.8% to \$1,190,000 (1.7 cents per share). The company does not yet pay dividends.

There was a net operating cash *deficit* of \$2.0 million, down from a small \$165,000 surplus the previous year.

As previously announced, this result is depressed owing to \$750,000 spent building up the company's direct sales and marketing in the United States.

For the full year to June (Continued on Page 8)

Recommended Investments

(Continued from Page 7)

2008 the company is forecasting 15-20% revenue growth and “materially higher earnings”.

Over the last six months Ellex Medical Lasers has lifted its global market share in ophthalmic lasers from 16% to 19%, overtaking **Lumenis** (down from 18% to 15%) into second place behind **Zeiss** (up from 20% to 22%).

Ellex Medical Lasers is a high quality company with excellent growth potential and predicts “material” profit growth this year but at 66 cents the shares are trading on a historical Price/Earnings ratio of just 19. If you are seeking capital appreciation, then Ellex Medical Lasers is a share that should be in your portfolio!

Housewares International lifted revenues 24.4% to \$248.3 million for the six months to 31 December 2007. Profits increased 14.8% to \$16,242,000 (12.9 cents per share). The company will reinstate dividends, declaring an 8.5 cents interim dividend.

This dividend will be fully franked, but with accumulated Australian tax losses and the growth in international profits, future dividends will be only partially franked.

For the six months there was a net operating cash deficit of \$3.1 million, an improvement on the previous period's \$9.5 million deficit.

Growth in the *Breville* product range in North America, and helped by the planned introduction of “a number of innovative new products”, the company forecasts full year earnings (before interest and tax) around \$37.0 million. We estimate that would be equal to a net profit of \$20.5-21.0 million (about 16½ cents per share).

Iluka Resources' revenues for the year to 31 December 2007 were 9.0% lower at \$933.7 million and trading profits were down 56.3% to \$51,100,000 (21.6 cents per share). The net operating cash surplus was 33% lower at \$95.5 million.

Iluka Resources will not pay a final dividend (i.e. leaving the annual payout 54.5% lower at 10.0 cents) as the company seeks to retain funds to finance the \$209 million *Murray Basin 2* project and expected approval of the \$450 million *Jacinth-Ambrosia* project in May this year. The company is also planning a \$350 million renounceable cash issue to fund these developments.

For the current financial year (i.e. to December 2008), Iluka Resources is predicting a profit of only \$10-20 million - but that *includes* the \$30 million after tax profit from the sale of *Narama*, so a trading *loss* of \$10-20 million. This is a “transitional period” until the *Murray Basin 2* project contributes to profits in 2009 and the *Jacinth-Ambrosia* project from mid-2010.

These two new projects should reshape the company and restore profitability, but Iluka Resources' shares could remain depressed in the short to medium term owing to the break-even result forecast for this year and the intention to raise \$350 million of new capital from shareholders.

Iluka Resources has determined that the *Nepean* deposit contains an Inferred Mineral Resource of 1.7 million tonnes of heavy mineral. The deposit is 6.5 km long, 80-100 metres wide, 5-7 metres deep and covered

with 40-80 metres of overburden.

Integrated Research lifted revenues 24.9% to \$20.1 million for the six months to December 2007 while profits increased 121.3% to \$4,212,000 (2.5 cents per share). The interim dividend was raised 50.0% to 1.5 cents.

The operating cash surplus fell 83% to just \$730,000 but this reflects sales towards the end of the period so trade receivables increased \$3.6 million to \$14.9 million at 31 December.

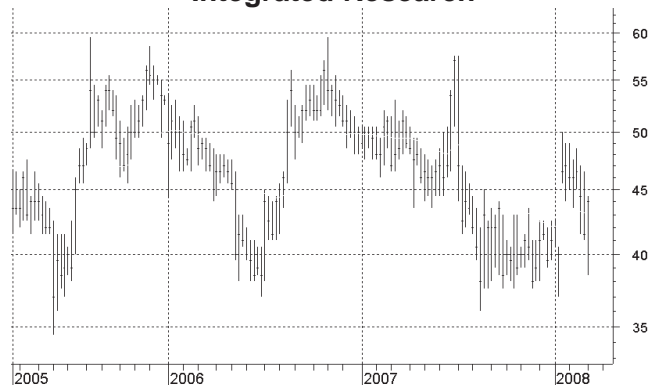
Revenue from new license fees increased 53% to \$11.5 million, while maintenance fees were steady at \$8.2 million. While initial license fees could be volatile, growth in new customers should lead to growth in recurring maintenance fees in future periods.

New license revenue from *Non-Stop* software rose 32% to \$6.8 million, *IP Telephony* revenues were up 73% to \$2.8 million and other products 150% to \$1.9 million.

The company reports continued “good progress in sales execution and development of new products”, with the full year profit “expected to be higher” than last year.

At 44 cents, Integrated Research trades on an historical Price/Earnings ratio just 13 and offers a high Dividend Yield of 6.8%. Profits and dividends should increase strongly this year and over the next several years, so Integrated Research shares are an attractive “Buy” for both high current income and capital appreciation.

Integrated Research



International All Sports experienced a 3.2% decline in wagering turnover to \$583.4 million for the six months to December 2007. Revenues were 10.6% lower at \$23.3 million and *trading* profits were 58.9% lower at \$358,000 (0.5 cents per share). The *previous* year, however, also had abnormal *losses* of \$9.6 million!

The net operating cash surplus was \$3.8 million, compared with the previous *deficit* of \$5.1 million.

IASbet performed well, with revenues up 28% to \$17.9 million (despite the Equine Influenza which depressed this business) and earnings up 119% to \$7.5 million.

Canbet experienced “above budget” revenue growth to \$87.0 million but losses of \$4.1 million (before interest and depreciation) owing to high marketing costs and low win rates. This division, however, reported a 2% win rate in December, which improved to a 3% win rate in January.

The company announced in September 2007 that it had been approached by a number of potential buyers interested in either taking over the company or buying its business and discussions are continuing.

Keycorp experienced a 47.1% increase in revenues to \$57.7 million for the six months to 31 December. There was a *loss* of \$614,000 (*minus* 0.7 cents per share), but an improvement on last year's first half *loss* of \$4,122,000.

There was a net operating cash surplus of \$3.1 million, compared with a *deficit* of \$11.2 million in the same period of 2006.

M2 Telecommunications increased revenues 105.5% to \$40.7 million for the six months to 31 December 2007. Profits rose 160.3% to \$1,953,069 with earnings per share up 92.3% to 2.5 cents. The interim dividend will be *doubled* to 2.0 cents.

The net operating cash surplus was 134% higher at \$4.3 million.

For the full year the company seeks to “achieve and ideally exceed” over \$100 million in revenues and profits of \$4.7-5.1 million (6.0-6.5 cents per share).

At 66 cents the shares are trading at just 10-11 times this year's expected profits.

Melbourne IT lifted revenues 50.2% to \$153.6 million for the year to 31 December 2007. Profits rose 117.7% to \$13,864,000 (18.1 cents per share) and the final dividend of 7.0 cents will lift the annual dividend rate 62.5% to 13.0 cents.

The net operating cash surplus more than *doubled* to \$24.6 million.

The full year's revenue contribution from **WebCentral** (owned for only three months in the previous year) explains the growth in revenues but only about 15% of the profit increase.

Melbourne IT has repaid all of its \$12.1 million of interest bearing debt (used to partially finance the WebCentral acquisition) and has \$17.9 million (23 cents per share) of cash in the bank. This cash, plus strong cashflows, could be used to make further acquisitions. Melbourne IT has “identified several companies” involved in Corporate Brand Management or Web Hosting and is “confident” that it “will execute one or more” acquisitions over the next year.

Melbourne IT is a high quality business, with recurring revenues and the ability to generate high cash surpluses. At 297 cents the shares trade on a P/E of 16 and a Dividend Yield of 4.4%. We would continue to favour other, more under-valued shares for new purchases, but Melbourne IT remains an attractive “Hold” in our portfolio.

Mercury Mobility - which we received via a spin-off by **Cellnet Group** - has reported an 8.7% increase in revenues to \$3.8 million for the half year to 31 December. The company *lost* \$219,280 (*minus* 0.2 cents per share), compared with a profit of \$178,400 the previous year, owing to the one-off costs of demerging from Cellnet Group, listing on the stockmarket and raising new capital. There was, however, a *positive* net operating cash surplus of \$907,136 - up 160%.

Being in a development stage, these revenues and cash flows are fairly insignificant at present and will need to increase significantly. The company reports that “required investment in technology platforms is now complete” and will launch its *YouMeNow* retail content and mobile community in Australia in March and then in Canada and other markets.

M.Y.O.B. has reported a 12.6% increase in revenues to \$207.1 million for the year to 31 December 2007. Profits were 9.0% higher at \$19,010,000 (4.9 cents per share). The company pays only a final dividend, which will be 8.3% higher at 3.25 cents.

The net operating cash surplus was 33% larger at \$40.8 million. The company has cash in the bank of \$30.4 million - plus significant borrowing capacity - so, as briefly announced last month, plans to distribute \$80 million (20.79 cents per share) via a capital reduction of 18.03 cents per share and a special (franked) dividend of 2.76 cents - subject to shareholder approval at the AGM on 24 April.

The company expects recent performance to continue over the next several years, with double digit revenue growth and generally faster profit growth as margins improve.

Probiotec lifted revenues 38.7% to \$32.8 million over the half year to December 2007, with profits up 73.0% to \$2,460,223 (5.3 cents per share). The company has declared a maiden dividend of 1.0 cents.

The net operating cash surplus more than *doubled* to \$5.0 million.

The company continues to “remain confident” that full year earnings will increase at least 30%.

The company has “materially expanded its export activities” with shipments to New Zealand, Europe and Asia. The directors see export markets as “a major opportunity for continued future sales and earnings growth”.

\$2.0 million was spent on new property, plant and equipment, improving manufacturing efficiencies and capacity.

On appeal, a previous legal claim against the company has been reduced from an estimated \$2.1-5.0 million to just \$50-350,000 which Probiotec will seek to reclaim from former legal advisers. The company has received a new legal claim for up to \$3 million in damages from **Pfizer Australia** relating to product manufactured by Probiotec from counterfeit raw material supplied by a third party approved by Pfizer. Probiotec has issued a cross claim against the third party supplier - and does not expect to suffer any material liability.

Probiotec's business has performed well, generating high cash surpluses and the payment of dividends is a positive sign. At 117 cents the shares trade on a Price/Earnings ratio of just 11, while profit growth of at least 30% this year will reduce that to under 8½. That is excellent value. “Buy”.

Probiotec



(Continued on Page 10)

Recommended Investments

(Continued from Page 9)

Ross Human Directions lifted revenues 19.5% to \$203.2 million for the six months to December 2007 and profits increased 20.0% to \$2,514,000 (3.0 cents per share). A steady 2.0 cents interim dividend will be paid.

There was a net operating cash *deficit* of \$8.6 million (a surplus of \$1.9 million last year) owing to a \$10.4 million increase in working capital (i.e. higher debtors and lower creditors at balance date).

At 49 cents, Ross Human Directions shares trade on a very low P/S ratio of 0.11, a low P/E ratio of just 8 and offer a Yield of 8.2%. At that low valuation there is little downside risk, a high cash income . . . and excellent potential for the shares to be significantly re-rated. "Buy".

Ross Human Directions



Skilled Group's revenues were 51.0% higher at \$917.6 million for the six months to 31 December 2007 - helped by some major acquisitions over the last year. The net profit rose 23.3% to \$13,726,000 with earnings per share 7.5% higher at 11.5 cents. The interim dividend will be raised 12.5% to 9.0 cents.

There was a net operating cash *deficit* of \$39.3 million (compared with a surplus of \$3.0 million previously) owing to a significant increase in working capital (i.e. outstanding debtors increased \$86 million to \$277 million).

The company has revised its full year profit forecast from \$36-39 million to \$35-38 million - equal to a 4-13% growth in earnings per share.

At 350 cents, the P/S ratio is 0.26, the P/E ratio 13 and the Dividend Yield 6.3%. That is an attractive valuation for long term investment.

TFS Corporation earns most of its revenues and profits in the *second* half of the year, so its *first* half result is not too significant. Over the six months to December 2007, revenues rose 131.0% to \$15.2 million and profits increased 4-fold to \$3,109,378 (1.7 cents per share). The interim dividend will be raised 11.1% to 1.0 cents.

There was a cash operating *deficit* of \$12.3 million - but that is after advancing \$15.3 million in loans to grower/investors. In February these \$23 million of loans were sold to the **Commonwealth Bank** who will also directly finance most future grower/investor loans. This also leaves TFS Corporation virtually debt-free but with an unutilised \$30 million facility to finance future land purchases. The company has retained about \$8.5 million of loans to grower/investors and may finance

some future sales.

TFS Corporation expects to develop and sell at least 650 hectares of Sandalwood plantations this year (up 16%). In the first six months it sold 128 hectares, up from a low 33 hectares in the December 2006 half year. Perhaps the only *significant* figure in the half year result is the growth in recurring management fees, up 35.5% to \$3.9 million. These reliable and recurring revenues will continue to increase as the number of hectares of plantation under management grows.

Operating costs, however, are rising faster - labour costs were 88% higher and the nursery costs rose 120% - but this represents a significant expansion, with the capacity to develop 800 hectares of new plantations annually as well as manage the growing plantation. The company predicts "at least a 15%" increase in full year profits to June 2008.

The company has around 3100 hectares available for future development (i.e. enough for about 4½ years at current rates) but is actively seeking to buy or lease additional land. With the expansion of its nursery infrastructure and workforce, however, TFS Corporation is "in a position to significantly increase" the rate of plantation development in future years.

TFS Corporation has also signed an agreement to supply sandalwood oil to **Lush Cosmetics**, an "ethical and socially responsible" cosmetics company with over 500 stores in 44 countries. Lush Cosmetics has agreed to purchase a minimum of one tonne of oil per year (and up to a maximum of 15% of production) at prices "reflecting prevailing world market conditions" for five years when TFS Corporation begins producing commercial quantities from 2011 and to develop a new range of sandalwood based products. Lush Cosmetics has also been issued with 1,000,000 options to buy TFS Corporation shares at 180 cents within three years of the start of commercial oil production (i.e. until about 2014). If TFS Corporation continues to grow at more than 10% per annum then these options could become extremely valuable!!

At 93 cents, TFS Corporation shares trade on a Price/Earnings ratio of under 8 and offer a small 3.7% income yield. That is a very low valuation for a company with the potential to grow at an above average rate over the next 5-15 years. This is another "must Buy" share for investors seeking long term capital appreciation.

TFS Corporation



The Reject Shop increased revenues 27.1% to \$190.2 million for the six months to 31 December 2007, while profits rose 38.4% to \$14,133,000 (55.0 cents per share).

The interim dividend is being raised 70.6% to 29.0 cents.

The net operating cash surplus grew 39% to \$19.4 million.

Most of the company's profits are earned in the first half, but it has upgraded its full year profit to \$16.3-16.5 million (63-64 cents per share, up 33-35%). It is also targeting a 75% dividend payout ratio which would lift the annual dividend rate 45-55% to 45-48 cents.

The company finished the period with 144 stores, but believes there is the potential to expand this to up to 400 across Australia.

At 982 cents, The Reject Shop shares trade on a Price/Earnings ratio of 20, although this year's profit

growth (which has mostly already been earned in the first half year) will reduce that to around 15. The Dividend Yield will rise to around 4.6-4.9%. That is an attractive valuation for a company, which like Michael Hill International, plans long term growth from steady expansion of its store numbers. This is the sort of investment which if held - through the endless series of market fluctuations - will grow to become a 10-20 bagger investment over 10-15 years.

No-one ever went broke compounding a \$50,000 investment into a million dollar investment - but many people have come off poorly selling quality shares in a depressed market in the mistaken belief they could be bought back later at a lower price! "Hold" . . . that extra million just might come in handy one day.

Share Recommendation: Sell Centennial Coal

SELL Centennial Coal (code CEY).

We are recommending the sale of Centennial Coal shares which have been re-rated very strongly over recent months following the sale of two major assets, a capital repayment and a sharp rise in the price of coal. While this is a favourable situation for coal miners, Centennial Coal's share price has risen so much that we believe it now fully reflects the company's recovery and growth potential over the next 2-3 years. Consequently - and with much of the rest of the stockmarket depressed - we believe there is better potential for future investment gains elsewhere.

Recent Result

Centennial Coal reported revenues 5.8% lower at \$352.1 million for the six months to 31 December 2007, while trading profits were 14.2% lower at \$16,300,000 (5.3 cents per share). In addition there were gains of \$221.8 million on the sale of assets. The interim dividend will be steady at 4.0 cents, but will not be paid until 15th July 2008 (i.e. in the next financial year) when the company will be able to include franking credits.

Current profitability is still unacceptably low, although the share price has risen strongly over recent months as the price of coal has risen rapidly. Higher coal prices, and improved production next year should see profits recover and grow in the future. Brokers predict earnings per share of 7-20 cents (with a median estimate of 15 cents) for this year and 26-43 cents (median 34 cents) for the year to June 2009. We believe the June 2009 profit could even be as high as \$150 million or about 50 cents per share.

At 440 cents, however, Centennial Coal is trading at 10-17 times its forecast 2009 profit. Even at our estimate of \$150 million, the shares are trading at 9 times 2009 profits. That suggests that the current share price fully

reflects the potential recovery and profit growth possible over the next couple of years!

A Return in excess of 35% Compound over More than Seven Years!

We received our Centennial Coal shares in early 2005 when this company took over **Austral Coal** which we originally recommended in January 2001 at 19 cents.

In fact, many investors were heavily weighted in Austral Coal securities ahead of this takeover. By January 2005 the shares had already *tripled* to around 57 cents and we upgraded the "virtually riskless" convertible notes (i.e. they offered a 10.7% income yield and could be redeemed in cash at 55 cents or converted to ordinary shares) as a "must Buy" and "must Buy more" investment! Two months later Centennial Coal made its takeover (i.e. 10 Centennial Coal shares for 37 Austral Coal shares) valuing our Austral Coal shares at around 130-140 cents and we continued our investment in Centennial Coal shares (at an initial cost equal to 70.3 cents per Centennial Coal share).

Over the last three years Centennial Coal has paid us 34 cents in regular dividends and 188 cents as a capital repayment in January this year. Selling the shares at 440 cents will realise a total return of 842% - or a 9.4-fold increase in this investment over the full seven years!

Summary and Recommendation

While our investment in Austral Coal/Centennial Coal has produced a very good return - better than 35% per annum *compounded* over more than seven years - the real strategic importance of this successful investment will likely be our *future returns*. Having let our profits run and compound over the years has produced a large, valuable shareholding which can now realise a significant cash sum. This will allow us to (*Continued on Page 12*)

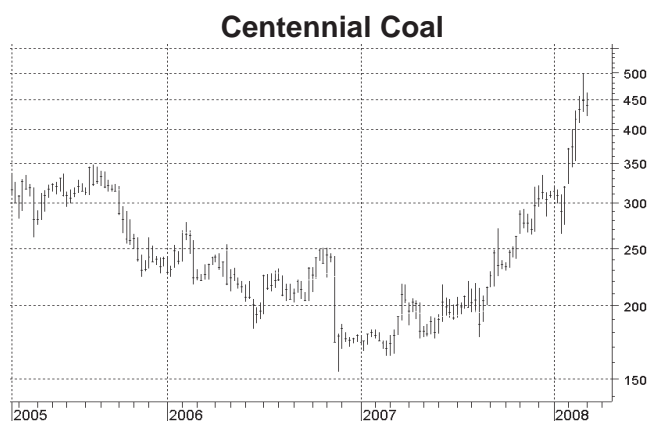
SELL Centennial Coal*(Continued from Page 11)*

buy new under-valued shares - and add to positions in other existing shareholdings - at a time when the stockmarket is offering exceptional value!

Centennial Coal shares now look to be fully valued, so - under most normal circumstances - investors should consider their sale as there would probably be better places to invest in the future. This is particularly true in the current market which is depressed and, we believe, offers an attractive “buying opportunity” to accumulate under-valued shares for our portfolio.

So if the stockmarket offers an attractive “buying opportunity”, a very large, fully priced investment like Centennial Coal can help provide a significant cash sum to finance our share buying! So the timing of Centennial Coal's recent re-rating could not be better.

Sell Centennial Coal shares to release cash to finance the acquisition of under-valued growth company shares in the current “buying opportunity”!



Share Recommendation: Buy CPT Global

CPT Global (code CGO).

We reviewed this small growth company in June 2007 (*Market Analysis* Issue 420) but its shares were inactively traded and we were not able to consider formally recommending the shares at that time. A depressed stockmarket changes everything. CPT Global shares hit a new high of 155 cents in September 2007, but have since fallen back to levels where we consider they offer excellent value. There are quite a number of sellers in the market, so investors should be able to build up a shareholding over the next few months without unnecessarily inflating the price. Finally, even subscribers to this newsletter are *depressed*, so there should not be a stampede to buy, which could move the shares higher.

CPT Global is a small Australian based IT consulting group helping large Australian and international customers reduce the cost of using mainframe computers. Revenues and profits were steady over many years but with strong growth for the year to June 2007. Its growth phase will be driven by a new business model, expanded Intellectual Property and important joint ventures to market its services internationally. The company seeks to expand its revenues 3-3½-fold over the next four years (i.e. by over 30% per annum compounded) with the potential for around 40% per annum compounding growth in profits!

Company History

The business was established in 1993 and listed in late 2000 after an Initial Public Offering of 5,987,951 shares (18.1% of the company) at \$1.00 per share to raise funds for expansion.

Recent Results

The company grew rapidly through to the year ended June 2001 (i.e. during the Technology boom) but results have since been relatively flat.

For the year to June 2006, revenues rose 7.4% to \$31.1 million although profits fell 11.0% to \$2,053,000 (6.0 cents per share) but the annual dividend rate was raised 9.1% to 6.0 cents.

For the year to June 2007 revenues rose 33.0% to \$41.4 million and profits were 46.5% higher at \$3,007,000 (8.5 cents per share). The annual dividend rate was lifted 29.2% to 7.75 cents. The net operating cash surplus was 69% lower at \$704,000 - mainly owing to a \$3.0 million increase in working capital (i.e. higher debtors and inventories) as the business grew.

During the six months to 31 December revenues continued to grow strongly, up 23.2% to \$23.1 million, but profits increased only 4.8% to \$1,341,000 (3.7 cents per share) and a steady 3.25 cents dividend will be paid in April. There was a net operating surplus of \$191,000 compared with a *deficit* of \$179,000 in the same period a year earlier.

Profit growth for the period was depressed by expensing all costs involved in the company's international expansion, while the *Credit Crunch* resulted in a few potential customers deferring projects. The *Credit Crunch*, however, should *increase* the demand for CPT Global's mainframe computer cost reduction and capacity planning services. The company is “in dialogue with a number of European based global organisations” which is expected to “contribute towards second half earnings”.

Current Business and Growth Potential

CPT Global is an independent IT consultant offering its services worldwide, mainly to very large corporations (i.e. banks and telecommunications companies) and government organisations using mainframe computers. The company's clients operate about 1% of the world's mainframe computers, so the potential to grow its market share is enormous. To supplement its own direct sales, CPT Global entered marketing alliances with **Macro 4 plc** and **Tori Global** in November 2006. Macro 4 is a global vendor of systems software and document management systems with over 1000 clients worldwide using mainframe computers. Tori Global is a management consultancy business focusing upon large financial services companies in North America and Europe.

In recent years, CPT Global has developed a “*Risk/Return*” service for clients where CPT Global investigates a client's IT environment at its own expense or on a small retainer and then shares in a percentage of future cost savings that it can generate for the client. This “success fee” business model incurs expenses (or low profit margins) initially but then generates recurring revenue streams with increasing profit margins over the period of the contract.

CPT Global aims to increase revenues to \$120 million over the next four years (i.e. to 2011). That is an annual compound growth rate of over 30% per annum. International revenues are expected to increase from around 23% of total revenues at present to over 50% and - most importantly - the company expects to maintain its 2½ times higher margins on international business. That would result in a four-fold increase (i.e. about 40% p.a.) growth in profits!! Profit margins are higher on international business owing to the higher labour costs overseas (i.e. and therefore higher contract rates for work), although some work can be conducted from Australia via virtual private networks.

Research & Development has allowed the company to apply its performance tuning tools for mainframe computers to be applied to a much larger potential corporate market using SAP mid-range systems. This new business is “already providing additional opportunities with both existing and new clients”.

There is some concentration of business, with the top 10 clients currently generating 80% of revenues - but that percentage should decline (and reduce risk) as the business expands.

Investment Criteria

At 88 cents, CPT Global shares trade on a low Price/Sales ratio of 0.76, a Price/Earnings ratio of just 10 and offer a high Dividend Yield of 8.8%. That is clearly a low valuation - and an attractive income yield - even without the company's strong growth potential.

Achieving its target to *quadruple* profits over the next 4-4½ years, *plus* a 50-100% re-rating of the shares, would see the share price increase 6-8 fold in value to 525-700 cents. That would be a compound annual gain of 50-60% per annum!! Clearly even if CPT Global falls

short of its growth targets then an investment in these shares will still yield far above average returns to investors!

The business is not capital intensive. So CPT Global will not dilute earnings per share by needing to issue new shares to finance growth. The company should also be able to continue to distribute most of its profits, providing investors with a high income yield. Any future growth in profits should flow straight through to growth in dividends and appreciation in the share price.

The issued capital is 35,566,364 shares, giving the company a market capitalisation of just \$31 million. This is a very small Australian listed company. CPT Global is not included in any share index, so NZ investors will be taxed based upon the “fair dividend” rate of 5% (on years when their portfolio shows a positive total return), not the higher actual dividend yield of 8.8%.

The directors hold significant investments in this company. Founder and Managing Director G Tuddenham owns 11,474,635 shares or 33.6% of the company. Chairman FS Grimwade has 708,200 shares (2.1%), Executive Director P Wright has 164,500 shares and Non-Executive Director I MacDonald has 330,000 shares.

There have been no *insider* trades on-market over the last year.

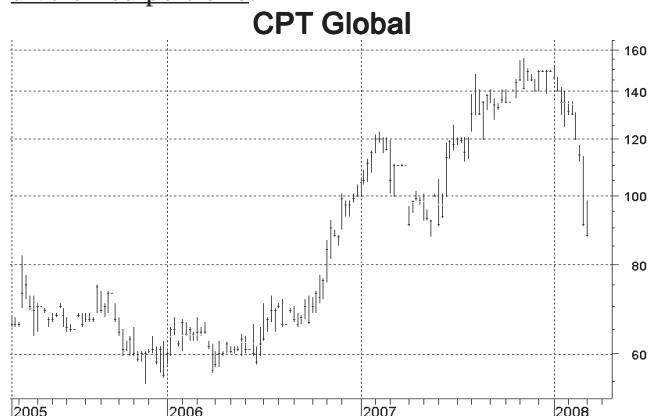
The shares are relatively *neglected* by institutional investors, although three funds own about 20% of the company. The shares are *neglected* by stockbrokers, although one broker has started following the company closely enough to publish profit forecasts.

Like many shares, CPT Global has fallen sharply over recent months. The long term Relative Strength rating is -2.8%, ranked 27, so is still in the top 27% of the market

Summary and Recommendation

CPT Global is a high quality, well managed IT consulting group seeking to expand globally. The current low share valuation *plus* its outstanding growth potential make the shares an attractive “Buy” for most investors.

The shares offer a high income yield, so will appeal to investors requiring current income, but their main attraction is the potential to increase 5-10 fold in value over the next 4-6 years! Small growth companies, however, involve higher than normal risk, so an investment in CPT Global needs to be part of a well diversified portfolio.



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	Brokers Following	Price to NTA	Return on Equity	Vola- ility	Price til- End	Divi- dend Ratio	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Vola- ility	Price til- End	Divi- dend Ratio	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																
Richina Pacific	53	+4.2	+2.9	5	0-0	-	0.6	16	1.3	4	2.8	0.16	80	Viking Capital	23	-5.3	+7.6	39	0-0	-	0.8	14	1.3	6	Nil	4.49	16		
Livestock Imp.	185	+10.6	-1.7	1	0-0	-	0.6	10	0.7	6	20.2	0.46	55	Ryman Health.	166	-9.0	-3.3	63	3-4	4	0.7	3	0.6	20	2.4	4.36	830		
PGG Wrightsons	213	+6.3	-0.9	3	8-0	3	1.5	6	0.8	23	8.4	0.58	599	F & P Health.	292	-6.3	-2.4	44	0-20	6	7.7	30	0.5	26	6.3	4.19	1,493		
Kirkcaldie & St	300	+0.2	-3.1	13	0-1	-	1.3	5	0.4	26	5.0	0.66	30	South Port NZ	230	-4.8	-1.7	35	0-0	1	2.3	9	0.5	27	5.0	4.13	60		
Mr Chips Hold	195	+17.4	+7.6	0	2-0	-	2.6	15	0.7	17	3.1	1.00	48	Trust Power Ltd	790	-5.0	-2.3	36	0-1	3	1.8	7	0.5	26	5.1	3.98	2,490		
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													INSIDER BUYING: Most Insider Buying, Relative Strength > 0																
Livestock Imp.	185	+10.6	-1.7	1	0-0	-	0.6	10	0.6	6	20.2	0.46	55	PGG Wrightsons	213	+6.3	-0.9	3	8-0	3	1.5	6	0.5	23	8.4	0.58	599		
Richina Pacific	53	+4.2	+2.9	5	0-0	-	0.6	16	1.0	4	2.8	0.16	80	NZ Farming Sys.	134	+0.4	-1.1	13	3-0	-	-	0.7	NE	Nil	N/A	N/A	227		
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													INSIDER SELLING: Most Insider Selling, Relative Strength < 0																
Telecom Corp	389	-4.2	-1.3	30	4-18	10	2.2	26	0.5	8	13.6	1.44	6,985	F & P Health.	292	-6.3	-2.4	44	0-20	6	7.7	30	0.4	26	6.3	4.19	1,493		
Hallenstein G.	396	-9.9	+0.3	68	2-3	4	3.6	32	0.4	11	13.2	1.18	236	Telecom Corp	389	-4.2	-1.3	30	4-18	10	2.2	26	0.5	8	13.6	1.44	6,985		
Cavalier Corp	263	-9.7	-2.0	66	0-0	4	2.7	23	0.6	12	10.8	0.81	172	Sky City Ltd	400	-9.9	-3.7	67	1-9	8	4.8	26	0.6	18	9.7	2.22	1,803		
ING Property	98	-7.3	-1.5	53	1-0	3	0.8	5	0.5	15	10.7	7.01	531	F & P Appliance	261	-10.9	-4.4	75	2-7	6	1.1	9	0.7	12	10.3	0.52	740		
Vector Ltd	185	-9.9	-2.9	67	1-0	4	1.0	5	0.7	18	10.5	1.37	1,850	Sealegs Corp	48	-6.6	-5.5	48	0-3	-	19.0	-	1.2	NE	Nil	5.57	30		
F & P Appliance	261	-10.9	-4.4	75	2-7	6	1.1	9	0.7	12	10.3	0.52	740	Mainfreight Grp	640	-8.1	-1.6	58	3-6	4	4.0	36	0.5	11	3.5	0.64	618		
Turners & Grow.	215	-2.5	+0.5	24	0-2	2	0.7	6	0.5	12	9.7	0.36	199	Pumpkin Patch	180	-19.2	-3.1	92	4-7	4	2.7	25	0.6	11	7.5	0.82	301		
Sky City Ltd	400	-9.9	-3.7	67	1-9	8	4.8	26	0.7	18	9.7	2.22	1,803	Salvus Strat.	97	-2.8	-1.1	25	0-2	-	0.7	30	0.6	2	8.5	2.82	19		
Briscoe Group	126	-7.3	-0.6	53	4-0	5	2.4	23	0.5	10	9.5	0.72	267	NZ Windfarms	95	-11.3	-1.1	76	0-2	-	1.0	-	0.9	NE	Nil	N/A	75		
Pyne Gould Corp	345	-9.6	-1.1	65	5-1	1	1.5	13	0.5	11	9.1	1.77	338	NZ Exchange Ltd	670	-10.7	-3.7	74	0-2	2	5.6	30	0.6	19	4.7	5.17	163		
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																													
Kiwi Property	125	-7.1	-0.4	52	0-0	4	0.7	5	0.5	15	7.7	8.80	893																
Property F Ind.	129	-5.3	-0.3	38	0-0	4	0.9	6	0.5	14	6.8	8.73	272																
Akd Int Airport	228	-6.0	-2.4	42	0-2	8	1.4	5	0.6	30	5.4	8.65	2,785																
ING Med. Prop.	115	-6.5	-0.8	47	3-0	5	0.8	5	0.5	16	8.3	8.20	160																
Windflow Tech.	305	-5.1	-0.6	37	3-2	-	4.4	-	0.3	NE	Nil	7.51	26																
AMP Onyx Mgmt	115	-6.3	-1.1	45	1-0	4	0.8	4	0.4	19	6.7	7.35	791																
ING Property	98	-7.3	-1.5	53	1-0	3	0.8	5	0.4	15	10.7	7.01	531																
Port Tauranga	645	-3.0	-1.2	26	3-0	4	1.3	6	0.4	23	5.1	6.16	864																
Sealegs Corp	48	-6.6	-5.5	48	0-3	-	19.0	-	1.3	NE	Nil	5.57	30																
Kermadec Prop.	77	-7.7	-1.4	57	6-0	-	0.7	7	0.7	10	Nil	5.27	47																
NZ Exchange Ltd	670	-10.7	-3.7	74	0-2	2	5.6	30	0.6	19	4.7	5.17	163																

Strongest NZ Shares

STRENGTH RATING													STRENGTH RATING														
Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Vola- ility	Price til- End	Divi- dend Ratio	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Vola- ility	Price til- End	Divi- dend Ratio	Price Sales Ratio	Market Cap'n
Mr Chips Hold	195	+17.4	+7.6	0	2-0	-	2.6	15	0.7	17	3.1	1.00	48	Warehouse Group	610	-0.8	+0.8	16	0-0	5	5.6	34	0.6	16	4.3	1.08	1,897
Abano Health.	469	+11.5	-5.9	0	0-0	1	2.1	10	0.8	21	3.5	1.21	108	WN Drive Tech.	37	-0.8	-8.3	17	3-2	-	7.1	-	1.5	NE	Nil	N/A	125
Livestock Imp.	185	+10.6	-1.7	1	0-0	-	0.6	10	0.7	6	20.2	0.46	55	ICP Biotech.	3	-1.1	-1.1	18	0-0	-	-	-	4.9	NE	Nil	N/A	18
Apple Fields	8	+8.0	+3.3	2	0-0	-	1.8	41	4.4	4	Nil	2.37	6	Northland Port	295	-1.1	-1.0	18	0-0	-	0.8	6	0.6	14	5.6	N/A	128
NZ Oil & Gas	131	+6.3	+2.7	2	1-0	-	3.6	17	0.8	21	Nil	N/A	168	Smartpay NZ Ltd	3	-1.3	+2.3	19	0-0	-	1.4	-	4.9	NE	Nil	0.17	6
PGG Wrightsons	213	+6.3	-0.9	3	8-0	3	1.5	6	0.8	23	8.4	0.58	599	Ebos Group Ltd	510	-1.7	-0.5	20	0-0	2	2.0	11	0.5	18	6.6	0.61	188
New Image Group	10	+4.8	-7.3	4	1-0	-	43.5	-	3.2	NE	Nil	0.83	21	NZ Experience	30	-2.2	+0.6	20	0-0	-	2.1	25	1.6	8	14.9	1.17	11
Richina Pacific	53	+4.2	+2.9	5	0-0	-	0.6	16	1.3	4	2.8	0.16	80	Col Motor Co	320	-2.2	-0.8	21	4-0	1	0.8	6	0.5	13	10.7	0.20	89
Lytelton Port	250	+4.1	-1.6	5	0-0	3	2.1	8	0.7	27	2.4	3.35	256	Cert Organics	7	-2.2	-8.9	22	0-0	-	1.6	-	3.9	NE	Nil	2.28	19
Lynsoft Sol'ns	115	+3.6	+0.1	6	0-0	-	2.4	5	0.8	52	5.8	1.28	10	Rubicon Limited	90	-2.3	+0.3	22	8-0	2	1.1	-	0.9	NE	Nil	4.41	224
Cynotech Hold.	19	+3.6	-7.0	6	0-0	-	1.5	16	2.2	9	4.0	1.45	17	Satara Co-op	105	-2.4	+0.9	23	0-0	-	0.5	2	1.0	22	7.1	0.31	17
Pike River Coal	107	+3.2	-2.0	7	2-0	1	1.4	-	1.2	NE	Nil	N/A	281	Turners & Grow.	215	-2.5	+0.5	24	0-2	0.7	6	0.7	12	9.7	0.36	199	
Botry-Zen Ltd	4	+3.1	-5.2	8	0-0	-	3.3	-	4.5	NE	Nil	N/A	6	CDL Investments	40	-2.6	+1.0	24	0-0	-	1.2	15	1.2	8	8.6	2.82	88
Michael Hill	99	+2.7	-1.4	8	3-11	4	5.2	29	0.8	18	3.9	1.08	379	Salvus Strat.	97	-2.8	-1.1	25	0-2	-	0.7	30	1.0	2	8.5	2.82	19
Jasons Media	90	+1.8	-3.0	9	0-0	-	28.0	-	1.1	25	5.0	1.24	15	Port Tauranga	645	-3.0	-1.2	25	3-0	4	1.3	6	0.5	23	5.1	6.16	864
Canty Bldg Soc.	530	+1.6	-3.8	10	0-0	-	1.2	7	0.4	19	4.2	1.17	35	Tower Limited	190	-3.2	-0.0	26	0-0	5	1.4	13	1.0	10	4.7	0.70	360
Lion Nathan Ltd	1070	+1.4	-0.5	10	0-2	-	6.9	30	0.4	23	3.6	2.73	5,716	Millennium & C.	74	-3.4	+2.5	27	0-0	-	0.7	6	0.9	11	5.0	1.54	258
Wakefield Hlth	750	+0.9	-2.4	11	2-0	1	1.5	6	0.3	28	3.4	1.60	106	Restaurant Brds	85	-3.8	-1.1	27	2-0	3	2.5	19	1.0	13	9.7	0.28	83
NZ Refining Co	760	+0.8	-0.9	12	0-0	2	3.0	18	0.5	16	8.8	5.39	1,824	Horizon Energy	306	-											

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														Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank	Buy/Sell	Relative Strength	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0															
Adtrains Group	459	+2.5	-4.6	13	1-3	-	2.2	18	0.3	13	5.1	0.17	110		
Scott Corp Ltd	37	+2.0	-2.8	14	0-0	-	1.2	14	1.4	8	2.7	0.17	22		
Ridley Corp.	105	+1.1	-0.7	16	2-0	5	1.1	8	0.9	14	6.7	0.21	307		
Ruralco Hold.	390	+0.1	-1.2	18	1-0	1	2.7	17	0.4	16	5.1	0.24	178		
A.P. Eagers	1455	+1.5	-1.8	15	9-0	1	1.9	13	0.2	15	4.0	0.25	421		
Supply Network	40	+17.4	-6.4	5	1-0	-	0.9	4	1.2	24	2.5	0.26	9		
Colorpak Ltd	49	+0.2	-0.9	18	4-0	-	8.2	-	1.1	4	5.6	0.27	19		
Thomas & Coffey	101	+2.5	-2.5	13	5-1	-	4.4	29	0.9	15	3.5	0.34	75		
Kresta Holdings	30	+1.2	-1.3	16	3-0	-	2.1	12	1.4	10	6.7	0.34	40		
Tamawood Ltd	251	+0.3	-4.0	18	0-0	-	3.0	59	0.5	5	7.8	0.35	44		
PMP Limited	164	+0.7	-3.5	17	0-5	8	2.9	27	0.8	11	1.8	0.38	491		
Lemarne Corp	300	+6.5	-3.2	10	1-0	-	1.0	18	0.4	5	6.2	0.41	29		
Ambertech Ltd	83	+9.4	-0.9	8	0-0	-	1.6	16	0.9	10	6.0	0.43	25		
UCMS Group Ltd	112	+0.5	-2.7	17	4-0	-	1.5	18	1.0	8	6.3	0.44	62		
Freedom Nut'l	50	+6.7	-0.4	10	15-0	-	3.6	19	1.1	19	2.0	0.45	22		
Hastie Group	300	+0.4	-7.7	17	0-0	7	-	0.6	16	3.8	0.47	430			
TransMetro Corp	90	+2.9	+1.5	13	0-0	-	1.1	21	0.8	5	3.3	0.48	12		
ITX Group	90	+1.9	-3.2	14	2-0	-	-	1.1	1.1	1.1	0.49	45			
W'bool Cheese	496	+1.7	-5.3	15	0-0	1	1.9	10	0.5	20	2.2	0.52	193		
Maxi TRANS	77	+9.2	+5.0	8	3-0	4	3.1	19	0.9	16	5.2	0.56	132		
Zicom Group	32	+5.5	-8.0	10	4-0	-	2.9	39	1.9	7	10.9	0.61	58		
BSA Ltd	54	+0.6	-4.9	17	7-1	1	3.6	33	1.1	11	5.9	0.61	97		
Sims Group Ltd	3155	+3.8	+4.6	12	1-4	10	6.3	40	0.4	16	3.8	0.72	3,979		
Adcorp Aust.	43	+8.3	+4.7	9	0-0	1	3.9	31	1.1	12	3.5	0.74	26		
Schaffer Corp	800	+1.3	-2.7	16	0-0	1	2.4	21	0.4	11	6.3	0.76	113		
Wrigdways Aust	274	+0.4	-4.9	18	0-2	-	19.6	-	0.6	15	5.5	0.77	88		
National Hire	190	+5.5	-8.0	10	0-0	2	1.7	15	0.7	12	4.2	0.79	227		
Woolworths Ltd	2870	+0.8	-5.5	17	0-1	13	-	0.3	27	2.6	0.81	34,685			
Bluescope Steel	1040	+0.3	+3.5	18	3-0	14	-	0.5	11	4.5	0.86	7,632			
Ramsay Health	1062	+0.3	-0.4	18	1-2	14	5.9	34	0.3	17	2.7	0.87	1,838		
Graincorp	1250	+6.7	+5.6	10	2-1	4	2.0	9	0.3	22	4.0	0.87	711		
ABB Grain Ltd	901	+4.5	-0.3	11	1-0	2	2.5	1	0.3	184	1.7	0.88	1,345		
AJ Lucas	377	+26.2	-8.2	3	2-0	2	13.0	41	0.7	32	0.7	0.94	204		
Structural Syst	295	+6.1	-7.8	10	0-3	2	4.9	32	0.5	16	3.4	0.97	137		
MacMahon Hold	171	+1.4	-7.4	15	0-2	7	-	0.8	30	1.8	0.99	894			
Country Road	350	+14.6	+0.1	6	0-0	-	4.2	29	0.4	14	2.1	1.00	242		
Beyond Int'l	120	+7.2	-7.1	9	0-0	-	2.6	16	0.8	16	3.3	1.03	71		
liNet	205	+18.8	-0.8	4	4-1	5	11.4	79	0.7	14	2.9	1.12	257		
Oroton Group	290	+0.5	-7.9	17	8-1	1	5.6	44	0.7	13	4.5	1.13	124		
London City Eq.	54	+3.2	+0.8	13	0-0	-	0.9	58	1.1	2	1.9	1.22	11		
EservGlobal Ltd	110	+10.9	+1.1	7	1-0	-	0.7	34	1.8	1.22	1.87	187			
Leighton Hold	4451	+1.7	-10.0	15	2-2	9	9.8	35	0.4	28	2.5	1.24	12,378		
Straits Res.	661	+17.8	-1.4	5	3-7	3	6.4	18	0.7	35	1.5	1.24	1,190		
Tassal Group	268	+2.2	-9.0	14	4-1	6	3.4	22	0.6	15	2.0	1.27	310		
Hansen Tech.	45	+9.1	-10.4	8	0-0	-	7.5	37	1.2	20	2.2	1.28	67		
AHC Ltd	370	+3.3	-0.9	13	0-0	-	0.8	29	0.4	3	0.9	1.32	21		
Onesteel Ltd	660	+2.3	+1.7	14	0-1	13	2.7	10	0.6	28	2.8	1.34	5,756		
United Overseas	27	+3.4	-6.2	12	3-0	-	0.1	2	1.5	3	3.4	1.36	217		
Nufarm Ltd	1549	+2.5	-3.2	13	0-1	11	5.9	24	0.4	25	2.1	1.51	2,657		
Orica Ltd	2800	+2.0	-0.1	14	2-0	13	-	0.4	18	3.2	1.56	8,622			
F.F.I. Holdings	550	+1.6	-7.7	15	2-1	-	2.6	21	0.3	12	3.2	1.57	35		
CocaCola Amatil	939	+0.2	-2.4	18	0-2	12	7.8	31	0.4	25	3.5	1.59	7,051		
Troy Resources	256	+0.9	-4.6	16	0-1	-	-	0.6	7	2.9	1.60	147			
Cheviot K Vine.	140	+0.4	+0.7	18	1-0	-	0.5	1	0.8	45	9.3	1.62	15		
Stuart Petrol.	102	+0.7	-4.2	17	1-1	-	2.0	27	1.0	7	2.0	1.65	64		
Aequus Capital	40	+5.7	+1.0	10	1-2	-	2.7	21	1.3	13	3.5	1.68	13		
Jetset Travel	238	+7.0	-9.8	9	0-0	-	10.8	64	0.7	17	4.2	1.73	219		
Rio Tinto Ltd	13120	+12.1	-6.1	7	0-0	7	7.4	-	0.5	6	1.1	1.77	59,934		
Webster Ltd	131	+5.8	-9.6	10	2-0	-	1.6	10	0.9	15	3.4	1.77	81		
Steamships Trad	1000	+7.7	-0.2	9	0-0	-	3.0	30	0.4	10	5.3	1.80	310		
Austin Eng.	246	+26.2	-14.2	3	1-0	2	10.7	48	0.8	22	1.6	1.92	110		
Flight Centre	2416	+13.4	-7.9	6	1-2	7	8.1	43	0.2	19	2.7	1.98	2,282		

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0															
Forge Group Ltd	92	+27.1	-21.3	2	4-1	-	-	0.9	19	Nil	0.67	50			
CMA Corporation	71	+11.7	-8.8	7	0-0	1	5.1	30	0.7	17	Nil	0.46	225		
Ambertech Ltd	83	+9.4	-0.9	8	0-0	-	1.6	16	0.7	10	6.0	0.43	25		
Aircrusing Aust	21	+9.2	+10.6	8	0-0	-	3.5	26	1.1	14	Nil	0.35	3		
Maxi TRANS	77	+9.2	+5.0	8	3-0	4	3.1	19	0.6	16	5.2	0.56	132		
Adcorp Aust.	43	+8.3	+4.7	9	0-0	1	3.9	31	0.8	12	3.5	0.74	26		
Freedom Nut'l	50	+6.7	-0.4	10	15-0	-	3.6	19	0.8	19	2.0	0.45	22		
Lemarne Corp	300	+6.5	-3.2	10	1-0	-	1.0	18	0.3	5	6.2	0.41	29		
Structural Syst	295	+6.1	-7.8	10	0-3	2	4.9	32	0.4	16	3.4	0.97	137		
Zicom Group	32	+5.5	-8.0	10	4-0	-	2.9	39	1.6	7	10.9	0.61	58		
National Hire	190	+5.5	-8.0	10	0-0	2	1.7	15	0.6	12	4.2	0.79	227		

Company	STRENGTH/RATING														Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank	Buy/Sell	Relative Strength	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
Int'l Equities	7	+5.2	+2.5	11	0-0	-	0.6	14	2.2	5	Nil	0.59	9		
Sims Group Ltd	3155	+3.8	+4.6	12	1-4	10	6.3	40	0.3	16	3.8	0.72	3,979		
TransMetro Corp	90	+2.9	+1.5	13	0-0	-	1.1	21	0.6	5	3.3	0.48	12		
Thomas & Coffey	101	+2.5	-2.5	13	5-1	-	4.4	29	0.7	15	3.5	0.34	75		
Adtrains Group	459	+2.5	-4.6	13	1-3	-	2.2	18	0.2	13	5.1	0.17	110		
Tower Australia	223	+2.3	-4.3	14	2-0	5	2.1	50	0.6	4	Nil	0.58	522		
Scott Corp Ltd	37	+2.0	-2.8	14	0-0	-	1.2	14	1.0	8	2.7	0.17	22		
ITX Group	90	+1.9	-3.2	14	2-0	-	-	-	0.8	11	1.1	0.49	45		
Pacific Group	199	+1.9	+0.8	14	0-0	-	1.3	10	0.6	13	Nil	0.42	282		
Multistack Int'	3	+1.7	+4.3	15	0-0	-	0.4	3	4.0	12	Nil	0.22	3		
A.P. Eagers	1455	+1.5	-1.8	15	9-0	1	1.9	13	0.1	15	4.0	0.25	421		
Schaffer Corp	800	+1.3	-2.7	16	0-0	1	2.4	21	0.3	11	6.3	0.76	113		
Kresta Holdings	30	+1.2	-1.3	16	3-0	-	2.1	22	1.0	10	6.7	0.34	40		
Ridley Corp.	105	+1.1	-0.7	16	2-0	5	1.1	8	0.7	14	6.7	0.21	307		
Brandrill	28	+0.8	-8.3	17	3-0	-	2.8	21	1.3	13	Nil	0.84	104		
PMP Limited	164	+0.7	-3.5	17	0-5	8	2.9	27	0.6	11	1.8	0.38	491		
BSA Ltd	54	+0.6	-4.9	17	7-1	1	3.6	33	0.8	11	5.9	0.61	97		
UCMS Group Ltd	112	+0.5	-2.7	17	4-0	-	1.5	18	0.8	8	6.3	0.44			

STRENGTH RATING														STRENGTH RATING													
Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola- tility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola- tility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
Harrington Grp	5	+14.7	-5.8	6	4-0	-	-	-	2.2	NE	Nil	N/A	9	Rey Resources	14	+15.8	-10.4	5	3-0	-	-	-	1.1	NE	Nil	N/A	10
Centaurus Res.	196	+48.7	-14.5	1	4-0	-	-	-	0.7	NE	Nil	N/A	44	Bluescope Steel	1040	+0.3	+3.5	18	3-0	14	-	-	0.4	11	4.5	0.86	7,632
Centennial Coal	440	+31.8	+7.7	2	4-0	11	1.5	0	0.4	646	3.0	2.29	1,345	Cool or Cosy	10	+11.5	-2.6	7	3-0	-	1.9	-	1.3	NE	Nil	0.24	5
Sydney Attract.	635	+3.1	-1.8	13	4-0	2	18.7	16	0.2	114	0.8	2.69	138	Tassal Group	268	+2.2	-9.0	14	4-1	6	3.4	22	0.4	15	2.0	1.27	310
Eurogold Ltd.	4	+7.9	+11.4	9	4-0	-	-	-	2.0	NE	Nil	N/A	12	Forge Group Ltd	92	+27.1	-21.3	2	4-1	-	-	-	0.8	19	Nil	0.67	50
Gt Bendigo Gold	22	+20.7	-5.8	4	4-0	-	-	-	1.4	NE	Nil	N/A	18	liNet	205	+18.8	-0.8	4	4-1	5	11.4	79	0.4	14	2.9	1.12	257
Zicom Group	32	+5.5	-8.0	10	4-0	-	2.9	39	1.3	7	10.9	0.61	58	AJ Lucas	377	+26.2	-8.2	3	2-0	2	13.0	41	0.5	32	0.7	0.94	204
UCMS Group Ltd	112	+0.5	-2.7	17	4-0	-	1.5	18	0.7	8	6.3	0.44	62	IMX Resources	53	+2.5	-4.6	13	2-0	-	-	-	0.7	NE	Nil	N/A	83
Bass St Oil Coy	14	+25.4	-11.7	3	4-0	-	-	-	1.2	NE	Nil	N/A	22	New Hope Corp.	242	+3.9	+0.2	12	2-0	2	2.7	10	0.5	28	1.9	7.62	1,956
Bow Energy Ltd	21	+21.9	-26.7	4	4-0	-	-	-	1.3	NE	Nil	N/A	23	Integra Mining	56	+36.9	-21.2	1	2-0	-	-	-	1.1	NE	Nil	N/A	170
Synergy Equity	2	+9.5	-3.7	8	4-0	-	-	-	3.1	NE	Nil	N/A	15	Herald Resource	271	+50.4	+7.3	1	2-0	-	-	-	0.6	NE	Nil	N/A	525
Elk Petroleum	46	+5.1	-18.4	11	4-0	-	-	-	1.0	NE	Nil	8.83	28	Moby Oil & Gas	14	+15.1	-7.3	5	2-0	-	-	-	1.2	NE	Nil	N/A	11
Thomas & Coffey	101	+2.5	-2.5	13	5-1	-	4.4	29	0.6	15	3.5	0.34	75	Buderim Ginger	47	+3.7	+2.3	12	2-0	-	0.5	3	0.6	20	Nil	0.26	13
Reward Minerals	91	+4.8	+9.0	11	6-2	-	-	-	0.6	NE	Nil	N/A	39	Lynas Corp Ltd	159	+6.5	+7.7	10	2-0	2	-	-	0.6	NE	Nil	N/A	796
Kresta Holdings	30	+1.2	-1.3	16	3-0	-	2.1	22	0.7	10	6.7	0.34	40	Linc Energy Ltd	81	+2.4	-5.6	14	2-0	-	-	-	0.9	NE	Nil	N/A	259
United Overseas	27	+3.4	-6.2	12	3-0	-	0.1	2	0.8	3	3.4	1.36	217	Buka Gold Ltd	20	+11.4	-25.5	7	2-0	-	-	-	1.4	NE	Nil	1.34	12
Metgasco Ltd	78	+2.1	-4.6	14	3-0	-	-	-	0.8	NE	Nil	N/A	93	Ridley Corp.	105	+1.1	-0.7	16	2-0	5	1.1	8	0.5	14	6.7	0.21	307
Monarch Gold M.	40	+42.5	+11.7	1	3-0	-	-	-	1.0	NE	Nil	N/A	165	Cortona Res Ltd	30	+4.4	-13.3	12	2-0	-	-	-	1.1	NE	Nil	N/A	9
Comdek Ltd	15%+125.8	-40.5	0	3-0	-	-	-	-	1.5	NE	Nil	N/A	55	Int Research	44	+2.0	+2.6	14	2-0	1	5.5	41	0.6	13	6.8	2.01	73
Po Valley Ener.	170	+6.2	+3.2	10	3-0	-	-	-	0.7	NE	Nil	N/A	145	Wolf Minerals	116	+12.2	-13.4	7	2-0	-	-	-	1.0	NE	Nil	N/A	N/A
Maxi TRANS	77	+9.2	+5.0	8	3-0	4	3.1	19	0.5	16	5.2	0.56	132	Orica Ltd	2800	+2.0	-0.1	14	2-0	13	-	-	0.3	18	3.2	1.56	8,622
Garratt's Ltd	50	+55.7	-21.0	0	3-0	-	-	-	0.7	37	Nil	1.02	12	Audax Resources	18	+24.3	-21.0	3	2-0	-	-	-	1.3	NE	Nil	N/A	21
Northern Energy	120	+17.1	-23.1	5	3-0	-	-	-	0.8	NE	Nil	N/A	81	Questus Limited	18	+58.7	-2.1	0	2-0	-	1.8	8	1.1	23	Nil	0.97	12
Brandrill	28	+0.8	-8.3	17	3-0	-	2.8	21	1.0	13	Nil	0.84	104	Alkane Explor.	43	+8.7	+7.4	8	2-0	-	-	-	0.9	NE	Nil	N/A	103
Integrated Inv.	2	+21.2	-21.3	4	3-0	-	-	-	4.0	NE	Nil	N/A	6	Gulf Resources	26	+1.8	-1.0	15	2-0	-	-	-	0.9	NE	Nil	N/A	12

“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	791	Goodman Prop.	4	842	Nat Property Tr	4	68	Seeka Kiwifruit	1	35	
Abano Health.	1	108	Guinness Peat	2	2,116	Nuplex Indust	5	516	Skellerup Hold.	2	110	
Air New Zealand	5	1,556	Hallenstein G.	4	236	PGG Wrightsons	3	599	Sky Network TV	6	1,938	
Akd Int Airport	8	2,785	Hellaby Hold.	2	98	Pike River Coal	1	281	Sky City Ltd	8	1,803	
Allied Work.	1	22	Horizon Energy	1	76	Port Tauranga	4	864	South Port NZ	1	60	
Briscoe Group	5	267	ING Property	3	531	Postie Plus Grp	1	24	Steel & Tube	6	309	
Cabletalk Group	1	6	ING Med. Prop.	5	160	Property F Ind.	4	272	Telecom Corp	10	6,985	
Cavalier Corp	4	172	Infratil NZ	2	1,183	Provenco Group	2	52	Tenon Ltd	2	80	
Cavotec MSL	4	270	Just Water Int.	1	41	Pumpkin Patch	4	301	Tourism Hold.	4	182	
Col Motor Co	1	89	Kiwi Property	4	893	Pyne Gould Corp	1	338	Tower Limited	5	360	
Contact Energy	6	4,792	Lyttelton Port	3	256	Rakon Ltd	4	310	Trust Power Ltd	3	2,490	
Delegat's Group	2	171	Mainfreight Grp	4	618	Renaissance	1	25	Turners & Grow.	2	199	
Ebos Group Ltd	2	188	Methven Limited	3	95	Restaurant Brds	3	83	Turners Auction	2	32	
F & P Appliance	6	740	Metro. LifeCare	1	442	Rubicon Limited	2	224	Vector Ltd	4	1,850	
F & P Health.	6	1,493	Michael Hill	4	379	Ryman Health.	4	830	Wakefield Hlth	1	106	
Fletcher Build.	6	4,653	NZ Exchange Ltd	2	163	Sanford Limited	3	370	Warehouse Group	5	1,897	
Freightways Ltd	3	433	NZ Refining Co	2	1,824	Scott Tech. Ltd	1	36				

“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	421	Acrux Ltd	1	136	Anzon Australia	3	656	Aust Agricult.	4	737
ABB Grain Ltd	2	1,345	Adcorp Aust.	1	26	Arasor Int'l	1	102	Aust Vintage	6	179
ABC Learning	5	688	Adelaide Bright	11	1,757	Aristocrat Leis	10	4,439	Austin Eng.	2	110
AED Oil Ltd	2	279	Aditya Birla	5	736	Arrow Energy	3	1,194	Automotive Hold	2	514
AGL Energy Ltd	11	4,596	Aevum Ltd	3	227	Aspen Group Ltd	3	353	Avexa Limited	2	191
AJ Lucas	2	204	Albidon Ltd	6	526	Atlas Iron Ltd	1	429	Avoca Resources	8	441
AMP Ltd	14	12,936	Ale Property	1	215	Ausdrill Ltd	2	264	Axiom Property	2	64
ANZ Bank	16	37,778	Alesco Corp Ltd	9	723	Ausenco Ltd	4	1,090	B & B Wind Part	5	780
APA Group	9	1,239	Allico Finance	4	182	Aust W'wide Exp	14	1,439	B & B Infrastr.	10	1,686
APN News Media	11	2,348	Allico Hit Ltd	1	13	Aust Pharm. Ind	9	439	B&B Capital Ltd	2	800
APN Property	1	116	Allico Eq Part.	1	224	Aust Education	4	125	B&B Japan Prop.	5	518
APN/UKA Euro Pr	3	201	Allegiance Min.	1	737	Australand Prop	4	1,599	B&B Power	6	1,043
ARB Corporation	2	266	Altium Limited	1	50	Austal Limited	4	440	B&B Res Land	2	82
ARC Energy	3	334	Alumina Ltd	13	6,831	Aust Wealth Mgt	7	912	BHP Billiton	8	%130,484
ASG Group Ltd	2	151	Amadeus Energy	1	123	Austindo Res	1	12	BSA Ltd	1	97
ASX Limited	12	5,757	Amcom Telecom.	3	114	Aust Infra.	6	862	Babcock & Brown	8	3,748
AWB Limited	6	849	Amcor Ltd	13	6,304	Austar United	11	1,678	Bank of Q'land	16	1,517
AXA Asia Pac	14	9,013	Ansell Ltd	7	1,791	Austereo Group	12	600	Bannerman Res.	1	279
Abacus Property	4	665	Antares Energy	1	15	Austbrokers	6	188	Beach Petroleum	4	1,193

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.)
Becton Prop Grp	4	322	Forest Ent Aust	1	219	Mermaid Marine	4	204	SP Telemedia	2	115
Bemax Resources	1	216	Fortescue Metal	5	22,863	Mesoblast Ltd	1	86	STW Comm Group	9	430
Bendigo Bank	16	1,316	Foster's Group	13	10,469	Metals X Ltd	1	313	Sally Malay Min	7	948
Bendigo Mining	2	149	Funtastic Ltd	5	65	Metcash Ltd	14	3,126	Salmat Ltd	7	389
Berkeley Res.	1	85	Futuris Corp.	8	1,479	Midwest Corp	2	295	Santos Ltd	12	7,422
Billabong Int'l	11	2,516	G.R.D. NL	2	245	Minara Resource	9	3,059	Schaffer Corp	1	113
Blackmores Ltd	2	289	G.U.D. Holdings	10	627	Mincor Resource	4	675	Sedgman Ltd	3	366
Bluescope Steel	14	7,632	GBST Holdings	2	104	Mineral Res.	3	584	Seek Ltd	14	1,844
Boom Logistics	8	136	GPT Group	9	6,084	Mineral Deposit	2	405	Select harvest	3	273
Bradken Ltd	8	635	GWA Internat'l	7	831	Mirabela Nickel	2	840	Servcorp Ltd	2	362
Brambles Ltd	12	14,183	Gale Pacific	1	29	Mirvac Ind Trt	2	163	Service Stream	1	225
Bravura Sol.	5	233	Galileo Japan	4	183	Mirvac REIT	1	721	Seven Network	12	2,419
Brickworks Ltd	3	1,342	Geodynamics Ltd	1	263	Mirvac Group	9	3,436	Sigma Pharm.	14	1,292
Bunnings W/hse	5	576	Gindalbie Met.	2	326	Mitchell Comm.	6	179	Sims Group Ltd	10	3,979
C'wth Prop Off.	8	2,005	Globe Int'l Ltd	3	36	Moly Mines Ltd	3	182	Sino Gold Min.	7	1,278
C.S.R. Ltd	11	2,971	Gloucester Coal	4	665	Monadelphous Gr	8	1,030	Sirtex Medical	1	176
CBH Resources	2	333	Goodman Fielder	8	2,378	Mortgage Choice	6	159	Skilled Group	5	366
CFS Retail Prop	6	4,392	Goodman Group	7	6,353	Mt Gibson Iron	4	2,686	Slater & Gordon	1	165
CMA Corporation	1	225	Graincorp	4	711	Murchison Metal	3	1,390	Snowball Group	1	87
CPI Group	2	22	Grange Resource	1	191	Nat'l Aust Bank	15	42,638	Sonic Health	11	4,202
CSG Ltd	4	186	Great Southern	2	496	National Hire	2	227	Spark Infrastru	8	1,720
CSL Limited	12	20,082	Gujarat NRE Min	1	780	Navitas Ltd	4	652	Spec Fashion	7	279
Cabcharge Ltd	11	1,137	Gunns Ltd	8	1,103	Neptune Marine	1	116	Sphere Invest.	1	274
Caltex Austria	10	3,256	HFA Holdings	4	297	New Hope Corp.	2	1,956	Spotless Group	10	864
Campbell Bros	3	1,291	Harvey Norman	12	4,234	Newcrest Mining	18	18,146	St Barbara Ltd	4	745
Cardno Ltd	5	342	Hast Div Util	2	360	News Corp.	4	63,377	St George Bank	14	11,759
Carindale Prop	2	287	Hastie Group	7	430	Nexus Energy	2	827	Staging Connect	3	60
Cathrx Ltd	1	46	Healthscope	14	1,129	Nick Scali Ltd	4	134	Stockland	8	9,306
Centennial Coal	11	1,345	Heartware Ltd	1	112	Noni B Limited	1	92	Straits Res.	3	1,190
Centro Retail	7	374	Henderson Group	9	3,919	Nufarm Limited	11	2,657	Structural Syst	2	137
Centrebet Int'l	4	141	Hills Indust.	6	823	Oaks Hotel	2	175	Suncorp-Metway	15	10,562
Centro Property	9	262	Horizon Oil Ltd	2	250	Oakton Limited	12	260	Sundance Res.	1	343
Chal Div Prop	4	423	Housewares Int.	8	224	Oil Search Ltd	11	4,871	Sunland Group	3	840
Chal Infra Fund	4	655	Hutchison Tel.	8	98	Onesteel Ltd	13	5,756	Sunshine Gas	1	388
Chal Financial	11	954	IBA Health Grp	3	173	Orchard Indust.	2	166	SuperCheap Auto	7	369
Chandler McLeod	1	126	IMD Group	7	331	Orica Ltd	13	8,622	Swick Min Serv	1	140
Charter Hall GR	5	566	ING Indust Trt	6	2,137	Origin Energy	12	8,069	Sydney Attract.	2	138
ChemGenex Pharm	1	139	ING Office Fund	7	1,340	Oroton Group	1	124	Symbion Health	12	2,647
Clarius Group	7	93	ING Real Estate	2	405	Over Fifty Grp	1	88	Talent2 Int'l	4	204
Clinuvel Pharm.	1	95	IOOF Holdings	9	349	Oxiana Ltd	16	5,013	Tanami Gold NL	1	88
Clive Peeters	3	114	liNet	5	257	PMP Limited	8	491	Tap Oil	7	250
Clough Limited	1	316	Iluka Resources	12	843	Pacific Brands	10	1,030	Tassal Group	6	310
Coal & Allied	3	8,660	Incitec Pivot	11	7,967	Pan Australian	5	1,491	Tatts Group Ltd	9	4,277
CocaCola Amatil	12	7,051	Independ. Group	7	1,067	Paperlin X Ltd	12	983	Technology One	2	229
Cochlear Ltd	13	3,050	Indophil Res.	2	259	Patties Foods	2	161	Telstra	15	54,376
Codan Ltd	3	147	Industrea Ltd	2	311	Peet Ltd	3	586	Ten Network	13	2,176
Coffey Int'l	5	276	Infomedia Ltd	1	135	Penrice Soda	2	67	Terramin Aust	2	261
Collection Hse	1	63	Innamincka Pet.	1	105	Perilya Mines	4	242	Thakral Holding	1	538
Com'wealth Bank	16	50,878	Insurance Aust.	13	5,902	Perpetual Ltd	12	2,001	The Reject Shop	7	251
Commander Comm.	4	23	Int Research	1	73	Petsec Energy	3	130	Timbercorp	6	390
Computershare	14	4,727	Invocare Ltd	9	638	Pharmaxis Ltd	4	431	Tishman Speyer	8	439
ConnectEast Grp	4	1,540	Iress Mkt Tech	10	741	Phonon Group	7	323	Toll Holdings	11	5,989
Cons Rutile	1	165	JB Hi-Fi Ltd	13	995	Pipe Networks	4	180	Tower Australia	5	522
Cooper Energy	1	113	Jabiru Metals	3	322	Platinum Aust	2	598	Tox Free Sol.	2	111
CopperCo Ltd	2	228	James Hardie	12	2,693	Platinum Asset	5	2,345	Trafalgar Corp.	1	103
Corp Express	11	987	Jubilee Mines	8	3,023	Portman Limited	3	2,056	TransPacific In	10	2,741
Count Financial	6	457	Jumbuck Enter.	2	34	Primary Health	7	1,695	Transfield Serv	8	2,202
Coventry Group	2	65	Just Group Ltd	10	715	Prime Media Grp	10	395	Transfield S In	2	360
Crane Group	10	880	K&S Corporation	3	221	Pro Medicus Ltd	2	125	Transurban Grp	11	5,983
Credit Corp	5	31	KFM Div Infra.	1	158	Pro Maintenance	11	320	Treasury Group	4	237
Cromwell Group	1	584	Kagara Ltd	8	1,178	Q.B.E. Insur.	13	16,720	Tri Origin Min.	1	83
Customers Ltd	1	92	Keycorp Ltd	2	15	QM Technologies	1	149	Trinity Group	3	235
DKN Financial	2	93	Kingsgate Cons.	4	348	Qantas Airways	12	8,000	Trust Company	2	292
DUET Group	6	1,863	Korvest Ltd	1	46	Queensland Gas	3	2,832	Tutt Bryant Grp	1	209
DWS Adv Bus Sol	5	221	Leighton Hold	9	12,378	RCR Tomlinson	4	129	UXC Limited	2	237
Dark Blue Sea	2	59	Lend Lease Corp	9	4,821	RP Data Ltd	2	163	Un. Biosensors	1	117
Data 3 Ltd	2	88	Lihir Gold Ltd	13	7,770	RR Australia	3	70	United Group	10	1,645
David Jones	11	1,718	Lindsay Aust	1	26	Ramsay Health	14	1,838	VDM Group Ltd	2	176
Devine	1	296	Lycopodium Ltd	4	151	Realestate.com	1	550	Valad Property	6	609
Dexion Ltd	4	104	Lynas Corp Ltd	2	796	Reckon Limited	5	152	Ventracor Ltd	1	115
Dexus Property	8	4,284	M.Y.O.B. Ltd	6	624	Reckson NY Prop	4	124	Village Road.	1	687
Domino's Pizza	7	204	MFS Diversified	1	199	Record Realty	1	54	Virgin Blue	10	1,282
Dominion Mining	1	402	Mac Services	3	365	Redflex Holding	5	284	Viridis Clean E	4	127
Downer EDI Ltd	8	1,984	MacMahon Hold	7	894	Reef Casino Trt	2	149	Vision Group	5	161
Dyno Nobel Ltd	12	1,993	Macarthur Coal	11	2,389	Regis Resources	1	55	W'bool Cheese	1	193
Emeco Holdings	8	467	Macarthur Cook	1	31	Regional Exp.	1	136	WHK Group Ltd	7	374
Emperor Mines	1	67	Macquarie Cap A	3	637	Resolute Mining	2	621	Walter Div Serv	3	157
Energy Resource	11	4,540	Macquarie Leis.	8	610	Resource Pac.	4	1,071	Watpac Ltd	2	161
Energy Develop.	6	390	Macquarie Group	11	11,951	Retail Food Grp	2	120	Wattyl Ltd	9	163
Envestra	6	597	Macquarie Infra	9	7,126	Reverse Corp	3	218	Wellcom Group	3	90
Equinox Min.	4	2,638	Macquarie DDR	7	558	Ridley Corp.	5	307	Wesfarmers Ltd	12	14,638
Equity Trustees	2	178	Macquarie C'Wde	8	1,408	Rio Tinto Ltd	7	59,934	West Aust News	14	2,323
Equigold NL	4	1,020	Macquarie Off.	8	1,779	Rivercity M'way	2	405	Westpac Banking	15	39,121
EservGlobal Ltd	1	187	Macquarie Air.	7	5,414	Riversdale Min.	1	1,203	Western Areas	6	936
Everest Babcock	2	157	Macquarie Media	6	784	Roc Oil Company	7	557	Westfield Group	11	29,904
FKP Limited	6	788	Macquaries C&I	4	2,098	Ross Human Dir.	1	41	Wide Bay Aust.	1	247
Fairfax Media	12	5,637	Marathon Res.	1	92	Rubicon Europe	4	73	Windimurra Van.	1	224
Fantastic Hold.	8	322	Marybor'gh Suga	1	49	Rubicon America	2	55	Woodside Petrol	13	37,667
Felix Resources	5	2,018	Matrix Metals	1	58	Ruralco Hold.	1	178	Woolworths Ltd	13	34,685
Fleetwood Corp	4	408	Maxi TRANS	4	132	SAI Global Ltd	9	366	Worley Group	10	8,071
Flexicorp Ltd	6	185	McMillan Shake.	2	233	SDI Limited	1	33	Wotif.com Hold.	7	829
Flight Centre	7	2,282	McPherson's Ltd	4	207	SMS Mgmt & Tech	11	298	Zinifex Ltd	11	5,478
Fone Zone Group	1	78	Melbourne IT	4	228	SP Ausnet	10	2,490			

“Fair Dividend Rate” Tax Rules

As stockmarkets have performed poorly over the last year, most investors will pay no income tax for the current 2007/08 year under the “Fair Dividend Rate” rules, simply by choosing the “Comparative Value” method.

The new “Fair Dividend Rate” (FDR) tax rules will probably not increase an investor's tax liability too greatly, but do change the way foreign investments are taxed. Instead of taxing *actual dividends*, the FDR effectively imposes a wealth tax on the value of foreign shares held at the start of each tax year (i.e. at 1st April). There are, however, a few adjustments that can complicate (and minimise) the tax calculation . . .

“Fair Dividend Rate” Tax

The FDR tax applies to foreign shares except Australian resident companies whose shares are included in the All Ordinaries Index.

There are two main parts to the FDR tax, an assumed income of 5% of the starting market value of a portfolio, plus a “quick sale” adjustment for shares bought and sold during the same tax year.

Where an investor's *total return* in any year is less than the 5% FDR tax, then the investor can switch to the *Comparative Value* method and pay tax on the *actual* portfolio gain (if any). If the portfolio suffered a loss for the year then the tax liability will be zero. As the stockmarket is volatile, investors can probably expect a *negative* return 3-4 times per decade - so a Nil tax liability in about one-third of years!

5% of Opening Market Value

Investors need to calculate the *market value* of their foreign shares subject to the FDR tax on 1st April. The assumed fair dividend for the coming year will be equal to 5% of the market value of shares held at the start of the tax year. Investors will then pay income tax at their personal tax rate on this assumed *fair dividend* rate. Actual dividends received will be called “excluded distributions” and are not subject to NZ income taxes.

There is also no tax liability on new shares purchased during the year - except where they are again sold before the end of the year when they are taxed as a “quick sale”. New shares will become subject to the FDR tax in the *next* year when their market value on 1st April will become part of the FDR calculation for that new year.

The “Quick Sales” Adjustment

Shares *bought and sold* within the *same year* become subject to the “quick sales” rules. This will tax money used to buy shares which are sold within the same tax year. Money used to buy and sell shares several times will be taxed *each* time it is re-invested.

The “quick sales” tax is assessed at the lower of 5% of the purchase price or the actual gain. All “quick sale” transactions must be pooled to measure the actual gain.

A “quick sale” is calculated using the “last in, first out” method - so if in April an investor *adds* to a long term shareholding and then sells some shares in March this will result in a “quick sale” adjustment.

An investor using capital to buy and sell shares each month would be taxed 12-times (i.e. at 5% of the value of each purchase) or the actual gains on these trades.

Shares bought in March and sold in April (i.e. held for only one month) are not a “quick sale” as they were

bought and sold in different tax years. Shares bought in April and sold in March (i.e. held for eleven months) are a “quick sale” as the transactions are in the same tax year.

The periodic review of a portfolio will not normally result in a “quick sale” adjustment. Investors can sell shares from their portfolio and re-invest in new shares with no “quick sale” provided shares sold were purchased in previous tax years. There is no new tax liability on re-investing in new shares. The value of these shares will become part of the market value subject to the 5% FDR tax on 1st April of the next tax year.

The “Comparative Value” Method

In *any* tax year an investor can choose to calculate their tax liability using either the FDR method or the *Comparative Value* method.

Under the Comparative Value method the taxable income is simply the *total return* earned on the portfolio of shares subject to the FDR tax rules *over the tax year*. To calculate this comparative value gain or loss, an investor needs simply compare the *end market value* of their portfolio (plus any share sales and dividends and capital repayments received) with the *market value at the start* of the year (plus any share purchases). The taxable gain or loss is simply the total gain or loss from the portfolio.

Obviously if a portfolio performs well an investor should choose the 5% FDR for taxable income. If, however, the Comparative Value method gives a smaller gain (i.e. under 5%) or a *loss* (when no income tax is payable) then an investor should choose this method.

So an investor's tax liability in any year will be the *lower* of the 5% FDR or the Comparative Value (i.e. when there is a small gain or a loss).

Exemptions

GPG is a foreign, UK based, company but has a special five year exemption from the FDR tax. The NZ Investment Trust, also UK based, which plans to wind-up, also has a special two year exemption.

Foreign cash management trusts will usually be subject to the FDR tax, although the Macquarie Cash Management Trust (an Australian account) has received an exemption and investors will be taxed on *actual income received and currency gains*, not 5% of the value on 1st April.

Individual investors holding foreign shares with an *initial cost* of under \$50,000 are exempt from the FDR tax and subject to tax on the actual dividend income from their investments. On shares purchased prior to 1st January 2000 - where the actual cost may be unknown - an investor can use *half the market value on 1st April 2007 as the “cost”* for determining whether the portfolio is below \$50,000 and exempt.

A couple with *jointly held* shares can own investments up to \$100,000 (by cost) before the FDR tax applies.

Family trusts can not use the \$50,000 exemption.

Once the cost basis of a portfolio goes above \$50,000

(or \$100,000) the FDR tax will apply to the whole portfolio.

Other Details

Just to make completing your tax return a little more fun there are few more points to note:

All Ordinaries Index: Shares included in the All Ordinaries Index, which are resident in Australia and are companies (with franking credit accounts) are exempt from the FDR tax and subject to tax on their actual dividends paid.

Note that the All Ordinaries does include a number of non-tax resident companies (e.g. News Corporation, James Hardie), Property Trusts and Property/Infrastructure funds structured as “stapled securities” all of which are subject to the FDR tax rules!

A franking credit account indicates that a company is subject to Australian income tax. A resident Australian company that had never earned a profit would still have a franking credit account - even though the balance would be zero!

The All Ordinaries Index is maintained by Standard & Poors and a list of the current constituent stocks can be downloaded from their website. Its a complicated address, so we shall put in a link from the “Free Advice” page of our site (www.stockmarket.co.nz) or visit the Australian Stock Exchange site (www.asx.com.au/supervision/governance/historical_all_ordinaries.htm) and click on “S&P/ASX All Ordinaries constituent list”.

Foreign Withholding Tax: Although *actual* dividends are ignored under the FDR tax rules, any foreign withholding tax (but not Australian Franking Credits) is still available as a tax credit against an investor's NZ tax liability.

Year End Cash: Cash held at 1st April is not subject to the FDR tax although some foreign cash management accounts are subject to the tax. So selling shares in

March and re-investing in April will avoid liability for the FDR tax for the coming year. Obviously, of course, this can not be repeated each year as selling in the following March would result in a “quick sale”. Nevertheless, investors could *minimise* their FDR tax liability by:

(1) Defer investing cash in February and/or March until after 1st April. That will avoid a FDR tax liability on these funds for the coming year.

(2) The cash holding at year end could be increased by realising long term holdings (i.e. shares bought in prior tax years, to avoid a “quick sale”). That would reduce the value of shares held on 1st April subject to the FDR tax.

We would not recommend selling shares simply to avoid the FDR tax. Re-investing in the *same* shares would incur unnecessary brokerage costs, prices *could* rise between the sale and re-purchase and, if it becomes prudent to sell the shares during the year, they will still be taxed under the “quick sale” rule.

Investors could, however, minimise their FDR tax liability by making planned sales of long term holdings in March (rather than in April or May) and re-investing in other new shares after 1st April.

In practice this means there are tax advantages to looking at your portfolio in mid to late March for long term holdings which should be sold. These could be poor performers that are no longer attractive to hold, or successful investments where either some partial profit-taking is prudent or which are now fully valued and where the money could be better invested elsewhere. Boosting the *year end* cash holding (not subject to FDR tax) and re-investing early in the new tax year will at least minimise the FDR tax for the coming tax year.

Disclosure:

We are not tax experts and we are not NZ tax residents!

“Sharesight” Share Portfolio Manager

A NZ company, **Sharesight** (www.sharesight.co.nz), has launched an online Share Portfolio Management program which investors could find useful to monitor portfolios of New Zealand and Australian shares and to produce reports for annual tax returns.

Depending upon the level of service required, this service is priced at \$5/month (i.e. one portfolio, no tax reporting), \$19/month (i.e. up to three portfolios and dividend tax reports) or \$39/month (i.e. up to ten portfolios and *Fair Dividend Rate* tax reports - well, soon, this last feature is still under development and expected in May).

Longer term the company hopes to expand the tax reporting to meet the needs of Australian resident investors.

Most stockbroker sites, of course, allow client investors to maintain NZ and Australian portfolios online free of charge. Sharesight's advantage is full record keeping of your purchases and sales, *automatic* recording of dividends paid by portfolio shares, performance reports over various time periods, plus tax and other

reports. This could be very useful in preparing income tax returns and accounting for trusts, share groups or companies that invest in shares.

You can also give other investors (e.g. share group members) read-only access to some or all of the portfolios.

One Month FREE Trial and 20% Discount

If some of the sample portfolios on the Sharesight website look familiar that is because two of the people behind the company are long term subscribers to this newsletter and hold investments in many of our shares. Being investors they understand the tax, accounting and reporting needs of shareholders and are seeking to provide that service.

They are currently offering other *Market Analysis* subscribers a FREE one month trial (with no obligation) and a 20% discount on the monthly fees. To qualify, sign-up for the one-month trial before 10 April 2008 from their website and enter “market20” in the “Invitation Code” box to automatically receive the 20% discount if you choose to continue after the trial period.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Air New Zealand	5.00	14-03	28-03	Full
Allied Farmers	2.50	06-06	16-06	Full
Auckland Int'l Airport	5.75	07-03	12-03	Full
Cavalier Corporation	6.50	04-03	14-03	Full
Cavotec MSL	4.00	13-03	26-03	Nil
CDL Investments	2.30	24-04	09-05	Full
Contact Energy	11.00	07-03	26-03	Full
Goodman Property Trust	2.415	28-02	13-03	Nil
Cynotech	0.4057	10-03	13-03	Nil
Ebos Group	9.50	11-04	18-04	Full
Fletcher Building	24.00	20-03	10-04	Full
Freightways Holdings	9.50	14-03	31-03	Full
Hellaby Holdings	5.00	11-04	18-04	Nil
ING Medical Properties	2.10	28-02	06-03	0.35
ING Property Trust	2.11	11-03	18-03	0.44
Just Water International	1.60	11-04	18-04	Full
Lyttelton Port Company	1.50	20-03	28-03	Full
Michael Hill International	1.20	18-03	01-04	Full
Millenium and C.	2.50	02-05	05-09	Full
Northland Port	3.00	29-02	03-07	0.5294
Nuplex Industries	20.00	20-03	04-04	2.00
NZ Exchange	21.00	-	-	Full
NZ Investment Trust	2.50p	20-02	29-2	Nil
NZ Refining Company	35.00	17-03	27-03	Full
NZ Wine Company	3.00	20-03	04-04	0.5294
Opus International	4.50	14-03	01-04	Full
PGG Wrightson	5.00	04-03	01-04	TaxFree
Port of Tauranga	9.00	14-03	28-03	Full
Pumpkin Patch	4.00	04-04	15-04	Full
Property For Industry	2.425	06-03	18-03	0.056
Pyne Gould Corporation	3.60	14-03	28-03	Full
Richina Pacific	1.50	-	-	Nil
Sky City Entertainment	11.00	12-03	11-04	Full
Sky TV Network	7.00	07-03	14-03	Full
South Port NZ	2.75	22-02	07-03	Full
Steel & Tube Holdings	9.00	14-03	31-03	Full
Taylors Group	6.00	14-03	28-03	Full
Telecom NZ	7.00	22-02	07-03	Full
Turners & Growers	10.00	11-03	28-03	Full
Turners Auctions	4.70	11-04	18-04	Full

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Australian Shares				
AJ Lucas Group	3.50	26-02	28-03	
Clarius Group	9.00	03-03	14-03	
Computershare	10.00	26-02	25-03	
Devine	4.00	10-04	24-04	
Housewares International	8.50	17-03	08-04	
Integrated Research	1.50	18-02	07-03	
M2 Telecommunications	2.00	05-03	31-03	
Melbourne IT	7.00	13-03	04-04	
M.Y.O.B.	3.25	01-04	18-04	
M.Y.O.B, special + capital	20.79	April	April	
Probiotec	1.00	28-02	19-03	
Ross Human Directions	2.00	07-03	28-03	
Skilled Group	9.00	26-03	16-04	
The Reject Shop	29.00	31-03	18-04	

Total Return Index for All Listed Shares

Feb 11	2152.60	Feb 18	2109.06
Feb 12	2150.94	Feb 19	2103.81
Feb 13	2149.66	Feb 20	2101.14
Feb 14	2133.09	Feb 21	2105.50
Feb 15	2111.13	Feb 22	2103.29
Feb 25	2096.63	Mar 3	2093.97
Feb 26	2098.33	Mar 4	2080.93
Feb 27	2101.74	Mar 5	2078.36
Feb 28	2103.89	Mar 6	2075.93
Feb 29	2103.89	Mar 7	2060.90

Next Issue:

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

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

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