

Market Analysis

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Inside Market Analysis

BUY Novarise Renewable Resources International 12, 13, 14
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Neglect Ratings for New Zealand and Australian shares 17, 18, 19

Founder: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

In an uncertain world, shares in profitable businesses providing goods and services that people need (or want) are the very best investments! Remain fully invested.

Investment Outlook.

“With the lower NZ dollar, should we sell Australian shares and bring money back to New Zealand to realise our gains?” ask a number of subscribers.

Obviously individual investor's objectives and financial situations will vary, but for *most* investors the short answer to the above question would be “No” . . . but for the long answer, let's examine why we own Australian shares:

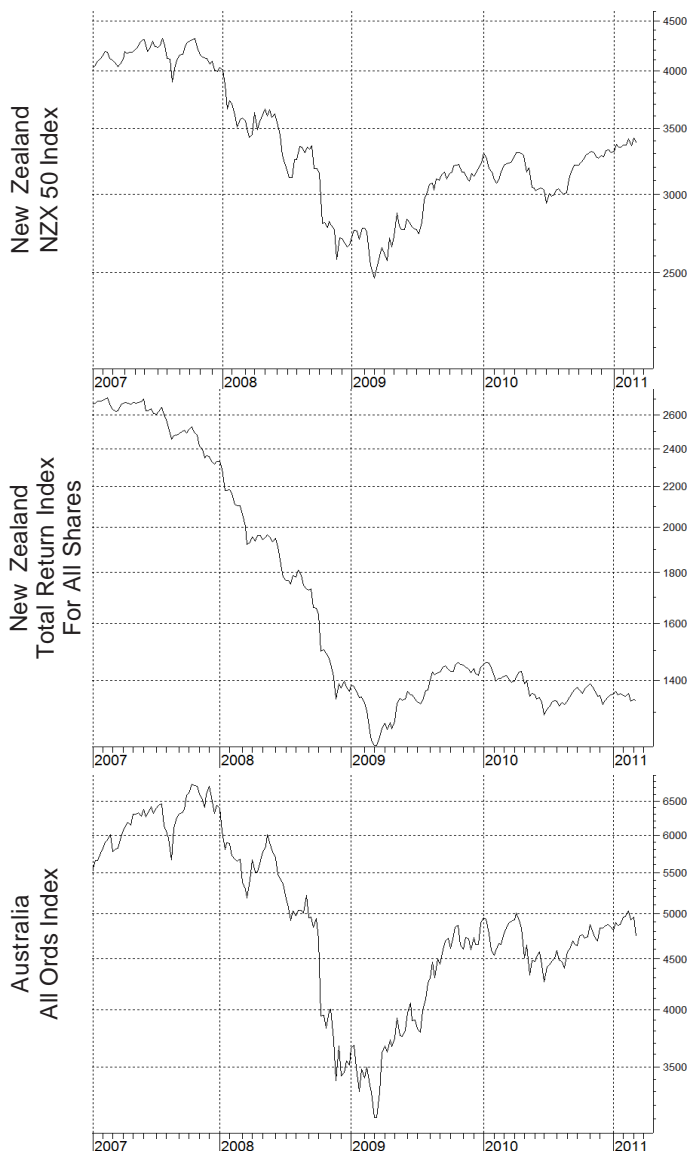
Firstly, we are looking for companies (based in any country) that can grow in value and increase our wealth over the long term. If we have invested in a good company, with favourable business economics, that offers growth potential and whose shares are still attractively valued, then we would be very reluctant to sell simply because of fluctuations in the exchange rate. The NZ dollar *may* (or may not) recover 23% to A\$0.90 over the next two years, but that won't benefit us if we sell Australian shares that go on to rise 44% (i.e. 20% p.a.) over that period.

Secondly, the number (and value) of companies listed on the NZ stockmarket diminished significantly after the 1987 crash - and has failed to increase over the last 23½ years. That led us to search offshore for attractive investments. In January 2005 we *could* have invested in **The Warehouse Group** (whose shares have since fallen 7.3%) but saw better potential in a very similar Australian company, **The Reject Shop** (which is up 365% - or 418% in NZ dollar terms). Over the medium to long term, the gains or losses from the shares we own will be significantly greater than the gain or losses from currency fluctuations.

Thirdly, shares are a “natural currency hedge” over the medium to long term. If the Australian dollar wasn't so “high” then the profits (and share prices) of many Australian companies would be higher. So if the Australian dollar declines over the next two years then profits and share prices would likely rise. The lower NZ currency should boost the export and (Continued on Page 19)

Stockmarket Forecasts

	One-Month	One-Year
Australia:	26% (Bearish)	64% (Bullish)
New Zealand:	70% (Bullish)	48% (Neutral)

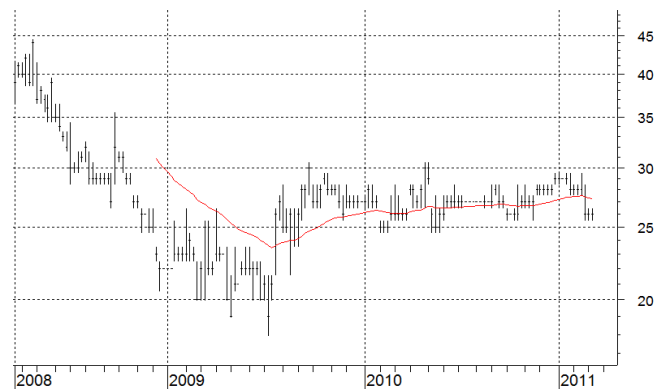


Recommended Investments

CDL Investments

CDL Investments lifted revenues 80.0% to \$9.3 million for the year to 31 December 2010, with net profits rising 130.4% to \$2,912,000 (1.2 cents per share). An annual dividend of 1.2 cents (plus full tax credits) will be paid (equalling the ordinary dividend of 0.2 cents and special dividend of 1.0 cent paid last year).

(Continued on Page 4)



Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	252.8	1.5	7.08	23	6.6	26	19.1	+80%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	A	67.8	1.0	1.05	14	7.6	340	267.0	+289%
HOLD	Colonial Motor Company	CMO	10/11/92	128*	B	32.7	0.5	0.18	16	8.7	245	318.3	+340%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.7	2.60	25	2.8	222	77.7	+100%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	B	382.5	0.9	0.75	13	4.6	87	31.9	+2278%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	523*	B	192.2	1.0	0.41	8	6.7	314	388.0	+34%
HOLD	Postie Plus Group	PPG	08/05/06	71	D	40.0	1.9	0.09	17	Nil	25	8.5	-53%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	E	45.7	2.6	0.05	25	Nil	22	53.9	-11%
HOLD	Smiths City Group	SCY	09/10/06	64	D	53.0	1.5	0.07	10	6.7	30	14.0	-31%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.6	3.22	14	6.6	280	139.8	+250%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	88.4	0.8	0.59	23	4.8	254	245.6	+242%
Australian Shares (in Aust cents)													
BUY	AJ Lucas Group	AJL	13/05/03	120	B	65.3	0.6	0.40	NE	2.5	220	41.0	+117%
BUY	Atlas South Sea Pearl	ATP	14/05/96	73	C	136.4	2.1	1.07	7	Nil	11	17.5	-61%
HOLD	Breville Group Ltd	BRG	13/11/06	171	A	129.5	0.5	1.02	19	3.3	330	36.5	+114%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	63.0	0.2	3.32	36	2.3	4358	604.0	+1176%
HOLD+	Cardno Ltd	CDD	14/12/09	399*	A	90.5	0.4	1.08	14	5.1	567	45.6	+54%
HOLD	Cellnet Group Ltd ¹	CLT	12/02/02	147*	B	73.5	1.2	0.34	22	Nil	35	33.4	-48%
HOLD+	Chandler Macleod Group	CMG	14/08/01	51*	A	407.4	1.1	0.35	30	2.6	52	20.9	+43%
HOLD+	Circadian Technologies	CIR	10/02/04	188	C	45.2	0.9	13.27	NE	Nil	67	65.0	-30%
BUY	Clarius Group Ltd	CND	08/04/03	82*	A	85.8	0.9	0.23	20	2.9	70	67.5	+68%
BUY	CPT Global Ltd	CGO	10/03/08	88	C	36.9	1.0	0.48	NE	Nil	49	7.3	-36%
BUY	CSG Limited	CSV	11/10/10	175	B	242.9	0.8	0.94	8	5.1	108	2.5	-37%
HOLD+	Devine Ltd	DVN	13/11/06	84*	D	634.9	1.3	0.32	23	3.4	29	17.9	-44%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	84.9	1.7	0.33	4	Nil	19	Nil	-61%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	A	32.2	0.7	2.13	12	5.5	154	26.8	-30%
BUY	Finbar Group Ltd	FRI	12/04/10	106	B	162.5	0.7	1.06	7	7.4	101	5.5	+0%
HOLD	Iluka Resources Ltd	ILU	12/10/04	471	B	415.5	0.3	4.48	0	0.8	1039	72.0	+136%
BUY	Integrated Research	IRI	14/01/08	40	B	166.8	1.2	1.43	10	7.8	32	11.5	+9%
HOLD	Mnet Group ¹	MRZ			C	208.3	3.2	1.14	NE	Nil	5.2	Nil	
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	121.5	0.4	1.07	27	2.8	357	23.5	+1053%
BUY	Melbourne IT	MLB	10/02/04	53	A	80.0	0.5	0.82	10	7.7	195	59.0	+379%
BUY	Nomad Building Solutio	NOD	16/08/10	13*	C	241.7	2.1	0.09	2	Nil	13	Nil	-4%
BUY	Novarise Renewable Res	NOE	14/03/11	24½	A	399.3	1.7	1.31	6	4.1	24½	Nil	
HOLD-	Photon Group Ltd	PGA	10/11/08	132*	B	187.4	2.7	0.02	NE	41.7	7	11.8	-86%
BUY	Probiotec Ltd	PBP	11/02/08	116	A	52.8	0.9	0.42	6	5.8	60	9.3	-40%
HOLD+	Prophecy International	PRO	08/09/08	26	B	47.2	1.4	2.52	38	9.3	27	7.3	+32%
HOLD+	Skilled Group Ltd	SKE	12/03/02	126	B	222.5	0.6	0.22	30	Nil	195	132.0	+160%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	300.3	0.7	2.19	17	4.2	99	25.8	+184%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	238.9	0.8	1.62	5	5.7	83	12.9	+113%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	B	26.0	0.2	0.66	13	5.6%	1195	248.5	+462%
HOLD	Village Roadshow	VRL	10/08/09	77	A	166.5	0.4	0.48	9	Nil	370	9.0	+392%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +198.4%. This is equal to an average annual rate of +26.9%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 40 current and 150 closed out) is +30.1%, compared with a market gain of +4.2% (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 includes 1½ shares in Mnet Group distributed to shareholders.

Recommended Investments

(Continued from Page 3)

The net operating cash surplus grew almost 10-fold to \$3.1 million. The company has no debt and cash in the bank of \$8.0 million (3.2 cents per share).

The net asset backing per share (at book value) is 37.5 cents, but development properties with a book value of \$87.2 million have a market value of \$159.4 million. That gives an asset backing per share of 66.1 cents.

After two years of depressed activity, the company is now “seeing signs of more positive trading in some of our key markets” and “good demand for lower priced sections”.

CDL Investments



Cavalier Corporation reported a 3.4% increase in revenues to \$116.7 million for the six months to 31 December 2010, with net profits growing 21.6% to \$8,526,000 (12.5 cents per share). A second interim dividend of 4.0 cents keeps the first half dividends at a steady 7.0 cents (plus full imputation tax credits).

The net operating cash surplus fell 96% to just \$539,000 - mainly owing to a \$7.4 million increase in inventories and \$4.2 million decline in creditors.

“Trading conditions in Australia continued to improve” and the company now generates 60% of its revenues in that country. The recent drop in the NZ dollar should help improve profit margins from these exports to Australia, although the company's full year profit forecast remains \$15.8-17.5 million (i.e. plus or minus 5% from the 2010 result of \$16.6 million).

Carpet operations generate 98.4% (last year 97.4%) of group earnings.

Cavalier Corporation has entered a conditional agreement to purchase a 75% interest in the **Radford Yarn Technologies** business, with the company's founders retaining a 25% shareholding. The business produces premium felted wool yarns for “high-end rug and carpet makers”. Cavalier Corporation will invest \$2.55 million in equity and provide debt financing of \$3.6 million to the business, which is expected to generate annual revenues of \$7 million and earnings (before interest, depreciation and tax) of \$1 million. This acquisition is attractively priced - on a Price/Sales ratio of about 0.5 and Price/Earnings ratio of about 7, but

Cavalier Corporation sees “the more significant benefits” from its *Cavalier Bremworth* premium carpet business. This acquisition will secure the supply of felted products - allowing the company to expand its range of felted carpets - as well as gaining access to new customers in Australia, North Asia and North America.

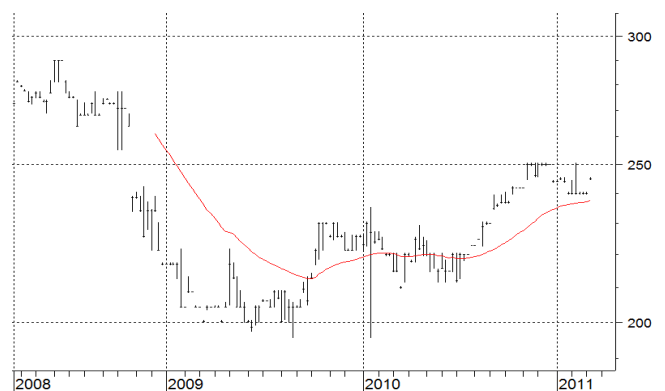
Cavalier Corporation



Colonial Motor Company lifted revenues 8.4% over the six months to December 2010, but net profits rose 38.4% to \$3,589,000 (11.0 cents per share). The interim dividend is being raised 16.7% to 7.0 cents (plus full imputation tax credits).

The net operating cash surplus was down 23% at \$6.6 million.

Colonial Motor Company



Lyttelton Port Company experienced a 12.6% growth in revenues to \$47.4 million over the six months to 31 December 2010. Trading profits rose 65.9% to \$6,100,000 (6.0 cents per share).

Accounting rules, however, require the company to write-down assets damaged in the September earthquake by \$16.2 million (i.e. \$22.6 million in damage, less a tax benefit on this write-off of \$6.1 million) resulting in a bottom-line accounting loss of \$10,095,000. These “costs” should eventually be covered by insurance - when the company will be required to report an approximately equal and offsetting accounting “gain” of \$16.2 million. The company received a \$2.0 million initial progress payment against earthquake costs under its business interruption policy, but this “does not reflect the amount of insurance that may be received nor the full amount”

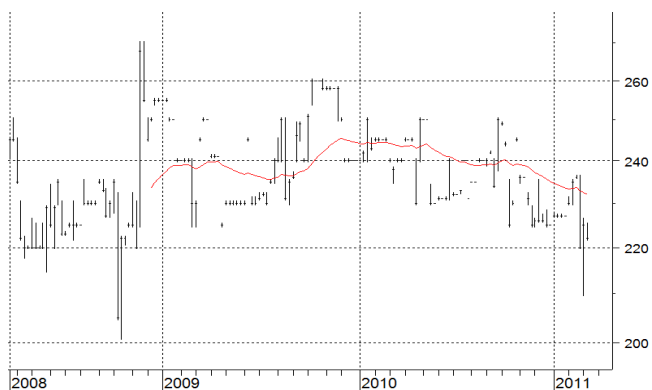
of the company's business interruption claim. A further insurance progress payment of \$10 million against the September earthquake was paid in late February.

The company will defer the interim dividend until repairs and insurance claims clarify the company's financial position.

The net operating cash surplus rose 61% to \$8.6 million.

The February earthquake has caused further damage - which will also be covered by insurance.

Lyttelton Port Company



Michael Hill International's revenues rose 9.9% to \$269.1 million over the half year to 31 December 2010, with profits up 7.2% to \$23,896,000 (6.2 cents per share). The company will pay a steady 1.5 cents interim dividend (with no NZ imputation tax credits).

The net operating cash surplus rose 44% to \$20.2 million.

Michael Hill International earns 80% of its revenues outside of NZ, so the drop in the NZ dollar will result in future profit results translating into a higher NZ dollar value. Higher earnings per share (in NZ dollars) should justify a higher share price (in NZ dollars). From the perspective of a foreign investor, the drop in the NZ dollar will have no impact upon 80% of the company's business, but lowers the value of the NZ business. From either the perspective of a NZ or foreign investor, Michael Hill International shares should be an 80% "natural hedge" against fluctuations in the NZ dollar. If the NZ dollar falls 4-6%, then (over the medium term) the NZ dollar value of Michael Hill International shares should increase about 3-5%. (Obviously, of course, normal stockmarket fluctuations and the growth in the business can have a larger impact.)

Durante Holdings partial takeover offer eventually attracted acceptances totalling 12,136,449 shares, so has been scaled back to the maximum of 10,031,099 shares that will be purchased. Interestingly, the partial takeover would have been 26% short of its minimum acceptance level of 8,937,483 shares and been cancelled . . . were it not for a Michael Hill International director (who owns a Funds Management business in Australia) tendering 5,508,000 of his *clients* shares - just ahead of the extended closing date!

Michael Hill International



Nuplex Industries increased revenues 6.6% to \$761.5 million for the six months to December 2010, but profits slipped 10.2% to \$31,082,000 (16.1 cents per share). A steady 10.0 cents dividend (with no NZ imputation tax credits and 50% Australian franking credits) will be paid.

The net operating cash surplus was 58% lower at \$22.8 million.

This result includes a \$3,054,980 settlement (\$1.8 million after tax) with the **NZ Securities Commission** to compensate investors who purchased shares from 22 December 2008 to 18 February 2009.

The company expects its result to 30 June 2011 "to be towards the lower end of our guidance of \$135-145 million" for earnings before interest, depreciation and tax.

The company's efficiency program, *NuLEAP*, is expected to cover its implementation costs *and* yield net savings of \$3 million this financial year. Fully implemented over 2012 and 2013, it is expected to "deliver benefits equivalent to approximately 10% of controllable costs" - which could be about \$10 million annually.

Nuplex Industries



Postie Plus Group reports its first half revenues (to the end of January 2011) were up 4.6%. The full result will be announced on 24 March.

Renaissance Corporation has signed a distribution agreement for the *MSI Computer* range, manufactured by Taiwanese **Micro-Star International**.

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Recommended Investments

(Continued from Page 5)

Renaissance Corporation



Australian Shares

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

AJ Lucas Group lifted revenues 38.3% to \$229.8 million over the six months to 31 December 2010, but continued to trade at a loss of \$17,877,000 (minus 27.2 cents per share). This is an improvement on the December 2009 trading loss of about \$28.1 million, with the current period suffering from project delays and bad weather.

There was, however, a net operating cash surplus of \$25.7 million, up from a deficit of \$1.9 million a year earlier. No interim dividend will be paid.

The company expects a "much improved result" in the second half. The full year earnings (before interest, depreciation and tax) is still expected to be around \$32-36 million - which would result in a full year loss of \$11-14 million (i.e. a small second half profit of \$4-7 million).

The Drilling division has a forward workload of \$193 million (i.e. about one year's revenues) and has tendered for a further \$161 million of work, so is operating at full capacity.

AJ Lucas Group has total interest bearing debts of \$100.4 million - which has put pressure on working capital to fund projects - so the company is undertaking a review to "strengthen the balance sheet and improve liquidity". The planned sale of its \$87.8 million investment in the *Monument Prospect* in Texas would significantly improve the company's financial position!

Atlas South Sea Pearl has returned to profitability, earning a net profit of \$2,308,493 (1.7 cents per share), compared with a loss of \$7.7 million in 2009. Revenues were up 42.5% at \$9.8 million.

There was a net operating cash deficit of \$1.1 million, as the company re-invests to grow the business (and specifically increased levels of pearls and jewellery inventories). No dividend will be paid, with the company retaining funds to finance its planned 80-100% growth in production volumes over the next five years.

Unseeded oysters (which will be seeded this year) held at balance date were 46% greater than a year earlier. Most of these juvenile oysters are from genetically selected breeding pairs.

Atlas South Sea Pearl

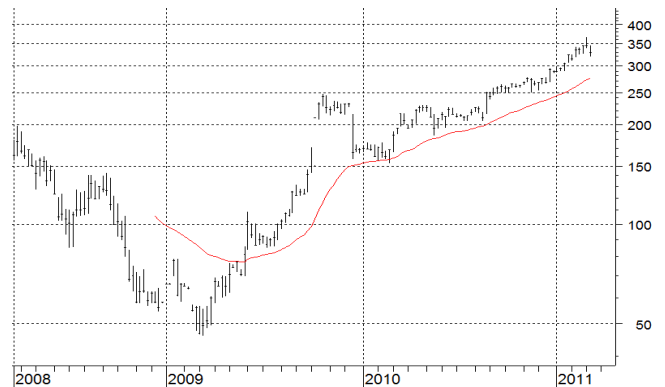


Breville Group lifted revenues 9.7% to \$259.8 million over the six months to December 2010, but profits rose 36.1% to \$20,866,000 (19.3 cents per share). The interim dividend will be raised 58.3% to 9.5 cents (4.0 cents of which is franked).

There was a cash operating deficit of \$3.4 million (compared with a surplus previously of \$13.8 million), but this figure fluctuates with receivables.

Future dividends will be fully franked as the company has exhausted previous Australian tax losses and is now paying full income taxes. As reported last month, full year profits could be 15-25% higher at \$26-28 million (20-22 cents per share).

Breville Group



Cardno has reported first half revenues up 90.9% to \$436.4 million and profits up 97.6% at \$31,717,000. Earnings per share are 58.7% higher at 30.0 cents and the interim dividend will be raised 21.4% to 17.0 cents.

The business generated a 134% higher net operating cash surplus of \$39.8 million.

Profits will be "slightly weaker" during the second half year.

Chandler Macleod Group's major shareholders have sold 38.0 million shares. 20.0 million shares were placed with institutions at 53 cents and a further 18.0 million shares were sold to the Senior Executive Share Plan and will eventually be allocated to key senior executives. This leaves the three largest shareholders still owning 61.8% of the company.

Clarius Group's revenues were 5.6% higher over the six months to 31 December, with profits recovering 124.5% to \$2,422,000 (2.8 cents per share). A 2.0 cents interim dividend (nil a year ago) will be paid.

The half year generated a net operating cash surplus

March 14, 2011.

of \$1.1 million, compared with a *deficit* of \$4.1 million in the same period last year.

The company expects “growth in our contract and permanent recruitment businesses”, is “in a financial position to grow both organically and by acquisition” and with the “capacity for significant growth without the need to increase the cost base” so that “as demand increased profits would grow faster than sales”.

Clarius Group is now focusing upon “increasing contract margins”.

Clarius Group



CPT Global's revenues were only 4.4% higher at \$19.5 million over the half year to December 2010, but profits recovered to \$611,000 (1.7 cents per share) from a *loss* of \$856,000 a year earlier. This is still a depressed level of profitability but a 1.5 cents interim dividend will be paid.

There was a cash operating *deficit* of \$893,000 for the period.

The company is doing less work for its largest Australian customer, but during the period signed four major international contracts which will commence in the current half year. International revenues grew to 29% of revenues, up from 24% in the prior period. There is also a major shift in revenues to Capacity Management (14% of revenues, up from 8%) and Performance Tuning (29%, up from 15%). Both of these trends take the company into higher margin and growing sectors.

CPT Global



CSG Ltd reports revenues 66.6% higher at \$186.4 million and profits 56.5% higher at \$19,223,000. Earnings per share were 29.3% higher at 7.8 cents (owing to new shares issued over the last year). A steady interim dividend of 2.5 cents will be paid, with the company

retaining most of its earnings to finance expansion and repay debts incurred to finance acquisitions.

The net operating surplus fell 64% to \$5.0 million owing to working capital (i.e. toner inventories, parts and debtors) for the new Canon printer business.

The legal action by **Fuji Xerox** resulted in 210 of CSG Ltd's customers (with 370 printers/copiers) in Brisbane and Maroochydore transferring back to Fuji Xerox. That is about a 10% loss of customers covered by that action (and only about 1% of CSG Ltd's total print customers). The company was also restricted from sales activity and customer contact in Brisbane and Maroochydore from December until 11 February and now expects “strong competition” in those markets during the second half of the year.

Overall the Print Services division raised revenues 256% to \$111.8 million (as a result of acquisitions), with earnings up 168% to \$19.1 million. This business offers strong growth potential over many years.

The Technology Solutions division experienced an 8% drop in revenues to \$74.3 million, with earnings 1% lower at \$14.4 million. This was depressed by some delays in starting previously contracted work.

Devine reported revenues down 24.6% to \$226.8 million for the half year to 31 December 2010 - mainly as a result of reducing its involvement in property development. Profits of \$9,511,000 (1.5 cents per share) were 34.1% lower than the previous year's profit of \$14.4 million from continuing operations (i.e. before loss of \$13.2 million exiting property developments).

A 1.0 cent interim dividend will be paid, compared with last year where the company paid no interim dividend and just a 1.0 cent final dividend.

The net operating cash surplus was \$41.5 million.

The company continues to forecast a full year profit of \$20-22 million (3.2-3.5 cents per share). It has land available for the development of over 10,000 residential sections - or about five year's of planned development.

Devine has acquired a 1875m² site at 113 Commercial Road, Teneriffe, near the Brisbane CBD, where it plans to construct a residential apartment with an end value of around \$60 million. The undisclosed purchase price will be settled in stages over the next 2½ years, while the company plans to begin pre-selling the 107 apartments and 480m² of retail and restaurant space later this calendar year, with the first settlements likely in mid 2013.

The company has also acquired a 22 hectare site on Coburn Road, Kurunjang, on Melbourne's north-western growth corridor. The site will be developed as a joint venture, producing 325 residential lots with an end value of \$125 million. Work on the first stage will begin in late 2011, with settlements in mid-2012.

Ellex Medical Lasers suffered a 12.2% drop in revenues to \$22.4 million over the half year to 31 December 2010. Net profits fell 56.7% to \$518,000 (0.6 cents per share). The business continued to generate operating cash surpluses, but down 38% to \$1.8 million.

The results were depressed by “soft demand in key markets” and the appreciation of the Australian dollar against the US dollar and Euro. (Continued on Page 8)

Recommended Investments

(Continued from Page 7)

The company does not expect any significant improvement in the second half year.

The company is growing its third-party distribution business which will better utilise its existing sales and marketing infrastructure, plus continuing to develop and bring its *Ellex 2RT* technology for the treatment of Age-Related Muscular Degeneration to market.

Last week Ellex Medical Lasers announced an exclusive distribution agreement to import implantable lenses from US based **STAAR Surgical Company**. This agreement will include the *Toric intraocular lens* which can be implanted in the patient's eye during cataract surgery to treat both cataract and astigmatism, the *Visian Implantable Collamer Lens* and *Toric Implantable Collamer Lens* which are alternatives to LASIK and PRK surgery (i.e. the common "laser surgery" for long- and near-sightedness), but with a wider treatment range for near-sightedness.

Ellex Medical Lasers



Fiducian Portfolio Services lifted revenues 7.7% to \$12.0 million over the six months to 31 December 2010, with profits continuing to recover with a 21.1% rise to \$2,241,000 (6.9 cents per share). The interim dividend will be raised 33.3% to 5.0 cents.

The net operating cash surplus rose 46% to \$2.4 million.

Iuka Resources reported a 51.8% lift in revenues to \$874.4 million for the full year to 31 December 2010 and a return to profits of \$36,100,000 (8.6 cents per share) - up from losses in 2009.

The company has re-instated dividends and will pay an unfranked 8.0 cents final dividend.

The net operating cash surplus rose 75% to \$178.7 million.

After three price increases during 2010, the company increased its price for Zircon by around 20% at the start of 2011. Demand remains strong and the company is unable to satisfy customers full orders. Rutile and synthetic rutile is currently being sold at around 30-40% more than the average 2010 price. These higher prices will boost revenues, profit margins and net profits.

Capital expenditure is forecast at around \$100 million in 2011 (and future years) while the net operating surplus

is expected to rise strongly. This will allow the company to "reduce rapidly" its interest bearing debts which were \$342.7 million at balance date (but with \$52 million repaid during January).

Integrated Research's revenues grew 10.7% to \$20.5 million over the half year to December 2010, but profits slipped 12.2% to \$2,374,000 (1.4 cents per share). The company will pay a steady interim dividend of 1.5 cents (although last year it also paid a special 0.5 cents dividend).

The net operating cash surplus increased 60% to \$5.7 million. The company remains debt-free with cash in the bank of \$8.7 million (5.2 cents per share).

The profit decline is the result of the strength of the Australian dollar (where the company incurs most of its costs) against the US dollar (where the company earns much of its revenues). If exchange rates had remained constant, revenues would have been up 18% and profits up 12%.

Integrated Research



Mnet Group reports revenues 103.8% higher at \$5.8 million for the six months to December 2010. That increase is probably the result of most of the revenues of a merged business not being included in the December 2009 result. The net *loss* was \$78,330 (*minus* 0.04 cents per share).

There was a cash operating surplus of \$126,543 - compared with a *deficit* of \$1.2 million previously.

The company has no interest bearing debt and cash of \$1,011,917.

M2 Telecommunications has reported a 14.9% increase in revenues to \$215.7 million for the six months to December 2010 but net profits grew 39.8% to \$11,447,000. Earnings per share were 25.7% higher at 9.3 cents. The interim dividend will be raised 40.0% to 7.0 cents.

The net operating cash surplus more than *quadrupled* to a very high \$24.1 million. This has enabled the company to reduce interest bearing debts by \$2.6 million to \$14.0 million, increase its cash holding \$4.5 million to \$19.5 million and pay \$11.8 million for acquisitions (including deferred consideration on earlier acquisitions).

M2 Telecommunications has agreed to acquire the business and assets of **Austar United Mobility** for around \$2.0 million in cash. These assets are 15,000

mobile customers, generating annual revenues of around \$10 million and earnings (before interest, depreciation and tax) of about \$1.3 million. That equals a Price/Sales ratio of about 0.20 and a Price/Earnings ratio (based upon net profits) of about 3.0. That is another very attractively priced acquisition!

M2 Telecommunications has upgraded its revenue and profit forecasts for the current financial year owing to “material improvements in wholesale purchasing arrangements” and contributions from recent acquisitions. For the year to 30 June 2011 it now expects revenues to be 11-16% higher at \$450-470 million, net profits 64-73% higher at \$26.5-28.0 million (21.6-22.8 cents per share). Overall that is about an 18-20% upgrade in the profit forecast. At 357 cents the shares are trading at 15½-16½ times this year's forecast profits. That is not an overly high valuation, so these shares could continue to appreciate in value! “Hold”.

M2 Telecommunications



Melbourne IT reports revenues 5.0% lower at \$189.8 million for the year to 31 December 2010. Net profits fell a similar 4.5% to \$16,060,000. A final dividend of 8.0 cents will maintain a steady annual dividend of 15.0 cents.

The net operating cash surplus was 16% lower at \$18.7 million.

The company's *Transformation Project* is “on track and on budget” with the NZ sites going live this quarter. This will be followed by the Australian operations in the December 2011 quarter. This project will bring all of the company's products and services onto one platform, allowing it to sell a full range of business services to all geographies, with a common financial reporting system across the whole group. This involves capital expenditure of around \$18 million (i.e. \$6.2 million in 2010, \$5.8 million in 2011 and \$6.0 million in 2012 - all to be capitalised) and operating costs of around \$7.5 million (i.e. \$1.7 million in 2010, \$5 million in 2011 and \$1 million in 2012 - which will be expensed). The company expects “a significant return” on this investment “from 2012 once the Australian and NZ operations are fully integrated”.

Melbourne IT expects its 2011 profit to be similar to 2010 (i.e. up about 15% *before* the higher transformation costs).

Melbourne IT



Nomad Building Solutions has reported half year revenues 9.1% higher at \$101.4 million but a trading *loss* of \$8,688,000 (*minus* 3.1 cents per share). This result *includes* losses and provisions of \$8.2 million relating to the *Gorgon* project. (In addition, the company wrote-off \$10 million in goodwill, but that is a non-cash item that has absolutely no impact upon future revenues, cashflows or profits).

The business generated a small \$237,000 cash surplus.

The company has interest bearing debts of \$20.0 million but these are largely offset by a cash holding of \$16.3 million. As a result of reporting the current half year loss, the company is in breach of the “earnings and interest cover covenants within its banking facilities” although given its low *net* debt level (which is significantly down on where it was a few years ago) this is unlikely to be a problem in this situation.

Nevertheless - given that even the very best companies are likely to report losses over at least *some* half yearly periods - isn't it rather stupid that *any* company would ever agree to such covenants? And equally stupid for banks to ask for them? When a company hits a glitch and becomes unprofitable, then management should probably be focusing upon solving some marketing or production problem - and getting the company back on track. Having to re-negotiate with its bankers over the technical breach of an “earnings covenant” could be a serious distraction, diverting management from critical areas that urgently require their attention.

With the completion of “legacy projects” involving losses, the company's new management and improved systems “provide a sound platform for a turn-around of the company's financial performance”.

Photon Group reports revenues down 3.6% at \$289.8 million for the six months to 31 December 2010. There was a *trading* profit of \$15,202,000 (1.0 cent per share), but a \$53.2 million *loss* from the sale of businesses and the write-down in asset values.

The net operating surplus was down 50% to \$8.3 million.

These losses arise from over-paying for acquisitions - which is also the source of the deferred consideration liabilities. Having over-paid vendor/executives for businesses, Photon Group now plans to create 100 million “share appreciation rights” to further compensate these executives should the

(Continued on Page 10)

Recommended Investments

(Continued from Page 9)

depreciated current share price recover in the future. This “long term equity incentive plan” would result in amounts equal to about 6½% of any *increase* in the company's stockmarket capitalisation being paid out to executives as cash bonuses!

Probiotec half year result was in line with recent guidance from the company. Revenues were down 9.3% at \$36.1 million over the six months to 31 December 2010 with net profits down 83.7% at just \$1,018,046 (1.9 cents per share). No interim dividend will be paid, compared with 1.5 cents last year.

The net operating cash surplus remained strong, down just 8% to \$2.9 million.

The company *lost* \$1.3 million in the September quarter but returned to profitability with a net profit of \$2.3 million in the December quarter.

The directors continue to forecast a full year net profit of around \$5.2 million (about 10 cents per share), slightly down on the 2009 result of \$5.4 million.

Interest bearing debts total around \$31.5 million. The annual review of bank facilities was completed in January, with \$4.5 million of debt maturing in this half year being rolled over for a further three year term.

The operating cashflows and management of debt levels suggest that the company is not at risk of failure and will likely be able to return to higher profitability and strong growth - although the exact timing of that improvement (or an upturn in the share price) is always uncertain!

The Ireland manufacturing facility is fully commissioned, resulting in both cost savings and a reduction in working capital (previously required to service longer supply chains) *and* a lower future tax rate on European earnings.

Probiotec



Prophecy International Holdings lifted revenues 16.4% to \$2.9 million over the six months to December 2010, but net profits remained depressed (and down a further 18.4%) at \$241,644 (0.5 cents per share). The interim dividend will be cut 75.0% to 0.5 cents - matching current profits.

The business operated at a small cash *deficit* of \$33,789 (down from a surplus of \$714,445) but the company remains in a sound financial position with no interest bearing debt and \$4.1 million in cash (8.7 cents per share).

The company is “participating in a number of tenders for billing systems” in North America, the Middle East, Africa and Asia but “sales cycles remain lengthy as customers take a cautious approach to new software solution projects” in the current economic environment.

Prophecy International



Skilled Group lifted revenues 10.6% to \$934.3 million for the six months to 31 December, with *trading* profits recovering 125.2% to \$10,148,000 (5.3 cents per share). The company also wrote-down goodwill by \$12.5 million. No interim dividend will be paid as the company conserves cash to repay debt.

The net operating cash surplus rose 150% to \$37.2 million.

Skilled Group is seeking to raise a further \$53 million from a 1 for 6 cash issue at 168 cents per share. This is non-renounceable (i.e. you cannot sell rights) and is payable by 18 March. 168 cents is about a 14% discount to market, so shareholders should take up these new shares.

Skilled Group



TFS Corporation's half year result is usually not significant as most revenues and profits are earned in the second half of the year. For the six months to 31 December 2010, revenues were 38.1% higher at \$30.3 million, with profits up 162.1% to \$2,576,000 (1.1 cents per share). A steady 1.25 cents interim dividend will be paid (but not until 17 June!).

The net operating cash *deficit* for the period was less than \$1.0 million, up from a large \$20.4 million *deficit* a year earlier.

The company predicts the full year's profits “to grow by at least 10%” with a net operating cash surplus of around \$70 million.

TFS Corporation has raised \$27.4 million (and managed to depress its share price!) from the placement of 34,300,000 shares at 80 cents. It will also seek to raise a further \$10.5 million from a renounceable issue to shareholders, offering one new share at 80 cents for every 20 shares currently held.

Shareholders will be able to trade the “rights” (which is payable on 5 April) but as the placement has at least temporarily depressed the share price the rights are only worth about 3-5 cents at present (but, of course, will fluctuate with movements in the share price). This situation offers investors the opportunity to buy either TFS Corporation “rights” or existing shares at a depressed price!

The \$37.9 million being raised will be used to repay bank debt after the **Commonwealth Bank of Australia** sought to reduce its facility to TFS Corporation (which is partially used to finance Managed Investment Scheme sales). The company has reduced its outstanding bank debt from \$67 million in June 2010 to \$56.2 million at 31 December and to about \$30 million at the end of January (after receiving funds from a plantation investment from an institution). Complete repayment is required by 30 April. The placement and cash issue will increase the issued capital about 20%.

TFS Corporation is also seeking to raise \$75 million through a bond issue which will provide funds for working capital and land acquisitions through to the 2013 harvesting operations. Harvesting will add “a new and substantial stream of cashflow that will bring TFS Corporation to a self funding position”. Harvesting will also transform TFS Corporation into “a conventional industrial company” where “industrial production related revenues will dominate the earnings profile through the course of this decade” in line with the growth in plantation harvests.

The **Forest Products Commission Western Australia** has conducted trial harvests of 90 Sandalwood trees, aged 19-23 years, from trial plots managed by government agencies which produced a mean heartwood yield of 25kg per tree and mean oil yield of 1.2kg per tree. This supports TFS Corporation's predictions of oil yields of 0.8kg from trees harvested at 14 years. The company believes that “constantly improving” silvicultural practices will produce trees superior to this harvest sample. The price of Sandalwood Oil has risen to a new high of US\$2000 per kg.

TFS Corporation



The Reject Shop lifted revenues 10.2% to \$275.9 million for the half year to 31 December 2010, but net profits slipped 16.0% to \$15,914,000 (61.1 cents per share). The interim dividend will be reduced 41.0% to 23.0 cents - mainly to fund recovery of damage caused by recent flooding in Queensland (e.g. the company has used its own cash to reorder and pay deposits on specialised equipment which ultimately will be refunded from insurance claims).

The net operating cash surplus for the period was down 52% to \$18.7 million.

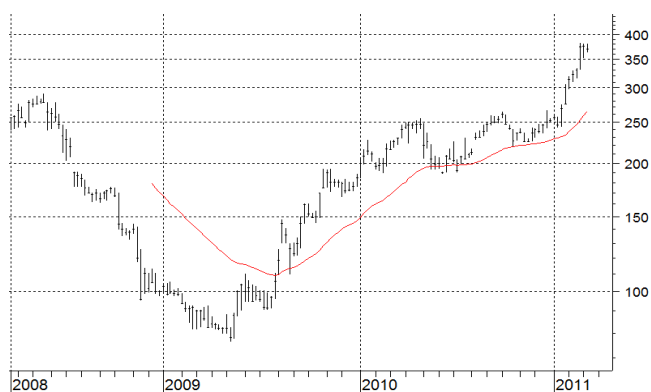
Village Roadshow has reported first half revenues down 3.9% at \$637.2 million with trading profits down 18.9% at \$33,747,000. Earnings per share were down just 10.8% at 22.2 cents per share, owing to the repurchase of shares over the last year. The company plans to pay an interim dividend of 8.0 cents plus a special dividend of 12.0 cents (2009 nil). These dividends will be unfranked, but, being paid from “conduit foreign income”, will not subject to withholding tax when paid to foreign shareholders.

The net operating surplus was 15% lower at \$98.4 million.

Consolidated interest bearing debts at 31 December were \$837.7 million. The company will receive \$115 million cash from the sale of its **Sydney Attractions Group** while the completion of the sale of **Austereo Group** will remove \$202.6 million of Austereo Group debt and realise \$362-380 million (less capital gains taxes) in cash. That could reduce debts to \$140-158 million (plus a capital gains tax debt and plus the \$30 million needed to pay dividends).

The 41% owned **Village Roadshow Entertainment Group** has over \$1000 million in interest bearing debt, but the Australian parent company has no liability for that debt and VREG is continuing to seek “a number of strategic initiatives to strengthen its balance sheet” including listing on an international stock exchange to raise further equity.

Village Roadshow



Share Recommendation: Buy Novarise Renewable Resources International

BUY Novarise Renewable Resources International.

There are many reasons why a person *might* consider investing in Novarise Renewable Resources International:

Firstly, some investors might wish to buy shares in an “ethical” and “green” company. Novarise Renewable Resources International recycles polypropylene (PP) from waste that would otherwise go to landfill. Perhaps more importantly, this is an economic “green” technology that does not rely on (or receive) government subsidies. Using recycled PP is 20% cheaper than producing new PP from crude oil.

Secondly, investors may wish to gain exposure to emerging markets which will probably offer greater growth potential than mature economies over the decades ahead. Novarise Renewable Resources International is an Australian holding company, listed on the ASX, which owns a Hong Kong based holding company which in turn owns all of the operating subsidiaries in China although with some plans to expand internationally. We are, of course, somewhat sceptical of Asian businesses that list on the ASX. Novarise Renewable Resources International, however, appears to be doing things right: Investing money raised from investors to grow its profitable business for the benefit of all shareholders.

Thirdly, many investors will be interested in an emerging growth company. Money raised in the 2010 Initial Public Offering has already expanded processing capacity 40% (to 35 tonnes annually) and a new, custom designed processing plant will boost that by a further 200% (to 110 tonnes) by the middle of this year. That new plant should *double* revenues and profits during the current financial year (to December 2011) and add a further 50% growth in 2012.

Fourthly, Novarise Renewable Resources International has proprietary technology for recycling PP and is already the largest PP recycler in China. Efficient processing, a large market share and a competitive price advantage from cheaper feed stock helps create very favourable business economics, making this a very profitable business with net profit margins of over 20% of revenues!

Fifthly, investors familiar with our methods of finding 10-baggers and other big winners will recognise the importance of buying shares on a low valuation. Novarise Renewable Resources International shares trade on a Price/Earnings ratio of just 6½. If profits *triple* over the next two years *and* the shares are re-rated to a P/E of 10-15 then the share price would appreciate 5-7½ fold

in value to 125-185 cents!

Chinese companies and emerging growth companies both involve risks, but we believe there are enough reasons to include Novarise Renewable Resources International in a diversified share portfolio.

Company History

The business was started in 1998 when the Chairman and Managing Director and major shareholder (with 63.4% of the company), Qingyue Su, started his own PP manufacturing business. In 2005 the company started experimenting with recycling and full scale recycling began in 2008 when the company also became the largest producer of PP filament yarns in China.

In March 2010, the business was transferred to the Australian holding company which sought to raise \$32 million from the issue of 128,000,000 shares at 25 cents. All of those funds were to go to the company to finance growth and expansion. The company, however, was only able to attract slightly above its minimum subscription of \$25.0 million, raising \$25.1 million from the issue of 100,200,000 shares to public shareholders.

The existing shareholders received 299,000,000 shares in the Australian holding company for the original business.

About one-third of the money from the initial public offering (after issue expenses) was used to upgrade existing equipment and capacity, and to purchase new equipment for new products. The balance is being used to help finance the land, construction costs and equipment for a new, custom designed production facility.

Shares in companies where the Initial Public Offering raises cash for the *company* to finance growth and expansion are usually better long term investments than IPOs which raise cash for the *existing shareholders* who are selling out of the business!

Growth

Around \$8.0 million raised in the IPO was immediately used to upgrade and expand existing facilities. This helped the company to expand production capacity 40% (to 35 tonnes per annum) during 2010. Receipts from customers grew from \$17.3 million in the March 2010 and \$16.9 million in the June 2010 quarters to \$27.8 million in the September quarter and \$28.2 million in the December quarter.

In May 2010, the Chinese **Ministry of Industry and Information Technology** announced policies to support recycling or a “circular economy” which will be included in the country's 12th Five Year Plan. This will aid the growth in plastic recycling.

In June 2010, Novarise Renewable Resources

International paid RMB30.1 million (A\$5.4 million) to acquire a 200,630m² site in Nan'an City, Fujian Province. Under Chinese laws, the state owns all land, so the company has purchased a standard 50 year commercial "land use right". Earth works cost a further RMB15.1 million to prepare the site. The production workshop and warehouse were originally scheduled to be completed this month with the office, R&D centre, staff accommodation and canteen scheduled for completion in May 2011. The project is now scheduled to be completed in "the third quarter of 2011".

Stage I of this development will produce fibre-grade recycled PP pellets with a capacity of 75,000 tonnes per annum - boosting the company's total production over 200% to 110,000 tonnes. The company has feedstock supplies and customers for this expanded production.

This facility has plans for Stage II and III development - but a decision to proceed with these expansions will depend upon product demand forecasts and financing - which would add capacity for a further 65,000 tonnes annually.

Novarise Renewable Resources International currently manufactures three main products - PP yarns (which are ultimately used in belts, bags, safety nets, fishing nets and agricultural twine), PP straps and ropes (used in bag straps and edgings on bags, beach chairs and tents) recycled PP pellets (which replace virgin PP) - but the company will produce and market new value added end products during 2011.

In 2010, the company successfully developed 100% recycled PP woven cloth, which together with its webbing product, has led to the development of 100% recycled products which will be produced from the second quarter of this year. These will include laptop bags (to be distributed through all major computer manufacturers), recycled, re-usable shopping bags (distributed through supermarkets in Australia and internationally - with older, damaged bags being collected and sent to China as raw material for recycling), plus school bags, hiking bags and satchels.

The company will seek to market its new products in Australia, as well as source waste PP from Australian recycling companies.

Recent Results

For the year to 31 December 2010, Novarise Renewable Resources International reported a 17.8% lift in revenues to \$74.6 million, with net profits up 14.7% to \$15,265,440 (3.8 cents per share). The company paid a 1.0 cent dividend in December.

The net operating cash surplus was 2% higher at \$13.8 million. The company has interest bearing debts of \$37.3 million, but cash and deposits of \$57.6 million (14.4 cents per share). This cash will finance the construction costs, new plant and machinery and working capital for the new production facility.

Taxation

China has a 30% company tax rate, but many companies in preferred industries or exporting are granted a 50%

discount. So Novarise Renewable Resources International will pay income tax in China at about 15% for at least the next several years (and that could be extended). These profits create no tax liability in Australia for the Australian holding company. Dividends to shareholders must first go through the Hong Kong holding company. Dividends paid to a Hong Kong company are subject to a 5% withholding tax in China. Hong Kong imposes no income or withholding taxes on these payments being passed on to the Australian parent company.

Dividends received by the Australian holding company are not subject to any Australian income taxes and will be distributed to Australian resident shareholders as unimputed dividends. These are subject to tax at the shareholder's personal tax rate.

Dividends paid to non-Australian residents are not subject to any Australian withholding taxes as they will consist of "conduit foreign income". New Zealand resident investors will (in most cases) be taxed (in NZ) under the *Fair Dividend Rate* tax, with an amount equal to 5% of the shares' value on 1 April being considered the "fair dividend".

Investment Criteria

At 24½ cents, Novarise Renewable Resources International shares trade on a Price/Sales ratio of 1.31, a Price/Earnings ratio of 6½ and offer a Dividend Yield of 4.1%. That is a low valuation for a high profit margin business that will significantly expand production, revenues and profits over the next two years. A net profit margin over 20% would justify a P/S ratio of at least 2.0 - and growth potential would justify an even higher valuation. These shares are clearly very "out of favour" with the market!

Production capacity was increased 40% from 25 tonnes to 35 tonnes *during* 2010, with that new capacity available for about half the year. So production was up about 20% to around 30 tonnes. Revenues (up 18%) and profits (up 15%) rose by similar amounts.

Production capacity is currently around 35 tonnes, but will rise to 110 tonnes during the year, so actual production this year could rise around 130% to 70 tonnes - lifting revenues and profits around 100%.

With a full year of 110 tonnes of production in 2012 (and if there is no further expansion) revenues and profits should rise a further 50-60%. So profits could grow to \$45-50 million (11-12½ cents per share) over the next two years.

The company, however, has indicated that it is looking to raise further new equity in Taiwan via an offering of Taiwanese Depository Receipts in March. Media speculation has suggested the company will seek to raise T\$1000 million (about US\$34 million). At 25-30 cents (Australian) per share, that would mean issuing the equivalent of 110-135 million shares, increasing the issued capital 27-33%. That would dilute some of the growth from the current expansion, but provide significant cash to finance *further* expansion (*Cont'd on Page 14*)

Share Recommendation; Novarise Renewable Resources

(Continued from Page 13)

and growth of the business. Novarise Renewable Resources International's shares rose to a recent high of 33 cents on the announcement of plans for the Taiwanese issue (but have since fallen back).

The business is capital intensive, but very profitable so earns a very high return on the company's investment in plant and equipment. To grow, the company needs to invest in additional plant and machinery to increase capacity, as well as finance the resulting increase in working capital (i.e. stocks and debtors). High profits will help finance future growth and expansion internally and the company plans to retain about 70% of profits and to pay out about 30% as a dividend.

Cash from the IPO has allowed the company to plan a 4½-fold increase in capacity and (subject to market demand for PP) raising additional equity capital to accelerate growth should boost earnings per share growth. The business is not vulnerable to Chinese wage inflation, with the prospectus forecasting that a 10% increase in wages would result in just a 1.3% drop in profits (assuming no other changes, such as increased selling prices). The domestic price (and slightly higher imported price) of recyclable PP waste has been relatively stable, fluctuating in line with the price received for the company's PP yarns and PP pellets - so profit margins are relatively stable.

The volume of PP waste available in China is increasing in line with government policies on recycling. This allowed the company to increase domestic procurement 3¾-fold to 10,447 tonnes in the half year to June 2010 (the latest figures available), with a 33% reduction in imported recyclable waste to 7142 tonnes.

The issued capital is 399,254,908 shares, so with a share price of 24½ cents the market capitalisation is \$97.8 million. Most of these shares are held by the company's founders, with just over 100 million shares (worth only \$24½ million) available to trade on the stockmarket. Nevertheless, the shares have been very actively traded since mid-December. Over the last three months the daily volume of shares trading on the stockmarket has usually been around 1-6 million shares (worth \$250,000 to \$1.5 million). That, however, may not continue and potentially a "tight scrip" situation could develop where good news - or institutional buying or a broker recommendation - could send the shares significantly higher.

The Chairman, Managing Director and Founder, Qingyue Su, owns 254,150,000 shares (63.4% of the company) and Non-Executive Director, Chung Yi So, owns 29,900,000 shares (7.5%). Both holdings result from their ownership of the original Chinese businesses. New non-executive directors have not bought shares in the company.

There have been no *insider* trades on-market.

There does not appear to be any significant institutional

shareholders and stockbrokers do not follow the company and prepare profit forecasts. Such *neglected* shares tend to be under-valued relative to widely followed shares.

Technically Novarise Renewable Resources International shares are in an uptrend, with a Relative Strength Rating of +15.3%, ranked 25 (on a scale of 0-99). After the IPO at 25 cents the shares traded on-market at 20-25 cents for six months before dipping to a low of 15 cents (where just 50,000 shares traded) before recovering and rising to a high of 33 cents in January amidst speculation about listing the shares in Taiwan.

Summary and Recommendation

Novarise Renewable Resources International is a small "aggressive growth" business based in China, so involves high risks - which is why it is important for investors to hold a diversified share portfolio! The Founder still owns 63.4% of the company - which aligns his interests with the public shareholders in maximising the profitable growth of the company.

The business offers high profit margins and should be able to generate a high return on the company's investment in plant and machinery. There is excellent potential to grow - both within China and internationally - as plastic recycling continues to grow. Unlike most "green" technologies, Novarise Renewable Resources International's business is competitive and economically viable - able to produce high-grade PP yarns and pellets at 20% less than the cost of virgin PP produced from crude oil!

If the company is successful, then investors will benefit from the *compounding* impact of (1) large scale upsizing of the business (i.e. the current developments for a 4½-fold increase in capacity since the IPO), (2) the move to value-added finished products and (3) a re-rating of the current low share valuation.

Investors seeking "ethical" and "green" investments should consider an investment in Novarise Renewable Resources International but the shares should be most suitable for investors seeking maximum capital appreciation from aggressive growth companies and prepared to accept higher risks, while holding a wide spread of shares to diversify away the individual company risks.

Novarise Renewable Resources International



“Neglect” Ratings of Australian Shares

“Neglected” Shares = 0-1 Brokers, “Moderately Followed” Shares = 2-3 Brokers, “Widely Followed” Shares = 4 or more Brokers.

Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
AGLEnergyLtd	4	6,306	BramblesLtd	4	9,543	EmecoHoldings	6	720	LeightonHold	7	8,675
AJLucas	2	144	BrevilleGroup	1	427	EnergyResource	5	1,793	LendLeaseGrp	2	4,960
AMPLtd	3	11,064	BrickworksLtd	2	1,587	Ervestra	4	867	LincEnergyLtd	1	1,307
ANZBank	6	59,319	BrockmanRes.	1	812	EquinoxMin.	4	3,640	LiqNaturalGas	2	100
APAGroup	4	2,169	BunningsW/hse	4	886	EservGlobalLtd	1	132	LogicamsLtd	2	87
APNNewsMedia	3	911	C'wthPropOff.	3	1,846	ExtractRes.	3	2,585	LudowiciLtd	1	130
ARBCorporation	1	553	C.S.R.Ltd	5	1,677	FKPLimited	3	991	LycopodiumLtd	1	249
ASGGroupLtd	1	156	CFSRetailProp	3	4,657	FairfaxMedia	3	2,846	LynasCorpLtd	2	3,270
ASXLimited	4	6,221	CGAMiningLtd	1	961	FantasticHold.	2	236	M2Telecom.Grp	2	434
AWELimited	6	848	CSGLtd	3	261	FleetwoodCorp	5	644	MApGroup	4	5,565
AXAAsiaPac	4	13,271	CSLLimited	6	19,140	FlexicorpLtd	3	482	MacMahonHold	4	404
AbacusProperty	4	794	CabchargeLtd	4	644	FlightCentre	4	2,195	MacarthurCoal	4	2,752
AcruxLtd	2	539	CaltexAustria	3	3,999	FocusMinerals	2	232	MacquarieCTel	1	233
AdamusResource	2	107	CampbellBros	5	2,744	FortescueMetal	6	18,272	MacquarieAtlas	2	823
AdelaideBright	6	2,058	CapeLambertR.	1	325	Foster'sGroup	4	10,810	MacquarieGroup	3	12,190
AdityaBirla	1	415	CarbonEnergy	1	80	G.U.D.Holdings	4	598	MantraRes.	1	1,021
AleProperty	2	291	CardnoLtd	2	513	GPTGroup	4	5,622	Marybor'ghSuga	1	228
AlescoCorpLtd	4	303	CamarvonPet.	6	254	GWAGroupLtd	4	945	MatrixComp.	3	639
AlliedGoldLtd	1	650	Carsales.com	7	1,158	GeodynamicsLtd	2	89	MaxiTRANS	2	37
AluminaLtd	5	5,417	CashConverters	2	311	GerardLighting	1	170	MaynePharmaGr	1	109
AmadeusEnergy	1	67	CatalpaRes.	2	257	GindalbieMet.	3	540	McMillanShake.	1	618
AmalgamatedHld	2	950	CedarWoodsPrp	1	279	GiraliaRes.	1	968	McPherson'sLtd	1	226
AmcorLtd	3	8,397	CentrebetInt'l	1	133	GloucesterCoal	2	948	MedusaMining	1	1,221
AmcomTelecom.	6	213	ChalDivProp	3	448	GoldOneInt'l	1	270	MelbourneIT	1	156
AmpellaMining	1	281	ChallengerLtd	4	2,414	GoodmanFielder	3	1,574	MermairMarine	5	562
AnsellLtd	4	1,736	ChaliceGold	2	95	GoodmanGroup	3	4,338	MetcashLtd	6	3,001
AntaresEnergy	1	96	ChalInfraFund	2	365	Graincorp	6	1,474	MiclynExpress	2	459
AquariusPlat.	2	2,607	ChandlerMcLeod	4	212	GrangeResource	2	714	MinaraResource	4	905
AquilaRes.	5	2,705	ChartHRetail	2	1,167	GrowthpointPro	1	400	MincorResource	3	287
ArdentLeisure	3	429	CharterHallGR	2	735	GryphonMineral	2	357	MineralRes.	3	1,868
AristocratLeis	3	1,767	ChartHOffice	3	1,559	GunnsLtd	4	452	MineralDeposit	1	364
AscianoLimited	5	4,945	ClariusGroup	2	60	HFAHoldings	1	610	MirabelaNickel	3	993
AspenGroupLtd	2	251	CloughLimited	2	665	HansenTech.	1	134	MirvacGroup	3	4,085
AtlasIronLtd	4	1,159	Coal&Allied	1	9,940	HarveyNorman	5	3,113	MolopoEnergy	1	230
AuroraOilGas	2	710	CoalspurMines	2	575	HastDivUtil	3	786	MonadelphousGr	8	1,778
AusdrillLtd	3	848	CocaColaAmatil	4	8,974	HastieGroup	5	222	MtGibsonIron	3	1,889
AusencoLtd	5	417	CochlearLtd	6	4,423	HeartwareInc.	1	158	MurchisonMetal	2	540
AustalLimited	3	564	CockatooCoal	1	286	HendersonGroup	2	5,050	MyerHoldings	6	1,824
AustinEng.	4	324	CodanLtd	2	207	HillsHoldings	3	370	NRWHoldings	3	633
AustAgricult.	2	441	CoffeyInt'l	1	103	HorizonOilLtd	2	383	NanosonicsLtd	1	203
AustralandProp	3	1,754	Com'wealthBank	5	78,431	I-SOFTGroup	2	47	Nat'lAustBank	6	51,615
AustInfra.	4	1,204	Computershare	3	5,229	IMDGroup	4	354	NavitasLtd	3	1,417
AustPharm.Ind	3	181	ConnectEastGrp	5	1,723	IMF(Aust)Ltd	1	216	NewHopeCorp.	4	3,874
AustereoGroup	3	714	ConsMediaHold	4	1,879	INGOfficeFund	3	1,597	NewcrestMining	8	18,175
AustEducation	1	115	CooperEnergy	3	117	INGIndustTit	2	1,387	NewsCorp.	2	13,934
AustarUnited	4	1,665	CountFinancial	2	326	IOOFHoldings	5	1,715	NexbisLtd	1	84
AutomotiveHold	1	580	CraneGroup	4	771	INet	7	366	NexusEnergy	4	450
BHPBilliton	5	%148,305	CromwellProp.	2	598	IlukaResources	4	4,317	NibHoldings	2	686
BSALtd	1	58	CrownLtd	3	6,202	IncitecPivot	6	6,841	NickScaliLtd	1	148
BTInvestMgmt	2	393	CueEnergyRes.	2	225	Independ.Group	4	759	NidoPetroleum	1	105
BandannaEnergy	1	592	CustomersLtd	4	203	IndustreaLtd	2	400	NobleMineral	2	86
BankofQ'land	4	2,090	DUETGroup	3	1,375	InfigenEnergy	2	275	NomadBuilding	3	30
BannermanRes.	1	139	DWSAdvBusSol	3	196	InsuranceAust.	3	7,214	NorfolkGroup	3	205
BeachEnergy	4	950	Data3Ltd	1	205	IntResearch	1	53	NorthernEnergy	5	126
BectonPropGrp	1	10	DavidJones	7	2,286	Int'lCoalHold	1	438	NucoalRes.NL	1	298
BendigoBank	5	3,241	DecmilGroup	4	371	InvocareLtd	4	724	NufarmLimited	1	1,346
BillabongInt'l	4	2,053	DeepYellowLtd	1	310	IressMktTech	4	1,114	OMHoldings	1	682
BlackmoresLtd	4	515	DexusProperty	3	4,074	JBHi-FiLtd	8	1,956	OZMineralsLtd	9	4,793
BluescopeSteel	5	3,382	Domino'sPizza	4	451	JabiruMetals	2	417	OaktonLimited	2	207
BoartLongyear	3	2,055	DownerEDILtd	6	1,565	JamesHardie	4	2,686	OilSearchLtd	8	8,691
BoomLogistics	2	180	DuluxGroupLtd	6	1,002	JupiterMines	2	211	OnesteelLtd	5	3,196
BoralLimited	5	3,013	DyesolLtd	1	90	KagaraLtd	4	401	OricaLtd	7	9,125
BowEnergyLtd	1	257	East'nStarGas	2	550	KingsgateCons.	7	808	OriginEnergy	6	13,659
BradkenLtd	7	1,110	EldersLimited	3	215	KingroseMining	1	326	OrocobreLtd	1	166

Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
OrotonGroup	2	372	RexMinerals	1	57	SpotlessGroup	3	486	TransfieldSIn	1	246
PacificBrands	6	774	RidleyCorp.	4	369	StBarbaraLtd	4	635	TransPacificIn	4	1,090
PaladinEnergy	5	3,392	RioTintoLtd	5	34,338	StarpharmaHold	2	248	TreasuryGroup	1	111
PanaustLtd	3	2,149	RiversdaleMin.	6	2,941	SthCrossMedia	2	640	TroyResources	1	299
PanoramicRes.	3	429	RocOilCompany	5	267	SthCrossElect	2	139	TrustCompany	3	202
PaperlinXLtd	3	235	RockBuildSoc.	1	59	Stockland	4	8,655	UGLLimited	6	2,499
PattiesFoods	2	215	RungeLtd	1	59	StrikeEnergy	1	52	UXCLimited	2	195
PeetLtd	2	571	SAIGlobalLtd	4	768	StructuralSyst	1	50	UnityMining	1	71
PerilyaMines	2	329	SDILimited	1	22	SuncorpGroup	5	10,495	VDMGroupLtd	3	44
PerpetualLtd	4	1,276	SMSMgmt&Tech	3	420	SundanceRes.	1	988	ValadProperty	2	140
PharmaxisLtd	1	539	SPAusnet	4	2,326	SunlandGroup	1	181	VirginBlue	3	751
PlatinumAsset	4	2,605	STWCommGroup	1	466	SuperRetailGr	3	848	ViridisCleanE	1	3
PremierInvest	4	924	SalmatLtd	3	587	SwickMinServ	3	84	VisionGroup	2	15
PrimaryHealth	7	1,479	SandfireRes.	1	533	TFSCorporation	1	198	WDSLimited	3	92
PrimeMediaGrp	2	253	SantosLtd	5	12,407	TPGTelecomLtd	3	950	WHKGroupLtd	1	257
ProMaintenance	4	209	SedgmanLtd	4	347	TabcorpHolding	3	4,955	WatpacLtd	1	274
Q.B.E.Insur.	4	18,058	SeekLtd	7	2,104	Talent2Intl	1	238	WebfirmGroup	1	71
QRXPharmaLtd	2	161	Selectharvest	3	177	TapOil	2	237	WebjetNL	1	162
Qantas Airways	3	5,142	ServiceStream	1	181	TassalGroup	4	221	WellcomGroup	1	101
RCGCorporation	2	153	SevenGroup	2	2,544	TattsGroupLtd	4	2,859	WesfarmersLtd	6	36,344
RCRTomlinson	4	220	SigmaPharm.	7	495	TechnologyOne	2	297	WestfieldGroup	3	22,028
REAGroupLtd	6	1,486	SilexSystems	1	775	Telstra	6	32,850	WestpacBanking	6	68,453
RPDataLtd	1	241	SilverLakeRes	1	365	TenNetwork	3	1,244	WesternAreas	7	1,131
RamsayHealth	7	3,730	SimsMetalMgmt	4	3,409	TerraminAust	1	63	WestAustNews	6	1,769
ReckonLimited	1	340	SirtexMedical	1	298	TheRejectShop	6	310	WhiteEnergyCo	1	165
RedflexHolding	2	283	SkilledGroup	2	434	ThomGroupLtd	4	245	WhitehavenCoal	2	3,194
RegisResources	1	585	Slater&Gordon	2	260	TollHoldings	5	3,936	WideBayAust.	1	324
RegionalExp.	1	115	SonicHealth	7	4,199	TowerAustralia	2	1,639	WoodsidePetrol	7	32,746
ResourceEquip.	1	93	SoulPattinson	1	2,909	ToxFreeSol.	4	198	WoolworthsLtd	6	32,984
ResoluteMining	3	446	SparkInfrastru	4	1,440	TransurbanGrp	5	7,342	WorleyGroup	5	7,328
RetailFoodGrp	4	296	SpecFashion	3	202	TransfieldServ	6	1,355	Wotif.comHold.	8	1,033

Investment Outlook

(Continued from Page 1)

foreign businesses of companies like Cavalier Corporation, Michael Hill and Nuplex Industries - and ultimately raise the (NZ dollar) value of these shares.

Therefore we believe it is significantly more important to find good growth companies that will be good investments, rather than to worry about the country and currency of those investments.

Fourthly, even if there were unlimited attractive investment opportunities in the countries where you live, putting all your eggs in a basket would be unwise (especially if that is a small country, dependent upon only a few industries). Offshore investments provide diversification and “insurance” against country-specific risks. In fact, if your house, job or business and government are all subject to the same country risks, then perhaps you should have all of your investments somewhere else. For example, people in northeastern Japan probably have nowhere to live, no job to go to Monday morning - and the financial resources of their government may be a little stretched at the moment! In that extreme situation, owning some offshore investments would be extremely useful. Owning some local property investments would not!

Fifthly, the transaction costs of trying to trade fluctuations in uncertain exchange rates via a share portfolio are high. If you buy Australian shares through

a stockbroker with settlement from a NZ dollar cash management account, then your broker will probably charge (a hidden) exchange rate margin of 1.0-1.5%. If you sell for settlement in NZ dollars then the broker makes another 1.0-1.5% exchange rate margin. Plus there is the regular brokerage cost and the bid/offer spread on the share quotes.

If you buy for long term investment (and when selling to re-invest in another Australian share, get settlement in Australian dollars) then this is a “one-off” exchange rate cost. It is not a good way to trade currencies.

If you want to speculate in forex (and we don't recommend this!!) then there is no shortage of online forex trading sites with much lower rates and very high leverage - which could quickly erode your capital!

We own shares to build our investment wealth over the medium to long term. Shares are a natural currency hedge, so exchange rate fluctuations will seldom impact upon our decision to Buy, Sell or Hold. When we have surplus cash, we look for the most attractive investments. If the cash is in NZ and the shares in Australia, then we buy A\$ and sell NZ\$ to settle that trade. At other times, investors may need to sell Australian shares to meet the need for cash in NZ. That will require selling A\$, buying NZ\$. In both situations we would spend a lot of time considering what shares to buy or sell - and little time worrying about the exchange rate.

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Auckland Int'l Airport	4.00	18-03	01-04	Full
Barramundi	1.92	09-03	11-03	-
Briscoe Group	6.00	24-03	31-03	Full
CDL Investments	1.20	29-04	13-05	Full
Cavalier Corporation	4.00	11-03	25-03	Full
Colonial Motor Company	7.00	25-03	04-04	Full
Contact Energy	11.00	11-03	31-03	Full
Ebos Group	13.50	08-04	21-04	Full
Fletcher Buildings	16.00	04-03	01-04	Nil
Freightways Holdings	7.25	11-03	25-03	Full
Hellaby Holdings	4.00	29-04	06-05	Full
Marlin Global	2.21	11-03	25-03	-
Michael Hill International	1.50	25-03	01-04	Nil
Northland Port	2.50	25-02	04-03	Full
Nuplex Industries	10.00	18-03	01-04	Nil
NZX Ltd	6.25	21-04	29-04	2.6786
Opus Consulting	4.30	11-03	01-04	Full
Port of Tauranga	10.00	11-03	25-03	Full
Property For Industry	2.425	07-03	17-03	0.2554
Pumpkin Patch	3.00	07-04	21-04	Full
Skellerup Holdings	2.00	18-03	31-03	Full
Sky Network TV	8.00	04-03	11-03	Full
South Port NZ	5.50	21-02	02-03	Full
Steel & Tube Holdings	6.00	11-03	31-03	Full
TeamTalk	10.00	08-04	15-04	Full
Telecom NZ	3.50	25-02	11-03	1.5000
Turners Auctions	6.00	31-03	07-04	Full
Turners Auctions special	6.00	31-03	07-04	Full
Turners & Growers	6.00	18-04	27-04	Nil
Vector Energy	6.75	31-03	14-04	2.8929
Vital Healthcare Properties	2.025	08-03	22-03	Nil
Warehouse Group	15.50	08-04	20-04	Full
<u>Australian Shares</u>				
Breville Group	9.50	08-03	08-04	
Cardno Ltd	17.00	07-03	25-03	
Cellnet Group	1.00	21-02	11-03	
Chandler Macleod Group	0.80	23-03	14-04	
Clarius Group	2.00	07-03	28-03	
CPT Global	1.50	24-03	15-04	
CSG Ltd	2.50	07-03	13-04	
Devine Ltd	1.00	15-03	31-03	
Fiducian Portfolio Services	5.00	07-03	18-03	
Iluka Resources	8.00	03-03	06-04	
Integrated Research	1.50	25-02	11-03	
M2 Telecommunications	7.00	16-03	14-04	
Melbourne IT	8.00	16-03	14-04	
Prophecy International	0.50	04-03	10-03	
TFS Corporation	1.25	30-05	17-06	
The Reject Shop	23.00	24-03	18-04	
Village Roadshow	8.00	16-03	05-04	
Village Roadshow special	12.00	16-03	05-04	

Total Return Index for All Listed Shares

Feb 14	1354.04	Feb 21	1355.40
Feb 15	1350.21	Feb 22	1341.13
Feb 16	1347.64	Feb 23	1337.06
Feb 17	1351.95	Feb 24	1335.44
Feb 18	1358.79	Feb 25	1334.81
Feb 28	1331.59	Mar 7	1342.33
Mar 1	1330.92	Mar 8	1341.35
Mar 2	1329.09	Mar 9	1339.83
Mar 3	1332.87	Mar 10	1344.13
Mar 4	1339.08	Mar 11	1336.27

Next Issue:

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