

Traffic Technologies (TTI)

Major Acquisition – Upgrade to Strong Buy

14 June 2006

Opinion Data

Recommendation	Strong Buy (from Buy)
Risk rating	High
Current share price	\$0.27
12 month target price	\$0.42 (from \$0.36)
12 month price range	\$0.35 - \$0.17
Market capitalisation	\$31m

Traffic Technologies (TTI) will acquire Guard Rail Installations (GRI), Australia's largest Guard Rail Installation company.

GRI will represent TTI's most significant acquisition and consideration of \$5.25m will represent an acquisition multiple of 4.4x's FY'06F EBIT.

The acquisition advances TTI's strategy in establishing a national 'one-stop' traffic management company.

- **Earnings impact.** Effective 1 July 2006 GRI will add EBITDA of \$1.4m / EBIT of \$1.2m to our FY'07F earnings.
- **Signage forecasts adjusted.** With transparency on earnings from TTI's De Neeffe signage yet to materialise we adjust our FY'07F EBITDA by (\$0.6m).
- **FY'07 EPS increase.** Net of our adjustment to Signage operations the acquisition of GRI lifts FY'07F EPS by 12.7%.
- **Further consolidation.** We believe managements focus in the medium term will be on extracting earnings from current operations.
- **Outlook.** Remains positive with TTI well positioned to benefit from recent federal budget which saw an additional \$2.3bn added to road spending.
- **Multiples.** FY'07F EPS of 3.6cps, P/E of 7.6x's and FY'08F EPS of 4.2cps and P/E of 6.5x's.
- **Valuation & Recommendation.** Our DCF valuation and target price has lifted by 11% to \$0.42/share (from \$0.36/share) and our recommendation is upgraded to a Strong Buy (from Buy).

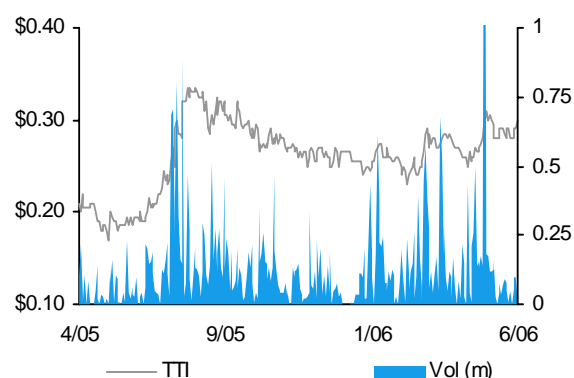
Earnings Forecasts

Y/E June	2005A	2006F	2007F	2008F
Revenue	18.7	55.2	95.6	104.3
EBITDA	0.4	1.7	6.8	8.9
EBIT	(0.6)	0.1	5.1	7.0
NPAT (reported)	(0.9)	(1.0)	4.0	4.7
NPAT (adjusted)	(0.9)	(0.2)	4.0	4.7
Adjusted EPS (cps)	(1.3)	(0.3)	3.6	4.2
EPS Growth (%)	n/a	n/a	n/a	17%
DPS (c)	n/a	n/a	n/a	1.0
Dividend Yield (%)	n/a	n/a	n/a	3.4
PE adj. (x)	n/a	n/a	7.6	6.5
EV / EBITDA (x)	43.0	18.6	5.8	3.9
EV / EBIT (x)	(39.3)	220.1	7.7	5.0
Gearing (%)	80.2	12.8	46.7	17.0
EBIT Margin (%)	(3.0)	0.3	5.3	6.7
Interest Cover (x)	(1.5)	0.4	9.1	9.9

Earnings Adjustments

Y/E June	2005A	2006F	2007F	2008F
Previous NPAT (\$m)			3.5	4.2
Change in NPAT(%)			15.8%	13.0%
Previous EPS (cps)			3.2	3.8
Change in EPS (%)			12.7%	10.4%

TTI Share Price / Volume



Contact Details

Warren Jeffries
 wjeffries@austock.com.au
 613 8601 2073

ACQUISITION OF GUARD RAIL INSTALLATIONS

Acquisition multiple	TTI will acquire Guard Rail Installations (GRI), the largest guard rail installer in Australia, for \$5.25m in cash, debt and equity (1.25m shares @ \$0.32). The transaction value represents 4.4x's FY'06F EBIT and is effective 1 July 2006.
Complimentary acquisition	The GRI acquisition will form the basis of TTI's new Asset Management division and compliments current divisions in Traffic Management and Signage. GRI has established installation and maintenance operations along the eastern seaboard which will immediately support TTI's current installation and maintenance operations located in Western Australia, South Australia and Canberra.
GRI forecasts	GRI is forecast to generate FY'06 EBITDA of \$1.4m, EBIT of \$1.2m and NPAT of +\$0.8m lifting to forecast FY'07 EBITDA of \$1.6m, EBIT of \$1.4 and NPAT of \$1.0m.
Earnings Impact FY'07F	FY'07F net EBITDA uplift of \$0.8m derived from GRI \$1.4m and De Neefe Signs (\$0.6m) represents a net EPS lift of 12.7%.
Balance Sheet impact	The acquisition will lift FY'07F gearing to 47% leaving little short-term acquisition capacity. TTI will assume GRI receivables which will prevent a short-term spike in working capital on settlement in early FY'07.

Austock Forecasts

Y/E 30 June \$(m) unless stated	FY'06F Orig	FY'06F Revised	Comment	FY'07F Orig	FY'07F Revised	Comment	FY'08F
Revenues	54.2	55.2		76.4	95.6	<i>GRI & revenues lifting</i>	104.3
Divisional EBITDA							
- Traffic Management	2.9	2.8	<i>Pro-tech delayed 1-month</i>	4.1	4.1		4.8
- Signs	0.5	0.5	<i>Progressing</i>	2.9	2.3	<i>Conservative on De Neefe</i>	3.0
- Asset Mgt (Guard Rail)	0.0	0.0		0.0	1.4		1.6
- Unallocated/other	(1.3)	(1.7)	<i>Acquisition due diligence</i>	(1.0)	(1.0)		(0.6)
Total EBITDA	2.2	1.7		6.0	6.8		8.9
Depn & Ammort	(1.3)	(1.6)	<i>Ahead of expectations</i>	(1.6)	(1.8)	<i>Higher asset base</i>	(1.9)
EBIT	0.8	0.1		4.6	5.1		7.0
NPAT - underlying	0.3	(0.2)		3.5	4.1		4.7
Sig. Items	(1.2)	(0.8)	<i>De Neefe restructuring</i>	0.0	0.0		0.0
NPAT - reported	(0.9)	(1.0)		3.5	4.0		4.7
EPS - underlying	0.5	(0.3)		3.2	3.6	<i>GRI +12% accretive</i>	4.2

Source: Company financials & Austock Securities estimates

FY'06F refined	<ul style="list-style-type: none"> Pro-tech acquisition will now be settled 1 July 2006 (initially expected 1 June 2006). Unallocated costs, +\$0.4m, reflects additional due diligence on acquisitions, while \$1.2m set aside for restructuring of De Neefe is expected to be capped at \$0.8m
Earnings Impact FY'07F	<ul style="list-style-type: none"> A \$0.6m reduction in our FY'07F EBITDA for Signage reflects uncertainty on the timing of earnings materialising from the De Neefe operation.

GUARD RAIL - SNAPSHOT

Established over 5-years ago Guard Rail Installations (GRI) supplies and installs steel and wire rope guard rails and barriers and operates along the eastern seaboard with +40 staff and a fleet of 22 vehicles.

Product offering

GRI provides both permanent and temporary barriers. Permanent barriers include guard rail & wire rope safety systems, fabricated bridge rail, crash cushions and box beam rail.



Picture: Wire Rope Safety System.

Immediate revenue synergy benefits

GRI will also be able to expedite the distribution of TTI's Barrier Guard 800 temporary barriers (*which carries a TL-4 safety rating, the highest rating in Australia for a temporary barrier*). TTI has exclusive distribution rights domestically for the Barrier Guard 800.

Customers

Includes Roads and Traffic Authorities, Vic Roads, Main Roads Authorities, government authorities, contractors, developers and councils.

Two notable competitors

Saferoads (SRH: \$1.20) – competes with TTI in the same market segment but only has a 15% overlay of product offerings (*bollards, cones, and barriers*). We estimate revenues of ~\$5m p.a. are attributable to barriers.

Coates Hire (COA: \$6.15) – Coates through their subsidiary, Coates Shorco compete directly with TTI in the barrier installation market. We estimate revenues of +\$25m.

COA source their water filled barriers from Saferoads. We believe water filled barriers are certified to TL-2 standards versus TTI's Barrier Guard TL-4 rating.

Management retained

Vendor and founder of GRI, Shean Gannon (45 y.o), is contracted for a further 12 months and has a 4 year non-compete clause. Shean is civil engineer that worked formerly with Vic Roads.

Financials

GRI revenues are derived ~50% from the supply of barrier products and 50% from the installation and maintenance of products.

On being acquired by GRI had debt exposure of a modest \$0.5m in lease liabilities and WC requirements in-line with TTI current operations.

Guard Rail Financials

Y/E 30 June

<i>\$(m) unless stated</i>	FY'04A	FY'05A	FY'06F
Revenue	5,911	7,331	12,000
EBIT	308	673	1,200
EBIT %	5.2 %	9.2 %	12%

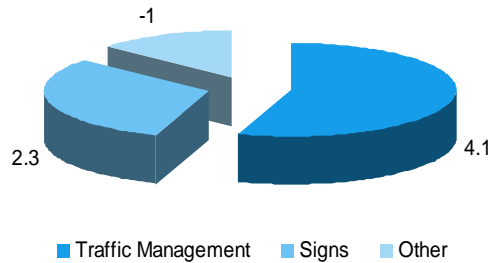
Source: Company financials

Earnings base expanded

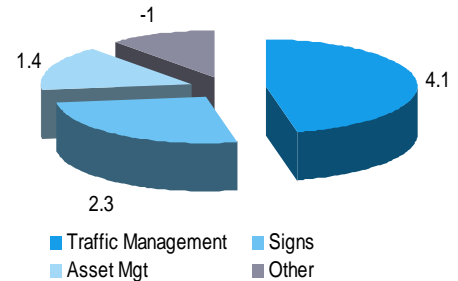
The acquisition of GRI continues the expansion TTI's current earnings base.

We believe further initiatives to develop a signals & hardware operation are likely to be established internally by leveraging into existing traffic management offering.

FY'07F EBITDA split pre-acquisition



FY'07F EBITDA split post-acquisition



Source: Company financials & Austock estimates

UPDATE ON CURRENT BUSINESS

Traffic Management. TTI's traffic management operations are benefiting from Australia's high level of infrastructure spending, road works and increased regulation for the provision of traffic management services.

The business is seeing predictable demand for its services and benefiting from significant contracts, which most recently include a 3-year deal for the Mitcham-Frankston toll-road.

TTI is also well positioned to benefit from Brisbane's 15 year Transport plan (2002-2016) given a strong presence in Queensland with their wholly owned subsidiary TSA and now GRI.

We believe TTI has been involved in tendering for the North-South Bypass Tunnel (Brisbane) with the project cost estimated at \$1-1.5bn.

2006 Federal Budget positive

An additional \$2.3bn in roads spending was announced in addition to further funding for local council to upgrade roads taking total funding to mid 2009 up to ~\$15bn. In many cases the governments funding is between 50-80% of the project cost.

Signage operations (manufacturing)

Signs (De Neefe & Sunny Signs). Management have spent ~\$0.8m on restructuring De Neefe operations and the business has seen revenues stabilise and the profitability move to a break-even situation.

A number of management changes have taken place at De Neefe (Melbourne based annualised revenues of +\$30m) and the acquisition of Sunny Signs (Western Australian based with Annualised revenues of +\$6m) will assist with the restructuring and over all profitability of the sign manufacturing business.

Note: Sunny Signs was acquired in March 2006 or \$2.2m which represented 3.6x's FY'06F EBIT. Sunny has FY'06F revenues of \$6.0m and EBIT of \$0.6m.

Earnings certainty not yet apparent

With transparency on earnings yet to fully materialise our (\$0.6m) pull-back in FY'07F EBITDA reflects a conservative view on the timing of De Neefe moving to sustained profitability.

BACKGROUND – TRAFFIC TECHNOLOGIES

Consolidation strategy

TTI has to-date been aggressively consolidating the traffic management industry and acquiring complementary businesses to establish a fully integrated traffic management operation.

What is traffic management

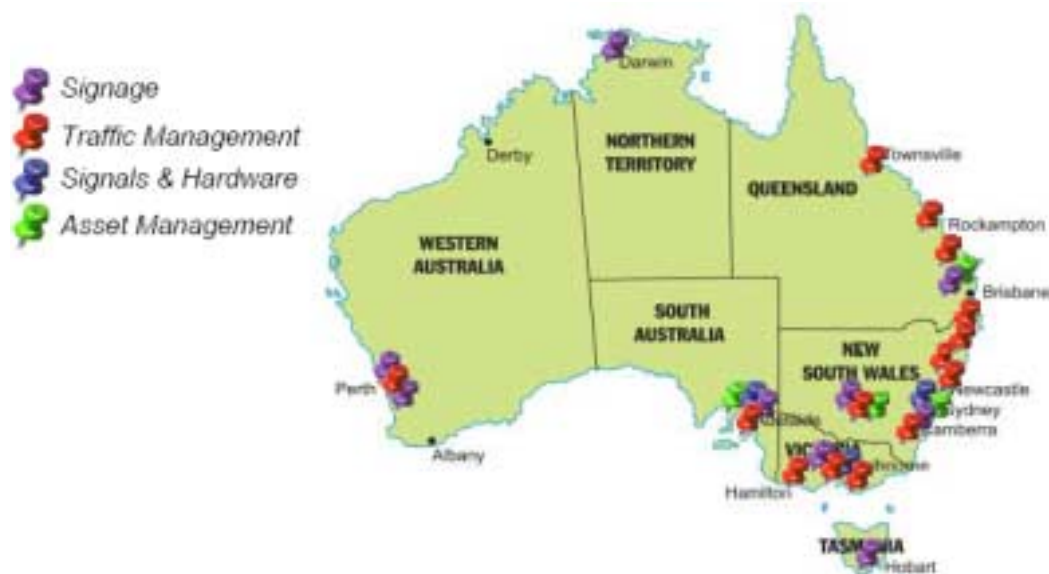
Traffic management incorporates the use of directional traffic controllers to create orderly traffic flow in the event of road disruptions, construction projects and major events.

One-stop-shop offering

TTI seeks to operate in all four segments of the broader traffic management industry (*market size estimated at +\$600m*) which in addition to traffic management includes signals & hardware, signage & line marking.

NATIONAL FOOTPRINT

TTI's national footprint evolving



Source: TTI

FINANCIALS

CASHFLOW & BALANCE SHEET

Cashflows. Given the high level of labour costs involved in traffic management new contracts usually result in a 6 – 8 week lag before the cash benefit of new business cycles in with normal operations.

Average receivable are 45 days from invoice to payment

Our FY'07F OCF of \$1.0m, against EBITDA of \$6.8m, reflect expectations of continued organic revenue growth within TTI's Traffic Management operation.

Management are able to factor invoices to ensure cash funds are available. This facility utilised when new contracts or acquisitions become effective.

Debt. Gearing is forecast at 47% for FY'07 with cash consideration for Pro-tech and GRI, ~\$6.0m combined, being settled in the 1H'07.

Note: \$2m in convertible notes are convertible to equity at \$0.26/share, 7.7m shares, and have been included in fully diluted shares on issue.

Traffic Technologies

NFPOS 112 m Price \$ 0.27
Market Cap \$30 m

14-Jun-06

14-Jun-06

PROFIT & LOSS (\$m)

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Sales Revenue	18.7	55.2	95.6	104.3	111.3
EBITDA	0.4	1.7	6.8	8.9	10.4
D & A	0.9	1.6	1.8	1.9	2.0
EBIT	(0.6)	0.1	5.1	7.0	8.4
Net Interest Expense	0.4	0.4	0.6	0.7	0.3
PBT	(0.9)	(0.2)	4.5	6.3	8.1
Income Tax	0.0	0.0	0.5	1.6	2.4
NPAT - pre-abnormals	(0.9)	(0.2)	4.0	4.7	5.7
Abnormals	0.0	(0.8)	0.0	0.0	0.0
NPAT - reported	(0.9)	(1.0)	4.0	4.7	5.7

BALANCE SHEET (\$m)

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Cash	1.0	5.4	1.3	3.0	3.8
Debtors	4.2	9.4	15.3	16.7	17.2
Inventory	0.1	3.9	6.2	6.8	7.2
Intangibles	5.2	7.4	13.9	13.9	13.9
PP&E	3.3	2.9	3.9	3.0	2.0
Other assets	1.0	0.5	1.0	1.1	1.2
Total Assets	14.8	29.5	41.6	44.5	45.4
Borrowings	5.4	7.4	10.4	7.4	1.4
Trade Creditors	3.0	5.5	9.6	9.4	8.9
Other Liabilities	0.5	1.8	1.8	1.7	1.6
Total Liabilities	9.3	14.8	21.8	18.5	11.9
NET ASSETS	5.4	14.7	19.8	26.0	33.5

CASHFLOW STATEMENT (\$m)

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Operating EBITDA	0.4	1.7	6.8	8.9	10.4
- Interest & Tax Paid	0.4	0.4	1.1	2.3	2.7
- Inc in Working Cap./ other	0.0	6.2	4.7	2.3	1.7
Operating CF	(0.0)	(4.8)	1.0	4.3	6.0
- Maintenance Capex	(0.2)	0.3	(2.8)	(1.0)	(1.0)
Free Cashflow	(0.2)	(4.6)	(1.7)	3.3	5.0
- Ord & Pref Dividends	-	-	-	-	-
- Expansion Capex	-	-	-	-	-
- (Acquisitions)/disposals	(5.9)	(3.1)	(6.5)	-	-
+ Share issues	6.0	10.1	1.1	1.5	1.9
- other	(0.9)	-	-	-	-
Net Cashflow	(1.0)	2.4	(7.1)	4.8	6.8
Cast at beginning of period	-	1.0	5.4	1.3	3.0
+/-Borrowings / Other	2.1	2.0	3.0	(3.0)	(6.0)
Cash at end of period	1.2	5.3	1.3	3.0	3.8

FULL YEAR DIVISIONAL SALES

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Sales					
Traffic Management	18.6	32.0	41.9	45.7	49.4
Sign Division		22.8	39.2	42.0	44.0
Asset Management			14.0	15.5	16.9
Other	0.2	0.4	0.5	1.2	1.0
Total	18.8	55.2	95.6	104.3	111.3
Sales growth					
Traffic Management		72%	31%	9%	8%
Sign Division			72%	7%	5%
Asset Management			20%	10%	9%
Other					
Total		194%	73%	9%	7%

INTERIM ANALYSIS (\$m)

Y/E 31 December	2H05	1H06	2H06	1H07	2H07
Sales	11.2	23.8	31.7	46.0	49.7
EBITDA	0.3	0.5	1.2	3.0	3.9
EBIT	(0.4)	(0.2)	0.3	2.2	3.0
NPAT	(0.3)	(0.5)	0.3	1.6	2.3
EPS (c)	(2.4)	(0.7)	0.4	1.5	2.1
DPS (c)	-	-	-	-	-

KEY RATIOS

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
EBITDA Margin (%)	2.0	3.1	7.2	8.5	9.3
EBIT Margin (%)	(3.0)	0.3	5.3	6.7	7.6
NPAT Margin (%)	(5.0)	(0.4)	4.2	4.5	5.1
ROE (%)	(17.2)	(1.4)	20.4	18.2	17.0
ROA (%)	(4.1)	0.6	12.6	16.8	20.2
ROIC (%)	(4.2)	1.1	19.6	17.6	19.1
NTA per share (\$)	0.01	0.07	0.05	0.11	0.17
Eff Tax Rate (%)	-	-	12.0	25.0	30.0
Interest Cover (x)	(1.5)	0.4	9.1	9.9	28.0
Net Gearing (%)	80.2	14.0	46.7	17.0	7.3

VALUATION PARAMETERS

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Adjusted EPS (cps)	(1.3)	(0.3)	3.6	4.2	5.0
P/E (x)	(20.5)	n/a	7.6	6.5	5.3
PER Rel (XOI)	(212%)	n/a	(55%)	(66%)	(70%)
PER Rel - Small Indust.	(191%)	n/a	(61%)	(59%)	(64%)
Enterprise Value (\$m)	16	32	39	35	28
EV / EBITDA (x)	43.0	18.6	5.8	3.9	2.7
EV / EBIT (x)	(29.3)	220.1	7.7	5.0	3.3
Price / NTA (x)	49.2	4.1	5.2	2.5	1.5
DPS (cps)	-	-	-	1.0	1.0
Dividend Yield (%)	-	-	-	3.7	3.7
Franking (%)	100	100	100	100	100
CFPS (cps)	(0.0)	(4.3)	0.9	3.8	5.3
P / CFPS (x)	(4,163.1)	(6.3)	29.8	7.1	5.1

DCF VALUATION & SENSITIVITY

PV Forecast CF (05-08)	7	Risk Free Rate	6.0%
PV Growth CF (09-14)	17	Equity Risk Premium	5.0%
PV Perpetuity	33	Equity Beta	1.5
Other net assets		Cost of Equity	13.6%
Total	57	D/(D+E)	45%
Less Net Debt	9	WACC	11.6%
NPV (\$m)	48	Terminal WACC	12%
NPV per share	\$ 0.42	Terminal Growth	3.0%

Terminal WACC

Rate	10.7%	11.2%	11.7%	12.2%
0.0%	\$ 0.37	\$ 0.36	\$ 0.35	\$ 0.34
1.0%	\$ 0.39	\$ 0.38	\$ 0.37	\$ 0.36
1.5%	\$ 0.41	\$ 0.39	\$ 0.38	\$ 0.37
2.5%	\$ 0.44	\$ 0.42	\$ 0.41	\$ 0.39
3.0%	\$ 0.46	\$ 0.44	\$ 0.42	\$ 0.41
4.0%	\$ 0.51	\$ 0.48	\$ 0.46	\$ 0.44

GROWTH PROFILE (YoY)

Y/E 31 December	2005A	2006F	2007F	2008F	2009F
Sales revenue (\$m)	0%	196%	73%	9%	7%
EBITDA (\$m)	0%	347%	302%	30%	17%
NPAT (\$m)	0%	n/a	n/a	18%	21%
Adjusted EPS (cps)	0%	n/a	n/a	18%	21%
DPS (cps)	0%	0%	0%	0%	0%

DIRECTORS

Mr Sam Kavourakis	Chairman	Mr Alan Brown	Non-Exec
Mr Con Scrinis	MD	Mr. Cary Stynes	Non-Exec
Mr Con Liosatos	MD	Dr Richard Gregson	Non-Exec

MAJOR SHAREHOLDERS

	(m)	(%)
Equity Partners Two Pty Ltd	31.7	32.3
Contelite	7.3	6.9
Astra Glen	7.2	6.8
CVC	3.1	3.2

Directory

John Wheeler 613 8601 2037 **Managing Director**

Equities Research Team

Melbourne

Ryan Whitelegg	613 8601 2045	Director, Head of Research
John Burgess	613 8601 2051	Consumer Services
Andrew Chambers	613 8601 2605	Infrastructure Analyst
David Grossman	613 8601 2616	Analyst
Warren Jeffries	613 8601 2073	Emerging Companies
Paul Jenz	613 8601 2068	Agribusiness & Science
Brooke McNamee	613 8601 2064	Research Administrator
Maribel Quiza	613 8601 2085	Research Administrator
Craig Stranger	613 8601 2010	Emerging Companies
Chris Wiltshire	613 8601 2680	Assistant Analyst

Sydney

Tim Gerrard	612 9233 9603	Resources
Dave Gulson	612 9233 9637	Assistant Analyst
Hunter Hillcoat	612 9233 9604	Resources
Nick Rehak	612 9233 9612	Emerging Companies
James Whelan	612 9233 9601	Assistant Analyst

Institutional Sales

Sydney

Peter Curtis	612 9233 9605	Director, Head of Institutional Sales
Roderick Clarkson	612 9233 9608	Institutional Research Sales
Rebecca Constable	612 9233 9602	Dealer's Assistant
Ailinh Ginh	612 9233 9602	Dealer's Assistant
Leo Borovilas	612 9233 9606	Institutional Sales Trading
Greg Peacock	612 9233 9614	Institutional Research Sales
Graeme Philipson	612 9233 9610	Seats Operator
Stephen Smith	612 9233 9629	Institutional Sales Trading
Gavin Todd	612 9233 9639	Institutional Research Sales
James Wilson	612 9233 9607	Institutional Research Sales

Melbourne

Sandy Milne	613 8601 2081	Institutional Research Sales
Tony Smith	613 8601 2041	Institutional Research Sales
Michael Tinsley	613 8601 2050	Seats Operator
Chris Walker	613 8601 2038	Institutional Research Sales
Peter Ward	613 8601 2099	Institutional Research Sales
Robert Wood	613 8601 2031	Institutional Sales Trading

London

Alastair Barr	+44 207 233 1717	Head of Australian Equities
Todd Hadden	+44 207 233 1717	Australian Research Sales

Retail Sales

Melbourne

Craig Sharpe	613 8601 2023	Head of Retail Sales
John Axsentieff	613 8601 2042	Senior Client Advisor
Marshall Biggins	613 8601 2047	Options Strategist
Elizabeth Bing	613 8601 2018	Client Advisor
Peter Cuthbertson	613 8601 2096	Client Advisor
Nick Fitzsimmons	613 8601 2029	Client Advisor
Kate Hanrahan	613 8601 2058	Client Advisor
Michael Heffernan	613 8601 2053	Senior Client Advisor
Peter Hollick	613 8601 2011	Senior Client Advisor
Peter King	613 8601 2002	Client Advisor
Mark Leslie	613 8601 2076	Client Advisor
Peter Mason	613 8601 2015	Client Advisor
Andrew McWilliam	613 8601 2048	Operator
Enzo Salvatore	613 8601 2014	Senior Client Advisor
Simon Taylor	613 8601 2069	Client Advisor
Fook Seng Thong	613 8601 2021	Client Advisor
James Yelland	613 8601 2094	Client Advisor
Anthony Zaita	613 8601 2084	Client Advisor

Sydney

Alan Birkenleigh	612 9233 9625	Head of Retail Sales
Matthew Burnett	612 9233 9609	Client Advisor
Adam Schlipalius	612 9233 9616	Client Advisor
Ian Schlipalius	612 9233 9621	Senior Client Advisor
Oliver Ward	612 9233 9622	Client Advisor

Brisbane

Chris Claridge	617 3361 3301	Office Manager
Ashley Brandon	617 3361 3304	Client Advisor
Garry Byrnes	617 3361 3305	Senior Client Advisor
Patrick Trindade	617 3361 3302	Client Advisor

Austock Corporate Finance Limited

Jonathan Tooth	613 8601 2006	Director, Head of Corporate Finance
James Andronis	613 8601 2001	Director
Vin Harink	613 8601 2026	Director
Kate Hatton	613 8601 2025	Corporate Transactions
Chris Heffernan	613 8601 2614	Corporate Analyst
Harry Kingsley	613 8601 2089	Associate Director
Natino Malvaso	613 8601 2019	Corporate Analyst
Katy McDonald	613 8601 2013	Corporate Assistant
Miron Meydan	613 8601 2077	Associate Director
Paran Ramakrishnan	613 8601 2004	Corporate Analyst
Matt Reid	613 8601 2016	Associate Director
Anthony Stani	613 8601 2017	Director
Henry Townsing	613 8601 2620	Corporate Analyst
Sydney		
Michael Cawley	612 9233 9623	Associate Director

OFFICE LOCATIONS AND DISCLOSURE

Melbourne

Level 1, 350 Collins Street
 Melbourne VIC 3000

Phone: 613 8601 2000
 Fax: 613 9600 1138

Sydney

Level 29, 20 Bond Street
 Sydney NSW 2000

Phone: 612 9233 9600
 Fax: 612 9233 2099

Brisbane

Level 3, 100 Eagle Street
 Brisbane QLD 4000

Phone: 617 3361 3300
 Fax: 617 3229 4305

Recommendation Criteria

Investment View

Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Strong Buy	Buy	Hold	Lighten	Sell
20% +	20% - 5%	5% - (5%)	(5%) - (15%)	(15%)+

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of Warren Jeffries about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

In addition, Warren Jeffries certifies that none of the following persons holds an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence the report:

- the author of this report;
- a member of the immediate family of the author of this report ;
- Austock Securities Limited;
- an associate of Austock Securities Limited within the meaning of the Corporations Act.

Disclaimer/Disclosure

This publication has been prepared solely for the information of the particular person to whom it was supplied by Austock Securities Limited ("Austock") AFSL 244410. This publication contains general securities advice. In preparing the advice, Austock has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. Austock and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. Austock believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Austock or any of its directors, employees or agents. This publication must not be distributed to retail investors outside of Australia.

Disclosure of Corporate Involvement

In the last 12 months the company identified in this publication has paid fees to Austock or related entities. The corporate relationship might reasonably be expected to be capable of influencing Austock in providing the general advice in this publication.

Austock Securities reports are available on Bloomberg and www.austock.com.au