

## Beats guidance and looking good for FY12

### Investment Summary

- CWP reported an Adjusted NPAT of \$29.0m for FY11, up 54% pcp and 4% ahead of guidance. Underlying EPS was also up 50%.
- Sales revenue grew by 21% pcp, gross margins increased from 45% to 46%, and EBIT margins increased from 26% to 32%. The group is still benefiting from the outperformance of a few projects, in particular Williams Landing. Understandably the group's Mandurah projects are presently weak.
- Directors have given FY12 NPAT guidance of \$34m, up 16% on adjusted profit, which looks very achievable given FY12 pre-sales already exceed all of last years sales. It's worth remembering that CWP has a very good track record of always beating its guidance!
- The balance sheet is strong. Current gearing is only 24% and the company's \$110m corporate finance facility with ANZ is available until 30 August 2013.
- We have increased our FY12 and FY13 eps estimates by 7% and 3% respectively. However since our last report share prices for listed developers have fallen substantially. Average FY12 P/E's are now 7x, down from 10x. In addition we have increased our equity risk premium on our DCF from 5% to 7%. These changes cause our price target to fall from \$5.00 to \$3.99. Some of this is due to the elimination of a takeover premium we had.
- Despite the lower price target CWP remains a BUY recommendation, especially so given the current attractive yield of 7.5%.

23 August 2011

#### 12mth Rating

		BUY
Price	A\$	3.71
Target Price	A\$	3.99
12m Total Return	%	15.0

RIC: CWP.AX

BBG: CWP AU

Shares o/s	m	61.8
Free Float	%	70.0
Market Cap.	A\$m	229.3
Net Debt (Cash)	A\$m	49.7
Net Debt/Equity	%	33.6
3m Av. D. T'over	A\$m	0.16
52wk High/Low	A\$	5.02/2.38
2yr adj. beta		0.61

#### Valuation:

Methodology		DCF & P/E
Value per share	A\$	3.99

#### Analyst:

Jonathan Kriska

#### Phone:

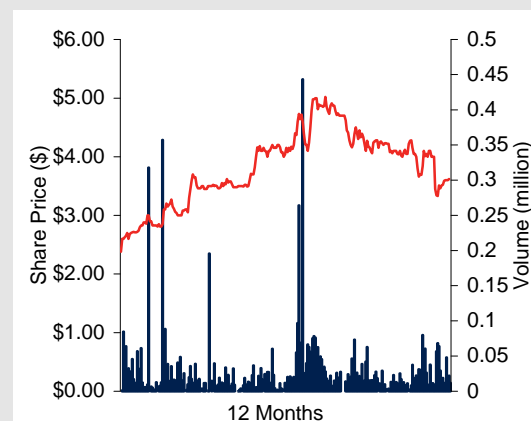
(+61 2) 8238 6245

#### Email:

jkriska@psl.com.au

Year End June 30	2010A	2011A	2012F	2013F	2014F
Reported NPAT (\$m)	17.2	28.1	34.2	37.1	40.7
Recurrent NPAT (\$m)	18.9	29.1	34.2	37.1	40.7
Recurrent EPS (cents)	31.6	47.5	55.3	60.1	65.9
EPS Growth (%)	17.4	50.3	16.4	8.5	9.8
PER (x)	11.7	7.8	6.7	6.2	5.6
EBITDA (\$m)	27.9	41.2	50.5	54.3	59.2
EV/EBITDA (x)	9.4	6.9	5.6	5.2	4.8
Free Cashflow	17.8	(7.0)	21.3	23.3	25.9
FCFPS (cents)	29.9	(11.4)	34.5	37.7	41.9
PFCF (x)	12.4	(32.6)	10.8	9.9	8.9
DPS (cents)	13.0	23.0	27.7	30.0	33.0
Yield (%)	3.5	6.2	7.5	8.1	8.9
Franking (%)	100.0	100.0	100.0	100.0	100.0

#### 12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	18.4	39.7	84.5
Rel. S&P/ASX 300	19.8	36.4	85.3

## Highlights

### Headline Numbers

CWP reported an Adjusted NPAT of \$29.0m for FY11, which was up 54% on pcp. This was in line with our estimates and 4% ahead of guidance. Underlying EPS was 47.5 cents, up 50%. As previously identified by management, FY11 was very much skewed to the 1H, where adjusted NPAT was \$25.0m. DPS was also up 77% following a lift in the payout ratio to 48% (was 41%).

### Guidance

Directors have given FY12 NPAT guidance of \$34m, up 21% from FY11.

**Figure 1: Performance**

\$millions	FY10	FY11	Change
Revenue	47.6	58.7	21%
NPAT Reported	17.2	28.0	63%
NPAT Adjusted	18.8	29.0	54%
EPS Adjusted	31.6	47.5	50%
Weighted average no. shares	59m	61m	
DPS	13.0	23.0	77%

Source: Patersons

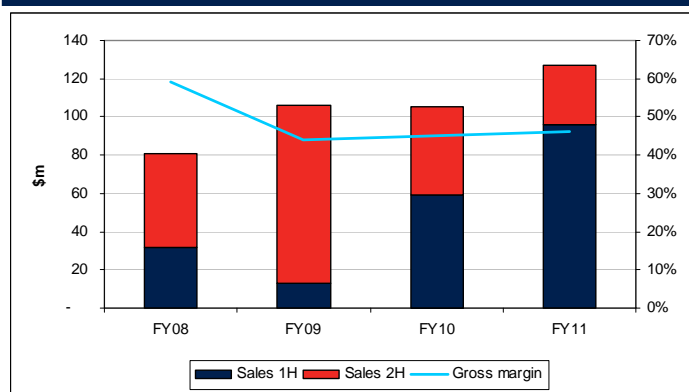
Overall revenue grew by 21% pcp, gross margins increased from 45% to 46%, and EBIT margins increased from 26% to 32%.

The result was particularly supported by strong sales rates and price increases in the Melbourne market. While the Western Australian property market was steady over the year, performance differed markedly from sector to sector.

While measuring CWP's performance on number of lot settlements is not really relevant given the unhomogenised nature of its product, we do note a slight decrease in lots settled during the period, from 620 to ~600 lots.

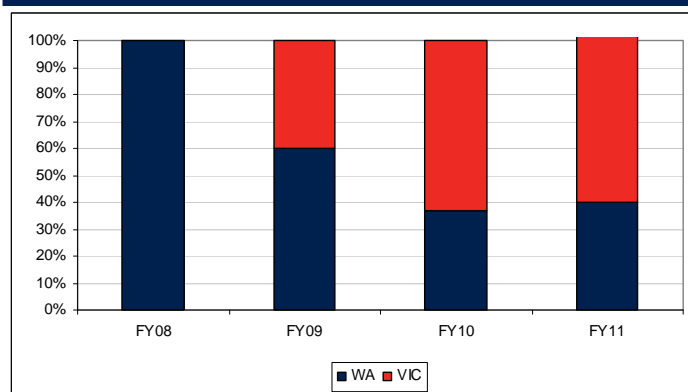
Management advised that earnings were roughly split 60% from VIC and 40% from WA. This trend is expected to continue until FY13 when a number of new WA projects will skew earnings back towards that state.

**Figure 2: Sales & Gross Margin**



Source: Patersons

**Figure 3: Lot Sales by geography**



Source: Patersons

## Individual Project Commentary from management

"At Williams Landing, the company recorded more than 200 settlements in FY2011. Builders have committed to the new display village comprising 51 display homes, with many of Melbourne's premium home builders to be represented."

Early planning approval has been granted for the Realm Camberwell project, and the tender for construction of almost eighty premium dwellings is complete. A registration of interest campaign has commenced and a number of presales contracted. Subject to achieving a satisfactory number of presales, construction of the first stage is anticipated to commence in 2012.

At Banbury Village in Footscray, construction and settlement for several stages of housing, comprising 53 dwellings has been completed since the start of the project.

Several stages of lots have also now been completed and settled at Carlingford estate at Lalor, 17kilometres north of Melbourne's CBD.

Construction of the final stage at The Kestrels in Tapping was completed during the year, and there are now only 8 parkside lots remaining which are expected to sell during FY2012.

The second release of Harrisdale Green, a joint venture for the development and sale of land owned by the Western Australian Department of Housing, was well received with only a handful of lots now remaining. Construction of this stage is also progressing on schedule as are plans for future land releases and a group housing project known as 'Essence', comprising 28 townhouses, villas and apartments.

At The Rivergums in Baldivis, significant progress was made progressing Stage 8 during FY2011, with construction commencing in June 2011.

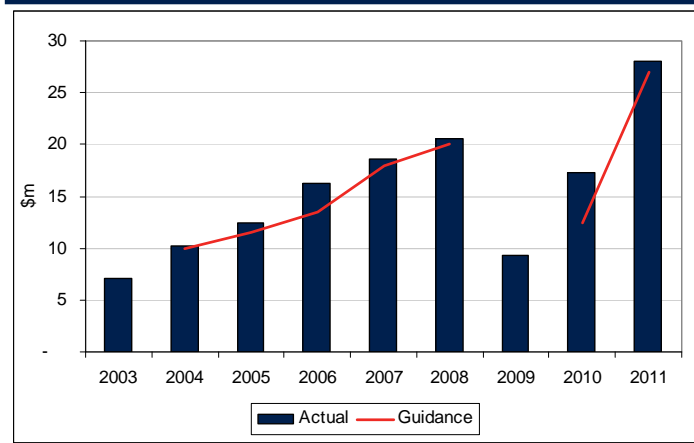
Sales at the company's syndicated Emerald Park project in Wellard are progressing steadily, and the release of stage 3 in the second half of FY2011 was well received due, in part, to increased awareness generated by the display village opened during the year.

Construction at The Jetty apartments in Rockingham is complete and settlements commenced in July 2011. The display apartment was commissioned in April 2011 and has received very positive feedback from prospective buyers and the broader community. There is now only one apartment remaining for sale, a very good result in a challenging market."

## CWP continues to beat guidance and deliver strong ROE

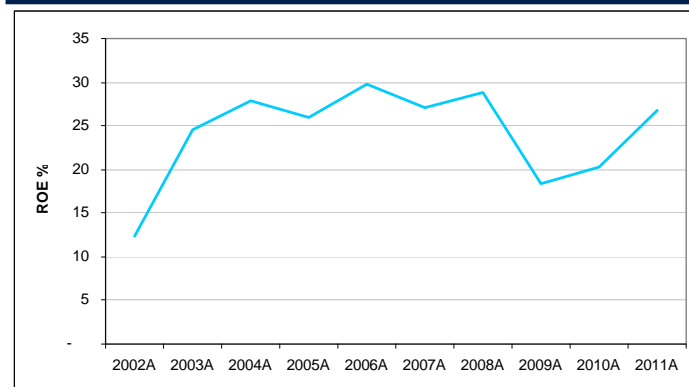
CWP continues has a solid history of beating its profit guidance and delivering a strong return on equity (ROE) to shareholders.

Figure 4: Profit Guidance vs. Actual



Source: Patersons

Figure 5: Return on Equity

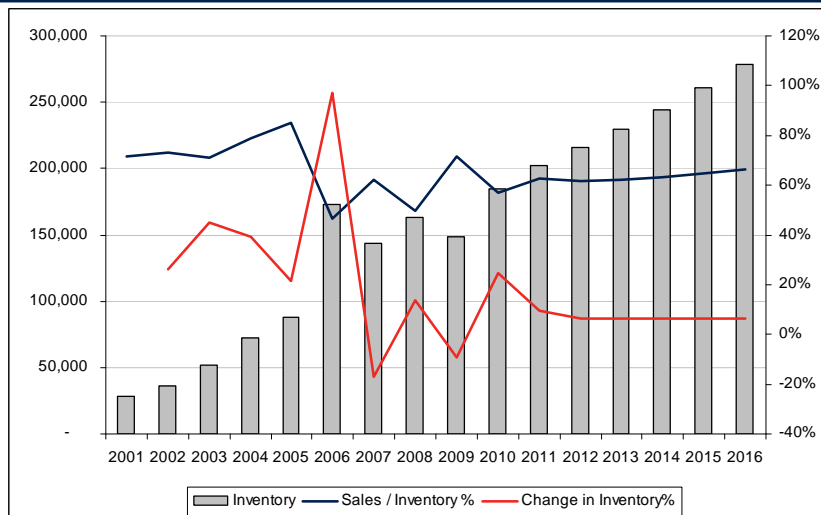


Source: Patersons

## Development pipeline remains strong

During FY11 CWP made \$47.7m in new land acquisitions. CWP's land bank is roughly 10,400 lots (value of \$2.0 billion) with an average age of 10 years.

**Figure 6: Inventory Analysis**



Source: Patersons Securities

## Strong Capital Position

CWP's capital position is strong.

Group gearing (net debt /equity) is only 24%, at the lower end of the company's target range of 20%-75%.

The company's \$110m corporate finance facility with ANZ is available until 30 August 2013, of which only \$60.5m is drawn, providing ample capacity to fund operations and growth.

## Outlook

Management's comments were:

*"The company anticipates another record profit in FY2012, underpinned by \$130 million of presales already in place. With a busy summer period anticipated, there will be a number of significant stages settling in the third quarter and hence the net profit will be significantly weighted to the second half of FY2012. The company is forecasting a net profit after tax of approximately \$34m in FY2012, assuming the company's sales continue at current levels, an increase of 21% over FY2011."*

This guidance certainly looks achievable given the high level of pre-sales (note these already exceed all of FY11 sales). The bigger question is what happens in FY13 and beyond. Management is non committal on this so we have assumed only 10% NPAT growth in future periods.

## Patersons Estimates & Valuation

Following this result we have lifted our FY12 estimates by 7% and FY13 by 3%. Our medium term forecasts assume average sales growth of 9% p.a. and stable margins. This leads to 5yr avg eps growth of 11%, slightly above management's target of 10%.

However over the past few months there has been a noticeable fall in the share prices of most listed residential developers. The forecast average P/E across the sector is now only 7x, down from 10x a few months ago. Accordingly our P/E relative valuation now falls from \$4.67 to \$3.87 (we now use a 7x P/E, was 9x).

In addition we have increased our equity risk premium from 5% to 7% for our DCF valuation. Our new DCF valuation is \$4.10 (was \$4.68).

Taking these two valuations into consideration we now adopt a \$3.99 price target, down from the previous level of \$5.00, which included a takeover premium. We have also considered the current yield of 7.5%.

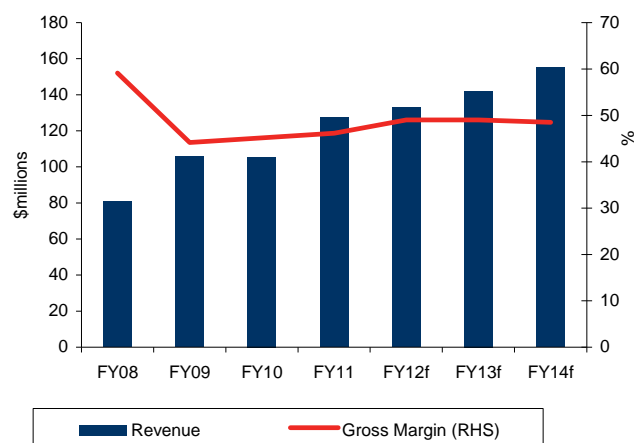
Accordingly our recommendation remains a BUY.

**Figure 7: Comparables**

Company	Code	Market Cap (\$m)	Price	EPS			P/E	
				FY11	FY12	EPS Gwth	FY11	FY12
Stockland	SGP	6,767.8	\$2.86	31.5	31.6	0%	9.1x	9.1x
Mirvac	MGR	3,570.7	\$1.05	10.6	10.5	-1%	9.9x	10.0x
Australand	ALZ	1,297.9	\$2.24	23.4	24.5	5%	9.6x	9.1x
Peet Limited	PPC	368.9	\$1.15	15.0	16.4	9%	7.6x	7.0x
FKP Group	FKP	539.2	\$0.47	8.4	11.4	36%	5.5x	4.1x
Devine Limited	DVN	139.7	\$0.22	3.4	3.7	9%	6.5x	5.9x
Sunland	SDG	138.3	\$0.61	8.3	11.0	33%	7.3x	5.5x
GEO Property	GPM	68.1	\$0.83	16.0	18.0	13%	5.2x	4.6x
<b>Average</b>						<b>13%</b>	<b>7.6x</b>	<b>6.9x</b>
<b>Cedar Woods</b>	<b>CWP</b>	<b>229.3</b>	<b>\$3.71</b>	<b>47.5</b>	<b>55.3</b>	<b>16%</b>	<b>7.8x</b>	<b>6.7x</b>

Source: Patersons

Cedar Woods Properties Ltd (CWP)				\$3.71
Cash Flow (\$m)	2011A	2012F	2013F	2014F
<b>Operating Cashflow</b>	-7.0	21.3	23.3	25.9
Capex	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Acquisitions	-1.7	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Investing Cashflow</b>	-1.7	0.0	0.0	0.0
Equity Raised	0.0	0.0	0.0	0.0
Increase (Repay) Debt	15.8	0.0	0.0	0.0
Distributions Paid	-7.3	-15.9	-17.7	-19.3
Other	0.0	0.0	0.0	0.0
<b>Financing Cashflow</b>	8.5	-15.9	-17.7	-19.3
Change in Cash Held	-0.2	5.4	5.6	6.6
<b>Closing Cash Balance</b>	0.4	5.8	11.4	17.9

**Revenue & Margins****Valuation**

P/E Multiple	DCF
FY12 EPS	55.3 Beta 1.2
P/E Multiple	7x WACC 11.3%

**Valuation:** \$ 3.87 **Valuation:** \$4.10

**Directors & Shareholders**

Cedar Woods (CWP) is a property developer operating in VIC and WA. Its main interests are in urban land subdivision for residential, commercial and industrial purposes.

**Board of Directors**

Name	Position
William Hames	Chairman
Mr Paul Sadlier	Managing Director
Robert Brown	Non Executive Director
Ronald Packer	Non Executive Director
Timothy Brown	Non Executive Director

**Shareholder**

Shareholder	%
Robert Brown	16%
William Hames	14%
Kingston Capital	13%
Acorn Capital	11%
<b>Subtotal</b>	<b>53%</b>

Profit & Loss (\$m)	2011A	2012F	2013F	2014F
Land Sales	127.3	133.0	142.2	155.2
COGS	-68.6	-67.9	-72.5	-80.0
<b>Gross Profit</b>	<b>58.8</b>	<b>65.2</b>	<b>69.7</b>	<b>75.3</b>
Other Income	2.6	5.2	5.7	6.3
Operating Expenses	-19.8	-19.8	-21.0	-22.3
Associates	-0.4	0.0	0.0	0.0
<b>EBITDA</b>	<b>41.2</b>	<b>50.5</b>	<b>54.3</b>	<b>59.2</b>
Depn & Ammort	-0.2	-0.3	-0.3	-0.3
<b>EBIT</b>	<b>40.9</b>	<b>50.3</b>	<b>54.1</b>	<b>59.0</b>
Net Interest	0.8	-1.4	-1.0	-0.8
Non-Operating Income	-0.8	0.0	0.0	0.0
<b>PBT</b>	<b>40.9</b>	<b>48.9</b>	<b>53.0</b>	<b>58.2</b>
Tax expense	-12.2	-14.7	-15.9	-17.5
Minority Interests	0.0	0.0	0.0	0.0
<b>NPAT (Reported)</b>	<b>28.1</b>	<b>34.2</b>	<b>37.1</b>	<b>40.7</b>
<b>NPAT (Adjusted)</b>	<b>29.1</b>	<b>34.2</b>	<b>37.1</b>	<b>40.7</b>

Balance Sheet (\$m)	2011A	2012F	2013F	2014F
Cash	0.4	5.8	11.4	17.9
Receivables	4.0	4.0	4.0	4.0
Inventories	202.4	215.6	229.7	244.8
Investment Properties	2.0	2.0	2.0	2.0
Associates	3.4	3.4	3.4	3.4
Other	21.5	21.2	21.0	20.7
<b>Assets</b>	<b>233.6</b>	<b>251.9</b>	<b>271.4</b>	<b>292.8</b>
Payables	33.5	33.5	33.5	33.5
Borrowings	55.5	55.5	55.5	55.5
Other liabilities	15.0	15.0	15.0	15.0
<b>Liabilities</b>	<b>104.0</b>	<b>104.0</b>	<b>104.0</b>	<b>104.0</b>

Minority Interests	0.0	0.0	0.0	0.0
<b>Shareholders Funds</b>	<b>129.5</b>	<b>147.9</b>	<b>167.3</b>	<b>188.7</b>
<b>EPS/DPS</b>	<b>2011A</b>	<b>2012F</b>	<b>2013F</b>	<b>2014F</b>
EPS (Reported)	45.8	55.3	60.1	65.9
EPS (Adjusted)	47.5	55.3	60.1	65.9
EPS growth (%)	50.3	16.4	8.5	9.8
DPS	23.0	27.7	30.0	33.0
Payout Ratio (%)	48.4	50.0	50.0	50.0
Distribution Yield (%)	6.2	7.5	8.1	8.9

Ratios	2011A	2012F	2013F	2014F
<b>Profitability</b>				
NPAT Growth (%)	54.3	17.6	8.5	9.8
Sales Growth (%)	20.6	4.5	6.9	9.2
Gross Margin (%)	46.1	49.0	49.0	48.5
EBITDA Margin (%)	32.3	38.0	38.2	38.2
ROA (%)	14.1	14.6	14.7	15.0
ROE (%)	26.7	26.4	25.1	24.4
Tax Rate (%)	29.8	30.0	30.0	30.0

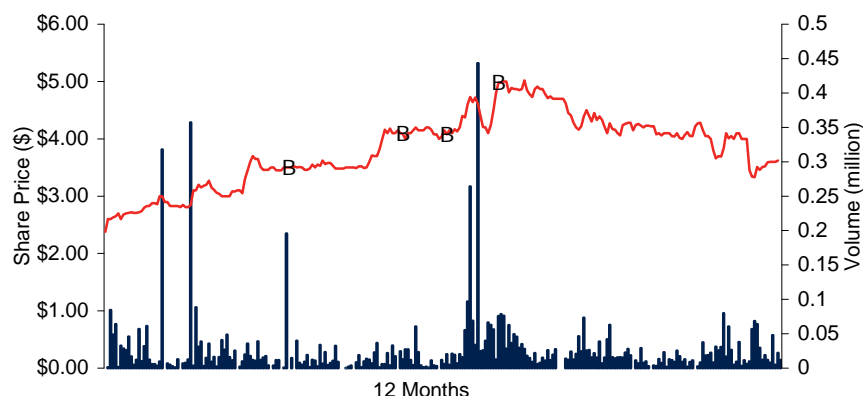
**Valuation**

Price/Earnings (x)	7.8	6.7	6.2	5.6
EV/EBITDA (x)	6.9	5.5	5.0	4.5
Price/NTA (x)	1.8	1.6	1.4	1.2

**Balance Sheet**

Net Debt/Equity (%)	42.5	33.6	26.3	19.9
Net Debt/Assets (%)	23.6	19.7	16.2	12.8
Interest Cover (x)	7.9	11.2	12.0	13.1
NTA (\$/share)	2.1	2.4	2.7	3.1
Shares (m)	61.8	61.8	61.8	61.8

## Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
30 Nov 10	Research Note	4.20	3.50	B	
20 Jan 11	Event Impact Email	4.20	4.00		14.3%
31 Jan 11	Research Note	4.60	4.09	B	
23 Feb 11	Research Note	4.65	4.15	B	1.5%
23 Mar 11	Research Note	5.00	4.69	B	13.0%
	Current Share Price		3.71		-20.9%

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

Top Rankings for Patersons Research Analysts at the 2010  
Thomson Reuters StarMine Analyst Awards



#1 Stock picker in Real Estate - Jonathan Kriska

#1 Stock picker in the Metals and Mining - Josh Welch

#2 Stock picker in Energy - Andrew Harrington

### Research

Alex Passmore – Head of Research	Phone: (+61 8) 9263 1239	Email: <a href="mailto:apassmore@psl.com.au">apassmore@psl.com.au</a>
Andrew Quin – Research Strategy Coordinator	Phone: (+61 8) 9263 1152	Email: <a href="mailto:aquin@psl.com.au">aquin@psl.com.au</a>
Tony Farnham – Economist	Phone: (+61 2) 9258 8973	Email: <a href="mailto:tfarnham@psl.com.au">tfarnham@psl.com.au</a>

### Oil and Gas

Scott Simpson – Senior Oil & Gas Analyst	Phone: (+61 8) 9263 1679	Email: <a href="mailto:ssimpson@psl.com.au">ssimpson@psl.com.au</a>
--	--------------------------	---

### Metals and Mining

Byron Benvie – Associate Analyst	Phone: (+61 8) 9263 1189	Email: <a href="mailto:bbenvie@psl.com.au">bbenvie@psl.com.au</a>
Rhys Bradley – Associate Analyst	Phone: (+61 8) 9225 2836	Email: <a href="mailto:rbradley@psl.com.au">rbradley@psl.com.au</a>
Andrew Harrington – Coal Analyst	Phone: (+61 2) 8238 6214	Email: <a href="mailto:aharrington@psl.com.au">aharrington@psl.com.au</a>
Tim McCormack – Associate Analyst	Phone: (+61 8) 9263 1647	Email: <a href="mailto:tmccormack@psl.com.au">tmccormack@psl.com.au</a>
Alex Passmore – Head of Research	Phone: (+61 8) 9263 1239	Email: <a href="mailto:apassmore@psl.com.au">apassmore@psl.com.au</a>
Simon Tonkin – Senior Resources Analyst	Phone: (+61 8) 9225 2816	Email: <a href="mailto:stonkin@psl.com.au">stonkin@psl.com.au</a>
Matthew Trivett – Research Analyst	Phone: (+61 7) 3737 8053	Email: <a href="mailto:mtrivett@psl.com.au">mtrivett@psl.com.au</a>
Gary Watson – Associate Analyst	Phone: (+61 8) 9263 1110	Email: <a href="mailto:gwatson@psl.com.au">gwatson@psl.com.au</a>

### Industrials

Jonathan Kriska – REIT Analyst	Phone: (+61 2) 8238 6245	Email: <a href="mailto:jkriska@psl.com.au">jkriska@psl.com.au</a>
Russell Wright – Retail Analyst	Phone: (+61 2) 8238 6219	Email: <a href="mailto:rwright@psl.com.au">rwright@psl.com.au</a>

### Small Cap Industrials

Graeme Carson – Industrial Analyst	Phone: (+61 3) 9242 4076	Email: <a href="mailto:gcarson@psl.com.au">gcarson@psl.com.au</a>
Allan Franklin – Industrial Analyst	Phone: (+61 3) 9242 4001	Email: <a href="mailto:afranklin@psl.com.au">afranklin@psl.com.au</a>
George Galanopoulos – Industrial Analyst	Phone: (+61 3) 9242 4172	Email: <a href="mailto:ggalanopoulos@psl.com.au">ggalanopoulos@psl.com.au</a>
David Gibson – Industrial Analyst	Phone: (+61 8) 9263 1664	Email: <a href="mailto:dgibson@psl.com.au">dgibson@psl.com.au</a>
Ben Kakoschke – Industrial Analyst	Phone: (+61 3) 9242 4181	Email: <a href="mailto:bkakoschke@psl.com.au">bkakoschke@psl.com.au</a>

### Quantitative

Mark Barsdell – Quantitative Analyst	Phone: (+61 3) 9242 4187	Email: <a href="mailto:mbarsdell@psl.com.au">mbarsdell@psl.com.au</a>
Kien Trinh – Quantitative Analyst	Phone: (+61 3) 9242 4027	Email: <a href="mailto:ltrinh@psl.com.au">ltrinh@psl.com.au</a>

### Institutional Dealing

Phil Schofield	Phone: (+61 2) 8238 6223	Email: <a href="mailto:pschofield@psl.com.au">pschofield@psl.com.au</a>
Michael Brindal	Phone: (+61 2) 8238 6274	Email: <a href="mailto:mbrindal@psl.com.au">mbrindal@psl.com.au</a>
Dan Bahen	Phone: (+61 8) 9263 1274	Email: <a href="mailto:dbahen@psl.com.au">dbahen@psl.com.au</a>
Artie Damaa	Phone: (+61 2) 8238 6215	Email: <a href="mailto:adamaa@psl.com.au">adamaa@psl.com.au</a>
Paul Doherty	Phone: (+61 3) 8803 0108	Email: <a href="mailto:pdoherty@psl.com.au">pdoherty@psl.com.au</a>
Trent Foxe	Phone: (+61 2) 8238 6265	Email: <a href="mailto:tfoxe@psl.com.au">tfoxe@psl.com.au</a>
Peter Graham	Phone: (+61 3) 9242 4129	Email: <a href="mailto:pgraham@psl.com.au">pgraham@psl.com.au</a>
Chris Kelly	Phone: (+61 3) 9242 4078	Email: <a href="mailto:ckelly@psl.com.au">ckelly@psl.com.au</a>
Jason Lal	Phone: (+61 2) 8238 6262	Email: <a href="mailto:jlal@psl.com.au">jlal@psl.com.au</a>
Ben McIlvrde	Phone: (+61 2) 8238 6253	Email: <a href="mailto:bmcilvrde@psl.com.au">bmcilvrde@psl.com.au</a>
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: <a href="mailto:jnugara@psl.com.au">jnugara@psl.com.au</a>
Trevor Pike	Phone: (+61 3) 8803 0110	Email: <a href="mailto:tpike@psl.com.au">tpike@psl.com.au</a>
Rob Willis	Phone: (+61 7) 3737 8021	Email: <a href="mailto:rwillis@psl.com.au">rwillis@psl.com.au</a>
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: <a href="mailto:swylie@psl.com.au">swylie@psl.com.au</a>

**Important Notice:** Copyright 2011. The contents contained in this report are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials or use of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

**Disclaimer:** Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

**Warning:** This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

**Disclosure:** Patersons, its director and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.