

Health of the Market Report May 2009

Lincoln Indicators Pty Ltd
ACN 006 715 573 AFSL 237740

Tim Lincoln, Managing Director
Elio D'Amato, Chief Executive Officer

Lincoln Indicators Pty Ltd
Level 2, 379 Collins Street,
Melbourne, Victoria 3000

t) 1300 676 332 f) 03 9854 9455
e) enquiries@lincolnindicators.com.au
www.lincolnindicators.com.au


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Lincoln Health of the Market Report May 2009

Executive Summary

While Lincoln has identified a stabilisation in the overall health of the market, it continues to caution investors on exposing themselves to potential downside.

Purpose: Lincoln Indicators releases its semi-annual *Health of the Market (HOTM)* report to provide investors with independent, timely analysis of the financial health of almost 2000 listed Australian companies.

Methodology¹: Developed by Dr Merv Lincoln, Lincoln's unique research and investment methodology applies models and accounting ratios to measure a company's level of risk and financial health based on its financial report. Lincoln has been monitoring the health of Australian listed companies for over 20 years with semi-annual reports published for the last five years.

Key findings: The latest *Health of the Market (HOTM)* report (data as at start of May 2009) shows:

- The 'setting in' of the global recession, which has seen the health of the Australian sharemarket remain relatively stable during the six months to December 2008. The benefits of a number of companies re-capitalising to reduce debt on their balance sheets has been offset by others 'coming clean' on their debt exposures and others feeling the squeeze as a result of reduced operating cash flow.
- Though stable, a significant 62% of all companies continue to display a 'Marginal' or 'Distressed' financial health position, while only 25% of companies on the Australian sharemarket are exposed to a manageable level of financial risk.
- Financials, Consumer Discretionary and Telecommunication Services are among the healthiest sectors while Materials, Energy and Health Care are the least healthy.

Unique sector by sector analysis:

Sector	Market cap \$	% of total market
Financials	341,191m	33.34%
Consumer Staples	81,266m	7.94%
Consumer Discretionary	54,934m	5.37%
Industrials	62,795m	6.14%
Telecommunications	46,498m	4.54%
Materials	273,055m	26.68%
Energy	98,537m	9.63%
Utilities	16,373m	1.60%
Health Care	39,592m	3.87%
IT	9,217m	0.90%

Health rating	Dec 2008
Strong	21%
Satisfactory	4%
Early Warning	13%
Marginal	47%
Distressed	15%

¹ Methodology background information: *HOTM Report Page 40*



The outlook: The good news is that the pace of consecutive deteriorations has slowed. However the market continues to have the majority of companies exposed to unacceptable levels of financial risk. This continues to represent a significant risk for investors who invest blindly into companies who have questionable fundamentals. Look for companies to continue the recent trend of re-capitalisation in order to better equip themselves to ride out this current crisis. On the flip side, also be prepared to see more who succumb to the pressures of a slowing economy and lack of credit flow.

With still a number of companies exhibiting quality fundamentals, investors need to focus on these businesses as they will give them the best chance of not only riding out the current storm, but will also position their portfolio to best take advantage of the current 'opportunity of a lifetime' that is present for the savvy long-term share investor.

Lincoln Health of the Market Report – May 2009

The financial health of Australian listed companies has deteriorated marginally, however the pace of recent declines has definitely slowed as companies took steps to shore up their balance sheets. With more dark economic clouds expected though, Lincoln advises significant caution for investors who may be unaware that a majority of ASX-listed companies are exposed to unacceptable levels of financial risk and continue to remain vulnerable in this current climate.

Lincoln's unique sector-by-sector analysis of the Australian sharemarket shows that the pace of decline in the overall 'health of the market' has slowed in the six months to December 2008, however continues to exhibit unacceptable results at historically high levels.

Analysis of the broader market shows 21 per cent of all companies on the Australian sharemarket are in a 'Strong' financial health position, with 4 per cent in a 'Satisfactory' position. Overall, 25 per cent of the companies on the Australian sharemarket are exposed to a manageable level of financial risk and are considered to be of investment grade. This represents a 2 per cent decline compared to the previous six months. Whilst there has been no change to the 62 per cent of companies which are either 'Distressed' or 'Marginal', companies in an 'Early Warning' position rose by 2 per cent, resulting in the overall health of the market continuing its downward trend, though the pace has eased somewhat.

The six months to 31 December 2008 were among the most volatile for sharemarkets around the world with the All Ordinaries index falling from 5,332.90 points on 30 June 2008 to 3,659.30 points on 31 December 2008, and even lower after that. We saw fear grip the market in this period as the All Ordinaries index dropped to a five year low.

The major news item of the period was the world entering what most commentators expect to be the worst global recession in 70 years. The main response by the major economies to this slowdown has been to implement co-ordinated interest rate cuts as well as to provide stimulus packages.

In Australia we have seen two stimulus packages, interest rates cut from 7.25% to 3.00% as well as one quarter of negative economic growth. As we are on the verge of a recession the unemployment rate has increased.

Lincoln identified the most recent reporting period as the most important in 70 years as we waited to see the steps companies had taken to ride out the current economic storm, and ultimately identify those companies where recent declines had created an 'opportunity of a lifetime' for long-term investors.

Key points

- There has been a slight deterioration in the overall market's health with a reduction in the number of 'Strong' companies (down 2%) and a rise in the number of companies in 'Early Warning' (up 2%).
- The worsening outlook for the global economy drove Australian shares to their lowest levels in five years.
- 62 per cent of all companies listed on the ASX continue to be exposed to unsatisfactory levels of financial risk and have struggled during the recent correction.
- Financials, Consumer Discretionary and Telecommunication Services are in the best sectors.
- Despite weakness in share prices, the Retailing and Software & Services sectors are in the main quite strong.
- Materials, Energy and Health Care are the least healthy sectors.
- Despite the deterioration in the overall market's financial health, the fact some firms continue to do well means that the recent sharemarket correction is an 'opportunity of a lifetime' for investors to increase their exposure to quality businesses.



Although a similar number of companies have performed well at an operational level during the period, as expected, many companies have needed to raise additional capital or cut their dividends to maintain their capital position.

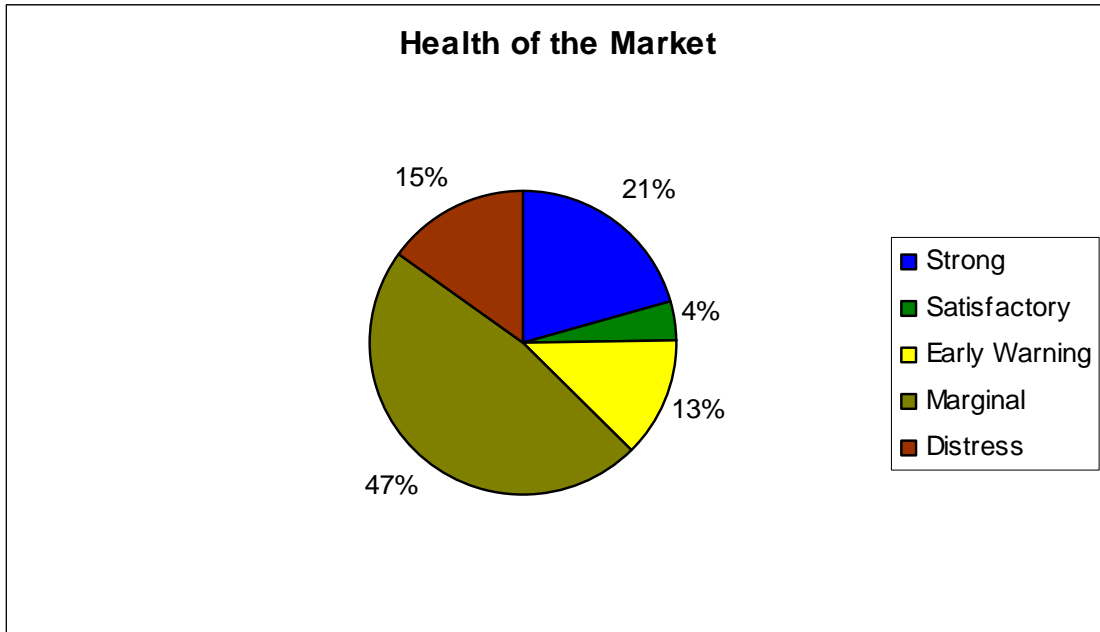
Of continuing concern is that 62 per cent of companies continue to exhibit 'Marginal or 'Distressed' financial health. This should serve as a warning that due consideration of any investment must be made prior to acquiring it.

Despite this, there remain a number of quality companies that are financially healthy, profitable, with good operating cash flows, a sound balance sheet and that are growing in this environment. These are the companies that should form the cornerstone of an investor's portfolio, and given the depressed nature of many valuations at the moment are providing investors with a 'once in a lifetime opportunity' to accumulate serious wealth in the long-term.

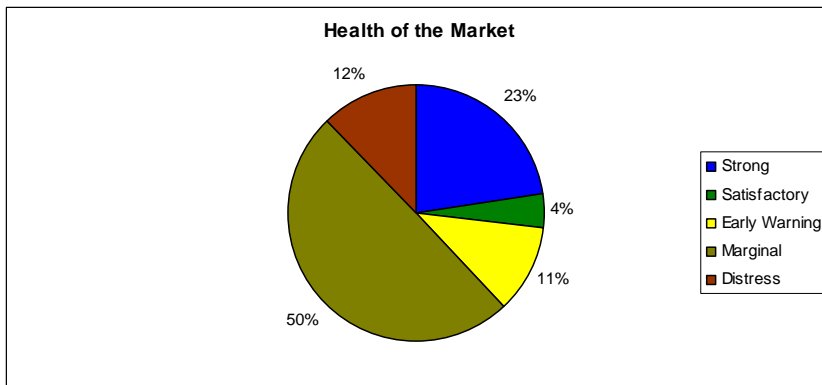
For background information on Lincoln's financial health rating methodology, please refer to Appendix 2 on page 40.

Health Rating	Dec 2008	Jun 2008
Strong	21%	23%
Satisfactory	4%	4%
Early Warning	13%	11%
Marginal	47%	50%
Distressed	15%	12%

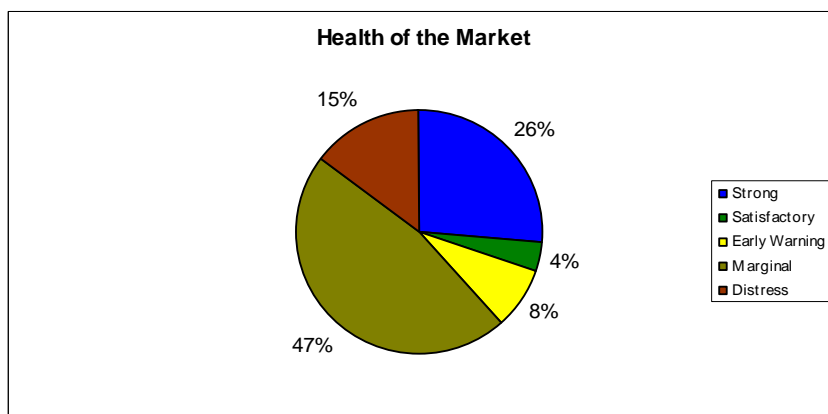
Health of the Market – Dec 08



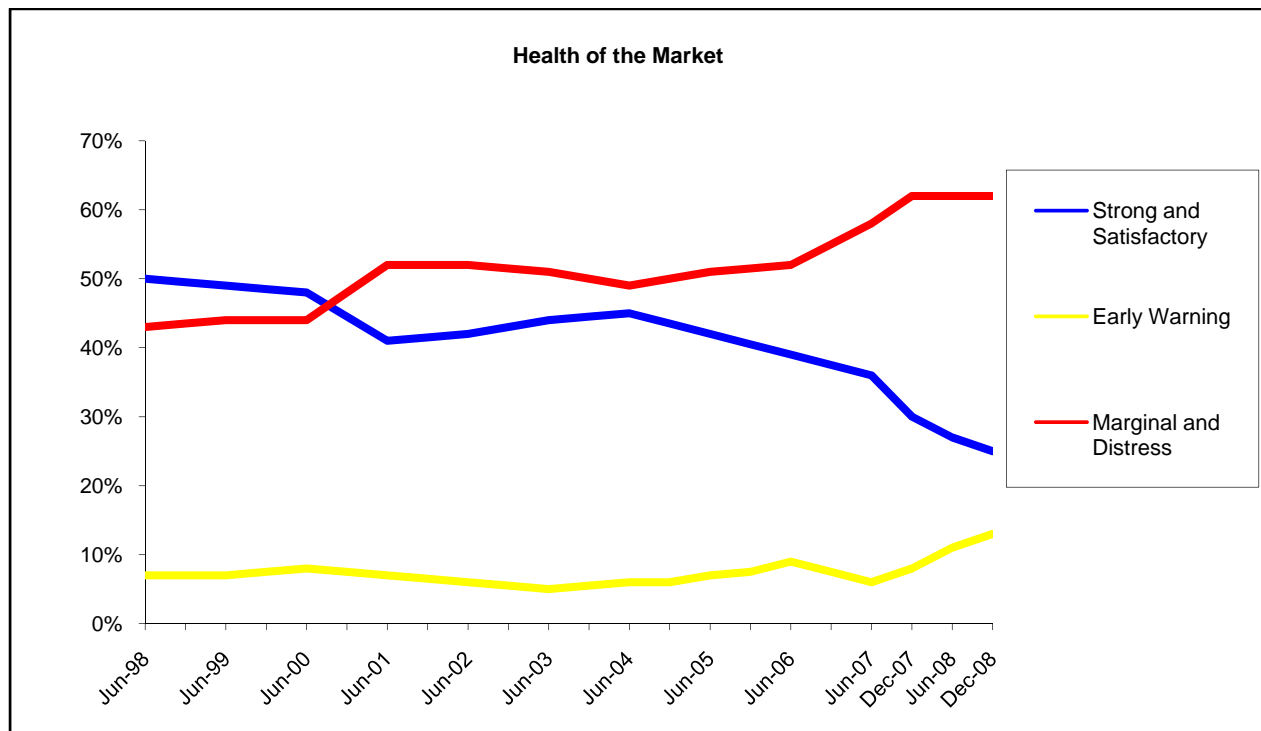
Health of the Market – Jun 08



Health of the Market - Dec 07



Health of the Market – 10 year comparative data



Global recession

The trickle of bad economic news continued during the period 1 July 2008 to 31 December 2008 with worse news still expected for Australia. The most important event from a financial health perspective was the world entering what many experts believe will be the worst global recession in 70 years. While much of the developed world is currently in recession, Australia appears certain to be one of the last developed economies to enter one. The response from the major economies to this slowdown has been to co-ordinate interest rate cuts, as well as to provide stimulus packages in the US, UK, China and Australia.

Australian market overview

The period 1 July 2008 to 31 December 2008 was a very volatile period for equity markets. The All Ordinaries Index fell 31.38% during this period (46.61% fall from its peak on 1 November 2007). The worsening outlook for the economy drove shares to their lowest levels in five years. A bright spot has been the market performance recently which has seen the market recover approximately 20.4% from its 6 March 2009 intra-day low to 20 April 2009.

Australian economy

The continuing slowdown in the global economy has led the Federal Government to provide a second stimulus package. This \$42 billion package spread over four years includes provision to build thousands of new homes and school rooms as well as environmentally-friendly measures like free roof insulation for homeowners. This is the second stimulus package following the initial \$10.4 billion paid out last year. As a result of this and other taxes, the Federal budget will be 'in the red' for the first time in nearly a decade. The annual budget deficit for the year ending 30 June 2009 is now expected to be approximately \$22.5 billion (1.9% of GDP).

In Australia, the Reserve Bank of Australia (RBA) responded to the impending recession by reducing the interest rate from 7.25% to 4.25% (down 3% in the period). Subsequent to 31 December 2008 the RBA has cut interest rates to 3%. This is the lowest level of interest rates since the RBA took control of monetary policy 19 years ago, and is the lowest money rate since 1964. This has sent a clear message that the RBA is more concerned about reducing the severity of the economic slowdown than the trouble posed by higher inflation.

The slowdown in Australia is evident in the GDP figures noting they were down -0.50% (seasonally adjusted). Upon a closer inspection of these figures two important notes need to be made: First, the result was primarily due to a fall in inventories; secondly, the figures confirmed that the non-farm economy is now in recession. However, with only one more negative quarter required for the nation to be in recession, it appears highly likely that we will be in recession by the time the 31 March 2009 figures are released.

Finally, with consumer and business confidence at record low levels it is unsurprising that the unemployment rate for March 2009 has reached 5.7% seasonally adjusted. With business investment accounting for approximately 18% of GDP and a further reduction in this level expected over the next six months, unfortunately we believe the unemployment rate will rise further. Unemployment will need to be watched closely as it will need to be managed to see us through the impending recession.

Company outlook

With the exception of a few high-profile examples, the majority of companies on the ASX continue to manage themselves through the recent credit crisis and economic slowdown. Some companies were able to improve or maintain their healthy position by raising new equity or cutting dividends which enabled them to restructure their capital position. Others have reduced expenses by cutting back on production or staff costs while the remaining firms employed other strategies.

That said, the market continues to have the majority of companies exposed to unacceptable levels of financial risk, with 25% in an acceptable position. This continues to represent a significant risk for investors who 'invest blindly' into companies which have questionable fundamentals, particularly if this recession turns into a deep and prolonged one. Look for companies to continue the recent trend of re-capitalisation in order to better equip themselves to ride out this current crisis. On the flip side, also be prepared to see more succumb to the pressures of a slowing economy and lack of credit flow.

As the sharemarket is a leading indicator of future events (ie. participants price in today what they believe will occur tomorrow), the market may start to improve before the real economy does. We feel the expectations of more bad news to come has been factored into many companies' share prices and then any expectation that the worst of the economic slowdown is predictable should we start to see the market recover. Rather than be scared by the overall health of the market, investors should be excited as now is an opportune time to re-assess your portfolio and look to position it for future long-term growth.

Adding to this confidence has been the recent capital raisings resulting in a significant amount of institutional money flowing back into equities as they switch from defensive sectors into higher risk and expected return sectors. This has been done in order to be positioned for a market rebound. We know from history that a bear market has often proven to be a good long-term investment opportunity.

A number of quality companies have performed very well during the period, with many high profile companies performing well from a financial health perspective. These include: Telstra Corporation (TLS), CSL Limited (CSL), Westpac Banking Corporation (WBC), Woolworths Limited (WOW), JB Hi Fi Limited (JBH), BHP Billiton Limited (BHP), Energy Resources of Australia Limited (ERA) and many more. This goes to show that quality can be found in most sectors of the economy even during volatile times and we advocate exposure to quality businesses in all market conditions.

Sector by sector analysis

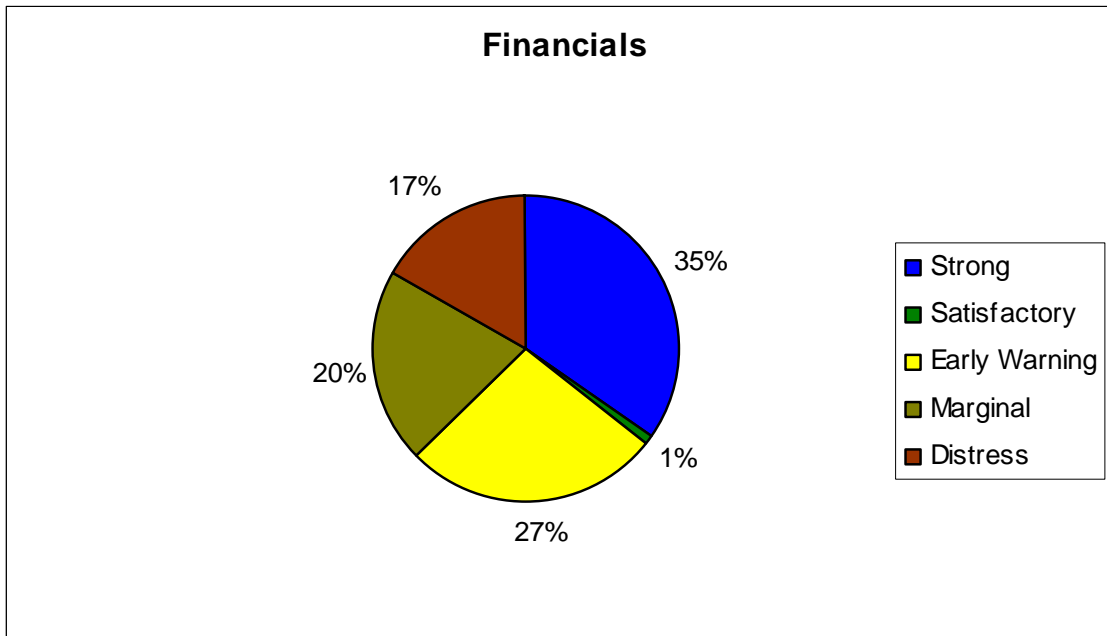
Financials

The Financial sector represents approximately 33% of the ASX by market capitalisation and consists of the Banks, Insurance, Diversified Financials and Real Estate Sectors.

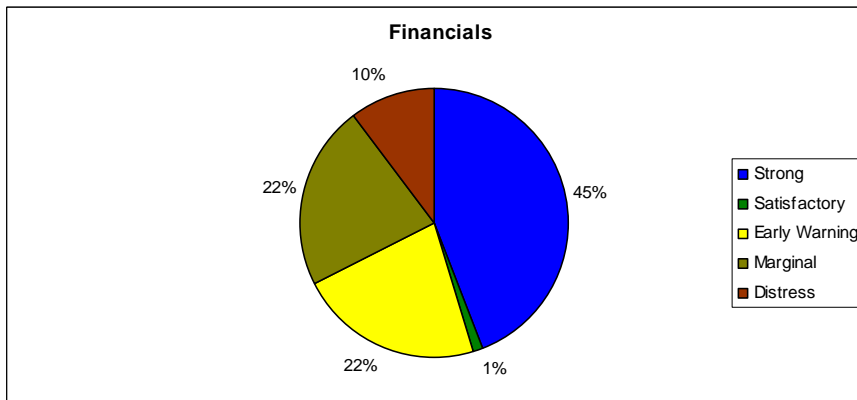
Traditionally, the financial sector exhibits strong financial health. However, the recent credit crisis has affected the profitability of many companies in this sector. Losses on derivative instruments, difficulty in obtaining credit, the higher cost of debt and weak investment returns have contributed to the fall in short term earnings growth.

Currently, 36% (down 10%) of the companies in this sector exhibit 'Strong' or 'Satisfactory' financial health. There have been a number of capital raisings by the banks and insurance companies to shore up their balance sheets and cash positions in anticipation of a global slowdown. Furthermore, both ANZ and NAB have cut their dividend rates to further preserve capital.

Financials Dec 08



Financials Jun 08



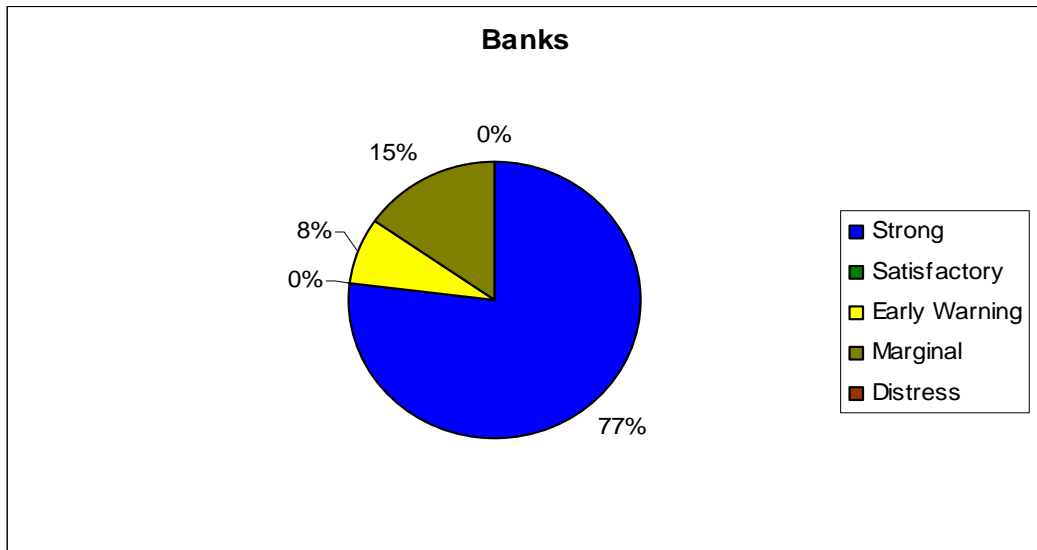
Quick stats on sector	Financials
Sector market capitalisation (\$mil)	\$341,191 million
% of total market	33.34%
Number of companies	270
Highest cap company	Westpac Banking Corporation (WBC) \$58,211 million
Lowest cap company	Questus limited (QSS) \$272,791

Banks and Insurance

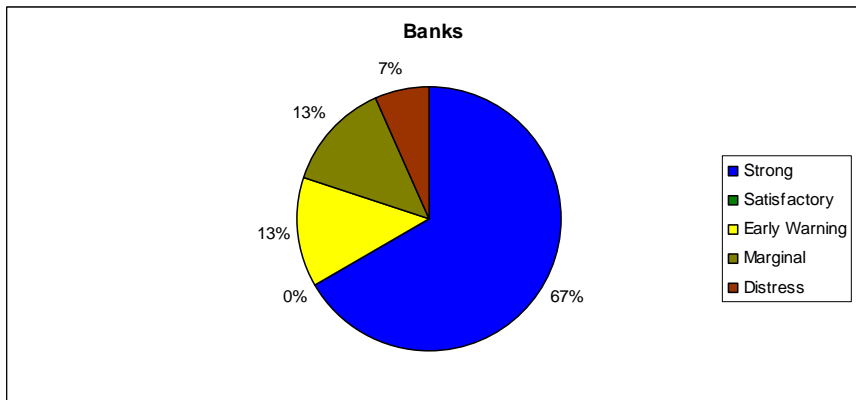
Banks and Insurance companies are often considered the strongest companies in the sector and contribute significantly to the sector's overall health and market capitalisation. Australian bank and insurance companies operate in a highly regulated environment with the Australian Prudential Regulatory Authority (APRA) responsible for ensuring that these companies adhere to regulatory and financial risk standards.

The value of this regulatory environment can be seen in their resilience in surviving the credit crunch. Furthermore, both the banks and the insurance sector have coped fairly well given the weak equity markets affecting their surplus asset return (insurance companies) and their wealth management divisions (banks). Furthermore, the banks have maintained their profitability even as the credit cycle starts to turn against them in a slowing economy (ie. an increase in bad debt provisions).

Banks Dec 08

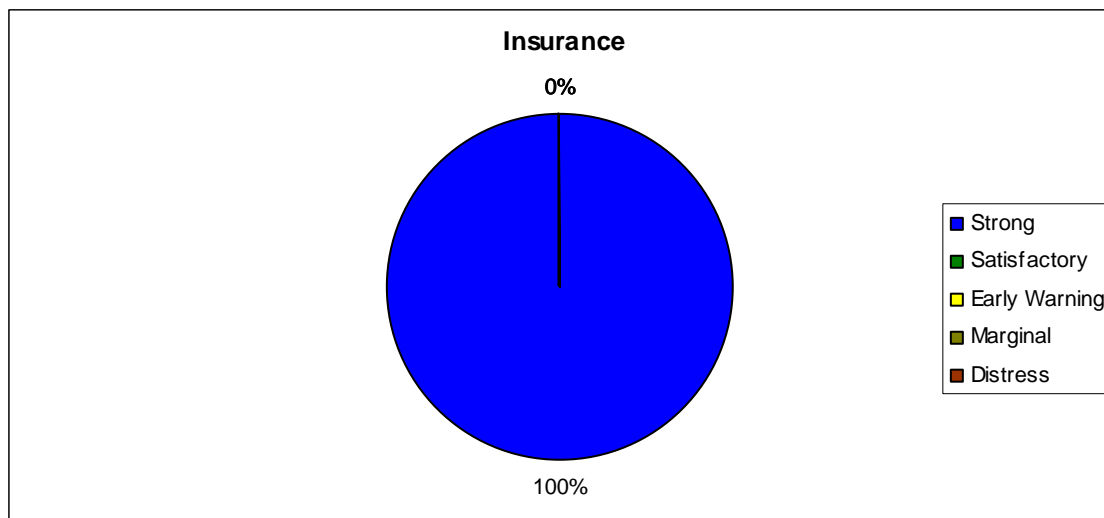


Banks Jun 08

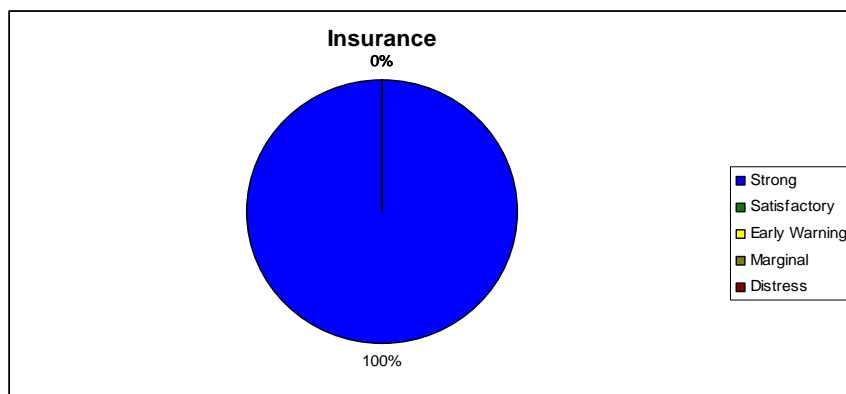


Quick stats on sector	Banks
Sector market capitalisation (\$mil)	\$194,050 million
% of total market	18.96%
Number of companies	13
Highest cap company	Westpac Banking Corporation (WBC) \$58,211 million
Lowest cap company	Community Life Limited (CLF) \$3 million

Insurance Dec 08



Insurance Jun 08



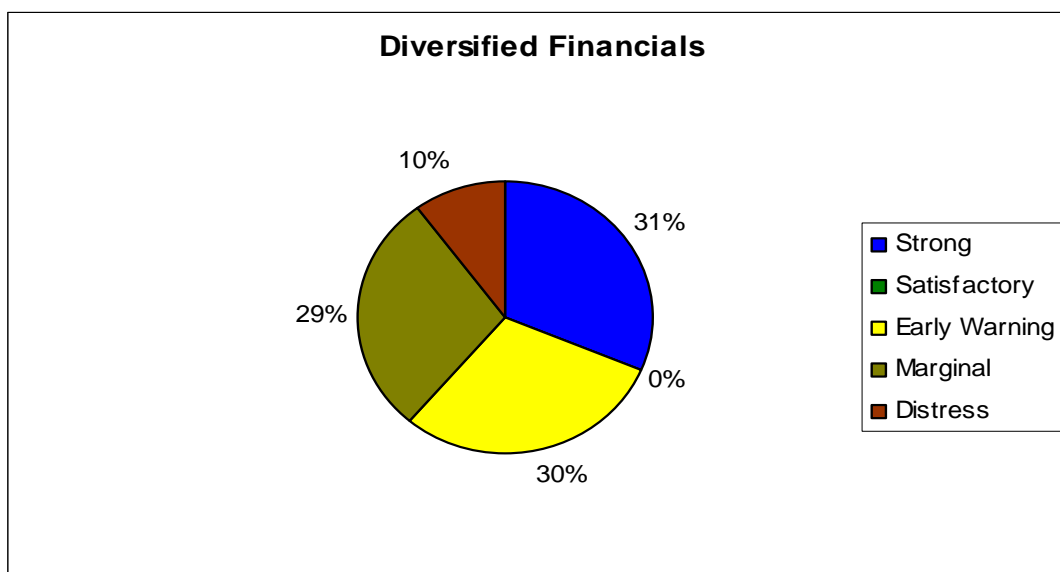
Quick stats on sector	Insurance
Sector market capitalisation (\$mil)	\$52,278 million
% of total market	5.11%
Number of companies	10
Highest cap company	QBE Insurance Group Ltd (QBE) - \$18,973 million
Lowest cap company	Calliden Group Limited (CIX) \$81 million

Diversified Financials

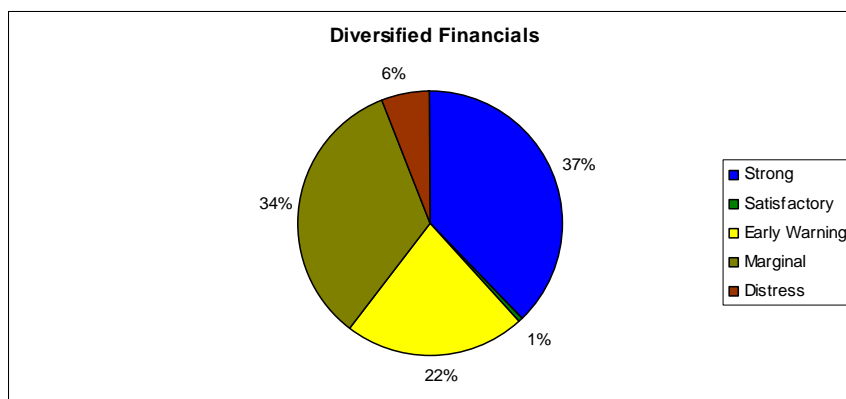
The Diversified Financials sector has weakened over the past six months as credit markets have continued to operate at less than optimal capacity. A notable casualty in the last six months has been **Babcock and Brown Limited (BNB)** (see *Appendix 1, page 37*) which was placed into administration in March 2009. Another casualty in the last six months was **Octaviar Limited (OCV)** which was placed into administration in September 2008. Both BNB and OCV buckled as a result of too much debt on the balance sheet.

There are 31% (down 7%) of companies in this sector in a 'Strong' or 'Satisfactory' financial health position. As would be expected a number of listed investment funds have suffered due to the deterioration of the equity markets and poor overall investment return. Although the level of 'Early Warning' companies has risen to 30% (up 8%) we would expect that a number of these companies would return to 'Strong' financial health as the market recovers and their profitability improves.

Diversified Financials Dec 08



Diversified Financials Jun 08

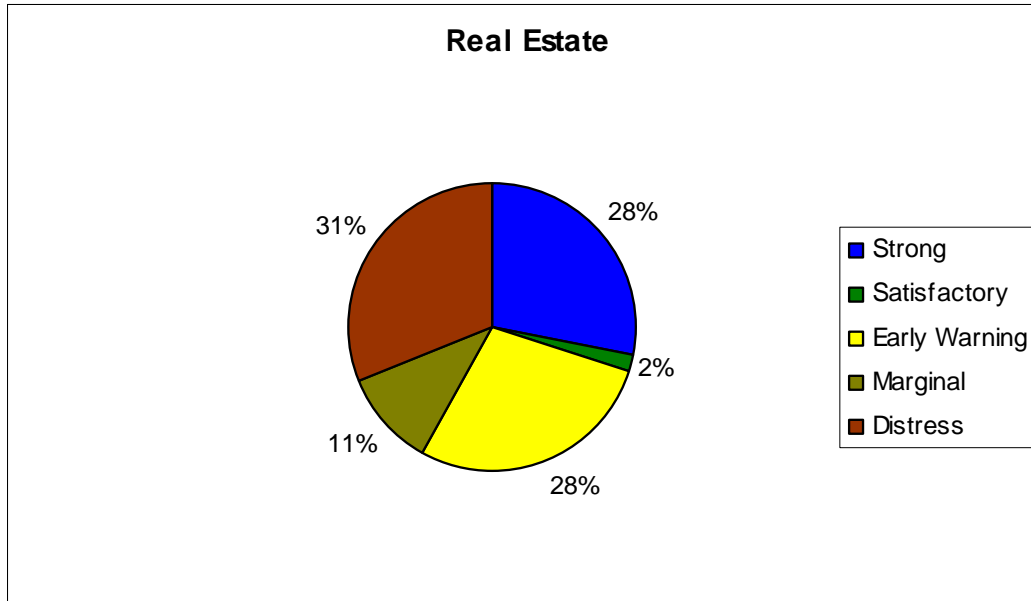


Quick stats on sector	Diversified Financials
Sector market capitalisation (\$mil)	\$39,851 million
% of total market	3.89%
Number of companies	147
Highest cap company	Macquarie Group Limited (MQG) \$8,189 million
Lowest cap company	Questus Limited (QSS) \$272,791

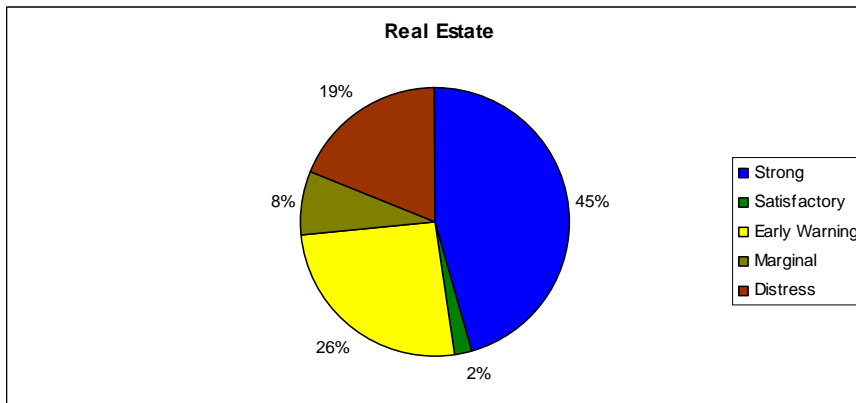
Real Estate

The Real Estate sector, like Diversified Financials, has seen a rapid deterioration in its health where 30% (down 17%) of all Real Estate companies are in a 'Strong' or 'Satisfactory' position. This is a substantial fall from the 47% in this position six months ago. Fear is prevalent in the sector and prices have fallen across the board. Looking forward to June 2009 the market is expecting further profit downgrades for the sector. However, as the financial health of some of these companies is sound, opportunities to pick up quality businesses with strong income yields are available but caution is advised.

Real Estate Dec 08



Real Estate Jun 08



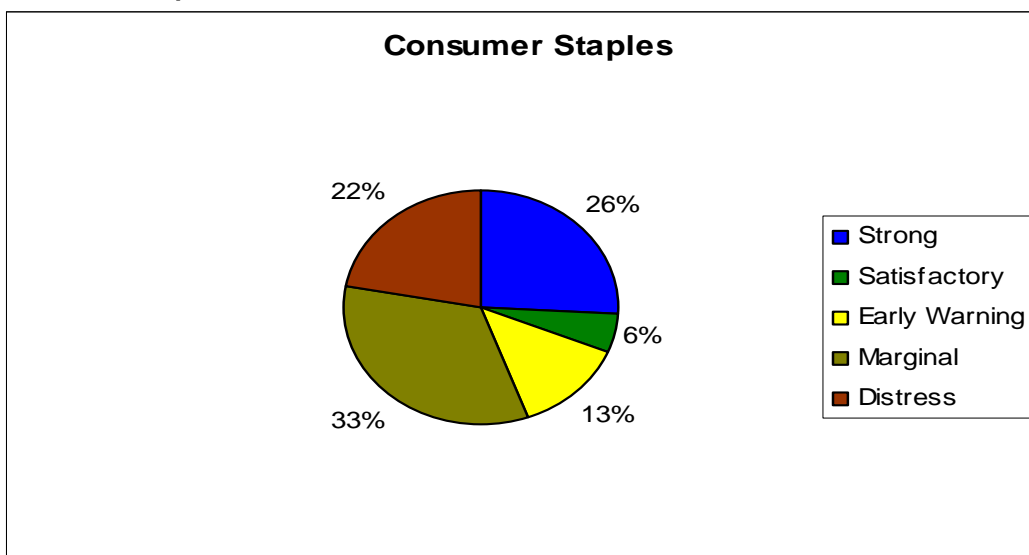
Quick stats on sector	Real Estate
Sector market capitalisation (\$mil)	\$55,012 million
% of total market	5.38%
Number of companies	100
Highest cap company	Westfield Group (WDC) \$23,999 million
Lowest cap company	CVC Property Fund (CJT) \$845,000

Consumer Staples

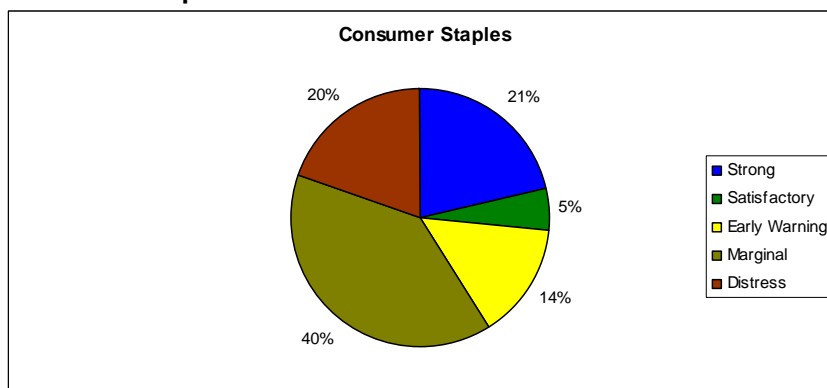
The Consumer Staples sector consists of the Food and Staples Retailing Sector and the Food Beverage and Tobacco industry groups. This sector is generally considered to be a 'defensive' sector and expected to remain stable despite current economic conditions. However, it appears this may be deceptive in the current economic climate. With the exception of the large players, weakness in this sector is evident, no better emphasised than in the recent failure of **Timbercorp Limited (TIM)**, a company we flagged as being in an unacceptable position. Once a \$1 billion market capitalised business, the company went into administration in April 2009 on the back of higher than acceptable debt levels and poor cash flow from operations.

On the positive side, the sector experienced an improvement in overall health with 32% (up 6%) of Consumer Staples in a 'Strong' or 'Satisfactory' position compared to 26% in this position six months ago.

Consumer Staples Dec 08



Consumer Staples Jun 08

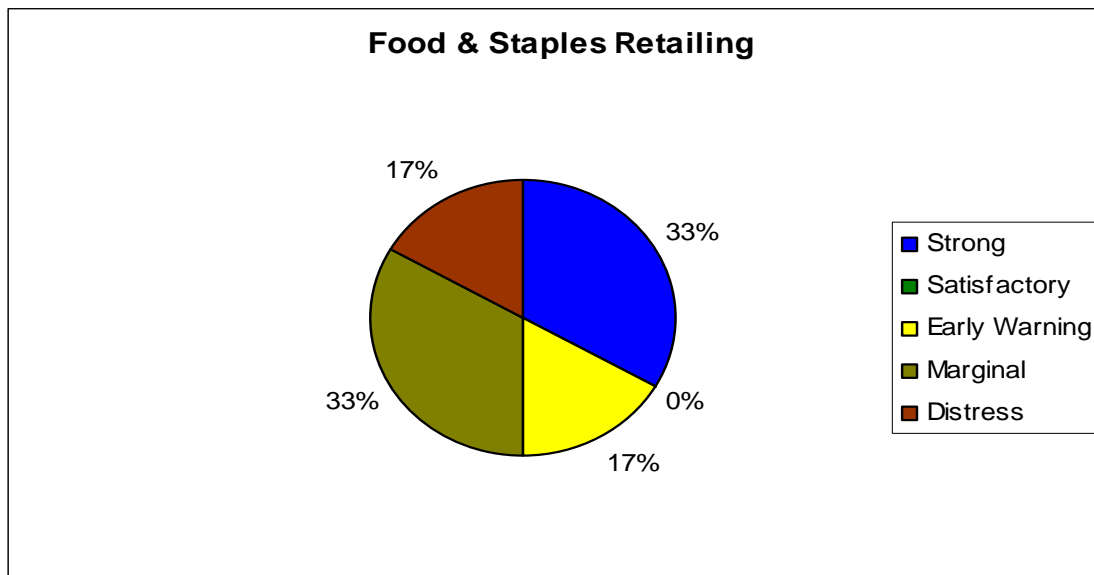


Quick stats on sector	Consumer Staples
Sector market capitalisation (\$mil)	\$81,266 million
% of total market	7.94%
Number of companies	56
Highest cap company	Woolworths Limited (WOW) \$31,376 million
Lowest cap company	Health Corporation Limited (HEA) \$595,359

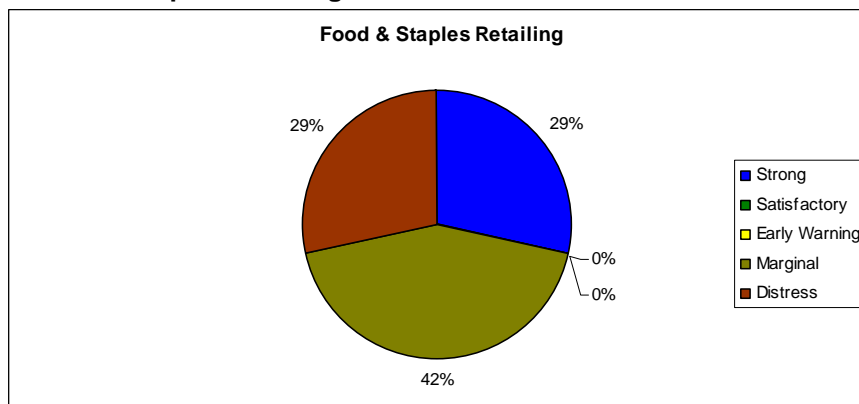
Food and Staples Retailing

Food and Staples Retailing is the smallest industry group that we detail in this report. The sector is dominated by **Woolworths Limited (WOW)** which constitutes 62.98% of the sector by market capitalisation and by **Wesfarmers Limited (WES)** following its acquisition of the **Coles Group Limited (CGJ)** which constitutes 27.72% of the sector by market capitalisation. As the general economy has deteriorated the financial health for this sector has strengthened with the number of 'Strong' or 'Satisfactory' companies improving slightly to 33% (up 4%). This is indicative of a sector that has good defensive properties.

Food and Staples Retailing Dec 08



Food and Staples Retailing Jun 08



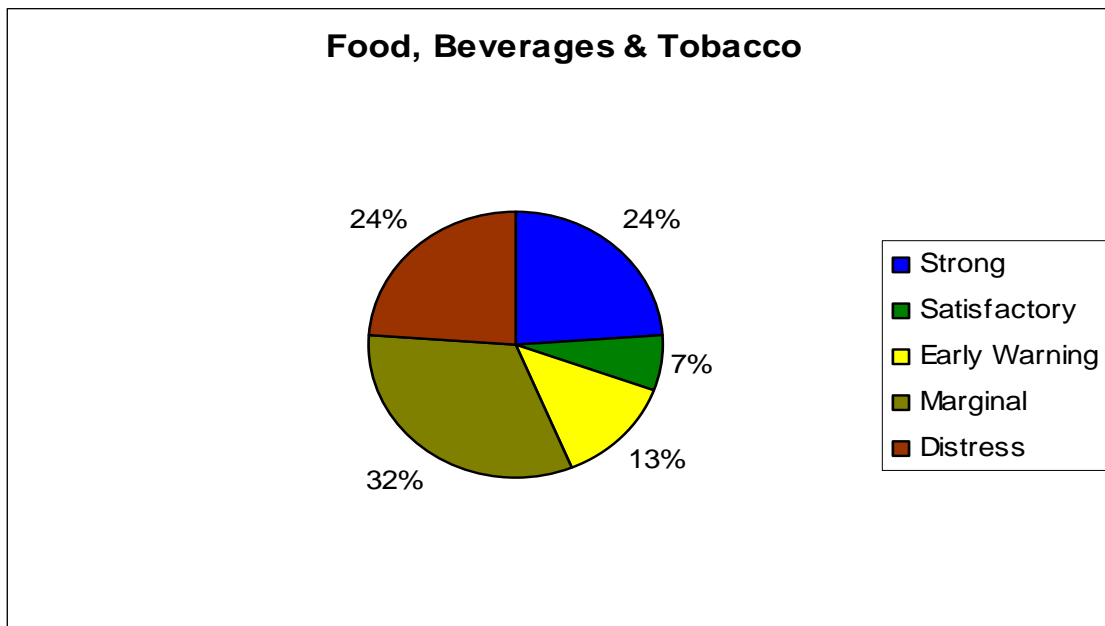
Quick stats on sector	Food & Staples Retailing
Sector market capitalisation (\$mil)	\$49,819 million
% of total market	4.87%
Number of companies	10
Highest cap company	Woolworths Limited (WOW) \$31,376 million
Lowest cap company	Health Corporation Limited (HEA) \$595,359

Food, Beverages & Tobacco

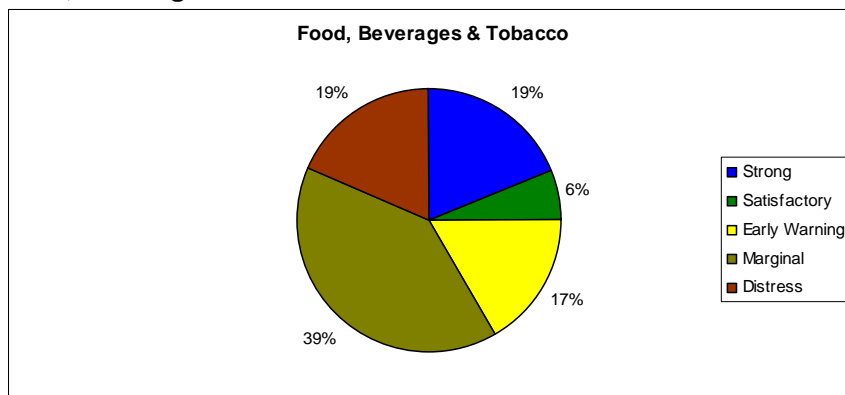
The Food, Beverages & Tobacco industry is dominated by a few large players with **Foster's Group Limited (FGL)** constituting 31.14% of the sector by market capitalisation and **Coca-Cola Hellenic Bottling Company S.A. (CHB)** which constitutes 22.09%.

During the period **Lion Nathan Limited (LNN)** made an unsuccessful bid for **Coca Cola Amatil Limited (CCL)**. Both companies are rated as financially 'Strong' and the CEO of LNN believed it was a once in a lifetime opportunity. Most of the weakness in this sector is found among the smaller companies. Once again we see an improvement in the financial health of this sector during a volatile time for the market. Of the 46 companies in the sector, 31% are 'Satisfactory' or 'Strong' compared to 25% in the previous period.

Food, Beverages & Tobacco Jun 08



Food, Beverages & Tobacco Jun 08



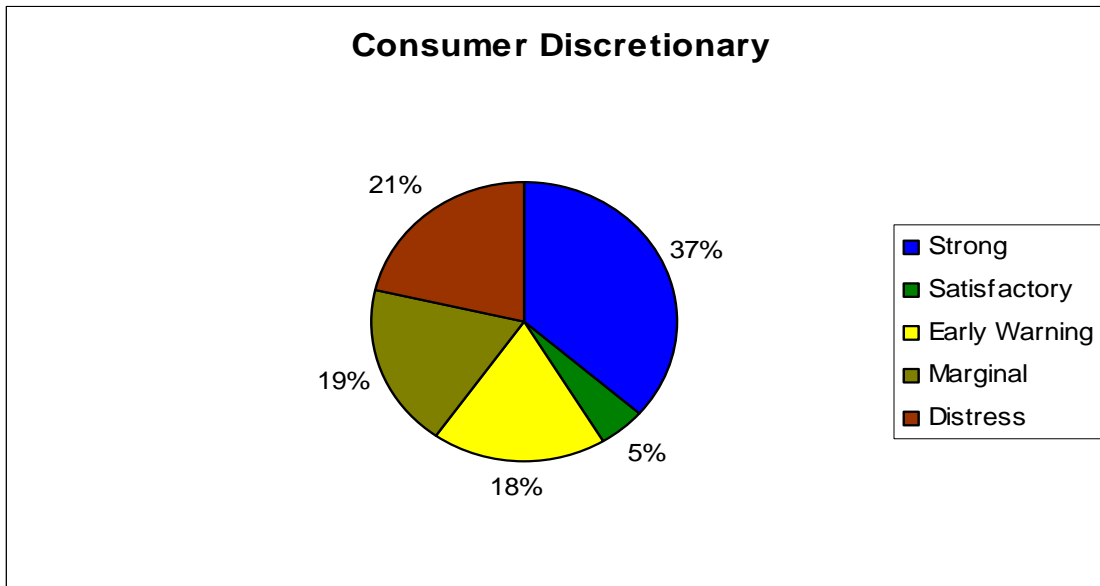
Quick stats on sector	Food Beverage & Tobacco
Sector market capitalisation (\$mil)	\$31,425 million
% of total market	3.07%
Number of companies	46
Highest cap company	Fosters Group Limited (FGL) \$9,785 million
Lowest cap company	Dromana Estate Limited (DMY) \$772,963

Consumer Discretionary

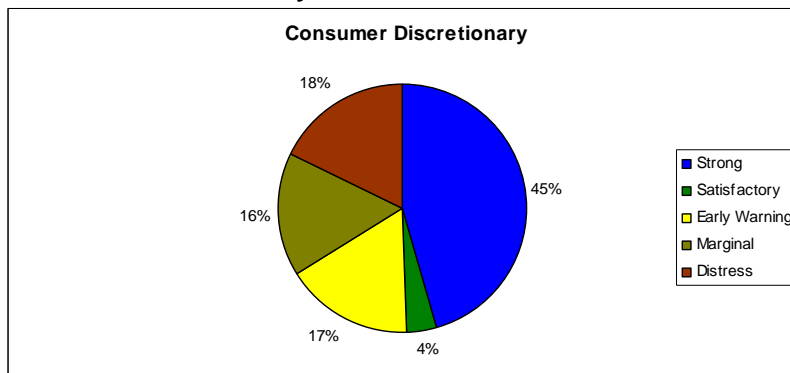
During an economic downturn it is generally considered best to avoid the Consumer Discretionary sector. This industry segment is broad and consists of the Media, Consumer Services, Consumer Durables & Apparel, Automobiles & Components and Retailing industry groups. Recessionary fears and falls in the Australian dollar have impacted this sector. It is then not surprising to see the sector have 42% (down 7%) of companies in 'Strong' or 'Satisfactory' financial health.

The biggest casualty in the last six months has been **A.B.C. Learning Centres Limited (ABS)** which was placed into administration in November 2008. ABS suffered from too much debt, questionable accounting practices and a drying up of credit markets that caused lenders to re-assess their position with the company.

Consumer Discretionary Dec 08



Consumer Discretionary Jun 08

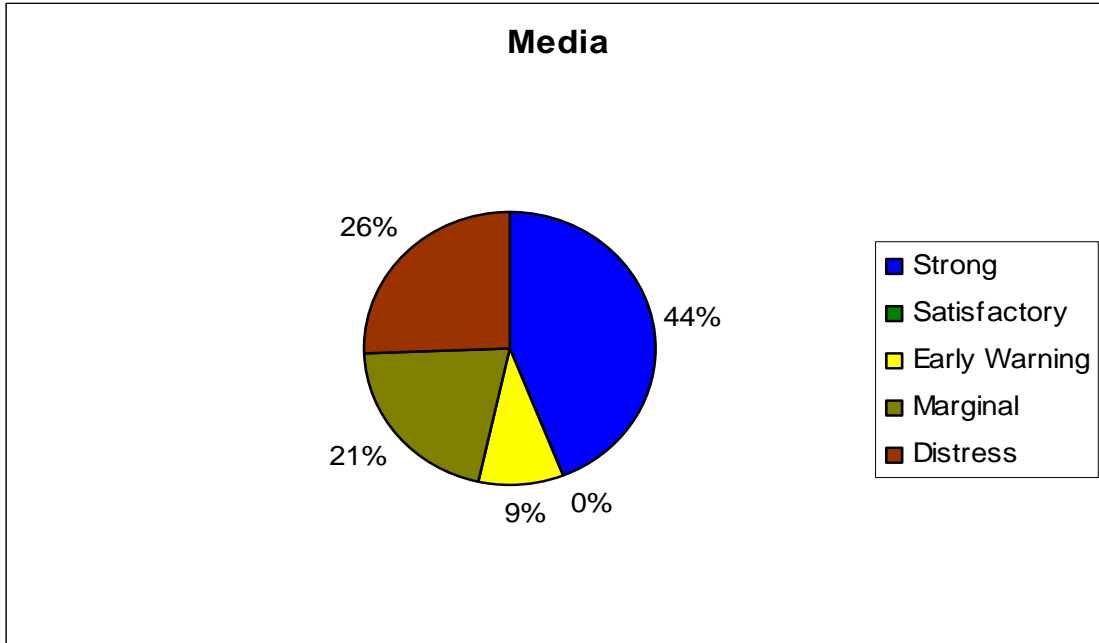


Quick stats on sector	Consumer Discretionary
Sector market capitalisation (\$mil)	\$54,934 million
% of total market	5.37%
Number of companies	159
Highest cap company	News Corporation (NWS) \$9,223 million
Lowest cap company	Costarella Design Limited (CLD) \$632,874

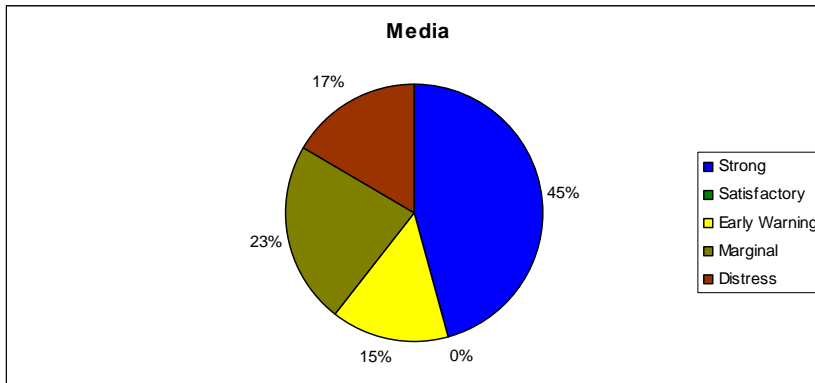
Media

The sector is dominated by its highest capitalisation company, **News Corporation (NWS)** which constitutes 41% of the total sector. The media sector has fallen marginally, with 44% (down 1%) of companies in a 'Strong' or 'Satisfactory' position. The slowdown in the economy has reduced the amount of advertising dollars spent in the sector leading to a marginal downturn in the sector's financial health.

Media Dec 08



Media Jun 08



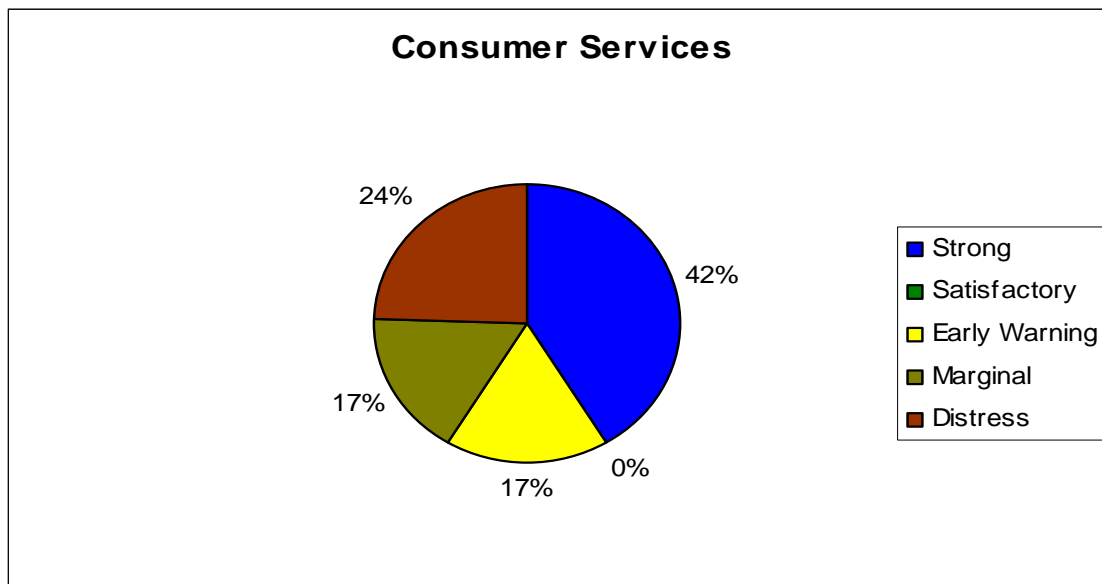
Quick stats on sector	Media
Sector market capitalisation (\$mil)	\$22,677 million
% of total market	2.22%
Number of companies	43
Highest cap company	News Corporation (NWS) \$9,223 million
Lowest cap company	Palamedia Limited (PMX) \$959,856

Consumer Services

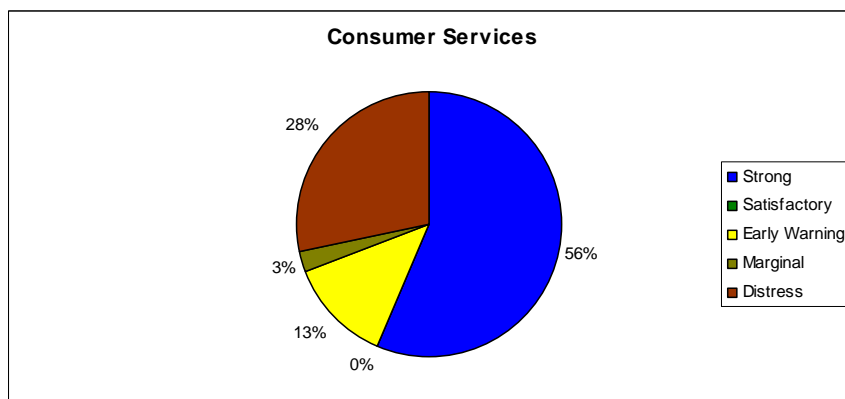
The Consumer Services sector is dominated by casinos and gambling which have been resilient in the current environment. This sector's financial health has fallen to 42% (down 14%) of companies with 'Strong' or 'Satisfactory' financial health.

The biggest casualty in the last six months has been **A.B.C. Learning Centres Limited (ABS)** which was placed into administration in November 2008. ABS suffered from too much debt, questionable accounting practises and a drying up of credit markets that caused lenders to re-assess their position with the company.

Consumer Services Dec 08



Consumer Services Jun 08



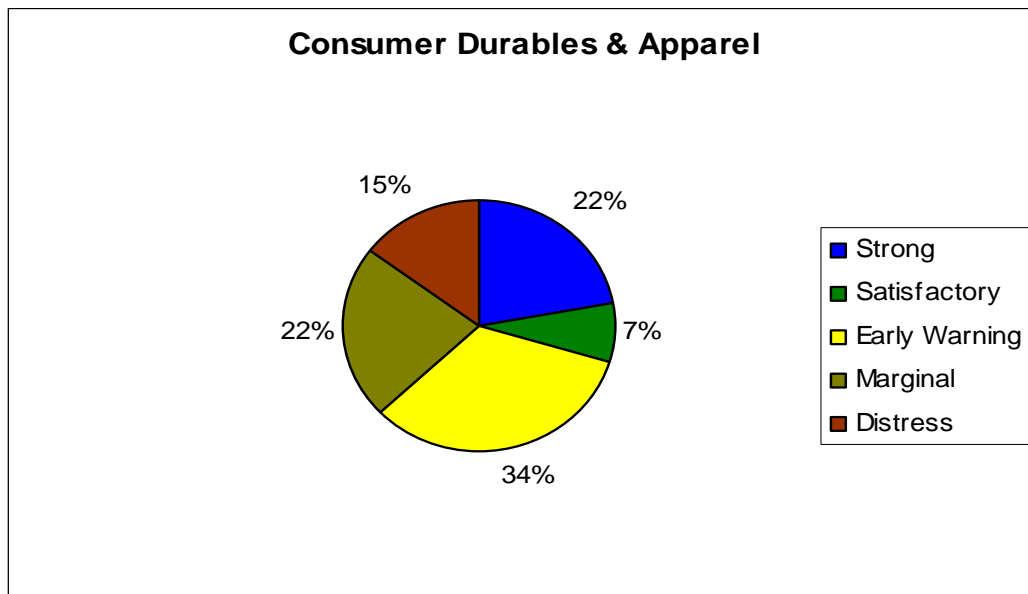
Quick stats on sector	Consumer Services
Sector market capitalisation (\$mil)	\$18,359 million
% of total market	1.79%
Number of companies	41
Highest cap company	Crown Limited (CWN) \$4,764 million
Lowest cap company	Capital Intelligence Limited (CPT) \$755,505

Consumer Durables & Apparel

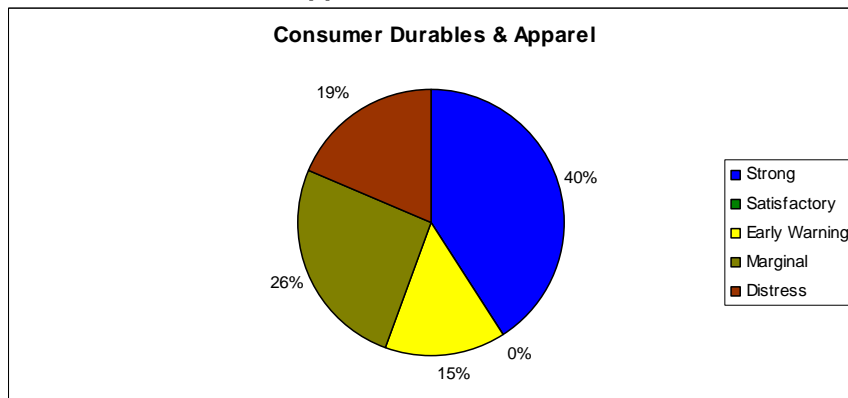
The small Consumer Durables & Apparel industry group traditionally experiences large swings in its financial health. Overall, acceptable financial health for the sector has fallen to 29% (down 11%).

Billabong International Limited (BBG) dominates the sector with a 60% market share based on market capitalisation.

Consumer Durables & Apparel Dec 08



Consumer Durables & Apparel Jun 08

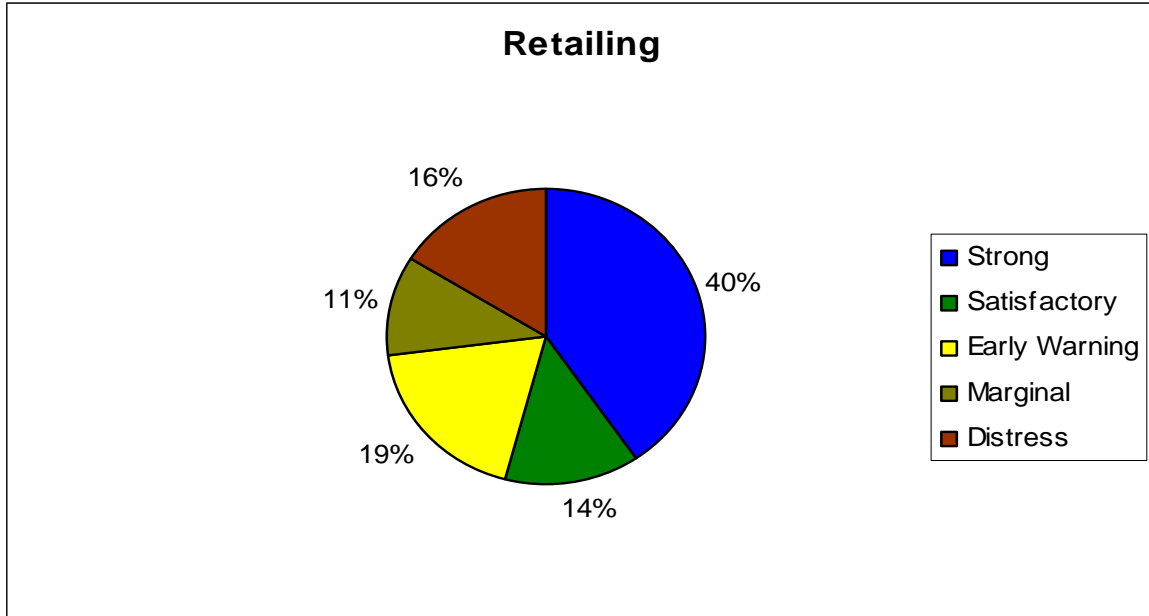


Quick stats on sector	Consumer Durables & Apparel
Sector market capitalisation (\$mil)	\$2,968 million
% of total market	0.29%
Number of companies	27
Highest cap company	Billabong International Limited (BBG) \$1,794 million
Lowest cap company	Costarella Design Limited (CLD) \$632,874

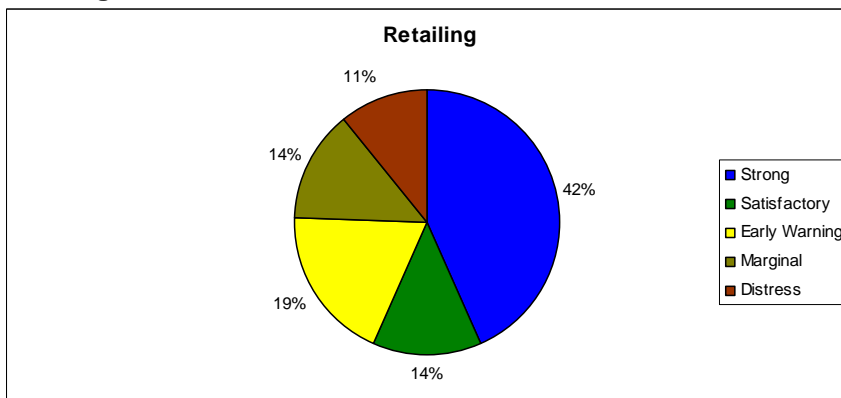
Retailing

The retailing sector continues to perform well, but has weakened significantly over the last six months. The retailing industry group has attained a solid result with 54% (down 2%) of its companies in either a 'Strong' or 'Satisfactory' position. However, the sector is expected to continue to weaken due to the weaker Australian dollar, a drop in consumer sentiment and the recession we are currently entering.

Retailing Dec 08



Retailing Jun 08



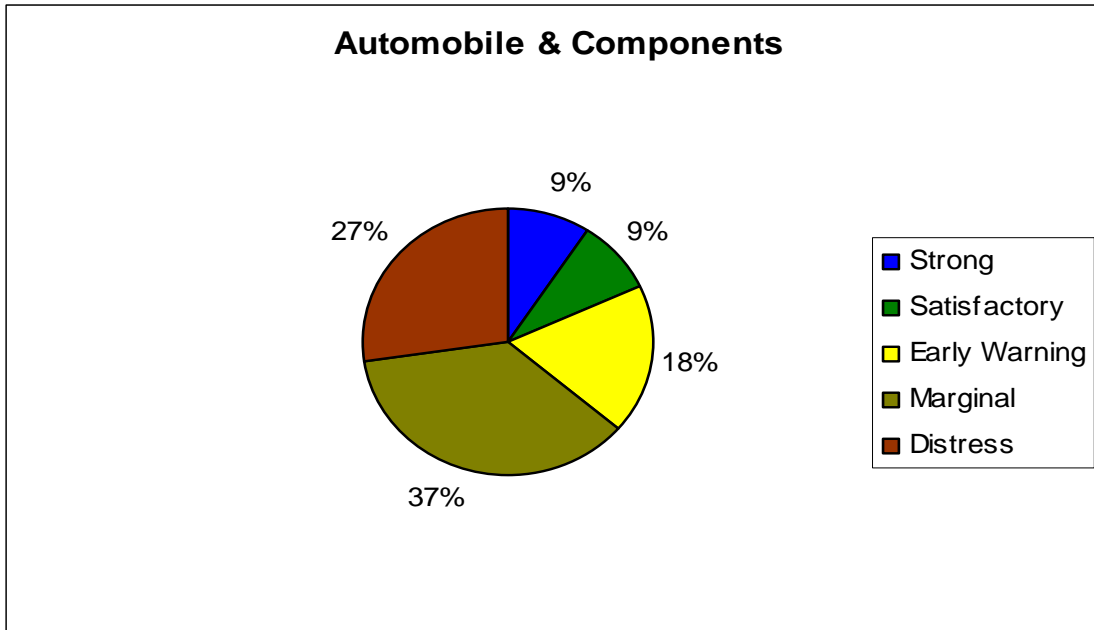
Quick stats on sector	Retailing
Sector market capitalisation (\$mil)	\$10,459 million
% of total market	1.02%
Number of companies	37
Highest cap company	Harvey Norman Holdings Ltd (HVN) \$2,815 million
Lowest cap company	TVN Corporation Limited (TVN) \$641,803

Automobile & Components

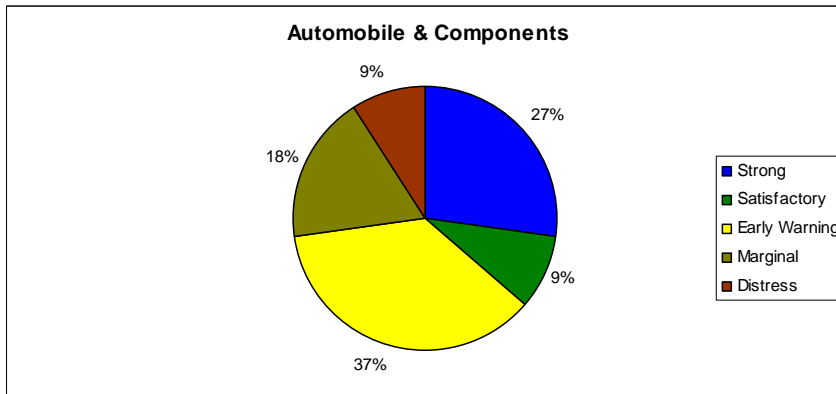
The Automobile and Components industry group represents one of the smallest sectors that we cover in this report. This sector has weakened in line with the global industry, with acceptable financial health falling to 18% (down 18%). Although oil prices have fallen this could not offset the lower consumer sentiment and thus lower level of purchases of new cars (down 18.6% for the year ended February 2009) and components.

The largest company in this sector **Fleetwood Corporation Limited (FWD)** has a 64% market share based on market capitalisation and maintains its 'Strong' health rating overall.

Automobile & Components Dec 08



Automobile & Components Jun 08

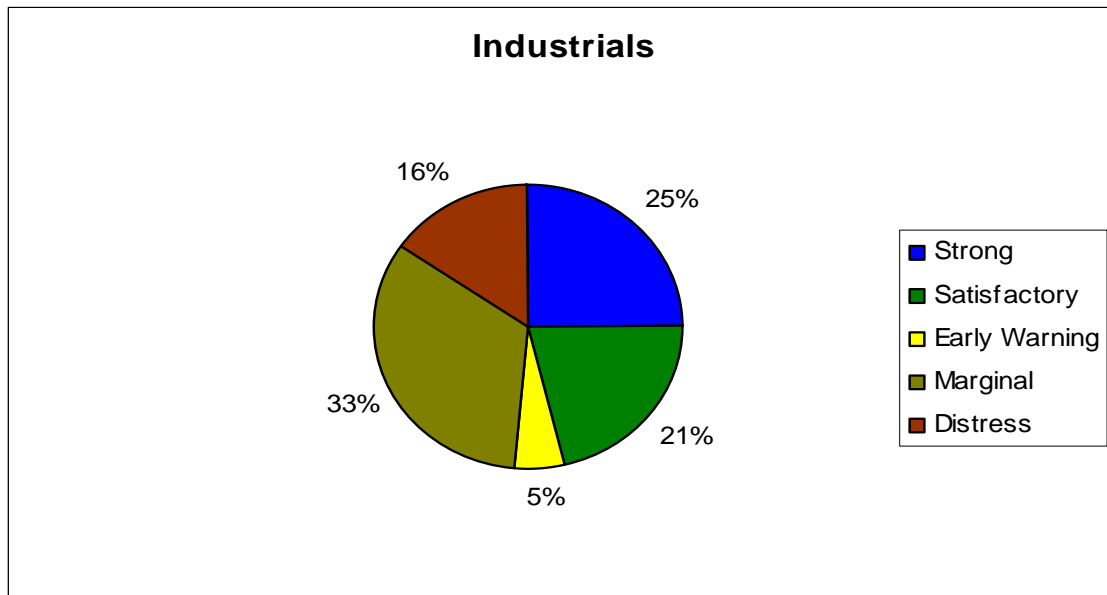


Quick stats on sector	Automobile & Components
Sector market capitalisation (\$mil)	\$471 million
% of total market	0.05%
Number of companies	11
Highest cap company	Fleetwood Corporation Ltd (FWD) \$302 million
Lowest cap company	Berklee Limited (BER) \$4.2 million

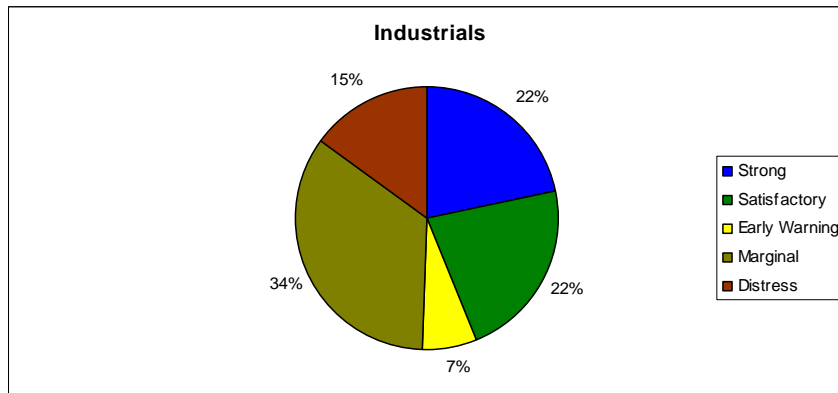
Industrials

The Industrials sector consists of the Transportation, Capital Goods and Commercial Services and Supplies industries. This sector has strengthened marginally over the last six months with the number of companies exhibiting an acceptable level of risk rising to 46% (up 2%). This has been due a number of companies in the sector taking steps to address their current exposure to levels of financial risk.

Industrials Dec 08



Industrials Jun 08

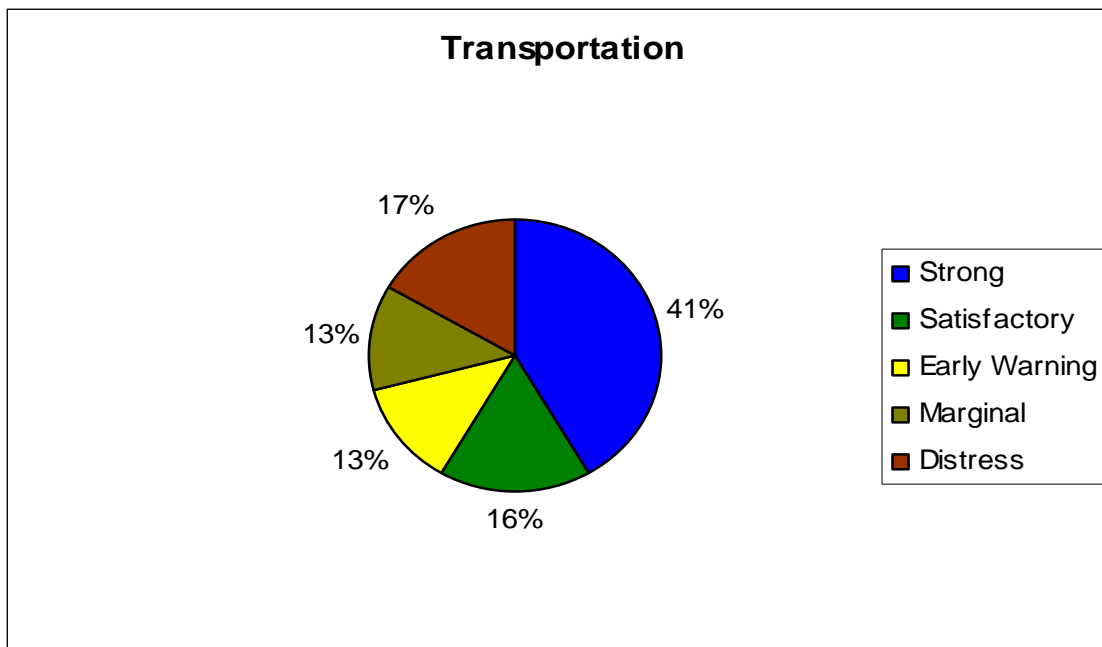


Quick stats on sector	Industrials
Sector market capitalisation (\$mil)	\$62,795 million
% of total market	6.14%
Number of companies	187
Highest cap company	Brambles Limited (BXB) \$7,050 million
Lowest cap company	Acma Engineering & Construction Group Limited (ACX) \$204,885

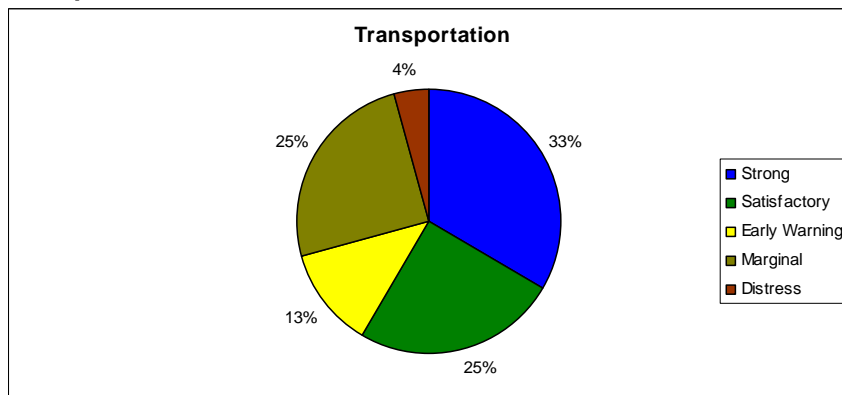
Transportation

Although the Transportation remains the strongest among the industrial industry group, it has been marginally weakened over the last six months with 57% (down 1%) of the companies in either a 'Strong' or 'Satisfactory' position. This is the result of lower oil prices not offsetting lower business and consumer sentiment due to the impending economic recession.

Transportation Dec 08



Transportation Jun 08

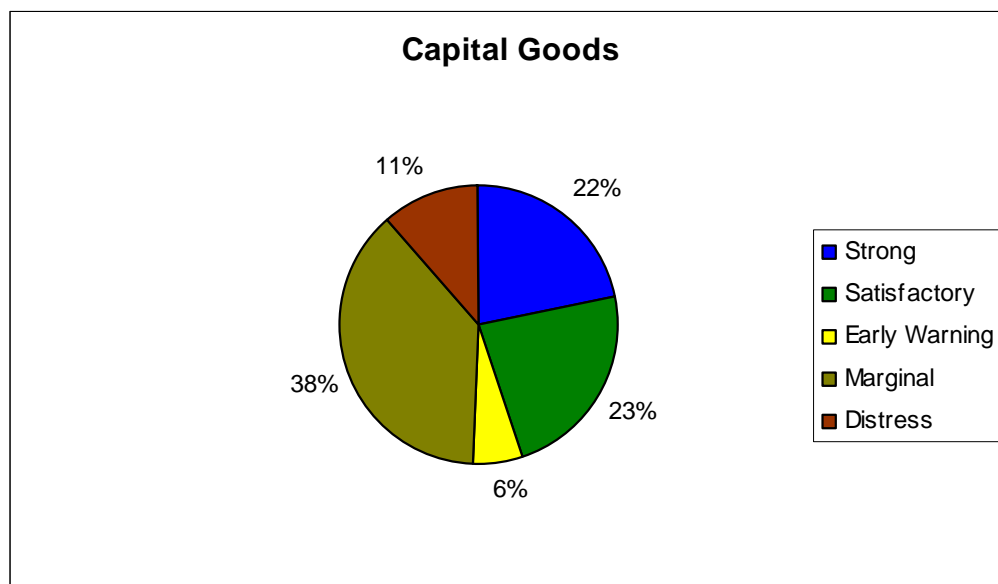


Quick stats on sector	Transportation
Sector market capitalisation (\$mil)	\$26,353 million
% of total market	2.57%
Number of companies	24
Highest cap company	Transurban Group (TCL) \$5,477 million
Lowest cap company	Richfield International Limited (RIS) \$1.99 million

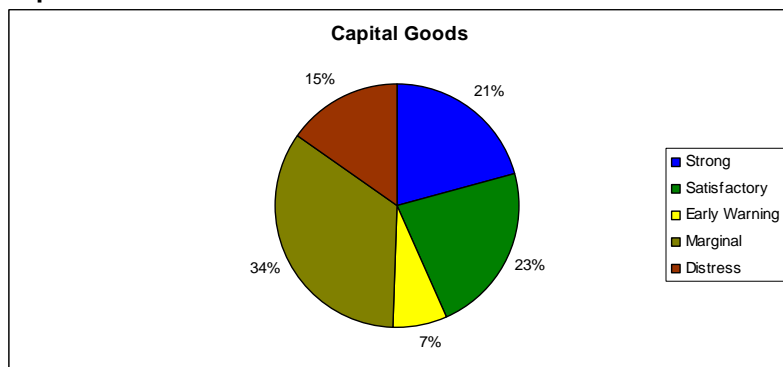
Capital Goods

The Capital Goods industry group covers a broad range of companies including construction and engineering services and producers of industrial goods. In this industry group 45% (up 1%) of the companies are in a sound position of financial health with either a 'Strong' or 'Satisfactory' rating.

Capital Goods Dec 08



Capital Goods Jun 08

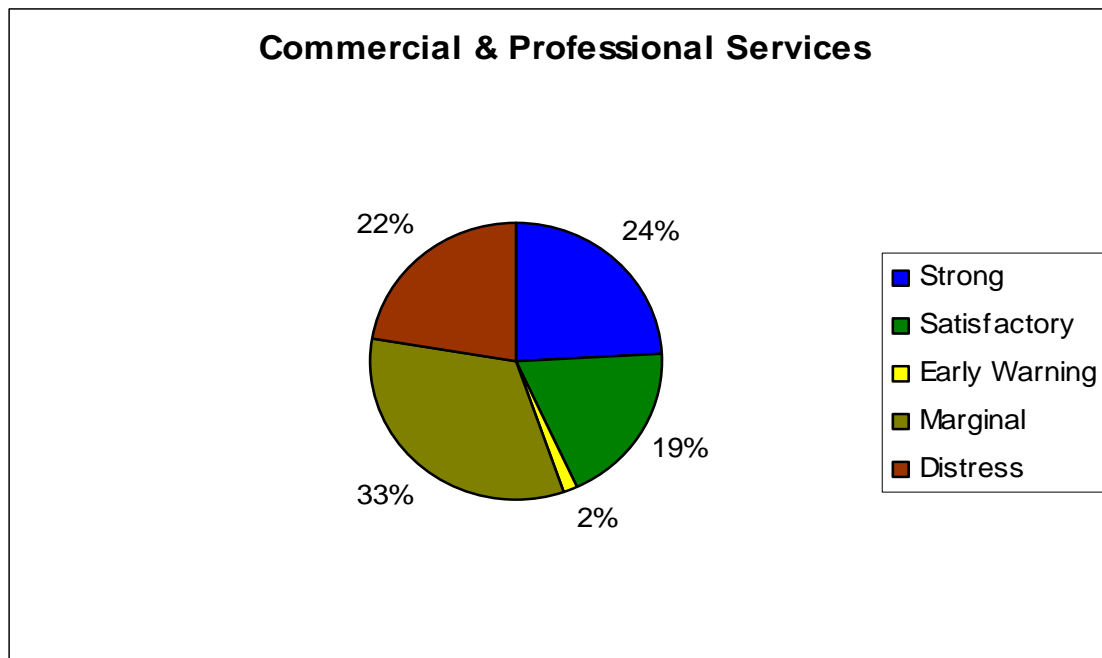


Quick stats on sector	Capital Goods
Sector market capitalisation (\$mil)	\$19,788 million
% of total market	1.93%
Number of companies	105
Highest cap company	Leighton Holdings Limited (LEI) \$6,192 million
Lowest cap company	Acma Engineering & Construction Group Limited (ACX) \$204,885

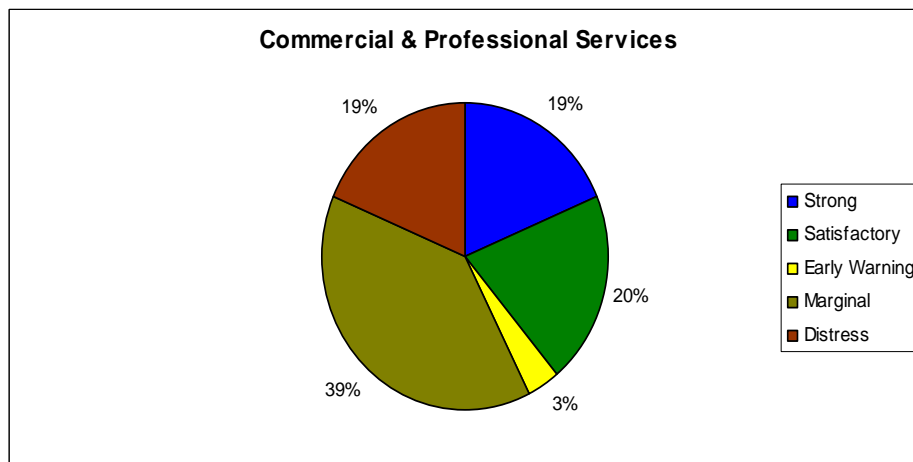
Commercial & Professional Services

The Commercial Services & Supplies sector has 43% (up 4%) of companies in a sound position of financial health. The sector is dominated by **Brambles Limited (BXB)** which makes up 42.33% of the market capitalisation of the sector. It should be noted that the majority of weakness in this sector is derived from the many small cap companies which operate within the sector.

Commercial & Professional Services Dec 08



Commercial & Professional Services Jun 08



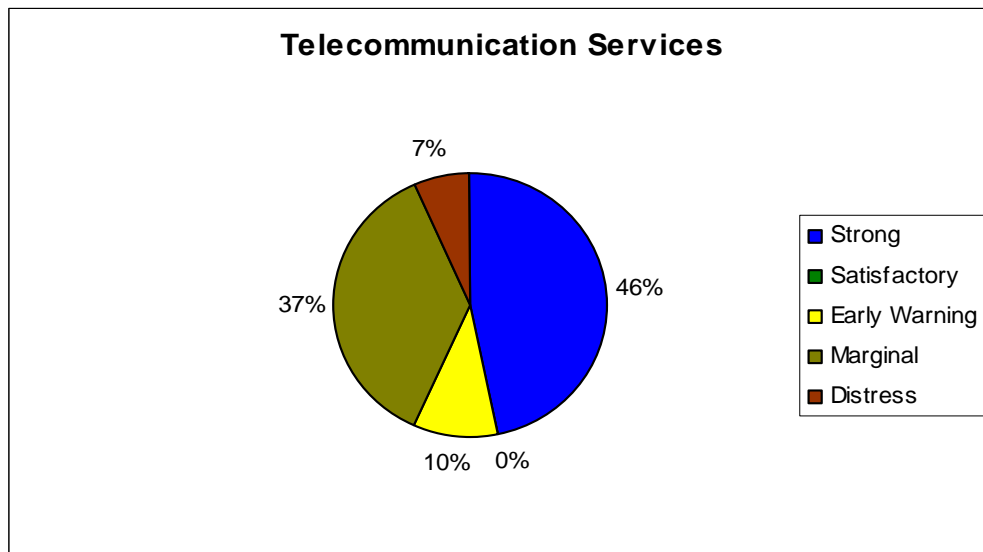
Quick stats on sector	Commercial & Professional Services
Sector market capitalisation (\$mil)	\$16,654 million
% of total market	1.63%
Number of companies	58
Highest cap company	Brambles Limited (BXB) \$7,050 million
Lowest cap company	Total Staffing Solutions Limited (TSF) \$738,142

Telecommunication Services

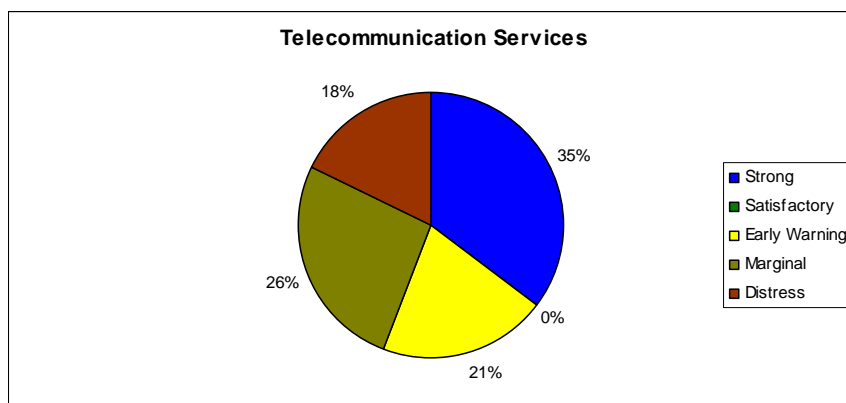
This industry group is largely dominated by **Telstra Corporation Limited (TLS)** which constitutes 87% of the sector based on market capitalisation. The majority of other participants in the sector are smaller telecommunications suppliers.

Although the overall financial health of the industry has improved to 46% (up 11%) of companies exhibiting acceptable financial health, this relatively low value misrepresents the sector as a whole. The large telcos including **Telstra Corporation Limited (TLS)**, **Telecom Corporation of New Zealand Limited (TEL)** and **Singapore Telecommunications Limited (SGT)** which lead the sector all exhibit 'Strong' financial health.

Telecommunication Services Dec 08



Telecommunication Services Jun 08



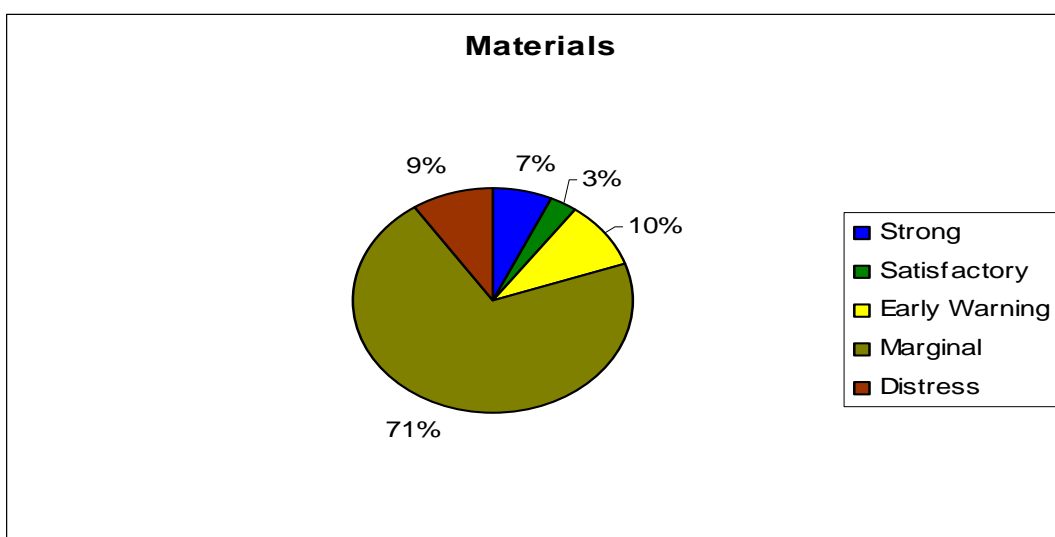
Quick stats on sector	Telecommunication Services
Sector market capitalisation (\$mil)	\$46,498 million
% of total market	4.54%
Number of companies	30
Highest cap company	Telstra Corporation Limited (TLS) \$40,564 million
Lowest cap company	Enerji Limited (ERJ) \$424,719

Materials

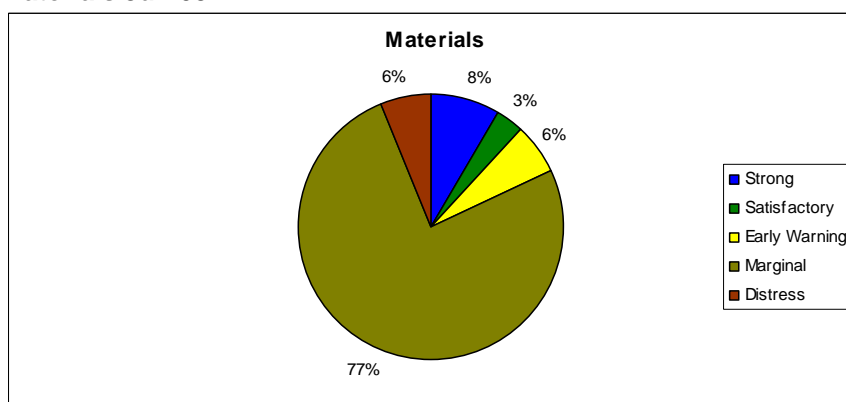
The Materials sector is composed of the largest number of companies on the Australian sharemarket. However, quantity is not equivalent to quality, as can be seen by the financial health of the sector. The majority of companies are in a poor state of financial health. These companies are generally exploratory companies which have looked to cash in on the recent resource super-cycle. These companies have not commenced production and hence are largely speculative in nature. Weaker commodity prices will have a significant impact on the survival of these companies in the coming period.

The two largest companies in this sector are **BHP Billiton Limited (BHP)** and **Rio Tinto Limited (RIO)**, which between them constitute 49% of the market capitalisation of the sector. During the period the proposed merger between the two collapsed. Overall, the number of companies in this sector that exhibit an acceptable level of financial health has fallen to 10% (down 1%). The most recent failure **Albidon Limited (ALB)** succumbed to lack of profitability, poor cash flow levels not being able to sustain higher than manageable debt levels.

Materials Dec 08



Materials Jun 08



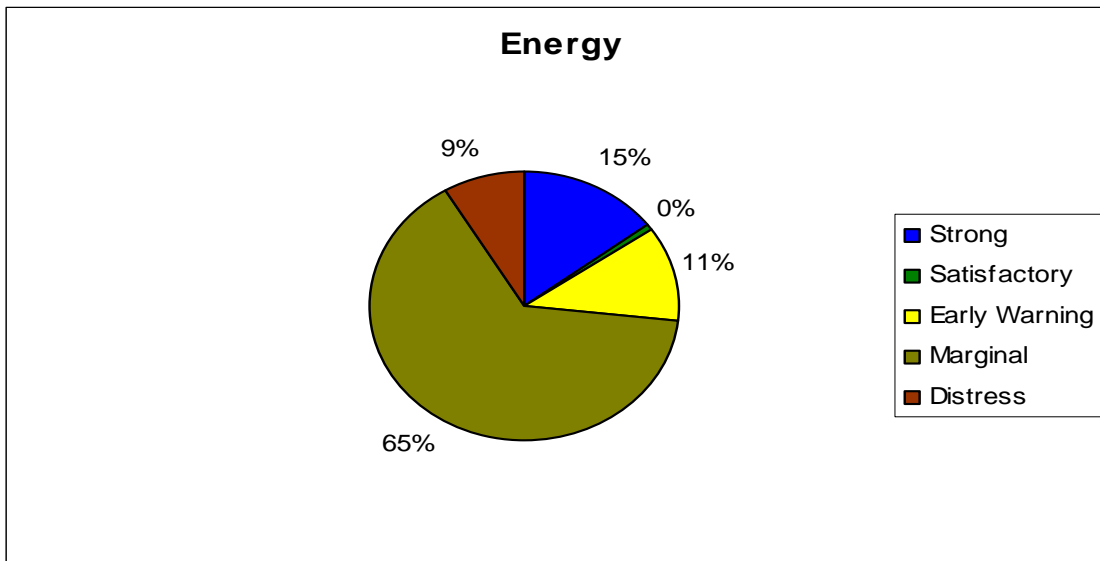
Quick stats on sector	Materials
Sector market capitalisation (\$mil)	\$273,055 million
% of total market	26.68%
Number of companies	608
Highest cap company	BHP Billiton Limited (BHP) \$108,905 million
Lowest cap company	Chongherr Investments Limited (CDH) \$229,218

Energy

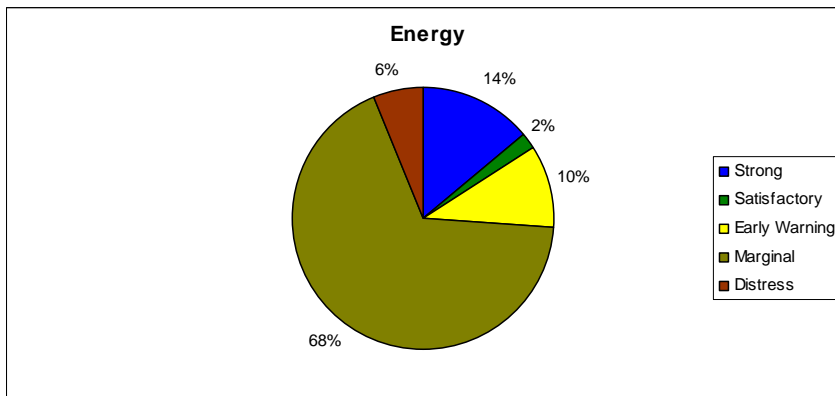
The Energy sector has fallen over the last six months, driven by lower oil and gas prices. The number of companies possessing sound financial health has fallen from 19% to 16%. Like Materials, the Energy sector consists of a large number of junior oil and gas exploration companies which have not commenced production and are currently loss-making operations. Large companies in the sector like **Woodside Petroleum Limited (WPL)** which constitutes 27.85% of the sector by market capitalisation and **Origin Energy Limited (ORG)** which constitutes 13.68%, both continue to retain 'Strong' financial health.

Energy prices have weakened substantially since its highs and this fall in profitability is expected to affect the financial health of the sector going forward. The weakening Australian dollar may soften some of the profit downgrades.

Energy Dec 08



Energy Jun 08

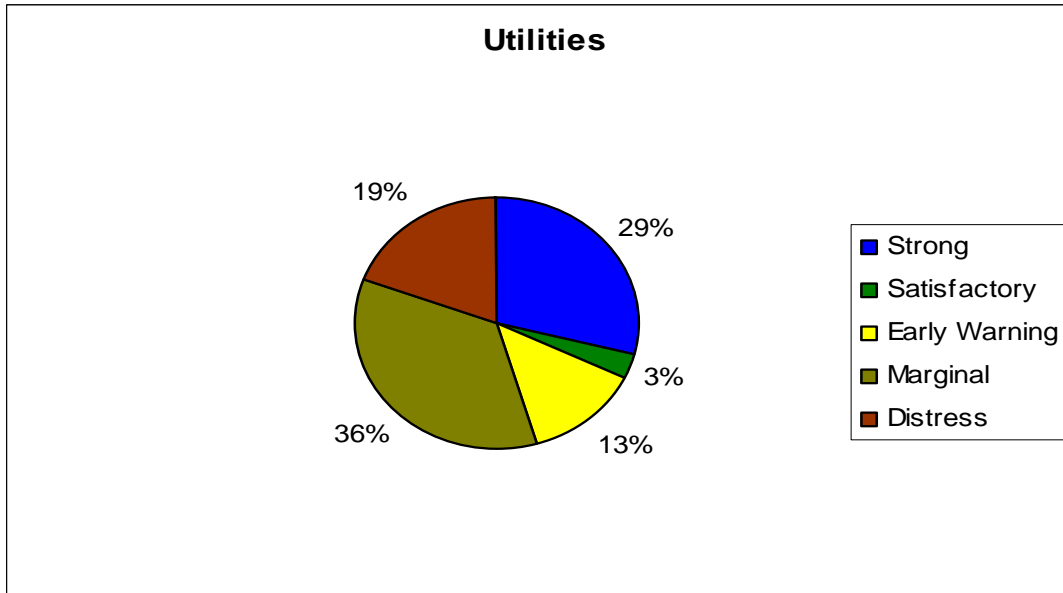


Quick stats on sector	Energy
Sector market capitalisation (\$mil)	\$98,537 million
% of total market	9.63%
Number of companies	211
Highest cap company	Woodside Petroleum Limited (WPL) \$27,442 million
Lowest cap company	Southern Pacific Petroleum NL (SPP) \$91,937

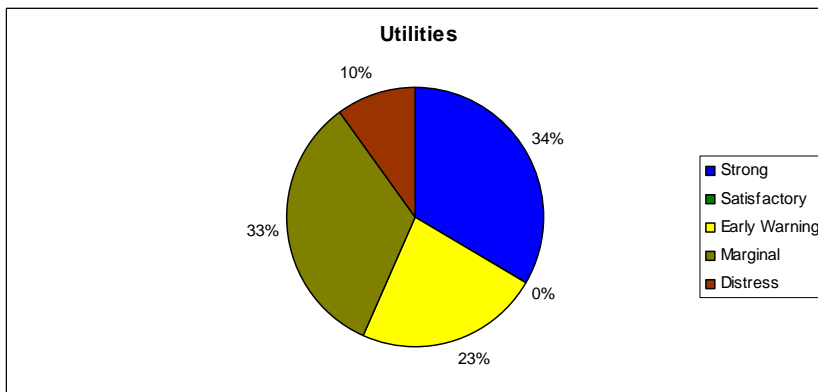
Utilities

The Utilities industry group is traditionally considered as a defensive or a 'flight to safety' sector in uncertain times. However, the credit crisis has also taken its toll on this sector with 32% (down 2%) of the companies in this sector having 'Strong' or 'Satisfactory' financial health. While dominant companies in the sector such as **AGL Energy Ltd (AGK)** which constitutes 41.55% of the sector by market capitalisation remain sound, many smaller companies have yet to make a profit and exhibit poor financial health.

Utilities Dec 08



Utilities Jun 08



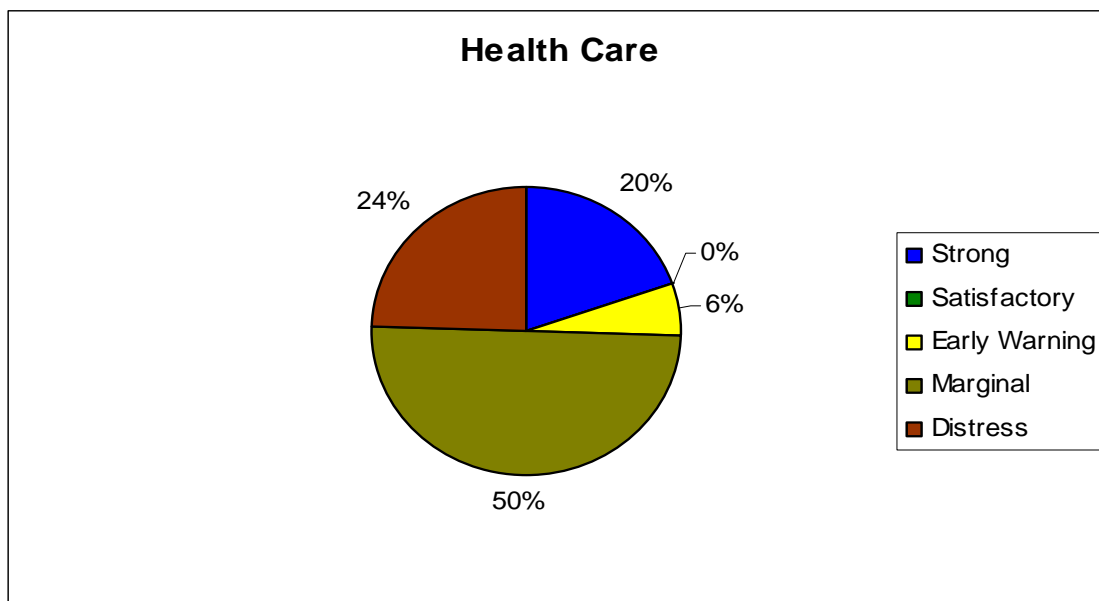
Quick stats on sector	Utilities
Sector market capitalisation (\$mil)	\$16,373 million
% of total market	1.60%
Number of companies	31
Highest cap company	AGL Energy Limited (AGK) \$6,803 million
Lowest cap company	WHL Energy Limited (WHN) \$2.45 million

Health Care

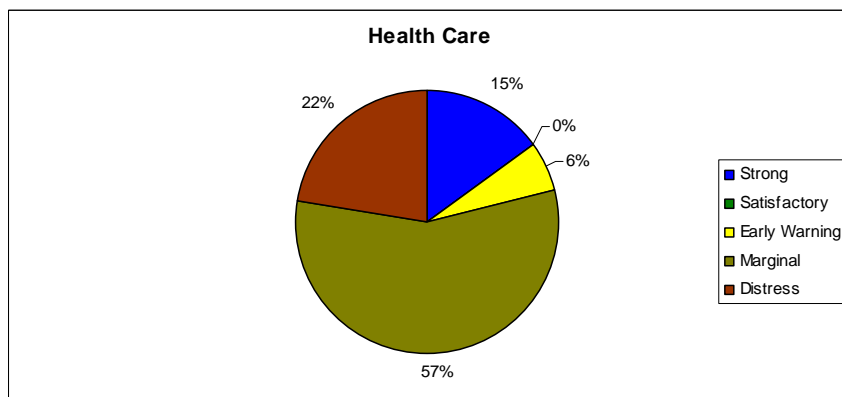
The Health Care sector has historically been an area with poor financial health largely due to the biotechnology sector. Although only 20% of the companies in this sector are in a sound position of financial health with a 'Strong' or 'Satisfactory' rating, this has remained stable in the last six months despite the difficult economic environment.

Large cap stocks in this sector exhibit similar defensive characteristics to Consumer Staples due to inelastic demand for their products. The sector's flagship company is **CSL Limited (CSL)**, which constitutes 52% of the sector based on market capitalisation.

Health Care Dec 08



Health Care Jun 08



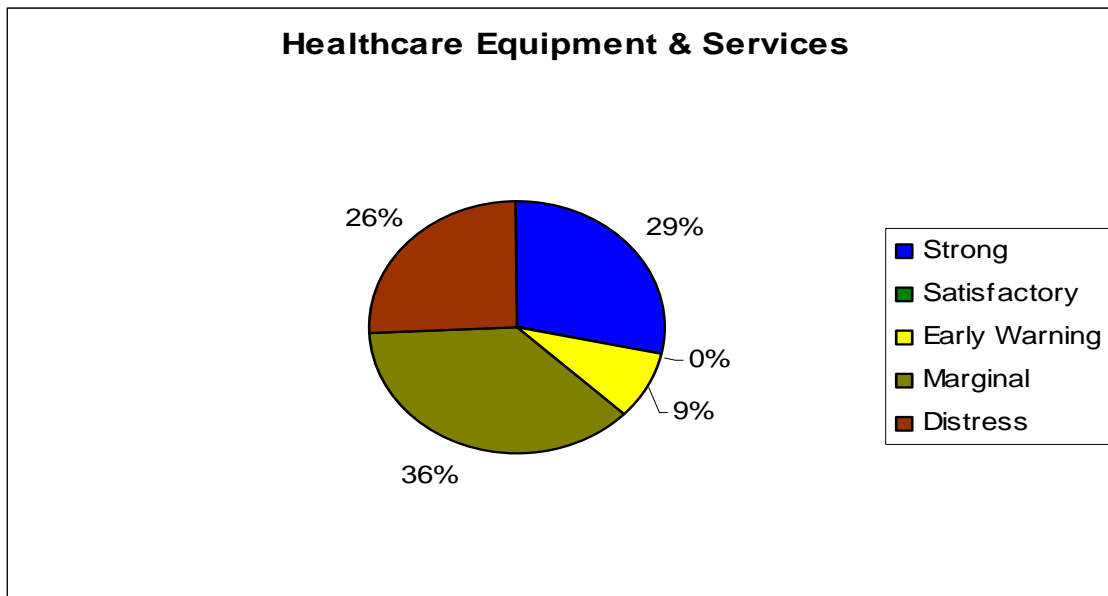
Quick stats on sector	Health Care
Sector market capitalisation (\$mil)	\$36,592 million
% of total market	3.87%
Number of companies	148
Highest cap company	CSL Limited (CSL) \$19,130 million
Lowest cap company	Actinogen Limited (ACW) \$350,597

Health Care Equipment & Services

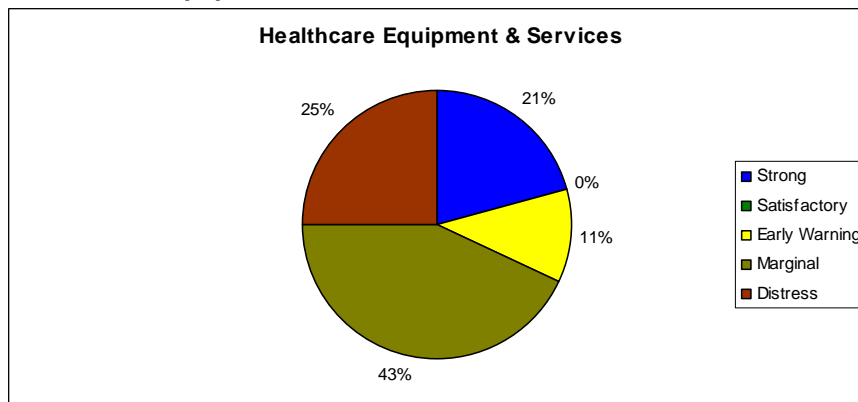
Health Care Equipment & Services is a fragmented sector where the market is divided up among many players, the largest of which is **Sonic Healthcare Limited (SHL)** which constitutes 24.03% of the sector by market capitalisation. This company is typical of the defensive stocks in this sector. However, most companies in this sector are involved in the research and development of new health care technology. These are generally highly speculative, are loss-making operations, and in poor financial health.

Overall, the Healthcare Equipment & Services industry group has experienced an improvement in the number of companies with a 'Strong' or 'Satisfactory' financial health rating rising to 29% (up 6%).

Health Care Equipment & Services Dec 08



Health Care Equipment & Services Jun 08



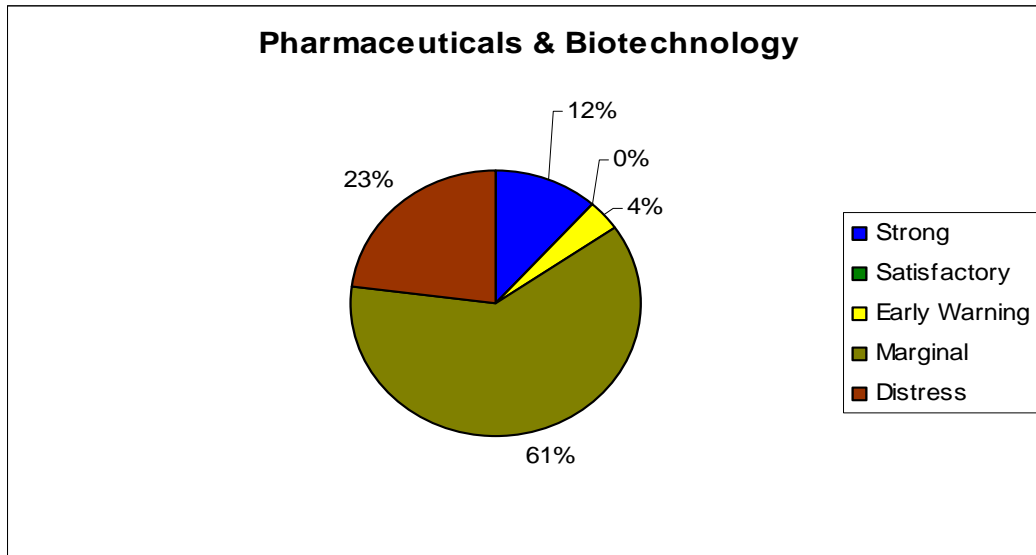
Quick stats on sector	Health Care Equipment & Services
Sector market capitalisation (\$mil)	\$17,809 million
% of total market	1.74%
Number of companies	70
Highest cap company	Sonic Healthcare Limited (SHL) \$4,280 million
Lowest cap company	C @ Limited (CEO) \$911,544

Pharmaceutical & Biotechnology

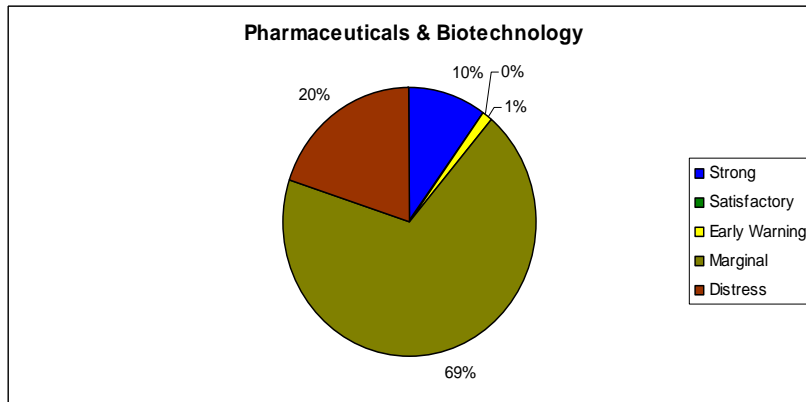
The Pharmaceutical & Biotechnology industry group possesses a very large difference in the financial health of its constituents. This sector is dominated by **CSL Limited (CSL)** which constitutes 88% of the sector by market capitalisation.

However a significant remainder of the group consists of small caps involved in the loss making activities of research and development of new pharmaceuticals. Like exploratory miners, these companies are expected to continue to incur losses unless they successfully develop a new product. Only 12% (up 2%) of companies in this sector are in a 'Strong' or 'Satisfactory' position.

Pharmaceuticals & Biotechnology Dec 08



Pharmaceuticals & Biotechnology Jun 08



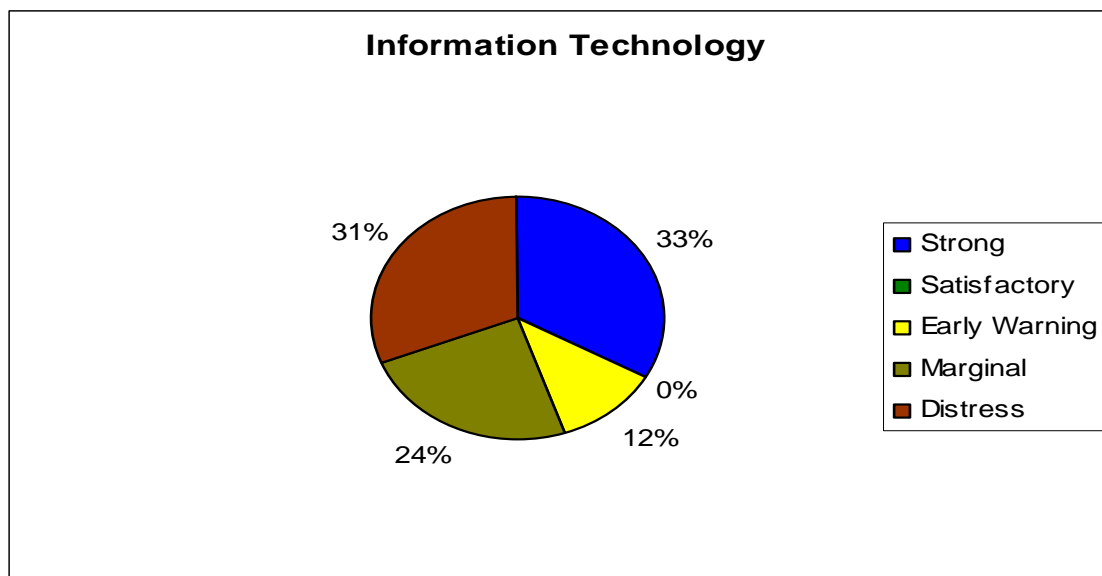
Quick stats on sector	Pharmaceuticals & Biotechnology
Sector market capitalisation (\$mil)	\$21,783 million
% of total market	2.13%
Number of companies	78
Highest cap company	CSL Limited (CSL) \$19,130 million
Lowest cap company	Actinogen Limited (ACW) \$350,597

Information Technology

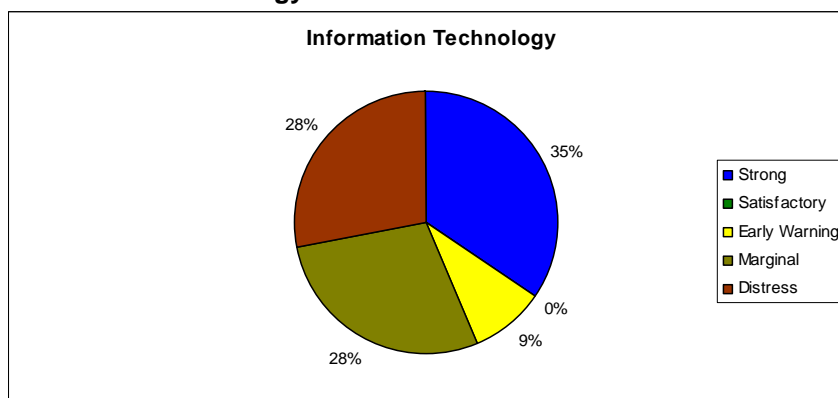
The Information Technology sector consists of the following industry groups: Software Services, Technology Hardware & Equipment and Semiconductors & Semiconductors Equipment. This sector has traditionally been one of the least healthy sectors of the market since the 'tech wreck' of 2000. However, due to the sector's minimal exposure to the financial markets, the credit crisis has had minimal impact on many businesses.

Overall, 33% (down 2%) of the companies are in a 'Strong' or 'Satisfactory' position. The existence of healthy and profitable companies in the group such as **Computershare Limited (CPU)** is somewhat offset by the numerous small start-up companies involved in technological development. Another reason for the deterioration in the number of financially healthy companies in the sector has been the slowdown in the economy and the subsequent fall in IT spending by companies.

Information Technology Dec 08



Information Technology Jun 08



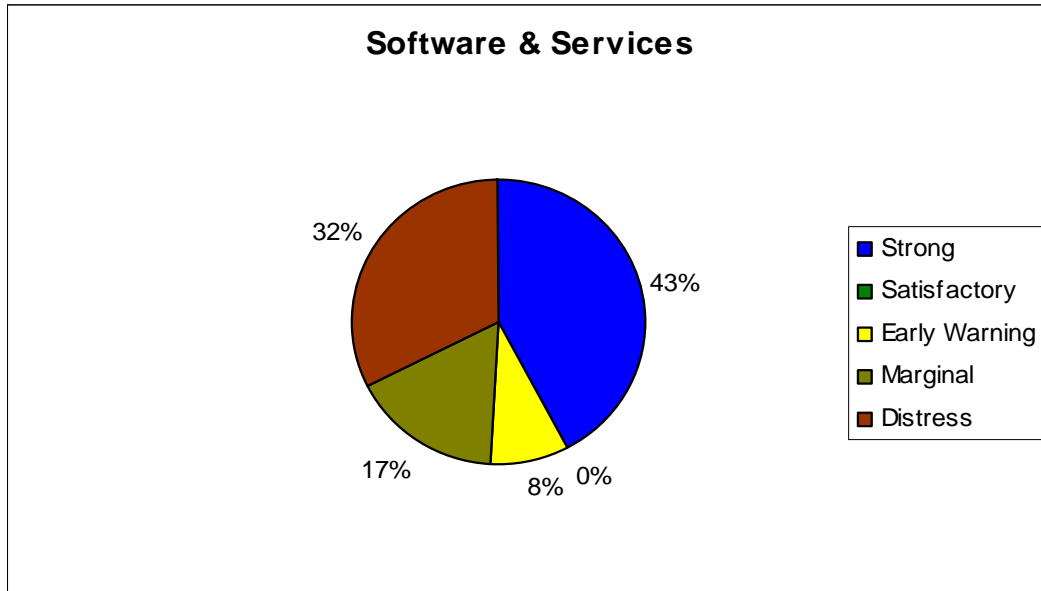
Quick stats on sector	Information Technology
Sector market capitalisation (\$mil)	\$9,217 million
% of total market	0.90%
Number of companies	103
Highest cap company	Computershare Limited (CPU) \$4,945 million
Lowest cap company	Omnitech Holdings Limited (OHL) \$98,979

Software and Services

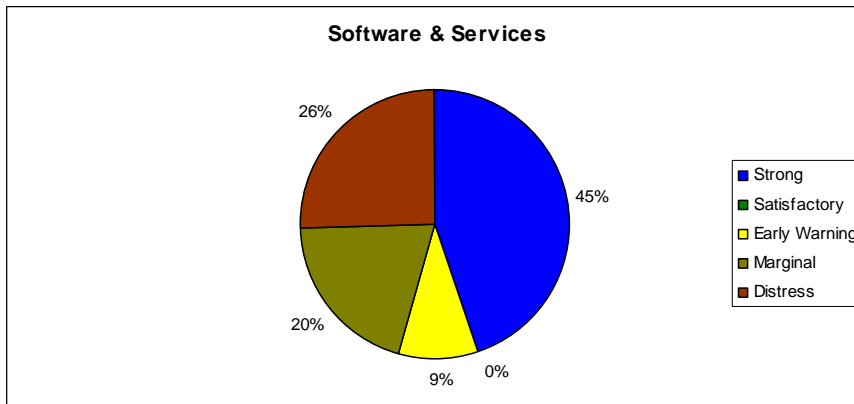
The Software and Services sector represent the majority of companies in the Information Technology sector. Overall this sector has deteriorated due to a slowdown in the broader economy with the number of companies possessing sound financial health falling to 43% (down 2%).

Computershare Limited (CPU) dominates this industry group and has a 60% market share based on market capitalisation. It too is in a 'Strong' position of financial health.

Software and Services Dec 08



Software and Services Jun 08

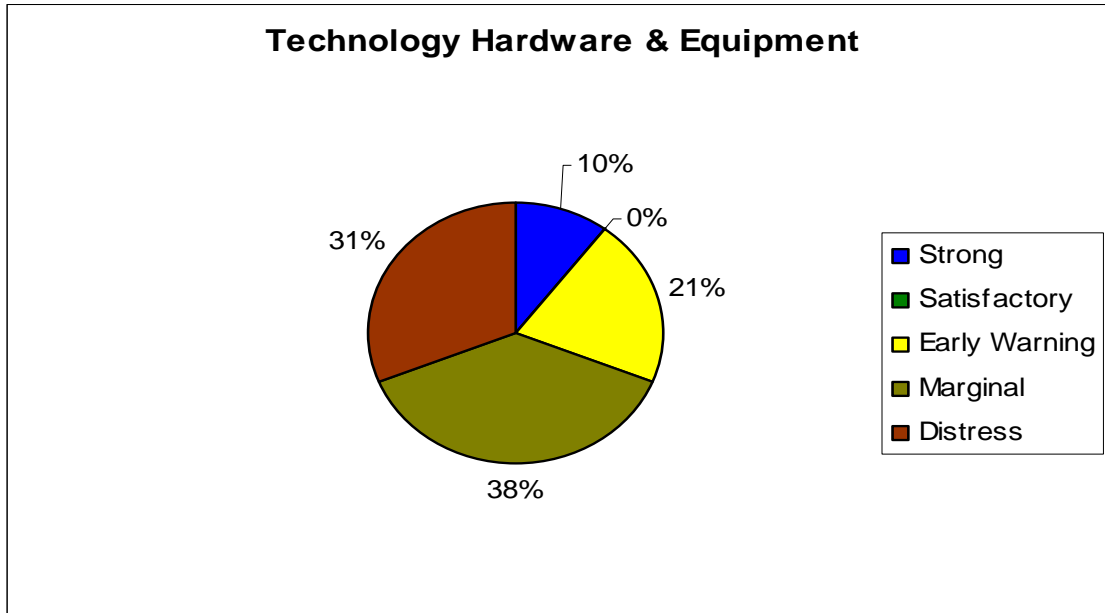


Quick stats on sector	Software and Services
Sector market capitalisation (\$mil)	\$8,273 million
% of total market	0.81%
Number of companies	71
Highest cap company	Computershare Limited (CPU) \$4,945 million
Lowest cap company	APA Financial Services Limited (APP) \$381,364

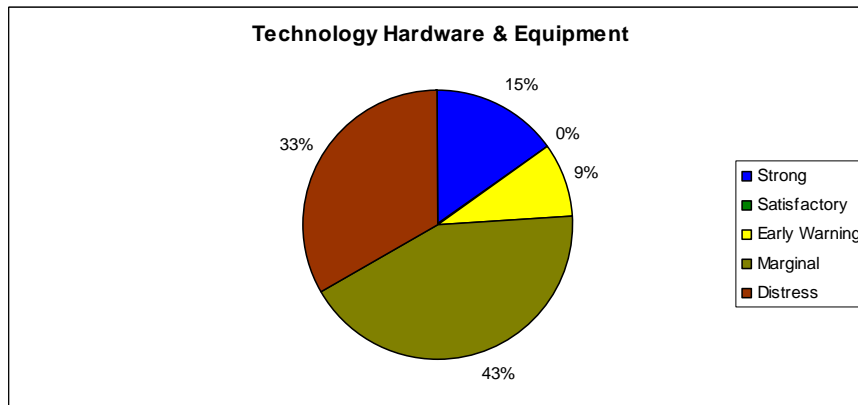
Technology Hardware & Equipment

This small segment of the market consists of small cap companies with generally poor financial health. The number of companies with a 'Strong' or 'Satisfactory' financial health in this sector has decreased to 10% (down 5%).

Technology Hardware & Equipment Dec 08



Technology Hardware & Equipment Jun 08



Quick stats on sector	Technology Hardware & Equipment
Sector market capitalisation (\$mil)	\$301 million
% of total market	0.03%
Number of companies	29
Highest cap company	Codan Limited (CDA) \$94 million
Lowest cap company	Omnitech Holdings Limited (OHL) \$98,979

See next pages for:

[Appendix 1 - Case study Babcock & Brown \(BNB\)](#)

[Appendix 2 - Lincoln ratings and ratios – Background information](#)

Important Information

Lincoln Indicators Pty Ltd ACN 006 715 573 (Lincoln) AFSL 237740.

This information is current as at 1 May 2009.

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Case study: Babcock & Brown (BNB)

Company background

Babcock & Brown (BNB) is an international investment and specialised fund and asset management group with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. BNB was founded in 1977 initially as a pure advisor and arranger but has since transitioned to become a principal in many of the transactions in which it is involved by deploying its own capital to secure assets for syndication to, and management on behalf of, third-party investors. It currently operates from 33 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1,400 employees worldwide. The company has four operating divisions: Real Estate, Infrastructure, Operating Leasing, and Corporate and Structured Finance.

BNB successfully debuted in the Australian Stock Exchange (ASX) in October 2004 with its share price increasing by 55% from its offer price of \$5.00 to close at \$7.75 on its first day of trading. Sentiment on the company was very positive due to high expectations for its real estate and leasing groups. The company did not disappoint the market when it released its 2005 earnings. BNB reported earnings that beat the guidance it initially provided in its prospectus. The impressive performance continued the following year with the company posting an EPS growth of 49.87% in 2006 pushing its share price even higher.

Company outcome

The company's success naturally encouraged management to become more aggressive and strive for higher returns. BNB underwent rapid expansion by tapping into its corporate debt facilities to fund various asset acquisitions. The strategy seemed to work as the company again delivered a 49.05% EPS growth for 2007. However, as early as August 2007, **Lincoln Indicators' confidence in the company had already waned following the release of its 2007 interim figures which showed that debt levels had increased significantly.** The company lost its Stock Doctor Recovery 'Star Stock' status as gearing levels resulted in a 'Marginal' TLTAI ratio and a financial health rating of 'Early Warning' for the period.

Sentiment on the company weakened further when the sub-prime mortgage crisis hit the US and sparked global recession fears. World markets declined and the prolonged bearish trend eventually triggered the market capitalisation review clause contained in BNB's corporate debt facility on September 2008. The clause applied if the market capitalisation fell below \$2.5 billion at the close of trading. The corporate facility lenders later agreed to remove this clause and the share price somewhat rallied as a result. This provided short term support to the business however it was obviously unsustainable given that the business was still subject to the difficult market conditions.

On 16 September 2008 Lincoln featured BNB in its 'Star Gazing' series as a 'Space Junk' due to its continued poor financial health. While the company was more positive about its outlook believing that its Infrastructure Division could provide an upside, we expressed our doubts going forward as to how BNB would fuel its profit growth given more difficult and more expensive access to credit markets globally. We also highlighted that the debt which contributed much to its growth had become its biggest thorn.

On 6 February 2009, the company advised the ASX that it had reached an agreement with its banking syndicate on a restructure of its corporate debt facilities and a revised business plan which will facilitate the reduction of those facilities.

The key points of the agreement and revised business plan were: (1) A management-controlled program, led by CEO Michael Larkin and the current senior management team, to sell down assets in an orderly fashion over a 2-3 year time horizon to reduce debt; and (2) A restructure of Babcock & Brown's existing corporate debt facilities, with all interest payments and approximately A\$2.12 billion of principal repayments to be on a 'pay if you can' basis. The company's Board also said that it believed that there would be no value for equity holders and no or negligible value for holders of the company's subordinated notes after it had implemented the revised business plan.

BNB advised the market on 10 February 2009 that a 'Delisting Event' (triggering requirements which ultimately lead to Babcock & Brown subordinated note holders becoming entitled to request repayment) had occurred following the suspension from trade of the Babcock & Brown Limited ordinary shares for a period of 20 consecutive business days.

Management also said that any restructuring proposal relating to the notes would be subject to special resolutions to be put to holders of the notes issued in Australia and the holders of notes issued in New Zealand and the restructuring being able to be implemented by 15 March 2009, the next interest payment date for the New Zealand notes. The company was left no option but to be placed under administration following the absence of any restructuring of said subordinated notes. This completed the company's fall from grace which saw its share price once reach an intraday high of \$34.78 per share back on 19 June 2007, to last trade at \$0.325.

Lincoln's financial health assessment

Lincoln's Stock Doctor® had assessed BNB as being exposed to unacceptable levels of financial risk as far back as August 2007, following the release of its interim result. While subsequent results showed the company continued to earn profits, it would maintain its high risk ranking all throughout the periods that followed mainly due to high gearing levels and poor cash flow ratios.

RATIOS	Jun 2007 I	Dec 2007 A	Jun 2008 I	Jun-08 Industry Target	Ratio Rating Jun 2008 I
Profit & Loss					
RPTAI	0.04	0.05	0.06	>0.0	Satisfactory
PDACL	0.07	0.22	0.14	>0.2	Early Warning
Balance Sheet					
TLTAI	0.87	0.86	0.83	<0.57	Early Warning
CBTL	0.07	0.19	0.10	>1.0	Early Warning
CATAI	0.50	0.49	0.19	<0.54	Strong
QLCL	0.10	0.29	0.33	>0.96	Distress
QACA	1.00	1.00	1.00	>0.97	Strong
CLTL	0.94	0.31	0.33	<0.7	Strong
CBTA	0.06	0.16	0.09	>0.15	Early Warning
Cash Flow					
OCFTA	-0.02	-0.03	-0.03	>0.045	Marginal
CTCCL	0.03	0.49	-0.33	>0.09	Marginal
OCFCL	-0.02	-0.12	-0.12	>0.18	Marginal
Health	0.33	0.50	0.50		Early Warning

NB: For an explanation of Lincoln's ratios used please refer to Appendix 2 in this report page 40.

Based on the company's financials from its June 2007 result, it appeared that failure for BNB was inevitable if it did not address its high debt levels immediately. Key balance sheet ratios TLTAI

and CBTL were either at 'Marginal' or 'Early Warning' positions. This persisted in the next two reporting periods.

The company's profitability also weakened as the global economy slowed down and asset values fell. This resulted in negative cash flow from operations which yielded 'Marginal' OCFTAI and OCFCL.

Lessons to be learned

As with any disaster there are lessons to be learned from the BNB demise. If a company has a very high debt level and is generating negative cash flow from its operations, then it will not be able to survive in the long term – ultimately, cash is a finite resource that businesses well and truly realise is essential. Companies with 'potential' in the future can raise the money through placements, however if companies fail to deliver and the 'potential' disappears then they will find things difficult.

In the current volatile market we are experiencing at the moment, it is much more difficult to obtain credit. Examples such as BNB highlight the absolute importance of **Lincoln's Golden Rule Number One – Financial Health**, and why investors should never have been exposed to these companies. Lincoln's Stock Doctor clients who understand the importance of financial health as the basis for all investment decisions would not have been exposed to these disasters.

Investors need to be focused on companies which are healthy, profitable, efficient, undervalued and growing. These businesses must have manageable debt levels, as well as achieve sufficient cash flow from operations in order to fund their activities. BNB will not be the last example of a failed entity and therefore investors need to be better equipped when making investment decisions. Knowing the true financial health of a business is definitely a step towards the right direction.

Lincoln ratings and ratios - Background information

Dr Merv Lincoln's methodology develops models from accounting ratios and characterises the financial standing of a company using a single figure on a scale of risk from 0.01 to 1, with the company's level of risk increasing as the measure moves up the scale towards 1. On the scale of risk, for ease of interpretation, the following benchmarks are used:

LEVEL OF RISK	FINANCIAL STANDING
0.01 - 0.10	Strong
0.11 - 0.30	Satisfactory
0.31 - 0.50	Early Warning
0.51 - 0.80	Marginal
0.81 - 1.00	Distress

If a company has a 'Strong' or 'Satisfactory' financial standing it will be interpreted as having sufficient cash flow and a balance sheet robust enough to finance growth, withstand significant business shocks or prolonged economic downturns.

If a company is in the zone of 'Early Warning', it is neither satisfactory nor particularly unhealthy. The company will need to address certain issues in regards to its business operations in order to achieve a healthy financial position.

A 'Marginal' financial standing indicates unsatisfactory risk above desired levels and it is preferable that management focus on getting the company into better shape. The company will have difficulties funding future growth through existing business facilities and its ability to withstand significant shocks or prolonged downturns in the economy is questionable.

If the company is in 'Distress' it is exhibiting similar financial characteristics of failing companies. It will be difficult for this company to recover should there be negative developments, and any recovery will generally be slow as it tends to take longer to get out of a difficult situation than it does to get into one.

In Dr Lincoln's initial study, models were constructed using companies; both those that had failed and those that had survived during the period 1969 to 1978. Using a sample of failed and non-failed companies, a set of financial ratios was selected which yielded a linear function of ratios making the best distinction between the two groups. It was necessary to acknowledge that the financial characteristics of industries differ and models were constructed for different industry groups.

Recognising the changes in the economic landscape, accounting methods and reporting standards, Lincoln undertook further research in 2007 to refine its unique methodology. Under the guidance and supervision of esteemed academic Associate Professor Neville Norman of the University of Melbourne, the model was revisited and new ratios were tested using multi-level modelling with the aim of improving its predictive power.

The model currently has a predictive accuracy of 95% where companies flagged in poor shape actually failed.

The ratios

From a population of over 60 ratios, 12 ratios make up the Lincoln model. These ratios, when combined and weighted, separate the high risk companies from the low risk companies.

CATAI: Current Assets to Total Tangible Assets

This ratio measures the efficiency in the management of stock and/or debtors, and the backstop of fixed assets that may be available as a source of funds, either by way of sale or mortgage. Lower risk firms have a lower value for CATAI because they turn their stock over faster and/or collect their debtors quicker, and/or have a backstop of long-term assets that may be available as a source of funds, either by way of sale or mortgage. Higher risk companies have a higher value for CATAI.

CBTA: Cash Balance to Total Assets

Cash balance is defined as a company's total cash in the bank as it appears on the balance sheet. Lower risk firms have a higher value for CBTA because they have more cash that can be used to pay for commitments that it has with suppliers, a bank or any other party that has rendered a product or service. Higher risk companies have a higher value for CBTA which means its ability to meet its commitments is significantly hampered.

CBTL: Cash Balance to Total Liabilities

This ratio shows a company's cash balance in relation to its total liabilities. Lower risk firms have a higher value for CBTL because they have more cash that can be used to pay for commitments that it has with suppliers, a bank or any other party that has rendered a product or service. Higher risk companies have a higher value for CBTL which means its ability to meet its commitments is significantly hampered.

CLTL: Current Liabilities to Total Liabilities

A factor determining a company's financial standing is the extent of more pressing debt commitments. Higher risk companies have more of their borrowings short term than is normal for the industry. The higher the value of this ratio, the greater the risk because the more that borrowings are short term, the more susceptible a company is to financial difficulties in the event of a downturn in trading.

CTCCL: Change in Total Cash Flow to Current Liabilities

Total cash flow refers to the net cash flow from a company's operating, investing and financing activities. If a company produces a negative change in cash flow over the year, then this development puts a significant strain on the business to meet its short-term commitments. A reduction in the amount of cash in the bank is an increased risk, particularly if a third party needs to be paid in the short term.

OCFTA: Operating Cash Flow to Total Tangible Assets

Operating cash flow pertains to the cash generated from the operations of a company, generally defined as revenues less all operating expenses, plus depreciation. It is a better measure of a company's profitability than net income because it deducts only the actual cash expenses and therefore shows the strength of its operations. Consistent negative operating cash flow implies a business is going backwards in relation to its ordinary operations. A negative operating cash flow is a drain on the businesses assets, which can not only be used to support ongoing business, but is also vital for it to be a going concern. This ratio shows what percentage of assets is supported by the cash flow.

OCFCL: Operating Cash Flow to Current Liabilities

This ratio is significant because it shows the ability of a company to meet short-term commitments from internally generated cash flow. The higher the value of this ratio, the lower the level of risk because it implies that the company has more cash from its operations to cover short-term liabilities. A lower value for OCFCL denotes higher risk.

PDACL (formerly CFBCL): Profit before Depreciation and Amortisation to Current Liabilities

Profit before depreciation and amortisation is defined as net operating profit before tax plus non cash charges. This is a powerful ratio because it depicts the margin of safety to meet short-term commitments from cash flow generated from trading operations. Lower risk companies have a higher margin of safety, whereas higher risk companies have a lower margin of safety.

QACA: Quick Assets (Current Assets - Stock) to Current Assets

The “immediate liquidity” of a firm is measured by this relationship. Implied in this ratio is the relationship between stock and more liquid assets. The higher the value of this ratio, the lower the level of risk because the company has more claims to immediate liquidity than is norm for the industry. The lower the value for QACA, the higher the risk.

QLCL: Quick Liabilities (Current Liabilities - Short-term Bank Finance) to Current Liabilities

This ratio describes the relationship between trade and short-term bank finance. The lower the value of this ratio, the higher the level of risk, because there is a limit to the amount of short-term funds available from a bank. The closer a company gets to that limit, the less likely additional funds will be available, should they be required.

RPTAI: Retained Profits to Total Tangible Assets

The extent of funding from profit retention is a factor determining a company’s financial standing. Lower risk companies have a higher proportion of their funds being sourced from profit retention. A high value would indicate a mature company with a history of good profits and a conservative dividend payout ratio.

TLTAI: Total Liabilities to Total Tangible Assets

This is the gearing ratio: the relationship between liabilities and equity. The higher the value of this ratio, the higher the level of risk because the more a company borrows, the more susceptible it is to financial difficulties in the event of a downturn in trading.

Important Information

Lincoln Indicators Pty Ltd ACN 006 715 573 (Lincoln) AFSL 237740.

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