BDO Kendalls

Mid-Cap Corporate Governance Report 2007

Researched by:

THE UNIVERSITY OF NEWCASTLE AUSTRALIA

Corporate Governance Report 2007

Contents

Executive Summary

The research contained in this report is derived from the 2006 Annual Report disclosures of 150 "mid–sized" Australian listed companies (ie. 251–400 largest based on market capitalisation at 31 December 2006). The size of the companies did not vary dramatically with the largest listed company being Treasury Group (market capitalisation of $227 million) and the smallest being McPherson's (market capitalisation of $91 million). The average capitalised value of all companies was $147 million.

The report contains an overall assessment of each company's corporate governance structures, comprising a star rating out of 5 and a relative ranking. The findings were as follows.

There were only 2 companies that achieved a "five–star rating". For the second year running the top ranked company was Tasmanian Perpetual (1st). Congratulations to Tasmanian Perpetual for its ongoing corporate governance excellence. The only other five–star company was Life Therapeutics which ranked 2nd. The corporate governance structures of these two five–star companies were outstanding and met best practice standards. Notwithstanding the performance of Tasmanian Perpetual and Life Therapeutics, it was of concern that the number of five–star companies actually decreased from four (in the 2006 Corporate Governance Mid–Cap Report) to two this year.

There were 13 companies that scored only a one–star rating. Again of some concern, this was a worse result than that shown in the 2006 Corporate Governance Mid–Cap Report, where 9 companies obtained a one–star rating. Notably, 10 of the 13 one–star companies were ranked for the first time in this Report. The corporate governance structures of one–star companies were sub–standard and lacking in most key areas.

In aggregate, the results are disappointing. Over the twelve month period the analysis suggests deterioration in corporate governance of Mid–Cap Companies on a few grounds. First, there was a decrease in both the number of five–star (ie. outstanding) companies and 4.5 star (i.e excellent) companies. Second, there was an increase in both the number of one–star (ie. lacking in most key areas) companies and two–star (i.e lacking in some key areas) companies. Further, on a range of criteria including audit committee existence, remuneration committee existence, nomination committee existence, and share trading policy, Mid–Cap Companies appear to have gone backwards.

It is difficult to speculate why corporate governance at the Mid–Cap level appears to have gone backwards since the 2006 Report, but it is hoped that companies have either not lost their nerve for corporate governance reforms, or have not become complacent at a time of share market exuberance.

1. The Purpose of the Report

This is the 2nd annual review of Australia's "mid–cap" companies. The purpose of this report is to provide a snapshot of the corporate governance structures of Australia's mid–sized listed companies. (ie. 251 to 400 largest based on market capitalisation at 31 December 2006). The size of the companies did not vary dramatically with the largest listed company being Treasury Group (market capitalisation of $227 million) and the smallest being McPherson's (market capitalisation of $91 million). The average capitalised value of all companies was $147 million.

2. Research Design

The research design of this report is very similar to that employed in the previous reports produced under the Horwath brand*. Many of the factors in our corporate governance model are similar, but not necessarily identical, to those in the ASX Corporate Governance Council Principles and Recommendations. To that degree, it is fair to presume that a high ranking in the BDO Kendalls Mid–Cap Corporate Governance Report will normally mean that a company has complied with most of the ASX Corporate Governance Council Principles and Recommendations. However, the corporate governance assessment model developed in the research is based upon a combination of factors identified in national and international best practice guidelines and research studies. These include the USA Blue Ribbon Committee Report (1999), the UK Hampel Report (1999), the OECD Report (2004), the UK Higgs Report (2003), the Australian Ramsay Report (2001), Investment and Financial Services Association of Australia Corporate Governance Guide (2003), the ASX Corporate Governance Council Principles and Recommendations (2007), and CLERP 9. As was the case in previous Mid–cap Reports, central to the model is the need for companies to have appropriate levels of independence on the Board of Directors, their associated committees and from their external auditor.

The model considers objective factors based on publicly disclosed information pertaining to the existence and structure of a company's Board of Directors and associated committees, the level of perceived independence of the company from the external auditors, and disclosures relating to the existence of a code of conduct, risk management and share trading policy. A brief explanation of each of these factors follows.

*The Horwath offices of Melbourne, Cairns, Perth, and Hobart merged with BDO Kendalls in April 2007.

2.1 Board of Directors

For the purposes of the model the most desirable outcome will be for a company to have:

- a board with the majority of independent directors;
- an independent chairperson; and
- met at least 6 times annually.

The least desirable outcome will be for a company to have:

- a board with no independent directors;
- the CEO as chairperson; and
- met less than 6 times annually.

For the purposes of this research, an independent director is defined as someone who is not a member of management and who:

- is not a substantial shareholder of the company, or otherwise associated directly or indirectly with a substantial shareholder of the company;
- has not been employed in an executive capacity by the company in the last decade;
- is not an original founder of the company;
- is not a principal of a professional adviser to the company;
- is not a significant supplier or customer of the company, or otherwise associated directly or indirectly with a significant supplier or customer of the company;
- has no significant contractual relationship with the company, outside of their directorship;
- is free from any interest or relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;
- has been a director for ten years or less.

2.2 Audit Committee

The most desirable outcome will be for a company to have:

- an audit committee with all the members, including the chair, independent;
- a chairperson, who is not the chair of the main board;

- at least one member with professional or educational accounting qualifications;
- at least 3 members; and
- met at least 4 times annually.

The least desirable outcome will be for a company not to have an audit committee.

2.3 Remuneration Committee

The most desirable outcome will be for a company to have a remuneration committee with:

- all the members, including the chairperson, independent;
- at least 3 members.

The least desirable outcome will be for a company not to have a remuneration committee.

2.4 Nomination Committee

The most desirable outcome will be for a company to have a nomination committee with:

- all the members, including the chairperson, independent;
- at least 3 members.

The least desirable outcome will be for a company not to have a nomination committee.

2.5 External Auditor Independence

A weighting is placed on the proportion of non–audit fees (relative to audit fees) paid by a client to their auditor, and the policy relating to the provision of non–audit services.

2.6 Code of Conduct and Other Policy Disclosures

A weighting is included for disclosures relating to the existence and substance of a company's code of conduct, policy on risk management and policy on share trading.

3. Findings

The research contained in this report is derived from the 2006 Annual Report disclosures of Australia's 251 to 400 companies based on market capitalisation at 31 December 2006. Trusts, foreign companies and most stapled securities were excluded from the analysis. For each company, relevant information was obtained from the Annual Report and where necessary the company web site.

Based on the model described previously, an overall corporate governance assessment and ranking was performed for each of the 150 companies. The complete listings, (alphabetically, and in order or corporate governance rank) are provided in Appendices B and C.

3.1 Top Ranked Companies

There were only two companies that demonstrated exemplary corporate governance structures and achieved a five–star rating. For the second year running the top ranked company was Tasmanian Perpetual (1st). Congratulations to Tasmanian Perpetual for its ongoing corporate governance excellence. The only other five–star company was Life Therapeutics which ranked 2nd. It improved significantly from its 2006 rating of 60th and 3.5 stars. The primary reasons for the improved rating were increased levels of independence on its Board of Directors, audit committee, and remuneration and nomination committee, increased number of audit committee meetings, reduction in non–audit fees relative to audit fees, and a revised favourable assessment of risk management policies.

The corporate governance structures of these two five–star companies were outstanding and met best practice standards. The companies demonstrated independence in all key areas including their Board of Directors, audit committees, remuneration committees and nomination committees. The board and related committees met regularly and disclosure on related party transactions was clear and unambiguous. The level of non–audit fees paid to the external auditor was within acceptable parameters, and/or a rigorous policy was in place with respect to the provision of non–audit services by the external auditor. In addition, there was a documented code of conduct, and rigorous policies on risk management and share trading.

Table 1 – Top Ranked Companies

COMPANY	2007 CORPORATE GOVERNANCE RANK	2007 STARS	2006 CORPORATE GOVERNANCE RANK	2006 STARS
Tasmanian Perpetual	1st	5	1st	5
Life Therapeutics	2nd	5	60th	3.5

Notwithstanding the performance of Tasmanian Perpetual and Life Therapeutics, it was of concern that the number of five–star companies actually decreased from four (in the 2006 Mid–Cap Report) to two this year. With respect to last year's five–star companies only Tasmanian Perpetual retained its place. Home Building Society increased its market capitalisation, such that it will be assessed in the 2007 BDO Kendalls Large–Cap Corporate Governance Report. Gallery Gold was delisted during 2006. However, Coventry Group lost its five–star rating on two grounds. First, during 2006 it softened its share trading policy. Second, the level of non–audit fees paid to its statutory auditor increased substantially.

3.2 Low Ranked Companies

There were 13 companies (8.7%) that scored only a one–star rating. Again of some concern, this was a worse result than that shown in the 2006 Corporate Governance Mid–Cap Report, where 9 companies (6%) obtained a one–star rating. Notably, 10 of the 13 one–star companies were ranked for the first time. Hopefully they can improve in subsequent years.

In essence a one–star rating means that corporate governance structures were lacking in most key areas. Almost without exception, the Board of Directors and the associated committees (where they existed), contained no independent members. Overall, there was a scarcity of corporate governance structures. Table 2 lists the lowest ranked companies.

Table 2 – Low Ranked Companies

COMPANY	2007 CORPORATE GOVERNANCE RANK	2007 STARS	2006 CORPORATE GOVERNANCE RANK	2006 STARS
Tanami Group	138th	1 star		
Global Petroleum	=139th	1 star		
Souls Private Equity	=139th	1 star		
Allegiance Mining NL	141st	1 star		
Lycopodium	142nd	1 star		
Sino Strategic International	143rd	1 star		
Objective Corporation	144th	1 star	147th	1 star
Cromwell	=145th	1 star	149th	1 star
Finbar	=145th	1 star		
Cudeco	=147th	1 star		
ST Synergy	=147th	1 star	150th	1 star
Kings Minerals	149th	1 star		
United Overseas Australia	=150th	1 star		

The two lowest ranked companies were Kings Minerals (149th) and United Overseas Australia (150th). Neither company had many of the corporate governance traits that might be expected of a listed public company (of any size). Consider the following. Kings Minerals' Board did not contain a single independent member. The company did not have an audit committee, remuneration committee or nomination committee. The company did not have policies on risk management. It had a weak share trading policy and an ill–defined code of conduct. Finally, the amount of non–audit fees paid to the statutory auditor was substantial.

Similarly, United Overseas Australia's corporate governance was poor. The Board Chair was the CEO of the company and the five person board did not contain any independent members. The board met formally on only three occasions during the year. United Overseas Australia did not have an audit committee, remuneration committee or nomination committee. Further, United Overseas Australia either did not have policies on risk management, share trading, or a code of conduct, or if it did, it failed to make any informative disclosures on them. Notwithstanding the above points, United Overseas Australia stated in its 2006 Annual Report "In recognising the need for the highest standards of corporate behaviour and accountability, the directors of United Overseas Australia Limited support and have adhered to the principles of corporate governance." This statement seems difficult to justify.

3.3 Comparison of 2007 Mid–Cap Companies to 2006 Large–Cap Companies

The corporate governance scores of the 2007 Mid–Cap companies were compared to the scores of the 2006 "Large–Cap" Companies (as reported in the 2006 Corporate Governance Report). Large–Cap companies are those whose market capitalisation places them in Australia's largest 250 listed companies. In general, the corporate governance scores of the 2007 Mid–Cap Companies were significantly less than the 2006 Large–Cap Companies. To some degree, it is to be expected that Large–Cap Companies would have better corporate governance than Mid–Cap Companies, given the greater resources and public profile that the Large–Cap Companies have over the Mid–Cap companies. The difference is most notable at the highest and lowest rating levels. For example, only 1.3% of Mid–Cap companies scored five stars (ie. outstanding), compared to 14.8% of Large–Cap companies. Conversely 8.7% of Mid–Cap companies scored one star (ie. lacking in most key areas), compared to 1.68% of Large–Cap companies. Also, the average star rating for Mid–Cap Companies was 2.92 stars, compared to 3.50 for Large–Cap Companies.

Table 3 – Comparison of 2007 Mid–Cap Companies to 2006 Large–Cap Companies

	2007 MID–CAP COMPANIES %	2006 LARGE–CAP COMPANIES %*
5 stars	1.3%	14.8%
4.5 stars	8.0%	16.8%
4 stars	16.7%	20.8%
3.5 stars	21.3%	13.6%
3 stars	12.0%	14.8%
2 stars	32.0%	17.6%
1 stars	8.7%	1.6%
TOTAL	100%	100%

Note: 2007 Mid–Cap Companies mean star rating = 2.92

2006 Large–Cap Companies mean star rating = 3.50

* based on data from the 2006 Corporate Governance Report.

3.4 Comparison of 2007 Mid–Cap Companies to 2006 Mid–Cap Companies

The corporate governance scores of the 2007 Mid–Cap Companies were also compared to the scores of the 2006 Mid–Cap Companies (as reported in the 2006 Mid–Cap Corporate Governance Report). In aggregate, the results are disappointing. Over the twelve month period the analysis suggests deterioration in corporate governance on a few grounds. First, there was decrease in both the percentage of five–star (ie. outstanding) companies and 4.5 star (i.e excellent) companies. Second, there was an increase in both the percentage of one–star (ie. lacking in most key areas) companies and two–star (i.e lacking in some key areas) companies. Third, the average star rating decreased from 3.05 stars to 2.92 stars.

Table 4 – Comparison of 2007 Mid–Cap Companies to 2006 Mid–Cap Companies

	2007 MID–CAP COMPANIES %	2006 MID–CAP COMPANIES %*
5 stars	1.3%	2.7%
4.5 stars	8.0%	10.0%
4 stars	16.7%	16.0%
3.5 stars	21.3%	15.3%
3 stars	12.0%	22.7%
2 stars	32.0%	27.3%
1 stars	8.7%	6.0%
Total	100%	100%

Note: 2007 Mid–Cap Companies mean star rating = 2.92

2006 Mid–Cap Companies mean star rating = 3.05

* based on data from the 2006 Mid–Cap Corporate Governance Report.

3.5 Board of Directors

At a board level there doesn't appear to be any significant structural problems with the corporate governance structures of the Mid–Cap Companies. While only 25% of these companies had a majority of independent directors, conversely only 8% did not have any independence on the board. Nearly half of the boards had an independent chair (46%). A comparison of 2007 Mid–Cap Companies with 2006 Mid–Cap Companies indicates little change on the score of Board of Director independence levels.

Table 5 – Board of Directors: Independence Levels

	2007 MID–CAP COMPANIES (NO)	(%)	2006 MID–CAP COMPANIES (NO)	(%)
Board of Directors	150		150	
Independent chairperson	69	46.0%	68	45.3%
Level of independence				
Majority independent members	38	25.0%	42	28.0%
Some independent members	100	67.0%	97	64.7%
No independent members	12	8.0%	11	7.3%
Total	150	100%	150	100%

3.6 Audit Committee

It was both surprising and disappointing to see that as many of 15 companies (10%) did not have an audit committee. Other than in exceptional circumstances it is hard to justify any listed company not seeing a need for an audit committee. It was also particularly disappointing to see the number of Mid–Cap Companies that did not have an audit committee treble from five, in the 2006 Mid–Cap Report, to 15 in the current report. Nonetheless, of the 135 companies that had an audit committee, 82.2% had an independent chair and 65.2% had a majority of independent members. This is a marginally better result than the 2006 Report.

Table 6 – Audit Committees: Independence Levels

	2007 MID–CAP COMPANIES (NO)	(%)	2006 MID–CAP COMPANIES (NO)	(%)
Audit committee exists	135	90.0%	145	96.7%
Independent chair	111	82.2%	112	77.2%
Level of independence				
All members independent	38	28.2%	36	24.8%
Majority independent member	50	37.0%	55	37.9%
No majority independent members	47	34.8%	54	37.3%
Total	135	100%	145	100%

3.7 Remuneration Committee

The results with respect to remuneration committees are a mixed bag. On the one hand it was concerning that the number of companies that have a remuneration committee fell from 122 in the 2006 Mid–Cap Report, to 106 in the current report. On the other hand there appears to have been an improved level of independence on the remuneration committees. 71.7% of the committees had an independent chair (59.8% in the 2006 Report). Further, 51.9% had at least an at least a majority of independent members (42.6% in the 2006 Report).

Table 7 – Remuneration Committees: Independence Levels

	2007 MID–CAP COMPANIES		2006 MID–CAP COMPANIES	
	(NO)	(%)	(NO)	(%)
Remuneration committee exists	106	70.7%	122	81.3%
Independent chair	76	71.7%	73	59.8%
Level of independence				
All members independent	18	17.0%	17	13.9%
Majority independent member	37	34.9%	35	28.7%
No majority independent members	51	48.1%	70	57.4%
Total	106	100%	122	100%

3.8 Nomination Committee

The area of nomination committees appears to be a growing problem for the Mid–Cap Companies. Only 38.7% had a separately constituted nomination committee. Further, where a nomination committee existed, adequate independent representation appears to be a problem. Only 15.5% of the committees were constituted totally of independent members, and more than half (56.9%) did not have a majority of independent members. Compounding these less than impressive statistics, is the fact that nomination committee existence appears to have deteriorated significantly since the 2006 Report (from 50% to 38.7%). At least in the 2006 Report, half of the companies had a nomination committee. Independence levels have not changed significantly.

Table 8 – Nomination Committee: Independence Levels

	2007 MID–CAP COMPANIES (NO)	(%)	2006 MID–CAP COMPANIES (NO)	(%)
Nomination committee exists	58	38.7%	75	50.0%
Independent chairperson	37	63.8%	46	61.3%
Level of independence				
All members independent	9	15.5%	13	17.3%
Majority independent member	16	27.6%	20	26.7%
No majority independent members	33	56.9%	42	56.0%
Total	58	100%	75	100%

3.9 Auditor Independence

With respect to non–audit fees paid to the statutory auditor the findings are pleasing and slightly better than the findings in the 2006 Report. Only 17.3% of companies paid more to their statutory auditor for non–audit services than they paid for audit services. This compares marginally better than in the 2006 Report, where 20% of companies paid more to their statutory auditor for non–audit services than they paid for audit services.

Table 9 – Proportion of Audit Fees to Non Audit Fees

	2007 MID–CAP COMPANIES (NO)	(%)	2006 MID–CAP COMPANIES (NO)	(%)
Audit Fees > Non–audit Fees	124	82.7%	120	80%
Non–audit Fees > Audit Fees	26	17.3%	30	20%
Total	150	100%	250	100%

3.10 Code of Conduct and Other Documented Policies

The findings with respect to policies on code of conduct and risk management appear reasonable and almost identical to the 2006 Report. 128 companies had a code of conduct – nonetheless why the remaining 22 companies would deem it apparently unnecessary to have a documented code of conduct is puzzling. 129 companies had reasonable policies on risk management which were identical to the number in the 2006 Report.

Notwithstanding the similarity in findings between the 2006 and current report in respect of code of conduct and risk management, there were substantial difference in the findings for share trading policy. Of significant concern, the percentage of companies with a share trade policy that had any real rigour dropped from 86.7% in the 2006 Report to 61.3% in the current report. There are two main reasons for this disappointing development. First, several companies actually decided to weaken their share trade policy during the year. The stated reason for this was that they wished to expand the time period for directors to purchase shares in the company. Second, many of the companies ranked for the first time, either did not have a share trade policy, or had one with few restrictions on trade.

Table 10 – Code of Conduct and Other Documented Policies

	CODE OF CONDUCT MID–CAP COMPANIES				RISK MANAGEMENT POLICY MID–CAP COMPANIES				SHARE TRADING POLICY MID–CAP COMPANIES			
	2007		2006		2007		2006		2007		2006	
	(NO)	(%)	(NO)	(%)	(NO)	(%)	(NO)	(%)	(NO)	(%)	(NO)	(%)
Exists	128	85.3%	126	84.0%	129	86.0%	129	86.0%	92	61.3%	130	86.7%
Not Exist	22	14.7%	24	16.0%	21	14.0%	21	14.0%	58	38.7%	20	13.3%
Total	150	100%	150	100%	150	100%	150	100%	150	100%	150	100%

4. Concluding Comments

All things considered, the findings of the 2007 BDO Kendalls Mid–Cap Corporate Governance Report present a reasonably disappointing picture. As might be expected, the 2007 Mid–Cap Companies scored significantly worse than the 2006 Large–Cap Companies in terms of corporate governance. No doubt this is partly due to the greater resources and public profile that the Large–Cap Companies have over the Mid–Cap companies. However, it was totally unexpected that the 2007 Mid–Cap Companies would perform worse than the 2006 Mid–Cap companies. Put simply there was both a decrease in companies with excellent corporate governance, and an increase in companies with significant corporate governance holes. More specifically, on a range of criteria including audit committee existence, remuneration committee existence, nomination committee existence, and share trading policy, Mid–Cap Companies appear to have gone backwards in the last twelve months.

It is difficult to speculate why corporate governance at Mid–Cap level appears to have gone backwards since the 2006 Report, but it is hoped that companies have either not lost their nerve for corporate governance reforms, or have not become a little more complacent at a time of share market exuberance.

Appendix A – Star Ratings Explanations

5 stars (2 companies, 1.3%) – Corporate governance structures were outstanding. The structures met all best practice standards and could not be faulted. Companies demonstrated unequivocal independence in all key areas including their Board of Directors, audit committees, remuneration committees, and nomination committees. The board and related committees met regularly and disclosure on related party transactions was clear and unambiguous. The level of non–audit fees paid to the external auditor was within acceptable parameters, and/or a rigorous policy was in place with respect to the provision of non–audit services by the external auditor. In addition, there was a documented code of conduct, policies on risk management and share trading.

4.5 stars (12 companies, 8%) – Corporate governance structures were excellent and met all best practice standards other than in relatively minor circumstances.

4 stars (25 companies, 16.7%) – Corporate governance structures were very good and met the vast majority of best practice standards.

3.5 stars (32 companies, 21.3%) – Corporate governance structures were generally good and met most of the best practice standards.

3 stars (18 companies, 12%) – Corporate governance structures were adequate and met some of the best practice standards. Most of the trimmings of good corporate governance were present but usually the board and associated committees had a minority of non–independent members. There were also non–trivial short–falls in some other areas of their corporate governance structures.

2 stars (48 companies, 32%) – Corporate governance structures were lacking in some key areas. The Board of Directors and associated committees contained few independent members and there were significant corporate governance weaknesses in other areas.

1 star (13 companies, 8.7%) – Corporate governance structures were lacking in most key areas. Almost without exception the Board of Directors and the associated committees (where they existed) contained no independent members. Overall there was an absolute scarcity of corporate governance structures.

Appendix B – Alphabetical Company Listing, Rank & Number of Stars

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Aberdeen Leaders	=112	2		
Aevum	=6	4.5	67	3
Agincourt Resources	=130	2	114	2
Albidon	=104	2		
Alchemia	=63	3.5	74	3
Allco Equity Partners	=91	2	101	2
Allegiance Mining NL	141	1		
Andean Resources	=133	2		
Anzon Australia	=114	2	137	2
AP Eagers	=63	3.5	136	2
ARB	=69	3.5	144	1
Ariadne Australia	=104	2		
Arrow Energy NL	=80	3	30	4
Astron	=78	3	39	4
Ausdrill	37	4		
Australasian Resources	=124	2		
Avatar Industries	=104	2		
Avoca Resources	=112	2		
Biota	=22	4	20	4
Blackmores	=31	4	43	4
Bridgestone Australia	116	2		
Canberra Investment	=40	3.5		
Candle Australia	=56	3.5		
Cardno	35	4	78	3
CBH Resources	=75	3		
Century Australia	=26	4	28	4
Chandler Macleod	=44	3.5		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Citigold Corporation	=130	2		
Clough	=47	3.5	120	2
Codan	=80	3	85	3
Collection House	=31	4	25	4
Conventry Group	=4	4.5	3	5
Copperco	=109	2		
CPI	136	2		
Cromwell	=145	1	149	1
Cudeco	=147	1		
Customers	=85	3		
CVC	=128	2	139	2
Devine	28	4		
Dominion Mining	=91	2		
Emitch	=75	3		
Equitee Trustees	=8	4.5		
eServe Global	=16	4	20	4
Etrade	=69	3.5	52	3.5
Euroz	=133	2		
Finbar	=145	1		
Forest Enterprises	=56	3.5	78	3
Funtastic	=80	3	55	3.5
Gazal	=98	2	37	4
Genepharm Australasia	=120	2		
Genetic Tecnologies	=8	4.5	67	3
Gindalbie Metals	=120	2		
Global Mining Investments	=124	2		
Global Petroleum	=139	1		
Globe International	=22	4		
GoldLink Income Plus	=40	3.5	45	3.5

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Gowing Bros	127	2		
Grange Resources	=130	2	124	2
Heron Resources	=124	2		
HGL	108	2		
Horizon Oil	=56	3.5		
Housewares International	=69	3.5	89	3
HPAL	=75	3	76	3
Hunter Hall International	=83	3		
Huntley Investment	=63	3.5	53	3.5
Hutchison Telecommunications	=56	3.5		
Independent Practitioner Network	=47	3.5		
Infomedia	=29	4	66	3.5
Integrated	=16	4		
Intrepid Mines	=26	4		
Jabiru Metals	74	3		
Jetset Travelworld	=44	3.5		
Karoon Gas Australia	=114	2		
Kings Minerals	149	1		
Life Therapeutics	2	5	60	3.5
Ludowici	43	3.5		
Lycopodium	142	1		
Mariner Financial	=100	2		
Marion Energy	=63	3.5		
Maxitrans	=91	2		
McMillan Shakespeare	=63	3.5		
McPherson's	=16	4		
Melbourne IT	46	3.5		
Metabolic	=51	3.5		
Mincor Resources NL	111	2	85	3

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Mirrabooka Investments	=72	3	130	2
National Can Industries	11	4.5		
National Hire	=100	2	53	3.5
Nick Scali	=51	3.5		
Nido Petroleum	=128	2		
Noni B	90	2		
Objective Corporation	144	1	147	1
OFM Investment Group	3	4.5		
OM Holdings	=109	2	74	3
Orchard Petroleum	=85	3	134	2
Payce Consolidated	123	2		
PCH Group	=72	3		
Peplin	=20	4		
Peptech	=8	4.5	22	4
Perseverance	=91	2	97	3
Phosphagenics	=85	3	106	2
Platinum Australia	=91	2		
Port Bouvard	137	2		
Powertell	=61	3.5	45	3.5
Precious Metals Australia	=88	3		
Premium Investors	=51	3.5		
Primelife	=91	2		
Promedius	=40	3.5		
pSvida	=102	2	48	3.5
Queensland Cotton	36	4		
Reckon	=61	3.5		
Redflex Holdings	=12	4.5	13	4.5
Renison Consolidated Mines	=102	2		
Repco	=16	4		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Resource Pacific	=20	4		
Riversdale Mining	=104	2		
Ruralco	=56	3.5		
Salinas Energy	=133	2		
Sally Malay Mining	=31	4		
Senetas	25	4		
Sino Strategic International	143	1		
Sirtex	=51	3.5		
SMS Management & Technology	=4	4.5	5	4.5
Souls Private Equity	=139	1		
ST Synergy	=147	1	150	1
Sunraysia Television	=88	3	144	1
Super Cheap Auto	=12	4.5	5	4.5
Sydney Attractions	=47	3.5	25	4
Sydney Gas	15	4		
Talent2 International	=91	2	85	3
Tanami Group	138	1		
Tasmanian Perpetual Trustees	1	5	1	5
Tassal Group	=12	4.5	18	4.5
Technology One	=98	2	110	2
Templeton Global Growth Fund	=31	4		
The Reject Shop	=78	3		
Total Communication	=63	3.5	97	3
Treasury Group	=51	3.5	114	2
Troy Resources	122	2	148	1
United Overseas Australia	150	1		
UXC	=22	4	14	4.5
Ventracor	=6	4.5	10	4.5
WAM Capital Investment	=117	2		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Warrnambool Cheese & Butter	=29	4	30	4
Watpac	=117	2	101	2
Webjet	=38	4		
Whitefield	50	3.5	30	4
Wide Bay Australia	=38	4		
Willmott Forests	=83	3	112	2
Wilson Investment Fund	=117	2		

Appendix C – Company Listing by Corporate Governance Rank

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Tasmanian Perpetual Trustees	1	5	1	5
Life Therapeutics	2	5	60	3.5
OFM Investment Group	3	4.5		
Conventry Group	=4	4.5	3	5
SMS Management & Technology	=4	4.5	5	4.5
Aevum	=6	4.5	67	3
Ventracor	=6	4.5	10	4.5
Equitee Trustees	=8	4.5		
Genetic Tecnologies	=8	4.5	67	3
Peptech	=8	4.5	22	4
National Can Industries	11	4.5		
Redflex Holdings	=12	4.5	13	4.5
Super Cheap Auto	=12	4.5	5	4.5
Tassal Group	=12	4.5	18	4.5
Sydney Gas	15	4		
eServe Global	=16	4	20	4
Integrated	=16	4		
McPherson's	=16	4		
Repco	=16	4		
Peplin	=20	4		
Resource Pacific	=20	4		
Biota	=22	4	20	4
Globe International	=22	4		
UXC	=22	4	14	4.5
Senetas	25	4		
Century Australia	=26	4	28	4
Intrepid Mines	=26	4		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Devine	28	4		
Infomedia	=29	4	66	3.5
Warrnambool Cheese & Butter	=29	4	30	4
Blackmores	=31	4	43	4
Collection House	=31	4	25	4
Sally Malay Mining	=31	4		
Templeton Global Growth Fund	=31	4		
Cardno	35	4	78	3
Queensland Cotton	36	4		
Ausdrill	37	4		
Webjet	=38	4		
Wide Bay Australia	=38	4		
Canberra Investment	=40	3.5		
GoldLink Income Plus	=40	3.5	45	3.5
Promedius	=40	3.5		
Ludowici	43	3.5		
Chandler Macleod	=44	3.5		
Jetset Travelworld	=44	3.5		
Melbourne IT	46	3.5		
Clough	=47	3.5	120	2
Independent Practitioner Network	=47	3.5		
Sydney Attractions	=47	3.5	25	4
Whitefield	50	3.5	30	4
Metabolic	=51	3.5		
Nick Scali	=51	3.5		
Premium Investors	=51	3.5		
Sirtex	=51	3.5		
Treasury Group	=51	3.5	114	2
Candle Australia	=56	3.5		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Forest Enterprises	=56	3.5	78	3
Horizon Oil	=56	3.5		
Hutchison Telecommunications	=56	3.5		
Ruralco	=56	3.5		
Powertell	=61	3.5	45	3.5
Reckon	=61	3.5		
Alchemia	=63	3.5	74	3
AP Eagers	=63	3.5	136	2
Huntley Investment	=63	3.5	53	3.5
Marion Energy	=63	3.5		
McMillan Shakespeare	=63	3.5		
Total Communication	=63	3.5	97	3
ARB	=69	3.5	144	1
Etrade	=69	3.5	52	3.5
Housewares International	=69	3.5	89	3
Mirrabooka Investments	=72	3	130	2
PCH Group	=72	3		
Jabiru Metals	74	3		
CBH Resources	=75	3		
Emitch	=75	3		
HPAL	=75	3	76	3
Astron	=78	3	39	4
The Reject Shop	=78	3		
Arrow Energy NL	=80	3	30	4
Codan	=80	3	85	3
Funtastic	=80	3	55	3.5
Hunter Hall International	=83	3		
Willmott Forests	=83	3	112	2
Customers	=85	3		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Orchard Petroleum	=85	3	134	2
Phosphagenics	=85	3	106	2
Precious Metals Australia	=88	3		
Sunraysia Television	=88	3	144	1
Noni B	90	2		
Allco Equity Partners	=91	2	101	2
Dominion Mining	=91	2		
Maxitrans	=91	2		
Perseverance	=91	2	97	3
Platinum Australia	=91	2		
Primelife	=91	2		
Talent2 International	=91	2	85	3
Gazal	=98	2	37	4
Technology One	=98	2	110	2
Mariner Financial	=100	2		
National Hire	=100	2	53	3.5
pSvida	=102	2	48	3.5
Renison Consolidated Mines	=102	2		
Albidon	=104	2		
Ariadne Australia	=104	2		
Avatar Industries	=104	2		
Riversdale Mining	=104	2		
HGL	108	2		
Copperco	=109	2		
OM Holdings	=109	2	74	3
Mincor Resources NL	111	2	85	3
Aberdeen Leaders	=112	2		
Avoca Resources	=112	2		
Anzon Australia	=114	2	137	2

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Karoon Gas Australia	=114	2		
Bridgestone Australia	116	2		
WAM Capital Investment	=117	2		
Watpac	=117	2	101	2
Wilson Investment Fund	=117	2		
Genepharm Australasia	=120	2		
Gindalbie Metals	=120	2		
Troy Resources	122	2	148	1
Payce Consolidated	123	2		
Australasian Resources	=124	2		
Global Mining Investments	=124	2		
Heron Resources	=124	2		
Gowing Bros	127	2		
CVC	=128	2	139	2
Nido Petroleum	=128	2		
Agincourt Resources	=130	2	114	2
Citigold Corporation	=130	2		
Grange Resources	=130	2	124	2
Andean Resources	=133	2		
Euroz	=133	2		
Salinas Energy	=133	2		
CP1	136	2		
Port Bouvard	137	2		
Tanami Group	138	1		
Global Petroleum	=139	1		
Souls Private Equity	=139	1		
Allegiance Mining NL	141	1		
Lycopodium	142	1		
Sino Strategic International	143	1		

COMPANY	2007 RANK	2007 STARS	2006 RANK	2006 STARS
Objective Corporation	144	1	147	1
Cromwell	=145	1	149	1
Finbar	=145	1		
Cudeco	=147	1		
ST Synergy	=147	1	150	1
Kings Minerals	149	1		
United Overseas Australia	150	1		

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