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CPT Global Limited's Annual General Meeting in November was told that your five year aspiration is to grow revenue from $31 million in FY06 to $120 million by 2011 of which 50 percent will be from offshore. How are you progressing towards that goal?

CEO Gerry Tuddenham
We are performing at least in line with our expectations. In the March quarter we've moved close to contracting new international anchor clients as a result of our marketing and referrals from our alliance partners, Macro4 and Tori Group. These partnerships are really gaining traction, particularly in Europe. We're confident of signing up a second large European based global bank, a leading UK retailer and a leading European electricity supplier before the end of the financial year. As anticipated we're more active in Asia with proposals before major financial institutions in Hong Kong and Singapore, as well as exploring potential opportunities in China.

We are also growing within our existing client base. Our largest European based financial sector client has extended our existing Risk Reward engagement in both scope and duration. In the US we've signed 12 month extensions of Risk Reward contracts with our telco and financial services clients.

In R&D we've made a major break through which will open up a whole new world of clients whose IT costs we can reduce.

We've adapted the principles behind the performance tuning tools we use to tune mainframes for use on SAP mid-range systems. We've started to develop client prototypes and expect new business to flow in FY08.

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At the AGM revenue guidance of $37 million for FY07 was given. Can you update this guidance?

CEO Gerry Tuddenham
Given the current domestic growth and the momentum of our overseas operations, we're on track at a minimum to hit revenue of $37 million for FY07.

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Australian revenue grew by 6 percent to $14.5 million in the half year to 31 December 2006. What is your strategy for growing the domestic business?

CEO Gerry Tuddenham
The Australian market is buoyant, both in the government and commercial sectors, and this buoyancy looks set to continue for the foreseeable future. We are expanding our strategy in Australia of organic growth to include growth through acquisitions within our areas of core competence. Reflecting our brand recognition in the market and the growing importance of our client-side services, several independent organisations offering compatible services have approached us with proposals that would enable them to grow with us.

We've written business with new clients in Australia, been placed on Federal and State Government ICT supplier panels and with our recent R&D breakthrough we expect the SAP mid-range performance tuning services to accelerate domestic revenue growth.

Our domestic contracted forward order book is already 94 percent of our FY07 target.

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International revenue grew by 63 percent to $4.2 million while Australian revenue grew by 6 percent to $14.5 million in the half year to 31 December 2006. With the change in the geographic revenue mix what is the trend in margins?

CEO Gerry Tuddenham
Growth in the percentage of our revenue generated offshore is a predicator of higher future operating margins. Our Risk Reward pricing model provides for a profit margin of 2.5 times our domestic profit margins. While our growing international annuity revenue is lower margin than Risk Reward revenue, it continues to be more profitable than domestic business because it attracts higher fees reflecting higher labour costs offshore than in Australia.

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Are you already achieving the higher margins you forecast from your international activity?

CEO Gerry Tuddenham
Yes. The international revenue rise was the key metric that delivered our first half FY07 16 percent growth in EBITDA. Not only are we getting improved margins on international business, but we are also broadening the mix of that revenue. We are getting more annuity revenue on the back of our success with Risk Reward contracts. On completion of these contracts, which typically create an immediate cost saving in the range of 10 to 25 percent, clients often request us to provide a monitoring service to maintain that performance for which we receive an on-going fee.

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What is the trend in international client retention? What is your gauge for measuring overseas customer satisfaction?

CEO Gerry Tuddenham
Repeat Risk Reward business resulting from client referrals and new annuity business are our best measures. In the US we've won repeat Risk Reward business from a major international financial sector client. Our largest European based financial sector client has extended our existing Risk Reward engagement in both scope and duration. Many of these large international financial organisations operate in many countries and with multi-business lines. It's a valuable endorsement when clients recommend us to other branches of their own organisation. The other indicator of the value of our services is the growth in annuity business which is beginning to gain momentum.

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A recent study by IDC, the IT professionals' magazine, forecasts that global technology marketing budgets will increase by 8 percent in 2007 which is the largest increase in five years. To what extent might the strong IT market conditions inhibit your growth and access to consultants? Do you have the resources to maintain your growth?

CEO Gerry Tuddenham
The number of consultants is not the only key performance indicator for us. One of our competitive strengths is our intellectual property and the suite of tools we use to audit, tune and monitor systems.

We're also investing in increasing the capability of our existing consultants. We're introducing new hires and fast tracking these junior consultants via mentoring by our practice leaders. We're increasing the number of permanent employees versus contractors as well.

We've made significant hires in Europe and in North American and in both regions we're looking to acquire consulting teams. Both regions are close to self sufficiency. Globally we've added 35 consultants (30 in Australia and 5 internationally) since late 2006.

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Your growth strategy provides for the expansion of client-side services with new products and new markets. What progress have you made in implementing this strategy?

CEO Gerry Tuddenham
Our services have been focused on mainframe and mid-range data centre cost reductions. We are now offering a similar service for electronic storage. Today, storage is a large component of the data centre as the need to keep electronic records has increased dramatically. Information is being kept longer and audit trails are more common and are legally compulsory for some clients under the Sabannes-Oxley legislation. We've generated the intellectual property and included it in our marketing presentation. The service rounds out our package and expands our revenue generation from existing clients without raising our promotional spend.

Strategically we're active in enhancing our client-side services as demonstrated by this new storage product. Currently we're in the process of expanding our network service offerings.

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Your dividend policy has been to payout 100 percent of earnings as franked dividends. Does your international growth and the potential for acquisitions threaten your franking capacity and historically strong payout policy?

CEO Gerry Tuddenham
Our policy continues to be to payout near 100 percent of earnings. We have no debt and we carry surplus cash. Our excess franking credits which were $1.4 million at 30 June 2006 will allow us to pay fully franked dividends for some time despite offshore profits growing as a percentage of total.

Our share price has fallen from a recent price of $1.10 to 91 cents at which the dividend yield based on last year's dividend of 6.0 cents per share is 6.5 percent fully franked.

The trend this year is positive. We lifted our interim dividend by 18 percent to 3.25 cents per share following the 16 percent increase in FY07 first half profit to $1.28 million.

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Thank you Gerry.

For more information about CPT Global, visit www.cptglobal.com or contact Gerry Tuddenham, Managing Director on 03 9690 3911

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