

# Market Analysis

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## Inside Market Analysis

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## Summary and Recommended Investment Strategy.

The general stockmarket outlook is only Neutral - but remain fully invested in the recommended shares which offer excellent long term growth potential.

### Investment Outlook.

Although we are satisfied that many of our recommended investments have outstanding growth potential, the outlook for the general Australian and New Zealand stockmarkets is only neutral.

NZ shares have become *fairly valued* (relative to historical values and international comparisons), although the Australian market is still a little *undervalued*. Monetary conditions are unfavourable, with short term interest rates rising in both countries. This is partially offset by a rapid increase in money supply in Australia which will help boost share prices. Money supply growth is slower (i.e. unfavourable to neutral) in NZ. Economic conditions are also booming on both sides of the Tasman - which is unfavourable for *future* share prices.

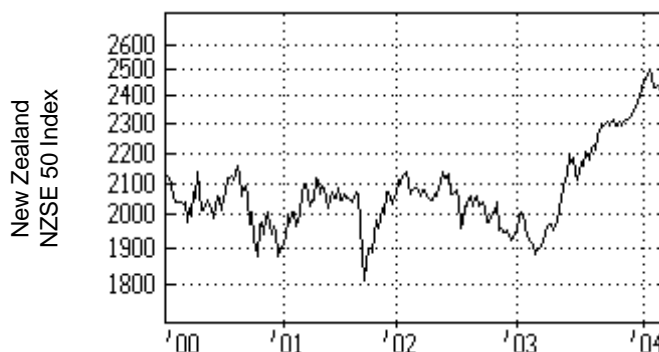
Strong economic growth has helped boost company profitability over the last year - which has contributed to the strong profit results currently being announced. Economic growth, however, is likely to have declined during the current period and be weaker in the immediate future.

So the stockmarkets may be in for a period of slight weakness or below average returns (i.e. prices may drift sideways) for 6-12 months.

This situation, however, does not prevent us from building investment wealth through careful share selection. Companies with niche markets, competitive advantages, strong cashflows, strong balance sheets and/or strong growth potential should be able to expand revenues and profits, and build market share at the expense of weaker competitors. A bit of general stockmarket weakness will provide excellent buying opportunities - allowing investors to add to existing positions at favourable prices or to buy into new companies at low valuations.

### Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	<b>77%</b> (Bullish)	<b>58%</b> (Neutral)
New Zealand:	<b>58%</b> (Neutral)	<b>49%</b> (Neutral)





# Recommended Investments

**CDL Investments** has experienced an unexpected - and unexplained - poor second half for its full year to 31 December 2003. Full year revenues rose 14.0% to \$27.2 million, with profits up 10.2% to \$6,595,000 (3.3 cents per share). A steady 1.6 cents dividend (plus full imputation tax credits) will be paid.

The first half recorded revenues up 20.5% to \$14.6 million and profits 42.5% higher at \$3,686,000 - but the second half of the year has produced revenues of only \$12.6 million and a profit of \$2,909,000. This downturn - that was not evident in other sectors of the residential property market - is ignored in the report to shareholders which states "market conditions throughout 2003 were favourable for the property market", with "strong

demand". The company sold 302 sections - up 36.7% in number - but of lower value, resulting in the slower growth in the dollar value of sales.

Despite the poor performance in the second half, the increase in residential property values has produced a significant *unrealised* gain in the value of the company's land held for future development. This appreciation in land values will boost future reported profits as this land is developed and sold. At December 2003 the land had a market value of \$63.1 million, or \$32.0 million above book value. That is a \$6.5 million improvement since December 2002 when the market value was \$59.2 million, or \$25.5 million above book value.

(Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Perform- mance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	D	199.4	1.9	1.98	8	8.8	27	7.7	+39%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	C	63.0	0.6	1.65	17	7.4	505	128.5	+306%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.21	12	9.5	290	250.3	+260%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	0.9	2.73	12	10.1	163	36.0	+33%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.4	0.6	0.87	19	5.0	510	137.0	+1306%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	61.3	0.8	0.43	12	6.7	448	88.0	+53%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	A	37.2	1.3	0.21	15	19.0	55	14.4	-18%
HOLD+	Richina Pacific	RPL	03/11/95	94*	C	144.4	1.6	0.13	15	Nil	39	9.4	-48%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.0	2.50	14	7.2	140	71.3	+76%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	87.9	0.8	1.05	16	8.7	393	85.0	+227%
HOLD	Taylor's Group Ltd	TAY	09/11/99	102	A	24.3	0.7	1.17	16	5.7	276	32.0	+202%
HOLD	Wrightson Limited	WRI	13/01/98	83	C	136.2	1.3	0.24	9	14.4	119	41.3	+93%
<u>Australian Shares (in Aust cents)</u>													
BUY	AJ Lucas Group	AJL	13/05/03	120	B	45.4	0.8	0.63	13	3.7	215	8.0	+86%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.6	1.97	6	11.8	26	7.0	-55%
HOLD	Austral Coal Ltd	AUO	16/01/01	19	C	154.5	1.2	1.10	8	Nil	71	Nil	+274%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	14.54	10	6.7	164	5.5	+7%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.2	0.5	0.67	20	4.8	620	116.5	+76%
BUY	Candle Australia	CND	08/04/03	86	A	37.6	0.9	0.37	16	4.1	158	10.0	+95%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	A	49.5	1.0	0.19	12	5.6	124	19.5	-6%
BUY	Circadian Technology	CIR	10/02/04	188	D	40.3	1.2	NA	NE	Nil	215	Nil	+14%
BUY	Commander Comm.	CDR	11/09/01	92	B	145.1	0.8	0.49	11	4.0	112	9.1	+32%
BUY	Computershare Ltd	CPU	12/08/03	189	B	544.1	1.0	2.61	56	1.5	340	5.5	+83%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	1.2	2.38	39	Nil	115	1.0	+15%
HOLD	IASbet Ltd	IAS	11/02/03	180	A	41.0	1.4	0.06	5	12.3	61	2.5	-65%
HOLD-	McPherson's Ltd	MCP	10/10/00	125	A	54.8	0.5	0.78	17	3.1	484	39.0	+318%
HOLD+	Melbourne IT	MLB	10/02/04	53	A	50.9	1.1	0.81	19	3.8	79	2.0	+53%
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.65	12	3.3	614	119.3	+75%
HOLD+	OAMPS Limited	OMP	15/05/01	106*	B	92.9	0.5	0.47	17	5.2	325	27.5	+233%
BUY	Ross Human Directions	RHD	14/08/01	92	A	57.4	1.3	0.28	37	6.3	71	15.0	-7%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.7	0.44	18	4.8	320	25.5	+174%
BUY	Solution 6 Holdings	SOH	15/07/03	59	E	251.6	1.4	0.79	NE	Nil	69	Nil	+17%
BUY	Technology One Ltd	TNE	11/11/03	44	A	298.5	1.2	3.52	24	4.4	57	1.3	+32%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	309.8	0.6	1.13	28	1.5	950	52.0	+1570%
HOLD	UXC Limited	UXC	11/01/00	55*	B	125.1	1.1	0.91	16	6.0	84	19.0	+87%
HOLD	Villa World Ltd	VWD	11/06/02	68	B	103.2	0.7	0.95	7	8.0	138	16.0	+126%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.0	1.16	13	4.3	92	26.1	+71%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +162.0%. This is equal to an average annual rate of +39.9%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 36 current and 123 closed out) is +30.9%, compared with a market gain of +8.6% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

\* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

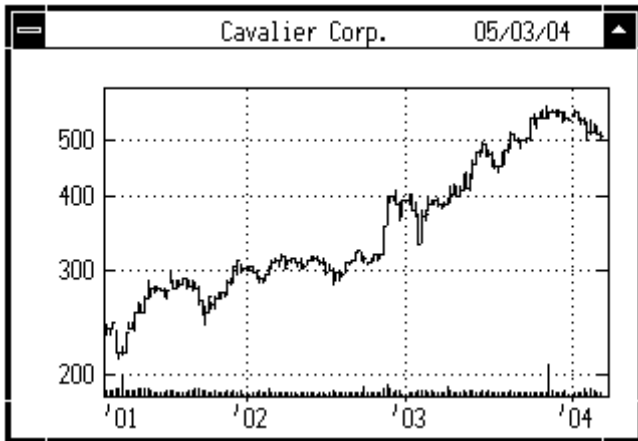
**Recommended Investments** (Continued from Page 3)

CDL Investments is debt free *and* has more than enough cash in the bank (i.e. \$8.8 million or 4.4 cents per share) to pay the dividend but is still persisting with a dividend re-investment scheme which increases the issued capital and will *dilute* future earnings per share.

CDL Investments has under-performed our expectations, but the shares still offer a high income yield and the company has significant unrealised gains on its land holdings that will boost future profitability. "Hold".

**Cavalier Corporation** lifted revenues 4.5% to \$99.3 million for the six months to 31 December 2003. Profits rose 12.0% to \$10,328,000 (15.9 cents per share) and the second interim dividend will be 6.7% higher at 8.0 cents (plus full imputation tax credits).

Cavalier Corporation shares still offer good value and an attractive income yield. Some investors may be over-weighted in these shares and may wish to take *partial* profits to better diversify portfolios, but otherwise the shares are a "Hold".



**Colonial Motor Company** lifted revenues 10.6% to \$211.0 million for the six months to 31 December 2003. Profits rose 19.0% to \$4,130,000 (14.8 cents per share) and the interim dividend is being increased 16.7% to 10.5 cents per share (plus full tax credits).

The high exchange rate has weakened the export sector, lowering demand for heavy trucks, tractors and commercial vehicles, but has lowered prices and boosted new vehicle sales to the consumer market.

Colonial Motor Company experienced a strong operating cashflow, up 85.2% to \$11.3 million. This allowed the repayment of \$6.4 million in interest bearing debt to just \$17.6 million. Shareholders Equity is \$84.7 million, so the company is in a strong financial position to adapt to the ever changing economic environment.

Colonial Motor Company shares have been in our *Recommended Portfolio* for almost 11½ years. It hasn't been one of our most spectacular or most profitable investments. It has been a steady *above average* performer that has re-paid our initial investment 170% with tax-paid dividends (which we have re-invested elsewhere over the years to earn further gains) and the shares have almost doubled in value. "Hold+".

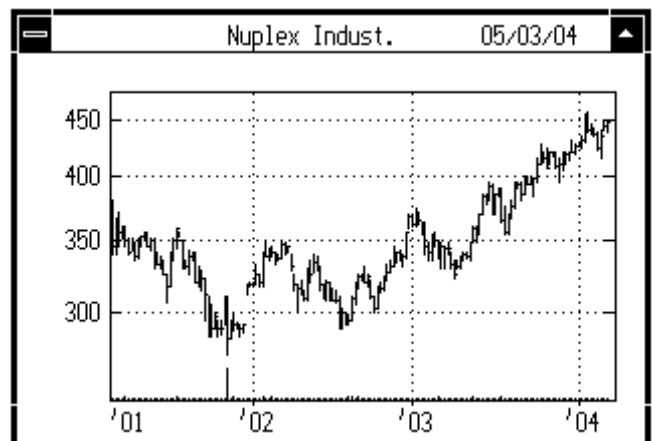
**Nuplex Industries'** revenues were just 3.6% higher at \$330.0 million for the six months to December, but *trading* profits were 21.9% higher at \$15,049,000 (24.2 cents per share). The interim dividend will be 21.1%

higher at 11.5 cents (plus full imputation tax credits for NZ investors and full franking credits for Australian investors).

Nuplex Industries has made another small acquisition in Australia, buying **Colour Dispersion Company Pty**. It has also purchased new technology related to pressure sensitive adhesives from **Rhodia Australia** which will help expand its Resin business in the production of deep freeze labels, packaging tapes and construction and flooring adhesives.

Nuplex Industries has spent \$1 million to obtain resource consents for its East Tamaki waste management facility and \$400,000 on actual improvements and upgrades to the facility. High *compliance costs* in NZ lower the return on capital invested, so - over the longer term - businesses (and jobs and taxes) will tend to migrate overseas. It is, of course, relatively difficult for a waste management business to migrate offshore. In this case, high compliance costs act as a very effective barrier to entry, creating a monopoly that Nuplex Industries can exploit to earn high profits. So Nuplex Industries can pass these high costs - and its monopoly profit margin - on to its customers. While this situation is therefore *favourable* for Nuplex, it is *unfavourable* for its customers (who become less competitive relative to offshore businesses) and the general NZ economy.

At 448 cents, Nuplex Industries shares trade on a Price/Sales ratio of 0.43, a Price/Earnings ratio of 12 and a Dividend Yield of 6.7%. That is far too under-valued for a company growing at 20% per annum and we believe the shares have the potential to be re-rated by around 50% over the next year. So Nuplex Industries must be one of the most attractive NZ shares for investment. The shares are also listed on the Australian stockmarket and pay Australian franking credits to Australian investors. The Relative Strength rating is favourable at +6.4%, ranked 32, and *insiders* have been buying shares on-market over the last year. "Buy".



**Richina Pacific** reports a 25.9% rise in total revenues to US\$293.5 million for the year to 31 December 2003. Profits, however, fell 28.8% to US\$2,498,000 (US\$0.017 or NZ\$0.026 per share) owing to short term problems at the Chinese businesses. Earnings per share were further depressed by the *doubling* of the issued capital with the 1 for 1 cash issue last year.

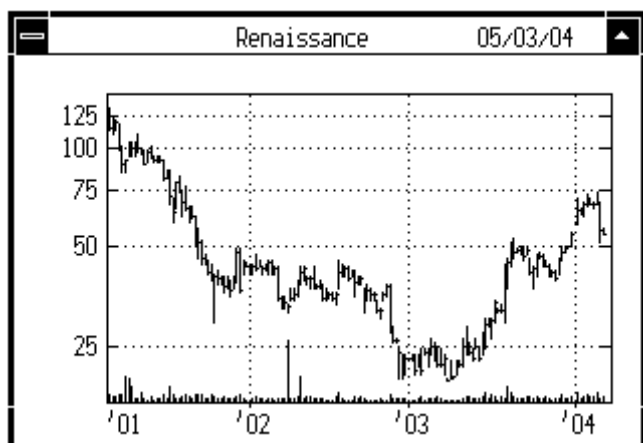
The company currently holds US\$22.4 million in cash and has interest bearing debts of just US\$9.2 million.

**Renaissance Corporation** continued to trade profitably for the full year to 31 December 2003, ending the year with a trading profit of \$1,361,000 (3.7 cents per share) - up from a trading loss of \$490,000 in 2002. Revenues were down 11.8% to \$97.6 million as the company downsizes its product range to focus on areas where it can add value or earn a reasonable profit margin. A final 3.0 cents dividend (plus tax credits) will lift the annual payout 133.3% to 7.0 cents.

Downsizing the business produced a strong operating cash surplus of \$4.1 million. This allowed the company to reduce interest bearing debt by \$3.0 million to just \$2.4 million. Surplus cash is also being distributed to shareholders through high dividends.

All divisions performed well. Apple and other Brands were helped by new product releases. Itas was the only one of ten businesses reviewed that received Ministry of Education certification as well as experiencing "substantial growth". Conduit restructured to eliminate losses and became cash flow positive, while its customer base continues to expand. Insite Technology increased its share in the NZ assembled PC market.

Renaissance Corporation shares trade on a low valuation (i.e. P/S ratio 0.21, P/E 15), and with improved performance by all divisions, we are upgrading them to a "Hold+".



**Steel & Tube Holdings** has reported revenues 14.5% higher at \$184.7 million for the half year to December 2003. Profits rose 9.1% to \$11,951,000 (13.6 cents per share) and the interim dividend will also be 9.1% higher at 12.0 cents (plus tax credits).

The acquisition of **Hurricane Wire Products** for \$25 million a year ago would have contributed virtually all of the increase in revenues and profits in the latest period. Interest bearing debt is still low at just \$32.4 million - compared with Shareholders Equity of \$119.5 million - so Steel & Tube could continue to grow its business through acquisition.

The company expects trading conditions to remain similar in the second half. Steel & Tube has a strong balance sheet and has potential to expand through acquisition, while the shares offer reasonable value and a very high dividend yield. "Hold+".

**Taylors Group** continues its steady growth. For the half year to 31 December 2003, revenues rose 3.9% to \$29.8 million, profits increased 15.5% to \$2,239,000 (9.2 cents per share) and the interim dividend will be 11.1% higher at 5.0 cents (plus tax credits).

Taylors Group has recently been "discovered" by other advisers - which has helped improve the share valuation. We have *tripled* our investment in this company over the last 4½ years. Some *partial* profit taking may be appropriate for investors wanting to raise cash for new recommendations - but the valuation is still reasonable so otherwise we rate them a "Hold".

**Wrightson** experienced a 2.8% drop in revenues for the six months to December 2003, with profits falling 34.0% to \$2,735,000 (2.0 cents per share). The interim dividend will be 28.6% lower at 2.5 cents (plus tax credits). "Hold".

### **Australian Shares**

*(This section is in Australian currency, unless stated.)*

We have previously mentioned the potential to switch between the **Austral Coal** ordinary shares and the 9½% convertible notes by *selling the shares on-market and buying the notes on-market*. The *advantage* of this is that the notes pay 5.225 cents interest per year while the shares currently pay no dividend. The *disadvantage* is simply that the notes usually trade at a small premium that *partially* reflects this interest income - so a little care is needed to avoid paying 5-6 cents more for the notes than is received selling the ordinary shares.

The premium on the notes, however, is currently very small and the first semi-annual interest payment of about 2.6 cents is due for payment on 1 April. At this time the company has not announced the ex-interest date for the convertible notes. At present an investor *may* be able to sell the ordinary shares on-market and buy the notes *cum-interest* (i.e. and receive all of the initial interest payment in April) at a premium of just 3 or 4 cents. That is a small price to pay for the 5.225 cents annual increase in income!

**Australian Infrastructure Fund** reports a profit (including unrealised gains or losses) of \$10,068,000 (5.6 cents per unit) for the half year to December.

The 5.5 cents interim distribution consisted of 1.8265 cents (fully franked) dividend from the company and 3.6735 cents distribution from the trust. The trust distribution is taxed at 48½% to NZ residents, but this withholding tax can be claimed as a credit against NZ income tax payable.

**Jetstar** intends to operate 246 flights per week from Melbourne airport from May this year. The airport is also more than doubling short term car parking with a new six-level building with 3,300 car parks. Construction will be completed by April 2005.

**AJ Lucas Group's** revenues fell 31.7% to \$53.3 million for the six months to 31 December 2003. Profits of \$2,351,000 (4.6 cents per share) were up 99.9% on the same period the previous year - but down 60.6% on the \$5,965,000 profit for the second half of the 2003 year (i.e. the six months to 30 June). A steady 3.5 cents interim dividend will be paid.

The drop in revenues and profits from the previous six months reflects the completion of a major pipeline project. Companies involved in large "one-off" projects will experience this volatility in revenues and profits. AJ Lucas expects this to be "a consolidation year" but "faces the future with considerable optimism" and is working to win "a number of significant projects both in

*(Continued on Page 6)*

**Recommended Investments** (Continued from Page 5) Australia and overseas". The company expects its full year profit to June 2004 to be "similar to that of 2003", although earnings per share will be down a little owing to a slight increase in the issued capital.

AJ Lucas is currently seeking to secure "a number of major pipeline projects" worth \$1,350 million and HDD projects worth \$120 million which would "impact significantly on revenues and earnings during the next 3-4 years".

Expansion into complementary activities - horizontal directional drilling (HDD), coal seam methane gas extraction and facilities management - aim to build stable, recurring revenues and profits for the group. "Buy".

**Campbell Brothers** predicts that its annual profit to 31 March 2004 will be 15-20% above last year.

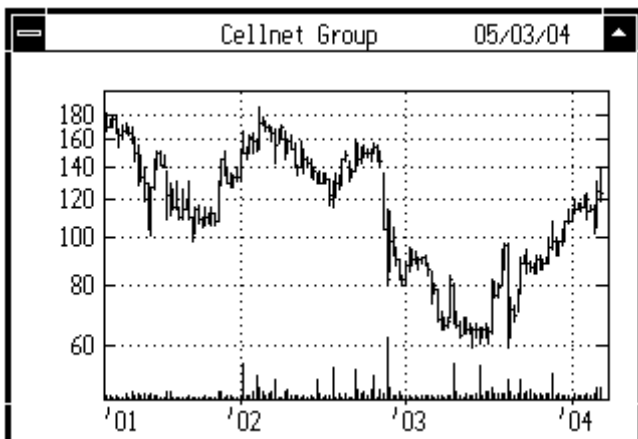
**Candle Australia** has lifted revenues by 6.3% to \$85.1 million for the six months to 31 December, but profits are up 20.7% at \$2,064,000 (5.5 cents per share). The interim dividend is being raised 33.3% to 4.0 cents.

Candle is experiencing an upturn in demand for both temporary and permanent staff placements and expects this improvement to continue.

**Cellnet Group** has experienced a strong recovery over the last six months. Revenues for the half year to December 2003 rose 32.9% to \$205.7 million, profits soared 131.0% to \$5,138,000 (10.4 cents per share) and the interim dividend is being raised 116.7% to 6.5 cents.

Revenue from mobile phones and accessories rose 35% to \$129.3 million with earnings up 215.5% to \$7.3 million. Information Technology sales were 29.8% higher at \$76.2 million - with two-thirds of this increase contributed by the acquisition of **Cassa Australia**. Earnings were 130% higher at \$1.4 million.

Cellnet Group shares trade on a historical Price/Earnings ratio of 12 and a Dividend Yield of 5.6%, but if this half year recovery continues then the P/E will fall to 6 and the Yield increase to 10.5% - which is very under-valued. The shares are in a favourable uptrend, with a Relative Strength rating of +19.1%, ranked 16. *Insiders* are also optimistic, with one director, Dr DD McDonough, buying 10,000 shares on-market last week at 119 cents to raise his holding to 60,000 shares. This makes three *insider* buys (and no sells) over the last year. "Buy" for recovery and growth.



**Circadian Technologies** has purchased an additional 3,405,000 options (to buy shares at 20 cents

in February 2007) in **Antisense Therapeutics** at 7½ cents (i.e. at a total cost of \$255,375), raising its holding to 17,725,480 options.

**Axon Instruments** (15% owned by Circadian Technologies) has sold all of its 9,647,280 shares in **Optiscan Imaging** at 38 cents to raise \$3,665,000. Axon Instruments has also announced that it returned to profitability in the year to December 2003 - with the final result to be released 15 March. Axon shares have risen 10% over the last month to 27 cents, increasing the value of Circadian Technologies' investment to \$20.3 million.

**Commander Communications** lifted revenues by 77.7% to \$232.9 million for the half year to December 2003 but lost \$1,929,000 (*minus* 1.3 cents per share) - although that is better than its previous forecast of a \$2.5 million loss. No interim dividend will be paid.

Revenues for the current six months are forecast at \$270-285 million, with earnings (before depreciation, amortisation and interest) of \$16-18 million. That should equal a second half net profit of about \$7-9 million (5-6 cents per share).

This is a year of change for Commander Communications, but its new business model holds the potential for long term growth in revenue and profits, so we rate the shares a "Buy".

**Computershare's** cyclical business is demonstrated in the latest half year report: The recovery in activity on world stockmarkets helped lift revenues 28.0% to \$446.4 million for the period to 31 December 2003. Trading profits (i.e. excluding an extraordinary gain and after paying the preference share interest) soared 7½ fold to \$32,538,000 (6.0 cents per share). The interim dividend will rise 20.0% to 3.0 cents.

The company's full year earnings forecast (before tax, depreciation and amortisation) has been increased by \$30 million to \$170-190 million. That would give a net profit 65-110% higher at \$55-70 million (10-13 cents per share).

With Computershare shares trading around 340 cents that profit forecast still leaves them on a high prospective Price/Earnings ratio of 26-34. The business, however, is very cyclical and leveraged - so if revenues continue to recover and grow over the next several years then profits should increase very rapidly. Revenues are sensitive to activity on world stockmarkets, while costs are relatively fixed. So an increase in revenues will lead to a jump in profitability. The company is also highly leveraged with the use of interest bearing bank debt and preference shares being used to fund expansion. So again, a small increase in earnings before interest will lead to a large increase in net profits available to the ordinary shareholders. This situation is clearly *very risky* - which is why the share price fell so far in the stockmarket decline - but also offers one of the best opportunities to profit from the current stockmarket recovery!

Computershare has made a further acquisition: US based **Transcentive Inc** for US\$24 million (A\$31.2 million). The company is involved in Employee Share Plan administration and generates US\$19 million in revenues. When integrated within Computershare, this acquisition is expected to earn pre-tax profit margins

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of around 20%. So this business is being purchased on a Price/Sales ratio of 1.26 and a Price/Earnings ratio of about 9-10. In addition, the acquisition is expected to provide cross-selling opportunities and cost savings from integrating the two businesses.

**Health Communication Network** is progressing in line with its previous forecasts and now expects "strong growth over the next three years".

Total revenues for the half year to 31 December 2003 fell 8.0% to \$14.5 million. This was as a result of closing the UK operations last year, with revenues from the on-going Australian businesses up 7%. Profits soared 131.9% to \$1,475,000 (2.3 cents per share) and a maiden 1.0 cent dividend will be paid.

The company still predicts full year profits around \$3.7-4.7 million (5.8-7.4 cents per share) which will put the shares on a Price/Earnings ratio of 13-20.

Software Subscription revenues rose 22% to \$3.5 million following a price increase on annual renewals to *Medical Director* (i.e. its computerised patient record and prescribing software) from June 2003 but the full increase in revenues will not come through until next year (i.e. from June 2004). This business sector improved to lose just \$325,000 (compared with a loss of \$1,264,000 last year). *Medical Director's* market share remains steady at 90% of computerised GPs, or 74% of all GPs, dominating this market and providing Health Communication Network with unique access to GPs.

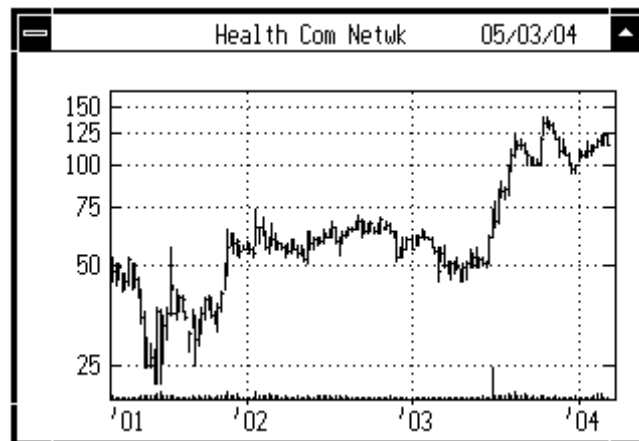
Corporate & Government revenues rose just 14% to \$5.7 million, while earnings in this *high margin* business were down 12% to \$2,436,000. Pharmaceutical advertising on *Medical Director* was below budget for the half year and profitability was further depressed by higher than expected software development and implementation costs with the *iRIS* radiology software which has been installed at 20 sites. Advertising has since "improved significantly". Hospital Applications revenues slipped 9% to \$4.8 million owing to a four month delay in the renewal of a major knowledge resources contract. Earnings, however, improved 8% to \$746,000.

Health Communication Network has recently signed a deal to allow Melbourne based **Cogstate** to offer its *Cogstate* diagnostic test for Alzheimer's Disease and *CogSport* diagnostic test to evaluate concussion through its *Medical Director*. This "crucial distribution deal" allows Cogstate to gain access to an "enormous market for their tests" (i.e. 15,000 GPs and 1000 other health workers). Financial details of this deal have not been disclosed, but Health Communication Network will probably earn a significant proportion of the revenue that Cogstate charges for its tests.

This type of deal offering third party services through *Medical Director* adds to the company's recurring revenues - but costs little or nothing - so all of the additional income becomes profit.

*Medical Director* offers the health care sector a unique way to offer services, or transfer information, with GPs. So Health Communication Network should be able to build significant, high profit margin, recurring revenues from advertising, access and transaction fees from other health providers wishing to use this network. The potential for profit growth is excellent and Health Communication Network shares remain an attractive

"Buy".



**IASbet** lifted revenues 24.7% to \$257.2 million for the six months to 31 December 2003 but, as previously predicted, the company traded unprofitably, losing \$3,233,000.

Competition during the first quarter depressed margins and while this improved in the second quarter IASbet traded at a loss for the half year. Margins have continue to improve during the March quarter.

Despite the current loss and the decline in the share price, IASbet is well placed to develop a competitive advantage through the use of the internet. For the last six month period 42.5% of racing turnover came over the internet, up from 36.7% in the same period last year.

In December, IASbet held cash in the bank of \$25.2 million and interest bearing debt of just \$7.3 million - which has since been repaid. That leaves the company with \$17.9 million in cash (34 cents per share).

IASbet is changing its name back to **International All Sports Ltd**.

We continue to rate this share as a "Hold" and will upgrade it when the trend begins to improve.

**McPhersons** has reported revenues up 31.0% to \$176.8 million and profits up 21.5% to \$8,876,000 for the six months to December 2003. The profit was after a \$1.8 million increase in goodwill to \$2.3 million, plus a \$3.0 million provision for restructuring costs. Earnings per share fell 12.0% to 16.1 cents, owing to the new shares issued to acquire **Cork Asia Pacific**. The interim dividend will be raised 28.6% to 9.0 cents.

Operating cash flows were strong at \$16.7 million, allowing the company to reduce interest bearing debt by \$15.0 million to \$93.0 million.

Printing division revenues fell 8% to \$59.1 million with earnings down 17% to \$5.7 million. Consumer Products - aided by the acquisition - lifted revenues 67% to \$117.8 million with earnings up 95% to \$13.0 million.

Full year profits are likely to be around \$20 million (36 cents per share).

Investors *may* wish to take *partial* profits on these shares which have *quadrupled* in value over the last 3½ years. We shall, however, hold most of these shares for income and further capital appreciation. This business should continue to benefit from the high Australian dollar which lowers the costs of its imported products. This is also a high free cashflow business - so McPhersons should rapidly repay debt and reduce its interest costs. "Hold".

(Continued on Page 8)

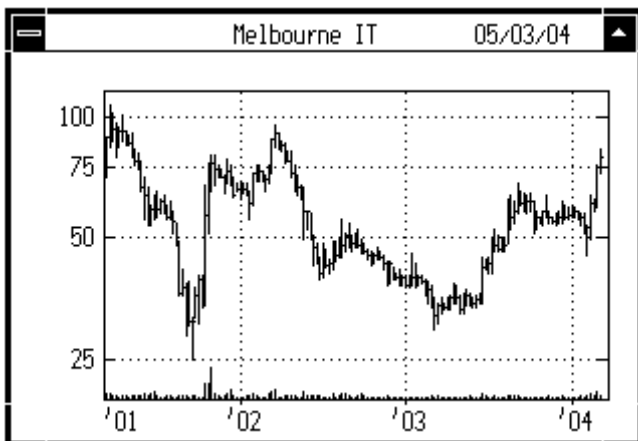
**Recommended Investments** (Continued from Page 7)

**Melbourne IT**'s revenues rose 4.1% to \$49.3 million for the year to 31 December 2003, with trading profits steady (i.e. up just 0.9%) at \$2,098,000 (4.1 cents per share). The company will pay a higher than expected final dividend of 2.0 cents, lifting the annual rate to 3.0 cents in its first year of paying dividends. The cash operating surplus was 105.7% higher at \$6.0 million lifting cash on hand to \$18.4 million (36 cents per share).

The *steady* profit is actually a better result than it would suggest. The 2002 result consisted of a \$1,595,000 profit to June 2002 *prior* to regulatory changes - and higher costs for Melbourne IT - and a second half profit of just \$485,000. This year's result shows steady growth with a first half profit of \$921,000 and \$1,177,000 in the second half.

Melbourne IT expects that "global strategic alliances" entered into in 2003 "should generate an increasing flow of Reseller business" during the coming year.

We continue to believe that Melbourne IT has excellent potential for above average growth for a very long time - so this is perhaps an example of a "Buy and Hold forever" stock. Even at 79 cents the shares probably offer very good value. We would expect the shares to dip back around 60-70 cents at some stage over the next several months and that will represent a very attractive buying opportunity. At the current price we shall rate them "Hold+" as other shares are probably more attractive at current prices.



**Nufarm** increased the amount it raised in its Share Purchase Plan from \$10 million to \$18 million to avoid having to significantly scale back all applications. Shareholders applying for 195 shares, 385 shares or 575 shares will receive the full number, while applications



for 770 shares have been scaled back to 631 shares and applicants for 960 shares will receive 787 shares.

Nufarm shares trade on a low valuation (i.e. a Price/Sales ratio of 0.65, a Price/Earnings ratio of 12) and are in a strong uptrend (i.e. the Relative Strength rating is +13.4%, ranked 24) so we shall *let our profits run* for now.

**OAMPS** continues to produce steady, above average growth. For the six months to December 2003, revenues rose 24.2% to \$344.1 million, while profits increased 27.6% to \$9,730,000. Earnings per share (adjusted for the 1 for 4 bonus issue) were 8.5% higher at 9.2 cents and the interim dividend will be 17.1% higher at 6.0 cents.

OAMPS expects full year profits to increase by more than 25%, with earnings per share up 10-15%.

In a relatively large acquisition OAMPS has bought **IEA (Brokers) Pty** which is the market leader in Australia for insurance broking to the amusement, leisure and recreation industries. This business has 7000 clients and generates \$23 million in annual insurance premiums.

OAMPS has grown rapidly by acquisition over recent years, but that has been largely funded by issuing additional shares either to vendors, in placements or share purchase plans to existing investors. So the increase in issued capital has partially *diluted* the growth in earnings per share. The company now expects a "significantly lower" number of acquisitions in the March 2005 financial year and will "focus on integrating the systems and human resources" of the group.

**Ross Human Directions** recorded revenues 10.1% higher at \$79.9 million for the six months to 31 December 2003. Profits were 4.2% higher at \$1,503,000 (2.6 cents per share) but the interim dividend will be cut 50.0% to 1.5 cents.

The company reports that the "market is expected to remain strong in the second half" with "continued growth in all parts of the business". The company is currently operating at an unsatisfactory level of profitability - around *half* what it earned in 2001 - but the shares are also depressed. So there is good potential for both profitability and the share price to recover strongly over the next 12-18 months.

**Skilled Engineering** lifted revenues 6.6% to \$346.6 million for the half year to December 2003, with profits up 15.1% at \$9,811,000 (10.3 cents per share). The interim dividend will be a steady 6.0 cents.

Skilled Engineering has also announced a major acquisition and will pay \$35.1 million (i.e. \$24.76 million in cash and the issue of 4.0 million new shares at \$2.59 each) to acquire **Origin Healthcare**. Skilled Engineering will also take over Origin's existing interest bearing debts of \$21.9 million and, if the business exceeds forecasts by 30-80% in 2005, issue up to another 9.0 million shares.

Origin Healthcare is the leading provider of nursing staff, with a 6.5% market share in a very fragmented industry. The business is expected to generate revenues of \$95 million and earnings (before interest, tax and depreciation) of \$8 million in the year to June 2005. That values this acquisition on a Price/Sales ratio of 0.4-0.6 and a Price/Earnings ratio of about 10-20. This isn't



a *cheap* acquisition, but Origin is an excellent company that offers *strong growth potential*. Unlike Skilled Engineering's existing businesses, Origin Healthcare is *non-cyclical*, so will help smooth out future group earnings. "State-of-the-art technology" makes Origin Healthcare the *lowest cost* and most efficient supplier in the Australian nursing agency market.

Australia spends \$15 billion per year on Origin Healthcare's existing business sector, employing 220,000 nurses and 150,000 nurse support staff. This sector is very fragmented - with 200 agencies of which Origin Healthcare is the largest with a market share of just 6.5% while the second biggest has just 1.5%. Hospitals, aged care facilities *and* nurses are all relatively loyal to their agencies, which creates barriers to entry and organic growth. Consolidation of the industry offers excellent potential for growth through acquisition. Origin's existing technology is "highly scalable" and "designed to facilitate the integration of acquisitions" while Skilled Engineering possesses the financial strength to finance these acquisitions.

Skilled Engineering's existing interest bearing debt is only \$13.7 million, so will grow to \$60.4 million with the acquisition and consolidation of Origin Healthcare.

Skilled Engineering's founder, managing director and major shareholder, FJ Hargreave, has purchased an additional 1,475,791 shares on-market (at around 303 cents per share) to raise his holding to 51.7%.

**Solution 6** has reported a 38.0% drop in revenue to \$74.8 million in the six months to 31 December 2003. Half of this decline results from the sale of its IT Services business, with the balance being the result of weaker sales of Professional software and the impact of the high Australian dollar. The trading loss was \$9,312,000 (*minus* 3.7 cents per share) which is a small improvement on last year's loss of \$12.4 million.

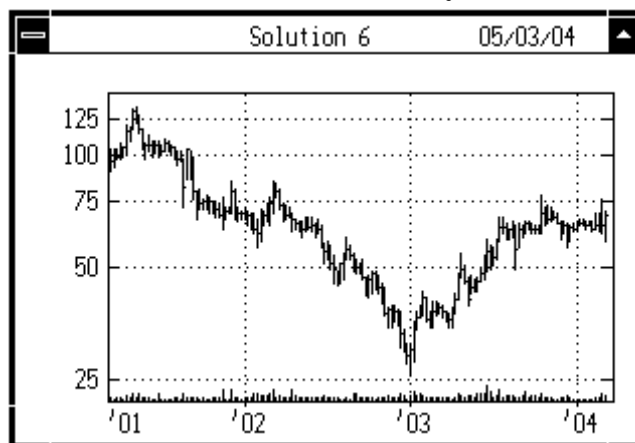
In addition, Solution 6 wrote down intangible asset values by \$60.9 million to a book value of \$64.7 million.

Despite Solution 6 still being unprofitable there is excellent potential for the shares to be re-rated. Solution 6 is reviewing its strategy for its remaining businesses, with several major shareholders (i.e. **GPG** with 18.8%, **Challenger Financial Services** with 7.9% and **MYOB** with 12.7%) that would probably support breaking up the company.

At 69 cents, the stockmarket values Solution 6 at \$174 million - but the main business, Accounting & Compliance software, could be worth around \$200 million to a company like MYOB. The Legal software and the Enterprise Solutions business *could* be sold to multinational software companies, although both businesses are currently unprofitable, so difficult to value. Solution 6 holds \$24.8 million (9.8 cents per share) in cash, plus \$20.0 million (7.9 cents per share) owing from the sale of Alphawest, with interest bearing debts of only \$4.4 million.

The company's profitability could also improve significantly with the launch of 31 new products this year - the first new products for several years! This should help boost revenues, with costs also falling as the annual Research & Development expense will be reduced by around \$10 million.

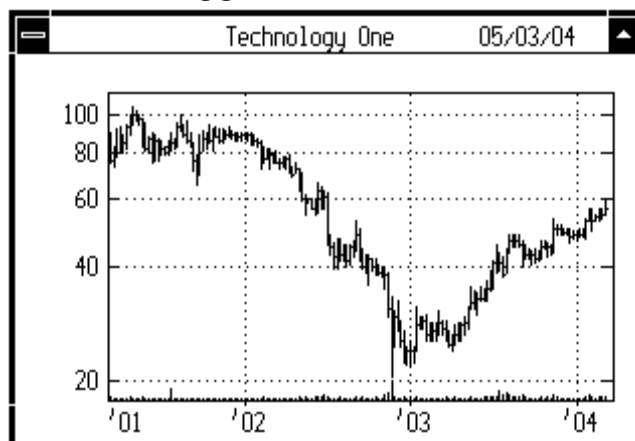
Solution 6 continues to rate a "Buy".



**Technology One's** detailed interim report shows revenues up marginally to \$24.6 million compared with last year's "abnormally strong" first half. Profits rose 21.0% to \$3,824,000 (1.3 cents per share). The interim dividend will rise 25.0% to 1.25 cents.

Technology One reports that its "current products continued to be very successful in the market winning substantial new business from the large multi-national competitors". The company expects IT spending to increase during 2004 and, helped by the release of its next generation products, revenues and profits should continue to grow.

Technology One offers the potential for strong revenue and profit growth over the next several years as it releases its new programs and expands overseas. In fact, the company could become so successful that it is taken over, at a significant premium, in a hostile bid, by one of its much larger multinational competitors. As we wrote in our initial recommendation last November "The shares have the potential to appreciate perhaps 15-30 fold over the next decade (i.e. 30-40% per annum)" which makes Technology One shares a "must Buy" for investors seeking growth!

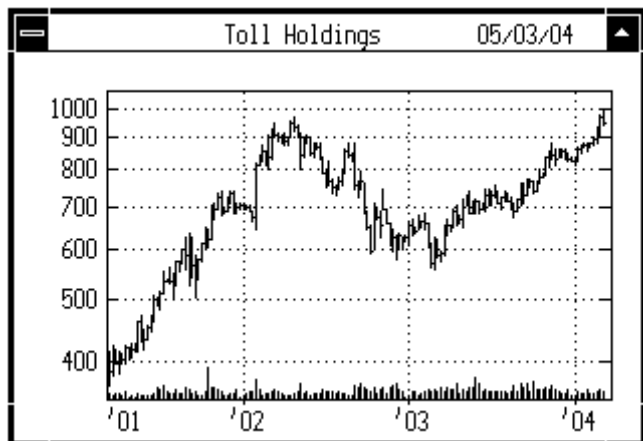


**Toll Holdings** continues to deliver far above average growth for its shareholders! For the six months to December 2003, revenues rose 29.1% to \$1,605.2 million while profits soared 51.5% to \$85,224,000. Earnings per share rose 44.1% to 26.8 cents per share. The interim dividend will be raised 30.8% to 8.5 cents.

Toll Holdings shares rose to a new all-time high of 995 cents last week - although have since fallen back a little. At 950 cents the shares trade on a historical

(Continued on Page 10)

**Recommended Investments** (Continued from Page 9)  
Price/Earnings ratio of 28, but 40% earnings per share growth will lower that to 20 in just one year. So while investors may wish to realise *partial* profits (to raise funds for recent recommendations) we are not in any hurry to sell the majority of our shares in a company that can consistently produce this outstanding rate of profit growth! "Hold".



**UXC** has reported an 81.9% increase in revenues to \$87.1 million for the six months to 31 December 2003. Profits rose 38.8% to \$3,969,000 - although earnings per share increased only about 20% to 2.8 cents per share. A steady 2.0 cents interim dividend will be paid.

The company expects higher profits in the second half of the year.

UXC is still looking to spend around \$15 million on further acquisitions this financial year (i.e. before 30 June 2004) with "several opportunities being considered".

It is difficult to assess the long term potential of such a diversified group, but UXC shares trade on a low valuation (i.e. a P/S ratio of 0.91, a P/E of 16 and a Yield of 6.0%) so we are happy to "Hold" these shares and see what the company can do to further increase our investment wealth.

**Villa World's** revenues were steady (i.e. up 0.9%) at \$79.8 million for the half year to 31 December, but profits improved a further 15.7% to \$10,568,714 (9.8 cents per share). The interim dividend will be raised 10.0% to 5.5 cents.

The full year profit is expected to be 10-15% *ahead* of last year - which is not too bad for a property market *downturn!*

Villa World is planning a \$60 million development at Cransbourne, 40 km south-east of Melbourne. This joint venture with the owner of the 40 hectare site, **Rasco**, will initially involve 413 low density residential sections. Work has started and sections will go on sale this month. Future development will include a 4.5 hectare commercial site and possibly some medium density housing.

Approval for the Dolphin Arcade re-development - a \$290 million, 398 unit project - is expected in September, but Villa World will "most likely sell the site outright" for a significant profit or "enter into a joint venture

arrangement". This project is considered too big, and the company already has \$1500 million of other developments in progress.

Again, some investors may wish to realise *partial* profits on these shares - which have better than doubled in less than two years - but this is still a sound investment offering a high income yield. So overall the shares rate a "Hold".

**Vision Systems'** trading revenues fell 8.8% to \$65.0 million for the half year to 31 December 2003 but profits fell 32.9% to \$4,850,000 (2.8 cents per share). The interim dividend will be a steady 2.0 cents.

Group profitability remains depressed owing to the start up losses from Vision Biosystem's instruments business. The focus of this division is now shifting from Research & Development to sales and distribution. Revenues are expected to show a "rapid up turn" as several new products are released this year: *Bond-X* (i.e. a cancer detection system) was released in Australia and the UK in October 2003 and the US in January 2004. *Bond-maX* (i.e. an automated version of *Bond-X*) will be released in Australia and the UK in May and the US in July. *Peloris* (i.e. an advanced tissue processor) will be released worldwide in May.

Vision Systems continues to under-perform our expectations but continues to hold the potential to build a very high profit margin business. Nevertheless, our investment has grown 70% in 5½ years (i.e. better than 10% per annum compounded) so perhaps sometimes we just need to be a little more patient than normal while waiting for a company to achieve its potential.

Vision Systems shares trade on a Price/Sales ratio of 1.16, a Price/Earnings ratio of 13 and offer a Dividend Yield of 4.3%. Successfully establishing its high profit margin Biosystems business could justify a P/S ratio of 2-3 as profitability would increase significantly. Revenues would also rise strongly, so the shares could increase 3-5 fold in value! Certainly this potential growth justifies our continued investment - and new share purchases by newer investors - in Vision Systems. Even if the company did continue to underperform our expectations over the next five years, 10% per annum is better than cash in the bank and will still make a valuable contribution to growing our investment portfolio! "Buy".



# Company Update

**Macquarie Corporate Telecommunications**, which was informally recommended in last month's *Market Analysis*, has moved closer to becoming profitable this financial year. The six months to 31 December recorded a 1.8% drop in revenues but the company operated close to break-even - losing just \$370,000 (*minus* 0.2 cents per share) compared with a first half loss of \$2.7 million in 2002. Operating cashflows increased 62.9% to \$7.4 million, lifting the cash holding to \$33.3 million (16.3 cents per share).

The company estimates full year earnings (before depreciation and amortisation) of \$7.4-8.7 million. That suggests a second half profit of \$110,000 to \$930,000 giving an annual result somewhere between a \$260,000 loss or a \$560,000 profit.

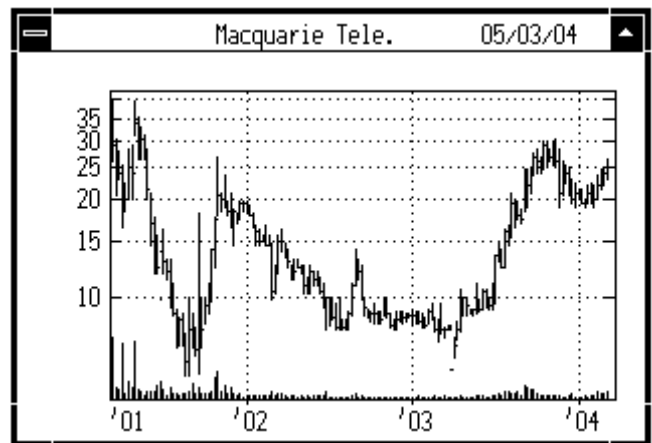
Capital expenditure was \$4.0 million during the first half and expected to be \$4-6 million during the second half. So the company should be able to fund this from operating cashflow without significantly reducing its cash holding. The company, however, is "evaluating strategic investment options" which may require "additional capital expenditure".

Voice revenues fell 9% to \$90.6 million - reflecting the fall in telecommunications costs - but earnings from this division rose 27.3% to \$5.1 million. Data revenues

- which are important to the company's growth and future profitability - grew 28% to \$23.9 million. This division was still unprofitable, losing \$1.8 million, but that was a significant improvement on last year's loss of \$5.4 million. Revenues in the start-up Mobile division were \$1.3 million (nil in 2002) with a loss of \$1.4 million.

### Summary

A close to *break-even* result for the first half, the likelihood of a small profit in the second and an increase in Macquarie Corporate Telecommunications' cash holding all help to reduce the risk involved with this small, emerging growth company.



## "Strongest" NZ Shares

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4Wk Chg.	Rank 0-99											Cur. Price	4Wk Chg.	Rank 0-99										
Sealegs Corp	3	+80.4	+16.6	0	0-0	-2.4	-7.1	NE	Nil	N/A	17		Infracol NZ	272	+12.8	-3.5	16	2-3	3	1.5	9	0.6	18	2.2	4.03	499	
Mooring Systems	285	+35.4	+7.9	0	0-5	-7.6	-0.7	NE	Nil	N/A	31		CACI Group Ltd	36	+12.8	+17.9	17	0-0	-2.0	16	1.4	13	Nil	0.40	2		
Broadway Ind	90	+33.1	+6.7	1	1-0	-1.9	15	0.8	13	2.2	0.49	18	Windflow Tech.	284	+12.7	+4.0	18	0-0	-7.6	-	0.9	NE	Nil	N/A	N/A		
Renaissance	55	+31.3	+2.6	2	0-1	-2.2	15	1.3	15	19.0	0.21	20	Shotover Jet	105	+12.3	-0.4	18	0-0	-2.1	16	1.0	13	1.8	1.85	45		
Provenco Group	68	+28.9	+5.1	2	4-1	-6.6	12	1.4	54	Nil	1.16	55	Mowbray Collect	120	+12.1	-4.9	19	0-1	-2.6	1	0.8	429	2.5	2.62	11		
Taylor's Grp Ltd	276	+22.7	+1.5	3	0-0	-2.7	17	0.7	16	5.7	1.17	67	Tag Pacific Ltd	14	+11.9	-5.1	20	1-0	-0.6	0	2.7	450	Nil	0.27	9		
NZ Exchange Ltd	750	+21.9	+5.6	4	0-0	-3.7	11	0.7	32	Nil	6.86	95	Loan & Building	350	+10.8	+2.0	20	0-0	-3.8	-	0.4	NE	Nil	1.28	N/A		
NZ Experience	32	+21.1	+2.4	4	0-0	-2.1	15	1.9	14	Nil	2.29	18	Scott Tech. Ltd	280	+10.6	-4.6	21	1-0	-3.7	30	0.8	12	7.5	1.47	70		
Selector Group	2	+20.9	+11.1	5	0-0	-0.4	-	7.6	NE	Nil	3.92	2	Turners Auction	401	+10.4	-5.4	22	0-0	-4.8	30	0.5	16	6.0	1.16	90		
Metro. LifeCare	224	+20.2	-4.0	6	2-0	1.3	8	1.0	16	2.2	1.76	194	Cert Organics	12	+9.9	+13.0	22	0-0	-1.6	-	3.1	NE	Nil	9.30	7		
Dorchester Pac	248	+19.6	-1.0	6	0-0	-2.1	18	0.9	12	4.5	0.87	48	Kingsgate Int'l	27	+8.9	+1.4	23	0-0	-0.7	3	1.8	26	Nil	4.49	106		
Finmedia Ltd	105	+19.5	+7.1	7	1-0	-2.0	-	0.8	NE	Nil	1.12	12	Vending Tech.	100	+8.6	+3.6	24	0-0	-1.6	14	1.7	11	Nil	1.31	30		
Software of Exc	140	+18.9	+3.3	8	0-1	-5.1	-	1.6	NE	Nil	1.79	30	Waste Mgmt NZ	417	+8.4	+0.6	25	0-3	5	2.3	10	0.7	22	5.7	2.26	411	
Trust Power Ltd	690	+18.1	-1.6	8	0-0	4	2.2	-	0.5	NE	2.7	2.09	1,265	Trans-Tasman	35	+8.0	-1.6	25	0-0	3	0.6	5	1.6	11	Nil	3.26	208
WN Drive Tech.	67	+17.6	-7.3	9	0-4	-36.8	-	1.4	NE	Nil	N/A	84	Richina Pacific	39	+8.0	+1.9	26	0-0	-0.8	5	1.6	15	Nil	0.13	56		
CDL Hotel NZ	41	+16.7	-4.0	10	0-0	-0.6	7	1.5	8	5.1	0.85	143	Ryman Health.	214	+7.8	-1.5	27	1-2	-1.7	12	0.8	14	3.5	2.27	214		
Wakefield Hosp.	215	+16.6	-3.0	10	0-0	-1.4	5	0.6	26	2.1	1.12	28	Michael Hill	510	+7.4	+2.4	27	8-0	3	3.9	20	0.6	19	5.0	0.87	196	
Tranz Rail Hold	144	+16.6	-6.8	11	0-0	3	0.8	0	1.1	514	Nil	0.50	303	Guinness Peat	199	+7.3	+0.0	28	0-0	-1.2	15	0.9	8	1.4	0.92	1,372	
NGC Holdings	228	+15.5	+0.8	12	3-0	-2.2	9	0.9	24	3.9	2.65	1,010	Powerco Limited	192	+7.3	-0.1	29	0-0	3	1.0	7	0.8	16	7.3	2.65	607	
Freightways Ltd	213	+14.8	+0.9	12	0-1	-	-	0.8	20	8.1	N/A	257	Owens Group Ltd	116	+6.8	-1.1	29	0-0	1	2.0	8	1.0	24	2.6	0.15	66	
NZ Oil and Gas	46	+14.6	+4.6	13	1-0	-1.5	-	1.5	NE	Nil	N/A	59	DB Breweries	790	+6.7	-2.0	30	1-0	-4.4	27	0.4	16	6.3	1.25	398		
Mainfreight Grp	169	+14.4	+2.7	14	0-1	5	2.5	17	0.8	15	5.7	0.33	136	Tenon Ltd	134	+6.7	-1.7	31	0-0	6	0.9	-	1.2	NE	Nil	1.10	747
Hirequip NZ Ltd	93	+14.2	-1.0	14	0-0	-1.7	10	0.9	18	2.4	2.83	103	Nuplex Indust	448	+6.4	-0.1	31	4-0	4	1.7	14	0.8	12	6.7	0.43	275	
RetailX Limited	24	+14.1	+13.9	15	0-0	-0.7	-	2.0	NE	Nil	5.48	1	Hellaby Hold.	500	+6.3	-0.8	32	1-0	2	2.6	24	0.5	11	7.8	0.83	246	
Cue Energy Ltd	9	+14.0	+7.3	16	5-2	-0.8	2	3.3	43	Nil	3.93	30	NZ Invest Trust	560	+6.3	+0.4	33	4-0	-	-	-	0.6	NE	1.5	N/A	57	







# "Neglect" Ratings of Australian Shares

"Neglected" Shares = 1-4 Brokers, "Moderately Followed" Shares = 5-10 Brokers, "Widely Followed" Shares = 11 or more Brokers.

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.P. Eagers	1	139	Cochlear Ltd	10	1,252	James Hardie	9	3,084	Queens'd Cotton	1	99
AMP Ltd	10	9,595	Coles Myer	8	9,505	Jubilee Mines	3	533			
ANZ Bank	11	33,000	Collection Hse	5	198				RG Capt'l Radio	5	158
APN News Media	8	1,806	Colorado Group	5	344	K&S Corporation	2	85	Ramsay Health	7	636
ARB Corporation	4	219	Com'wealth Bank	8	39,914	Kaz Group Ltd	3	284	Rebel Sport	1	204
AWB Limited	4	1,535	Commander Comm.	2	162	Keycorp Ltd	1	127	Reece Australia	1	777
AXA Asia Pac	10	5,046	Computershare	9	1,850				Ridley Corp.	2	367
Adacel Tech.	1	46	Cons Rutile	1	150	Leighton Hold	8	2,946	Rio Tinto Ltd	11	49,815
Adcorp Aust.	2	69	Corp Express	7	889	Lend Lease Corp	7	4,509	Roc Oil Company	2	200
Adelaide Bank	6	760	Count Financial	2	154	Lihir Gold	10	1,348	Rock Build Soc.	1	53
Adelaide Bright	6	824	Crane Group	4	430				Rural Press Ltd	8	874
Adsteam Marine	3	359				M.Y.O.B. Ltd	3	329			
Adtrans Group	1	89	DCA Group Ltd	4	520	MTM Entertainment	1	14	SMS Mgmt & Tech	3	83
Ainsworth Game	2	81	David Jones	4	564	Macarthur Coal	6	191	SP Telecom.	1	238
Alesco Corp Ltd	3	311	Deutsche Ind Tr	6	648	Macquarie G Mgt	4	815	STW Comm Group	3	476
Alinta Limited	8	975	Deutsche Div Tr	7	1,132	Macquarie C'Wde	7	950	Santos Ltd	8	3,448
Altium Limited	3	38	Deutsche Office	8	1,297	Macquarie Bank	8	6,980	Servcorp Ltd	1	168
Amalgamated Hld	1	417	Downer EDI Ltd	5	807	Macquarie Good.	7	1,926	Seven Network	7	1,367
Ambri Limited	1	21				Macquarie Off.	8	1,171	Sigma Company	6	1,061
Amcor Ltd	9	6,699	E.R.G.	1	225	Macquarie Infra	4	5,704	Silex Systems	1	105
Amrad Corp.	1	91	ETRADE Aust.	1	176	Macquarie Leis.	1	156	Sims Group Ltd	7	1,067
Aristocrat Leis	10	1,303	Ellex Medical	1	20	Mayne Group Ltd	8	2,596	Skilled Eng.	4	289
Auspine Ltd	1	183	Emperor Mines	1	75	McGuigan Simeon	4	469	Smorgon Steel	7	838
Aust Pharm. Ind	4	592	Energy Develop.	6	255	Mermaid Marine	1	44	Solution 6	2	174
Aust Pipeline	5	659	Energy Resource	1	486	Metabolic Phar.	1	154	Sonic Health	8	2,018
Aust Gas Light	8	5,155	Envestra	6	771	Metcash Trading	9	1,539	Sons of Gwalla	7	517
Aust Magnesium	1	22	Evans & Tate	1	86	Mia Group Ltd	8	495	Soul Pattinson	1	1,551
Aust Agricult.	3	230				Millers Retail	5	402	Southcorp Ltd	11	2,234
Aust W'wide Exp	5	302	FKP Limited	1	326	Mincor Resource	1	160	Spotless Group	7	968
Aust Infra.	5	294	Fairfax (John)	12	2,897	Mirvac Group	6	3,049	St George Bank	8	10,674
Aust Stock Exch	9	1,702	Fantastic Hold.	2	290	Mosaic Oil NL	1	82	Stargames Ltd	3	103
Austar United	2	881	Flight Centre	3	1,856				Starpharma Pool	2	75
Austal Limited	3	193	Foodland Assoc	9	2,407	Nat'l Telecoms	1	6	Sthn Cross Brd.	7	628
Austereo Group	10	590	Foster's Group	9	9,145	Nat'l Foods	6	1,310	Sthn Star	1	93
Australand Prop	3	1,221	Futuris Corp.	6	1,083	Nat'l Aust Bank	13	47,659	Stockland	7	5,672
Axon Instrument	2	130				Newcrest Mining	9	3,969	Straits Res.	1	103
			G.U.D. Holdings	5	478	News Corporatio	6	26,135	Strathfield Grp	1	11
BHP Billiton	12	77,884	GWA Internat'l	4	839	Norwood Abbey	1	154	Suncorp-Metway	9	7,197
Bank of Q'land	6	824	Gandel R. (CFS)	7	2,678	Novogen Ltd	1	451	Syndey Aquarium	3	103
Baycorp Advant.	4	664	Gasnet Aust Grp	3	319	Novus Petroleum	3	329	Symex Holdings	1	124
Bendigo Bank	7	1,299	General Prop Tr	8	6,025	Nufarm Limited	6	957			
Beston Wine Ind	1	52	Globe Int'l Ltd	3	199				TAB Ltd	8	2,080
Billabong Int'l	8	1,549	Graincorp	3	508	Objective Corp.	1	67	Tabcorp Holding	8	4,208
Biota Holdings	1	52	Grand Hotel	3	124	Oil Search Ltd	8	1,203	Tap Oil	4	241
Boral Limited	8	3,698	Gribbles Group	4	148	Onesteel Ltd	8	2,267	Technology One	4	170
Brambles Ind.	8	9,131	Gt Sthn Plant'n	2	519	Optiscan Image	1	16	Telstra	10	61,374
Brazin Limited	2	150	Gunns Ltd	4	999	Orbital Engine	1	63	Tempo Services	4	132
Brickworks Ltd	2	1,093				Orica Ltd	7	3,798	Ten Network	7	1,046
Bunnings W/hse	5	428	Harvey Norman	6	2,978	Origin Energy	7	3,703	Thakral Holding	3	438
Burns Philp	4	1,068	Healthscope	5	323	Oroton Group	1	95	Timbercorp	1	267
Burswood Ltd	8	565	Henry Walker E.	3	174				Toll Holdings	8	2,943
			Hills Motorway	8	1,215	PMP Limited	3	378	Transurban Grp	9	2,349
C'wth Prop Off.	8	1,692	Hills Indust.	4	548	Pacifica Group	7	639	Transfield Serv	4	667
C.S.R. Ltd	9	1,804	Horizon Energy	1	30	Pacific Hydro	5	368			
CMI Limited	1	57	Hpal Limited	2	186	Panbio Ltd	1	30	Uecomm Limited	1	191
CPI Group	3	39	Hutchison Tel.	7	492	Paperlin X Ltd	8	1,999	United Group	4	424
CSL Limited	6	3,215				Patrick Corp	6	2,702			
Cabcharge Ltd	5	390	ING Indust Trt	7	1,182	Peptech Limited	1	256	Village Road.	4	395
Caltex Australia	2	1,949	ING Office Fund	8	1,011	Perp Trust Aust	7	1,615	Villa World	1	142
Campbell Bros	1	243	ION Limited	5	399	Peter Lehman W.	2	146	Vision Systems	3	154
Candle Aust.	1	59	iiNet	1	103	Polartechnics	1	33	Volante Group	2	92
Capral Alum.	1	239	Iluka Resources	9	966	Portman Limited	7	248			
Carindale Prop	2	178	Infomedia Ltd	4	298	Primary Health	3	575	Wattyl Ltd	3	316
Cellnet Group	1	61	Institute Drug	1	89	Prime TV	7	298	Westfarmers Ltd	10	10,543
Centennial Coal	6	518	Insurance Aust.	9	7,742	Prime Life Corp	1	153	West Aust News	10	1,379
Centro Prop.	7	2,731	Int Research	1	57	Prime Retail	2	297	Westfield Hold.	8	7,296
Chiquita Brands	2	102	Int'l Wine Inv.	1	111	Pro Maintenance	5	198	Westfield Trust	8	8,027
Citect Corp Ltd	2	72	Integrated Grp	3	138	Pro Medicus Ltd	2	81	Westfield Amer.	7	7,267
Clough Limited	1	231	Intellect Hold	1	54	Publishing & Br	7	8,175	Westpac Banking	10	31,598
Coal & Allied	1	1,957	Investa Prop.	4	1,798				Woodside Petrol	11	10,287
Coates Hire	5	623	Investor Group	3	183	Q.B.E. Insur.	9	7,449	Woolworths Ltd	10	12,722
CocaCola Amatil	8	4,624	Iress Mkt Tech	4	262	Qantas Airways	9	6,405			

# Readers Ask . . .

**Question:** I have \$12,000 and saving \$1000 per month. I am unsure whether to invest in a fund or in six of the *Market Analysis* current recommendations.

What would you suggest?

**Answer:** I would favour putting the money into six recommendations rather than a fund. My reasons are:

1. You can invest in a way appropriate to your particular financial situation (i.e. target long term capital growth).
2. No fees or other expenses eroding your returns.
3. Funds returns are eroded by capital gains taxes but there is no capital gains tax on direct investing.

Owning shares directly offers two other advantages:

- a. It is more fun.
- b. You will develop the investment skills needed to manage your investments when they have grown to a meaningful amount of money (i.e. several hundred thousands to a few million).

**Question:** I found it so encouraging when you wrote that I will be managing hundreds of thousands. Can that really happen to me when I diligently invest \$1000 per month for the next 10 to 20 years and reinvest the returns?

**Answer:** Go to the online Financial Planning page at [www.stockmarket.co.nz/FinPlan.htm](http://www.stockmarket.co.nz/FinPlan.htm) and use the **Find the Future Value of Regular Savings** option.

\$12,000 per year earning 10% per annum will grow to \$191,000 after 10 years and \$687,000 after 20 years.

If you can make 20% then your portfolio will grow to \$311,000 after 10 years and \$2.24 million after 20 years!

## Total Return Index for All Listed Shares

Feb 9	2035.16	Feb 16	2004.83
Feb 10	2034.66	Feb 17	2011.90
Feb 11	2018.69	Feb 18	2006.44
Feb 12	2006.01	Feb 19	1999.14
Feb 13	2005.14	Feb 20	1997.42
Feb 23	1996.84	Mar 1	1968.58
Feb 24	2000.68	Mar 2	1958.72
Feb 25	2001.78	Mar 3	1967.10
Feb 26	1992.88	Mar 4	1969.33
Feb 27	1981.49	Mar 5	1965.91

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday April 6, 2004 (and delivered in most areas on Wednesday 7).

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.

# Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Allied Farmers	5.50	22-03	26-03	Ful
AMP Office Trust	3.50	29-03	02-04	Nil
Auckland Int'l Airport	10.50	22-03	26-03	Full
Broadway Industries	2.00	26-04	30-04	Full
Calan Healthcare Properties	1.7556	16-02	01-03	0.2444
Capital Properties NZ	1.90	15-03	26-03	0.35
Carter Holt	3.00	16-02	25-02	Nil
Cavalier Corporation	8.00	08-03	12-03	Full
CDL Hotels	1.40	05-04	08-04	Full
CDL Investments	1.60	27-03	02-04	Full
Colonial Motor Company	10.50	22-02	05-04	Full
Ebos Group	9.00	08-03	12-03	Full
Fletcher Building	11.00	22-03	07-04	Full
Freightways	5.85	22-03	31-03	Full
Guinness Peat Group	1.00 pence	15-03	17-05	-
Hellaby Holdings	16.00	05-04	08-04	Full
Hirequip NZ	1.00	15-03	19-03	Full
Independent Newspapers	6.40	22-03	26-03	Full
ING Property	0.68	15-03	19-03	0.0033
Lytelton Port Company	3.75	23-02	27-02	Full
Metlifecare	5.00	15-03	19-03	Nil
Michael Hill International	8.00	22-03	29-03	Full
National Property Trust	2.25	23-02	05-03	Nil
NZ Refining Company	60.00	29-03	30-03	Full
NGC Holdings	8.50	15-03	22-03	Full
Northland Port	3.00	01-03	05-03	Full
Nuplex Industries	11.50	22-03	02-04	Full
Port of Tauranga	7.00	08-03	19-03	Full
Ports of Auckland	15.00	08-03	19-03	Full
Property For Industry	1.731333	08-03	12-03	0.006243
Pyne Gould Guinness	4.00	08-03	12-03	Full
Renaissance Corporation	3.00	29-03	02-04	Full
Skellmax Industries	3.00	05-04	08-04	Full
Sky City Entertainment	11.00	22-03	02-04	Full
South Port NZ	2.75	23-02	05-03	Full
Steel & Tube Holdings	12.00	08-03	12-03	Full
Taylor's Group	5.00	15-03	26-03	Full
Tourism Holdings	4.00	19-04	23-04	Full
Trustpower	10.00	22-03	02-04	Full
Turners Auctions	8.00	12-04	16-04	Full
Warehouse Group	10.50	19-04	26-04	Full
Waste Management NZ	8.30	15-03	19-03	Full
Wrightson	2.50	15-03	31-03	Full
<b>Australian Shares</b>				
AJ Lucas Group	3.50	03-03	24-06	
Candle Australia	4.00	05-03	19-03	
Cellnet Group	6.50	02-03	24-03	
Computershare	3.00	05-03	26-03	
Health Communication Net.	1.00	01-03	19-03	
McPhersons	9.00	02-04	30-04	
Melbourne IT	2.00	03-05	28-05	
OAMPS	6.00	09-03	31-03	
Ross Human Directions	1.50	01-03	26-03	
Skilled Engineering	6.00	30-03	21-04	
Technology One	1.25	05-03	25-03	
Toll Holdings	8.50	01-03	26-03	
UXC Limited	2.00	06-04	30-04	
Villa World	5.50	15-03	02-04	
Vision Systems	2.00	26-02	17-03	

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