

Market Analysis

Issue No. 383

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Inside Market Analysis

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Editor and Research Director: James R Cornell (B.Com.)

Summary and Recommended Investment Strategy.

Our outlook for the Australian and New Zealand stockmarkets is Neutral to slightly Bullish. Nevertheless, there is some good value out there, so we recommend that investors remain fully invested in the recommended shares.

Investment Outlook.

The New Zealand stockmarket has long held a reputation as the *Wild West* of world stockmarkets. Unfortunately, that reputation is well deserved. In this lawless country company assets and shareholders have been robbed by insider trades, questionable related party transactions and some very dubious companies. Promoters and directors were not the only ones to benefit. Respectable businessmen in conservative suits looked on disapprovingly - while collecting more than a few dollars in listing fees, underwriting commissions, brokerage, "independent" valuation reports and other advice on company floats and takeovers.

But that all happened in the past, didn't it? Way back in 1986 or 1987? Things are different today, aren't they? The NZ Exchange often talks about "enhancing the image" of the NZ market - but that may be all it is really doing: *talking* about enhancing the *image*. Real change would require running a few dubious companies out of town (i.e. before they settle down and put out an Investment Statement) - with the loss of all those underwriting, brokerage and listing fees.

So, has the quality of New Issues improved any since 1986? Judge for yourself. Move out the wagon train and head into the big city to visit your stockbroker. While there, pick up a few Investment Statements from the professional gamblers and see if you can spot them dealing from the bottom of a stacked deck.

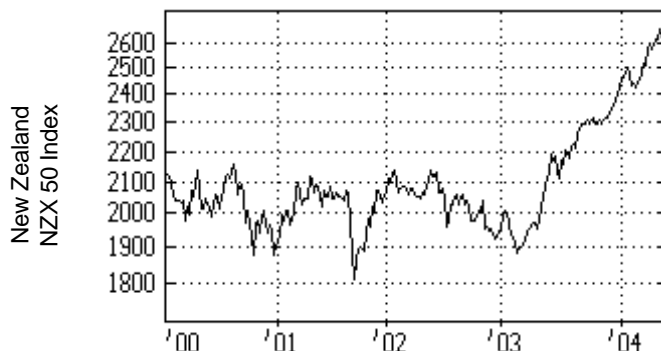
Yessir, its a hostile environment out there. In this lawless country there is no sheriff and its every man for himself. But this is still the best place to seek your fortune. Back in '86 a few of us old timers picked up some good nuggets just lying in the street (e.g. NZ Refining which went up 33-fold, Radio Otago for a 5-fold gain and *four* others that doubled). Good opportunities are still out there - if you stay away from those smiling salesmen and professional card players.

Next Month

We "call out" the *42 Below* gang over their latest creative accounting.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	58% (Neutral)	61% (Bullish)
New Zealand:	66% (Bullish)	51% (Neutral)



Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company
A2 Corporation	C	10	0.02	NE	Nil	Horizon Energy	B	411	4.51	21	9.1	Richina Pacific	D	41	0.13	16	Nil
AMP Limited	B	669	1.02	NE	2.7	ING Property	C	102	5.75	9	9.6	Richmond Hold.	B	270	0.09	8	4.1
AMP NZ Office	C	85	7.10	8	7.9	Ind Newspapers	C	495	2.24	27	2.9	Rocom Wireless	C	12	0.55	NE	Nil
AXA Asia Pac.	A	360	1.28	17	3.3	Infratil NZ	C	310	4.59	20	1.9	Rubicon Limited	C	85	N/A	17	Nil
Abano Health.	E	13	0.43	24	Nil	KidCorp	D	25	N/A	NE	Nil	Ryman Health.	C	231	2.45	15	3.2
Afco Holdings	E	24	0.15	8	Nil	Kingfish Ltd *	N/R	94	N/A	NE	Nil	Sanford Limited	C	510	1.41	12	5.7
Air New Zealand	D	44	0.35	8	Nil	Kingsgate Int'l	D	31	5.15	30	Nil	Savoy Equities	E	2.0	N/A	NE	Nil
Akd Int Airport	C	677	9.04	27	4.9	Kirkcaldie & St	B	260	0.46	14	8.2	Scott Tech. Ltd	B	315	1.66	14	6.6
Allied Farmers	B	167	0.36	11	6.8	Kiwi Property	C	106	8.23	13	8.1	Sealegs Corp	D	2.5	9.66	NE	Nil
Apple Fields	D	2.6	7.88	NE	Nil	Lion Nathan Ltd	B	712	1.83	19	4.3	Seeka Kiwifruit	D	450	N/A	NE	Nil
Beauty Direct	D	7.0	1.86	NE	Nil	Loan & Building	C	366	1.34	NE	Nil	Selector Group	D	1.4	2.75	NE	Nil
Blis Technology	D	18	N/A	NE	Nil	Lytellon Port	C	165	2.76	12	10.0	Shotover Jet	C	105	1.85	13	1.8
Botry-Zen Ltd	D	13	N/A	NE	Nil	MG Property Trt	D	101	5.83	17	10.4	Skellmax Indust	C	126	1.31	10	8.3
Brierley Grp	E	68	5.18	NE	Nil	Mainfreight Invp	B	191	0.37	17	5.1	Sky City Ltd	C	449	3.34	18	7.8
Briscoe Group	C	143	0.95	13	7.3	Media Tech.	D	17	0.60	NE	Nil	Sky Network TV	E	545	5.43	NE	Nil
Broadway Ind	C	98	0.54	14	2.0	Metro. LifeCare	C	220	1.73	16	2.3	SkyCity Leisure	E	84	1.42	28	Nil
CACI Group Ltd	C	36	0.40	13	Nil	Michael Hill	B	572	0.97	21	4.4	Smiths City	D	54	0.15	7	8.3
CDL Hotel NZ	D	43	0.89	9	4.9	Mid-Cap Index *	N/R	218	N/A	NE	Nil	Software of Exc	E	139	1.77	NE	Nil
CDL Investments	E	28	2.05	8	8.5	Mooring Systems	D	370	N/A	NE	Nil	South Port NZ	C	135	2.41	14	7.5
Cadwalk Group	D	20	0.17	NE	Nil	Mowbray Collect	C	145	3.17	NE	2.1	Spectrum Res.	E	1.3	N/A	NE	Nil
Cadmus Tech Ltd	E	11	1.34	43	Nil	Mr Chips Hold	D	104	0.98	25	4.3	Steel & Tube	B	394	1.06	16	8.7
Calan Hlthcare	D	91	7.80	16	8.8	NGC Holdings	B	248	2.88	26	3.6	Summit Gold Ltd*	N/R	6.6	N/A	NE	Nil
Cap Properties	C	94	3.04	11	9.7	NZ Exchange Ltd	A	930	8.50	40	Nil	Tag Pacific Ltd	B	20	0.40	NE	Nil
Carter Holt	B	205	0.92	14	2.9	NZ Experience	C	26	1.86	11	Nil	Taylor's Grp Ltd	A	271	1.15	15	5.8
Cavalier Corp	C	480	1.56	17	7.8	NZ Invest Trust*	N/R	585	N/A	NE	1.4	TeNZ	N/R	108	N/A	NE	Nil
Cert Organics	C	14	N/A	NE	Nil	NZ Oil and Gas *	N/R	71	N/A	NE	Nil	TeanTalk Ltd	A	224	0.82	22	10.0
Col Motor Co	B	307	0.22	12	9.0	NZ Refining Co	A	1850	2.34	12	9.7	Telecom Corp	A	562	2.06	15	5.3
Commsort Group	E	0.3	0.34	NE	Nil	NZ Wine Company	D	206	N/A	NE	Nil	Tenon Ltd	C	193	1.40	NE	Nil
Comvita	C	240	0.97	17	2.6	Nat Property Tr	C	99	7.13	16	9.1	Tourism Hold.	B	168	0.94	20	7.1
Contact Energy	C	583	2.91	30	5.9	Newcall Group	D	1.9	0.51	NE	Nil	Tower Limited	B	168	0.67	NE	8.9
Cube Capital	D	4.5	0.15	NE	Nil	Northland Port	C	283	N/A	28	4.4	Training Sol.	C	0.1	1.43	NE	Nil
Cue Energy Ltd *	N/R	7.5	3.28	36	Nil	Nuhaka Forestry	C	502	0.95	NE	18.1	Trans-Tasman	E	41	3.81	12	Nil
DB Breweries	B	881	1.40	18	5.7	Nuplex Indust	A	500	0.48	14	6.0	Tranz Rail Hold	D	153	0.53	NE	Nil
Design Textiles	C	100	0.53	9	6.2	Opio Forestry	D	57	N/A	NE	Nil	Trust Power Ltd	C	416	2.53	NE	4.6
Dorchester Pac	A	285	1.00	14	3.9	Owens Group Ltd	D	116	0.15	24	2.6	Turners Auction	B	485	1.40	19	4.9
Ebos Group Ltd	A	355	0.43	15	6.9	Oyster Bay	D	216	N/A	NE	Nil	Urbus Property	E	93	N/A	NE	Nil
Evergreen	D	43	1.76	NE	Nil	Ozzy (Tortis) *	N/R	219	N/A	NE	Nil	Utilico Int'l	E	68	6.97	NE	Nil
F & P Health.	A	1285	6.32	18	5.8	Pac Edge Bio.	C	48	N/A	NE	Nil	VTL Group Ltd	D	115	1.51	13	Nil
F & P Appliance	A	468	1.46	17	5.3	Pacific Retail	C	199	0.20	7	Nil	Vertex Group	B	166	0.62	15	12.8
Fimmedia Ltd	B	104	1.11	NE	Nil	Port Tauranga	B	492	6.00	26	5.0	WN Drive Tech.	E	60	N/A	NE	Nil
Finzsoft Solns	B	120	2.50	NE	Nil	Ports Auckland	C	740	4.68	18	6.9	Wakefield Hosp.	C	245	1.28	30	1.8
Fletcher Build.	B	447	0.56	11	6.3	Postie Plus Grp	D	99	0.51	13	Nil	Warehouse Group	C	436	0.65	17	5.0
Forty Two Below	C	49	N/A	NE	Nil	Powenco Limited	B	213	2.07	12	7.5	Waste Mgmt NZ	A	448	2.43	24	5.3
Freightways Ltd	B	233	N/A	22	7.4	Property F Ind.	C	92	N/A	10	7.9	Widespread Port	C	3.0	0.23	NE	Nil
GDC Communicat.	D	25	0.17	NE	Nil	Provenco Group	C	76	1.30	60	Nil	Williams Kettle	B	266	0.36	9	13.5
Genesis Res.	D	77	2.02	NE	Nil	Pure NZ Limited	C	5.5	7.86	NE	Nil	Windflow Tech.	C	320	N/A	NE	Nil
Guinness Peat	B	214	0.99	9	1.3	Pyne Gould Corp	D	539	N/A	NE	Nil	World Index Fd *	N/R	118	N/A	NE	Nil
Hallenstein G.	B	310	1.03	16	8.9	Pyne Gould G.	A	154	N/A	12	8.2	Wrightson Ltd	B	140	0.29	10	12.3
Hellaby Hold.	B	504	0.84	11	7.7	Renaissance	B	68	0.26	19	15.4	Zintel Comm.	C	120	N/A	NE	Nil
Heritage Gold *	N/R	9.0	N/A	NE	Nil	Restaurant Brds	B	135	0.43	11	11.1	Ave of 151 Cos	C	221	0.54	24	3.5
Hirequip NZ Ltd	D	103	3.13	20	2.2	RetailX Limited	B	30	6.85	NE	Nil	Onesteel Ltd	A	214	0.75	25	5.1
AMP Ltd	B	576	0.97	NE	2.8	Downer EDI Ltd	B	323	0.29	12	3.6	Orica Ltd	B	1462	0.98	40	3.6
ANZ Bank	B	1822	2.13	12	5.2	EnergyResource	A	350	2.53	25	3.1	Origin Energy	A	560	1.10	23	1.8
APN News Media	B	390	1.58	18	4.7	Envesta	B	102	2.66	58	9.3	Oxiana Ltd	B	80	8.60	93	Nil
AWB Limited	A	445	0.63	45	5.6	Fairfax (John)	B	335	2.39	23	3.9	Pacifica Group	C	420	0.58	12	5.1
AXA Asia Pac	A	314	1.15	6	3.3	Flight Centre	B	1800	2.68	24	2.4	Paperlin X Ltd	A	481	0.54	15	5.7
Adelaide Bright	B	148	1.27	14	3.7	Foodland Assoc	B	1890	0.35	18	4.5	Patrick Corp	A	491	2.40	18	1.6
Adelaide Bank	B	805	1.32	14	4.6	Foster's Group	B	468	2.05	21	4.0	Perp Trust Aust	A	4060	5.06	22	3.2
Alinta Limited	B	563	1.25	8	5.9	Futuris Corp.	B	150	0.40	10	5.3	Primary Health	A	535	3.01	43	2.3
Alumina Ltd	C	510	N/A	25	3.9	GWA Internat'l	B	283	1.18	14	5.5	Prin. Amer. Off	B	112	8.75	57	14.6
Amcor Ltd	C	682	0.54	16	4.4	Gandel R. (CFS)	B	136	8.85	16	7.1	Principal Off.	B	159	9.15	16	6.9
Ansell Ltd	A	740	1.05	28	1.5	General Prop Tr	B	297	8.80	14	7.1	Promina Group	A	361	0.99	14	3.5
Aquarius Plat.	B	651	5.36	49	0.3	Gt Sthn Plant'n	A	270	5.46	13	2.6	Publishing & Br	B	1234	2.80	20	2.0
Argo Investment	B	479	N/A	26	3.3	Guinness Peat	A	192	0.87	8	1.3	O.B.E. Insur.	A	1160	N/A	20	3.6
Aristocrat Leis	B	388	1.86	NE	1.5	Gunns Ltd	B	1231	1.66	14	3.2	Qantas Airways	B	336	0.52	17	5.1
Arrow Pharm.	B	815	1.92	40	Nil	HHG Plc	C	112	0.19	NE	Nil	Ramsay Health	A	523	1.01	18	3.0
Aust Pharm. Ind	C	245	0.22	24	5.3	Hardman Res.	C	165	N/A	NE	Nil	Reece Australia	B	845	1.13	18	2.5
Aust Foundation	B	325	N/A	25	4.1	Harvey Norman	C	284	3.00	20	1.8	Rinker Group	B	717	1.35	13	1.0
Aust Pipeline	C	255	2.41	15	8.4	Hills Motorway	C	678	N/A	NE	3.1	Rio Tinto Ltd	C	3298	3.52	22	2.7
Aust Leis & Hos	C	228	N/A	NE	Nil	ING Indust Trt	B	174	9.73	13	7.9	Ronin Property	B	110	9.38	12	8.5
Aust Gas Light	A	1140	1.09	17	4.8	ING Office Fund	B	118	8.12	12	8.9	Rural Press Ltd	B	755	89	13	3.1
Aust Stock Exch	A	1612	7.95	28	2.5	Iluka Resources	B	395	1.13	11	5.6	S/Tracks ASX200	D	3456	N/A	NE	Nil
Austar United	B	69	2.23	NE	Nil	Infocite Pivot	D	1830	1.53	NE	Nil	SFE Corporation	A	678	8.81	23	3.3
Austereo Group	B	135	2.35	16	5.3	Insurance Aust.	A	466	1.69	51	2.5	STW Comm Group	B	328	N/A	21	4.1
Australand Prop	B	165	0.81	12	8.1	Interoil Corp	C	345	N/A	NE	Nil	Santos Ltd	B	643	2.57	12	4.7
BHP Billiton	B	1165	2.88	26	1.7	Investa Prop.	B	190	8.53	13	8.2	Seven Network	B	517	0.99	23	4.5
Bank of O'land	B	995	1.69	17	3.2	Invocare Ltd	C	224	N/A	NE	Nil	Sigma Company	B	772	0.57	25	2.6
Baycorp Advant.	C	265	3.33	NE	1.5	Ivanhoe Mines	C	1200	N/A	NE	Nil	Sims Group Ltd	B	1094	0.63	14	4.9
Bendigo Bank	B	1000	3.68	22	3.4	James Hardie	C	686	3.05	14	1.9	Smorgon Steel	B	99	0.34	8	8.1
Bidvest	B	605	0.36	19	1.9	Leighton Hold	B	772	0.42	15	5.7	Sonic Health	B	859	2.29	55	2.9
Billabong Int'l	A	767	2.46	20	3.1	Lend Lease Corp	C	1035	0.45	NE	2.9	Soul Pattinson	A	650	3.59	18	2.6
Bluescope Steel	A	570	0.84	10	3.9	Lihir Gold	B	98	5.87	36	2.0	Southcorp Ltd	B	335	2.02	45	3.0
Boral Limited	B	590	0.88	12	3.9	Lionore Mining	C	582	2.90	15	Nil	Spotless Group	B	465	0.41	19	4.9
Brambles Ind.	B	557	1.15	29	1.8	Macquarie Infra	C	311	4.91	12	2.4	St George Bank	B	2190	2.53	18	4.3
Brickworks Ltd	B	855	5.32	15	1.9	Macquaries C&I	C	340	3.67	NE	4.6	Sthn Cross Brd.	A	1069	1.72	36	5.3
Burns Philp	C	62	0.59	6	3.6	Macquarie Air.	B	183	3.99	6	4.4	Sthn C. Fliers	A	11250	N/A	12	8.0
Burswood Ltd	B	144	1.95	59	1.2	Macquarie Off.	B	118	9.78	11	9.3	Stockland	A	523	6.26	19	6.1
C'whr Prop Off.	B	113	2.33	11	9.2	Macqu											

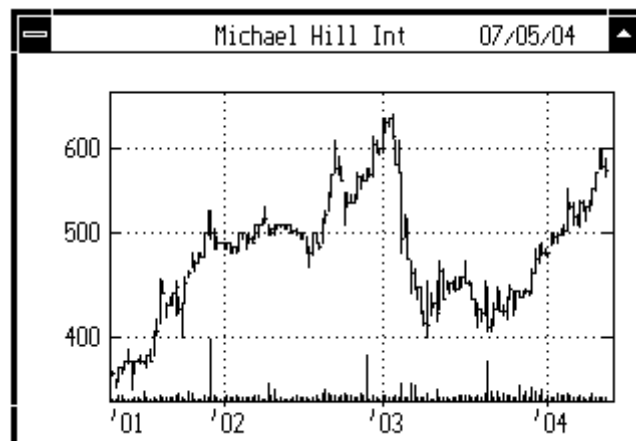
Recommended Investments

Lyttelton Port Company has completed its \$30 million coal upgrade which will allow coal export volumes to increase to four million tonnes annually.

Meanwhile a six day strike closed most of the port as unions and management fail to agree on providing a flexible and efficient 24 hour, seven days per week service.

Michael Hill International reports sales for the nine months to 31 March up 15.1% to \$192.6 million. NZ sales are up only 1.5% at \$64.6 million while Australian sales rose 20.7% to \$123.7 million. The Canadian stores generated sales of \$4.4 million.

Wrightson is the subject of a partial takeover bid from **Rural Portfolio Investments** - but it is difficult to take this bid seriously. *(Continued on Page 4)*



Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/Sales Ratio	Price/Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	199.4	1.9	2.05	8	8.5	28	7.7	+43%
HOLD-	Cavalier Corporation	CAV	05/12/95	156*	C	63.0	0.6	1.56	17	7.8	480	128.5	+290%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.22	12	9.0	307	250.3	+272%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	0.9	2.76	12	10.0	165	36.0	+34%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.4	0.5	0.97	21	4.4	572	137.0	+1441%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	61.3	0.8	0.48	14	6.0	500	88.0	+68%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	37.2	1.2	0.26	19	15.4	68	17.4	+0%
HOLD+	Richina Pacific	RPL	03/11/95	94*	D	144.4	1.6	0.13	16	Nil	41	9.4	-46%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.0	2.41	14	7.5	135	71.3	+72%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	87.9	0.8	1.06	16	8.7	394	85.0	+228%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.7	1.15	15	5.8	271	32.0	+197%
HOLD	Wrightson Limited	WRI	13/01/98	83	B	136.2	1.2	0.29	10	12.3	140	41.3	+118%
Australian Shares (in Aust cents)													
BUY	AJ Lucas Group	AJL	13/05/03	120	B	45.4	0.8	0.56	11	4.2	190	8.0	+65%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	1.8	1.73	15	Nil	20	7.0	-64%
BUY	Austral Coal Ltd	AUO	16/01/01	19	C	203.2	1.4	0.90	20	Nil	52	Nil	+174%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	NA	10	6.7	163	5.5	+7%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.2	0.5	0.68	21	4.8	630	116.5	+79%
BUY	Candle Australia	CND	08/04/03	86	A	37.6	0.9	0.38	17	4.0	162	10.0	+100%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	A	49.5	0.9	0.21	13	5.1	137	19.5	+3%
BUY	Circadian Technology	CIR	10/02/04	188	D	40.3	1.2	NA	NE	Nil	225	Nil	+20%
BUY	Commander Comm.	CDR	11/09/01	92	B	145.1	0.8	0.60	13	3.2	138	9.1	+60%
BUY	Computershare Ltd	CPU	12/08/03	189	B	544.1	1.0	2.25	48	1.7	293	5.5	+58%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	1.2	2.54	42	Nil	123	1.0	+23%
HOLD+	IASbet Ltd	IAS	11/02/03	180	A	41.0	1.4	0.05	5	13.2	57	2.5	-67%
HOLD-	McPherson's Ltd	MCP	10/10/00	125	B	54.8	0.5	0.73	16	3.3	450	48.0	+298%
HOLD+	Melbourne IT	MLB	10/02/04	53	A	50.9	1.1	0.77	18	4.0	75	2.0	+45%
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.63	12	3.3	601	119.3	+72%
HOLD+	OAMPS Limited	OMP	15/05/01	106*	B	92.9	0.5	0.45	16	5.5	310	33.5	+224%
BUY	Ross Human Directions	RHD	14/08/01	92	B	57.4	1.4	0.26	34	6.9	65	15.0	-13%
HOLD+	Skilled Engineering	SKE	12/03/02	126	A	90.4	0.7	0.41	17	5.2	297	31.5	+161%
HOLD+	Solution 6 Holdings	SOH	15/07/03	59	D	251.6	1.3	0.98	NE	Nil	86	Nil	+46%
BUY	Technology One Ltd	TNE	11/11/03	44	A	298.5	1.2	3.33	23	4.6	54	1.3	+26%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	309.8	0.6	1.23	30	1.4	1040	52.0	+1720%
HOLD	UXC Limited	UXC	11/01/00	55*	B	125.1	1.2	0.86	15	6.3	79	21.0	+82%
HOLD	Villa World Ltd	VWD	11/06/02	68	A	103.2	0.7	0.87	7	8.7	126	21.5	+117%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.0	1.07	12	4.7	85	26.1	+61%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +166.8%. This is equal to an average annual rate of +39.4%, 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 +9.0% (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)

Rural Portfolio Investments has *twice* unsuccessfully sought to buy 24.9% of Wrightson at 145 cents per share in cash - acquiring a total of only 12.94%. Now it is seeking a 50.01% *controlling* interest offering just slightly more (i.e. 150 cents) in cash or very dubious junk bonds.

If (when?) unsuccessful, Rural Portfolio Investments has threatened to "review their holding with a view to exiting" which in plain English means "Sell to us at \$1.50 or we will sell and depress the share price". If Rural Portfolio Investments should decide to dump their Wrightson shares on the market then investors should seek to accumulate more cheap shares as once that company finishes selling the share price should jump straight back up!

Given that it is unlikely that Rural Portfolio Investments will achieve its 50.01% target, any consideration of the takeover is largely academic. The company is offering either (1) 150 cents per share in cash or (2) redeemable preference shares.

The preference shares, however, are just junk bonds. Rural Portfolio Investments will pay the preference dividend out of the dividends it receives from Wrightson. The repayment of the preference shares in three and five years will also depend upon Wrightson performing well so this debt can be refinanced.

So investors who swap Wrightson shares for preference shares retain most of the risks but swap an 11.5% gross dividend yield and full participation in any capital appreciation for a 9-10.5% gross yield and little potential for growth. If Wrightson performs poorly over the next few years then Rural Portfolio Investments will have difficulty paying the dividends and capital repayment on these preference shares.

Ignore this takeover offer.

**Australian Shares**

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

As reported to subscribers in an email update on 19 April, **Austral Coal** is seeking to raise \$28.9 million from a 1 for 3.25 non-renounceable cash issue at 50 cents plus an institutional placement at the same price.

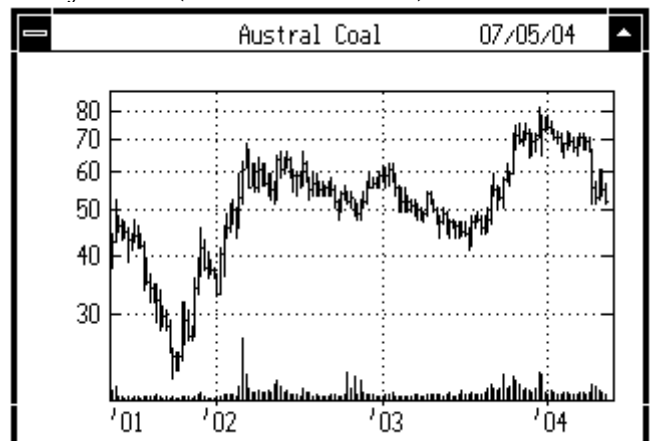
Convertible note holders will NOT participate in this cash issue, but there will be a small improvement in the conversion terms.

While it is disappointing that Austral Coal needs to raise additional capital - which dilutes the value of its shares - the company will generate large cashflows once production starts from Tahmoor North from the

beginning of June.

Issued capital after this current issue will be 232,380,617 ordinary shares and 40,000,000 convertible notes. Net profit to December 2004 is forecast at \$15-18 million (6.5-7.7 cents per share). The forecast cash operating surplus is \$16.8 million, but consists of an \$18.5 million *deficit* in the first half and a \$35.3 million surplus in the second half when mining restarts.

Our recommendation in the email update was to take up these new shares. The issue has temporarily depressed the share price and this is an opportunity for investors to increase shareholdings in the cash issue or to buy shares (or convertible notes) on-market.



Australian Infrastructure Fund reports strong revenue growth for the March 2004 quarter. The three Airport investments recorded 12-15% volume growth and 12-23% revenue growth for the quarter, compared with the same period last year. The Port of Portland recorded a 29% increase in tonnage, 5% rise in ship visits and 19% rise in revenues. Statewide Roads experienced a 10% increase in traffic volumes and 12% rise in revenues. The Metro Rail continues to perform poorly with passenger volumes down 2% and revenues 3% lower.

Australian Infrastructure had sought to sell its \$16.3 million minority investment in Epic Energy, but instead Epic has sold its gas pipeline assets for \$663 million and will liquidate. After Epic repays debt, Australian Infrastructure Fund's share of the payout is expected to be about \$8 million in cash. This liquidation will realise a loss on book value, but ultimately the value of the shares will reflect the growth from its other investments.

Australian Infrastructure plans to become a top 150 company over the next 18 months. This will require raising further capital and expanding its assets from \$400 million to \$700 million. Such growth may or may not improve shareholder wealth - but may help to raise the share price closer to its net asset backing of 187 cents! The fund, however, still has \$30 million cash from its recent capital raising - and the potential to expand its borrowings. It is seeking to invest in the \$2 billion **Mitchell-Frankston Freeway** in a consortium with **Transurban** and **Leighton**.

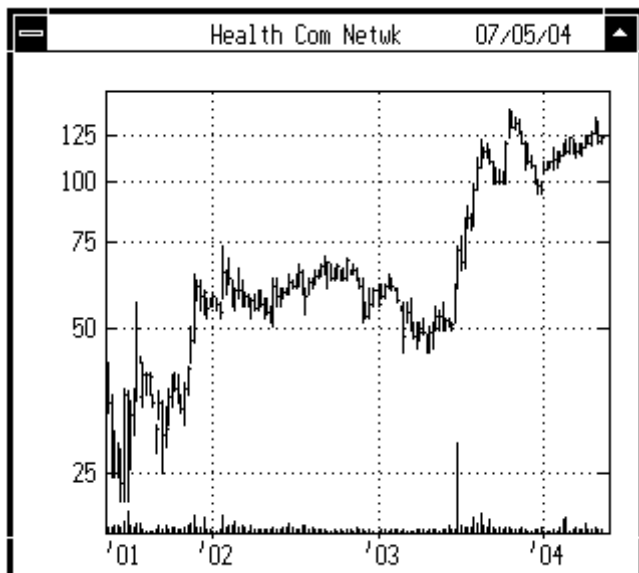
Cellnet Group has secured a contract to supply mobile phone accessories to "Australia's fastest-growing mobile phone retail franchise" group **Allphones**. This is expected to add about \$5 million in annual revenues initially, rising to around \$10 million over the next two

years. Allphones will shortly seek tenders for the supply of its mobile handsets and Cellnet Group hopes to also win this warehousing and distribution business.

Health Communications Network is seeking to further build its *transaction revenue* streams with a new *AutoReport* feature that is being developed for Specialists that will be included in future versions of *BlueChip* and *Medical Director Specialist*. *AutoReport* will enable Specialists to send encrypted reports back to GP's *Medical Director* patient records. There will be small cost savings (e.g. stationery, postage, handling) for specialists but better feedback to referring GPs. The company estimates the volume of referrals from *Medical Director* users at "over ten million" annually, so even at a very small cost per transaction this new service could generate significant additional high margin revenues for Health Communications Network.

Another major growth area is electronic health record updating between health providers. This is currently performed by telephone and paper based communications but expected to become electronic "within five years". GPs are "vital" to electronic health record updating which is expected to have "enormous value". These transactions will originate from GP's clinical software where Health Communications Network has a dominant 85% market share. So the company is in "a strong position" and is working to develop a business model to provide these services and generate revenues.

After recording an operating cash deficit of \$3,337,000 for the six months to December (owing to the timing of large contract payments), Health Communications Network recorded a surplus of \$1,488,000 during the March quarter. This gives the company a healthy \$8,405,000 (13.7 cents per share) in cash.



International All Sports has finalised its acquisition of 50% of **Internet Betting Company plc** which has recently reported an annual profit in excess of EUR 400,000. This business currently operates *swarbets.com*, a betting exchange focusing on soccer. International All Sports has received a 50% equity interest in return for its expertise and knowledge to enable the business to expand into racing and other sports betting.

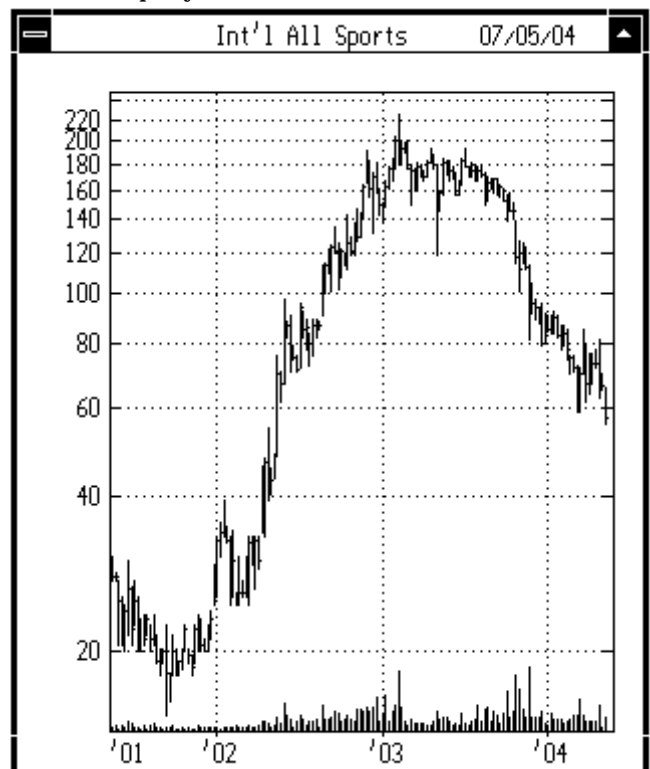
If Internet Betting Company is worth 5-8 times

profits, then International All Sports is receiving a business interest worth around EUR 1.0-1.6 million (A\$1.6-2.6 million or 3-5 cents per share) at virtually no cost.

International All Sports' cash operating surplus recovered to \$3,138,000 in the March 2004 quarter - up from a *deficit* of \$1,539,000 for the six months to December 2003. Cash on hand is \$20.9 million or 40 cents per share. The company lost \$3,233,000 in the half year to December owing to competition that depressed margins, but this quarterly surplus is a strong indication that the business has recovered and is again operating profitably.

International All Sports shares are *very weak* with a Relative Strength rating of -23.7%, ranked 97 (on a scale of 0-99), so may remain depressed in the immediate future. Profitability and dividends are also uncertain after the first half loss, although the trading situation appears to have recovered over recent months. The shares, however, look to be undervalued trading on an extremely low Price/Sales ratio of 0.05 and for little more than the cash sitting in the company's bank account. International All Sports is debt free and with \$20.9 million in cash the market is valuing its internet sport betting businesses at less than \$9 million.

The shares look to be near the bottom of this decline and - with signs of a recovery in profitability and its large cash holding - it may be appropriate to make some small bargain seeking purchases to add to shareholdings in this company. "Hold+".



UXC has purchased 4,112,912 shares (an 11.04% interest) in **Alphawest** for \$2.1 million (about 52 cents per share). This company was previously called **AIS Corporation** and recently purchased the **AlphaWest** business sold by **Solution 6** in an earlier management buyout.

Vision Systems reports that it has sold "over 20" *Bond-X* tissue staining instruments systems since its launch last September in (Continued on Page 6)

Recommended Investments (Continued from Page 5)
Australia, New Zealand, Switzerland and the United Kingdom. These instruments have since generated over \$200,000 in additional reagent sales (over an average period of instrument operation of just three months). The company gives no indication whether instrument sales are above or below expectations. We can, however, analyse the preliminary impact upon **Novacastra** which has annual reagent sales of about \$17.5 million. Instrument sales over just six months would appear to be adding about 5% to these ongoing, high profit margin reagent revenues.

Bond-X was launched in the United States in December where Vision Systems is "pleased with the market response" and "actively building its sales organisation" - which presumably means it has yet to

finalise its first sale! **Uni-Tech Science** of South Korea and **Mitsubishi Kagaku Iatron** of Japan - which both already distribute **Novacastra** reagents - have been appointed to market the *Bond-X* instruments in their countries.

The *Bond-maX* version is "progressing well through development and laboratory trials" and will be released early in the new financial year.

Vision Systems has also announced the launch of its *Peloris* dual retort, high throughput tissue processor. This third generation dual processor provides "greater flexibility to manage workflows", is "faster and provides three times the throughput of conventional tissue processing systems" and improves laboratory health and safety by not using xylene.

Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive 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
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Owens Group Ltd	116	+2.6	-1.3	51	0.0	1	2.0	8	1.0	24	2.6	0.15	66
Renaissance	68	+15.3	-7.3	10	0.2	-	2.8	15	1.2	19	15.4	0.26	25
Allied Farmers	160	+5.2	+2.4	33	0.1	-	0.9	9	0.9	11	6.8	0.36	25
Mainfreight Grp	191	+12.9	-1.6	12	0.1	5	2.9	17	0.8	17	5.1	0.37	154
Restaurant Brds	135	+1.3	+3.6	58	1.0	4	2.5	23	1.1	11	11.1	0.43	128
Ebos Group Ltd	355	+4.6	-0.6	39	0.0	-	2.2	15	0.7	15	6.9	0.43	97
Nuplex Indust	500	+8.0	+1.0	23	3.0	4	1.9	14	0.8	14	6.0	0.48	307
Broadway Ind	98	+26.8	-4.8	5	1.0	-	2.1	15	0.8	14	2.0	0.54	19
Fletcher Build.	447	+5.6	+2.5	32	8.0	7	2.2	20	0.6	11	6.3	0.56	1,815
Vertex Group	166	+2.6	+5.5	50	0.0	-	2.4	17	1.1	15	12.8	0.62	53
Tower Limited	168	+10.8	+4.7	18	2.0	7	0.4	0	1.0	175	8.9	0.67	688
Hellaby Hold.	504	+3.1	-1.3	45	1.1	2	2.7	24	0.4	11	7.7	0.84	248
CDL Hotel NZ	43	+2.5	-5.6	52	0.0	-	0.6	7	1.5	9	4.9	0.89	150
Carter Holt	205	+8.6	+0.0	22	0.0	5	0.9	6	1.0	14	2.9	0.92	3,573
Tourism Hold.	168	+6.7	+0.8	28	4.0	3	0.9	5	1.0	20	7.1	0.94	165
Comvita	240	+2.1	-0.9	53	0.0	-	2.9	17	0.8	17	2.6	0.97	22
Michael Hill	572	+10.2	+1.7	20	6.0	3	4.4	20	0.5	21	4.4	0.97	220
Guinness Peat	214	+9.7	+2.1	21	0.4	-	1.3	15	0.9	9	1.3	0.99	1,476

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0

Broadway Ind	98	+26.8	-4.8	5	1.0	-	2.1	15	0.6	14	2.0	0.54	19
CACI Group Ltd	36	+22.5	-8.7	7	0.0	-	2.0	16	1.0	13	Nil	0.40	2
Renaissance	68	+15.3	-7.3	10	0.2	-	2.8	15	0.9	19	15.4	0.26	25
Dorchester Pac	285	+14.0	-3.1	11	0.0	-	2.4	18	0.7	14	3.9	1.00	55
Mainfreight Grp	191	+12.9	-1.6	12	0.1	5	2.9	17	0.6	17	5.1	0.37	154
Guinness Peat	214	+9.7	+2.1	21	0.4	-	1.3	15	0.7	9	1.3	0.99	1,476
Carter Holt	205	+8.6	+0.0	22	0.0	5	0.9	6	0.8	14	2.9	0.92	3,573
Nuplex Indust	500	+8.0	+1.0	23	3.0	4	1.9	14	0.7	14	6.0	0.48	307
Fletcher Build.	447	+5.6	+2.5	32	8.0	7	2.2	20	0.5	11	6.3	0.56	1,815
Allied Farmers	160	+5.2	+2.4	33	0.1	-	0.9	9	0.8	11	6.8	0.36	25
Ebos Group Ltd	355	+4.6	-0.6	39	0.0	-	2.2	15	0.6	15	6.9	0.43	97
Hellaby Hold.	504	+3.1	-1.3	45	1.1	2	2.7	24	0.4	11	7.7	0.84	248
Richina Pacific	41	+3.1	-2.9	45	0.0	-	0.8	5	1.2	16	Nil	0.13	59
Vertex Group	166	+2.6	+5.5	50	0.0	-	2.4	17	0.9	15	12.8	0.62	53
CDL Hotel NZ	43	+2.5	-5.6	52	0.0	-	0.6	7	1.2	9	4.9	0.89	150
Comvita	240	+2.1	-0.9	53	0.0	-	2.9	17	0.6	17	2.6	0.97	22
Affco Holdings	24	+1.6	+2.6	55	0.0	-	0.8	10	1.2	8	Nil	0.15	130
Restaurant Brds	135	+1.3	+3.6	58	1.0	4	2.5	23	0.9	11	11.1	0.43	128

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million

Wrightson Ltd	140	-3.6	-0.1	78	0.1	4	1.5	15	1.0	10	12.3	0.29	191
Restaurant Brds	135	+1.3	+3.6	58	1.0	4	2.5	23	0.9	11	11.1	0.43	128
Lytelton Port	165	-2.6	-0.8	75	0.1	5	3.4	27	0.7	12	10.0	2.76	168
NZ Refining Co	1850	+3.4	+2.0	43	0.0	1	1.4	12	0.1	12	9.7	2.34	444
Horizon Energy	411	+5.8	+0.9	30	0.0	2	3.2	15	0.5	21	9.1	4.51	103
Tower Limited	168	+10.8	+4.7	18	2.0	7	0.4	0	0.8	175	8.9	0.67	688
Hallenstein G.	310	+2.3	+2.0	52	1.1	3	4.2	26	0.4	16	8.9	1.03	182
Steel & Tube	394	+2.6	-0.6	50	1.0	5	2.7	17	0.6	16	8.7	1.06	346
Skellmax Indust	126	-0.9	-1.8	70	0.0	-	4.9	49	0.7	10	8.3	1.31	126
Pyne Gould G.	154	+5.0	+4.5	35	0.0	-	1.5	12	0.6	12	8.2	N/A	154

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	4-Wk Chg.	Rank 0-99									
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Fletcher Build.	447	+5.6	+2.5	32	8.0	7	2.2	20	0.4	11	6.3	0.56	1,815
Michael Hill	572	+10.2	+1.7	20	6.0	3	4.4	20	0.4	21	4.4	0.97	220
Tourism Hold.	168	+6.7	+0.8	28	4.0	3	0.9	5	0.8	20	7.1	0.94	165
F & P Appliance	468	+11.8	+3.5	17	3.0	2	2.1	13	0.6	17	5.3	1.46	1,217
Nuplex Indust	500	+8.0	+1.0	23	3.0	4	1.9	14	0.6	14	6.0	0.48	307
Urbus Property	93	+0.6	+0.8	62	3.0	-	-	-	0.6	NE	Nil	N/A	84
NGC Holdings	248	+12.1	-0.7	16	3.0	-	2.3	9	0.7	26	3.6	2.88	1,098
Cue Energy Ltd	8	+19.0	-0.2	8	4.1	-	0.7	2	2.1	36	Nil	3.28	25
Tower Limited	168	+10.8	+4.7	18	2.0	7	0.4	0	0.7	175	8.9	0.67	688
Forty Two Below	49	+12.6	+6.5	14	2.0	-	-	-	1.0	NE	Nil	N/A	59

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0

Brierley Invest	68	-0.2	+0.5	66	0.0	-	0.8	-	1.0	NE	Nil	5.18	961
Ports Auckland	740	-3.2	-0.4	76	1.0	6	2.2	12	0.4	18	6.9	4.68	784
Sky City Ltd	449	-0.8	-0.8	69	0.1	7	7.8	44	0.5	18	7.8	3.34	1,887
Lytelton Port	165	-2.6	-0.8	75	0.1	5	3.4	27	0.6	12	10.0	2.76	168
South Port NZ	135	-4.3	-1.0	80	0.0	2	1.5	11	0.7	14	7.5	2.41	35
Genesis Res.	77	-19.3	-1.1	95	0.0	-	0.7	-	1.1	NE	Nil	2.02	20

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average

Genesis Res.	77	-19.3	-1.1	95	0.0	-	0.7	-	1.1	NE	Nil	2.02	20
Abano Health.	13	-15.0	-2.8	94	0.0	-	0.6	3	1.4	24	Nil	0.43	25
Blis Technology	18	-13.5	+2.7	93	0.1	-	3.9	-	1.3	NE	Nil	N/A	17
SkyCity Leisure	84	-10.3	-4.7	90	0.0	-	3.1	11	1.4	28	Nil	1.42	57
Warehouse Group	436	-10.2	-1.4	90	3.0	7	3.8	23	0.6	17	5.0	0.65	1,332
Botry-Zen Ltd	13	-10.2	+3.2	89	0.1	-	6.8	-	1.1	NE	Nil	N/A	21
Postie Plus Grp	99	-8.3	+0.9	87	0.0	-	4.2	32	0.6	13	Nil	0.51	40
Air New Zealand	44	-8.1	+0.5	86	0.0	4	1.2	16	1.0	8	Nil	0.35	1,286
Summit Gold Ltd	7	-8.1	-2.9	85	0.0	-	1.6	-	1.8	NE	Nil	N/A	6
Northland Port	283	-4.5	-2.6	81	0.0	1	2.7	10	0.6	28	4.4	N/A	117
Evergreen	43	-3.7	-1.6	79	0.0	-	2.7	-	0.7	NE	Nil	1.76	65
Ports Auckland	740	-3.2	-0.4	76	1.0	6	2.2	12	0.4	18	6.9	4.68	784
Sanford Limited	510	-2.6	-0.8	74	0.3	1	1.1	9	0.4	12	5.7	1.41	488
Cadmus Tech Ltd	11	-2.4	-1.2	73	0.2	-	2.6	6	1.5	43	Nil	1.34	18
Design Textiles	100	-2.0	+2.2	72	1.0	-	2.5	27	0.8	9	6.2	0.53	32
Mr Chips Hold	104	-1.2	+1.7	71	0.0	-	2.3	9	0.7	25	4.3	0.98	25
WN Drive Tech.	60	-1.1	-8.0	71	0.3	-	33.0	-	0.8	NE	Nil	N/A	76

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

WN Drive Tech.	60	-1.1	-8.0	71	0.3	-	33.0	-	0.8	NE	Nil	N/A	76
Sanford Limited	510	-2.6	-0.8	74	0.3	1	1.1	9	0.4	12	5.7	1.41	488
Cadmus Tech Ltd	11	-2.4	-1.2	73	0.2	-	2.6	6	1.5	43	Nil	1.34	18
Richmond Hold.	270	-5.2	+0.3	83	0.1	-	0.9	10	0.3				

Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

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Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell									Insider Buy-Sell	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell								Insider Buy-Sell	Cur. rent
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0														
Cordukes Ltd	30	+3.9	-3.4	38	0.0	-10.0	-1.3	5	3.3	0.07	8	Murchison Hold.	100	+60.3	+24.5	1	0.0	-1.2	35	0.6	4	Nil	0.71	9			
Ruralco Hold.	390	+7.0	+0.4	30	0.0	-1.9	9	0.5	21	3.6	0.08	42	Astron Ltd	425	+57.5	-10.1	2	0.0	-4.8	54	0.9	9	Nil	0.66	55		
Wallace Abs Ret	99	+1.9	+0.7	46	0.0	-0.9	1	1.0	83	2.0	0.08	17	Sietel Ltd	100	+51.0	-9.5	2	1.0	-0.8	10	1.1	8	Nil	0.37	8		
Citic Australia	45	+20.4	-8.3	10	0.1	-2.8	40	1.3	7	4.4	0.08	36	United Overseas	72	+40.5	+15.9	4	0.0	-0.3	8	0.6	4	5.6	0.80	46		
Namoi Cotton	42	+19.8	-6.4	10	0.0	-0.5	9	1.4	5	6.0	0.14	47	Caltex Australia	803	+40.5	-1.3	4	0.0	2	2.1	19	0.7	11	2.2	0.21	2,168	
Queens'd Cotton	346	+2.5	-0.8	44	2.0	1	0.7	6	0.5	12	6.1	0.15	96	OM Holdings	60	+33.8	-19.5	5	0.0	-3.2	22	0.8	14	1.7	0.23	38	
CTI Logistics	55	+6.3	-0.5	32	0.0	-0.6	1	1.1	65	1.8	0.15	14	Raptis Group	52	+29.4	+4.9	6	0.0	-1.7	25	0.8	7	Nil	0.32	36		
Data 3 Ltd	216	+12.4	-4.3	18	0.0	-0.7	41	0.7	14	4.6	0.16	32	Melbourne IT	75	+27.0	+6.2	7	0.0	-5.4	29	0.8	18	4.0	0.77	38		
Adtrans Group	383	+3.8	-1.3	39	0.5	1	2.6	22	0.4	12	5.4	0.17	88	Aust Pure Fruit	98	+23.0	+0.3	8	0.0	-7.0	42	0.6	17	Nil	0.13	18	
A.P. Eagers	730	+5.0	-1.3	35	0.0	1	1.2	9	0.4	14	4.5	0.17	143	Catalyst Rec'mt	68	+22.4	-6.7	9	0.0	-	-	0.7	18	6.6	0.28	25	
Optima ICM Ltd	24	+20.4	-3.8	10	0.0	-2.1	29	2.2	7	2.1	0.17	23	ABB Grain Ltd	613	+21.9	-5.8	9	2.0	-2.3	12	0.4	20	3.3	0.68	295		
RCR Tomlinson	37	+0.9	-8.6	52	1.0	-0.8	10	1.4	8	2.7	0.18	17	Optima ICM Ltd	24	+20.4	-3.8	10	0.0	-2.1	29	1.7	7	2.1	0.17	23		
Danks Holdings	1280	+4.4	-0.6	37	1.0	-1.5	10	0.3	16	4.3	0.19	83	Citic Australia	45	+20.4	-8.3	10	0.1	-2.8	40	1.0	7	4.4	0.08	36		
Bridgestone	273	+4.8	-1.9	36	0.0	-0.6	7	0.6	9	4.6	0.19	100	Namoi Cotton	42	+19.8	-6.4	10	0.0	-0.5	9	1.1	5	6.0	0.14	47		
Caltex Australia	803	+40.5	-1.3	4	0.0	2	2.1	19	0.8	11	2.2	0.21	2,168	Watpac Ltd	77	+18.9	+3.1	11	2.0	-2.1	18	0.7	11	5.8	0.22	56	
Cellnet Group	137	+17.9	-0.5	12	3.0	1	1.5	11	0.9	13	5.1	0.21	68	Cellnet Group	137	+17.9	-0.5	12	3.0	1	1.5	11	0.7	13	5.1	0.21	68
HJ & B Group	35	+0.1	-2.9	55	0.0	-7.0	46	1.2	15	5.7	0.21	21	Club Crocodile	25	+17.6	+2.2	13	2.0	-1.2	7	1.1	16	Nil	0.70	14		
Metcash Trading	250	+0.9	-1.5	51	0.5	9	8.1	42	0.6	19	3.4	0.22	1,577	Tamawood Ltd	198	+16.9	-0.9	13	2.3	-3.8	25	0.5	15	5.6	0.67	55	
Watpac Ltd	77	+18.9	+3.1	11	2.0	-2.1	18	0.9	11	5.8	0.22	56	Becker Group	43	+16.7	+0.1	14	2.0	-1.5	8	1.1	18	Nil	0.82	31		
OM Holdings	60	+33.8	-19.5	5	0.0	-3.2	22	1.1	14	1.7	0.23	38	Colorado Group	479	+16.3	+5.3	14	0.0	5	4.7	32	0.7	15	3.3	0.96	425	
C.S.R. Ltd	187	+1.3	+1.3	49	2.1	9	1.6	52	0.8	3	9.1	0.24	1,767	Int'l Equities	3	+16.1	-4.3	14	0.0	-0.3	41	3.1	1	Nil	0.04	3	
Skydome Holding	30	+1.8	-5.4	47	0.1	-1.4	6	1.4	22	2.5	0.24	4	Candle Aust.	162	+15.8	-0.3	14	1.1	5.4	33	0.7	17	4.0	0.38	61		
Devine	66	+7.4	-3.4	29	1.1	-1.0	16	1.1	6	10.6	0.24	83	Korvest Ltd	360	+15.3	+3.7	15	3.0	-2.1	16	0.6	14	3.5	0.76	29		
Ross Human Dir.	65	+2.4	-2.1	44	1.0	-3.1	9	1.3	34	6.9	0.26	37	Tasmania Mines	16	+15.3	-10.7	15	0.0	-3.2	38	1.3	9	Nil	0.48	3		
Volante Group	125	+4.8	-3.0	36	2.0	2	4.3	21	0.8	21	6.4	0.26	85	Bidvest	605	+14.0	-0.1	16	0.0	-	-	0.4	19	1.9	0.36	1,191	
Oldfields Hold	102	+7.9	+5.0	27	1.0	-0.9	23	0.7	4	2.9	0.26	7	Bluescope Steel	570	+13.5	-0.0	16	0.0	-1.5	15	0.7	10	3.9	0.84	4,463		
Catalyst Rec'mt	68	+22.4	-6.7	9	0.0	-	-	1.0	18	6.6	0.28	25	Nufarm Limited	601	+13.4	-1.4	17	1.0	6	3.5	28	0.5	12	3.3	0.63	936	
CMI Limited	227	+6.2	-1.8	32	0.0	1	4.5	53	0.6	8	4.4	0.31	61	Sun Resources	12	+13.3	-2.6	17	1.0	-	-	2.0	1	Nil	0.84	11	
Learne Corp	234	+3.1	-1.1	42	0.0	-1.0	9	0.6	12	6.4	0.31	39	Monadelphous Gr	610	+13.0	+4.2	17	1.1	-3.2	20	0.4	16	4.1	0.47	114		
Brazin Limited	150	+3.2	-0.9	41	2.0	2	3.2	4	0.9	85	6.7	0.32	175	HomeLeisure Ltd	60	+12.9	-6.0	18	1.2	-6.0	32	0.8	19	2.9	0.79	70	
Foodland Assoc	1890	+1.0	-0.5	51	5.2	9	8.5	46	0.3	18	4.5	0.35	2,205	Data 3 Ltd	216	+12.4	-4.3	18	0.0	-5.7	41	0.6	14	4.6	0.16	32	
Supply Network	49	+11.8	-9.7	19	0.0	-1.3	12	1.1	12	3.6	0.35	11	AV Jennings	207	+12.3	+0.6	19	3.5	-1.8	24	0.6	8	4.8	0.84	446		
Bidvest	605	+14.0	-0.1	16	0.0	-	-	0.4	19	1.9	0.36	1,191	Supply Network	49	+11.8	-9.7	19	0.0	-1.3	12	0.8	12	3.6	0.35	11		
Candle Aust.	162	+15.8	-0.3	14	1.1	1	5.4	33	0.9	17	4.0	0.38	61	B Digital Ltd	26	+11.8	-6.8	19	3.0	-6.5	43	2.0	15	Nil	0.35	65	
David Jones	162	+6.9	+3.7	30	3.0	4	1.7	9	0.7	18	3.7	0.38	667	Boral Limited	590	+11.4	+0.4	19	0.0	8	1.7	14	0.4	12	3.9	0.88	3,403
Wridgways Aust	84	+1.1	+0.2	51	1.0	-	-	1.0	8	5.4	0.38	27	Integrated Grp	189	+11.1	-1.3	20	0.1	3	5.0	38	0.6	13	4.8	0.42	131	
Coles Myer	848	+6.0	+2.2	32	2.1	8	3.8	16	0.6	24	3.1	0.38	10,281	Promina Group	361	+11.1	+1.0	20	5.0	-1.9	13	0.6	14	3.5	0.99	3,820	
Futuris Corp.	150	+3.2	-0.5	41	3.0	6	1.7	18	1.0	10	5.3	0.40	978	HGL Limited	194	+9.7	-3.3	22	0.0	-2.0	22	0.5	9	4.4	0.80	93	
Ausdrill Ltd	65	+0.9	-8.9	52	0.2	-1.0	19	1.1	5	6.2	0.40	58	Skilled Eng.	297	+9.5	+1.8	23	2.0	4	6.2	37	0.5	17	5.2	0.41	269	
Metroland Aust	22	+0.2	-1.2	55	4.0	-1.5	26	1.5	6	9.1	0.40	17	Guinness Peat	192	+9.1	+1.6	24	0.4	-1.3	15	0.5	8	1.3	0.87	1,323		
Spotless Group	465	+1.1	+2.5	50	0.0	7	11.3	61	0.7	19	4.9	0.41	957	Sunland Group	113	+8.9	-3.1	25	3.14	-1.7	23	0.6	7	2.7	0.91	240	
Skilled Eng.	297	+9.5	+1.8	23	2.0	4	6.2	37	0.6	17	5.2	0.41	269	Shearer (John)	230	+8.9	-0.2	25	2.0	-	-	0.5	11	3.5	0.57	28	
Integrated Grp	189	+11.1	-1.3	20	0.1	3	5.0	38	0.7	13	4.8	0.42	131	Bolnisi Gold NL	29	+8.8	-7.3	25	0.0	-1.7	22	1.1	7	5.3	0.99	49	
Mayne Group Ltd	316	+0.1	+0.2	56	1.0	8	2.5	6	0.6	45	1.3	0.42	2,442	Roberts Ltd	735	+8.8	-1.3	25	0.2	-2.4	18	0.2	13	4.6	0.53	94	
Embelton Ltd	335	+7.9	-0.1	27	0.0	-1.1	8	0.6	14	3.3	0.43	7	Powerlan Ltd	5	+8.8	-11.5	25	0.2	-	-	3.2	9	Nil	0.30	22		
Angus & Coote	780	+6.2	-0.2	32	1.0	-1.5	9	0.4	16	4.6	0.43	93	Jumbo Corp	2	+8.3	-1.3	26	0.0	-	-	4.0	4	Nil	0.14	0		
Adcorp Aust.	112	+3.6	-1.0	39	1.0	2	14.0	93	0.7	15	5.4	0.43	67	Oriental Tech.	14	+8.1	+1.9	27	0.0	-1.4	23	2.0	6	Nil	0.52	16	
Coventry Group	555	+5.8	-2.3	33	0.0	-1.4	8	0.4	18	5.4	0.44	192	Auspine Ltd	343	+8.0	+0.9	27	3.0	1	0.9	7	0.4	12	5.0	0.80	185	
OAMPS	310	+3.0	-2.5	42	3.1	-7.8	49	0.5	16	5.5	0.45	288	Oldfields Hold	102	+7.9	+5.0	27	1.0	-0.9	23							

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Current	4-Wk Chg.	Rank	Insider Buy/Sell									Brokers Following	Current	4-Wk Chg.	Rank	Insider Buy/Sell								Brokers Following	Current
INCOME SHARES: Highest Yields, Capitalisation > A\$250 million													Incitec Pivot	1830	+7.6	+1.9	28	6.0	-	-	-	0.4	NE	Nil	1.53	1,067	
Gasnet Aust Grp	222	+0.8	-0.5	52	0.0	3	1.1	8	0.5	14	9.9	3.12	311	Impress Venture	7	+38.6	-9.8	4	6.0	-	-	-	2.1	NE	Nil	3.65	7
Envestra	102	+1.6	-0.3	48	0.0	6	-	-	0.5	58	9.3	2.66	742	Investa Prop.	190	+0.2	-0.5	54	6.0	4	1.0	8	0.5	13	8.2	8.53	1,683
C.S.R. Ltd	187	+1.3	+1.3	49	2.1	9	1.6	52	0.6	3	9.1	0.24	1,767	Rinker Group	717	+10.3	+0.2	21	6.0	-	3.8	29	0.5	13	1.0	1.35	6,773
Aust Pipeline	255	-2.5	-1.5	68	0.0	5	1.4	10	0.4	15	8.4	2.41	622	Echo Technology	4	+0.5	-4.6	54	8.2	-	3.7	-	2.0	NE	Nil	N/A	4
Australand Prop	165	+2.1	-0.4	45	0.0	3	1.2	10	0.5	12	8.1	0.81	1,138	OFM Investment	216	+7.6	+0.1	28	5.0	-	1.4	10	0.4	14	5.1	4.30	101
Smorgon Steel	99	-3.8	+2.6	73	1.0	7	-	-	0.8	8	8.1	0.34	855	Bemax Resources	18	+1.5	+0.9	48	5.0	-	-	-	1.3	NE	Nil	N/A	27
Jubilee Mines	347	+3.6	-7.4	40	1.1	3	3.7	42	0.4	9	8.1	2.77	425	Penfold Buscomb	105	+34.2	-0.7	5	5.0	-	2.3	10	0.4	24	Nil	0.38	36
Stn C. Filers	11250	+1.5	-0.1	48	0.0	-	1.1	9	0.2	12	8.0	N/A	675	Coates Hire	333	+9.3	-3.6	23	5.0	5	2.1	11	0.4	20	3.0	1.68	669
ION Limited	146	-15.3	-7.0	92	2.0	5	1.4	23	0.6	6	7.7	0.46	311	Tanami Gold NL	18	+6.9	-10.6	30	5.0	-	-	-	1.1	NE	Nil	N/A	44
Prime Infra Grp	116	-0.9	+2.2	63	3.0	-	1.2	6	0.6	20	7.6	3.70	464	WRF Securities	29	+17.7	+6.2	12	5.0	-	0.8	-	0.9	NE	Nil	2.00	11
Kingsgate Cons.	349	-1.4	+0.5	65	0.0	-	-	-	0.3	5	7.2	2.69	254	Prophecy Int'l	14	+2.5	+7.0	44	5.0	-	1.6	-	1.5	NE	Nil	0.93	6
Crane Group	842	-4.2	+0.4	74	2.5	4	1.6	17	0.3	10	7.1	0.22	430	Medical Dev Int	75	+19.8	-7.3	10	5.0	-	-	-	0.7	NE	Nil	N/A	43
Aust Infra.	163	+0.2	-0.8	54	0.0	5	0.9	9	0.5	10	6.7	N/A	292	Promina Group	361	+11.1	+1.0	20	5.0	-	1.9	13	0.5	14	3.5	0.99	3,820
Platinum Cap'l	230	+0.4	-1.4	54	0.2	-	1.4	-	0.5	NE	6.5	N/A	262	Paladin Res.	10%	+134.1	-57.9	0	5.0	-	-	-	1.8	NE	Nil	N/A	27
Millers Retail	148	-5.1	-1.8	77	0.5	5	3.2	28	0.7	11	6.4	0.33	348	Solbec Pharm.	16	+6.6	-1.7	31	5.0	-	7.8	-	1.1	NE	Nil	N/A	25
Djerriwarrh	343	-1.7	-1.1	66	0.3	-	1.1	6	0.4	18	6.3	N/A	512	Breakfree Ltd	218	+21.7	+3.3	9	6.1	-	-	-	0.4	24	2.8	2.13	84
Alinta Limited	563	+0.6	-4.9	53	1.0	8	2.0	23	0.4	8	5.9	1.25	744	Kagara Zinc Ltd	92	+6.1	-1.5	32	4.0	-	-	-	0.6	NE	Nil	N/A	132
Telstra	463	-1.4	-1.0	65	0.0	10	4.2	24	0.4	17	5.8	2.76	59,572	Destra Corp Ltd	16	+56.0	-33.2	2	4.0	-	-	-	1.6	NE	Nil	4.58	27
Hills Indust.	364	+1.5	-2.1	48	1.2	4	2.9	16	0.4	18	5.8	0.73	493	Renison Cons	10	+32.3	+8.1	5	4.0	-	-	-	1.8	NE	Nil	N/A	37
Paperlin X Ltd	481	-0.6	+2.8	61	6.0	8	1.5	10	0.4	15	5.7	0.54	1,979	Infracorp Ltd	25	+19.4	-34.8	11	4.0	-	0.6	-	0.8	NE	Nil	N/A	24
Leighton Hold	772	-3.0	-2.9	71	0.6	8	2.6	17	0.3	15	5.7	0.42	2,102	Gradipore Ltd	79	+21.3	-0.6	9	4.0	-	2.0	-	0.6	NE	Nil	5.51	38
AWB Limited	445	+8.5	-1.2	26	1.1	4	4.0	9	0.5	45	5.6	0.63	1,402	Metroland Aust	22	+0.2	-1.2	55	4.0	-	1.5	26	0.8	6	9.1	0.40	17
Iluka Resources	395	-3.4	-1.0	72	2.0	9	1.0	9	0.6	11	5.6	1.13	920	Soul Pattinson	650	+2.9	-0.2	42	4.0	1	2.1	12	0.4	18	2.6	3.59	1,551
Nat'l Aust Bank	2937	-0.0	-0.6	58	0.0	13	3.0	27	0.4	11	5.5	1.72	44,521	BOT Solutions	36	+42.2	-24.4	3	4.0	-	-18.0	-	0.7	NE	Nil	N/A	24
OAMPS	310	+3.0	-2.5	42	3.1	-	7.8	49	0.3	16	5.5	0.45	288	Hannans Reward	17	+1.3	-12.8	49	4.0	-	-	-	1.1	NE	Nil	N/A	4
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													Mark Sensing	12	+9.7	-5.9	22	5.1	-	2.4	-	1.3	NE	Nil	1.30	24	
Bendigo Bank	1000	+10.5	+1.6	21	17.0	7	2.5	11	0.4	22	3.4	3.68	1,275	Clinical Cell	53	+20.7	-4.9	10	5.1	-	-10.6	-	0.9	NE	Nil	N/A	47
Macquarie Air.	183	+1.9	-1.8	46	12.0	-	0.9	17	0.5	6	4.4	3.99	1,924	Gleneagle Gold	37	+18.1	-5.7	12	3.0	-	-	-	0.9	NE	Nil	N/A	4
PMP Limited	164	+17.1	+0.9	13	10.0	3	5.5	18	0.9	31	Nil	0.33	476	Korvest Ltd	360	+15.3	+3.7	15	3.0	-	2.1	16	0.5	14	3.5	0.76	29
Brickworks Ltd	855	+3.5	+1.5	40	10.0	2	1.9	12	0.3	15	1.9	5.32	1,126	Futuris Corp.	150	+3.2	-0.5	41	3.0	6	1.7	18	0.7	10	5.3	0.40	978
G.R.D. NL	182	+5.1	-4.9	35	12.2	-	-	-	0.7	20	1.6	1.72	387	Midas Resources	14	+6.5	-15.7	31	3.0	-	-	-	1.2	NE	Nil	N/A	9
Finbar Intern'l	29	+2.3	+1.6	45	9.0	-	0.9	10	0.8	8	3.4	1.41	26	Fortescue Metal	38	+9.1	-21.8	24	3.0	-	-	-	1.3	NE	Nil	N/A	25
Sundowner Group	17	+5.7	+1.0	33	9.0	-	0.7	-	0.9	NE	Nil	1.07	23	Biron Capital	33	+1.4	-0.0	49	3.0	-	0.9	10	0.7	9	7.6	4.59	13
Amrad Corp.	76	+8.6	+3.2	25	9.0	1	1.5	2	0.5	84	Nil	3.90	99	Allied Gold Ltd	24	+27.7	-6.9	7	3.0	-	-	-	1.0	NE	Nil	N/A	5
HHG Plc	112	+12.8	-1.9	18	9.0	-	-	-	0.6	NE	Nil	0.19	1,642	Tabcorp Holding	1327	+5.9	+2.8	33	3.0	8	-	-	0.3	19	5.0	2.51	4,851
Pilbara Mines	17	+4.0	-2.8	38	10.1	-	-	-	1.7	NE	Nil	N/A	14	Jetset Travel	29	+13.3	-9.3	17	3.0	-	7.1	-	0.9	NE	Nil	1.17	26
Loftus Capital	70	+7.8	-4.6	28	8.0	-	0.9	3	0.5	34	1.4	2.53	37	Cellnet Group	137	+17.9	-0.5	12	3.0	1	1.5	11	0.6	13	5.1	0.21	68
Payce Consol.	250	+19.7	-0.3	11	8.0	-	1.7	17	0.4	10	Nil	1.72	86	Centro Prop.	400	+3.1	-1.7	42	3.0	7	1.4	7	0.3	20	6.9	N/A	2,500
Port Bouvard	130	+8.5	-1.9	26	9.1	-	1.6	26	0.8	6	4.6	1.21	82	Hallmark Cons.	13	+0.1	-3.2	55	3.0	-	-	-	1.5	5	Nil	N/A	7
Bullion Min.	19	+10.7	-5.1	21	10.2	-	-	-	1.3	NE	Nil	4.87	7	Salmat Ltd	384	+12.6	-1.9	18	3.0	-	9.1	34	0.4	27	2.2	1.55	446
Macquarie Good.	163	+3.6	-0.3	40	7.0	7	1.2	7	0.4	16	7.5	9.50	1,814	Waterco Ltd	235	+3.2	-3.6	41	3.0	-	2.1	19	0.3	11	5.5	0.62	44
APN News Media	390	+0.8	-0.9	52	7.0	8	1.7	9	0.5	18	4.7	1.58	1,844	Aust Leis & Hos	228	+0.7	-0.4	53	3.0	-	-45.6	-	0.5	NE	Nil	N/A	804
Oroton Group	296	+0.7	+3.2	53	7.0	1	5.2	11	0.5	48	3.9	3.33	109	M-Box.com	8	+15.6	-9.0	14	3.0	-	1.6	-	1.5	NE	Nil	9.64	5
Interim Res	8	+1.4	-2.6	48	7.0	-	-	-	1.3	6	Nil	1.58	7	Northern Gold	29	+2.2	-1.2	45	3.0	-	-	-	0.7	NE	Nil	8.84	43
Southcorp Ltd	335	+5.6	+7.2	33	7.0	11	2.7	6	0.4	45	3.0	2.02	2,494	Servcorp Ltd	200	+8.2	-2.9	26	3.0	1	2.7	4	0.7	65	3.8	1.41	160
Equity Trustees	785	+19.5	+0.1	11	7.0	-	3.8	-	0.5	NE	Nil	2.92	48	IBA Health Ltd	22	+30.5	+13.1	6	3.0	-	3.1	-	1.3	NE	Nil	1.65	41
Trust Co of Aus	810	+6.8	-0.9	30	6.0	-	3.8	0	0.3	NE	1.4	8.14	262	B Digital Ltd	26	+11.8	-6.8	19	3.0	-	6.5	43	1.7	15	Nil	0.35	65

New Issues:

TeamTalk, Mike Pero Mortgages, Feltex

The following review of the TeamTalk New Issue was emailed to subscribers on April 14:

TeamTalk Ltd is offering 4,571,428 shares to the public at 175 cents each to raise \$8,000,000. 25% of these shares will be sold by existing shareholders, so the company will receive \$6 million from the sale of new shares. Most of this will be used to repay debt.

Most of the shares are available as "firm allocations", so contact your broker if you want to buy any in this initial public offering.

The company dominates the commercial radio communications market. This is a reliable low risk

business, generating reliable revenues and profits, strong cashflows (partly owing to prepaid expenses) and the ability to pay high dividends.

The ability to pay these high dividends results from expected high cashflows - which result from two items. Firstly, new capital expenditure will be significantly less than the depreciation charge. Secondly - and more importantly - as part of the acquisition of a business from **Telecom NZ** the company pre-paid \$15 million for network services. About 10% of this is used each year, so this will boost cashflow by about \$1.5 million (7.5 cents per share) annually for the next six years.

Summary and Recommendation

This is a very small company, but appears to hold a profitable niche in mobile communications and data. These shares appear to offer reasonable value, based upon expected revenues and profits. The ability to pay a Dividend Yield is boosted by pre-paid expenses, but should be sustainable for at least 5-6 years.

Mike Pero Mortgages is seeking to raise \$7-10 million from the issue of shares to the public at 100 cents each. This New Issue reaches new highs (or should that be "new lows") in creative accounting that will do nothing to improve the NZ stockmarket's *Wild West* image.

It was recently reported that George Gould bought the Mike Pero businesses for \$15.0 million. In fact that was incorrect. Gould set up the Mike Pero Mortgage company that is now going public, issuing himself 13.5 million shares *at no consideration*. This company then borrowed \$15 million (guaranteed by Gould) which bought the business from Mr Pero - who then immediately subscribed for 1,500,000 shares at 100 cents each. So effectively Mr Pero received \$13.5 million in cash and 1.5 million shares for selling the businesses.

Mike Pero Mortgages, however, still has \$13.5 million in interest bearing debt. So the company is seeking to raise \$7-10 million from the public to partially reduce this debt. The remaining debt will need to be repaid at some stage from future profits.

The issued capital *after* this public share issue will be 22-25 million shares and the company will owe \$3-6 million in bank debt. That values the business at around \$28 million. The difference between this figure and the original \$15 million is, of course, the \$13.5 million of "free" shares issued to Mr Gould. \$13.5 million worth of shares is quite a good return for simply guaranteeing a \$13.5 million bank loan for the couple of months until the company can be flicked on to gullible NZ share investors!

What of the actual business? Mike Pero Mortgages is not an unattractive business. At \$10-15 million it would offer excellent value, but at \$28 million it is just too over-valued. The company predicts a profit of \$1,203,595 (4.8-5.5 cents per share) for the year to June 2004, rising 29% to \$1,553,556 (6.2-7.1 cents per share) in 2005. To make the shares look attractive the company also predicts a 7.0 cents dividend (plus full tax credits) for the June 2006 financial year. This values the company on a 2006 prospective P/E ratio of 14-16 and a gross Dividend Yield of 10.4%.

While this company *may* have good growth potential it is not without risk. Slower than expected growth would make it difficult to achieve the projected dividend payout. The balance sheet is also very weak owing to the lack of equity and the residue interest bearing debt.

Clearly this New Issue is good for Mr Pero who walks away with \$13.5 million in cash and \$1.5 million in shares for his business. Mr Gould does even better, picking up \$13.5 million worth of shares for, well, virtually nothing. The benefits for the new public shareholders are less certain - unless the company can far exceed its already optimistic growth forecasts.

Investors should *definitely* get hold of a copy of the Investment Statement (or download a copy from www.mikepero.co.nz/shares) to study how the promoter has *created* (or *transferred*) \$13.5 million of value prior to this public share offer. When it comes to the question of *buying* Mike Pero Mortgages shares we suggest you follow Mr Gould's example - and he didn't *buy* any! Avoid.

Feltex plans to offer 145.6-149.5 million shares at 170-195 cents each to raise \$254-284 million. 80-82% of this will go to the existing owner that is selling out, with \$50 million going to slightly improve the balance sheet of this under-capitalised, heavily indebted "iconic New Zealand" company - which is now managed out of Australia!

Formerly owned by **BTR Nylex**, Feltex has a long history of poor financial performance. The business had been for sale for a long time when, in 1996, **CSFB Asian Merchant Partners** acquired 80% for \$19.5 million with management owning the remaining 20%. This was merged with troubled **Shaws Australia** (abandoned by its parent, **Shaws USA**) in 2000 when the CSFB also bought out management for an undisclosed sum.

The company traded at a *loss* of \$18 million in 2002, but with the building boom managed to trade profitably last year. The current year to June 2004 is forecast to show a profit of \$10.1 million (6.8-6.9 cents per share) and a dividend of about 6.0 cents is predicted to be paid in October. Fortunately for the vendor, the company is predicting that the current buoyant trading conditions will continue and that profits will increase to \$23.9 million (16.0-16.4 cents per share) for the year to June 2005 and this will allow it to pay a dividend of 11.25 cents.

Risks, however, are high. Shareholders Equity *after* the \$50 million raised in this issue will be only \$90.3 million and debt levels will remain high. While a buoyant construction sector has enabled Feltex to report seemingly spectacular profit growth, a contraction in the market could produce similarly spectacular falls. Feltex could yet again find itself in financial difficulties should it experience a more challenging sales environment. Avoid.

Australian Warrant / Option Analysis

Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Yr/Mth Exercise Price	to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AKD Limited	2	20	0-10	0.2	0.0	+999	0.79	5.73	1.00	+999	Datafast Telecom.	2	3	1-1	0.3	0.8	-63	1.45	1.51	1.00	+75
Abelle Ltd	198	30	2-10	168.0	172.6	-3	0.52	1.14	1.00	+0	Datafast Telecom.	2	20	1-6	0.1	0.3	-71	1.45	1.74	1.00	+400
Adultshop.com	11	20	0-1	0.1	0.0	+999	0.52	9.99	1.00	+999	De Grey Mining Ltd	47	20	1-1	33.0	32.7	+1	1.21	1.31	1.00	+12
Advance Healthcare	9	55	0-7	0.5	0.2	+150	1.22	3.33	1.00	+999	Deep Green Minerals	4	0	1-4	1.1	4.0	-73	0.61	1.05	1.00	-59
Aeris Technologies	138	20	1-1	115.0	119.2	-4	0.76	1.16	1.00	-2	Denx Ltd	17	60	1-5	-2.0	0.3	+615	0.56	4.25	1.00	+150
Afininex Ltd	2	10	1-0	0.3	0.0	+999	0.53	6.67	1.00	+348	Diamond Ventures	11	10	2-1	6.0	5.7	+5	0.86	1.51	1.00	+20
Agincourt Resources	145	25	0-1	115.0	120.1	-4	0.91	1.21	1.00	-34	Diamond Ventures NL	11	12	0-5	4.0	2.1	+88	0.86	2.92	1.00	+146
Alcaston Mining	5	15	3-4	1.2	0.8	+46	0.63	2.10	1.00	+47	Diamonex Ltd	32	20	2-1	14.0	14.2	-1	0.30	2.08	1.00	+4
Alkane Explor.	30	35	0-10	10.0	3.2	+212	0.41	4.31	1.00	+63	Didasko	10	10	0-5	1.7	2.2	-22	0.84	2.80	1.00	+49
Allied Gold	24	20	3-1	10.5	13.2	-20	0.72	1.45	1.00	+9	Dolomatrix Int'l	6	8	0-1	0.2	0.1	+125	0.67	9.99	1.00	+999
Amadeus Energy	45	25	0-6	25.0	21.2	+18	0.62	2.01	1.00	+23	Drillsearch Energy	5	8	0-8	0.8	0.0	+999	0.40	7.83	1.00	+173
Ambition Group	30	100	0-4	0.1	0.0	+999	0.59	9.99	1.00	+999	Dromana Estate	20	150	1-4	1.6	0.3	+427	0.81	3.48	1.00	+357
Amcil Ltd	45	50	2-9	7.0	44.0	-84	3.02	1.01	1.00	+9	Earth Sanctuaries Ltd	13	350	0-10	0.1	0.0	+999	0.69	1.00	1.00	+999
Amity Oil Limited	66	100	0-3	5.9	0.4	+999	0.48	9.99	1.00	+563	Echo Technology	4	35	1-1	0.5	0.0	+999	0.88	3.79	1.00	+706
Anitsense Therapeutic	15	20	2-8	6.0	4.9	+23	0.62	1.88	1.00	+24	Ellendale Resources	19	12	2-1	5.9	11.0	-46	0.74	1.49	1.00	-3
Apollo Gold	14	20	1-6	4.5	2.9	+58	0.62	2.48	1.00	+45	Ellex Medical Laser	32	50	0-2	1.5	0.0	+999	0.40	9.99	1.00	+999
Aquacarotene	2	5	1-1	1.0	0.1	+624	0.72	3.20	1.00	+176	Ellex Medical Lasers	32	100	0-0	0.5	0.0	+999	0.40	9.99	1.00	+999
Arifura Resources	15	20	4-1	5.5	5.4	+1	0.49	1.85	1.00	+14	Empire Oil	1	20	1-7	0.1	0.1	+66	1.23	2.20	1.00	+565
Argonaut Resources	12	30	3-1	3.5	2.9	+19	0.69	1.90	1.00	+41	Eqitx Limited	30	20	3-1	16.0	20.4	-21	0.92	1.27	1.00	+7
Arrow Energy NL	26	20	0-1	4.0	6.4	-38	1.06	3.31	1.00	-52	Euraust Ltd	11	20	3-8	3.0	6.7	-55	1.09	1.26	1.00	+24
Astro Mining	14	5	8-6	5.0	13.5	-63	1.96	1.00	1.00	-3	Euroz	95	50	0-6	46.0	46.6	-1	0.48	2.01	1.00	+2
Astro Mining NL	14	75	5-7	2.5	13.0	-81	1.96	1.02	1.00	+37	Evans & Tate	112	150	3-5	10.0	19.8	-49	0.29	3.03	1.00	+11
Auridiam Consolidated	7	50	0-1	0.1	0.0	+999	0.84	9.99	1.00	+999	Evans & Tate	112	115	0-5	2.0	8.3	-76	0.29	7.15	1.00	+11
Ausquest Ltd	17	20	2-6	7.0	3.8	+84	0.37	2.69	1.00	+20	Exco Resources NL	17	20	2-3	8.5	9.4	-10	1.04	1.40	1.00	+26
Aust Food & Fibre	35	32	2-1	6.3	10.9	-42	0.40	2.38	1.00	+4	Ezenet Ltd	25	15	3-1	15.0	16.5	-9	0.81	1.31	1.00	+7
Aust Magnesium	3	125	1-2	0.1	0.0	+148	1.36	2.66	1.00	+999	FSA Group Limited	5	20	1-7	0.3	0.8	-63	0.99	2.09	1.00	+142
Aust Mining Investments	4	10	2-2	1.4	0.4	+300	0.59	2.77	1.00	+70	Falcon Minerals	10	20	1-1	3.0	2.0	+50	0.95	2.21	1.00	+116
Aust Pure Fruits	98	30	4-0	65.0	82.0	-21	0.87	1.14	1.00	-1	Financial Resources	19	20	4-0	4.1	6.5	-37	0.39	2.03	1.00	+7
Auth Investments	24	25	5-10	6.0	18.0	-67	0.88	1.18	1.00	+4	First Aust Resources	7	7	1-2	3.4	2.3	+47	0.66	2.19	1.00	+35
Auth Investments	24	25	2-7	5.5	13.1	-58	0.88	1.44	1.00	+10	Flinders Diamonds	3	20	0-9	1.2	0.0	+999	0.83	4.88	1.00	+999
Autogen Ltd	50	125	5-9	18.0	27.5	-35	0.79	1.34	1.00	+20	Flinders Resources	3	10	4-4	1.4	1.4	+2	0.83	1.48	1.00	+34
Aviva Corporation	5	10	1-7	1.4	1.1	+25	0.77	2.20	1.00	+62	Fox Resources Ltd	52	20	1-8	32.0	34.8	-8	0.62	1.43	1.00	+0
Aztec Resources	14	20	0-8	1.9	1.8	+7	0.77	3.06	1.00	+107	Future Corporation	3	3	1-3	0.2	1.1	-81	0.84	1.86	1.00	+8
Barlow (Tony)	2	10	0-7	0.1	0.1	+58	1.37	2.88	1.00	+999	Future Corporation	3	6	0-1	0.1	0.0	+999	0.84	9.99	1.00	+999
Barra Resources	7	20	2-3	2.0	3.0	-34	1.12	1.50	1.00	+63	GEC Asian Value Fund	96	100	0-9	5.0	5.3	-5	0.15	9.87	1.00	+12
Batavia Mining	8	20	2-4	3.0	4.1	-26	1.28	1.35	1.00	+60	GEC Aust Healthcare	104	100	0-11	7.0	9.5	-26	0.06	9.99	1.00	+3
Beach Petroleum	31	34	1-0	6.2	2.7	+131	0.26	5.61	1.00	+30	Gaming & Entertainment	14	15	2-1	6.1	11.1	-45	1.88	1.11	1.00	+24
Berkeley Resources	20	20	2-6	8.9	9.3	-5	0.71	1.62	1.00	+16	Gateway Mining NL	14	30	2-9	4.7	2.6	+80	0.59	2.24	1.00	+41
Biometrics Ltd	13	20	3-7	3.3	2.6	+26	0.38	2.55	1.00	+18	Giant Reef Mining	7	10	0-1	0.1	0.0	+999	0.46	9.99	1.00	+999
Bioprospect	6	20	1-8	1.5	0.3	+417	0.63	3.21	1.00	+119	Gippsland	8	9	3-7	3.3	4.8	-32	0.93	1.30	1.00	+14
Biosignal Ltd	33	20	2-7	16.5	21.1	-22	0.79	1.37	1.00	+4	Glengarry Resources Ltd	5	15	0-10	0.9	0.2	+399	0.78	3.67	1.00	+301
Biotech Capital	45	55	2-5	9.0	8.8	+2	0.38	2.82	1.00	+17	Global Approach	12	41	0-1	0.1	0.0	+999	1.50	8.47	1.00	+999
Biron Capital	33	40	0-0	0.1	8.8	-99	0.27	2.82	1.00	+999	Global Mining Invest	88	100	2-6	12.0	2.9	+309	0.04	9.99	1.00	+10
Blink Models Ltd	2	10	0-8	0.2	0.0	+714	0.98	3.92	1.00	+999	Golden State Petroleum	26	65	2-7	10.0	14.8	-32	1.31	1.29	1.00	+52
Bolnisi Gold	29	40	0-7	2.5	1.3	+98	0.47	5.59	1.00	+98	Golden State Res.	3	10	3-1	0.9	0.8	+7	0.81	1.75	1.00	+52
Boulder Steel	27	20	1-6	6.0	13.9	-57	0.85	1.58	1.00	-2	Golden Valley Mines	3	10	1-4	0.4	0.1	+224	0.77	3.06	1.00	+191
Brandrill	2	10	1-4	0.3	0.0	+999	0.71	3.96	1.00	+304	Goldsearch	3	8	1-4	0.9	0.4	+156	0.80	2.57	1.00	+126
Bullion Minerals	19	20	0-1	0.7	1.2	-43	0.84	6.45	1.00	+285	Gondwana Resources	1	2	0-7	0.1	0.0	+112	0.95	3.35	1.00	+423
CBD Energy	1	2	2-8	0.2	0.9	-77	2.01	1.07	1.00	+35	Gradipore Ltd	79	50	0-3	28.0	30.7	-9	0.72	2.40	1.00	-5
CP1 Ltd	380	150	1-10	219.0	245.1	-11	0.34	1.54	1.00	-2	Gutnick Resources	21	125	6-4	1.0	15.0	-93	1.14	1.16	1.00	+33
Cape Range Wireless	5	5	0-4	1.7	1.1	+56	0.69	3.33	1.00	+91	Gutnick Resources	21	10	8-9	11.5	20.0	-43	1.14	1.03	1.00	+0
Cardia Technologies	6	20	0-1	0.1	0.0	+999	0.54	9.99	1.00	+999	Hailian International	13	25	1-4	4.0	1.9	+114	0.73	2.55	1.00	+88
Carnarvon Petroleum	2	6	2-7	0.4	0.5	-23	0.79	1.89	1.00	+54	Halcyon Group	3	3	0-10	0.8	0.6	+40	0.59	2.89	1.00	+44
Carpathian Resources	11	20	0-11	2.8	1.3	+116	0.80	2.81	1.00	+133	Hannans Reward NL	17	20	1-10	5.0	4.2	+20	0.54	2.36	1.00	+25
Cazaly Resources	19	20	1-8	5.5	3.3	+67	0.30	3.57	1.00	+19	Helix Resources	23	25	1-6	5.5	6.7	-18	0.61	2.21	1.00	+21
Central Asia Gold	58	12	1-6	35.0	48.3	-27	1.05	1.17	1.00	-13	Hill End Gold	18	25	1-1	3.8	1.4	+172	0.41	4.37	1.00	+54
Central Equity	201	220	0-11	4.5	13.2	-66	0.22	7.12	1.00	+13	Hillcrest Resources	4	20	0-8	0.1	0.0	+391	0.88	4.65	1.00	+999
Cervantes Seafood	4	20	1-3	0.3	0.4	-22	1.13	2.22	1.00	+308	Hugall & Hoile	9	11	0-11	0.8	0.8	+2	0.36	4.76	1.00	+31
Chameleon Mining	8	20	3-7	2.5	2.8	-9	0.74	1.67	1.00	+33	Hunter Hall Global Value	94	100	2-11	12.0	9.1	+32	0.03	9.99	1.00	+6
City Pacific	455	30	2-1	415.0	428.3	-3	0.46	1.06	1.00	-1	latia Ltd	4	25	1-10	0.6	0.3	+136	0.87	2.49	1.00	+187
City Pacific	455	100	2-3	334.0	367.2	-9	0.46	1.24	1.00	-2	Imperial One	1	10	0-1	0.1	0.0	+999	1.47	9.99	1.00	+999
City Pacific Ltd	455	30	2-1	78.0	428.3	-82	0.46	1.06	1.00	-50	IncomePlus Ltd	102	100	2-1	17.0	17.8	-4	0.18	4.27	1.00	+7
Clime Capital	94	100	1-7	7.0	5.1	+36	0.09	9.99	1.00	+9	Independence Gold	101	20	0-8	79.0	81.7	-3	0.63	1.24	1.00	-3
Clover	34	30	0-2	3.5	5.3	-34	0.51	4.94	1.00	-9	Indophil Resources NL	29	25	0-7	7.0	9.4	-25	0.85	2.25	1.00	+18
Cockatoo Ridge Wines	66	55	1-7	20.0	18.5	+8	0.29	2.94	1.00	+8	Innamincka Petroleum	68	20	0-3	50.0	48.6	+3	1.36	1.38	1.00	+12
Colltech Australia	15	25	1-1	3.5	0.0	+999	0.16	9.99	1.00	+81	Int'l Goldfields	42	25	0-1	15.0	16.6	-10	0.46	2.50	1.00	-36
Comet Resources	8	8	0-7	1.5	1.3	+14	0.55</														

Australian Warrant / Option Analysis

There have been many new options added to the quarterly *Warrant/Option Analysis* over recent months. While we are not investing in any of these new options at this time, these new listings increase the potential investment opportunities that *may* develop in the future.

Review of Existing Option Holdings

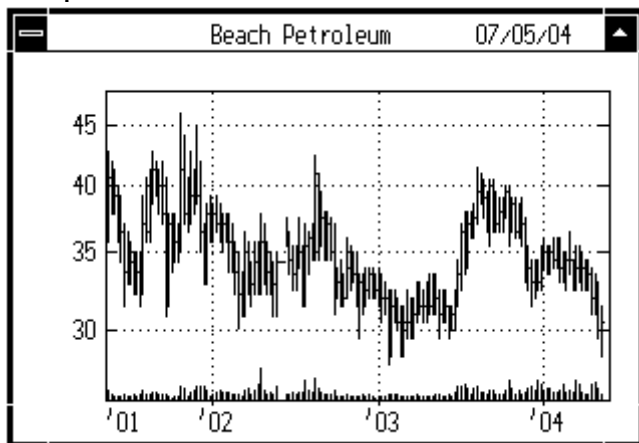
Many of our existing options - **DCA Group**, **Euroz** and **Orchid Capital** - continue to perform well, but we shall seek to realise *partial* profits on the **Orchid Capital** options which have increased about 3½ fold in value.

DCA Group options, **Biotech Capital** options and **WAM Capital** options remain attractive speculative investments suitable for new or additional purchases.

Beach Petroleum (codes BPT and BPTOC).

Beach Petroleum's share price fell 8.8% to 31 cents. That is below the exercise price of 34 cents so the options plunged 36.7% to 6.2 cents.

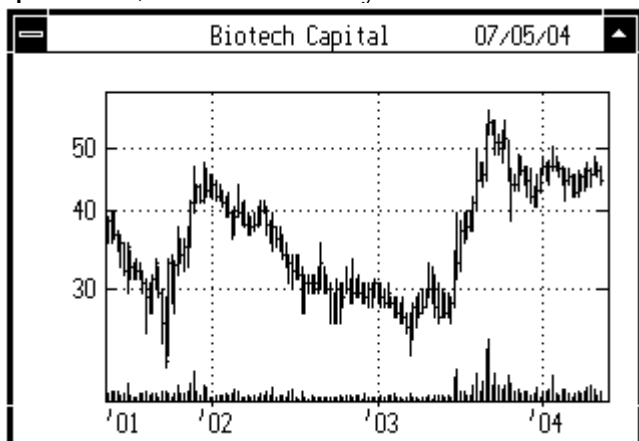
At this level the options still look expensive, but there is *very high leverage*, so we shall continue to "Hold" our options.



Biotech Capital (codes BTC and BTCOA).

We initially reviewed this biotechnology investment company in November 2003. Since then the share price has eased 6.3% to 45 cents, while the options (to buy shares on 10 October 2006 at 55 cents) remain unchanged at 9.0 cents.

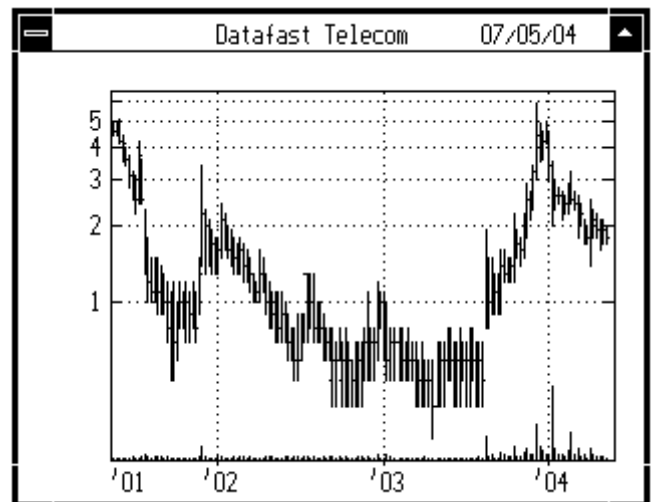
These options still offer high 2.82 times leverage, so if sentiment towards biotechnology improves then these options *could* soar in value. They are, however, very speculative, so suitable for only a small investment.



Datafast Telecommunications (codes DFT and DFTOA).

Datafast Telecommunications lifted revenues 26.2% to \$7.4 million for the six months to December 2003 - helped by many acquisitions of other ISP companies. It continued to trade unprofitably, losing \$287,000 - although that is a significant improvement on the previous loss of \$1,674,000. More importantly the company generated an operating cash surplus of \$395,000 and cash on hand has increased three fold to \$1,236,000.

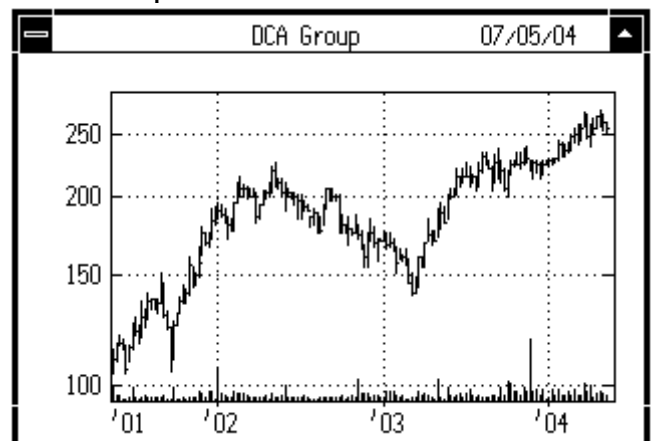
The shares have dipped back 25.0% to 1.8 cents over the last quarter, with the options down 26.7% to 1.1 cents. This is a highly speculative and volatile situation - so has the potential to become profitable - but overall we shall hold our existing options but would not purchase more at this time.



DCA Group (codes DVC and DVCO).

We first reviewed this retirement home and radiology company in August 2003 when the options were at 24½ cents. Over the last quarter the shares rose 8.0% to 256 cents and the options are up a further 43.3% to 43 cents.

For the six months to December 2003 revenues were 119.5% higher at \$160.7 million and profits up 65.2% to \$8,478,000 (3.3 cents per share). That growth, however, reflects a full contribution from the radiology business that was acquired in December 2002.



The DCA Group options offer a *very high 4.98 times leverage* and have 16 months until their final exercise date. They trade at a small discount to *fair value* and have a low *break-even rate* of 6% (i.e. the share price needs to appreciate by just 6% per annum for the options to *increase* in value). So DCA Group options remain an attractive leveraged investment suitable for further purchases.

Euroz (codes EZL and EZLO).

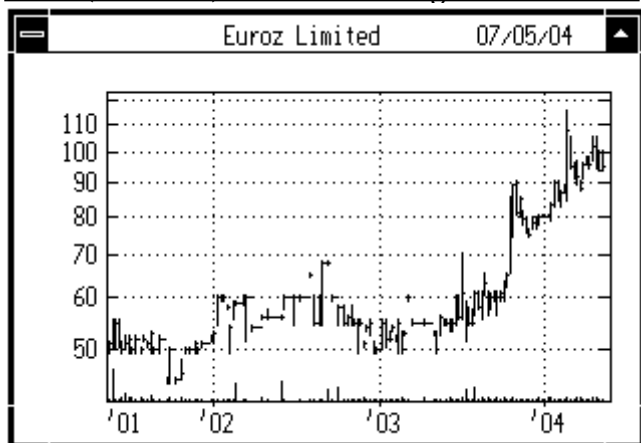
Our Euroz options continue to appreciate in value! The shares rose 9.2% to 95 cents over the last quarter, with the options up 15% to 46 cents. We first featured these "investment quality" options in May 2002 at 9½ cents and they traded as low as 6½ cents during the remainder of 2002. Now this position is showing a significant profit.

Stockbroking is a very volatile business, but after a poor year to June 2003 the company is recovering *very strongly*. Revenues for the six months to December 2003 were up 214.9% to \$12.3 million with profits up 722.5% to \$3,357,248 (9.0 cents per share) and a steady 4.0 cents dividend was paid.

For the *nine* months to March 2004, revenues rose 216.2% to \$17.4 million with profits up 1,163.4% to \$4,624,000 (12.5 cents per share).

These options are *fairly* valued but still offer a 2.01 times leverage through to their final exercise date of 30 November this year.

As the current stockmarket recovery is favourable for stockbrokers we shall continue to hold these options and in November probably exercise them to buy the shares (at 50 cents) as a medium to long term investment.

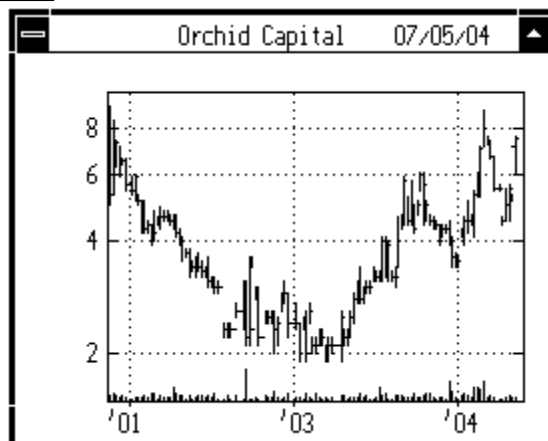


Orchid Capital (codes ORC and ORCO).

Orchid Capital's share price rose 41.5% to 7.5 cents over the last three months with the options up 55.0% at 3.1 cents.

This is a speculative situation that we originally reviewed in August 2003 when the options traded around 0.8 cents. There is no apparent reason for the share price rise over recent months - so we shall seek to realise about half of our options if prices remain high. There is, however, a wide 2.5 cents to 3.1 cents bid/offer spread on these Orchid Capital options.

We shall seek to sell of half these options at 3.0 cents or better, but let profits run on the remainder of this position.



WAM Capital (code WAM and WAMO).

We first reviewed these options (to buy shares at 155 cents on 17 June 2005) in our last quarterly *Warrant/Option Analysis* (Market Analysis issue 380, February 2004). Since then the share price has risen 1.9% to 158 cents (after paying a 5.0 cents dividend) while the options are *down* 9.5% to 9½ cents. This makes the options even more under-valued and increases the potential for speculative profits over the next 13 months.

WAM Capital has a well diversified portfolio of Australian shares and has performed relatively well. The options are now *in the money* (i.e. the shares trade *above* the exercise price), trade at a 41% discount to *fair value* and offer massive leverage.

For example, if the shares rise just 5% over the next 13 months to 166 cents then the options will increase 15% to 11 cents. A 10% gain in the shares will produce a 100% gain in the options, while a 20% increase in the share price would result in a 258% gain in the value of the options.

Of course a 2% (or greater) *decline* in the share price to below the 155 cents exercise price will result in the options expiring worthless.

So these options involve very high risk but offer the potential for huge gains if the Australian stockmarket continues to increase in value over the next year. These options are therefore an attractive, albeit high risk, speculation.



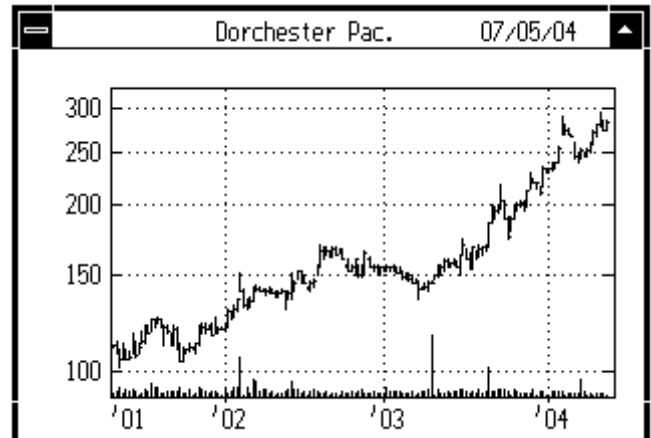
New Zealand Warrant / Option Analysis

Warrant	Share Price	Exercise Price	Years & Months to Expiry	Warrant Price (NZ cents)	Black-Scholes Valuation (NZ cents)	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	No. Warrants to Buy One Share	Break-Even Rate
Forty Two Below (2005)	\$0.49	\$0.50	1-5	15.0	8.1	+85	0.290	3.9	1.0000	+22%
Forty Two Below (2006)	\$0.49	\$0.50	2-5	20.0	11.3	+77	0.290	3.0	1.0000	+16%
Dorchester Pacific (2005)	\$2.85	\$1.70	1-4	112.0	129.2	-13	0.307	2.1	1.0000	-1%
Dorchester Pacific (2006)	\$2.85	\$1.70	2-4	122.0	140.2	-13	0.307	1.9	1.0000	+1%
Heritage Gold	\$0.09	\$0.07	3-0	4.0	5.3	-24	0.736	1.4	1.0000	+7%
Kingfish	\$0.94	\$1.00	0-10	15.6	0.3	+999	0.021	86.3	1.0000	+28%

Dorchester Pacific (codes DPC, DPCWA and DPCWB).

There are few listed options on the NZ stockmarket, but both of the **Dorchester Pacific** options (to buy shares at 170 cents on 30 September 2005 or on 30 September 2006, respectively) appear to offer good speculative potential. Co-incidentally both options trade at a 13% discount to *fair* value, are 1.9-2.1 times more volatile than owning the shares directly and have *break-even* rates close to zero.

Dorchester Pacific has some stockbroking businesses which could perform very well if the stockmarket remains buoyant.



Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Briscoes Ltd	4.25	19-04	07-05	Full
Calan Healthcare Properties	1.7167	17-05	01-06	0.1015
Contact Energy	7.00	17-05	28-08	Full
Guinness Peat Group	1.00 pence	15-03	17-05	-
Kirkcaldie & Stains	5.00	17-05	24-05	Nil
National Property Trust	2.25	24-05	04-06	Nil
Scott Technology	6.00	03-05	06-05	Full
Powerco	8.80	07-06	18-06	Nil
Property for Industry	1.40	03-05	07-05	0.30
Restaurant Brands NZ	5.50	24-05	04-06	Full
TeamTalk	7.50	24-05	28-05	Full
<u>Australian Shares</u>				
AJ Lucas Group	3.50	03-03	24-06	
Melbourne IT	2.00	03-05	28-05	

Total Return Index for All Listed Shares

Apr 5	2046.34
Apr 6	2067.17
Apr 7	2077.12
Apr 8	2074.51
Apr 9	Holiday
Apr 12	Holiday
Apr 13	2074.57
Apr 14	2073.17
Apr 15	2083.37
Apr 16	2089.24
Apr 19	2096.86
Apr 20	2102.09
Apr 21	2105.77
Apr 22	2110.45
Apr 23	2119.86
Apr 26	2120.50
Apr 27	2125.03
Apr 28	2122.59
Apr 29	2123.52
Apr 30	2114.15
May 3	2118.30
May 4	2115.64
May 5	2116.27
May 6	2112.03
May 7	2113.82

Current Issues

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Kirkcaldie & Stains	1:3	200	31-05	25-06

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday June 8, 2004 (and delivered in most areas on Wednesday 9).

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