

Market Analysis

Issue No. 384

P.O. Box 34-162, Auckland

June 8, 2004

Inside Market Analysis

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Summary and Recommended Investment Strategy.

Our outlook for the Australian and New Zealand stockmarkets is Neutral - but remain fully invested in the recommended shares.

Investment Outlook.

Both the Australian and New Zealand stockmarkets performed well over the last year - in line with other world stockmarkets which recovered from the 2000-2003 global stockmarket decline. Our One-Year Forecasts for both local markets are now Neutral, at 58% and 49% respectively, so they are unlikely to repeat those very strong gains in the year ahead.

The NZ stockmarket charts (on the right of this page) show that *smaller* and medium sized company shares have *under-performed* the larger NZX 50 shares during both the decline from 2000 to early 2003 and the recovery over the last year. Before you run out to buy Telecom shares, however, we should point out that this hasn't been *our* experience with the smaller and medium sized shares in the NZ section of our *Recommended Portfolio*. So this apparent under-performance is probably the result of a large number of *lower quality* smaller company shares dragging down the broadly based Total Return Index For All Shares. Our actual recommended Australian *smaller* and medium sized company shares have also outperformed the index of larger companies.

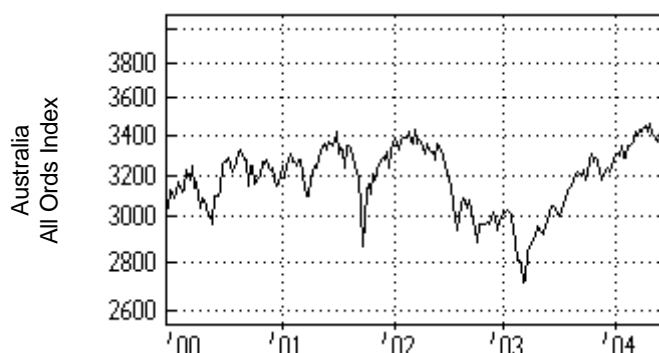
Smaller company shares, however, are more volatile and have tended to under-perform larger company shares over the last several months. Unfortunately it is seldom worth disturbing long term holdings in an attempt to trade either a short term market correction or a period of smaller company under-performance.

Shares are volatile and we need to learn to live with that volatility. Wide diversification helps to (1) minimise the impact of individual share volatility and (2) minimises the emotional pressure to do the wrong thing and "cut your losses" just when a share is at the very bottom of its decline!

At present the general market outlook is subdued and some smaller companies shares are a little depressed. So its just "business as normal". The stockmarket *is* the best place to invest our money - and out there somewhere is our next ten-bagger!

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	74% (Bullish)	58% (Neutral)
New Zealand:	64% (Bullish)	49% (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/Sales Ratio					P/E Ratio					Gross Yield				
Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A2 Corporation	C	8.0	0.02	NE	Nil	Hirequip NZ Ltd	C	109	3.31	21	2.1	Restaurant Brds	C	122	0.38	10	12.2		
AMP Limited	C	625	0.95	NE	2.8	Horizon Energy	B	395	3.98	16	8.3	RetailX Limited	C	30	6.85	NE	Nil		
AMP NZ Office	C	83	6.93	7	8.1	ING Property	C	108	N/A	23	10.3	Richina Pacific	E	39	0.13	15	Nil		
AXA Asia Pac.	A	369	1.32	17	3.2	Ind Newspapers	B	494	2.24	27	2.9	Richmond Hold.	C	260	0.09	8	4.3		
Abano Health.	D	12	0.39	21	Nil	Infratil NZ	B	300	4.50	28	6.0	Rocom Wireless	E	8.0	0.37	NE	Nil		
Affco Holdings	D	26	0.16	9	Nil	KidCorp	C	20	1.44	NE	Nil	Rubicon Limited	D	85	N/A	NE	Nil		
Air New Zealand	D	40	0.32	7	Nil	Kingfish Ltd *	N/R	88	N/A	NE	Nil	Ryman Health.	B	249	2.27	14	3.6		
Akd Int Airport	B	677	9.04	27	4.9	Kingsgate Int'l	D	35	5.81	34	Nil	Sanford Limited	C	475	1.32	11	6.1		
Allied Farmers	B	160	0.36	11	6.8	Kirkcaldie & St	B	235	0.44	13	9.1	Savoy Equities	E	2.0	N/A	NE	Nil		
Apple Fields	D	2.9	8.79	NE	Nil	Kiwi Property	C	106	9.49	14	8.1	Scott Tech. Ltd	B	330	1.73	15	6.3		
Beauty Direct	D	8.0	2.13	NE	Nil	Lion Nathan Ltd	B	725	1.87	19	4.2	Sealegs Corp	D	2.3	N/A	NE	Nil		
Blis Technology	D	15	N/A	NE	Nil	Loan & Building	D	366	1.34	NE	Nil	Seeka Kiwifruit	B	452	0.71	12	5.9		
Botry-Zen Ltd	D	11	N/A	NE	Nil	Lyttelton Port	C	161	2.70	12	10.2	Selector Group	E	1.0	1.96	NE	Nil		
Brierley Invest	D	69	5.26	NE	Nil	MG Property Trt	C	99	6.80	18	9.6	Shotover Jet	D	105	1.85	13	1.8		
Briscoe Group	C	132	0.87	12	7.9	Mainfreight Grp	C	180	0.26	31	5.4	Skellmax Indust	C	124	1.29	10	8.4		
Broadway Ind	C	100	0.55	14	2.0	Media Tech.	D	17	2.88	NE	Nil	Sky City Ltd	C	473	3.52	19	7.4		
CACI Group Ltd	C	38	0.42	13	Nil	Metro. LifeCare	C	225	1.77	16	2.2	Sky Network TV	E	540	5.38	NE	Nil		
CDL Hotel NZ	D	42	0.87	9	5.0	Michael Hill	B	590	1.00	22	4.3	SkyCity Leisure	E	85	1.44	28	Nil		
CDL Investments	E	27	1.98	8	8.8	Mike Pero Index *	N/R	214	N/A	NE	Nil	Smiths City	D	56	0.16	7	8.0		
Cabletalk Group	C	25	0.15	4	Nil	Mike Pero Mort.	D	95	0.33	20	Nil	Software of Exc	E	135	1.73	NE	Nil		
Cadmus Tech Ltd	E	9.5	1.18	38	Nil	Mooring Systems	D	350	N/A	NE	Nil	South Port NZ	C	134	2.39	13	7.5		
Calan Hlthcare	C	85	7.29	15	9.4	Mowbray Collect	C	148	3.25	NE	4.5	Spectrum Res.	E	1.3	N/A	NE	Nil		
Cap Properties	C	91	3.71	14	9.9	Mr Chips Hold	C	112	0.77	13	6.7	Steel & Tube	B	390	1.04	16	8.8		
Carter Holt	B	202	0.90	14	3.0	NGC Holdings	B	264	3.07	27	3.4	Summit Gold Ltd*	N/R	6.2	N/A	NE	Nil		
Cavalier Corp	C	485	1.58	17	7.7	NZ Experience	E	25	1.79	11	Nil	Tag Pacific Ltd	B	18	0.36	NE	Nil		
Cert Organics	D	12	9.22	NE	Nil	NZ Exchange Ltd	C	869	7.94	37	Nil	Tailors Grp Ltd	A	263	1.12	15	6.0		
Col Motor Co	B	295	0.21	12	9.4	NZ Invest Trust*	N/R	625	N/A	NE	1.3	TeNZ *	N/R	108	N/A	NE	Nil		
Commsort Group	E	0.3	0.34	NE	Nil	NZ Oil and Gas *	N/R	64	N/A	NE	Nil	TeanTalk Ltd	B	215	0.79	21	10.4		
Convita	C	226	0.92	16	2.8	NZ Refining Co	A	1950	2.47	13	9.2	Telecom Corp	A	551	2.02	15	5.4		
Contact Energy	B	575	2.87	29	6.0	NZ Wine Company	D	200	N/A	NE	Nil	Tenon Ltd	C	191	1.39	NE	Nil		
Cube Capital	E	5.9	0.20	NE	Nil	Nat Property Tr	C	100	7.20	16	9.0	Tol NZ Ltd	C	156	0.54	NE	Nil		
Cue Energy Ltd *	N/R	7.5	3.28	36	Nil	Newcall Group	D	2.0	0.53	NE	Nil	Tourism Hold.	B	163	0.91	20	7.3		
DB Breweries	B	803	1.27	17	6.2	Northland Port	B	272	N/A	27	4.6	Tower Limited	C	162	0.65	NE	9.3		
Design Textiles	C	90	0.48	8	6.8	Nuhaka Forestry	C	502	2.57	NE	12.5	Training Sol.	D	0.1	1.43	NE	Nil		
Dorchester Pac	A	280	0.80	10	5.3	Nuplex Indust	A	525	0.51	14	5.7	Trans-Tasman	D	40	3.72	12	Nil		
Ebos Group Ltd	A	340	0.42	14	7.2	Opio Forestry	C	54	N/A	NE	Nil	Trust Power Ltd	A	414	1.03	11	6.3		
Evergreen	D	39	1.60	NE	Nil	Owens Group Ltd	D	112	0.17	NE	Nil	Turners Auction	A	502	1.45	20	4.8		
F & P Health.	B	1305	6.21	24	5.9	Oyster Bay	C	226	N/A	NE	Nil	Urbus Property	B	91	2.17	4	9.9		
F & P Appliance	A	469	1.31	14	6.5	Ozzy (Tortis) *	N/R	214	N/A	NE	Nil	Utilico Int'l	D	64	6.56	NE	Nil		
Feltex Ltd	C	165	N/A	24	5.4	Pac Edge Bio	C	28	N/A	NE	Nil	VTL Group Ltd	D	110	1.44	13	Nil		
Finmedia Ltd	D	90	0.96	NE	Nil	Pacific Retail	D	213	0.13	NE	Nil	Vertex Group	B	155	0.56	10	3.9		
Finzsoft Solns	C	115	1.77	30	Nil	Port Tauranga	A	525	6.41	28	4.7	WN Drive Tech.	E	57	N/A	NE	Nil		
Fletcher Build.	B	440	0.55	11	6.4	Ports Auckland	B	725	4.59	17	7.0	Wakefield Hosp.	A	245	0.84	13	4.9		
Forty Two Below	C	45	N/A	NE	Nil	Postie Plus Grp	D	96	0.50	13	Nil	Warehouse Group	B	430	0.64	16	5.0		
Freightways Ltd	B	226	N/A	22	7.6	Powerco Limited	B	213	2.07	12	7.5	Waste Mgmt NZ	A	456	2.47	24	5.2		
GDC Communicat.	C	31	0.21	NE	Nil	Property F Ind.	C	92	N/A	10	7.9	Widespread Port	D	2.5	9.26	NE	Nil		
Genesis Res.	D	67	1.76	NE	Nil	Proveno Group	C	71	1.21	56	Nil	Williams Kettle	C	277	0.37	9	12.9		
Guinness Peat	B	194	0.98	9	1.4	Pure NZ Limited	D	3.0	4.29	NE	Nil	Windflow Tech.	C	320	N/A	NE	Nil		
Hallenstein G.	B	294	0.97	15	9.4	Pyne Gould Corp	E	520	N/A	NE	Nil	World Index Fd *	N/R	117	N/A	NE	Nil		
Hellaby Hold.	B	502	0.84	11	7.7	Pyne Gould G.	B	160	N/A	13	7.9	Wrightson Ltd	C	155	0.32	11	11.1		
Heritage Gold *	N/R	11	N/A	NE	Nil	Renaissance	C	67	0.26	18	15.6	Zintel Comm.	C	118	1.48	14	8.5		
AMP Ltd	B	562	0.95	NE	2.8	Fairfax (John)	A	366	2.61	25	3.6	Ave of 153 Cos	C	218	0.51	22	3.6		
ANZ Bank	B	1837	2.15	12	5.2	Flight Centre	B	1800	2.68	24	2.4	Origin Energy	A	550	1.08	22	1.8		
APN News Media	B	410	1.66	19	4.5	Foodland Assoc	B	1839	0.34	18	4.6	Oxiana Ltd	C	80	8.60	93	Nil		
AWB Limited	A	492	0.70	50	5.1	Foster's Group	B	457	2.00	20	4.1	Pacifica Group	C	403	0.55	11	5.3		
AXA Asia Pac	A	334	1.22	6	3.1	Futuris Corp.	C	151	0.40	10	5.3	Paperlin X Ltd	A	485	0.55	15	5.7		
Adelaide Bright	B	128	1.10	12	4.3	G.U.D. Holdings	A	841	1.38	24	3.1	Patrick Corp	A	490	2.39	18	1.6		
Adelaide Bank	B	820	1.35	14	4.5	GWA Internatl	B	293	1.22	15	5.3	Perp Trust Aust	A	4505	5.61	25	2.9		
Alinta Limited	B	611	1.35	9	5.4	Gandel R. (CFS)	B	149	9.69	18	6.5	Primary Health	A	560	3.15	45	2.2		
Alumina Ltd	C	534	N/A	26	3.7	General Prop Tr	B	344	N/A	16	6.2	Prin. Amer. Off	A	125	9.77	63	13.1		
Amarcor Ltd	C	657	0.52	15	4.6	Gt Sthn Plant'n	B	267	5.40	13	2.6	Principal Off.	A	159	9.15	16	6.9		
Ansell Ltd	B	657	1.08	29	1.4	Guinness Peat	B	174	0.87	16	1.4	Promina Group	A	382	1.05	15	3.3		
Aquarius Plat.	B	663	5.46	50	0.3	Gunnis Ltd	B	1350	1.82	15	3.0	Publshng & Br	B	1260	2.85	20	3.0		
Argo Investment	B	480	N/A	26	3.3	HHG Plc	D	115	0.19	NE	Nil	Q.B.E. Insur.	A	1232	N/A	21	3.4		
Aristocrat Leis	B	471	2.26	NE	1.3	Hardman Res.	C	179	N/A	NE	Nil	Qantas Airwavs	B	348	0.54	18	4.9		
Aust Pharm. Ind	C	248	0.23	24	5.2	Harvey Norman	C	268	2.83	19	1.9	Ramsay Health	A	556	1.08	19	2.8		
Aust Pipeline	B	264	2.49	16	8.1	Hills Indust.	B	373	0.75	19	5.6	Record Invest.	A	393	N/A	27	3.6		
Aust Foundation	B	325	N/A	25	4.1	Hills Motorway	C	718	N/A	NE	3.0	Reece Australia	B	820	1.10	17	2.6		
Aust Leis & Hos	C	227	N/A	NE	Nil	ING Indust Trt	B	181	N/A	14	7.6	Rinker Group	B	768	1.34	17	1.8		
Aust Gas Light	A	1167	1.12	18	4.7	ING Office Fund	B	122	8.40	12	8.6	Rio Tinto Ltd	B	3512	3.75	23	2.6		
Aust Stock Exch	B	1537	7.58	27	2.6	Iluka Resources	B	423	1.21	12	5.2	Ronin Property	B	115	9.80	13	8.2		
Austar United	C	72	2.33	NE	Nil	Inctec Pivot	C	1805	1.51	NE	Nil	Rural Press Ltd	A	778	1.95	13	3.0		
Austereo Group	B	143	2.49	16	5.0	Insurance Aust.	A	466	1.69	51	2.5	S/Tracks ASX200	D	3540	N/A	NE	Nil		
Australand Prop	B	163	0.80	12	8.2	Interoil Corpor	C	329	N/A	NE	Nil	SFE Corporation	A	644	8.36	22	3.4		
BHP Billiton	B	1203	2.97	26	1.6	Investa Prop.	B	194	8.71	13	8.0	STW Comm Group	B	314	N/A	20	4.3		
Bank of O'land	B	955	1.62	16	3.4	Invocare Ltd	C	230	N/A	NE	Nil	Santos Ltd	A	692	2.76	13	4.3		
Baycorp Advant.	C	280	3.52	NE	1.4	Ivanhoe Mines	C	1200	N/A	NE	Nil	Seven Network	B	509	0.98	22	4.6		
Bendigo Bank	B	1010	3.72	22	3.3	James Hardie	B	620	2.07	16	1.2	Sigma Company	B	780	0.58	25	2.6		
Bidvest	B	610	0.36	19	1.9	Leighton Hold	C	823	0.45	16	5.3	Sims Group Ltd	B	1044	0.60	13	5.2		
Billabong Int'l	A	835	2.68	22	2.8	Lend Lease Corp	C	1020	0.44	NE	2.9	Smorgon Steel	B	106	0.36	9	7.5		
Bluescope Steel	A	597	0.88	10	3.7	Lihir Gold	B	95	5.69	35	2.1	Sonic Health	B	899	2.40	57	2.8		
Boral Limited	B	604	0.90	12	3.8	Lionore Mining	B	632	3.15	16	4.1	Soul Patison	A	629	3.48	17	2.7		
Brambles Ind.	B	600	1.23	31	1.7	Macquarie Infra	B	320	5.05	12	2.3	Southcorp Ltd	B	320	0.93	43	1.1		
Brickworks Ltd	B	875	5.44	16	1.8	Macquarie Off.	B	121	N/A	11	9.1	Spotless Group	A	506	0.44				

Recommended Investments

Lyttelton Port Company is to spend \$5 million on four new container cranes. These cranes will help improve service levels and productivity, with 25% more lifting capacity at 50 tonnes, on-board weighing systems and twin lift capability. Delivery will be in January 2005 when two older cranes will be withdrawn from service, leaving the company with 13 container cranes.

Michael Hill International is moving its Head Office from Whangarei to Brisbane to "better organise operations to pursue international growth plans". The company currently has 93 stores in Australia - generating 60% of revenues - and may open a further 50 Australian stores over the next 5-7 years. Another 5-10 NZ stores may be added to the current 46 in this country.

The trial operations at four Canadian stores are

described as "positive" and the company will likely open another two stores in the new financial year. While expansion in Canada would offer further long term growth potential, Michael Hill International is already talking about the potential to expand into the United States and the United Kingdom.

Nuplex Industries reports "better than expected" trading from January to April and has upgraded its profit forecast for the year to 30 June. It now expects profits "more than 30% higher" than last year's trading profit of \$22.5 million.

Nuplex is moving towards its plan to manufacture in China with an agreement to acquire the manufacturing and other assets of **Foshan Veeya Chemical Ltd** which currently provides *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Performance 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 %	
		Code	- Date - Price										
	NZ Shares												
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	199.4	2.0	1.98	8	8.8	27	7.7	+39%
HOLD-	Cavalier Corporation	CAV	05/12/95	156*	C	63.0	0.6	1.58	17	7.7	485	128.5	+293%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.21	12	9.4	295	250.3	+264%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	0.9	2.70	12	10.2	161	36.0	+31%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.4	0.5	1.00	22	4.3	590	137.0	+1480%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	61.3	0.8	0.51	14	5.7	525	88.0	+75%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	C	37.2	1.2	0.26	18	15.6	67	17.4	-1%
HOLD+	Richina Pacific	RPL	03/11/95	94*	E	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	2.39	13	7.5	134	71.3	+71%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	87.9	0.8	1.04	16	8.8	390	85.0	+225%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.7	1.12	15	6.0	263	32.0	+189%
SELL	Wrightson Limited	WRI	13/01/98	83	C	136.2	1.2	0.32	11	11.1	155	41.3	+137%
	Australian Shares (in Aust cents)												
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	45.4	0.8	0.50	10	4.7	170	8.0	+48%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	1.9	1.64	15	Nil	19	7.0	-65%
BUY	Austral Coal Ltd	AUO	16/01/01	19	C	203.2	1.4	1.01	22	Nil	58	Nil	+205%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.8	NA	10	6.8	161	5.5	+5%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	40.1	0.5	0.65	17	5.2	632	116.5	+79%
BUY	Candle Australia	CND	08/04/03	86	A	37.6	1.0	0.38	17	3.9	165	10.0	+103%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	A	49.5	0.9	0.22	13	4.9	143	19.5	+7%
BUY	Circadian Technology	CIR	10/02/04	188	D	40.3	1.2	NA	NE	Nil	211	Nil	+12%
BUY	Commander Comm.	CDR	11/09/01	92	A	145.1	0.8	0.65	14	3.0	150	9.1	+73%
BUY	Computershare Ltd	CPU	12/08/03	189	B	544.1	1.0	2.49	54	1.5	324	5.5	+74%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	1.2	2.23	37	Nil	108	1.0	+8%
HOLD+	IASbet Ltd	IAS	11/02/03	180	A	41.0	1.7	0.03	3	19.7	38	2.5	-78%
HOLD-	McPherson's Ltd	MCP	10/10/00	125	B	54.8	0.5	0.71	15	3.4	436	48.0	+287%
HOLD+	Melbourne IT	MLB	10/02/04	53	A	50.9	1.1	0.87	21	3.5	85	2.0	+64%
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.63	12	3.4	595	119.3	+71%
HOLD+	OAMPS Limited	OMP	15/05/01	106*	B	92.9	0.6	0.43	15	5.6	301	33.5	+216%
BUY	Ross Human Directions	RHD	14/08/01	92	B	57.4	1.4	0.27	35	6.6	68	15.0	-10%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.7	0.39	16	5.5	283	31.5	+150%
HOLD+	Solution 6 Holdings	SOH	15/07/03	59	D	251.6	1.3	1.03	NE	Nil	90	Nil	+53%
BUY	Technology One Ltd	TNE	11/11/03	44	A	298.5	1.2	3.27	22	4.7	53	1.3	+23%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	309.8	0.6	1.25	31	1.4	1055	52.0	+1745%
HOLD	UXC Limited	UXC	11/01/00	55*	B	125.1	1.2	0.79	14	6.8	73	21.0	+71%
HOLD	Villa World Ltd	VWD	11/06/02	68	A	103.2	0.7	0.90	7	8.4	131	21.5	+124%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.0	1.13	13	4.4	90	26.1	+68%

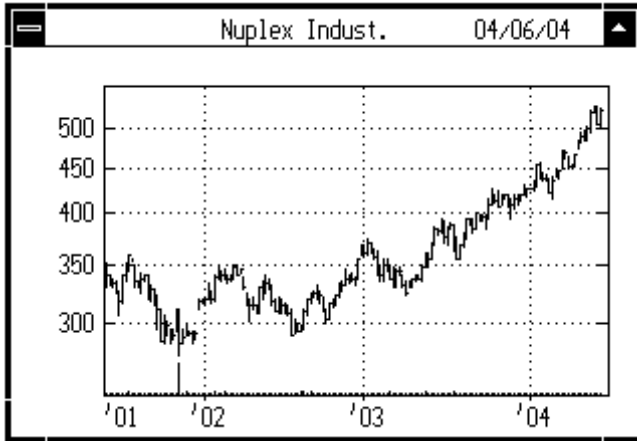
The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +169.0%. This is equal to an average annual rate of +39.2%, based upon the length of time each position has been held.

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 +8.8% (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)
solvent based coating resins to paint manufacturers. Nuplex will initially invest US\$5 million to acquire this business *and* to improve operations and significantly expand the range and total capacity of manufacturing over the next three years. This business will eventually expand to produce “a full range of coatings, adhesive and composite resins and other chemicals” to meet both demand in China and Nuplex’s markets in Australia and New Zealand. This business is expected to become profitable in the year to June 2007.



The partial takeover bid for **Wrightson** from **Rural Portfolio Investments** has been raised 15 cents from 150 cents to 165 cents (to be mainly funded by a 14.0 cents dividend *if* the bid looks likely to succeed) - and the closing date extended to 23 June. We doubt that this bid will be successful, but recommend selling Wrightson shares on-market. See page 6.

Australian Shares

(This section is in Australian currency, unless stated.)
We are downgrading **AJ Lucas Group** shares to a “Hold” owing to the weakness in the share price. The time to buy more shares will be when the price *starts* to recover.

In the short term the shares *may* remain weak until the company can announce a major pipeline contract. Long term investors will have noted that share prices can be volatile - and that some of our best investments have at times fallen 50-70% in value before recovering and appreciating many fold in value (e.g. Michael Hill International, Wrightson). AJ Lucas Group has many attractive features and the potential to yield further significant profits, but while out of favour will be rated just a “Hold”.

Austral Coal reports that “the market for coking coal remains extremely strong” with “record global steel production, particularly in China and Japan”. This has lifted coking coal prices to a ten year high but “increasing growth in India” is likely to sustain this trend “with further price increases likely”.

This is well timed for Austral Coal which has started mining coal from its new Tahmoor North mine. Coal production will double from 1.7 million tonnes annually to 3.5 million tonnes. Selling prices are high and production costs will be lower owing to the new equipment, wider coal seams and higher quality coal. The buoyant coal market has “significantly enhanced” the company’s “profit and cash generating capacity”. In their “outlook beyond 2004” the company talks about a

“return to dividend payments”. Now that the \$100 million upgrade and expansion is now largely complete (except for an upgrade to the drift conveyor in 2004-5) the company can use its strong operating cash flows to quickly repay debt and to distribute 100% of future profits. So Austral Coal has the potential to pay a dividend around 5.0 cents for 2005 and 10.0 cents or more in following years.

As a result of the *bonus element* in the recent 1 for 3.25 cash issue, the conversion terms for the convertible notes has been improved slightly, with each note now able to be converted into 1.029217 ordinary shares.

Owing to the 9 cents price premium on the convertible notes - and the potential for an ordinary dividend next year - we believe the ordinary shares offer the best buying at this time.

Australian Infrastructure Fund’s 38.9% owned **Metro Transport** is proposing a \$180 million upgrade to its service. This will involve an interchange between buses and trains at Central Station, Sydney, with 13 new trams, each holding up to 200 people, providing a transport service along George Street (or under an alternative plan, along Castlereagh Street) to Circular Quay. The company estimates that 40,000 people would use the trams every day. The \$180 million cost would be financed by a “combination of private and public investment” with “significant cost savings for the State Government on rail and bus networks”. That suggests the Government will be expected to fund the majority of this cost, with the company’s investment funded by debt and an additional equity investment. If approved, construction would be staged over 18 months.

Campbell Brothers lifted revenues 8.8% to \$392.4 million for the year to 31 March 2004 and profits rose 23.1% to \$14,641,000 (36.6 cents per share). The final dividend will be 2.0 cents higher at 19.0 cents, lifting the annual dividend rate 10.0% to 33.0 cents.

The net operating cash surplus slipped 13.4%, but was still a healthy \$25.2 million.

Laboratory Services again performed well - contributing 59.7% of total earnings. Revenue for this division rose 8% to \$123.9 million with earnings up 32% to \$21.5 million. The higher margins resulted from improving business systems and from “optimising existing operations”. This business is “poised to embrace” additional opportunities in Asia, Europe and South Africa. By July the company will have completed a new laboratory in South Africa to service the mineral industries and in China for environmental and chemical testing.

The **Industrial** division lifted revenues 22% to \$141.5 million with earnings ahead 18% at \$9.3 million. This division is seeking acquisitions to expand its non-food consumables (i.e. cleaning supplies, paper products) manufacturing and distribution businesses.

The **Consumer** division continues to under-perform with revenues falling 3% to \$128.0 million and earnings down 12% to \$5.2 million. This division is seeking acquisitions to expand its pest control and washroom hygiene service businesses.

Last week Campbell Brothers announced the sale of its **Consumer** division’s major laundry and detergent brands (i.e. *Hurricane, Love N Care, Fluffy, Moresoft*

and *Castle*) to **Colgate-Palmolive Pty** for an undisclosed sum. Proceeds will be used to "pursue other business opportunities with superior rates of return" and to develop "numerous emerging opportunities" in their other divisions.

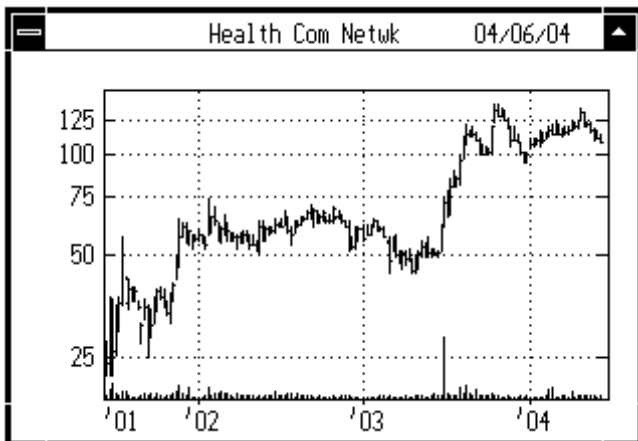
With the growth in Laboratory Services revenues and profits plus the sale of the soap and detergent businesses, Campbell Brothers is well placed to focus on higher margin businesses and the shares could be further re-rated as this is no longer "just a soap company".

Circadian Technology's major shareholder, **Packer & Co**, has increased its investment to 6,790,925 shares (16.93%) with the on-market purchase of 592,096 shares.

Computershare's recently acquired **Georgeson Shareholder Communications** subsidiary has entered a "strategic alliance" with the **Nasdaq Stock Market Inc** to provide *IRtrack* to NASDAQ listed companies. This is an Investor Relations package to help companies communicate with their shareholders that will be included in the NASDAQ Corporate Services Network's website.

Health Communications Network has confirmed that its profit this year will be within the range of \$3.7-4.7 million predicted in August 2003. The profit will be at least \$3.7 million *plus* amounts "dependent upon a small number of transactions which will have a material impact" on the final result, but profit will not exceed \$4.7 million.

So earnings per share will come in around 6.0-7.5 cents. With the shares trading around 108 cents the Price/Earnings ratio will be around 14-18. That is a below average P/E ratio for a company with a virtual monopoly control over the development of electronic health communications. The potential for growth in high margin, recurring revenues for Health Communications Network is enormous - so the shares continue to rate a "strong Buy".



A recent study by the **British Medical Journal** evaluated four UK drug prescribing software packages, testing "18 scenarios" involving "drug interactions and other safety issues" that should be flagged to the prescribing GPs. The four UK systems scored only between four and seven out of 18. Health Communications Network applied this same test to *Medical Director*. Three drugs in the test are not available in Australia although if they were listed then *Medical Director's* drug checking methods would have alerted GPs. Of the 15 situations that apply in Australia,

Medical Director scored 12 - with the three remaining situations *already* included in the planned August 2004 upgrade. The company also tested its Australian competitors software packages which "scored similarly to the UK products" and "would welcome an independent review to confirm this".

With an 85% market share in Australia, this review will have little impact on *Medical Director's* sales - but it does confirm that we are investing in a company with a high quality product and this competitive advantage can eventually help the company to expand internationally.

International All Sports has received a claim for \$17,026,917 from the **Commercial Bank of Australia** which will be "vigorously defended". The major impact of this legal action has been to further depress International All Sports' share price with the company unlikely to face any significant liability.

In a similar but unrelated recent case, another online bookmaker **Sportsbet** was ordered to repay \$2.6 million after a gambler lost \$22 million of stolen money.

While International All Sports share price has suffered over some specific problems (i.e. a competitive market that depressed first half profits and bad press over this problem gambler) it has also suffered along with *all* internet gambling shares which appear to have fallen out of favour over the last six months. Ultimately, however, the internet offers a competitive cost advantage to this type of business, so long term the business appears sound and the shares are under-valued, trading at *less* than its cash sitting in the bank.

We are continuing to rate the shares as "Hold+" and will upgrade them when the share price trend starts to improve.

Melbourne IT is predicting its first half profit will be at least \$1.35 million - up 46% on the same period last year.

The company also reports that it expects **NeuLevel** (in which it owns a 10% shareholding) to become cashflow positive this year and to become profitable. This business provides **.biz** domain names and is now the official registry for **.cn** (i.e. China) domain names outside of China. Melbourne IT notes that "this is potentially a large market and positions NeuLevel for long term growth".

Nufarm has upgraded its profit forecast and now predicts a 15% higher net profit for the year to July 2004.

The proposed merger between **Solution 6** and **MYOB** has been approved by the **Australian Competition and Consumer Commission**.

Pacific Rail, 50% owned by **Toll Holdings**, has announced a 38% increase in trading profits to \$56.3 million for the nine months to 31 March, from revenues up 2.3% at \$821.3 million. This result includes one month's trading from **Australian Transport Network** where "integration is proceeding well".

Villa World has raised \$6.0 million from the placement of 5,000,000 new shares at \$1.20 to a company controlled by Shanghai property developer David Wang. This relationship probably indicates that Villa World is seeking to further expand its business in China.

(Continued on Page 16)

Share Recommendation: Sell Wrightson on-market

We are recommending the sale of Wrightson shares on-market to receive around 155 cents per share in a certain sale.

This is slightly less than the 165 cents currently being offered by **Rural Portfolio Investments** but that offer is far from certain. An on-market sale gives us guaranteed cash for all of our Wrightson shares, while the RPI bid will likely fail *and* is for less than all of our shares.

Any investors who have *already* accepted the RPI takeover bid *cannot* deal with their shares until that bid is accepted or cancelled. This problem of being “locked in” to a bid that can be extended several times and then cancelled is the main reason why we warn against accepting *any* takeover bid too early.

The RPI bid is too uncertain and is likely to fail. The RPI bid is *conditional* on reaching a controlling 50.01% interest. If RPI fails - as we believe likely - to reach that level then it will buy no shares and investors who have accepted that bid will have *all* of their shares returned. The market price of Wrightson shares would then likely fall back to 135-145 cents. Furthermore, RPI has promised to dump their Wrightson shares on the market - although it is unwise to *believe* very much of what a company says when involved in a takeover bid! Nevertheless, if unsuccessful, RPI would be perceived by the market as a potential seller and its 12.9% would hang over the market and depress Wrightson's share price.

Even if successful RPI's bid is for just 42.6% of our shares *plus* whatever is necessary to allow them to reach 50.01%. At best an investor may sell *most* of their shares, but would still retain a small shareholding in Wrightson.

In the unlikely event that RPI does obtain a controlling interest in Wrightson, we are doubtful of their ability to *significantly* improve the performance of the company. Two stands in the market failed to acquire a 19.9% shareholding and left the company with just 12.9% of Wrightson. RPI describes their current bid as “well received by the market” but it has taken the higher price to boost acceptances to just 6.9%. That puts RPI at 19.8% and far short of 50.01%, although no doubt most acceptances will come through just before the current closing date of 23 June. Sorry, but this is a less than impressive performance.

The only thing certain is that if RPI obtains control then Wrightson will need to maintain a high dividend policy - to enable RPI to pay the interest on its borrowings - even if that requires Wrightson to build up debt levels or have little cash to fund future growth potential.

Similarly we have little confidence that the current management will run this business any better. Clearly current management *could* have significantly improved Shareholder wealth if they had been more aggressive with the company's on-market share buy-backs in 1998 and 1999. The company *could* have repurchased shares then at 30-45 cents - but instead the directors conservatively decided to retain cash in the bank. Then in early 2003 wasted that cash with \$7 million spent buying a 19.9% stake in **Genesis Research & Development** (which is now worth only \$3.6 million).

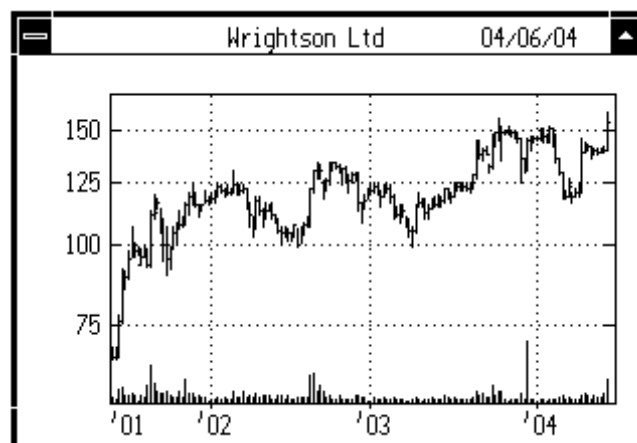
We originally bought into Wrightson *too early* in 1998 at 83 cents as the shares *lost almost two-thirds* of their value over the next year. Nevertheless, we topped up our shareholding at prices around 35 cents. So while our *Recommended Portfolio* shows a 136% gain over six years, many readers of this newsletter will have gains of up to 400% on this investment.

Summary and Recommendation

Wrightson shares must be *near* their top - although they are still attractive for their high income. The current takeover situation, however, is not attractive - so we recommend a certain sale of the shares on-market.

Remaining a minority shareholder in Wrightson, controlled by a debt financed, cash hungry RPI, is not the best possible outcome. Selling to RPI *may* yield a slightly better price - but that bid will likely fail and be withdrawn and is only for 42.6% or more (but less than 100%) of our shares. The failure of the RPI bid would also likely see the share price fall - especially if RPI seeks to sell its current 12.9% holding.

So selling on-market allows us the certainty of realising a significant capital gain in cash. We can look for new, more attractive investment opportunities for this money - or we may get the possibility to re-purchase some Wrightson shares cheaply if RPI becomes a three-time loser and follows through on its threat to quit its Wrightson shares.



New Issues:

Pumpkin Patch, Just Water, Store Fund

The reviews for Pumpkin Patch and Just Water were emailed to subscribers on May 21.

Childrens clothing retailer, **Pumpkin Patch**, is offering up to 81,027,200 shares at 120-140 cents per share. 40% of the money raised will go to the company to help finance growth, with 60% of the cash going to the existing major shareholders who are selling half of their shares. The issued capital after the public share issue will be 166,513,000 shares - valuing the company at \$200-233 million.

The minimum application is \$5,000 and shares are available only as firm allocations from brokers. Pumpkin Patch has achieved creditable growth over the past decade, from a small catalogue clothing seller to a store retailer with a strong Australian and New Zealand presence where further growth is expected. Expansion into the United Kingdom has been less successful.

The *value* in this type of business is in its *brands* and *design*, so wholesaling to third party retailers in Australia, the United States, Ireland and the Middle East should help maximise these competitive advantages and provide further future growth. The HBK chain was acquired recently from **Hallenstein Glassons** and will probably be incorporated into its *Urban Angel* offerings for pre-teen and early teen girls. The group has achieved strong revenue and profit growth - in line with its rapid expansion in store numbers. Trading profits to 31 July 2004 will be around \$11.3 million (6.8 cents per share), although costs of restructuring its employee share scheme will depress profits to about \$4,036,000 (2.4 cents).

Revenues to July 2005 are forecast to rise 15.6% to \$246.7 million with profits around \$15,331,000 (9.2 cents per share). An annual dividend of 4.32 cents is predicted.

Based upon this 2005 forecast, the shares are being offered on a Price/Sales ratio of 0.81-0.94, a Price/Earnings ratio of 13-15 and a gross Dividend Yield of 4.6-5.4%. The shares, therefore, do not look especially cheap, with this valuation anticipating the expected future growth potential for this business. If Pumpkin Patch *continues* to grow and expand, then this valuation would be justified and the shares should be an attractive long term investment. If the company experienced a growth glitch - as have so many other retailers - then the shares *could* be marked down significantly.

Summary and Recommendation

Pumpkin Patch looks to be a sound company with a competitive advantage in design and branding, so should experience further long term growth in the years ahead. The shares, however, are being offered at a price which *already* reflects much of that expected growth. Overall we would rate them a moderate Buy and

investors may wish to contact their broker seeking a firm allocation of shares.

If, however, the company experiences a growth glitch at some stage over the next several years, the share price could fall sharply and that may offer an opportunity to buy in at a lower valuation.

New Zealand based **Just Water International** is seeking to raise \$8,250,000 from the issue of 16,500,000 new shares at 50 cents. All of this money will go to the company to repay debt, finance growth and strengthen the balance sheet. The existing shareholder, Red Eagle Corporation, will retain all of its shares although this will be diluted to 75% of the company after the public share issue.

Just Water is involved entirely with the supply of drinking water to business offices, receiving income from the installation and maintenance of water coolers (including bottled water deliveries), plumbed-in water cooling and branded packaged water. The business currently has water coolers in around 8% of NZ businesses so see the potential for strong growth in the business.

The company has achieved accelerated growth through acquisition, including the very recent purchase of **Aqua-Cool**. Adjusting accounts for the inclusion of Aqua-Cool, the Just Water shares are priced on a Price/Earnings ratio of 12. No dividend will be paid for the year to June 2004, but after that the company intends to distribute 70-85% of profits. A 2.8 cents dividend (plus imputation tax credits) is expected for the year to June 2005, offering an 8.6% gross Dividend Yield.

Summary and Recommendation

Just Water International has experienced strong growth through acquisition to establish a profitable business with recurring revenues. While very small businesses can involve above average risk, these shares look to offer both good value and potential for further growth. The shares are available only as firm allocations, so contact your broker, but this is a very small share offer. Alternatively investors could consider buying shares on-market after listing at prices around 50-60 cents.

Store Fund is a new company that will invest in retail businesses and is initially seeking to raise \$25-30 million from the issue of 25-30 million shares at 100 cents each. With every share, investors will also receive one option to buy another share at 100 cents before June 2008. If these options are exercised the company would raise another \$25-30 million. Ultimately the Managers hope to raise up to \$200 million.

Unfortunately this company has a high fee structure. Store Fund will pay **North Head Management** an annual fee of 1.75% *plus* a performance fee (i.e. one-fifth of profits in excess of 12% *(Continued on Page 8)*

New Issues: Store Fund (Continued from Page 7) per annum). That fee structure explains why the Managers would eventually like to raise \$200 million of other people's money in Store Fund!

Store Fund's initial investment will be 100% of **The BBQ Factory** for \$21.2 million. This business has experienced volatile profitability over the years - but recent profits have been boosted by a boom in spa pool sales.

Future retail investments may involve as little as 20% ownership of unlisted retail businesses. At this

level the fund would have *no control* and *little or no influence* on the management of those businesses.

It is easy to see how the promoters and the owners of North Head Management will make money out of this float and from Store Fund - but more difficult to see the profit potential for investors.

The fund is structured so that the Manager will focus on growth in assets (i.e. to further boost fees) not growth in Shareholder wealth. In fact, it is difficult to see what *value* the Manager can create for the retail businesses in which it invests or for its shareholders. Therefore Store Fund warrants an "Avoid" recommendation.

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									Market Cap'n			
	Share Price	Cur. rent	4-Wk Chg.	Rank 0.99	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility		Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Col Motor Co	295	+0.7	+0.9	63	1.0	-	1.0	8	0.5	12	9.4	0.21	82
Renaissance	67	+12.9	-2.4	12	0.2	-	2.7	15	1.2	18	15.6	0.26	25
Mainfreight Grp	180	+12.0	-1.0	15	0.1	4	2.4	8	0.8	31	5.4	0.26	172
Wrightson Ltd	155	+0.3	+4.0	65	0.1	4	1.7	15	1.2	11	11.1	0.32	211
Allied Farmers	160	+6.3	+1.1	30	0.1	-	0.9	9	0.9	11	6.8	0.36	25
Restaurant Brds	122	+2.6	+1.3	49	2.0	4	2.2	23	1.2	10	12.2	0.38	116
Ebos Group Ltd	340	+2.7	-2.0	48	0.0	-	2.1	15	0.7	14	7.2	0.42	93
Nuplex Indust	525	+10.6	+2.6	18	3.0	5	2.0	14	0.8	14	5.7	0.51	322
Broadway Ind	100	+21.6	-5.1	5	1.0	-	2.2	15	0.8	14	2.0	0.55	20
Fletcher Build.	440	+6.0	+0.4	34	8.0	5	2.2	20	0.6	11	6.4	0.55	1,786
Vertex Group	155	+5.1	+2.5	37	0.2	-	2.0	2.0	1.1	10	3.9	0.56	50
Tower Limited	162	+10.5	-0.2	19	1.0	7	0.4	0	1.0	169	9.3	0.65	664
Seeka Kiwifruit	452	+6.1	+1.1	34	0.0	-	1.4	12	0.7	12	5.9	0.71	36
Mr Chips Hold	112	+2.7	+4.0	47	0.0	-	2.2	16	1.1	13	6.7	0.77	27
Dorchester Pac	280	+12.8	-1.2	13	0.0	-	1.9	20	0.9	10	5.3	0.80	58
Hellaby Hold.	502	+2.7	-0.5	48	1.1	2	2.7	24	0.5	11	7.7	0.84	247
Wakefield Hosp.	245	+6.9	+1.2	26	0.0	-	1.2	9	0.6	13	4.9	0.84	31
CDL Hotel NZ	42	+1.5	-1.0	58	0.0	-	0.6	7	1.6	9	5.0	0.87	147
Carter Holt	202	+7.3	-1.3	24	0.0	6	0.9	6	1.0	14	3.0	0.90	3,521
Tourism Hold.	163	+7.9	+1.2	23	4.0	3	0.9	5	1.0	20	7.3	0.91	160

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Broadway Ind	100	+21.6	-5.1	5	1.0	-	2.2	15	0.6	14	2.0	0.55	20
CACI Group Ltd	38	+15.0	-7.5	8	0.0	-	2.1	16	1.0	13	Nil	0.42	3
Renaissance	67	+12.9	-2.4	12	0.2	-	2.7	15	0.9	18	15.6	0.26	25
Dorchester Pac	280	+12.8	-1.2	13	0.0	-	1.9	20	0.7	10	5.3	0.80	58
Nuplex Indust	525	+10.6	+2.6	18	3.0	5	2.0	14	0.7	14	5.7	0.51	322
Guinness Peat	194	+10.0	+0.3	19	0.6	-	1.2	14	0.7	9	1.4	0.98	1,472
Tourism Hold.	163	+7.9	+1.2	23	4.0	3	0.9	5	0.9	20	7.3	0.91	160
Carter Holt	202	+7.3	-1.3	24	0.0	6	0.9	6	1.0	14	3.0	0.90	3,521
Wakefield Hosp.	245	+6.9	+1.2	26	0.0	-	1.2	9	0.5	13	4.9	0.84	31
Allied Farmers	160	+6.3	+1.1	30	0.1	-	0.9	9	0.8	11	6.8	0.36	25
Seeka Kiwifruit	452	+6.1	+1.1	34	0.0	-	1.4	12	0.6	12	5.9	0.71	36
Fletcher Build.	440	+6.0	+0.4	34	8.0	5	2.2	20	0.5	11	6.4	0.55	1,786
Vertex Group	155	+5.1	+2.5	37	0.2	-	2.0	2.0	0.9	10	3.9	0.56	50
Affco Holdings	26	+4.3	+2.6	41	0.0	-	0.9	10	1.2	9	Nil	0.16	141
Mr Chips Hold	112	+2.7	+4.0	47	0.0	-	2.2	16	1.1	13	6.7	0.77	27
Hallenstein G.	294	+2.7	+0.4	47	1.2	3	4.0	26	0.5	15	9.4	0.97	173
Hellaby Hold.	502	+2.7	-0.5	48	1.1	2	2.7	24	0.4	11	7.7	0.84	247
Ebos Group Ltd	340	+2.7	-2.0	48	0.0	-	2.1	15	0.6	14	7.2	0.42	93
Restaurant Brds	122	+2.6	+1.3	49	2.0	4	2.2	23	1.0	10	12.2	0.38	116
Richina Pacific	39	+2.1	-1.0	53	0.0	-	0.8	5	1.2	15	Nil	0.13	56

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Restaurant Brds	122	+2.6	+1.3	49	2.0	4	2.2	23	0.9	10	12.2	0.38	116
Wrightson Ltd	155	+0.3	+4.0	65	0.1	4	1.7	15	1.0	11	11.1	0.32	211
Lytelton Port	161	-2.6	+0.0	74	0.1	5	3.3	27	0.7	12	10.2	2.70	164
Hallenstein G.	294	+2.7	+0.4	47	1.2	3	4.0	26	0.4	15	9.4	0.97	173
Tower Limited	162	+10.5	-0.2	19	1.0	7	0.4	0	0.8	169	9.3	0.65	664
NZ Refining Co	1950	+6.7	+3.3	27	0.0	1	1.5	12	0.1	13	9.2	2.47	468
Steel & Tube	390	+1.8	-0.8	54	1.0	5	2.7	17	0.6	16	8.8	1.04	343
Skellmax Indust	124	+0.0	+0.9	66	0.0	-	4.8	49	0.7	10	8.4	1.29	124
Pyne Gould G.	160	+9.9	+4.9	20	0.0	-	1.5	12	0.6	13	7.9	N/A	160
Briscoe Group	132	-9.9	-0.1	90	0.0	6	3.1	26	1.0	12	7.9	0.87	277

Company	STRENGTH RATING									Market Cap'n			
	Share Price	Cur. rent	4-Wk Chg.	Rank 0.99	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility		Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Fletcher Build.	440	+6.0	+0.4	34	8.0	5	2.2	20	0.4	11	6.4	0.55	1,786
Michael Hill	590	+10.6	+0.5	17	6.0	3	4.5	20	0.4	22	4.3	1.00	227
Tourism Hold.	163	+7.9	+1.2	23	4.0	3	0.9	5	0.8	20	7.3	0.91	160
F & P Appliance	469	+13.7	+1.9	10	3.0	4	2.2	15	0.6	14	6.5	1.31	1,227
Nuplex Indust	525	+10.6	+2.6	18	3.0	5	2.0	14	0.6	14	5.7	0.51	322
Urbus Property	91	+1.7	+1.1	56	3.0	-	0.4	10	0.6	4	9.9	2.17	102
NGC Holdings	264	+12.0	-0.0	14	3.0	-	2.5	9	0.6	27	3.4	3.07	1,169
F & P Health.	1305	+2.2	+1.0	51	3.0	5	7.0	29	0.5	24	5.9	6.21	1,334
Cue Energy Ltd	8	+10.9	-8.1	17	4.1	-	0.7	2	2.1	36	Nil	3.28	25
Restaurant Brds	122	+2.6	+1.3	49	2.0	4	2.2	23	0.8	10	12.2	0.38	116
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Widespread Port	3	-47.0	+1.5	98	0.0	-	1.0	-	2.4	NE	Nil	9.26	7
Ports Auckland	725	-2.3	+0.8	73	1.0	6	2.1	12	0.4	17	7.0	4.59	769
Media Tech.	17	-18.3	+0.1	95	0.0	-	2.7	-	2.6	NE	Nil	2.88	14
Lytelton Port	161	-2.6	+0.0	74	0.1	5	3.3	27	0.6	12	10.2	2.70	164
Nuhaka Forestry	502	-2.9	+0.6	75	0.0	-	0.9	-	0.3	NE	12.5	2.57	9
South Port NZ	134	-4.3	-0.0	79	0.0	2	1.5	11	0.7	13	7.5	2.39	35
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Widespread Port	3	-47.0	+1.5	98	0.0	-	1.0	-	2.1	NE	Nil	9.26	7
Genesis Res.	67	-18.6	+0.6	96	0.0	-	0.6	-	1.1	NE	Nil	1.76	18
Media Tech.	17	-18.3	+0.1	95	0.0	-	2.7	-	2.6	NE	Nil	2.88	14
Abano Health.	12	-16.2	-1.2	94	0.0	-	0.6	3	1.5	21	Nil	0.39	23
SkyCity Leisure	85	-12.5	-2.2	92	0.0	-	3.1	11	1.4	28	Nil	1.44	58
Blis Technology	15	-10.0	+3.4	90	0.1	-	3.0	-	1.4	NE	Nil	N/A	10
Summit Gold Ltd	6	-9.8	-1.7	89	0.0	-	1.5	-	1.8	NE	Nil	N/A	6
Warehouse Group	430	-8.5	+1.7	89	3.0	7	3.8	23	0.6	16	5.0	0.64	1,314
Botry-Zen Ltd	11	-6.8	+3.4	87	0.2	-	10.7	-	1.2	NE	Nil	N/A	19
Air New Zealand	40	-6.8	+1.3	86	0.0	5	1.1	16	1.0	7	Nil	0.32	1,169
Postie Plus Grp	96	-6.7	+1.6	85	0.0	-	4.1	32	0.6	13	Nil	0.50	38
WN Drive Tech.	57	-6.4	-5.2	85	0.2	-	31.3	-	0.9	NE	Nil	N/A	72
Northland Port	272	-5.4	-0.9	81	0.0	1	2.6	10	0.6	27	4.6	N/A	113
Evergreen	39	-5.3	-1.7	81	0.0	-	0.7	-	0.7	NE	Nil	1.60	59
Cadmus Tech Ltd	10	-5.0	-2.6	80	0.2	-	2.3	6	1.6	38	Nil	1.18	16
Ports Auckland	725	-2.3	+0.8	73	1.0	6	2.1	12	0.4	17	7.0	4.59	769
Sanford Limited	475	-2.3	+0.3	72	0.3	2	1.0	9	0.4	11	6.1	1.32	454
Software of Exc	135	-1.7	-0.8	71	0.1	-	6.3	-	1.2	NE	Nil	1.73	30
Design Textiles	90	-0.7	+1.4	70	1.0	-	2.2	27	0.8	8	6.8	0.48	29

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Computer Selections of Australian 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", "Income" and "Insider Buying" shares should be considered for purchase, while the "Over-Valued", "Worst Performing" and "Insider Selling" shares can 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									
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Visionmed Group	4	-15.4	-5.4	89	1.0	-	-	2.1	NE	Nil	N/A	6	
Polartech	61	-8.1	-1.7	76	1.0	1	3.1	-	0.6	NE	Nil	28	
Alkane Explor.	28	-11.4	-2.3	83	6.4	-	-	1.1	NE	Nil	9.68	36	
Int'l Wine Inv.	197	-1.6	+1.1	57	0.0	1	0.8	-	0.5	NE	5.6	115	
Unwired Group	61	-31.9	+0.5	98	1.0	-	1.8	20	1.6	9	Nil	107	
Homeloans Ltd	30	-5.9	+2.3	71	0.0	-	1.0	-	0.6	NE	Nil	15	
Oxiana Ltd	80	-1.4	-3.7	56	0.1	-	4.0	4	0.6	93	Nil	8.60	758
Northern Gold	28	-0.7	-2.8	52	3.0	-	-	-	0.6	NE	Nil	8.54	41
Cullen Resource	3	-18.6	-3.2	92	2.0	-	-	-	2.0	44	Nil	8.16	8
Pacific Hydro	286	-4.2	-0.0	66	2.1	5	2.0	16	0.4	13	1.7	7.89	369
Pro Medicus Ltd	73	-4.0	-0.9	66	0.0	2	7.3	46	0.4	16	4.5	7.68	73
Sylvania Res.	32	-1.5	-10.2	56	1.0	-	-	-	1.1	NE	Nil	7.57	9
Sino Gold Ltd	218	-7.6	+0.5	75	0.0	-	-	-	0.6	83	Nil	7.53	281
China West Int.	10	-5.0	+2.5	68	0.0	-	0.6	-	2.1	NE	Nil	7.04	32
Halcyon Group	2	-5.8	-6.6	71	0.0	-	-	-	2.2	NE	Nil	6.97	7
Amity Oil NL	68	-12.7	+2.0	86	4.3	-	-	-	0.7	378	Nil	6.96	108
Bionomics Ltd	25	-12.4	-4.6	85	0.0	-	2.3	-	1.2	NE	Nil	6.78	11
Bounty Oil Gas	13	-5.4	-11.2	69	0.0	-	-	-	1.6	NE	Nil	6.72	10
Konekt Limited	110	-4.8	+1.6	68	2.0	-	-	-	0.4	NE	Nil	6.67	5
Renew. Energy	11	-2.3	-4.8	60	0.0	-	0.9	-	1.2	NE	Nil	6.63	7
Mineral Sec.	84	-10.3	-8.5	81	1.0	-	1.1	-	0.7	NE	Nil	6.20	31
Q-Mastor Ltd	15	-1.6	+2.5	57	0.0	-	3.0	-	0.9	NE	Nil	6.05	6
Astro Mining NL	8	-6.1	+8.2	71	0.1	-	-	-	2.2	NE	Nil	6.00	11
Tantalum Aust.	6	-9.3	+1.3	79	0.0	-	-	-	1.6	NE	Nil	5.83	13
Lihir Gold	95	-14.9	-1.0	89	0.0	10	2.1	6	0.5	35	2.1	5.69	1,220
Luminus Systems	7	-0.0	+0.0	47	0.0	-	-	-	1.4	NE	Nil	5.46	21
Aquarius Plat.	663	-8.9	-5.8	78	1.0	-	-	-	0.5	50	0.3	5.46	529
Dwyka Diamonds	60	-2.4	-2.4	60	0.0	-	-	-	0.9	NE	Nil	5.32	33
Asset Backed	14	-7.9	-6.5	76	0.0	-	0.8	-	1.5	NE	Nil	5.24	7
BMA Gold Ltd	21	-13.1	-3.7	86	1.0	-	-	-	1.3	12	Nil	5.11	15
Minara Resource	249	-0.2	-10.4	48	0.0	-	-	-	1.0	NE	Nil	5.11	1,149
Macquarie Infra	320	-2.9	+2.3	62	4.0	3	1.6	13	0.4	12	2.3	5.05	6,084
Extract Res.	2	-1.3	-4.7	56	0.3	-	-	-	2.9	NE	Nil	5.00	17
Titan Resources	31	-5.9	-9.3	71	0.3	-	1.5	8	0.9	18	Nil	4.91	53
CBD Energy Ltd	39	-1.2	-6.7	55	6.0	-	-	-	1.4	NE	Nil	4.88	6
VRI Biomedical	12	-20.7	-1.3	94	3.1	-	4.0	-	1.5	NE	Nil	4.65	8
Bougainville Co	22	-3.1	-14.9	63	0.0	-	-	-	0.7	6	Nil	4.58	88
Zimbabwe Plat.	364	-0.9	-2.1	54	0.0	-	-	-	0.3	41	Nil	4.57	327
Easycall Int'l	8	-3.4	-0.7	64	0.0	-	1.1	-	1.5	NE	Nil	4.43	19
Sydney Aquarium	470	-1.0	-1.1	54	0.0	4	5.2	30	0.3	17	5.7	4.32	102
ARC Energy	91	-1.0	-2.0	54	1.0	-	3.8	22	0.8	17	Nil	4.27	149
Templeton Globa	113	-0.7	-0.9	52	2.0	-	0.9	-	0.6	NE	Nil	4.23	98
Scigen Ltd	6	-7.7	-3.7	75	0.0	-	3.1	-	1.6	NE	Nil	4.15	14
Infomedia Ltd	79	-3.3	-1.3	63	0.0	5	11.3	81	0.7	14	4.3	4.09	256
Clover Corp.	30	-18.2	-0.9	92	1.1	-	2.7	3	1.5	97	Nil	4.08	45
Golden Valley	3	-1.5	-1.5	56	0.0	-	-	-	2.6	NE	Nil	4.03	5
Harvest Road	31	-4.7	-2.3	67	0.2	-	6.1	-	1.6	NE	Nil	3.98	6
Afinex Limited	2	-6.9	-2.9	74	3.0	-	-	-	2.6	NE	Nil	3.92	7
Cochlear Ltd	2130	-13.9	+1.5	87	4.1	10	8.5	44	0.3	19	3.6	3.90	1,130
Bass Strait Oil	300	-5.0	+0.1	68	0.0	-	1.7	22	0.3	8	15.4	3.84	168

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Open Telecom.	72	-44.9	+1.7	99	0.0	1	-	-	0.7	NE	Nil	0.73	10
Catuity	50	-40.0	-8.9	99	0.0	-	0.7	-	1.0	NE	Nil	0.84	6
Intellect Hold	11	-37.0	-9.2	99	0.1	1	3.5	-	1.5	NE	Nil	0.70	23
Unwired Group	61	-31.9	+0.5	98	1.0	-	1.8	20	1.5	9	Nil	9.04	107
Canbet Limited	2	-31.8	-1.7	98	0.0	-	0.5	4	2.3	14	Nil	0.59	7
Audax Resources	10	-29.9	-1.9	98	0.0	-	-	-	1.1	NE	Nil	N/A	7
Lumacom	22	-29.8	-3.0	98	2.1	-	4.4	-	0.9	NE	Nil	N/A	17
Sipa Resources	12	-27.3	+1.1	97	0.0	-	-	-	1.2	16	Nil	0.77	24
Siberia Mining	31	-27.0	-2.0	97	1.0	-	-	-	0.8	NE	Nil	N/A	7
Stericorp Ltd	7	-26.2	+0.7	97	4.0	-	0.9	-	1.4	NE	Nil	0.49	8
Legalco Limited	68	-25.4	-13.1	97	0.4	-	2.2	5	0.9	47	Nil	0.53	24
Softlaw Corp	120	-24.4	-4.5	97	0.0	-	4.3	18	0.4	24	2.5	0.65	11
Environ. Sof'n	12	-23.9	-1.5	96	3.0	-	1.5	-	1.0	NE	Nil	0.62	9
Oroya Mining	8	-23.6	-7.5	96	1.0	-	-	-	1.4	NE	Nil	N/A	10
Intermoco Ltd	3	-22.5	-2.1	96	1.2	-	-	-	1.8	NE	Nil	N/A	17
Austpac Res	3	-22.3	-2.7	96	0.0	-	-	-	2.1	NE	Nil	N/A	13
Millepede Int'l	14	-22.3	-3.2	96	0.0	-	4.7	-	0.9	NE	Nil	N/A	9
Solagran Ltd	9	-22.0	-3.6	95	0.0	-	4.3	-	1.1	NE	Nil	N/A	8
E.R.G.	62	-21.9	-4.1	95	0.1	1	2.7	-	0.9	NE	Nil	0.51	166
Occupational Md	187	-21.2	-2.5	95	1.0	-	15.6	-	0.4	NE	Nil	N/A	49
Cardia Tech.	4	-21.0	-5.4	94	1.1	-	3.9	-	2.0	NE	Nil	N/A	5
VRI Biomedical	12	-20.7	-1.3	94	3.1	-	4.0	-	1.5	NE	Nil	4.65	8
Select Vaccines	24	-20.4	-5.5	94	4.8	-	4.0	-	0.9	NE	Nil	N/A	5

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									
Pearl Healthcare	6	-20.3	-1.6	94	4.0	-	3.0	19	1.8	16	Nil	0.51	6
Westonia Mines	24	-20.2	-1.6	94	4.2	-	-	-	0.7	NE	Nil	N/A	225
Bendigo Mining	104	-20.1	-7.8	94	0.0	-	-	-	0.5	NE	Nil	N/A	97
Bioprospects	5	-19.7	-2.2	94	1.0	-	5.0	-	2.1	NE	Nil	N/A	6
ICS Global Ltd	25	-19.6	-3.3	94	0.0	-	6.3	-	1.0	NE	Nil	N/A	16
Quantum Energy	21	-19.3	-5.8	93	4.0	-	21.0	-	0.9	NE	Nil	N/A	183
Rockeby Biomed	11	-19.3	-2.9	93	0.0	-	2.8	-	1.1	NE	Nil	N/A	11
RMG Limited	2	-19.1	-6.9	93	1.0	-	-	-	2.9	NE	Nil	0.37	13
Electrometals	5	-19.0	-1.2	93	0.0	-	5.2	-	1.6	NE	Nil	N/A	6
Xanadu Wines	9	-18.7	+0.1	93	1.0	-	0.4	-	1.3	NE	Nil	0.82	22
Cullen Resource	3	-18.6	-3.2	92	2.0	-	-	-	1.8	44	Nil	8.16	8
Alpha Tech.	1	-18.6	-5.1	92	0.0	-	-	-	3.2	NE	Nil	0.52	6
ITL Limited	33	-18.2	-6.7	92	1.0	-	-	-	0.8	NE	Nil	N/A	32
Clover Corp.	30	-18.2	-0.9	92	1.1	-	2.7	3	1.5	97	Nil	4.08	45
Nustar Mining	4	-18.2	-0.8	92	0.0	-	-	-	1.7	NE	Nil	N/A	8
Climax Mining	8	-18.0	-5.0	92	1.0	-	-	-	1.8	NE	Nil	N/A	23
Red Metal Ltd	20	-17.6	-4.6	91	1.0	-	-	-	0.9	NE	Nil	N/A	12
Cryotech Ltd	20	-17.6	-3.5	91	1.0	-	2.9	-	1.2	NE	Nil	3.48	7
Pocket Mail Grp	2	-17.5	-5.1	91	0.0	-	-	-	3.2	NE	Nil	0.70	7
Mawson West Ltd	13	-17.3	-3.3	91	1.1	-	-	-	1.1	NE	Nil	N/A	6
Platinum Aust	15	-16.6	+1.2	91	1.0	-	-	-	1.0	NE	Nil	N/A	10
Byte Power Grp	7	-16.5	-2.7	90	0.0	-	-	-	1.5	NE	Nil	0.42	12
Hailian Int'l	17	-16.3	-7.6	90	0.0	-	0.6	2	1.5	33			

Company Analysis: Webster Ltd

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

Webster Ltd (code WBA) is a diversified and vertically integrated agricultural business based in Tasmania. This company has not performed well over recent years, but has completed a major restructuring - selling off unprofitable operations and expanding those with growth potential. The company expects to only break-even this year, but return to profitability and reinstate dividends next year.

If Webster can improve its performance, then the shares should offer a high income and hold the potential for significant growth over the next decade as new operations reach full production.

Company History

This business was originally incorporated as **AG Webster & Sons** in 1910 and over that period of nearly a century has been involved in almost every type of rural and related business.

Current Businesses

The company has continued to change and restructure over recent years and is currently focusing on three divisions: Horticulture (carrots, onions and walnuts), Aquaculture (salmon) and Rural, Industrial & Transport (rural merchandising, engineering supplies, transportation).

The Horticulture division had expanded into apple growing in the 1990's but the company sold its three remaining orchards in late 2003 and after the 2004 apple harvest will have no further exposure to this business.

The **Field Fresh Tasmania** business is involved in onion and carrot farming, plus processing, distribution and marketing produce from other contract growers. This business provides reliable revenues and a high return on assets, with the potential for steady long term growth.

The horticulture division's largest growth potential is in the company's emerging walnut business. Webster owns a 40 hectare walnut orchard, 50% of a 500 hectare orchard and has management and marketing agreements with a number of small, privately owned walnut orchards. The company is currently establishing a new 850 hectare orchard that will be funded by outside investors. The group also owns the only commercial walnut nursery in Australia. This operation will earn income from production at its own orchards, sale of walnut trees from its nursery, fees from the development and management of investor owned orchards plus processing and marketing. Tasmanian walnuts are "exceptionally high quality" and sell at premium prices. The walnut business will become "cashflow positive and earnings positive" for Webster next year (i.e. to June 2005) and offers huge growth potential. The company harvested 30 tonnes of walnuts to June 2003, expects to harvest 80-90 tonnes this year with a 30-fold growth to 2500 tonnes by 2012 (i.e. equal to about half of Australia's

total domestic consumption of walnuts). Hulling and drying facilities will be steadily expanded in line with the growth in production.

The Aquacultural business - salmon farmer **Aquatas** - was established in 1987 as a joint venture with Japanese based **Kokan Mining Company**. Webster acquired full ownership in November 2001 for \$3.6 million in scrip (i.e. 3,000,000 shares and 3,000,000 converting preference shares) which Kokan Mining sold last month. Unfortunately salmon farming has not been a profitable business even though the company believes it is a "low cost, high quality" producer. Over the last year Aquatas has invested to establish a second farm at Macquarie Harbour. The business is vertically integrated, producing fresh and smoked salmon, and has established export markets in Japan and South East Asia.

These various operations will help to smooth out the seasonal cashflows involved in agricultural businesses. Most of the cashflow from onions and carrots is produced in the June quarter, salmon cashflows are highest in the March and December quarters, whilst walnuts will produce cashflows in the September quarter.

The *Rural, Industrial and Transport* is the largest division, providing the usual wide range of rural services to generate reasonably reliable revenues and moderate profits. Most of this division was merged with **Futuris Corporation's Elders** businesses in Tasmania to form a joint venture company, **Elders Webster**. This will have little impact on profits this year, but did provide an \$11 million cash payment to Webster which has been used to repay debt. Webster also issued 3,000,000 new shares to Futuris to raise an additional \$1.5 million in cash. Other businesses in this division retained by Webster are involved in industrial supplies and heavy machinery, truck sales, parts and servicing.

Recent Results

Webster has performed poorly over recent years:

Revenues have been around \$135 - \$157 million over recent years but profitability has been uncertain. Webster made profits in the years to June 1999 of \$1.3 million and 2002 of \$4.1 million, but losses in 2000, 2001 and 2003 of \$2.8 million, \$3.0 million and \$2.0 million respectively. A 3.0 cents dividend was paid in 1999 but nothing over the last four years.

The half year to 31 December 2003 was no better, with revenues steady at \$71.5 million and a loss of \$3.1 million.

In April 2004, however, the company predicted a "break-even" this year (i.e. about a \$3 million profit for the second half of the year) and that the profit to June 2005 will be "greater than \$5 million" (about 11 cents per share diluted for the converting preference shares). That would allow the company to reinstate dividends, with its intended 40-50% payout ratio allowing a dividend

June 8, 2004.
of 4.0-5.5 cents.

Investment Criteria

Historical valuation statistics have little value as Webster has been unprofitable in most recent years and has not paid a dividend since 1999. The Price/Sales ratio, however, is extremely low at 0.16 - which would indicate good value *if the company can return to profitability*.

Webster is *predicting* earnings per share of about 11 cents for the year to June 2005. So at 68 cents the shares would be on a Price/Earnings ratio of just 6. Reinstating dividends at 4.0-5.5 cents would offer a Dividend Yield of 5.9-8.1%. So with a return to profitability the shares would offer good value.

New businesses could offer excellent growth potential, while older businesses have been significantly restructured and could be more profitable in future.

With an issued capital of 42,928,858 ordinary shares (and 3,000,000 unlisted converting preference shares) the market capitalisation is only \$31.2 million, making Webster a *smaller* listed company.

There have been no *on-market insider* trades over the last year although non-executive director PG Handbury did buy 2,000,000 ordinary shares and 1,000,000 converting preference shares off-market from Kokan Mining last month. This raises his holding to 8,673,877 share or 18.9% of the company. The Chairman, RJ Roberts, also has a very large shareholding: 6,738,331 shares or 14.7% of the company. The other four directors own very small holdings of just 1000-5000 shares each.

The shares are *neglected* by institutional investors

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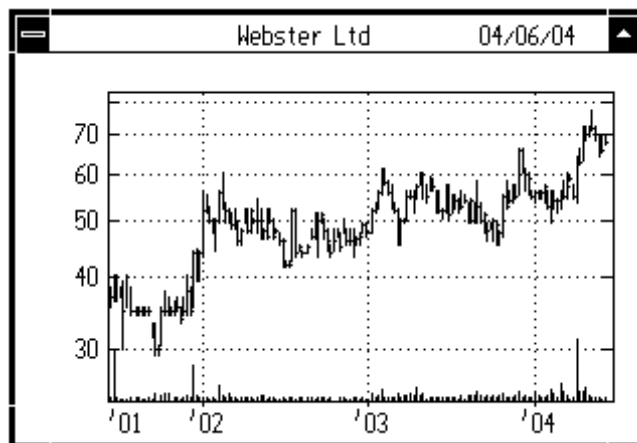
and stockbrokers - so likely to be under-valued - although **Loftus Capital Partners** has built up a holding of 3,649,176 shares (8.5%) recently.

Technically the shares are attractive and appear to be in the early stages of a recovery. The Relative Strength rating is +12.9%, ranked 11 (on a scale of 0-99).

Summary and Recommendation

Webster has been a long term under-performer but *may* have finally succeeded in turning around its business. So there is good potential for a return to profitability, the reinstatement of dividends and real growth over many years. The shares are under-valued - although recovering in value - so investment risks are not high.

Although we are not formally recommending these shares a small investment in this recovery situation *could* be appropriate for investors with diversified portfolios.



Company Analysis: Redflex Holdings

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

Redflex Holdings (code RDF) is the world leader in redlight and speed camera traffic photo-enforcement where it has a large market share in the United States. This business is booming - with Redflex winning new contracts faster than it can install cameras. Revenues could expand 5-fold over the next 3-5 years and profitability could soar. The shares, however, are already *very expensive* so may not yield good returns to investors. Here is an example of how a high quality, extremely rapidly growing company *may not* be a good investment.

Company History

Redflex Holdings listed on the Australian stockmarket in early 1997 and was involved in complex communications systems and touchscreen technologies.

Redflex Communications is a provider of high security communications equipment, centred around the proprietary **Switchplus** technology, but the real growth now appears to be in **Traffic Systems**. The company developed its digital **SMARTCAM** in July 1998 with initial sales made in Australia. Significant

growth has resulted from expansion into the United States where cameras are supplied under BOOM (i.e. Build, Own, Operate, Maintain) contracts. The company needs to make a significant up-front investment to supply and install systems but then earns high margin and recurring revenues over at least a five year contract.

Redflex operated 115 revenue sharing systems in the US by December 2002 and that doubled to 211 systems by December 2003. The company is installing fifteen systems per month - with plans to increase that to twenty - while contract announcements suggest a backlog of up to 390 systems to be installed. The company sees the potential to be operating "over 1000" systems within 3-5 years. That offers the potential for revenues to increase around 5-fold over that period (i.e. 40-70% per annum compound growth).

Recent Results

Over its short life, Redflex Holdings' results have been poor - and there have been a couple of changes of management!
(Continued on Page 12)

Redflex Holdings (Continued from Page 11)

Revenues rose 45.9% to \$11.9 million for the year to June 1999, with profits up 27.7% to \$774,000 (4.4 cents per share).

Revenues rose 10.7% to \$13.2 million in 2000, but the company *lost* \$1,799,000 (*minus* 8.1 cents per share) and wrote down asset values by \$13.1 million.

Revenues leapt 82.9% to \$24.1 million in 2001 and a small \$288,000 profit (0.6 cents per share) was recorded - to be promptly followed by a small decline in revenues to \$23.5 million and an operating loss of \$3,737,000 (*minus* 5.5 cents per share) for the year to June 2003.

Throughout this period the company has increased its issued capital 4.7-fold with a series of share placements, a 1 for 5 cash issue and two Share Purchase Plans.

For the six months to December 2003 the company returned to profitability, earning \$773,000 (0.9 cents per share) from revenues up 27.9% to \$13.9 million. The business, however, continues to need new cash. The operating cash flow was a *deficit* of \$2.3 million, another \$6.2 million was invested in equipment and another \$1.1 million was spent on (capitalised) Research & Development.

Directors have indicated a full year profit in excess of \$3.0 million (3.6 cents per share).

Investment Criteria

The 4.7-fold increase in issued capital over the last four years demonstrates the significant *dilution* that can result from raising new equity. *If* revenues and profits rise 5-fold over the next few years but issued capital also increases another 5-fold, then *earnings per share* will remain unchanged. So shareholders would be no better off despite the rapid growth in the company's business.

While US installations should provide significant revenue and profit growth this does require ever larger amounts of cash to finance the investment in equipment. The investment in systems over the last two years, however, has built up monthly revenues of around \$1 million so it *may be possible* to finance future growth from cashflows and debt - and avoid dilutive capital raising.

As the company traded unprofitably last year - and has never paid a dividend (nor likely to in the near future) - it is difficult to value Redflex Holdings shares. The Price/Sales ratio is very high at 6.24 - suggesting the shares are very over-valued (i.e. the share price has *already anticipated* future growth).

The forecast profit of \$3.0 million to June 2004 would put the shares on a Price/Earnings ratio of 60. Once again that indicates the shares are very expensive.

So how could things work out? If everything goes perfectly and revenues grow 50% per annum over the next four years, then profits *could* be around \$20-25 million by June 2008. If the company finances *all* of that growth from cashflow and debt, then earnings per share would be 24-30 cents. At that time - depending upon the potential for *further* growth - the shares could trade on a P/E ratio of 15-25 which would give a possible share value of around \$4.50 to \$6.00. The shares currently trade around \$2.17, so that is a potential gain of 110-

180% or 20-30% per annum compound.

However, things seldom go perfectly. The growth rate may be "only" 30% per annum. So earnings per share would grow to only 12-15 cents and the share price to \$2.25 to \$3.00. That is a gain of 4-40% or just 1-9% per annum.

Or the company may achieve its 50% growth but need to raise additional capital. If the issued capital increases by about 10% per annum, then earnings per share will be diluted to 16-20 cents. The shares would trade at \$3.00 to \$4.00 - up 40-85% or 9-17% per annum.

With a 30% growth rate *and* a 10% growth in issued capital the earnings per share would be just 8-10 cents. That would support a share value of \$1.50 to \$2.00 - so the share price would *fall* as it has already *over-anticipated* the company's future growth.

Our Ideal Investment

Investors should compare the difference in potential returns between an expensive, high growth share like Redflex Holdings and an under-valued share with more modest - and achievable - future growth potential.

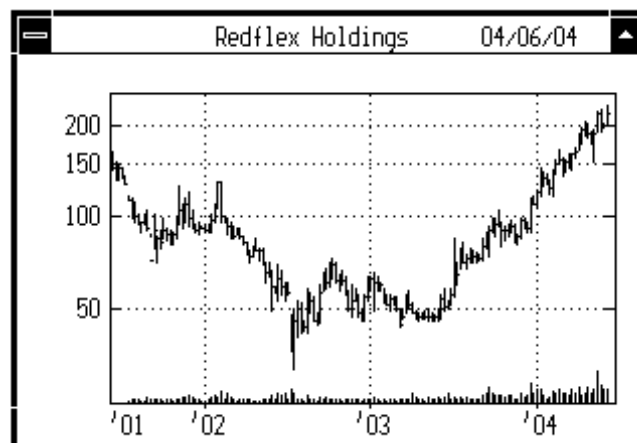
A share trading on a P/E of 6-8 and achieving 20% growth over the next four years can offer much higher profit potential for investors - and at significantly lower risk. If earnings per share *double* (i.e. 20% per annum growth over four years) *and* the P/E ratio is re-rated to 12-16, then the share price will *quadruple*. That is a better than 40% per annum return for an investor!

Summary and Recommendation

Redflex Holdings is a quality growth company, with a competitive advantage in its niche market and excellent potential to build recurring, high margin revenues. The only problems are that (1) the shares are far too expensive and (2) the company will probably need to raise additional equity financing that will dilute earnings per share growth and future investment returns. Investors need to look for *growth potential* - but at a *reasonable price*.

The shares *may* continue to perform well in the short to medium term as optimistic investors bid up the price, but are too expensive for serious investors.

Redflex Holdings, however, is worth watching. If the company experiences a glitch (e.g. lower than expected earnings growth) then the shares *could* be significantly marked down in price. At that time - if future growth potential remained strong - it *may* become possible to buy the shares at a much lower valuation than at present. Avoid at present.



Creative Accounting Boosts 42 Below's Revenues and Profits

In September last year we were amazed by the initial public offering of shares in **42 Below** and strongly recommended investors avoid this company.

The published results to 31 March 2004 further reinforce our view that this business is (1) simply not viable (i.e. will never become profitable and - even if that were possible - lacks the financial resources to pursue its growth strategy) and (2) the shares are massively over-priced relative to the value of this business and its growth potential.

In fact, 42 Below has already *under-performed* its prospectus forecast - even with the help of some very dubious accounting!

Readers may remember that the public investors were offered 31,000,000 shares at 50 cents to raise \$15.5 million, while the existing owners issued themselves 90,000,000 shares (worth \$45 million at the price paid by the public investors) for this small, unprofitable business.

In a piece of creative accounting, instead of the vendors converting their \$1,976,000 loan to 42 Below into \$45 million worth of shares they converted \$820,000 of this advance into \$45 million of shares and "gifted" the remaining \$1,156,000 to the company.

42 Below has then counted this \$1,156,000 as both revenue and profit in its annual accounts - which therefore does not give a "true and fair" view of the operations of the company!

The result to 31 March 2004 shows revenues up 11.7-fold to \$5,889,000 and a 91% higher loss of \$1,125,000. The cashflow report shows the company bleeding \$4,140,000 in cash.

Even this creative result falls short of the prospectus which forecast revenues of \$6.4 million and a cash deficit of \$3.1 million.

The \$1,156,000 "gift" to the company is a complete distortion. In fact, the company gifted \$43.0 million to the vendors which should be shown as \$43 million of goodwill in its accounts!

Ignoring the \$1,156,000 "gift" revenue and profit, 42 Below's revenues were \$4,743,000 - 25.9% below its forecasts. The *operating* loss was \$2,281,000. While this is the "true and fair" result for the company it is still boosted by around \$333,000 of interest income. This interest income will rapidly diminish as the company spends the cash raised from the public.

So *revenues from sales* (i.e. ignoring interest) rose 8.8-fold to \$4,410,000 while the *trading loss excluding interest* was \$2,614,000. What does this tell us about the company's growth? During the last year the company managed to raise revenues by \$3,966,000 - but only by increasing expenses by \$5,931,000. Spending an additional \$1.50 to earn an extra \$1.00 in revenue is not the way to become profitable!

Furthermore, to achieve this 8.8-fold increase in revenues the company has needed to increase its

investment in Inventory 11.6-fold and its Debtors 10.3-fold. This shows *diminishing* economies of scale (i.e. the investment in inventory and debtors is increasing *faster* than revenues). We should, however, point out that Inventories and Debtors have increased off a low base. So the large increases may not be significant but they are certainly not favourable.

At a price of 45 cents, 42 Below has a market capitalisation of \$54.5 million and the shares trade on a Price/Sales ratio of 11.48. Even if the company were able to eventually become profitable and earn after tax profit margins of 10-20%, a P/S ratio of 11.5 is equivalent to a Price/Earnings ratio of 58-115. Few high quality growth shares are worth more than a P/E ratio of 20-40 - which implies a maximum value for 42 Below shares of around 15 cents.

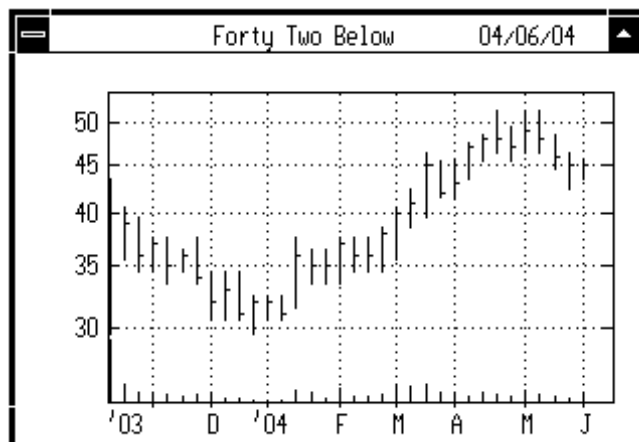
Unfortunately, the current annual cash bleed of \$4.1 million will completely exhaust the company's remaining cash of \$10.7 million in about 2½ years. If the company continues to grow rapidly then the cash bleed (i.e. the excess of expenses over income *and* the increasing investment in inventory and debtors) will *increase* and deplete its cash holding even faster.

Summary and Recommendation

If 42 Below were profitable it would be a nice hobby business for someone to run out of their garage or spare room - but there is no way this can be taken seriously as a publicly listed company. The use of creative accounting casts further doubt on the viability of the business (i.e. a viable business does not need to resort to such means to inflate its share price).

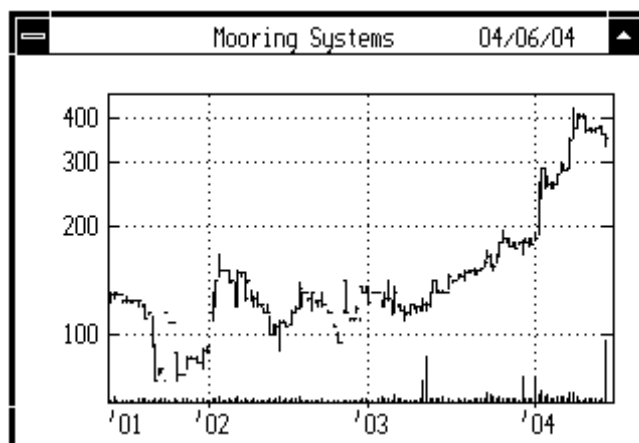
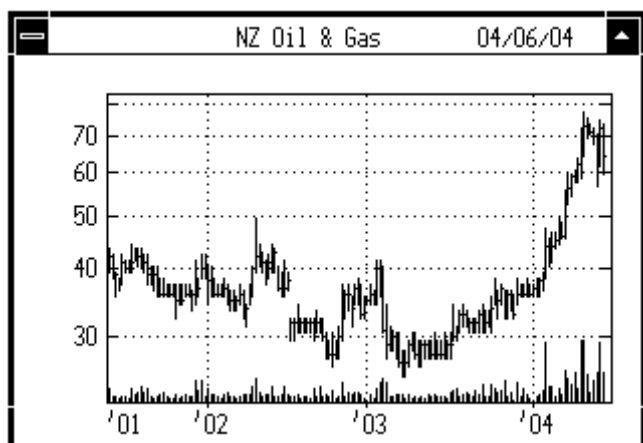
Of course, the original promoters will do very well if they can dump any of their shares - at any price - before the company runs out of cash.

Investors should continue to "Avoid" these shares. Nevertheless, 42 Below offers an interesting lesson in (1) the lack of investor protection on the NZ stockmarket, (2) creative accounting practices and (3) the irrational investor behaviour that leads to excessive over-valuation (and under-valuation) on the stockmarket.



"Strongest" NZ Shares

Company	Share Price	STRENGTH RATING			Insider Buy/Sell	Price to Brokers Following	Return on NTA	Volatility Equity	Price to Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING			Insider Buy/Sell	Price to Brokers Following	Return on Equity	Volatility	Price to Earn. Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n		
		Cur. Rent	4WK Chg.	Rank 0-99											Cur. Rent	4WK Chg.	Rank 0-99										
Pac Edge Bio.	28	+147.5	+103.6	0	0-0	-0.5	-1.8	NE	Nil	N/A	3	Kingsgate Int'l	35	+11.3	+1.3	16	0-0	-0.9	3	1.6	34	Nil	5.81	138			
Heritage Gold	11	+60.2	+17.0	0	0-0	-1.1	-2.4	NE	Nil	N/A	8	Cue Energy Ltd	8	+10.9	-8.1	17	4-1	-0.7	2	3.7	36	Nil	3.28	25			
RetailX Limited	30	+49.7	-13.0	1	0-0	-0.9	-1.8	NE	Nil	6.85	1	Michael Hill	590	+10.6	+0.5	17	6-0	3	4.5	20	0.5	22	4.3	1.00	227		
Mooring Systems	350	+42.6	-5.4	2	0-5	-8.3	0	0.63500	Nil	N/A	43	Nuplex Indust	525	+10.6	+2.6	18	3-0	5	2.0	14	0.8	14	5.7	0.51	322		
NZ Oil and Gas	64	+42.4	+1.8	2	1-0	-2.1	-1.3	NE	Nil	N/A	82	Tower Limited	162	+10.5	-0.2	18	1-0	7	0.4	0	1.0	169	9.3	0.65	664		
Provenco Group	71	+33.1	-6.7	3	2-3	-6.9	12	1.4	56	Nil	1.21	58	Guinness Peat	194	+10.0	+0.3	19	0-6	-1.2	14	0.9	9	1.4	0.98	1,472		
NZ Exchange Ltd	869	+31.8	-3.7	4	0-0	-4.2	11	0.7	37	Nil	7.94	110	Pyne Gould G.	160	+9.9	+4.9	20	0-0	-1.5	12	0.9	13	7.9	N/A	160		
Sealegs Corp	2	+23.2	-20.8	4	0-0	-12.1	-7.9	NE	Nil	N/A	24	Infratil NZ	300	+8.7	+1.1	20	1-4	3	1.3	5	0.6	28	6.0	4.50	680		
Broadway Ind	100	+21.6	-5.1	5	1-0	-2.2	15	0.8	14	2.0	0.55	20	Trans-Tasman	40	+8.0	+0.1	21	0-0	3	0.6	5	1.5	12	Nil	3.72	238	
Cert Organics	12	+20.8	-3.9	5	0-0	-1.6	-3.2	NE	Nil	9.22	7	Hirequip NZ Ltd	109	+8.0	+0.9	22	0-1	-2.0	10	0.9	21	2.1	3.31	120			
Tag Pacific Ltd	18	+20.0	+2.2	6	1-0	-0.8	0	2.4	600	Nil	0.36	12	Tourism Hold.	163	+7.9	+1.2	22	4-0	3	0.9	5	1.0	20	7.3	0.91	160	
Trust Power Ltd	414	+19.0	+0.9	7	0-0	3	0.8	7	0.5	11	6.3	1.03	652	AMP Limited	625	+7.7	+2.6	23	0-0	-1.3	-	-	0.9	NE	2.8	0.95	11,533
Tenon Ltd	191	+15.6	+3.4	7	1-0	-1.2	-1.1	NE	Nil	1.39	533	Carter Holt	202	+7.3	-1.3	24	0-0	6	0.9	6	1.0	14	3.0	0.90	3,521		
CACI Group Ltd	38	+15.0	-7.5	8	0-0	-2.1	16	1.4	13	Nil	0.42	3	Port Tauranga	525	+7.3	+2.7	24	0-1	6	1.6	6	0.6	28	4.7	6.41	703	
Forty Two Below	45	+14.9	+2.3	9	2-0	-4.1	-1.6	NE	Nil	N/A	54	Waste Mgmt NZ	456	+7.2	+0.5	25	0-2	5	2.5	10	0.7	24	5.2	2.47	449		
Mowbray Collect	148	+14.3	+2.1	9	0-1	-3.1	2	0.7	208	4.5	3.25	13	Wakefield Hosp.	245	+6.9	+1.2	26	0-0	-1.2	9	0.6	13	4.9	0.84	31		
F & P Appliance	469	+13.7	+1.9	10	3-0	4	2.2	15	0.8	14	6.5	1.31	1,227	Rubicon Limited	85	+6.7	+1.3	26	0-0	-1.0	0	1.1	198	Nil	N/A	237	
Windflow Tech.	320	+13.3	-0.7	11	0-0	-8.5	-0.9	NE	Nil	N/A	N/A	NZ Refining Co	1950	+6.7	+3.3	27	0-0	1	1.5	12	0.2	13	9.2	2.47	468		
Finmedia Ltd	90	+13.2	-11.3	11	1-0	-1.7	-0.9	NE	Nil	0.96	10	Taylor's Grp Ltd	263	+6.6	-4.8	28	0-0	-2.5	17	0.7	15	6.0	1.12	64			
Renaissance	67	+12.9	-2.4	12	0-2	-2.7	15	1.2	18	15.6	0.26	25	Ryman Health.	249	+6.6	+2.2	28	1-2	-1.7	13	0.8	14	3.6	2.27	249		
Dorchester Pac	280	+12.8	-1.2	13	0-0	-1.9	20	0.9	10	5.3	0.80	58	Loan & Building	366	+6.3	-1.1	29	0-0	-4.0	-	-	0.4	NE	Nil	1.34	N/A	
AXA Asia Pac.	369	+12.5	+2.2	13	0-0	-1.8	10	0.8	17	3.2	1.32	6,503	Scott Tech. Ltd	330	+6.3	+1.3	30	1-0	-4.3	30	0.8	15	6.3	1.73	82		
NGC Holdings	264	+12.0	-0.0	14	3-0	-2.5	9	0.9	27	3.4	3.07	1,169	Allied Farmers	160	+6.3	+1.1	30	0-1	-0.9	9	0.9	11	6.8	0.36	25		
Mainfreight Grp	180	+12.0	-1.0	15	0-1	4	2.4	8	0.8	31	5.4	0.26	172	NZ Invest Trust	625	+6.3	+1.6	31	1-0	-	-	-	0.6	NE	1.3	N/A	63
Finzsoft Solns	115	+11.7	-0.9	15	0-0	-3.0	10	0.9	30	Nil	1.77	10	Zintel Comm.	118	+6.2	+3.4	31	0-0	-11.1	77	1.0	14	8.5	1.48	59		



"Neglect" Ratings of NZ Shares

"Neglected" Shares = 1-2 Brokers, "Moderately Followed" Shares = 3-4 Brokers, "Widely Followed" Shares = 5 or more Brokers.

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	6	415	GDC Communicat.	1	12	NZ Refining Co	1	468	Sky City Ltd	7	1,988
Air New Zealand	5	1,169	Hallenstein G.	3	173	Northland Port	1	113	Sky Network TV	6	2,104
Akd Int Airport	8	2,060	Hellaby Hold.	2	247	Nuplex Indust	5	322	South Port NZ	2	35
Briscoe Group	6	277	Horizon Energy	2	99	Owens Group Ltd	1	63	Steel & Tube	5	343
Calan Hlthcare	4	112	Ind Newspapers	2	1,742	Pacific Retail	2	131	Telecom Corp	8	10,498
Cap Properties	5	214	Infratil NZ	3	680	Port Tauranga	6	703	Toi NZ Ltd	3	328
Carter Holt	6	3,521	Kiwi Property	5	690	Ports Auckland	6	769	Tourism Hold.	3	160
Cavalier Corp	2	305	Lytelton Port	5	164	Powerco Limited	5	673	Tower Limited	7	664
Contact Energy	6	3,473	Mainfreight Grp	4	172	Property F Ind.	5	185	Trans-Tasman	3	238
F & P Health.	5	1,334	Metro. LifeCare	1	195	Restaurant Brds	4	116	Trust Power Ltd	3	652
F & P Appliance	4	1,227	Michael Hill	3	227	Sanford Limited	2	454	Warehouse Group	7	1,314
Fletcher Build.	5	1,786							Waste Mgmt NZ	5	449
									Wrightson Ltd	4	211

"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	135	Cochlear Ltd	10	1,130	Iress Mkt Tech	4	324	Queens'd Cotton	1	100
AMP Ltd	10	10,370	Coles Myer	9	10,136						
ANZ Bank	13	33,036	Collection Hse	5	138	James Hardie	11	2,843	RG Capt'l Radio	5	172
APN News Media	8	1,939	Colorado Group	5	448	Jubilee Mines	3	420	Ramsay Health	7	716
ARB Corporation	5	227	Com'wealth Bank	10	41,368				Rebel Sport	1	204
AWB Limited	4	1,551	Commander Comm.	2	218	K&S Corporation	2	76	Reece Australia	1	817
AXA Asia Pac	10	5,811	Computershare	8	1,763	Kaz Group Ltd	5	321	Ridley Corp.	4	340
Adacel Tech.	1	40	Cons Rutile	1	135	Keycorp Ltd	1	109	Rio Tinto Ltd	11	48,395
Adcorp Aust.	3	67	Corp Express	9	908				Roc Oil Company	3	176
Adelaide Bright	6	694	Count Financial	2	184	Leighton Hold	7	2,241	Rock Build Soc.	1	53
Adelaide Bank	7	721	Crane Group	5	429	Lend Lease Corp	8	4,474	Rural Press Ltd	7	912
Adsteam Marine	3	343				Lihir Gold	10	1,220			
Adtrans Group	2	81	DCA Group Ltd	5	569				SMS Mgmt & Tech	4	99
Ainsworth Game	2	70	David Jones	4	646	M.Y.O.B. Ltd	4	344	SP Telecom.	2	242
Alesco Corp Ltd	3	299	Deutsche Office	8	1,366	Macarthur Coal	6	246	STW Comm Group	5	517
Alinta Limited	1	807	Deutsche Ind Tr	5	645	Macquarie Infra	3	6,084	Santos Ltd	7	4,045
Allium Limited	3	34	Deutsche Div Tr	6	1,180	Macquarie Off.	8	1,152	Servcorp Ltd	1	160
Amalgamated Hld	1	394	Downer EDI Ltd	6	749	Macquarie C'Wde	7	940	Seven Network	9	1,308
Ambri Limited	1	16				Macquarie Bank	8	7,201	Sigma Company	7	1,104
Ancor Ltd	9	5,578	E.R.G.	1	166	Macquarie G Mgt	4	805	Silex Systems	1	102
Amrad Corp.	1	88	ETRADE Aust.	1	160	Macquarie Leis.	1	155	Sims Group Ltd	6	967
Aristocrat Leis	10	2,215	Emperor Mines	1	84	Macquarie Good.	7	1,881	Skilled Eng.	3	256
Auspine Ltd	1	190	Energy Resource	1	516	Mayne Group Ltd	8	2,372	Smorgon Steel	8	916
Aust Pharm. Ind	5	562	Energy Develop.	7	309	McGuigan Simeon	4	466	Solution 6	3	226
Aust Agricul.	3	234	Envestra	6	778	Metabolic Phar.	1	154	Sonic Health	7	2,335
Aust W'wide Exp	5	346	Evans & Tate	1	84	Metcash Trading	10	1,668	Sons of Gwalia	8	425
Aust Pipeline	5	644				Mia Group Ltd	8	605	Soul Pattinson	1	1,501
Aust Infra.	5	288	FKP Limited	3	305	Millers Retail	7	318	Southcorp Ltd	11	2,382
Aust Gas Light	8	5,254	Fairfax (John)	11	3,175	Mincor Resource	2	104	Spotless Group	8	1,042
Aust Stock Exch	9	1,568	Fantastic Hold.	3	287	Mirvac Group	7	2,780	St George Bank	9	11,146
Austal Limited	3	208	Flight Centre	4	1,679	Mosaic Oil NL	1	76	Stargames Ltd	2	100
Austar United	1	855	Foodland Assoc	9	2,146				Starpharma Hold	1	68
Austereo Group	9	602	Foster's Group	10	9,477	Nat'l Aust Bank	11	45,946	Sthn Cross Brd.	8	650
Australand Prop	3	1,125	Futuris Corp.	5	985	Nat'l Foods	7	1,275	Stockland	8	5,568
Axon Instrument	2	176				Newcrest Mining	9	4,152	Straits Res.	1	38
			G.U.D. Holdings	6	512	News Corporatio	6	27,414	Suncorp-Metway	10	7,372
BHP Billiton	12	74,776	GWA Internat'l	5	814	Norwood Abbey	1	131	Sydney Aquarium	4	102
Bank of Q'land	6	731	Gandel R. (CFS)	8	2,733	Novogon Ltd	1	481	Symex Holdings	1	120
Baycorp Advant.	4	639	Gasnet Aust Grp	3	317	Novus Petroleum	3	357			
Bendigo Bank	7	1,288	General Prop Tr	8	6,707	Nufarm Limited	6	927	TAB Ltd	9	2,148
Beston Wine Ind	1	51	Globe Int'l Ltd	4	180				Tabcorp Holding	8	4,917
Billabong Int'l	8	1,682	Graincorp	3	492	Oil Search Ltd	8	1,359	Tap Oil	5	240
Biota Holdings	1	44	Grand Hotel	3	149	Onesteel Ltd	8	2,461	Technology One	5	158
Boral Limited	8	3,484	Gribbles Group	4	154	Open Telecom.	1	10	Telstra	11	59,830
Brambles Ind.	8	10,145	Gt Sthn Plant'n	1	537	Orbital Engine	1	53	Tempo Services	6	105
Brazin Limited	4	182	Gunns Ltd	4	1,115	Orica Ltd	7	4,136	Ten Network	6	1,142
Brickworks Ltd	2	1,153				Origin Energy	7	3,617	Thakral Holding	3	419
Bunnings W/hse	5	434	Harvey Norman	6	2,830	Oroton Group	1	98	Timbercorp	1	297
Burns Philp	4	1,140	Healthscope	5	323				Toll Holdings	7	3,269
Burswood Ltd	8	660	Health Com Ntwk	1	66	PMP Limited	3	479	Transfield Serv	5	690
			Henry Walker E.	2	144	Pacific Hydro	5	369	Transurban Grp	9	2,312
C'wth Prop Off.	8	1,692	Hills Indust.	4	506	Pacific Group	7	548			
C.S.R. Ltd	8	1,828	Hills Motorway	8	1,328	Paperlin X Ltd	7	1,995	Uecomm Limited	2	199
CMI Limited	1	55	Hpal Limited	2	163	Patrick Corp	7	2,708	United Group	6	485
CSL Limited	7	3,535	Hutchison Tel.	7	429	Peptech Limited	1	213			
Cabcharge Ltd	5	369				Perp Trust Aust	8	1,698	Village Road.	4	425
Caltex Australia	2	2,392	ING Indust Trt	6	1,169	Peter Lehman W.	2	127	Villa World	1	135
Campbell Bros	1	253	ING Office Fund	8	1,002	Polartechnics	1	28	Vision Systems	3	151
Candle Aust.	1	62	ION Limited	4	329	Portman Limited	7	290	Volante Group	3	80
Capral Alum.	1	180	liNet	1	103	PowerTel Ltd	2	3			
Carindale Prop	1	185	Iluka Resources	9	985	Primary Health	3	567	Wattyl Ltd	4	296
Cellnet Group	2	71	Infomedia Ltd	5	256	Prime TV	8	311	Wesfarmers Ltd	10	10,411
Centennial Coal	6	479	Institute Drug	1	86	Prime Retail	3	276	West Aust News	10	1,423
Centro Prop.	8	2,618	Insurance Aust.	10	7,843	Prime Life Corp	1	100	Westfield Trust	8	9,390
Chiquita Brands	2	91	Int'l Wine Inv.	1	115	Pro Maintenance	8	226	Westfield Hold.	7	8,419
Citect Corp Ltd	3	67	Integrated Grp	3	124	Pro Medicus Ltd	2	73	Westfield Amer.	7	8,478
Clough Limited	2	185	Intellect Hold	1	23	Publishing & Br	7	8,340	Westpac Banking	13	31,413
Coal & Allied	2	2,173	Investor Group	4	178				Woodside Petrol	10	10,980
Coates Hire	7	679	Investa Prop.	7	1,718	Q.B.E. Insur.	9	8,275	Woolworths Ltd	11	12,424
CocaCola Amatil	8	4,917				Qantas Airways	11	6,174			

Recommended Investments (Continued from Page 5)

Vision Systems has announced a "major A\$1.5 million" contract to supply 500 *VESDA* very early warning smoke detectors and six *PROACTIV* controllers to a Taiwanese based **AU Optronics Corporation**. These will be installed in a new 130,000 metre² "clean room" manufacturing facility that will produce flat panel displays. Vision Systems expects to receive large orders as additional facilities are brought online over the next year to meet strong demand for flat panel displays for computer notebooks, PC monitors, television sets and mobile phones.

Vision Systems also reports "considerable interest" in its *Peloris* tissue processor. In the first month since its launch, Vision Systems has received orders worth over \$1 million - with one Australian healthcare group ordering eight machines to update their tissue processing systems.

While it is difficult to assess what is a "good" level of sales of Vision Systems' medical equipment, any equipment sales will add to high margin, recurring revenues from reagent supplies. The shares trade on a low valuation, so the potential for capital appreciation is significant. "Buy".

**Total Return Index for All Listed Shares**

May 10	2088.93	May 17	2059.29
May 11	2081.21	May 18	2048.11
May 12	2078.18	May 19	2064.67
May 13	2087.63	May 20	2056.43
May 14	2082.00	May 21	2051.43
May 24	2060.89	May 31	2054.23
May 25	2049.35	Jun 1	2050.20
May 26	2048.84	Jun 2	2048.06
May 27	2054.01	Jun 3	2053.73
May 28	2061.09	Jun 4	2063.13

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Capital Properties	1.90	31-05	11-06	0.35
Contact Energy	7.00	17-05	28-08	Full
DB Breweries	16.50	31-05	09-06	Full
Dorchester Pacific	5.70	14-06	25-06	Full
F & P Appliances	11.50	07-06	14-06	Full
F & P Healthcare	28.00	14-06	18-06	Full
Horizon Energy Distribution	11.00	21-06	24-06	Full
Infratil	7.00	07-06	11-06	Full
ING Property Trust	2.23	14-06	18-06	0.820
Kiwi Income Property	3.821	14-06	25-06	0.524
Mainfreight	3.50	19-07	23-07	Full
MG Property Trust	1.98	07-06	18-06	0.370
Mr Chips Holdings	3.50	26-07	30-07	Full
Mowbray Collectibles	3.00	14-06	18-06	Full
National Property Trust	2.25	24-05	04-06	Nil
Nuhaka Farm Forestry	63.00	14-06	18-06	Nil
Powerco	8.80	07-06	18-06	Nil
Property for Industry	1.40	03-05	07-05	0.300
Restaurant Brands NZ	5.50	24-05	04-06	Full
Ryman Healthcare	5.00	14-06	25-06	Nil
Sanford Limited	9.00	14-06	23-06	Full
Seeka Kiwifruit	9.00	13-09	15-09	Full
Trustpower	9.00	-	-	Full
Urbus	3.6225	31-05	11-06	0.8775
Vertex Group	4.00	07-06	11-06	Full
Wakefield Hospital	6.00	14-06	21-06	Full
Zintel	2.33	28-06	09-07	Full
<u>Australian Shares</u>				
AJ Lucas Group	3.50	03-03	24-06	
Campbell Brothers	19.00	04-06	01-07	

Current Issues

SHARE SPLIT

	Ratio	Ex-Date
Widespread Portfolio	11:10	21-06

SHARE REPURCHASES

	Details
F & P Healthcare	up to 2.4 million shares, on-market
INL	1:6 @ 446 cents

CASH ISSUES

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

NEW ISSUES

	Price	Date	EPS	DPS
Just Water	50	-	4	Nil
Pumpkin Patch	100	-	9	4.3
Store Fund	100	-	-	-

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday July 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.

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: www.stockmarket.co.nz or www.australia-stockmarket.com Email: james@stockmarket.co.nz). Subscription Rate NZ\$265 (including GST) per year.

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