

Market Analysis

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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.

The last two years have produced one of the best periods ever - with our NZ and Australian shares rising from depressed levels in late 2003 to soar in value! Share valuations remain reasonable, economic conditions are conducive for companies with strong niche businesses to expand profitability, while more buoyant stockmarket conditions can boost returns as successful companies will see their shares re-rated. Remain fully invested.

Investment Outlook.

Both the New Zealand and Australia stockmarkets have risen strongly over the last two years - and against this favourable market environment our *Recommended Portfolio* has soared even more rapidly in value. So is there potential for further gains in the year ahead?

Investors need to remember that stockmarket returns are volatile. The market can go for many years with little overall gains. Or double over a couple of years . . . and then double again. So it is wrong to think "The market has risen strongly, its time to get out" - unless, of course, there are signs of an aging boom and excessive valuations.

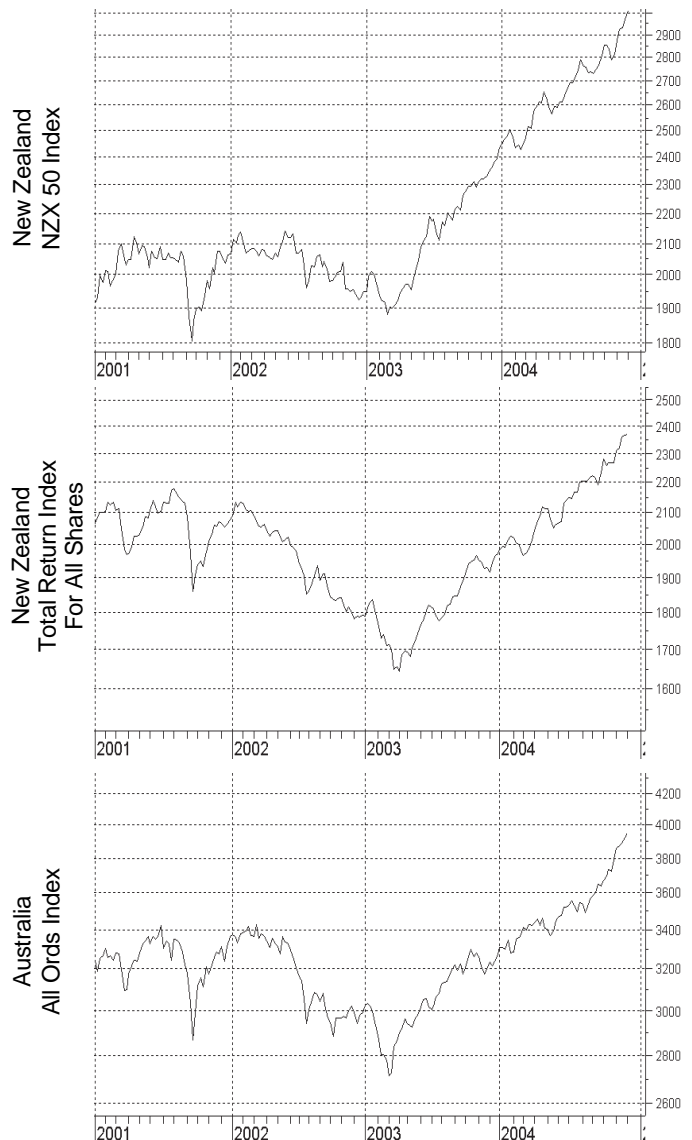
The current market is certainly "buoyant", but its unlikely that this is anywhere near the top of a boom. Investors may be aware of the strong gains, but the "shoeshine boys" haven't yet started buying into this market. Buoyant conditions have increased takeover activity (or, at least, *speculation* of takeover activity) which has helped boost share values in **Health Communication Network, Iluka Resources** and **Metlifecare**. So these buoyant market conditions could produce further significant gains for many of our holdings over the next year or two *before* we need worry too much about excessive over-valuations.

The recovery in economic activity since the 2000-2003 recession also offers a favourable environment for companies. Over just the last month **Campbell Brothers, Candle Australia, Commander Communications, Keycorp** and **Ross Human Directions** have all indicated profit growth this financial year in the region of 40-200%. That sort of growth justifies significant re-ratings in share values!

For now "The stockmarket trend is your friend" and interest rates appear to have peaked - so remain fully invested and let profits run. At some stage in 2005, however, *slowing* economic growth and the high exchange *may* have a negative impact on investor sentiment and the stockmarket, requiring a more cautious approach.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	73% (Bullish)	65% (Bullish)
New Zealand:	69% (Bullish)	52% (Neutral)



Recommended Investments

There have been many *insider* sells in **Cavalier Corporation** shares over the last month. This is not selling by *existing* shareholders but executives exercising share options and immediately cashing in their gains by selling the shares on-market. This situation is not uncommon - and is a strong argument for not rewarding executives with share options. Executives usually appear to see share options as little more than raffle tickets, quickly cashing in any winnings, with little interest in *investing* - holding shares to build investment wealth or even waiting around for a dividend. In fact, *managerial capitalism* is not about *owning* investment wealth but separating it from shareholders. That is why we prefer companies run by people who already

have a major equity ownership in the business - rather than "professional" managers.

Cavalier Corporation reports increased competition from **Feltex**, but the NZ economy is expected to experience a "soft landing" (i.e. a slowing of growth, but not a decline) and fears of a property slump in both NZ and Australia appear unwarranted at this stage. So we expect that Cavalier Corporation will experience moderate growth over the current year and continue to pay high dividends. Longer term the economy may slow owing to the high exchange rate, so some investors may wish to realise partial profits on this investment and seek to re-invest for better growth elsewhere. "Hold-".

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Perform- mance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %	
		Code	- Date - Price										
<u>NZ Shares</u>													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	C	199.4	1.8	2.56	11	6.8	35	9.3	+77%
HOLD-	Cavalier Corporation	CAV	05/12/95	156*	C	64.9	0.6	1.49	14	8.9	455	143.0	+283%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.6	0.20	10	10.1	296	259.8	+271%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	C	102.1	0.9	2.84	15	9.5	172	43.3	+43%
HOLD+	Metlifecare Ltd	MET	10/08/04	236	B	86.4	0.9	2.28	18	1.7	290	2.0	+24%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.7	0.5	1.16	20	4.0	786	150.0	+1935%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	62.1	0.8	0.52	11	6.6	556	101.0	+88%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	37.2	1.2	0.27	19	14.7	71	20.4	+8%
BUY	Richina Pacific	RPL	03/11/95	94*	C	144.4	1.4	0.21	24	Nil	63	9.4	-23%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.1	2.23	16	7.7	126	75.0	+67%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.0	0.7	1.07	15	8.6	470	100.0	+290%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.8	0.93	13	7.0	235	32.0	+162%
<u>Australian Shares</u> (in Aust cents)													
HOLD+	AJ Lucas Group	AJL	13/05/03	120	B	51.2	0.9	0.70	8	4.8	167	17.0	+53%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	2.1	1.51	13	Nil	17	7.0	-67%
HOLD+	Austral Coal Ltd	AUO	16/01/01	19	C	203.2	1.3	1.28	28	Nil	74	Nil	+289%
HOLD	Aust Infrastructure	AIX	07/10/03	158	A	228.6	0.7	N/A	14	5.1	226	11.5	+50%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	A	40.1	0.5	0.95	25	3.5	930	153.5	+159%
BUY	Candle Australia	CND	08/04/03	86	C	39.6	0.9	0.46	18	4.3	210	10.0	+156%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	B	49.8	0.9	0.17	9	7.3	157	24.5	+19%
HOLD+	Circadian Technology	CIR	10/02/04	188	C	40.1	1.2	N/A	15	Nil	217	50.0	+42%
BUY	Commander Comm.	CDR	11/09/01	92	A	154.6	0.6	0.73	38	0.9	234	11.2	+166%
BUY	Computershare Ltd	CPU	12/08/03	189	A	542.4	0.9	2.96	40	1.6	516	10.5	+179%
HOLD+	Health Communication	HCN	07/10/03	101	A	63.3	1.1	3.56	25	1.3	167	2.3	+68%
HOLD	Int'l AllSports	IAS	11/02/03	180	C	52.5	1.7	0.04	NE	Nil	35	2.5	-79%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	A	232.8	0.7	1.70	16	3.7	592	Nil	+26%
BUY	Keycorp Ltd	KYC	10/08/04	154	A	81.7	1.3	1.44	19	1.7	179	Nil	+16%
HOLD+	Melbourne IT	MLB	10/02/04	53	B	50.9	0.9	1.37	33	2.2	134	4.0	+160%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	253.2	1.0	3.88	40	1.3	138	Nil	+64%
HOLD-	OAMPS Limited	OMP	15/05/01	106*	B	107.1	0.5	0.82	27	4.5	356	43.5	+277%
BUY	Ross Human Directions	RHD	14/08/01	92	B	59.1	1.2	0.37	15	3.4	102	17.0	+29%
HOLD	Skilled Engineering	SKE	12/03/02	126	C	95.6	0.7	0.34	15	6.2	259	41.5	+138%
BUY	Sonnet Corporation	SNN	07/09/04	31½	B	82.0	1.6	0.94	7	14.8	31	1.5	+3%
BUY	Technology One Ltd	TNE	11/11/03	44	B	298.7	1.2	3.77	21	4.4	65	2.9	+54%
HOLD-	Toll Holdings	TOL	08/09/98	60*	B	321.3	0.6	1.23	24	1.6	1267	64.0	+2118%
HOLD	UXC Limited	UXC	11/01/00	55*	B	144.8	1.2	0.64	14	6.0	84	24.0	+96%
HOLD-	Villa World Ltd	VVD	11/06/02	68	B	113.2	0.7	1.00	7	8.4	154	29.0	+169%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	173.4	0.9	1.46	18	3.5	119	28.3	+113%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +203.1%. This is equal to an average annual rate of +48.4%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 126 closed out) is +33.4%, compared with a market gain of +9.5% (by the SRC Total Return Index).

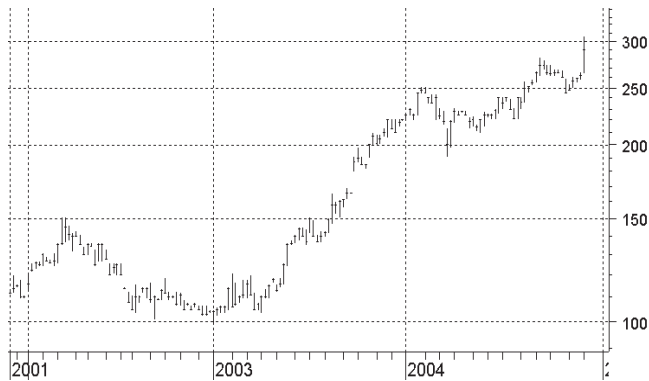
CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

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

Recommended Investments (Continued from Page 3)

Metlifecare shares rose strongly last Friday on media speculation that one Australian listed aged care company, **PrimeLife Corporation**, was preparing a bid to acquire shares from Metlifecare's major shareholders, while another Australian listed company, **FKP**, was also said to be interested.

Metlifecare stated it had not received any takeover offer and FKP indicated it was not a bidder. PrimeLife refused to comment on speculation but denied appointing an adviser in NZ as suggested by the newspaper.

Metlifecare

Nuplex Industries announced its expected Share Purchase Plan, with investors able to apply for up to NZ\$5000 worth of shares (i.e. 1020 shares at 490 cents). The issue closes on 10 December and if total applications exceed \$15 million they will be scaled back in an *unfair* way (i.e. "preference will be given to applications received earliest" and "such scaling may not be on a pro-rata basis"). Investors should apply for their maximum entitlement under this SPP - especially as this is a 12% discount to the current market price of 556 cents.

Taylor's Group is planning further upgrades to its laundry facilities with two new finishing lines (i.e. feeders, irons and folders) on order. Profitability for the current year to June 2005 is forecast to be "slightly improved" on the \$6.6 million profit last year.

Australian Shares

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

AJ Lucas Group has again warned that results for the half year to December 2004 will be low and "provide no reflection" of the results for the second half of the year or the full financial year to June 2005. The benefits of this repositioning for future growth are expected from early 2005 with prospects described as "simply quite the best they have ever been".

Over the last six months the group has bid for nine major projects, winning five and losing one, while decisions on the remaining three have been deferred until early 2005. Those deferred include the two largest projects: the **Trans Territory Pipeline Project** (where tenders are now due by February 2005) and the **Sai Noi Ring Main Project** in Bangkok (to be awarded in January 2005).

The *Horizontal Directional Drilling* division "has never been busier" with twice as much work than ever before. If successful winning prospective projects, this division will remain fully utilised until June 2005, while success with the tender for the Sai Noi Ring Main project would provide a further US\$40 million in HDD and Pipeline work for AJ Lucas Group and "would see

the HDD division fully stretched" until December 2005.

The *Coal Seam Gas* business is "expected to double this financial year" - with further significant growth over the next five years. The division owns a 75% interest in the Gloucester Basin coal seam but will not significantly expand its interest in coal seam gas production. This interest has allowed the company to adapt and develop its HDD technology to gas recovery. Capital expenditure in this rapidly growing sector is forecast at around \$1000 million over the next five years and AJ Lucas Group will seek "reliable and recurring future earnings" as a "leading service provider" selling technology, equipment and other services to coal miners and coal seam gas producers.

AJ Lucas Group may remain weak over the immediate future owing to low profitability in the December 2004 half year. The shares, however, trade on a low valuation and should be able to generate strong growth over the next several years. So we would expect the shares to start to recover - perhaps from late in the March quarter of 2005 or early in the June quarter - and to then appreciate strongly in value. "Hold+".

AJ Lucas Group

Austral Coal experienced further "technical and operating issues" with its new equipment, resulting in coal production during October of 237,928 tonnes, compared with a budget of 275,000 tonnes and September's production of 282,072 tonnes. Although the company reports that the manufacturer's work to identify and rectify these problems was "well advanced" the share price once again plunged sharply - then recovered, then weakened again.

Total production is now 210,000 tonnes behind budget and this loss of revenues will further impact upon profitability for the current period. The company has needed to negotiate a further \$20 million loan facility to finance working capital requirements - which indicates that production problems are causing financial problems.

It is not uncommon, however, for longwall mining equipment to experience initial problems and it is *always* difficult to mine the first panel in a new longwall operation. So it should be possible to fix equipment problems and mining should be better when Austral Coal moves to the second panel in April or May 2005. Despite these short term problems, Austral Coal shares could increase further in value over the medium term owing to the boom in quality coking coal prices. Recent media reports suggest that the *average* price for Australian coking coal for 2005 could rise from US\$57/tonne to around US\$80-95/tonne or even as high as US\$130/tonne. Even at depressed production levels

this 40-130% price increase would have a significant impact on Austral Coal's cashflows and profitability.

The company has also been approached by "several parties" interested in acquiring an interest in the Tahmoor colliery. That *could* involve a coal buyer injecting cash into the company in return for a partial equity interest in the mine, the mining operation and a long term coal supply. Or it could lead to a full takeover offer (or offers) from a coal buyer seeking to acquire a long term supply or from other coal mining companies that "discover" the potential value in this company.

So we continue to rate Austral Coal a "Hold+", although the interest bearing convertible notes remain a more attractive entry into this company than the ordinary shares. The notes pay 5.225 cents in interest annually (at least until the final 1 October 2006 conversion date) and can be converted into 1.029217 ordinary shares.

Australian Infrastructure Fund has purchased an additional 47.1% interest in the **Gold Coast Airport** for \$54 million - raising its small, previously undisclosed holding to 49.1%. This has been funded with the placement of 29 million new Australian Infrastructure Fund shares at 210 cents each to raise \$60.9 million.

This investment - in ordinary shares, redeemable preference shares and shareholder loans - is expected to provide a cash income during 2005 of about \$5.5 million, plus some franking credits, with potential for further cash returns in the form of capital repayments (i.e. the airport company can increase its debt levels to repay the shareholder loans or preference shares).

The Gold Coast Airport has grown rapidly over recent years with revenues up 141% (34% per annum) over the last three years and earnings rising 234% (49% per annum). Passenger numbers for the first four months of this financial year are up 31%. The airport services mainly the domestic market and the rapidly growing low-cost carriers. The number of residents living in its catchment area is expected to *double* to about two million over the next 20 years as South East Queensland grows rapidly. The airport recently expanded its long term car park with 236 additional spaces, a \$4.6 million expansion of the departure lounge is in progress and it has just received approval for runway extensions (estimated to cost \$7-10 million) to accommodate larger aircraft.

Campbell Brothers has reported a 13.7% increase in revenues for the six months to 30 September, but profits soared 50.6% to \$10,020,000 (24.4 cents per share). The interim dividend will be raised 28.6% to 18.0 cents. Net operating cashflows rose 42% to \$15.4 million.

As we have previously indicated, the *Laboratory Services* division - and especially the mineral assaying business - continues to perform well. Revenues rose 24% to \$79.9 million with earnings up 84% to \$20.4 million. The outlook for the next six months remains "very positive". Laboratory services is a high fixed cost business with significant economies of scale. So growth in revenues results in much stronger growth in profitability. This is also a business with the potential to earn high profit margins and generate strong *free* cashflows (i.e. cash which does not need to be re-invested

in the business, so can be used to finance growth, repay interest bearing debt or distributed to shareholders).

The *Consumer* division (i.e. manufacture of consumer products and cleaning agents, pest control services) lifted revenues just 3% to \$65.7 million, but earnings improved 35% to \$2.7 million. The branded consumer products business was recently sold, as previously reported, and will provide \$40 million in cashflow over the next six months. Some of this will be re-invested in "significant acquisitions" to "complete the national network of pest control and washroom hygiene services businesses".

The *Industrial* division (i.e. distribution of non-food products to healthcare and hospitality industries, manufacture of industrial cleaning chemicals) recovered with a 12% lift in revenues to \$73.1 million and a similar rise in earnings to \$4.2 million. Further "strategic acquisitions" are planned in the hospitality sector.

The directors "conservative view" is for a "substantial increase" in the annual result to March 2005 compared with the previous year's \$14.6 million profit.

At 930 cents, the historical Price/Earnings ratio is fairly high at 25, but 50% profit growth will reduce that to a much more attractive 17. This is a high quality company, with potential for strong cashflows, high profit margins and above average long term growth - so remains an attractive long term investment. "Buy".

Candle Australia "anticipates a net profit of around \$3 million" for the six months to December 2004 - up from \$2.1 million last year. The Managing Director reports that the recruitment sector is "moving to more buoyant times" and that the company is "well positioned for consistent earnings and dividend growth".

At 210 cents, Candle Australia shares trade on a historical P/E ratio of 18 - which will drop to around a low 13 if profits grow 40% over the full current financial year. So the shares remain a "Buy" - despite having already more than doubled in less than two years!

Candle Australia



Cellnet Group reports having "maintained its sales in the current year to date" despite the loss of the **Hutchison 3** contract and expects "growth in sales and profits in the second half of this year" to June 2005. New initiatives include establishing an import division for its own branded products and expanding its range of own brand accessories, services and audio-visual products.

Cellnet Group shares trade at a low valuation - so rate a "Buy" for high income and long term capital appreciation.

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Recommended Investments (Continued from Page 5)

Cellnet Group



Commander Communications has acquired **LSP Communications Pty**, which distributes **Samsung OfficeServ** and **DX** communications systems. This acquisition is expected to add annual revenues of around \$20 million from equipment sales and earnings of at least \$2 million. Commander Communications will pay \$8.6 million (i.e. issue 4.2 million new shares at \$2.05) and refinance LSP's debts of \$5.2 million. The \$8.6 million cost equals a Price/Sales ratio of 0.43 and (based upon our estimate of after tax profits) a Price/Earnings ratio of about 7. The company will also pay an incentive of up to \$3.0 million (i.e. up to 1,363,635 Commander Communications convertible notes at 220 cents) if cross-selling opportunities can add up to \$4.9 million in first year earnings. This is an attractively priced acquisition with excellent potential for cross-selling services, so will add further to the value of our investment in this company.

The company will not make a profit forecast for the period to June 2005, preferring to hint through comments on brokers forecasts. In September the company was "comfortable" with consensus forecasts of revenue 20% higher at \$589 million and net profit 115% higher at \$20.5 million. Now the company is still "comfortable" with new, higher predictions. Analysts - prior to the LSP acquisition - have upgraded forecasts with revenues rising 28% to \$633 million and net profit 210% higher at around \$29.5 million (about 18 cents per share).

At 234 cents that puts the shares on a potential Price/Earnings ratio of 13. The company's "virtual telecommunications network" (i.e. reselling wholesale services from actual networks) correctly positions the company to profit from growth in telecommunications without the capital investment and falling prices that make actual networks (e.g. Telstra, Telecom NZ) unattractive. "Buy" (and Hold) for growth and increased dividend payments.

Commander Communications



Computershare is forecasting 10% growth in revenues and 20% growth in earnings per share for the current financial year "excluding the expected positive impact of the **EquiServe** acquisition". Like last year, this forecast may prove to be very conservative.

The company's main growth focus will be on integrating the recent EquiServe acquisition, but the company also seeks to build a "dominant presence" in continental Europe and has begun negotiations with share registry and shareholder services companies in Japan. It is also researching opportunities to expand in Korea and Taiwan.

In South Africa, the **Black Management Forum Investment Company** has been allowed to purchase a 26% stake in **Computershare South Africa**, reducing the parent company's ownership to 64%.

Health Communication Network has announced progress on several fronts over the last month - while the hostile takeover offer from IBA Health, while still going ahead, would appear to be dead unless the takeover price is significantly raised.

As reported last month, IBA Health (IBA) is offering 1.73 of its shares for every Health Communication Network (HCN) share. IBA acquired a 10.9% shareholding in HCN off-market at 140 cents per share from **MediMedia Group** but IBA shares currently trade at 67 cents, valuing their takeover for HCN at just 116 cents compared with a market price of 167 cents. IBA will issue their *Bidder's Statement* on 6 December (i.e. as *Market Analysis* goes to press). Health Communication Network dominates access to GPs - which is why we invested in this group - and this access is essential to any company wanting to play a major role in the growing eHealth market.

Meanwhile Health Communication Network is making significant progress. The company has finalised a contract with DCA Group to install its iRIS software in a further 55 I-MED radiology clinics by mid-2005. At that time it will be used in 77 I-MED clinics. Discussions between the two groups are continuing with the view to extending this to the **MIA Group** radiology clinics. Health Communication Network believes that "iRIS will become a major business activity in its own right". Arch-rival radiology software supplier **Pro Medicus** appears to have lost this round by a knockout.

Health Communication Network has also entered a strategic alliance with **PCANU Systems Pty** to "greatly enhance doctor/pharmacist co-operation and communication". PCA NU Systems provides the dispensing software *FRED* (Fast Reliable Easy Dispensing) used by 2200 pharmacists (i.e. 45% of all pharmacists) to dispense 50 million prescriptions annually.

The strategic alliance will provide electronic messaging between *Medical Director* (used by 85% of GPs who write 90 million prescriptions annually) and the pharmacists and allow GPs to send prescriptions electronically to a pharmacist. It will also use a common drug database and provide online knowledge resources for pharmacists.

Health Communication Network has also established a "long term alliance" with **Ascribe Computer Software**, a market leader in hospital pharmacy

software in the UK. The alliance is tendering to provide clinical systems to the **Victorian Department of Human Services** which is "likely to exceed \$20 million" in value. Ascribe has a "range of clinical hospital software applications" complementary to Health Communication Network's product range and the companies have "identified a number of opportunities" where they "could successfully work together".

Health Communication Network



Iluka Resources' strong share price performance over the last month is the result of market speculation that the company may become the target of a takeover offer from **WMC Resources**. WMC Resources is itself the unwilling target of a takeover by **Xstrata** which is seeking to acquire the company through a scheme of arrangement. WMC Resources is also unwilling to accept offers from any of three other potential bidders, **BHP Billiton, Rio Tinto and Anglo American**, describing these as "the three ugly sisters".

WMC Resources is thought to have been considering a bid for Iluka Resources *before* being approached by Xstrata - but could now use its higher share price to finance an offer. The acquisition of Iluka Resources would also make it more difficult for Rio Tinto and Anglo American - which have mineral sands interests - owing to competition issues.

Iluka Resources



Keycorp predicts a "positive outlook" for the current financial year to June 2005, with revenues of \$110-120 million (up 10-20%). Earnings (before interest, amortisation and depreciation) are forecast to rise 45-50% to \$32-33 million - which should equal about a 60-80% higher net profit of \$12-14 million (14-17 cents per share). This is in line with our own estimate, at the time of our initial Buy recommendation in August, of a \$10-15 million profit to June 2005. Based upon the current share price of 179 cents, achieving this forecast

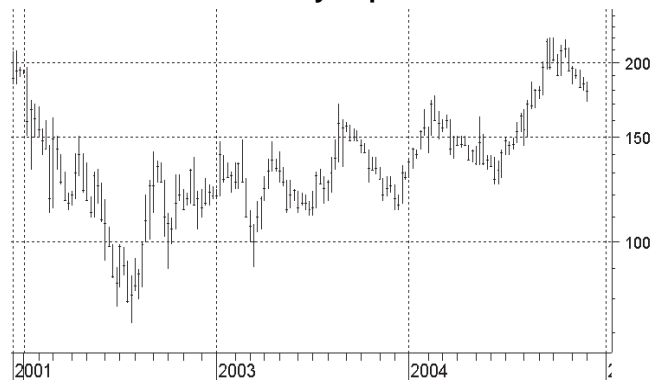
would place the shares on a Price/Earnings ratio of just 11-13. The shares have dipped back over the last couple of months, so now is probably a good time to add to positions in this company. "Buy".

The company also intends to pay both an interim and final dividend. While there is no indication of the *amount* of these dividends, the payment of regular half yearly dividends is a sign of improved financial strength and an expectation of on-going profitability.

The Westpac contract is going "very well". The entire Westpac EFTPOS system of 70,000 terminals was successfully moved to Keycorp Payment Services in early August and merchants are now being offered the new Keycorp K23 and K78 terminals.

The company has confirmed that its 30% interest in a Chinese joint venture was "largely in the form of technology and licensing" with only a small cash contribution. Therefore this involves little financial risk to Keycorp, but is a "big opportunity".

Keycorp



Melbourne IT has sold its minority shareholding in development studio **Blue Tongue Entertainment** to US based **THQ**, realising a one-off profit of \$200,000.

Melbourne IT has won a tender to manage **Sensis Webworks**, a business that provides websites and email for 1000 small business customers.

OAMPS has made another two acquisitions: Newcastle based **Mawhinney Insurance Brokers** specialising in the provision of insurance to hotels, motels, clubs and liquor stores, generating in excess of \$15 million in general insurance premiums from 4000 clients. The second acquisition, Brisbane based **Dennison & Associates**, has 300 clients and \$3 million in annual premiums.

Ross Human Directions has disclosed that the recently acquired **Spherion Group** has tax losses of \$40 million that *may* be able to be utilised by the combined group - subject to clarification by the **Australian Tax Office**. If the losses can be used then this will eliminate the goodwill on the acquisition - removing the annual goodwill amortisation charge (i.e. increasing reported profits) *and* remove income tax payments (i.e. further boosting reported profits *and* the cash operating surplus).

The first quarter results show an after tax profit of \$2.0 million, up strongly from the \$4.0 million earned in the *full* year to June 2004. This announcement confirms favourable comments about improvements in the recruitment market from Candle Australia over recent months.

(Continued on Page 8)

Recommended Investments (Continued from Page 7)

Ross Human Directions shares trade on a low historical P/E ratio of just 13, so improved profitability this year should drive the share price higher. More importantly, a continued improvement in the business - plus the impact of potential tax losses - could see significant growth in profitability and cashflows. This in turn could place the company in a strong financial position to lead rationalisation in this fragmented industry - which offers the potential for significant growth and significant capital appreciation over many years. So we continue to rate these shares a "Buy".

In retrospect, we initially bought into Ross Human Directions *too early* and the business experienced a sharp downturn in 2002 and 2003. The growth potential, however, that we saw in this sector from rationalisation still remains and *could* result in significant profits in the years now ahead. While our *Recommended Portfolio* shows just a small gain over the last three years the dip during 2003 has allowed investors to *add* to positions at lower prices. We upgraded the shares to a "Buy" in November 2003 at a price of 69 cents and investors were able to acquire a further 7462 shares at 67 cents in the July 2004 *Share Purchase Plan*. These additional shares have appreciated 50% over just 5-13 months!

Ross Human Directions

Skilled Group has finalised the sale of its **Yallourn Mechanical Workshops**, completing its exit from "non-core" businesses. The sale will yield net proceeds of \$1.0 million in cash and a book loss of about \$200,000.

Sonnet Corporation reports first quarter revenues up 69% to \$10.4 million and earnings up 74% to \$1.3 million. The company's *Managed Services* division has one large, highly profitable contract that still generates around 50% of profits. That contract runs until January 2006, but this *may* be terminated on three months notice. *If* the contract is terminated, the directors forecast the company will still lift annual earnings 12-21% higher at \$3.7-4.0 million (4.4-4.8 cents per share). That implies that the *continuation* of the contact could see pre-tax earnings 50-65% higher at around \$5.0-5.4 million (6.0-6.4 cents per share). The eventual loss of this contract - or its completion in 2006 - will reduce pre-tax earnings by around \$1.8-2.2 million (2.1-2.6 cents per share), although the impact would be lower if the contract is extended but at a lower profit margin.

The company has also probably exhausted past tax

losses, so will need to deduct income tax from future profits. The group's strategy remains focused upon internal growth (i.e. winning new customers) and acquisitions to "broaden earnings" and reduce this "dependency risk" on one large customer.

"Reflecting current trading conditions and the strong cash position" the company has already declared an interim dividend of 1.5 cents - providing a very high current income to shareholders. A director, however, sold another million shares on-market last week.

Clearly this company involves some risks, but it is a very small company so has the potential to win new contracts and expand further. It would be unwise for a person to hold *most* of their investments in Sonnet Corporation - which is why the directors have lowered their holdings - but the shares are attractive as a *part* of a widely diversified share portfolio.

Toll Holdings' 50% owned **Pacific National** rail business has reported first quarter revenues up 22% at \$325 million and net profits 54% higher at \$23.8 million.

UXC reports first quarter revenues up 33% to \$54.6 million and net profits up 33% to \$3.0 million. It has also announced signing heads of agreement for two as yet unspecified "strategically important" acquisitions: a "significant size" business in the Oracle custom application development market and a business in the "rapidly growing IP telephony" sector.

UXC subsidiary **Integ Communications** also won a major IP telephony contract from **Ernst & Young**. This is "one of the largest IP telephony" rollouts in Australia and Integ will provide services in design, project management, deployment, training and on-going support".

The new Australian Equivalents to International Financial Reporting Standards will not require goodwill amortisation, starting in the June 2006 financial year, which will boost reported profits by around \$4 million annually (adding about 2.8 cents to earnings per share).

Villa World has entered into an arrangement with **Stockland** to buy the remaining 200 residential sections to be developed in Stockland's *Ridgewood* residential development in Brisbane over the next three years. Villa World will build houses and sell the completed homes, with an expected end value in excess of \$70 million. Construction will begin this month, with the first houses completed in May 2005.

Villa World

New Issues:

Gullivers Travel Group,

Eastern Hi-Fi

Gullivers Travel Group is a diversified travel business that is offering the public 65,000,000 shares at 160 cents each to raise \$104 million.

The company forecasts revenues of \$414.3 million for the full year to March 2005, profits (before goodwill amortisation) of \$13,844,000 (13.8 cents per share) and will pay a 3.0 cents dividend (i.e. equal to 9.0 cents annualised). In 2006 revenues are forecast to increase 12.8% to \$467.4 million, profit 4.1% to \$14,407,000 and the annual dividend 4.4% to 9.0 cents.

Based upon the 160 cents issue price the shares are being offered on a P/E ratio of 11.6 and will offer a gross Dividend Yield of 8.4%. That looks to offer reasonable value, but there are several negative factors:

Firstly, net assets in this business are about nil. The company is acquiring the businesses for \$160 million, funded with all of the \$104 million cash being raised from the public *and* the issue of 35 million shares (worth \$56 million) to the vendors. The *reported* Shareholders Equity of \$160 million consists of little more than goodwill (\$118.4 million), brand values (\$38.0 million) and capitalised software development costs (\$2.1 million).

Secondly, this is a mature business with limited growth potential. The prospectus forecasts 13% revenue growth and only 4% profit growth over the next year. With a weak balance sheet the company's ability to expand or diversify or react to market changes may be limited. None of the cash raised in the public issue will go to the company.

Thirdly, a travel business - without any net assets of its own - is only as good as its ability to buy travel and accommodation and market this to the public as "packages" at a profit. This is a competitive industry, so the future profitability of a business can change rapidly if its competitive position in the market changes. Unfortunately this industry faces the potential for significant changes that *could* be unfavourable for Gullivers Travel. Airlines are moving to cut travel agent commissions and to sell direct to the public, while the internet also empowers the public and reduces the need for travel agents or holiday packages.

Summary and Recommendation

Although the valuation looks reasonable, we would be very cautious about investing in Gullivers Travel Group as (1) the vendors are selling off most of their investment in the company and (2) no new money will go to the company to help fund future growth or expansion. In addition, the company operates in what *may* be a declining segment of the travel market or, at the very least, in a competitive market with the risk that more competitive (more financially secure?) new entrants could steal market share away from an established operator.

Eastern Hi-Fi is a small retailing company that is offering 5,000,000 shares to the public at 100 cents. This will raise \$2,000,000 in new cash for the company while the existing owners will take \$3,000,000 in cash and retain 5,000,000 shares.

Net tangible assets at present are \$2.48 million and with the \$2.0 million in new equity from the new share issue this will increase to \$4.48 million or about 44.8 cents per share.

Revenue to December 2004 is forecast at \$13.6 million when a profit (before goodwill amortisation) of \$1,052,512 (10.5 cents per share) is expected. Revenues are predicted to rise 21.4% to \$16.6 million in 2005, with profits up 23.4% to \$1,298,698 (13.0 cents per share) with a dividend of 7.0 cents predicted.

This puts the shares on a P/E ratio of 9.5, improving to a P/E of 7.7 (in 2005) and a gross dividend yield of 10.4%. That looks to offer good value.

This is, however, a very small company and will have a market capitalisation of just \$10 million. That is really too small for a listed company. Such micro-cap companies can involve much higher than normal risks and the shares may be inactively traded.

Summary & Recommendation

This company looks to offer good value - and has reasonable potential for growth - but is too small to be of interest to most investors. Diversified investors may "buy and hold" (i.e. it may be difficult to sell quickly) for the high income.

Proposed Changes to Taxation of International Investments

The taxation of international investments has been under review ever since exchange controls were removed in 1985 and NZ residents were first allowed to invest freely offshore.

Earlier this year (see *Market Analysis*, January 2004) the government indicated its support for a *wealth tax* on international investments as suggested by the **McLeod Report** in 2001. *That* proposal, we suggested, was unlikely to "become law until 2005, if ever". Another recent report by Craig Stobo has again favoured this type of wealth tax - although possibly at a higher level - with the Finance Minister aiming to introduce this system from 1 April 2007. Given that there are many complex issues (i.e. money borrowed to fund international investments, enforcement, tax avoidance schemes) that have *not* yet been addressed, we believe even the 2007 deadline may be optimistic.

The Stobo recommendations are being promoted as offering huge tax savings by removing the 33% capital gains tax on NZ based managed funds, but could significantly increase the tax burden on private investors with direct investments in Australia and other countries.

Similarities and Differences

The main similarity between the current system, the McLeod proposal and the Stobo proposal is that all three methods seek to double tax international investment income - once in the country in which it is earned (i.e. at the company level) and a second time by taxing the investor (i.e. in NZ, but allowing no credit for foreign company taxes already paid).

The main differences are:

1. The current method taxes foreign income first at the company level overseas and then again in the hands of the NZ investor *on any dividends that are*

distributed. Dividend yields are around 4% in Australia and 2-3% in the rest of the world, so NZ investors pay additional taxes equal to about 0.8-1.6% of their capital each year.

2. The McLeod Report recommended continuing this *double taxation*, but rather than taxing *actual* dividend income it proposed taxing an assumed *real* (i.e. inflation adjusted) *risk free rate of return*. This would allow the NZ government to raise taxes on investments that didn't pay dividends. So if government stock yielded 6% and inflation was 2% then investors would be taxed on an assumed return of 4%. That would levy a tax equal to 1.56% of an investor's capital.
3. The Stobo report again fails to acknowledge tax paid by companies at source overseas. Its proposal is almost identical to McLeod *except* that Stobo appears to be shifting opinion from an *after* inflation to a *before* inflation riskless rate of return. That is, investors would be assumed to earn a return of about 6%, not the after inflation rate of about 4%. Given that this increases taxes by 50%, we have little doubt which rate the government will prefer, if there is not a huge outcry from investors! At a 39% tax rate this will impose an annual wealth tax equal to 2.34% of an investor's capital.

So the Stobo proposal could increase our tax liability on Australian shares by about 50%.

Unfortunately, these tax proposals appear to be perfectly acceptable to the National Party's Finance spokesman. So investors concerned that NZ's tax policies are becoming internationally uncompetitive won't have much choice when voting for either party in this socialist duopoly at the 2005 General Election.

"Strongest" NZ Shares

Company	STRENGTH RATING				Insider Buy/Sell	Price to Brokers Following	Price on NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Price to Brokers Following	Price on NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4-Wk Chg.	Rank											Cur. rent	4-Wk Chg.	Rank										
Cue Energy Ltd	35	+96.3	+71.8	-0	1.0	-3.1	3	2.1	117	Nil	N/A	117	Trust Power Ltd	575	+13.4	+2.3	15	0-1	3	1.0	7	0.5	15	4.5	1.43	905	
Summit Gold Ltd	24	+77.0	+51.3	0	0-0	-5.8	-	2.2	NE	Nil	N/A	23	Allied Farmers	200	+12.5	-0.7	15	0-0	-	1.6	14	0.9	11	7.8	0.43	32	
Rocom Wireless	34	+54.7	+19.1	1	0-0	-	-	1.8	NE	Nil	2.76	10	Smiths City	94	+12.1	+1.5	16	0-1	-	1.6	14	0.8	11	5.6	0.24	50	
Cabletalk Group	61	+43.0	-2.4	1	2-2	-4.0	39	1.9	10	Nil	0.36	19	Rubicon Limited	103	+12.1	+1.3	17	1-7	-	1.2	0	1.1	240	Nil	N/A	287	
Tol NZ Ltd	272	+31.4	-4.1	2	0-0	1	8.4	-	0.9	5	0.82	572	Cube Capital	7	+11.8	-0.5	17	0-0	-	0.8	-	3.2	NE	Nil	0.24	3	
POD Ltd	158	+31.2	-2.1	3	1-0	-2.9	21	1.1	14	2.8	0.71	51	Loan & Building	420	+11.5	+2.0	18	4-1	-	1.3	8	0.4	16	5.2	1.57	13	
Beauty Direct	14	+30.9	-0.7	3	0-0	-2.5	-	2.9	NE	Nil	N/A	4	NZ Experience	33	+11.3	-2.1	18	0-0	-	2.6	18	1.9	15	9.0	1.56	12	
Pumpkin Patch	245	+26.9	+2.9	4	1-5	-6.4	13	1.0	51	Nil	1.85	408	CDL Investments	35	+11.3	+5.0	19	0-0	-	1.4	13	1.8	11	6.8	2.56	70	
NZ Oil and Gas	102	+26.4	+4.7	4	0-0	-2.6	16	1.1	17	Nil	9.03	131	Hallenstein G.	392	+11.0	+1.4	20	1-1	2	4.2	31	0.5	13	9.1	1.27	231	
Affco Holdings	39	+23.3	-6.8	5	0-0	-1.0	27	1.4	4	Nil	0.22	211	Mooring Systems	381	+10.6	-0.9	20	0-4	-	9.0	0	0.63810	Nil	N/A	47		
Cadmus Tech Ltd	19	+23.2	+4.5	6	1-2	-4.2	2	2.4	173	Nil	3.21	42	Ebos Group Ltd	425	+10.4	+0.1	21	0-0	-	2.5	18	0.7	14	7.0	0.51	117	
Tag Pacific Ltd	30	+23.0	-9.0	6	0-0	-1.4	0	2.01000	Nil	0.59	0.59	20	Waste Mgmt NZ	555	+10.2	-0.0	21	0-4	6	3.0	10	0.7	30	4.2	3.01	547	
Apple Fields	2	+20.1	+2.8	7	0-0	-14.3	-	7.9	NE	Nil	6.06	1	Pyne Gould G.	188	+10.1	-2.4	22	0-0	-	1.7	16	0.8	11	7.1	0.65	188	
NZ Refining Co	2900	+19.9	+3.0	7	0-0	2	2.2	12	0.2	19	6.2	696	Tenon Ltd	215	+10.0	+0.2	23	1-0	-	0.4	-	1.1	NE	Nil	0.36	200	
Opio Forestry	85	+19.6	-7.0	8	0-0	-0.8	-	1.0	NE	Nil	N/A	13	NGC Holdings	312	+9.6	-1.8	23	0-0	-	4.5	27	0.9	17	9.1	3.03	1,382	
Finmedia Ltd	126	+19.2	+1.3	9	1-0	-2.3	-	0.8	NE	Nil	1.35	14	AXA Asia Pac.	435	+9.5	-1.9	24	0-0	-	2.2	10	0.7	21	2.7	1.55	7,667	
Michael Hill	786	+18.2	+2.1	9	0-0	2	5.3	26	0.5	20	4.0	304	Hellaby Hold.	605	+9.5	-0.4	24	0-1	2	3.0	21	0.5	15	8.6	0.90	298	
Tower Limited	215	+18.1	-1.6	10	0-0	7	1.1	7	0.9	16	Nil	887	F & P Health.	293	+9.2	+1.5	25	2-0	6	1.6	6	0.8	27	5.3	6.97	1,498	
Richina Pacific	63	+18.0	+8.2	11	0-0	-1.2	5	1.4	24	Nil	0.21	91	Brierley Invest	80	+9.2	-4.9	26	0-0	-	0.9	7	1.4	12	2.8	2.14	1,131	
Wakefield Hosp.	350	+17.3	+0.7	11	1-0	-1.7	9	0.6	19	3.4	1.20	45	Pyne Gould Corp	355	+9.0	+3.4	26	0-0	-	1.1	11	0.9	10	5.9	0.83	347	
Pac Edge Bio.	29	+16.8	-9.1	12	0-0	-0.6	-	1.8	NE	Nil	N/A	3	Freightways Ltd	308	+8.4	+2.1	27	0-1	-	-	-	0.8	29	5.6	N/A	371	
Ryman Health.	349	+16.3	-2.4	12	1-0	-2.4	13	0.7	19	2.6	3.19	349	Provenco Group	82	+8.2	+7.2	27	2-3	-	4.7	26	1.4	18	Nil	1.03	75	
Fletcher Build.	640	+15.1	+0.8	13	5-0	6	2.5	21	0.6	12	5.8	0.71	2,796	Metro. LifeCare	290	+8.2	-1.2	28	0-2	1	1.7	10	1.0	18	1.7	2.28	251
Forty Two Below	61	+14.3	-0.4	14	1-0	-5.5	-	1.5	NE	Nil	N/A	74	Port Tauranga	553	+8.1	+0.9	29	0-4	4	1.8	8	0.6	22	5.4	4.90	188	
CDL Hotel NZ	58	+13.7	+4.3	14	0-1	-0.8	7	1.4	12	3.6	1.20	203	NZ Invest Trust	720	+8.0	+1.0	29	1-1	-	-	-	0.6	NE	1.2	N/A	73	

"Neglect" Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.P. Eagers	1	139	Chiquita Brands	2	114	Int'l Wine Inv.	1	130	Progen Indust.	1	172
AMP Ltd	11	12,659	Citect Corp Ltd	2	44	Integrated Grp	2	186	Publishing & Br	9	10,379
ANZ Bank	11	36,313	Clough Limited	2	208	Investa Prop.	7	3,114	Q.B.E. Insur.	8	9,322
ARB Corporation	3	246	Coal & Allied	2	2,857	Investor Group	5	261	Qantas Airways	10	6,735
AWB Limited	3	1,604	Coates Hire	5	865	Iress Mkt Tech	6	375	Queens'd Cotton	1	124
AXA Asia Pac	10	7,081	CocaCola Amatil	11	5,428	James Hardie	11	2,733	Ramsay Health	8	933
Adacel Tech.	1	24	Cochlear Ltd	8	1,268	Jubilee Mines	3	541	Rebel Sport	1	240
Adcorp Aust.	2	64	Coles Myer	12	12,187	K&S Corporation	4	177	Reece Australia	1	1,171
Adelaide Bright	6	932	Collection Hse	4	167	Keycorp Ltd	1	146	Ridley Corp.	5	372
Adelaide Bank	10	891	Colorado Group	6	568	Leighton Hold	9	3,060	Rio Tinto Ltd	11	54,707
Adsteam Marine	4	434	Com'wealth Bank	15	39,928	Lend Lease Corp	9	5,083	Roc Oil Company	3	193
Adtrans Group	2	82	Commander Comm.	4	362	Lihir Gold	8	1,580	Rural Press Ltd	6	1,179
Ainsworth Game	1	142	Computershare	8	2,799	M.Y.O.B. Ltd	4	349	SMS Mgmt & Tech	3	105
Alesco Corp Ltd	5	469	Corp Express	9	1,099	Macarthur Coal	6	650	SP Telecom.	1	588
Alinta Limited	7	1,026	Count Financial	2	281	Macquarie G Mgt	4	986	STW Comm Group	6	527
Altium Limited	2	30	Crane Group	5	559	Macquarie Infra	6	3,691	Santos Ltd	8	4,921
Amalgamated Hld	1	518	DCA Group Ltd	6	1,016	Macquarie Bank	8	9,728	Servcorp Ltd	1	216
Amfri Limited	1	29	David Jones	8	990	Macquarie C'Wde	7	1,323	Seven Network	9	1,390
Ancor Ltd	10	6,594	Downer EDI Ltd	7	1,326	Macquarie Good.	7	3,411	Sigma Company	8	1,309
Amrad Corp.	1	64	ETRADE Aust.	1	169	Macquarie Off.	6	1,234	Silex Systems	1	177
Aristocrat Leis	10	4,190	Emperor Mines	1	93	Macquarie Leis.	2	240	Sims Group Ltd	8	1,640
Auspine Ltd	1	209	Energy Resource	1	900	Mayne Group Ltd	6	2,766	Skilled Group	3	248
Aust Pharm. Ind	6	760	Energy Develop.	7	1,311	McGuigan Simeon	7	574	Smorgon Steel	8	1,057
Aust Infra.	7	517	Envestra	7	824	Metabolic Phar.	1	444	Sonic Health	6	2,993
Aust Gas Light	10	5,958	Evans & Tate	1	97	Metcash Trading	10	1,872	Soul Pattinson	1	2,432
Aust Pipeline	6	860	FKP Limited	4	515	Millers Retail	5	250	Southcorp Ltd	11	2,688
Aust Stock Exch	9	1,964	Fairfax (John)	10	3,936	Mincor Resource	2	120	Spotless Group	8	1,072
Aust W'wide Exp	5	516	Fantastic Hold.	3	405	Mirvac Group	7	3,391	St George Bank	10	12,485
Aust Agricult.	3	304	Flight Centre	7	1,802	Mosaic Oil NL	1	95	Stargames Ltd	1	133
Austal Limited	3	374	Foodland Assoc	10	2,250	Nat'l Foods	8	1,719	Starpharma Hold	1	89
Austar United	3	1,057	Foster's Group	11	10,988	Nat'l Aust Bank	13	43,900	Sthn Cross Brd.	10	944
Austereo Group	9	705	Futuris Corp.	5	1,384	Newcrest Mining	10	5,553	Stockland	8	7,493
Australand Prop	3	1,269	G.U.D. Holdings	7	669	News Corp.	8	24,527	Straits Res.	1	70
BHP Billiton	12	57,437	GWA Internat'l	5	918	Norwood Abbey	1	100	Suncorp-Metway	9	9,176
Bank of Q'land	7	1,017	Gandel R. (CFS)	8	3,199	Novogen Ltd	1	565	Sydney Aquarium	3	119
Baycorp Advant.	6	721	Gasnet Aust Grp	5	340	Nufarm Limited	7	1,409	Symex Holdings	1	131
Bendigo Bank	8	1,376	General Prop Tr	7	7,116	Oil Search Ltd	9	1,927	Tabcorp Holding	8	7,339
Billabong Int'l	9	2,340	Globe Int'l Ltd	4	195	Onesteel Ltd	8	1,434	Tap Oil	4	271
Biota Holdings	1	54	Graincorp	3	536	Open Telecom.	1	4	Technology One	5	194
Boral Limited	10	4,014	Grand Hotel	2	173	Orica Ltd	9	5,442	Telstra	14	62,132
Brambles Ind.	11	11,701	Gribbles Group	5	280	Origin Energy	9	4,540	Tempo Services	4	130
Brazin Limited	3	236	Gt Sthn Plant'n	2	965	Oroton Group	2	117	Ten Network	9	1,694
Brickworks Ltd	2	1,522	Gunns Ltd	4	1,458	PMP Limited	4	626	Thakral Holding	3	477
Bunnings W/hse	5	543	Harvey Norman	10	3,371	Pacific Hydro	6	569	Ticor Ltd	2	369
Burns Philp	7	1,829	Healthscope	6	340	Pacific Group	7	499	Toll Holdings	9	4,071
C'wth Prop Off.	8	1,941	Henry Walker E.	4	111	Paperlin X Ltd	9	2,141	Transurban Grp	8	3,409
C.S.R. Ltd	10	2,406	Hills Indust.	4	608	Patrick Corp	9	3,966	Transfield Serv	6	868
CMI Limited	2	56	Hills Motorway	9	1,498	Peptech Limited	1	314	United Group	8	642
CSL Limited	7	5,324	Hpal Limited	3	189	Perp Trust Aust	11	2,114	Villa World	1	174
Cabcharge Ltd	5	463	Hutchison Tel.	8	572	Polartech	1	26	Village Road.	3	682
Caltex Australia	5	2,646	ING Indust Trt	7	1,536	Portman Limited	6	522	Vision Systems	3	206
Campbell Bros	1	372	ING Office Fund	8	1,236	PowerTel Ltd	2	5	Volante Group	3	198
Candle Aust.	1	83	ION Limited	6	236	Primary Health	4	841	Wattyl Ltd	5	324
Capral Alum.	2	235	Iluka Resources	10	1,378	Prime TV	8	390	Westfarmers Ltd	11	14,414
Carindale Prop	1	206	Infomedica Ltd	4	240	Prime Life Corp	1	97	West Aust News	9	1,814
Cellnet Group	3	78	Institute Drug	1	100	Pro Maintenance	9	233	Westpac Banking	15	32,719
Centennial Coal	7	794	Insurance Aust.	10	9,297	Pro Medicus Ltd	2	131	Woodside Petrol	10	13,267
									Woolworths Ltd	12	15,391

"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 Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	5	399	GDC Communicat.	1	13	NZ Refining Co	2	696	Sky Network TV	5	2,310
Air New Zealand	6	1,175	Hallenstein G.	2	231	Northland Port	1	125	South Port NZ	1	33
Akd Int Airport	8	2,416	Hellaby Hold.	2	298	Nuplex Indust	4	345	Steel & Tube	4	414
Briscoe Group	4	275	Horizon Energy	2	109	Owens Group Ltd	1	62	Telecom Corp	9	11,796
Calan Hlthcare	5	134	Ind Newspapers	2	1,991	Pacific Retail	2	129	Tol NZ Ltd	1	572
Cap Properties	5	268	Infratil NZ	3	778	Port Tauranga	4	188	Tourism Hold.	1	199
Carter Holt	4	2,889	Kiwi Property	5	723	Ports Auckland	6	700	Tower Limited	7	887
Cavalier Corp	1	295	Lyttelton Port	4	176	Property F Ind.	5	211	Trans-Tasman	3	232
Contact Energy	6	3,847	Mainfreight Grp	5	214	Restaurant Brds	2	126	Trust Power Ltd	3	905
F & P Health.	6	1,498	Metro. LifeCare	1	251	Sanford Limited	2	452	Warehouse Group	7	1,112
F & P Appliance	6	1,143	Michael Hill	2	304	Sky City Ltd	8	2,115	Waste Mgmt NZ	6	547
Fletcher Build.	6	2,796							Wrightson Ltd	2	237

Stockmarket Websites

Many investors who previously used the charting and company announcement services on **Access Brokerage's** website have asked about alternative sources for this information.

Interactive Share Charts

For interactive share charts of New Zealand and Australian listed companies, investors may like to look at **www.bigcharts.com**. You need to navigate past the advertising and use a country code for the charts. So for Telecom, enter NZ:TEL and for Australian companies enter AU: ahead of the stock code.

Quotes, Charts and Company Announcements

Direct Broking (**www.directbroking.co.nz**) also has quotes, charts and company announcements to the stock exchange. Most of the features on this site are available to both clients *and non-clients*. In fact, the **NZ Herald** has recently closed its *Stockwatch* site and the Herald site (**www.nzherald.co.nz**) no longer provides share charts or company announcements but links to the Direct Broking site.

Other Useful Sites

Computershare (**www.computershare.com**) is also very useful for managing your Australian investments - once you can get through the initial registration and all the security features! You can register online (click on *Investors*, then *Investor Centre Home*) and will receive an email - which needs to be returned, confirming your email address. The company will then post you an *activation* code (i.e. confirming your postal address)

which takes a couple of weeks to reach New Zealand. You then need to go back to the website, log in with your UserID and Password, enter the activation code *then* provide answers to three identification questions (e.g. your pet's name, mother's maiden name, etc.) and finally . . . you are in!

You can now arrange to have dividends direct credited to an Australian bank account or mailed to you by cheque or re-invested (if a company operates a dividend re-investment scheme). Your Editor prefers to get his dividends in cash - and choose *where* to re-invest the money, but many investors like dividend re-investment schemes, when available.

You can select whether to receive Annual Reports and other documents in the mail or by email.

It is often difficult for NZ investors to open an Australian bank account to receive Australian dividends but **Macquarie Bank** specifically seeks NZ investors for its **Macquarie Cash Management Account** (from NZ go to **www.macquarie.co.nz** or phone 0800 650 125). You need to maintain a minimum balance of around A\$5000, but you get full cheque writing and electronic banking services. If you also open a NZ dollar Macquarie Gilt Edge Access Account (minimum balance around NZ\$5000) it is possible to arrange foreign exchange transfers between these accounts at very competitive rates. An Australian account is useful for collecting dividends and cheque writing is handy for investing in Share Purchase Plans, but the A\$5000 minimum balance will deter smaller investors.

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Blue Chip	1.80	13-12	20-12	Full
Cavalier Corporation	4.50	06-12	10-12	Full
Hallenstein Glassons	14.00	06-12	13-12	Full
Kirkcaldie & Stains	6.00	06-12	13-12	Nil
Mowbray Collectibles	1.50	15-12	17-12	Full
Nuhaka Farm Forestry (special)	350.00	13-12	17-12	Nil
Powerco	7.50	06-12	17-12	Nil
Smith City Group (special)	1.50	06-12	10-12	Nil
TrustPower	9.00	06-12	17-12	Full
Wakefield Hospital	5.00	06-12	10-12	Full
<u>Australian Shares</u>				
AJ Lucas Group	4.50	25-11	16-12	
Campbell Brothers	18.00	29-11	20-12	

Total Return Index for All Listed Shares

Nov 8	2310.78	Nov 15	2327.56
Nov 9	2312.15	Nov 16	2324.22
Nov 10	2310.07	Nov 17	2330.08
Nov 11	2314.24	Nov 18	2343.52
Nov 12	2321.34	Nov 19	2358.98
Nov 22	2354.85	Nov 29	2374.61
Nov 23	2362.01	Nov 30	2374.13
Nov 24	2365.05	Dec 1	2374.30
Nov 25	2375.38	Dec 2	2372.64
Nov 26	2367.80	Dec 3	2369.02

Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday January 11, 2005 (and delivered in most areas on Wednesday 12).

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

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