

Market Analysis

Issue No. 397

www.stockmarket.co.nz

July 12, 2005

Inside Market Analysis

Commander Communications and Skilled Group
make attractively priced acquisitions 6 & 7

Keycorp sells declining business, upgrades profit
forecast, plans 41 cents capital repayment 6, 7

Insider Trades in NZ and Australian Shares 10 - 12

Insiders Buy Two Emerging Growth Companies 12, 13

Taxation of Foreign Investments 14

Readers Ask 15, 16

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

Summary and Recommended Investment Strategy.

Stockmarkets have risen since last month's "buying opportunity" and investors should be fully invested in the recommended shares. *Insiders* have been buying heavily (especially in Australia) and private investors should be following the actions of these knowledgeable investors!

Investment Outlook.

Insiders - knowledgeable investors who often seem to buy or sell at just the right time - have become more Bullish over recent weeks. In Australia, 86.5% of on-market trades by *insiders* over the last thirteen weeks have been Buys. This is an extremely high value, up from a high 70.8% three months earlier, and indicates that *insiders* see good value in their company's shares. This suggests that now is a very good time to be buying Australian shares.

NZ *insiders* were pessimistic three months ago, when only 37.2% of their trades were Buys (i.e. 62.8% were Sells). This has improved to a neutral 46.5% Buys over the last thirteen weeks. *Insiders* are becoming more optimistic, with 60.9% of trades over the last five weeks being Buys.

Our One-Year Forecasts remain Bullish (i.e. favourable) for the Australian stockmarket at 72% and Neutral for the NZ stockmarket at 48%.

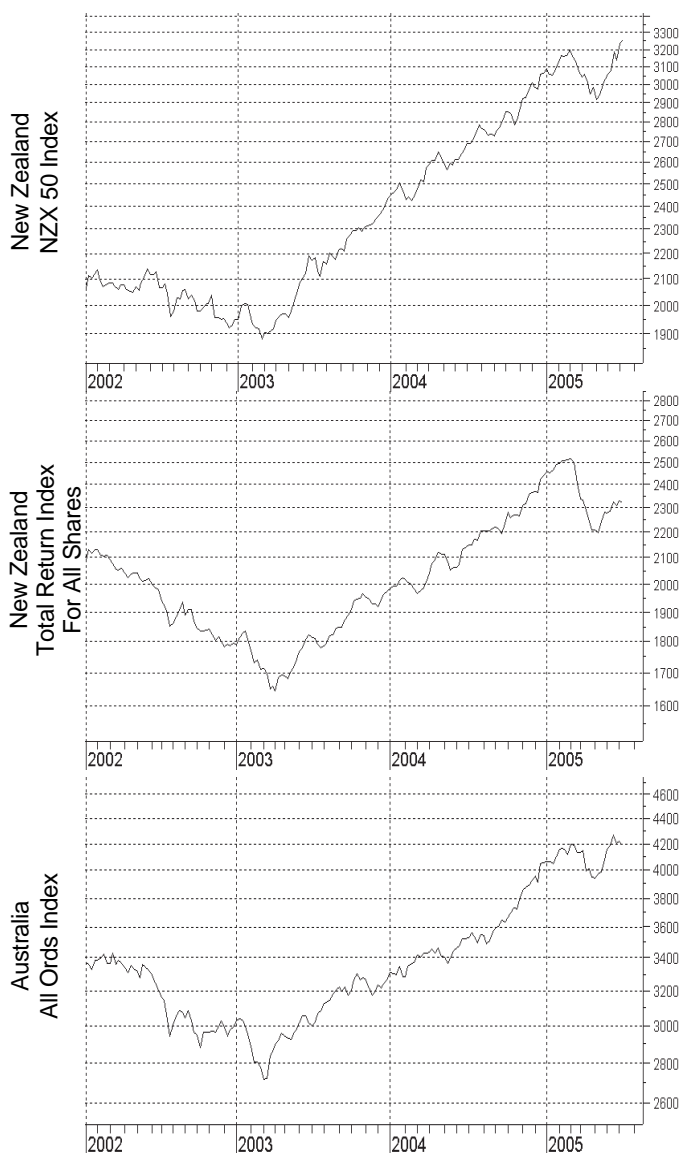
Expectations of slowing economic growth appear to have been *fully anticipated* by the stockmarket decline during the first half of 2005. *Insiders* now see good value in their company's shares and the stockmarkets are recovering as investors look forward to steady economic growth in 2006 and beyond. Despite high oil prices, this appears to be a relatively stable business environment with steady economic growth.

Depressed profit results to be released over the next couple of months - but reflecting the more difficult *historical* trading period for the first half of 2005 - may hold share prices back in the short term. Improved trading conditions in the second half of 2005 could see future profit expectations raised and share prices re-rated higher over the next six months.

Last month's "buying opportunity" continues and investors should move to being close to fully invested - if not already.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	57% (Neutral)	72% (Bullish)
New Zealand:	64% (Bullish)	48% (Neutral)



Performance Forecasts

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

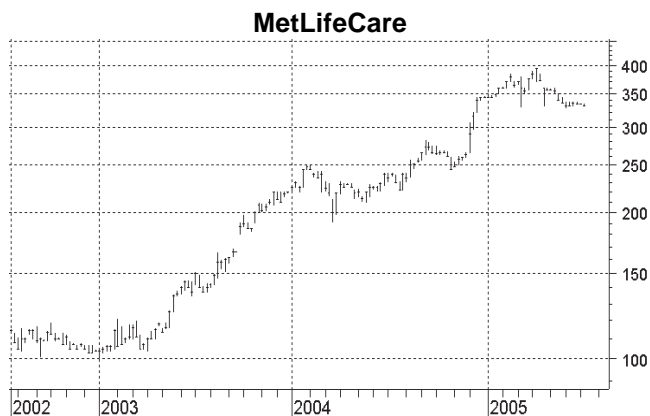
	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	
A2 Corporation	C	22	N/A	NE	Nil	Heritage Gold *	N/R	7.0	N/A	NE	Nil	Pumpkin Patch	C	275	2.08	57	Nil	
ABS Canterbury	A	440	1.32	15	4.7	Hirequip NZ Ltd	C	103	1.51	7	2.9	Pure NZ Limited	D	2.5	8.62	NE	Nil	
AMP Limited	C	690	1.08	13	4.3	Horizon Energy	A	440	4.10	14	6.8	Pyne Gould Corp	B	491	1.15	14	4.3	
AMP NZ Office	B	96	6.19	12	7.3	ING Property	B	125	8.68	16	8.6	Pyne Gould G.	C	195	0.67	11	6.9	
AXA Asia Pac.	A	483	1.57	14	2.5	Infratil NZ	A	377	4.25	16	4.2	Renaissance	B	112	0.36	19	9.8	
Abano Health.	C	190	0.57	NE	Nil	Jasons Media	C	48	N/A	NE	Nil	Restaurant Brds	B	165	0.50	15	9.0	
Affco Holdings	C	44	0.25	4	Nil	Just Water Int.	D	86	4.32	26	Nil	RetailX Limited	C	16	N/A	NE	Nil	
Air New Zealand	C	127	0.22	5	Nil	KidCorp	D	15	1.12	NE	Nil	Richina Pacific	D	69	0.17	21	2.9	
Akd Int Airport	B	229	N/A	30	4.5	Kingfish Ltd *	N/R	96	2.51	3	3.1	Rubicon Limited	E	103	N/A	NE	Nil	
Allied Farmers	A	280	0.60	15	5.6	Kirkcaldie & St	B	250	0.60	23	4.4	Ryman Health.	A	393	3.24	17	2.9	
Allied Work.	D	150	N/A	NE	Nil	Kiwi Property	B	108	8.43	14	8.0	Sanford Limited	C	456	1.22	8	7.2	
Apple Fields	C	3.0	N/A	NE	Nil	Life Pharmacy	D	120	N/A	NE	1.5	Satara Co-op	D	94	0.44	22	9.5	
Blis Technology	E	15	N/A	NE	Nil	Lion Nathan Ltd	B	800	1.91	24	4.0	Savoy Equities	E	1.4	N/A	NE	Nil	
Blue Chip NZ	C	94	2.28	10	Nil	Livestock Imp.	A	156	0.47	10	10.4	Scott Tech. Ltd	C	275	1.91	18	7.1	
Botry-Zen Ltd	D	6.0	N/A	NE	Nil	Loan & Building	B	430	1.28	14	5.2	Sealegs Corp	E	21	4.00	NE	Nil	
Brierley Invest	B	104	2.78	16	2.1	Lyttelton Port	C	185	3.06	16	8.9	Seeka Kiwifruit	B	430	0.67	13	6.9	
Briscoe Group	B	123	0.81	14	8.5	MG Property Trt	B	122	N/A	24	9.3	Skellmax Indust	C	122	1.15	11	8.6	
Broadway Ind	C	85	0.41	6	2.4	Mainfreight Grp	A	280	0.31	20	3.5	Sky City Ltd	C	495	3.44	21	8.0	
CACI Group Ltd	C	18	0.23	41	Nil	Media Tech.	D	10	0.42	NE	Nil	Sky Network TV	C	595	6.45	81	Nil	
CDL Hotel NZ	C	56	1.17	8	3.7	Methven Limited	B	137	1.28	11	8.3	Slavus Strat. *	N/R	84	N/A	NE	Nil	
CDL Investments	D	36	3.58	9	6.6	Metro. LifeCare	B	330	2.62	16	1.7	Smiths City	D	73	0.19	9	7.2	
Cabletalk Group	B	75	0.58	11	6.0	Michael Hill	B	745	1.10	19	4.2	Software of Exc	E	116	1.26	NE	Nil	
Cadmus Tech Ltd	E	21	3.55	NE	Nil	Mid-Cap Index *	N/R	241	N/A	NE	Nil	Sol. Dynamics	D	98	0.66	NE	Nil	
Calan Hlthcare	B	106	9.70	16	7.5	Mike Pero Mort.	D	64	0.82	13	14.0	South Port NZ	C	117	2.07	15	8.3	
CanWest Media.	D	176	N/A	NE	Nil	Mooring Systems	D	445	N/A	NE	Nil	Spectrum Res.	D	1.5	1.63	NE	Nil	
Cap Properties	B	130	5.16	17	6.9	Mowbray Collect	D	142	3.89	NE	3.2	Speirs Group	C	110	0.20	10	10.9	
Carter Hold	B	221	0.81	7	1.8	Mr Chips Ltd	C	96	0.66	16	6.2	Steel & Tube	C	470	1.07	15	8.6	
Cavalier Corp	C	400	1.31	12	10.1	NGC Holdings	A	400	3.89	22	7.1	Sthn Travel	E	74	N/A	NE	Nil	
Cert Organics	E	5.5	4.20	NE	Nil	NZ Exchange Ltd	D	775	5.43	27	Nil	Summit Gold Ltd*	N/R	44	N/A	NE	Nil	
Col Motor Co	C	312	0.21	10	9.6	NZ Experience	E	30	1.42	13	10.0	Tag Pacific Ltd	D	25	0.28	5	2.2	
Commsort Group	E	0.3	N/A	NE	Nil	NZ Finance Hold	D	100	5.94	27	Nil	Taylor's Grp Ltd	B	260	1.03	15	6.3	
Comvita	D	210	0.98	21	1.5	NZ Invest Trust *	N/R	800	N/A	NE	1.0	TeamTalk Ltd	B	236	2.37	18	10.4	
Connexion	D	36	2.12	53	Nil	NZ Oil and Gas *	N/R	107	9.48	18	Nil	Telecom Corp	B	607	2.19	16	6.6	
Contact Energy	B	785	3.54	31	4.8	NZ Refining Co	A	4650	3.97	11	9.6	Tenon Ltd	D	395	0.35	NE	Nil	
Cube Capital	D	4.0	0.11	NE	Nil	NZ Wine Company	C	188	2.09	22	4.5	Toll NZ Ltd	B	300	0.91	6	Nil	
Cue Energy Ltd *	N/R	25	N/A	83	Nil	NZ Wool Service	D	44	0.23	9	13.6	Tourism Hold.	B	185	1.07	16	7.3	
Cynotech Hold.	E	16	0.88	NE	Nil	NZSX 10 Fund *	N/R	122	N/A	NE	Nil	Tower Limited	C	210	0.83	16	Nil	
Dominion Fin.	C	120	2.68	9	8.6	NZSX 50 Port.	D	149	N/A	NE	Nil	Training Sol.	E	0.1	0.71	NE	Nil	
Dorchester Pac	C	236	0.60	8	6.5	NZX Aust MidCap	C	459	N/A	NE	Nil	Trans-Tasman	C	42	3.17	9	Nil	
Eastern Hi-Fi	D	90	0.66	13	Nil	Nat Property Trt	B	99	6.29	15	9.1	Trust Power Ltd	A	580	2.98	25	5.0	
Ebos Group Ltd	C	433	0.52	14	6.9	New Image Group	C	8.5	1.01	NE	Nil	Turners Auction	B	280	0.97	11	10.7	
Evergreen	D	30	1.16	NE	Nil	Northland Port	A	308	N/A	38	3.9	Turners & Grow.	C	255	0.33	19	Nil	
F & P Health.	C	343	7.25	28	4.7	Nuhaka Forestry	C	2.1	N/A	NE	Nil	Urbus Property	A	119	2.79	6	7.7	
F & P Appliance	C	349	0.89	13	7.7	Nuplex Indust	C	450	0.42	9	8.1	Utilico Int'l	D	53	3.41	NE	Nil	
Feltex Ltd	D	61	0.28	4	9.8	Opio Forestry	C	85	N/A	NE	Nil	VTL Group Ltd	C	70	0.74	11	4.7	
Finnmedia Ltd	C	140	3.12	4	Nil	Owens Group Ltd	C	116	0.27	NE	Nil	Vertex Group	B	209	0.76	13	2.9	
Finzsoft Sol'ns	E	72	0.85	34	Nil	Oyster Bay	B	348	4.78	26	Nil	WN Drive Tech.	D	37	N/A	NE	Nil	
Fletcher Build.	C	680	0.75	12	5.5	POZY (Tortis) *	N/R	244	N/A	NE	Nil	Wakefield Hosp.	A	465	1.37	19	4.2	
Forty Two Below	D	67	6.91	NE	Nil	Odd Ltd	C	106	0.47	9	4.2	Warehouse Group	B	358	0.48	18	6.0	
Freightways Ltd	B	314	1.87	26	6.1	Pac Edge Bio.	E	22	N/A	NE	Nil	Waste Mgmt NZ	A	652	3.02	25	6.1	
GDC Communicat.	D	15	0.22	NE	Nil	Pacific Retail	D	190	0.12	NE	Nil	Widespread Port	E	1.8	N/A	NE	Nil	
Genesis Res.	D	30	1.77	NE	Nil	Port Tauranga	C	498	4.42	20	6.0	Windflow Tech.	E	234	N/A	NE	Nil	
Guinness Peat	C	200	0.16	8	2.6	Ports Auckland	B	804	5.17	19	7.5	Wool Equities	E	64	2.36	NE	Nil	
Gullivers Trv.	C	134	0.32	11	10.9	Postie Plus Grp	C	64	0.24	6	16.5	World Index Fd *	N/R	117	N/A	NE	Nil	
Hallenstein G.	B	405	1.31	14	8.8	Property F Ind.	B	108	9.18	17	7.3	Wrightson Ltd	C	199	0.44	27	8.6	
Hellaby Hold.	C	580	0.86	14	9.0	Prevento Group	C	87	1.09	19	Nil	Zintel Comm.	C	100	1.42	15	5.2	
													Ave of 168 Cos	C	232	0.71	18	3.7
ABB Grain Ltd	B	620	1.09	50	4.0	Energy Resource	A	1419	8.45	52	1.2	Nufarm Limited	B	1010	1.05	22	2.3	
AMP Ltd	B	628	1.07	13	4.3	Energy Develop.	B	407	N/A	NE	0.4	Oil Search Ltd	A	328	6.47	18	1.2	
ANZ Bank	A	2130	4.17	27	4.7	Envestra	B	112	2.88	38	8.5	Onestell Ltd	B	260	0.44	11	4.6	
APN News Media	A	507	1.91	19	4.3	Excel Coal Ltd	B	743	6.19	53	1.5	Orica Ltd	C	1745	1.00	14	3.9	
AWB Limited	B	465	0.30	16	5.4	Fairfax (John)	A	413	2.11	14	4.0	Origin Energy	A	737	1.43	25	1.8	
AXA Asia Pac	A	442	1.56	15	2.7	Flight Centre	B	1412	1.66	16	4.3	Oxiana Ltd	D	93	N/A	NE	Nil	
Adelaide Bank	A	1143	1.30	15	3.8	Foodland Assoc	A	2640	0.45	22	3.8	Pacific Hydro	A	500	N/A	19	1.0	
Adelaide Bright	A	187	1.45	12	4.0	Foster's Group	B	526	2.70	13	3.7	Pacific Brands	B	225	3.06	96	1.6	
Alinta Limited	A	956	2.34	17	4.4	Futuris Corp.	C	201	0.49	56	4.0	Paperlin X Ltd	B	298	0.21	12	9.2	
Alumina Ltd	B	545	N/A	23	3.7	GPT Group	B	381	9.84	18	5.8	Patrick Corp	B	554	2.69	16	2.3	
Amcor Ltd	B	678	0.57	17	4.7	GWA Internat'l	B	299	1.23	13	6.0	Perp Trust Aust	B	5790	6.97	25	2.6	
Ansell Ltd	A	1038	1.62	26	1.3	Gandel R. (CFS)	B	170	9.68	18	5.9	Primary Health	A	910	6.21	52	1.9	
Argo Investment	A	560	N/A	32	2.9	Gt Sthn Plant'n	B	334	3.91	9	3.0	Promina Group	B	472	1.64	11	4.7	
Aristocrat Leis	A	1130	4.74	31	0.7	Guinness Peat	A	179	0.59	28	1.4	Publishing & Br	B	1490	3.11	15	2.9	
Arrow Pharm.	A	243	2.28	40	4.1	Gunns Ltd	B	405	2.04	13	3.1	O.B.E. Insur.	A	1572	1.12	14	3.4	
Aust Foundation	A	379	N/A	27	3.5	Hardman Res.	B	229	7.19	16	Nil	Qantas Airways	B	320	0.52	9	5.3	
Aust Stock Exch	A	2239	9.47	27	2.5	Harvey Norman	B	250	1.45	15	3.0	Ramsay Health	A	844	1.41	28	2.1	
Aust Gas Light	B	1428	1.55	19	4.2	Henderson Group	B	148	0.48	44	Nil	Record Invest.	A	555	N/A	35	3.3	
Aust Pharm. Ind	A	330	0.25	29	3.9	ING Indust Trt	B	214	9.46	15	6.7	Reece Australia	B	1235	1.41	20	2.3	
Aust Pipeline	A	374	3.61	8	7.5	ING Office Fund	B	129	7.31	1								

Recommended Investments

Lyttelton Port Company has lowered its profit forecast for the June 2005 year from around \$12.3-12.8 million to about \$12.0 million. This downgrade reflects the impact of its own industrial problems, settled in April, and those at **Solid Energy** which are currently reducing export coal volumes.

Metlifecare's major shareholder, **Private Health Care** (i.e. Mr C Cook), reports its "sale process has progressed to due diligence and detailed discussions with a number of parties", although no deal appears likely in the immediate future!

Metlifecare has received Resource Consent for the development of the final stages of *Metlifecare Pinesong*



(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Perform- ance 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>												
BUY	CDL Investments Ltd	CDI	12/01/99	25	D	200.5	1.6	3.58	9	6.6	36	11.3	+89%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	C	64.9	0.5	1.31	12	10.1	400	155.5	+256%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.5	0.21	10	9.6	312	271.3	+289%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.1	0.7	3.06	16	8.9	185	47.0	+55%
BUY	Metlifecare Ltd	MET	10/08/04	236	B	86.5	0.7	2.62	16	1.7	330	5.5	+42%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.7	0.4	1.10	19	4.2	745	159.0	+1865%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	C	62.1	0.6	0.42	9	8.1	450	113.0	+61%
HOLD	Renaissance Corp	RNS	13/08/96	85*	B	38.2	0.9	0.36	19	9.8	112	25.9	+62%
HOLD+	Richina Pacific	RPL	03/11/95	94*	D	148.7	1.2	0.17	21	2.9	69	11.4	-14%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	0.9	2.07	15	8.3	117	77.3	+62%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	C	88.0	0.6	1.07	15	8.6	470	115.0	+301%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.6	1.03	15	6.3	260	50.0	+204%
	<u>Australian Shares</u> (in Aust cents)												
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	51.2	0.8	0.53	6	6.4	125	20.5	+21%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	D	87.8	1.9	3.09	NE	Nil	21	7.0	-62%
BUY	Austin Group Ltd	ATG	08/02/05	93	B	62.2	1.0	0.85	12	7.7	78	4.0	-12%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	B	41.3	0.5	0.78	17	4.6	917	177.5	+162%
BUY	Candle Australia	CND	08/04/03	86	B	39.6	0.8	0.48	19	4.1	217	15.5	+170%
HOLD+	Cellnet Group Ltd	CLT	12/02/02	152	B	49.8	1.0	0.15	7	8.6	134	31.5	+9%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	A	195.5	0.5	1.90	18	2.7	485	Nil	+593%
HOLD	Circadian Technologies	CIR	10/02/04	188	C	40.1	1.1	N/A	10	Nil	138	65.0	+8%
BUY	Citect Corporation Ltd	CTL	12/04/05	110	B	52.3	1.1	0.72	14	6.5	85	Nil	-23%
HOLD+	Commander Comm.	CDR	11/09/01	92	B	154.6	0.7	0.71	37	0.9	225	13.2	+159%
BUY	Computershare Ltd	CPU	12/08/03	189	B	594.5	0.7	3.23	44	1.4	564	15.5	+207%
HOLD	Int'l AllSports	IAS	11/02/03	180	D	52.5	1.9	0.02	NE	Nil	22	2.5	-86%
BUY	Iluka Resources Ltd	ILU	12/10/04	471	A	232.9	0.6	2.06	20	2.9	750	12.0	+62%
HOLD+	Keycorp Ltd	KYC	10/08/04	154	B	81.7	1.0	1.50	20	1.6	186	Nil	+21%
BUY	LongReach Group Ltd	LRX	11/01/05	23½	C	174.5	2.2	0.77	0	Nil	16	Nil	-33%
HOLD+	Melbourne IT	MLB	10/02/04	53	B	52.8	0.8	1.04	17	4.6	119	7.5	+139%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	386.1	1.0	3.27	39	2.1	106	2.3	+29%
BUY	Ross Human Directions	RHD	14/08/01	92	B	59.1	1.3	0.21	9	5.9	59	19.0	-15%
BUY	Skilled Engineering	SKE	12/03/02	126	B	95.6	0.7	0.35	16	5.9	273	47.5	+154%
HOLD+	Sonnet Corporation	SNN	07/09/04	31½	C	82.0	1.7	0.72	6	19.1	24	3.0	-17%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	298.7	1.2	3.19	17	5.2	55	4.3	+35%
BUY	The Reject Shop Ltd	TRS	11/01/05	257	A	24.1	0.7	0.37	12	0.9	283	10.0	+14%
HOLD	Toll Holdings	TOL	08/09/98	60*	A	321.3	0.4	1.21	24	1.6	1243	75.0	+2097%
HOLD	UXC Limited	UXC	11/01/00	55*	B	144.8	1.0	0.62	13	6.2	81	26.3	+95%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	173.4	0.9	1.37	17	3.7	112	30.3	+106%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +191.6%. This is equal to an average annual rate of +42.2%, 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 130 closed out) is +32.5%, compared with a market gain of +9.0% (by the SRC Total Return Index).

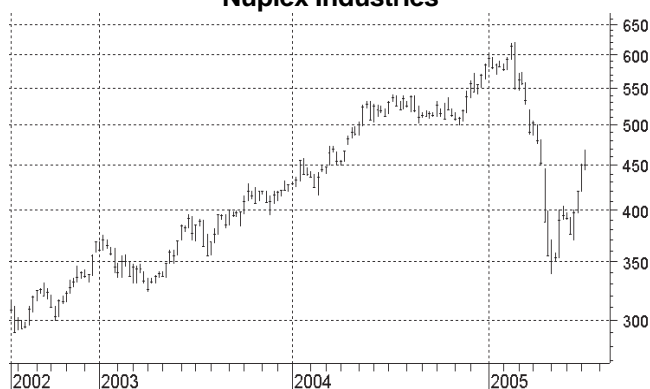
CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

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

Recommended Investments (Continued from Page 3) in Titirangi, Auckland. This \$39 million development will include 78 apartments, a care facility with 30 serviced apartments and 10 care suites, plus an underground carpark for 120 vehicles. Development will start immediately, with three stages finishing from spring 2006 to the end of 2007.

Nuplex Industries' shares have recovered strongly over the last two months. Technically the shares are still *weak*, with a long term Relative Strength rating of -14.8%, ranked 91 - although this is starting to improve. The shares, however, offer good value and at 450 cents trade on a low Price/Sales ratio of 0.42, a low Price/Earnings ratio of 9 and offer a high Dividend Yield of 8.1%. Also there have been two *insider* buys over the last year. The technical situation suggests some potential to weaken or under-perform in the short term, but the low valuation and *insider* buying suggests the shares are a sound "Buy" for high income and capital growth.

Nuplex Industries



Richina Pacific is to consolidate its four *Shanghai Leather* divisions and 31 recently acquired manufacturing businesses into one business, *Richina Industries*.

Richina Pacific



Australian Shares

(This section is in Australian currency, unless stated.) The **Trans-Territory Pipeline** - a \$650-750 million project that **AJ Lucas Group** was to build will not proceed at this time. The project was conditional on **Alcan Australia's** approval and its agreement to buy natural gas from **Woodside Petroleum**. Alcan has cancelled its contract - and will buy gas from **Santos** from Papua New Guinea - after Woodside sought to increase prices to cover the higher cost of steel for the pipeline construction.

While a major AJ Lucas Group project has been lost there is some potential upside for the company. Firstly, AJ Lucas will now be available to bid for other pipeline

business (i.e. the Dampier to Bunbury pipeline). Secondly, the much larger \$3500-5000 million **PNG Pipeline** is now scheduled to go ahead within the next few years.

AJ Lucas is one of the three major pipeline contractors and has built over 50% of Australia's cross country gas pipelines over the last seven years. The downside to major pipeline projects is they result in a boom/bust of revenue and profit. Smaller scale projects probably offer more reliable revenues and profits, and AJ Lucas Group is actively seeking to build recurring revenues from its Horizontal Directional Drilling and Coal Seam Gas businesses. "Hold".

AJ Lucas Group



Candle Australia has further increased its profit forecast for the year just ended on 30 June. The company is now forecasting a profit of \$6.9 million - up over 50% on 2004. This strong performance - which is significantly better than other companies in its sector - is reported to be its access to a large pool of skilled contractors available to start work at any time. Funding this growth in temporary contractors, however, will result in an operating cashflow *deficit* during the second half of the year.

Demand has been particularly strong in the banking and finance sectors, but the company expects further "upside in demand" which will be reflected in improved future profitability.

Candle Australia



Centennial Coal continues to extend its takeover offer for **Austral Coal** - and recent developments may allow it to reach 100% ownership. **Glencore** had previously complained to the **Takeover Panel** in an unsuccessful attempt to rewind Centennial Coal's takeover offer. Centennial Coal counter-claimed that Glencore misled the market by failing to disclose a holding in excess of 5% held directly and through swap agreements - and this claim has been successful (subject

to a review which will be completed by 15 July). The Takeover Panel has ordered that Glencore must give anyone who sold Austral Coal shares on-market from 22 March to 5 April the option to re-purchase those shares at the same price from Glencore. Those shareholders would *then* have the option of accepting the Centennial Coal takeover. Austral Coal shares traded on-market at 120-140 cents during that period, which would give investors an entry into Centennial Coal at 444-518 cents.

Centennial Coal also reports that the Austral Coal Tahmoormine is "meeting expectations, is now profitable and the major problems previously experienced with the longwall equipment have been resolved". There have been "significant changes to shift rosters" and mine production has been "stabilised" and this mine "is expected to be the largest contributor to profitability next year".

Circadian Technologies' share price has fallen significantly over recent months reflecting similar declines in its major listed investments.

Metabolic Pharmaceuticals recently raised \$10 million in cash from an institutional placement of 16.4 million shares at 61 cents and will raise up to another \$10 million through a *Share Purchase Plan* offering up to \$5000 worth of shares at 61 cents to every shareholder. This gives the company \$18 million in cash - rising to \$28 million with the SPP - which it will use to "expedite the clinical development of its two lead compounds" - a treatment for obesity and for chronic pain. Circadian Technologies does *not* appear to have participated in the latest share placement.

The US market for weight control surgery, diet programs and drugs is worth \$40 *billion* annually. Metabolic Pharmaceuticals has a market capitalisation of just \$160 million, so if an international drug company wants to acquire its technology the company may one day find itself on the receiving end of a takeover offer that is just too fat to refuse!

We estimate the market value of Circadian Technologies' portfolio as approximately:

Listed Companies (% owned)	Market Value
Metabolic Pharmaceuticals (21%)	\$29.2 million
Amrad Corporation (22%)	\$12.2 million
Antisense Therapeutics (27%)	\$4.5 million
Optiscan Imaging (7%)	\$2.0 million
Avexa (18%)	\$2.1 million
Cash	<u>\$21.0 million</u>
Total	\$71.0 million

This is equal to about 125 cents per share of listed investments plus 52 cents cash, or net assets of 177 cents per share. At 138 cents Circadian Technologies shares are trading on-market at a 22% discount to net asset value. So Circadian Technologies is a better way to invest in this sector than buying the company's listed investments directly. Our investment in Circadian Technologies has approximately broken even to date - so the "loss" on the biotechnology investments has been offset by our "profit" buying into these shares at a discount to net asset value and realising full value on the 65 cents cash that has since been distributed to shareholders.

The biotechnology sector remains weak, so we are

cautious about adding to this position at the present time and currently rate these shares as a "Hold".

Circadian Technologies



Metabolic Pharmaceuticals



Citect Corporation has confirmed that its first half profit (to 30 June) will be \$1 million lower than last year (i.e. only around \$0.6 million) owing to higher marketing and development costs, but has upgraded the second half forecast which will now "exceed" the previous year's second half profit of \$1.5 million. Annual revenue growth will be "greater than 10%".

The company also confirms that its *Citect IIM* product is "beginning to deliver real progress" in winning new business and has announced plans to launch two new, undisclosed, products before the end of the year.

Initial marketing costs will depress short term profitability - but 10% revenue growth over the medium to long term should result in around 20% *profit* growth. So the shares *may* remain weak in the short term, but this is a business capable of good profit growth and able to generate strong cash flows. At 85 cents the shares trade on a low Price/Sales ratio of 0.72, a reasonable Price/Earnings ratio of 14 and offer a high Dividend Yield of 6.5%. A longer term "Buy" for income and growth.

Citect Corporation



(Continued on Page 6)

Recommended Investments (Continued from Page 5)

Commander Communications has acquired an 80% shareholding in troubled wireless broadband company **Personal Broadband Australia** for just \$5. It has also acquired secured convertible notes with a principal value of \$18 million for another \$1. Commander Communications' major investment will be to provide up to \$15 million of working capital but (1) this will be advanced under a secured first ranking debt facility (to be repaid by June 2008) and (2) this funding will be provided in stages and subject to the company achieving performance targets. There is also an option to acquire the remaining 20% (for an undisclosed or as yet undetermined sum) after three years.

Personal Broadband Australia is expected to produce revenues of \$15 million to June 2006 but *lose* \$1.5 million before interest, depreciation and amortisation. In the past this business has invested \$65 million to obtain spectrum licences and deploy wireless mobile broadband infrastructure in Sydney, Melbourne, Canberra and the Gold Coast - covering an area of 3500km² and 5.6 million people, but currently has only about 8000 customers. Expansion of this network with additional capacity, when and where required, is described as "cost effective".

This is a low cost, low risk, investment for Commander Communications which could become a valuable business and which offers synergies with its existing businesses.

Commander Communications

Computershare has finally received regulatory approval for its purchase of **Equiserve** and has issued 29,605,000 new shares in part consideration of this acquisition. This makes Computershare the largest share registry in the United States, boosting its market share from 5% to 25%. Computershare's superior technology will significantly lower costs and boost profitability. Further growth in the US is likely if the group can acquire some of the small share registry companies.

Computershare and **UFJ Trust Bank** (which is currently merging with **Mitsubishi Trust and Banking Corporation**) have signed a Memorandum of Understanding to establish a 50/50 joint venture which will initially seek to provide investor relations and proxy solicitation services. The Japanese securities market will become scripless in 2009 and the merged Japanese entity will have a 42% share in the share registry market. In return for technology and help establishing a scripless system, Computershare *may* earn "a significant minority interest" in this Japanese

share registry business.

This Japanese venture will have little immediate impact - adding less than \$13 million in revenues next year - but "offered significant growth opportunities" and is "one of the most significant strategic moves" in a country where Computershare has been seeking to establish its business. So over the next few years Computershare could acquire a valuable minority interest in Japan at little or no cost, simply by sharing the technology that it has developed to run its other global registry businesses.

Computershare

Iluka Resources share price jumped on speculation of a takeover after a consortium of listed **Buka Minerals** and many wealthy Australians disclosed a 7.25% interest in the company. No takeover, however, is planned at the present time and this shareholding is being called "an investment".

Iluka Resources

Keycorp has announced the sale of its declining **Transaction Network Solutions** business to **Telstra Corporation** for \$55 million. This division provided strong cash flows but little profitability, owing to depreciation and amortisation, and was declining towards the January 2011 expiry of the contract with Telstra. 60% (\$33.5 million) of the cash proceeds will be distributed to shareholders through a 41 cents per share capital repayment, probably in September, and the remainder will be retained "to fund growth opportunities including potential acquisitions". This sale will also help move Keycorp from a "product" business to a "solutions and services" business.

Forecasts for the results to 30 June 2005 have also been upgraded with the company predicting 38% revenue growth to \$140 million (up 27% on its earlier forecast of \$110 million) and earnings (before interest, depreciation and amortisation) 34% higher at \$29 million. Much of this upgrade results from re-financing its \$100 million

Westpac contract - removing both the project debt and the fixed assets from Keycorp's balance sheet. This non-recourse, "off-balance sheet" financing "better aligns revenue and profit with actual work undertaken and cash flow generated" - increasing reported revenues from this contract for the June 2005 year from \$15 million to \$33 million.

Keycorp is "pursuing" other contracts similar to the one to manage and replace EFTPOS terminals for Westpac and is targeting "large financial institutions in Australia and Canada".

Keycorp



M.Y.O.B. has invested \$7 million to purchase a 35% shareholding in **NetReturn** - with an option to acquire the rest of the company in 2007 or 2008. NetReturn distributes the *NetSuite* ERP, CRM and eCommerce programs via the internet to mid-range businesses in Australia and New Zealand. The company generated revenues of \$7 million over the last year and is expected to become profitable in the year to June 2006.

Skilled Group has announced the acquisition of Perth based **Extraman**, a company specialising in the provision of staff to the mining, resources and engineering industries. This is a "strategic fit" with Skilled Group's existing labour hire businesses. The business is being purchased at just 3.5 times earnings (before interest and tax) - based on average earnings over the 2005, 2006 and 2007 financial years.

Revenues for the year to June 2005 are expected at \$70 million with earnings of \$4.5 million. The estimated purchase price is \$20 million - which implies a 25% annual growth in earnings over the next two years. So this appears to be a very attractively priced acquisition - with good growth prospects - that will boost earnings per share and therefore increase shareholder wealth.

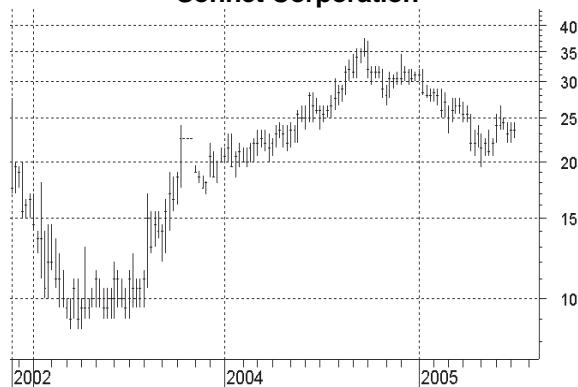
Skilled Group sees this acquisition as "a low risk re-investment of our strong cash flow in our core staffing services business".

Skilled Group



Sonnet Corporation's shareholders have approved the purchase of **Virtel Group**.

Sonnet Corporation

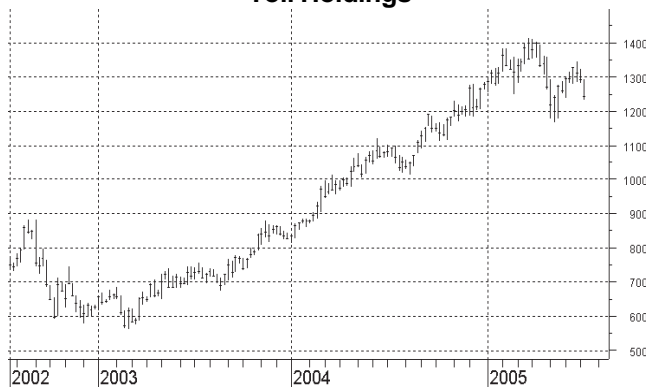


Toll Holdings has renewed its removals management contract with the Department of Defence for up to another five years. This generates annual revenues in excess of \$100 million, moving approximately 22,000 personnel domestically and 1000 internationally.

On a Price/Sales ratio of 1.21, a Price/Earnings ratio of 24 and a Dividend Yield of 1.6%, Toll Holdings shares are not *cheap*. Nevertheless, the transportation sector is likely to grow much faster than the general economy and Toll Holdings has the ability to buy under-performing businesses cheaply and to significantly improve their performance and profitability. If Toll Holdings can continue to grow earnings per share at 30-40% per annum, then a high P/E of 24 will quickly drop to 12-14 over just two years. The dividend *could* also be increased significantly - increasing the Dividend Yield - *if* Toll Holdings were to run out of attractive acquisitions or opportunities for internal growth.

So - having realised some profits in the past - we are happy to "Hold" our remaining Toll Holdings shares for further growth.

Toll Holdings



UXC has acquired **BML & Associates**, the largest **PeopleSoft** specialist consulting business in Australia. BML will be merged into UXC's *Red Rock Consulting* - which provides **Oracle** consulting services. The business will help PeopleSoft users migrate to Oracle applications, following the merger of these two software companies

Vision Systems attack on patent protection sought by **Ventana Medical Systems** (to prevent Vision Systems selling its *Bond* system in the United States) "will be heard in the US District Court for Massachusetts commencing 25 July". Vision Systems is "very confident of its position", while Ventana Medical regularly uses litigation to prevent - or, at the very least, to delay - the entry of competing medical instruments.

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					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Current	4-Wk Chg.	Rank	Insider Buy-Sell									Insider Buy-Sell	Current	4-Wk Chg.	Rank	Insider Buy-Sell								Insider Buy-Sell	Current
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													INCOME SHARES: Highest Yields, Capitalisation > A\$250 million														
Ruralco Hold.	410	+5.0	-0.8	14	2.0	-	0.5	18	3.7	0.07	45	Australand Prop	142	-10.2	-1.8	65	0.0	4	1.0	12	0.5	8	11.6	1.00	1,229		
A.P. Eagers	750	+2.5	-0.2	22	1.0	1.2	9	0.4	13	4.8	161	Pacifica Group	186	-26.7	-0.1	94	6.0	5	1.1	14	0.5	8	11.0	0.28	346		
Namoi Cotton	55	+0.4	-2.0	29	1.0	-	1.2	8	9.2	0.21	62	Manadelphous Gr	321	+15.8	-0.0	4	1.1	-	1.4	5	0.4	29	9.3	1.13	251		
CTI Logistics	79	+7.3	+0.7	10	2.0	-	0.8	7	0.9	1.2	20	Paperlin X Ltd	298	-21.5	-1.7	89	1.0	8	0.9	7	0.4	12	9.2	0.21	1,329		
Legend Corp.	59	+1.7	+0.6	24	2.0	-	2.2	14	1.2	1.5	40	Envestra	112	+0.8	-1.0	27	0.0	7	-	-	0.5	38	8.5	2.88	862		
Caltex Australia	1623	+16.4	-6.1	4	0.0	8	2.6	34	0.5	8	2.4	0.33	4,382	AV Jennings	133	-6.8	+3.9	56	1.0	-	1.1	10	0.5	10	8.3	0.65	286
Metcash Trading	327	+4.2	+0.8	16	0.2	9	8.4	36	0.5	2.3	2.9	0.35	2,417	City Pacific	401	-8.3	-3.1	60	2.4	-	6.1	73	0.4	8	8.2	6.15	363
Spotless Group	515	+0.2	+0.5	30	0.0	7	14.7	31	0.6	4.8	4.5	0.44	1,082	Sth C. Filers	11110	-0.4	+0.1	35	0.0	-	1.1	9	0.1	12	8.2	N/A	667
RCR Tomlinson	78	+6.9	-1.9	11	0.3	-	1.6	9	1.1	1.7	1.9	0.44	47	Aust Pipeline	374	+5.5	-2.2	13	0.0	7	1.7	20	0.4	8	7.5	3.61	1,028
Foodland Assoc	2640	+8.7	-0.6	9	1.0	10	9.9	46	0.3	2.2	3.8	0.45	3,092	Gasnet Aust Grp	271	+2.2	+1.8	22	0.0	4	1.4	6	0.4	23	7.4	3.38	380
Downer EDI Ltd	526	+3.8	-0.3	17	1.0	5	3.0	17	0.7	1.8	2.6	0.46	1,484	Crane Group	851	-7.2	+1.9	57	1.0	4	1.8	-	0.3	NE	7.1	0.22	468
Wool Cheese	351	+2.8	-4.4	21	2.0	-	1.4	14	0.7	1.0	1.8	0.47	134	Peet & Company	150	-4.2	+1.4	48	2.0	-	7.1	68	0.8	10	6.7	4.64	300
Ausdrill Ltd	74	+9.2	-1.2	8	0.0	-	1.1	6	1.0	1.9	5.4	0.48	77	OAMPS	248	-6.0	-1.0	54	0.2	-	5.5	41	0.4	13	6.5	0.72	312
Avatar Indust.	94	+6.8	-6.3	11	2.0	-	1.6	12	1.1	1.4	3.2	0.52	74	B & B Infrastr.	165	+13.4	+0.4	5	0.0	-	2.3	6	0.5	38	6.4	4.91	863
Lend Lease Corp	1310	+0.7	+0.7	28	2.0	8	2.4	15	0.5	1.6	3.4	0.54	5,243	Jubilee Mines	738	+15.6	+3.6	5	0.0	5	6.3	65	0.3	10	6.1	3.91	920
Chalmers	298	+8.6	+1.8	9	1.0	-	0.9	3	0.5	3.5	2.0	0.59	17	G.U.D. Holdings	658	-13.6	+2.5	73	2.1	7	5.2	46	0.3	11	6.1	1.01	400
Wayne Group Ltd	469	+4.1	+4.7	16	0.0	7	6.5	20	0.5	3.2	3.6	0.60	3,003	GWA Internat'l	299	-3.2	+2.6	45	2.1	6	1.9	14	0.3	13	6.0	1.23	832
Woolworths Ltd	1596	+4.8	-1.4	14	0.3	11	-	0.4	2.7	2.8	0.63	16,453	McGuigan Simeon	398	-14.4	-1.4	75	2.0	7	1.5	14	0.4	11	5.9	1.35	434	
Leighton Hold	1159	+0.3	+3.3	30	0.1	9	3.9	13	0.4	2.9	3.9	0.64	3,160	Skilled Group	273	-5.4	+0.7	52	9.0	4	6.1	38	0.5	16	5.9	0.35	261
Roberts Ltd	975	+3.5	+2.5	18	1.1	-	3.0	2.2	0.3	1.4	4.5	0.66	126	David Jones	195	-5.0	+0.4	51	1.2	7	-	-	0.4	12	5.6	0.44	814
Central Equity	234	+3.7	+0.7	18	0.0	-	0.9	1.5	0.5	6	5.6	0.67	202	Djerriwarrah	387	+1.9	+1.3	23	1.5	-	1.1	5	0.3	20	5.6	N/A	610
Ludowici Ltd	510	+2.3	-1.3	22	1.1	-	1.9	13	0.4	1.5	4.0	0.71	84	Nat'l Aust Bank	3021	+3.4	+0.8	19	5.0	12	2.6	17	0.3	15	5.5	1.91	46,863
Commander Comm.	225	+0.5	+0.0	29	2.0	6	-	0.7	3.7	0.9	0.71	348	FKP Limited	275	-11.1	-5.5	67	0.1	5	1.3	13	0.4	10	5.5	1.37	364	
Cabcharge Ltd	440	+2.6	-2.3	21	0.2	8	4.0	19	0.6	2.2	3.1	0.72	499	Incitec Pivot	1659	-10.0	+1.4	64	0.3	-	-	-	0.3	13	5.4	0.85	967
Grand Hotel	80	+2.0	+1.4	23	0.0	3	0.8	10	1.1	8	2.5	0.76	178	Smorgon Steel	121	-1.4	-2.0	38	0.1	9	-	-	0.7	24	5.4	0.40	1,062
Shearer (John)	310	+8.6	-2.5	9	0.0	-	1.0	9	0.5	1.2	3.2	0.76	38	INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Tat Hong Hold.	43	+11.2	+0.0	7	0.0	-	-	-	1.5	1.2	3.3	0.78	192	SFE Corporation	1030	+8.4	+1.2	9	13.1	-	8.7	33	0.3	26	3.3	6.73	1,378
CPT Global Ltd	65	+4.0	-1.8	16	0.0	-	3.4	25	1.3	1.4	7.7	0.78	22	Structural Syst	62	+1.3	-0.6	26	10.0	-	1.9	-	0.6	NE	Nil	0.20	16
Campbell Bros	917	+1.0	-1.3	27	2.0	1	4.3	25	0.4	1.7	4.6	0.78	378	Heron Resources	68	+72.5	-0.9	0	9.0	-	-	-	0.9	NE	Nil	N/A	88
Transfield Serv	734	+4.3	-0.4	15	1.0	6	-	0.5	1.5	2.2	0.82	1,013	Cardno Ltd	280	+5.3	-0.6	13	9.0	-	9.0	41	0.6	22	1.6	1.53	99	
Hills Indust.	424	+0.1	+1.4	31	0.1	4	3.1	16	0.5	1.9	5.3	0.82	594	Intermin Res	8	+0.4	-1.8	29	8.0	-	-	-	1.5	5	Nil	1.62	7
United Group	920	+16.6	+1.6	4	0.0	6	9.6	30	0.5	3.2	2.0	0.86	925	Aurox Resources	69	+99.4	+62.5	0	8.0	-	-	-	0.8	NE	Nil	N/A	0
Steamships Trad	422	+12.4	+2.0	6	0.0	-	-	-	1.0	2.0	1.9	0.90	131	Aquarius Plat.	671	+4.2	+1.0	16	7.0	-	-	-	0.4	1.4	1.3	2.04	555
Noni B Limited	305	+3.5	-1.4	18	0.0	-	5.4	24	0.8	2.2	2.8	0.97	97	Carrick Gold	40	+17.2	+7.0	4	7.0	-	-	-	1.0	NE	Nil	N/A	N/A
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													Fiducian P Serv														
Caltex Australia	1623	+16.4	-6.1	4	0.0	8	2.6	34	0.5	8	2.4	0.33	4,382	Chal Financial	303	+1.6	-3.0	25	6.0	-	2.9	14	0.4	21	Nil	1.97	1,614
Tolhurst Noall	24	+15.2	+2.3	5	0.0	-	2.4	29	1.4	8	Nil	0.66	24	Centro Property	591	+6.1	+2.2	12	6.0	-	1.6	10	0.3	16	1.2	N/A	550
Aircruising Aust	6	+12.3	-7.0	6	0.0	-	2.8	35	2.4	8	Nil	0.10	1	Waterco Ltd	380	+0.1	-0.1	30	6.0	-	2.3	15	0.3	15	3.9	1.07	79
Tat Hong Hold.	43	+11.2	+0.0	7	0.0	-	-	1.2	1.2	3.3	0.78	192	Riversdale Min.	71	+12.5	+1.6	6	6.0	-	-	-	1.7	NE	Nil	N/A	34	
General Publish	20	+10.5	+1.3	8	0.0	-	-	1.4	1.3	Nil	0.25	3	Nat'l Aust Bank	3021	+3.4	+0.8	19	5.0	12	2.6	17	0.3	15	5.5	1.91	46,863	
Ausdrill Ltd	74	+9.2	-1.2	8	0.0	-	1.1	6	0.7	1.9	5.4	0.48	77	E-Bet Limited	22	+5.7	-10.8	12	5.0	-	-	-	1.3	NE	Nil	2.19	41
Shearer (John)	310	+8.6	-2.5	9	0.0	-	1.0	9	0.4	1.2	3.2	0.76	38	Dark Blue Sea	43	+8.8	-1.4	9	5.0	-	14.3	79	1.8	18	Nil	1.34	15
CTI Logistics	79	+7.3	+0.7	10	2.0	-	0.8	7	0.7	1.2	1.3	0.27	20	F.F.I. Holdings	400	+6.6	+2.1	11	5.0	-	3.0	13	0.2	23	3.0	1.48	24
RCR Tomlinson	78	+6.9	-1.9	11	0.3	-	1.6	9	0.9	1.7	1.9	0.44	47	St Barbara Mine	10	+24.1	-3.9	2	5.0	-	2.5	-	1.8	NE	Nil	2.18	72
Avatar Indust.	94	+6.8	-6.3	11	2.0	-	1.6	12	0.9	1.4	3.2	0.52	74	Alpha Tech.	2	+0.8	-5.8	28	5.0	-	-	-	3.1	NE	Nil	0.98	10
Village Road.	253	+5.2	-2.9	13	0.3	3	1.1	7	0.8	1.7	Nil	0.39	872	Aristocrat Leis	1130	+8.9	-0.5	9	5.0	10	17.4	56	0.5	31	0.7	4.74	5,389
Ruralco Hold.	410	+5.0	-0.8	14	2.0	-	-	0.4	1.8	3.7	0.07	45	Snowball Group	38	+6.5	-2.0	11	5.0	-	-	-	1.1	NE	Nil	2.48	16	
Int'l Equities	4	+4.5	-4.6	14	0.0	-	0.4	29	3.9	1	Nil	0.14	5	Pacific Energy	45	+8.9	-1.1	9	5.0	-	1.0	-	0.8	NE	Nil	3.91	8
Transfield Serv	734	+4.3	-0.4	15	1.0	6	-	0.5	1.5	2.2	0.82	1,013	WRF Securities	38	+1.0	-6.0	27	6.1	-	1.1							

Company	Share Price	STRENGTH RATING			Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	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
		Cur-rent	4-Wk Chg.	Rank 0/99												Cur-rent	4-Wk Chg.	Rank 0/99									
VeCommerce Ltd	170	+2.0	-5.0	23	3-0	-	2.2	5	0.7	47	1.2	1.61	21	Club Crocodile	30	+3.9	-2.3	16	2-0	-	0.8	5	0.8	15	Nil	0.90	17
Brambles Ind.	800	+5.3	-2.1	13	3-0	11	6.7	15	0.5	44	1.3	1.73	13,527	First Aust Res.	8	+5.7	-10.7	12	2-0	-	-	-	1.4	NE	Nil	5.58	16
Bunnings W/hse	187	+4.6	+2.4	14	4-1	5	1.4	8	0.3	17	6.1	N/A	552	Elkedra Diamond	34	+17.8	+1.6	4	2-0	-	-	-	2.0	NE	Nil	N/A	41
Gro Pep Limited	128	+11.0	-2.5	7	4-1	1	2.8	5	0.8	56	Nil	4.33	57	M2 Telecom. Grp	36	+0.5	-3.3	29	2-0	-	4.0	31	0.9	13	Nil	1.02	17
APN News Media	507	+1.8	+0.9	24	4-1	10	2.0	11	0.3	19	4.3	1.91	2,446	Admiralty Res.	11	+14.4	-33.5	5	2-0	-	-	-	2.1	NE	Nil	N/A	47
Servcorp Ltd	292	+3.4	+0.8	19	5-2	2	3.4	14	0.6	25	2.6	2.18	234	Yilgam Mining	19	+1.5	+1.8	25	2-0	-	-	-	0.9	18	Nil	0.08	9
Tennant Creek G	24	+46.2	+20.5	1	5-2	-	-	-	1.1	NE	Nil	N/A	13	Mirrabooka Inv.	152	+0.5	-0.1	29	2-0	-	0.9	2	0.4	42	3.3	N/A	176
Nufarm Limited	1010	+2.6	-2.8	21	5-2	6	4.6	21	0.3	22	2.3	1.05	1,694	Seven Network	675	+2.0	-4.6	23	2-0	10	1.4	9	0.4	16	3.5	1,23	1,457
Computershare	564	+4.1	+0.2	16	5-2	7	-	-	0.6	44	1.4	3.23	3,353	Finbar Intern'l	43	+0.6	+1.9	28	2-0	-	1.2	13	0.7	9	4.7	3.81	39
Jumbuck Enter.	80	+51.1	+29.2	1	2-0	-	-	-	13.3	35	0.9	38	Nil	N/A	67	+3.4	+6.7	19	2-0	-	-	-	0.7	NE	Nil	N/A	58
Neuren Pharm.	45	+5.1	+12.2	13	2-0	-	-	-	1.0	NE	Nil	N/A	38	Compass Res	92	+51.0	-13.6	1	2-0	-	-	-	0.6	NE	Nil	N/A	59
Aust Infra.	250	+4.6	+2.4	14	2-0	8	0.0	0	0.3	15	4.6	N/A	571	Novacoat Hold.	37	+11.8	+4.4	7	2-0	-	-	-	1.1	NE	Nil	N/A	N/A
Ale Property	209	+9.7	+1.8	8	2-0	-	1.5	3	0.4	49	3.3	6.29	190														

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	Share Price	STRENGTH RATING			Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	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
		Cur-rent	4-Wk Chg.	Rank 0/99												Cur-rent	4-Wk Chg.	Rank 0/99									
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0														OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Richina Pacific	69	+1.6	-3.4	25	1-1	-	1.2	6	1.2	21	2.9	0.17	103	NZ Oil and Gas	107	-5.5	-0.1	60	0-0	-	2.8	16	0.5	18	Nil	9.48	137
Col Motor Co	312	+0.0	+1.7	35	2-0	-	1.0	10	0.5	10	9.6	0.21	87	Forty Two Below	67	-2.8	-0.6	50	0-0	-	6.9	-	0.7	NE	Nil	6.91	87
Mainfreight Grp	280	+4.5	+1.7	15	5-5	5	3.1	15	0.6	20	3.5	0.31	268	NZ Exchange Ltd	775	-6.0	-3.5	63	1-1	-	3.3	12	0.4	27	Nil	5.43	98
Renaissance	112	+8.6	+2.9	6	1-7	-	4.4	23	0.9	19	9.8	0.36	43	Port Tauranga	498	-6.7	+0.2	68	0-2	3	1.6	8	0.3	20	6.0	4.42	169
Livestock Imp.	156	+8.3	+2.4	7	3-0	-	-	-	0.9	10	10.4	0.47	46	Just Water Int.	86	-1.2	-0.8	44	2-1	-	4.8	18	0.7	26	Nil	4.32	57
Restaurant Brds	165	+5.9	+6.8	12	0-0	3	3.1	21	0.9	15	9.0	0.50	160	Sealegs Corp	21	-15.2	-1.0	91	2-2	-	8.0	-	2.0	NE	Nil	4.00	13
Cabletalk Group	75	+11.9	+6.1	4	2-2	-	3.4	32	1.4	11	6.0	0.58	24	Mowbray Collect	142	-4.0	-0.1	57	0-1	-	2.9	-	0.4	NE	3.2	3.89	14
Allied Farmers	280	+9.6	-5.4	6	0-0	-	2.2	14	0.7	15	5.6	0.60	45	Cadmus Tech Ltd	21	-9.5	-5.8	78	1-5	-	4.7	2	1.1	191	Nil	3.55	47
Kirkcaldie & St	250	+2.8	+0.8	21	0-1	-	1.2	5	0.6	23	4.4	0.60	25	Sky City Ltd	495	-5.9	-0.5	62	0-7	8	9.8	47	0.3	21	8.0	3.44	2,061
Mr Chips Hold	96	+1.4	+1.3	26	0-0	-	1.8	11	0.8	16	6.2	0.66	23	Lyttelton Port	185	-0.9	+0.9	41	0-0	4	3.7	24	0.4	16	8.9	3.06	189
Fletcher Build.	680	+1.3	-0.2	28	2-2	6	2.7	21	0.4	12	5.5	0.75	2,970	Kingfish Ltd	96	-6.6	-0.4	68	0-1	-	0.7	22	0.6	3	3.1	2.51	56
Vertex Group	209	+12.7	-2.6	4	0-3	-	2.7	20	0.8	13	2.9	0.76	67	TeamTalk Ltd	236	-4.3	+0.4	57	0-0	-	2.2	12	0.5	18	10.4	2.37	47
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0														WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yld < Twice Average													
Vertex Group	209	+12.7	-2.6	4	0-3	-	2.7	20	0.7	13	2.9	0.76	67	A2 Corporation	22	-30.6	-0.8	97	0-0	-	-	-	1.0	NE	Nil	N/A	14
Cabletalk Group	75	+11.9	+6.1	4	2-2	-	3.4	32	1.2	11	6.0	0.58	24	Life Pharmacy	120	-24.8	+1.7	96	0-1	-	24.0	-	0.6	NE	1.5	N/A	646
Allied Farmers	280	+9.6	-5.4	6	0-0	-	2.2	14	0.5	15	5.6	0.60	45	KidiCorp	15	-21.7	-0.4	95	0-0	-	2.5	-	1.1	NE	Nil	1.12	27
Renaissance	112	+8.6	+2.9	6	1-7	-	4.4	23	0.7	19	9.8	0.36	43	Sthn Travel	74	-21.3	-1.0	94	2-0	-	-	-	0.7	NE	Nil	N/A	10
Livestock Imp.	156	+8.3	+2.4	7	3-0	-	-	-	0.7	10	10.4	0.47	46	Genesis Res.	30	-20.7	+4.9	93	0-0	-	0.6	-	1.0	NE	Nil	1.77	8
Toll NZ Ltd	300	+6.9	-3.0	11	0-0	1	9.3	-	0.6	6	Nil	0.91	631	Sealegs Corp	21	-15.2	-1.0	91	2-2	-	8.0	-	1.9	NE	Nil	4.00	13
Restaurant Brds	165	+5.9	+6.8	12	0-0	3	3.1	21	0.7	15	9.0	0.50	160	Widespread Port	2	-14.9	+2.6	91	0-0	-	0.8	-	2.6	NE	Nil	N/A	6
Mainfreight Grp	280	+4.5	+1.7	15	5-5	5	3.1	15	0.5	20	3.5	0.31	268	Sol. Dynamics	98	-14.7	+0.8	89	0-0	-	16.4	-	0.6	NE	Nil	0.66	8
Mr Chips Hold	96	+1.4	+1.3	26	0-0	-	1.8	11	0.8	16	6.2	0.66	23	Connexion	36	-14.2	-0.4	89	0-0	-	12.0	23	0.8	53	Nil	2.12	6
Tower Limited	210	+1.3	+0.2	27	1-0	7	1.1	7	0.6	16	Nil	0.83	866	Broadway Ind	85	-12.9	+1.6	87	0-0	-	1.0	18	0.4	6	2.4	0.41	17
Fletcher Build.	680	+1.3	-0.2	28	2-2	6	2.7	21	0.4	12	5.5	0.75	2,970	VTL Group Ltd	70	-12.9	-1.1	87	0-2	-	1.1	11	0.9	11	4.7	0.74	21
Col Motor Co	312	+0.0	+1.7	35	2-0	-	1.0	10	0.4	10	9.6	0.21	87	POD Ltd	106	-12.8	-2.9	86	1-0	-	1.9	21	0.6	9	4.2	0.47	34
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million														INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Gullivers Trv.	134	-6.2	-1.6	65	0-0	-	0.8	7	0.7	11	10.9	0.32	134	Livestock Imp.	156	+8.3	+2.4	7	3-0	-	-	-	0.6	10	10.4	0.47	46
Cavalier Corp	400	-8.4	+2.3	74	7-11	1	3.9	31	0.4	12	10.1	1.31	260	MG Property Trt	122	+3.9	+1.1	16	3-0	-	1.2	5	0.4	24	9.3	N/A	417
NZ Refining Co	4650	+14.4	+3.6	2	0-0	2	3.0	26	0.1	11	9.6	3.97	1,116	Loan & Building	430	+0.3	-1.8	32	4-1	-	1.2	9	0.2	14	5.2	1.28	13
Restaurant Brds	165	+5.9	+6.8	12	0-0	3	3.1	21	0.6	15	9.0	0.50	160	Col Motor Co	312	+0.0	+1.7	35	2-0	-	1.0	10	0.3	10	9.6	0.21	87
Hellaby Hold.	580	-5.7	-0.4	61	0-0	2	2.9	21	0.3	14	9.0	0.86	285	Wakefield Hosp.	465	+10.1	+2.4	5	1-0	-	1.9	10	0.3	19	4.2	1.37	60
Lyttelton Port	185	-0.9	+0.9	41	0-0	4	3.7	24	0.5	16	8.9	3.06	189	ABS Canterbury	440	+4.4	-0.8	15	1-0	-	1.1	8	0.5	15	4.7	1.32	24
Hallenstein G.	405	+0.6	-0.4	29	0-0	1	4.4	31	0.3	14	8.8	1.31	239	Tower Limited	210	+1.3	+4.0	27	1-0	7	1.1	7	0.5	16	Nil	0.83	866
Wrightson Ltd	199	-3.3	+0.2	52	6-12	2	2.6	9	0.7	27	8.6	0.44	279	Abano Health.	190	+14.2	+11.0	3	1-0	-	9.1	-	0.6	NE	Nil	0.57	37
Steel & Tube	470	-3.1	+1.0	51	0-1	5	3.3	23	0.4	15	8.6	1.07	414	Taylor													

"Insider" Trades in Australian Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding "Neutral" situations where the number of Buyers and Sellers were equal). Shares where many "insiders" have been buying can outperform the market for up to two years, while shares where many "insiders" have sold can under-perform for a similar period.

"Insider" Indicators

Last 5 wks: 84.2% Buyers

Last 13 wks: 86.5% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
A.P. Eagers	1-0	Aust Healthcare	1-0	Canberra Invest	1-0	Customers Ltd	0-2	Fox Resources	1-0
AAV Limited	0-1	Aust Foundation	5-1	Candle Aust.	7-2	Cygenics Ltd	4-0	Funtastic Ltd	5-1
ABB Grain Ltd	3-0	Aust Agricult.	2-0	Cardno Ltd	9-0	Cytopia Ltd	1-0	Futuris Corp.	3-0
ABC Learning	5-4	Aust United In	3-0	Carlton Invest	0-2	DCA Group Ltd	2-3	G Retail Ltd	2-0
AED Oil Ltd	2-0	Aust Stock Exch	1-0	Carnarvon Pet.	1-0	DKN Financial	2-0	G.R.D. NL	6-1
AFT Corporation	1-0	Aust Mines Ltd	2-0	Carpathian Res.	14-0	Dark Blue Sea	5-0	G.U.D. Holdings	2-1
AHC Ltd	0-1	Aust Education	3-0	Carrick Gold	7-0	Datadot Tech.	2-0	GTN Resources	1-0
AMCIL Limited	5-0	Aust Wealth Mgt	5-0	Caspian Oil & G	7-2	Datafast Tel.	1-4	GWA Internat'l	2-1
AMP Ltd	3-0	Aust Infra.	2-0	Catalyst Rec'mt	2-0	David Jones	1-2	Gale Pacific	15-2
ANZ Bank	4-3	Aust Energy	0-3	Cazaly Res Ltd	9-3	De Grey Mining	0-6	Gaming & Ent.	2-0
APN News Media	4-1	Austal Limited	1-2	Cellectis Ltd	0-3	Deep Sea Fish.	1-0	Gandel R. (CFS)	0-1
ARB Corporation	1-0	Austar United	0-1	Celnet Group	3-2	DenX Ltd	4-0	Garratt's Ltd	3-0
ARC Energy	0-2	Austereo Group	0-1	Cent. Asia Gold	1-0	Desane Group	0-3	Gateway Mining	1-0
ASG Group Ltd	0-4	Austin Group	2-0	Centamin Egypt	1-0	Destra Corp Ltd	5-0	Genetic Tech.	2-0
AV Jennings	1-0	Auto Group Ltd	1-0	Centennial Coal	1-0	Devine	1-0	Giants Reef Min	1-0
AWB Limited	3-0	Avatar Indust.	2-0	Central Exch.	2-0	Dia-B Tech Ltd	1-0	Gindalbie Met.	3-1
AXA Asia Pac	0-1	Avexa Limited	7-0	Centro Property	6-0	Diamonex Ltd	2-0	Gippsland Ltd	0-1
Aberdeen Leader	1-0	Aviva Corp Ltd	1-0	Century Aust In	1-0	Didasko Ltd	1-0	Gleneagle Gold	2-0
Abra Mining Ltd	2-0	Axiom Property	1-0	Ceramic Fuel C.	1-0	Dioro Explor.	3-0	Glengarry Res.	1-0
Access Provider	2-1	Aztec Resources	1-0	Chal Financial	6-0	Discovery Nick.	2-0	Gloucester Coal	2-0
AcruX Ltd	3-0	B Digital Ltd	1-0	Chalmers	1-0	Div. United Inv	3-0	Gold Aura Ltd	3-0
Acuron Ltd	1-0	BHP Billiton	1-0	Chariot Limited	1-0	Div. Utility	0-1	Golden Cross	1-0
Adelaide Bank	1-0	BMA Gold Ltd	5-1	Charter Pacific	1-0	Djerriwarrh	1-5	Golden Valley	3-0
Adelaide Bright	4-0	BCT Solutions	14-0	ChemGenex Pharm	2-0	Dominion Mining	3-0	Goldstream Min.	0-1
Adelaide Res.	0-1	Ballarat Gold	1-0	Chemeq Ltd	0-2	Downer EDI Ltd	1-0	Goldsearch Ltd	4-0
Admiralty Res.	2-0	Bass St Oil Coy	0-3	Cheviot Bridge	2-0	Dragon Mining	0-1	Gowing Brothers	1-0
Adv Nanotech.	1-0	Batavia Mining	7-2	Childs Family	0-2	Drillsearch	1-0	Graincorp	0-1
Advanced Energy	1-0	Baxter Group	3-1	Chiquita Brands	1-0	Dromana Estate	1-0	Grange Resource	15-1
Affiance Group	0-1	Beaconsfield GI	2-0	Choiseul Inv.	4-0	E-Bet Limited	5-0	Greater Pacific	2-3
Agenix Limited	4-0	Bemax Resources	1-0	Citic Australia	0-4	ETRADE Aust.	2-1	Green's Foods	8-1
Agincourt Res.	0-4	Bendigo Mining	3-0	Citigold Corp	0-1	Eastern Corp	1-0	Green Rock En.	1-0
Aim Resources	2-0	Bendigo Bank	0-2	Citrofresh Int.	1-0	Echelon Res.	0-1	Gregory Aust.	1-0
Ainsworth Game	1-0	Benitec Ltd	4-2	City Pacific	2-4	Elixir Petrol.	2-0	Gro Pep Limited	4-1
Alcaston Mining	5-0	Bentley Int'l	19-0	Clime Capital	2-0	Elkedra Diamond	1-0	Gt Sthn Plant'n	0-2
Alchemia Ltd	2-0	Berkeley Res.	1-0	Clinical Cell	1-0	Ellex Medical	2-0	Gt Western Exp.	1-0
Ale Property	2-0	Betcorp Ltd	5-0	Clover Corp.	2-1	Emperor Mines	0-1	Guinness Peat	0-5
Alesco Corp Ltd	1-3	Beyond Int'l	3-0	Club Crocodile	2-0	Empire Oil, Gas	0-1	Gunns Ltd	1-4
Alexander Res.	1-0	Biodiem Ltd	1-0	Cluff Resource	1-0	Energy Resource	0-1	Gunson Res.	0-1
Alinta Limited	0-1	Biomd Ltd	1-0	Cochlear Ltd	3-1	Ent Media & Tel	1-3	Hamilton James	1-0
Alkane Explor.	4-1	Biometrics Ltd	5-1	Cockatoo Ridge	1-0	Entek Energy	6-0	Hampton Hill	2-0
Allegiance Min.	0-1	Bionomics Ltd	0-1	Coffey Int'l	2-0	Enterprise En.	1-3	Hannans Reward	1-0
Allied Tech Grp	2-3	Biosignal Ltd	1-0	Cogstate Ltd	4-0	Environ'm't Grp	2-0	Hardman Res.	1-2
Allied Gold Ltd	2-0	Biotech Capital	1-0	Coles Myer	1-0	Environ. Sol'n	1-0	Harrington Grp	1-0
Alpha Tech.	5-0	Biron Capital	0-3	Collection Hse	1-0	Envirozel Ltd	1-0	Harvey Wild Trav	4-0
Altium Limited	1-0	Blackmores Ltd	3-0	Colorpak Ltd	1-0	Equix Limited	4-0	Harvey Norman	0-1
Alumina Ltd	0-4	Blaze Intern'l	1-0	Colorado Group	1-0	Equigold NL	6-0	Hastie Group	1-0
Amalgamated Hld	0-1	Blina Diamonds	1-0	Comwealth Bank	0-2	Equinox Min.	1-0	Heartware Ltd	8-0
Ambertech Ltd	2-1	Bluescope Steel	2-0	Comet Ridge Ltd	3-0	Equity Trustees	1-0	Heemskirk Cons.	1-0
Ambri Limited	2-0	Bone Medical	1-0	Commander Comm.	2-0	Essa Australia	1-0	Helix Resources	2-0
Amcom Telecom.	2-4	Boom Logistics	1-2	Commsecure Ltd	0-1	Eumundi Group	2-0	Henderson Group	1-0
Amcor Ltd	1-0	Bradken Ltd	1-0	Community Life	9-0	Eurogold Ltd	2-0	Heron Resources	9-0
Amrad Corp.	8-1	Brain Resource	2-0	Compass Res	2-0	Euroz Limited	1-0	Highland Pac.	1-0
Analytica Ltd	4-0	Brambles Ind.	3-0	Computershare	5-2	Evans & Tate	4-0	Hill End Gold	4-0
Anglo Pacific	2-4	Brandrill	4-0	Compuedics Ltd	1-0	Everest B&B Alt	8-0	Hillcrest Litig	3-0
Ansell Ltd	1-4	Brazin Limited	2-0	Concept Hire	1-0	Exco Resources	1-0	Hillgrove Res.	2-0
Antares Energy	13-0	BresaGen Ltd	2-0	Cons Rutile	1-0	Extract Res.	1-0	Hills Indust.	0-1
Anvil Mining	0-1	Brickworks Ltd	4-1	Cons Minerals	3-4	F.F.I. Holdings	5-0	Hire Intell.	2-0
Anzon Australia	1-0	Brickworks Inv.	1-0	Contango Micro.	1-0	FKP Limited	0-1	Home Bldg Soc.	2-0
Apex Minerals	2-0	Broadcast Serv.	0-3	Cool or Cosy	2-1	FSA Group Ltd	0-1	HomeLeisure Ltd	10-0
Aquarius Plat.	7-0	Buderim Ginger	5-0	Coonawarra Aust	0-1	Fairfax (John)	0-1	Homeloans Ltd	1-0
Aquila Res.	2-0	Buka Minerals	6-0	Cooper Energy	1-2	Falcon Minerals	3-1	Hostworks Group	0-1
Arafura Res.	1-0	Bullion Min.	6-0	CopperCo Ltd	1-0	Farsands Corp.	0-7	Housewares Int.	1-0
Aristocrat Leis	5-0	Bunnings W/hse	4-1	Copper Strike	1-0	Felix Resources	4-0	Hpal Limited	0-1
Arrow Pharm.	2-0	Burdekin Pacifi	2-0	Cordukes Ltd	1-0	Financial P Serv	7-0	Hudson Invest.	1-0
Arrow Energy	2-1	C.S.R. Ltd	1-0	Coventry Group	2-0	Financial Res.	1-0	Hudson Timber	4-0
Aspen Group Ltd	0-5	CBH Resources	1-4	Crane Group	1-0	Finbar Intern'l	2-0	Hudson Sec.	3-2
Atlas Gold Ltd	7-0	CCI Holdings	1-0	Creatable Media	12-0	First Aust Res.	2-0	Hudson Res. Ltd	0-1
Atlas Grp Hold.	3-2	CEC Group Ltd	0-1	Credit Corp	1-0	Fleetwood Corp	0-2	Hugall & Hoile	1-0
Aurora Oil Gas	1-0	CFS Private Cap	1-0	Crescent Gold	1-0	Flight Centre	1-0	Hunter Hall Int	0-4
Aurox Resources	8-0	CSL Limited	1-2	Croesus Mining	0-3	Flinders Diam.	2-0	Huntley Invest	2-0
Auselect Ltd	1-0	CTI Logistics	2-0	Crusader Hold.	3-0	Foodland Assoc	1-0	Hut. Child Care	1-0
Auspine Ltd	4-0	CVC Limited	2-0	Cryosite Ltd	1-0	Forest Ent Aust	0-1	Hutchison Tel.	2-0
Ausquest Ltd	7-0	Cabcharge Ltd	0-2	Cryptome Pharm.	1-0	Fortescue Metal	1-3	Hydromet Corp.	4-0
Ausron Limited	4-0	Campbell Bros	2-0	Cullen Resource	0-4	Foster's Group	1-0	IBA Health Ltd	2-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
IBT Education	0-1	Macquarie Pro.	2-1	OAMPS	0-2	Regis Resources	2-0	Tap Oil	2-5
IC2 Global Ltd	1-0	Macquarie Good.	1-0	OBJ Limited	0-4	Renew. Energy	1-2	Tasman Resource	2-0
IM Medical Ltd	5-8	Macquarie C Tel	1-0	OFM Investment	1-0	Repco Corp Ltd	1-4	Tassal Group	2-0
IMF (Aust) Ltd	0-5	Macquarie Off.	1-0	OM Holdings	3-0	Roc Mining	1-0	Tawana Resource	7-6
IMT Holdings	3-1	Macquaries C&I	2-0	ORT Ltd	1-0	Resources Min.	4-0	Tectonic Res.	2-3
ION Limited	0-1	Macquarie Bank	5-3	Oakton Limited	0-3	Resource Pac.	2-0	Templeton Globa	1-0
IOOF Holdings	4-1	Macquarie C/Wde	1-0	Objective Corp.	0-3	Retail Cube	7-0	Ten Network	0-3
IT & e Limited	2-0	Macquarie Leis.	1-0	Occupational Md	2-0	Rinker Group	1-0	Tennant Creek G	5-2
ITL Limited	8-0	Macquarie Air.	1-0	Oceana Gold Ltd	5-0	Rio Tinto Ltd	0-1	Tethyan Copper	3-0
IWL Limited	2-0	Magnesium Int'l	1-0	Oil Search Ltd	0-1	Riversdale Min.	6-0	The Reject Shop	1-0
Iberian Res.	2-0	Magnum Gold NL	0-1	Oilex NL	6-0	Roc Oil Company	0-3	Thundelarra Exp	7-2
Ideas Intern'l	2-0	Malachite Res.	1-0	Oldfields Hold	1-0	Rock Build Soc.	2-3	Tiger Resources	0-2
iINet	0-2	Marengo Mining	4-0	Olea Australia	1-0	Rockeby Biomed	1-0	Timbercorp	0-2
Image Resources	3-6	Mariner Fin.	6-0	Omegacorp Ltd	1-0	Rox Resources	1-0	Titan Resources	1-4
Imdex Limited	1-0	Marine Produce	6-1	Onesteele Ltd	0-2	Rubicon America	1-0	Toll Holdings	0-2
Impress Venture	4-0	Mark Sensing	3-1	Optima Corp Ltd	2-0	Ruralco Hold.	2-0	Tomahawk Energy	2-0
Incitec Pivot	0-3	Marybor'gh Suga	0-4	Optiscan Image	3-0	Rural Press Ltd	1-0	Total Com Infra	1-0
Ind Practition.	0-1	Matlida Mineral	1-0	Orchard Petrol.	0-1	Rusina Mining	0-1	Transcol Corp	1-0
Info Choice Ltd	2-1	Maxi TRANS	0-1	Orica Ltd	3-4	S Gilbert Wines	1-0	Transfield Serv	1-0
Infomedia Ltd	0-1	McGuigan Simeon	2-0	Origin Energy	0-1	S8 Limited	2-0	Transerv Aust.	1-0
Infracorp Ltd	4-0	McPherson's Ltd	2-0	Orion Telecom.	2-0	SAI Global Ltd	1-0	TransMetro Corp	1-0
Int Research	2-1	Medec Limited	0-2	Ottoman Energy	2-0	SFE Corporation	13-1	Tranzact Fin.	1-0
Int'l Goldfield	4-0	Medical Dev Int	4-0	Oxiana Ltd	1-0	SMS Mgmt & Tech	0-1	Travel.com.au	1-0
Intec Ltd	0-1	Medical Corp	1-2	PCH Group	1-2	SP Telecom.	0-1	Treasury Group	0-2
Integrated Grp	5-0	Meditech Rsrch	2-0	PMP Limited	6-0	SSH Medical Ltd	3-0	Trent Capital	8-0
Integrated Inv.	2-0	Medivac Ltd	2-0	Pac. Star Netwk	1-0	ST Synergy Ltd	0-1	Tri Origin Min.	1-0
Intellect Hold	0-2	Melbourne IT	1-2	Pacific Energy	5-0	STW Comm Group	0-2	Triako Res.	1-0
Intermin Res	8-0	Mermaid Marine	0-1	Pacific Group	6-0	Salmat Ltd	1-0	Trojan Equity	1-0
Investor Group	0-2	Metabolic Phar.	0-1	Pacific Brands	5-0	Sam's Seafood	0-1	Troy Resources	0-3
Investa Prop.	5-0	Metals Exp.	2-0	Pacrim Energy	0-1	Saracen Mineral	3-0	Two Way TV Aust	3-1
Investika Ltd	4-0	Metallica Min.	1-0	Paladin Res.	0-2	Scantech	4-0	UNITAB Ltd	2-0
Investor Info	1-0	Metcash Trading	0-2	Pan Palladium	1-0	Schaffer Corp	1-0	UXC Limited	0-1
Invocare Ltd	0-2	Meteorite Res.	4-0	Panbio Ltd	1-0	Scigen Ltd	0-2	Union Resources	3-0
Iress Mkt Tech	0-1	Metex Resources	1-0	Paperlin X Ltd	1-0	Scimitar Res.	2-0	United Group	4-0
Ironbark Cap.	5-0	Michelago Ltd	1-0	Payce Consol.	0-1	Select Vaccines	1-0	United Kimberly	3-0
JB Hi-Fi Ltd	2-0	Midas Resources	1-0	Pearl Healthcare	3-0	Select harvest	4-0	Unlife Medical	1-0
Jabiru Metals	1-0	Mikoh Corp.	3-0	Peet & Company	2-0	Senetas Corp	2-0	Unwired Group	1-0
Jackgreen Ltd	4-1	Millers Retail	3-0	Pengana Mngrs	2-0	Servcorp Ltd	5-2	Uscom Limited	5-0
Jervois Mining	0-2	Milton Corp.	1-0	People Telecom	3-0	Seven Network	2-0	Van Eyk Three P	1-0
Jindalee Res.	2-0	Mindax Limited	3-0	Peptech Limited	4-0	Sherlock Bay N.	2-1	VeCommerce Ltd	3-0
Joyce Corp.	1-0	Mineral Sec.	2-0	Perilya Mines	1-2	Siberia Mining	2-0	Verticon Group	3-0
Jumbo Corp	0-3	Mineral Commod.	1-0	Perp Trust Aust	5-1	Silex Systems	0-1	Verus Investm't	1-0
Jumbuck Enter.	2-0	Minerals Corp.	2-0	Perseus Mining	8-0	Sims Group Ltd	0-2	Viculus Ltd	1-0
Jupiter Energy	1-0	Minotaur Exp.	1-0	Pharmaust Ltd	7-0	Sino Gold Ltd	4-1	Vietnam Indust.	4-0
Just Group Ltd	4-0	Mirrabooka Inv.	2-0	Phosphagenics	5-0	Sipa Resources	1-0	View Resources	2-1
KH Foods Ltd	1-0	Mirvac Group	0-2	Photon Group	1-0	Sirius Telecom.	2-0	Villa World	0-4
KLM Group Ltd	3-0	Mithril Res.	1-3	Pioneer Nickel	1-0	Sirtex Medical	3-0	Village Life	2-0
Kagara Zinc Ltd	0-1	Moby Oil & Gas	0-3	Plaspak Group	5-1	Skilled Group	9-0	Village Road.	0-3
Keycorp Ltd	2-0	Molly Mines Ltd	1-0	Platinum Aust	7-0	Sky Net Global	2-0	Virgin Blue	0-1
Kimberley Oil	1-0	Monteray Group	0-2	Polartechincs	5-0	Smorgon Steel	0-1	Visionmed Group	6-0
Kimberley Diam.	1-7	Monto Minerals	1-0	Port Douglas	3-1	Snowball Group	5-0	Volante Group	4-1
Kip McGrath EC	2-1	Mortgage Choice	3-0	Powerlan Ltd	3-0	So Natural Food	3-0	Voxson Limited	1-0
Knights Insol.	1-0	Mosaic Oil NL	0-1	Precious Metals	1-0	Solagran Ltd	4-0	Voyager Energy	1-0
Kresta Holdings	4-1	Motion Picture	1-0	Premium Invest.	2-0	Solbec Pharm.	3-0	W'bool Cheese	2-0
Lakes Oil NL	3-0	Mt Burgess Min.	1-0	Premier Bionics	1-0	Solco Ltd	0-4	WAM Capital Ltd	2-4
Lako Pacific	0-1	Mt Gibson Iron	0-1	Primary Health	3-2	Somnomed Ltd	3-0	WRF Securities	6-1
Landmark White	3-0	Multiplex Group	4-1	Prima Biomed	2-3	Sonic Health	0-4	Wallace Abs Ret	0-1
Lefroy Res.	1-0	Murchison Hold.	0-3	Pro Maintenance	0-3	Sonnet Corp Ltd	2-5	Wasabi Energy	0-1
Legalco Limited	3-0	Murchison Metal	0-1	Progen Indust.	0-2	Soul Pattinson	5-0	Waterco Ltd	6-0
Legend Mining	0-1	NGM Resources	4-0	Promentum Ltd	0-2	St Barbara Mine	5-0	Watpac Ltd	4-0
Legend Corp.	2-0	NSX Limited	0-2	Promina Group	3-0	Stargames Ltd	0-1	Wavenet Int'l	0-1
Leighton Hold	0-1	Namakwa Diamond	2-0	Prophesy Int'l	6-2	Starpharma Hold	1-2	Webspy Limited	2-0
Lend Lease Corp	2-0	Namoi Cotton	1-0	Prosperity Res.	3-0	Sth Boulder Min	0-1	Wedgetail Exp.	1-0
Leviathan Res.	10-0	Nat'l Aust Bank	5-0	Proteome Syst	3-0	Stirling Prod.	3-0	Wentworth Mut.	1-0
Life Therapeut.	1-0	Nat'l Can	0-1	Psiron Limited	0-1	Stockland	2-0	West Gas Power	1-0
Lighting Corp.	2-0	Nat'l Telecoms	0-1	Publishing & Br	3-1	Straits Res.	0-2	West Aust News	2-0
Lihir Gold	1-0	Navigator Res	1-0	Q.B.E. Insur.	1-2	Stratetel Ltd	0-1	West Aust Metal	2-0
Lion Energy Ltd	1-0	Neighbourhood C	2-0	QRSciences Hold	1-0	Structural Syst	10-0	Western Areas	10-0
Lionore Mining	2-7	Neptune Marine	0-2	Qantas Airways	1-0	Structural Mon.	1-0	Westmag Limited	1-0
Living Cell T.	1-0	Netcomm Limited	5-2	Quadrant Irid.	0-1	Stuart Petrol.	0-1	Westpac Banking	2-3
Loftus Capital	7-0	Neuren Pharm.	2-0	Quantum Energy	1-0	Sun Capital Grp	3-0	Whitefield Ltd	2-1
Longreach Group	3-1	New Horizon En.	4-0	Quay Magnesium	1-0	Sun Resources	3-0	Willmott Forest	0-2
Lumacom	1-0	New Holland Min	3-0	Queensland Gas	1-2	Sundance Res.	0-1	Wilson Invest.	6-1
M2 Telecom. Grp	2-0	New World Alloy	2-0	RCR Tomlinson	0-3	Sundowner Group	5-0	Wilson Leaders	4-5
MFS Diversified	0-1	Newcrest Mining	4-0	Rabinvo Div Prp	2-0	Sunland Group	11-6	Wilson Inv Fund	5-0
MFS Limited	23-0	Newhaven Hotels	1-0	Ramelius Res.	0-2	Sunshine Heart	1-0	Woodside Petrol	3-1
MFS Living & L.	6-0	Nexus Energy	2-8	Ramsay Health	0-1	SuperCheap Auto	1-0	Woolworths Ltd	0-3
MGM Wireless	0-1	Niagara Mining	0-1	Range River Gld	1-0	Sydney Aquarium	1-0	Working Systems	4-0
MMC Contrarian	0-1	Novacoat Hold.	2-0	Range Resources	0-1	Sylvania Res.	1-2	Worley Group	1-0
MXL Limited	3-0	Novera Energy	4-0	Red 5 Ltd	4-0	Symex Holdings	0-2	Wrigdways Aust	3-0
Macarthur Cook	4-0	Novogen Ltd	1-4	Red Metal Ltd	1-0	Synergy Metals	5-0	Xceed Biotech.	10-0
Macarthur Coal	0-4	Nthn Star Res.	1-0	Redflex Holding	1-3	Synergy Equity	3-0	Yamana Goldfld	5-0
Macmin Silver	1-0	Nuenco NL	2-0	Reed Resources	2-0	TFS Corporation	5-1	Yilgam Mining	2-0
Macquarie Infra	3-0	Nufarm Limited	5-2	Reefton Mining	0-2	TVSN Limited	5-0	Yilgam Gold	1-0
Macquarie Priv.	7-0	Nustar Mining	3-0	Regenera Ltd	2-0	Takoradi Ltd	0-1	Zylootech	3-0
		Nylex Ltd	6-0			Talent2 Int'l	1-2		

"Insider" Trades in NZ Shares

The table below shows the number of Purchases and Sales of a company's shares by its Directors over the last twelve months (excluding "Neutral" situations where the number of Buyers and Sellers were equal). Shares where many "insiders" have been buying can outperform the market for up to two years, while shares where many "insiders" have sold can under-perform for a similar period.

"Insider" Indicators

Last 5 wks: 60.9% Buyers
Last 13 wks: 46.5% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
ABS Canterbury	1-0	Col Motor Co	2-0	Life Pharmacy	0-1	Nuplex Indust	2-0	Taylors Grp Ltd	1-0
AMP Limited	1-0	Dominion Fin.	0-1	Livestock Imp.	3-0	POD Ltd	1-0	Telecom Corp	3-18
AXA Asia Pac.	0-1	Dorchester Pac	0-1	Loan & Building	4-1	Pacific Retail	3-0	Tourism Hold.	3-2
Abano Health.	1-0	Ebos Group Ltd	0-1	MG Property Trt	3-0	Port Tauranga	0-2	Tower Limited	1-0
Affco Holdings	0-1	Evergreen	5-2	Media Tech.	0-1	Pumpkin Patch	1-4	Trust Power Ltd	0-2
Air New Zealand	11-3	F & P Health.	1-3	Metro. LifeCare	0-3	Renaissance	1-7	Turners Auction	0-15
Akd Int Airport	0-5	F & P Appliance	2-9	Michael Hill	3-0	Ryman Health.	1-0	Turners & Grow.	1-2
Blue Chip NZ	0-6	Feltex Ltd	5-0	Mike Pero Mort.	2-0	Sanford Limited	0-2	VTL Group Ltd	0-2
Botry-Zen Ltd	0-2	Freightways Ltd	0-2	Mooring Systems	0-1	Seeka Kiwifruit	1-0	Vertex Group	0-3
Briscoe Group	1-2	GDC Communicat.	3-0	Mowbray Collect	0-1	Skellmax Indust	5-0	WN Drive Tech.	0-3
CDL Hotel NZ	0-3	Guinness Peat	0-2	NZ Experience	0-2	Sky City Ltd	0-7	Wakefield Hosp.	1-0
Cadmus Tech Ltd	1-5	Hirequip NZ Ltd	3-2	NZ Invest Trust	0-1	Smiths City	1-2	Warehouse Group	2-5
Cap Properties	0-1	Infratil NZ	0-4	NZ Wine Company	1-0	Software of Exc	2-3	Waste Mgmt NZ	1-11
Carter Holt	4-1	Just Water Int.	2-1	NZ Wool Service	1-0	Spectrum Res.	1-0	Windflow Tech.	1-0
Cavalier Corp	7-11	Kingfish Ltd	0-1	Nat Property Tr	1-2	Speirs Group	1-0	Wrightson Ltd	6-12
Cert Organics	0-1	Kirkcaldie & St Kiwi Property	0-1 1-0	Northland Port	0-1	Steel & Tube Stn Travel	0-1 2-0	Zintel Comm.	1-2

Insiders Buy Shares in Two Very Small Emerging Growth Companies

DenX (code DNX).

DenX is an emerging growth company - currently with little cash or revenues - which is *just beginning* to establish an advanced *Image Guided Implant (IGI)* system in the US with "top tier dental implant practices".

The system is already in use in Australia and Japan, but the US market holds the greatest potential for growth in revenues and for DenX to soon become profitable. There are currently eight IGI sites in the US with five more scheduled to be established in July and August. By the end of the year the company expects to have 35 IGI sites in the US and then "to be rolling out new users at the rate of six per month on a sustainable basis". DenX's IGI system is fully compatible with **Imaging Sciences International Inc's i-CAT** dental radiology products. DenX receives an installation fee and ongoing usage fees of around US\$300-500 per implant from users of the IGI system.

The DenX technology originated in Israel in 1994 and was purchased by Australian listed **Helm Corporation** in 2002 - which later changed its name to DenX. The share price, however, has fallen from around 50 cents in early 2003 to 7-13 cents over the last year as the company has needed to raise new capital to provide cash to finance Research & Development. A 1 for 3 cash issue at 15 cents in late 2003 seeking \$5.5 million was only 60% subscribed, so raised \$3.36 million for the company. A placement of just over 4.0 million shares at 18 cents in May 2004 raised \$0.7 million and another placement of 27.2 million shares in August 2004 raised \$3.4 million. All of that money (except for a few hundred thousand) has now been spent. To finally commercialise

its technology and start earning recurring revenues the company is now seeking to raise \$6.0 million - from a placement of 40.0 million shares at 10 cents and a *Share Purchase Plan* also at 10 cents.

The placement and SPP are subject to shareholder approval (at a meeting to be announced), so investors buying DenX shares on-market *now* may (or may not) get to participate in the SPP.

The issued capital *after* these share issues will be around 228 million shares - giving the company a capitalisation of just \$24 million.

Revenue for the year to June 2004 was \$4.6 million - of which \$2.9 million was from Dental technology products - but the company recorded a loss of \$9.8 million. Major expenses are amortisation \$4.1 million, marketing \$3.5 million, costs of dental sales \$2.2 million, R & D of \$1.2 million and administration of \$1.7 million. Many of these expenses will be relatively fixed, so strong growth in revenues *should* lead to profitability within the next few years. The half year to December 2004 shows a loss of \$3.7 million.

The Chairman, G Holt, owns around 45.6 million shares - or 27.1% of the company. Over the last year there have been four *insider* buys (plus a fifth small purchase that we don't count) during which Mr Holt has acquired over 2.8 million shares on-market at prices from 9-11 cents.

The shares appear to be in a new uptrend with a Relative Strength rating of +1.1%, ranked 26.

Summary and Recommendation

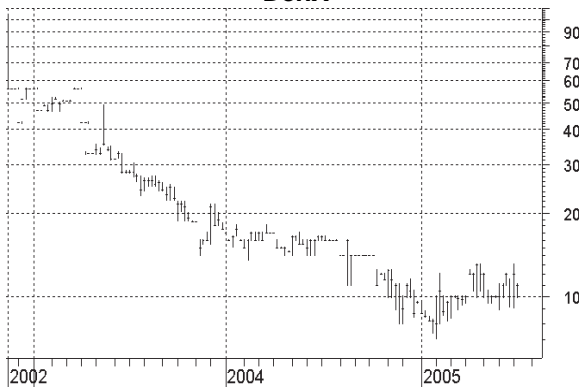
DenX has perfected its technology which is being accepted in the US dental implant market. The only challenge

now is to find and rollout additional users and build recurring revenues. Unfortunately, estimating those potential revenues (and profits) is extremely difficult - so in this situation *insider* buying (or selling) is usually the best guide to the current value of the shares and their future potential. The Chairman, who already has a large shareholding, has been increasing his holding on-market - which suggests that investors should look closely at this company.

DenX still involves high risks - but should be suitable for a small investment by higher risk investors seeking maximum capital appreciation from an emerging growth company.

Unfortunately, the shares are sometimes inactively traded and at the present time there is a large spread - with buyers at 10 cents and sellers at 17½ cents. The shares, however, should be available at some stage in the near future at prices around 10-12 cents - and the planned placement and SPP should also help to boost the volume of shares that trade on-market.

DenX



Fiducian Portfolio Services (code FPS).

Fiducian Portfolio Services is a small, \$26 million capitalisation, financial services company involved in Financial Planning and Funds Management. The business is only nine years old and listed on the stockmarket about five years ago after a share issue at \$1 per share.

Funds management is an “economies of scale” business that becomes more profitable if the company can grow the volume of funds on which it earns annual management fees. It is also a very cyclical business that can earn high fees when the market is buoyant but become unprofitable when the market is depressed. Fiducian Portfolio Services has also sought a competitive advantage in its business (i.e. lower costs and better service) by developing its own financial planning software and online funds administration.

Fiducian Portfolio Services has sought to attract funds from company superannuation funds and independent financial advisers but has also sought to acquire financial planning businesses, or form relationships with financial planners, to sell its products directly to the public.

In the year to June 2001 the company lifted revenues 41.0% to \$10.9 million and profits 133.5% to \$1,004,000 (3.7 cents per share) and paid a 2.0 cents dividend. The year to June 2002 saw moderate growth, revenues up 14.7% to \$12.5 million and profits up 14.1% to \$1,146,000 (4.1 cents per share) and a steady 2.0 cents dividend.

Profitability - and the share price - collapsed over the next year, but not before the company raised \$1.0 million from the placement of 833,333 shares at 120 cents and \$2.3 million from the placement of 2,536,647 shares at 91 cents. For the year to June 2003, revenues rose just 7.4% to \$13.5 million and there was a trading loss of \$469,000 (*minus* 1.3 cents per share) and no dividend was paid. In addition, there was a (pre-tax) write-down in capitalised software development costs of \$2.5 million. The shares dropped to a low of 41 cents.

The year to June 2004 saw continued steady growth in revenues - up 9.0% to \$14.7 million - and a return to a slight profit - \$185,000 (0.5 cents per share). The dividend was reinstated with a final 0.5 cents.

The six months to December 2004 shows a stronger recovery: Revenues up 31.1% to \$8.9 million, profits of \$706,000 (2.0 cents per share) and an interim dividend of 1.75 cents. Repeating this level of activity in the second half would put the shares on a P/E ratio of 19 and a Dividend Yield of 4.7%.

Funds under management - on which the company earns a fee - peaked at \$551 million in June 2002 and declined to \$485.6 million by June 2003. Funds then grew to \$623.6 million by June 2004 and increased to \$730.3 million by December 2004.

The company announced an on-market buy-back and has re-purchased 1,166,705 shares at an average price of 73 cents over the last six months. The directors have also been active buying shares on their own account. There have been seven *insider* buys on-market (and no sells) over the last year. A share buy-back and *insider* buying are two very significant factors indicating under-valuation and predicting above average future share price performance.

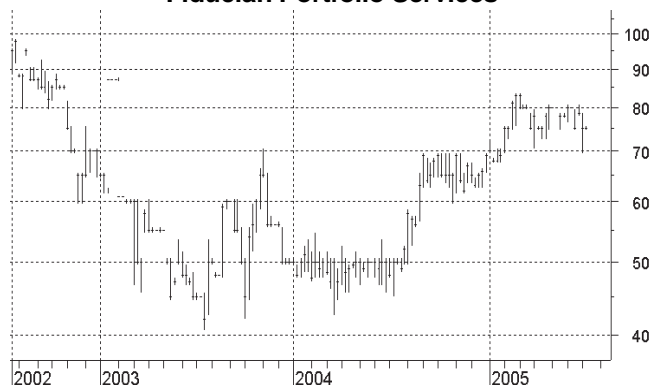
The shares have recovered from their 2001-2004 downtrend and appear to be in a new uptrend with a Relative Strength rating of 6.2%, ranked 12.

Summary and Recommendation

This is a small, but rapidly growing business which is also very cyclical. The business experienced such a decline in 2003-2004, but business volumes and profitability have since recovered. An on-market buy-back indicates that the directors see good value in the shares and these *insiders* have also been building up their own shareholdings on-market.

Fiducian Portfolio Services is a very small company, and the shares are not always actively traded and there can be a large bid/offer spread. If they are available, however, investors could consider making a small investment in this company.

Fiducian Portfolio Services



The Labour Government Proposes Excessive Taxation of Overseas Investments

"... excessive taxes on foreign portfolio equity investment could discourage individuals from migrating to New Zealand or encourage high net-wealth New Zealanders to emigrate." - Michael Cullen.

The current proposals for the taxation of overseas investments are so excessive - and unenforceable - that they would lead to significant levels of emigration by *moderately* wealthy investors and/or widespread tax evasion.

Previously the government had proposed taxing overseas investments based upon an assumed rate of return of 4%, which was later increased to 6%. The current proposal will seek to tax all income, realised and unrealised capital gains. The only relief is that the actual "deemed taxable" amount will be limited to the greater of 6% or the total of dividends received and capital repatriated to New Zealand. Annual returns exceeding 6% will carry forward as an income tax liability to be paid from future *deemed* 6% annual returns in future years (even in years when the portfolio declines in value) or when the funds are finally repatriated to NZ (or, presumably, when an investor dies or emigrates).

Investors with under \$50,000 worth of foreign investments will be exempt from these new rules and continue to be subject to taxation of only the dividend income.

The proposal is to apply the new tax rules from 1st April 2007 and there will be some initial relief for individual investors who will be able to use the *higher* of cost or market value as the starting value for calculating their gain (or loss) for the first year to 31 March 2008. For investors with a diversified portfolio - with both winners and losers - this should result in an initial loss which can be carried forward.

Investors through NZ based collective investment funds will be taxed even more heavily on annual gains *each year*, without the 6% or dividends plus repatriation limit to their annual tax liability.

In the opinion of your Editor, the only sensible thing in the Minister's 75 page discussion document is the brief quote above that acknowledges that "excessive taxes" - far in excess of our other high tax neighbours and trading partners - "could" discourage immigration and encourage emigration.

Australia, for example, is a high tax country, but (1) taxes capital gains only when *realised* (i.e. so the taxes are deferred until realised and therefore may not become payable until *many years* in the future), (2) taxes only *real* capital gains (i.e. *after* increasing an investor's cost price for inflation) and (3) only 50% of that realised, inflation adjusted gain is then subject to tax. Australia also allows "roll-over" relief, so a scrip for scrip takeover does not result in a realisation. It is also possible for Australian investors to hold share investments through self managed superannuation - receiving income tax relief on their initial contributions *and* gains accumulate

tax-free until retirement - to be taxed only when withdrawn. NZ continues to have no such tax incentives for long term savings and investments.

Excessive and Unenforceable

It is fairly widely accepted that the current proposal is excessive. Furthermore, the Inland Revenue has little ability to detect foreign investments and enforce these proposed taxes. The current taxation of foreign investment *income* and any future taxation of foreign investment *capital gains* will largely rely on *voluntary compliance* by individual taxpayers.

Investors are unlikely to consider the current proposals to be "fair" - especially as there is no capital gains tax on domestic investments (or, for example, foreign investment in property) so compliance may be low and enforceability will be difficult.

Most likely the government *already* plans to offer a "concession". For example, by taxing only 50% of capital gains. In fact, this would cost it very little in tax, simply reduce the carried forward liability for gains in excess of the 6% "deemed" rate. Alternatively it may abandon the *capital gains tax* and simply revert to the previously suggested 6% deemed return.

Recommendations

Firstly, don't panic! NZ governments have been threatening to change the taxation of foreign investments for 20 years. There still isn't a fair, workable or enforceable proposal. This issue will probably go back to the drawing board or be filed in the "too hard" basket.

Secondly, *small* investors - with under \$50,000 - will be exempt.

Thirdly, this proposal would increase the tax payable by other investors by about only 50-100% (owing to the 6% limit and roll over relief) and cut in slowly owing to the initial *tax loss* situation. The deferred tax liability, on repatriating capital, is more of a concern.

Fourthly, wealthy investors - facing a significant tax liability under this proposal - can simply change their country of residency. Other *high tax countries* offer lower capital gains taxes and many countries operate a Territorial tax system (i.e. acknowledge that tax is paid at source and *impose no further income or capital gains taxes on foreign investments*). Furthermore, nearly every country in the world - including NZ - offers residency aimed at attracting "investors" or "wealthy retirees". This tax *competition* should ensure that NZ will not introduce excessive taxes.

Finally, the National party - which currently leads Labour in opinion polls running up to the General Election - has stated that it "will not impose a capital gains tax on foreign investments" (but may still wish to adopt some deemed rate of return to boost tax revenues).

Readers Ask . . .

Question: Can you give me some advice to help set up my portfolio. I have been a subscriber for eight months but do not have the confidence to purchase as I don't understand the company and ratio side of your analysis. I read the information then get stuck. Hoping you can help please.

I have cash to invest (\$40,000), some shares (\$60,000), term deposits (\$50,000), plus a small rental property (with a mortgage) and a mortgage free home.

I have a reasonable income, am early 40's, with no dependent children.

Answer: With about \$100,000 to invest in the stockmarket (i.e. existing shares and \$40,000 cash) I would suggest building a portfolio of about 12-15 shares to give a good spread to minimise risk. That means investing around \$5000 to \$10,000 in each holding, so some of the existing holdings are probably a little large and could be reduced back to around \$10,000 (i.e. about 10% of the portfolio).

Hopefully you do have some understanding of the analysis and some of the companies, but it probably isn't necessary to be an expert - anymore than you need to know how an internal combustion engine or gearbox work to drive a car! I think there are a lot of people out there that start off just following the buy and sell recommendations in the newsletter - and after a few years they do actually pick up quite a lot of knowledge.

So I would suggest investing your \$40,000 in 5-7 different shares from the Recommended Portfolio that are rated BUY or HOLD+. Perhaps MET, MHI, NPX, ATG, ILU, RHD and VSL which will give you a good spread. Owning some shares in these companies will probably help you to learn more about them and the statistics used to value them.

If some of your existing holdings are too large, then you can look at selling them down to about \$10,000 of market value and using that money to buy a few more shares from the Market Analysis portfolio.

Once you have done that, then there shouldn't be too much more work to do - except read the newsletter each month to increase your knowledge and manage the investments when changes are necessary. If you save more money to invest (either from employment or dividends) then either look for a new share to buy, or add to some of the existing holdings if they are still attractive (i.e. if still rated BUY or HOLD+) and if they aren't too large in your portfolio. Periodically some of your shares will be rated as Sell - or perhaps recommended for partial profit taking if one grows significantly in value. In this situation you should sell your shares (or some, as per the advice) and again look in the newsletter for a new share rated Buy to add to your portfolio.

Shares in your portfolio will, of course, fluctuate widely in value over time. If you start out well diversified as suggested above, then you can just let profits run (if a share is still attractive) even if it doubles or quadruples - as your portfolio should still be well diversified.

Question: I note that AJL has lost -49%, CIR -14% and LRX -40% of their value since I purchased them. NPX while showing an overall gain of 32% has actually lost 30% over the last 5 months. As they moved down I was thinking I should reduce my exposure. I have held - but they are losing too much money.

Can you advise on this situation? I think the best approach is to drop them until there is some evidence of support and buy in at a lower value if there is support? Most of my other holdings are in the positive +30-150%

Answer: It is always difficult to watch shares drop significantly in value - but I do not believe there is an easy solution to this problem. The emotional response is to sell out of a share that is "losing too much money". If you do that, then at least you won't have to worry about that share again - but this is often not the best way to manage your money in the stockmarket! Very often you cannot buy back later. You may, for example, have noticed that Nuplex has already recovered 33% from its lows and Circadian jumped 25% last week.

In my experience - 24 years of publishing this newsletter and 34 years managing my own money in the stockmarket - there is no reliable way to avoid these movements. Shares are just very volatile investments. Some people recommend "stop losses" - selling when a share dips 10% or 15%. But all shares will dip this amount fairly regularly - so you would very quickly be sold out of both your "good" and your "bad" investments. Given that you cannot avoid volatility in the stockmarket, my investment strategy is to manage it and to accept it - as we need to learn to live with this volatility.

Firstly, diversify widely. If you have 20-30 shares in your portfolio and a handful are down sharply but most of the others are up then you really don't have a problem! You are probably ahead of an index fund or a managed fund or the person who put their money in the bank.

Secondly, my strategy is to try very hard to find the "right" type of investment before buying shares. Many other investors prefer to "actively manage" a portfolio, buying something this week only to re-sell next week or next month to re-invest in something else. I seek to buy into a company that has the potential to yield above average returns over the long term - something that I would be happy to hold regardless of short term fluctuations in value. Of course, not every investment will be profitable, but if the initial share selection has been done correctly then we should be prepared to back that judgement, ignore short term fluctuations and let the company get on with its business. Some will eventually succeed, some will fail!

Thirdly, your loss on any individual share is limited to 100% of the amount you invested in it - but there is no limit to the potential gains. So if one share does really badly and drops 90-100% and another does really well and rises 200-500% then you are well ahead - by about 50-200% (on average on these two shares). More significantly, it is more important that you manage the successful investment correctly than the unsuccessful one. If you became pessimistic over the market outlook and managed to cut your loss at 50% - but also sold your winner for only a 100-250% gain - your average return on these two holdings would (Continued on Page 16)

Readers Ask*(Continued from Page 15)*

be 25-100%. So - if the original reasons for investing were sound, and have not changed - then it is usually best to hold on to investments and let them succeed (and become valuable) or fail (and become worthless). Of course, you need to diversify into much more than just two shares - or you'll soon end up with two losers!

Fourthly, fluctuations - even large fluctuations - in share prices are *not* a good guide to the future success of a share investment! NZ Refining fell 50% in the 1987 crash - but ultimately increased 34-fold in value on our initial purchase price! JNA Telecommunications rose 39%, then fell 75% to 38 cents - but was taken over two years later at 375 cents. ERG lost almost half its value over two years, then rose 12-fold over the next two years for an overall 6-fold gain. Michael Hill rose strongly in the first year after our initial recommendation - then lost 65% of its value in a three year decline from late 1992 until late 1995. It also lost 38% of its value in a few months in early 2003. Despite this, our investment is up almost 20-fold. "Cutting losses" during *any* of those declines would have cut many times as much in eventual profits!

Fifthly, it is important to avoid "throwing good money after bad" and "averaging down your cost" by purchasing more and more of a share that continues to fall lower and lower, which never recovers and eventually fails. Even "good" shares may fall to an extreme of under-valuation, so it is best to wait for some signs of recovery.

The development of our *Comprehensive Share Selection Criteria* in 1997 has sought to (1) improve the initial selection and timing of share recommendations and (2) the *timing* of when to add to a position which has declined in value. I believe this has helped improve overall portfolio returns in recent years. While this may improve our chances of finding winners and avoiding losers, many companies will still suffer individual problems - or unfavourable market conditions - and their share prices will decline significantly at some point in time.

Total Return Index for All Listed Shares

	Jun 6	Holiday	
	Jun 7	2274.54	
	Jun 8	2280.20	
	Jun 9	2283.13	
	Jun 10	2286.64	
Jun 13	2296.53	Jun 20	2323.33
Jun 14	2306.58	Jun 21	2319.78
Jun 15	2313.81	Jun 22	2310.67
Jun 16	2321.00	Jun 23	2317.57
Jun 17	2326.18	Jun 24	2307.24
Jun 27	2314.48	Jul 4	2335.25
Jun 28	2327.60	Jul 5	2337.30
Jun 29	2328.12	Jul 6	2339.72
Jun 30	2331.32	Jul 7	2333.17
Jul 1	2331.74	Jul 8	2324.93

Summary and Recommendation

1. Any Buy/Hold/Sell decision needs to be based upon the *future potential returns* from a share. If the potential for the company has deteriorated 25%, but the share price has fallen 50%, then the shares *maybe* even more attractive than previously.
2. Assessing whether to Buy more/Hold/Sell uses the same criteria used to make an initial Buy decision: future growth potential, current valuation, *insider* buying, share price trend, etc.
3. Shares are very volatile investments - so large gains or losses are not a guide to future performance.
4. Shares that have declined sharply are usually unattractive technically (i.e. are in a downtrend) and there is often uncertainty over future growth potential. Investors therefore should be cautious about buying more shares and "averaging down" in a position where the price has declined. Usually it is best to wait for an improvement in the share price trend and buy additional shares early in the recovery.
5. Many of the most successful share investments have (or will) declined significantly in value over some period of time. Unless there is good evidence to support the decision, "cutting losses" can be the quickest way to cut your portfolio profits!

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Auckland Int'l Airport (special)	12.0	29-07	05-08	Nil
Cabletalk	3.00	15-07	28-07	Full
Life Pharmacy	1.20	26-08	02-09	Full
Mainfreight	3.50	15-07	22-07	Full
Mowbray Collectibles	1.50	08-07	15-07	Full
Mr Chips	2.50	23-09	30-09	Full
Smiths City Market	3.50	29-07	05-08	Nil
TrustPower	10.50	15-07	29-07	Full
Urbus Properties	4.60	-	-	Nil
<u>Australian Shares</u>				
AJ Lucas Group	3.50	07-03	24-06	
Campbell Brothers	24.00	03-06	01-07	

Current Issues

SHARE REPURCHASES

Details

Auckland Int'l Airport (1) on-market

(1) Auckland International Airport will distribute \$200 million to shareholders through a \$147 million taxable special dividend (without imputation tax credits) and a \$53 million tax-free on-market buy-back of about 2% of the capital over the next year.

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday August 9, 2005 (and delivered in most areas on Wednesday 10).

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.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. A summary of All prior recommendations is available to any current subscriber, free of charge, upon request. The information presented has been obtained from original and published sources believed to be reliable, but its accuracy cannot be guaranteed. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.