

Market Analysis

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Inside Market Analysis

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BUY Namoi Cotton Co-operative	14, 15	Market Analysis Turns 25 Years Old	20

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Summary and Recommended Investment Strategy.

Remain close to fully invested in the recommended shares, but with a small (i.e. about 10%) cash reserve which will be re-invested in new shares in coming months.

Investment Outlook.

Economic statistics - which are reported with a delay of 3-6 months - indicate that the New Zealand economy is *already* in recession. While it is human nature to expect that "things will get worse" it is more likely that this is about as bad as it gets. We make no attempt (or pretence) to forecast every little fluctuation in economic activity, but from current *levels* the *next* significant change will more likely be an upturn than a further decline. So the Economic indicators in our stockmarket forecasting model are currently Neutral or Bullish (i.e. favourable).

Interest rates also appear to have peaked and the exchange rate has weakened - both of which are favourable for the stockmarket.

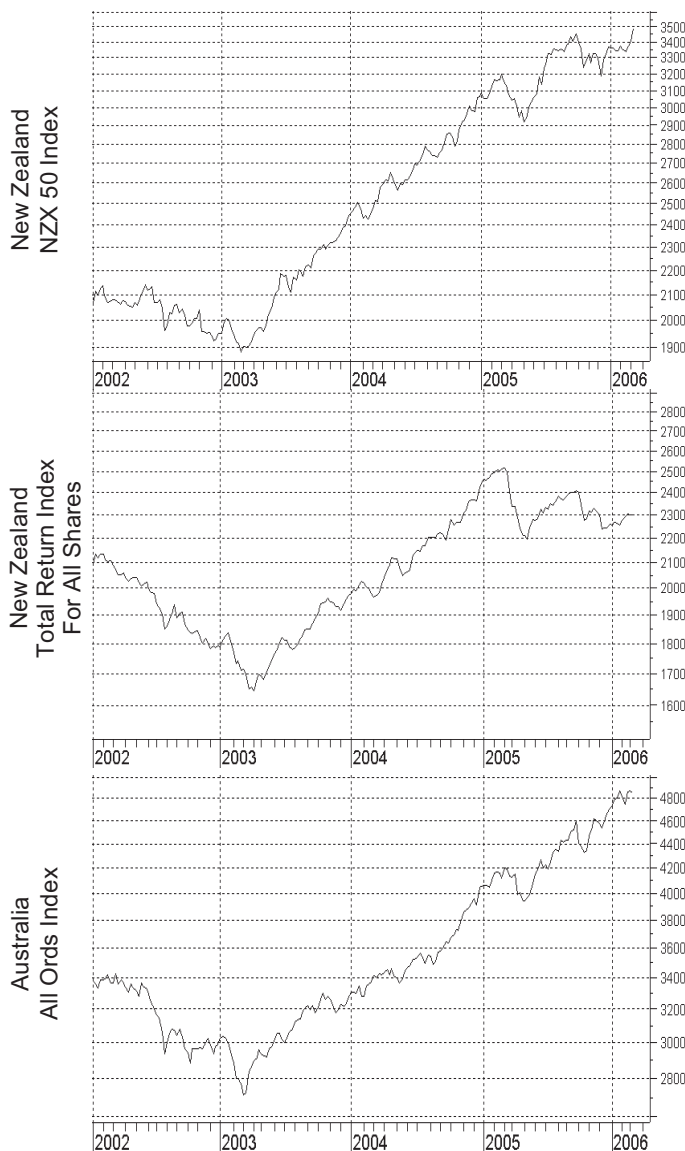
Quite likely the stockmarket will drift sideways for the next few months as companies announce results to December 2005 (i.e. results for a period 3-9 months in the *past*). These results, however, are important for assessing how companies have adapted to conditions and their current financial position. So in many cases we would like to wait for these reports *before* making the final decision on some possible new share recommendations.

Some time in 2006, however, investors will start looking beyond the current economic slowdown and share prices will begin to rise in *anticipation* of the next economic recovery.

At this stage we continue to recommend holding a small cash reserve which we shall be re-investing in the near future. In the meantime there is a constant re-assessment of existing investments and, where necessary, the sale of fully priced, mature holdings to release cash which can be re-invested in under-valued cyclical and under-valued growth situations.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	64% (Bullish)	69% (Bullish)
New Zealand:	62% (Bullish)	55% (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	E	8.0	N/A	NE	Nil	Heritage Gold *	N/R	5.5	N/A	NE	Nil	Postie Plus Grp	C	65	0.23	16	6.9
ABS Canterbury	C	422	1.27	14	5.0	Hirequip NZ Ltd	C	83	0.96	10	6.7	Property F Ind.	B	119	9.30	18	7.0
AMP Limited	A	990	1.36	20	3.7	Horizon Energy	B	430	4.01	14	6.9	Provenco Group	C	81	0.71	10	5.5
AMP Onyx Mgmt	B	99	5.18	13	7.4	ING Property	B	120	8.33	15	8.9	Pumpkin Patch	B	384	2.28	26	3.1
AXA Asia Pac.	A	665	2.07	19	2.4	Infratil NZ	B	394	4.44	17	4.0	Pyne Gould Corp	C	380	0.81	10	7.1
Abano Health.	E	155	0.63	NE	Nil	Jasons Media	E	42	N/A	NE	Nil	Renaissance	A	149	0.37	11	10.0
Affco Holdings	E	35	0.18	8	2.9	Just Water Int.	D	82	2.69	18	5.9	Restaurant Brds	C	129	0.39	12	11.6
Air New Zealand	A	138	0.38	8	5.4	KidiCorp	D	17	1.23	NE	Nil	Richina Pacific	E	48	0.12	14	4.2
AkD Int Airport	C	188	8.14	22	6.5	Kingfish Ltd	B	104	2.72	4	2.9	Rubicon Limited	E	90	0.55	NE	Nil
Allied Farmers	C	225	0.48	12	7.0	Kirkcaldie & St	B	255	0.58	21	4.7	Ryman Health.	B	580	4.78	25	2.0
Allied Work.	D	117	N/A	NE	Nil	Kiwi Property	B	126	9.84	17	6.9	Salvus Strat.	C	70	8.37	15	4.3
Apple Fields	D	1.5	N/A	NE	Nil	Life Pharmacy	D	82	N/A	NE	2.2	Sanford Limited	C	410	1.05	13	8.0
Blis Technology	E	14	N/A	NE	Nil	Lion Nathan Ltd	C	930	2.54	20	3.7	Satara Co-op	B	106	0.50	25	8.4
Blue Chip Fin.	C	87	0.84	6	Nil	Livestock Imp.	C	136	0.42	8	14.6	Savoy Equities	D	2.5	N/A	NE	Nil
Botry-Zen Ltd	E	4.5	N/A	NE	Nil	Loan & Building	B	430	1.28	14	5.2	Scott Tech. Ltd	D	214	1.32	NE	2.8
Brierley Invest	C	142	3.00	15	2.9	Lombard Group	E	3.1	N/A	NE	Nil	Sealegs Corp	E	15	2.86	NE	Nil
Briscoe Group	B	133	0.88	15	7.9	Lytelton Port	A	219	3.37	19	7.5	Seeka Kiwifruit	B	300	0.47	9	10.0
Broadway Ind	D	85	0.40	18	5.9	MDSnews	E	0.3	N/A	NE	Nil	Skellmax Indust	C	127	1.07	10	8.2
CACI Group Ltd	C	26	0.33	59	Nil	MG Property Trt	C	121	N/A	23	9.3	Sky City Ltd	D	509	3.11	20	7.0
Millennium & C.	D	61	1.24	8	5.1	Mainfreight Grp	A	450	0.50	32	2.2	Sky Network TV	D	615	4.89	23	Nil
CDL Investments	C	41	3.52	9	7.3	Media Tech.	E	6.0	0.25	NE	Nil	Smiths City	C	60	0.14	4	8.3
Cabletalk Group	D	55	0.42	8	8.1	Methven Limited	C	123	1.15	10	9.2	Software of Exc	D	92	1.00	NE	Nil
Cadmus Tech Ltd	E	21	2.50	NE	Nil	Metro. LifeCare	B	399	3.17	20	1.4	Sol. Dynamics	E	42	0.31	NE	Nil
Calan Hlthcare	B	119	9.83	17	7.1	Michael Hill	C	712	1.01	17	4.8	South Port NZ	A	134	2.61	18	7.2
CanWest Media.	D	157	1.42	27	6.0	Mid-Cap Index	D	244	N/A	NE	Nil	Speirs Group	B	96	0.18	9	12.4
Cap Properties	B	145	5.76	19	6.2	Mike Pero Mort.	B	106	2.01	16	8.4	Steel & Tube	C	411	0.83	10	11.6
Carter Holt	B	274	1.07	28	2.7	Mooring Systems	E	360	N/A	NE	Nil	Sthn Travel	C	40	0.13	5	23.9
Cavalier Corp	C	292	0.92	10	13.8	Mowbray Collect	D	140	3.84	NE	3.2	Summit Gold Ltd*	N/R	86	N/A	NE	Nil
Cert Organics	D	5.6	4.40	NE	Nil	Mr Chips Hold	D	85	0.59	14	7.0	Tag Pacific Ltd	C	32	0.36	7	1.7
Charlie's Group	E	14	1.52	NE	Nil	NZ Exchange Ltd	B	775	4.82	21	4.8	Taylor's Grp Ltd	B	177	0.66	12	11.0
Col Motor Co	B	295	0.21	11	11.1	NZ Experience	D	28	1.25	13	10.7	TeamTalk Ltd	C	224	2.24	15	12.0
Comvita	C	230	1.07	23	1.4	NZ Finance Hold	C	130	7.72	35	Nil	Telecom Corp	D	545	1.85	12	10.5
Connexion	C	42	2.47	62	Nil	NZ Invest Trust	B	865	N/A	NE	1.0	Tenon Ltd	D	331	0.55	8	Nil
Contact Energy	B	724	3.27	29	5.2	NZ Oil and Gas *	N/R	97	N/A	NE	Nil	Toll NZ Ltd	C	295	0.91	15	Nil
Cube Capital	C	8.0	N/A	NE	Nil	NZ Refining Co	A	630	4.14	11	7.7	Tourism Hold.	C	163	0.90	15	10.1
Cynotech Hold.	E	14	0.77	NE	Nil	NZ Windfarms	C	114	N/A	NE	Nil	Tower Limited	C	222	0.70	8	Nil
Dominion Fin.	B	133	2.97	10	7.7	NZ Wine Company	C	194	1.86	18	3.8	Training Sol.	D	0.2	1.43	NE	Nil
Dorchester Pac	C	223	0.57	8	6.9	NZ Wool Service	E	46	0.27	33	3.2	Trans-Tasman	D	45	3.39	10	Nil
Eastern Hi-Fi	C	78	0.57	11	Nil	NZSX 10 Fund	D	121	N/A	NE	Nil	Trust Power Ltd	B	695	3.57	30	4.2
Ebos Group Ltd	B	455	0.45	14	7.1	NZSX 50 Port.	C	159	N/A	NE	Nil	Turners & Grow.	C	213	0.32	12	Nil
Evergreen	E	29	1.38	NE	Nil	NZX Aust MidCap	C	542	N/A	NE	Nil	Turners Auction	B	214	0.74	12	9.8
F & P Appliance	B	390	0.99	15	6.9	Nat Property Tr	C	77	5.23	15	11.8	Utilico Int'l	D	48	3.09	NE	Nil
F & P Health.	B	389	8.22	32	4.1	New Image Group	D	6.5	1.83	NE	Nil	VTL Group Ltd	B	67	0.71	10	5.0
Feltex Ltd	D	43	0.21	5	20.8	Northland Port	B	280	N/A	15	5.3	Vector Ltd	D	265	2.29	49	Nil
Finzsoft Sol'ns	D	81	0.95	39	Nil	Nuplex Indust	A	545	0.45	14	7.3	WN Drive Tech.	C	42	N/A	NE	Nil
Fletcher Build.	A	820	0.82	12	5.8	Opio Forestry	D	86	N/A	NE	Nil	Wakefield Hlth	A	575	1.69	24	3.4
Forty Two Below	E	53	5.47	NE	Nil	Oyster Bay	C	260	3.26	4.5	3.8	Warehouse Group	B	370	0.51	29	5.8
Freightways Ltd	A	350	1.88	20	6.8	Ozzy (Tortis)	C	300	N/A	NE	Nil	Waste Mgmt NZ	A	667	3.09	26	6.0
GDC Communicat.	E	1.0	0.01	NE	Nil	PGG Wrightsons	C	186	0.68	12	7.2	Widespread Port*	N/R	1.8	N/A	NE	Nil
Genesis Res.	E	28	2.82	NE	Nil	POD Ltd	D	50	0.19	5	9.0	Windflow Tech.	D	186	N/A	NE	Nil
Guinness Peat	C	243	0.20	9	2.2	Pac Edge Bio.	E	18	N/A	NE	Nil	Wool Equities	D	56	0.61	NE	Nil
Gullivers Trv.	C	141	0.33	12	10.4	Pacific Retail	D	180	0.11	NE	Nil	World Index Fd	C	139	N/A	NE	Nil
Hallenstein G.	A	505	1.61	15	8.9	Plus SMS Hold.	C	74	N/A	NE	Nil	Zintel Comm.	D	70	0.99	10	7.4
Hellaby Hold.	C	448	0.56	11	13.0	Port Tauranga	B	505	4.65	20	5.9	Ave of 161 Cos	C	211	0.51	19	4.3
ABB Grain Ltd	A	786	1.00	62	2.2	David Jones	B	302	0.71	16	4.3	Oxiana Ltd	A	201	7.20	34	0.5
ABC Learning	A	795	6.80	38	1.4	Deutsche Div Tr	C	131	6.10	14	7.1	Pacific Brands	B	237	0.77	20	6.3
AMP Ltd	B	867	1.35	20	3.7	Div. Utility	B	264	1.44	19	8.3	Paladin Res.	C	366	N/A	NE	Nil
ANZ Bank	A	2595	5.08	33	3.9	Downer EDI Ltd	A	825	0.63	23	2.2	Paperlin X Ltd	B	355	0.21	9	7.2
APN News Media	B	483	1.69	15	5.0	Energy Resource	C	1158	8.30	54	1.5	Patrick Corp	B	698	2.02	28	1.1
AWB Limited	C	376	0.25	8	7.7	Excel Coal Ltd	B	655	3.61	14	3.7	Perpetual Ltd	B	6565	6.09	22	4.0
AXA Asia Pac	A	580	2.05	19	2.4	Fairfax (John)	B	391	1.92	14	4.7	Primary Health	B	1160	6.76	49	2.2
Adelaide Bright	A	252	1.90	15	6.4	Flight Centre	C	1200	1.26	20	4.2	Promina Group	A	560	1.94	13	3.9
Adelaide Bank	B	1297	4.31	15	4.1	Fortescue Metal	D	504	N/A	NE	Nil	Publishing & Br	A	1746	3.34	24	3.0
Alinta Limited	B	1038	2.54	26	4.2	Foster's Group	C	531	2.68	11	3.8	Q.B.E. Insur.	A	2160	1.36	16	3.3
Alumina Ltd	B	658	N/A	24	3.0	Futuris Corp.	B	223	0.47	16	4.0	Qantas Airways	A	389	0.58	10	5.1
Ancor Ltd	B	730	0.58	14	4.7	GPT Group	B	409	6.97	14	6.0	Ramsay Health	A	1029	1.21	58	1.9
Ansell Ltd	A	1099	1.59	NE	1.3	Gandel R. (CFS)	B	199	N/A	20	5.3	Record Invest.	A	1035	N/A	35	3.0
Aquarius Plat.	A	1501	5.52	59	0.5	Gt Sthn Plant'n	A	380	3.53	9	3.7	Reece Australia	B	1475	1.46	20	2.6
Argo Investment	A	700	N/A	31	3.0	Guinness Peat	B	215	0.71	33	1.1	Rinker Group	A	1782	2.87	29	1.2
Aristocrat Leis	B	1290	4.61	25	2.3	Gunsns Ltd	B	304	1.47	10	4.1	Rio Tinto Ltd	A	6750	4.88	25	1.5
Aust Foundation	A	478	N/A	27	3.3	Hardman Res.	D	191	N/A	NE	Nil	Rural Press Ltd	A	1160	2.41	12	3.7
Aust Stock Exch	B	3172	N/A	30	3.0	Harvey Norman	B	356	2.93	22	1.8	SFE Corporation	B	1275	6.65	25	3.4
Aust Gas Light	A	1843	1.71	10	3.4	Henderson Group	B	182	0.58	54	Nil	Santos Ltd	A	1105	2.55	9	3.4
Aust Pipeline	A	445	3.29	18	5.1	ING Indust Trt	A	230	N/A	17	6.4	Seek Ltd	B	396	N/A	58	0.5
Austar United	C	114	3.00	23	Nil	ING Office Fund	A	147	8.07	14	7.0	Seven Network	B	923	1.61	22	2.3
Australand Prop	B	208	1.20	10	7.9	Iluka Resources	B	656	1.53	12	3.4	Sims Group Ltd	C	1526	0.54	7	9.2
B & B Infrastr.	C	155	3.51	NE	6.9	Incitec Pivot	B	1790	0.96	NE	0.8	Smorgon Steel	B	127	0.38	13	6.7
BHP Billiton	A	2337	1.98	10	1.6	Insurance Aust.	B	512	1.05	NE	5.2	Sonic Health	C	1520	3.02	54	1.5
Babcock & Brown	B	1700	4.71	22	0.8	Investa Prop.	B	206	3.16	13	8.0	Soul Pattinson	B	969	1.81	5	2.6
Bank of Q'land	A	1548	1.83	17	3.1	James Hardie	B	923	2.68	25	0.9	Spotless Group	A	498	0.39	19	4.8
Bendigo Bank	A	1384	2.05	21	2.9	Leighton Hold	B	1749	0.75	23	2.9	St George Bank	A	2970	2.68	17	4.6
Billabong Int'l	B	1600	3.88	26	2.4	Lend Lease Corp	B	1338	0.56	25	4.3	Stockland	A	672	5.04	22	7.0
Bluescope Steel	B	695	0.62	5	6.0	Lihir Gold	C	225	7.16	NE	Nil	Suncorp-Metway	B	1958	1.56	13	4.4
Boral Limited	B	870	1.16	13	3.9	Lionore Mining	B	609	2.29	12	Nil	Symbion Health	B	330	0.54	26	3.3
Brambles Ind.	A	1025	2.22	57	1.0	Macquarie Infra	B	375	1.84	9	20.7	Tabcorp Holding	B	1502	1.91	22	5.4
Brickworks Ltd	B	1425	3.34	9	2.2	Macquarie Bank	B	6188	3.70	17	2.6	Tattersall's	D	291	N/A	NE	Nil
Burns Philp	C	104	0.84	27	2.2	Macquaries C&I	C	568	3.63	NE	5.1	Telstra	C	381	2.12	11	7.3

Recommended Investments

New Zealand and Australian companies have now changed to reporting financial results under new accounting standards. *Generally Accepted Accounting Principles* have been replaced with *International Financial Reporting Standards*. Both accounting standards seek to match revenues and expenses to arrive at a profit figure which should equal the change in the economic value of a company. In most cases, the results reported under the two standards are very similar.

There are, however, a few major differences:

The old standard required *Goodwill on Consolidation* (i.e. the excess over net asset value paid on an acquisition) to be written-off over 20 years. The new standard does

not require the goodwill amortisation - so reported profits will be higher.

The old standard failed to measure the economic cost of rewarding executives with share options. The new standard requires the value of this compensation to be calculated and shown as an expense - so reported profits will be lower.

There are also some timing differences relating to when a company can recognise revenues - and the impact is greatest among property development businesses. The old accounting standard recognised revenues when an unconditional contract was signed, while the new standards

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date - Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>												
HOLD+	CDL Investments Ltd	CDI	12/01/99 25	C	210.6	1.3	3.52	9	7.3	41	11.3	+109%
HOLD+	Cavalier Corporation	CAV	05/12/95 156*	C	65.5	0.5	0.92	10	13.8	292	173.0	+198%
HOLD+	Colonial Motor Company	CMO	10/11/92 150	B	27.9	0.5	0.21	11	11.1	295	281.8	+285%
HOLD	Lyttelton Port Company	LPC	12/12/00 150	A	102.3	0.6	3.37	19	7.5	219	54.3	+82%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91 46*	C	38.7	0.4	1.01	17	4.8	712	173.0	+1824%
BUY	Nuplex Industries Ltd	NPX	11/02/97 350	A	76.7	0.5	0.45	14	7.3	545	127.5	+92%
HOLD+	Renaissance Corp	RNS	13/08/96 85*	A	38.5	0.7	0.37	11	10.0	149	29.9	+110%
HOLD+	Richina Pacific	RPL	03/11/95 94*	E	148.7	1.2	0.12	14	4.2	48	11.4	-37%
HOLD	South Port New Zealand	SPN	13/02/96 120	A	26.2	0.8	2.61	18	7.2	134	84.3	+82%
HOLD	Steel & Tube Holdings	STU	08/08/00 146	C	88.1	0.5	0.83	10	11.6	411	147.0	+282%
HOLD+	Taylors Group Ltd	TAY	09/11/99 102	B	24.3	0.6	0.66	12	11.0	177	50.0	+123%
<u>Australian Shares</u> (in Aust cents)												
HOLD	AJ Lucas Group	AJL	13/05/03 120	C	51.6	1.0	0.49	NE	5.0	71	20.5	-24%
BUY	Atlas Pacific Ltd	ATP	14/05/96 73	C	87.8	1.4	5.05	NE	Nil	34	8.0	-43%
HOLD	Austin Group Ltd	ATG	08/02/05 93	C	62.2	1.2	0.51	8	12.0	50	7.0	-39%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99 406*	B	49.5	0.4	1.26	28	2.9	1428	192.6	+299%
BUY	Candle Australia	CND	08/04/03 86	A	45.9	0.7	0.60	20	3.8	304	23.5	+281%
HOLD+	Cellnet Group Ltd	CLT	12/02/02 152	C	51.0	1.0	0.09	9	6.5	107	31.5	-9%
HOLD+	Centennial Coal Ltd	CEY	16/01/01 70*	B	268.5	0.5	1.45	19	3.7	351	13.0	+420%
HOLD	Circadian Technologies	CIR	10/02/04 188	D	40.1	0.9	0.93	NE	Nil	110	65.0	-7%
HOLD	Commander Comm.	CDR	11/09/01 92	B	170.2	0.8	0.60	16	2.8	218	17.2	+156%
BUY	Computershare Ltd	CPU	12/08/03 189	B	594.9	0.6	3.60	40	1.6	676	27.5	+272%
BUY	Ellex Medical Lasers	ELX	14/03/06 49	C	61.2	1.4	1.05	NE	Nil	49	Nil	
BUY	Int'l AllSports	IAS	11/02/03 180	B	66.4	1.3	0.05	NE	Nil	45	4.0	-73%
HOLD+	Iluka Resources Ltd	ILU	12/10/04 471	B	232.9	0.6	1.53	12	3.4	656	22.0	+44%
BUY	Keycorp Ltd	KYC	10/08/04 123*	C	81.6	1.0	0.86	19	Nil	147	Nil	+20%
HOLD+	LongReach Group Ltd	LRX	11/01/05 23½	C	174.5	2.9	0.39	62	Nil	8	Nil	-67%
BUY	Melbourne IT	MLB	10/02/04 53	B	54.3	0.7	1.21	16	4.7	161	10.5	+223%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03 84*	C	392.7	0.9	2.32	14	2.8	100	2.3	+21%
BUY	Namoi Cotton Co-op Ltd	NAM	14/03/06 64½	C	114.5	1.0	0.25	9	7.8	65	Nil	
HOLD	Ross Human Directions	RHD	14/08/01 92	B	81.7	1.2	0.12	8	7.8	52	23.0	-19%
HOLD-	Skilled Engineering	SKE	12/03/02 126	A	100.5	0.5	0.64	40	3.0	530	57.5	+366%
HOLD	Sonnet Corporation	SNN	07/09/04 31½	C	137.3	2.4	0.39	6	14.3	11	3.0	-58%
HOLD+	Technology One Ltd	TNE	11/11/03 44	B	299.4	1.3	2.95	16	5.6	55	7.4	+42%
HOLD+	The Reject Shop Ltd	TRS	11/01/05 257	A	25.1	0.7	0.62	18	3.4	505	30.0	+108%
SELL	Toll Holdings	TOL	08/09/98 60*	C	330.2	0.5	1.10	20	2.0	1295	90.5	+2209%
HOLD	UXC Limited	UXC	11/01/00 55*	A	161.4	0.8	0.68	14	5.4	103	29.5	+140%
BUY	Vision Systems Ltd	VSL	10/11/98 69*	A	179.4	0.8	1.93	52	2.3	183	34.5	+214%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +217.6%. This is equal to an average annual rate of +40.1%, 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 132 closed out) is +32.3%, compared with a market gain of +8.5% (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)

do not allow revenue to be recognised until payment is made on the final settlement. So the year by year profits under the two standards will be significantly different for property development companies - although their total long run profits will be (approximately) the same.

Companies have restated their 2004 results to comply with the *IFRS* rules - so comparisons below are the current results with the previous year's results, both calculated under the new accounting standards.

CDL Investments experienced a 20.0% fall in revenues to \$24.5 million for the year to 31 December 2005 while profits fell 15.8% to \$9,123,000 (4.3 cents per share) but the annual dividend will be raised 25.0% to 2.0 cents (plus full imputation tax credits).

There was a net operating cash deficit of \$403,000 (compared with a surplus of \$4.3 million last year) owing to a significant increase in land held for future development.

Under the old accounting standards the company would have reported a 52.9% increase in revenues to \$30.9 million. The new accounting rules defer revenues (and profits) on contracts signed prior to 31 December but settled in January or February into the later accounting period.

The company has "made a positive start to 2006" with profits of \$9-11 million "achievable for the current year".

CDL Investments is a sound business and the shares trade at a low valuation, so we rate them "Hold+".

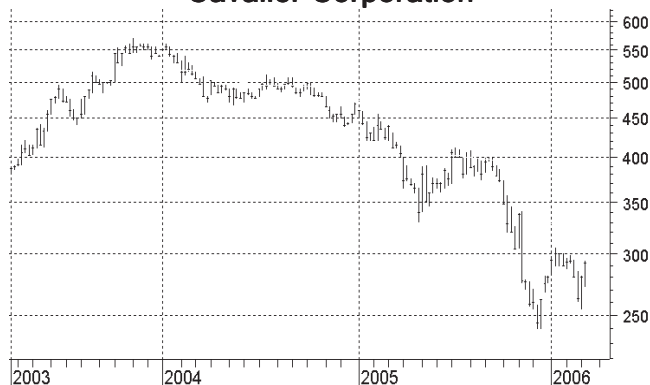
Cavalier Corporation's first half revenues slipped 5.0% to \$96.3 million to the end of December while profits were 37.5% lower at \$6,715,000 (10.3 cents per share). The second interim dividend will be 37.5% lower at 5.0 cents (plus tax credits), making the total first half payout 33.3% lower at 8.0 cents.

The cash operating surplus was also 41% lower at \$7.0 million.

For the full year to June 2006 the company is forecasting a 20-30% decline in trading profits.

Both Cavalier Corporation's business and share price are depressed and insiders are buying shares. We believe there will be good recovery potential over the next few years but would like to see some more improvement to the share price trend before upgrading them from "Hold+".

Cavalier Corporation



Colonial Motor Company reports a 16.4% increase in revenues to \$238.3 million - helped by consolidating the results of **South Auckland Motors** - for the six months to December 2005. Profitability slipped 10.9% to \$3,921,000 (14.1 cents per share) and the interim dividend will be 4.3% lower at 11.0 cents (plus full imputation tax credits).

Net operating cash flows remained very high at \$9.5 million, down just 1% on last year. Interest bearing debts have been reduced \$9.2 million to just \$17.7 million - a low debt level relative to cashflows and Shareholders Equity of \$94.8 million (340 cents per share).

The market for new cars *could* slow owing to a weaker economy - or it *could* pick up as consumers buy ahead of higher prices if the exchange rate is expected to fall and increase the cost of imports. Colonial Motor Company is a good income share (i.e. offering an 11.1% gross yield) and *insiders* are buying, so the shares warrant at least a "Hold+" recommendation.

Lyttelton Port Company reports an 18.7% lift in revenues to \$37.9 million for the six months to 31 December 2005 although profits were 6.7% lower at \$4,526,000 (4.4 cents per share). No decision has been made about paying an interim dividend owing to the current takeover offer.

The net operating cash surplus improved 66% to \$9.4 million. Capital expenditure was \$21.5 million, requiring the company to borrow \$20.0 million which increased interest bearing debts to \$61.1 million.

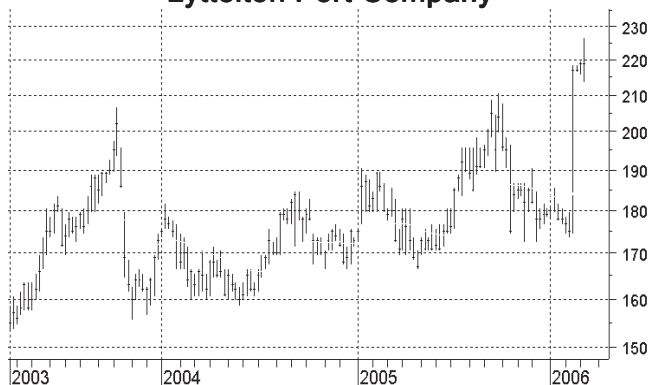
The full year profit is expected to be around \$10-11 million, down slightly on last year's \$11.8 million.

Lyttelton Port Company has received a full takeover offer from its 69% shareholder, **Christchurch City Holdings**, who then plan to on-sell a 50% interest in the company to Hong Kong based **Hutchison Port Holdings** who will also take over management control of the port. The takeover offer is a relatively low 210 cents in cash. If New Zealand wants to sell its strategic assets to foreigners then at least we should be asking a higher price!

The takeover offer, however, has been blocked by **Port Otago** which bought a 10.1% stake on-market at prices around 225-235 cents.

We have been rating Lyttelton Port Company shares a "Buy", but the 40 cents increase in price over the last month reduces the Dividend Yield to a still attractive, but lower, 7.5%. At this level we rate the shares a "Hold".

Lyttelton Port Company



Michael Hill International lifted total revenues 5.8% to \$164.0 million for the half year to the end of December, but profits fell 5.3% to \$11,701,000 (30.1 cents per share). That is slightly better than its recent warning that profits could fall to \$10.5-11.5 million. The interim dividend will remain steady at 9.0 cents (with full imputation or full franking credits).

The net operating cash surplus more than *doubled* to \$16.0 million.

Michael Hill International currently has 47 stores in NZ, unchanged from this time last year. There are now 114 stores in Australia, up from 100 last year, and ten stores (previously seven) in Canada. Steady growth in store numbers funded from retained cashflows results in steady growth in revenues, profits and the share price - so the company should continue its historical growth into the future. "Buy".

Nuplex Industries - aided by the acquisition of **Coated Resins** last year - has reported a 75.3% increase in first half revenues to \$603.4 million. *Trading* profits were 12.6% lower at \$15,656,000 (20.4 cents per share) but the interim dividend will be 16.7% higher at 14.0 cents (plus full imputation or full franking tax credits). This, however, will be the last dividend with full NZ imputation tax credits.

In addition, there was a \$24.4 million gain on the sale of a business.

The net operating cash surplus was 55% higher at \$19.9 million and this has enabled the company to slightly reduce its interest bearing debts, down \$12.6 million to \$334.2 million. That is a high, albeit manageable debt level, which the company should seek to reduce, lowering its annual interest costs and strengthening its balance sheet.

The shares trade on a moderate valuation, there have been two insider buys over the last year and the shares are in a strong uptrend (i.e. with a Relative Strength rating of +6.8%, ranked 14). "Buy".

Nuplex Industries



Renaissance Corporation experienced strong growth over the last year to 31 December 2005. Revenues rose 29.7% to \$155.6 million while profits were 110.9% higher at \$5,055,000 (13.1 cents per share). The final dividend of 6.0 cents (plus full tax credits) lifts the annual payout 17.6% to 10.0 cents per share.

The net operating cash surplus was marginally lower at \$11.1 million.

Although the media has focused upon the worldwide success of the *Apple* brand, Renaissance Corporation also reports "significant growth in our core distribution business" and "strong growth in our e-commerce

subsidiary **Conduit**". The company expects to achieve unspecified "growth targets in 2006" - which tells us little more than revenues should rise this year - but it is also seeking new "quality products that complement our existing offering" and "potential acquisitions".

Renaissance Corporation shares trade on a Price/Sales ratio of just 0.37, a low Price/Earnings ratio of 11 and offer a high Dividend Yield of 10.0%. There have, however, been two *insider* sells earlier this month. The shares are in a very strong uptrend, with a Relative Strength rating of +15.5%, ranked 1. The shares have risen very strongly over the last few years as the company successfully restructured its business. There would appear to be further potential for the business to grow, so Renaissance Corporation shares should remain an attractive long term investment. "Hold+".

Richina Pacific has reported a 24.2% increase in revenues to US\$353.2 million for the year to 31 December 2005. Total profits increased 31.8% to US\$10,268,000 (US\$0.068 per share). No dividend will be paid compared with a 2.0 NZ cents dividend last year.

The net operating cash surplus fell 56% but is still very high at US\$11.1 million.

Frankly it is impossible to make much sense out of Richina Pacific's accounts. The 2004 profit consisted of a US\$3.3 million trading profit and an abnormal gain of US\$4.9 million. The 2005 result is much more confusing: There are abnormal gains of US\$28.2 million related to the earlier purchase of businesses in China and an abnormal goodwill impairment charge of US\$5.9 million - which would indicate a *trading loss* of US\$3.9 million. Minority interests of US\$8.2 million suggest that the Chinese operations performed at least reasonably well, with large trading losses and asset write-downs in NZ (i.e. Mainzeal).

The 2004 cash operating surplus of US\$24.9 million was helped by a massive US\$60.5 million increase in trade creditors last year. So there was a significant risk that this could reverse during 2005 and result in a cash operating *deficit* - which would require the company to seek additional equity or debt to finance its growth in China. In fact, trade creditors increased by another US\$11.3 million and other working capital items contributed another US\$14.6 million towards the surplus.

Richina Pacific therefore appears to be managing its working capital requirements efficiently, but these increases in creditors are not sustainable.

Mainzeal Property & Construction has experienced problems and delays on the 16-level *Scene One, Two* and *Three* apartment blocks and the \$80 million *Vector Arena*.

With its strong growth in China, high revenues and net asset backing (i.e. US\$0.55 per share), Richina Pacific shares are under-valued and have the potential to increase significantly in value at some stage in the future. Clearly there are problems with the NZ construction business and most of current profits are coming from non-trading gains from its acquisition of Chinese businesses. While these non-trading gains can add to Shareholder wealth, ultimately we need to see growth in *trading* profits and positive cash surpluses from these trading businesses.

While Richina Pacific (Continued on Page 6)

Recommended Investments

(Continued from Page 5)

continues to struggle to develop its businesses, the shares do trade on a low valuation relative to revenues (and potential profits). Eventually - when the market least expects it - the company could become profitable and the shares be re-rated significantly. "Hold".

Steel & Tube Holdings results have been fairly steady over the six months to December 2005. Revenues were 3.1% higher at \$223.0 million while profits slipped 10.5% to \$17,680,000 (20.1 cents per share). The interim dividend will be a steady 15.0 cents (plus full tax credits).

The net cash operating surplus slightly more than doubled to a high \$30.2 million. Interest bearing debts were reduced \$9.4 million to \$34.4 million - which is a low debt level compared with the company's strong cashflows and Shareholders Equity of \$139.1 million.

Trading conditions for the period were described as "challenging", although commercial construction and infrastructure activity "reached record levels". Similar conditions are expected to continue for the second half of the financial year, with the annual profit expected about 5-10% lower at \$32.5-34.5 million (37-39 cents per share).

Steel & Tube Holdings plans to invest \$11 million in early April to acquire the business assets of **NZ Fasteners Group** which distributes stainless steel products from eight locations throughout the country. NZ Fasteners generates annual revenues of around \$40 million and earnings (before interest and tax) of around \$1 million, so is being purchased on a Price/Sales ratio of 0.27 and a Price/Earnings ratio of about 16. Steel & Tube Holdings sees potential to grow this stainless steel business plus synergy benefits with their existing fastenings, pipe and processing businesses. This acquisition is not expected to make a contribution to group profits until the June 2007 financial year.

The recently paid 15.0 cents dividend brings to 147 cents the tax-paid distributions that we have received from the company - completely repaying the 146 cents we invested only about 5½ years ago!

Steel & Tube Holdings *does* operate in a cyclical business and its share price can be cyclical at times. In fact, the *market* has marked down the share price over the last year in anticipation of the weakening economy. But profits have slipped only 10% - compared with the December 2004 half year which was *up* 40% on the previous year! While there is some cyclical risk at this point, the company has a very strong balance sheet and strong cashflows, while the shares remain on a relatively low valuation. The company is therefore in a position to offset some slowdown in its business by expanding through acquisition. Or it has the potential to return further surplus cash to its shareholders.

If Steel & Tube shares were at the top of a cycle, we would expect to see more optimism in the economy, more favourable business conditions *and* more optimism in the company's growth potential and more widely held expectations of cash repayments. The *market* is more pessimistic - which suggests the shares still offer reasonable value. Overall we rate the shares a "Hold" for continued high income.

Steel & Tube Holdings



Taylor's Group's revenues rose 2.8% to \$34.1 million for the six months to December 2005 but profits fell 34.3% to \$1,732,000 (7.1 cents per share). The interim dividend will be 14.3% lower at 6.0 cents (plus full imputation tax credits).

The net operating cash surplus was down 13% to a very strong \$6.1 million.

Taylor's Group predicts "an improved result" during the second half of the current financial year, helped by "operating efficiencies" but "dependent upon activity in both the tourism and health sectors".

Australian Shares

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

AJ Lucas Group has reported a return to profitability for the six months to 31 December 2005 but the share price *fell* - probably owing to plans not to re-instate dividends this year. Revenues recovered 169.4% to \$94.5 million and the company earned a profit of \$1,947,000 (3.8 cents per share). No dividend will be paid, whereas last year it paid a 3.5 cents interim dividend despite a first half *loss* of \$2,553,000.

The net operating cash position improved to a surplus of \$5.9 million, compared with a *deficit* of \$4.0 million last year.

AJ Lucas Group does not expect to re-instate dividends this year owing to "expansionary plans" and the need to retain cash for capital expenditure.

Directional Drilling revenues increased 5.8-fold to \$17.5 million but produced only a small profit of \$322,000. This division has high overheads and long project lead times. **Pipeline** revenues recovered to \$21.1 million - from virtually nothing in 2004 - but this is still a low level. Profits were \$1.8 million. **Gas Management** lifted revenues only 14% to \$13.2 million with earnings down 33% to \$1.2 million, compared with unusually high margins in the previous year. The company will "fast track its exploration and development" of its **Gloucester Basin** asset over the next year. **Construction & Facilities Management** lifted revenues 106% to \$42.6 million and earnings 10-fold to \$1.5 million.

Work in hand has increased to \$110.9 million, up from \$90.0 million in June 2005.

AJ Lucas Group shares are still in a downtrend, with a Relative Strength rating of -18.5%, ranked 94 (on a scale of 0-99). The company has returned to profitability, has good growth potential, but investors seem concerned about dividend payments. The shares should become a good recovery investment, but investors should wait for an improvement in the Relative Strength rating to indicate a reversal of the share price trend. "Hold".

AL Lucas Group



Atlas Pacific has upgraded its profit forecast for the year which ended on 31 December 2005. In early December the company predicted a \$1.5 million profit but has since increased that 40% to \$2.1 million (2.4 cents per share) following “additional successful sales of pearls during December”. The company has also completed its first major harvest for 2006 and reports “pleasing improvements in quality”.

Austin Group reports a 13.3% drop in revenues for the half year to 31 December, with profits down 48.4% to \$1,502,000 (2.4 cents per share). The interim dividend will remain steady at 3.0 cents.

Net operating cashflows were 68% lower at just \$832,000.

The second half result to June 2006 is expected to be similar to last year - so annual profits will be about 35% lower at around \$2.6 million (4.2 cents per share). Austin Group plans to pay a final dividend of at least 2.0 cents, which would make a 16.7% lower 5.0 cents annual payout.

A recent review of the business will seek to lower costs over the next six months, with the 2007 year first half profits (i.e. to December 2006) expected to recover to around \$2.9 million. “Hold” awaiting recovery.

Candle Australia lifted revenues 15.1% to \$132.3 million for the six month to December 2005. Profits were 57.0% higher at \$5,591,000 with earnings per share 44.3% higher at 11.4 cents and the interim dividend 45.5% higher at 8.0 cents.

The net operating cash surplus increased 3.7-fold (from a low \$1.3 million last year) to \$4.8 million.

Candle Australia is expecting “solid demand across all business segments” with increased demand for contractors and temporary staff and steady demand for permanent placements.

“Buy” (and Hold) for continued strong growth.

Cellnet Group increased revenues 26.4% for the six months to December 2005 but profits fell 87.4% to just \$717,000 (1.4 cents per share) as the business restructures. No interim dividend will be paid.

More importantly, net operating cashflows increased 7-fold to \$25.8 million, which has enabled the company to reduce interest bearing debt from \$43.8 million to \$22.9 million.

Cellnet Group will continue to reduce its investment in inventory over the current six month period but will also focus upon improving its gross margins.

Cellnet Group appears to be making good progress at turning around its business. The shares are likely to fluctuate around 95-115 cents for a few months longer

and could then begin a new uptrend. “Hold+”

Cellnet Group



Centennial Coal's revenues rose 45.3% to \$367.6 million for the six months to December 2005, but profits fell 71.0% to \$3,100,000 (1.1 cents per share). A steady 6.0 cents interim dividend will be paid.

The net operating cash surplus fell 47% to \$21.5 million.

The decline in profit and cash surplus reflects earlier production problems at the *Newstan* mine resulting in a pre-tax loss of \$29.7 million. Centennial Coal has been approached about selling the *Newstan*, *Awaba*, *Myuna*, *Mannering* and *Berrima* mines and has appointed **Macquarie Bank** to advise on the sale which could be worth over \$200 million.

The company predicts a “substantially better profit performance” in the second half with the annual profit to June 2006 in line with last year. A further “substantial uplift in profitability” is expected for the June 2007 year owing to “higher coking coal prices, continuing strong thermal coal prices and increasing production and productivity”. The new *Anvil Hill* mine will commence production in early 2008 and “add significantly to earnings” in the second half year to June 2008.

Centennial Coal shares are probably close to their lows... and we shall upgrade our recommendation from “Hold+” when the price starts to recover.

Centennial Coal



Circadian Technologies' portfolio of listed shares was worth \$48,819,559 at the end of January in addition to its cash in the bank of \$18,493,256:

Listed Companies (% owned)	Market Value
Metabolic Pharmaceuticals (18.9%)	\$29.0 million
Zenith Therapeutics (22.6%)	\$11.7 million
Antisense Therapeutics (20.4%)	\$3.3 million
Optiscan Imaging (6.4%)	\$2.0 million
Axeva (13.9%)	\$2.8 million
Cash	<u>\$18.5 million</u>
Total	\$67.3 million

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Recommended Investments

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That is a net asset backing of 167.7 cents *plus* interests in many unlisted research projects.

Commander Communications' revenues were 10.0% higher at \$319.4 million for the six months to 31 December 2005. Profits were ahead of earlier forecasts, but down 34.7% to \$6,862,000 (3.5 cents per share). No interim dividend will be paid at this stage (last year 2.0 cents) as the company retains cash pending the outcome of its takeover offer for **Volante Group**.

There was a net operating cash *deficit* of \$19.5 million - significantly down on last year's \$17.1 million surplus - but this was a result of strong investment in growth. There was a \$12.5 million investment in inventory for Education, \$9.2 million increase in receivables (owing to revenue growth), \$4.8 million investment in *iBurst* and \$5.8 million pre-payment of tax.

For the full year the company still predicts earnings (before interest, tax and depreciation) 2-11% higher at \$50-55 million.

Commander Communications is also now expected to be successful in its takeover of **Volante Group** - having raised its offer from 101 cents to 115 cents (i.e. 105 cents cash, plus a 10 cents dividend). Acceptance is now recommended by the Volante Group board.

Computershare's reported profits under the new accounting standards are significantly higher now that companies do not amortise goodwill on consolidation. Restating the 2004 results under the new standards, revenues for the six months to 31 December 2005 rose 56.7% to \$781.4 million, *trading* profits were 35.1% higher at \$69,841,000 and earnings per share 24% higher at 11.7 cents.

Compared with the results as reported last year under the old standards, trading profits were up 101.6% and earnings per share 86% higher.

In 2004 there were also abnormal gains from the sale of shares and property, while this year the company suffered an unusual \$4.1 million (after tax) loss from redundancies in the United Kingdom.

The interim dividend will be raised 20.0% to 6.0 cents. The net operating cash surplus - which is the same under both accounting standards - rose 72% to \$87.5 million.

Prior to buying **Equiserve**, now renamed **Computershare Shareholder Services**, the company predicted annual synergies of US\$55 million over three years on this US\$292 million acquisition. Computershare now reports "integration synergies marginally ahead of plan both in timing and total value terms". As we wrote in November 2004 "Achieving these synergies would approximately double or triple the value of this acquisition - boosting Computershare by around 80-120 cents per share".

For the full year to June 2006 the company predicts revenues of around \$1500 million and earnings per share of "at least 29 cents". With the shares trading around 676 cents, that will improve the Price/Earnings ratio to just 23. Profits are expected to grow strongly over the next several years, so there should be a similar above average rate of growth in the share price. The

shares therefore continue to justify a "Buy" rating.

Computershare has made two small acquisitions in North America - which are examples of an efficient company buying out less efficient, smaller competitors. Computershare has purchased the stock transfer business of **Sun Trust Banks Inc** in Atlanta, which provides registry services for 170 companies. It has also acquired the stock transfer and employee plan administration business of **National Bank Trust** in Montreal. Both businesses will migrate to Computershare's technology over the next few months. The total acquisition costs are "less than A\$20 million" and will add around \$15 million in annual revenues.

Computershare



International All Sports' results for the half year to December 2005 confirm the earlier announcements from the company. Turnover (i.e. the total value of wagers) was up 82.4% to \$432.5 million with net revenues up 48.6% to \$18.3 million. There was a profit of \$1,073,000 (1.6 cents per share), compared with a loss of \$772,000 in the same period to 2004. An interim dividend of 1.5 cents (nil to 2004) was paid in January.

The net operating surplus was \$6.0 million, up from just \$75,000 in the previous year.

The dip in the share price over the last month offers an attractive opportunity to buy into the current long term recovery in International All Sports' shares. "Buy".

International All Sports



Iluka Resources has reported an 18.1% increase in revenues to \$998.3 million for the year to 31 December 2005. *Trading* profits grew 39.1% to \$131,900,000 (56.6 cents per share) and a final 12.0 cents dividend will leave the annual dividend unchanged at 22.0 cents.

In addition, the company wrote down the value of some mining interests by a total of \$217.8 million (after tax) to report an overall net *loss* of \$85.9 million.

The net operating cash surplus was virtually unchanged at \$227.0 million.

For the current year to December 2006, Iluka Resources is predicting a net profit of around \$115-125 million from continuing businesses (i.e. excluding US\$11-13 million losses from the operations being closed in Florida and Georgia). Growth potential over the next few years will come from the large *Douglas* project which will commence production later this year and the development of *Murray Basin* projects from next year. It is expected that Iluka Resources will proceed with the \$60-70 million development of the *Kulwin* deposit in the Murray Basin in the half year to December 2007.

Iluka Resources has also announced a 25% price increase for Zircon for 2006, although titanium feedstock prices will rise only 2-5%.

We are downgrading the shares to "Hold+" owing to the weaker share price trend and the slight profit decline forecast over the next year - but are still optimistic about the medium to long term growth potential. Profitability would also improve significantly if the Australian dollar weakens against the US dollar.

LongReach Group has announced the "first substantial orders" for its microwave radios from **Ericsson**, which recently took over the **Marconi** contract to upgrade **Telstra** to 3G. Additional orders, up to \$10 million, are anticipated for this upgrade.

LongReach Group convertible notes will trade entitlement to their quarterly interest payment of 0.3 cents from 27 March, payable 8 April.

Melbourne IT has continued its steady growth in the year to December 2005: Revenues rose 21.6% to \$73.3 million, net profit was 30.5% higher at \$5,354,000 (9.9 cents per share) and a final 4.5 cents dividend will lift the annual dividend rate 36.4% to 7.5 cents.

The net operating cash surplus slipped 7% to a still very high \$8.2 million. Melbourne IT has no interest bearing debts, while its cash holding increased \$5.4 million to \$26.2 million (48.2 cents per share).

Total domain names under management increased 35% to 3.8 million, while revenues from higher margin consulting and value added services rose 104% to \$9.8 million. Melbourne IT expects to grow revenues and earnings "strongly again in 2006".

Melbourne IT has sold its 10% stake in **NeuLevel** to the major shareholder, **NeuStar**, for US\$4.3 million (A\$5.8 million). Melbourne IT originally bought this investment in 2001 for US\$3.4 million, but had since written down its value to A\$1.33million. This sale will boost the company's cash holding to "more than \$32 million" (59 cents per share).

The business is in a strong financial position, is growing rapidly and the shares trade on a low valuation: "Buy".

M.Y.O.B. has reported a 39.3% increase in revenues from continuing businesses of \$163.4 million for the year to December 2005. Profits were \$16,410,000 (4.2 cents per share), compared with \$6.2 million in 2004 (restated under the new accounting standard) or the \$10.4 million actually reported under the old standards.

Net cash flows from operations - one of the few reliable figures not dependent upon accounting standards - rose 154% to \$28.6 million.

MYOB has cash in the bank of \$45.5 million (11.6

cents per share) and interest bearing debts of only \$9.0 million - so the company is in a strong financial position. The annual dividend will rise 22.2% to 2.75 cents and a special 1.25 cents dividend will also be paid. In addition, MYOB will seek to distribute up to \$20 million of surplus cash through an on-market share buy-back of up to 5.0% of its capital.

Ross Human Directions suffered an 8.0% drop in revenues to \$166.8 million for the six months to December 2005. Profits fell 43.1% to \$1,648,000 (2.0 cents per share), but slightly better than the \$1.5-1.6 million the company predicted in November. The interim dividend will be maintained at a steady 2.0 cents.

A focus on working capital helped produce an operating cash surplus of \$7.1 million, compared with a deficit of \$4.7 million in 2004, and this has enabled the company to meet its \$5.0 million payment for the **Spherion** acquisition and reduce interest bearing debts by \$5.4 million to just \$14.8 million.

The company continues to predict an annual result similar to last year's \$5 million profit (6 cents per share).

Skilled Group lifted revenues 23.9% to \$486.7 million for the half year to December, while profits recovered 61.2% to \$12,288,000 (11.9 cents per share). The interim dividend will be raised 16.7% to 7.0 cents.

The cash surplus from operations improved to \$10.3 million. Compared with its strong cashflows and Shareholders Equity of \$108.9 million, interest bearing debts are relatively low at \$23.4 million.

The company is now forecasting 20-25% growth in earnings (before interest, tax and depreciation) which should lift earnings per share 40-50% to 19-20 cents.

Skilled Group has restructured over the last few years to focus upon its labour business. This business is currently enjoying favourable market conditions and the company is in a strong financial position so can benefit from acquisitions. Nevertheless, the shares have risen very strongly over the last year and at 530 cents are trading at around 26-28 times this year's forecast profits which is getting a little pricey. Investors who are becoming over-weighted in these shares - which have more than *quadrupled* in value over the last four years - may therefore wish to consider a little profit-taking. "Hold-".

Skilled Group



Sonnet Corporation reports a 10.1% increase in revenues to \$17.7 million for the six months to 31 December, but produced a slight trading loss of \$212,500 (minus 0.16 cent per share), compared with a profit of \$1.4 million last year. No Dividend will be paid.

In addition, the group (Continued on Page 10)

Recommended Investments

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wrote off \$13.5 million for impairment of goodwill and another \$2.1 million impairment of intangible assets. The original IT Enterprise business suffered a 57.4% drop in revenues to \$7.5 million.

There was a net cash operating *deficit* of \$1.0 million, compared with a surplus of \$2.3 million last year.

Technology One has lifted reported revenues 30.9% to \$31.7 million for the six months to December 2005, with profits up 45.6% to \$5,080,000 (1.7 cents per share). The interim dividend will be a steady 1.4 cents.

The net operating cash surplus was 25.3% lower at \$4.2 million.

Technology One predicts that its significant investment in Research & Development over the last few years will produce "significant financial benefits over the next 24 months".

The Reject Shop outperformed its competitors to lift revenues 14.3% to \$127.8 million for the six months to 31 December 2005. Profits were 20.4% higher at \$8,651,000 (34.3 cents per share) and the interim dividend will be lifted 30.0% to 13.0 cents.

The business generates a very high cash operating surplus which rose a further 20% to \$18.4 million. The Reject Shop is virtually debt-free (with interest bearing debts of just \$2.2 million) and holds \$14.6 million (57.7 cents per share) in cash.

Owing to the seasonal nature of retailing, the company operates at a small loss in the second half of the year so is forecasting a full year result to June 2006 to be 13-16% higher at \$8.0-8.2 million.

During the six month period The Reject Shop opened ten new stores and now has 113 stores. Expansion is continuing into Queensland where the group plans to expand its current four stores to 40 stores "over the next few years". The company is also looking to expand into Western Australia, with its first store to be opened before 30 June.

The Reject Shop



UXC's reported profits have improved under the new accounting standards - mainly owing to the removal of goodwill amortisation. Revenues for the half year to December 2005 were 15.7% higher at \$133.3 million with profits reported at \$6,841,000 (4.2 cents per share). That is up 9.9% on the 2004 result restated under the new accounting standards and a 30.1% on the actual result reported last year. The interim dividend will be 11.1% higher at 2.5 cents.

The net cash surplus from operations slipped 7% to \$4.6 million.

UXC has a "positive outlook" for the second half of the year which will be stronger than the first half. It also expects to make two acquisitions during the period.

Vision Systems reports are always complex and difficult to understand. The half year to 31 December 2005 is just as confusing as ever - and analysis is not helped by the sale of the *Fire & Security* division.

Overall revenues rose 46.3% to \$49.2 million, with profits up 142.6% to \$11,747,000 (6.4 cents per share). This was boosted by a \$10.4 million tax credit - up from \$3.8 million last year. A steady 2.0 cents interim dividend will be paid.

The net operating cash surplus increased 5-fold to \$9.0 million.

Vision Systems has received \$248.4 million (after a small adjustment and subject to a further adjustment of plus or minus about \$6 million for working capital) from the sale of its *Fire & Security* business. The company will return 40 cents per share (i.e. \$73.4 million in total) to its ordinary shareholders in the form of a special dividend and capital repayment in July - following a ruling by the Australian Taxation Office to determine the proportion that will be income and capital.

The convertible note holders can either (1) convert the notes to ordinary shares to receive this 40 cents payment or (2) do nothing, and receive an adjustment to the final conversion terms equivalent to having the cash re-invested in additional shares. This second option would convert a partially taxable distribution to non-taxable additional shares.

The *BioSystems* division increased revenues 91% to \$34.2 million, but continues to generate a small loss owing to heavy expenditure on Sales & Marketing (up 95% to \$7.8 million). Over 100 *Bond* machines were placed over the six month period, bringing the total number of units in operation at 31 December to 258. Reagent and consumable revenues for these units increased 3-fold, with total reagent revenues up 50%.

Biosystems revenues have continued to grow strongly in January and February - up 84% on last year. Several new reagents and new applications for the *Bond* units will be released in the near future.

Vision Systems is *suggesting* that US based Instrument/Reagent companies trade on a Price/Sales ratio of 6-7 and the valuations *could* be around 10-15 times revenues during the early growth stages. Assuming the Vision Systems has the *potential* to earn after tax profit margins of around 20% (i.e. once it has built up revenues to cover R&D and marketing) then a P/S of 6-7 is equal to a Price/Earnings ratio of 30-35. That is high, but certainly still reasonable, if the company can continue to grow rapidly. With annual revenues to June 2006 likely to be around \$80 million that could value the Biosystems business at \$480-560 million (235-275 cents per share) or perhaps as high as \$800-1,200 million (390-585 cents per share).

Vision Systems also has additional value in its *Invetech* division and \$250 million in cash.

Achieving those valuations in the near future may be unlikely, but this business is growing very rapidly and has the potential to generate high profit margins, so we are more than happy to continue to hold our Vision Systems shares for long term growth.

Share Recommendation: Sell Toll Holdings

SELL Toll Holdings (code TOL).

We are recommending the sale of Toll Holdings shares which will realise a total return of 2,209% (i.e. a 23-fold gain) over 7½ years.

We did recommend some partial profit-taking around 1414 cents in December but after the shares fell sharply in late January we considered them “fairly good value” in February at 1085 cents “for a company that is growing very rapidly”.

Over the last month, however, the company has reported slower growth and announced a relatively expensive Asian acquisition and the share price has recovered to 1295 cents. Growth slowed in the year to June 2005 and has slowed further in the half year to December 2005. The current Asian acquisition looks fully priced - so Toll Holdings is not in a position to repeat the profit growth and increase in shareholder wealth that we enjoyed following some very attractively priced acquisitions in the late 1990's.

The share price has risen in response to the announcement of an Asian acquisition but - given our re-assessment of future growth potential - we now believe this is the time to take profits on an investment that is fully valued and offers only average growth prospects.

Half Year Results

Toll Holdings lifted revenues 9.4% to \$2,105.1 million for the six months to December 2005, profits rose 13.6% to \$115,318,000 but earnings per share were just 3.3% higher at 34.8 cents. The interim dividend will be raised 27.3% to 14.0 cents.

The net operating cash surplus was 8.4% higher at \$120.6 million.

Asian Acquisition

Toll Holdings has negotiated a significant takeover in Asia. The company will bid S\$1.70 per share for all of Singapore listed **SembCorp Logistics**, raising that offer to S\$1.80 per share if it reaches 90% and can achieve compulsory acquisition of the remaining shares. Control of the business is assured as the Singapore Government has agreed to sell its 60% shareholding into this offer. Full ownership will cost S\$1,400 million (A\$1,200 million), which Toll Holdings will finance from debt facilities.

The acquisition of SembCorp Logistics provides Toll Holdings with warehousing and transport links throughout South East Asia. While this would appear to be a good fit with Toll Holdings' existing Australian business - providing direct links from factories in China to retailers in Australia - we are concerned that this acquisition is expensive. The company is expected to add A\$440 million in annual revenues plus around A\$50 million to net profits (before the interest cost on the money borrowed), so is being acquired on a Price/Sales ratio of 2.72 and a Price/Earnings ratio of 24.

That valuation, for example, compares *unfavourably* with the valuation of Toll Holdings' own shares which trade on a P/S ratio of 1.10 and a P/E of 20. Furthermore, even if Toll Holdings can borrow at an interest rate of only 6.0-6.5% then the interest cost of \$72-78 million (i.e. \$50-55 million *after tax*) will exceed the contribution from the new businesses. While it may be possible to *grow* SembCorp there would appear to be little potential to *improve* the current business. SembCorp appears to be very well managed as they generate an after tax profit margin of 11% which is *double* Toll Holdings' after tax margins of 5½%.

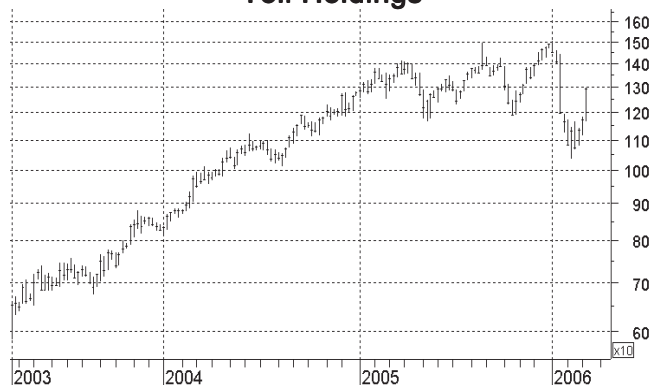
In the past Toll Holdings has frequently been able to buy under-performing businesses cheaply and to successfully turn them around. For example, we were initially attracted to invest in Toll Holdings in late 1998 owing to its success at turning around various TNT transport businesses that were acquired on a P/S ratio of just 0.21. Based upon revenues, the current Asian acquisition appears to be 13 times more expensive with little potential to improve this already efficient business.

Toll Holdings has made us all a lot richer by acquiring the TNT businesses cheaply and then improving their performance. There is no potential to repeat that with an expensive, well managed business like SembCorp.

Summary and Recommendation

A small company can grow rapidly and double in value every couple of years but that becomes extremely difficult for a very large company. Toll Holdings' ability to buy businesses cheaply and improve their operations has created major wealth for us as shareholders over the last 7½ years - but as the company has grown it has also paid higher and higher valuations for new acquisitions. The current acquisition looks fully valued, so will add *size* to the group but not create new *wealth*. So Toll Holdings has been so successful that it is now a very large company and likely to experience much closer to average growth rates in future years. The shares still enjoy a relatively high valuation, so we recommend selling Toll Holdings as there will be better value and better growth opportunities elsewhere.

Toll Holdings



Share Recommendation: Buy Ellex Medical Lasers

BUY Ellex Medical Lasers (code ELX).

We reviewed - and informally recommended - Ellex Medical Lasers in October 2005 at 29½ cents owing to significant *insider* buying. The share price has risen strongly over the last five months, but the recent half year announcement confirms that the company has re-invented itself as a profitable business with strong growth potential. *Insiders* have continued to buy shares on-market and this qualifies the shares as a “Buy” under our *Comprehensive Share Selection Criteria*.

The volume of shares trading on-market has also increased to a level where we can consider Ellex Medical Lasers for a formal “Buy” recommendation.

These shares trade at a low valuation *and* have the potential for very strong revenue and profit growth over many years - so Ellex Medical Lasers shares are attractive for investors seeking long term capital growth.

Company History

The current business was formed in 2001 when small listed **Gemstone Corporation** raised \$24 million in a share placement of 48.0 million shares at 50 cents to finance the acquisition of the privately owned **Ellex Laser Systems** for \$23.78 million. Gemstone then sold its mining assets for \$225,000 and changed its name to Ellex Medical Lasers.

When the business was acquired in 2001 it had a 45% global market share in a narrow niche market - lasers for treating Capulotomy (i.e. secondary cataracts) - with little growth potential. Lasers were manufactured for other companies which marketed them worldwide under their own brands. Two distributors accounted for 51% of revenues - one of which failed in 2003.

In 2003 Ellex Medical Lasers changed its business strategy - similar to the change at Vision Systems - and invested heavily to design new lasers which it could market under its own brand, direct to customers. In November 2003 it released a new Glaucoma Laser. In January 2004 the company received a \$3.3 million Research & Development grant from the Australian government. In November 2004 it launched a photocoagulator for the retinal ophthalmic laser market estimated to be worth US\$150 million annually. The *Solitaire* photocoagulator - “the most significant project” in terms of R & D investment - was released in June 2005 and further new products will be launched over the next year.

Concurrently with this Research & Development program the company has sought to build up direct marketing in its two biggest markets, the US and particularly in Japan.

Ellex Medical Lasers now earns its revenue mainly from its own branded lasers which produce high gross profit margins. The high R & D costs of recent years will decline, although marketing costs will likely remain high in the immediate future.

Recent Results

For the year to June 2002 the company reported revenues of \$28.0 million and a profit of \$3,115,000 (5.1 cents per share) but no dividend was paid. There was a cash operating *deficit* of \$1.0 million.

Revenues slipped 6.8% to \$26.1 million for the year to June 2003 - but changing markets saw profits drop 47.6% to \$1,632,000 (2.7 cents per share). The net operating cash surplus improved to \$2.7 million.

Revenues were 1.6% higher at \$26.6 million for the year to June 2004 with a *loss* of \$206,000 (*minus* 0.3 cents). There was a \$1.2 million cash surplus from operations.

For the year to June 2005, revenues rose 7.1% to \$28.5 million, while the *loss* increased to \$1,102,000 (*minus* 1.8 cents per share) and there was a net operating cash *deficit* of \$3.0 million.

Over the last three years, however, Ellex Medical Lasers has been re-inventing its business - investing heavily in Research & Development to develop its own range of lasers that could be marketed under its own brand direct to customers. The half year results to 31 December 2005 confirm the success of that strategy.

Revenues for the half year rose 25.9% to \$17.1 million and the company has returned to profitability, earning \$1,021,000 (1.7 cents per share). There was a net operating cash surplus of \$1.2 million.

Emerging Growth Potential

In the recent half year result, the company's own branded sales rose 73% to contribute 78% of total revenues. As a result, Ellex Medical Lasers will terminate its contract manufacturing for a competitor, **Lumenis**, from the end of March.

Revenues in the important Japanese market - where Ellex Medical Lasers sells direct - rose 156% to \$2.7 million (i.e. 16% of total revenues) and achieved break-even in the half year and will start making a positive contribution to group profits in the current period. US revenues rose 52% to \$4.2 million (i.e. 25% of total revenues) and the company will move to direct sales over the next year. Ellex Medical Lasers markets its products in Asia, Europe and Latin America through a range of agents.

The products developed over recent years have increased Ellex Medical Lasers' “potential market from US\$60 million three years ago to US\$175 million today”. New products to be released this year will expand its potential global market to over US\$200 million annually. The company's focus over the next two years will be to expand its market share to “enable Ellex to continue to grow revenues and profits”.

Ellex Medical Lasers is already looking at medium to longer term growth potential. Its “*Advanced Research* team has identified some opportunities and work will commence this year”. The company is also seeking

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“new opportunities to leverage our distribution platform beyond lasers in the US\$2 billion ophthalmic device market”.

For the year to June 2006 the company predicts 20-25% revenue growth to \$34-36 million, “improved margins and profitability” and will establish “new therapy advanced research programs with university partners” to continue its product development.

For the year to June 2007 it will seek to “maintain momentum in growth of revenues and profitability”, move to direct sales in the United States, establish a *Global Technical Service* department and “begin to evaluate future growth investments”.

Investment Criteria

Based upon the results to June 2005, at 49 cents Ellex Medical Lasers shares are trading on a Price/Sales ratio of 1.05, but the company operated at a loss and did not pay a dividend last year.

The business, however, earns a high 40-45% gross margin on revenues (i.e. before overheads) and should be able to earn net profit margins of 10-20% within the next few years. A Price/Sales ratio of 1.0 and a net profit margin of 10% is equivalent to a Price/Earnings ratio of 10. At a 20% net profit margin the P/E ratio would be 5. Clearly a potential P/E of only 5-10 is far too low for a high quality business capable of producing 20-25% revenue growth over many years.

Four years of 20-25% growth would lift annual revenues 2-2½ fold. As a successful growth company the P/E ratio would increase around 3-fold from its current equivalent of 5-10 to perhaps 15-30. The potential capital appreciation over the next four years would be the sum of these two factors - that is, the 2-2½ fold growth in revenues multiplied by the 3-fold increase in the valuation of the shares. That gives the potential for a 6-7½ fold increase in the share price to around 300-375 cents (i.e. around a 55-65% per annum compound rate of capital appreciation).

Ellex Medical Lasers' balance sheet is sound. Interest bearing debts are just \$5.0 million, but the company has contracted to sell its building (and lease it back) for \$4.43 million. This will realise a gain of \$1.5 million and repay all but \$570,000 of interest bearing debts, leaving almost \$6.5 million of unutilised borrowing facilities. Shareholders Equity is \$32.4 million (53 cents per share), but does include intangibles of \$23.2 million.

The company does not currently pay a dividend and has made no commitment to begin dividend payments. Growth in the business will require additional investment in working capital (i.e. debtors and inventories) although this should be able to be financed from operating cash surpluses. As Ellex Medical Lasers is in a sound financial position it is therefore likely that the company will start making *small* dividend payments - perhaps about 1.0 cent per share this year or next year.

The issued capital is 61,236,853 shares - valuing the company at just \$30 million and making this a *smaller* listed company.

The three directors have large investments in the company and have been adding to those holdings with seven insider buys on-market over the last year! The

Chairman (and former Chief Executive) V Previn purchased 102,000 shares at 21-22 cents in July 2005 and 300,000 shares at 33½ cents in October 2005 to build his holding up to 3,566,034 shares (5.8% of the company). The Chief Executive, P Falzon bought 620,000 shares on-market at 20-21 cents in June 2005 and another 140,000 shares at 46-47 cents in December 2005. He now holds 760,000 shares (1.2% of the company) plus 2.4 million executive options. The Non-Executive Director A Sundich bought 499,499 shares at 28-29 cents in September, 200,000 shares at 30-30½ cents in October and 350,000 shares at around 42 cents in December 2005. This builds his investment to 3,400,000 shares (5.6% of the company).

The shares are *neglected* by both institutional investors and by brokers. There is just one institutional investor with about 5.7% of the company and just one broker has recently started publishing profit forecasts. *If* Ellex Medical Lasers is successful, then institutions and brokers will *discover* the company in a few years time and their massive buying could significantly further boost the share price!

Technically the shares are in a very strong uptrend. The Relative Strength rating is +18.9%, ranked 15, making this one of the best performing shares on the Australian stockmarket. This performance is justified by the company's successful return to profitability and the future growth potential of its new business developing and marketing its own high value medical lasers.

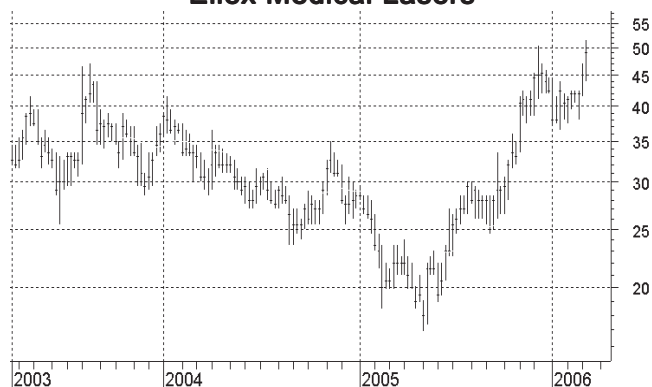
Summary and Recommendation

Ellex Medical Lasers was an attractive - albeit high risk - share when we first reviewed this company last October. Since then the company has *confirmed* its potential by boosting revenues, becoming profitable and making the final transition from manufacturing for other companies to designing, manufacturing and marketing only its own branded, high margin medical lasers. The valuation is still low in terms of revenues, growth prospects and potential profit margins.

Continued insider buying over recent months indicates that the directors still see good value at current prices and have faith in the future growth potential of the company.

Ellex Medical Lasers does not currently pay a dividend, but will likely pay a small dividend this year or next. The shares are most suitable for investors not requiring current income but seeking maximum long term capital appreciation.

Ellex Medical Lasers



Share Recommendation: Buy Namoi Cotton Co-operative

BUY Namoi Cotton Co-operative (code NAM).

We published a *Company Analysis* of Namoi Cotton Co-operative 16 months ago in the November 2004 issue of *Market Analysis* (Issue No 389). Since then the company's performance has continued to improve, it has fought off a hostile takeover from **Queensland Cotton** which offered 71 cents per share and is now using some of its surplus cash to finance an on-market buy-back of 10% of the company.

Despite these favourable developments, our prediction that the shares could rise "60-80% over the next 18-24 months" has so far not been achieved. The share repurchase qualifies Namoi Cotton as a "Buy" under our *Comprehensive Share Selection Criteria* while the low valuation suggests the shares could be significantly re-rated over the next few years.

The volume of shares trading on-market has increased significantly since late 2004 - so investors should have little trouble buying Namoi Cotton shares which we are now formally recommending for investment.

Company History

Namoi Cotton Co-operative was formed in 1962 as a co-operative involved in cotton ginning and marketing. The company is still a co-operative - controlled by growers - but was restructured in early 1998. At that time members were given "grower shares" and tradeable "capital stock". Further "capital stock" was offered to public investors at 50 cents and these shares were listed on the Australian stockmarket.

Grower shares can only be held by "active members" who must hold at least "800 grower shares, produce cotton from a minimum of 40 hectares" and sell "a minimum of 20%" of their cotton through the company. Growers continue to control the company through their ability to appoint the majority of the board of directors. Grower shares receive no dividends, but entitle "active members" to participate in the 7.5% of profits rebated to cotton producers. Grower shares are issued and redeemed at a fixed price of \$2.70 as cotton growers wish to join or leave the co-operative.

The "capital stock" is listed on the stockmarket and can be owned by anyone. Capital stockholders have no voting rights but can appoint up to three non-grower directors, receive all of the dividends and - if the company was wound up - receive all of the assets after re-payment of the grower shares.

Recent Results

Namoi Cotton Co-operative's profits since listing on the stockmarket have been volatile - reflecting both the commodity risks and environmental risks in this business.

The co-operative, however, has sought to manage the price risk involved in owning cotton between the time it buys from growers and later sells through the use of cotton futures and options on the New York Cotton Exchange. Payments to growers are also made in Australian dollars while sales are in United States dollars,

so forward exchange contracts and currency options are used to hedge this exposure.

The Australian cotton harvest has fallen significantly in recent years, but Namoi Cotton has become more efficient and significantly cut costs. This has enabled it to return to profitability despite "sub-optimal conditions".

Profitability hit a low in the year to February 2002 when revenues slipped slightly (i.e. down 1.4%) to \$581.6 million but profits fell to just \$865,000 (0.8 cents per share) and no dividend was paid.

The year to February 2003 saw revenues 24.5% lower at \$438.9 million but profitability returned to \$9,824,000 (9.0 cents per share). Dividend payments were restored, but only 1.5 cents was paid.

Revenues fell a further 22.5% to \$340.0 million for the year to February 2004, but profits dipped just 9.8% to \$8,862,000 (8.0 cents per share). An annual dividend of 2.5 cents was paid.

The year to February 2005 did experience a 15.6% drop in revenues to \$290.4 million but profits were only 9.0% lower at \$8,064,000 (7.0 cents per share). The annual dividend rate was *doubled* to 5.0 cents.

For the six months to 31 August 2005, Namoi Cotton reported a 41.5% increase in revenues to \$294.8 million and a 122.7% higher profit of \$26,885,000 (23.5 cents per share). The interim dividend was raised 20.0% to 3.0 cents.

It is, of course, important to understand that this is a seasonal business. Profits from ginning and marketing are realised from March to August each year, *with losses from maintenance and overheads in the second half of the year*. The company predicts annual profits to February 2006 at \$15.2 million (13.3 cents per share).

Australian Cotton Harvest

Namoi Cotton processed 886,000 bales for the 2001 season (i.e. its financial year to February 2002) and marketed 895,000 bales. Volumes were a little lower in 2002 at 840,000 bales ginned and 641,000 bales sold.

In the 2003 season volumes dropped sharply to 485,000 bales processed and 441,000 bales sold. This fell to 341,000 bales ginned and 281,000 sold in 2004. For the current 2005 season the co-operative has ginned 675,000 bales and sold 721,000 bales.

The 2006 crop will also remain depressed by drought conditions and is expected to fall 20% to just 2.2-2.4 million bales. Namoi Cotton expects to gin and market around 600,000 bales in the coming year.

Investment Criteria

At 64½ cents, Namoi Cotton Co-operative capital stock trades on a low Price/Sales ratio of 0.25, a low Price/Earnings ratio of 9 and offers a high Dividend Yield of 7.8%.

Profits will rise strongly for the year ended February 2006 and achieving the \$15.2 million profit forecast will lower the P/E to under 5. Following the Queensland Cotton hostile takeover and improving financial results,

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the directors are reviewing the dividend payout and may substantially raise the final dividend to distribute a higher percentage of profits.

Namoi Cotton Co-operative is a volatile rural business, so the shares will probably always trade at a low valuation but a prospective P/E of 5 and Yield around 10% is just too cheap. While *company specific* risks in this type of business are high, investors can eliminate individual company risk through good portfolio diversification. Many of the risks of a commodity business will be different from the risk factors impacting upon technology companies, retailers or manufacturers. So including a “risky” commodity share like Namoi Cotton Co-operative can actually *reduce* an investor's overall portfolio risk!

The issued capital consists of 117,944,073 capital stock units, giving the company a market capitalisation of \$76 million.

Directors have fairly large investments in Namoi Cotton Co-operative. Six of the seven directors own a total of 2,862,083 shares.

There have been no *insider* buys or sells over the last year but in November 2005 the company announced an on-market share buy-back to repurchase up to 10% of the shares owing to its “significantly strengthening balance sheet”. To date about half of those shares have been purchased. On average, companies that re-purchase their own shares often see their share price outperform the market over the next several years. This is as (1) the re-purchase usually indicates the company is in a strong financial position, (2) that the directors consider the shares under-valued and (3) reducing the issued capital increases the earnings per share of the remaining capital.

Namoi Cotton Co-operative shares are *neglected* by brokers and institutional investors. No brokers follow the company closely enough to publish profit forecasts and institutions own less than 10% of the capital.

Although volatile at times, Namoi Cotton Co-operative shares have generally increased in value over recent years in line with the improvements in the business and its financial performance. The shares rose to a premium above the 71 cents offered in last year's hostile takeover, but when that was withdrawn they slipped back despite high profit forecasts, higher dividends and the share buy-back. The Relative Strength rating is -1.1%, ranked 59 (on a scale of 0-99) which shows the shares are drifting sideways.

Summary and Recommendation

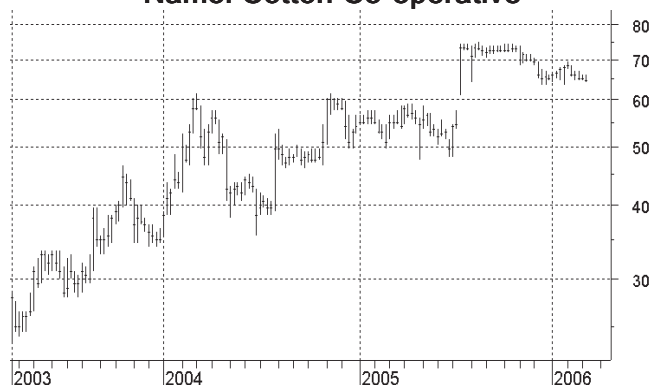
Namoi Cotton Co-operative operates in a competitive and volatile market - which resulted in the business doing little better than breaking-even four years ago. Since then, however, the company has significantly lowered its costs and become profitable on lower volumes. The stockmarket appears to have failed to re-rate the shares reflecting these operational improvements and the significant increase in profits and the stronger balance sheet.

The co-operative is now in a position to use its strong balance sheet and cash to improve Shareholder returns - by increasing the dividend and re-purchasing shares.

Although agricultural businesses will always be subject to volatility, Namoi Cotton Co-operative shares appear to be too under-valued and offer investors a very

high current dividend yield, the potential for dividend growth and the likelihood of being re-rated in value over the next several years. As part of a diversified portfolio, an investment in Namoi Cotton Co-operative shares will therefore be an attractive investment for very high income and above average capital appreciation.

Namoi Cotton Co-operative



Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Air New Zealand	2.50	13-03	23-03	Full
Allied Farmers	5.00	14-03	24-03	Full
Ashburton Building Society	7.50	-	-	Full
Auckland Int'l Airport	3.75	20-03	31-03	Full
Blue Chip Financial	1.90	09-01	30-03	Full
Broadway Industries	2.00	24-04	28-04	Nil
CDL Investments	2.00	20-03	31-03	Full
Cavalier Corporation	5.00	13-03	17-03	Full
Colonial Motor Company	11.00	20-03	03-04	Full
Contact Energy	10.00	09-03	23-03	Full
Comvita	3.00	17-04	28-04	Full
Cynotech	0.50	-	-	-
Fletcher Building	19.00	27-03	13-04	Full
Freightways Holdings	8.50	20-03	31-03	Full
Hellaby Holdings	15.00	24-04	28-04	Full
Hirequip	1.25	27-03	28-03	Full
Livestock Improvement	9.00	28-02	28-02	Nil
Michael Hill International	9.00	27-03	03-04	Full
Mike Pero Mortgages	3.00	27-02	03-03	Full
Millennium & C.	2.10	-	31-03	Full
NZ Exchange	25.00	20-03	17-04	Full
NZ Refining	22.50	21-03	30-03	Full
Northland Port	2.50	06-03	03-03	Full
Nuplex Industries	14.00	27-03	07-04	Full
PGG Wrightsons	4.00	-	31-03	-
Property For Industry	2.1613	02-03	09-0030	0.8207
Provenco	1.30	12-04	28-04	Full
Port of Tauranga	7.00	06-03	17-03	Full
Pumpkin Patch	4.25	27-03	06-04	Full
Pyne Gould Corporation	8.00	20-03	20-03	Full
Pyne Gould Corp special	1.00	20-03	20-03	Full
Renaissance Corporation	6.00	03-04	07-04	Full
Satara	3.00	27-03	31-03	Full
Skellerup Industries	3.00	03-04	07-04	Full
Sky TV Network	4.00	10-03	17-03	Full
Steel & Tube Holdings	15.00	06-03	10-03	Full
Taylors Group	6.00	13-03	24-03	Full
TeamTalk	9.00	13-04	21-06	Full
Tourism Holdings	5.00	24-04	28-04	Full
Turners Auctions	6.00	10-04	13-04	Full
Vector	6.00	03-04	07-04	Full
Waste Management NZ	15.80	23-03	30-03	Full
Australian Shares				
Austin Group	3.00	21-02	10-03	-
Candle Australia	8.00	06-03	17-03	-
Centennial Coal	6.00	03-04	21-04	-
Computershare	6.00	28-02	24-03	-
Iluka Resources	12.00	31-03	20-04	-
Melbourne IT	4.50	20-03	21-04	-
MYOB	2.75	28-03	21-04	-
MYOB special	1.25	28-03	21-04	-
Ross Human Directions	2.00	06-03	31-03	-
Skilled Group	7.00	28-03	19-04	-
Technology One	1.40	06-03	24-03	-
The Reject Shop	13.00	27-02	17-03	-
UXC	2.50	07-04	01-05	-
Vision Systems	2.00	09-03	30-03	-

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

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING											Company	STRENGTH RATING																									
Share	Cur- Price	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Vola- ity	Price Ratio	Divi- dend	Price Sales Ratio	Market Cap'n	Share	Cur- Price	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Vola- ity	Price Ratio	Divi- dend	Price Sales Ratio	Market Cap'n													
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																									
Guinness Peat	243	+6.2	+2.6	15	0-0	1	0.4	4	0.6	9	2.2	0.20	2,344	Salvus Strat.	70	-9.9	-1.8	87	0-0	-	0.7	4	0.6	15	4.3	8.37	14											
Tag Pacific Ltd	32	+10.3	+4.5	6	2-0	-	1.3	18	1.5	7	1.7	0.36	21	Akd Int Airport	188	-3.6	+0.5	60	0-4	6	5.0	23	0.3	22	6.5	8.14	2,299											
Renaissance	149	+15.5	+1.7	1	0-2	-	5.1	45	0.7	11	10.0	0.37	57	Forty Two Below	53	-7.9	+1.0	78	0-3	-	5.5	-	0.6	NE	Nil	5.47	69											
Air New Zealand	138	+2.3	+2.6	29	7-2	4	0.9	12	0.8	8	5.4	0.38	1,380	Nat Property Tr	77	-6.4	-3.6	73	1-0	2	0.7	5	0.4	15	11.8	5.23	93											
Nuplex Indust	545	+6.8	+4.4	14	2-0	5	1.7	12	0.5	14	7.3	0.45	418	NZ Exchange Ltd	775	-1.7	+3.6	52	0-1	1	3.3	16	0.3	21	4.8	4.82	102											
Ebos Group Ltd	455	+2.2	+1.1	30	0-1	2	2.5	18	0.4	14	7.1	0.45	126	Horizon Energy	430	-1.1	-0.4	47	0-0	2	2.2	16	0.3	14	6.9	4.01	107											
Satara Co-op	106	+8.1	+12.9	10	0-0	-	1.0	4	0.9	25	8.4	0.50	27	Mowbray Collect	140	-5.8	-1.6	71	0-2	-	2.8	-	0.3	NE	3.2	3.84	14											
Mainfreight Grp	450	+14.1	+3.2	2	3-5	5	4.9	15	0.4	32	2.2	0.50	431	Sealcraft Energy	724	-1.6	+3.0	50	0-0	5	1.4	5	0.2	29	5.2	3.27	4,175											
VTL Group Ltd	67	+7.9	+3.8	11	0-1	-	1.1	11	1.2	10	5.0	0.71	20	Sealegs Corp	15	-12.7	-0.0	92	2-2	-	5.7	-	1.6	NE	Nil	2.86	10											
Fletcher Build.	820	+2.8	+1.7	27	4-5	4	2.6	23	0.3	12	5.8	0.82	3,806	Genesis Res.	28	-9.7	+2.2	85	2-0	-	1.1	-	0.9	NE	Nil	2.82	7											
Briscoe Group	133	+0.2	+0.7	41	1-1	5	2.9	19	0.9	15	7.9	0.88	282	Just Water Int.	82	-4.1	-1.9	64	2-1	-	3.9	22	0.5	18	5.9	2.69	54											
F & P Appliance	390	+4.2	+2.7	20	1-3	7	1.8	12	0.5	15	6.9	0.99	1,029	Cadmus Tech Ltd	21	-3.9	-1.7	62	0-2	-	4.1	3	0.9	140	Nil	2.50	49											
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													Vector Ltd													265	-6.6	+0.3	74	2-0	-	1.8	4	0.5	49	Nil	2.29	2,556
Renaissance	149	+15.5	+1.7	1	0-2	-	5.1	45	0.5	11	10.0	0.37	57	TeamTalk Ltd	224	-3.4	+2.7	58	0-0	1	2.1	14	0.4	15	12.0	2.24	45											
Tag Pacific Ltd	32	+10.3	+4.5	6	2-0	-	1.3	18	1.1	7	1.7	0.36	21	WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average																								
VTL Group Ltd	67	+7.9	+3.8	11	0-1	-	1.1	11	1.0	10	5.0	0.71	20	Charlie's Group	14	-58.3	+0.0	98	0-0	-	19.2	-	1.0	NE	Nil	1.52	43											
Nuplex Indust	545	+6.8	+4.4	14	2-0	5	1.7	12	0.4	14	7.3	0.45	418	Media Tech.	6	-22.2	-2.8	96	0-0	-	1.2	-	1.9	NE	Nil	0.25	5											
Guinness Peat	243	+6.2	+2.6	15	0-0	1	0.4	4	0.5	9	2.2	0.20	2,344	A2 Corporation	8	-21.1	+4.8	95	0-0	-	-	-	1.3	NE	Nil	N/A	5											
F & P Appliance	390	+4.2	+2.7	20	1-3	7	1.8	12	0.4	15	6.9	0.99	1,029	New Image Group	7	-15.9	+1.9	93	0-0	-	1.4	-	1.7	NE	Nil	1.83	12											
Fletcher Build.	820	+2.8	+1.7	27	4-5	4	2.6	23	0.3	12	5.8	0.82	3,806	Life Pharmacy	82	-13.9	+1.3	92	1-2	-	16.4	-	0.5	NE	2.2	N/A	441											
Air New Zealand	138	+2.3	+2.6	29	7-2	4	0.9	12	0.6	8	5.4	0.38	1,380	Sealegs Corp	15	-12.7	-0.0	92	2-2	-	5.7	-	1.5	NE	Nil	2.86	10											
Ebos Group Ltd	455	+2.2	+1.1	30	0-1	2	2.5	18	0.3	14	7.1	0.45	126	Evergreen	29	-12.3	-1.3	91	2-0	-	0.6	-	0.6	NE	Nil	1.38	45											
Tower Limited	222	+1.9	+2.7	33	0-0	4	1.0	13	0.5	8	Nil	0.70	796	Botry-Zen Ltd	5	-11.7	+0.8	90	2-1	-	7.4	-	1.5	NE	Nil	N/A	15											
Blue Chip Fin.	87	+0.5	+1.2	39	0-0	-	2.1	33	0.9	6	Nil	0.84	54	Mooring Systems	360	-10.7	+0.1	89	0-4	-	8.4	-	0.2	NE	Nil	N/A	46											
Briscoe Group	133	+0.2	+0.7	41	1-1	5	2.9	19	0.7	15	7.9	0.88	282	Scott Tech. Ltd	214	-10.1	+2.9	88	4-0	1	3.6	2	0.3	170	2.8	1.32	53											
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													Salvus Strat.													70	-9.9	-1.8	87	0-0	-	0.7	4	0.5	15	4.3	8.37	14
Cavalier Corp	292	-9.8	+3.8	85	8-0	3	3.0	31	0.3	10	13.8	0.92	191	Software of Exc	92	-9.8	+1.2	86	2-1	1	4.6	5	0.7	102	Nil	1.00	21											
Hellaby Hold.	448	-8.6	+2.3	80	1-0	3	2.2	21	0.3	11	13.0	0.56	220	Genesis Res.	28	-9.7	+2.2	85	2-0	-	1.1	-	0.8	NE	Nil	2.82	7											
Restaurant Brds	129	-2.3	+2.0	55	0-0	5	2.4	21	0.5	12	11.6	0.39	125	Cabletalk Group	55	-9.4	-1.6	84	0-0	1	2.5	32	0.7	8	8.1	0.42	17											
Telecom Corp	545	-3.3	-1.2	58	0-18	8	4.4	38	0.3	12	10.5	1.85	10,669	Allied Work.	117	-9.3	+0.3	84	0-1	-	-	-	0.6	NE	Nil	N/A	31											
Gullivers Trv.	141	-3.2	+2.0	57	0-0	-	0.9	7	0.5	12	10.4	0.33	141	Lombard Group	3	-9.2	-12.7	83	0-0	-	-	-	2.2	NE	Nil	N/A	70											
Tourism Hold.	163	-5.5	+3.2	69	4-2	4	1.0	6	0.5	15	10.1	0.90	160	Zintel Comm.	70	-9.1	+1.4	82	3-2	-	5.3	51	0.5	10	7.4	0.99	35											
MG Property Trt	121	+1.1	-0.2	36	3-0	6	1.2	5	0.4	23	9.3	N/A	413	Hirequip NZ Ltd	83	-8.9	+1.5	82	0-0	5	1.2	11	0.4	10	6.7	0.96	97											
ING Property	120	+0.5	-0.2	38	0-0	5	1.1	7	0.4	15	8.9	8.33	289	Pyne Gould Corp	380	-8.7	-0.4	81	1-0	-	2.1	22	0.3	10	7.1	0.81	372											
Hallenstein G.	505	+5.2	+0.8	17	1-0	2	5.1	33	0.2	15	8.9	1.61	298	Tenon Ltd	331	-8.5	-0.5	80	0-0	4	1.2	16	0.4	8	Nil	0.55	231											
Skellmax Indust	127	-1.7	+0.8	52	1-0	4	3.9	38	0.5	10	8.2	1.07	127	INSIDER SELLING: Most Insider Selling, Relative Strength < 0																								
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													Telecom Corp													545	-3.3	-1.2	58	0-18	8	4.4	38	0.2	12	10.5	1.85	10,669
Air New Zealand	138	+2.3	+2.6	29	7-2	4	0.9	12	0.5	8	5.4	0.38	1,380	TeamTalk Ltd	224	-3.4	+2.7	58	0-8	1	2.1	14	0.4	15	12.0	2.24	45											
Port Tauranga	505	+0.1	+3.2	41	5-1	5	1.6	8	0.3	20	5.9	4.65	677	Mooring Systems	360	-10.7	+0.1	89	0-4	-	8.4	-	0.2	NE	Nil	N/A	46											
Tower Limited	222	+1.9	+2.7	33	3-0	4	1.0	13	0.4	8	Nil	0.70	796	Akd Int Airport	188	-3.6	+0.5	60	0-4	6	5.0	23	0.3	22	6.5	8.14	2,299											
Wakefield Hlth	575	+3.0	-2.7	25	3-0	-	2.4	10	0.2	24	3.4	1.69	74	Forty Two Below	53	-7.9	+1.0	78	0-3	-	5.5	-	0.5	NE	Nil	5.47	69											
AMP Limited	990	+9.6	+2.9	8	3-0	-	5.8	29	0.3	20	3.7	1.36	18,512	Turners & Grow.	213	-0.6	+6.4	45	0-2	-	0.7	6	0.4	12	Nil	0.32	159											
MG Property Trt	121	+1.1	-0.2	36	3-0	6	1.2	5	0.4	23	9.3	N/A	413	NZ Experience	28	-3.3	-0.8	57	0-2	-	2.2	17	0.7	13	10.7	1.25	10											
Tag Pacific Ltd	32	+10.3	+4.5	6	2-0	-	1.3	18	0.9	7	1.7	0.36	21	Cadmus Tech Ltd	21	-3.9	-1.7	62	0-2	-	4.1	3	0.8	140	Nil	2.50	49											
Nuplex Indust	545	+6.8	+4.4	14	2-0	5	1.7	12	0.3	14	7.3	0.45	418	Mowbray Collect	140	-5.8	-1.6	71	0-2	-	2.8	-	0.3	NE	3.2	3.84	14											
Ryman Health.	580	+10.6	-3.1	5	2-0	4	3.1	13	0.3	25	2.0	4.78	580	Warehouse Group	370	-2.2	+0.2	54	1-3	6	3.2	11	0.3	29	5.8	0.51	1,130											
Summit Gold Ltd	86	+10.4	-1.6	6	1-0	-	13.3	-	0.6	NE	Nil	N/A	162																									

"Strongest" NZ Shares

Company	STRENGTH RATING											Company	STRENGTH RATING														
Share	Cur- Price	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Vola- ity	Price Ratio	Divi- dend	Price Sales Ratio	Market Cap'n	Share	Cur- Price	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price NTA	Return on Equity	Vola- ity	Price Ratio	Divi- dend	Price Sales Ratio	Market Cap'n		
Plus SMS Hold.	74	+40.8	-19.4	0-0	-	-	-	1.0	NE	Nil	N/A	204	Guinness Peat	243	+6.2	+2.6	15	0-0	1	0.4	4	0.6	9	2.2	0.20	2,344	
Mike Pero Mort.	106	+19.9	+2.2	0	0-1	-	2.3	14	0.9	16	8.4	2.01	26	Pumpkin Patch	384	+5.8	+0.1	16	0-3	3	7.8	30	0.5	26	3.1	2.28	639
Renaissance	149	+15.5	+1.7	1	0-2	-	5.1	45	0.7	11	10.0	0.37	57	Hallenstein G.	505	+5.2	+0.8	16	1-0	2	5.1	33	0.4	15	8.9	1.61	298
Brierley Invest	142	+15.4	+3.1	1	0-1	-	1.3	9	0.8	15	2.9	3.00	1,898	Oyster Bay	260	+5.0	-5.5	17	0-1	-	1.3	3	0.6	45	3.8	3.26	23
Mainfreight Grp	450	+14.1	+3.2	2	3-5	5	4.9	15	0.4	32	2.2	0.50	431	Kiwi Property	126	+4.9	-1.7	18	2-2	5	1.0	6	0.7	17	6.9	9.84	888
NZ Finance Hold	130	+14.0	+4.5	3	0-0	-	8.8	25	0.8	35	Nil																

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

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STRENGTH RATING												STRENGTH RATING															
Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buying	Insider Selling	Price NTA	Return on Equity	Volatility	Price Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buying	Insider Selling	Price NTA	Return on Equity	Volatility	Price Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
Citic Australia	55	+5.5	+2.7	35	0-1	-	2.5	32	1.2	8	6.4	0.07	45	Ausdrill Ltd	158	+43.9	+11.9	4	1-1	-	2.2	14	0.5	15	2.7	0.80	169
Namberry Ltd	2	+12.0	+6.0	22	0-0	-	0.6	60	6.3	1%	130.4	0.10	4	Aust Energy	193	+32.0	-4.6	7	0-2	1	9.6	49	0.5	20	1.2	0.82	96
Acma Engineer.	6	+15.0	-11.4	18	0-0	-	-	3.4	2	41.7	0.11	4	Al Limited	30	+27.6	+2.8	9	2-1	-	1.8	11	1.0	15	6.7	0.29	38	
Devine	76	+5.3	+2.0	35	2-0	-	1.0	18	1.0	6	10.5	0.20	96	Tolhurst Noall	37	+25.5	+4.8	10	0-0	-	3.4	20	1.1	17	2.7	0.94	37
Paperlin X Ltd	355	+2.2	-1.1	45	2-0	6	1.1	12	0.6	9	7.2	0.21	1,584	Structural Syst	109	+24.5	+0.5	10	7-0	-	2.7	28	0.6	10	1.4	0.26	28
Merchant House	13	+11.1	+0.7	23	0-0	-	0.9	11	2.4	9	7.7	0.21	12	KLM Group Ltd	37	+24.1	+5.0	10	0-0	-	2.8	37	1.0	8	2.7	0.24	15
Thomas & Coffey	57	+10.3	-1.0	24	1-0	-	6.3	50	1.2	13	3.5	0.24	38	Watpac Ltd	210	+23.9	-0.2	11	1-0	1	4.0	26	0.7	15	4.0	0.39	160
KLM Group Ltd	37	+24.1	+5.0	10	0-0	-	2.8	37	1.4	8	2.7	0.24	15	MacMahon Hold	73	+19.5	+1.7	14	0-1	2	2.5	17	1.1	15	1.4	0.51	325
Structural Syst	109	+24.5	+0.5	10	7-0	-	2.7	28	0.8	10	1.4	0.26	28	Ambition Group	83	+19.1	+2.2	15	1-0	-	16.6	-	0.7	12	Nil	0.48	21
Wilson Leaders	99	+1.7	+0.8	46	0-5	-	0.9	7	1.0	12	7.1	0.28	56	Zicom Australia	3	+18.5	+22.5	15	0-0	-	3.2	55	3.7	6	Nil	0.13	3
Legend Corp.	72	+6.5	-1.3	33	2-0	-	2.9	27	1.3	11	2.1	0.28	50	Beyond Int'l	60	+18.3	-14.5	15	2-0	-	1.5	11	1.1	14	Nil	0.62	36
Skywest Ltd	21	+5.5	+1.0	35	9-0	-	1.1	6	2.0	20	5.0	0.28	21	Avatar Indust.	170	+18.2	-2.7	16	2-0	-	2.7	24	0.9	12	3.5	0.90	135
Data 3 Ltd	365	+6.9	-0.2	32	1-2	-	5.9	41	0.7	14	5.2	0.28	56	Joyce Corp.	103	+16.3	-0.2	17	3-0	-	1.2	14	0.6	9	4.9	0.36	21
Crane Group	1079	+2.1	+1.7	45	0-0	4	2.2	13	0.5	16	5.6	0.29	628	The Reject Shop	505	+15.4	-0.2	18	0-0	2	5.5	31	0.6	18	3.4	0.62	127
Al Limited	30	+27.6	+2.8	9	2-1	-	1.8	11	1.5	15	6.7	0.29	38	Acma Engineer.	6	+15.0	-11.4	18	0-0	-	-	2.4	2	41.7	0.11	4	
Tag Pacific	27	+3.5	+1.8	41	2-0	-	1.1	10	1.6	10	1.9	0.29	18	Rebel Sport	340	+14.8	+3.7	19	0-1	1	3.0	19	0.4	16	2.9	0.83	262
Caltex Australia	1807	+0.9	-5.6	49	2-0	8	2.7	33	0.5	8	2.5	0.29	4,879	Brisbane Bronco	18	+14.8	+2.7	19	0-0	-	3.0	17	1.5	18	Nil	0.97	18
Webster Ltd	72	+2.0	-0.5	45	0-1	-	0.9	4	1.2	21	6.3	0.33	43	Jetset Travel	100	+14.6	+1.3	19	0-0	-	9.1	56	0.9	16	4.0	0.91	92
HomeLeisure Ltd	24	+2.6	+7.8	43	3-0	-	2.7	41	1.7	7	12.5	0.33	29	Namberry Ltd	2	+12.0	+6.0	22	0-0	-	0.6	60	4.4	1%	130.4	0.10	4
Coles Myer	997	+2.4	-1.0	44	1-1	11	4.0	20	0.5	20	3.3	0.34	12,345	Ludowici Ltd	730	+11.5	-0.9	22	1-0	-	3.0	17	0.3	18	2.8	0.93	123
CTI Logistics	90	+8.0	-1.8	29	0-0	-	0.9	8	0.9	11	3.3	0.35	20	Merchant House	13	+11.1	+0.7	23	0-0	-	0.9	11	1.7	9	7.7	0.21	12
Joyce Corp.	103	+16.3	-0.2	17	3-0	-	1.2	14	0.9	9	4.9	0.36	21	Energy Invest.	20	+10.4	-7.7	24	0-0	-	-	1.5	7	Nil	0.59	3	
Waydways Aust	103	+5.5	+2.2	35	4-2	-	-	0.9	11	5.3	0.36	33	Thomas & Coffey	57	+10.3	-1.0	24	1-0	-	6.3	50	0.9	13	3.5	0.24	38	
Oldfields Hold	100	+3.1	+0.5	42	1-0	-	0.9	10	0.8	9	5.5	0.37	10	Candle Aust.	304	+10.0	+3.9	25	3-1	3	-	-	0.6	20	3.8	0.60	140
Raptis Group	92	+9.5	-4.3	26	0-0	-	3.8	59	0.8	7	15.2	0.37	56	Raptis Group	92	+9.5	-4.3	26	0-0	-	3.8	59	0.6	7	15.2	0.37	56
Smorgon Steel	127	+1.7	-2.8	46	0-1	7	-	-	1.0	13	6.7	0.38	1,119	Qantas Airways	389	+9.3	-0.9	26	2-0	7	1.2	12	0.4	10	5.1	0.58	7,382
Becker Group	38	+1.2	-0.1	48	1-0	-	1.5	17	1.5	9	3.9	0.38	27	Aircrusing Aust	7	+9.0	-11.7	27	0-0	-	2.2	49	2.3	5	Nil	0.11	1
Watpac Ltd	210	+23.9	-0.2	11	1-0	1	4.0	26	0.8	15	4.0	0.39	160	Alesco Corp Ltd	975	+8.9	-2.0	27	5-1	5	24.4	-	0.3	17	4.6	0.93	677
Spotless Group	498	+0.1	+2.2	52	0-0	6	-	-	0.5	19	4.8	0.39	1,055	GVM Metals Ltd	27	+8.6	+4.0	28	0-0	-	-	-	1.3	18	Nil	0.23	7
Futuris Corp.	223	+4.5	+4.3	38	1-0	3	2.3	14	0.8	16	4.0	0.47	1,479	CTI Logistics	90	+8.0	-1.8	29	0-0	-	0.9	8	0.6	11	3.3	0.35	20
OM Holdings	107	+1.8	-5.1	46	3-0	-	2.2	23	1.0	9	1.9	0.47	103	Embelton Ltd	410	+7.3	-1.7	31	0-0	-	1.3	9	0.4	15	1.8	0.49	9
Dexion Ltd	117	+4.6	-0.1	37	0-0	2	6.9	68	1.1	10	3.8	0.48	63	UXC Limited	103	+6.9	+2.8	31	0-2	1	11.4	81	0.6	14	5.4	0.68	165
Embelton Ltd	410	+7.3	-1.7	31	0-0	-	1.3	9	0.5	15	1.8	0.49	9	Data 3 Ltd	365	+6.9	-0.2	32	1-2	-	5.9	41	0.6	14	5.2	0.28	56
Chalmers	300	+1.6	-0.5	47	0-0	-	0.9	4	0.6	25	2.7	0.50	17	Stadium Aust.	10	+6.7	-2.9	32	0-0	-	-	-	2.1	20	Nil	0.20	10
Housewares Int.	185	+0.5	+3.9	51	1-0	5	2.7	16	0.9	17	7.0	0.50	223	Onesteel Ltd	384	+6.6	+0.2	32	0-0	7	-	-	0.6	16	3.5	0.55	2,165
MacMahon Hold	73	+19.5	+1.7	14	0-1	2	2.5	17	1.4	15	1.4	0.51	325	Legend Corp.	72	+6.5	-1.3	33	2-0	-	2.9	27	1.0	11	2.1	0.28	50
Onesteel Ltd	384	+6.6	+0.2	32	0-0	7	-	-	0.7	16	3.5	0.55	2,165	Eumundi Group	25	+6.3	-3.4	33	2-0	-	1.1	9	1.5	13	Nil	0.97	21
Homeloans Ltd	40	+1.9	+0.3	46	2-0	-	1.1	8	1.4	14	3.8	0.55	20	David Jones	302	+6.0	+3.0	34	0-0	4	3.0	18	0.5	16	4.3	0.71	1,284
Nat'l Can	153	+1.8	+0.8	46	3-0	-	0.9	8	0.8	12	3.9	0.55	102	Skywest Ltd	21	+5.5	+1.0	35	9-0	-	1.1	6	1.4	20	5.0	0.28	21
Lend Lease Corp	1338	+2.0	-2.8	45	0-0	7	2.4	10	0.5	25	4.3	0.56	5,333	Citic Australia	55	+5.5	+2.7	35	0-1	-	2.5	32	0.9	8	6.4	0.07	45
Amcor Ltd	730	+2.2	-0.4	45	1-0	6	2.9	20	0.5	14	4.7	0.58	6,411	Waydways Aust	103	+5.5	+2.2	35	4-2	-	-	-	0.7	11	5.3	0.36	33
Qantas Airways	389	+9.3	-0.9	26	2-0	7	1.2	12	0.5	10	5.1	0.58	7,382	Devine	76	+5.3	+2.0	35	2-0	-	1.0	18	0.7	6	10.5	0.20	96
Maxi TRANS	90	+1.3	+1.9	48	1-1	2	4.1	28	1.0	15	4.5	0.60	154	PMP Limited	169	+5.0	+2.9	36	6-3	4	4.8	34	0.9	14	Nil	0.36	500
Candle Aust.	304	+10.0	+3.9	25	3-1	3	-	-	0.7	20	3.8	0.60	140	Scott Corp Ltd	37	+4.8	-2.4	37	0-0	-	1.5	24	1.0	6	Nil	0.17	21
Roberts Ltd	244	+3.4	+1.4	41	4-0	-	2.8	23	0.7	13	5.9	0.62	126	MFS Living & L.	102	+4.6	+7.2	37	5-0	-	0.9	8	0.9	12	Nil	0.90	4
The Reject Shop	505	+15.4	-0.2	18	0-0	2	5.5	31	0.7	18	3.4	0.62	127	Dexion Ltd	117	+4.6	-0.1	37	0-0	2	6.9	68	0.9	10	3.8	0.48	63
Downer EDI Ltd	825	+14.4	-1.0	19	0-0	4	4.3	19	0.7	23	2.2	0.63	2,406	CDS Tech	250	+4.6	+0.0	38	0-3	1	4.8	27	0.6	18	1.6	1.00	89
Skilled Group	530	+25.6	+9.7	10	8-0	4	11.8	29	0.5	40	3.0	0.64	532	Futuris Corp.	223	+4.5	+4.3	38	1-0	3	2.3	14	0.6	16	4.0	0.47	1,479
Wattly Ltd	358	+18.8	+6.2	15	0-0	5	2.0	7	0.9	30	3.4	0.64	303	Tag Pacific	27	+3.5	+1.8	41	2-0	-	1.1	10	1.2	10	1.9	0.29	18
Woolworths Ltd	1892	+4.5	+0.8	38	0-1	7	-	-	0.4	25	2.7	0.64	20,099	Roberts Ltd	244	+3.4	+1.4	41	4-0	-	2.8	23	0.5	13	5.9	0.62	126
UXC Limited	103	+6.9	+2.8	31	0-2	1	11.4	81	0.9	14	5.4	0.68	165	Villa World	153	+3.2	+1.9	42	1-2	1	1.7	24	0.5	7	8.8	0.93	175
Macro Corp.	9	+58.3	-0.1	2	0-0	-	0.9	3	3.1	26	3.6	0.69	8	WAM Capital Ltd	159	+3.1	+2.3	42	4-1	-	1.0	8	0.6	13	7.5	0.95	105
Guinness Peat	215	+5.2	+1.3	35	0-1	1	1.8	6	0.7	33	1.1	0.71	2,055	Oldfields Hold	100	+3.1											

STRENGTH RATING														STRENGTH RATING																											
Company	Share Price	Current Chg.	4-Wk Rank	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	Current Chg.	4-Wk Rank	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n															
INCOME SHARES: Highest Yields, Capitalisation > A\$250 million																																									
Macquarie Infra	375	-2.9	+0.7	65	5-0	4	1.2	13	0.4	9	20.7	1.84	8,184	Oilex NL	50	+12.6	+13.2	21	8-0	-	-	1.2	NE	Nil	N/A	25	Caspian Oil & G	7	+14.0	-10.6	19	7-0	-	-	1.7	NE	Nil	N/A	40		
City Pacific	348	-6.5	-0.6	74	2-0	-	2.4	32	0.3	8	12.9	2.65	441	Alpha Tech.	2	+5.5	-1.2	35	7-0	-	-	2.6	10	Nil	1.48	18	Ellex Medical	49	+18.9	-6.5	15	7-0	1	3.3	-	0.9	NE	Nil	1.05	30	
Virgin Blue	169	+0.1	+1.2	52	0-1	5	-	-	0.6	16	9.9	1.04	1,766	Meteoric Res.	31	+19.9	-3.0	14	7-0	-	-	0.8	NE	Nil	N/A	13	Impress Venture	10	+35.0	+13.8	6	7-0	-	-	-	1.9	NE	Nil	N/A	19	
Sims Group Ltd	1526	-2.7	-2.4	64	0-0	7	-	-	0.3	7	9.2	0.54	1,390	Structural Syst	109	+24.5	+0.5	10	7-0	-	2.7	28	0.5	10	1.4	0.26	28	Avexa Limited	29	+16.8	-7.1	17	7-0	1	2.6	-	0.9	NE	Nil	N/A	40
AV Jennings	123	-5.9	+1.3	73	1-0	-	1.0	11	0.5	10	8.9	0.60	265	ABC Learning	795	+11.7	-2.7	22	9-2	5	-	0.3	38	1.4	6.80	1,990	Equity Trustees	1400	+2.8	-0.9	43	6-0	1	5.0	20	0.4	25	2.9	4.20	91	
Sthn C. Fliers	11150	-0.5	+0.1	56	0-0	-	1.1	9	0.1	12	8.5	N/A	669	Financial Res.	23	+9.0	-1.5	27	6-0	-	1.4	18	1.1	8	6.1	1.17	16	Sylvastate Ltd	460	+3.8	-1.5	40	6-0	-	0.9	-	0.3	NE	Nil	N/A	422
Div. Utility	264	-0.3	+0.8	56	0-0	2	-	-	0.4	19	8.3	1.44	1,114	Tamawood Ltd	158	+0.2	+0.2	52	6-0	-	2.8	24	0.5	12	8.2	0.74	50	Riversdale Min.	92	+15.4	-5.9	18	6-0	-	-	-	1.2	NE	Nil	N/A	45
Envestra	116	-1.3	+0.8	60	1-0	3	-	-	0.5	NE	8.2	2.91	893	Optiscan Image	40	+4.8	+0.0	37	6-0	-	3.3	-	0.8	NE	Nil	N/A	40	AMP Ltd	867	+8.0	+1.2	29	6-0	8	8.2	41	0.4	20	3.7	1.35	16,212
Gasnet Aust Grp	247	-3.5	-0.2	67	0-0	3	1.7	7	0.3	24	8.1	3.21	357	Quiktrak Netwks	26	+5.9	-7.1	34	6-0	-	8.5	-	1.9	NE	0.69	128	G.R.D. NL	277	+9.7	-1.4	25	7-1	2	3.6	54	0.6	7	2.2	2.09	527	
Australand Prop	208	+7.7	-2.6	30	1-0	2	1.5	16	0.5	10	7.9	1.20	1,842	G.R.D. NL	277	+9.7	-1.4	25	7-1	2	3.6	54	0.6	7	2.2	2.09	527	Cardno Ltd	460	+11.8	+1.5	22	8-2	1	-	-	0.5	24	3.0	1.78	181
AWB Limited	376	-2.2	-9.0	63	3-0	4	2.1	26	0.4	8	7.7	0.25	1,295	Comet Ridge Ltd	22	+23.0	-2.8	11	5-0	-	-	-	1.1	NE	Nil	N/A	13	Nufarm Limited	1070	+3.0	-2.6	42	5-0	4	4.0	23	0.4	17	2.4	1.02	1,815
Cons Minerals	242	-11.9	-0.4	86	0-3	2	2.5	34	0.6	8	7.4	1.86	528	BBX Holdings	26	+8.5	+14.6	28	5-0	-	-	-	1.0	93	Nil	0.92	7	ITL Limited	29	+10.8	+0.1	23	5-0	-	1.9	-	0.8	NE	Nil	1.19	29
Telstra	381	-6.5	+1.3	74	0-0	8	3.7	34	0.4	11	7.3	2.12	48,114	Global Approach	11	+4.0	+0.2	39	5-0	-	-	-	1.5	NE	Nil	1.68	6	Select harvest	1420	+7.8	-3.9	29	5-0	3	8.7	34	0.2	26	3.0	3.12	555
Paperin X Ltd	355	+2.2	-1.1	45	2-0	6	1.1	12	0.5	9	7.2	0.21	1,584	Snowball Group	55	+13.6	+5.0	20	5-0	-	-	-	0.8	NE	Nil	3.19	27	Ale Property	258	+8.2	+0.8	29	5-0	1	1.2	3	0.3	44	5.0	4.97	234
McGuigan Simeon	331	-12.3	+3.2	87	3-1	5	1.2	12	0.5	10	7.1	1.00	374	Ausquest Ltd	45%	+104.5	-49.3	0	5-0	-	-	-	0.7	NE	Nil	N/A	30	Leviathan Res.	99	+19.1	+0.5	15	5-0	2	1.3	-	0.7	NE	Nil	1.10	80
Platinum Cap'l	214	+1.7	+0.6	46	0-0	-	1.3	3	0.4	50	7.0	N/A	254	MFS Living & L.	102	+4.6	+7.2	37	5-0	-	0.9	8	0.8	12	Nil	0.90	4	Mermiad Marine	40	+6.9	+0.8	32	6-1	-	1.1	5	0.8	22	Nil	1.04	56
B & B Infrastr.	155	-0.8	-0.7	58	5-0	5	2.0	-	0.4	NE	6.9	3.51	1,516	Aim Resources	12	+28.7	+14.1	8	4-0	-	-	-	1.2	NE	Nil	N/A	59	Atlas Pacific	34	+20.7	+7.6	13	4-0	-	1.9	-	0.7	NE	Nil	5.05	29
Cons Rutile	73	+6.3	+0.6	33	1-0	1	2.5	28	0.7	9	6.8	2.19	268	Mariner Fin.	140	+11.2	+0.4	23	4-0	-	-	-	0.5	NE	Nil	5.10	84	Mariner Fin.	140	+11.2	+0.4	23	4-0	-	-	-	0.5	NE	Nil	5.10	84
Ten Network	315	-8.5	-0.9	79	0-4	8	-	-	0.4	12	6.8	1.32	1,256	Aust Education	168	+5.3	+0.3	35	4-0	1	1.8	3	0.4	54	6.0	N/A	125	Solagran Ltd	21	+4.6	+1.5	37	4-0	-	10.3	-	1.1	NE	Nil	N/A	31
Smorgon Steel	127	+1.7	-2.8	46	0-1	7	-	-	0.7	13	6.7	0.38	1,119	IWL Limited	425	+20.9	+0.1	13	4-0	-	7.7	24	0.4	32	4.2	4.53	247	Soul Pattinson	969	+0.1	-0.6	52	4-0	1	2.3	41	0.5	5	2.6	1.81	2,312
Jubilee Mines	671	+2.2	-2.1	45	1-3	4	5.2	45	0.3	11	6.7	3.64	858	Carnarvon Pet.	5	+42.2	-7.7	4	4-0	-	-	-	2.0	NE	Nil	N/A	14	Jupiter Energy	5	+1.0	+13.2	49	4-0	-	-	-	1.8	NE	Nil	N/A	3
Colorado Group	365	-12.7	-2.3	88	0-1	4	3.3	44	0.4	8	6.6	0.70	332	Promina Group	560	+4.0	+2.3	39	4-0	9	2.9	22	0.3	13	3.9	1.94	5,946	Roberts Ltd	244	+3.4	+1.4	41	4-0	-	2.8	23	0.4	13	5.9	0.62	126
G.U.D. Holdings	769	+2.4	+0.5	44	0-2	6	6.2	39	0.4	16	6.5	1.16	461	SFE Corporation	1275	+6.4	-3.7	33	4-0	8	11.4	46	0.3	25	3.4	6.65	1,724	Reed Resources	25	+0.1	-1.4	52	4-0	-	-	-	1.1	NE	Nil	N/A	18
Pacifica Group	201	-5.5	+2.9	72	6-0	3	-	-	0.9	19	6.5	0.33	273	Tanami Gold NL	19	+22.5	-6.7	11	4-0	-	-	-	1.0	NE	Nil	N/A	86	United Group	1210	+11.3	-0.2	23	4-0	6	7.0	21	0.4	34	2.5	1.12	1,448
Adelaide Bright	252	+8.4	+4.7	28	8-0	5	3.1	20	0.5	15	6.4	1.90	1,366	Platinum Aust	55	+59.0	-8.1	2	4-0	-	-	-	0.9	NE	Nil	N/A	54	Dioro Explor.	6	+1.5	-4.4	48	4-0	-	-	-	1.7	10	Nil	1.06	29
														Brambles Ind.	1025	+9.3	-1.5	26	4-0	8	8.3	15	0.4	57	1.0	2.22	17,332														

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

MFS Limited	338	+32.7	-4.5	7	29-0	1	42.3	-	0.5	NE	Nil	8.28	751
Betcorp Ltd	425	+19.3	+5.8	14	16-0	-	-	-	0.3	14	Nil	2.10	83
Everest B&B Alt	480	+3.3	+1.2	41	14-0	-	1.0	-	0.5	NE	Nil	N/A	N/A
Grange Resource	120	+7.7	-9.1	29	14-1	1	40.0	-	0.6	NE	Nil	N/A	99
ConnectEast Grp	122	+0.2	+0.3	52	11-0	-	-	-	0.8	NE	Nil	N/A	N/A
Hire Intell.	13	+2.4	-0.8	44	11-0	-	1.3	-	1.4	NE	Nil	1.08	10
Atlas Gold Ltd	37	+25.9	+0.6	10	12-1	-	-	-	1.1	NE	Nil	N/A	17
NGM Resources	11	+6.5	-0.6	32	10-0	-	-	-	1.4	NE	Nil	N/A	3
Sunland Group	187	+4.8	+6.0	37	13-3	1	1.5	22	0.5	7	5.4	1.01	465
Investika Ltd	2	+12.4	+7.2	21	9-0	-	1.9	-	3.5	NE	Nil	3.02	10
Skywest Ltd	21	+5.5	+1.0	35	9-0	-	1.1	6	1.1	20	5.0	0.28	21
Aust Wealth Mgt	206	+36.3	+9.1	6	9-0	1	-	-	0.6	NE	Nil	5.22	599
Bullion Min.	27	+55.5	+16.4	2	9-0	-	-	-	1.0	NE	Nil	N/A	26
Life Therapeut.	188	+21.7	-1.7	12	8-0	-	6.1	-	0.3	NE	Nil	3.77	142
Aspen Group Ltd	127	+9.5	+1.8	26	8-0	-	7.9	44	0.6	18	1.3	6.32	19
Perseus Mining	44	+37.8	-4.7	5	8-0	-	-	-	1.0	NE	Nil	N/A	26
Bentley Int'l	40	+4.5	+2.3	38	8-0	-	0.8	-	0.9	NE	Nil	N/A	16
Skilled Group	530	+25.6	+9.7	10	8-0	4	11.8	29	0.3	40	3.0	0.64	532
Ironbark Cap.	61	+1.8	+0.9	46	8-0	-	0.9	13	0.6	7	5.3	N/A	71
So Natural Food	35	+4.4	-0.3	39	8-0	-	2.7	2	0.8	159	Nil	0.41	16
Adelaide Bright	252	+8.4	+4.7	28	8-0	5	3.1	20	0.5	15	6.4	1.90	1,366

“Neglect” Ratings of NZ Shares

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

Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capitalisation (NZ\$ Mill.)
AMP Onyx Mgmt	6	458	Feltex Ltd	2	64	Metro. LifeCare	4	345	Sanford Limited	3	

“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	Market Capital- isation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capital- isation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capital- isation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capital- isation (NZ\$ Mill.)	Company	No. of Brokers Following	Market Capital- isation (NZ\$ Mill.)																					
A.P. Eagers	1	170	Coal & Allied	1	6,408	Jubilee Mines	4	858	Reece Australia	1	1,469	AAV Limited	1	75	Coates Hire	8	2,611	Just Group Ltd	5	717	Repco Corp Ltd	6	431												
ABB Grain Ltd	2	1,104	CocaCola Amatil	8	5,458	K&S Corporation	1	198	Resolute Mining	2	263	ABC Learning	5	1,990	Cochlear Ltd	8	2,902	Kagara Zinc Ltd	2	510	Resource Pac.	1	66	Ridley Corp.	4	371									
AMP Ltd	8	16,212	Codan Ltd	3	151	Keycorp Ltd	2	120	Rinker Group	7	16,773	ANZ Bank	12	47,187	Coles Myer	11	12,345	Kimberley Diam.	3	466	Rio Tinto Ltd	13	93,096	Rural Press Ltd	8	1,379									
APN News Media	7	2,307	Collection Hse	1	87	Kingsgate Cons.	3	432	Roc Oil Company	3	590	ARB Corporation	3	222	Colorado Group	4	332	Korvest Ltd	1	37	Ross Human Dir.	1	42	SDI Limited	1	236									
ARC Energy	1	303	Com'wealth Bank	8	55,189	Kresta Holdings	1	32	SMS Mgmt & Tech	3	153	ASG Group Ltd	1	78	Commander Comm.	7	371	Lafayette Min.	1	58	SP Telecom.	2	330	SFE Corporation	8	1,724									
AWB Limited	4	1,295	Computershare	6	4,021	Leighton Hold	7	4,769	STW Comm Group	4	582	AXA Asia Pac	8	10,105	Cons Rutile	1	268	Lend Lease Corp	7	5,333	Sally Malay Min	1	143	SMC Gold Ltd	1	30									
Abacus Property	1	504	Cons Minerals	2	528	Leviathan Res.	2	80	Salmat Ltd	4	485	Acrux Ltd	2	95	Corp Express	6	1,134	Lihir Gold	9	2,890	Santos Ltd	10	6,568	Schaffer Corp	1	70									
Adcorp Aust.	1	41	Corp Financial	1	481	Lindsay Aust	1	27	Sedimentary Hld	1	64	Adelaide Bright	5	1,366	Count Financial	1	481	Magna Pacific	2	37	Seek Ltd	4	1,112	Select harvest	3	555									
Adelaide Bank	8	1,218	Coventry Group	2	198	Lipa Pharm.	3	117	Select Managed	1	542	Adsteamer Marine	4	544	Crane Group	4	628	M.Y.O.B. Ltd	3	391	Senetas Corp	1	266	Servcorp Ltd	1	403									
Agincourt Res.	1	107	Credit Corp	1	254	MFS Limited	1	751	Seven Network	6	2,022	Ainsworth Game	2	90	Croesus Mining	2	100	MacMahon Hold	2	325	Sigma Pharm.	5	869	Sims Group Ltd	7	1,390									
Alchemy Ltd	1	125	Cromwell Corp	1	113	Macarthurcook P	1	75	Sino Gold Ltd	3	478	Ale Property	1	234	DB Reef Trust	5	3,907	Macarthur Coal	7	937	Sirtex Medical	1	131	Atlas Grp Hold.	1	108	DCA Group Ltd	8	1,540	Macquarie DDR	4	981	Skilled Group	4	532
Alinta Limited	7	2,699	DKN Financial	1	49	Macquarie Infra	4	8,184	Soul Pattinson	9	4,176	Alumina Ltd	10	7,670	David Jones	4	1,284	Macquarie Bank	6	13,862	Spotless Group	6	1,055	Amalgamated Hld	1	571	Dexion Ltd	2	63	Macquaries C&I	5	2,227	St George Bank	7	15,456
Amcom Telecom.	1	61	Div. Utility	2	1,114	Macquarie C Tel	2	15	Stockland	4	8,877	Amcorp Ltd	6	6,411	Domino's Pizza	2	237	Macquarie Air.	4	5,338	Straits Res.	1	397	Sthn Cross Brd.	7	718									
Ansell Ltd	4	1,760	Downer EDI Ltd	4	2,406	Macquarie C'Wde	6	2,270	Suncorp-Metway	7	10,688	Anzcon Australia	2	416	ETRADE Aust.	1	298	Macquarie Good.	5	6,926	Sunland Group	1	465	SuperCheap Auto	2	253									
Aquarius Plat.	1	1,242	Emperor Mines	1	68	Macquarie Leis.	2	451	Sydney Attract.	3	139	Aristocrat Leis	8	6,070	Ellex Medical	1	30	Macquarie Off.	4	2,301	Sydney Gas Ltd	1	92	Symbion Health	6	2,099									
Arrow Energy	1	81	Energy Resource	1	2,209	Macquarie Prol.	5	928	Talent2 Int'l	2	130	Atlas Grp Hold.	1	108	Energy Develop.	3	536	Magna Pacific	2	37	Tap Oil	5	339	Symex Holdings	1	111									
Auspine Ltd	2	189	Envestra	3	893	Marybor'gh Suga	1	43	Tassal Group	1	128	Aust Stock Exch	9	3,259	Equigold NL	2	233	Maxi TRANS	2	154	Tattersall's	5	2,037	Technology One	3	165									
Aust Energy	1	96	Equity Trustees	1	91	McGuigan Simeon	5	374	Telstra	8	48,114	Aust Education	1	125	Espreon Ltd	1	58	McPherson's Ltd	3	105	Ten Network	8	1,256	Thakral Holding	2	474									
Aust Gas Light	8	8,415	Excel Coal Ltd	11	1,309	Melbourne IT	1	87	Ten Network	8	1,256	Aust Wealth Mgt	1	599	FKP Limited	3	914	Metabolic Phar.	1	117	Tharkey Shop	2	127												
Aust Agricult.	2	413	Fairfax (John)	8	3,615	Michelago Ltd	1	31	Timbercorp	2	819	Aust Pharm. Ind	4	674	Fantastic Hold.	3	266	Miller's Retail	5	307	Tishman Speyer	3	608												
Aust Pipeline	4	1,241	Felix Resources	2	324	Minara Resource	5	963	Toll Holdings	9	4,276	Aust W'wide Exp	3	800	Fleetwood Corp	3	316	Mincor Resource	2	129	Total Com Infra	1	180												
Aust Infra.	4	820	Flight Centre	4	1,134	Mineral Deposit	1	276	Tox Free Sol.	1	52	Austal Limited	2	464	Forest Ent Aust	1	170	Mirvac Group	5	3,654	Transcon Trav.	1	130												
Austar United	4	1,413	Fortescue Metal	1	1,098	Mirvac Group	5	3,654	Transfield Serv	6	1,187	Austereo Group	8	644	Foster's Group	6	10,635	Monadelphous Gr	1	497	Transfield In	4	1,202												
Austindo Res	1	34	Freshtel Hold.	1	146	Mortgage Choice	4	276	Transurban Grp	4	5,492	Australand Prop	2	1,842	Frigrite Ltd	1	45	Multiplex Group	4	2,613	Treasury Group	1	274												
Avexa Limited	1	40	Funtastic Ltd	3	222	Murchison Metal	1	80	Triako Res.	1	33	B & B Infrast.	5	1,516	Futuristic Corp.	3	1,479	Nat'l Aust Bank	8	58,147	Trinco Cons	2	121												
B Digital Ltd	1	94	G.R.D. NL	2	527	National Hire	3	211	Trust Co of Aus	1	324	B Digital Ltd	1	94	G.U.D. Holdings	6	461	National Hope	3	211	UNITAB Ltd	9	1,900												
B&B Japan Prop.	2	729	G.U.D. Holdings	6	461	Newcrest Mining	9	6,783	Unired Group	1	24	BHP Billiton	12	83,835	GBST Holdings	1	83	Newcorp	5	77,395	Unwired Group	1	102												
Babcock & Brown	2	3,926	GPT Group	4	8,248	Nick Scali Ltd	2	132	Unwired Group	1	102	Babcock & Brown	2	3,926	GWA Internat'l	4	882	Noni B Limited	1	125	Unwired Group	1	102												
Ballarat Gold	2	337	Gale Pacific	1	88	Novogen Ltd	1	640	Valad Property	3	719	Ballarat Gold	2	337	Galileo Shop Am	6	554	Nuovogen Ltd	1	640	Unwired Group	1	102												
Bank of Q'land	8	1,565	Galileo Shop Am	6	554	Nufarm Limited	4	1,815	Unwired Group	1	102	Baxter Group	1	199	Gallery Gold	1	211	Nylex Ltd	2	107	Valad Opps 11	1	32												
Baycorp Advant.	4	712	Gallery Gold	1	211	OAMPS	1	484	Ventracor Ltd	1	189	Beaconsfield Gl	1	65	Gandel R. (CFS)	5	4,066	Oakton Limited	6	254	Village World	1	175												
Becton Prop Grp	1	51	Gasnet Aust Grp	3	357	Oceana Gold Ltd	2	261	Village Road.	2	615	Bemax Resources	1	329	Genepharm Aust.	1	113	Oceana Gold Ltd	2	261	Virgin Blue	5	1,766												
Bendigo Mining	2	574	Genepharm Aust.	1	113	Oil Search Ltd	8	4,106	Vision Systems	1	327	Bendigo Bank	8	1,925	Geodynamics Ltd	1	124	Onesteele Ltd	7	2,165	Vision Group	2	292												
Billabong Int'l	6	3,304	Globe Int'l Ltd	4	149	Orica Ltd	4	6,164	Volante Group	2	146	Blackmores Ltd	1	231	Graincorp	3	472	Origin Energy	9	5,417	W'bool Cheese	1	144												
Bluescope Steel	9	4,922	Gloucester Coal	1	254	Grand Hotel	2	193	Whk Group Ltd	4	410	Boom Logistics	5	644	Grange Resource	1	99	Oxiana Ltd	8	2,757	Watpac Ltd	1	160												
Boral Limited	7	5,035	Graincorp	3	472	Grange Resource	1	99	Unwired Group	1	102	Bradken Ltd	4	59	Gro Pep Limited	1	78	PCH Group	2	144	Wattyl Ltd	5	303												
Brambles Ind.	8	17,332	Guinness Peat	1	2,055	Gt Sthn Plant'n	2	1,126	Unwired Group	1	102	Brazin Limited	3	211	Guinness Peat	1	2,055	PMP Limited	4	500	Webcentral Grp	1	47												
Brickworks Ltd	1	1,891	Gunn's Ltd	4	1,031	Hardman Res.	5	1,254	Unwired Group	1	102	Brickworks Ltd	1	1,891	Harvey Norman	6	3,766	Pacific Brands	7	1,192	Wellcom Group	1	46												
Bunnings W/hse	4	589	Hast Div Util	1	400	Hast Div Util	1	400	Unwired Group	1	102	Burns Philp	4	2,103	Healthscope	8	776	Pacific Brands	7	1,192	Westpac Banking	7	41,647												
C'wth Prop Off.	5	2,022	Healthscope	8	776	Henderson Group	4	4,920	Unwired Group	1	102	C.S.R. Ltd	7	3,405	Henderson Group	4	4,920	Pacific Brands	7	1,192	Westside Petrol	9	26,827												
CBH Resources	1	136	Hills Indust.	2	786	Highland Pac.	1	315	Unwired Group	1	102	CDS Tech	1	89	Hills Indust.	2	786	Paladin Res.	2	1,467	Woolworths Ltd	7	20,099												
CEC Group Ltd	1	46	Housewares Int.	5	223	Hipal Limited	2	204	Unwired Group	1	102	CEC Group Ltd	1	46	Hipal Limited	2	204	Pan Australian	1	146	Worley Group	5	3,638												
CH4 Gas Ltd	1	137	Hpal Limited	2	204	Hutchison Tel.	5	180	Unwired Group	1	102	CH4 Gas Ltd	1	137	Hutchison Tel.	5	180	Paperlin X Ltd	6	1,584	Zinifex Ltd	8	3,669												
CMI Limited	1	48	IBA Health Ltd	1	169	IBT Education	1	717	Unwired Group	1	102	CMI Limited	1	48	IBA Health Ltd	1	169	Perpetual Ltd	9	5,946															
CPI Group	2	31	IBT Education	1	717	ING Indust Trt	5	1,787	Unwired Group	1	102	CPI Group	2	31	IBT Education	1	717	Perseverance	2	200															
CSL Limited	7	10,110	ING Indust Trt	5	1,787	ING Office Fund	5	1,464	Unwired Group	1	102	CSL Limited	7	10,110	ING Indust Trt	5	1,787	Pharmaxis Ltd	1	283															
Cabcharge Ltd	7	721	ING Office Fund	5	1,464	ING Real Estate	2	76	Unwired Group	1	102	Cabcharge Ltd	7	721	ING Office Fund	5	1,464	Phosphagenics	1	120															
Caltex Australia	8	4,879	ING Real Estate	2	76	IOOF Holdings	3	506	Unwired Group	1	102	Caltex Australia	8	4,879	ING Real Estate	2	76	Photon Group	2	228															
Campbell Bros	1	707	IOOF Holdings	3	506	liNet	4	159	Unwired Group	1	102	Campbell Bros	1	707	IOOF Holdings	3	506	Portman Limited	5	924															
Candle Aust.	3	140	liNet	4	159	Iluka Resources	10	1,528	Unwired Group	1	102	Candle Aust.	3	140	liNet	4	159	PowerTel Ltd	1	152															
Capral Alum.	1	226	Iluka Resources	10	1,528	Incitec Pivot	3	1,043	Unwired Group	1	102	Capral Alum.	1	226	Iluka Resources	10	1,528	Primary Health	3	1,380															
Cardno Ltd	1	181	Incitec Pivot	3	1,043	Independ. Group	1	213	Unwired Group	1	102	Cardno Ltd	1	181	Incitec Pivot	3	1,043	Prime TV	6	449															
Carindale Prop	2	259	Independ. Group	1	213	Institute Drug	1	61	Unwired Group	1	102	Carindale Prop	2	259	Independ. Group	1	213	Pro Medicus Ltd	2	172															
Celtnet Group	1	55	Institute Drug	1	61	Insurance Aust.	9	8,161	Unwired Group	1	102	Celtnet Group	1	55	Institute Drug	1	61	Pro Maintenance	5	253															
Centennial Coal	8	942	Insurance Aust.	9	8,161	Int Research	1	81	Unwired Group	1	102	Centennial Coal	8	942	Insurance Aust.	9	8,161	Promina Group	9	5,946															
Centro Property	5	5,264	Int Research	1	81	Int Tree Crop.	1	300	Unwired Group	1	102	Centro Property	5	5,264	Int Research	1	81	Q.B.E. Insur.	7	16,962															
Chal Financial	9	1,975	Int Tree Crop.	1	300	Integrated Grp	2	102	Unwired Group	1	102	Chal Financial	9	1,975	Int Tree Crop.	1	300	Qantas Airways	7	7,382															
Chandler McLeod	2	95	Integrated Grp	2	102	Investa Prop.	5	3,075	Unwired Group	1	102	Chandler McLeod	2	95	Integrated Grp	2	102	Queensland Gas	1	294															
Chemeq Ltd																																			

Taxation of Foreign Investments

Owing to an unfavourable response from investors, the government has announced major changes to its proposed unrealised capital gains tax on foreign investments.

Full details won't be available until May, with the new taxes coming into effect from 1 April 2007, but the major changes are:

1. Australian shares will NOT be covered by the new rules. Investors will only be taxed on the income from Australian investments as at present. This so-called "favourable treatment of Australian investments" is in reality *double* taxation of Australian dividends as there is no recognition of Australian company income tax and franking credits.
2. Other international investments worth under \$50,000 in total will be exempt - and only taxed upon the income produced as at present.
3. All other international investments will be taxed, but the investor will be able to choose between three options:
 - a. NZ income tax payable based upon the (foreign tax paid) *earnings per share* of the investments - whether or not some or all of those earnings are distributed as a dividend.
 - b. NZ income tax payable upon the realised and unrealised change in the market value of investments - which is probably the most unattractive option.
 - c. NZ income tax based upon an as yet unspecified *deemed rate of return*.

Labour governments have been talking about changing foreign investment taxes for 20 years and clearly this proposal is so untidy that further changes will be required over the next 20 years.

We await the details in May - but perhaps they will be deferred once again? How, for example, is the *earnings per share* tax calculated on shares held for only part of the year? Or where the company uses a June or December tax year, while NZ's tax system is based upon a March year end? Even with a March balance date, a company *may* report its earnings *after* the date at which a NZ tax payer must file an income tax return. Will there be significant tax advantages in buying *loss making*, recovery shares? Will the *earnings per share* of an investment fund include only its *revenue return* (i.e. dividend and interest, less operating costs) or include its realised and unrealised *capital gains* and losses?

"Market Analysis" turns 25

"Market Analysis" - and its publisher, Securities Research Company - turn 25 years old this month. Having grown up in New Zealand, we are now moving on. Over the next six months we shall migrate to a warmer climate and a more tax friendly jurisdiction. While NZ resident investors will be wondering *how* to complete the foreign investment section of future tax returns (see article above), we shall be sitting under a palm tree at the beach planning the future growth of our investment portfolios over the next 25-50 years. Don't panic! We shall still be publishing "Market Analysis" which will arrive in your email and/or letterbox each month exactly as it has for the last quarter of a century.

If fact, we shall continue to strive to make further steady improvements to our service. For example, from next month, by fully outsourcing the printing and mailing of the newsletters to a large print/mail company in Auckland we shall be able to bring forward the email delivery by one day to Monday morning to provide an even more up-to-date service. Unfortunately, we cannot do much to improve the delivery time of the print version for the 12% of subscribers who do not have email.

Next Issue: Monday Delivery

The next issue of *Market Analysis* will be emailed in four weeks time on Monday April 10, 2006.

The print version will be delivered later that week, depending upon printing and postal delivery times.

Total Return Index for All Listed Shares

	Feb 6	Holiday	
	Feb 7	2262.64	
	Feb 8	2260.09	
	Feb 9	2268.55	
	Feb 10	2277.44	
Feb 13	2281.88	Feb 20	2297.30
Feb 14	2277.06	Feb 21	2300.01
Feb 15	2282.38	Feb 22	2310.13
Feb 16	2284.05	Feb 23	2305.42
Feb 17	2291.72	Feb 24	2305.43
Feb 27	2298.67	Mar 6	2301.94
Feb 28	2309.77	Mar 7	2302.27
Mar 1	2306.08	Mar 8	2296.26
Mar 2	2305.26	Mar 9	2299.85
Mar 3	2302.27	Mar 10	2299.58

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