

Market Analysis

Inside Market Analysis

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Summary and Recommended Investment Strategy.

World stockmarkets have suffered a normal and fairly common major correction. At this stage there is no reason to change our investment strategy. Remain fully invested.

Investment Outlook.

An average of 10-15 times each decade, stockmarkets will suffer a major correction. This is what has happened over the last month or two, dragging both the New Zealand and Australian stockmarkets lower.

Perhaps 20% of the time a major correction will continue and become a major decline. About 80% of the time the stockmarket turns around and continues up to new highs. Stockmarkets have been rising for the last three years, so the risk of a major decline *may* be greater than 20%.

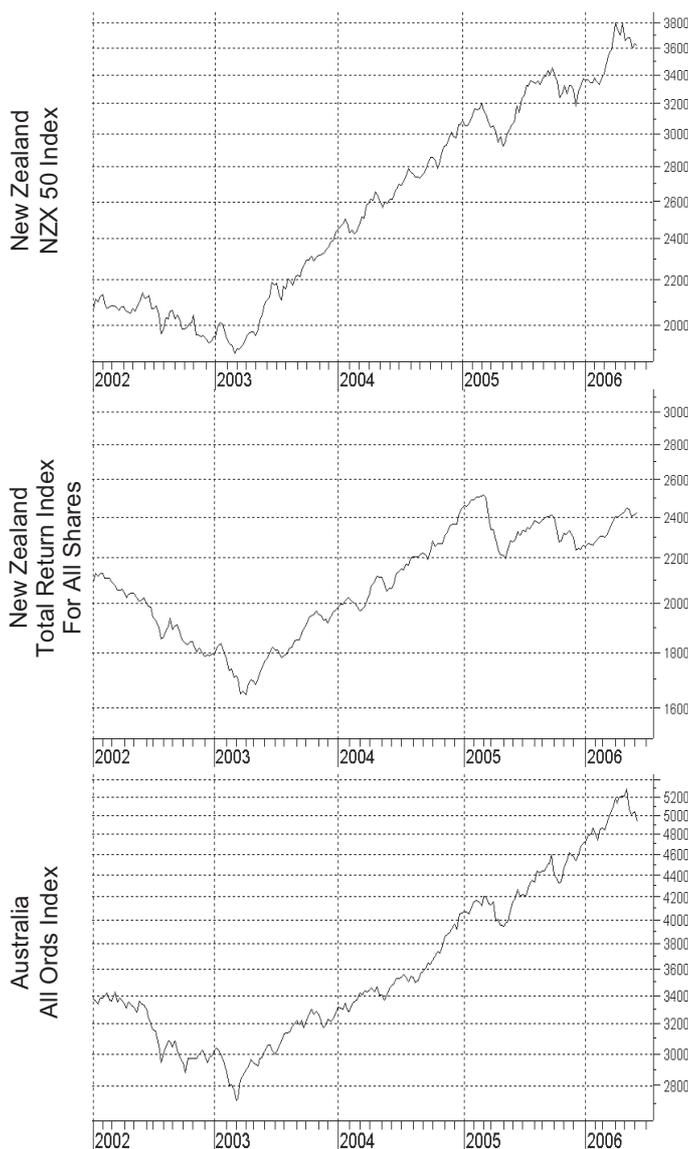
On the other hand, share valuations in NZ and Australia are reasonably attractive. There are few if any signs of the excessive optimism that is normally associated with a stockmarket peak. In fact, investor sentiment is quite pessimistic with investors able to worry about slowing economic growth, rising interest rates, inflation driven by oil and commodity prices and, if that isn't enough, there is also Bird Flu!

Anyone looking for a reason to sell shares will have *already sold out*. They will have invested in oil futures (helping to inflate prices) or gold coins, re-excavated their 1960's fallout shelter and stocked it with food and black market tamiflu capsules bought over the internet.

Our Forecasts for the Australian stockmarket are Neutral, while our Forecasts for the NZ stockmarket are Bullish. So for the present we see no need to change our investment strategy and will remain fully invested in the recommended shares.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	40% (Neutral)	53% (Neutral)
New Zealand:	66% (Bullish)	66% (Bullish)



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.

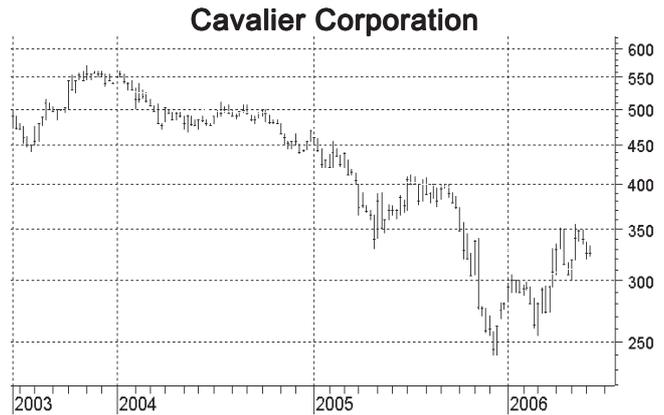
	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A2 Corporation	E	6.0	8.70	NE	Nil	ING Property	C	118	9.08	15	8.4	Provenco Group	C	90	0.79	11	5.0
ABS Canterbury	C	430	1.29	15	4.9	Infratil NZ	C	405	2.94	NE	4.6	Pumpkin Patch	B	418	2.48	28	2.9
AMP Limited	A	1030	1.41	21	3.5	Jasons Media	D	48	N/A	NE	Nil	Pyne Gould Corp	B	425	0.90	11	6.3
AMP Onyx Mgmt	C	105	5.49	14	7.0	Just Water Int.	D	86	2.82	18	5.6	Rakon Ltd	C	313	4.47	69	Nil
AXA Asia Pac.	B	685	2.14	19	2.3	KidiCorp	D	17	1.26	NE	Nil	Renaissance	C	134	0.33	10	11.1
Abano Health.	D	112	0.45	NE	Nil	Kingfish Ltd	A	122	3.04	4	3.1	Restaurant Brds	C	122	0.37	11	12.2
Affco Holdings	E	37	0.19	9	2.7	Kirkcaldie & St	B	265	0.61	22	4.5	Richina Pacific	E	49	0.09	NE	Nil
Air New Zealand	B	120	0.33	7	6.2	Kiwi Property	C	129	N/A	13	7.1	Rubicon Limited	E	93	0.57	NE	Nil
Akd Int Airport	C	221	9.56	26	5.5	Life Pharmacy	D	80	3.75	20	5.1	Ryman Health.	A	815	5.71	23	2.1
Allied Farmers	B	235	0.50	13	6.7	Lion Nathan Ltd	B	901	2.46	20	3.9	Salvus Strat.	C	75	8.97	17	4.0
Allied Work.	A	149	0.52	13	10.0	Livestock Imp.	C	136	0.42	8	14.6	Sanford Limited	B	510	1.30	16	6.4
Apple Fields	D	2.9	N/A	NE	Nil	Loan & Building	B	436	1.30	14	5.1	Satara Co-op	C	130	0.67	NE	3.4
Blis Technology	E	9.5	N/A	NE	Nil	Lombard Group	E	2.4	N/A	NE	Nil	Savoy Equities	E	2.8	N/A	93	Nil
Blue Chip Fin.	C	75	0.72	6	Nil	Lytelton Port	C	205	3.15	18	8.0	Scott Tech. Ltd	E	225	1.39	NE	2.7
Botry-Zen Ltd	E	5.2	N/A	NE	Nil	MDSnews	E	0.3	N/A	NE	Nil	Sealegs Corp	E	23	4.69	NE	Nil
Brierley Invest	C	133	2.81	14	3.1	MG Property Trt	D	123	N/A	18	8.0	Seeka Kiwifruit	B	400	0.49	11	7.5
Briscoe Group	B	148	0.91	12	7.6	Mainfreight Grp	A	535	0.60	38	1.8	Skellerup Hold.	B	129	1.09	10	8.1
Broadway Ind	C	68	0.32	14	7.3	Media Tech.	D	8.0	0.34	NE	Nil	Sky City Ltd	B	542	3.31	22	6.6
CACI Group Ltd	D	24	0.31	55	Nil	Methven Limited	B	146	1.28	11	9.4	Sky Network TV	D	577	4.59	22	Nil
CDL Investments	E	35	3.01	8	8.5	Metro. LifeCare	A	528	N/A	21	0.4	Smartpay NZ Ltd	C	7.3	N/A	NE	Nil
Cabletalk Group	D	42	0.37	13	7.1	Michael Hill	B	770	1.09	18	4.5	Smiths City	C	61	0.14	4	8.2
Cadmus Tech Ltd	D	22	2.62	NE	Nil	Mid-Cap Index	C	283	N/A	NE	Nil	Software of Exc	C	125	1.31	NE	Nil
Calan Hlthcare	C	121	9.99	18	7.0	Mike Pero Mort.	C	100	1.89	15	9.0	Sol. Dynamics	D	54	0.40	NE	Nil
CanWest Media.	D	163	1.48	28	5.8	Millennium & C.	D	61	1.24	8	5.1	South Port NZ	B	148	2.88	20	6.6
Cavalier Corp	C	325	1.02	11	12.4	Mooring Systems	D	409	N/A	NE	Nil	Speirs Group	B	106	0.20	10	11.3
Cert Organics	E	4.9	2.21	NE	Nil	Mowbray Collect	D	155	4.25	NE	2.9	Steel & Tube	B	445	0.89	11	10.7
Charlie's Group	E	12	1.29	NE	Nil	Mr Chips Hold	C	95	0.66	16	6.3	Sthn Travel	B	48	0.16	6	19.9
Col Motor Co	C	290	0.20	10	11.3	NZ Exchange	D	30	1.34	14	10.0	Summit Gold Ltd*	N/R	128	N/A	NE	Nil
Comvita	A	310	N/A	25	2.4	NZ Exchange Ltd	A	940	5.85	25	4.0	Tag Pacific Ltd	C	35	0.39	8	1.6
Connexion	E	38	2.23	56	Nil	NZ Finance Hold	C	140	4.43	28	1.3	Taylor Grp Ltd	B	178	0.66	12	10.9
Contact Energy	B	787	3.55	31	4.7	NZ Invest Trust	B	929	N/A	NE	0.9	TeamTalk Ltd	C	240	2.40	16	11.2
Cynotech Hold.	E	10	0.98	8	7.5	NZ Oil and Gas *	N/R	97	N/A	NE	Nil	Telecom Corp	C	444	1.51	9	12.9
Delegat's Group	D	200	N/A	NE	Nil	NZ Refining Co	B	668	4.39	11	7.3	Tenon Ltd	C	360	0.60	9	Nil
Dominion Fin.	B	140	2.78	10	8.1	NZ Wine Company	C	198	1.90	19	3.8	Toll NZ Ltd	C	340	1.05	17	Nil
Dorchester Pac	B	215	0.60	8	7.6	NZ Windfarms	D	130	N/A	NE	Nil	Tourism Hold.	C	179	0.99	17	9.2
Eastern Hi-Fi	C	72	0.40	13	12.4	NZ Wool Service	D	48	0.28	34	3.1	Tower Limited	B	321	1.02	12	Nil
Ebos Group Ltd	B	500	0.49	15	6.4	NZSX 10 Fund	D	120	N/A	NE	Nil	Training Sol.	E	0.1	1.00	NE	Nil
Evergreen	D	32	1.52	NE	Nil	NZSX 50 Port.	C	180	N/A	NE	Nil	Trans-Tasman	E	46	3.51	78	Nil
F & P Appliance	A	453	0.99	19	5.9	NZX Aust MidCap	C	601	N/A	NE	Nil	Trust Power Ltd	B	681	3.17	26	5.0
F & P Health.	A	452	7.10	33	4.1	Nat Property Tr	D	70	4.75	14	13.0	Turners & Grow.	C	249	0.38	14	Nil
Feltex Ltd	C	39	0.19	5	23.0	New Image Group	D	3.0	0.85	NE	Nil	Turners Auction	C	203	0.70	11	10.3
Finzsoft Sol'ns	C	116	1.22	19	Nil	Northland Port	B	277	N/A	15	5.4	Utilico Int'l	D	47	3.02	NE	Nil
Fletcher Build.	A	863	0.86	12	5.5	Nuplex Indust	A	634	0.52	17	6.2	VTL Group Ltd	D	52	0.55	8	6.4
Forty Two Below	E	54	N/A	NE	Nil	Opio Forestry	D	91	N/A	38	Nil	Vector Ltd	D	251	2.16	46	Nil
Freightways Ltd	A	370	1.99	21	6.5	Oyster Bay	C	218	2.74	37	4.6	WN Drive Tech.	D	44	N/A	NE	Nil
GDC Communicat.	E	1.0	0.01	NE	Nil	Ozzy (Tortis)	C	315	N/A	NE	Nil	Wakefield Hlth	B	625	1.73	25	3.3
Genesis Res.	E	32	3.23	NE	Nil	PGG Wrightsons	C	211	0.77	14	6.4	Warehouse Group	B	500	0.69	39	4.3
Guinness Peat	C	270	0.82	10	1.0	POD Ltd	C	49	0.19	5	9.1	Waste Mgmt NZ	A	860	3.43	28	5.3
Gullivers Trv.	B	238	0.39	31	3.5	Pac Edge Bio.	E	19	N/A	NE	Nil	Widespread Port*	N/R	2.3	N/A	NE	Nil
Hallenstein G.	B	510	1.62	16	8.8	Pacific Retail	E	160	0.10	NE	Nil	Windflow Tech.	D	248	N/A	NE	Nil
Hellaby Hold.	C	471	0.59	11	12.4	Plus SMS Hold.	D	54	N/A	NE	Nil	Wool Equities	E	56	0.61	NE	Nil
Heritage Gold *	N/R	6.0	N/A	NE	Nil	Port Tauranga	B	512	4.71	20	5.8	World Index Fd	D	138	N/A	NE	Nil
Hirequip NZ Ltd	C	97	1.12	12	5.8	Postie Plus Grp	C	76	0.27	18	5.9	Zintel Comm.	D	70	0.99	10	7.4
Horizon Energy	B	415	3.87	13	7.2	Property F Ind.	C	131	N/A	20	6.4	Ave of 161 Cos	C	228	0.50	19	4.3
ABB Grain Ltd	B	714	0.91	57	2.4	DCA Group Ltd	B	277	1.72	71	2.5	Pacific Brands	B	213	0.69	18	7.0
ABC Learning	B	673	5.76	32	1.6	David Jones	C	288	0.68	16	4.5	Paladin Res.	C	402	N/A	NE	Nil
AMP Ltd	B	878	1.37	20	3.6	Deutsche Div Tr	C	131	6.10	14	7.1	Paperlin X Ltd	B	313	0.18	8	8.1
ANZ Bank	A	2630	5.15	34	3.8	Div. Utility	B	290	1.59	20	7.6	Patrick Corp	A	890	2.57	36	0.9
APN News Media	B	505	1.77	16	4.8	Downer EDI Ltd	B	772	0.59	22	2.3	Perpetual Ltd	A	6712	6.22	23	3.9
AWB Limited	B	407	0.27	9	7.1	Energy Resource	A	1142	8.19	54	1.5	Primary Health	B	1160	6.76	49	2.2
AXA Asia Pac	B	576	2.04	19	2.4	Excel Coal Ltd	A	760	4.19	16	3.2	Promina Group	B	565	1.47	12	4.2
Adelaide Bank	B	1243	4.13	15	4.3	Fairfax (John)	B	382	1.87	14	4.8	Publishing & Br	A	1816	3.48	25	2.9
Adelaide Bright	B	250	1.89	15	6.5	Fortescue Metal	D	706	N/A	NE	Nil	Q.B.E. Insur.	B	2163	1.37	16	3.3
Alinta Limited	B	1055	2.58	27	4.2	Foster's Group	C	556	2.80	12	3.6	Qantas Airways	C	318	0.48	8	6.3
Alumina Ltd	B	645	N/A	24	3.1	Futuris Corp.	C	216	0.45	16	4.2	Ramsay Health	B	996	1.17	56	2.0
Amcor Ltd	C	670	0.53	13	5.1	GPT Group	B	424	7.23	15	5.8	Record Invest.	A	1094	N/A	37	2.8
Ansell Ltd	B	944	1.36	NE	1.5	Gandel R. (CFS)	C	194	N/A	19	5.4	Reece Australia	B	1540	1.52	20	2.5
Aquarius Plat.	A	1605	5.90	63	0.5	Gt Sthn Plant'n	B	391	3.63	9	3.6	Rinker Group	B	1690	2.32	16	2.2
Argo Investment	B	696	N/A	31	3.0	Guinness Peat	B	226	0.78	10	1.0	Rio Tinto Ltd	B	7377	5.33	27	1.4
Aristocrat Leis	A	1308	4.67	25	2.3	Harvey Norman	B	399	3.28	25	1.6	Rural Press Ltd	B	1075	2.24	11	4.0
Aust Foundation	B	455	N/A	26	3.5	Henderson Group	B	182	1.83	10	1.8	SFE Corporation	A	1570	8.19	31	2.8
Aust Stock Exch	B	3025	N/A	29	3.1	ING Office Fund	B	138	7.60	13	7.4	Santos Ltd	B	1109	2.55	9	3.4
Aust Gas Light	C	1779	1.65	10	3.5	ING Indust Trt	B	216	N/A	16	6.8	Seek Ltd	B	450	N/A	66	0.2
Aust Pipeline	B	420	3.10	17	5.4	Iluka Resources	B	648	1.51	11	3.4	Seven Network	C	846	1.47	20	2.8
Austar United	B	120	3.14	24	Nil	Incitec Pivot	A	2171	1.17	NE	0.7	Sigma Pharm.	B	249	1.09	33	2.7
Australand Prop	B	215	1.24	10	7.7	Insurance Aust.	B	555	1.14	NE	4.8	Sims Group Ltd	A	1815	0.64	9	7.7
B & B Infrastr.	C	165	3.73	NE	6.5	Investa Prop.	B	225	3.45	14	7.3	Smorgon Steel	B	131	0.39	13	6.5
BHP Billiton	A	2673	2.27	11	1.4	James Hardie	B	799	1.91	14	1.3	Sonic Health	C	1400	2.78	50	1.6
Babcock & Brown	A	2000	5.54	26	0.7	Leighton Hold	B	1758	0.75	23	2.8	Soul Pattinson	B	823	1.54	5	3.0
Bank of Q'land	B	1350	1.60	15	3.6	Lend Lease Corp	B	1438	0.60	27	4.0	Spotless Group	B	499	0.39	19	4.8
Bendigo Bank	B	1215	1.80	19	3.3	Lihir Gold	C	271	8.63	NE	Nil	St George Bank	B	2935	2.65	17	4.7
Billabong Int'l	C	1425	3.45	23	2.7	Lionore Mining	C	640	2.46	13	Nil	Stockland	B	721	5.41	23	6.5
Bluescope Steel	B	796	0.71	6	5.3	Macquarie C'Wde	B	195	N/A	19	7.6	Suncorp-Metway	B	1890	1.50	13	4.6
Boral Limited	B	875	1.17	13	3.9	Macquarie Off.	B	136	N/A	18	7.9	Symbion Health	B	316	0.51	25	3.5
Brambles Ind.	B	1080	2.34	60	0.9	Macquarie Good.	A	600	N/A	NE	2.9	Tabcorp Holding	B	1520	1.93	22	5.3
Brickworks Ltd	B	1225	2.87	8	2.5	Macquarie Infra	B	353	1.73	8	22.0	Tattersall's	E	282	9.73	NE	Nil
Burns Philp	C	96	0.77	25	2.4	Macquarie Air.	B	323	3.69	8	6.2	Telstra	B	375	2.09		

Recommended Investments

CDL Investments expects its first half result to be similar to 2005 but is unwilling to predict its second half profit owing to the slowdown in the property market. Nevertheless, the company has recently entered a contract to purchase a further 24.8 hectares in Christchurch for future development.

Cavalier Corporation shares remain a "Buy" for high income and capital appreciation as the shares recover over the next couple of years.

Lyttelton Port Company will not pay the interim dividend which was deferred at the time of the takeover from **Christchurch City Holdings (CCH)**. The Lyttelton Port Company directors are "reassessing the company's long term strategy, future direction and dividend policy". A new dividend policy will be announced with the



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Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation		Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
			- Date -	Price									
NZ Shares													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	210.6	1.5	3.01	8	8.5	35	13.3	+93%
BUY	Cavalier Corporation	CAV	05/12/95	156*	C	65.5	0.5	1.02	11	12.4	325	178.0	+222%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.5	0.20	10	11.3	290	292.8	+289%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.6	3.15	18	8.0	205	54.3	+73%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.7	0.4	1.09	18	4.5	770	182.0	+1969%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	A	76.7	0.5	0.52	17	6.2	634	141.5	+122%
BUY	Postie Plus Group	PPG	08/05/06	71	C	40.0	1.0	0.27	18	5.9	76	Nil	+7%
BUY	Renaissance Corp	RNS	13/08/96	85*	C	38.5	0.8	0.33	10	11.1	134	35.9	+100%
HOLD	Richina Pacific	RPL	03/11/95	94*	E	151.2	1.3	0.09	NE	Nil	49	11.4	-36%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.8	2.88	20	6.6	148	84.3	+94%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.1	0.5	0.89	11	10.7	445	147.0	+305%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.7	0.66	12	10.9	178	56.0	+129%
Australia (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	51.6	1.0	0.55	NE	4.4	80	20.5	-16%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	1.5	2.90	15	3.0	34	8.0	-43%
HOLD	Austin Group Ltd	ATG	08/02/05	93	B	62.2	1.4	0.40	6	15.2	40	7.0	-50%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	406*	B	51.0	0.4	1.62	24	3.0	1670	192.6	+359%
BUY	Candle Australia	CND	08/04/03	86	A	45.9	0.7	0.61	20	3.7	310	31.5	+297%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	B	51.0	1.0	0.10	10	6.0	117	31.5	-2%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	B	268.5	0.5	1.36	17	4.0	328	19.0	+396%
HOLD	Circadian Technologies	CIR	10/02/04	188	D	40.1	1.0	0.97	0	Nil	114	65.0	-5%
HOLD	Commander Comm.	CDR	11/09/01	92	B	170.2	0.9	0.58	15	2.9	210	17.2	+147%
BUY	Computershare Ltd	CPU	12/08/03	189	A	594.9	0.6	4.11	45	1.4	772	27.5	+323%
BUY	Ellex Medical Lasers	ELX	14/03/06	49	C	61.2	1.4	1.31	NE	Nil	61	Nil	+24%
HOLD+	Int'l AllSports	IAS	11/02/03	180	E	66.4	1.5	0.04	NE	Nil	35	4.0	-79%
HOLD+	Iluka Resources Ltd	ILU	12/10/04	471	B	232.9	0.7	1.51	11	3.4	648	34.0	+45%
HOLD	Keycorp Ltd	KYC	10/08/04	123*	C	81.6	1.2	0.60	13	Nil	103	Nil	-16%
HOLD+	LongReach Group Ltd	LRX	11/01/05	23½	C	174.5	3.4	0.32	52	Nil	7	Nil	-72%
BUY	Melbourne IT	MLB	10/02/04	53	B	54.3	0.7	1.45	20	3.9	193	15.0	+292%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	C	392.4	1.0	2.05	20	3.2	86	6.3	+9%
BUY	Namoi Cotton Co-op Ltd	NAM	14/03/06	65	C	112.7	1.1	0.22	6	9.5	69	Nil	+5%
HOLD	Ross Human Directions	RHD	14/08/01	92	B	81.7	1.4	0.10	7	9.5	42	23.0	-29%
HOLD-	Skilled Engineering	SKE	12/03/02	126	B	100.5	0.5	0.53	33	3.6	442	64.5	+302%
HOLD	Sonnet Corporation	SNN	07/09/04	31½	C	137.3	3.4	0.24	4	23.4	6	3.0	-71%
HOLD+	Technology One Ltd	TNE	11/11/03	44	A	299.4	1.2	3.49	19	4.8	65	7.4	+64%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	25.1	0.7	0.73	21	2.9	595	30.0	+143%
HOLD	UXC Limited	UXC	11/01/00	55*	B	161.4	0.9	0.64	13	5.8	96	32.0	+132%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	179.4	0.8	1.90	51	2.3	180	34.5	+211%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +154.7%. This is equal to an average annual rate of +29.9%, 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 133 closed out) is +32.4%, compared with a market gain of +8.8% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues. * Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

Recommended Investments

(Continued from Page 3)

annual result to June, which should be released in August.

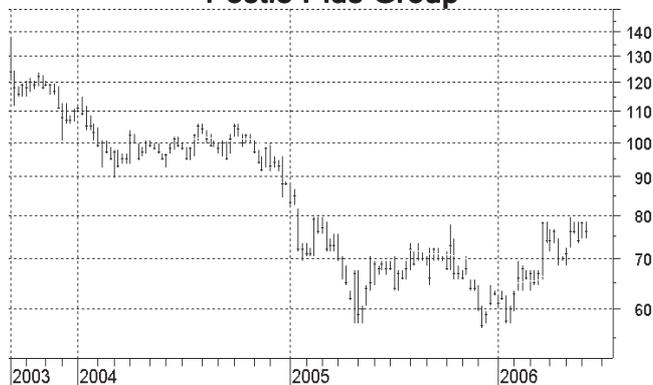
This dividend cut is widely seen as a way to punish **Port Otago** and minority shareholders for not accepting the takeover offer. CCH has gone out of its way to point out that the dividend decision “was entirely that of the port's board” and that CCH did not seek to influence that decision. The port's board is, of course, controlled by CCH which owns 74.06% of the company and a controlling shareholder does not need to use *influence* to get exactly the decision it requires!

The payment or not of the dividend, however, has little impact upon the value of a company. Private investors often prefer high cash dividends (although will often subscribe for a dividend re-investment scheme, when available) but if the funds are retained in the company they strengthen the balance sheet, reduce debts and improve future profit growth. So the non-payment of a dividend should *increase* the capital value of the shares.

CCH also “remains hopeful” of making a deal with **Hutchinson Port Holdings** over a port joint venture. “Hold”.

Postie Plus Group lifted revenues 4.2% to \$29.25 million for the quarter ended 30 April, despite sales for the month of April falling owing to “an abruptly lower level of consumer demand”. The company has also indicated that it may end the year short of its pre-tax profit forecast of \$5 million. “Buy”.

Postie Plus Group



Renaissance Corporation reports year to date sales “ahead of last year” and predicts a 20% increase in profits for the current year to December 2006. For the year to December 2005 profits grew 111% to \$5,055,000 - so *any* increase this year would be a very good result.

The company's major shareholder has recently sold its 26.2% holding through a placement at 130 cents. This could encourage institutions to increase their holdings and buy further shares on-market.

At 134 cents, Renaissance Corporation shares trade on a low Price/Earnings ratio of 10 and offer a high gross Dividend Yield of 11.1%. That low valuation and continued profit growth could see the shares re-rated strongly over the next year. Therefore we are upgrading our recommendation to a “Buy”.

Richina Pacific reports first quarter revenues down about 2% to US\$105 million. Owing to restructuring

costs the company also reported a small *loss* of US\$335,000 compared with a US\$138,000 profit in the first quarter of 2005. The March quarter is the seasonal low for revenues and profits.

Over the next two years Richina Pacific will focus upon real estate development and financial services in China. The company is looking at several “sizeable projects” which will require “significant funding”. Therefore the company needs to pre-sell these projects and arrange funding *prior* to any construction. In Zhouzhuang the company has a site with 168 metres of water frontage suitable for a high-end resort hotel. In Shanghai it has two adjacent sites which would be suitable for an office building and a boutique hotel.

Richina Pacific is a Bermuda registered company, so *shareholders* are *currently* subject to the unrealised capital gains tax on investments over \$50,000. This exemption allows most investors to avoid this penalty tax on “tax haven” country investments. Under the new foreign investment tax, however, the unrealised capital gains taxes will apply to all shares from countries excluding NZ and Australia. So investors seeking to remain below the exemption to the new rules will need to ensure their total investments in Richina Pacific and UK shares and other foreign shares remain below the unchanged \$50,000 limit. In some cases that may require investors to choose between their investment in Richina Pacific and other international investments - and in that situation we would probably favour the diversification offered by UK investment trusts.

Australian Shares

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

Atlas Pacific is predicting strong profit growth for the current financial year to December 2006. Profits are forecast to rise over 50% to around \$3.0 million (3.4 cents per share). Atlas Pacific has also announced an early interim dividend of 1.5 cents, to be paid 26 June, which exceeds the total 2005 dividend of 1.0 cent. This large, early dividend is a strong indication of financial improvement in the business.

Atlas Pacific also reports achieving “key milestones” in its genetic research which has enabled it to identify pearl pedigrees. Oysters with the highest genetic diversity are being bred with those selected for specific traits. During the 2006/2007 breeding season this knowledge will seek to improve growth and survival rates among the new juvenile oysters. Future research will focus upon pearl production characteristics of the different genetic groups.

Atlas Pacific is also making steady progress in manufacturing jewellery and marketing its own products. The *North Bali Pearls* centre was opened in August 2005 but is “small in scale” and has “not added significantly to profits to date”. The company hopes to better exploit its potential this year with improved jewellery production, improved marketing and better staff training.

The new *Nusa Lembongan Pearl Centre* in South Bali - opened in April this year - has been more successful. Annual turnover is expected to exceed \$1 million within a year with “retail margin significantly higher” than in

the wholesale pearl business.

The company also seeks to launch its *Atlas South Sea Pearl* brand and to change its name to **Atlas South Sea Pearl Ltd.** These shares remain a “Buy”.

Atlas Pacific



Campbell Brothers has reported strong revenues and profit growth for the year to 31 March 2006. Revenues rose 20.1% to \$523.6 million with profits up 28.8% to \$34,843,000 (68.3 cents per share). The final dividend will be 20.8% higher at 29 cents, lifting the annual dividend 19.0% to 50.0 cents.

The cash operating surplus rose 48% to \$46.5 million.

The ALS Laboratory Group lifted revenues 33% to \$208.9 million and earnings 33% to \$47.3 million. This is 40% of group revenues and 72% of group earnings. With two major acquisitions and several new laboratories the importance of this division will continue to increase.

“Continued earnings growth” is expected over the next year from “both organic growth”, with new laboratories planned in China, Russia and Africa, and “planned acquisitions”. Mining and mineral expenditure is expected to remain high - continuing the favourable environment for the Laboratory business - with exploration in Australia expected to remain high until at least March 2008. Mineral testing currently creates around 50% of revenues for the Laboratory division, but the long term goal is to significantly expand environmental testing services to reduce minerals to about 20% of revenues.

Campbell Brothers currently has interest bearing debts of \$121.3 million, compared with Shareholders Equity of \$255.0 million, plus cash of \$35.6 million. The company is “comfortable” borrowing up to \$255 million - so cash on hand and additional borrowings could finance acquisitions or other investments up to about \$170 million.

Last Friday, Campbell Brothers announced its intention to make a \$41 million takeover of listed **CCI Holdings**, offering 31 cents per share. CCI Holdings provides a wide range of services to the coal mining industry, including ten laboratories in Australia involved in coal testing and environmental services. This business has performed poorly in the past, but now appears to be in a recovery stage and is developing a “new strategic plan” for the next five years involving “significant growth” in the core business and “new activities”. For the half year to December 2005, CCI Holdings reported a profit of \$1,448,022 from revenues of \$29.2 million. If this performance continues for the full year then Campbell

Brothers will be acquiring this business on a Price/Sales ratio of 0.70 and a Price/Earnings ratio of 14.

Campbell Brothers shares have performed very strongly over recent years and this investment has been one of the best ways to profit from the commodity boom - without the risk of investing directly in volatile exploration or mining companies. The shares currently trade on a Price/Earnings ratio of 24 and a Dividend Yield of 3.0% - so are no longer *cheap*. The company, however, should be able to generate further strong growth from the commodity boom over at least the next two years, while medium to long term there is excellent potential to grow its environmental testing laboratory services.

The major reason we originally bought into Campbell Brothers 6½ years ago was that Laboratory services is a business with strong economies of scale and potentially high profit margins and the ability to generate high “free” cashflows. Global expansion over recent years further improves the company's ability to exploit these economies of scale (i.e. to better utilise facilities, spread knowledge and skills throughout a large network of laboratories). So despite the strong gains already earned and the higher valuation of the shares, Campbell Brothers has good potential to yield *further* above average investment returns and is well on its way to becoming a ten-bagger investment. “Hold+”.

Campbell Brothers



Circadian Technologies has increased its holding in **Avexa**, acquiring 5,000,000 shares in a placement at 24 cents and 4,783,073 shares in a 1 for 4 cash issue at 24 cents. This increases its holding from 14,132,292 shares (15.31% of the company) to 23,915,365 shares (but only 12.09% of the enlarged capital).

Commander Communications' recently acquired **Volante Group** is one of six bidders short-listed to tender to provide computer and communications services at 460 sites for the **Department of Defence** under the second phase of the department's technology outsourcing program. **Kaz Technology Services**, which won a \$200 million core systems outsourcing contract last year, is also short-listed for this tender. A decision on the preferred tenderer is not expected until December 2006.

Computershare has entered a “global strategic alliance” with **Thomson Financial**. This will involve Computershare selling its *Analytics* business to Thomson Financial, the co-developing new products and services and cross-selling. Thomson Financial will market the *Georgeson* proxy solicitation (Continued on Page 6)

Recommended Investments

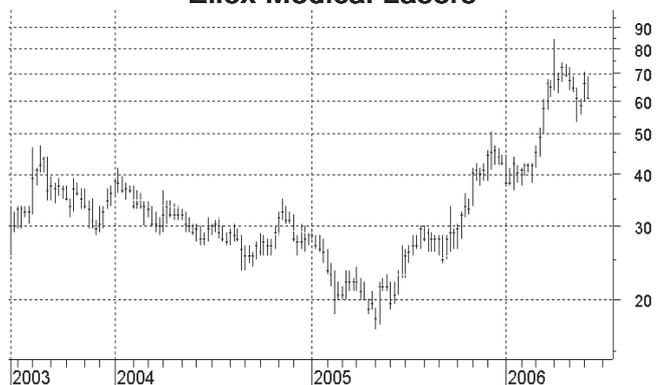
(Continued from Page 5)

services to its clients and Computershare will market Thomson Financial's investor relations services.

Ellex Medical Lasers is a small emerging company that we believe has the potential to perform very strongly over the next several years. The share price rose strongly following our initial recommendation in March - partly in response to buying by subscribers but also as a result of favourable news (i.e. a new product release) and a company presentation to an investment conference.

In April, with the shares around 70 cents we rated the shares a "strong Buy in the low 60's". The recent correction took the shares as low as 54 cents, presenting the opportunity to add to holdings in this company at attractive prices. The shares are currently at 61 cents where we rate them a "Buy".

Ellex Medical Lasers



Keycorp is to sell its e-commerce business **Camtech** to **SecurePay** for \$2.2 million in cash. Camtech is a "major player" for secure e-commerce payment services for online credit card payments. This is no longer a core business for Keycorp.

LongReach Group and listed **Allied Technologies** are to merge via a scheme of arrangement where Allied Technologies will offer one share for every 2½ shares of LongReach Group. Allied Technologies will also create new convertible notes (on the same terms as the existing LongReach notes, except with a par value of 30 cents instead of 12 cents) and offer one of these new notes for every 2½ LongReach Group notes.

Investors should note that this is effectively a "reverse takeover" of Allied Technologies by LongReach Group. LongReach Group shareholders will own 57% of the combined company and a greater percentage when the notes convert to ordinary shares. The takeover will also effectively consolidate every 2½ shares into one new share and every 2½ notes into one new note.

Allied Technologies is a cash-rich company having sold its main business, **TUSC Computer Systems** to **Ericsson Australia** in November 2005 for \$9.5 million in cash and will sell one of its two remaining businesses, **Allied Technologies Australia**, in July for \$2.35 million. Over recent months the company has re-purchased 534,705 of its own shares on-market for \$119,188 (about 22.3 cents per share).

Following the sale in July, Allied Technologies will have around \$10.5 million in cash (19.8 cents per share). Interest bearing debts are about \$3.2 million (6.0 cents

per share) and it owns **Servicepoint**, which is involved in video conferencing, managed and bureau services and consulting.

So effectively LongReach Group is raising additional equity and cash through this reverse takeover. The challenge remains to use this cash to finance growth in its current business or to finance the acquisition of attractive businesses.

The reverse takeover does, however, significantly improve the attractiveness of the October 2008 convertible notes (code LRXGA). LongReach Group should have no trouble financing the annual interest payments of 1.2 cents or repaying these notes in cash at 12 cents on 31 October 2008. The market for the notes is very thin, but some are currently offered at 9½ cents - although investors can probably acquire the notes at prices around 8-8½ cents. At 9½ cents the notes offer a 12.6% annual interest income for 2½ years and a 26% capital gain if redeemed in cash. This is an attractive high-yield investment with the potential for additional capital appreciation if the shares recover above 12 cents.

If the LongReach Group share price recovers, then an investor can choose to convert the notes to ordinary shares in October 2008. If that conversion is made prior to 30 April 2007 then every two notes will convert into two ordinary shares plus one additional option to buy a third share at 12 cents until 31 October 2008. The reverse takeover will not change any of these terms, except that 2½ notes will become one Allied Technologies note with a redemption value of 30 cents.

At this stage, the cash redemption at 12 cents (i.e. 30 cents after the consolidation) appears to be the best option and the company's ability to make that cash redemption improves with this merger. If the share price recovers over the next 10-28 months then converting the notes to shares could yield a higher capital gain.

LongReach Group



Melbourne IT is to take over **WebCentral Group** via a scheme of arrangement which will offer either (A) three MLB shares and 378 cents cash for every six WCG shares or (B) two MLB shares and 558 cents for every six shares. Option A is more attractive with Melbourne IT shares trading above 180 cents.

WebCentral - previously called **FTR Holdings** (and reviewed by this newsletter in October 2003) - is Australia's largest web hosting company and the global leader in recording systems for courtrooms.

While there are some synergies and cross-selling opportunities between Melbourne It and the webhosting

business, the companies also seek cost savings through shared overheads and by combining their technical skills.

Combining the two companies will improve Melbourne IT's revenues and earnings *per share*. The issued capital will increase 40% to 77 million shares, but revenues will increase 80% to over \$130 million and net profits will rise 60-65% to \$8.5-8.8 million. So earnings per share will increase at least 15% *before* any cost savings or synergies.

Combining two smaller companies will also increase the market capitalisation to around \$150 million - where the shares are more likely to be *discovered* by institutional investors. Part of our investment strategy involves buying *neglected* shares with little or no institutional ownership. *If* a company grows strongly then there is the potential that institutional investors will *discover* the shares and start buying and that can significantly inflate the value of our investment. So Melbourne IT shares remain an attractive "Buy" and hold investment.

Melbourne IT



Sonnet Corporation is predicting earnings (before interest, depreciation and amortisation) between a *loss* of \$200,000 and a profit of \$500,000 for the period to June 2006. This is then expected to recover to earnings of \$2.0-2.5 million for the year to June 2007.

Further to an announcement in April, Sonnet Corporation has arranged further favourable terms for its debt to **Vodafone**. The principal of the debt has been reduced by Vodafone by \$2.75 million to \$5.2 million (after the recent repayment of \$500,000) and this will be interest free over the extended repayment schedule to 2010.

UXC has agreed to acquire the implementation division of **eOne Integrated Business Solutions** which specialises in providing *Microsoft Business Solutions Dynamics GP* product suite services.

Vision Systems is to acquire "a number of high value reagent products, including the market leading *PowerVision* polymer based visualisation product" with the acquisition of the business and assets of US based private company **ImmunoVision Technologies Inc**. The total acquisition price of A\$66.6 million will consist of an initial deposit of A\$13.3 million and annual payments of \$13.3 million over the next four years. The

business is expected to contribute earnings (before tax) of A\$6 million to June 2007, growing to \$10 million in 2010.

This acquisition is therefore priced at about 22 times current profits - which should prove a very attractive valuation if the business achieves its expected 20% future growth rate. The acquisition also "ensures the reliability of supply of a key component" for the company's *Bond* system.

Vision Systems



Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Allied Workforce	3.20	30-06	10-07	Full
Cabletalk Group	2.00	07-07	21-07	Full
Dorchester Pacific	6.25	16-06	30-06	Full
Dominion Finance	4.9028	26-05	-	Full
Eastern Hi-Fi	3.20	30-06	10-07	Full
Fisher & Paykel Appliances	9.00	12-06	20-06	Full
Fisher & Paykel Healthcare	7.00	19-06	28-06	Full
Gullivers Travel	5.538	14-06	30-06	Full
ING Property	2.4875	09-06	16-06	Nil
Infratil	7.5	01-06	12-06	Full
Kingfish	2.50	02-06	16-06	Full
Life Pharmacy	2.24	21-07	28-07	Full
Methven Ltd	5.09	23-06	30-06	Full
Mowbray Collectibles	3.00	28-07	04-08	Full
Ryman Healthcare	9.00	09-06	23-06	Nil
Sanford Ltd	9.00	09-06	21-06	Full
Seeka Kiwifruit	10.00	09-06	10-07	Ful
Spiers Group	3.00	16-06	26-06	Full
Trustpower	12.00	26-05	09-06	Full
Wakefield Hospital	8.00	19-06	26-06	Full
Australian Shares				
Atlas Pacific	1.50	09-06	20-06	
Namoi Cotton	3.50	19-06	20-07	

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

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-sell	Broker's Following	Price to NTA	Return on Equity	Volatility	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Postie Plus Grp	76	+7.8	+2.1	29	0-0	1	1.1	6	1.0	18	5.9	0.27	30
NZ Wool Service	48	+2.4	+2.4	47	2-0	-	1.2	4	1.3	34	3.1	0.28	33
Renaissance	134	+1.4	-4.4	53	1-5	-	4.6	45	0.8	10	11.1	0.33	52
Gullivers Trv.	238	+20.4	+9.5	5	0-0	-	1.5	5	0.7	31	3.5	0.39	238
Tag Pacific Ltd	35	+21.2	+2.6	4	2-0	-	1.4	18	1.5	8	1.6	0.39	23
Livestock Imp.	136	+1.5	-1.2	52	0-0	-	0.5	5	0.8	8	14.6	0.42	44
Seeka Kiwifruit	400	+3.4	+6.1	43	3-0	1	1.0	9	0.5	11	7.5	0.49	48
Ebos Group Ltd	500	+7.4	+0.9	31	0-0	2	2.7	18	0.4	15	6.4	0.49	138
Allied Farmers	235	+3.6	+3.2	42	3-1	-	1.9	14	0.6	13	6.7	0.50	37
Nuplex Indust	634	+20.0	+1.5	6	1-0	6	2.0	12	0.5	17	6.2	0.52	486
Allied Work.	149	+4.5	+4.0	37	1-1	1	2.2	17	0.9	13	10.0	0.52	39
Mainfreight Grp	535	+23.7	+1.4	2	1-5	6	5.9	15	0.4	38	1.8	0.60	513
Kirkcaldie & St	265	+4.1	+0.1	39	0-0	1	1.2	5	0.5	22	4.5	0.61	26
Mr Chips Hold	95	+9.1	+2.3	21	1-0	-	1.8	11	0.9	16	6.3	0.66	23
Satara Co-op	130	+30.1	+1.6	1	0-0	-	0.9	-	0.8	NE	3.4	0.67	35
Warehouse Group	500	+3.2	+1.8	45	0-1	6	4.3	11	0.5	39	4.3	0.69	1,527
PGG Wrightsons	211	+1.4	+2.3	53	3-2	-	1.9	13	0.6	14	6.4	0.77	422
Guinness Peat	270	+13.0	+0.3	13	1-1	2	4.0	39	0.6	10	1.0	0.82	2,644
Fletcher Build.	863	+12.4	+0.2	15	2-4	5	2.8	23	0.3	12	5.5	0.86	4,006
Steel & Tube	445	+3.8	+1.9	41	2-1	4	2.9	27	0.5	11	10.7	0.89	392
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Tag Pacific Ltd	35	+21.2	+2.6	4	2-0	-	1.4	18	1.1	8	1.6	0.39	23
Nuplex Indust	634	+20.0	+1.5	6	1-0	6	2.0	12	0.4	17	6.2	0.52	486
F & P Appliance	453	+15.0	+0.5	9	1-4	6	2.0	11	0.4	19	5.9	0.99	1,199
Guinness Peat	270	+13.0	+0.3	13	1-1	2	4.0	39	0.4	10	1.0	0.82	2,644
Turners & Grow.	249	+12.6	+1.3	14	3-1	1	0.9	6	0.5	14	Nil	0.38	186
Fletcher Build.	863	+12.4	+0.2	15	2-4	5	2.8	23	0.3	12	5.5	0.86	4,006
Mr Chips Hold	95	+9.1	+2.3	21	1-0	-	1.8	11	0.7	16	6.3	0.66	23
Postie Plus Grp	76	+7.8	+2.1	29	0-0	1	1.1	6	0.7	18	5.9	0.27	30
Ebos Group Ltd	500	+7.4	+0.9	31	0-0	2	2.7	18	0.3	15	6.4	0.49	138
Briscoe Group	148	+6.0	+1.1	33	5-3	6	3.0	24	0.7	12	7.6	0.91	314
Allied Work.	149	+4.5	+4.0	37	1-1	1	2.2	17	0.7	13	10.0	0.52	39
Steel & Tube	445	+3.8	+1.9	41	2-1	4	2.9	27	0.4	11	10.7	0.89	392
Allied Farmers	235	+3.6	+3.2	42	3-1	-	1.9	14	0.5	13	6.7	0.50	37
Seeka Kiwifruit	400	+3.4	+6.1	43	3-0	1	1.0	9	0.4	11	7.5	0.49	48
Tourism Hold.	179	+1.8	+1.2	49	1-1	4	1.0	6	0.6	17	9.2	0.99	176
Livestock Imp.	136	+1.5	-1.2	52	0-0	-	0.5	5	0.6	8	14.6	0.42	44
Renaissance	134	+1.4	-4.4	53	1-5	-	4.6	45	0.6	10	11.1	0.33	52
PGG Wrightsons	211	+1.4	+2.3	53	3-2	-	1.9	13	0.5	14	6.4	0.77	422
Pyne Gould Corp	425	+0.4	+2.9	58	2-0	-	2.4	22	0.4	11	6.3	0.90	416
Tenon Ltd	360	+0.3	+3.8	59	1-0	3	1.3	16	0.5	9	Nil	0.60	251
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Telecom Corp	444	-7.5	-2.0	86	1-18	9	3.6	38	0.3	9	12.9	1.51	8,691
Cavalier Corp	325	+2.8	+4.5	46	4-0	4	3.4	31	0.3	11	12.4	1.02	213
Hellaby Hold.	471	-4.6	+0.6	81	1-0	3	2.3	21	0.3	11	12.4	0.59	232
Restaurant Brds	122	-2.1	-0.5	71	0-0	5	2.6	23	0.6	11	12.2	0.37	118
Tourism Hold.	179	+1.8	+1.2	49	1-1	4	1.0	6	0.5	17	9.2	0.99	176
Hallenstein G.	510	+5.5	-2.0	34	1-3	2	5.2	33	0.2	16	8.8	1.62	301
ING Property	118	-0.5	+0.1	65	0-0	5	1.0	7	0.5	15	8.4	9.08	620
Skellerup Hold.	129	+2.3	+0.1	47	0-0	4	3.9	38	0.5	10	8.1	1.09	129
MG Property Trt	123	-0.3	+0.2	63	5-0	6	1.1	6	0.4	18	8.0	N/A	644
Lyttelton Port	205	+7.0	-4.5	31	0-0	4	1.5	9	0.4	18	8.0	3.15	210
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Michael Hill	770	+1.0	+2.0	55	15-1	3	4.6	25	0.2	18	4.5	1.09	298
Comvita	310	+14.8	+4.9	10	12-0	-	2.4	9	0.3	25	2.4	N/A	40
Wakefield Hlth	625	+4.6	+1.2	36	7-0	-	1.3	5	0.2	25	3.3	1.73	89
AMP Limited	1030	+15.2	-1.0	8	6-0	-	6.0	29	0.3	21	3.5	1.41	19,260
Scott Tech. Ltd	225	+4.0	+0.5	41	6-0	1	3.8	2	0.4	179	2.7	1.39	56
Loan & Building	436	+0.5	+0.3	57	4-0	-	1.3	9	0.2	14	5.1	1.30	13
Cavalier Corp	325	+2.8	+4.5	46	4-0	4	3.4	31	0.3	11	12.4	1.02	213
Seeka Kiwifruit	400	+3.4	+6.1	43	3-0	1	1.0	9	0.3	11	7.5	0.49	48
Port Tauranga	512	+9.1	+0.6	21	5-2	6	1.6	8	0.3	20	5.8	4.71	686
Pyne Gould Corp	425	+0.4	+2.9	58	2-0	-	2.4	22	0.4	11	6.3	0.90	416
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
ING Property	118	-0.5	+0.1	65	0-0	5	1.0	7	0.4	15	8.4	9.08	620
Salvus Strat.	75	-2.8	+3.5	75	0-0	-	0.7	4	0.6	17	4.0	8.97	15
Nat Property Tr	70	-10.5	-0.4	89	0-0	4	0.7	5	0.4	14	13.0	4.75	84
Sealegs Corp	23	-1.5	+7.5	69	2-2	-	6.8	-	1.4	NE	Nil	4.69	14
Sky Network TV	577	-0.7	-2.3	67	1-0	4	15.3	70	0.3	22	Nil	4.59	2,245
Life Pharmacy	80	-11.8	+0.4	92	1-1	-	0.8	4	0.6	20	5.1	3.75	22
Trans-Tasman	46	-0.1	+0.6	60	0-0	-	0.7	1	0.6	78	Nil	3.51	267
Genesis Res.	32	-0.2	+1.5	61	3-0	-	1.3	-	0.9	NE	Nil	3.23	8
CDL Investments	35	-0.8	-4.2	68	0-0	-	1.1	14	0.7	8	8.5	3.01	74
Just Water Int.	86	-0.4	+1.4	64	0-0	-	4.0	22	0.5	18	5.6	2.82	57
Oyster Bay	218	-17.6	-3.4	93	0-1	-	1.1	3	0.3	37	4.6	2.74	20
Cadmus Tech Ltd	22	-1.4	+1.4	69	0-2	-	4.3	3	0.9	147	Nil	2.62	52
Connexion	38	-7.6	-3.8	87	0-0	-	12.6	23	0.7	56	Nil	2.23	6
Cert Organics	5	-4.4	-4.5	80	0-0	-	1.1	-	1.9	NE	Nil	2.21	7
Vector Ltd	251	-2.3	+0.5	74	7-0	-	1.7	4	0.5	46	Nil	2.16	2,421
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Charlie's Group	12	-58.3	+0.0	98	1-0	-	16.3	-	1.1	NE	Nil	1.29	36
New Image Group	3	-22.3	-7.4	97	0-0	-	0.7	-	2.4	NE	Nil	0.85	6
Abano Health.	112	-18.9	-3.9	95	0-0	2	0.7	-	0.5	NE	Nil	0.45	30
Oyster Bay	218	-17.6	-3.4	93	0-1	-	1.1	3	0.3	37	4.6	2.74	20
Media Tech.	8	-14.6	+11.1	93	0-0	-	1.5	-	1.8	NE	Nil	0.34	7
Cabletalk Group	42	-13.6	-1.4	92	0-0	1	1.9	15	0.8	13	7.1	0.37	13
Life Pharmacy	80	-11.8	+0.4	92	1-1	-	0.8	4	0.6	20	5.1	3.75	22
Broadway Ind	68	-11.7	-2.6	91	0-0	-	0.7	5	0.4	14	7.3	0.32	13
VTL Group Ltd	52	-11.3	-5.7	90	0-1	-	0.8	11	0.8	8	6.4	0.55	16
Blis Technology	10	-11.3	-3.1	90	0-0	-	4.9	-	1.2	NE	Nil	N/A	9
Lombard Group	2	-9.5	+0.0	88	0-0	-	-	-	2.5	NE	Nil	N/A	54
Connexion	38	-7.6	-3.8	87	0-0	-	12.6	23	0.7	56	Nil	2.23	6
Cynotech Hold.	10	-7.3	-3.8	85	1-2	-	1.3	16	1.2	8	7.5	0.98	6
Zintel Comm.	70	-6.5	+0.7	85	3-2	-	5.3	51	0.5	10	7.4	0.99	35
Pac Edge Bio.	19	-6.3	+1.9	84	0-0	-	5.0	-	0.8	NE	Nil	N/A	8
Botry-Zen Ltd	5	-6.1	+1.3	84	2-1	-	8.5	-	1.5	NE	Nil	N/A	17
Cert Organics	5	-4.4	-4.5	80	0-0	-	1.1	-	1.8	NE	Nil	2.21	7
Dorchester Pac													

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

For an explanation of this table see the *Share Selection Methods* report sent to all new subscribers or available from our website. 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.

STRENGTH RATING														STRENGTH RATING													
Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Block Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Block Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0														INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Aust Oriental	2	-2.1	+0.1	66	2-0	-	-	-	3.1	NE	Nil	N/A	9	Synergy Metals	4	-26.0	-3.6	97	0-0	-	-	-	2.1	NE	Nil	N/A	8
Prana Biotech.	21	-4.0	+0.2	71	0-0	-	1.4	-	0.9	NE	Nil	9.90	26	Ord River Res.	11	-26.0	+1.4	97	0-0	-	-	-	1.2	NE	Nil	N/A	13
Haoma Mining NL	5	-6.0	+8.8	76	0-0	-	0.8	-	1.6	NE	Nil	9.80	9	Somnomed Ltd	9	-25.9	-4.7	97	1-0	-	2.1	-	1.2	NE	Nil	N/A	5
ZBB Energy Corp	20	-7.8	-0.1	80	4-0	-	-	-	1.1	NE	Nil	9.76	16	Palm Springs	2	-25.4	+2.0	96	0-0	-	1.1	-	2.4	NE	Nil	0.28	6
Tattersall's	282	-0.9	-0.1	62	4-1	7	4.5	3	0.5	152	Nil	9.73	1,974	Minerals Corp.	2	-25.0	+0.2	96	1-0	-	0.1	-	2.4	NE	Nil	0.70	9
Sun Capital Grp	5	-1.2	+4.7	63	2-0	-	5.3	-	1.8	NE	Nil	8.98	7	Pac. Star Netwk	2	-24.7	-2.0	96	7-0	-	-	-	2.4	NE	Nil	1.87	7
Ambri Limited	5	-19.2	-3.5	93	0-0	-	0.8	-	1.8	NE	Nil	8.79	9	BQT Solutions	8	-24.3	-5.3	96	4-0	-	2.7	-	1.3	NE	Nil	6.90	14
Metal Storm Ltd	15	-12.6	-9.6	87	0-0	-	7.5	-	1.2	NE	Nil	8.77	8	Resonance Hlth	5	-24.0	-4.4	96	0-0	-	4.6	-	1.7	NE	Nil	N/A	9
Benitec Ltd	6	-31.6	-7.6	98	0-0	-	-	-	2.0	NE	Nil	8.68	9	Working Systems	7	-23.9	-3.8	96	1-0	-	7.1	-	1.3	7	Nil	0.73	7
MRI Holdings	18	-3.5	+0.0	69	0-0	-	0.4	-	1.0	NE	Nil	8.33	8	Golden Tiger	14	-23.6	-4.0	96	0-1	-	-	-	1.2	NE	Nil	N/A	9
Uscom Limited	63	-10.7	-0.8	84	1-0	-	2.5	-	0.5	NE	Nil	8.27	10	Austpac Res	2	-23.2	-4.0	95	0-0	-	-	-	2.9	NE	Nil	N/A	8
Alkane Explor.	15	-2.6	-9.6	67	1-0	-	-	-	1.4	NE	Nil	8.19	19	Medical Dev Int	33	-23.0	+0.2	95	14-0	-	11.0	10	1.0	114	Nil	3.48	19
Bluestone Tin	22	-1.7	-0.6	65	3-0	-	-	-	1.2	NE	Nil	8.11	83	Marine Produce	4	-22.9	+4.3	95	1-0	-	0.8	-	1.7	NE	Nil	N/A	9
AFT Corporation	1	-13.4	-5.3	88	1-0	-	-	-	3.8	NE	Nil	8.00	11	Eftel Ltd	6	-22.2	-6.2	95	1-0	-	-	-	2.1	29	Nil	0.27	7
Dia-B Tech Ltd	7	-12.2	-0.6	86	0-0	-	-	-	1.6	NE	Nil	7.98	5	Essential Pet.	4	-22.2	-9.0	95	0-0	-	-	-	1.9	NE	Nil	N/A	6
Samson Oil/Gas	35	-0.1	+1.4	59	0-0	-	-	-	0.8	12	Nil	7.81	27	Access Provider	18	-22.2	-1.0	95	2-0	-	-	-	1.2	9	Nil	2.18	9
ASF Group Ltd	2	-0.1	+0.0	59	0-0	-	-	-	2.9	NE	Nil	7.73	5	Cape Range Wire	1	-22.0	-4.0	94	0-1	-	-	-	3.5	NE	Nil	N/A	21
DenX Ltd	7	-12.7	+2.0	87	1-0	-	0.1	-	1.3	NE	Nil	7.55	12	Longreach Group	7	-21.9	+0.4	94	0-0	-	1.3	3	1.3	52	Nil	0.32	12
Cygenics Ltd	30	-6.8	+0.6	78	4-0	-	1.7	-	0.9	NE	Nil	7.13	15	Mariner Retire.	13	-21.7	-3.6	94	0-0	-	2.5	-	1.2	NE	Nil	3.91	16
BQT Solutions	8	-24.3	-5.3	96	4-0	-	2.7	-	1.5	NE	Nil	6.90	14	QRSciences Hold	6	-21.4	-1.1	94	2-0	-	3.0	-	1.3	NE	Nil	5.88	13
MGM Wireless	5	-1.2	-3.6	63	0-0	-	4.8	-	2.2	NE	Nil	6.86	7	Agenix Limited	15	-21.2	-6.9	94	1-0	-	-	-	1.0	NE	Nil	0.95	28
Senetas Corp	32	-16.0	-8.2	90	2-3	1	6.4	43	1.4	15	5.2	6.54	148	Biodiem Ltd	26	-20.6	-9.4	94	0-0	-	1.5	-	0.8	NE	Nil	4.74	8
Namakwa Diamond	6	-7.4	+4.3	79	1-0	-	-	-	1.6	NE	Nil	6.52	13	Falcon Minerals	26	-19.8	+1.7	94	0-0	-	-	-	1.2	NE	Nil	N/A	36
Sun Resources	13	-14.4	-2.0	89	1-1	-	-	-	1.3	NE	Nil	6.47	15	Harrington Grp	7	-19.8	-0.8	93	0-0	-	-	-	1.9	NE	Nil	3.72	9
Catuity	500	-18.1	-6.5	92	0-0	-	2.8	-	1.1	2	Nil	6.22	9	SP Telecom.	76	-19.7	-0.5	93	6-0	3	2.4	15	0.5	16	2.9	1.19	269
Nuenco NL	2	-17.6	-1.2	92	1-2	-	-	-	2.5	NE	Nil	6.22	13	CMA Corporation	37	-19.5	-3.2	93	5-0	-	-	-	0.8	16	2.7	2.24	48
Premier Bionics	20	-4.0	+2.0	71	0-0	-	3.3	-	0.9	NE	Nil	6.13	10	Elixir Petrol.	44	-19.5	-2.9	93	2-0	-	-	-	0.6	NE	Nil	N/A	28
Thundelarra Exp	19	-3.1	+1.8	68	5-0	-	-	-	1.1	NE	Nil	6.05	14	Environ. Sol'n	90	-19.5%-100.9	93	0-0	-	9.0	-	0.4	NE	Nil	0.34	14	
Tele-IP Limited	2	-15.6	-12.0	90	0-0	-	-	-	3.6	NE	Nil	6.00	9	Kentor Gold Ltd	18	-19.2	+2.4	93	0-0	-	-	-	1.1	NE	Nil	N/A	10
Asset Loans Ltd	40	-0.4	-0.2	60	0-0	-	-	-	1.1	26	2.5	5.92	19	Ambri Limited	5	-19.2	-3.5	93	0-0	-	0.8	-	1.6	NE	Nil	8.79	9
Victoria Petrol	3	-4.4	-2.1	72	0-0	-	-	-	2.6	NE	Nil	5.91	44	Medaire Inc	50	-19.0	-2.0	93	0-0	-	12.5	-	0.8	NE	Nil	0.75	29
QRSciences Hold	6	-21.4	-1.1	94	2-0	-	3.0	-	1.4	NE	Nil	5.88	13	IT & e Limited	6	-18.9	-3.5	93	2-0	-	2.0	-	2.1	NE	Nil	1.03	11
East'n Star Gas	9	-9.3	-2.3	83	0-0	-	-	-	1.4	NE	Nil	5.80	23	Jumbo Corp	3	-18.8	-3.8	93	3-1	-	-	-	2.2	16	Nil	1.42	10
Mosaic Oil NL	15	-6.3	+0.4	77	1-0	-	-	-	1.0	88	Nil	5.79	67	People Telecom	8	-18.7	-1.2	93	1-0	-	4.0	-	1.4	NE	Nil	1.51	24
Excalibur Min.	1	-15.5	+3.0	90	0-0	-	-	-	3.6	NE	Nil	5.65	5	Novogen Ltd	265	-18.4	-3.9	92	0-1	-	4.6	-	0.6	NE	Nil	N/A	414
Becton Prop Grp	45	-4.2	-2.6	72	0-0	1	-	-	0.8	19	16.7	5.46	45	E-Bet Limited	10	-18.2	-2.6	92	5-0	-	-	-	1.4	NE	Nil	1.28	21
Vision Group	419	-2.8	-0.9	68	1-3	3	-	-	0.6	43	1.2	5.39	288	Catuity	500	-18.1	-6.5	92	0-0	-	2.8	-	1.1	2	Nil	6.22	9
Scigen Ltd	7	-1.7	-5.8	65	0-1	-	2.3	-	1.4	NE	Nil	5.11	31	Redflex Holding	170	-18.0	-2.5	92	4-4	4	2.9	12	0.5	25	Nil	3.14	146
Treasury Group	1090	-4.6	-2.1	73	0-6	1	6.9	36	0.2	19	3.7	5.07	237	WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Unwired Group	27	-15.5	-5.2	90	2-0	1	1.2	-	1.1	NE	Nil	5.03	66	Chariot Limited	15	-34.3	-7.8	98	0-2	-	-	-	1.3	NE	Nil	0.30	6
Safe Effect	5	-27.5	-10.7	97	0-0	-	-	-	1.7	NE	Nil	4.90	8	Adv. Ocular	12	-32.9	-6.4	98	3-0	-	3.0	-	1.1	NE	Nil	N/A	24
Advanced Engine	11	-11.4	+4.8	85	1-0	-	-	-	1.2	NE	Nil	4.77	9	Ent Media & Tel	1	-32.2	+3.8	98	0-4	-	-	-	3.0	NE	Nil	0.93	8
Biodiem Ltd	26	-20.6	-9.4	94	0-0	-	1.5	-	0.8	NE	Nil	4.74	8	Benitec Ltd	6	-31.6	-7.6	98	0-0	-	-	-	1.9	NE	Nil	8.68	9
Objective Corp.	119	-9.0	-4.0	82	0-0	-	8.5	42	0.5	20	1.7	4.73	161	Chemeq Ltd	39	-29.3	-0.2	98	0-0	1	1.4	-	0.8	NE	Nil	N/A	40
Baxter Group	403	-6.8	-2.7	78	3-1	1	3.4	16	0.4	21	4.3	4.64	157	Compumedics Ltd	7	-28.2	+0.5	97	1-0	-	1.2	-	1.3	NE	Nil	0.26	10
Desane Group	83	-6.7	-0.6	78	0-0	-	0.9	6	0.5	16	2.4	4.40	22	Unilife Medical	20	-27.9	+0.1	97	0-0	-	1.3	-	1.3	NE	Nil	N/A	20
Sipa Resources	6	-3.5	+1.0	69	0-0	-	-	-	1.7	NE	Nil	4.36	14	Clinical Cell	11	-27.7	+0.1	97	2-0	-	2.2	-	1.4	NE	Nil	N/A	21
Quantum Energy	8	-6.2	-8.1	77	2-1	-	7.5	-	1.5	NE	Nil	4.36	67	Safe Effect	5	-27.5	-10.7	97	0-0	-	-	-	1.5	NE	Nil	4.90	8
Sedimentary Hld	19	-3.8	-1.8	70	0-0	1	3.8	-	1.2	NE	Nil	4.31	54	Tawana Resource	32	-27.0	-1.8	97	2-0	-	-	-	0.6	NE	Nil	N/A	18
Argus Solutions	5	-5.6	-1.0	75	0-0	-	1.0	-	2.0	NE	Nil	4.20	9	Virax Holdings	8	-26.8	-0.9	97	0-3	-	2.0	-	1.7	NE	Nil	3.11	6
														Stirling Prod.	10	-26.2	-1.2	97	0-0	-	3.2	-	1.5	NE	Nil	N/A	9

“Neglect” Ratings of Australian Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
A.P. Eagers	1	160	CPI Group	2	31	Grange Resource	1	122	Murchison Metal	2	90
AAV Limited	2	85	CSL Limited	7	9,837	Grand Hotel	2	184	Nat'l Aust Bank	10	54,690
ABB Grain Ltd	2	1,002	Cabcharge Ltd	9	690	Gro Pep Limited	1	71	National Hire	3	205
ABC Learning	6	1,685	Caltex Australia	8	5,605	Gt Sthn Plant'n	3	1,159	New Hope Corp.	1	885
AMP Ltd	9	16,418	Campbell Bros	2	852	Guinness Peat	1	2,213	Newcrest Mining	13	6,228
ANZ Bank	10	47,824	Candle Aust.	4	142	Gunns Ltd	4	970	News Corp.	4	87,294
APN News Media	10	2,412	Cardno Ltd	1	183	Hardman Res.	6	988	Nick Scali Ltd	4	117
APN Property	1	276	Carindale Prop	2	259	Harvey Norman	7	4,221	Noni B Limited	1	125
ARB Corporation	3	220	Cellnet Group	1	60	Hastie Group	2	153	Nufarm Limited	5	1,751
ARC Energy	1	298	Centennial Coal	8	881	Hast Div Util	2	407	Nylex Ltd	3	51
ASG Group Ltd	1	71	Centro Property	7	5,303	Healthscope	8	766	OAMPS	1	512
AWB Limited	4	1,402	Chal Financial	9	1,777	Heartware Ltd	1	137	Oakton Limited	8	253
AXA Asia Pac	10	10,035	Chandler McLeod	1	95	Henderson Group	4	1,210	Oceano Gold Ltd	2	277
Abacus Property	1	514	Chemeq Ltd	1	40	Hills Indust.	2	786	Oil Search Ltd	9	4,543
Acrux Ltd	2	103	Chiquita Brands	1	68	Horizon Oil Ltd	1	219	Onesteel Ltd	11	2,097
Adcorp Aust.	1	31	Choiseul Inv.	1	441	Housewares Int.	6	171	Orica Ltd	7	6,044
Adelaide Bank	10	1,167	Climax Mining	1	154	Hpal Limited	2	199	Origin Energy	10	5,402
Adelaide Bright	5	1,355	Clough Limited	1	168	Hutchison Tel.	6	166	Oroton Group	1	83
Adsteam Marine	4	534	Clover Corp.	1	18	IBA Health Ltd	1	171	Oxiana Ltd	10	3,704
Agincourt Res.	1	99	Coal & Allied	1	7,274	IBT Education	1	651	PCH Group	2	113
Ainsworth Game	2	68	Coates Hire	8	2,611	ING Real Estate	1	92	PMP Limited	4	457
Alchemia Ltd	1	115	CocaCola Amatil	9	5,301	ING Office Fund	7	1,379	Pacific Brands	8	1,071
Ale Property	1	219	Cochlear Ltd	9	2,785	ING Indust Trt	5	1,678	Pacifico Group	4	301
Alesco Corp Ltd	5	659	Codan Ltd	3	151	IOOF Holdings	2	513	Paladin Res.	3	1,612
Alinta Limited	7	2,743	Coffey Int'l	1	195	liNet	7	76	Pan Australian	1	349
Alumina Ltd	10	7,518	Coles Myer	9	14,351	Iluka Resources	10	1,509	Paperlin X Ltd	7	1,397
Amalgamated Hld	1	591	Collection Hse	1	90	Incitec Pivot	5	1,265	Patrick Corp	6	6,161
Amcom Telecom.	1	55	Colorado Group	7	318	Independ. Group	1	277	Peet & Company	1	778
Amcor Ltd	8	5,884	Com'wealth Bank	12	54,481	Insurance Aust.	10	8,847	Peplin Ltd	1	90
Ansell Ltd	4	1,512	Commander Comm.	6	358	Int Tree Crop.	1	339	Perilya Mines	1	444
Anzon Australia	2	395	Computershare	7	4,593	Int Research	1	65	Perpetual Ltd	9	2,693
Aquarius Plat.	1	1,328	Cons Rutile	1	242	Integrated Grp	2	142	Perseverance	3	209
Aristocrat Leis	10	6,155	Cons Minerals	5	384	Investa Prop.	4	3,359	Pharmaxis Ltd	1	270
Arrow Energy	1	79	Corp Express	7	1,161	Invocare Ltd	3	448	Phosphagenics	1	145
Atlas Grp Hold.	1	81	Count Financial	4	522	Iress Mkt Tech	6	638	Photon Group	4	240
Auspine Ltd	1	225	Coventry Group	2	153	JB Hi-Fi Ltd	9	504	Pipe Networks	1	70
Aust Stock Exch	10	3,108	Crane Group	4	712	JF Meridian Trt	2	740	Portman Limited	5	948
Aust Education	2	123	Credit Corp	1	248	James Hardie	5	3,702	PowerTel Ltd	2	157
Aust Gas Light	9	8,123	Croesus Mining	1	100	Jubilee Mines	4	912	Prime TV	8	435
Aust Biodiesel	1	159	Cromwell Corp	1	139	Just Group Ltd	5	765	Primary Health	3	1,380
Aust Wealth Mgt	3	654	DB Reef Trust	6	4,084	K&S Corporation	3	211	Pro Medicus Ltd	2	139
Aust Agricult.	2	463	DCA Group Ltd	8	1,237	Kagara Zinc Ltd	2	647	Pro Maintenance	8	281
Aust Pharm. Ind	6	587	DKN Financial	1	56	Keycorp Ltd	2	84	Promina Group	9	5,891
Aust Pipeline	4	1,171	David Jones	7	1,224	Kimberley Diam.	4	344	Publishing & Br	10	12,223
Aust W'wide Exp	9	977	Dexion Ltd	2	63	Kingsgate Cons.	3	390	Q.B.E. Insur.	8	16,986
Aust Infra.	4	773	Div. Utility	2	1,224	Korvest Ltd	1	37	Qantas Airways	9	6,035
Austar United	5	1,481	Dominion Mining	1	116	Kresta Holdings	1	25	Queens'd Cotton	1	121
Austal Limited	2	517	Domino's Pizza	4	240	Lafayette Min.	1	50	Queensland Gas	1	242
Austereo Group	8	637	Downer EDI Ltd	6	2,252	Leighton Hold	9	4,794	Ramsay Health	8	1,697
Austindo Res	1	30	ETRADE Aust.	1	345	Lend Lease Corp	6	5,732	Rebel Sport	1	278
Australand Prop	2	1,904	Ellex Medical	1	37	Leviathan Res.	3	55	Reckon Limited	2	112
Avexa Limited	1	4	Emperor Mines	1	61	Lihir Gold	11	3,480	Record Realty	1	184
Aztec Resources	1	140	Energy Resource	1	2,178	Lindsay Aust	1	21	Record Invest.	5	1,962
B & B Infrastr.	4	1,614	Energy Develop.	4	574	Lipa Pharm.	2	64	Redflex Holding	4	146
B Digital Ltd	1	47	Envestra	5	858	M.Y.O.B. Ltd	3	335	Repco Corp Ltd	7	306
B&B Japan Prop.	2	748	Equigold NL	2	256	MFS Limited	2	907	Resource Pac.	1	52
BHP Billiton	12	95,889	Equity Trustees	1	104	MacMahon Hold	2	329	Resolute Mining	2	399
Babcock & Brown	5	4,619	Espreon Ltd	1	52	Macarthur Coal	8	804	Ridley Corp.	5	330
Ballarart Gold	3	226	Excel Coal Ltd	12	1,519	Macarthurcook P	1	75	Rinker Group	7	15,381
Bank of Q'land	11	1,365	FKP Limited	3	977	Macquarie C Tel	2	15	Rio Tinto Ltd	11	101,744
Baxter Group	1	157	Fairfax (John)	9	3,531	Macquarie C'Wde	6	2,236	Roc Oil Company	3	705
Baycorp Advant.	7	750	Fantastic Hold.	5	244	Macquarie DDR	4	931	Ross Human Dir.	1	34
Beach Petroleum	1	594	Felix Resources	3	318	Macquarie Off.	6	2,268	Rubicon Europe	1	251
Beaconsfield GI	1	67	Fleetwood Corp	4	291	Macquarie Prol.	5	940	Rubicon America	1	148
Becton Prop Grp	1	45	Flight Centre	4	931	Macquarie Good.	5	8,430	Rural Press Ltd	8	1,278
Bemax Resources	1	251	Forest Ent Aust	1	171	Macquarie Infra	7	7,704	S8 Limited	3	269
Bendigo Bank	10	1,690	Fortescue Metal	1	1,538	Macquarie Air.	5	5,338	SAI Global Ltd	4	344
Bendigo Mining	5	493	Foster's Group	8	11,136	Macquarie Bank	8	15,643	SDI Limited	3	79
Billabong Int'l	6	2,943	Freshtel Hold.	1	114	Macquarie Leis.	2	483	SFE Corporation	8	2,123
Bluescope Steel	11	5,637	Frigrite Ltd	1	34	Macquaries C&I	5	2,298	SMC Gold Ltd	1	30
Bolnisi Gold NL	1	556	Funtastic Ltd	4	211	Magna Pacific	1	23	SMS Mgmt & Tech	3	173
Boom Logistics	5	635	Futuris Corp.	4	1,433	Marybor'gh Suga	1	47	SP Telecom.	3	269
Boral Limited	7	5,064	G.R.D. NL	2	419	Maxi TRANS	3	108	STW Comm Group	5	579
Bradken Ltd	4	66	G.U.D. Holdings	6	466	McGuigan Simeon	6	305	Sally Malay Min	2	175
Brambles Ind.	9	18,262	GBST Holdings	1	106	McMillan Shake.	1	217	Salmat Ltd	5	335
Brazin Limited	3	166	GPT Group	7	8,551	McPherson's Ltd	3	92	Santos Ltd	9	6,592
Brickworks Ltd	1	1,625	GWA Internat'l	4	882	Melbourne IT	1	105	Schaffer Corp	1	73
Bridgestone	1	100	Gale Pacific	1	44	Metabolic Phar.	1	102	Sedimentary Hld	1	54
Bunnings W/hse	4	595	Galileo Shop Am	8	552	Michelago Ltd	1	29	Seek Ltd	6	1,264
Burns Philp	5	1,951	Gasnet Aust Grp	4	326	Millers Retail	6	388	Select harvest	4	513
C'wth Prop Off.	5	2,075	Genepharm Aust.	1	75	Minara Resource	5	1,042	Senetas Corp	1	148
C.S.R. Ltd	7	3,129	Geodynamics Ltd	1	94	Mincor Resource	2	161	Servcorp Ltd	1	434
CBH Resources	1	197	Gindalbie Met.	1	147	Mineral Deposit	1	214	Seven Network	8	1,853
CDS Tech	1	89	Globe Int'l Ltd	3	95	Mirvac Group	4	3,816	Sigma Pharm.	10	2,368
CH4 Gas Ltd	1	145	Gloucester Coal	2	250	Mortgage Choice	5	293	Sims Group Ltd	8	1,653
CMI Limited	1	40	Graincorp	2	395	Multiplex Group	6	2,973	Sino Gold Ltd	5	605

Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
Sirtex Medical	1	122	Talent2 Int'l	2	130	TransPacific In	5	1,661	Vision Systems	2	323
Skilled Group	4	444	Tap Oil	6	283	Treasury Group	1	237	Vision Group	3	288
Smorgon Steel	9	1,155	Tassal Group	1	123	Triako Res.	1	51	W'bool Cheese	1	133
Sonic Health	9	3,846	Tattersall's	7	1,974	Trinity Cons	2	154	WHK Group Ltd	4	414
Soul Pattinson	1	1,964	Technology One	4	195	Trust Co of Aus	1	348	Watpac Ltd	1	198
Spotless Group	6	1,057	Telstra	15	47,356	Tutt Bryant Grp	1	181	Wattyl Ltd	5	284
St George Bank	10	15,274	Ten Network	8	1,192	UNiTAB Ltd	9	1,974	Webcentral Grp	2	59
Sthn Cross Brd.	8	689	Thakral Holding	2	490	UXC Limited	2	154	Wellcom Group	1	43
Stockland	4	9,525	The Reject Shop	4	149	United Group	6	1,567	Wesfarmers Ltd	8	13,337
Straits Res.	1	574	Timbercorp	4	952	Universal Res.	1	35	West Aust News	10	1,806
Suncorp-Metway	7	10,316	Tishman Speyer	4	595	Unwired Group	1	66	Westfield Group	8	30,187
Sunland Group	1	558	Toll Holdings	11	4,850	Valad Opps 11	1	32	Westpac Banking	11	40,008
SuperCheap Auto	3	200	Total Com Infra	1	117	Valad Property	3	732	Willmott Forest	3	82
Sydney Gas Ltd	1	66	Tox Free Sol.	1	39	Ventracor Ltd	1	128	Woodside Petrol	11	27,560
Sydney Attract.	3	136	Transurban Grp	7	5,540	Villa World	1	200	Woolworths Ltd	7	19,823
Symbion Health	8	2,010	Transonic Trav.	1	142	Village Road.	2	651	Worley Group	8	3,894
Tabcorp Holding	9	7,964	Transfield Serv	7	1,307	Virgin Blue	9	1,698			

“Neglect” Ratings of NZ Shares

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

Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (NZ\$ Mill.)
AMP Onyx Mgmt	5	486	Freightways Ltd	6	466	NZ Exchange Ltd	1	123	Skellerup Hold.	4	129
AXA Asia Pac.	10	11,934	Guinness Peat	2	2,644	NZ Refining Co	2	1,603	Sky City Ltd	5	2,263
Abano Health.	2	30	Hallenstein G.	2	301	Nat Property Tr	4	84	Sky Network TV	4	2,245
Air New Zealand	3	1,200	Hellaby Hold.	3	232	Nuplex Indust	6	486	Software of Exc	1	32
Akd Int Airport	6	2,702	Hirequip NZ Ltd	5	114	POD Ltd	1	16	South Port NZ	1	39
Allied Work.	1	39	Horizon Energy	1	104	Pacific Retail	1	100	Steel & Tube	4	392
Briscoe Group	6	314	ING Property	5	620	Port Tauranga	6	686	TeamTalk Ltd	1	48
Cabletalk Group	1	13	Infratil NZ	4	887	Postie Plus Grp	1	30	Telecom Corp	9	8,691
Calan Hlthcare	5	164	Kirkcaldie & St	1	26	Property F Ind.	5	271	Tenon Ltd	3	251
CanWest Media.	5	369	Kiwi Property	5	914	Provenco Group	1	91	Tourism Hold.	4	176
Cavalier Corp	4	213	Lion Nathan Ltd	10	4,814	Pumpkin Patch	4	696	Tower Limited	7	1,151
Contact Energy	4	4,538	Lytelton Port	4	210	Restaurant Brds	5	118	Trust Power Ltd	2	2,143
Ebos Group Ltd	2	138	MG Property Trt	6	644	Rubicon Limited	2	264	Turners & Grow.	1	186
F & P Appliance	6	1,199	Mainfreight Grp	6	513	Ryman Health.	5	815	Turners Auction	1	56
F & P Health.	8	2,302	Methven Limited	3	75	Sanford Limited	3	477	Warehouse Group	6	1,527
Feltex Ltd	2	58	Metro. LifeCare	1	461	Scott Tech. Ltd	1	56	Waste Mgmt NZ	5	863
Fletcher Build.	5	4,006	Michael Hill	3	298	Seeka Kiwifruit	1	48			

“Strongest” NZ Shares

Company	Share Price	STRENGTH RATING	Cur-4-Wk Rent	4-Wk Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price Dividend Ratio	Price Dividend Yield	Market Cap'n																
Summit Gold Ltd	128	+73.3	+3.8	-0	1-0	-	19.8	-	0.9	NE	Nil	N/A	241	Fletcher Build.	863	+12.4	+0.2	15	2-4	5	2.8	23	0.3	12	5.5	0.86	N/A	4,006
Satara Co-op	130	+30.1	+1.6	0	0-0	-	0.9	-	0.8	NE	3.4	0.67	35	Widspread Port	2	+12.2	+3.6	16	0-1	-	1.0	-	6.1	NE	Nil	N/A	7	
Ryman Health.	815	+26.0	+5.5	1	2-0	5	3.3	14	0.4	2.3	2.1	5.71	815	Sanford Limited	510	+10.8	+4.0	16	0-1	3	1.0	6	0.4	16	6.4	1.30	477	
Mainfreight Grp	535	+23.7	+1.4	1	1-5	6	5.9	15	0.4	3.8	1.8	0.60	513	NZ Refining Co	668	+10.8	-0.5	17	0-1	2	3.6	31	0.3	11	7.3	4.39	1,603	
Smartpay NZ Ltd	7	+21.7	-8.2	2	0-0	-	1.0	-	3.1	NE	Nil	N/A	3	F & P Health.	452	+10.7	+2.4	18	0-19	8	11.3	34	0.5	33	4.1	7.10	2,302	
Tower Limited	321	+21.6	+8.3	3	2-0	7	1.5	13	0.6	1.2	1.02	1,151	Mike Pero Mort.	100	+10.4	-5.1	18	0-1	-	2.1	14	0.9	15	9.0	1.89	25		
Tag Pacific Ltd	35	+21.2	+2.6	3	2-0	-	1.4	18	1.5	8	1.6	0.39	23	Brierley Invest	133	+10.3	-5.6	19	2-2	-	1.2	9	0.9	14	3.1	2.81	1,778	
Waste Mgmt NZ	860	+20.9	+3.8	4	1-2	5	4.5	16	0.4	2.8	3.3	3.43	863	Mooring Systems	409	+9.9	+5.3	19	0-4	-	9.6	-	0.5	NE	Nil	N/A	52	
Gullivers Trv.	238	+20.4	+9.5	5	0-0	-	1.5	5	0.7	3.1	3.5	0.39	238	Dominion Fin.	140	+9.2	-1.6	20	0-1	-	3.4	36	0.8	10	8.1	2.78	85	
Nuplex Indust	634	+20.0	+1.5	5	1-0	6	2.0	12	0.5	1.7	6.2	0.52	486	Port Tauranga	512	+9.1	+0.6	21	5-2	6	1.6	8	0.4	20	5.8	4.71	686	
Finszoff Sof'ns	116	+18.7	+6.7	6	0-0	-	2.5	14	0.8	1.9	1.22	10	Mr Chips Hold	95	+9.1	+2.3	21	1-0	-	1.8	11	0.9	16	6.3	0.66	23		
Metro. LifeCare	528	+17.6	+4.9	6	0-1	1	2.1	10	0.5	2.1	0.4	N/A	461	NZ Invest Trust	929	+9.0	+0.0	22	0-2	-	-	-	0.3	NE	0.9	N/A	94	
WN Drive Tech.	44	+17.3	-3.6	7	1-2	-	8.9	-	1.3	NE	Nil	N/A	85	Mid-Cap Index	283	+8.8	+2.3	22	0-0	-	-	-	0.6	NE	Nil	N/A	N/A	
AMP Limited	1030	+15.2	-1.0	8	6-0	4	6.0	29	0.4	2.1	3.5	1.41	19,260	Savoy Equities	3	+8.8	-4.0	23	0-0	-	11.2	12	5.9	93	Nil	N/A	4	
Pumpkin Patch	418	+15.1	+1.4	8	0-5	4	8.5	30	0.5	2.8	2.9	2.48	696	Lion Nathan Ltd	901	+8.6	-0.1	24	0-0	10	1.8	9	0.3	20	3.9	2.46	4,814	
F & P Appliance	453	+15.0	+0.5	9	1-4	6	2.0	1.1	0.5	1.9	5.9	0.99	1,199	Freightways Ltd	370	+8.4	+0.1	24	1-2	6	6.6	31	0.5	21	6.5	1.99	466	
Comvita	310	+14.8	+4.9	9	12-0	-	2.4	9	0.5	2.5	2.4	N/A	40	Contact Energy	787	+8.4	+1.0	25	0-0	4	1.5	5	0.3	31	4.7	3.55	4,538	
NZ Finance Hold	140	+14.4	-0.5	10	0-0	-	6.9	24	0.8	2.8	1.3	4.43	107	World Index Fd	138	+8.3	-2.2	26	0-0	-	-	-	0.8	NE	Nil	N/A	562	
AXA Asia Pac.	685	+13.6	-2.4	11	0-0	10	3.0	15	0.4	1.9	2.3	2.14	11,934	Evergreen	32	+8.3	+5.6	26	2-0	-	0.6	-	1.5	NE	Nil	1.52	50	
NZ Exchange Ltd	940	+13.3	+2.1	11	0-3	1	4.0	16	0.4	2.5	4.0	5.85	123	Trust Power Ltd	681	+8.0	-1.3	27	0-1	2	2.4	9	0.4	26	5.0	3.17	2,143	
Ozzy (Tortis)	315	+13.2	-0.5	12	0-0	-	-	-	0.5	NE	Nil	N/A	104	Sky City Ltd	542	+8.0	+0.1	27	0-14	5	11.9	55	0.4	22	6.6	3.31	2,263	
Guinness Peat	270	+13.0	+0.3	13	1-1	2	4.0	39	0.6	1.0	1.0	0.82	2,644	South Port NZ	148	+8.0	+0.8	28	0-0	1	1.6	8	0.8	20	6.6	2.88	39	
NZX Aust MidCap	601	+12.7	+0.7	13	0-0	-	-	-	0.5	NE	Nil	N/A	51	Postie Plus Grp	76	+7.8	+2.1	29	0-0	1	1.1	6	1.0	18	5.9	0.27	30	
Turners & Grow.	249	+12.6	+1.3	14	3-1	1	0.9	6	0.7	1.4	Nil	0.38	186	NZSX 50 Port.	180	+7.8	+0.9	29	0-0	-	-	-	0.7	NE	Nil	N/A	21	
Kingfish Ltd	122	+12.6	+3.4	14	0-0	-	0.8	20	0.9	4	3.1	3.04	71	Property F Ind.	131	+7.7	+1.1	30	0-0	5	1.1	6	0.7	20	6.4	N/A	271	

Taxation of International Investments

The government plans to introduce an unrealised capital gains tax on investments outside of NZ and Australia. These two local markets account for only 2.1% of the world's equities and the other 97.9% will be subject to this new tax.

The only exemption is that international portfolios with a cost under \$50,000 (or \$100,000 for a couple) will be exempt and only pay tax on income. This level appears to be from the *anti-tax haven* FIF and CFC legislation which has never been adjusted for inflation. Allowing for inflation that level should be over \$150,000. The proposed exemption should perhaps be even higher to (1) allow for future inflation and (2) the significant increase of investments subject to this tax with the elimination of the previously excluded large "grey list" countries.

This legislation is also widely seen as a way to introduce a more comprehensive capital gains tax. The current proposal moves from taxing the income from investments to taxing both the income and unrealised capital gains. If that tax is accepted, it is a small step to expand the capital gains tax to other assets. If we pay tax on the unrealised appreciation of our international investments, why should the unrealised appreciation in the value of our house be exempt?

Income tax is paid unevenly by the NZ population. At present, 13% of people (earning over about \$55,000) pay 50% of the total income tax. Just 3% of the people (earning over \$100,000) pay 25% of the tax. The liability for the unrealised capital gains tax will fall on a very small group of investors who own over \$50,000

of international investments. So perhaps 99% of the population will be "better off" owing to this tax which will be paid "by someone else" - except that wealthier or skilled people who have accumulated international investments are mobile and welcomed in most countries. If just some of these higher tax payers leave NZ, then the country loses *all of their income taxes* and the GST on their local purchases. NZ already loses many of its wealthier citizens and this new tax will just encourage this trend.

Those investors who haven't yet purchased their one way ticket out of NZ may wish to make a submission on these changes in the *Taxation (Annual Rates, Savings Investment, and Miscellaneous Provisions) Bill* before 7 July. For a guide on submissions you can visit the following website:

[www.clerk.parliament.govt.nz/
Programme/Committees/Submissions](http://www.clerk.parliament.govt.nz/Programme/Committees/Submissions)

Submissions should be addressed to:

Clerk of the Committee,
Finance and Expenditure Committee,
Select Committee Office,
Parliament Buildings,
Wellington.

and you can write to Inland Revenue:

Taxation of Investment Income,
C/- The Deputy Commissioner,
Policy Advice Division,
Inland Revenue Department,
P O Box 2198, Wellington.

The New Zealand Shareholders Association is opposed to this tax and has two submissions and some detailed discussion of the proposed tax changes on their website:

www.nzshareholders.co.nz

In response to a submission, GPG (a UK company) has had its shares exempted from this tax for a period of five years, so there is the possibility that the current proposals will change or be modified.

When the final draft of this new law is known we shall review the limited options available to NZ investors.

Next Issue:

The next issue of *Market Analysis* will be emailed in four weeks time on Monday July 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

	May 8	2431.64		
	May 9	2450.05		
	May 10	2462.09		
	May 11	2465.42		
	May 12	2445.25		
May 15	2438.86	May 22	2435.54	
May 16	2449.01	May 23	2413.21	
May 17	2445.37	May 24	2417.08	
May 18	2433.54	May 25	2407.25	
May 19	2439.62	May 26	2401.71	
May 29	2412.52	Jun 5	Holiday	
May 30	2416.73	Jun 6	2405.62	
May 31	2408.96	Jun 7	2416.20	
Jun 1	2409.21	Jun 8	2425.96	
Jun 2	2411.20	Jun 9	2424.79	

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