

# Market Analysis

Issue No. 353

P.O. Box 34-162, Auckland

November 13, 2001.

## Inside Market Analysis

SELL 20-25% of Toll Holdings ..... 6, 7

Steel & Tube to pay special dividend, "largest ever" forward orders, share price soars ..... 3, 4

Atlas Pacific pays maiden dividend, expects significant expansion in pearl production ..... 4, 5

Impact of US Terrorist Attack on Business: Julia Ross Recruitment negotiates \$2 million discount on \$3 million acquisition ..... 5, 6

Australian Company Analysis: Powerlan ..... 10, 11, 12

NZ and Australian Warrant/Option Analysis ..... 12, 13

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

## Summary and Recommended Investment Strategy.

We recommend some partial profit taking on Toll Holdings, boosting our cash holding to about 15-20% pending re-investment in new recommendations. Investor sentiment and economic growth have been depressed by the terrorist attacks of September, but this is just a 3-6 months setback and does not significantly change the value and growth potential we see in many Australian and NZ shares. We plan to return to being fully invested in the near future.

## Investment Outlook.

When we bought into Toll Holdings just three years ago the company had good growth potential, the shares were unpopular and under-valued, and insiders were buying. Toll Holdings still has good growth potential, but the shares are now a popular Top 100 company, they are getting expensive and insiders are selling! We recommend selling 20-25% of this investment - but with the shares up 12-fold - even this partial profit-taking will realise a large cash holding equal to about 5% of local (i.e. Australian and NZ) portfolios. And we shall probably be selling more Toll Holdings shares over the next 6-12 months.

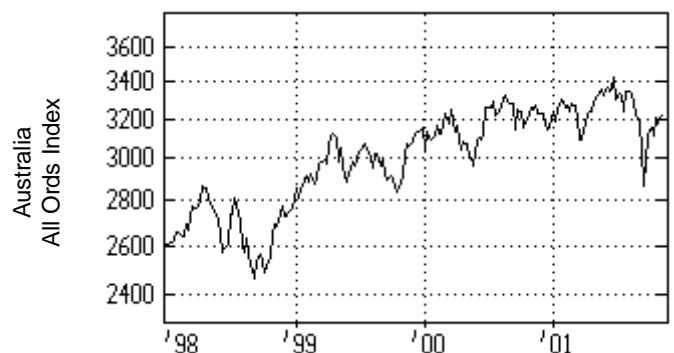
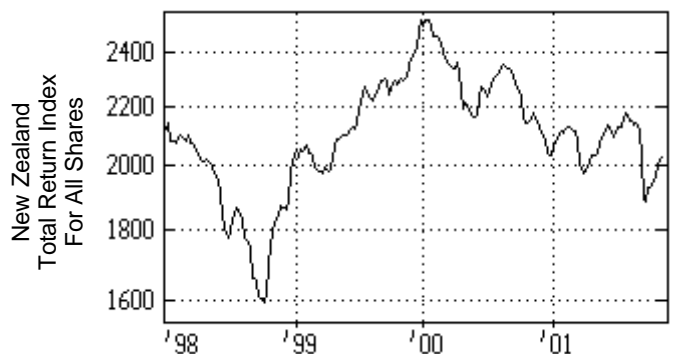
So what we will do with this all this cash?

Our One-Year Forecast for the Australian stock-market is **Bullish** (i.e. favourable) at **75%** (i.e. a 75% chance that the market will rise) and **slightly Bullish** at **61%** for New Zealand. The One-Month Forecasts are **77%** and **82%**, respectively. So yes, we want to re-invest the cash when we can find Australian shares that meet our investment criteria (i.e. cash generating businesses with growth potential, plus neglected and under-valued shares which insiders are buying).

We monitor potential investments for months, often years, waiting for the right conditions for the business to recover and/or grow rapidly - and for the right time to buy its shares. Until the events of September 11th we had anticipated that the world economy would recover in early 2002, and that several Australian shares would become attractive "Buys" during the last quarter of 2001. The decline in investor sentiment and economic activity has now moved that timetable back about 3-6 months. Lower interest rates, however, will probably make the eventual stockmarket recovery much stronger!

One important lesson learnt over the last 20 years of researching and writing *Market Analysis* (and the 30 years of investing our own money in the stockmarket) is the need for patience. Taking the time to carefully select the companies in which we want to invest and waiting for the right time to buy. So a couple of share

sales last month and the partial sale of Toll Holdings will temporarily boost our cash holding, pending re-investment in new companies in the near future.





# Recommended Investments

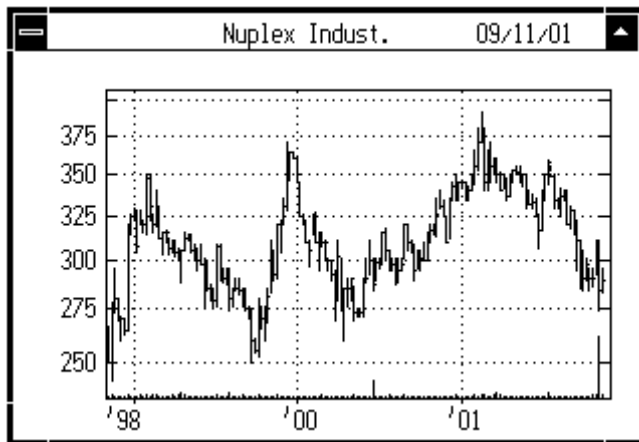
**Nuplex Industries'** share price dropped sharply over the last month when a major shareholder, **Shamrock**, dumped a 16% shareholding on the market. This sale probably has more to do with problems at Shamrock's

parent company, **Disney**, than with the investment merits of Nuplex.

The company reports that the first three months of the next financial year are on budget. Lower oil prices have removed the pressure on profit margins (which depressed earnings last year) and the major industries that Nuplex services (i.e. paint, construction, fibreglass, paper) are "performing solidly".

**Steel & Tube Holdings** has announced a special 10.0 cents per share dividend which will distribute \$8.8 million of the \$38.3 million received from the sale of **AJ Forsyth & Company**.

Steel & Tube Holdings reports that results for its first quarter are ahead "approximately 30%" on last year, with a "noticeable lift in demand" from cities and a steady demand from the rural sector. The company has also won two large contracts: the **Hyatt Hotel** and the **Britomart Transport Centre**. (Cont'd 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 %
<b>NZ Shares</b>													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	185.8	2.1	1.22	8	13.6	18	6.1	-6%
HOLD+	Cavalier Corporation	CAV	05/12/95	312	A	31.5	0.8	0.92	14	8.7	550	162.0	+128%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.7	0.21	14	8.2	255	210.8	+211%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	B	101.8	0.9	2.94	13	9.1	168	10.3	+19%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.7	0.97	18	4.7	475	83.0	+1113%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	350	C	58.6	1.0	0.41	12	7.7	289	51.0	-3%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	36.7	2.3	0.09	11	7.7	39	7.4	-45%
BUY	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.7	0.06	10	Nil	62	11.9	-38%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	1.1	2.95	17	6.2	144	56.3	+67%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.8	1.0	0.59	16	9.1	263	23.0	+96%
BUY	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	1.1	0.81	12	7.0	150	13.0	+60%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.1	1.4	0.23	15	10.0	119	18.3	+65%
<b>Australian Shares (in Aust cents)</b>													
BUY	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.8	0.14	6	5.5	217	29.0	-7%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	B	57.9	1.8	2.12	6	Nil	28	2.0	-59%
HOLD+	Auspine Limited	ANE	08/02/00	210	B	57.0	0.8	0.62	10	5.3	225	34.0	+23%
HOLD+	Austral Coal Ltd	AUO	16/01/01	19	C	82.7	1.8	0.28	5	Nil	28	Nil	+45%
HOLD	Biron Capital Ltd	BIC	12/04/94	178	C	22.4	1.7	1.84	36	Nil	38	11.0	-72%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	B	37.9	0.5	0.50	11	5.8	514	55.5	+36%
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.9	0.75	7	7.8	193	94.0	+86%
HOLD+	Commander Comm.	CDR	11/09/01	92	C	143.6	1.2	0.52	9	3.6	70	2.5	-21%
HOLD+	C.S.R. Limited	CSR	11/07/00	436	B	943.6	0.7	0.90	13	3.7	617	23.0	+47%
BUY	Julia Ross Recruitment	JRR	14/08/01	92	B	57.2	1.1	0.35	9	6.3	95	3.0	+7%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	B	39.2	0.9	0.17	4	10.2	118	12.0	+4%
HOLD	Nufarm Limited	NUF	11/02/97	418*	B	154.6	0.8	0.34	9	6.0	301	81.3	-9%
HOLD+	OAMPS Limited	OMP	15/05/01	198	B	32.6	0.7	0.37	13	5.7	298	6.0	+54%
HOLD+	Thakral Holdings	THG	10/11/98	65	C	592.3	1.3	0.93	8	13.6	46	18.3	-1%
HOLD-	Toll Holdings (1)	TOL	08/09/98	240	A	62.1	0.6	1.09	36	1.1	2905	76.0	+1142%
HOLD	Utility Services Corp	USC	11/01/00	55*	C	99.9	1.8	1.07	NE	6.9	58	9.0	+22%
HOLD+	Vision Systems Ltd	VSL	10/11/98	69*	C	146.4	0.7	2.18	22	1.5	226	16.2	+251%
HOLD+	Volante Group Ltd	VGL	13/03/01	132	C	68.0	1.1	0.20	11	7.2	111	5.0	-12%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +106.6%.

This is equal to an average annual rate of +30.2%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 30 current and 115 closed out) is +31.6%, compared with a market gain of +10.2% (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.

(1) Toll Holdings notes (TOLG) last traded at 2920 cents.

**Recommended Investments** (Continued from Page 3)

These construction projects will purchase 6,000 tonnes of reinforcing steel over the next year and the forward order position is now about 8,000 tonnes, "the largest it has ever been".



Steel & Tube Holdings is a very good *cash generating* business. It is also a *cyclical* business, so the shares tend to fluctuate between extremes of under-valuation and over-valuation. When the economy is depressed, institutional investors and brokers *neglect* the shares which fall in value - at which level they offer a good income yield with cyclical recovery potential. As the company's business improves, investors focus more on the high income, dividend growth and strong cashflows. Institutional investors and brokers become interested in this "growth" company and the share eventually rises to an extreme of over valuation.

We first bought Steel & Tube Holdings shares in 1982 and sold in 1985 for a good gain of 119%. Seven years later, in 1992, the shares again looked attractive so we bought back into the company. Over the next four years the company repaid *all* of our investment through regular dividends, special dividends and capital repayments. The shares eventually became over-valued so we sold in 1996 for a total return of 462%. The share price collapsed during the 1997/98 Asian crisis, so we started looking for another opportunity to buy into these under-valued shares. Our current Buy recommendation was probably *perfectly timed* (i.e. the share fell over the following three months and remained unchanged for about eight months - giving investors plenty of opportunity to build up a shareholding). We also bought in *very close to the lows* and *just ahead of the current cyclical upturn* - so we expect that this will become a very profitable investment.

Already our current Steel & Tube investment is showing a gain of 96% over a period of just fifteen months. We still consider the share a very attractive investment.

As *investors* we never buy shares with the intention of re-sale. The only person to make money *selling* shares is your stockbroker. *Investors* make money by *holding* shares that pay dividends and/or appreciate in value. We buy with the intention of holding for as long as the shares are an attractive investment (i.e. pay an attractive dividend return and appreciate in value). We would be happy for the share price to remain relatively stable and just collect Steel & Tube's high dividend yield, with the company's strong cash flows

used either to grow the business (and thereby *increase* its profits, dividends and the capital value of the shares over the medium to long term) or distribute the cash as special dividends and/or capital repayments.

But the world is full of uncertainty. Institutional investors and brokers are unable to take a detached, *long term* view but get caught up in the short term manic depressive nature of the stockmarket. Big "smart" money drives share prices to the extremes of valuation. Small "dumb" private investors, chasing short term trends and quick profits, are usually no better. Or we can deliberately step back from the crowd, choose to think differently, to back our own judgement (*especially* when at odds with conventional thinking) and adopt a counter-cyclical perspective.

"Buy" when your broker tries to talk you out of doing it, "Hold" when he recommends taking your profits, and "Sell" when he starts recommending it to others!

We *would* quite happily hold our Steel & Tube shares forever, but we *know* - as sure as day follows night - that one day the institutions will drive Steel & Tube's share price to an extreme of over-valuation. At that stage (e.g. perhaps \$5 per share? perhaps \$10?) we will be able to find much better places to invest our money, so will allow the institutions to buy our shares for the superannuation funds that they manage.

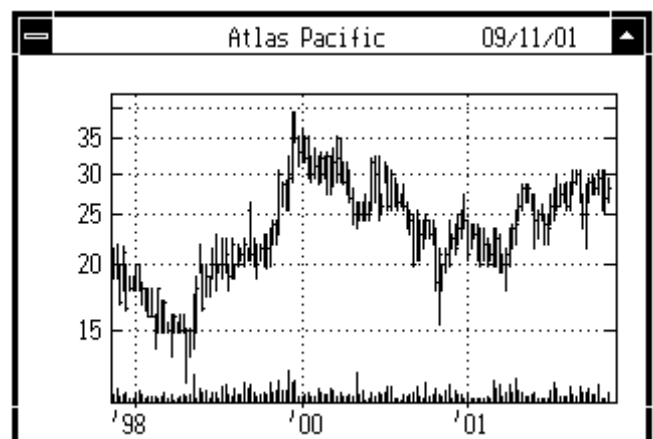
That time has not yet arrived, so Steel & Tube shares remain an attractive "Buy and Hold" for high current income, income growth and capital appreciation.

**Australian Shares**

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

**Atlas Pacific** continues to upgrade its estimates of the number of oysters it will nucleate this year (to December 31). Last month we reported it has exceeded its target of 150,000 oysters, having nucleated 160,000 oysters with "still more operations to come". Those numbers have now increased to 194,000 oysters nucleated (as at October 17) with "a further 20,000 to 30,000" by year end. Even more importantly Atlas Pacific "expects to achieve further increases next year", with about 250,000 oysters to be seeded in 2003. This would approximately *triple* the production of pearls and *triple* revenues in the years 2003 to 2005 (compared with the current financial year). Operating costs, however, are relatively fixed, so profits would soar!

Atlas Pacific paid its maiden dividend at the end of October - an interim of 2.0 cents. Now that this business has completed its development phase there is little need to retain cash, so most of its profits can be

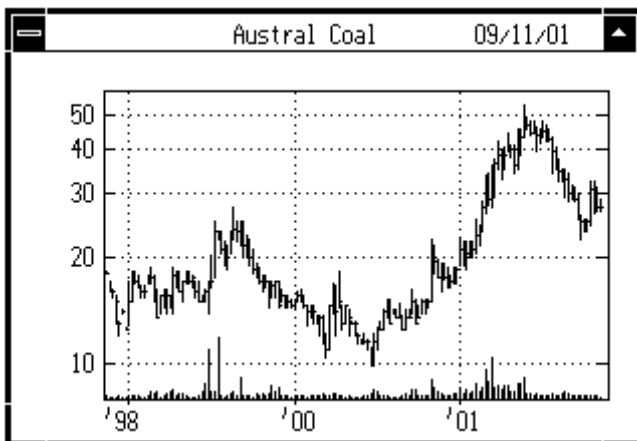


distributed to shareholders by way of a dividend or through share buy-backs. Furthermore, production, revenues and profits will increase significantly over the next several years. Atlas Pacific will generate significant cash flows, so shareholders can look forward to high dividend returns and a strongly appreciating share price as the market re-rates this company. "Buy" for a very high income and capital appreciation as the shares are re-rated.

**Austral Coal's** production was down significantly in the September quarter - but such variation is normal and was caused by changing over from underground coal panel 18 to panel 19. Worse than expected roof conditions in the final metres of panel 18 required additional expenditure and delayed the change over by three weeks. Mining of panel 19 will be shortened to avoid a repeat of this problem next year. Additional shifts are being worked to recover production lost in August.

Excavation was completed for the driveheads of the new \$8 million, 4000 tonnes per hour north west conveyor belt system (to be used on panels 20, 21 and the Tahmoor North expansion) and the company is now reviewing tenders to install the new conveyor system. This should be operational by mid-2002. A new continuous miner - specifically designed for the Tahmoor mining environment - has been ordered, at a cost of \$3 million, with delivery expected in the first quarter of 2002 and the company is considering the purchase of a second new machine.

Demand for coking coal remains "very strong" and "continued world shortages of metallurgical coal" are expected to lead to further price increases in the 2002 contract negotiations which begin this month.



**Biron Capital** has announced the unconditional sale of its Balcatta manufacturing property for \$2,250,000 (i.e. approximately book value), with settlement in mid December. Cash on hand at the end of September was \$8,016,000 so this sale will leave the company debt free with over \$10 million in cash to begin its new property finance business. That new business has started with the company making \$1.5 million in mezzanine loans to property developers during October. The company expects to approve loans for a further \$2.5 million during November.

With the shares trading at a discount to net asset backing, Biron has also announced *another* on-market share buy-back and will seek to re-purchase up to one million shares (4.4% of its capital) over the next six

months. The purpose of the buy-back is not to return surplus funds to investors, but to improve the share price so that the company can seek *additional* equity capital through a share placement or cash issue!

Director GG Hill purchased his first 123,544 Biron Capital shares in August. In October he purchased 28,938 shares and 21,062 shares to increase his investment to 205,543 Biron Capital shares. Over the last year there have been 14 insider buys in Biron Capital and no sales. This shows a lot of optimism in the new business from the people who best know the company, so we are encouraged to stick with these shares although we only rate them a "Hold".

**Central Equity** has declared a first quarterly dividend down 33.3% at 3.0 cents.

**Commander Communications** made an announcement which - as is often the case with stockmarket investment - involves aspects of "bad" news and "good" news. The "bad" news is that terrorist attacks in the United States have depressed economic activity in Australia. Revenue growth (for the year to June 2002) is expected at just 5% (down from 10%). The company now expects earnings (before interest and tax) to fall 12% to \$18 million.

The "good" news is that the company will introduce a cost saving program expected to save \$10 million annually - which is a *very significant* amount (i.e. 50% of earnings) for a company the size of Commander Communications. The company will reduce 110 full time positions across the business (at an initial redundancy cost of \$2.5 million), centralising offices in Melbourne and Sydney to improve business integration and reduce overheads, and reduce \$3 million in discretionary spending (i.e. travel, motor vehicles, non-essential training and consultants).

Commander Communications shares trade on a low valuation and the company operates in an industry that we expect to grow steadily - so this could eventually prove a *very profitable* investment. However, the slowdown this year *may* mean that the share price stays relatively unchanged over the next 6-12 months. Therefore we are downgrading the shares to "Hold+" for a while.

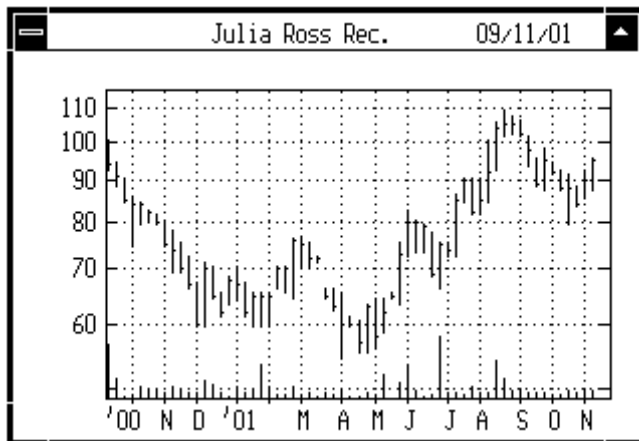
Last month we reported that **Julia Ross Recruitment** was not going to proceed with its \$3 million conditional purchase of **Price Waterhouse Coopers Executive Recruitment** business following terrorist attacks in the US. With asset values dropping after the attacks - and the deterioration in economic activity - we suggested that this was not a good time to borrow \$3 million to fund an acquisition and "that this business is now worth less than \$3 million".

It is now clear that Julia Ross Recruitment agreed, and withdrew from the earlier conditional agreement to negotiate a discount in light of developments. In fact, the company has negotiated the purchase price down from \$3 million to just \$1 million! Julia Ross Recruitment will therefore need to borrow significantly less to acquire this business, to be rebranded as **FirstWater Executive**, and at this lower price it should prove an excellent acquisition over the medium to long term.

As we wrote last month, the terrorist attacks have both unfavourable *and* favourable (Cont'd on Page 6)

**Recommended Investments** (Continued from Page 5) impacts on share prices. A financially strong, successful company like Julia Ross Recruitment has been able to use the downturn in confidence and economic activity to acquire a weaker business at a significantly discounted price. Expanding *cheaply* during a period of uncertainty should build additional long term wealth for Julia Ross Recruitment shareholders. The terrorist attacks also temporarily depressed the Julia Ross Recruitment share price, allowing investors to add to positions in this recently recommended company at favourable prices.

Although directors are cautious about making predictions, first quarter results lead them to expect at least "some improvement on last year".



**McPhersons** expects pre-tax profits to be steady this year so, having exhausted tax losses, tax paid profits will be down. The Housewares business is likely to decline, owing to the difficult trading environment and lower Australian dollar, but returns from the Printing business are expected to increase. The company's contract to print 50% of **Telstra's** telephone directories until December 2003 has been extended by six years until 2009.

While tax paid profits will decline a little this year, our portfolio would not be complete without this strong cash generating company whose shares trade on a P/E of just 4 and offer a Dividend Yield of 10.2%.



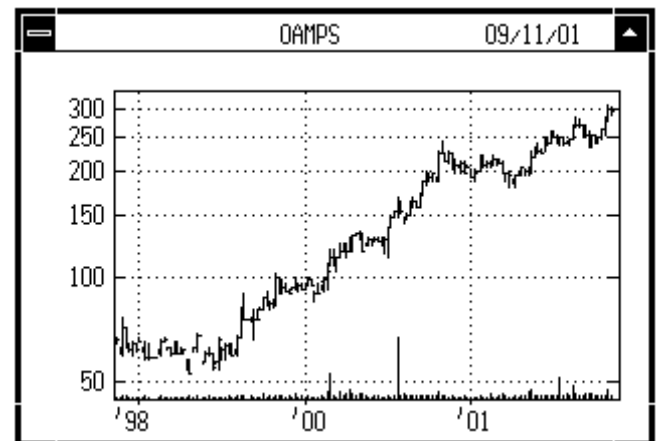
**Nufarm** directors have been both buying and selling shares in the company. DJ Rathbone purchased 72,324 shares to raise his holding to 37,736,372 shares, while RFE Warburton sold 8,250 shares, reducing his holding to 28,300 shares.

**OAMPS** has continued its external expansion strategy with the acquisition of the insurance broking

and financial services business of **Andy Taylor Insurance Brokers**. This Parramatta, NSW, business generates commissions and fees of \$800,000 per annum.

The company has also raised \$14 million in cash through the placement of 6.1 million shares at \$2.35, and this money will help finance further acquisitions. We are a little concerned about *diluting* earnings per share growth by increasing the issued capital through cash issues, share placements and issuing shares to partially fund acquisitions. The current placement increases the capital by 22%. Nevertheless, the company reports first quarter earnings "well up" on the previous year and predicts "a 40% increase in net profits" before any contribution from new acquisitions.

OAMPS' share price also continues to perform well. At \$3.00 the shares are showing a 54% gain since our initial purchase recommendation just six months ago. The shares still offer good value (i.e. the Price/Earnings ratio is a low 13, the Dividend Yield a high 5.7%), so we are happy to let our profits run and see how well management can continue to grow earnings per share.



**Thakral Holdings Group** is predicting a 20% decline in profits for the June 2002 year owing to the impact of the downturn in tourism on its hotel business. Despite this downturn, Thakral Holdings is an attractive *high income* situation whose shares will be worth considerably more in better times.

While emerging growth company shares can offer the best potential for capital appreciation it is important to maintain a balanced equity portfolio to minimise risk. High income, cyclical businesses like Thakral Holdings therefore have a place in our portfolio, providing diversification, cash flow from dividends and - if purchased at the right time and at the right price - can be expected to realise a worthwhile capital gain over the medium to long term.

**Toll Holdings** has made a \$188 million institutional placement of 8.0 million shares at \$23.50. 69% of this placement was new shares, raising \$129 million for the company. 31% was existing shares sold by P Rowsthorn, M Rowsthorn and P A Little the three major shareholders who have realised \$59 million of their investment in Toll Holdings. The company will also raise up to \$23 million in new equity by offering the ordinary shareholders 125 shares each at \$23.50 per share.

As part of its continuing expansion and industry consolidation, Toll Holdings has acquired the Western Australian freight service and logistics operations of **Wesfarmers**.

Toll Holdings continues to perform well. Growth potential remains strong in many areas. Trading in the new financial year has "remained strong" with "earnings well ahead" of the previous year. A successful bid for **National Rail** and **FreightCorp** offers significant synergies with Toll Holdings road freight businesses. The company's existing businesses also have good growth potential.

In addition to the 2.5 million shares sold by P Rowsthorn, M Rowsthorn and PA Little (reported above), director N Chatfield sold 7,500 shares on market in early October, also at about \$23.50, reducing his holding to 60,062.

There have now been two buys and four sells by Toll Holdings insiders over the last year, but those two buys were significantly smaller (i.e. 64,689 shares by M Rowsthorn and 120,510 shares by PA Little), made a long time ago (i.e. in September 2000, and reported in November 2000 - so about to drop out of our annual summary) and at significantly lower prices (i.e. around \$10.80 per share).

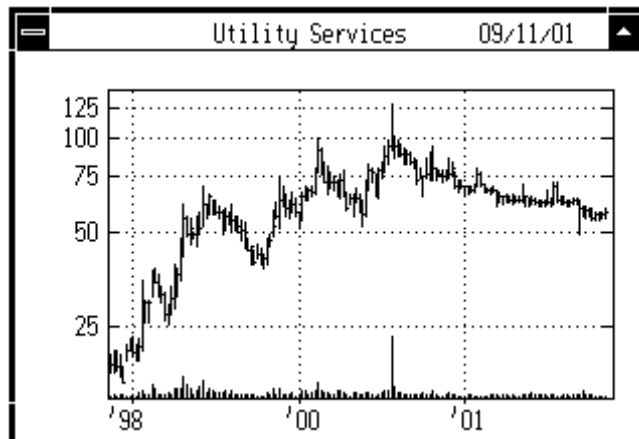
Seeing excellent growth potential in Toll Holdings we have avoided selling any of our shares and have let our profits run. Not realising profits when we had a 100% gain - or a 500% gain - has been important in maximising our profits on this investment. We remain in no hurry to sell our Toll Holdings shares.

Nevertheless, things have changed over the last three years. When we originally bought Toll Holdings the shares were unpopular and *neglected*, trading on a Price/Earnings ratio of 8 and there had been four insider buys (and no sells) over the previous year. Now institutions are buying these shares which are in the Top 100, the P/E ratio has expanded to a high 35 and there have now been four insider sells!

Our investment in Toll Holdings has also multiplied 12-fold in value, so many *Market Analysis* readers (and your Editor) are now becoming very over-weighted in this company. It is therefore probably an appropriate time to follow the directors' example and sell *part* of this extremely successful investment - and seek to repeat our successful strategy of buying into *neglected*, under-valued shares with growth potential and where insiders are buying. Sell 20-25% of your Toll Holdings shares/ notes to reduce this over-weighting, improve diversification, reduce risk and provide cash for re-investment in new recommendations.



**Utility Services** director G Lord purchased an additional 200,000 Utility Services shares, increasing his holding to 9,354,894 shares, while K Culley also picked up 100,000 shares to lift his holding to 1,673,953 shares. These are the first insider trades since three buys in November/December last year.



**Vision Systems** reports "very difficult" trading conditions for its Fire & Security business. Sales effort is being redirected to recession proof, protection sensitive industries (e.g. water storage, electricity generation, gas reticulation, telecommunications, public transport centres) and the company is continuing its accelerated investment in Research & Development which will see "significant new products" released over the next year.

The other division, Vision Technologies, which focuses on the Healthcare sector, is expected to "deliver a record year" and earnings are "significantly ahead" of last year. Unfortunately, Vision Technologies is only one-fifth the size of the Fire & Security business.

Vision Biosystems (part of Vision Technologies) expects to lose about \$2 million this year but offers very strong growth potential. Over the last 13 years this business has developed and built over 5000 high value, complex instruments for pathology laboratories, but these were sold by external partners under their brand names. Vision funded all of the Research & Development costs but received only half of the profit margins on these sales. This business is now seeking to use this experience to develop and sell equipment under its own brand. Two "very exciting products in the histopathology area" are "well into development" and will be released early next financial year (i.e. after June 2002), while it is at the early stages of bench testing two product concepts for the Proteomics market "which is expected to boom on the back of the human genome program".

Vision Systems has "been actively turning over acquisition opportunities" to invest its cash holding but has not been able to identify any suitable opportunities that meet its price expectations. One small acquisition is at an advanced stage of negotiation.

The company has also changed its original plans to sell off its remaining TTP Communications plc shares and return cash to shareholders, and is now "very comfortable" with this investment. TTP Communications is "very profitable, cashflow positive and growing at a rate in excess of 45%". Vision Systems is likely to hold these shares as a long term investment but would sell them to help it fund a very big acquisition. While we are also comfortable (Continued on Page 8)

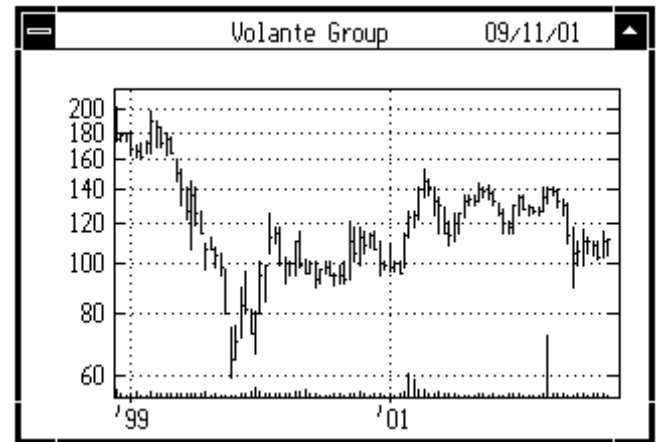
**Recommended Investments** (Continued from Page 7) with TTP Communications as a long term investment, the stockmarket will probably continue to undervalue Vision Systems' shareholding in this company.

TTP Communications' share price has fallen over the last year from a peak of about £3.00 in December 2000 to a low around £0.80 in September/October. Over the last month they have recovered strongly to £1.48, valuing Vision Systems' shareholding at A\$94.7 million (65 cents per share).

Director PA Murphy sold another 194,200 Vision Systems shares in October (having sold 332,500 shares in March), reducing his holding to 1,903,240 shares. Another director, TFS James, purchased 6,001 shares to hold 92,001 shares. There have been two buys and two sells in Vision Systems' shares over the last year, so this important indicator is Neutral.

The Chairman of the board of **Volante Group**, R Crawford, has been very aggressively purchasing shares. Over the last four weeks he bought 187,548 shares at about \$1.06, 126,033 shares around \$1.07 and

61,105 shares around \$1.04. That \$397,000 investment lifts his holding to 2,272,704 shares. Over the last year there have been four buys (i.e. R Crawford bought 30,000 shares in November 2000, although this will drop off our annual summary this week), and no sells. Insider buying is an important predictor of future share price performance, so this situation is clearly bullish (i.e. favourable) for Volante Group shares.



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

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

Company	Share Price	STRENGTH RATING				Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING				Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Current	4-Wk Chg.	Rank	Brokers Following										Current	4-Wk Chg.	Rank	Brokers Following							
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0												<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million													
Owens Group Ltd	116	+11.7	+5.6	6	3	1.9	14	1.0	13	6.4	0.17	66	NZ Refining Co	1640	+0.7	-0.0	40	3	1.3	23	0.3	6	22.8	1.32	394
Wrightsons Ltd	119	+21.6	-1.0	2	-	1.4	9	1.4	15	10.0	0.23	160	Tourism Hold.	120	-11.7	-2.0	80	6	0.6	7	0.9	9	11.2	0.54	110
Mainfreight Grp	136	+2.1	+3.2	34	5	2.0	7	1.0	28	7.1	0.24	99	Hellaby Hold.	222	+3.4	-0.9	27	2	1.5	17	0.8	9	10.1	0.29	110
Hellaby Hold.	222	+3.4	-0.9	27	2	1.5	17	1.0	9	10.1	0.29	110	Wrightsons Ltd	119	+21.6	-1.0	2	-	1.4	9	1.1	15	10.0	0.23	160
Williams Kettle	380	+6.7	-1.1	18	-	1.3	16	0.6	8	7.9	0.31	56	Hallenstein G.	283	+2.9	-2.4	30	5	4.1	29	0.6	14	9.8	0.97	164
Fletcher Build.	268	+5.9	-1.4	20	7	1.2	4	1.3	27	6.7	0.41	923	Lyttelton Port	168	-1.5	-1.9	55	4	4.0	32	0.6	13	9.1	2.94	171
Goodman Fielder	170	+2.1	+2.9	32	-	1.3	10	0.8	12	5.9	0.51	2,170	Steel & Tube	263	+13.3	+4.0	5	6	1.8	11	1.0	16	9.1	0.59	231
Steel & Tube	263	+13.3	+4.0	5	6	1.8	11	1.0	16	9.1	0.59	231	Cavalier Corp	550	+3.7	-2.2	26	3	3.1	22	0.7	14	8.7	0.92	173
Reid Farmers	120	+10.5	-3.5	11	-	1.6	18	1.2	9	8.7	0.62	67	Restaurant Brds	185	+7.6	+0.4	13	6	6.1	45	1.0	14	8.1	0.72	170
Restaurant Brds	185	+7.6	+0.4	13	6	6.1	45	1.2	14	8.1	0.72	170	Trust Power Ltd	320	-1.1	-0.4	51	5	1.0	4	0.5	25	8.0	1.16	587
Taylor Grp Ltd	150	+5.1	+3.2	22	-	1.7	14	1.1	12	7.0	0.81	36	<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0												
Ebos Group Ltd	333	+4.6	+4.4	23	-	2.3	14	0.8	16	6.3	0.84	90	Elect Trans Tech	7	-16.2	-2.6	88	-	10.7	-	3.2	NE	Nil	5.00	9
Tranz Rail Hold	450	+6.2	-0.2	19	6	1.2	6	0.9	20	1.9	0.86	544	Vending Tech.	265	-0.9	-5.5	50	-	7.7	40	0.6	19	Nil	4.68	78
Cavalier Corp	550	+3.7	-2.2	26	3	3.1	22	0.8	14	8.7	0.92	173	Sky Network TV	355	-0.7	+0.7	49	7	16.4	-	0.8	NE	Nil	4.60	1,382
Michael Hill	475	+11.1	+1.0	8	5	3.7	20	0.7	18	4.7	0.97	183	Lyttelton Port	168	-1.5	-1.9	55	4	4.0	32	0.6	13	9.1	2.94	171
Hallenstein G.	283	+2.9	-2.4	30	5	4.1	29	0.8	14	9.8	0.97	164	Ind Newspapers	360	-3.2	-1.0	62	7	1.3	2	0.7	56	3.5	2.82	1,551
<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0												Genesis Res.	285	-17.5	-2.0	89	-	1.2	1	0.9	100	Nil	2.51	72	
Wrightsons Ltd	119	+21.6	-1.0	2	-	1.4	9	1.2	15	10.0	0.23	160	Nuhaka Forestry	845	-8.6	+1.5	76	-	0.7	-	0.4	NE	6.5	2.24	15
Steel & Tube	263	+13.3	+4.0	5	6	1.8	11	0.9	16	9.1	0.59	231	Cadmus Tech Ltd	13	-3.7	-5.5	67	-	1.1	3	1.5	38	Nil	2.21	17
Owens Group Ltd	116	+11.7	+5.6	6	3	1.9	14	0.8	13	6.4	0.17	66	<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Pacific Retail	190	+11.4	+3.8	6	4	1.6	19	1.2	8	Nil	0.24	96	Spectrum Res.	3	-48.7	-0.0	99	-	1.1	-	3.7	NE	Nil	1.91	5
Michael Hill	475	+11.1	+1.0	8	5	3.7	20	0.6	18	4.7	0.97	183	Advantage Group	36	-32.4	-0.7	96	5	4.1	14	1.5	29	Nil	0.32	24
Reid Farmers	120	+10.5	-3.5	11	-	1.6	18	1.0	9	8.7	0.62	67	Force Corp.	12	-31.1	-1.1	95	1	4.3	-	1.9	NE	Nil	0.35	19
Restaurant Brds	185	+7.6	+0.4	13	6	6.1	45	1.0	14	8.1	0.72	170	IT Capital Ltd	8	-27.3	-1.8	92	-	0.6	-	2.7	NE	Nil	0.97	13
Broadway Ind	32	+7.0	-2.2	15	-	0.9	10	1.2	9	Nil	0.18	6	Strathmore Grp	6	-21.3	+1.1	91	-	1.4	-	2.8	NE	Nil	N/A	10
Williams Kettle	380	+6.7	-1.1	18	-	1.3	16	0.4	8	7.9	0.31	56	Brierley Invest	29	-19.4	-6.8	90	4	0.3	-	1.1	NE	Nil	0.68	397
Richina Pacific	62	+5.2	-10.5	20	-	0.5	5	1.4	10	Nil	0.06	45	Genesis Res.	285	-17.5	-2.0	89	-	1.2	1	0.9	100	Nil	2.51	72
Taylor Grp Ltd	150	+5.1	+3.2	22	-	1.7	14	0.9	12	7.0	0.81	36	Elect Trans Tech	7	-16.2	-2.6	88	-	10.7	-	3.0	NE	Nil	5.00	9
Ebos Group Ltd	333	+4.6	+4.4	23	-	2.3	14	0.7	16	6.3	0.84	90	GDC Communicat.	190	-15.1	-0.9	87	2	5.2	22	0.9	24	2.6	1.73	72
Cavalier Corp	550	+3.7	-2.2	26	3	3.1	22	0.7	14	8.7	0.92	173	Tag Pacific Ltd	14	-14.5	+0.8	86	-	0.5	-	1.5	NE	Nil	0.26	9
Hellaby Hold.	222	+3.4	-0.9	27	2	1.5	17	0.8	9	10.1	0.29	110	WN Drive Tech.	54	-14.3	-0.8	85	-	15.0	-	1.0	NE	Nil	N/A	56
Hallenstein G.	283	+2.9	-2.4	30	5	4.1	29	0.6	14	9.8	0.97	164	Blis Technology	85	-13.6	-1.9	85	-	-	-	1.1	NE	Nil	N/A	53
Goodman Fielder	170	+2.1	+2.9	32	-	1.3	10	0.6	12	5.9	0.51	2,170	Waste Mgmt NZ	266	-13.6	-2.9	84	6	1.7	9	0.6	18	4.2	1.89	259





# Australian Company Review: Powerlan

Apart from specialist, niche market companies like **ERG** (sold in February 2000 for a 605% gain), **Toll Holdings** (up 12-fold in value) and **Vision Systems** (up 3-fold), *Market Analysis* avoided Technology shares during the 1998-2000 Technology boom. Even during the boom it was clear that 80-90% of the Technology companies would not survive - and valuations for the whole sector were pushed to an extreme of over-valuation.

Now we are approaching the opposite end of the boom/bust cycle: The majority of listed Australian Technology hopefuls have failed - and share prices have fallen 90-95%, taking even the viable, cash flow positive and profitable Technology companies to an extreme of under-valuation.

One company that we are monitoring as a *possible* future Buy recommendation is **Powerlan** (Code PWR).

## **Company History**

This was originally a computer system design and assembly business, formed in September 1992 as **Powerlan Technologies**. That was shortened to just **Powerlan** and floated on the Australian stockmarket in September 1999 during the Technology boom. 25.0 million shares were offered to investors at 100 cents (i.e. equivalent to 100 million shares at 25 cents adjusted for the subsequent 4:1 share split), listed on the market at an 80% premium and rapidly appreciated in value reaching a peak of 315 cents in March 2000. This was a 12-fold increase in price in the six months since the initial public offering.

Powerlan skilfully used its high share price to significantly build its business. During 1999 and 2000, the company expanded extremely rapidly through acquisitions. These were funded partly by its high priced shares and partly by cash - although this was raised through share placements. So Powerlan successfully used its high share price during the Technology boom to acquire income producing businesses.

The shares have lost 87% of their value since the March 2000 peak, so not surprisingly the rate of new acquisitions has diminished significantly, although Powerlan continues to make a few acquisitions. To avoid diluting existing shareholders interests by issuing shares at a low price, Powerlan has financed recent acquisitions from cashflows generated by businesses acquired in 1999 and 2000.

Powerlan is therefore an excellent example of how a company can use its fluctuating share price to grow its business - and build wealth for existing shareholders. Of course, vendors (who sold their businesses for shares) and institutions (who participated in the share placements) have suffered significant losses by taking Powerlan shares when they were over-valued.

## **Expansions and Acquisitions**

External acquisitions have been very important in the

rapid growth and expansion of Powerlan. We have summarised below the major acquisitions:

September 1999:

**Commercial Software Service** a supplier and integrator of software and IBM mid-range computers in Australia and seven Asian countries generating annual revenues of \$75 million. We estimate the purchase price at \$7 million.

October 1999:

**SI Resources**, which contracts IT & T personnel to large companies, and **IT & T Careers**, a recruiting business, were bought for \$3.2 million.

**Clarity International**, which provides Operational Support Systems products to telecommunications companies. A 51% shareholding was purchased for \$1.7 million. Clarity was floated on the stockmarket in August 2000 - raising \$3 million in new equity through the issue of 6 million new shares at 50 cents. This diluted Powerlan's shareholding to 41% (\$10.2 million at the time of the float) which has a current market value of \$6.1 million.

November 1999:

**Namadgi Technology Group**, a provider of Internet ASP and e-commerce hosting, was purchased for an estimated \$1 million.

December 1999:

**Australian Technology Re-Marketing** was acquired for an estimated \$6 million. This was already a "highly profitable" business distributing liquidated, re-manufactured and second hand computer equipment, "just obsoleted" new equipment and component overruns. This was also a strategic acquisition for Powerlan to increase its ability to offer trade-ins to customers buying new equipment and to expand its IT Finance business. Powerlan's finance book has since grown with receivables of around \$100 million, mainly to government departments and blue chip companies.

January 2000:

**Strictly Training**, a small business offering "highly lucrative" customised corporate IT & T training.

**APA Management Services**, which provided a wide range of IT related services, initially to the public sector, but was expanded to service Powerlan's business customers and the SME (small and medium sized enterprises) market. Estimated cost \$2 million.

February 2000:

**Interface Technology**, which provides IT services and equipment to many Federal and State government departments. The business, purchased for \$7 million, generated revenues of about \$50 million and earnings (before interest and tax) of about \$4 million. This further expanded Powerlan's involvement in the Government sector.

March 2000:

**PSR Software** (for an estimated \$2.4 million) and

**Centrelink Systems and Phase Shift Technology** (for an estimated \$2 million). PSR Software specialises in Internet based information access and delivery, while Centrelink and Phase Shift provide IT services to companies using IBM mainframe computers.

**Webtrax**, which develops complex, web-enabled software solutions, was acquired at an estimated cost of about \$500,000.

**CountryTECH Group**, Hong Kong's largest IT recruitment agency (estimated purchase price \$4 million) and the small, Sydney based business of **Tara Daniel & Associates** expanded the group's IT Recruitment business. CountryTECH, generating revenues of HK\$28 million in 1999, had doubled in size every year since its establishment in 1993 and was acquired at five time earnings (before interest and tax). The Tara Daniel business was purchased at three times earnings (before interest and tax).

April 2000:

**IT & T Services** (estimated cost \$5 million), an independent IT design and project management group specialising in major IT & T projects.

**Sunrise Computer Group** (estimated cost \$5 million), a diversified Queensland business generating revenues of \$58 million and earnings (before interest and tax) of about \$1.2 million from equipment sales, consulting, training and recruitment.

**XSITechnology**, the largest independent data storage company in Australia.

July 2001:

**IMX Software** was acquired in a "multi-million dollar, mainly cash deal". IMX Software's currency exchange and travel funds software is used in 1700 locations internationally and earns revenue from licence fees and transaction fees.

### Internal Growth

Powerlan has also sought internal growth, establishing and developing many new businesses:

September 1999:

**Powerlan SAP Consulting Group** was established to provide large (i.e. \$10-100 million) SAP applications for large businesses.

**The Australian IT Careers Institute** was formed to provide IT training courses to overseas students. **China IT Training** was appointed the exclusive Chinese agent in November 1999, agreeing to provide at least 600 students in the year to December 2000, 1000 students in 2001 and 2000 students in the 2002 year. In November 2000, a joint venture was formed with Indian based **Asset International** where students will be trained for four months in India and 12 months in Australia. This venture was expected to bring through 1000 students per year.

March 2000:

A joint venture (45% Powerlan, 45% Gullewa, 10% management) was formed to develop an internet protocol video conferencing service. Powerlan provided the software development - partially by purchasing **White Pine Software** - and hosting services, with Gullewa to provide finance to develop and market the service which was launched in October 2001. Users download Videcom software via the internet, then use their own camera, PC, browser and internet connection to video conference multiple users

at a cost of just 15-80 cents per minute per user.

In the early 1990's, Powerlan developed software for **Bankers Trust** and has since become the second largest provider of investment software in Australia. The company's *Portfolio Manager* program is used by a large number of institutions who pay around \$1 million in upfront licencing fees and annual maintenance fees. Other major companies to use the software include **JP Morgan, William M Mercer, Alliance Capital, Milton Corporation, Sandhurst Trustees** and **State Trustees of Victoria**. In October 2000, Powerlan successfully tendered to provide its *Portfolio Manager* and a Unit Trust Registry System for the Office of the Protective Commissioner. In July 2001 the company won two new Hong Kong customers, **China Insurance Group Asset Management** and **Allen Perkins Insurance**, and in August 2001 **Perpetual Trustees Australia** signed an agreement to licence the program.

In October 2000 Powerlan also entered an agreement with **CPS Systems** to run - and eventually acquire full ownership - of the **NEIS B2B e-commerce exchange**. Originally developed by **BHP** and **Wollongong University** in 1985 and acquired by CPS Systems in 1996, NEIS offers a wide range of electronic trading services to assist companies to use electronic commerce. Powerlan and CPS will work together to enhance the system - to be renamed **Elcentrex** - and share the earnings (estimated at \$4 million initially) over four years, after which Powerlan will have full ownership of the business.

A joint venture between Powerlan, **Min-Tech** and **Alcatel Australia** was formed in June 2001 to provide telecommunications centres offering high bandwidth access to regional Australian centres, using a unique business model where infrastructure funding is secured against *long term, fixed price supply contracts with customers*. Min-Tech finds core customer groups in regional locations, Min-Tech and Powerlan identify products and services to be offered, Powerlan arranges long term funding and Alcatel supplies telecommunications equipment, making use of microwave and wireless technologies.

Powerlan is also planning to launch a wide range of ASP internet services, including Real Estate, Freight Forwarding and an Enterprise Resource Planning application.

The **Real Estate ASP portal** was launched in November 2000 and is based upon a Property Information Knowledge system that Powerlan originally developed for **Colliers Jardine**. Powerlan has acquired full ownership of the application, designed for Real Estate agents, Property Management companies, with Colliers Jardine as the first user of the new portal. The market potential of the Real Estate ASP is estimated by the company at "in excess of \$1 million per month in Australia" and "with minimal changes is suitable for deployment in global markets".

### Recent Results

For the year to June 1999 (i.e. as a private company), Powerlan recorded revenues of \$47.1 million and its profits were \$3,903,000 (2.2 cents per share). A 0.25 cents dividend was paid prior to listing on the stockmarket.

(Continued on Page 12)

**Powerlan***(Continued from Page 11)*

The string of major acquisitions after listing on the stockmarket saw revenues rise 289.4% to \$183.3 million and profits up 151.3% to \$9,809,000 for the year to June 2000. The capital increased 93% (i.e. in the initial public offering and to fund acquisitions) so earnings per share rose 31.8% to 2.9 cents. A 1.25 cents dividend had been forecast in the prospectus, but no dividend was paid.

Revenues again rose strongly in the year to June 2001 - up 89.3% to \$342.6 million. Profits rose 50.4% to \$14,752,000 - with earnings per share up 41.4% to 4.1 cents. Again, no dividend was paid.

**Investment Criteria**

At 35½ cents, Powerlan shares are trading on a low Price/Sales ratio of 0.37, a low Price/Earnings ratio of 9 but do not currently pay a dividend. That is a low valuation for a company that is growing rapidly and which has increased earnings per share by 30-50% per annum. The payment of a dividend, however, would be a positive sign.

The business is soundly financed with Shareholders Equity of \$129.7 million (36 cents per share). Interest bearing debt is *very* low at \$26.2 million and the company has \$25.2 million in cash.

Owing to the significant decline in the share price over the last nineteen months the market capitalisation is now only \$127 million. This makes Powerlan a *medium sized* Australian listed company.

Powerlan is *neglected* by brokers, with none following the company closely enough to publish profit forecasts. Institutional investors own only about 30% of the company.

Management, however, own 36.6% of the company. Managing Director and Chief Executive, T Baker, owns 129,600,000 shares (36.1% of the company), while Chairman NK Chan has 1,066,664 shares (0.30%) and C Voukidis has 1,051,988 shares (0.29%).

There has been just one insider trade in Powerlan shares over the last year. In December 2000 C Voukidis purchased 500,000 shares on market at about 98 cents.

Technically the shares are *very unattractive* and still in the long term downtrend that began when the

shares peaked at 315 cents in March 2000. The Relative Strength Rating is -26.0%, ranking the shares 87 (i.e. on a scale of 0-99). This makes the shares *very weak* - and very weak shares tend to decline further in price and to under-perform the stockmarket average.

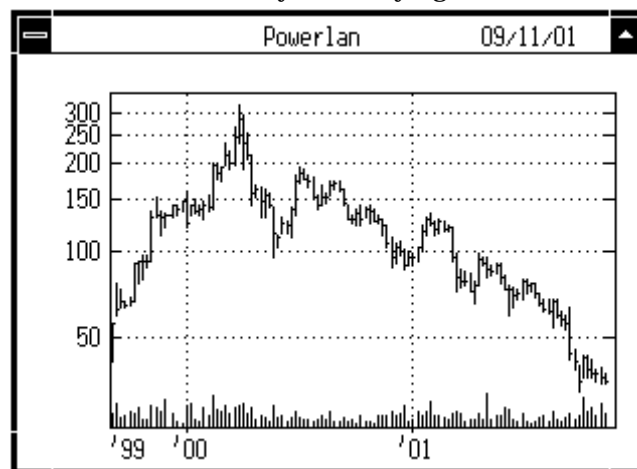
**Summary and Recommendation**

After listing on the stockmarket two years ago Powerlan used its high share price during the Technology boom to expand rapidly and to acquire profitable, cash generating businesses. Now that its share price is low it has stopped issuing new shares.

The company has a diversified Technology business and should be able to generate strong revenue and profit growth over the medium to long term. Consulting, training and financial software are all businesses capable of earning high profit margins.

The shares appear under-valued, although the non-payment of promised dividends is a concern. Payment of dividends would indicate the director's faith in the *future* sustainability of cashflows and profits. *Neglect*, low institutional ownership, high management ownership are also favourable. The major negative is the weak share price which plunged in response to the 40% earnings per share growth announced in September.

This company is well worth close monitoring - and the shares *may* become an attractive investment in mid to late 2002. However, the share price is falling rapidly, so it is still far too early to be buying.



## *New Zealand Warrant / Option Analysis*

Warrant	Share Price	Exercise Price	Years & Months to Expiry	Warrant Price (NZ cents)	Black-Scholes Valuation (NZ cents)	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	No. Warrants to Buy One Share	Break-Even Rate
NZ Oil & Gas	\$0.36	\$0.75	0-7	5.2	0.0	+9999	0.311	15.5	1.0000	+295%
Otter Gold Mines 2003	\$0.21	\$2.00	1-7	2.0	0.7	+198	0.905	2.8	1.0000	+318%
Contact Energy USB Warburg	\$4.10	\$3.25	0-4	41.0	45.5	-10	0.247	4.3	2.0000	-2%
Fletcher Building UBS Warburg	\$2.68	\$2.50	0-4	19.5	15.8	+24	0.312	6.1	2.0000	+25%
Telecom NZ UBS Warburg	\$4.50	\$5.25	0-4	0.5	6.5	-92	0.336	9.3	2.0000	+60%



# "Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
<b>12/10/2001</b>					
Tower Ltd	CBA	Sell	-1.878	6.90%	5.85%
<b>19/10/2001</b>					
Otter Gold Mines	GPG	Sell	-7.798	43.65%	34.30%
Otter Gold Mines	Normandy NFM	Buy	+7.798	0.0%	9.90%
<b>26/10/2001</b>					
Baycorp Holdings	CBA	Sell	-0.926	14.95%	13.85%
<b>02/11/2001</b>					
Nuplex Industries	Shamrock Holdings	Sell	-9.483	16.06%	0.0%
Nuplex Industries	Tower	Sell	-0.646	9.54%	8.44%
Waste Management	CBA	Sell	-6.566	13.32%	6.62%
<b>09/11/2001</b>					
Affco Holdings	Talley Fisheries	Buy	+12.110	11.35%	16.73%
Baycorp Holdings	CBA	Sell	-0.893	13.85%	12.79%
Fisher & Paykel	CBA	Buy	+8.991	0.0%	7.61%

## Total Return Index for All Listed Shares

Date	Index Value	Date	Index Value
Oct 15	1956.81	Oct 22	Holiday
Oct 16	1954.70	Oct 23	1943.59
Oct 17	1953.54	Oct 24	1945.76
Oct 18	1943.75	Oct 25	1963.71
Oct 19	1933.83	Oct 26	1975.64
Oct 29	1992.61	Nov 5	2017.80
Oct 30	1985.03	Nov 6	2025.75
Oct 31	1987.52	Nov 7	2026.81
Nov 1	2004.53	Nov 8	2029.26
Nov 2	2009.72	Nov 9	2031.95

# Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Baycorp Holdings	13.50	15-12	18-12	Full
Calan Healthcare	1.5865	12-11	03-12	0.1435
Contact Energy	11.00	19-11	23-11	Full
Cube Capital	2.00	29-10	02-11	Full
DB Group	15.50	19-11	28-11	Full
Fletcher Building	6.00	12-09	27-11	Full
Hallenstein Glasson	9.50	10-12	17-12	Full
Horizon Energy	55.00	03-12	06-12	Full
Kirkcaldie & Stains	20.50	03-12	10-12	Full
Northland Port	3.50	19-11	23-11	Full
Northland Port special	5.00	19-11	23-11	Full
Power Co	5.90	03-12	14-12	Full
Property For Industry	1.30	12-11	16-11	0.30
Richmond	5.00	26-11	30-11	Full
Sanford Limited	12.00	19-11	05-12	Full
Scott Technology	2.00	03-12	06-12	Full
Steel & Tube Hold special	10.00	19-11	30-11	Full
Warehouse Group	4.00	19-11	26-11	Full
Williams & Kettle	11.00	19-11	26-11	Full
<u>Australian Shares</u>				
Central Equity	3.00	07-12	14-12	
OAMPS	6.00	01-11	16-11	

# Current Issues

## CAPITAL RECONSTRUCTIONS

Fisher & Paykel Ex-Date 12-11

## SHARE REPURCHASES

Details

Utilico International (1) 2:3 @ 50 cents

(1) Utilico will repurchase 2 in every 3 shares at 50 cents each, ex 12/11, payable 14/11.

## SHARE SPLITS

Ratio Ex-Date

Sky City Entertainment 2:1 19-11

## CASH ISSUES

Appln

	Ratio	Price	Ex-Date	Date
Affco Holdings	1:5	25	19-11	14-12
Force Corporation (1)	1:5	-	-	-
Mooring Systems	3:2	50	19-11	14-12
Vending Technologies (2)	1:10	250	-	-

(1) Proposed issue of convertible notes.

(2) Postponed "until the impact of the USA terrorist attacks can be quantified".

**Utilico International** is liquidating and will cancel two shares in every three at 50 cents to distribute \$19.6 million. This will be followed by the re-purchase of seven shares in every remaining ten, also at 50 cents, to repay \$6.9 million when the company receives money from the sale of **CSX World Terminals Brisbane**.

These two buy-backs will leave investors with one-tenth the number of shares currently held. The company will be a small listed cash shell, with net asset backing of about 115 cents per share.

**Affco Holdings** is seeking to raise \$11 million from a 1 for 5 rights issue to shareholders, having just raised \$6 million from a placement at 29.55 cents. In the year to September 2000, Affco earned a profit of \$15,153,000. This year an interim profit of just \$752,000 was reduced to just \$574,000 for the full year to September 2001.

Affco's directors are now "guardedly optimistic", but ever since we first started investing 30 years ago we have watched meat companies consistently lose shareholder wealth. Even before that - as young children - we learnt that "Pigs don't fly". Recent events confirm that some things will never change! Sell or Avoid.

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday December 11, 2001 (and delivered in most areas on Wednesday 12).

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

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or [www.australia-stockmarket.com](http://www.australia-stockmarket.com) Email: [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz)). Subscription Rate NZ\$225 (including GST) per year.

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