

Market Analysis

Issue No. 356

P.O. Box 34-162, Auckland

February 12, 2002.

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Summary and Recommended Investment Strategy.

The Australian and New Zealand stockmarkets offer many attractive investment opportunities, so investors should be 100% invested in recommended shares.

Investment Outlook.

The US economy is showing the first tentative signs of a mild recovery, but global investors appear to have reassessed earlier optimistic expectations as major stockmarkets have weakened over recent weeks.

Our Forecasts, however, remain Bullish for both the Australian and New Zealand stockmarkets - so investors should remain fully invested in recommended equities.

A clear indication that *now* is a good time to be invested in the stockmarket is the number of our shares hitting new highs (or which are close to new highs). **Toll Holdings** weakened during the tendering period for National Rail, then - when successful - soared to new highs above \$33 per share! Also at all-time highs are **Campbell Brothers**, **Julia Ross**, **OAMPS** and **Michael Hill**. No less than another *ten* of our shares have appreciated to their highest levels in 3-8 years!

Equally clearly this is not an investment bubble (e.g. Investment and Property shares in 1985-87, Gold shares in 1993-94 or Technology shares in 1999-2000). Share valuations remain low and there is none of the media attention or speculative frenzy associated with a stockmarket boom. In fact, most media coverage is *negative*: concern over the global recession, reports of negative stockmarket returns, Fund Managers warning investors of lower returns in the future.

A Wall Street adage states that "A Bull Market climbs a wall of worry" - so this is actually a perfect environment for long term stockmarket investors! Ignore all the negative sentiment because by searching through the debris of the burst technology bubble and the economic recession one can find many excellent companies trading at very low valuations.

With this month's recommendation of **Cellnet Telecommunications** our portfolio expands to 32 positions - which will re-invest our small cash reserve and make us fully invested in equities. We *may* expand the portfolio up to 35 positions in future months, but would fund this from partial profit-taking in holdings which have risen significantly and where we are now very over-weighted.

Stockmarket Forecasts

	<u>One-Month</u>	<u>One-Year</u>
Australia:	72% (Bullish)	67% (Bullish)
New Zealand:	59% (Neutral)	62% (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.

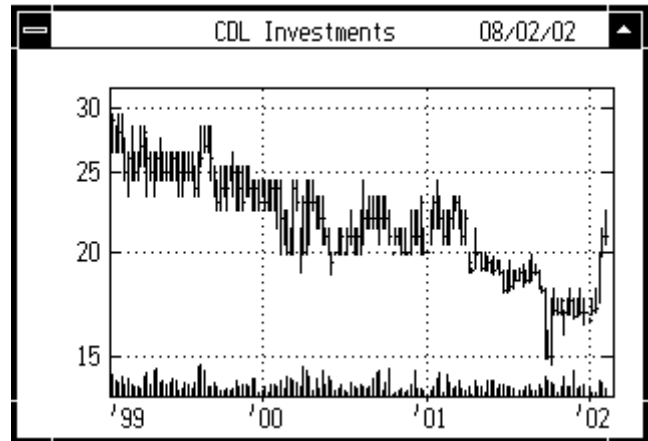
Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	C	86	0.42	25	Nil	Finzsoft Sol'ns	E	40	0.08	NE	Nil	Property F Ind.	C	88	8.19	40	7.8
AMP Limited	C	2252	0.72	17	2.5	Fletcher Build.	A	309	0.47	31	5.8	Pure NZ Limited	C	12	9.68	NE	Nil
AMP NZ Office	C	88	6.48	11	8.1	Force Corp.	C	4.8	0.47	NE	Nil	Pyne Gould G.	B	127	0.66	9	8.2
AXA Asia Pac.	B	350	0.58	13	3.4	Frucor Bev.	B	233	1.28	25	5.1	Renaissance	C	43	0.10	12	6.9
Advantage Group	D	49	0.44	39	Nil	GDC Communicat.	C	195	1.78	24	2.5	Restaurant Brds	B	200	0.78	15	7.5
Affco Holdings	D	33	0.06	12	Nil	Genesis Res.	D	310	4.04	NE	Nil	RetailX Limited	D	15	N/A	NE	Nil
Air New Zealand	D	31	0.03	NE	Nil	Goodman Fielder	B	192	0.58	14	5.2	Richina Pacific	D	58	0.06	9	Nil
Akd Int Airport	B	390	9.69	28	4.3	Guinness Peat	C	170	2.98	16	1.8	Richmond Hold.	E	231	N/A	NE	Nil
Apple Fields	B	22	1.62	NE	Nil	Hallenstein G.	B	300	1.03	15	9.2	Rocom Wireless	E	36	N/A	NE	Nil
Beauty Direct	C	12	4.44	NE	Nil	Hellaby Hold.	A	264	0.35	10	8.5	Rubicon Limited	D	58	0.08	NE	Nil
Bendon Limited	C	190	0.70	17	7.1	Heritage Mining*	N/R	5.0	4.20	NE	Nil	Ryman Health.	C	185	3.10	13	3.0
Blis Technology	E	57	N/A	NE	Nil	Horizon Energy	A	1380	2.85	14	9.2	Sanford Limited	B	630	1.67	22	4.7
Brierley Invest	D	42	0.98	NE	Nil	IT Capital Ltd	D	8.0	1.02	NE	Nil	Savoy Equities	D	3.7	0.14	NE	Nil
Briscoe Group	C	172	N/A	NE	Nil	Ind Newspapers	C	385	3.02	60	3.3	Scott Tech. Ltd	B	191	2.25	90	2.7
Broadway Ind	C	36	0.20	10	Nil	Infratil NZ	C	170	3.96	19	6.1	Seafresh Fish.	D	3.0	0.41	NE	Nil
CACI Group Ltd	D	44	N/A	NE	Nil	Kingsgate Int'l	D	14	0.45	3	Nil	Selector Group	C	3.0	4.41	NE	Nil
CDL Hotel NZ	E	19	0.28	47	5.5	Kirkcaldie & St	B	450	0.63	11	11.6	Shotover Jet	D	45	0.78	9	Nil
CDL Investments	E	21	1.47	10	11.4	Kiwi Property	C	99	5.66	9	10.6	Sky City Ltd	A	588	2.67	17	8.0
Cabletalk Group	E	57	N/A	NE	Nil	Lion Nathan Ltd	A	590	1.69	17	3.3	Sky Network TV	C	426	5.52	NE	Nil
Cadmus Tech Ltd	E	11	1.86	32	Nil	Lytelton Port	B	169	2.95	13	9.1	Software of Exc	C	300	1.59	NE	Nil
Calan Hlthcare	C	90	7.31	13	7.6	Mainfreight Grp	B	160	0.28	33	6.1	South Port NZ	B	154	3.15	18	5.8
Cap Properties	C	95	N/A	8	12.3	Metro. LifeCare	C	127	0.91	29	Nil	Southern Cap	E	75	N/A	43	Nil
Carter Holt	C	191	0.87	13	3.1	Michael Hill	B	500	1.02	19	4.5	Spectrum Res.	D	2.1	1.60	NE	Nil
Cavalier Corp	A	580	0.97	15	8.2	Mid-Cap Index*	N/R	204	N/A	NE	Nil	Steel & Tube	A	260	0.59	15	9.2
Cedenco Foods	A	249	1.44	9	Nil	Mooring Systems	C	150	N/A	NE	Nil	Strathmore Grp	C	4.5	N/A	NE	Nil
Cert Organics	D	0.6	0.27	NE	Nil	Mowbray Collect	C	70	N/A	NE	Nil	Submarines Aust	C	35	N/A	NE	Nil
Col FS Property	C	107	6.95	12	10.0	Mr Chips Hold	C	115	1.06	17	8.4	Summit Gold Ltd*	N/R	11	N/A	NE	Nil
Col Motor Co	B	266	0.22	15	7.9	NZ Experience	D	11	0.87	33	Nil	Tag Pacific Ltd	E	15	0.28	NE	Nil
Commsoft Group	D	5.0	0.69	NE	Nil	NZ Invest Trust*	N/R	505	N/A	NE	1.6	Tasman Agric.	D	175	3.07	NE	Nil
Compass Com.	D	30	N/A	NE	Nil	NZ Oil and Gas *	N/R	37	1.66	20	Nil	Taylor's Grp Ltd	B	165	0.90	14	6.3
Contact Energy	B	376	2.07	18	6.5	NZ Refining Co	A	1785	1.44	6	20.9	TeNZ *	N/R	93	N/A	NE	Nil
Cube Capital	C	37	0.34	29	Nil	NZJJ.co.nz	D	25	N/A	NE	Nil	Telecom Corp	B	525	1.73	12	5.7
Cue Energy Ltd *	N/R	6.8	1.62	4	Nil	Nat Property Tr	C	96	7.27	16	9.6	Tourism Hold.	C	134	0.60	10	10.0
DB Group	B	611	1.11	13	6.6	Natural Gas	C	127	1.31	11	Nil	Tower Limited	C	530	0.82	13	5.7
Dairy Brands	B	66	3.03	12	Nil	Newcall Group	D	3.9	0.24	NE	Nil	Trans-Tasman	D	22	1.24	6	Nil
Design Textiles	B	53	0.33	67	Nil	Newmarket Prop.	C	52	3.96	9	12.6	Tranz Rail Hold	C	365	0.70	16	2.3
Dorchester Pac	B	140	1.01	10	6.4	Northland Port	C	233	3.51	NE	Nil	Trust Power Ltd	B	340	1.23	27	7.6
E-Ventures NZ	E	33	N/A	NE	Nil	Nuhaka Forestry	C	900	2.38	NE	6.1	United Networks	C	820	2.73	11	6.4
E-cademy Hold.	E	0.4	N/A	NE	Nil	Nuplex Indust	B	340	0.49	14	6.6	Utilico Int'l	B	93	8.62	13	Nil
Ebos Group Ltd	A	346	0.87	17	6.0	Opio Forestry	D	55	N/A	NE	Nil	Vending Tech.	D	218	3.85	16	Nil
Eldercare NZ	C	28	1.29	NE	Nil	Otter Gold Mine*	N/R	28	0.25	NE	Nil	WN Drive Tech.	E	40	N/A	NE	Nil
Elect Trans Tec	D	7.0	5.38	NE	Nil	Owens Group Ltd	C	137	0.20	16	5.4	Wakefield Hosp.	B	142	N/A	7	5.1
Evergreen	D	56	2.38	12	Nil	Ozzy (Tortis)*	N/R	245	N/A	NE	Nil	Warehouse Group	B	668	1.21	32	2.8
F & P Appliance	A	980	1.96	30	3.8	Pacific Retail	C	215	0.27	10	Nil	Waste Mgmt NZ	B	317	2.25	22	3.5
F & P Health.	D	1355	1.71	NE	Nil	Port Tauranga	B	701	7.13	26	5.1	Williams Kettle	A	428	0.35	9	7.0
FC - Forests	E	24	1.03	NE	Nil	Ports Auckland	C	555	4.92	17	5.6	World Index Fd *	N/R	165	N/A	NE	Nil
Feverpitch Int.	D	50	N/A	NE	Nil	Powerco Limited	D	194	0.68	NE	Nil	Wrightsons Ltd	B	120	0.23	15	10.0
												Ave of 141 Cos	C	225	0.47	22	3.2
AMP Diver. Prop	B	256	7.92	14	7.5	Energy Develop.	C	607	6.46	33	0.9	Onesteel Ltd	C	136	0.23	NE	4.4
AMP Ltd	C	1857	0.74	18	2.5	Envestra	C	99	2.28	NE	9.3	Orica Ltd	A	832	0.55	37	1.9
AMP Office Trt	C	122	N/A	14	7.2	Fairfax (John)	C	388	2.14	22	3.0	Origin Energy	C	289	0.99	17	1.4
AMP Shop Centre	B	142	7.31	15	7.7	Flight Centre	B	2500	0.71	50	1.1	Orogen Minerals	B	205	1.42	5	4.7
ANZ Bank	B	1800	4.16	14	4.1	Foodland Assoc	A	1382	0.34	22	4.0	Pacific Dunlop	C	107	0.22	NE	4.7
APN News Media	C	363	1.48	18	4.0	Foster's Group	C	474	2.37	19	3.1	Pacific Hydro	C	414	N/A	20	0.7
AWB Limited	B	429	0.53	12	5.1	Futura Corp.	C	188	0.20	14	4.3	Paperlin X Ltd	B	520	0.71	16	5.2
AXA Asia Pac	B	293	0.61	14	3.2	GWA Internat'l	B	255	1.24	17	6.3	Patrick Corp	B	1355	3.12	31	1.3
Adelaide Bank	A	740	1.25	19	4.1	Gandel Retail Tr	C	114	7.44	13	7.6	Peptech Limited	B	500	N/A	24	Nil
Adelaide Marine	B	239	4.70	28	6.3	General Prop Tr	C	273	7.78	14	7.2	Perp Trust Aust	B	4360	5.07	30	1.9
Alintagas Ltd	C	410	2.99	21	2.7	Ges Internat'l	C	75	0.28	13	1.6	Publishing & Br	D	934	2.40	NE	2.1
Ancor Ltd	B	745	0.81	17	3.8	Globe Int'l Ltd	B	230	5.43	85	Nil	O.B.E. Insur.	C	778	0.99	33	2.1
Aristocrat	C	608	4.68	40	1.8	Goodman Fielder	C	161	0.64	NE	4.7	Qantas Airways	A	387	0.50	12	5.2
Aust Pipeline	B	261	2.64	21	8.4	Graincorp	B	1265	0.99	12	5.7	Ramsay Health	A	455	1.47	36	1.9
Aust Stock Exch	C	1180	6.05	23	3.7	Guinness Peat	C	135	2.94	13	0.4	Rio Tinto Ltd	A	3959	0.96	6	2.9
Aust Pharm. Ind	A	390	0.46	27	3.2	Harvey Norman	C	361	5.33	35	1.1	Rural Press Ltd	C	460	1.20	21	3.0
Aust Gas Light	C	987	1.02	31	5.3	Hills Motorway	C	545	9.98	NE	3.1	Seven Network	B	706	1.55	NE	2.9
Austereo Group	C	214	N/A	73	1.6	ING Indust Trt	B	162	N/A	12	8.1	Sigma Company	A	410	0.32	33	1.8
Australand Hold	A	168	0.65	10	7.1	ING Office Fund	B	119	7.63	14	8.9	Simsmetal Ltd	B	659	0.43	14	4.9
BRL Hardy Ltd	B	1106	2.67	27	1.6	Incitec	A	673	0.83	13	4.2	Singleton Group	B	449	N/A	46	1.6
Bank of W.Aust	B	444	4.11	17	4.1	Insurance Aust.	C	327	1.08	37	3.1	Smorgon Steel	C	142	0.43	NE	2.1
Baycorp Advant.	C	554	7.64	46	1.8	Investa Prop.	B	201	8.42	9	6.9	Sonic Health	B	740	2.68	64	2.3
Bendigo Bank	A	809	3.94	27	5.1	James Hardie	A	605	1.60	NE	3.1	Southcorp Ltd	C	710	1.41	24	3.0
Bidvest	A	410	0.29	16	2.1	Jupiters	B	471	1.46	15	4.0	Spotless Group	C	485	0.49	26	4.3
Billabong Int'l	A	907	4.67	43	1.4	Kaz Computer	C	92	3.89	47	0.7	St George Bank	B	1805	2.18	22	3.6
Boral Limited	B	358	0.58	13	5.0	Leighton Hold	B	965	0.58	16	4.0	Sthn Cross Brd.	C	1135	1.94	20	4.8
Brambles Ind.	B	976	2.37	61	2.1	Lend Lease Corp	C	1290	0.48	37	1.6	Stockland Trust	C	419	4.73	15	7.0
Brickworks Ltd	B	640	6.34	14	2.2	Macquarie C'Wde	B	158	9.04	14	8.3	Suncorp-Metway	B	1468	1.35	14	3.1
Burns Philp	B	64	0.31	5	Nil	Macquarie Good.	B	143	N/A	15							

Recommended Investments

CDL Investments' share price has recovered strongly over the last two months - probably in response to general reports of a buoyant housing market. The company pays only one dividend per year, in April, but provides investors with a high income yield. Profits fell 40% in the first half of the year (to June 30). Developing residential sections can be a volatile and cyclical business - but potentially very profitable.

South Port NZ has enjoyed buoyant trading conditions as the rural businesses in Southland experience strong growth. Total port volumes rose 10.4% to 1,083,000 tonnes for the six months to December 2001. Revenues were 15.0% higher at \$6,892,000 while trading profits rose 44.8% to \$1,318,000 (5.0 cents per share). In addition, the company made a \$183,000 capital gain on the sale of

(Continued on Page 4)



Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
NZ Shares													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	E	185.8	2.1	1.47	10	11.4	21	6.1	+8%
HOLD+	Cavalier Corporation	CAV	05/12/95	312	A	31.5	0.7	0.97	15	8.2	580	169.0	+140%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.7	0.22	15	7.9	266	210.8	+218%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	B	101.8	0.8	2.95	13	9.1	169	10.3	+20%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.6	1.02	19	4.5	500	83.0	+1167%
HOLD+	Nuplex Industries Ltd	NPX	11/02/97	350	B	58.6	0.8	0.49	14	6.6	340	51.0	+12%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	36.7	1.9	0.10	12	6.9	43	7.4	-41%
HOLD	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.7	0.06	9	Nil	58	11.9	-41%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.9	3.15	18	5.8	154	56.3	+75%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.8	0.9	0.59	15	9.2	260	33.0	+101%
BUY	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.9	0.90	14	6.3	165	13.0	+75%
BUY	Wrightson Limited	WRI	13/01/98	83	B	134.1	1.4	0.23	15	10.0	120	18.3	+67%
Australian Shares (in Aust cents)													
BUY	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.8	0.16	7	4.6	259	41.0	+13%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	B	78.7	1.6	2.80	8	Nil	37	2.0	-47%
HOLD	Auspine Limited	ANE	08/02/00	210	C	57.0	0.8	0.55	9	6.0	200	34.0	+11%
HOLD+	Austral Coal Ltd	AUO	16/01/01	19	B	82.7	1.3	0.52	10	Nil	51	Nil	+168%
HOLD	Biron Capital Ltd	BIC	12/04/94	178	C	22.1	1.6	1.94	38	Nil	40	11.0	-71%
HOLD+	Brazin Limited	BRZ	11/12/01	160	B	116.4	1.0	0.63	22	5.8	215	Nil	+34%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	A	38.8	0.5	0.59	13	5.0	605	55.5	+58%
BUY	Cellnet Telecommunicat	CLT	12/02/02	152	B	49.0	1.0	0.30	10	5.9	152	Nil	
HOLD	Central Equity Ltd	CEQ	09/02/94	154	B	82.1	0.9	0.80	8	7.3	206	97.0	+97%
HOLD+	Commander Comm.	CDR	11/09/01	92	C	143.8	1.2	0.51	9	3.6	69	2.5	-22%
HOLD+	C.S.R. Limited	CSR	11/07/00	436	B	936.2	0.7	0.98	14	3.4	672	23.0	+59%
BUY	Julia Ross Recruitment	JRR	14/08/01	92	B	57.2	1.0	0.40	10	5.5	110	3.0	+23%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	A	39.2	0.7	0.26	6	6.7	178	12.0	+52%
HOLD	Nufarm Limited	NUF	11/02/97	418*	A	155.1	0.8	0.46	13	4.3	415	81.3	+19%
HOLD+	OAMPS Limited	OMP	15/05/01	198	A	39.3	0.7	0.47	16	4.5	379	6.0	+94%
HOLD	Thakral Holdings	THG	10/11/98	65	B	600.4	1.3	1.16	10	11.0	57	18.3	+16%
HOLD-	Toll Holdings ¹	TOL	08/09/98	240	A	68.4	0.5	1.24	41	1.0	3310	76.0	+1311%
HOLD	Utility Services Corp	USC	11/01/00	55*	C	95.7	1.4	1.18	0	6.3	64	9.0	+33%
HOLD	Vision Systems Ltd	VSL	10/11/98	69*	C	157.6	1.0	1.70	17	1.9	176	16.2	+179%
BUY	Volante Group Ltd	VGL	13/03/01	132	C	68.0	1.1	0.20	11	7.1	112	5.0	-11%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is % +122.9%.

This is equal to an average annual rate of +33.5%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 32 current and 115 closed out) is +30.8%, compared with a market gain of +10.3% (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 (TOL) last traded at 3310 cents.

Recommended Investments (Continued from Page 3) a property asset. The interim dividend will be 10.0% higher at 2.75 cents (plus full imputation tax credits).

South Port is to construct a 12,000 tonne capacity bulk storage tank to store sulphuric acid imported by a customer. Its new 3,300m² dry warehouse will be completed later this month, giving the company ownership of 18,000m² of warehousing plus 3,500m² on long term lease. These facilities will meet demand from the forestry processing and dairy sectors which have expanded production in Southland over recent years.

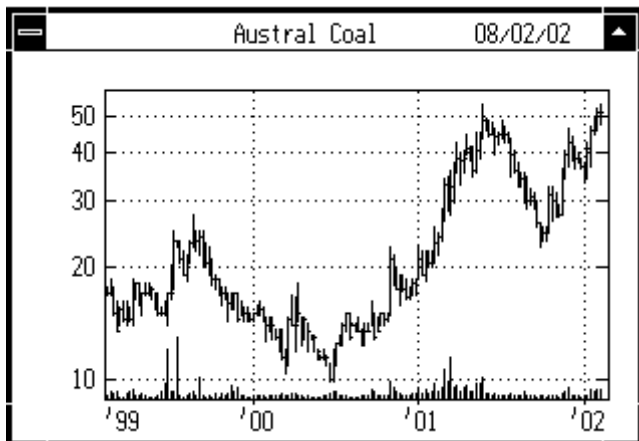
Australian Shares

(This section is in Australian currency, unless stated)

Austral Coal has reported its "highest quarterly production rate since June 1998". This was helped by the change from five days to seven days per week production from mid-November, although partially offset by the "significant indirect impact" of bushfires (i.e. employees taking time off to protect property, smoke in the ventilation system and closure of the rail link to the port for nine days). Reduced production and deferred sales will have a \$750,000 impact on pre-tax profits for the year to December 31.

Austral Coal's new \$3 million continuous miner will be commissioned in March and a second one has been ordered and should be commissioned in June. This new equipment "will more than double" current coal production rates. The \$11 million contract for a new 4000 tonnes per hour conveyor belt was awarded in December and it is currently being installed in the Tahmoor North longwall panels 20 and 21. This will be completed by July and these panels mined during 2002-3.

Despite the widely publicised economic slowdown, Austral Coal reports that "coking coal is forecast to remain in short supply for the foreseeable future" with spot prices in some markets "around US\$50/tonne". The company expects to be able to increase the price of its coal in current contract negotiations.



Biron Capital reports its new finance business is "on budget" with "considerable interest" in loan applications for second mortgage and mezzanine finance lending. As at December 31, the company had made loans of \$5,180,000 and held cash of \$5,559,000.

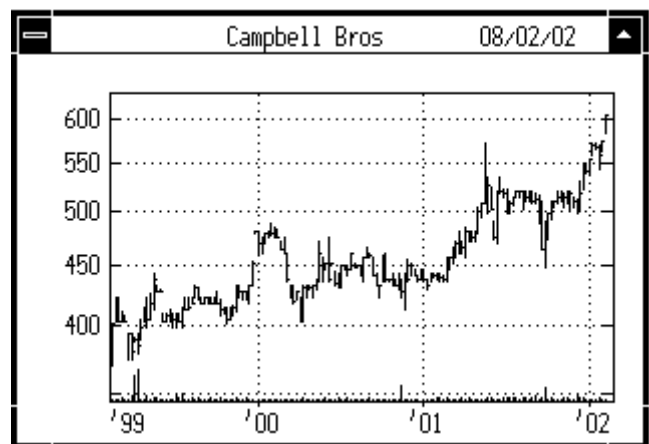
Our investment in Biron (when it was in the *created emerald* business) was unsuccessful, but the company has since re-created itself as a finance company. *Insiders* have made 16 on-market share purchases over the last year (and no sells) so we are in no hurry to exit these shares which are recouping some of our previous losses.

Brazin reports "very good" trading from its new UK

music business over Christmas. The company has started to re-brand the stores under its *Sanity* brand and hopes to "dramatically" lower their cost base.

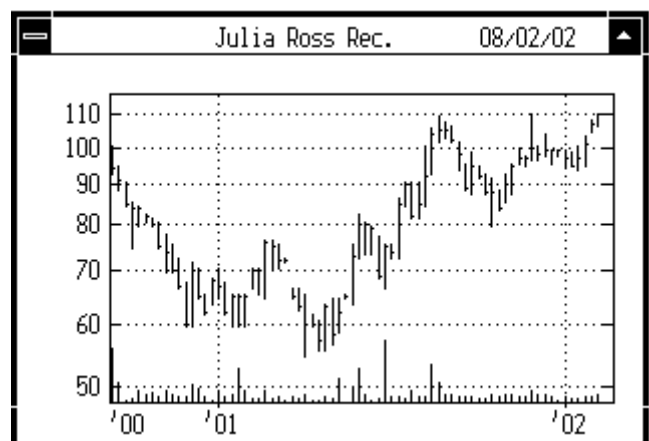
Campbell Brothers shares have moved to a new all-time high over the last month. This is a favourable technical situation as there are no *break-even sellers* (i.e. investors who bought at higher prices and are just holding on to sell when they break-even) left in the market. With no *break-even selling* and existing investors *letting profits run*, a share can often appreciate rapidly after hitting a new all-time high.

Campbell Brothers shares also trade at a low valuation (i.e. a Price/Sales ratio of 0.59, a Price/Earnings ratio of 13 and a Dividend Yield of 5.0%) and have strong growth *potential* from the expanded Laboratory Services division. So we continue to rate Campbell Brothers shares a strong "Buy" - as we have every month since our initial buy recommendation in October 1999 . . .



Part of the reason that our *share selection criteria* is so successful is that we apply proven stockmarket investment techniques *consistently* over time and across companies. This *consistent* approach also provides some assurance that we can repeat our investment success of the last 21 years over future decades!

Julia Ross Recruitment shares have also risen to equal their all-time high of 110 cents reached (intraday) last November. At a P/S of 0.40, a P/E of 10 and Yield of 5.5% these shares offer excellent *value*. The company has also performed well relative to its peers and is emerging as the "quality" or "leading" company in its sector. We were impressed with the significant discount negotiated on the acquisition of PWC Executive Recruitment (i.e. paying \$1 million, down from \$3 million) after October's terrorist attacks depressed business sentiment. The shares are a strong "Buy".



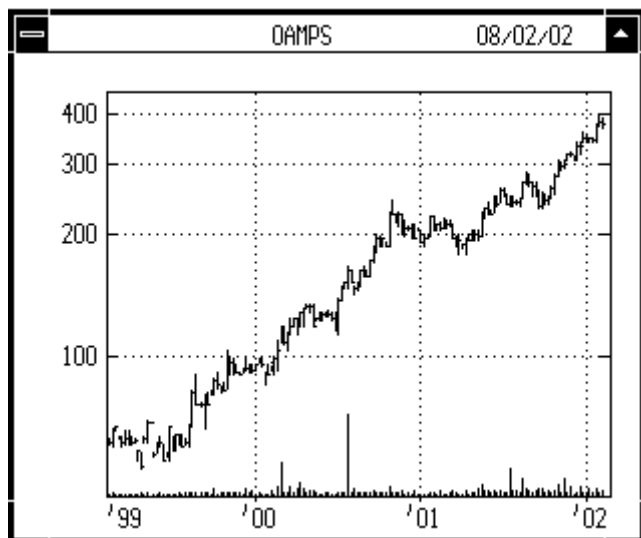
McPhersons shares - which were trading at an extremely low valuation (i.e. a P/E of 4 and Yield of 10%) have been re-rated over the last two months ahead of their interim result that will be released this month.

McPhersons shares are at a four year high - which is almost as good as an all-time high as most *break even sellers* will have sold out by now. However, the current company has emerged out of the failure of a larger conglomerate, so the shares have traded higher in the past (i.e. in the 1980's, early 1994 and late 1996 to early 1997).

Nufarm's share price has risen strongly over the last four months which has probably been helped by (1) its low valuation relative to other global chemical stocks and other Australian shares (i.e. the shares have been re-rated from a very low valuation), (2) its forecast return to double digit profit growth and (3) its selection in *Shares* magazine as a stock pick for 2002.

OAMPS has expanded its Financial Services division with the acquisition of North Queensland based **Kipco Pty**. OAMPS will write off its \$1,550,000 investment in **Indport Pty**. That company's sole asset was an interest in a legal claim against **National Australia Bank** which has been dismissed. The directors have reminded shareholders that this was an "inappropriate investment made by a previous board". Excluding this write-off, the company is "on target" to achieve its forecast of a 40% profit increase this year

Talking of shares hitting new highs, OAMPS shares hit a seven-year high at 130 cents in April 2000 (although we were a bit slow and didn't buy in until 198 cents in May 2001) and look how well they have done since then!



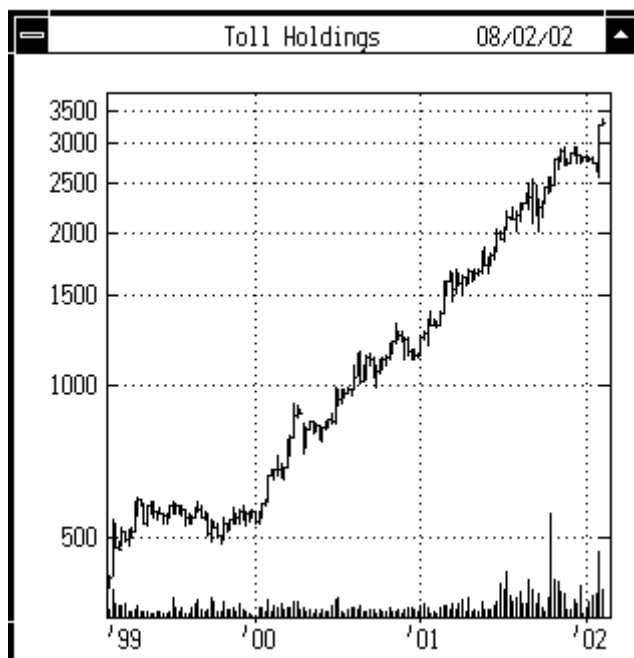
Toll Holdings and **Lang Corporation** (which has subsequently changed its name to **Patrick Corporation**) have been successful in their bid for **Freightcorp/National Rail**. The joint venture will pay \$936 million for the businesses, take over \$118 million of existing debt and complete the NSW Broadacre Project at a cost of \$118 million.

The partners plan to invest \$50 million to upgrade the Melbourne-Perth and Sydney-Brisbane rail corridors to allow double stacked trains to operate and reduce transit times between Sydney and Brisbane. The partners will also sell (or lease to other rail operators) 120 surplus locomotives (from 470 acquired) and 650 surplus wagons.

Ownership (i.e. control) of rail offers Toll Holdings and Patrick Corporation a significant competitive advantage over other transport companies like **Mayne Group** and **TNT**.

Toll Holdings expects its investment in this joint venture to be "earnings per share positive from the first full year of operation" (i.e. the year to June 2003). Rail's earnings before interest, tax and depreciation are expected to rise from about \$130-150 million at present to about \$250 million in 2004. Owing to the high, but relatively fixed depreciation charge, that would lift earnings before interest and tax from about \$40 million to about \$130 million over that period.

Toll Holdings shares *are* expensive (i.e. on a P/S of 1.24, a P/E of 41 and a Yield of just 1.0%) but are *very strong* with a Relative Strength Rating of +18.8%, ranking them at 9. We sold 20-25% of our Toll Holdings investment in November to realise some profits - but with this high Relative Strength Rating we are happy to let our profits run. "Hold-".



Utility Services' ILID Partnership has installed 35,000 electronic labels in **Coles Myer's Kmart** store in Burwood, Melbourne. The Burwood installation is a "major step forward in full commercialisation of ILID technology". ILID is an online pricing system. Communication with shelf labels is via modulated light from existing store lighting. This system is cheaper and more accurate than traditional methods of shelf pricing, and simpler, more reliable and more robust than competing online systems which communicate via RF, infra-red or hard wiring.

Vision Systems expects its pre-tax profits for the six months to December to be down about 30% to \$8 million. This has been "a very difficult environment" for the Fire & Security division although the company expects second half revenues to increase 15% (compared with the first half of the year) with improved margins. The division is investing \$30 million in new product development.

In contrast with Fire & Security, the smaller Technologies division experienced buoyant conditions. The Invetech business operated "at record levels of turnover and profitability" (Continued on Page 6)

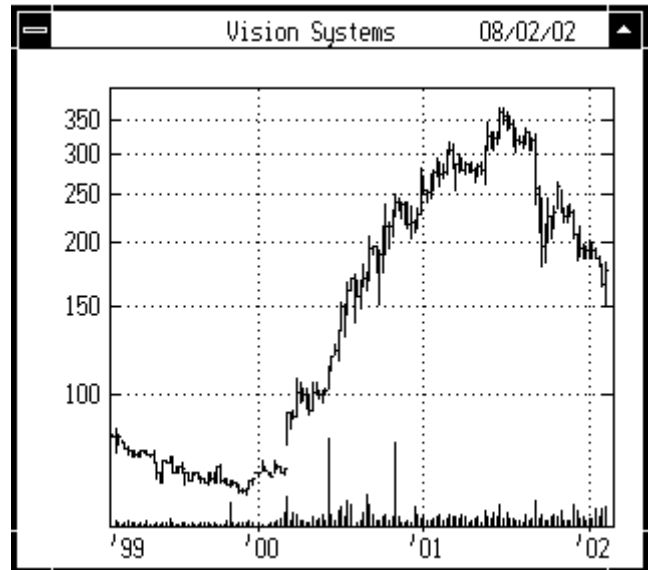
Recommended Investments (Continued from Page 5) and this is expected to continue during the second half of the year. Vision Biosystems “is continuing the successful transition of its business to the development, manufacture and marketing of high margin medical instruments under its own brand name”. All product developments are “on track” for release in September.

Defence commissions for the first half were \$2.4 million, with a further \$2-2.5 million expected in the second half.

Vision Systems has \$89 million in cash (and 9.4 million **TTP Communications** shares, worth \$38 million) and “discussions are progressing with potential acquisition prospects overseas and in Australia”.

While Vision Systems is a high *quality*, high technology company (and under-valued with its large cash and investments) the Relative Strength Rating is -13.2%, ranked 79. *Weak* shares have a tendency to under-perform the market. We don't plan to sell our existing shares in this quality company, but neither

would we invest new cash in Vision Systems shares at this time. We rate the shares a “Hold”.



Share Recommendation: Buy Cellnet Telecommunications

(This section is in Australian currency, unless stated)

BUY Australian listed Cellnet Telecommunications

We initially reviewed **Cellnet Telecommunications** (code CLT) exactly one year ago (*Market Analysis*, February 2001, Issue 344). Although the shares of this “well managed company, generating strong growth” offered good value they were not attractive a year ago as they were in a downtrend. We concluded that “we would seriously consider formally recommending these shares for investment when the share price trend improves” but that “such an improvement is probably still 6-12 months away”.

The shares hit their ultimate low in September 2001 and are now recovering strongly and appear to be in the early stages of a new uptrend - so Cellnet Telecommunications shares now meet our “Buy” criteria (i.e. they are under-valued, have good growth potential *and* are now appreciating in value) and we are formally recommending them for investment.

Cellnet Telecommunications has also successfully continued to grow its business over the last year.

Company History

Formed in 1992, **Cellnet Telecommunications** listed on the Australian stockmarket in late 1999 following the public issue of shares at \$1.50. That raised \$9.0 million in cash for the company and \$20.2 million for existing shareholders who reduced their stake in the company. The shares listed at a 50% premium and rose strongly during the technology boom, so the company raised a further \$9.75 million via the private placement of 3.0 million new shares at \$3.25 in March 2000.

Recent Growth

Cellnet Telecommunications' main business is the *wholesale distribution* of mobile phones and accessories (earning a profit margin on products sold) to both

service providers and over 2000 retailers in Australia and NZ.

In March 2001 Cellnet Telecommunications became the exclusive distributor of **Motorola** mobile handsets in Australia.

In July 2001 **Telecom NZ** outsourced all of its mobile phone distribution to Cellnet Telecommunications. In October the company reported that NZ “sales have increased and are showing solid growth rates”.

In Australia, **Telstra**, **Optus** and **Vodafone** are also concentrating upon their core businesses (i.e. selling airtime) and moving away from distributing mobile phones. Vodafone has announced that it will withdraw from the distribution of mobile handsets in Australia, which releases \$200 million per annum of business for other distributors.

In October 2000, Cellnet Telecommunications sought to expand and diversify its business with the acquisition of **IT Wholesalers** for \$7.0 million (i.e. \$2.5 million in cash and the issue of 2,003,082 Cellnet shares at \$2.35). This Brisbane and Sydney based company distributes IBM and ACER laptop computers and other hardware and consumables. IT Wholesalers generated revenue of A\$39 million in the year to June 2000, so was acquired on a relatively low Price/Sales ratio of 0.18.

IT Wholesalers has been integrated with the existing Cellnet business - providing synergy benefits in warehousing and distribution. Monthly revenues have *doubled* since this business was acquired. This growth has been achieved by (1) taking over distribution agreements for *Apple*, *Kodak* (digital cameras), *ViewSonic* (TFT monitors) and *Umax* (scanners) products when **IT&e** withdrew from distributing

computer products in July 2001 and (2) expanding in Victoria, South Australia, Western Australia and NZ.

Cellnet Telecommunications has improved its competitive advantage in stock warehousing and distribution with the most advanced computer controlled, *Rapid Pick System* installed at its new 5500m² warehouse and 2500m² office facility in the Brisbane Airport Business Park. This provides a paperless stock picking system which increases productivity, improves accuracy and provides faster delivery times.

Recent Results

For the year to June 2000, Cellnet Telecommunications slightly exceeded its prospectus forecasts by lifting revenues 71.3% to \$192.4 million. Profits rose 75.3% to \$6,978,000 (15.2 cents per share) and an annual dividend of 7.0 cents was paid.

A month after our February 2001 review, Cellnet Telecommunications reported its interim result for the period to December 2000. Revenues rose 41.5% to \$125.5 million and profits were up 29.5% to \$5,004,000. A steady 3.5 cents dividend was paid in March and then another 2.0 cents in June (ahead of the reduction in tax rates on 30 June 2001).

The year to June 2001 showed revenues up 28.7% to \$248.6 million but profits up just 10.9% to \$7,742,000. Owing to the new shares issued to acquire IT Wholesalers, earnings per share were just 4.6% higher at 15.9 cents. A final dividend of 3.5 cents raised the annual dividend rate 28.6% to 9.0 cents.

The June 2001 result was partly depressed by \$854,000 of pre-tax losses resulting from the failure of **HH Insurance** (i.e. an unsettled insurance claim of \$513,000), a small bad debt from **OneTel** and a break-in at the company's Sydney warehouse.

Investment Criteria

Cellnet Telecommunications is a *wholesaler* and *distributor*, so its revenue benefits from the rapid growth in mobile telecommunications but without the technology risk involved in manufacturing equipment. It also avoids the "*Terminal Velocity*" situation involved in operating a telecommunications network (i.e. little revenue growth owing to falling prices, but the need to invest new capital to increase capacity). Its ability to survive and grow depends upon running an efficient, low cost wholesale business. Approximately 70% of mobile handset revenue comes from replacement sales as users upgrade to later models. The introduction of number portability and new mobile phone services ensures that replacement sales will remain strong.

At \$1.52 the shares trade on a very low Price/Sales ratio of 0.30, a low Price/Earnings ratio of 10 and offer a high Dividend Yield of 5.9%. The lower share price combined with the higher revenue and higher dividend rate make these shares even more under-valued than when we initially reviewed Cellnet Telecommunications last year!

The market capitalisation is \$77 million, which makes this a smaller Australian company.

The shares remain *neglected*. No brokers follow the company closely enough to publish profit forecasts and institutions have relatively small holdings. *Neglected* shares are attractive investments as (1) they tend to be under-valued and (2) if they are ever *discovered* by

brokers and institutions the share price will rise very strongly as they are re-rated.

Management have significant holdings in the company, so it is in their interests to grow the business and increase its value (for *all* shareholders), rather than seeking to maximise their personal salaries and bonuses (at the expense of the shareholders). Managing Director, MAM Brookman, owns 6,157,401 shares (12.6% of the company) and another director, SHarrison, has 4,058,375 shares (8.3%). JJ Goldberg has 250,000 shares (0.5%), while J Shein has 100,000 shares and Chairman B Davis owns 20,000 shares.

There has been one insider buy and one sell over the last year. In January, Managing Director MAM Brookman sold 250,000 shares, while a recently appointed director, JJ Goldberg, purchased an initial holding of 250,000 shares on the same date.

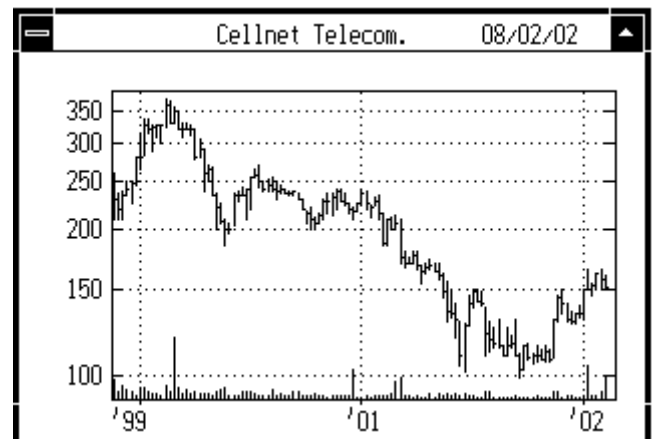
Following the initial public offering at 150 cents, Cellnet Telecommunications shares rose to a peak of 369 cents in February 2000 - then dropped to a low of 185 cents over the next three months as the Technology bubble burst. For the next year the share price fluctuated around 200-250 cents - but dropped during the first half of 2001 to a low of 100 cents in September 2001. Since then the share price has started to recover and appears to be in the early stages of a new uptrend. The Relative Strength Rating has turned positive at +1.8%, ranked 42 (on a scale of 0-99).

This *positive* Strength Rating allows the shares to qualify as a "Buy" in the *Under-Valued Shares* section of our *Comprehensive Share Selection Criteria*.

Summary and Recommendation

Cellnet Telecommunications has good growth potential and expects to generate 20% per annum revenue growth by increasing its share of a telecommunications sector that is growing by 10% p.a. Despite this long term growth potential, technology shares have been out of favour with investors over the last two years so Cellnet Telecommunications shares trade at a low valuation. Cellnet Telecommunications is a *neglected*, *out of favour* share that is now starting to recover and appreciate in value.

Cellnet Telecommunications offers investors a high current income yield as well as the potential for strong capital appreciation over many years - so the shares should appeal to a wide range of investors (i.e. investors needing *income* as well as investors seeking *capital appreciation*). As always, an investment in Cellnet Telecommunications should be part of a diversified portfolio as all share investments involve risks.



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			Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING			Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur. Rent	4-Wk Chg.	Rank 0-99											Cur. Rent	4-Wk Chg.	Rank 0-99								
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
Owens Group Ltd	137	+20.0	-0.1	3	3	2.3	14	1.0	16	5.4	0.20	77	NZ Refining Co	1785	+7.1	+1.1	21	1	1.4	23	0.2	6	20.9	1.44	428
Wrightsons Ltd	120	+14.9	-2.1	6	2	1.4	9	1.4	15	10.0	0.23	161	Tourism Hold.	134	-7.1	+3.5	80	4	0.7	7	0.9	10	10.0	0.60	123
Mainfreight Grp	160	+12.1	+2.2	9	5	2.3	7	1.0	33	6.1	0.28	117	Wrightsons Ltd	120	+14.9	-2.1	6	2	1.4	9	1.1	15	10.0	0.23	161
Williams Kettle	428	+9.5	+1.0	13	-	1.5	16	0.6	9	7.0	0.35	63	Hallenstein G.	300	+6.3	+0.4	28	5	4.4	29	0.5	15	9.2	1.03	174
Hellaby Hold.	264	+6.8	+1.6	24	1	1.7	17	0.8	10	8.5	0.35	131	Steel & Tube	260	+18.9	-2.5	4	5	1.8	11	0.7	15	9.2	0.59	228
Fletcher Build.	309	+8.3	+0.8	18	6	1.4	4	1.0	31	5.8	0.47	1,065	Lyttelton Port	169	-1.0	+0.5	65	4	4.0	32	0.5	13	9.1	2.95	172
Goodman Fielder	192	+6.1	+1.4	29	-	1.4	10	0.7	14	5.2	0.58	2,451	Hellaby Hold.	264	+6.8	+1.6	24	1	1.7	17	0.6	10	8.5	0.35	131
AXA Asia Pac.	350	+1.5	+2.3	51	4	1.6	12	0.7	13	3.4	0.58	6,169	Cavalier Corp	580	+6.6	+0.2	26	2	3.3	22	0.5	15	8.2	0.97	183
Steel & Tube	260	+18.9	-2.5	4	5	1.8	11	0.9	15	9.2	0.59	228	Trust Power Ltd	340	+2.7	-0.0	46	4	1.1	4	0.5	27	7.6	1.23	623
Kirkcaldie & St	450	+0.0	-0.8	57	-	2.6	24	0.7	11	11.6	0.63	22	OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Pyne Gould G.	127	+5.1	-0.1	33	-	1.7	18	1.0	9	8.2	0.66	71	Elect Trans Tec	7	-11.5	+2.4	86	-	-11.5	-	2.9	NE	Nil	5.38	10
Bendon Limited	190	+0.7	+0.5	56	1	1.1	6	0.9	17	7.1	0.70	59	Genesis Res.	310	-10.9	+4.0	85	-	-1.6	-	0.8	NE	Nil	4.04	81
Restaurant Brds	200	+13.2	+1.0	8	5	6.6	45	1.0	15	7.5	0.78	184	Vending Tech.	218	-8.4	-2.4	82	-	-6.3	40	0.6	16	Nil	3.85	64
Carter Holt	191	+4.0	+5.1	37	7	0.7	5	1.1	13	3.1	0.87	3,322	Lyttelton Port	169	-1.0	+0.5	65	4	4.0	32	0.5	13	9.1	2.95	172
Ebos Group Ltd	346	+8.9	-1.0	17	-	2.4	14	0.7	17	6.0	0.87	93	United Networks	820	-0.6	-0.6	63	5	1.4	13	0.3	11	6.4	2.73	1,242
Taylor's Grp Ltd	165	+13.3	+1.6	7	1	1.8	14	0.9	14	6.3	0.90	40	Nuhaka Forestry	900	-4.7	+2.2	75	-	-0.7	-	0.3	NE	6.1	2.38	16
Cavalier Corp	580	+6.6	+0.2	26	2	3.3	22	0.7	15	8.2	0.97	183	Waste Mgmt NZ	317	-5.2	+4.8	76	5	2.0	9	0.6	22	3.5	2.25	309
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Owens Group Ltd	137	+20.0	-0.1	3	3	2.3	14	0.8	16	5.4	0.20	77	IT Capital Ltd	8	-22.9	+3.8	94	-	0.6	-	2.4	NE	Nil	1.02	14
Steel & Tube	260	+18.9	-2.5	4	5	1.8	11	0.8	15	9.2	0.59	228	Strathmore Grp	5	-22.0	+1.2	93	-	-1.1	-	2.8	NE	Nil	N/A	8
Pacific Retail	215	+15.6	-1.4	5	3	1.9	19	0.9	10	Nil	0.27	109	Brierley Invest	42	-18.1	+4.8	92	2	0.4	-	1.2	NE	Nil	0.98	575
Wrightsons Ltd	120	+14.9	-2.1	6	2	1.4	9	1.2	15	10.0	0.23	161	Advantage Group	49	-15.8	+5.2	89	2	5.6	14	1.3	39	Nil	0.44	33
Taylor's Grp Ltd	165	+13.3	+1.6	7	1	1.8	14	0.7	14	6.3	0.90	40	Force Corp.	5	-14.7	+6.0	88	2	1.7	-	2.7	NE	Nil	0.47	82
Restaurant Brds	200	+13.2	+1.0	8	5	6.6	45	0.8	15	7.5	0.78	184	Tag Pacific Ltd	15	-12.2	+3.3	87	-	-0.6	-	1.2	NE	Nil	0.28	10
Williams Kettle	428	+9.5	+1.0	13	-	1.5	16	0.5	9	7.0	0.35	63	Elect Trans Tec	7	-11.5	+2.4	86	-	-11.5	-	2.8	NE	Nil	5.38	10
Broadway Ind	36	+8.9	+1.6	16	-	1.0	10	1.1	10	Nil	0.20	7	Blis Technology	57	-11.4	-2.2	85	-	-	-	1.1	NE	Nil	N/A	36
Ebos Group Ltd	346	+8.9	-1.0	17	-	2.4	14	0.6	17	6.0	0.87	93	Genesis Res.	310	-10.9	+4.0	85	-	-1.6	-	0.8	NE	Nil	4.04	81
Hellaby Hold.	264	+6.8	+1.6	24	1	1.7	17	0.7	10	8.5	0.35	131	FC - Forests	24	-10.5	+1.4	84	7	0.5	-	1.3	NE	Nil	1.03	667
Cavalier Corp	580	+6.6	+0.2	26	2	3.3	22	0.6	15	8.2	0.97	183	GDC Communicat.	195	-8.9	+2.6	82	-	-5.3	22	0.7	24	2.5	1.78	74
Goodman Fielder	192	+6.1	+1.4	29	-	1.4	10	0.5	14	5.2	0.58	2,451	Vending Tech.	218	-8.4	-2.4	82	-	-6.3	40	0.6	16	Nil	3.85	64
Pyne Gould G.	127	+5.1	-0.1	33	-	1.7	18	0.8	9	8.2	0.66	71	Rocom Wireless	36	-7.9	-0.2	81	-	-1.1	-	0.9	NE	Nil	N/A	5
Carter Holt	191	+4.0	+5.1	37	7	0.7	5	1.0	13	3.1	0.87	3,322	WN Drive Tech.	40	-7.9	+1.0	80	-	-11.1	-	1.1	NE	Nil	N/A	42
Kingsgate Int'l	14	+2.9	+2.0	44	-	0.4	14	2.1	3	Nil	0.45	53	Cadmus Tech Ltd	11	-7.0	-0.9	79	-	-0.9	3	1.5	32	Nil	1.86	14
Affco Holdings	33	+2.2	+3.2	48	-	0.6	5	1.2	12	Nil	0.06	81	Waste Mgmt NZ	317	-5.2	+4.8	76	5	2.0	9	0.6	22	3.5	2.25	309
AXA Asia Pac.	350	+1.5	+2.3	51	4	1.6	12	0.6	13	3.4	0.58	6,169	Nuhaka Forestry	900	-4.7	+2.2	75	-	-0.7	-	0.3	NE	6.1	2.38	16
Bendon Limited	190	+0.7	+0.5	56	1	1.1	6	0.8	17	7.1	0.70	59	Shotover Jet	45	-4.1	+0.9	75	-	-1.1	12	0.8	9	Nil	0.78	19
Kirkcaldie & St	450	+0.0	-0.8	57	-	2.6	24	0.6	11	11.6	0.63	22	Cue Energy Ltd	7	-3.2	+1.9	74	-	-0.7	19	2.2	4	Nil	1.62	22
													Summit Gold Ltd	11	-2.7	-3.9	72	-	-2.6	-	1.7	NE	Nil	N/A	10

Australian Company Analysis: Gale Pacific

(This section is in Australian currency, unless stated)

Gale Pacific (code GAP) is a micro-cap Australian listed company that may be able to develop a worldwide niche market for its advanced polymer fabrics.

Company History

The listed company was incorporated in 1998 to acquire the original manufacturer, **Gale Australia**, and listed on the stockmarket in December 2000 after offering 15.1 million shares to the public at 100 cents per share. 47% of the funds raised were paid to existing investors,

with the balance going to the company to fund expansion and growth.

Current Business

Gale Pacific's main products are polymer fabrics offering protection from ultraviolet rays and used in shade sails, gazebos and exterior window furnishings. The company is "heavily dependent on retail sales in Australia and the United States for its profitability" which account for 88% of its revenues and those sales are "dependent

upon weather conditions”.

As well as seeking to develop new markets in the Middle East, Gale Pacific believes that “new product development is the key to ongoing growth”. Three product improvements “that can substantially expand market share” and “also open up large new markets in the USA and Europe” include:

1. New fire retardant technology that meets stringent US standards for retail fabrics while maintaining durability in the sun. This technology offers Gale Pacific “an advantage over our direct competitors”.
2. A waterproof membrane used in its premier architectural fabrics that will allow the company “to develop into markets with low sunshine and high precipitation”.
3. The development of profile technology (protected by patent) in the fabric construction which increases UV protection from 95% to 98%.

Gale Pacific has also recently moved to full scale production of sheep nets used in “biological shearing”. The technology for this shearing method, that replaces traditional hand shearing, is held by **Bioclip Pty** which has appointed Gale Pacific as its exclusive supplier.

Gale Pacific developed a fabric for **Tech Span** to cover the **Bemm River** reservoir in Gippsland to prevent algae bloom. Subsequently the two companies have formed a joint venture, **Aquaspan**, to further develop this technology. The venture is also using Gale Pacific's fabrics to develop a flexible piping system that will “reduce evaporation and seepage in existing irrigation channels”.

Recent Results

Gale Pacific failed to achieve its prospectus forecasts for the period to June 2001 owing to (1) productivity problems (e.g. late commissioning of manufacturing plant, quality problems) and (2) below forecast sales in the United States (i.e. resulting from adverse weather conditions and the downturn in retail activity).

The year to June 2001, revenues rose 39.3% to \$54.7 million while profits fell 11.7% to \$3,009,000 (7.9 cents per share). That profit was 25% below the prospectus forecast of \$4.0 million. A final 3.0 cents dividend was paid.

The prospectus had forecast a profit of \$5.0 million for the current year to June 2002. In August 2001 that was revised to \$4.3-4.5 million and in November - with further uncertainty in the United States - that has been downgraded to about \$3.9 million (10.2 cents per share).

An announcement last week further downgrades the immediate profit prospects. Firstly, the company will make a bad debt provision of \$175,000 following **Kmart USA**, one of its “larger USA accounts”, filing for *Chapter 11* bankruptcy protection - But Gale Pacific is continuing to export to Kmart and expects to be paid for these sales. Secondly, a cold start to summer had a “significant” impact on December sales in Australia - although January's sales were at normal levels.

Investment Criteria

At 76 cents Gale Pacific shares trade on a Price/Sales ratio of 0.53, a low Price/Earnings ratio of 10 and a Dividend Yield of 3.9%. Achieving its \$3.9 million profit forecast for the current year will lower the P/E ratio to just 7½ - but with recent events the company will probably fall short of that forecast.

With a market capitalisation of just \$29 million, this is a micro-cap listed company. While such very small companies can be very good investments they also involve higher risks and the shares can lack marketability.

Management have a large shareholding in this company. Managing Director, GS Gale, owns 17,031,134 shares or 44.8% of the company. Chief Operating Officer, PR McDonald has 470,510 shares (1.2%). TJ Eversteyne has 185,000 shares, DEJ Reilly owns 85,000 shares and HG Davies holds 15,000 shares.

There have been no *insider* trades in Gale Pacific shares.

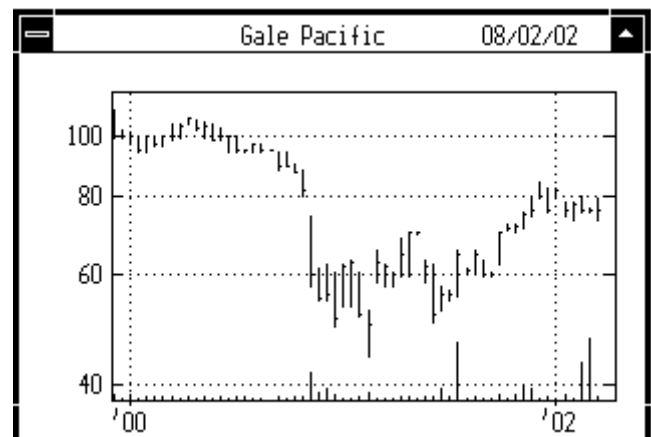
Not surprisingly, this small company is completely *neglected* by brokers. A handful of institutional investors own about 40% of the company.

After listing on the stockmarket, Gale Pacific shares continued to trade around their 100 cents issue price, but the profit warning in June 2001 caused the shares to plunge to an ultimate low of 45 cents. Since then the shares have started to recover, with the Relative Strength rating rising to +2.4%, ranked 40 (on a scale of 0-99) which allows the shares to rate as a “Buy” in the *Under-Valued Shares* section of our *Comprehensive Share Selection Criteria*.

Summary and Recommendation

Gale Pacific shares trade at a low valuation and the company has the potential for long term growth from new markets and new products. However, as Gale Pacific will likely under-perform its own profit forecasts again this year, we do not believe the shares are suitable for purchase at the present time.

For aggressive investors - prepared to accept higher risks in micro-cap companies - Gale Pacific is worth watching and *may* become an attractive buy when its trading environment improves and/or it successfully increase revenues (and profits) with new product developments.



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

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

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n															
	Share Price	Current	4-Wk Chg.	Rank	Insider Buy-Sell									Brokers Following	Current	4-Wk Chg.	Rank	Insider Buy-Sell								Brokers Following	Current	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following									
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																																								
Hills Motorway	545	-0.2	-0.6	51	00	9	2.4	-0.6	NE	3.1	9.98	1,008	Tuart Resources	2	-33.9	-3.8	97	0-0	-	-	-2.5	NE	Nil	9.50	8	Union Capital	2	-33.0	+1.5	97	2-0	-	-	-2.8	NE	Nil	5.36	9		
Tuart Resources	2	-33.9	-3.8	97	0-0	-	-	-2.7	NE	Nil	9.50	8	Austar United	34	-32.6	+3.4	97	1-1	-6.7	-	-0.9	NE	Nil	1.04	239	Found'n Health.	45	-31.6	+1.4	96	6-0	-	-	-0.9	NE	Nil	0.85	72		
Gradipore Ltd	245	-8.2	+1.6	71	0-0	-	3.6	-0.7	NE	Nil	9.49	115	Stockford Ltd	22	-30.9	-0.3	96	2-0	-1.7	-	-1.1	NE	Nil	0.63	51	Uecomm Limited	15	-30.7	+3.1	96	0-0	-0.5	-	-1.2	NE	Nil	2.29	76		
Electrometals	17	-3.7	+8.0	61	0-0	-	-	-1.2	NE	Nil	9.27	10	EservGlobal Ltd	20	-29.8	-2.1	95	0-0	-1.1	-	-1.1	NE	Nil	N/A	21	Cape Range Wire	5	-29.7	+1.9	95	0-0	-2.4	-	-1.7	NE	Nil	2.50	20		
Anaconda Nickel	105	-19.7	+5.6	88	3-0	3	-	-0.8	NE	Nil	9.20	485	Cape Range Wire	5	-29.7	+1.9	95	0-0	-2.4	-	-1.7	NE	Nil	2.50	20	Q-Vis Limited	97	-29.0	-0.4	95	0-0	-3.3	-	-0.8	NE	Nil	N/A	32		
Canada Land	8	-0.3	+0.1	51	0-0	-	-0.2	-1.6	NE	Nil	9.04	8	Working Systems	7	-28.8	-0.8	95	0-0	-2.3	-	-1.5	NE	Nil	0.98	5	Amcom Telecom.	11	-28.7	+0.6	95	0-0	-0.4	-	-1.3	NE	Nil	1.20	20		
CI Technologies	213	-5.9	+3.7	66	5-2	5	7.9	-0.7	NE	Nil	9.03	111	Earth Magnesium	61	-28.4	+1.5	95	3-0	-	-	-0.8	NE	Nil	0.92	105	Aust Magnesium	61	-28.4	+1.5	95	3-0	-	-	-0.8	NE	Nil	0.92	105		
Aust Assets	25	-16.8	-2.8	84	0-0	-	-0.4	-1.1	NE	Nil	8.96	9	Earth Sanct.	22	-28.2	-2.4	95	0-1	-0.3	-	-1.1	NE	Nil	4.04	6	PEG Technology	5	-27.7	+4.5	94	0-3	-1.7	-	-1.7	NE	Nil	0.83	6		
Progen Indust.	126	-1.9	+5.5	56	0-0	1	1.2	-0.8	NE	Nil	8.65	31	PEG Technology	5	-27.7	+4.5	94	0-3	-1.7	-	-1.7	NE	Nil	0.83	6	Cosmos Limited	10	-27.7	+2.1	94	0-0	-	-	-1.3	NE	Nil	2.59	18		
Bougainville Co	14	-4.0	+1.4	61	0-0	-	-	-1.3	NE	Nil	8.19	56	E.R.G.	44	-27.6	+0.3	94	0-1	11	1.1	2	0.9	4.7	2.3	0.95	375	FlowCom Limited	8	-27.1	+2.8	94	0-0	-1.0	-	-1.5	NE	Nil	0.48	7	
Mikoh Corp.	10	-6.8	+9.1	67	3-0	-	-1.4	-1.4	NE	Nil	8.13	6	Nullarbor Hold	20	-25.8	+0.4	93	0-0	-	-	-1.1	NE	Nil	2.56	5	City View	20	-25.7	+2.3	93	0-0	-	-	-1.1	NE	Nil	N/A	11		
BresaGen Ltd	105	-0.0	+2.8	50	0-0	-	-2.0	-0.8	NE	Nil	8.08	57	City View	20	-25.7	+2.3	93	0-0	-	-	-1.1	NE	Nil	N/A	11	Tele2000 Ltd	5	-25.7	+9.8	93	0-0	-2.6	-	-1.7	NE	Nil	0.75	5		
Reef Casino Trt	130	-2.6	+0.8	58	0-0	-	-0.8	5	0.7	16	0.2	7.83	64	ISIS Com'cation	8	-25.3	+7.5	93	0-0	-0.5	-	-1.5	NE	Nil	0.28	13	ISIS Com'cation	8	-25.3	+7.5	93	0-0	-0.5	-	-1.5	NE	Nil	0.28	13	
Baycorp Advant.	554	-2.3	-1.2	57	0-0	-	-14.6	32	0.6	46	1.8	7.64	1,263	CBD Online	2	-25.0	+0.5	92	0-0	-	-	-2.7	NE	Nil	N/A	5	Renew. Energy	34	-24.8	-7.0	92	0-0	-1.2	-	-0.9	NE	Nil	4.51	45	
Smart World	6	-34.4	+2.0	97	0-0	-	-1.8	-1.8	NE	Nil	7.53	8	Renew. Energy	34	-24.8	-7.0	92	0-0	-1.2	-	-0.9	NE	Nil	4.51	45	MultiMedia Ltd	3	-24.5	+7.5	92	0-0	-3.4	-	-2.0	NE	Nil	3.47	15		
Iress Mkt Tech	240	-1.8	+1.9	56	0-0	-	-21.8	88	0.7	25	3.0	7.22	241	PowerTel Ltd	15	-24.3	+1.1	92	0-0	3	0.8	-	-1.2	NE	Nil	2.54	125	Johnson's Well	7	-23.9	-0.8	92	0-0	-	-	-1.5	NE	Nil	N/A	51
Gold Mines Sard	40	-4.9	+1.7	64	0-0	-	-3.3	-0.9	NE	Nil	6.93	95	Johnson's Well	7	-23.9	-0.8	92	0-0	-	-	-1.5	NE	Nil	N/A	51	Julia Corp Ltd	4	-23.7	+2.6	92	0-0	-	-	-1.9	NE	Nil	3.63	6		
Autogen Limited	80	-4.4	+0.9	62	0-0	-	-4.4	-0.8	NE	Nil	6.46	30	Quiktrak Netwks	3	-23.2	+1.6	91	0-0	-3.3	-	-2.0	NE	Nil	0.70	20	Cendant Aust.	17	-23.2	+5.3	91	0-0	-	-	-1.1	NE	Nil	1.33	8		
Energy Develop.	607	-11.9	-2.7	77	2-1	10	2.1	6	0.6	33	0.9	6.46	646	Blaze Intern'l	8	-22.6	+7.3	91	0-0	-8.3	-	-1.4	NE	Nil	2.05	6	Voxson Limited	18	-22.4	+2.5	91	0-0	-1.0	-	-1.1	NE	Nil	0.62	9	
Aust Stock Exch	1180	-2.9	+0.7	59	2-1	6	7.9	34	0.6	23	3.7	6.05	1,197	POS Media	2	-22.3	-1.9	91	2-0	-2.0	-	-2.5	NE	Nil	1.02	6	Conquest Mining	13	-22.2	+9.1	90	0-0	-	-	-1.2	NE	Nil	N/A	10	
Wet Dreams Ltd	6	-0.1	+16.8	50	1-0	-	-	-1.7	NE	Nil	5.94	5	Westel Group	6	-22.2	-0.1	90	0-0	-	-	-1.6	NE	Nil	3.08	17	Westel Group	6	-22.2	-0.1	90	0-0	-	-	-1.6	NE	Nil	3.08	17		
Technology One	75	-10.7	+0.9	75	0-0	-	-10.7	35	0.8	31	3.2	5.93	238	Ecorp Limited	39	-22.0	+0.9	90	0-1	-3.0	-	-0.9	NE	Nil	1.26	271	Majestic Res.	10	-21.3	+5.5	90	1-0	-	-	-1.4	NE	Nil	N/A	13	
Impress Venture	5	-4.1	-1.4	61	2-1	-	-0.5	-1.9	NE	Nil	5.90	5	Prudential Inv.	30	-21.1	+5.8	89	0-0	-0.9	3	1.0	35	Nil	0.37	6	Pocket Mail Grp	3	-20.9	+1.6	89	0-0	-	-	-2.1	NE	Nil	0.58	11		
Tox Free Sol.	17	-2.8	+9.6	59	0-0	-	-4.1	-1.2	NE	Nil	5.73	21	Catuity	405	-20.9	-2.6	89	0-0	-4.2	-	-0.6	NE	Nil	N/A	32	Pacific Energy	40	-20.5	+4.0	89	0-0	-0.3	8	0.9	4	Nil	0.28	6		
Union Capital	2	-33.0	+1.5	97	2-0	-	-	-3.0	NE	Nil	5.36	9	INSIDER SELLING: Most Insider Selling, Relative Strength < 0																											
Harvey Norman	361	-0.0	+1.8	50	0-5	10	6.1	18	0.6	35	1.1	5.33	3,810	Sonic Health	740	-2.1	-2.5	57	0-5	8	-	-0.6	64	2.3	2.68	1,892	Harvey Norman	361	-0.0	+1.8	50	0-5	10	6.1	18	0.6	35	1.1	5.33	3,810
Sharon Austen	8	-17.9	+1.9	86	2-0	-	-8.1	-1.5	NE	Nil	5.23	9	RMG Limited	21	-10.8	-2.4	75	0-3	-	-	-1.0	NE	Nil	N/A	132	RMG Limited	21	-10.8	-2.4	75	0-3	-	-	-1.0	NE	Nil	N/A	132		
WebSpy Limited	5	-6.4	+8.0	67	0-0	-	-1.3	-1.8	NE	Nil	5.10	5	PEG Technology	5	-27.7	+4.5	94	0-3	-1.7	-	-1.6	NE	Nil	0.83	6	PEG Technology	5	-27.7	+4.5	94	0-3	-1.7	-	-1.6	NE	Nil	0.83	6		
Solar Energy	16	-11.0	+0.1	76	0-0	-	-1.4	-1.2	NE	Nil	5.02	5	New Tel Ltd	21	-17.6	-1.3	86	0-2	-	-	-1.0	NE	Nil	0.68	32	Energy Develop.	607	-11.9	-2.7	77	2-4	10	2.1	6	0.6	33	0.9	6.46	646	
Objective Corpo	30	-14.6	+2.9	82	0-0	-	-10.0	-1.0	NE	Nil	4.86	40	Energy Develop.	607	-11.9	-2.7	77	2-4	10	2.1	6	0.6	33	0.9	6.46	646	Global Doctor	2	-17.6	+3.9	85	0-1	-	-	-2.3	NE	Nil	N/A	9	
Queensland Opal	5	-2.0	+0.4	56	0-0	-	-	-1.8	NE	Nil	4.85	5	My Money	2	-14.1	+8.9	81	0-1	-1.0	-	-2.4	NE	Nil	0.56	9	My Money	2	-14.1	+8.9	81	0-1	-1.0	-	-2.4	NE	Nil	0.56	9		
Zeolite Aust.	19	-10.0	+8.3	74	0-0	-	-6.3	-1.2	NE	Nil	4.71	5	Ecorp Limited	39	-22.0	+0.9	90	0-1	-3.0	-	-0.9	NE	Nil	1.26	271	Hansen Tech.	57	-15.1	-1.8	82	0-1	-	-	-0.8	NE	Nil	1.26	271		
Aristocrat	608	-2.6	-0.3	58	0-0	10	33.8	85	0.6	40	1.8	4.68	2,745	Hansen Tech.	57	-15.1	-1.8	82	0-1	-	-	-0.8	NE	Nil	1.26	271	Icon Energy	5	-11.8	+0.6	77	0-1	-	-	-1.6	NE	Nil	N/A	10	
Brain Resource	21	-6.9	+1.1	68	0-0	-	-	-1.1	NE	Nil	4.67	7	Icon Energy	5	-11.8	+0.6	77	0-1	-	-	-1.6	NE	Nil	N/A	10	Gas Internat'l	75	-11.7	+5.7	77	0-1	-1.6	12	0.8	13	1.6	0.28	528		
E-Bet Limited	20	-11.9	+3.8	77	1-0	-	-4.0	-1.1	NE	Nil	4.55	28	Imdex Limited	21	-6.0	-3.3	66	0-1	-1.3	12	1.0	11	Nil	0.69	22	Neverfall Spr.	289	-4.9	-1.2	64	0-1	-	-	-0.6	29	2.8	4.04	269		
Renew. Energy	34	-24.8	-7.0	92	0-0	-	-1.2	-1.0	NE	Nil	4.51	45	Mt Grace Res.	12	-13.2	-0.2	79	0-1	-	-</																				

Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AP Eagers Ltd	420	400	0-11	18.5	48.8	-62	0.18	6.24	1.00	-0	Heartlink Ltd	16	20	1-4	4.3	6.7	-36	1.12	1.60	1.00	+40
Adultshop.com	20	20	2-4	10.0	11.5	-13	0.99	1.39	1.00	+19	Hill 50 Gold NL	139	70	0-3	69.0	69.7	-1	0.33	1.99	1.00	+0
Adultshop.com	20	175	1-10	0.2	1.7	-88	0.99	2.26	1.00	+227	Imperial	3	20	1-5	0.4	0.1+633	0.79	3.38	1.00	+296	
Advanced Engine	13	35	0-10	0.1	1.0	-90	0.91	2.93	1.00	+229	Intercontinental Gold	3	20	1-4	0.3	0.1+227	0.86	3.09	1.00	+309	
Allegiance Mining	7	20	1-10	1.7	1.2	+41	0.87	2.08	1.00	+93	JAM Developments	18	25	3-9	2.9	7.4	-61	0.66	1.62	1.00	+13
Amadeus Petroleum	12	20	1-9	2.0	0.8+136	0.42	3.78	1.00	+45	Jervois Mining NL	5	20	0-0	0.1	7.4	-99	1.00	1.62	1.00	+999	
Ambition Group	45	100	2-7	5.0	13.0	-61	0.77	1.83	1.00	+39	Johnson's Well	7	260	1-4	55.0	1.0+999	1.88	1.68	1.00	+999	
Amity Oil	84	35	0-7	50.0	50.0	+0	0.60	1.66	1.00	+2	KCG Mines	11	20	2-9	2.9	5.1	-43	1.01	1.44	1.00	+33
Amlink Technologies	6	45	2-4	0.2	2.6	-92	1.43	1.39	1.00	+134	Kalrez Energy NL	1	20	1-4	0.2	0.0+999	0.63	6.28	1.00	+683	
Arrow Energy	15	20	0-4	1.0	1.6	-38	0.88	3.62	1.00	+174	Kanowna Cons Gold	11	20	2-9	2.9	5.1	-43	1.01	1.44	1.00	+33
Asset Backed	40	35	0-6	7.0	9.9	-29	0.64	2.89	1.00	+10	Kimberley Diamond	58	130	1-5	17.5	6.6+163	0.70	2.73	1.00	+93	
Astro Mining NL	7	25	1-10	3.0	7.0	-57	2.65	1.00	1.00	+19	Kingstream Steel	2	110	0-5	0.1	0.0+999	0.88	9.99	1.00	+999	
Astro Mining NL	7	120	0-10	1.0	2.4	-59	2.65	1.42	1.00	+999	Legend Mining NL	9	20	0-1	0.2	0.0+999	0.82	9.99	1.00	+999	
Auridium Consolidated	5	50	2-4	0.8	0.1+735	0.69	3.13	1.00	+170	Loftus Pooled Dev.	58	110	0-10	0.1	0.3	-63	0.35	8.71	1.00	+116	
Auspine Ltd	200	400	0-10	0.6	0.1+999	0.26	9.99	1.00	+130	Lumacom	8	20	1-4	4.0	1.2+226	0.92	2.24	1.00	+139		
Aust Kimb Diamonds	3	20	0-7	0.3	0.0+999	0.87	5.46	1.00	+999	M2M Corporation	2	20	7-12	0.6	1.6	-62	2.00	1.01	1.00	+38	
Axon Investments	79	20	3-1	999.0	62.4+999	0.56	1.24	1.00	+129	Magna Pacific	29	5	1-3	4.1	24.3	-83	0.77	1.19	1.00	-60	
Barra Resources	39	25	1-6	17.0	17.8	-5	0.52	1.90	1.00	+5	Majestic Resources	10	20	1-4	2.3	1.5	+55	0.79	2.43	1.00	+90
Beach Petroleum NL	5	20	2-2	1.9	0.0+999	0.42	4.90	1.00	+96	Metabolic	92	20	1-5	72.0	73.2	-2	0.52	1.25	1.00	+0	
Beaconsfield Gold	23	125	0-1	1.0	0.0+999	0.51	9.99	1.00	+999	Mitex Resources	8	20	2-4	2.8	1.4	+96	0.72	2.14	1.00	+60	
Biotech Capital	40	50	1-7	9.8	8.5	+16	0.55	2.53	1.00	+30	Minerals Corporation	27	40	0-11	4.8	1.0+363	0.38	5.67	1.00	+73	
Bullion Minerals	9	20	2-4	2.6	1.6	+61	0.68	2.19	1.00	+52	Molopo Australia NL	4	20	1-7	0.8	0.6	+39	1.08	2.83	1.00	+193
Burns Philp	64	20	1-6	44.0	45.2	-3	0.32	1.41	1.00	+0	Mosaic Oil NL	22	25	0-4	3.5	1.4+155	0.50	5.83	1.00	+133	
CMC Power Systems	14	25	0-5	1.9	1.1	+73	0.96	3.49	1.00	+379	New Holland Mining	3	20	0-7	0.2	0.0+999	0.98	5.01	1.00	+999	
Canbet	11	20	0-1	0.1	0.0+999	0.82	9.99	1.00	+999	Norwest	11	20	0-4	0.2	1.2	-84	1.26	2.94	1.00	+519	
Cardia Technologies	16	20	2-4	5.1	7.6	-33	0.94	1.49	1.00	+23	Optiscan Imaging Ltd	144	20	0-1	124.0	124.1	-0	0.97	1.16	1.00	+0
Carnarvon Petroleum	5	25	0-5	0.3	0.0+999	0.74	8.36	1.00	+999	Oropa	3	20	0-10	0.5	0.0+999	0.72	5.82	1.00	+945		
Centamin	27	20	1-1	9.0	11.7	-23	0.75	1.85	1.00	+6	Pacific Strategic	25	30	2-1	1.9	3.2	-41	0.29	3.86	1.00	+12
Chariot Internet	15	100	0-10	0.1	1.2	-92	1.38	2.34	1.00	+916	Paith Telecom.	6	20	1-4	0.5	2.1	-76	1.45	1.56	1.00	+154
Charter Pacific	88	50	0-8	53.0	40.3	+31	0.49	2.08	1.00	+26	Pancontinental	4	20	0-1	0.3	0.0+999	0.65	9.99	1.00	+999	
Chiquita Brands	38	110	0-11	2.5	1.4	+80	0.74	3.70	1.00	+227	Pi2 Limited	6	75	0-10	0.1	0.3	-64	1.49	2.41	1.00	+999
Clover	28	30	2-5	12.5	13.0	-4	0.78	1.59	1.00	+19	Pima Mining NL	20	20	0-1	1.6	1.3	+28	0.53	8.63	1.00	+152
Cobra Resources NL	3	20	0-10	0.2	0.1	+62	1.12	2.94	1.00	+779	Platinum Australia	50	20	2-6	33.0	34.6	-5	0.66	1.35	1.00	+2
Consolidated Mineral	61	20	0-1	40.0	41.1	-3	0.38	1.49	1.00	-18	Plenty River	24	20	0-5	8.0	7.5	+7	0.98	2.27	1.00	+52
Cranswick Premium	115	195	0-4	0.1	0.7	-85	0.50	9.08	1.00	+388	Precious Metals	13	20	3-9	2.2	8.5	-74	1.06	1.25	1.00	+15
Diamond Ventures NL	7	20	0-4	1.0	0.1+644	1.07	4.44	1.00	+999	Pulsat Communicat.	5	20	1-7	2.0	0.0+999	0.31	9.99	1.00	+172		
Dioro Exploration	13	20	1-11	3.0	1.6	+82	0.47	3.00	1.00	+37	Pulsat Communicat.	5	200	0-11	0.2	0.0+999	0.31	9.99	1.00	+999	
Dioro Exploration	13	20	1-11	999.0	1.6+999	0.47	3.00	1.00	+893	Quiktrak Networks Ltd	3	20	0-1	0.1	0.0+999	0.85	9.99	1.00	+999		
Dwyka Diamond	100	20	1-4	42.0	84.5	-50	1.27	1.15	1.00	-30	Redflex Holdings	101	350	0-10	4.0	58.7	-93	2.53	1.27	1.00	+350
E-Financial Capital	48	50	1-2	3.0	7.7	-61	0.38	3.56	1.00	+10	Reefton Mining NL	5	20	1-9	1.1	0.5+117	0.79	2.50	1.00	+123	
E-Star Online	7	50	1-4	1.7	0.4+316	1.02	2.55	1.00	+348	Ridley Corporation	119	65	0-2	50.0	54.5	-8	0.34	2.18	1.00	-19	
E-Tick Limited	4	30	0-4	0.1	0.0+999	1.04	7.37	1.00	+999	SSH Medical	28	40	0-4	2.0	1.1	+89	0.62	5.75	1.00	+237	
Eftnet Technologies	4	20	2-7	0.5	2.1	-76	1.37	1.33	1.00	+85	Senetas Corporation	9	30	2-3	3.9	2.6	+47	0.99	1.70	1.00	+80
Empire Oil & Gas	3	20	0-10	0.5	0.1+788	1.00	3.44	1.00	+865	Simon Gilbert	24	100	2-10	2.0	2.8	-28	0.66	2.34	1.00	+67	
Euroz	54	50	2-9	4.3	19.1	-78	0.44	2.08	1.00	+0	Solar Energy Systems	16	30	2-10	2.5	3.5	-29	0.59	2.12	1.00	+30
Federation Res.	179	400	0-2	10.0	0.0+999	0.69	9.99	1.00	+999	Strata Mining	3	20	0-10	0.2	0.0+999	0.75	5.60	1.00	+999		
GPS Online.com	8	40	0-4	0.1	0.0+644	1.02	6.04	1.00	+999	Stratatel Limited	10	25	3-6	2.0	2.4	-16	0.62	1.98	1.00	+33	
General Gold Res.	9	20	0-4	0.2	0.0+999	0.43	9.99	1.00	+999	Sun Resources NL	7	25	0-4	0.5	0.0+999	0.66	11.17	1.00	+999		
Glengarry Resources	4	75	0-2	0.1	0.0+999	0.85	9.99	1.00	+999	Sydney Gas Company	41	100	0-7	5.5	0.0+999	0.43	10.53	1.00	+405		
Global Business	4	100	0-3	0.1	0.0+999	1.14	9.99	1.00	+999	Terraplanet.com	2	100	2-9	0.1	1.4	-93	2.37	1.10	1.00	+331	
Global Business	4	20	3-10	0.7	2.1	-66	1.14	1.32	1.00	+54	Timemac	4	20	2-4	1.0	0.0+999	0.00	9.99	1.00	+116	
Globe Securities	4	20	1-10	0.9	0.3+239	0.78	2.66	1.00	+146	Travelshop Ltd	5	20	2-9	0.8	1.7	-52	1.06	1.55	1.00	+72	
Gold Partners NL	18	20	0-4	3.0	6.7	-55	1.88	1.79	1.00	+119	Tuart Resources	2	20	1-4	0.4	0.7	-42	1.90	1.44	1.00	+493
Golden Deepes NL	10	20	1-4	999.0	2.3+999	0.92	2.07	1.00	+999	Vital Capital	35	20	7-3	22.0	25.4	-13	0.58	1.23	1.00	+3	
Golden Valley Mines	5	20	0-4	0.3	0.0+999	0.78	8.41	1.00	+999	WRF Securities	31	35	2-10	7.0	9.0	-22	0.44	2.22	1.00	+11	
Goldsearch Limited	7	20	0-5	0.5	0.1+246	0.99	4.27	1.00	+999	West Australian Metals	9	20	0-7	1.1	1.5	-26	1.34	2.31	1.00	+382	
Greater Pacific	2	20	0-8	0.1	0.0+999	0.93	5.42	1.00	+999	Wet Dreams	6	20	0-10	0.4	0.5	-27	1.07	2.62	1.00	+334	
Green's Foods Ltd	39	50	0-0	999.0	0.0+999	0.50	5.42	1.00	+999	Whittle Technology	14	40	0-7	0.5	0.5	+6	0.93	3.70	1.00	+557	
Gutnick Resources	7	38	1-1	1.0	2.1	-53	1.38	1.95	0.50	+410	Willhart	5	35	1-8	1.0	0.4+177	0.94	2.43	1.00	+227	
Gutnick Resources	7	25	7-10	999.0	5.9+999	1.38	1.04	1.00	+91	Yamarna Goldfields	2	20	0-4	0.1	0.0+999	0.95	9.59	1.00	+999		

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	\$0.37	\$0.75	0-4	4.4	0.0	+99999	0.303	26.1	1.0000	+888%
Otter Gold Mines 2003	\$0.28	\$2.00	1-4	0.4	0.8	-52	0.887	3.0	1.0000	+338%
Contact Energy USB Warburg	\$3.76	\$3.25	0-1	27.5	26.2	+5	0.223	7.1	2.0000	+14%
Fletcher Building UBS Warburg	\$3.09	\$2.50	0-1	28.5	30.0	-5	0.272	5.1	2.0000	-7%
Telecom NZ UBS Warburg	\$5.25	\$5.25	0-1	19.5	10.1	+93	0.317	13.9	2.0000	+136%

Company Review: Bridgestone Australia*(Continued from Page 10)*

trade at a Price/Sales ratio of 0.12, a Price/Earnings ratio of 7 and a Dividend Yield of 4.3%. Shareholders Equity is \$143.1 million or 392 cents per share, so the share price is a 58% discount to net asset value. The company also has \$70.1 million in franking credits.

Bridgestone Corporation owns 60.33% of the Australian listed subsidiary, and Mr Spalvins is hoping that they can be forced into buying the 14.5 million shares held by the minority shareholders. He is further suggesting the buyout could be structured to offer significant tax advantages to the Australian investors. He suggests this could be achieved by offering a sum "that reflects the underlying value of the business" (i.e. presumably something closer to the net asset value, but 200-250 cents may be likely) and that (1) a high percentage of this could be paid as a fully franked dividend (i.e. fully tax paid) and (2) a small capital sum (which will create a capital tax loss).

New Zealand resident investors, of course, would not enjoy these tax advantages, so would need to sell on-market *after* any buyout was announced but *before* the actual buyout.

Summary and Recommendation

A buyout offer *could* generate a short term capital gain for investors - although it is impossible to assess the likelihood of such an offer or its exact value. In the

"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held Before	% of Coy Held After
11/01/2002					
Telecom NZ	Bell Atlantic	Sell	-17,598	22.50%	21.50%
18/01/2002					
Bendon Group	Tower	Buy	+0.460	14.37%	15.86%
Bendon Group	Pacific Retail Group	Buy	+5.885	0.0%	19.05%
Capital Properties	Fletcher Building	Sell	-5.000	8.73%	4.91%
Contact Energy	Edison Mission	Buy	+26.345	48.90%	53.26%
Frucor Beverages	Danone	Buy	+28.925	39.08%	68.54%
Summit Resources	TJN Beyer	Sell	-0.860	6.12%	5.17%
25/01/2002					
Bendon Group	Tower	Sell	-4.794	15.86%	0.34%
Contact Energy	Edison Mission	Buy	+18.653	53.26%	56.35%
Frucor Beverages	Danone	Buy	+38.637	68.54%	100.00%
Scott Technology	Jl Urquhart	Buy	+0.230	6.90%	8.07%

Current Issues

CAPITAL RECONSTRUCTIONS

Ex-Date

NZ Oil & Gas (1)

(1) Distribution of 1 Pan Pacific share for every NZOG share held.

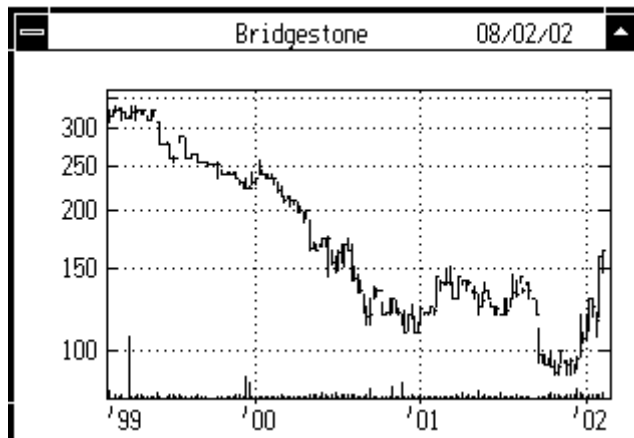
SHARE REPURCHASES

Details

Port of Tauranga

1 in 8, @\$7.00

absence of a buyout offer, Bridgestone Australia shares may still be an attractive, long term, asset-rich recovery situation. The shares are under-valued at a significant discount to net assets and a low P/E ratio - but the whole Australian tyre industry needs further significant restructuring.

**Total Return Index for All Listed Shares**

Jan 14	2125.16	Jan 21	2119.47
Jan 15	2134.63	Jan 22	2124.86
Jan 16	2130.36	Jan 23	2126.92
Jan 17	2123.09	Jan 24	2126.61
Jan 18	2117.79	Jan 25	2131.92
Jan 28	2124.74	Feb 4	2129.58
Jan 29	2128.42	Feb 5	2117.96
Jan 30	2128.56	Feb 6	Holiday
Jan 31	2129.20	Feb 7	2105.22
Feb 1	2131.70	Feb 8	2111.22

Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Calan Healthcare	1.4632	18-02	01-03	0.2688
Carter Holt Harvey	3.00	11-02	25-02	Nil
Restaurant Brands	8.00	20-05	29-05	Full
South Port NZ	2.75	25-02	01-03	Full
United Networks	18.00	08-04	12-04	Full
<u>Australian Shares</u>				
AMP	3.50	25-02	08-03	

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday March 12, 2002 (and delivered in most areas on Wednesday 13).

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

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

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