

Market Analysis

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Summary and Recommended Investment Strategy.

Weakness on global stockmarkets has dragged local markets lower, but we believe global markets are near their ultimate lows. Our Forecasts for Australia and New Zealand are Neutral, so remain fully invested in the recommended shares.

Investment Outlook.

When stockmarkets are high it is easy to cover up corporate fraud. Simply issue new shares at high prices to either (1) fund an acquisition (i.e. buying a profitable business to cover losses or poor performance from existing operations) or (2) make a cash issue or share placements "to fund expansion" and use the money to pay interest and principal on loans the company cannot afford. This just isn't possible when the stockmarket is low - so corporate frauds, such as **Worldcom**, are revealed.

The exposure of corporate frauds is therefore an indicator that stockmarkets are low. So stockmarkets are probably *near* their ultimate lows and this is probably a good time to be buying shares. Of course, human nature is such that no-one wants to buy shares when prices are low (i.e. have recently fallen in value) but everyone wants to buy when prices are high (i.e. have recently been rising in value).

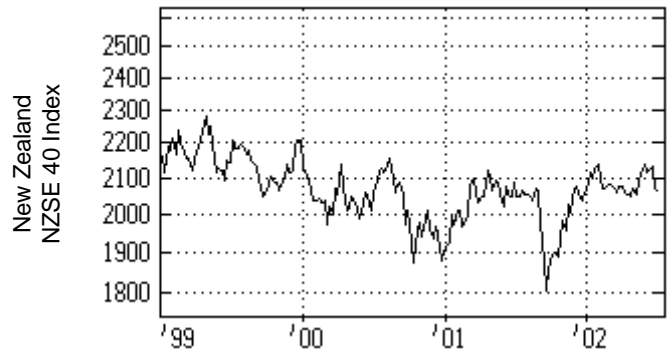
An important result of exposing corporate fraud is that it removes weak companies from the economy. Presumably companies like Worldcom needed to falsify profit reports as they were *under-pricing* to gain market share and to generate growth. Removing such *unfair* competition can significantly improve the profitability of the existing companies who are able to raise their prices. And their customers now all know that Worldcom's low prices were unrealistic (i.e. that is why it failed) and do not object to paying more.

In fact, in many cases the failure of a large company will actually *increase* the total capitalisation of the whole stockmarket. One company fails and its shares become worthless, but the combined capitalisation of its surviving competitors increases by a larger amount! So investors should not fear corporate bankruptcies.

Negative sentiment has helped drag the Australian stockmarket (and to a lesser extent the NZ market) lower, but our Forecasts remain Neutral so we shall remain fully invested. Market weakness is helping to create many under-valued situations, some of which will become attractive Buys in the future.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	60% (Neutral)	43% (Neutral)
New Zealand:	52% (Neutral)	40% (Neutral)



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	C	75	0.36	21	Nil	Fletcher Build.	B	273	0.41	28	6.6	Renaissance	D	36	0.07	NE	Nil
AMP Limited	C	1820	2.82	24	3.4	Force Corp.	B	5.3	0.52	NE	Nil	Restaurant Brds	B	186	0.67	15	8.0
AMP NZ Office	C	89	6.55	11	8.0	GDC Communicat.	B	115	0.63	12	4.5	RetailX Limited	C	20	4.57	NE	Nil
AXA Asia Pac.	B	304	0.51	11	3.9	Genesis Res.	D	232	3.03	NE	Nil	Richina Pacific	C	63	0.07	14	Nil
Advantage Group	D	45	0.40	36	Nil	Goodman Fielder	B	190	0.57	14	5.3	Richmond Hold.	D	235	N/A	NE	Nil
Affco Holdings	E	21	0.04	8	Nil	Guinness Peat	B	170	0.86	6	2.0	Rocom Wireless	D	20	0.30	NE	Nil
Air New Zealand	C	65	0.06	NE	Nil	Hallenstein G.	C	256	0.88	13	10.8	Rubicon Limited	D	73	2.76	NE	Nil
Akd Int Airport	B	427	N/A	30	3.9	Hellaby Hold.	B	265	0.35	10	8.4	Ryman Health.	C	165	2.66	15	3.4
Allied Farmers	D	180	0.34	NE	Nil	Heritage Mining*	N/R	5.0	N/A	NE	Nil	Sanford Limited	C	500	1.32	18	6.0
Apple Fields	D	12	0.88	NE	Nil	Horizon Energy	A	327	3.13	11	7.8	Savoy Equities	D	3.3	6.23	NE	Nil
Beauty Direct	E	10	3.07	NE	Nil	IT Capital Ltd	D	6.0	3.80	NE	Nil	Scott Tech. Ltd	C	198	2.33	93	2.6
Blis Technology	E	52	N/A	NE	Nil	Ind Newspapers	B	375	2.94	58	3.4	Seafresh Fish.	E	2.5	0.34	NE	Nil
Brierley Invest	C	71	1.66	NE	Nil	Infratil NZ	B	188	2.24	15	2.4	Selector Group	E	2.0	2.82	NE	Nil
Briscoe Group	B	212	1.75	25	4.6	Kingsgate Int'l	B	19	0.98	7	Nil	Shotover Jet	D	47	0.82	9	Nil
Broadway Ind	C	40	0.22	11	Nil	Kirkcaldie & St	A	400	0.60	10	13.1	Skellmax Indust	C	113	1.12	9	9.2
CACI Group Ltd	D	42	0.59	NE	Nil	Kiwi Property	B	97	6.21	10	10.5	Sky City Ltd	B	630	2.86	18	7.5
CDL Hotel NZ	C	27	0.47	9	3.9	Lion Nathan Ltd	B	535	1.53	15	3.6	Sky Network TV	D	430	5.57	NE	Nil
CDL Investments	E	18	1.66	45	Nil	Lytelton Port	B	168	2.94	13	9.1	Software of Exc	E	220	3.42	NE	Nil
Cabletalk Group	E	31	0.25	NE	Nil	Mainfreight Grp	C	140	0.26	15	6.9	South Port NZ	B	175	3.58	21	5.1
Cadmus Tech Ltd	D	6.7	1.19	20	Nil	Metro. LifeCare	C	120	1.23	15	Nil	Southern Cap	E	59	N/A	34	Nil
Calan Hlthcare	C	83	6.74	12	8.2	Michael Hill	B	500	1.02	19	4.5	Spectrum Res.	D	1.4	1.07	NE	Nil
Cap Properties	C	90	2.24	9	10.9	Mid.Cap Index*	N/R	208	N/A	NE	Nil	Steel & Tube	A	280	0.63	17	8.5
Carter Holt	B	195	0.89	13	3.1	Moorings Systems	E	106	N/A	NE	Nil	Straightedge	C	51	N/A	NE	Nil
Cavalier Corp	A	595	0.99	15	8.0	Mowbray Collect	C	80	1.47	NE	Nil	Strathmore Grp	C	3.1	N/A	NE	Nil
Cedenco Foods	C	210	1.21	8	Nil	Mr Chips Hold	D	106	0.92	30	4.9	Submarines Aust	C	6.0	N/A	NE	Nil
Cert Organics	E	0.5	N/A	NE	Nil	NZ Experience	D	12	0.95	36	Nil	Summit Gold Ltd*	N/R	9.5	N/A	NE	Nil
Col FS Property	B	108	6.16	11	9.8	NZ Invest Trust*	N/R	530	N/A	NE	1.6	Tag Pacific Ltd	D	12	0.23	NE	Nil
Col Motor Co	A	275	0.23	15	7.6	NZ Oil and Gas *	N/R	38	1.71	21	Nil	Taylor's Grp Ltd	B	160	0.87	13	6.5
Commsoft Group	D	1.5	0.21	NE	Nil	NZ Refining Co	A	1585	2.13	10	16.5	TeNZ *	N/R	91	N/A	NE	Nil
Compass Com.	D	34	N/A	48	Nil	NZIJ.co.nz	D	28	2.05	NE	Nil	Telecom Corp	A	504	1.66	11	5.9
Contact Energy	B	395	2.17	19	7.2	Nat Property Tr	C	93	7.04	15	9.9	Tourism Hold.	B	92	0.41	7	14.6
Cube Capital	D	40	0.64	16	Nil	Natural Gas	D	115	1.18	10	Nil	Tower Limited	C	445	0.69	11	6.7
Cue Energy Ltd *	N/R	6.0	1.43	3	Nil	Newcall Group	E	2.1	0.15	NE	Nil	Trans-Tasman	D	26	1.46	8	Nil
DB Breweries	B	590	1.07	13	6.8	Newmarket Prop.	C	49	3.73	9	13.4	Tranz Rail Hold	C	275	0.53	12	3.1
Dairy Brands	D	62	2.85	11	Nil	Northland Port	C	257	3.87	NE	Nil	Trust Power Ltd	C	327	0.99	NE	5.8
Design Textiles	C	70	0.43	89	Nil	Nuhaka Forestry	C	880	N/A	NE	Nil	United Networks	B	886	2.95	11	5.9
Dorchester Pac	A	145	0.61	7	6.8	Nuplex Indust	C	308	0.44	13	7.3	Utilico Int'l	D	57	5.28	8	Nil
E-Ventures NZ	D	32	6.57	NE	Nil	Opio Forestry	C	55	9.86	NE	Nil	Vending Tech.	C	218	3.16	12	Nil
Ecademy Hold.	D	0.4	6.67	NE	Nil	Otter Gold Mine*	N/R	30	0.26	NE	Nil	Vertex Group	B	199	0.70	10	10.7
Ebos Group Ltd	C	310	0.78	15	6.7	Owens Group Ltd	C	105	0.14	13	3.3	WN Drive Tech.	D	30	N/A	NE	Nil
Eldercare NZ	E	22	1.01	NE	Nil	Ozzy (Tortis)*	N/R	217	N/A	NE	Nil	Wakefield Hosp.	C	125	0.51	17	3.6
Elect Trans Tec	E	3.0	N/A	NE	Nil	Pacific Retail	A	295	0.34	9	Nil	Warehouse Group	B	750	1.35	36	2.5
Evergreen	C	64	2.72	14	Nil	Port Tauranga	A	740	7.53	27	4.8	Waste Mgmt NZ	B	320	2.03	24	3.5
F & P Health.	C	795	3.79	13	4.7	Ports Auckland	A	640	5.36	19	4.9	Williams Kettle	B	365	0.30	8	8.2
F & P Appliance	B	887	1.69	21	4.2	Powerco Limited	A	192	2.62	13	10.2	World Index Fd *	N/R	132	N/A	NE	Nil
FC - Forests	D	25	1.07	NE	Nil	Property F Ind.	C	88	8.19	40	7.8	Wrightsons Ltd	C	103	0.20	13	11.6
Feverpitch Int.	D	30	N/A	NE	Nil	Pure NZ Limited	C	12	9.52	NE	Nil	Ave of 142 Cos	C	201	0.54	20	3.1
Finzsoft Solns	C	47	1.07	NE	Nil	Pyne Gould G.	C	105	0.54	8	10.0						
AMP Diver. Prop	B	262	9.70	14	7.5	Deutsche Office	D	129	N/A	NE	Nil	Onesteel Ltd	C	138	0.23	NE	4.3
AMP Ltd	B	1599	0.64	15	2.9	Downer EDI Ltd	C	61	0.29	11	3.4	Orica Ltd	A	964	0.64	43	1.7
AMP Office Trt	B	121	N/A	14	7.3	Envestra	C	84	1.94	NE	11.0	Origin Energy	B	338	1.15	20	1.2
AMP Shop Centre	B	140	7.21	15	7.9	Fairfax (John)	C	332	1.83	19	3.5	Pacifico Group	C	380	0.47	NE	2.2
ANZ Bank	B	1890	4.36	15	3.9	Flight Centre	B	2630	0.75	52	1.0	Paperlin X Ltd	B	498	0.68	15	5.4
APN News Media	B	359	2.58	32	4.1	Foodland Assoc	A	1830	0.45	29	3.0	Patrick Corp	B	1665	3.84	39	1.0
AWB Limited	B	386	0.48	11	5.7	Foster's Group	B	466	2.33	19	3.1	Perp Trust Aust	B	4180	4.86	29	2.0
AXA Asia Pac	B	264	0.89	12	4.6	Futuris Corp.	C	135	0.14	10	5.9	Publishing & Br	C	900	2.31	NE	2.2
Adelaide Bank	A	705	1.19	18	4.3	GWA Internat'l	B	234	1.14	16	6.8	O.B.E. Insur.	C	673	0.41	NE	4.5
Alintagas Ltd	B	415	3.03	21	2.7	Gandel Retail T	B	125	8.16	15	7.0	Qantas Airways	A	453	0.58	14	4.4
Amcor Ltd	A	837	0.93	19	3.3	General Prop Tr	B	283	8.06	14	7.0	Ramsay Health	B	423	1.36	33	2.0
Ansell Ltd	B	667	0.28	NE	0.7	Globe Int'l Ltd	C	167	3.94	62	Nil	Reece Australia	A	750	1.40	26	7.6
Aristocrat	B	559	3.24	29	2.1	Goodman Fielder	B	166	0.66	NE	4.5	Rio Tinto Ltd	B	3445	0.84	5	3.4
Aust Pipeline	B	239	2.42	19	9.2	Guinness Peat	B	146	3.18	14	0.4	Rural Press Ltd	B	465	1.21	21	3.0
Aust Pharm. Ind	C	332	0.34	19	3.9	Gunns Ltd	A	698	2.32	31	2.3	STW Comm Group	B	380	N/A	30	1.9
Aust Gas Light	B	957	0.98	30	5.4	Harvey Norman	C	298	4.40	29	1.3	Seven Network	C	556	1.22	91	3.7
Aust Stock Exch	B	1344	6.89	27	3.2	Hills Motorway	C	457	8.37	NE	3.7	Sigma Company	B	412	0.33	26	2.4
Austereo Group	C	163	8.25	56	2.1	ING Indust Trt	B	164	N/A	12	8.0	Simsmetal Ltd	B	675	0.44	15	4.7
Australand Hold	B	147	0.57	9	8.2	ING Office Fund	B	125	8.01	14	8.4	Smorgon Steel	C	122	0.37	NE	2.5
BRL Hardy Ltd	C	860	1.92	21	2.3	ION Limited	B	288	2.88	32	1.7	Sonic Health	C	494	1.79	43	3.4
Bank of W.Aust	B	430	4.32	17	4.1	Intcitec	A	700	0.86	13	4.0	Southcorp Ltd	C	526	1.05	18	4.0
Baycorp Advant.	C	345	4.76	29	2.9	Insurance Aust.	B	315	1.04	36	3.2	Spotless Group	B	442	0.45	24	4.8
Bendigo Bank	B	695	3.38	24	5.9	Investa Prop.	B	209	8.76	9	6.6	St George Bank	A	1821	2.20	22	3.6
Bidvest	A	430	0.31	17	2.0	James Hardie	A	646	2.49	52	1.5	Sthn Cross Brd.	C	900	1.54	16	6.0
Billabong Int'l	A	847	4.36	40	1.5	Jupiters	A	545	1.69	17	3.5	Stockland Trust	B	440	4.97	16	6.6
Boral Limited	A	380	0.62	14	4.7	Leighton Hold	B	1039	0.63	18	3.8	Suncorp-Metway	B	1171	1.08	11	3.9
Brinkbros Ind.	B	918	2.23	57	2.2	Lend Lease Corp	C	1052	0.39	30	2.0	TAB Ltd	A	313	1.87	21	3.8
Brickworks Ltd	A	624	6.18	14	2.2	Macquarie Off.	B	132	9.14	13	8.2	Tabcorp Holding	A	1230	2.49	24	4.1
C'wth Prop Off.	B	123	8.79	15	6.8	Macquarie Bank	B	2757	2.30	20	3.4	Telstra	C	482	1.34	8	3.9
C.S.R. Ltd	B	651	0.85	11	3.7	Macquarie C'Wde	B	160	9.18	14	8.2	Ten Network	B	217	1.24	46	6.6
CSL Limited	C	3121	5.47	60	0.8	Macquarie Infra	B	295	8.67	45	3.1	Toll Holdings	A	3140	1.17	39	1.1
Centro Prop.	B	363	N/A	16	6.9	Macquarie Good.	B	145	N/A	15	7.9	Transurban Grp	D	400	6.66	NE	Nil
Challenger Int.	C	286	0.77	5	3.0	Mayne Group Ltd	C	399	0.47	11	3.3	United Energy	C	221	1.90	20	7.8
Coal & Allied	A	2650	1.48	11	2.8	Metcash Trading	A	225	0.22	24	2.2	W.M.C. Limited	B	902	2.71	25	3.2
CocaCola Amatil	B	641	1.16	21	2.2	Mia Group Ltd	C	81	2.26	26	3.8	Wesfarmers Ltd	B	2757	2.08	35	2.6
Cochlear Ltd	C	3580	8.38	60	1.1	Millers Retail	C	223	0.68	19	12.0	West Aust News	B	516	3.25	16	6.2
Col FS Property	B	220	5.64	13	8.2	Mirvac Property	B	178	9.75	15	6.4	Westfield Amer.	B	203	2.60	16	6.9
Coles Myer	C	652	0.23	38	3.9	Mirvac Group	B	418	3.11	16	6.0	Westfield Hold.	B	1505	6.27	47	1.1
Comwealth Bank	B	3170	2.16	16	4.3	Nat'l Foods	A	359	1.03	23	4.2	Westfield Trust	B	344	8.26	15	6.7
Computer Share	C	210	1.														

Recommended Investments

Lyttelton Port Company has announced both favourable and unfavourable news. As all shareholders know, shares are an excellent *long term* investment and outperform all other types of investments - but in the short term share prices only seem to react to bad news! Lyttelton Port's share price fell about 10%, before recovering half that decline.

The good news is that the company has reached agreement (subject to shareholder approval) with **Solid Energy** covering significantly higher coal exports over the next 15 years. Lyttelton Port will "proceed with a multi-million dollar upgrade" of its coal facilities that will "at least double" annual coal throughput capacity. The time to unload coal trains will be reduced from two hours to 40 minutes, while ship loading capacity will rise from 18,000 tonnes per day to 25,000 tonnes. A new coal stockpile layout will provide greater flexibility and

operational efficiencies. Coal dust suppression systems and coal stormwater collection and treatment will be upgraded to reduce the environmental impact. The new coal handling facilities will be computer controlled, with the upgrade completed by September 2003.

Coal exports through Lyttelton Port were 1.6 million tonnes in the year to June 2002 and are expected to rise 45% to 2.3 million over the next year and could eventually reach as much as 4 million tonnes annually.

Under the agreement Solid Energy will pay to finance most of the capital cost of the upgrade, except for mobile plant that will be financed by Lyttelton Port. The port company will then receive (1) a "fixed, multi-million dollar annual facility fee" and (2) an inflation indexed throughput charge per tonne of coal exported. While the contract covers the next 15 years, Solid Energy does have the right to terminate *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
<u>NZ Shares</u>													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	187.1	2.2	1.66	45	Nil	18	6.1	-4%
HOLD+	Cavalier Corporation	CAV	05/12/95	312	A	31.5	0.7	0.99	15	8.0	595	180.5	+149%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	A	27.9	0.6	0.23	15	7.6	275	219.8	+230%
BUY	Lyttelton Port Company	LPC	12/12/00	150	B	101.8	0.8	2.94	13	9.1	168	14.0	+21%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.6	0.6	1.02	19	4.5	500	90.0	+1183%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	350	C	58.6	0.8	0.44	13	7.3	308	59.0	+5%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	37.1	2.0	0.07	NE	Nil	36	7.4	-49%
BUY	Richina Pacific	RCH	03/11/95	119*	C	72.2	1.6	0.07	14	Nil	63	11.9	-37%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.9	3.58	21	5.1	175	59.0	+95%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.8	0.9	0.63	17	8.5	280	42.0	+121%
BUY	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.9	0.87	13	6.5	160	17.0	+74%
BUY	Wrightson Limited	WRI	13/01/98	83	C	134.1	1.4	0.20	13	11.6	103	21.8	+50%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	Abigroup Limited	ABG	09/03/99	265	B	47.7	0.8	0.15	6	5.2	230	45.0	+4%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	A	82.6	1.4	3.13	8	8.9	45	4.0	-33%
HOLD+	Auspine Limited	ANE	08/02/00	210	A	57.0	0.7	0.60	9	5.6	216	41.0	+22%
HOLD+	Austral Coal Ltd	AUO	16/01/01	19	A	154.2	1.2	0.60	12	Nil	58	Nil	+205%
HOLD-	Biron Capital Ltd	BIC	12/04/94	171*	C	25.5	1.7	1.54	30	Nil	31	10.5	-76%
BUY	Brazin Limited	BRZ	11/12/01	160	B	116.4	0.9	0.67	24	5.4	230	8.5	+49%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	38.8	0.6	0.57	18	5.8	520	72.5	+42%
BUY	Cellnet Telecommunicat	CLT	12/02/02	152	C	49.3	1.0	0.26	8	6.9	131	4.0	-11%
HOLD+	Commander Comm.	CDR	11/09/01	92	C	143.8	1.2	0.54	10	3.4	73	2.5	-18%
HOLD	C.S.R. Limited	CSR	11/07/00	436	B	937.0	0.7	0.85	11	3.7	651	36.0	+58%
BUY	Julia Ross Recruitment	JRR	14/08/01	92	B	57.4	1.1	0.33	9	6.5	92	6.0	+7%
BUY	McPherson's Ltd	MCP	10/10/00	125	A	39.2	0.7	0.30	7	5.8	207	18.0	+80%
HOLD	Nufarm Limited	NUF	11/02/97	418*	B	155.3	0.8	0.40	11	5.0	360	88.3	+7%
HOLD	OAMPS Limited	OMP	15/05/01	198	B	45.4	0.7	0.38	13	5.6	305	14.0	+61%
BUY	Skilled Engineering	SKE	12/03/02	126	C	86.1	1.0	0.18	NE	Nil	116	4.0	-5%
HOLD-	Toll Holdings ¹	TOL	08/09/98	240	A	68.8	0.5	1.17	39	1.1	3140	94.0	+1248%
HOLD	Utility Services Corp	USC	11/01/00	55*	C	95.8	1.4	1.14	0	6.5	62	11.0	+33%
BUY	Villa World Ltd	VWD	11/06/02	68	A	102.9	1.1	0.42	14	5.0	70	Nil	+3%
HOLD	Vision Systems Ltd	VSL	10/11/98	69*	C	159.4	1.0	1.27	13	2.6	131	18.0	+116%
HOLD+	Volante Group Ltd	VGL	13/03/01	132	B	68.0	1.1	0.20	11	7.1	112	8.5	-9%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +112.9%. This is equal to an average annual rate of +31.3%, 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 117 closed out) is +29.6%, compared with a market gain of +9.4% (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 3120 cents.

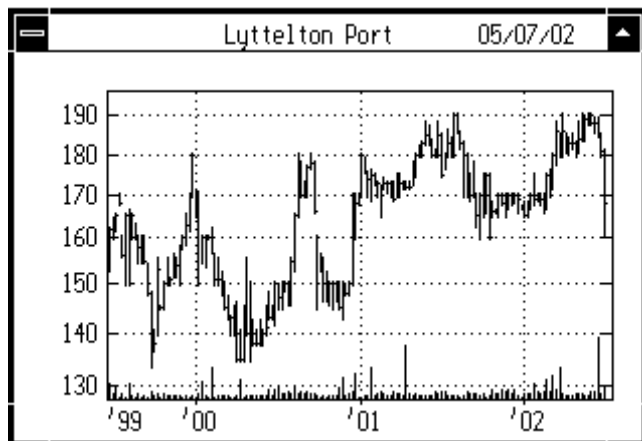
Recommended Investments (Continued from Page 3)

in 2009 if coal exports become uneconomic.

Compared with the additional revenue from the new coal facilities and higher coal exports the bad news is relatively insignificant. A shipping line, *Maersk Sealand*, will discontinue visiting Lyttelton Port from September. This company accounts for 10% of the container volume through the port and about \$3 million in revenue (i.e. about 5% of Lyttelton Port's total revenue). Some of this may be a permanent loss of capacity and revenue, but many importers and exporters may simply switch to another container shipping line that services the port and these other lines may eventually increase visits to handle any increase in their business.

We have always viewed Lyttelton Port Company shares as an excellent *income* investment, offering a high dividend yield, plus moderate longer term capital appreciation in the share price. The long term income earning and dividend paying potential of Lyttelton Port has clearly been improved by the Solid Energy deal. The removal of services from the *Maersk Sealand* will have only a small, short term impact on profits, but also offers the opportunity to acquire Lyttelton Port shares at a lower price (i.e. at a higher dividend yield).

Therefore we continue to rate Lyttelton Port Company shares a "Buy" and they will be attractive for investors seeking high income from a relatively low risk investment.



Nuplex Industries' takeover bid for **Asia Pacific Specialty Chemicals** has been approved by the Foreign Investment Review Board and extended until 12 July. **Symex Holdings'** bid expired on 21 June.

Nuplex has increased its shareholding in Asia Pacific Specialty Chemicals to 12.52% through on-market purchases. An arbitrage fund, **Rubicon M & A**, has built up a 6.57% stake which it obviously hopes to be able to on-sell for a quick profit if a higher takeover is agreed. Symex Holdings, however, still owns a 19.98% stake, so Nuplex's bid cannot succeed without waiving the 90% acceptances condition.

Richina Pacific's results for the first five months "show the firm to be tracking in line with budget for a profitable year". Shanghai Richina Leather expects revenues to be 35% higher at US\$106 million for the year and to reach US\$200 million annually over the next three years, while the Blue Zoo Beijing is returning to profitability. Mainzeal has a "solid program" of construction work, about \$150 million of work in progress and is expected to achieve a small profit.

Australian Shares

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

Abigroup is to construct a \$40 million, 7500m² building with seven floors of offices and three floors of parking on a site that it purchased last year for \$6.4 million. The completed building will be owned by a joint venture between Abigroup, **Investec Australia** (which is providing debt and equity funding) and **Bridgecorp Holdings** (providing project financing).

Development risks are minimised as Abigroup will lease 40% of the building for use as its new corporate head office - unless the joint venture can lease the whole building at a higher rental and thereby maximise its development profits. In either case, the fully leased building will eventually be sold. The site, on the corner of Ryde Road and the Pacific Highway, in Sydney, is passed by 130,000 cars per day so signage rights should be valuable.

Atlas Pacific has downgraded its profit forecast for the year to December 2002 to \$5,050,000 (6.1 cents per share) from a previous forecast of \$6,372,000 - but this lower estimate is not a result of any deterioration in the business. In fact, the changes are aimed at maximising long term profitability and are therefore an indication that the business is financially sound. This drop in profit is a result of plans to only sell about 62,500 pearls (down from the forecast 77,200 pearls) this financial year.

Pearls that the company had planned to harvest late this year will be left until early 2003 - so will be slightly larger and more valuable. Operating near the Equator, Atlas Pacific does not have seasons, so in future aims to harvest most of its pearls in January and February. This is the off-season for most pearl producers when supply is low and prices are highest! Atlas Pacific also plans to add value to its pearls by selling more as matched strands rather than loose lots. This, of course, will mean holding an inventory of unmatched stocks.

While these changes will maximise long term profitability and cash flow, the on-going accounting impact is to defer profits into future years as the company will end each year holding valuable pearls in its balance sheet at cost (i.e. \$1-1½ million below realisable value).

Atlas Pacific plans to nucleate in excess of 220,000 oysters this year. That is down slightly on last year when it originally planned to nucleate 150,000 but eventually nucleated 238,000 oysters. 105,000 oysters have already been seeded, 50-60,000 new oysters are being prepared for the operation and another 50-60,000 oysters will be re-seeded after harvesting pearls. Re-seeded oysters can take a larger nucleus, so produce the biggest, more valuable pearls. Atlas Pacific has moved away from "using highly paid technicians from Japan" to nucleate its oysters and has now trained ten Indonesian technicians. Three are presently working for an Australian pearl company (under an arrangement to share technicians and knowledge) and Atlas Pacific currently has three employees providing nucleation services to another Indonesian pearl farmer.

Undisclosed "environmental conditions" have caused problems at the company's hatchery, but sufficient quantities of oyster spat have been obtained from two other Indonesian pearl farms. Atlas Pacific's Hatchery

Manager has just spent three months at one of those companies supervising operations in return for half of the spat produced. Atlas Pacific has also entered into a memoranda of understanding with a pearl farmer in Bali to provide hatchery and laboratory equipment, experienced technical support, training, assistance and to re-design and refurbish the existing facility in return for half of the spat produced. In future years this will provide Atlas Pacific with spat from a second location for its own use or for sale.

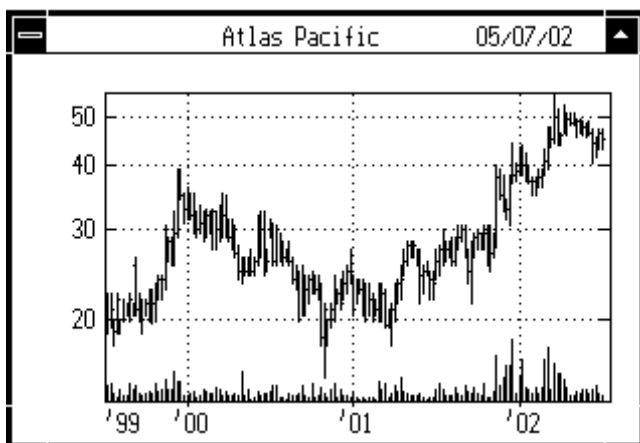
The company has also had some difficulty with juvenile oysters and is opening up new areas in the bay to offer slightly different growing habitats.

Atlas Pacific is in the middle of its second harvest of 33,000 oysters and these pearls will be sold in Sydney in August. Recent Hong Kong pearl sales (from other producers) are showing higher average pearl prices than last year.

Atlas Pacific is clearly emerging from its cash short development phase into a more mature, cash rich business seeking to improve efficiencies, minimise risks, and seeking new opportunities to build its business. The long term impact of short term problems at its hatchery have been avoided through prior arrangements to receive spat from other farms, while the company is using its superior technology and expertise to help other producers while diversifying its own source of spat. So despite a bad breeding year, Atlas Pacific will still nucleate 220,000 oysters this year, which together with the 238,000 nucleated last year, indicates that the annual harvest should approach 190-200,000 saleable pearls in 2003. That is up from the 85,000 saleable pearls harvested in 2001 (of which 19,000 pearls were carried forward and sold this year).

Atlas Pacific's investment in training local staff to nucleate oysters has not only lowered its own costs (i.e. compared to bringing technicians from Australia or Japan) but now also provides an additional source of income as their services are contracted out to other pearl farms.

Atlas Pacific shares therefore remain an attractive investment offering a high income yield, and strong potential for income growth and capital growth (to around 95-110 cents) over the next 2-3 years. "Buy".



McPhersons (and other printing companies) are unhappy that the Federal Government has suddenly discontinued subsidies under its PICS (printing industry competitiveness scheme) and EPICS (enhanced printing industry competitiveness scheme) mid-way through

the schemes. The company has purchased new plant, "had planned to train several hundred employees" and has entered long term book printing contracts based upon PICS and EPICS "running for the period the Government originally announced".

Nevertheless, the shares have again risen to (just short of) a five-year high, offer good value on a P/E of 7 and Yield of 5.8% and the higher Australian dollar, while unfavourable for the Printing division, is favourable for the Houseware division. Still a "Buy".

Nufarm is to carry out extensive field trials in the US, Europe, Asia and Australia of **Qcide**, a proprietary natural insecticide developed by **BioProspect**. On completion of the trials, Nufarm has the option to manufacture and market Qcide internationally, with BioProspect receiving licence fees and royalties.

Nufarm has completed the sale of its **Sulfur Works** business to Canadian based **Agrimax** at a price slightly in excess of its written down book value.

OAMPS has acquired the Wollongong based general insurance business operated by **David A Jones** and the Warragul business of Rem and Elizabeth Robinson.

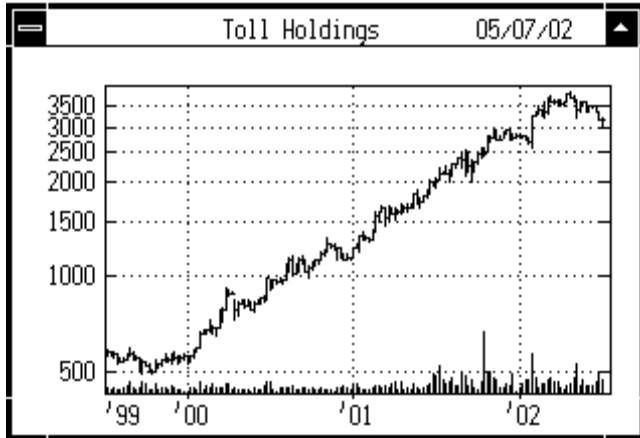
The group has also acquired **Booker International Specialist Insurance Services** which it describes as "one of Australia's largest and best known underwriting agencies".

Toll Holdings has acquired the **DX Group** business - consisting of DX Express couriers, Australian Document Exchange and GoMailrooms - from **AUSDOC** as part of the takeover of that company by **ABN Amro Capital**. These businesses, purchased for only about \$1.8 million, currently generate revenues of around \$100 million annually and "will benefit from Toll's infrastructure, technology and customer focus".

Toll Holdings is also interested in acquiring some businesses from **Mayne Group** and **Brambles Industries**. Mayne Group is seeking to either sell off its remaining \$800 million worth of under-performing transport businesses or to spin-off these businesses into a separate listed company. Toll Holdings would be interested to acquire *some* of these assets. Meanwhile, Brambles is expected to sell its \$80-100 million Bass Strait cargo operations. This business was very profitable prior to the entry of competitors. The Tasmanian Government's **TT Line** entered the business last October with two ships and **ANL** began cargo services between Melbourne and Launceston early this year. This has put pressure on Bramble's operations. **Patrick Corporation** has been named as a likely buyer of the company's two 10,000 tonne, roll on roll off vessels, with Toll Holdings interested in the land based operations.

Toll Holdings shares - like many shares - have fallen back in price over recent months. Investors who bought some time ago, who have a significant profit and are now over-weighted in Toll shares *may* wish to periodically realise some of this investment to help fund new share investments. Nevertheless, having taken a few profits last November (at around \$29) we are not in any great hurry to sell the remainder of our shares. Toll Holdings is still expanding rapidly and the transport sector is likely to continue to grow significantly faster than other parts of the economy. So Toll Holdings shares (or the higher yielding convertible (Continued on Page 6)

Recommended Investments (Continued from Page 5) notes that we own) are still an attractive long term investment.



Utility Services Corporation is to acquire former high-flyer **DVT Holdings** (formerly Davnet) via a reverse takeover. DVT Holdings will “takeover” Utility Services Corporation by offering 18.6 DVT shares for every Utility Services share. After the takeover DVT will consolidate every 18.6 old shares into 1 new share (so USC shareholders will retain the same number of shares as before the takeover) and will change its name to USC Ltd. Utility Services Corporation directors and management will control the merged operation, existing USC shareholders will own 76.2% of the company and it will be organised along USC's existing three divisions: Utility Group, e-Business Group and Intellectual Property Ventures. The group intends to maintain USC's 2.0 cents annual dividend.

DVT Holdings currently consists of little more than \$9 million of cash and **E-Data**, a business involved in data storage that was recently expanded with the \$4.6 million acquisition of **XSI Technology**, another data storage business, from **Powerlan**. These operations will become part of Utility Services Corporation's e-Business division.

Utility Services Corporation has also announced the acquisition of **e-BI Solutions** which supplies “business intelligence consulting and training services” to large corporate clients. The business is being acquired very cheaply at a price equal to only two times current earnings (plus two times any growth in earnings in the year to June 2003) but will not exceed \$2 million. 50% will be paid in cash, 50% in shares.

Utility Services Corporation's 50% owned subsidiary **Skilltech** has won two significant meter reading contracts that “will generate significant annual revenues”. The company also indicated that it won these contracts on “quality, not price”.

Skilltech will provide meter reading and meter replacement services for **Barwon Water** covering Geelong, the Bellarine Peninsula, Otway Ranges and the west coast to Apollo Bay for an initial term of two years, with a one year extension option.

The company will also provide special meter reading for **Ergon Energy** for one year (with two, one year renewal options) covering Cairns and surrounding areas including the Atherton Tablelands.

Skilltech currently employs 230 people and makes 14 million meter reads annually, in addition to providing

maintenance and meter data processing.

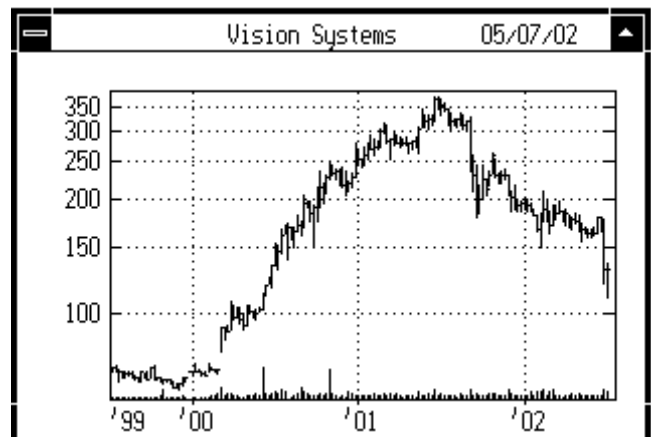
Villa World has acquired the 7053m² **Dolphin Arcade** retail and commercial complex in Surfers Paradise for \$33 million. Initially the company may hold this as an investment generating \$3 million in annual rental income but ultimately will probably redevelop the site. The company is considering building a retail and commercial centre with two residential towers of 350-400 apartments. This development would take 3-5 years with an end value of \$250-300 million.

Villa World has also expanded into China by entering a joint venture to develop 20 detached houses in Shanghai. Villa World will invest US\$2.5 million of equity in the project (plus some other costs bringing its total investment to about A\$5 million) with project funding provided by a domestic Chinese bank. Under the joint venture, Villa World will be entitled to the first US\$3.95 million (about A\$7 million) of profits. This venture does involve risks - so Villa World has sought to limited its investment - but offers much higher returns than operations in Australia.

Vision Systems has made a major acquisition with the purchase of UK based **Novocastra Laboratories** for £36 million (A\$94 million), the “world leading manufacturer of biochemical reagents used in cancer detection”. Vision Systems is paying a relatively high price for this business (i.e. 6.2 times revenues of A\$15.1 million, 18 times net profit of A\$5.2 million and with goodwill and intangibles of \$81 million) but the chemical reagents business offers recurring revenue streams, very high profit margins, good growth prospects and is a strategic fit with Vision BioSystems' emerging medical instruments business. Novocastra is growing very rapidly. Profits rose 36% in the year to March 2002 and revenues have risen a further 30% in the quarter to the end of June.

Novocastra is not one of the two biggest chemical reagent suppliers, but a “top tier” company amongst “a number of smaller competitors”. The company's reagents are mainly used to detect cancer in biopsy samples. 70% of revenues come from branded reagents sold internationally through distributors, with the remaining revenues from equipment sales. Novocastra invests about 10% of revenues in Research & Development, which has created valuable intellectual property which is used in its reagents.

Novocastra was formed in 1987 by Professor W Horne - who will remain with the company - and the University of Newcastle, growing rapidly to currently



employ 60 staff. The business is seeking FDA approval next year which would increase sales in the United States. New equipment sales will be a major factor generating future growth in reagent revenues, so the business provides synergies with Vision Biosystems' entry into the design, manufacture and sale of medical instruments, establishes a base in Europe and accelerates Vision BioSystems' growth plans.

With this acquisition, the Vision BioSystems division is expected to generate revenues of \$32 million in the year to June 2003, rising 90% to \$60 million in 2004 and a further 40% to \$84 million in 2005. Earnings (before interest and tax) are forecast at \$5 million in 2003 after expensing \$4 million in start-up costs from the instrument business. Earnings are expected to triple to \$14-15 million in 2004 and rise 33% to \$20 million in 2005.

Following the acquisition of Novocastra, Vision Systems shares plunged from 157 cents to a low of 111 cents, probably on investor fears that the company would need to make a cash issue to fund this expansion. Vision Systems has indicated that it has no such plans and still holds \$13 million in cash, with interest bearing debts of just \$24 million.

Vision Systems shares are weak with a Relative

Strength Rating of -13.1%, ranked 75, so we shall continue to rate them as a "Hold" until the shares have stabilised in value and start to recover.

Volante Group has indicated that its profit to 30 June 2002 will be around \$4.2-4.6 million - down 35-40% on last year. Depressed activity during the March quarter is responsible for this decline - but the business has picked up significantly since April. Pre-tax profits are currently around \$1 million per month (i.e. equal to an annual tax paid profit of \$8 million). The company's cash position remains strong and Volante Group intends to maintain its 8.0 cents annual dividend.

In our initial Buy recommendation in March last year we pointed out the importance of using "the group's large customer base to offer other IT services that hold the potential to contribute significantly higher profit margins". The company now reports that "Volante Systems has been restructured and is now offering infrastructure services to a wider range of customers" and is "cross-selling multiple services to a larger customer base". Service revenues are expected to be up 20% in the June 2002 year and the company expects growth "as high as 50%" for service revenues in the 2003 financial year. "Hold+".

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

See "Market Analysis" issues 198-301 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
		Cur. rent	4-Wk Chg.	Rank 0-99								
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Col Motor Co	275	+3.6	+1.1	26	-	1.0	7	0.6	15	7.6	0.23	77
Hellaby Hold.	265	+6.3	-2.8	14	1	1.7	17	0.8	10	8.4	0.35	132
CDL Hotel NZ	27	+14.8	+0.2	4	-	0.4	5	1.8	9	3.9	0.47	94
Goodman Fielder	190	+4.6	-0.6	22	-	1.4	10	0.6	14	5.3	0.57	2,425
Dorchester Pac	145	+6.7	-0.7	13	-	1.4	18	1.1	7	6.8	0.61	28
Steel & Tube	280	+8.4	-4.5	11	5	1.9	11	0.9	17	8.5	0.63	246
Restaurant Brds	186	+5.5	-4.3	19	4	4.2	29	0.9	15	8.0	0.67	173
Vertex Group	199	+0.2	+0.2	43	-	2.4	23	0.9	10	10.7	0.70	64
Guinness Peat	170	+8.6	-2.6	10	2	0.9	14	1.0	6	2.0	0.86	1,008
Taylors Grp Ltd	160	+3.1	-4.4	29	1	1.8	14	0.9	13	6.5	0.87	39
Carter Holt	195	+4.5	-0.2	24	7	0.7	5	0.9	13	3.1	0.89	3,391
Cavalier Corp	595	+3.4	-1.4	27	2	3.4	22	0.7	15	8.0	0.99	187
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0												
Pacific Retail	295	+23.0	+8.8	1	2	2.0	22	0.9	9	Nil	0.34	149
Kingsgate Int'l	19	+18.3	+2.6	3	-	0.5	7	1.8	7	Nil	0.98	75
CDL Hotel NZ	27	+14.8	+0.2	4	-	0.4	5	1.4	9	3.9	0.47	94
Broadway Ind	40	+11.4	-3.8	7	-	1.1	10	1.0	11	Nil	0.22	8
Guinness Peat	170	+8.6	-2.6	10	2	0.9	14	0.8	6	2.0	0.86	1,008
Steel & Tube	280	+8.4	-4.5	11	5	1.9	11	0.8	17	8.5	0.63	246
Dorchester Pac	145	+6.7	-0.7	13	-	1.4	18	0.9	7	6.8	0.61	28
Hellaby Hold.	265	+6.3	-2.8	14	1	1.7	17	0.7	10	8.4	0.35	132
Richina Pacific	63	+6.3	+5.7	15	-	0.7	5	1.3	14	Nil	0.07	45
Restaurant Brds	186	+5.5	-4.3	19	4	4.2	29	0.8	15	8.0	0.67	173
Goodman Fielder	190	+4.6	-0.6	22	-	1.4	10	0.5	14	5.3	0.57	2,425
Carter Holt	195	+4.5	-0.2	24	7	0.7	5	0.9	13	3.1	0.89	3,391
Col Motor Co	275	+3.6	+1.1	26	-	1.0	7	0.5	15	7.6	0.23	77
Cavalier Corp	595	+3.4	-1.4	27	2	3.4	22	0.6	15	8.0	0.99	187
Shotover Jet	47	+3.2	+0.8	27	-	1.2	12	1.1	9	Nil	0.82	20
Taylors Grp Ltd	160	+3.1	-4.4	29	1	1.8	14	0.7	13	6.5	0.87	39
Vertex Group	199	+0.2	+0.2	43	-	2.4	23	0.9	10	10.7	0.70	64
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million												
NZ Refining Co	1585	-2.7	-2.7	62	2	1.2	11	0.2	10	16.5	2.13	380
Wrightsons Ltd	103	-1.5	-2.3	57	2	1.2	9	1.1	13	11.6	0.20	138
Hallenstein G.	256	-3.6	-1.3	66	6	3.7	29	0.5	13	10.8	0.88	148
Powerco Limited	192	+2.3	+1.3	34	1	1.0	8	0.6	13	10.2	2.62	427
Skillmax Indust	113	+0.1	+0.1	45	-	6.3	69	0.9	9	9.2	1.12	113

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								
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0												
Lytelton Port	168	+3.0	-1.8	30	4	4.0	32	0.5	13	9.1	2.94	171
Steel & Tube	280	+8.4	-4.5	11	5	1.9	11	0.7	17	8.5	0.63	246
Hellaby Hold.	265	+6.3	-2.8	14	1	1.7	17	0.6	10	8.4	0.35	132
Cavalier Corp	595	+3.4	-1.4	27	2	3.4	22	0.5	15	8.0	0.99	187
Restaurant Brds	186	+5.5	-4.3	19	4	4.2	29	0.7	15	8.0	0.67	173
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Utilico Int'l	57	-3.3	+4.4	64	-	1.3	16	0.8	8	Nil	5.28	24
IT Capital Ltd	6	-20.6	-0.8	90	-	10.2	-	2.7	NE	Nil	3.80	10
F & P Health.	795	-21.5	+1.1	92	6	4.7	37	0.4	13	4.7	3.79	814
Software of Exc	220	-4.5	-6.2	69	-	7.3	-	0.7	NE	Nil	3.42	47
Vending Tech.	218	-0.6	+3.4	52	-	4.1	34	0.6	12	Nil	3.16	65
Genesis Res.	232	-10.2	-1.7	80	-	1.2	-	0.8	NE	Nil	3.03	60
Dairy Brands	62	-0.7	+0.6	53	-	1.0	9	0.7	11	Nil	2.85	30
AMP Limited	1820	-7.8	-3.6	76	3	1.8	7	0.4	24	3.4	2.82	20,539
NZ Refining Co	1585	-2.7	-2.7	62	2	1.2	11	0.2	10	16.5	2.13	380
Waste Mgmt NZ	320	-2.3	+1.7	60	4	1.9	8	0.6	24	3.5	2.03	314
Strathmore Grp	3	-26.2	+2.9	94	-	0.8	-	3.0	NE	Nil	N/A	6
Elect Trans Tec	3	-24.9	-5.6	93	-	-	-	3.4	NE	Nil	N/A	6
Cert Organics	1	-24.2	+0.1	92	-	2.0	-	6.4	NE	Nil	N/A	12
F & P Health.	795	-21.5	+1.1	92	6	4.7	37	0.4	13	4.7	3.79	814
IT Capital Ltd	6	-20.6	-0.8	90	-	10.2	-	2.5	NE	Nil	3.80	10
WN Drive Tech.	30	-18.9	+2.4	90	-	8.3	-	1.2	NE	Nil	N/A	31
Cadmus Tech Ltd	7	-17.7	-1.4	89	-	0.6	3	1.7	20	Nil	1.19	9
GDC Communicat.	115	-17.6	-1.5	88	-	2.7	22	0.8	12	4.5	0.63	44
Blis Technology	52	-13.1	-0.1	85	-	6.3	-	1.1	NE	Nil	N/A	33
Wakefield Hosp.	125	-12.3	-0.4	84	-	0.6	4	0.6	17	3.6	0.51	11
Genesis Res.	232	-10.2	-1.7	80	-	1.2	-	0.8	NE	Nil	3.03	60
Advantage Group	45	-10.1	+6.4	80	2	5.2	14	1.3	36	Nil	0.40	30
Tranz Rail Hold	275	-8.9	-5.4	78	6	0.7	6	0.6	12	3.1	0.53	332
Southern Cap	59	-8.6	-0.9	77	-	1.5	4	0.8	34	Nil	N/A	46
AMP Limited	1820	-7.8	-3.6	76	3	1.8	7	0.4	24	3.4	2.82	20,539
Summit Gold Ltd	10	-7.3	-1.4	76	-	2.2	-	1.7	NE	Nil	N/A	9
Sanford Limited	500	-6.8	-1.6	75	4	1.2	7	0.5	18	6.0	1.32	478
Natural Gas	115	-5.0	-0.7	73	5	0.7	7	0.7	10	Nil	1.18	518
Ryman Health.	165	-4.6	+0.4	73	1	1.5	10	0.5	15	3.4	2.66	165
FC - Forests	25	-4.5	+0.7	72	6	0.5	-	1.3	NE	Nil	1.07	695

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	Cur. rent	4-Wk Chg	Rank	Insider Buy/Sell									Brokers Following	Cur. rent	4-Wk Chg	Rank	Insider Buy/Sell								Brokers Following	Share Price
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0																											
Auto Group Ltd	65	+1.0	+1.6	37	0.0	-	-	1.0	87	3.1	0.04	22	Colorado Group	293	+19.8	-8.0	8	2.0	3	4.2	29	0.7	15	3.1	0.65	250	
Indophil Res.	22	+7.3	+3.0	19	0.0	-	-	1.9	NE	23.3	0.04	17	Ranger Minerals	63	+19.5	+1.8	8	0.1	1	-	-	0.8	5	7.9	0.50	41	
OM Holdings	13	+12.8	+2.5	13	0.0	-	0.7	4	2.1	15	3.8	0.05	6	Canberra Invest	70	+19.1	-11.0	9	0.0	-	0.9	33	0.7	3	5.7	0.36	22
Ruralco Hold.	351	+12.0	-8.1	13	1.0	-	2.1	13	0.5	16	4.0	0.08	33	Anglogold Ltd	921	+18.6	-2.0	9	0.0	-	-	-	0.5	1	37.8	0.16	673
Abelle Ltd	46	+14.2	+6.3	12	0.0	-	-	1.4	NE	10.9	0.10	37	Monadelphous Gr	250	+18.4	+1.2	9	0.0	-	1.7	12	0.5	14	3.8	0.35	46	
Queens'd Cotton	326	+4.9	-3.2	24	0.1	3	0.7	12	0.6	6	9.8	0.11	91	Cromwell Corp	9	+18.1	+1.3	9	0.0	-	-	-	1.7	8	Nil	0.56	14
A.P. Eagers	511	+8.6	-0.3	17	4.1	-	1.2	9	0.4	13	5.5	0.12	83	Austin Group	35	+17.7	-10.5	10	0.0	-	1.7	9	0.9	19	2.9	0.48	20
Adtrans Group	230	+6.6	-1.3	20	2.4	1	2.1	20	0.5	11	7.8	0.13	53	Austral Coal	58	+17.5	-7.4	10	0.0	-	-	-	0.8	12	Nil	0.60	89
Bridgestone	185	+17.0	-0.3	10	0.0	-	0.5	7	0.7	8	4.1	0.13	68	Bridgestone	185	+17.0	-0.3	10	0.0	-	0.5	7	0.5	8	4.1	0.13	68
Anglogold Ltd	921	+18.6	-2.0	9	0.0	-	-	0.5	1	37.8	0.16	673	Wrigdways Aust	90	+16.9	-8.2	11	0.3	-	-	-	0.6	14	4.4	0.43	29	
McConnell Dowel	160	+3.5	-1.0	29	0.0	-	0.7	-	0.7	NE	5.0	0.16	68	SPC Ardmona Ltd	136	+16.6	-2.3	11	2.0	-	1.7	10	0.6	17	3.3	0.77	271
Danks Holdings	950	+4.5	-1.6	26	0.0	-	1.3	9	0.3	14	5.3	0.16	62	Sthn Star	78	+16.4	+0.6	11	1.0	1	2.0	20	0.7	10	4.5	0.28	82
Wtpac Ltd	37	+2.5	-6.2	33	0.0	-	1.2	16	1.4	8	8.9	0.16	27	Acma Engineer.	9	+15.5	+4.9	11	0.0	-	-	-	1.9	5	Nil	0.13	6
Embelton Ltd	180	+6.2	-3.2	21	0.0	-	0.7	-	0.8	NE	3.9	0.19	4	McPherson's Ltd	207	+14.0	-1.7	12	0.0	-	5.2	70	0.4	7	5.8	0.30	81
Multipares Hld	21	+3.9	-6.1	28	0.0	-	0.7	8	1.6	9	2.4	0.19	4	Funtastic Ltd	76	+13.6	+3.0	12	0.1	-	2.5	20	0.9	13	4.6	0.85	41
CMJ Limited	121	+0.3	-0.6	39	0.0	1	1.5	30	0.8	5	6.6	0.19	33	White (J) Malt	269	+13.5	-9.9	12	0.0	-	1.5	11	0.5	13	12.5	0.81	115
Int. Workforce	90	+3.5	-3.0	29	0.1	2	4.5	50	1.0	9	7.2	0.22	39	United Group	297	+13.3	-6.7	13	0.0	3	3.7	20	0.5	18	3.0	0.52	269
Metcash Trading	225	+25.6	-0.2	6	0.0	5	11.3	48	0.7	24	2.2	0.22	1,368	OM Holdings	13	+12.8	+2.5	13	0.0	-	0.7	4	1.6	15	3.8	0.05	6
Onesteel Ltd	138	+4.4	-4.5	26	0.0	4	0.8	-	0.8	NE	4.3	0.23	743	Berklee Ltd	49	+12.6	-3.7	13	1.0	-	0.7	5	0.8	15	4.6	0.56	7
Ridley Corp.	136	+12.5	-1.6	13	3.1	2	1.4	5	0.9	27	2.9	0.23	361	Ruralco Hold.	351	+12.0	-8.1	13	1.0	-	2.1	13	0.4	16	4.0	0.08	33
Crane Group	810	+3.2	-3.7	31	4.0	4	1.4	4	0.5	39	5.3	0.24	410	Sunland Group	60	+11.8	-2.1	13	0.0	-	1.5	11	0.7	14	Nil	0.78	102
Maxi TRANS	18	+3.2	+3.3	30	4.0	1	1.8	13	1.8	14	5.7	0.24	23	PMP Limited	88	+11.5	-1.7	14	9.0	6	-	-	0.9	8	Nil	0.16	256
Alesco Corp Ltd	395	+5.6	-0.0	23	1.0	3	1.0	17	0.5	18	6.1	0.24	131	Ticor Ltd	143	+11.4	-0.1	14	1.0	6	0.8	13	0.7	6	5.6	0.98	352
Roberts Ltd	330	+6.9	-4.9	20	0.0	-	1.3	10	0.5	13	6.1	0.25	36	Amcor Ltd	837	+10.9	+0.5	15	12.0	6	3.2	17	0.5	19	3.3	0.93	6,470
Ansell Ltd	667	+12.4	-1.9	13	0.0	-	2.6	-	0.6	NE	0.7	0.28	1,248	Incitec	700	+10.8	-3.8	15	2.0	-	2.3	18	0.4	13	4.0	0.86	922
Sthn Star	78	+16.4	+0.6	11	1.0	1	2.0	20	0.9	10	4.5	0.28	82	Qantas Airways	453	+9.3	-2.7	17	1.0	13	1.8	13	0.6	14	4.4	0.58	7,084
Noni B Limited	91	+6.7	-5.5	20	2.0	-	4.6	39	1.5	12	7.1	0.29	21	Bidvest	430	+9.1	-4.2	17	0.0	-	3.1	18	0.6	17	2.0	0.31	845
McPherson's Ltd	207	+14.0	-1.7	12	0.0	-	5.2	70	0.6	7	5.8	0.30	81	Burns Philp	60	+9.1	-5.6	17	0.0	3	-	-	1.1	5	Nil	0.29	482
Bidvest	430	+9.1	-4.2	17	0.0	-	3.1	18	0.7	17	2.0	0.31	845	Straits Res.	62	+9.0	-2.5	17	1.0	-	-	-	0.9	7	Nil	0.24	37
Capral Alum.	260	+6.1	-0.3	22	1.0	1	1.1	0	0.6	NE	2.3	0.31	181	A.P. Eagers	511	+8.6	-0.3	17	4.1	-	1.2	9	0.3	13	5.5	0.12	83
Gregory Indust.	26	+2.4	-3.7	33	0.0	-	1.3	23	1.4	6	3.8	0.31	3	Strarch Int'l	6	+7.6	-28.1	18	0.0	-	-	-	2.6	2	Nil	0.13	3
Angus & Coote	580	+1.8	-0.9	35	0.0	-	1.3	12	0.4	10	4.8	0.32	69	Simsmetal Ltd	675	+7.3	-1.7	19	0.3	5	2.6	18	0.5	15	4.7	0.44	609
Korvest Ltd	135	+3.2	-2.3	30	0.0	-	1.2	16	0.7	8	7.4	0.33	10	Roberts Ltd	330	+6.9	-4.9	20	0.0	-	1.3	10	0.4	13	6.1	0.25	36
Sigma Company	412	+6.4	-10.6	21	0.0	7	3.2	12	0.7	26	2.4	0.33	568	Noni B Limited	91	+6.7	-5.5	20	2.0	-	4.6	39	1.3	12	7.1	0.29	21
Monadelphous Gr	250	+18.4	+1.2	9	0.0	-	1.7	12	0.6	14	3.8	0.35	46	Adtrans Group	230	+6.6	-1.3	20	2.4	1	2.1	20	0.4	11	7.8	0.13	53
Canberra Invest	70	+19.1	-11.0	9	0.0	-	0.9	33	0.9	3	5.7	0.36	22	Vietnam Indust.	46	+5.8	-5.6	22	1.0	-	1.5	23	0.8	7	4.3	0.42	48
Ludowici Ltd	223	+5.8	-5.8	22	3.0	-	1.1	19	0.6	6	5.4	0.37	32	Ludowici Ltd	223	+5.8	-5.8	22	3.0	-	1.1	19	0.5	6	5.4	0.37	32
Buderim Ginger	55	+0.6	-15.3	38	1.0	-	0.7	8	1.1	9	5.5	0.38	12	Merchant House	15	+5.7	-10.4	22	0.1	-	1.5	30	1.3	5	Nil	0.20	14
Vealls Ltd	116	+4.4	+0.3	26	0.0	-	-	0.7	4	6.6	0.38	6	Alesco Corp Ltd	395	+5.6	-0.0	23	1.0	1	3.0	17	0.5	18	6.1	0.24	131	
Nat'l Can	100	+4.0	-4.0	28	0.0	-	0.7	6	0.7	11	5.5	0.38	67	Hills Indust.	320	+5.2	+0.7	23	3.0	3	3.2	19	0.5	17	6.1	0.76	403
Wattly Ltd	260	+3.8	-2.5	28	1.0	3	1.1	-	0.5	NE	2.3	0.38	204	Boral Limited	380	+5.2	-2.9	23	5.0	7	1.3	9	0.6	14	4.7	0.62	2,172
Nufarm Limited	360	+4.4	-4.6	26	4.1	3	2.6	24	0.7	11	5.0	0.40	559	Gale Pacific	100	+5.1	-1.3	23	0.0	-	1.7	13	0.8	13	3.0	0.69	38
Linden & Conway	2600	+3.0	+0.3	31	0.0	-	0.8	5	0.3	17	1.2	0.41	5	Queens'd Cotton	326	+4.9	-3.2	24	0.1	3	0.7	12	0.5	6	9.8	0.11	91
Vietnam Indust.	46	+5.8	-5.6	22	1.0	-	1.5	23	1.1	7	4.3	0.42	48	SunTech Environ	4	+4.8	-37.8	24	0.0	-	0.4	24	2.9	2	Nil	0.26	12
Villa World	70	+0.8	-3.4	38	3.0	1	1.2	8	0.9	14	5.0	0.42	72	WAM Capital Ltd	150	+4.8	-3.0	25	1.7	-	1.1	16	0.6	7	4.0	0.55	52
Wrigdways Aust	90	+16.9	-8.2	11	0.3	-	-	0.8	14	4.4	0.43	29	F.F.I. Holdings	125	+4.7	+2.4	25	0.0	-	1.4	15	0.6	9	4.0	0.50	7	
Chalmers	160	+5.9	-2.1	22	1.0	-	0.6	-	0.6	NE	3.8	0.43	9	Danks Holdings	950	+4.5	-1.6	26	0.0	-	1.3	9	0.3	14	5.3	0.16	62
Simsmetal Ltd	675	+7.3	-1.7	19	0.3	5	2.6	18	0.6	15	4.7	0.44	609	Amalgamated Hld	255	+4.											

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99											Share Price	Current	4-Wk Chg.	Rank 0-99									
Reece Australia	750	+30.9	+6.6	4	0.0	1	4.2	16	0.3	26	7.6	1.40	747	Burswood Ltd	89	+9.9	-1.2	16	5.0	7	1.5	9	0.7	16	4.5	1.04	358
Adsteam Marine	199	-7.7	-3.5	63	3.0	6	10.0	43	0.5	23	7.5	3.92	449	Genetic Tech.	45	+6.6	-1.7	20	5.0	-	-	-	0.9	NE	Nil	9.41	65
GWA Internat'l	234	-1.4	-0.2	46	2.2	3	1.7	11	0.6	16	6.8	1.14	650	ANZ Bank	1890	+6.4	+0.5	21	6.1	13	3.1	21	0.6	15	3.9	4.36	28,337
Ten Network	217	+3.4	-2.4	29	1.1	9	-	-	0.6	46	6.6	1.24	826	Intermin Res	6	+6.7	-2.8	20	6.1	-	-	-	1.5	NE	Nil	N/A	5
Graincorp	1150	+3.5	-3.2	29	4.0	2	-	-	0.2	10	6.3	0.90	464	Perp Trust Aust	4180	+3.3	-4.0	30	8.3	8	8.2	29	0.3	29	2.0	4.86	1,588
West Aust News	516	-0.8	+0.2	44	0.0	8	17.2	-	0.4	16	6.2	3.25	1,071	Orica Ltd	964	+19.1	+1.1	9	4.0	7	2.3	5	0.4	43	1.7	0.64	2,684
Hills Indust.	320	+5.2	+0.7	23	3.0	3	3.2	19	0.5	17	6.1	0.76	403	Pacificca Group	380	+7.5	-1.9	18	4.0	7	1.8	-	0.6	NE	2.2	0.47	547
Village Road.	119	-10.2	-6.4	69	0.0	5	0.5	7	0.9	8	6.0	0.78	280	FTR Holdings	28	+3.5	-7.1	29	4.0	-	0.7	-	2.0	NE	Nil	5.47	10
Sthn Cross Brd.	900	-10.0	-3.8	68	5.2	2	1.1	7	0.5	16	6.0	1.54	506	Anzoil NL	3	+3.4	+3.9	30	4.0	-	-	-	2.0	NE	Nil	5.37	3
Djerriwarrh	360	+0.9	-0.8	37	3.0	-	1.1	6	0.5	16	6.0	N/A	509	Mikoh Corp.	8	+1.9	-17.6	35	4.0	-	-	-	1.5	NE	Nil	6.26	5
Futuris Corp.	135	-10.4	-3.1	69	1.0	7	1.7	16	0.8	10	5.9	0.14	830	Crane Group	810	+3.2	-3.7	31	4.0	4	1.4	4	0.4	39	5.3	0.24	410
Bendigo Bank	695	-0.7	-0.2	44	5.1	6	2.2	9	0.4	24	5.9	3.38	834	Newcrest Mining	715	+31.2	-1.0	4	4.0	10	-	-	0.4	45	0.7	2.72	2,034
Clough Limited	78	-7.4	-2.3	63	1.0	1	1.6	15	0.7	11	5.8	0.47	322	Rivkin Fin Serv	33	+4.3	-0.5	27	4.0	-	1.7	-	1.1	NE	Nil	1.95	29
AWB Limited	386	+0.5	-2.2	39	7.0	2	1.3	12	0.5	11	5.7	0.48	1,055	Catuity	480	+1.5	+9.2	36	4.0	-	4.8	-	0.8	NE	Nil	8.71	39
Ticor Ltd	143	+11.4	-0.1	14	1.0	6	0.8	13	0.6	6	5.6	0.98	352	Maxi TRANS	18	+3.2	+3.3	30	4.0	-	1.8	13	1.0	14	5.7	0.24	23
Brazin Limited	230	+10.4	-5.1	15	3.0	3	3.8	16	0.7	24	5.4	0.67	268	Metroland Aust	18	+19.9	+0.9	8	4.0	-	1.8	-	0.9	NE	Nil	N/A	14
Aust Gas Light	957	+2.1	+1.2	34	14.0	11	3.2	11	0.3	30	5.4	0.98	3,657	Milton Corp.	1200	+2.0	-1.3	34	4.0	-	1.0	5	0.3	21	3.7	N/A	724
Paperlin X Ltd	498	+4.2	-3.2	27	6.0	9	1.6	11	0.6	15	5.4	0.68	1,607	Graincorp	1150	+3.5	-3.2	29	4.0	2	-	-	0.2	10	6.3	0.90	464
INSIDER BUYING: Most Insider Buying, Relative Strength > 0														Dragon Mining	6	+26.5	-12.4	6	5.1	-	-	-	1.9	NE	Nil	N/A	11
Aust Gas Light	957	+2.1	+1.2	34	14.0	11	3.2	11	0.3	30	5.4	0.98	3,657	Kagara Zinc Ltd	39	+14.7	+0.2	12	5.1	-	-	-	0.7	NE	Nil	N/A	53
Amcor Ltd	837	+10.9	+0.5	15	12.0	6	3.2	17	0.4	19	3.3	0.93	6,470	Jetset Travel	19	+37.4	-3.7	3	3.0	-	-	-	1.2	NE	Nil	N/A	14
Data & Commerce	23	+14.5	-32.6	12	14.2	-	-	-	1.4	NE	Nil	1.85	17	Villa World	70	+0.8	-3.4	38	3.0	1	1.2	8	0.5	14	5.0	0.42	72
Soul Pattinson	5900	+13.5	-1.1	12	11.0	2	2.3	9	0.3	25	2.6	1.49	1,408	Ludowici Ltd	223	+5.8	-5.8	22	3.0	-	1.1	19	0.4	6	5.4	0.37	32
Brickworks Ltd	624	+2.7	-3.6	32	11.0	2	1.6	11	0.4	14	2.2	6.18	822	Freedom Group	185	+9.4	-2.0	16	3.0	6	4.6	20	0.6	23	4.3	0.49	190
Nat'l Aust Bank	3340	+4.4	-0.6	26	10.0	15	3.7	15	0.6	25	4.0	1.98	51,679	Djerriwarrh	360	+0.9	-0.8	37	3.0	-	1.1	6	0.5	16	6.0	N/A	509
PMP Limited	88	+11.5	-1.7	14	9.0	6	-	-	0.8	8	Nil	0.16	256	Jupiters	545	+6.8	-0.6	20	3.0	7	2.5	15	0.5	17	3.5	1.69	1,097
Argo Investment	449	+3.0	-0.4	32	10.1	-	1.0	4	0.4	24	3.3	N/A	1,731	Giralia Res.	11	+48.2	-3.3	2	3.0	-	-	-	1.3	NE	Nil	N/A	9
S8 Limited	235	+19.5	+0.2	8	8.0	-	-	-	0.5	NE	Nil	N/A	23	Payce Consol.	86	+2.2	-3.1	34	3.0	-	1.0	-	0.7	NE	Nil	N/A	29
Sirocco Res.	11	+24.6	-2.5	7	8.0	-	-	-	1.8	NE	Nil	N/A	23	Sam's Seafood	300	+34.8	-2.8	4	3.0	-30.0	-	0.5	NE	Nil	N/A	70	
AWB Limited	386	+0.5	-2.2	39	7.0	2	1.3	12	0.5	11	5.7	0.48	1,055	OFM Investment	215	+8.4	+1.9	18	3.0	-	-	-	0.7	NE	Nil	N/A	86
EasyCall Group	10	+2.4	-11.2	33	7.0	-	1.0	-	1.6	NE	Nil	1.51	22	Transurban Grp	400	+1.1	+0.9	37	3.0	710.0	-	-	0.4	NE	Nil	6.66	2,040
Asset Backed	40	+21.0	-8.1	8	7.0	-	4.0	-	0.8	NE	Nil	3.88	16	Mirrabooba Inv.	105	+0.8	-2.2	38	3.0	-	0.9	3	0.6	30	4.8	N/A	89
Comwealth Bank	3170	+4.0	+0.1	28	6.0	15	3.0	18	0.5	16	4.3	2.16	39,718	City Pacific	145	+50.5	-38.7	2	3.0	-14.5	-	3	0.6	497	Nil	N/A	20
Kingsgate Cons.	228	+46.9	-0.6	2	6.0	-	-	-	0.4	NE	Nil	N/A	163	Exco Resources	9	+0.6	-4.0	38	3.0	-	-	-	1.5	NE	Nil	N/A	5
Aust Foundation	318	+1.1	-0.2	36	6.0	-	1.0	4	0.5	22	4.5	N/A	2,458	ICS Global Ltd	29	+3.3	+10.4	30	3.0	-	-	-	1.3	NE	Nil	4.77	15
St George Bank	1821	+7.4	-1.0	19	6.0	9	5.4	25	0.4	22	3.6	2.20	8,992	Sydney Aquarium	484	+13.4	+2.9	13	3.0	2	6.1	35	0.4	17	5.6	4.39	104
Paperlin X Ltd	498	+4.2	-3.2	27	6.0	9	1.6	11	0.5	15	5.4	0.68	1,607	Hills Indust.	320	+5.2	+0.7	23	3.0	3	3.2	19	0.5	17	6.1	0.76	403
McGuigan Wines	485	+4.4	-2.5	26	5.0	4	4.4	20	0.5	22	2.5	2.41	214	Brazin Limited	230	+10.4	-5.1	15	3.0	3	3.8	16	0.7	24	5.4	0.67	268
Blink Models	3	+0.9	-13.5	38	5.0	-	-	-	2.0	NE	Nil	3.27	4	Triako Res.	141	+25.7	-6.9	6	3.0	-	1.6	21	0.6	7	1.4	1.95	49
So Natural Food	80	+3.1	+4.3	31	5.0	-	1.6	-	0.7	NE	Nil	0.71	17	Glengarry Res.	5	+21.5	+4.5	7	3.0	-	-	-	1.6	NE	Nil	N/A	6
Boral Limited	380	+5.2	-2.9	23	5.0	7	1.3	9	0.5	14	4.7	0.62	2,172	Oxiana NL	35	+26.5	+3.0	6	3.0	-	-	-	0.9	NE	Nil	N/A	188
Housewares Int.	192	+29.7	-10.9	5	5.0	-	3.8	21	0.6	18	2.1	0.72	213	TAB Queensland	368	+10.0	+0.3	15	4.1	812.3	52	0.3	24	3.3	1.61	482	
Inovax Ltd	8	+0.5	+0.3	39	5.0	-	0.8	-	1.4	NE	Nil	0.04	6	Tamawood Ltd	88	+2.9	-4.8	32	4.1	-	4.4	26	0.6	17	5.7	0.64	22
Wadepack Ltd	120	+9.3	+8.1	16	5.0	-	1.7	7	0.5	24	2.9	0.53	38	Westpac Banking	1591	+3.7	-0.0	28	4.1	14	3.5	24	0.6	15	3.9	1.99	27,955
														A.P. Eagers	511	+8.6	-0.3	17	4.1	-	1.2	9	0.3	13	5.5	0.12	83

Company Review: CACI Group

Most shares listed on the New Capital Market have quickly declined in value, but **CACI Group** shares have held up well. The company *could* offer strong growth potential - but only if it can improve profitability and improve its weak financial position.

CACI Group listed on the NZ Stock Exchange's New Capital Market in November 2000 and acquired **Micromode Medical (NZ)** in April 2001. At that time the group franchised 16 CACI Clinics offering "appearance medicine", owned and operated the Newmarket and Wellington clinics, and provided medical equipment and supplies to its clinics and other competitors. Distribution rights to the *Murad* range of skincare products were acquired in April 2001, with these products forecast to add "a gross profit in excess of \$150,000 this year".

Over the last year the company has opened a CACI Cosmetic Surgery Centre, opened a company owned clinic in Christchurch and two new franchised clinics in Auckland. The company also now owns and operates the Dunedin clinic. By our count that should be a total of about 20-21 clinics, but the company's report states that it owns four clinics and has "franchise arrangements in 13 locations".

Growth Potential, Performance and Financial Position

The demand for appearance medicine is growing rapidly overseas and in NZ - and this appears to be reflected in Micromode Medical's historical 30% per annum growth in revenues.

The listed CACI Group's performance has yet to show the potential profitability of this business. For the year to March 2002 the company generated revenues of \$4.8 million (up about 25% for the business which was acquired a year ago) but lost \$17,000 (despite capitalising \$53,000 in interest rather than treating that as an expense).

Operating cashflows were also negative at \$159,000 (i.e. the company spent more than it received) which, together with capital expenditure on expansion, had reduced the company's cash position from a healthy \$657,000 in March 2001 to just \$65,000 in cash and an overdraft of \$429,000 by March 2002. Furthermore, at balance date the company had debtors of only \$226,000 but creditors of \$803,000 - so paying its accounts on due date has probably meant running up a larger bank overdraft.

(Continued on Page 10)

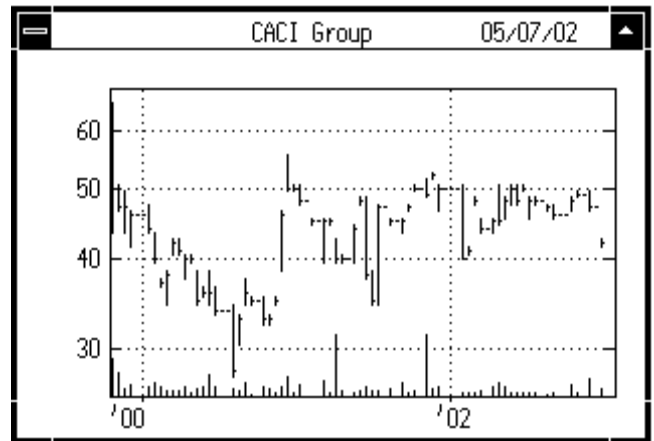
CACI Group*(Continued from Page 9)*

It is, of course, likely that the negative operating cash flows and lack of profitability are simply the result of (1) start-up costs as the company opens new clinics that have yet to generate revenues and (2) heavy advertising expenditure to grow the business. While this is a valid growth strategy it is unsustainable when a company runs out of cash and starts accumulating a large overdraft - unless the company can raise further new equity from its shareholders. Longer term, any company *must* generate operating cash surpluses to help fund expansion.

Summary

CACI Group operates in a sector that is growing rapidly, so may be able to successfully grow its revenues and profits over the longer term. While the company has significant revenues, at the present time it lacks profitability, is losing cash rapidly and running up

debts, so the shares do involve significant risk. Investors interested in the growth potential of this company should wait for an improvement in its financial position *before* investing in the shares.



Company Review: Vending Technologies

Vending Technologies is another company that appears to offer good growth potential, but where we have a few serious concerns about the business.

The company listed on the NZ stockmarket in November 2000 following the public offering of 7.5 million shares at 100 cents. \$2 million of this money went to vendors, while \$5.5 million was retained in the company to finance growth. A further \$7.4 million was raised in a 1 for 10 cash issue in September 2001.

In the year to March 2001 the company reported a 222.2% increase in revenues to \$16.7 million and 404.8% lift in profits to \$4,027,616 (13.7 cents per share).

Growth continued in the March 2002 year, albeit at a more modest rate, with revenues up 23.1% to \$20.6 million and profits up 34.7% to \$5,423,244 (18.2 cents per share).

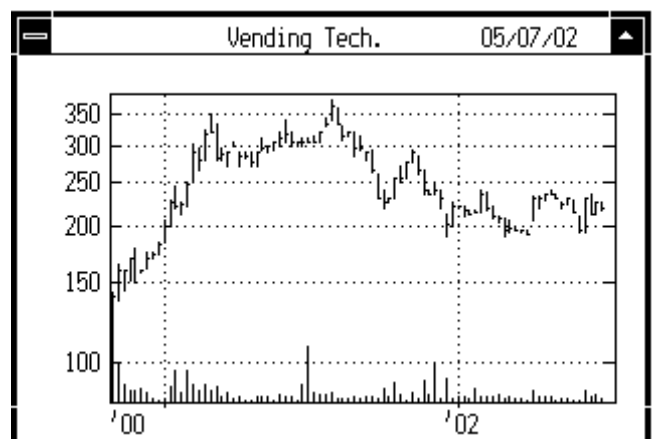
Vending Technologies “manufactures, sells, maintains and services vending machines” in NZ and Australia which incorporate a “proprietary computerised management system” that allows remote tracking of sales so that operators will know when to re-stock the vending machines.

Despite superior technology and strong revenue and profit growth, we do have concerns about the structure of this business. Vending Technologies does not simply sell its technology to operators. Nor does it simply incorporate its technology to build a better vending machine which it sells. Vending Technologies is heavily involved in *financing* operators to allow them to buy its technology and machines.

There are three potential problems with this strategy and business structure: Firstly, although Vending Technologies will report a profit on the sale of a vending machine it will often retain a contingent liability as it is also providing most of the *financing* for that sale. If the economics of the vending business were to deteriorate (as has happened since the September 2001 terrorist attacks) then Vending Technologies could find itself repossessing vending machines.

Secondly, Vending Technologies needs to invest *huge* amounts of money to enable operators to buy its products. Based upon the accounts since becoming a public company, each dollar of revenue earned required Vending Technologies to make financing loans of 35-60 cents. In terms of profits the impact is much greater: each dollar of profit required the company to provide 125-190 cents in new financing loans! This financing requirement explains why Vending Technologies has not paid a dividend. In fact, in just two years the company has (1) retained *all* of its \$9.4 million of profits, (2) raised \$12.9 million in new equity from investors *and* (3) raised \$7.2 million in interest bearing debt. Vending Technologies has recently formed a finance subsidiary, Nathan Finance, which will probably seek to raise debt finance from the public to help fund future sales.

Thirdly, the company's business has changed in ways that are probably not apparent to most investors. The Chairman talks about “the company transforming from a vending machine *operator* into an international *vending systems licensing* company”. Hopefully technology sales *will* make a positive contribution to this company which has actually transformed into a specialised, non-diversified, vending equipment *Finance* company.



Many of the company's loans are concentrated among a small number of major customers. Loans to an associate (i.e. NZ Vending Investments, owned by Vending Technologies and its directors) are at an interest rate only 2% above the bank bills rate (i.e. about 8% at present), while loans to other parties are at interest rates of about 12½-14%.

Summary

While Vending Technologies has produced good growth in revenues and profits, that performance requires significant amounts of new capital to finance sales. For

a while, the company may be able to satisfy its cash craving by raising new equity, retaining profits and/or new debt - but it will not be able to pay a dividend. Weaning the company off the need for new capital to finance sales could bring growth to an end.

In its current financial situation Vending Technologies shares are not attractive. To become attractive Vending Technologies needs to focus more on (1) technology licensing and/or (2) find higher quality customers financially strong enough not to require the company to finance its own sales.

Australian Company Review: Powerlan

Powerlan is experiencing some problems which are severely depressing its share price. This could eventually threaten the survival of the company (although not in the immediate future), or may lead to an opportunity to buy into a recovery situation at a very depressed price!

Powerlan is seeking to significantly restructure its business to focus upon becoming a global software company. The group will focus on niche markets where it owns the intellectual property for software products, where these products have a global market and which generate recurring transactional income. Powerlan has identified four sectors of its business that fit these criteria: Banking & Finance (i.e. Portfolio Manager software, IMX foreign exchange software), Operational Support Systems (i.e. Clarity International software for telecommunications and utility companies), Knowledge Management (i.e. its Rapid Web Publisher) and Managed Services (i.e. computer security and anti-virus services).

While that strategy appears sound it has some short term negative factors and has led to an unanticipated problem. Powerlan successfully bid to increase its shareholding in Clarity International from 51% to 100%. Unfortunately, Clarity is not yet a profitable company. This business lost \$5.5 million in the half year to December 2001. The full year result to June 2002 (that will be fully consolidated in Powerlan's result) is an "operating loss of approximately \$20 million" which will include some write downs on work in progress and doubtful debts. Clarity International may well be an attractive long term investment for Powerlan but in the short term acquiring a loss making business is depressing Powerlan's own profitability and its share price.

Another short term negative of restructuring to focus upon growth sectors and selling off under-performing businesses is that Powerlan will probably need to make large writedowns in the value of assets and goodwill in the businesses that it wishes to sell. For example, Powerlan expects to write-off about \$8 million of stocks in its Education business. The company will also review the \$89 million valuation of Goodwill on its balance sheet. These write-downs are one-off, non-cash events - that will not impact upon ongoing profitability - but which, in the short term, undermine investor confidence and help to depress the share price.

A major problem - which threatens to significantly dilute the value of Powerlan shares - is the earn-out agreements on two recent acquisitions. The largest and

most significant of these is **IMX Software**. IMX was acquired in July 2001 in what was described at the time as "a multi-million dollar, mainly cash deal". The details have since been released which show the business was to be acquired at a price equal to an undisclosed "multiple of earnings before tax and interest" for the year to June 2002. \$5 million of cash was paid in July 2001, a further \$5 million will be paid in July this year and the balance will be paid in Powerlan shares issued at market value. Obviously it was originally anticipated that the IMX acquisition would cost slightly in excess of \$10 million, but unfortunately the company has significantly outperformed expectations. As a result, the final cost will be around \$30-35 million - requiring \$20-25 million dollars worth of shares to be issued in the near future.

If Powerlan shares were still trading around 30-60 cents this wouldn't be too much of a problem and the company would simply issue 35-80 million new shares. However, the drop in group profitability and negative investor sentiment towards technology shares has seen Powerlan's share price fall to an average of 8.1 cents in the last week of June which will be the price at which new shares are issued. At this level the company would need to issue 245-310 million shares - which will significantly dilute the value of the remaining Powerlan shares. In fact, these new shares would equal 38-44% of Powerlan's capital, leaving the original shareholders owning just 56-62% of the company.

Powerlan may, however, "with the agreement of the vendors" pay the balance of the purchase price in cash, rather than shares, and avoid this massive dilution. Powerlan is currently negotiating with the vendors, but this is expected to take until mid to late July. Clearly if the Powerlan share price recovers the vendors may insist on receiving shares (at 8.1 cents) but if Powerlan's share price falls further the vendors would prefer cash.

Financial Position

Powerlan would appear to be in a fairly strong financial position, so is not in any immediate danger of failing and could probably settle the IMX acquisition in cash. At December 2001 the company held \$27.3 million in cash and had only \$14.8 million in interest bearing debts.

Since then the company has disposed of 65% of its **Integrated Asset Management** business (and is retaining a 35% shareholding) which is involved in computer leasing and finance. The consideration for this divestment was not *(Continued on Page 12)*

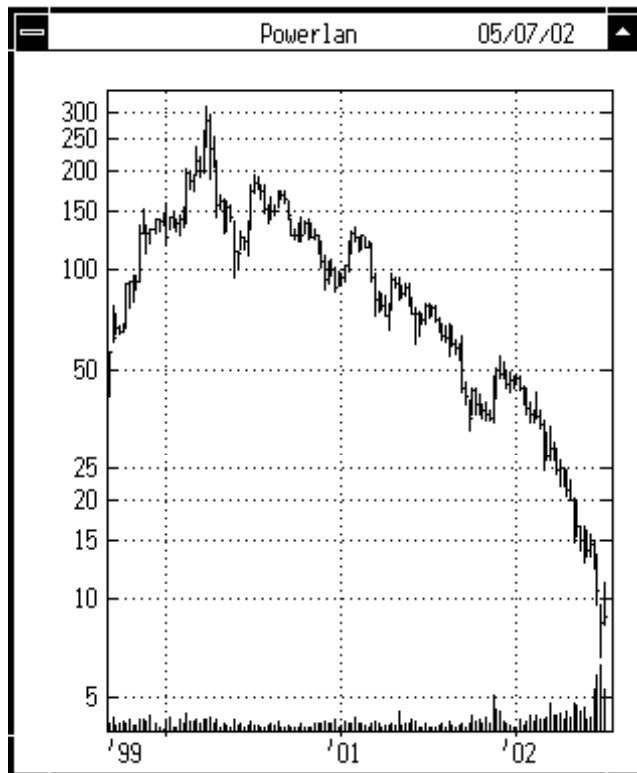
Powerlan*(Continued from Page 11)*

disclosed - so may be close to nil - but Powerlan has received \$9 million from the repayment of loans to IAM. Powerlan has also recently sold its **XSI Technology** data storage business to DVT (which is merging with Utility Services) for \$4.6 million in cash. Powerlan is also negotiating the sale of two other non-core businesses.

Summary and Recommendation

Powerlan's current problems - current losses, restructuring losses and potential dilution - have significantly depressed the share price and this *may* eventually lead to an opportunity to buy into the company very cheaply and perhaps benefit from a period of profit recovery and growth.

The current problems, however, highlight some of the danger signs that we highlighted in our review in November 2001. While Powerlan had better potential than most technology companies we did point out "the non-payment of promised dividends is a concern", that "technically the shares are *very unattractive* and still in a long term downtrend" and "it is still too early to be buying". It is still unwise to purchase these shares owing to current problems, uncertainties and a Relative Strength so weak that the shares are ranked 99 (i.e. the *weakest* possible, on a scale of 0-99).



“Insider” Trades in Australian Shares

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

“Insider” Indicators

Last 5 wks: 75.0% Buyers

Last 13 wks: 72.1% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
A.P. Eagers	4-1	Anzoil NL	4-0	BHP Billiton	16-2	Burswood Ltd	5-0
AHC Ltd	1-0	Aquila Res.	1-0	BMCMedia Ltd	2-0	C.S.R. Ltd	2-0
AMCIL Limited	2-0	Argo Investment	10-1	BRL Hardy Ltd	16-11	CCI Holdings	1-0
AMP Ind Prop Tr	1-0	Ariadne Aust	1-0	BT Aust Equity	7-0	CCK Financial	2-0
AMP Ltd	3-0	Aristocrat	1-2	BT Global Asset	1-0	CDS Tech	1-0
ANZ Bank	6-1	Armourglass Ltd	1-2	Balmoral Corp.	1-0	CPI Group	0-2
APN News Media	0-2	Arrow Energy	1-0	Barton Capital	1-0	CPT Global Ltd	7-0
AWB Limited	7-0	Asset Backed	7-0	Basin Minerals	0-4	CSL Limited	5-1
AXA Asia Pac	2-0	Atlas Pacific	0-2	Bass Strait Oil	2-0	Capcharge Ltd	4-8
Abigroup Ltd	1-0	Audax Resources	0-3	Beach Petroleum	2-0	Campbell Bros	5-4
Acclaim Explor	4-0	Ausdrill Ltd	2-0	Beacon Fin Serv	5-4	Canbet Limited	2-0
Adacel Tech.	1-0	Ausmelt Ltd	0-3	Bendigo Bank	5-1	Candle Aust.	2-0
Adcorp Aust.	1-0	Auspine Ltd	3-1	Bendigo Mining	0-4	Capral Alum.	1-0
Adelaide Bright	3-1	Aust Assets	1-0	Berklee Ltd	1-0	Captech Group	2-1
Adelaide Res.	0-1	Aust Food Fibre	2-0	Beyond Int'l	1-0	Cardia Tech.	1-0
Adelaide Bank	1-0	Aust Rural	0-1	Big Kev's Ltd	3-2	Carnarvon Pet.	2-0
Adsteam Marine	3-0	Aust United In	1-0	Bigshop.com.au	0-1	Carnegie Corp	1-0
Adtrans Group	2-4	Aust Oil & Gas	2-0	Billabong Int'l	1-2	Carpenter Pac.	2-0
Advent Ltd	4-0	Aust United Gol	1-0	Bionomics Ltd	2-1	Catuity	4-0
Aerosonde Hold.	0-1	Aust Pharm. Ind	2-0	Biota Holdings	2-0	Celestis Ltd	0-1
Afrimex Limited	3-0	Aust Heritage	1-2	Biotech Capital	3-0	Cellnet Telecom	1-3
Alcaston Mining	2-0	Aust Gas Light	14-0	Biron Capital	16-0	Cent. Kalgoorie	0-1
Alesco Corp Ltd	1-0	Aust Foundation	6-0	Bligh Oil & Min	0-1	Centennial Coal	1-0
Alintagas Ltd	0-1	Aust Visual Com	0-2	Blink Models	5-0	Central Equity	1-0
Alkane Explor.	3-7	Aust Wine Hold.	3-0	Boral Limited	5-0	Challenger Int.	2-6
Altium Limited	3-1	Aust Magnesium	3-1	Brambles Ind.	2-0	Chalmers	1-0
Amadeus Energy	1-0	Aust Energy	0-1	Brandrill	0-1	Chaos Group Ltd	1-0
Amalgamated Hld	1-0	Austal Limited	0-4	Brazin Limited	3-0	Chapmans Ltd	0-1
Ambri Limited	2-0	Austminex NL	3-0	BresaGen Ltd	1-0	Charter Pacific	1-0
Amcom Telecom.	1-0	Austrim Nylax	2-0	Brickworks Ltd	11-0	Chemeq Ltd	0-2
Amcor Ltd	12-0	Automotive Ind.	3-0	Bristle Ltd	4-6	Circadian Tech	4-0
Amity Oil NL	6-1	Autron Corp	2-7	Buderim Ginger	1-0	Citadel Pooled	1-0
Amrad Corp.	11-0	Aviva Corp Ltd	1-0	Bullion Min.	2-0	City View	0-1
Anaconda Nickel	2-1	Avoca Resources	1-0	Bunnings W/hse	2-0	City Pacific	3-0
Anadis Limited	0-1	Aztec Resources	2-0	Burdekin Pacifi	1-0	Cleanwater Grp	1-0
Anglo Pacific	0-1						

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Devine	2.0	Hampton Hill	2.0	Maryborough Suga	1.0	Perp Trust Aust	8.3	Strathfield Grp	2.0
Djerriwarrh	3.0	Hansen Tech.	2.1	Maxe-tec Aust	0.1	Perseverance	1.0	Strategic Poole	1.2
Dominion Mining	1.0	Haoma Mining NL	2.1	Maxi TRANS	4.0	Peter Lehman W.	0.1	Strategic Min.	3.2
Dragon Mining	5.1	HarTec Ltd	2.0	Mayne Group Ltd	6.0	Pie Networks	1.0	Stratetel Ltd	3.0
Drillsearch	0.1	Hardman Res.	0.1	McGuigan Wines	5.0	Platinum Cap'l	1.2	Structural Syst	1.0
Dromana Estate	6.0	Harrington Grp	0.1	Medical Monitor	1.0	Plenty River	0.2	Sub-Sahara Res.	1.0
E-Bet Limited	3.0	Harvest Road	4.0	Medical Corp	2.1	Polartechncs	0.2	Sun Resources	4.1
E-Com Multi Ltd	1.0	Harvey Norman	0.5	Meditech Rsrch	4.0	Poltech Int'l	4.6	Suncorp-Metway	6.0
E-Global Int'l	1.0	Healthscope	4.1	Melbourne IT	2.0	Port Douglas	9.0	Sundowner Group	2.0
E-Star Online	1.0	Heggies Bulk.	2.0	Menzies Court	3.2	Portman Limited	2.1	Sunraysia TV	1.0
E.R.G.	0.1	Helix Resources	1.0	Merchant House	0.1	Pos.it.ive Tech	2.0	Supersorb Env.	0.2
ECAT Dev Cap'l	0.1	Henry Walker E.	5.1	Mermaid Marine	1.5	Pracom Ltd	1.0	Swiftel	5.0
ETRADE Aust.	3.0	Herald Resource	2.0	Metal Storm Ltd	0.1	Precious Metals	1.0	Swish Group	2.1
Earth Sanct.	1.0	Hillcrest Res.	17.0	Metex Resources	0.2	Premier Invest	1.0	Sydney Gas Coy	1.0
Eastern Corp	1.0	Hills Indust.	3.0	Methanol Aust.	2.0	Primary Health	2.0	Sydney Aquarium	3.0
Easycall Group	7.0	Hire Intell.	0.1	Metroland Aust	4.0	Prima Biomed	3.2	Symex Holdings	1.2
Echo Technology	1.0	Hitech Energy	1.0	Mia Group Ltd	3.2	Prime Life Corp	5.0	Synergy Metals	0.1
Ecorp Limited	0.1	Homeloans Ltd	1.0	Michelago Ltd	1.0	Prophecy Int'l	2.0	TAB Ltd	1.0
Eiffel Tech.	6.0	Housewares Int.	5.0	Micromedical	1.0	Prudential Inv.	2.0	TAB Queensland	4.1
Electrotech Inv	1.0	Hugall & Hoile	1.0	Mikoh Corp.	4.0	Publishing & Br	3.1	Tabcorp Holding	0.1
Electrometals	2.0	Huntley Invest	4.0	Millers Retail	3.1	Q Multimedum	3.2	Tag Pacific	1.0
Ellex Medical	3.4	Hutchison Tel.	1.0	Milton Corp.	4.0	Q.B.E. Insur.	14.1	Takoradi Ltd	1.0
Emperor Mines	0.1	Hydromet Corp.	1.0	Minerals Corp.	1.3	Qantas Airways	1.0	Tamawood Ltd	4.1
Energy Develop.	3.1	IBA Health Ltd	6.2	Mineral Commod.	1.0	Queens'd Cotton	0.1	Tanami Gold NL	1.0
Env Infrastruct	1.4	ICS Global Ltd	3.0	Mineral Deposit	0.1	Quiktrak Netwks	6.1	Tandou Ltd	1.0
Envestra	1.0	IGM Group Ltd	1.0	Mirraboooka Inv.	3.0	R M Williams	1.0	Tasman Resource	1.2
Envirostar E.	0.1	ION Limited	1.4	Mirvac Group	1.0	RMG Limited	0.2	Tassal Ltd	2.0
Environ. Sol'n	2.0	IPT Systems Ltd	4.0	Molopo Aust	0.1	Range River Gld	1.0	Tawana Resource	0.1
Environ'm't Grp	1.0	IWL Limited	2.0	Monteray Group	0.4	Ranger Minerals	0.1	Tech Star Ltd	0.2
Equigold NL	5.9	Icon Energy	0.1	Monto Minerals	1.0	Reclaim Indust.	2.0	Techniche Ltd	1.0
Equity Trustees	5.0	Iuka Resources	2.0	Morning Star	1.0	Redflex Holding	0.4	Telco Australia	3.0
Equs Limited	2.0	Imdex Limited	1.0	Mosaic Oil NL	2.0	Renew. Energy	1.0	Tele-IP Limited	0.2
Eurast Ltd	1.0	Imperial One	2.1	Mt Burgess Min.	6.0	Repcol Ltd	1.0	Tele2000 Ltd	2.0
Exco Resources	3.0	Impress Venture	3.1	Multiimedia Ltd	0.2	Resolute Mining	1.0	Tempo Services	5.3
FKP Limited	1.0	Incitec	2.0	Murchison Un.	2.0	Ridley Corp.	3.1	Tennyson Netwks	5.1
FTR Holdings	4.0	Infobank Int'l	2.0	Namakwa Diamond	2.0	Rio Tinto Ltd	2.1	Terraplanet Ltd	3.0
Fairfax (John)	4.0	Innovonics Ltd	1.0	Nat'l Foods	5.3	Rivkin Fin Serv	4.0	Text Media Grp	1.0
Federation Grp	4.0	Inovax Ltd	5.0	Nat'l Telecoms	3.1	Roc Oil Company	7.1	Thundelarra Exp	3.4
Fiducian P Serv	1.0	Insolvency Mgmt	1.0	Nat'l Aust Bank	10.0	Rock Build Soc.	0.2	Ticor Ltd	1.0
Finbar Intern'l	2.0	Institute Drug	3.1	National 1 Ltd	2.0	Ruralco Hold.	1.0	Timbercorp	1.2
First Wine Fund	8.0	Int. Workforce	0.1	Nautronix Ltd	0.1	Rural Press Ltd	1.0	Toll Holdings	0.4
Flexi Property	2.0	Intellect Hold	0.3	Neighbourhood C	1.0	S8 Limited	8.0	Tox Free Sol.	0.1
Flight Centre	1.0	Intermin Res	6.1	Netcomm Limited	1.0	SDI Limited	3.1	Transurban Grp	3.0
Foodland Assoc	2.0	Investor Group	1.2	Neverfall Spr.	2.1	SMS Mgmt & Tech	2.0	Triako Res.	3.0
Foster's Group	3.0	Investika Ltd	0.1	Newcrest Mining	4.0	SPC Ardmona Ltd	2.0	Tribune Res.	1.0
Found'n Health.	5.3	Ipoh Limited	0.1	Newmont Yandal	0.4	STW Comm Group	0.1	Tuart Resources	1.2
Freedom Group	3.0	Jervois Mining	0.1	News Corporatio	5.1	Sam's Seafood	3.0	Uecomm Limited	1.0
Funtastic Ltd	0.1	Jetset Travel	3.0	Nido Petroleum	2.0	Santos Ltd	2.0	Union Capital	5.0
Futuris Corp.	1.0	Joyce Corp.	4.0	Noni B Limited	2.0	Saracen Mineral	1.0	United Energy	2.0
G.R.D. NL	2.1	Jubilee Mines	3.5	Normandy NFM	0.2	Scanbox AsiaPac	1.0	Utility Serv.	3.1
Gandel Retail T	1.0	Julia Corp Ltd	2.0	Northern Gold	1.0	Schaffer Corp	4.2	VeCommerce Ltd	2.0
Garratt's Ltd	1.0	Jumbo Corp	0.1	Nova Health Ltd	3.0	SecureNet Ltd	1.0	Vietnam Indust.	1.0
Gasnet Aust Trt	1.0	Jupiters	3.0	Novogen Ltd	0.1	Select-Tel Ltd	1.3	Villa World	3.0
Gateway Mining	2.0	Kagara Zinc Ltd	5.1	Novus Petroleum	1.0	Selwyn Mines	0.6	Vision Systems	3.2
Gazal Corp	0.1	Kalrez Energy	1.0	Nufarm Limited	4.1	Senetas Corp	2.0	Vita Life Sci.	4.0
General Gold Re	0.1	Kaz Group Ltd	4.1	OAMPS	11.1	Servcorp Ltd	7.0	Vital Capital	1.0
Genetic Tech.	5.0	Keycorp ltd	2.0	OFM Investment	3.0	Seven Network	4.5	Voicenet (Aust)	1.0
Gindalbie Gold	0.11	Kimberley Oil	4.0	OPSM Group Ltd	5.1	Sharon Austen	1.0	Volante Group	3.0
Gippsland Ltd	4.2	Kimberley Diam.	0.2	Oakton Limited	0.3	Sietel Ltd	1.0	W.M.C. Limited	1.0
Giralla Res.	3.0	Kings Minerals	1.0	Objective Corpo	1.0	Silex Systems	1.4	WAM Capital Ltd	1.7
Glengarry Res.	3.0	Kingsgate Cons.	6.0	Optiscan Image	0.1	Sismmetal Ltd	0.3	WTL Limited	2.0
Globe Int'l Ltd	2.0	Koala Corp.	1.0	Orbital Engine	3.0	Sipa Resources	0.1	Wadepack Ltd	5.0
Gold Mines Sard	0.1	Kresta Holdings	3.7	Orica Ltd	4.0	Sirius Telecom.	3.0	Waterco Ltd	2.0
Golden State	1.0	Lafayette Min.	1.2	Oroton Int'l	2.0	Sirocco Res.	8.0	Wattyl Ltd	1.0
Goldstream Min.	2.0	Lake Technology	3.1	Oxiana NL	3.0	Skilled Eng.	2.3	Wavenet Int'l	0.1
Goldsearch Ltd	1.0	Lakes Oil NL	2.0	P-Sivida Ltd	3.0	Smorgon Steel	0.2	Wedgetail Exp.	1.0
Goodman Fielder	1.0	Legalco Limited	1.2	PMP Limited	9.0	Snack Foods Ltd	1.0	Wesfarmers Ltd	1.8
Gowing Retail	1.0	Lemarne Corp	3.0	POS Media	2.0	So Natural Food	5.0	West Oil NL	3.4
Gowing Brothers	1.0	Lemvest Ltd	1.0	Pac Strategic	2.0	Software Comm	1.0	West Aust Metal	4.0
Gradipore Ltd	3.0	Leyshon Res.	0.2	Pacifica Group	4.0	Solbec Pharm.	0.1	West'n Metals	1.0
Graincorp	4.0	LifeCare Health	1.0	Pacific Mining	0.1	Solution 6	2.0	Westfield Hold.	4.5
Grand Hotel	3.0	Lighting Corp.	4.1	Pacsoft Limited	1.0	Sonic Health	2.4	Westgld Res.	2.0
Grange Resource	0.1	Lion Selection	1.0	Pahth Telecom.	0.1	Soul Pattinson	11.0	Westpac Banking	4.1
Greater Pacific	2.0	Loftus Capital	5.0	Palm Springs	2.0	Southcorp Ltd	7.1	Whitefield Ltd	0.1
Green's Foods	1.2	Ludowici Ltd	3.0	Pan Palladium	1.0	Spotless Group	6.0	Wide Bay Cap'n	2.4
Gribbles Group	3.0	Lynas Corp Ltd	4.0	Pan Pharmaceut.	6.0	St George Bank	6.0	Wine Investment	13.0
Gunns Ltd	0.2	M-Box.com	1.0	Panbio Ltd	1.0	Sthn Titanium	1.0	Winepros Ltd	0.1
Gympie Gold	0.2	M.I.M. Holdings	2.0	Pancontinental	3.0	Sthn Cross Brd.	5.2	Woodside Petrol	1.0
HGL Limited	1.0	MacMahon Hold	3.8	Paperlin X Ltd	6.0	Sthn Star	1.0	Woolworths Ltd	1.0
HJ & B Group	1.0	Macmin NL	4.1	Payce Consol.	3.0	Stockland Trust	1.0	Working Systems	2.0
Haddington Int.	1.0	Macquarie G Mgt	1.0	Penfold (WC)	1.0	Stockford Ltd	7.0	Wrigdways Aust	0.3
Hallmark Cons.	15.5	Macquarie Bank	5.1	Peptech Limited	2.0	Stokes (Aust)	1.0	Yamama Goldfld	2.0
Hamilton Island	1.0	Majestic Res.	3.0	Perm Trustee Co	0.1	Straits Res.	1.0	Yates Limited	1.0

“Insider” Trades in Australian Shares

The table ranks Industry Groups by the average number of Net Buyers (i.e. Buyers less Sellers over the last year). Consistent buying across an Industry may indicate developments that are favourable for all companies within that sector, while consistent Industry selling may indicate an unfavourable outlook for that whole sector.

Rank	Industry Group	Insider Buy/Sell	No. of Buyers-Coys	Average of Sellers	Rank	Industry Group	Insider Buy/Sell	No. of Buyers-Coys	Average of Sellers	Rank	Industry Group	Insider Buy/Sell	No. of Buyers-Coys	Average of Sellers
1	Insurance	30-2	7	+4.00	24	Manufacturer/Retailer	14-4	12	+0.83	47	Other Infrastructure	3-0	7	+0.43
2	Diversified Mining	22-4	6	+3.00	25	Oil/Gas Producer	18-4	18	+0.78	48	Mineral Exploration	48-29	56	+0.34
3	Pharmaceutical	41-4	14	+2.64	26	Computer & Office Serv.	74-17	74	+0.77	49	Building Contractor	13-10	11	+0.27
4	Banking	51-10	16	+2.56	27	Diversified Industrial	30-14	21	+0.76	50	Property Trust	14-2	45	+0.27
5	Building Materials	38-7	15	+2.07	28	Food	30-13	23	+0.74	51	Other Telecommunications	11-6	19	+0.26
6	Hospital Management	9-3	3	+2.00	29	Base Metals	25-7	25	+0.72	52	Entrepreneurial Investor	6-4	8	+0.25
7	Investment Trust/Company	58-10	25	+1.92	30	Health & Related Products	27-9	25	+0.72	53	Equipment/Services	34-22	48	+0.25
8	Vintner	46-16	16	+1.88	31	Soft Drink/Confectionery	7-2	7	+0.71	54	Advertising/Marketing	2-1	4	+0.25
9	Trustee Company	18-8	6	+1.67	32	Equity Investor	61-15	65	+0.71	55	Automotive	8-5	13	+0.23
10	Hotel/Resort	12-1	7	+1.57	33	Agricultural	16-4	17	+0.71	56	Misc Industrial	31-21	45	+0.22
11	Brewer	3-0	2	+1.50	34	Misc Services	50-17	47	+0.70	57	High Technology	27-21	31	+0.19
12	Publishers	15-3	9	+1.33	35	Other Utilities	2-0	3	+0.67	58	Diamonds	6-3	16	+0.19
13	Chemical & Fertiliser	19-9	8	+1.25	36	Light Engineering	8-0	12	+0.67	59	Gold Producer	20-15	29	+0.17
14	Misc Financial	67-21	44	+1.05	37	Leisure Activities	6-0	9	+0.67	60	Coal	1-0	9	+0.11
15	Gold/Investment	2-1	1	+1.00	38	Gold Explorer	126-50	117	+0.65	61	Uranium	0-0	1	+0.00
16	Oil/Gas Investor	2-0	2	+1.00	39	Biotechnology	28-7	33	+0.64	62	Engineering Contractor	0-0	3	+0.00
17	Residential Developer	11-1	10	+1.00	40	Oil/Gas Exploration	36-11	43	+0.58	63	Gold/Copper	0-0	2	+0.00
18	Energy/Electricity	24-8	17	+0.94	41	Forest Products	9-5	8	+0.50	64	Gold/Other Mining	0-0	2	+0.00
19	Diversified Media	39-10	32	+0.91	42	Mining Services	10-3	14	+0.50	65	Machinery Manufacturer	0-0	2	+0.00
20	Wholesaler/Retail	11-2	10	+0.90	43	Property Devtment/Manager	11-2	18	+0.50	66	Mining Investment	0-0	2	+0.00
21	Health/Medical Services	32-15	19	+0.89	44	Retail	34-22	27	+0.44	67	Transport	6-7	9	-0.11
22	Casinos/Gaming	20-4	18	+0.89	45	Network Operator	3-0	7	+0.43	68	Mineral Sands	5-7	13	-0.15
23	Property Investor	7-0	8	+0.88	46	Television	9-6	7	+0.43	69	Mining Producer	2-8	12	-0.50
										70	Heavy Engineer	0-4	2	-2.00

“Market Analysis” Upgrades Insider Data

We have upgraded our *Insider* data to significantly improve the quality, coverage and timeliness of this valuable information. Research studies have consistently shown that *insider* trading is one of the best forecasters of future share price performance.

Prior to the start of 2002, the format for directors to disclose changes in their shareholdings was rather confusing. So we used an *Insider* report prepared by a competitor to generate our reports of the total number of trades over the last twelve months. From the start of this year, however, the Australian Stock Exchange has change the reporting format and we now source our *insider* data directly from these announcements.

In transferring our source of data we noticed two significant differences. Firstly, a very large number of the competitor's data contained trades that we consider to be of little or no significance. Directors are the most knowledgeable investors, so we are interested in market trades made as a result of their knowledge of the company and its future prospects. Taking up a few extra shares in a dividend re-investment, a cash issue or exercising a share option (often at a large discount to market value) is not a trade that reflects a director's knowledge of the company. We are interested in situations where directors freely decide - based upon their superior knowledge of the company and its

prospects - to buy or sell shares on-market. By removing the insignificant trades (e.g. dividend re-investments) from our data we have improved the quality of our *Insider* reports.

Secondly, we noticed that about 30-40% of all *insider* trades were not included in our competitor's data! Some of these trades *may* have been deliberately ignored as they covered smaller listed companies. However, *insider* data can be extremely useful in evaluating smaller companies. Small companies are poorly covered by the news services and often make few announcements to the stock exchange other than their semi-annual profit results. Often smaller companies are involved in areas (e.g. technology, establishing new businesses, mineral exploration) that are not widely understood outside of the company. In all of these cases, *insider* buying or selling can often be the first reliable guide to what is happening within a company! Including *insider* data for all companies has approximately doubled the coverage of our reports! Furthermore, this expanded coverage reaches into the smaller company sector where it can be most valuable.

Finally, by sourcing *insider* data directly we now have completely up to date information - an improvement in timeliness by about two weeks.

Insider Buying Identifies Four Companies to Watch . . . and One Speculative "Buy"

Our stockmarket research is designed to identify shares with the potential to significantly outperform the market. That is, shares that can appreciate several hundred percent in value over a period of several years. To achieve this we need to (1) buy shares when they are under-valued and (2) buy into companies that have cyclical recovery and/or growth potential. As a result, we usually end up monitoring potentially attractive companies for years while we wait for exactly the right investment situations to develop.

Often the best situations develop *after* a company has suffered a glitch - a profit decline which significantly depresses the share price - and the best time to buy is when the company's fortunes (and the share price) are just starting to recover. Of course, many companies suffer profit glitches but never recover and slowly fade away.

Insider trades are often a valuable guide to whether a company will survive and recover. *Insiders* know the company's financial position and future prospects best. If they sell shares when the price is low - then there must be significant doubt about the company's future.

On the other hand, if the directors express confidence in the company's future - not by making statements to the press or to shareholders at the AGM, but by actually buying shares with their own cash - then there is a good chance that the company will survive, work through its problems and perhaps even once again grow strongly.

Here is a selection of companies where directors have been actively buying shares. In all but one case, we believe that it is still far too early for investors to be buying as most of these shares are very weak and will likely decline further or, at best, under-perform the market in the immediate future. However, in 6, 12 or 24 months from now - probably at lower prices - one or two of these shares could become very attractive recovery/growth investments with the potential to become a ten-bagger (i.e. increase 10-fold in value).

So here are some of the shares we shall be watching very closely over the next year or so . . .

Pan Pharmaceuticals (code PPH).

There have been six *insider* buys in Pan Pharmaceutical shares since February this year when the share price started to decline. All purchases have been from the company's founder and Chief Executive, J Selim, who has purchased a total of 260,000 shares on market. This raises his holding to 89,646,761 shares or 52.7%.

Pan Pharmaceuticals, which has a \$260 million market capitalisation, is a contract manufacturer of tablets, with 85% of revenues from vitamins, minerals and herbal supplements produced for other companies under their brand names.

The company floated on the Australian Stock Exchange in August 2000 following the issue of 55 million new shares at \$1.00 each. Most of this money (\$45 million) was used to repay existing debt with \$10

million retained to help fund expansion. At December 2001 the company held \$27.3 million (16 cents per share) in cash and had no interest bearing debts.

The company under-performed its prospectus forecasts in the year to June 2001 with revenues of \$88.5 million, profits of \$13,582,000 (8.1 cents per share) and a 5.5 cents dividend - but the share price rose significantly to trade around 200-275 cents (i.e. up 100-175%).

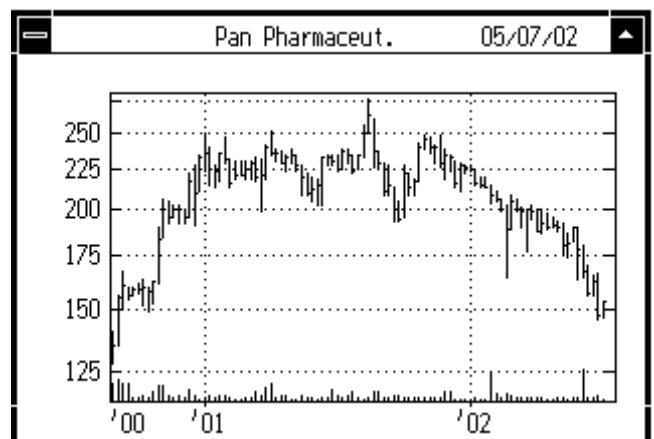
For the period to December 2001, revenues rose 18.7% to \$51.8 million, profits rose 24.0% to \$8,186,000 (4.8 cents per share) and the interim dividend was raised 10.0% to 2.75 cents. However, the share price has declined to recently trade around 150 cents.

At 153 cents the shares trade on a high Price/Sales ratio of 2.93, a high Price/Earnings ratio of 19 and offer a Dividend Yield of 3.6%. The shares therefore continue to look a little expensive, but the company has a long term growth target of 15% per annum. The company expanded its Moorebank factory in October 2001 to increase its production of soft gelatin capsules and in April announced plans to further increase capacity by 30%. Pan Pharmaceuticals is also building a factory in Vietnam - to service Asian markets - but that is behind schedule and likely to be completed in mid-2003.

Technically, the shares are in a strong downtrend with a Relative Strength Rating of -10.8%, ranked 70.

Financially Pan Pharmaceuticals is in a strong financial position (i.e. with a large cash holding and no debt), appears to hold good long term growth potential and generates high profit margins and a high return on Shareholders Equity. The CEO has a very large shareholding and is actively buying on market. Nevertheless, the shares continue to look a little expensive. The shares are also very weak and in a long term decline, so are likely to fall further in value over the next 6-18 months.

Conclusion. Insider buying has highlighted a profitable, niche market business - but we believe it is far too early to consider buying Pan Pharmaceuticals shares. The share price downtrend, together with further growth in revenues and profits, *could* lead to an under-valued, recovery situation at some stage during 2003 or 2004, so Pan Pharmaceuticals is a share worth watching.



Insider Buying*(Continued from Page 15)***Quiktrak Networks** (code QTK).

This is a smaller company valued at a market capitalisation of \$31 million, that is building networks that can track motor vehicles, machinery and personnel. Tracking allows stolen vehicles to be traced, but also provides traffic information. Personnel tracking is used mainly for security.

Originally an Oil Exploration company, rights to operate the Quiktrak technology from **British Aerospace Australia** were negotiated in 1995.

While the technology has potential, the main problem facing the company is raising the necessary capital to fund the infrastructure necessary to roll out tracking networks before it can begin to generate meaningful revenues.

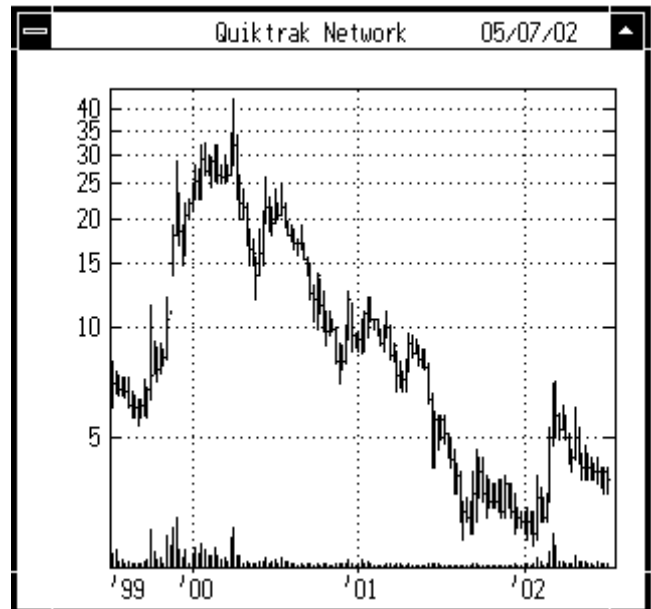
The company was planning an A\$75 million float of the UK operations in early 2000 to finance expansion - which sent Quiktrak Networks' share price to a high of 42 cents - but falling world stockmarkets led to the cancellation of that float.

The company, however, operates networks in Australia (in Sydney, Melbourne and Brisbane) and is establishing networks overseas. A breakthrough in 3rd generation Quiktrak technology in September 2001 reduced the cost of tracking base stations by 50% and increased capacity 10-fold. This led to establishing the UK network in December 2001 (upgraded in March this year), in Korea in April 2002 and a network is currently being installed in the Netherlands.

The shares have weakened significantly since early 2000 - falling almost 95% to a low of 2½ cents in January this year. Since then the shares jumped to 7 cents in March and are currently trading around 3½-4 cents. The Relative Strength Rating is -5.1%, ranked 56, which is fairly Neutral. So the shares *could* begin a recovery and growth phase, or *could* continue to drift sideways in the immediate future.

Quiktrak Networks has little revenue (i.e. just \$10.2 million in the year to March 2002) and is unprofitable (i.e. losing \$10.9 million), so this business needs to significantly raise revenues to achieve profitability and positive operating cash flows. That revenue growth, of course, may now follow the installation of networks. The company is seeking to improve cash flows by targeting fleet operators, rather than private car owners, as this produces higher on-going revenues relative to the initial marketing costs.

Insider trading is favourable with six buys and one sell over the last year. In three transactions in June and two in May, non-executive director RR Damelian has acquired a total of 12,000,000 shares on-market to lift his holding to 58,000,000 shares (7.4% of the company). An executive director, C Kyriakou, sold 2,000,000 shares on-market in March (but still owns 21,259,204 shares). **Conclusion.** Quiktrak Networks has negative cash flows and is dependent upon issuing new shares to provide funds, so investors should watch for an improvement in the company's financial position (i.e. high revenues from new networks). Recent *insider* buying is an indication that the business is progressing well. The shares are near their lows and *could* perform well if the business grows to become cashflow positive.

**Servcorp** (code SRV).

This \$169 million capitalisation company has grown very rapidly by offering "serviced offices" and "virtual offices" in many major cities around the world - but has hit a glitch with the recent downturn in the world economy.

The business was formed in 1978 and floated in late 1999 when the company offered 29.8 million new shares at \$1.50 to raise \$44.7 million. Most of this was used to repay debt. A further \$3.6 million was raised in June 2001 from the placement of 600,000 shares at \$6.00. The company has expanded very rapidly, but remains in a strong financial position with cash of \$45.1 million (54 cents per share) and only \$8.6 million of interest bearing debts. However, the company has long term lease obligations on its offices, but rents them out on a monthly basis, so is vulnerable to an economic downturn which will lower revenues and put pressure on profit margins.

Revenues for the eight months to June 2000 were \$59.9 million (up 13% on prospectus forecasts) with profits of \$6,851,000 (9.0 cents per share) - up 26.9% on forecasts - and a dividend of 3.75 cents was paid.

The year to June 2001 also exceeded forecasts: Revenues up 36.5% (on an annual basis) at \$122.7 million (14% ahead of forecast) and profits up 38.1% to \$14,191,000 (17.0 cents per share), with the annual dividend raised to 7.5 cents.

The global economic slowdown following the terrorist attacks of September 2001 ended the company's rapid growth - and Servcorp will only break-even for the year to June 2002. The market was particularly weak in Hong Kong and Brussels where Servcorp has terminated leases on some floors. Termination costs and writing off investments in fitting out these floors have resulted in a \$6 million cost. Revenues rose 7.6% to \$61.2 million in the half year to December 2001, but as a result of termination costs there was a loss of \$4,214,000 (minus 5.0 cents per share) compared with the previous year's profit of \$7,594,000. The interim dividend, however, was maintained at 3.75 cents owing to directors "confidence in the business model of the company" and

July 9, 2002.

its large cash holding.

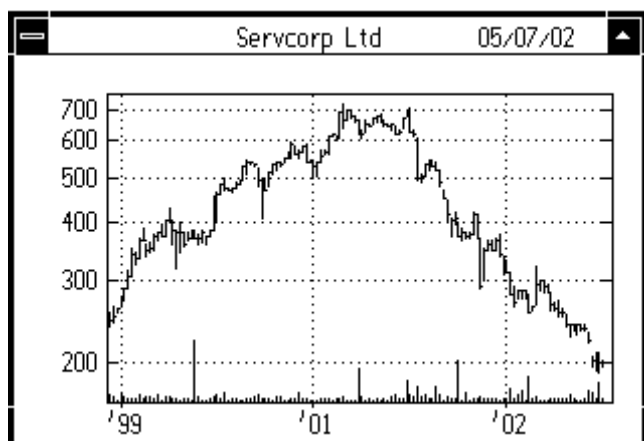
The company has cut back operating expenses by \$500,000 per month by eliminating costs associated with marketing and expansion, so is forecast to return to profitability in the second half but achieve only a break-even for the full year.

At 200 cents, Servcorp shares trade on a Price/Sales ratio of 1.36, an historical Price/Earnings ratio of 12 (although the company will become unprofitable for the June 2002 year) and offers a Dividend Yield of 3.8%. Whether that is good or bad value depends on how successful Servcorp will be at growing the business in the future. As a rapidly growing, cash rich company, the shares would offer good value at this price. So investors should watch for signs of growth returning to the business.

Technically, the shares are very weak and rapidly losing value. If the business outlook remains depressed the directors may cut the final dividend to retain cash, putting further pressure on the share price. The Relative Strength Rating is -20.8%, ranked 86, so the shares should probably be avoided for at least six months and probably won't become a potential recovery/growth situation for around 12-24 months.

Nevertheless, there have been no less than seven *insider* buys over the last year, so Servcorp could likely re-emerge as a quality, growth company. The company's founder and Managing Director purchased 100,000 shares on-market in March, 70,000 shares in April, 50,000 in May and 200,000 shares (in three transactions) in June. This increases his holding to 47,313,999 shares or 56.3% of the company. A non-executive director, Ms JM King, purchased 10,000 shares on-market in February.

Conclusion. While Servcorp shares are very weak at present and should be avoided, this long term decline in the share price could lead to significant under-valuation within the next 12-24 months and an attractive buying opportunity if the business recovers well and resumes its historical growth.



Sirocco Resources (code SRO).

Significant *insider* buying in Sirocco Resources shares highlights a couple of potentially favourable developments in this \$37 million capitalisation company.

Sirocco Resources is proposing two transactions that could increase shareholder wealth. Firstly, the company plans to buy the **Renison Bell** tin mine from **Murchison United** for \$10 million in cash, \$5 million in fully and

partly paid shares and a royalty on future revenues. The 30 year old mine has a remaining life of only 6-7 years but Sirocco Resources will seek to extend this by finding additional ore, and will re-process the tailings, so expects to generate revenues of \$50 million and earnings (before tax, interest and depreciation) of about \$10 million annually over that period. In addition, Sirocco Resources will acquire tax losses of \$15 million. Directors believe this acquisition "will deliver exceptional total returns to shareholders" and have backed up that talk by buying shares on-market with their own money. Existing gold producing businesses generated revenues of \$0.7 million in the half year to December 2001.

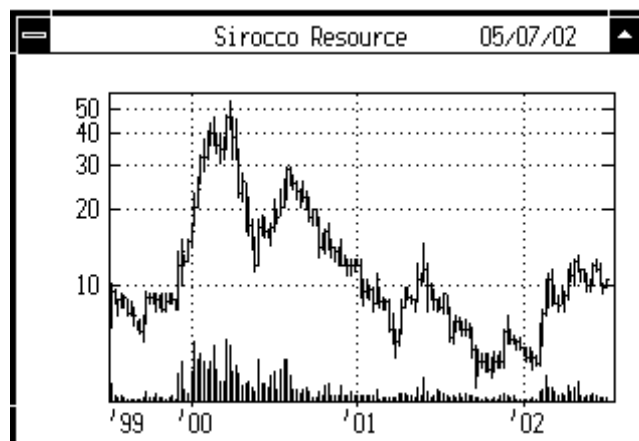
Secondly, Sirocco Resources has built up many technology businesses and investments over recent years. To maximise shareholder value the company proposes to split these into a separate listed company, **Sirocco Technologies**, by distributing one Sirocco Technologies share for every six Sirocco Resources shares held. These technology businesses consist of Sirocco Communications and Sirocco Broadband plus investments in VOD (Video On Demand), xDSL and NEXTEP. These businesses generated revenues of \$1.7 million in the half year to December 2001. While technology shares are out of favour, the market usually values two separate companies more highly than one company with very different businesses.

In addition, exploration at the company's Toms Gully gold mine has recently identified the potential to produce 40,000 ounces of gold per year and earnings (before interest, tax and depreciation) of \$7 million with \$2-3 million of capital expenditure needed for underground mining and plant modification.

The Renison acquisition was announced at the end of April and non-executive director RP Seville purchased 850,000 shares (in two trades) during May to raise his holding to 9,872,720 shares. In May and June, executive director SG Bizzell purchased a total of 600,000 shares (in three trades) to raise his holding to 17,047,452 shares.

Fundamentally, Sirocco Resources has little revenue, is not profitable and does not pay a dividend.

Technically the shares are favourable with a Relative Strength rating of +24.6%, ranked 7. The shares peaked at 53 cents at the end of the Technology boom (i.e. in March 2000) and fell to lows of 4-4½ cents in late 2001. Since then the shares have recovered strongly to recent highs around 13 cents.



(Continued on Page 18)

Insider Buying*(Continued from Page 17)*

Conclusion. Sirocco Resources involves the usual risks involved in mineral exploration and technology start up businesses, but at around 10½ cents the shares have potential to appreciate further as the market continues to re-rate them on the potential of the Renison Bell purchase and the technology business spin-off. In small companies like this, *insider* buying is usually the best indicator of future potential. So for investors prepared to accept high risks, a small investment in Sirocco Resources could offer good capital appreciation over the next 3-12 months.

Vita Life Sciences (code VLS, currently suspended)

This \$41 million capitalisation company was formed from the shell of listed **Macarthur National** in early 2000. That company acquired **Vita Corporation** for 23.0 million shares and **Tetley Medical** for \$3.4 million plus 6.2 million shares. High quality companies will usually simply float on the stockmarket, while more dubious companies will avoid that scrutiny with a back door listing as in this case. Many such companies ultimately fail - and Vita Life Sciences has recently suffered a series of glitches which may threaten its survival. Nevertheless, a company associated with the Chairman, VR Gould, made four on-market purchases during June totalling 210,880 shares - which suggests that the current low share price fully discounts the company's problems.

The business consists of two divisions: **Vita Health** (formed from Vita Corporation and the \$5 million acquisition of **Herbs of Gold** in March 2001) manufactures and sells vitamin, mineral and herbal supplements, mainly in Asia, and accounts for most of the group's revenues and profits. This division, however, has experienced significant problems over the last year. A dispute with the former Managing Director has escalated into a \$3-5 million lawsuit and the shares were suspended last week to prevent him selling his shares ahead of the legal action. A sales downturn in Asia - together with excess stocks held by distributors - resulted in an accounting change involving a \$9.8 million drop in revenues and \$6.9 million charge to profits.

Vita Medical is a smaller business but is performing well and offers strong growth potential and high profit margins. This business involves Research & Development of medical and healthcare equipment. Its

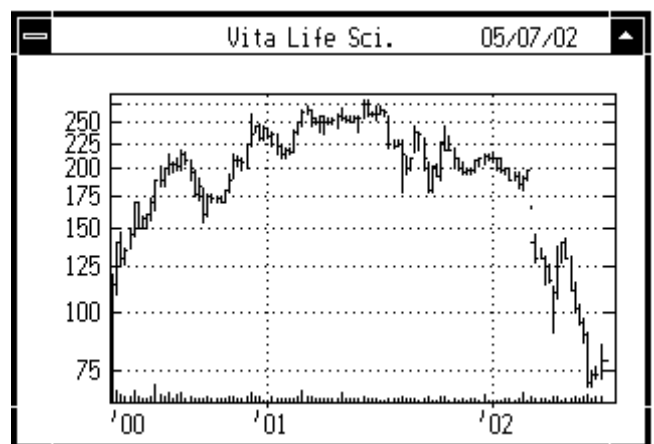
main product, *Technegas* blood clot imaging is used to diagnose life threatening lung conditions. The equipment is currently used mainly in European hospitals on a pay per use basis. Marketing and pricing were changed in late 2001 "which resulted in the substantial improvement in margins and profitability". The US represents 60% of the potential world market, and Vita Medical is seeking FDA approval to enable it to enter this market.

For the year to December 2001 the company reported revenues 8.3% higher at \$36.6 million but profits down 84.2% to \$831,000 (2.0 cents per share) and an annual dividend 66.7% lower at 1.5 cents. With this glitch, the Price/Sales ratio of 1.05 is the best indication that the shares may offer reasonable value.

Further inventory write-downs of \$1.4 million this year, plus legal expenses of \$750,000, are expected to result in little better than a break-even for the current 2002 financial year. On the positive side, Vita Life Sciences has reduced operating costs at its Singapore office by A\$2.25 million annually.

Vita Life Sciences shares are extremely weak and lost two-thirds of their value over the last year. The Relative Strength Rating of -28.6%, ranked 93, is a strong warning to **Avoid** these shares at the present time.

Conclusion. This company has so many problems and the shares are so weak that investors should avoid Vita Life Sciences. Nevertheless, *insider* buying would suggest that the company will probably survive and that current problems may lead to a better managed, more efficient business. A recovery by Vita Health, and growth in Vita Medical, together with further declines in the share price over the next year could lead to an under-valued recovery situation in 12-24 months.



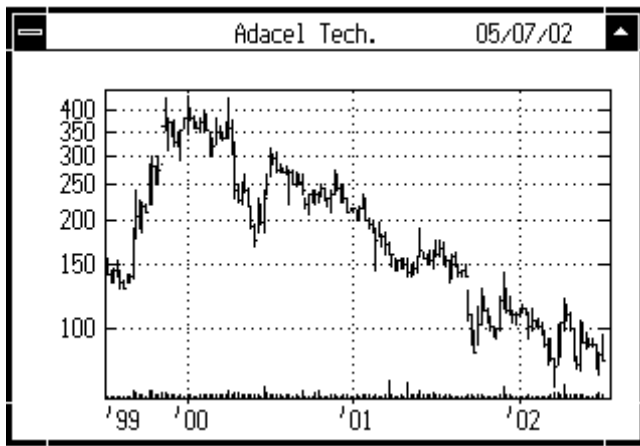
Review of Previously Highlighted Shares with Insider Buying

Adacel Technologies (code ADA).

The company has confirmed that \$160 million of new orders since March 2002 - which will be delivered over the next 2-3 years - will double annual revenues. This will further improve the low Price/Sales ratio of 0.77.

The second half result (to June 2002) will be similar to the first half loss of \$3.4 million but the directors are

confident of "growth, profitability and cash generation" in the year to June 2003. The shares, however, remain in a downtrend and are becoming more under-valued. An end to this downtrend and a *positive* Relative Strength Rating (currently -10.1%) are probably still 3-6 months away but could signal a "Buy" for these growth company shares.



Biota Holdings (code BTA).

No news, no changes.

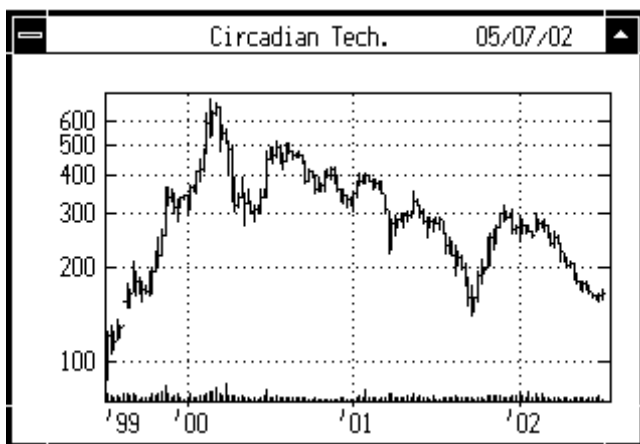
CDS Technologies (code CDX).

CDS Technologies has increased its holding in its UK subsidiary Copa from 76.5% to 100%. The share price, however, has weakened - lowering the Relative Strength Rating to -4.9%, ranked 57 - so technically the shares are less likely to perform strongly in the immediate future.

Circadian Technologies (code CIR).

There have been two further *insider* buys in Circadian shares over the last three months. The market value of the company's listed investments has fallen \$31 million to an estimated \$91 million. With cash of \$21 million, there is \$112 million in cash and securities, or about 270 cent per share. So at 165 cents the shares continue to trade at a 40% discount to asset backing.

When stockmarkets stabilise Circadian Technology shares will be an attractive, under-valued, long term investment in the biotechnology sector.



CPT Global (code CGO).

This small IT company has downgraded its profit forecast for the June 2002 year from \$1.8 million to \$1.0 million, but expects revenues to rise 35-40% in the year to June 2003. One *insider* has purchased additional shares on-market over the last three months.

Relative Strength is still negative at -9.8%, ranked 69, as the shares continue to decline. At the end of this

decline (i.e. with a *positive* Strength Rating) the shares would be an attractive "Buy" (although CPT Global is too small to become a formal recommendation).

Genetic Technologies (code GTG).

Two *insiders* have each purchased a further 100,000 shares on-market over the last three months. US based **Nanogen** has paid \$620,000 in cash and shares for a technology licence. Genetic Technologies has also realised some mining assets for \$300,000 in cash and received repayment of a \$117,000 performance bond. A \$250,000 rehabilitation provision has also been reversed (although this is a non-cash accounting item).

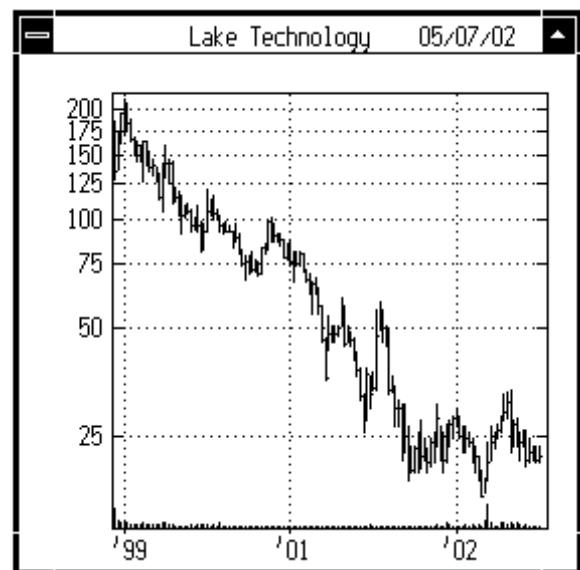
Obviously it is extremely difficult for an outsider to evaluate the value of Genetic Technologies' intellectual property rights, so *insider* buying is probably the best indicator that the shares offer good value. The share price has come back from a recent high of 76 cents to around 42-49 cents. Genetic Technologies is an attractive, but very high risk, company.

Lake Technology (code LAK).

These shares were starting to look attractive three months ago after two directors purchased 21,284 shares and 150,000 shares on-market. Upgrading our data source revealed another director had also purchased 150,000 shares. In May, however, a fourth director *sold* 1,000,000 shares on-market at 25-26 cents.

Lake Technology has been granted two new US patents and extended its licencing arrangement with Dolby. Pioneer Corporation will also use two technologies developed by Lake Technologies in new surround sound headphones.

The share's Relative Strength Rating has improved (i.e. the share price could be near its ultimate lows) but is still negative at -6.6%, ranked 62, and it is always possible the shares will continue to trend downwards. A positive Strength Rating - which may be only a few months away - would confirm an end to this long term decline and could be an important "Buy" signal.



"Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
14/06/2002					
Pacific Retail	Francis Securities	Buy	+2.560	0.0%	5.07%
Seafresh NZ	Lim Family	Sell	-36.949	55.98%	0.0%
Telecom NZ	Franklin Resources	Buy	+19.070	8.22%	9.24%
21/06/2002					
F & P Appliances	AXA Asia Pacific	Buy	+1.735	7.54%	10.21%
Fletcher Building	AXA Asia Pacific	Buy	+4.300	4.23%	5.47%
Lyttleton Port Company	AMP	Sell	-2.002	9.75%	7.78%
Pure NZ	Bomax Pty	Sell	-11.500	44.10%	5.49%
Seafresh NZ	BF McCullough	Buy	+13.068	0.0%	19.80%
Seafresh NZ	Pisces Holdings	Buy	+9.563	0.0%	14.49%
Seafresh NZ	Forbar Nominees	Sell	-0.497	5.70%	4.96%
28/06/2002					
Advantage Group	NP Gordon	Sell	-7.335	16.02%	7.42%
Certified Organics	Ambergate	Sell	-65.898	7.52%	4.75%
Mainfreight	Oakmark Int'l Sm Co	Buy	+0.833	8.52%	9.66%
Sky City Entertainment	CBA	Sell	-2.075	17.91%	16.91%
05/07/2002					
E-Ventures NZ	AMP Henderson	Sell	-1.167	10.84%	9.55%
Lion Nathan	Maple Brown Abbott	Buy	+8.179	9.72%	11.25%
Rubicon Ltd	Guinness Peat Group	Buy	+55.437	0.0%	19.87%

Current Issues

CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Kiwi Income Properties	1:6	82	24-06	19-07
Rocom	5:14	18½	17-06	12-07
Software of Excellence	1:8	200	19-07	16-08

Vertex Group is offering 29,265,250 shares at \$2.05 per share to raise \$60 million from the public. Virtually all of this money (i.e. \$59 million) will go to the existing owners and management who are reducing their level of ownership from 100% to only 8.7%. The new shares issued by Vertex Group will raise a relatively insignificant \$650,000 (after expenses) for the company.

While parts of this plastics business have been operating for 40 years, the current structure has existed for about 21 months since it was purchased from Carter Holt Harvey (for an undisclosed sum). For the six months to March 2001 the business lost \$2.0 million. This business has just become profitable with a trading profit of \$1.5 million for the year to March 2002 from revenues of \$85.9 million. In addition there was a \$2.4 million capital gain on the sale of a property that is now being leased back by the company. Revenues are expected to rise 5.6% to \$90.7 million for the year to March 2003 - with profits forecast to soar 326% to \$6,305,000 (19.6 cents per share). The company expects to distribute around 70% of profits, and predicts an annual dividend rate of 14.2 cents.

Achieving that forecast result would put the shares on a Price/Sales ratio of 0.72, a low Price/Earning ratio of 10.5 and produce a high gross Dividend Yield of 10.3%. Shareholders Equity at March 2003 will be around \$26.7 million (83 cents per share), slightly in excess of interest bearing debt of \$25.7 million. This is a relatively stable, mature, low growth business but offers strong operating cashflows and the potential to pay high dividends to shareholders.

The shares appear to offer good value in terms of the forecast level of profitability. Our only concern would be how *realistic* - and how *sustainable* - are those profit forecasts? As the shares are being sold on the basis of *future* profits the vendors can maximise their sales price by either (1) unintentionally *over-estimating* profits for the March 2003

Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
F & P Appliances	25.00	24-06	28-06	Full
F & P Appliances special	7.50	24-06	28-06	Full
Kiwi Income Properties	4.53	22-07	31-07	0.1587
Kiwi Income Prop special	2.56	22-07	31-07	0.3100
Mainfreight Group	3.50	15-07	19-07	Full
Mr Chips Holdings	1.50	01-07	05-07	Full
Owens Group	1.50	22-07	26-07	Nil
Ryman Healthcare	3.60	01-07	05-07	Nil
Tower Corporation	14.00	15-07	30-07	1.00
Trustpower	10.00	19-08	30-08	Nil
Wakefield Hospital	3.00	08-07	19-07	Full
Australian Shares				
Campbell Brothers	17.00	03-06	01-07	
Central Equity	3.00	27-06	04-07	

Total Return Index for All Listed Shares

Jun 10	1978.33	Jun 17	1984.96
Jun 11	1988.67	Jun 18	2003.69
Jun 12	1974.82	Jun 19	1995.33
Jun 13	1981.66	Jun 20	1995.39
Jun 14	1985.56	Jun 21	1979.86
Jun 24	1967.24	Jul 1	1951.94
Jun 25	1962.39	Jul 2	1944.94
Jun 26	1954.03	Jul 3	1934.14
Jun 27	1958.11	Jul 4	1931.49
Jun 28	1956.95	Jul 5	1941.08

year and/or (2) by *over-stating* profits for that period (i.e. by being too conservative and unintentionally *under-stating* profits in earlier years).

Based upon the experience of this business as a division of Carter Holt Harvey, annual profits of \$4-5 million may be more realistic (i.e. profit forecasts - and the share price - *could* be up to 25-60% too high). Of course, the vendors could argue that they have improved the business and increased profitability. Public investors will note that the vendors are not retaining any significant level of shareholding in Vertex.

Aside from this concern, the shares should be attractive to investors seeking a high level of income. The company is soundly financed, so should be able to sustain a 70% dividend payout of future profits. The only other problem is that the shares may be difficult to obtain.

Summary and Recommendation

Vertex Group shares look reasonably attractive to *income* investors and we would expect the shares to probably trade on-market initially at a small premium to their issue price of 205 cents. The shares could therefore be attractive to investors seeking income or stag profits (i.e. buying to sell on-market at a profit). There is, however, some risk that profitability may decline at some stage over the next several years - resulting in similar weakness in the share price.

This Vertex Group review was e-mailed to subscribers on June 12.

Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday August 13, 2002 (and delivered in most areas on Wednesday 14).

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