

# Market Analysis

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## Inside Market Analysis

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

## Summary and Recommended Investment Strategy.

Hold existing share investments but accumulate cash from the current round of dividend payments. Stockmarkets may remain weak in the immediate future and we shall re-invest the dividend cash when the outlook improves slightly.

## Investment Outlook.

There is \$924 million sitting in the bank account of the **NZ Super Fund** (commonly known as the "Cullen Fund") that is waiting to be invested. Each week the government pays in another \$23 million. Eventually someone will decide where to invest this money and some portion of it, perhaps \$100-300 million per year, will be invested in NZ shares.

This is a significant inflow of money into the NZ stockmarket and could fuel a NZ stockmarket boom that lasts for the next ten years! Then investors can expect a period of long term under-performance as the fund sells off its shares to help finance government superannuation payments.

They say history never repeats itself, but that sounds a lot like the 1978-1987 boom and 1988-1990 bust.

Most of this \$100-300 million per year will probably go into the larger companies that will make up the new NZSE 50 index - a slightly expanded replacement for the current NZSE 40 index. The ten new additions to this index - four of which are in our *Recommended Portfolio* - could perform very well over the next six months (see Page 7 for details) as index funds adjust their portfolios. The potential stockmarket boom, however, may actually be greatest among the smaller shares outside this top 50 index. Institutional and private investors selling the top 50 shares to the NZ Super Fund are likely to re-invest in smaller companies. So these shares benefit *indirectly* from the inflow of new investment money but could perform better as tighter liquidity will result in a greater percentage advance in prices.

Our portfolio of NZ and Australian shares is generating a high cash flow from dividends at present. Given the uncertain short term outlook we are accumulating this cash, awaiting an improvement in the outlook and a new buying opportunity. We are holding all existing investments and remain close to fully invested in the recommended equities.

### Stockmarket Forecasts

	One-Month	One-Year
Australia:	41% (Neutral)	51% (Neutral)
New Zealand:	53% (Neutral)	31% (Bearish)



# 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.

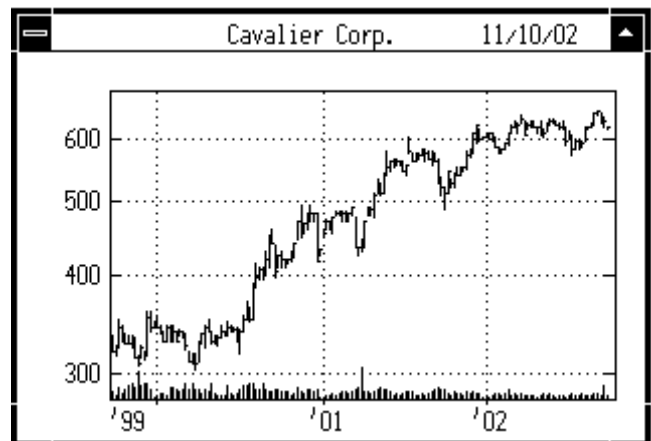
	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A. Barnett Ltd	A	132	0.64	38	Nil	Fletcher Build.	A	292	0.34	12	7.2	Restaurant Brds	C	167	0.60	13	8.9
AMP Limited	B	1345	2.09	18	4.6	GDC Communicat.	B	80	0.44	9	6.5	RetailX Limited	C	20	4.57	12	Nil
AMP NZ Office	C	86	8.78	14	8.3	Genesis Res.	C	160	2.09	NE	Nil	Richina Pacific	D	56	0.06	12	Nil
AXA Asia Pac.	B	273	0.45	10	4.3	Goodman Fielder	C	166	0.50	12	6.0	Richmond Hold.	D	160	N/A	NE	Nil
Advantage Group	E	33	0.45	13	Nil	Guinness Peat	C	151	0.77	6	2.2	Rocom Wireless	D	17	0.26	NE	Nil
Affco Holdings	D	15	0.03	7	Nil	Hallenstein G.	B	275	0.92	14	10.0	Rubicon Limited	C	72	2.72	NE	Nil
Air New Zealand	D	53	0.35	NE	Nil	Hellaby Hold.	B	280	0.41	10	9.6	Ryman Health.	C	168	2.71	15	3.3
Akd Int Airport	B	431	9.07	25	4.7	Heritage Mining*	N/R	5.0	N/A	NE	Nil	Sanford Limited	C	490	1.30	17	6.1
Allied Farmers	A	213	0.23	7	11.2	Horizon Energy	B	350	3.35	12	7.2	Savoy Equities	E	1.6	3.02	NE	Nil
Apple Fields	C	5.0	0.37	NE	Nil	IT Capital Ltd	E	2.5	1.58	NE	Nil	Scott Tech. Ltd	C	220	2.59	NE	2.4
Beauty Direct	D	9.5	2.91	NE	Nil	Ind Newspapers	D	293	1.42	25	4.3	Seafresh Fish.	D	2.8	0.38	NE	Nil
Blis Technology	E	43	N/A	NE	Nil	Infratil NZ	C	181	2.15	15	2.5	Selecter Group	E	1.5	2.11	NE	Nil
Brierley Invest	D	58	5.38	37	Nil	Kingsgate Int'l	D	19	0.98	7	Nil	Shotover Jet	C	71	1.25	9	2.6
Briscoe Group	B	238	1.97	29	4.1	Kirkcaldie & St	B	420	0.63	11	12.4	Skellmax Indust	C	93	0.92	8	11.2
Broadway Ind	D	39	0.21	7	3.8	Kiwi Property	B	102	6.53	11	9.9	Sky City Leisur	B	194	0.22	18	Nil
CACI Group Ltd	D	42	0.59	NE	Nil	Lion Nathan Ltd	A	604	1.73	17	3.2	Sky City Ltd	B	740	2.99	16	7.7
CDL Hotel NZ	C	23	0.40	8	4.5	Lyttelton Port	B	147	2.41	9	11.2	Sky Network TV	E	335	4.47	NE	Nil
CDL Investments	E	17	1.60	43	Nil	Mainfreight Grp	C	110	0.20	12	8.8	Software of Exc	E	160	2.48	NE	Nil
Cabletalk Group	D	24	0.19	NE	Nil	Metro. LifeCare	D	110	1.13	14	Nil	South Port NZ	C	161	2.97	16	6.0
Cadmus Tech Ltd	D	9.0	1.95	NE	Nil	Michael Hill	A	545	0.98	17	4.7	Southern Cap	D	58	3.02	9	Nil
Calan Hiltcare	C	82	6.76	13	8.3	Mid-Cap Index *	N/R	191	N/A	NE	Nil	Spectrum Res.	D	1.5	1.07	NE	Nil
Cap Properties	C	85	2.21	9	11.5	Mooring Systems	C	115	N/A	NE	Nil	Steel & Tube	A	295	0.78	14	9.6
Carter Holt	D	163	0.74	11	3.7	Mowbray Collect	C	78	1.44	NE	Nil	Straightedge	C	48	N/A	NE	Nil
Cavalier Corp	A	620	1.18	15	8.7	Mr Chips Hold	C	110	0.95	31	4.7	Strathmore Grp	D	1.5	7.89	NE	Nil
Cedenco Foods	C	180	1.04	7	Nil	NZ Experience	C	15	N/A	8	Nil	Submarines Aust	C	5.5	2.82	NE	Nil
Cert Organics	D	39	N/A	NE	Nil	NZ Invest Trust*	N/R	490	N/A	NE	1.7	Summit Gold Ltd*	N/R	7.5	N/A	NE	Nil
Col FS Property	B	109	6.21	11	9.7	NZ Oil and Gas *	N/R	28	2.23	NE	Nil	Tag Pacific Ltd	E	8.5	0.18	NE	Nil
Col Motor Co	B	286	0.21	10	11.0	NZ Refining Co	B	1720	2.31	11	15.2	Taylor's Grp Ltd	C	157	0.71	12	8.1
Commsoft Group	C	1.0	0.13	NE	Nil	NZIJ.co.nz	B	30	2.20	NE	Nil	TeNZ *	N/R	89	N/A	NE	Nil
Compass Com.	B	42	N/A	59	Nil	Nat Property Tr	C	82	5.03	13	11.0	Telecom Corp	C	506	1.71	14	5.9
Contact Energy	B	382	2.10	18	7.4	Natural Gas	B	143	1.56	19	4.5	Tourism Hold.	E	95	0.47	38	4.7
Cube Capital	C	40	0.77	NE	Nil	Newcal Group	D	4.5	0.33	NE	Nil	Tower Limited	B	356	0.55	9	8.4
Cue Energy Ltd *	N/R	5.7	1.52	13	Nil	Newmarket Prop.	C	50	3.81	9	13.1	Trans-Tasman	E	23	1.30	7	Nil
DB Breweries	B	590	1.07	13	6.8	Northland Port	C	240	3.62	NE	Nil	Tranz Rail Hold	D	151	0.33	NE	Nil
Dairy Brands	C	63	7.29	NE	Nil	Nuhaka Forestry	D	895	N/A	NE	Nil	Trust Power Ltd	C	345	1.05	NE	5.5
Design Textiles	B	76	N/A	8	5.9	Nuplex Indust	B	303	0.43	9	8.4	Turners Auction	C	245	N/A	NE	Nil
Dorchester Pac	A	155	0.65	8	6.4	Opio Forestry	D	54	9.68	NE	Nil	United Networks	A	986	3.28	13	5.3
E-Ventures NZ	D	32	6.57	NE	Nil	Otter Gold Mine*	N/R	31	0.73	NE	Nil	Utilico Int'l	B	70	7.11	9	Nil
Ecademy Hold.	D	0.4	6.67	NE	Nil	Owens Group Ltd	E	83	0.11	10	4.2	Vending Tech.	C	166	2.40	9	Nil
Ebos Group Ltd	C	289	0.38	13	7.5	Ozzy (Tortis) *	N/R	194	N/A	NE	Nil	Vertex Group	B	124	0.44	6	17.1
Eldercare NZ	D	21	1.01	NE	Nil	Pacific Retail	C	298	0.34	9	Nil	WN Drive Tech.	C	40	N/A	NE	Nil
Elect Trans Tec	D	3.2	N/A	NE	Nil	Port Tauranga	B	816	4.98	22	6.0	Wakefield Hosp.	C	135	0.55	18	3.3
Evergreen	E	50	3.34	11	Nil	Ports Auckland	C	600	4.01	15	7.5	Warehouse Group	B	725	1.18	27	2.8
F & P Health.	B	985	4.70	16	3.8	Powerco Limited	C	180	2.45	12	10.9	Waste Mgmt NZ	B	297	1.89	22	3.8
F & P Appliance	A	985	1.88	23	3.8	Property F Ind.	C	90	8.37	41	7.6	Williams Kettle	A	405	0.32	8	8.5
FC - Forests	D	22	0.92	8	Nil	Pure NZ Limited	E	5.0	4.85	NE	Nil	World Index Fd *	N/R	113	N/A	NE	Nil
Feverpitch Int.	D	15	N/A	NE	Nil	Pyne Gould G.	B	106	0.41	9	12.0	Wrightsons Ltd	A	134	0.27	8	12.8
Finzsoft Solns	C	50	1.14	NE	Nil	Renaissance	D	36	0.07	NE	Nil	<b>Ave of 143 Cos</b>	C	199	0.55	19	3.5
AMP Diver. Prop	B	256	9.48	13	7.6	Corp Express	B	480	1.44	29	1.3	Nufarm Limited	B	358	0.38	10	5.0
AMP Ltd	C	1180	0.47	11	4.0	Deutsche Ind Tr	B	169	6.78	15	8.9	Onesteel Ltd	A	151	0.27	17	4.3
AMP Office Trt	C	116	N/A	13	7.9	Deutsche Div Tr	B	118	8.02	13	7.6	Orica Ltd	B	955	0.63	43	1.7
AMP Shop Centre	B	137	6.89	14	8.1	Deutsche Office	C	117	6.87	12	8.5	Origin Energy	B	350	0.93	18	1.4
ANZ Bank	B	1699	3.92	14	4.3	Downer EDI Ltd	C	60	0.24	10	4.0	Pacifica Group	C	374	0.47	NE	2.3
APN News Media	B	274	1.97	24	5.4	Envestra	C	94	2.47	NE	10.1	Paperlin X Ltd	B	502	0.51	13	5.4
AWB Limited	B	338	0.42	10	6.5	Fairfax (John)	B	266	1.63	36	4.1	Patrick Corp	B	1310	3.02	30	1.3
AXA Asia Pac	C	236	0.79	11	5.2	Flight Centre	B	2285	0.56	32	1.6	Perp Trust Aust	C	3318	4.25	17	4.8
Adelaide Bright	B	93	1.13	15	4.3	Foodland Assoc	A	1869	0.44	21	4.0	Publishing & Br	C	780	2.02	19	2.7
Adelaide Bank	B	715	1.25	15	4.5	Foster's Group	B	486	1.99	18	3.5	Q.B.E. Insur.	C	720	0.44	NE	4.2
Alintagas Ltd	B	414	3.02	21	2.7	Futuris Corp.	B	126	0.11	12	9.5	Qantas Airways	B	367	0.51	13	4.6
Amcor Ltd	B	848	0.82	8	3.3	GWA Internat'l	A	241	1.09	14	7.1	Ramsay Health	B	400	0.92	16	2.8
Ansell Ltd	C	670	0.56	NE	Nil	Gandel Retail T	B	128	8.45	15	7.0	Reece Australia	B	650	1.01	15	2.6
Aristocrat	B	441	2.56	23	2.7	General Prop Tr	B	281	8.00	14	7.0	Rio Tinto Ltd	C	3002	0.73	5	3.9
Aust Pipeline	B	255	2.55	17	8.4	Globe Int'l Ltd	C	125	2.35	19	3.0	Rural Press Ltd	A	545	1.41	12	2.8
Aust Pharm. Ind	C	308	0.32	17	4.2	Goodman Fielder	B	147	0.60	11	5.1	Seven Network	C	470	1.09	20	4.4
Aust Gas Light	B	1032	1.39	23	5.0	Guinness Peat	C	133	2.90	12	0.4	Sigma Company	C	407	0.33	26	2.5
Aust Stock Exch	B	1092	5.29	19	3.7	Gunns Ltd	B	817	1.25	12	3.3	Simsmetal Ltd	B	657	0.42	12	5.5
Austereo Group	C	151	2.42	11	5.2	Harvey Norman	B	257	2.34	21	1.8	Smorgon Steel	B	114	0.33	20	5.7
Australand Hold	B	133	0.52	8	9.0	Hills Motorway	B	450	9.49	35	4.3	Sonic Health	B	605	1.81	46	3.3
BHP Steel Ltd	C	280	N/A	NE	Nil	ING Indust Trt	B	167	N/A	13	8.1	Southcorp Ltd	C	580	1.52	14	3.8
BRL Hardy Ltd	C	828	1.85	20	2.4	ING Office Fund	B	119	6.63	12	8.9	Spotless Group	A	530	0.50	34	4.2
Bank of W. Aust	B	395	3.97	15	4.4	Incitec	B	705	0.87	13	4.0	St George Bank	B	1712	2.07	20	3.8
Baycorp Advant.	C	289	5.39	NE	3.8	Insurance Aust.	C	302	0.95	NE	3.5	Sthn Cross Brd.	C	912	1.62	16	6.3
Bendigo Bank	A	775	3.30	19	3.7	Investa Prop.	B	204	6.55	14	7.2	Stockland Trust	B	456	4.53	15	6.5
Bidvest	B	400	0.22	14	2.5	James Hardie	B	605	2.33	48	1.6	Suncorp-Metway	B	1088	1.27	18	5.0
Billabong Int'l	B	672	2.69	22	2.8	Jupiters	A	546	1.38	14	3.8	TAB Ltd	A	320	1.61	19	4.1
Boral Limited	B	418	0.68	12	4.5	Leighton Hold	B	949	0.51	15	4.4	TAB Queensland	A	413	1.49	21	3.6
Brambles Ind.	C	641	0.62	11	3.1	Lend Lease Corp	C	970	0.34	19	1.9	Tabcorp Holding	A	1233	2.33	18	5.1
Brickworks Ltd	B	612	4.84	16	2.5	Macquarie C'Wde	B	158	9.19	13	8.5	Telstra	C	484	1.48	8	4.5
C'wth Prop Off.	B	117	8.37	13	7.6	Macquarie Bank	C	1970	1.64	14	4.7	Ten Network	D	192	1.10	NE	Nil
C.S.R. Ltd	B	554	0.72	9	4.3	Macquarie Off.	C	122	9.09	14	9.0	Toll Holdings	B	2390	0.79	22	1.7
CSL Limited	C	2033	2.39	26	1.7	Macquarie Infra	B	289	5.09	11	3.1	Transurban Grp	C	391	N/A	NE	0.6
Centro Prop.	B	364	N/A	16	7.2	Macquarie Good.	B	147	5.75	13	8.0	United Energy	B	271	2.34	24	6.4
Challenger Int.	C	210	1.02	3	4.3	Mayne Group Ltd	C	324	0.51	15	4.3	W.M.C. Limited	C	720	2.16	20	4.0
Coal & Allied	B	2350	1.31	10	3.2	Metcash Trading	A	209	0.20	22	2.4	Wesfarmers Ltd	B	2592	1.31	23	4.3

# Recommended Investments

**Cavalier Corporation** has invested A\$2 million to acquire an 88-90% shareholding in **Ontera Modular Carpets**. The remaining 10-12% is held by management who bought the company, formerly **Feltex Modular**, in a management buy-out in 1998. The company generates annual revenues of about A\$25 million from the manufacture of synthetic fibre carpet tiles but "has been prevented from reaching its full potential by a shortage of capital". The business is different from Cavalier's existing wool carpet business, but there are "a number of areas of synergy" and "a high level of strategic fit in the carpet industry". Cavalier views this as a "strategic investment" in a company that it can help grow with its capital and knowledge of the carpet industry.

While this is a very small investment it should be extremely profitable. The company expects it to "add about \$2 million to Cavalier's earnings" (before interest

and tax) and "offers the potential to make a greater contribution in future years".



(Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Price	Perfor- mance 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	2.1	1.60	43	Nil	17	6.1	-6%
HOLD	Cavalier Corporation	CAV	05/12/95	312	A	31.5	0.7	1.18	15	8.7	620	198.0	+162%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.6	0.21	10	11.0	286	219.8	+237%
BUY	Lyttelton Port Company	LPC	12/12/00	150	B	101.8	0.8	2.41	9	11.2	147	21.3	+12%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.5	0.5	0.98	17	4.7	545	120.0	+1346%
HOLD	Nuplex Industries Ltd	NPX	11/02/97	350	B	59.7	0.8	0.43	9	8.4	303	68.0	+6%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	37.1	2.0	0.07	NE	Nil	36	10.4	-45%
HOLD+	Richina Pacific	RCH	03/11/95	119*	D	72.2	1.6	0.06	12	Nil	56	11.9	-43%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	0.9	2.97	16	6.0	161	62.8	+86%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.9	0.9	0.78	14	9.6	295	52.0	+138%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.9	0.71	12	8.1	157	21.5	+75%
BUY	Wrightson Limited	WRI	13/01/98	83	A	134.2	1.3	0.27	8	12.8	134	29.8	+97%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	Abigroup Limited	ABG	09/03/99	265	B	47.7	0.8	0.16	13	4.1	194	45.0	-10%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	B	83.3	1.4	2.99	8	9.3	43	4.0	-36%
HOLD+	Auspine Limited	ANE	08/02/00	210	B	57.0	0.7	0.65	14	5.8	240	48.0	+37%
BUY	Austral Coal Ltd	AUO	16/01/01	19	B	154.4	1.2	0.56	11	Nil	54	Nil	+184%
HOLD	Biron Capital Ltd	BIC	12/04/94	171*	B	38.2	1.6	2.41	20	3.1	32	11.5	-75%
HOLD+	Brazin Limited	BRZ	11/12/01	160	B	116.4	1.0	0.46	10	6.9	197	13.5	+32%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	418*	C	39.0	0.5	0.55	17	6.1	495	72.5	+36%
BUY	Cellnet Telecommunicat	CLT	12/02/02	152	C	49.3	0.9	0.22	9	6.0	150	9.0	+5%
BUY	Commander Comm.	CDR	11/09/01	92	B	145.0	1.1	0.62	12	3.2	86	5.3	-1%
HOLD	C.S.R. Limited	CSR	11/07/00	436	B	937.6	0.7	0.72	9	4.3	554	36.0	+35%
BUY	Julia Ross Recruitment	JRR	14/08/01	92	B	57.4	1.1	0.32	8	7.0	86	9.0	+3%
HOLD+	McPherson's Ltd	MCP	10/10/00	125	A	39.2	0.6	0.32	9	5.7	212	24.0	+89%
HOLD	Nufarm Limited	NUF	11/02/97	418*	B	155.3	0.8	0.38	10	5.0	358	88.3	+7%
HOLD	OAMPS Limited	OMP	15/05/01	198	A	45.6	0.6	0.38	13	5.6	355	14.0	+86%
BUY	Skilled Engineering	SKE	12/03/02	126	A	86.4	0.9	0.22	12	6.8	147	10.0	+25%
HOLD	Toll Holdings <sup>1</sup>	TOL	08/09/98	240	B	68.8	0.6	0.79	22	1.7	2390	116.0	+944%
HOLD	DVT Holdings (ex USC)	DVT	11/01/00	3*	D	2196.4	5.5	0.20	9	Nil	3	0.6	+16%
BUY	Villa World Ltd	VWD	11/06/02	68	A	102.9	1.0	0.37	6	11.7	77	Nil	+13%
HOLD	Vision Systems Ltd	VSL	10/11/98	69*	C	161.1	1.1	1.28	13	4.1	95	20.1	+67%
HOLD+	Volante Group Ltd	VGL	13/03/01	132	C	68.1	1.1	0.21	17	7.3	110	13.0	-7%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +109.7%.

This is equal to an average annual rate of +28.5%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 32 current and 117 closed out) is +28.9%, compared with a market gain of +8.9% (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 2400 cents.

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

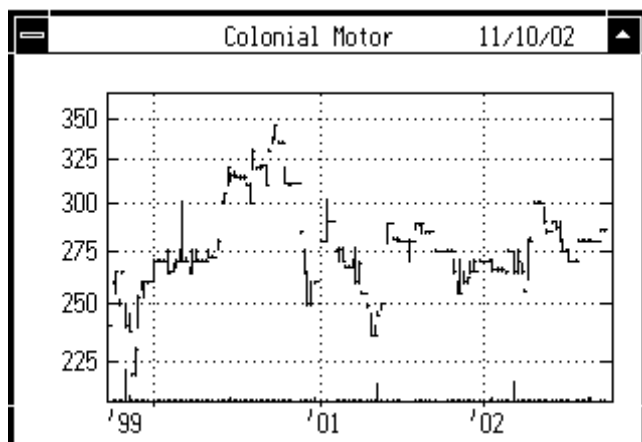
**Colonial Motor Company** experienced strong trading conditions for the year to 30 June. Revenues rose 12.8% to \$382.6 million while trading profits soared 62.9% to \$8,161,000 (29.3 cents per share). In addition there was a \$145,000 gain on the sale of property. A final 12.0 cents dividend (plus full imputation tax credits) will lift the annual dividend 50.0% to 21.0 cents.

During the first half the company profited from strong demand for extra-heavy trucks, while the "highest level" of new car sales "for over a decade" boosted results for the second half of the year. New car sales have remained strong since balance date.

Importing and retailing motor vehicles is a cyclical business, so profits and dividends can rise and fall with fluctuations in economic activity. This, in turn, can result in cyclical swings in the share price which can lead to the opportunity to sell when the price is high and buy back when the share price is low. In fact, however, by next month we will have held our Colonial Motor Company shares for exactly a decade. One of the factors that first attracted us to the company was its (1) high income, low asset, vehicle retailing business and its (2) asset rich, low earning, property investments. The stockmarket under-valued these mismatched businesses, just as the market currently under-values the similar situation with Abigroup which has (1) an income producing, low asset, construction business and (2) an asset rich, low income, investment in Hills Motorway.

Colonial Motor Company liquidated its property investments in 1996-98 and returned this cash to shareholders by way of special dividends and capital repayments. While the remaining motor vehicle business is cyclical the share price has been relatively stable and offers good value (i.e. a high dividend yield) so the shares have remained a sound investment.

If the share price rose to 500-600 cents per share in response to the cyclical improvement in profitability then we would consider selling Colonial Motor shares. While the shares remain under-valued, however, we shall continue to hold for high income!



**Lyttelton Port Company** has been informed that the *P & O Nedlloyd's* new 4100-TEU capacity container vessels to Europe will not call at the Lyttelton Container Terminal. If all the cargo currently carried by *P & O Nedlloyd* to Europe goes through Otago then Lyttelton will lose about 11% of its container volumes - but only about 2% of its total business!

This loss of container business results from the company's inability to negotiate 24 hours per day, seven days per week labour contracts. Workers at other ports had agreed to this "following a significant loss or downturn in trade". Lyttelton operates under a "restrictive rostering" system. As a result, over the last year the company has paid employees for 39,542 hours when there was no work, while at other times container ships had been "tied up idle at the container terminal for 613 hours waiting for labour".

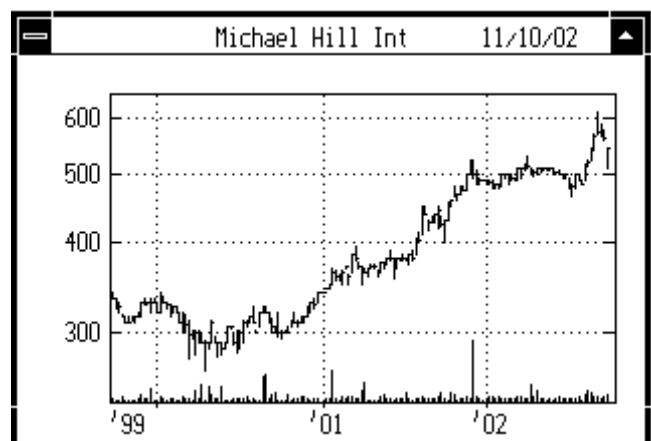
Lyttelton Port Company is seeking a corporate adviser to "evaluate corporate strategies", the "company structure" and to provide "ongoing financial advice".

Lyttelton Port Company has a strong balance sheet, so even with some loss of container trade, the business will remain profitable and the shares will remain a high income producing investment. Therefore we continue to rate the shares a "Buy" as a relatively low risk investment offering high income.

**Michael Hill International** has declared a special 20.0 cents dividend (plus full imputation tax credits) that will be paid on 14 October along with the regular 10.0 cents final dividend. This will distribute the A\$4.5 million realised on the sale of the Australian head office building, together with \$2½ million that the company apparently does not need to finance its growth plans.

Many "get rich quick" investors tend to ignore dividends and focus on capital appreciation. In fact, dividends will contribute about 50% of an average investor's total return from the stockmarket - and dividend returns are far less risky than returns from capital appreciation. While our Michael Hill shares have increased significantly in value over the last eleven years we have also earned a significant cash return from dividends. The current 30 cents distribution will take our dividend return to 120 cents per share that we originally purchased for just 46 cents.

So our initial investment has been repaid more than 2½ times in (tax paid) dividends - and we still hold a valuable share investment worth almost 12 times cost.



**South Port**, which experienced strong growth last year "on the back of Southland's and Otago's economic growth", anticipates slower growth in the current financial year. The company, however, still has nine hectares of land on Island Harbour and six hectares on the Bluff foreshore that can be progressively developed to expand warehousing and other cargo facilities.

The port was closed for a day last week after the *Tai Ping* ran aground on rocks.

**Australian Shares**

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

**Abigroup** has reported a 22.0% drop in revenues to \$584.6 million for the year to 30 June 2002 and profits fell 60.4% to \$7,188,000 (15.1 cents per share). A final 4.0 cents dividend will make the annual rate 33.3% lower at 8.0 cents.

A year ago the company warned that construction margins would remain depressed until the June 2003 financial year.

The company performed well on two civil engineering projects which “confirms Abigroup’s position as one of Australia’s leading road construction contractors”. The \$278 million Yelgun to Chinderah road project has been completed 4½ months early and the \$65 million Murchison Range road deviation is currently six months ahead of schedule.

Abigroup recently won the \$70 million North Bowen Basin Rail Link project which involves constructing 46.5 km of rail line together with associated earthworks, bridges and drainage.

An Abigroup/**Leighton Contractors** joint venture, WestLink Motorway, is one of two selected tenderers to construct the \$1,250 million Western Sydney Orbital BOOT (i.e. Build, Own, Operate, Transfer) project. The **Road Transport Association** will nominate the preferred tenderer this month and, if successful, construction would start in June 2003.

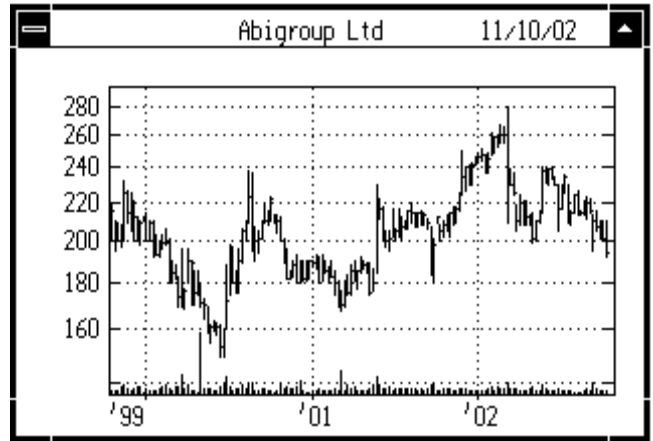
Another Abigroup joint venture is one of four short-listed for the \$850 million Lane Cove East Tunnel BOOT project. Tenders are due in November, with the preferred tenderer likely to be announced in mid 2003.

Abigroup is also involved in other infrastructure projects worth \$2,000 million.

Despite the cyclical slump in profits and dividends, Abigroup shares trade at a low valuation (i.e. an extremely low Price/Sales ratio of 0.16, a low Price/Earnings ratio of 13 and a Dividend Yield of 4.1%). Its investment in **Hills Motorway** is worth \$67.5 million (142 cents per share) but makes only a small contribution (i.e. \$2.9 million in dividends) to reported profits. Investors are therefore paying only 52 cents for the development, construction, maintenance and infrastructure businesses - or about six times profits at the bottom of the cycle.

This investment *may* not realise its full potential until Abigroup sells its Hills Motorway shares and uses that money to make (1) a large capital repayment to shareholders (i.e. a share buy-back or special dividend) and (2) a major acquisition to expand its construction business (and on-going revenues and profits). The company plans to only “hold the Hills shares for the short to medium term” but is holding on until after the “construction of the Western Sydney Orbital and the Lane Cove Tunnel” which “are expected to generate additional traffic growth for Hills” and “further increases in the share price”.

We have held Abigroup shares for 3½ years for little change (i.e. dividends received have offset a decline in the share price) but ultimately we expect this investment to be very profitable for us. “Hold+”.



**Atlas Pacific**, as we expected last month, has declared an interim dividend of 2.0 cents.

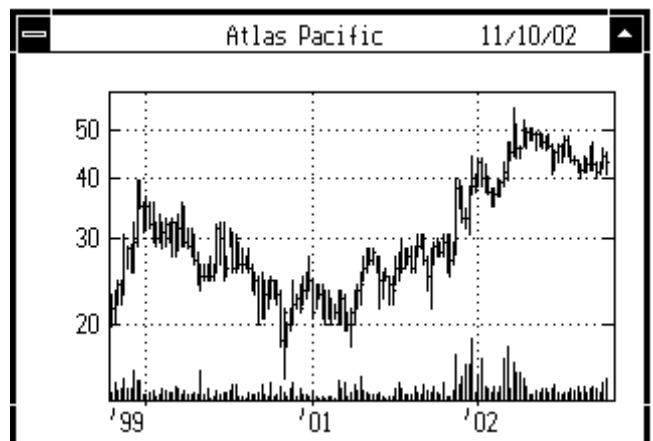
The company has also lowered its profit forecast for the current year to December 2002 by 23% to \$4 million. The *main* reason for the downgrade is not any deterioration in the company’s business but that the company is seeking to produce larger, more valuable pearls by increasing the growing period. This defers into later years, harvesting and sales that were originally planned for this year.

The company had two successful spawnings at its Alyui Bay hatchery during September, “hopefully signalling an end” to breeding problems experienced over the last year. 120,000 juvenile oysters have been transferred to a new grow-out facility on the island of Kawe. The company currently has 520,000 juveniles that it expects to result in 250,000 mature oysters.

Atlas Pacific expects to seed 160,000 new oysters and to re-seed 70,000 oysters this financial year. 52,000 oysters will be harvested in November/December, bringing the total 2002 harvest to about 100,000 pearls. Most of these will be carried forward and sold in the 2003 financial year, so will not contribute to the current year’s revenues and profits.

A new camp and operations facility will be built at Sylo, in the north of Alyui Bay. This will mainly be involved in farming oysters for joint ventures.

There has been a lot of *insiderselling* in Atlas Pacific shares recently, but mainly from directors seeking to raise cash to exercise share options (at 30 cents) on 14 October.



**Austral Coal** has negotiated a 12% increase in its sale price for coal for the current year. As the company’s net profit margin is about 12%, (Continued on Page 6)

**Recommended Investments** (Continued from Page 5) this price increase could approximately double profitability.

In addition, Austral Coal is making steady progress to increase its production *volume* 2½ fold from January 2004. That, of course, would boost revenues 2½ fold and have an even greater impact on profitability! The 3.6 km, \$12 million, new conveyor belt has been “successfully commissioned” and increases the mine's transport capacity from 1,600 tonnes per hour to 4,000 tonnes.

Austral Coal is currently evaluating tenders for a new high capacity longwall mining system and expects to place an order before the end of 2002. It is also studying tenders to upgrade the coal preparation plant.

Operating cashflow is currently all being re-invested to fund expansion, but from 2004 operating cash flows will increase significantly and be available to (1) repay expansion debts and (2) pay high dividends to shareholders.

In the 1990's falling coal prices forced Austral Coal to reduce operating costs and become more efficient. The current expansion and new equipment will further lower production costs, while the new fields have larger coal deposits which are easier and cheaper to extract. Over the last two years the company has been able to raise its selling price by 40% (in US dollar terms) per tonne and, as previously mentioned, production volumes will rise 2½ fold in a little over one year.

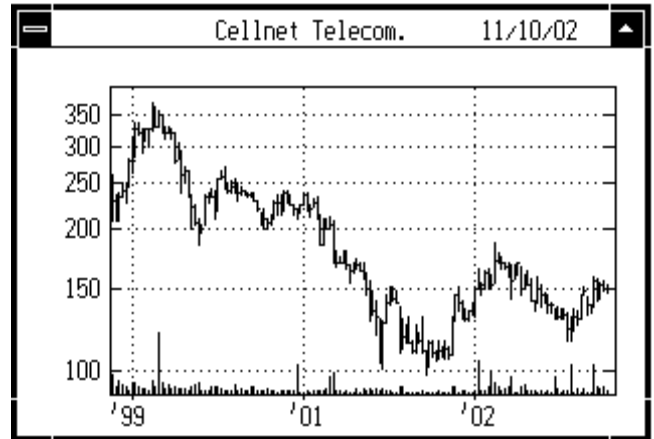
Any one of these factors would have a favourable impact on Austral Coal's profitability . . . but the combination of (1) lower operating costs per tonne, (2) a 40% increase in revenues per tonne and (3) a 2½ times increase in the tonnage of coal extracted will lead to a massive increase in cashflows and profits! Austral Coal's share price has increased almost three fold since we bought into the company a little under two years ago, but could increase a further 2-4 fold over the next two years. That is why we continue to rate the share a “Buy”.

**Cellnet Telecommunications** has significantly lifted revenues - up 37.8% to \$341.0 million - for the year to 30 June 2002. This growth reflects long term contracts with **Telecom NZ, AAPT Cellular One and Vodafone** that have outsourced mobile handset sales to the company. Profits rose only 4.8% to \$8,114,000 (16.5 cents per share), but margins will likely improve this year as the company better utilises its automated national distribution centre in Brisbane that was opened in October 2001 and with the benefit of a full year's revenue from the recently won new business. A final 5.0 cents dividend maintains a steady 9.0 cents annual dividend rate.

Revenue from mobile phone sales rose 22% to \$230 million and generated earnings (before interest, tax and overheads) of \$12.2 million. The **IT Wholesaler** computer business lifted revenues by 91% to \$109 million and contributed earnings of \$3.8 million.

At 150 cents, Cellnet Telecommunications shares trade on a Price/Sales ratio of just 0.22, a low Price/Earnings ratio of 9 and offer a Dividend Yield of 6.0%. That offers good value, while growth in revenues and profits this year will drive the share price higher. The Relative Strength rating is -0.7%, ranked 33, but increasing (i.e. up 4.0% over the last four weeks). So the

Strength Rating will become *positive* this week, indicating that the shares are probably in the early stages of a new uptrend. *Insider* activity is slightly unfavourable, with only one buy but three sells over the last year. The shares are *neglected* - with only one broker publishing profit forecasts. Neglected shares are usually under-valued relative to the rest of the market and therefore likely to perform better than average in the future. “Buy”.



**CSR's** US\$540 million takeover bid for US based **Kiewit Materials Company** has been successful.

**Nufarm** lifted revenues 4.0% to \$1,444.3 million for the year to 30 June. Profits rose 11.2% to \$56,834,000 (36.5 cents per share) and the annual dividend rate will remain steady at 18.0 cents.

Nufarm is to sell its Australian and NZ chemical distribution business, Fernz Specialty Chemicals, to **Orica** for \$60 million. The business generated \$197 million in revenues and a net profit of \$2.6 million in the year to July 2002. So Nufarm is selling this business at a P/S ratio of 0.30 and a P/E ratio of 23 - which indicates that the money realised from the sale can be more profitably invested in Nufarm's core global crop protection business.

**OAMPS** completed three further acquisitions of smaller insurance broking businesses over the last month: Horsham based **WMS Insurance Services** will add 1200 clients and \$2.5 million per annum to premium revenues. Warragul based **Burke Australia** has 350 clients and annual premium revenues of \$1.2 million. Chatswood based **Spencer Jones Insurance Brokers** is a specialty business that has developed national insurance programmes for churches, community groups and alternative medicine practitioners. Although it has just over 50 clients, the business generates annual revenues of \$3 million.

36.2% of **Toll Holdings'** convertible notes were recently converted to ordinary shares, despite the lower income produced by the ordinary shares. This leaves 4,304,689 notes on issue and further reduces the marketability of the convertible notes.

Toll Holdings has also announced plans for a 4 for 1 split of its ordinary shares on 31 October. The convertible notes will participate later when each note can be converted into four ordinary shares after the split.

At \$23.90, Toll Holdings shares are down 38.6% over the last six months from their peak of \$38.90 in April. Clearly the shares became a little over-valued after the company won control of National Rail and the price has

also come back in recent months with the general stockmarket weakness. However, we are not share traders and don't believe it is possible to catch every fluctuation in a share's price.

Toll Holdings shares are not *cheap*, but a P/E ratio of 22 is not unreasonable for a company that has grown earnings per share 3.7-fold (39% per annum) and dividends 2.9-fold (30% per annum) since we bought in four years ago. As discussed last month, earnings per share could continue to grow by 30-50% per annum over the *next* two years. Don't panic - just "Hold".

**DVT Holdings** proposes to change its name to **USC Ltd**, to consolidate each 18.6 shares into 1 new share and then to pay a special 3.0 cents dividend. This will make a 5.0 cents distribution to the original Utility Services Corporation shareholders and the company intends to maintain this 5.0 cents annual dividend.

The company has \$40 million in cash and plans to buy-back about 10% of its shares on-market and from small shareholders with unmarketable parcels (i.e. mainly ex-DVT shareholders) over the next year.

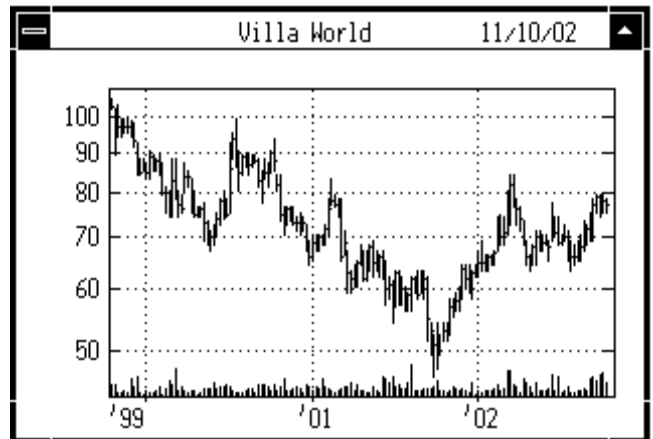
DVT has acquired **Xapt Australia** for an undisclosed consideration. This company resells *Microsoft Navision Axapta* which together with consulting and service contracts, generates about \$2 million per annum in revenues "at good margins".

The group has also bought a 7.17% shareholding (i.e. 6,121,025 shares, worth about \$1 million) in listed **IT & E**, which is involved in e-commerce solutions and network design. IT & E shares trade on a P/E of 7 and the company has a market capitalisation of just \$14.2 million, so DVT could be planning a full takeover offer for this small, under-valued company.

**Villa World** has exceeded its forecast of a profit recovery to "at least \$12 million" with trading profits recovering 155.9% to \$13,304,000 (12.9 cents per share). Revenues were up 26.1% to \$215.7 million. The company has also exceeded our expectation of an 8.0 cents annual dividend rate and will pay a final 5.0 cents to make a

157.1% higher 9.0 cents annual dividend.

The company reports "the outlook for the current year looks good" and expects "a small increase in profits".



The stockmarket has not reacted well to **Vision Systems** purchase of **Novocastra Laboratories** in June for \$94 million, with the share price falling 44% to 95 cents. The directors, however, are putting their own money into this investment. Over the last month there have been seven *insider* buys from five directors in Vision Systems shares at prices from 97-118 cents per share.

Chairman WR Beischer bought 20,000 shares and now owns 179,000 shares, while JB Parncutt was the largest purchaser, acquiring another 100,000 shares on-market to double his holding to 200,000 shares. TFS James picked up 60,000 shares, building his holding to 132,001 shares. GE McGuinness bought 22,000 shares to own 30,000 shares, and JN Button purchased 10,000 shares to increase his holding to 70,000 shares.

Over the last year there have been a total of ten buys and two sells.

**Volante Group** has won a \$12 million, four year IT outsourcing contract to provide IT equipment and support for **Santos**. Thirty staff will transfer from Santos to Volante Group.

## *New Share Index*

The NZ Stock Exchange plans to expand the NZSE 40 Index into a NZSE 50 Index "early next year". As institutional investors closely follow index weighting, this proposed change can have a significant impact upon the prices of shares added or removed from an index.

So the ten shares to be added to the index could perform very strongly over the next six months as index funds seek to establish holdings in these companies. The likely additions to the index are Steel & Tube, Powerco, Cavalier, Wrightson, Restaurant Brands, Michael Hill, Capital Properties, Calan Healthcare, Goodman Fielder and Skellmax.

Four of these shares are currently in our *Recommended Portfolio* and Powerco and Restaurant Brands are also attractive shares. Index buying should also help the value of property companies Capital

Properties and Calan Healthcare, although these are unlikely to rise too far above their net asset values. Goodman Fielder and Skellmax are probably less attractive as long term investments, but their share prices should also outperform over the next six months.

The new index will also make a change to the way each share is weighted and will be based upon their "free float". The major impact here will be to *significantly decrease* the weighting of Air NZ as the government's 82% shareholding is excluded. We have previously indicated (*Market Analysis* June 2002) how including the government's Air NZ shares in the index had created a tight scrip situation as institutional investors bought shares for their index funds. With the introduction of the new index this will be reversed - with Air NZ's share price likely to fall significantly as institutions are forced to sell down their holdings in this company.

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

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

Company	STRENGTH RATING					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	Brokers Following							
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0												
Col Motor Co	286	+0.2	+0.4	32	-	1.0	10	0.6	10	11.0	0.21	80
Wrightsons Ltd	134	+6.8	+5.0	11	1	1.5	18	1.3	8	12.8	0.27	180
Fletcher Build.	292	+1.4	+1.8	26	5	1.8	16	1.0	12	7.2	0.34	1,012
CDL Hotel NZ	23	+3.8	-5.3	17	-	0.4	5	2.0	8	4.5	0.40	80
Hellaby Hold.	280	+2.8	+1.5	20	1	1.7	17	0.8	10	9.6	0.41	139
Goodman Fielder	166	+0.2	-2.6	33	-	1.2	10	0.7	12	6.0	0.50	2,119
Kirkcaldie & St	420	+1.6	+0.5	25	-	2.4	22	0.7	11	12.4	0.63	32
Dorchester Pac	155	+9.7	+0.1	7	-	1.5	18	1.1	8	6.4	0.65	30
Steel & Tube	295	+1.9	+0.1	24	5	2.1	15	0.9	14	9.6	0.78	259
Hallenstein G.	275	+0.0	+2.2	35	4	3.8	27	0.7	14	10.0	0.92	162
Michael Hill	545	+4.7	+2.5	13	3	4.7	28	0.5	17	4.7	0.98	210

<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0												
Sky City Leisur	194	+24.1	+10.5	1	-	19.9	-	1.4	18	Nil	0.22	12
Pacific Retail	298	+16.8	-3.4	1	1	2.0	22	0.9	9	Nil	0.34	151
Kingsgate Int'l	19	+14.1	-2.9	4	-	0.5	7	1.8	7	Nil	0.98	75
Dorchester Pac	155	+9.7	+0.1	7	-	1.5	18	0.9	8	6.4	0.65	30
Wrightsons Ltd	134	+6.8	+5.0	11	1	1.5	18	1.1	8	12.8	0.27	180
Michael Hill	545	+4.7	+2.5	13	3	4.7	28	0.5	17	4.7	0.98	210
CDL Hotel NZ	23	+3.8	-5.3	17	-	0.4	5	1.5	8	4.5	0.40	80
Hellaby Hold.	280	+2.8	+1.5	20	1	1.7	17	0.6	10	9.6	0.41	139
Steel & Tube	295	+1.9	+0.1	24	5	2.1	15	0.7	14	9.6	0.78	259
Kirkcaldie & St	420	+1.6	+0.5	25	-	2.4	22	0.6	11	12.4	0.63	32
Fletcher Build.	292	+1.4	+1.8	26	5	1.8	16	0.9	12	7.2	0.34	1,012
Col Motor Co	286	+0.2	+0.4	32	-	1.0	10	0.5	10	11.0	0.21	80
Goodman Fielder	166	+0.2	-2.6	33	-	1.2	10	0.5	12	6.0	0.50	2,119
Hallenstein G.	275	+0.0	+2.2	35	4	3.8	27	0.5	14	10.0	0.92	162

<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million												
NZ Refining Co	1720	+0.5	+2.0	29	1	1.3	11	0.2	11	15.2	2.31	413
Wrightsons Ltd	134	+6.8	+5.0	11	1	1.5	18	1.0	8	12.8	0.27	180
Pyne Gould G.	106	-3.3	+0.7	54	-	1.1	12	0.7	9	12.0	0.41	106
Lytelton Port	147	-5.9	-1.7	65	3	5.3	58	0.5	9	11.2	2.41	150
Powerco Limited	180	-1.6	-1.0	49	2	1.0	8	0.6	12	10.9	2.45	400
Hallenstein G.	275	+0.0	+2.2	35	4	3.8	27	0.5	14	10.0	0.92	162
Steel & Tube	295	+1.9	+0.1	24	5	2.1	15	0.7	14	9.6	0.78	259
Hellaby Hold.	280	+2.8	+1.5	20	1	1.7	17	0.6	10	9.6	0.41	139
Restaurant Brds	167	-4.2	-1.4	60	4	3.8	29	0.7	13	8.9	0.60	155
Cavalier Corp	620	+1.4	+0.7	26	1	3.4	23	0.5	15	8.7	1.18	195

<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0												
Opio Forestry	54	-0.9	-0.4	43	-	0.6	-	0.7	NE	Nil	9.68	8
E-Ventures NZ	32	-0.3	+0.1	37	-	0.9	-	1.1	NE	Nil	6.57	29
F & P Health.	985	-6.8	+5.7	67	7	5.9	37	0.4	16	3.8	4.70	1,008
Sky Network TV	335	-8.8	-4.5	73	5	23.7	-	0.6	NE	Nil	4.47	1,304
Ports Auckland	600	-1.6	-1.4	48	5	1.8	13	0.5	15	7.5	4.01	636
Northland Port	240	-1.1	-0.7	44	1	2.1	2	0.6	104	Nil	3.62	100
Evergreen	50	-5.3	-5.3	63	-	0.6	5	0.7	11	Nil	3.34	73
Software of Exc	160	-17.1	-2.8	88	-	5.3	-	0.7	NE	Nil	2.48	34
Powerco Limited	180	-1.6	-1.0	49	2	1.0	8	0.6	12	10.9	2.45	400
Lytelton Port	147	-5.9	-1.7	65	3	5.3	58	0.5	9	11.2	2.41	150
Vending Tech.	166	-9.0	-2.6	74	-	3.1	34	0.7	9	Nil	2.40	49
NZ Oil and Gas	28	-10.9	-2.3	78	-	1.0	-	1.0	NE	Nil	2.23	32
Contact Energy	382	-0.8	-1.2	42	7	1.4	8	0.5	18	7.4	2.10	2,307
Genesis Res.	160	-18.0	-1.5	90	-	0.8	-	0.9	NE	Nil	2.09	42
AMP Limited	1345	-16.6	-2.3	88	-	1.3	7	0.4	18	4.6	2.09	15,178

<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average												
Tranz Rail Hold	151	-29.7	-3.6	95	4	0.6	-	0.7	NE	Nil	0.33	198
Cert Organics	39	-29.1	+0.4	94	-	-	-	1.6	NE	Nil	N/A	9
GDC Communicat.	80	-23.1	-1.4	92	-	1.9	22	0.8	9	6.5	0.44	30
Elect Trans Tec	3	-20.3	+6.3	92	-	-	-	3.3	NE	Nil	N/A	7
Genesis Res.	160	-18.0	-1.5	90	-	0.8	-	0.8	NE	Nil	2.09	42
Software of Exc	160	-17.1	-2.8	88	-	5.3	-	0.7	NE	Nil	2.48	34
AMP Limited	1345	-16.6	-2.3	88	-	1.3	7	0.4	18	4.6	2.09	15,178
Summit Gold Ltd	8	-16.1	-2.7	86	-	1.8	-	1.8	NE	Nil	N/A	7
Blis Technology	43	-13.1	-2.5	83	-	5.2	-	1.1	NE	Nil	N/A	27
Advantage Group	33	-11.7	-4.4	79	3	1.7	14	1.4	13	Nil	0.45	28
NZ Oil and Gas	28	-10.9	-2.3	78	-	1.0	-	0.9	NE	Nil	2.23	32
Eldercare NZ	21	-10.7	+0.9	77	-	1.0	-	1.4	NE	Nil	1.01	41
AXA Asia Pac.	273	-9.7	-0.2	76	-	1.2	12	0.5	10	4.3	0.45	4,811
Cedenco Foods	180	-9.7	-1.0	76	-	1.0	15	0.5	7	Nil	1.04	28
Ind Newspapers	293	-9.3	-2.7	74	4	1.1	4	0.5	25	4.3	1.42	1,238
Vending Tech.	166	-9.0	-2.6	74	-	3.1	34	0.6	9	Nil	2.40	49
Sky Network TV	335	-8.8	-4.5	73	5	23.7	-	0.6	NE	Nil	4.47	1,304
Tourism Hold.	95	-7.6	+2.0	71	4	0.5	1	0.9	38	4.7	0.47	87
Southern Cap	58	-7.4	+2.6	70	-	1.3	14	0.8	9	Nil	3.02	45

## "Strongest" Shares

This table shows the 50 NZ shares that are appreciating most rapidly in value. As a group, these *strong* shares can be expected to outperform the market - so investors should generally HOLD for further gains.

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99	Brokers Following							
A. Barnett Ltd	132	+25.7	+12.3	0	-	0.7	2	0.9	38	Nil	0.64	19
Sky City Leisur	194	+24.1	+10.5	0	-	19.9	-	1.6	18	Nil	0.22	12
Pacific Retail	298	+16.8	-3.4	1	1	2.0	22	1.0	9	Nil	0.34	151
Briscoe Group	238	+16.8	-1.3	2	6	7.2	25	0.7	29	4.1	1.97	500
Horizon Energy	350	+15.0	-1.2	2	1	0.5	4	0.5	12	7.2	3.35	87
NZ Experience	15	+14.4	+4.7	3	-	1.1	14	2.3	8	Nil	N/A	8
Kingsgate Int'l	19	+14.1	-2.9	4	-	0.5	7	2.3	7	Nil	0.98	75
Shotover Jet	71	+13.2	+8.6	5	-	1.4	16	1.2	9	2.6	1.25	31
Design Textiles	76	+12.4	-2.0	5	-	1.7	20	1.2	8	5.9	N/A	0
NZU.co.nz	30	+10.4	+3.8	6	-	1.1	-	1.6	NE	Nil	2.20	1
Dorchester Pac	155	+9.7	+0.1	7	-	1.5	18	1.1	8	6.4	0.65	30
United Networks	986	+9.1	+1.2	7	7	1.6	13	0.3	13	5.3	3.28	1,493
Natural Gas	143	+7.9	+5.0	8	3	1.7	9	1.0	19	4.5	1.56	1,108
WN Drive Tech.	40	+7.6	+6.9	9	-	16.3	-	1.7	NE	Nil	N/A	42
Sky City Ltd	740	+7.6	+2.5	9	7	6.1	38	0.5	16	7.7	2.99	1,536
Rubicon Limited	72	+7.3	-1.8	10	-	0.8	-	1.2	NE	Nil	2.72	201
Wrightsons Ltd	134	+6.8	+5.0	11	1	1.5	18	1.3	8	12.8	0.27	180
Compass Com.	42	+6.0	+5.1	12	-	1.2	2	1.4	59	Nil	N/A	1
Brierley Invest	58	+5.6	-9.4	12	1	0.5	1	1.6	37	Nil	5.38	820
Michael Hill	545	+4.7	+2.5	13	3	4.7	28	0.5	17	4.7	0.98	210
Mooring Systems	115	+4.4	+1.4	14	-	2.7	-	0.9	NE	Nil	N/A	12
Air New Zealand	53	+3.9	-9.4	14	5	1.8	-	1.8	NE	Nil	0.35	1,548
Port Tauranga	816	+3.9	+2.2	15	6	2.6	12	0.4	22	6.0	4.98	546
Mowbray Collect	78	+3.9	-1.5	16	-	1.7	1	1.1	153	Nil	1.44	6
CDL Hotel NZ	23	+3.8	-5.3	16	-	0.4	5	2.0	8	4.5	0.40	80
Finzsoft Sol'ns	50	+3.7	+1.4	17	-	1.2	-	1.2	NE	Nil	1.14	4



# 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	Share Price	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	Share Price	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
		Cur. Chg.	4-Wk Rank	Rank 0/99												Cur. Chg.	4-Wk Rank	Rank 0/99									
<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0																											
Hills Motorway	450	-3.6	+0.3	43	1.0	8	2.3	7	0.3	35	4.3	9.49	833	SSH Medical Ltd	12	-29.3	+2.2	93	0.0	-	-	1.3	1	Nil	6.28	10	
Herald Resource	42	-5.5	-7.3	49	0.0	-	-	-	0.7	NE	Nil	9.25	22	Open Telecom.	5	-29.1	+3.9	93	0.0	-	0.5	-	2.3	NE	Nil	0.46	32
Pro Medicus Ltd	94	-5.0	+2.9	48	0.0	1	9.4	48	0.5	20	2.7	9.03	94	Revesco Group	7	-28.9	-5.4	93	0.1	-	-	1.4	NE	Nil	N/A	14	
Solbec Pharm.	12	-18.2	-8.4	80	0.2	-	-	-	1.2	NE	Nil	8.98	18	Barton Capital	6	-28.8	+5.3	93	1.0	-	0.3	-	1.7	NE	Nil	0.70	5
Chrome Global	3	-2.1	+0.6	39	0.0	-	-	-	1.7	NE	Nil	8.95	10	Snowball Group	34	-28.5	-0.2	93	0.0	-	-	-	0.9	NE	Nil	1.93	11
Cockatoo Wines	68	-3.3	-0.1	42	3.0	-	3.4	14	0.6	25	Nil	8.13	31	Palamedia Ltd	23	-28.5	-0.1	93	1.0	-	2.3	-	1.1	NE	Nil	0.89	5
City Pacific	124	-0.8	-5.6	33	5.0	-12.4	69	0.5	18	4.1	8.10	17	Advanced Engine	4	-28.0	-0.7	92	0.0	-	-	-	1.6	NE	Nil	2.31	6	
Meditech Rsrch	19	-27.3	+0.6	92	4.0	-	-	-	1.1	NE	Nil	7.98	15	Amrad Corp.	40	-27.8	-2.7	92	14.0	1	0.8	-	0.6	NE	Nil	4.03	52
Repcol Ltd	38	-5.8	-2.9	50	1.0	-	-	-	0.9	50	Nil	7.74	41	Intellect Hold	25	-27.6	-3.8	92	0.3	1	2.5	32	1.1	8	Nil	0.60	53
Aust Net.com	17	-1.8	+0.3	38	0.0	-	0.3	-	0.8	NE	Nil	7.33	8	Meditech Rsrch	19	-27.3	+0.6	92	4.0	-	-	-	1.1	NE	Nil	7.98	15
Novogen Ltd	185	-19.2	+1.5	81	0.1	1	3.1	-	0.9	NE	Nil	7.27	177	Aneka Tambang	25	-27.3	+1.6	92	0.0	-	-	-	0.9	NE	Nil	N/A	95
Westfield Hold.	1228	-8.9	-1.7	58	4.5	7	4.7	16	0.5	30	1.7	7.16	6,921	Data & Commerce	12	-27.2	-5.4	92	13.2	-	-	-	1.4	NE	Nil	1.39	9
Renew. Energy	8	-42.9	+0.4	99	2.0	1	0.8	-	1.5	NE	Nil	7.02	11	Austar United	14	-26.5	-0.3	91	1.0	2	-	-	1.4	NE	Nil	0.26	96
Go Connect Ltd	8	-4.6	-6.5	46	0.0	-	-	-	1.2	NE	Nil	7.01	5	Pinnacle VRB	12	-26.3	+3.0	91	0.0	-	-	-	1.1	3	Nil	N/A	7
Loftus Capital	61	-0.2	-1.2	30	9.0	-	0.9	-	0.5	NE	2.5	6.85	23	Poltech Int'l	73	-26.1	+1.7	91	5.6	-	2.4	-	0.7	NE	Nil	1.46	15
Catuity	369	-10.7	-4.9	63	5.0	-	3.7	-	0.8	NE	Nil	6.69	30	E.R.G.	19	-25.7	-2.1	91	0.1	4	-	-	1.4	NE	Nil	0.58	176
Wilson Invest.	118	-1.4	+0.3	36	0.0	-	1.0	-	0.4	NE	3.1	6.69	16	Garrisons Acctg	8	-25.5	+3.4	90	0.0	-	-	-	1.1	NE	Nil	0.51	6
Anadis Limited	18	-21.1	-4.2	85	0.1	-	1.8	-	1.2	NE	Nil	6.62	14	Cape Range Wire	3	-25.4	-5.5	90	0.0	-	-	-	2.5	NE	Nil	1.17	25
Q-Master Ltd	16	-4.8	-1.3	47	1.0	-	-	-	1.0	39	6.3	6.56	5	Metal Storm Ltd	56	-25.3	-5.5	90	0.1	-	-	-	0.4	NE	Nil	N/A	245
Sally Malay Min	30	-5.1	-7.4	48	0.0	-	-	-	0.8	NE	Nil	6.56	12	Anaconda Nickel	24	-25.2	+3.7	90	0.1	1	-	-	1.3	NE	Nil	0.52	111
Iress Mkt Tech	213	-7.0	-2.2	54	0.0	3	10.7	48	0.4	22	3.4	6.41	215	Equity 1 Res.	3	-24.9	-4.7	90	0.0	-	-	-	2.3	NE	Nil	N/A	8
Cochlear Ltd	3099	-4.9	+0.1	47	0.0	10	25.8	64	0.3	41	1.6	6.35	1,628	Orbital Engine	16	-24.8	-3.2	89	3.0	1	-	-	1.2	NE	Nil	1.10	57
SSH Medical Ltd	12	-29.3	+2.2	93	0.0	-	-	-	1.4	1	Nil	6.28	10	Thundelarra Exp	30	-24.4	-0.5	89	5.4	-	-	-	0.7	NE	Nil	N/A	13
PI2 Limited	7	-11.0	+6.1	63	0.0	-	0.7	-	1.3	NE	Nil	6.07	8	Dwyka Diamonds	57	-24.3	+0.5	89	0.0	-	-	-	1.4	NE	Nil	N/A	25
Infomedia Ltd	83	-14.0	+4.4	71	0.0	6	8.3	41	0.6	20	3.3	6.05	269	PowerTel Ltd	7	-24.2	+6.4	89	0.0	2	0.7	-	2.1	NE	Nil	1.13	56
Tap Oil	152	-0.6	+1.0	32	0.2	5	-	-	0.4	20	Nil	5.81	236	Minotaur Res.	74	-23.6	-2.3	88	0.0	-	-	-	1.5	NE	Nil	N/A	18
Peptech Limited	210	-13.4	+0.4	70	2.0	1	7.0	69	0.7	10	Nil	5.80	320	Pocket Mail Grp	2	-23.4	+2.3	88	0.0	-	-	-	2.6	NE	Nil	0.99	10
Pearl Riv. Tyre	6	-8.5	+9.2	58	0.0	-	0.1	2	1.4	5	Nil	5.77	6	CSL Limited	2033	-23.3	-2.4	88	6.1	7	11.3	43	0.4	26	1.7	2.39	3,227
Oriel Comm.	5	-17.0	-3.3	78	0.0	-	-	-	1.4	NE	Nil	5.42	14	<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0													
Gold Mines Sard	31	-7.2	-3.7	55	0.1	-	3.1	-	0.8	NE	Nil	5.42	82	Atlas Pacific	43	-0.4	-2.3	31	0.9	-	1.4	18	0.6	8	9.3	2.99	36
Baycorp Advant.	289	-15.1	+0.2	74	2.0	5	28.9	16	0.7	184	3.8	5.39	659	Cabcharge Ltd	301	-0.5	+3.0	31	4.13	6	3.3	12	0.4	27	3.3	0.74	440
Aust Stock Exch	1092	-4.5	-3.4	46	1.1	6	5.7	31	0.7	19	3.7	5.29	1,113	MacMahon Hold	25	-2.2	-3.8	39	1.8	-	1.2	14	0.6	8	Nil	0.14	60
Macquarie Infra	289	-5.7	+1.7	50	0.2	6	1.4	13	0.3	11	3.1	5.09	5,470	Autron Corp	21	-11.2	+2.9	64	3.10	-	2.1	-	1.0	NE	Nil	0.68	109
World.net Serv.	29	-1.0	-2.8	34	0.0	-	2.9	-	0.7	NE	Nil	5.05	16	Selwyn Mines	36	-32.3	-0.0	96	0.6	-	-	-	0.8	29	Nil	0.54	34
Gasnet Aust Trt	195	-0.5	+0.5	31	1.0	2	0.9	3	0.5	27	0.9	5.04	254	Campbell Bros	495	-7.0	+0.4	54	1.7	1	3.1	18	0.3	17	6.1	0.55	193
Optiscan Image	43	-22.7	+0.1	87	0.1	1	2.2	-	1.2	NE	Nil	4.98	34	Redflex Holding	70	-34.5	+6.0	97	0.4	-	1.2	1	0.8	108	Nil	1.19	31
Online Advant.	3	-11.0	-0.3	63	1.0	-	-	-	2.6	NE	Nil	4.91	6	Austal Limited	138	-4.4	+1.9	45	0.4	4	-	-	0.4	9	3.6	0.77	266
Neighbourhood C	7	-20.4	-0.5	84	1.0	-	-	-	1.6	NE	Nil	4.85	12	Harvey Norman	257	-7.9	-0.3	56	0.3	8	3.7	17	0.9	21	1.8	2.34	2,714
Brickworks Ltd	612	-2.6	+0.2	40	13.0	2	1.5	10	0.4	16	2.5	4.84	806	Intellect Hold	25	-27.6	-3.8	92	0.3	1	2.5	32	1.0	8	Nil	0.60	53
Biota Holdings	58	-11.2	+4.7	64	0.0	1	1.5	-	1.3	NE	Nil	4.81	44	Rock Build Soc.	310	-0.2	-2.3	30	0.3	1	-	-	0.4	10	5.8	1.38	50
Minerals Corp.	20	-13.0	-4.9	69	1.4	-	1.0	-	0.7	NE	Nil	4.58	40	Ausmelt Ltd	90	-13.9	+0.4	71	0.3	-	4.5	19	0.9	24	7.8	1.61	34
Hunter Hall Int	425	-3.7	-14.1	43	4.7	-10.6	45	0.8	23	4.6	4.43	97	Env Infrastruct	16	-8.7	-2.2	58	1.4	-	1.6	-	0.9	NE	Nil	N/A	15	
Zeolite Aust.	18	-0.5	+4.0	31	0.0	-	-	-	1.1	NE	Nil	4.34	6	Minerals Corp.	20	-13.0	-4.9	69	1.4	-	1.0	-	0.6	NE	Nil	4.58	40
Perp Trust Aust	3318	-8.9	-2.2	58	7.1	8	6.8	41	0.3	17	4.8	4.25	1,258	ION Limited	211	-6.5	-6.0	52	1.4	4	2.6	17	0.6	15	3.4	1.27	450
Voyager Energy	19	-0.4	-3.2	31	1.0	-	-	-	1.1	NE	Nil	4.22	12	Jubilee Mines	142	-1.6	-2.7	37	2.5	2	-	-	0.5	6	10.6	1.45	172
Beston Wine Ind	90	-0.6	+1.6	32	0.0	1	1.1	15	0.5	8	10.3	4.16	31	Hunter Hall Int	425	-3.7	-14.1	43	4.7	-	10.6	45	0.8	23	4.6	4.43	97
OFM Investment	200	-1.9	-2.4	38	8.0	-	1.3	11	0.7	12	2.5	4.07	80	Challenger Int.	210	-11.1	-1.5	64	4.7	3	0.8	25	0.8	3	4.3	1.02	606
Amrad Corp.	40	-27.8	-2.7	92	14.0	1	0.8	-	0.6	NE	Nil	4.03	52	Whitefield Ltd	310	-1.3	-0.4	35	0.2	-	0.9	3	0.4	27	4.1	N/A	117
Institute Drug	200	-19.5	+0.5	82	3.0	1	4.0	20	0.8	20	2.5	4.01	85	Multiimedia Ltd	1	-35.8	+1.6	98	0.2	-	-	-	3.5	NE	Nil	0.25	7
Bligh Oil & Min	10	-3.8																									

# "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: 73.4% Buyers  
Last 13 wks: 76.6% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
A.P. Eagers	4-1	Aust Foundation	3-0	CDS Tech	1-0	DCS Technology	2-0	Found'n Health.	1-3
ABB Grain Ltd	6-0	Aust United Gol	1-0	CPI Group	0-2	DSG Australia	1-0	Fox Resources	1-0
ABC Learning	1-2	Aust Heritage	1-2	CPT Global Ltd	4-0	DVT Holdings	1-0	Freedom Group	1-0
AGD Mining	1-2	Aust Gas Light	14-0	CSL Limited	6-1	Dalrymple Res.	3-1	Funtastic Ltd	0-1
AHC Ltd	1-0	Aust Magnesium	4-1	Cabcharge Ltd	4-13	Data & Commerce	13-2	Future Corp	2-0
AI Group	0-1	Aust Visual Com	0-2	Campbell Bros	1-7	Data 3 Ltd	0-1	Futuris Corp.	0-2
AJ Lucas	1-0	Aust Wine Hold.	4-1	Candle Aust.	2-0	David Jones	1-0	G.R.D. NL	3-0
AMCIL Limited	1-0	Aust Energy	0-1	Capral Alum.	2-0	De Grey Mining	1-0	G.U.D. Holdings	1-0
AMP Ind Prop Tr	1-0	Aust Growth Ltd	2-0	Cararnvon Pet.	1-0	Deakin Fin Serv	3-0	Gandel Retail T	1-0
AMP Ltd	3-0	Aust Agricult.	3-0	Carnegie Corp	1-0	Deep Sea Fish.	1-2	Garratt's Ltd	1-0
ANZ Bank	3-1	Austar United	1-0	Carpenter Pac.	2-0	Destra Corp Ltd	1-0	Gasnet Aust Trt	1-0
ARC Energy	1-0	Austal Limited	0-4	Catuity	5-0	Devine	2-0	Gateway Mining	2-0
AWB Limited	8-0	Austin Group	0-1	Celestis Ltd	0-1	Diamond Rose	1-0	Gazal Corp	0-1
AXA Asia Pac	3-0	Austminex NL	6-0	Cellnet Telecom	1-3	Djerriwarrh	1-0	Genetic Tech.	5-0
Aberdeen Leader	0-1	Austrim Nylex	2-0	Centennial Coal	1-0	Dolomatrix Intl	1-0	Gindalbie Gold	0-12
Abigroup Ltd	1-0	Auto Group Ltd	1-0	Central Equity	1-0	Dominion Mining	2-0	Gippsland Ltd	4-2
Acclaim Explor	3-0	Automotive Ind.	3-0	Centro Prop.	2-1	Downer EDI Ltd	1-0	Giralda Res.	1-0
Adacel Tech.	2-0	Autron Corp	3-10	Challenger Int.	4-7	Dragon Mining	5-1	Glengarry Res.	2-0
Adcorp Aust.	1-0	Aviva Corp Ltd	2-0	Chalmers	1-0	Drillsearch	0-1	Global Business	2-0
Adelaide Bright	1-0	Avoca Resources	1-0	Chapmans Ltd	0-1	Dromana Estate	6-0	Global Seafood	1-2
Adelaide Res.	0-1	Aztec Resources	2-0	Charter Pacific	1-0	E-Bet Limited	3-0	Globe Intl Ltd	2-1
Adelaide Bank	2-0	B Digital Ltd	1-0	Chemeq Ltd	0-4	E-Global Intl	1-0	Gold Mines Sard	0-1
Adsteam Marine	1-0	BHP Billiton	6-2	Chiquita Brands	0-2	E-Star Online	2-0	Golden State	1-0
Adtrans Group	3-1	BHP Steel Ltd	6-0	Choiseul Inv.	1-0	E.R.G.	0-1	Golden Cross	1-0
Adultshop.com	0-1	BMCMedia Ltd	2-0	Circadian Tech	4-0	ECAT Dev Capl	0-2	Goldsearch Ltd	2-0
Advent Ltd	4-0	BRL Hardy Ltd	10-4	City View	0-1	ETRADE Aust.	4-0	Goldstream Min.	0-1
Aeris Tech Ltd	1-0	BT Aust Equity	5-0	City Pacific	5-0	Earth Sanct.	1-0	Goodman Fielder	1-0
Afminex Limited	6-0	Balmoral Corp.	1-0	Clearwater Grp	3-0	Eastern Corp	1-0	Gowing Retail	1-0
Alcaston Mining	2-0	Barton Capital	1-0	Clough Limited	1-0	Easycall Group	8-0	Gowing Brothers	1-0
Alesco Corp Ltd	1-3	Basin Minerels	0-4	Club Crocodile	2-1	Echo Technology	3-0	Gradipore Ltd	6-1
Alintagas Ltd	0-1	Bass Strait Oil	1-0	Cluff Resource	4-5	Eiffel Tech.	7-0	Graincorp	5-0
Allied Mining	1-0	Baycorp Advant.	2-0	CocaCola Amatil	2-0	Electrotech Inv	2-0	Grand Hotel	3-0
Altium Limited	4-1	Beach Petroleum	2-0	Cockatoo Wines	3-0	Electrometals	2-0	Gravity Capital	1-0
Amadeus Energy	2-0	Bemax Resources	2-3	Coffey Int'l	2-0	Ellex Medical	3-4	Greater Pacific	4-0
Amalgamated Hld	1-0	Bendigo Bank	5-2	Coles Myer	6-0	Emperor Mines	0-3	Green's Foods	1-2
Ambri Limited	2-0	Bendigo Mining	0-6	Collection Hse	1-0	Energy Develop.	3-1	Gribbles Group	3-0
Amcom Telecom.	2-0	Benitec Ltd	3-0	Colorado Group	2-0	Env Infrastruct	1-4	Gro Pep Limited	2-1
Ancor Ltd	8-0	Berklee Ltd	1-0	Comwealth Bank	5-0	Envestra	1-0	Gunns Ltd	0-2
Amity Oil NL	10-1	Beyond Intl	2-0	ComOps Limited	1-0	Envirostar E.	0-1	Gympie Gold	0-2
Amrad Corp.	14-0	Big Kev's Ltd	3-2	Comet Resources	2-0	Environ. Sol'n	3-0	HGL Limited	1-0
Anaconda Nickel	0-1	Bigshop.com.au	0-1	Commander Comm.	2-0	Environm't Grp	1-0	Haddington Int.	1-0
Anadis Limited	0-1	Billabong Intl	4-3	Computer Share	8-1	Equigold NL	7-9	Hallmark Cons.	17-4
Anglo Pacific	0-1	Bionomics Ltd	2-1	Con Broken Hill	1-0	Equity Trustees	6-0	Hamill Res.	1-0
Anzoil NL	1-0	Biotech Capital	5-0	Concept Systems	2-0	Equus Limited	1-0	Hampton Hill	2-0
Argo Investment	2-0	Biron Capital	10-0	Cons Rutile	0-1	Essential Pet.	3-0	Hansen Tech.	2-0
Ariadne Aust	1-0	Blink Models	5-0	Cons Minerals	0-1	Eurast Ltd	3-0	HarTec Ltd	3-0
Aristocrat	1-2	Boral Limited	4-0	Cons Foods Aust	1-0	Exco Resources	3-0	Hardman Res.	0-1
Arrow Energy	3-0	Brambles Ind.	3-0	Cooper Energy	2-0	FKP Limited	5-1	Harvest Road	2-1
Asset Backed	7-0	Brazin Limited	2-1	Cordukes Ltd	1-0	FSA Group Ltd	1-0	Harvey Norman	0-3
Atlas Pacific	0-9	Breakfree Ltd	1-0	Corp Express	5-7	FTR Holdings	5-0	Harvey Wld Trav	1-0
Audax Resources	0-3	BresaGen Ltd	1-0	Cosmos Limited	1-0	Fairfax (John)	1-0	Havilah Res.	1-0
Ausdrill Ltd	2-0	Brickworks Ltd	13-0	County Diamonds	8-0	Federation Grp	4-0	Healthscope	2-1
Ausmelt Ltd	0-3	Bristle Ltd	1-4	Crane Group	3-0	Fiducian P Serv	1-0	Heggies Bulk.	3-0
Auspine Ltd	3-1	Buderim Ginger	1-0	Cranswick Wines	1-0	Finbar Internl	4-0	Henry Walker E.	8-0
Aussiecover Ltd	0-1	Bullion Min.	3-0	Credit Corp	3-0	First Wine Fund	5-0	Hillcrest Res.	18-0
Aust Food Fibre	2-0	Bunnings W/hse	2-1	Croesus Mining	2-1	Flexi Property	2-0	Hills Motorway	1-0
Aust Assets	1-0	Burdekin Pacifi	4-0	Cromwell Corp	2-0	Flight Centre	0-1	Hills Indust.	4-0
Aust Rural	0-1	CCI Holdings	1-0	Cullen Resource	5-0	Foodland Assoc	2-0	Hire Intell.	0-1
Aust United In	1-0	CCK Financial	1-0	Cypress Lakes	1-0	Foster's Group	3-0	Hitech Energy	1-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Home Bldg Soc.	0-1	MacMahon Hold	1-8	OAMPS	7-0	Ridley Corp.	3-1	Takoradi Ltd	1-0
Homeloans Ltd	1-0	Macmin Silver	0-1	OFM Investment	8-0	Rio Tinto Ltd	2-1	Tamawood Ltd	4-2
Horizon Energy	1-0	Macquarie Bank	1-0	OPSM Group Ltd	6-0	Rivkin Fin Serv	7-0	Tandou Ltd	1-0
Hostworks Group	1-0	Macquarie G Mgt	1-0	Oakton Limited	0-6	Roc Oil Company	7-1	Tantalum Aust.	2-0
Housewares Int.	4-0	Macquarie Off.	2-0	Objective Corpo	3-0	Rock Build Soc.	0-3	Tap Oil	0-2
Hunter Hall Int	4-7	Macquarie Leis.	1-0	Online Advant.	1-0	Ruralco Hold.	2-0	Tasman Resource	1-2
Huntley Invest	1-0	Macquarie Infra	0-2	Online Trading	1-0	S8 Limited	8-0	Tawana Resource	0-1
Hutchison Tel.	1-0	Magna Pacific	1-0	Optiscan Image	0-1	SDI Limited	4-2	Tech Star Ltd	0-2
Hydromet Corp.	1-0	Majestic Res.	7-0	Orbital Engine	3-0	SDS Corporation	1-0	Techniche Ltd	1-0
IBA Health Ltd	6-2	Marybor'gh Suga	1-0	Orica Ltd	2-0	SMS Mgmt & Tech	2-0	Tele-IP Limited	0-2
ICS Global Ltd	3-0	Maxe-tec Aust	2-1	P-Sivida Ltd	3-0	Sam's Seafood	3-0	Tele2000 Ltd	3-1
IGM Group Ltd	1-0	Maxi TRANS	4-0	PCH Group	1-3	Santos Ltd	2-0	Ten Network	0-1
ION Limited	1-4	Mayne Group Ltd	3-0	PMP Limited	8-0	Saracen Mineral	1-0	Tennyson Netwks	2-1
IWL Limited	1-0	McGuigan Simeon	2-0	Pac Strategic	2-0	Scanbox AsiaPac	1-0	Terraplanet Ltd	3-0
lasbet Limited	1-0	McPherson's Ltd	0-1	Pacifica Group	2-0	Schaffer Corp	4-3	Text Media Grp	1-0
latia Limited	2-0	Medical Corp	2-1	Pacific Hydro	2-0	SecureNet Ltd	1-0	Thakral Holding	0-1
Icon Energy	1-0	Medical Monitor	1-0	Pacific Energy	1-0	Select-Tel Ltd	1-3	Thundelarra Exp	5-4
Iluka Resources	1-0	Meditech Rsrch	4-0	Pacrim Energy	0-1	Selwyn Mines	0-6	Timbercorp	0-1
Imdex Limited	2-0	Melbourne IT	2-0	Pacsoft Limited	2-0	Servcorp Ltd	10-0	Toll Holdings	1-3
Imperial One	2-1	Menzies Court	4-2	Pahth Telecom.	0-1	Seven Network	3-5	Tox Free Sol.	0-1
Impress Venture	7-1	Menzies Gold	1-0	Palamedia Ltd	1-0	Sietel Ltd	1-0	Transurban Grp	4-0
Incitec	2-0	Merchant House	0-1	Palm Springs	2-0	Silex Systems	0-2	Triako Res.	2-0
Innovonics Ltd	1-0	Mermaid Marine	2-3	Pan Pharmaceut.	8-0	Simsmetal Ltd	0-2	Tribeca Corp.	1-0
Inovax Ltd	5-0	Metal Storm Ltd	0-1	Panbio Ltd	2-0	Sipa Resources	0-1	Tribune Res.	1-0
Insolvency Mgmt	1-0	Metex Resources	0-2	Pancontinental	4-0	Sirius Telecom.	4-2	Troy Resources	2-3
Institute Drug	3-0	Methanol Aust.	3-0	Paperlin X Ltd	2-0	Skilled Eng.	2-3	Trust Co of Aus	1-0
Int Research	1-0	Metroland Aust	5-1	Payce Consol.	5-0	Smorgon Steel	1-2	Tuart Resources	1-2
Int'l Goldfield	0-1	Mia Group Ltd	3-2	Penfold (WC)	3-0	So Natural Food	5-0	Uecomm Limited	2-0
Int. Workforce	1-0	Michelago Ltd	1-0	Peptech Limited	2-0	Softlaw Corp	1-0	Union Capital	5-0
Intellect Hold	0-3	Mikoh Corp.	1-0	Perm Trustee Co	0-1	Software Comm	1-0	United Energy	2-1
Intermin Res	5-1	Millers Retail	1-0	Perp Trust Aust	7-1	Solar Energy	3-0	United Group	1-0
Investika Ltd	0-1	Milton Corp.	6-0	Perseverance	7-0	Solbec Pharm.	0-2	Valdera Res.	1-0
Investor Group	1-2	Mineral Commod.	1-0	Peter Lehman W.	0-2	Solution 6	2-0	VeCommerce Ltd	2-0
Ipoh Limited	0-2	Minerals Corp.	1-4	Pie Networks	1-0	Sonic Health	2-1	Ventracor Ltd	2-0
James Fielding	1-0	Mineral Deposit	0-1	Plaspak Group	2-1	Sons of Gwalia	1-0	Vietnam Indust.	1-0
James Hardie	1-0	Mirrabooka Inv.	4-0	Platinum Cap'l	1-6	Soul Pattinson	4-0	View Resources	1-0
Jervois Mining	0-1	Mirvac Group	2-0	Plenty River	0-2	Southcorp Ltd	6-0	Villa World	2-0
Jetset Travel	3-0	Mobilesoft Ltd	1-0	Polartechinics	0-2	Spotless Group	6-0	Vision Systems	10-2
Joyce Corp.	4-0	Molopo Aust	0-1	Poltech Int'l	5-6	St George Bank	6-0	Vita Life Sci.	4-0
Jubilee Mines	2-5	Monadelphous Gr	0-1	Port Douglas	9-2	Sthn Star	1-0	Vital Capital	1-0
Julia Corp Ltd	2-0	Monteray Group	0-4	Pracom Ltd	1-0	Sthn Titanium	1-0	Voicenet (Aust)	1-0
Jumbo Corp	0-1	Monto Minerals	2-0	Precious Metals	1-0	Sthn Cross Brd.	4-1	Volante Group	2-1
Jupiters	3-0	Morning Star	1-0	Premier Invest	2-0	Stockland Trust	3-0	Voyager Energy	1-0
Kaz Group Ltd	3-1	Mosaic Oil NL	1-0	Primary Health	2-0	Stockford Ltd	7-0	WAM Capital Ltd	2-8
Keycorp Ltd	5-0	Mt Burgess Min.	2-0	Prima Biomed	5-2	Stokes (Aust)	1-0	WTL Limited	2-0
Kimberley Diam.	0-2	Multiimedia Ltd	0-2	Prime Life Corp	5-0	Straits Res.	3-0	Wadepack Ltd	6-0
Kimberley Oil	4-0	Murchison Un.	3-0	Prophecy Int'l	2-0	Strategic Min.	1-2	Waterco Ltd	2-0
Kingsgate Cons.	5-0	Namakwa Diamond	2-0	Prudential Inv.	5-0	Strathfield Grp	2-0	Wattyl Ltd	2-0
Kings Minerals	1-0	Nat'l Foods	1-2	Publishing & Br	1-0	Strategic Poole	0-1	Wavenet Int'l	0-1
Koala Corp.	1-0	Nat'l Aust Bank	2-0	Q Multimedum	1-2	Stratetel Ltd	3-0	Wedgetail Exp.	2-0
Kresta Holdings	3-7	Nat'l Telecoms	4-1	Q-Mastor Ltd	1-0	Structural Syst	2-0	Werrie Gold Ltd	0-1
Lafayette Min.	0-2	National 1 Ltd	2-0	Q.B.E. Insur.	9-1	Sub-Sahara Res.	1-0	Wesfarmers Ltd	2-4
Lake Technology	4-2	Nautronix Ltd	0-1	Qantas Airways	1-0	Sun Resources	4-1	West Aust News	1-0
Lakes Oil NL	2-0	Neighbourhood C	1-0	Quiktrak Netwks	14-4	Suncorp-Metway	13-0	West Oil NL	3-4
Legalco Limited	0-4	Netcomm Limited	1-0	RMG Limited	1-2	Sundowner Group	2-0	West Aust Metal	4-0
Leighton Hold	0-7	Neverfall Spr.	3-0	RP Data Limited	1-0	Sunland Group	3-0	West'n Metals	1-0
Lemame Corp	3-0	New Tel Ltd	1-0	Ramsay Health	1-3	Supersorb Env.	0-2	Westfield Hold.	4-5
Lemvest Ltd	1-0	Newcrest Mining	3-0	Ranger Minerals	0-1	Swiftel	3-0	Westgold Res.	4-0
Lend Lease US	1-0	Newhaven Park	1-0	Range River Gld	1-0	Swish Group	2-1	Westonia Mines	1-0
Lend Lease Corp	1-0	Newmont Yandal	0-4	Rec. Solutions	0-2	Sydney Aquarium	3-0	Whitefield Ltd	0-2
Leyshon Res.	0-2	News Corporatio	6-0	Reclaim Indust.	2-0	Sydney Gas Coy	1-0	Wide Bay Cap'n	1-4
LifeCare Health	2-0	Nido Petroleum	3-0	Redflex Holding	0-4	Sylvastate Ltd	0-1	Willhart Ltd	0-1
Lighting Corp.	6-1	Noni B Limited	1-0	Reefton Mining	1-0	Symex Holdings	1-2	Wine Investment	12-0
Loftus Capital	9-0	Normandy NFM	0-2	Renew. Energy	2-0	Synergy Metals	0-1	Winepros Ltd	0-1
Ludowici Ltd	3-0	Northern Gold	1-0	Renison Cons	9-0	Synergy Equity	1-0	Woodside Petrol	1-0
Lynas Corp Ltd	5-0	Nova Health Ltd	3-0	Repcol Ltd	1-0	TAB Queensland	2-1	Woolworths Ltd	0-1
M-Box.com	1-0	Novogen Ltd	0-1	Retail Tech.	1-0	TVSN Limited	2-0	Working Systems	2-0
M.I.M. Holdings	2-0	Novus Petroleum	1-0	Revesco Group	0-1	Tabcorp Holding	0-2	Wrigdways Aust	0-3
M.Y.O.B. Ltd	1-0	Nufarm Limited	4-1	Reynolds Wines	1-0	Tag Pacific	1-0	Xcell Diagnost.	2-0
								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 Sellers	Rank	Industry Group	Insider Buy/Sell	No. of Buyers-Coys	Average Sellers	Rank	Industry Group	Insider Buy/Sell	No. of Buyers-Coys	Average Sellers
1	Insurance	22-1	7	+3.00	24	Property Devment/Manager	19-4	17	+0.88	47	Advertising/Marketing	3-1	4	+0.50
2	Gold/Investment	3-0	1	+3.00	25	Mining Services	13-2	13	+0.85	48	Mineral Exploration	53-29	53	+0.45
3	Pharmaceutical	46-4	14	+3.00	26	Biotechnology	38-10	34	+0.82	49	Casinos/Gaming	14-6	18	+0.44
4	Trustee Company	14-2	6	+2.00	27	Oil/Gas Exploration	47-11	44	+0.82	50	Property Trust	235	46	+0.39
5	Building Materials	32-6	15	+1.73	28	Misc Services	58-21	46	+0.80	51	Misc Industrial	38-21	44	+0.39
6	Banking	39-12	16	+1.69	29	Base Metals	28-9	24	+0.79	52	Retail	32-22	28	+0.36
7	Vintner	34-9	15	+1.67	30	Health & Related Products	27-8	25	+0.76	53	Transport	9-6	9	+0.33
8	Brewer	3-0	2	+1.50	31	Gold Explorer	134-45	123	+0.72	54	Food	19-12	22	+0.32
9	Property Investor	11-0	8	+1.38	32	Health/Medical Services	25-12	18	+0.72	55	Entrepreneurial Investor	5-3	8	+0.25
10	Residential Developer	15-2	10	+1.30	33	Network Operator	5-0	7	+0.71	56	Equipment/Services	36-28	47	+0.17
11	Investment Trust/Company	51-16	27	+1.30	34	Leisure Activities	7-0	10	+0.70	57	Chemical & Fertiliser	13-12	7	+0.14
12	Hotel/Resort	12-3	7	+1.29	35	Oil/Gas Producer	16-4	18	+0.67	58	Television	7-6	7	+0.14
13	Misc Financial	81-27	44	+1.23	36	Hospital Management	6-4	3	+0.67	59	Coal	1-0	9	+0.11
14	Publishers	14-3	9	+1.22	37	Other Telecommunications	17-6	18	+0.61	60	Mining Investment	0-0	2	+0.00
15	Soft Drink/Confectionery	7-0	6	+1.17	38	High Technology	39-22	29	+0.59	61	Gold/Copper	0-0	3	+0.00
16	Diversified Mining	11-4	6	+1.17	39	Light Engineering	9-1	14	+0.57	62	Uranium	0-0	1	+0.00
17	Agricultural	29-10	17	+1.12	40	Other Infrastructure	6-2	7	+0.57	63	Machinery Manufacturer	0-0	2	+0.00
18	Energy/Electricity	28-9	17	+1.12	41	Computer & Office Serv.	66-27	69	+0.57	64	Gold/Other Mining	0-0	2	+0.00
19	Diversified Industrial	37-14	22	+1.05	42	Manufacturer/Retailer	12-6	11	+0.55	65	Forest Products	5-5	8	+0.00
20	Other Utilities	3-0	3	+1.00	43	Automotive	9-2	13	+0.54	66	Mineral Sands	5-6	13	-0.08
21	Engineering Contractor	3-0	3	+1.00	44	Equity Investor	52-18	66	+0.52	67	Building Contractor	14-15	10	-0.10
22	Diversified Media	35-6	32	+0.91	45	Diamonds	11-3	16	+0.50	68	Gold Producer	22-28	29	-0.21
23	Wholesaler/Retail	12-3	10	+0.90	46	Oil/Gas Investor	1-0	2	+0.50	69	Mining Producer	5-9	13	-0.31
										70	Heavy Engineer	0-4	2	-2.00

## Insider Buying Identifies Four Companies to Watch . . . and One Micro-Cap "Buy"

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

There has been considerable *insider* buying in rural service companies like **ABB Grain** (which deals mainly with barley growers), **AWB** (services to wheat growers) and **Graincorp** over the last year but no *insider* buys since June or July. The drought has raised prices and boosted profits for the financial year to 30 September 2002 but lower volumes in the 2003 financial year could see profitability fall 50-90%. These are soundly based companies and will probably maintain dividends during the downturn. So any weakness in share prices over the next year could produce under-valued, high yielding investment opportunities.

At this stage, however, investors should follow the *insiders* example and avoid new purchases.

### **CSL** (code CSL)

CSL is a large \$3,227 million capitalisation healthcare company involved in pharmaceuticals, human plasma products and biosciences. The business has consistently grown strongly, although the boom in biotech shares over-inflated the share price from 1999 to 2001 when the P/E ratio rose above 100.

Despite strong growth in the year to June 2002 - revenues up 58% to \$1,350 million, profits up 58% to \$123.8 million and a 31% increase in the dividend - the

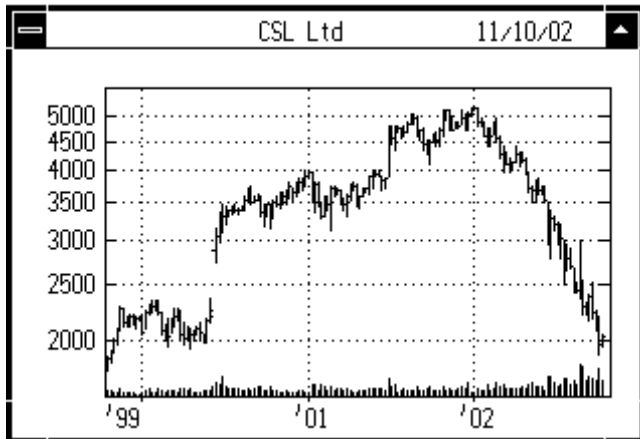
share price has plunged. From a peak of \$52.00 in January the shares have fallen to around \$20 at present. That, however, still leaves the shares on a Price/Sales ratio of 2.39, a Price/Earnings ratio of 26 and a Dividend Yield of just 1.7%. That is not cheap, but may be a fair price for a high quality, growth company. CSL invests heavily in Research & Development - spending \$93.3 million in the last year - so investors should be able to expect the business to continue to grow by 20-30% per annum over the next several years.

The shares are in a strong downtrend, so may become under-valued over the next 6-12 months and this could offer an attractive buying opportunity! The Relative Strength rating of -23.3%, ranked 88, indicates that it is probably far too early to start buying.

*Insiders*, however, have been buying shares with six buyers and one seller over the last year. The sale was the most recent transaction, but probably the least significant: T Cipa exercised some executive options at \$11-\$13 per share and sold them on-market at \$23. I Renard purchased 2,900 shares in three transactions in May, June and August at prices from \$39.50 down to \$23. A Webster purchased 4,000 shares in May and June at \$31-\$38 per share, while a third director P Wade bought 700 shares in May at \$39.40.

**Conclusion.** CSL is a very high quality growth company but in recent years the shares have traded on a P/E of 50-100 so were just too expensive to be attractive for investment. Continued profit growth *and* a significant drop in the share price, however, have lowered the P/E ratio to a level where we are beginning to get interested. The share price is likely to fall further, so the shares could become under-valued over the next 6-12 months.

The *insider* buying is a positive vote of confidence by the people who know CSL best, but we would look for the shares to (1) fall further and become under-valued and (2) the start of a recovery in the share price trend (i.e. a *positive* Strength rating) before considering rating the shares a "Buy".



### **Computershare** (code CPU).

This company was the subject of a full *Company Analysis* in *Market Analysis* last year (June 2001, issue 348) when our *Comprehensive Share Selection Criteria* rated them a "Sell" at 640 cents. At that time there had been three *insider* buyers but seven sellers, the P/E ratio was 90 and the Relative Strength was -6.5%.

The share subsequently dropped to a low of 139 cents in early August 2002 and recovered a little over the last two months. At these lower prices *insiders* have turned bullish and there have been eight buys and only one sell over the last year. The oldest trade was the sale of 250,000 shares at \$5.40 by PJ Griffin in November 2001, while CJ Morris has purchased 1,312,500 shares in six trades between January and July 2002 (at prices between \$2.00 and \$3.80) and PJ Maclagan purchased 125,000 shares in February (at about \$2.55).

Computershare's business is sensitive to the volume of activity on world stockmarkets. Lower trading volumes, fewer cash and bonus issues and a significant downturn in both New Issues and mergers has had a negative impact on revenue and profit growth. Revenues and profits (excluding extraordinary items) grew only 3-5% in the year to June 2002. Nevertheless, the company tripled the token 1.0 cent dividend to 3.0 cents and will pay 5.0 cents this year. Computershare also plans to re-purchase up to 10% of its own shares on-market over the next six months.

Computershare has also re-financed \$150 million of its external bank borrowing with 5.5% preference shares. These shares will participate in any capital appreciation of the ordinary shares above \$8.00 per share. This still leaves Computershare with about \$109 million in interest

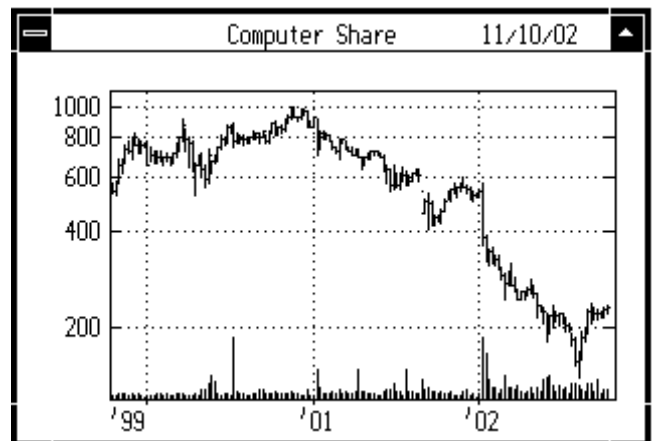
bearing debt, but \$74 million of cash and \$250 million in unutilised bank facilities.

The Relative Strength rating is still unfavourable at -19.1%, ranked 82, indicating that Computershare's share price is still in a long term downtrend and that the shares are not yet suitable to consider for purchase.

Computershare shares currently trade on a P/E ratio of 24 and offer a Dividend Yield of just 1.3%, so are still not cheap. Furthermore, brokers are no longer predicting future growth rates of 45-60% per annum, but have more modest expectations in the range of 15-20%.

**Conclusion.** Computershare is experiencing a glitch owing to the impact of global stockmarkets on its business. Long term its business should continue to grow well and the company would benefit from a recovery in world stockmarkets. The company's financial position has been strengthened through raising \$150 million of new equity through preference shares.

Nevertheless, the shares became significantly over-valued from 1998 to 2000 and will likely under-perform over the next 12-18 months. Ultimately the shares could become under-valued at the start of the next upturn - perhaps in late 2003 or early 2004.



### **FTR Holdings** (code FTR).

This \$12 million micro-cap technology company has two main businesses: (1) a wholly owned audio recording system used mainly in court rooms and installed in 4,500 locations in 15 countries and (2) a 49% shareholding in internet service provider **WebCentral**. Smaller interests include 48% of **iNETstores**, less than 1% of **QSI Payments Inc** and 2.7% of **Chaos Group**.

Revenues for the year to June rose 51.3% to \$11.2 million. These were generated by the audio recording business, as FTR does not consolidate WebCentral's \$22 million of revenue in its own accounts. The company recorded a trading loss of just \$285,000 (minus 0.8 cents). In addition there were asset write downs of \$857,000. Nevertheless, the trading loss was *after* goodwill amortisation of \$1.8 million, so the trading profit *before* this non-cash expense was \$1.5 million (4.2 cents per share).

FTR Holdings is now in a strong financial position with a net operating cash flow of \$1.4 million over the last year, cash in the bank of \$3.7 million (10.4 cents per share) and no interest bearing debts. WebCentral is also debt-free, with cash in its bank. (Cont'd on Page 14)

**Insider Buying***(Continued from Page 13)*

The audio system has recently won significant new business in the UK, while WebCentral is profiting from consolidation in the webhosting business.

There have been five *insider* buys over the last year (and a slightly larger number of small buys, under \$10,000 in value, which we do not count) all from the Chairman MB Turnbull. In total 470,942 shares have been acquired on-market, building up a holding of 10,455,387 shares (29.2% of the company).

During the technology boom of 1999 FTR Holdings shares briefly traded in excess of \$5.00 (adjusted for a 5 to 1 share consolidation in late 2001). The shares hit recent lows around 19-20 cents in November 2001 and May and June 2002, but have since started to recover in line with the upturn in the fortunes of its businesses. The Relative Strength rating is very favourable at +12.8%, ranked 6, suggesting that the shares could be in the early stages of a new uptrend.

Conclusion. FTR Holdings is in a sound financial position, with two growing, cash flow positive businesses that are just becoming profitable. The shares appear to offer good value and to be in a new uptrend.

As a micro-cap company, FTR Holdings is far too small to be considered as a formal recommendation, but a small investment in the shares would be appropriate for higher risk investors with diversified portfolios. FTR Holdings is an informal "Buy".

**Melbourne IT** (code MLB).

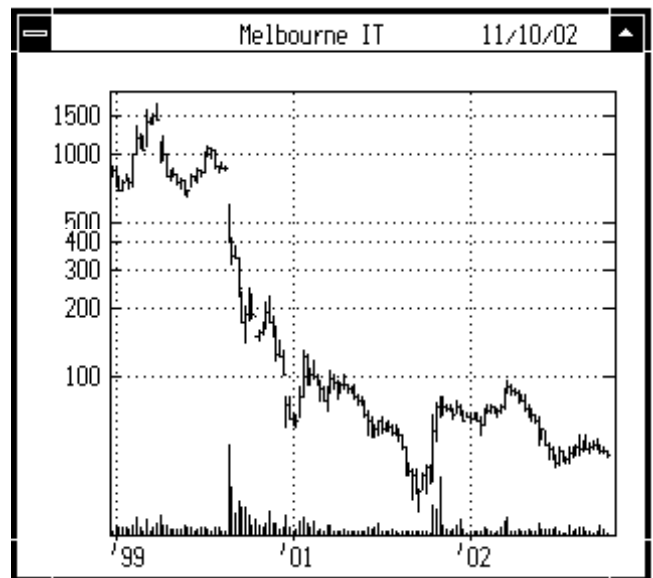
Melbourne IT's shares listed and traded at ridiculous prices during 1999, peaking at \$17.00 per share in May of that year. The company has since become profitable - but investors have realised that domain name registration is *just another commodity* business and the shares now trade for less than half a dollar.

The company is currently valued at a market capitalisation of just \$23 million. That puts the shares on a Price/Sales ratio of 0.44 and a Price/Earnings ratio of just 7 - so the shares look to offer good value. In fact, the company is debt-free *and* holds \$16.1 million in cash - which suggests the shares are now at an extreme of *under-valuation*.

*Insiders* may cautiously agree as there were two *small* on-market purchases in June when M Toner and C Adams each purchased 10,000 shares at around 47 cents.

The main negative factor is the weak share price trend. The Relative Strength rating is -16.0%, ranked 76.

Conclusion. Melbourne IT is now a profitable company and the shares trade on a low P/E ratio. Furthermore the company has a large cash holding which will finance growth of its business or an acquisition to increase profitability. The shares are in a downtrend so investors should probably wait on the sidelines and watch for (1) a new uptrend in the share price (i.e. a *positive* strength rating), (2) further improvements in the business (i.e. a dividend, further profit growth or an attractive acquisition) and (3) additional *insider* trades.

**SecureNet** (code SNX).

There has been only one insider buyer in SecureNet over the last year. This \$64 million company generated only \$26 million in revenues in the year to June 2002 with a trading loss of \$7.2 million *and* asset write downs of a further \$43.5 million. So why are we bothering to write about SecureNet at this time?

The answer is that the company is virtually debt-free but holds \$86.2 million in cash. That is 114 cents, so the shares trade at a 25% discount to the cash asset backing.

This not only under-values cash in the bank but places no value on the company's emerging secure internet hosting services! The business may not yet produce reliable profits, but with \$86 million in cash SecureNet is extremely well placed to grow its existing operations and/or buy some other business.

We won't discuss SecureNet's business in any detail at this stage as *how* it acquired this cash hoard is much more interesting!

The company floated in late 1996 as **Secure Network Solutions** (the name changed to SecureNet in December 1999). This was a very small technology company with interests in data protection and encryption. In the two years to March 2000 the technology boom inflated SecureNet's share price 88-fold in value - from a low of 19 cents to a high of \$16.74. SecureNet took advantage

October 15, 2002.

of this situation in April 2000 by placing 7,000,000 shares with institutional investors at \$12.50 per share to raise \$75 million in cash. In August 2000, institutions took another 4,061,777 shares at \$7.90, raising a further \$32 million of cash for the company.

When the tech bubble burst and its share price fell, SecureNet started re-purchasing its shares. From August to November 2001 it re-purchased 7,200,000 shares on market at an average cost of \$1.29 per share (i.e. at a cost of just \$9.3 million in total).

SecureNet shares are very *weak*, with a Relative Strength rating of -15.2%, ranked 74. So despite the discount to cash asset backing, the shares are likely to under-perform in the future.

**Conclusion.** SecureNet shares may continue to under-perform, so are not attractive for investment at this stage. Nevertheless, you have to admire a small technology company that didn't believe the technology boom hype and which managed to extract over \$100 million cash from institutional investors. It is also worth keeping an eye on a share that trades at a significant discount to its cash holding.

SecureNet still has a long way to go to become an

attractive investment but positive signs would include (1) a major acquisition, (2) significant revenue growth and profitability, (3) a *positive* Relative Strength rating and (4) a greater number of *insider* buyers.



## *Review of Previously Highlighted Shares with Insider Buying*

### **Adacel Technologies** (code ADA).

For the year to June, Adacel Technologies lifted revenues 30% to \$71.5 million but still made a loss of \$11.8 million. The company, however, did become cash positive, with a net operating cash flow of \$2.6 million and “expects to achieve profitability in the second half of the 2003 financial year”.

There was only one insider buy over the last three months, making two buys and no sells for the last year. Revenue growth and the expected decline in the share price has improved the Price/Sales ratio to 0.53 (from 0.95 when we first discussed Adacel in April), but the Relative Strength rating remains unfavourably negative at -15.0%, ranked 74. So the shares remain in a downtrend and a recovery could still be 3-9 months away.

### **Biota Holdings** (code BTA).

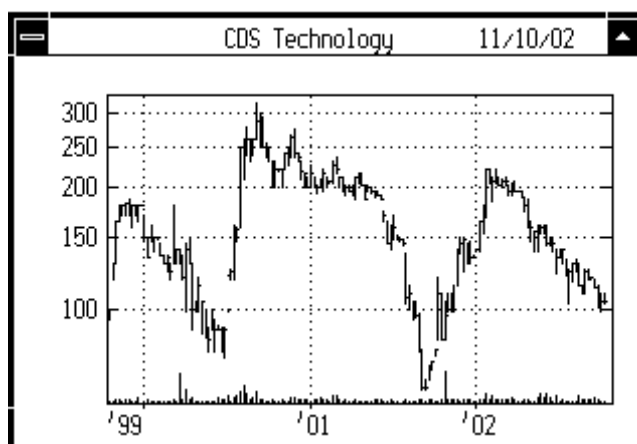
Biota Holdings' revenues fell 29.9% to \$9.0 million for the year to June 2002 and it operated at a loss of \$8.6 million. Cash on hand has dwindled to \$20.3 million (27 cents per share) - down from 39 cents per share six months ago.

There have now been no insider trades in Biota shares for over a year and with the decline in its cash holding there are more attractive shares to monitor. Therefore we shall discontinue following Biota Holdings in this quarterly review of insider trading.

### **CDS Technologies** (code CDX).

CDS Technologies exceeded its forecasts for the year to June 2002. Revenues rose 96.6% to \$51.8 million and the company became profitable with a net profit of \$1,241,000 (3.7 cents per share). The company has also expanded its manufacturing capacity in the UK.

While CDS Technologies is an exciting growth business that is just emerging into profitability the share price has been very weak over the last six months. The Relative Strength is unfavourable at -15.9%, ranked 76, and there have been no insider trades since a purchase in January. Wait for a buying opportunity.



(Continued on Page 16)

**Circadian Technologies** (code CIR).

At 30 June 2002, Circadian Technologies' investment portfolio had a market value of \$92.3 million (223 cents per share) plus the company held cash of \$20.0 million (48 cents per share). Unfortunately, most of these shares have fallen sharply over the last quarter, so we estimate the current market value at about \$68 million, plus the \$20 million cash. That gives a net asset value of about 213 cents.

At 143 cents, Circadian Technologies shares continue to trade at a large 33% discount to net asset value (and in addition the company holds many unlisted projects at a book value of nil).

There have been two insider buys over the last three months, making four buys (and no sells) over the last year. However, as we have said previously, investors need to wait until world stockmarkets have stabilised before investing in this biotechnology company.

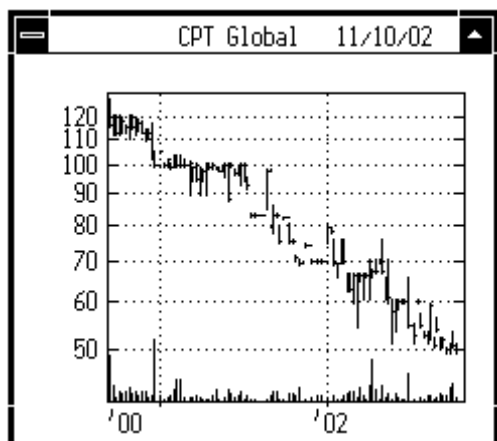
**CPT Global** (code CGO).

Revenues were steady at \$28.7 million for the year to June, with profits down 63.9% to \$848,000 (2.4 cents per share) and the annual dividend was cut 50.0% to 2.5 cents.

Apart from this expected profit decline, CPT Global is performing well in a difficult market for IT services companies. The company has expanded its business by increasing ownership of the UK subsidiary from 51% to 100%. CPT Global is also seeking to re-purchase 3.0 million shares (8.6% of the company) on-market over the next year - which indicates that (1) the directors believe the shares to be under-valued and (2) that the company is in a sound financial position. CPT Global remains debt-free and holds \$3.8 million in cash.

One insider bought shares on-market over the last quarter, making four buys (and no sells) over the last year.

The shares remain in a downtrend. The Relative Strength rating is -11.5%, ranked 65. As always, a *positive* rating would indicate that the downtrend had probably ended, with the potential for a new uptrend. When that happens, more aggressive investors may wish to make a small investment in this micro-cap company.



**Genetic Technologies** (code GTG).

Genetic Technologies reported revenues of \$13.1 million for the year to June - but \$9.6 million of this was from the sale of mining assets! The annual loss was \$8.9 million.

Genetic Technologies has signed a licensing agreement with Perlegen Science Inc and will receive A\$1.6 million in cash and shares as an issue fee. Unfortunately, however, Genetic Technology does not appear to be making rapid progress with licensing its technology to build an income stream and as a result the share price has fallen considerably over recent months.

Dr M Jacobson, the major shareholder, has made three buys on-market over the last three months, making five buys (and no sells) over the last twelve months.

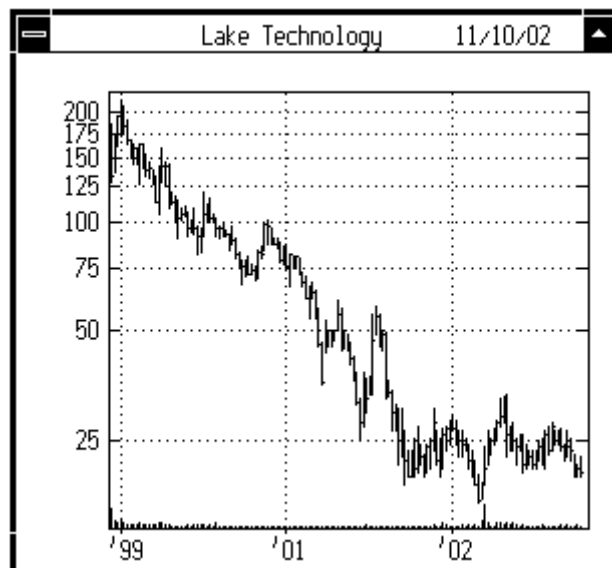
Genetic Technologies could have huge potential or never make a profit and be worthless. The share price is very volatile reflecting this situation. This makes investment difficult - but the best strategy is probably to make many very small purchases over several years to average out the highs and lows.

**Lake Technology** (code LAK).

Lake Technology lifted revenues 176.1% to \$10.8 million in the year to June 2002 and achieved a break-even result (i.e. a loss of just \$92,000). The first half of the year produced revenues of \$3.5 million and a loss of \$1,584,000 - with the second half of the year showing revenues of \$7.3 million and a profit of \$1,676,000 (1.4 cents per share). Continuation of that growth would see the shares trading on a low Price/Earnings ratio at the end of the current year.

One apparently confused *insider* purchased 98,000 shares on-market during the last three months and then sold 43,000 shares a few weeks later - so that gives us no guidance. Over the last year there have been four buys and two sells.

The Relative Strength rating is improving - from -19.2% ranked 87 in April, to -6.6% ranked 62 in July, to -5.1% ranked 48 at present. The share price has fallen 25% over the last six months, so relative strength has prevented us from buying into Lake Technology too early. Investors should wait for a positive strength rating to minimise risks of buying a share and watching it continue to decline in value.





**Pan Pharmaceuticals** (code PPH).

Pan Pharmaceuticals lifted revenues 16.6% to \$103.2 million for the year to June 2002. Profits rose 7.1% to \$14,540,000 (7.1 cents per share) while the dividend was increased 13.6% to 6.25 cents.

The CEO made two on-market purchases during the last quarter, making eight buys (and no sells) over the last year.

While that is all positive, our previous comments that "it is far too early to consider buying Pan Pharmaceutical shares" but that this "could lead to an under-valued, recovery situation at some stage in 2003 or 2004" remain valid. The shares remain in a downtrend with a Relative Strength rating of -12.3%, ranked 67.

**Quiktrak Networks** (code QTK).

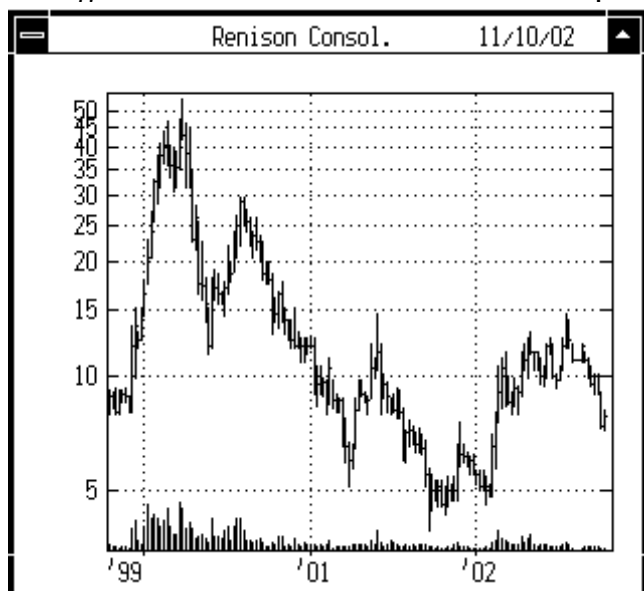
The main problem with this company - as we discussed in July - is that it has negative cash flows and is therefore dependant upon issuing new shares to raise cash to continue establishing its business. At best this will *dilute* the value of existing shares - so we said "investors should watch for an improvement in the company's financial position" and for it to "become cashflow positive". There is no sign of that at this stage!

Over the last quarter the company issued 34 million new shares in a placement at 4 cents each to raise \$1.3 million. Now it is making a 1 for 3 issue to shareholders at 2 cents. If fully subscribed it will issue 287 million new shares to raise \$5.7 million. That cash may last the company about six months!

There have been eight insider buys and three sells over the last three months, making a total of fourteen buys and four sells over the last year. That insider activity warrants our attention, but the shares are certainly not attractive for investment until there is a significant improvement in its business.

**Renison Consolidated Mines**, formerly **Sirocco Resources** (code RSN).

Murchison United was unable to complete the sale of the Renison Bell tin mine to Renison Consolidated for \$10 million (i.e. \$5 million in cash and \$5 million in shares) under the terms of the original agreement. A new agreement will see Renison Consolidated acquire



this mine for A\$6 million - subject to arranging financing by 30 November.

There have been two insider buys of Renison Consolidated shares over the last quarter, making nine buys (and no sells) in the last year. The shares, however, have dipped significantly in value over the last week or two.

**Servcorp** (code SRV).

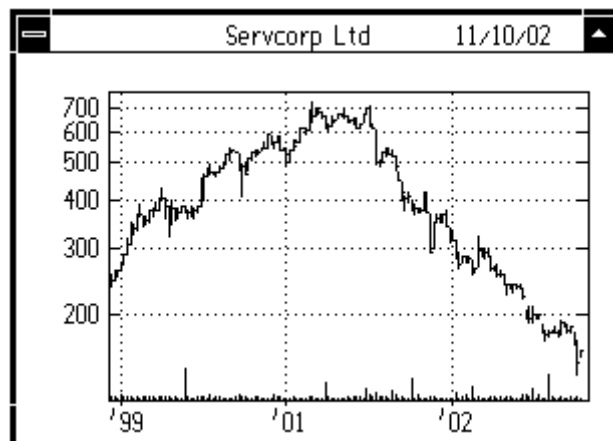
As expected, Servcorp reported a small (3.5%) drop in revenues to \$118.4 million in the year to June. The annual loss was \$3,409,000. As the company lost \$4,214,000 in the first half that shows a small profit of \$805,000 for the second half. The annual dividend was maintained at 7.5 cents as the company is in a strong financial position with cash of \$46.4 million (55 cents per share) and debts of just \$7.1 million.

Servcorp's share price continued to fall sharply over the last quarter - as we expected - which is helping to create the potential buying opportunity that we anticipate will occur within the next 12-18 months!

The Managing Director made three on-market buys over the last three months, acquiring a further 137,000 shares. Most were bought around \$1.81-1.86, but a few were purchased last week at 141 cents. Overall this makes a very favourable ten insider buys and no sells over the last year.

The Relative Strength rating is still unfavourable at -20.4%, ranked 84, so Servcorp shares should become even better value (i.e. continue to decline significantly in value) over the next 6-12 months.

We would also like to see evidence that the business has again started to grow before buying Servcorp shares. Wait.

**Vita Life Sciences** (code VLS).

Vita Life Sciences shares had already been suspended from trading when we first wrote about this company in July. The court case against the former Managing Director is set for 6 January to 7 February 2003, but ongoing reviews of the company have discovered further "irregular and suspect practices". Accounting changes, write-offs and provisions have resulted in a \$23.9 million loss for the six months to June 2002.

There are some interesting aspects to this company, but its problems appear to be getting worse and as the shares are suspended, we shall discontinue following it in this quarterly insider trading review.

# "Insider" Insights

(A summary of buying and selling by major shareholders)

Company	Shareholder	Buy/ Sell	Shares (Mill)	% of Coy Held	
				Before	After
<b>13/09/2002</b>					
Baycorp Advantage	AMP Henderson	Buy	+1.514	4.39%	5.04%
IT Capital	MJ Bryham	Sell	-8.750	27.31%	24.92%
Vending Technologies	GJ & SM Stevens, and CH Carlton	Buy	+2.001	4.03%	8.94%
Vertex Group	AXA Asia Pacific	Sell	-1.163	13.03%	9.40%
WN Drive	Principal Financial Gp	Buy	+5.805	0.0%	5.00%
<b>20/09/2002</b>					
Certified Organics	Caledonian Trust	Sell	-1.000	26.62%	21.14%
F & P Appliances	AXA Asia Pacific	Sell	-1.541	11.79%	9.42%
Fletcher Building	Tower Asset Mgmt	Buy	+0.925	4.96%	5.22%
<b>27/09/2002</b>					
Fletcher Building	AXA Asia Pacific	Buy	+3.881	6.55%	7.67%
Owens Group	AMP Henderson	Sell	-0.574	11.74%	10.72%
Property for Industry	AXA Asia Pacific	Buy	+2.412	6.62%	7.83%
Spectrum Resources	Velocity Partners	Buy	+12.737	5.25%	9.40%
Telecom New Zealand	Bell Atlantic	Sell	-38.405	21.50%	1.00%
Tower Corporation	AXA Asia Pacific	Buy	+1.828	6.15%	7.19%
Tranz Rail Holdings	AXA Asia Pacific	Buy	+1.229	12.85%	13.86%
Vertex Group	AXA Asia Pacific	Sell	-1.038	9.40%	6.16%
<b>04/10/2002</b>					
Advantage Group	ER Christian	Sell	-0.485	4.85%	3.71%
Cadmus Technology	GG Hill	Sell	-2.500	19.24%	17.52%
Fletcher Building	Perpetual Trustees	Buy	+17.391	0.0%	5.02%
Port of Tauranga	Infratil	Sell	-0.750	14.76%	13.63%
Port of Tauranga	Rotorua Energy Trt	Sell	-0.050	5.05%	4.97%
Telecom NZ	The Capital Group	Buy	+94.750	1.00%	6.05%
Tranz Rail	AXA Asia Pacific	Buy	+1.229	12.85%	13.86%

## Current Issues

### BONUS ISSUES

	Ratio	Ex-Date
Cube Capital	2:1	21-10
Pacific Retail Group	21:100	30-09

### SHARE SPLIT

	Ratio	Ex-Date
Port of Tauranga	2:1	11-11

### SHARE CONSOLIDATIONS

	Ratio	Ex-Date
Sky City Leisure	1:25	07-10

Sky City Leisure (formerly Force Corporation) has consolidated 25 old shares into 1 new share.

### SHARE RECONSTRUCTIONS

Newcall will spin-off 1 share in NCL Finance, its unlisted finance subsidiary, for every share held.

### SHARE REPURCHASES

	Details
Auckland Int'l Airport	7 in 25 @\$1.80
Steel & Tube	9.99%, on-market

### CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
Savoy	1:1	1½	16-09	18-10

# Dividend \$

Company	Cents per Share	Ex- Date	Pay- able	Tax Credit
Allied Farmers	9.00	30-09	11-10	Full
Auckland Int'l Airport	7.50	14-10	25-10	Full
Broadway Industries	1.50	21-10	24-10	Nil
Colonial Motor Company	12.00	28-10	04-11	Full
Fletcher Building	8.00	28-10	14-11	Full
GDC Communications	1.75	16-09	20-09	Full
Hallenstein Glasson	9.50	09-12	16-12	Full
Hellaby Holdings	10.00	07-10	11-10	Full
Independent Newspapers	4.50	21-10	01-11	Full
Michael Hill International	10.00	07-10	14-10	Full
Michael Hill Int'l (special)	20.00	07-10	14-10	Full
Port of Tauranga	22.00	21-10	01-11	Full
Pyne Gould Guinness	8.50	16-09	24-09	Full
Shotover Jet	1.25	14-10	25-10	Full
Sky City Entertainment	22.50	23-09	04-10	Full
South Port NZ	3.75	07-10	01-11	Full
Tourism Holdings	3.00	21-10	31-10	Full
Warehouse Group	4.00	18-11	25-11	Full
<b>Australian Shares</b>				
Abigroup	4.00	25-10	15-11	
Atlas Pacific	2.00	15-10	25-10	
Cellnet Telecommunications	5.00	16-09	04-10	
Commander Com	2.75	20-09	18-10	
Julia Ross Recruitment	3.00	30-09	18-10	
McPhersons	6.00	11-10	31-10	
Nufarm	11.00	21-10	08-11	
OAMPS	12.00	16-10	31-10	
Skilled Engineering	6.00	23-09	22-10	
DVT Holdings (USC)	3.00	-	-	
Villa World	5.00	21-10	08-11	

### Total Return Index for All Listed Shares

Sep 9	1891.27
Sep 10	1896.81
Sep 11	1884.17
Sep 12	1898.52
Sep 13	1908.45
Sep 16	1911.11
Sep 17	1922.59
Sep 18	1915.21
Sep 19	1911.58
Sep 20	1908.91
Sep 23	1899.67
Sep 24	1881.00
Sep 25	1863.98
Sep 26	1865.27
Sep 27	1867.49
Sep 30	1861.67
Oct 7	1844.50
Oct 1	1859.67
Oct 8	1836.81
Oct 2	1871.30
Oct 9	1840.67
Oct 3	1852.79
Oct 10	1826.70
Oct 4	1845.56
Oct 11	1835.81

## Next Issue

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

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