

Market Analysis

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Summary and Recommended Investment Strategy.

Remain fully invested in the recommended shares which are continuing to perform very well. Markets will suffer short term corrections *at some stage* but the overall trend is up and many shares have the potential to yield outstanding long term investment gains.

Investment Outlook.

The recovery in share prices over the last several months has led to a change in *insider* activity. *Insiders* bought heavily over the last couple of years when prices were depressed, but have cut back on purchases and increased sales over the last three months. Don't panic yet - *insiders* are still net buyers - so this is still Bullish (i.e. favourable). But these knowledgeable investors are telling us that the stockmarket has moved from *very under-valued* to just *good value*.

The buying frenzy in Technology shares has also calmed slightly over the last few weeks. While rapid gains are nice (and important to offset the periods of decline) a 20% per month gain just isn't sustainable - as that compounds to 790% over a year! 2-2½% per month grows to 27-34% over a year and an 11-18 fold increase over a decade! So rather than chase speculative short term gains we need to focus on share values and growth potential to seek consistent above average investment gains - which will build significant investment wealth over the medium to long term!

As previously, we believe that Technology shares have become depressed over the last three years and now offer outstanding value and growth potential as they develop profitable businesses. While *insider* buying is down over the market as a whole, *insider* data on individual companies is an important *share selection* indicator and the most reliable forecaster of future share price performance. Include other share selection methods such as relative price strength, low valuation, return on equity, *broker neglect* - plus a more subjective analysis of competitive advantages, competition and future growth potential - and we have a powerful share selection method for picking the future big winners!

Our Stockmarket Forecasts still remain **moderately Bullish** - so we are probably in the early stages of a stockmarket recovery and long term uptrend. In every healthy Bull Market there will be dips lasting one to three months.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	68% (Bullish)	71% (Bullish)
New Zealand:	79% (Bullish)	60% (Bullish)



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	B	765	1.19	10	8.1	Hallenstein G.	B	295	0.98	15	9.4	Renaissance	B	43	0.14	NE	10.4
AMP NZ Office	C	81	6.77	7	8.3	Hellaby Hold.	A	510	0.85	11	7.6	Restaurant Brds	C	126	0.40	10	11.8
AXA Asia Pac.	B	295	1.05	14	4.0	Heritage Mining*	N/R	5.0	N/A	NE	Nil	RetailX Limited	C	15	3.42	NE	Nil
Abano Health.	C	22	0.73	40	Nil	Hirequip NZ Ltd	C	87	2.64	17	2.6	Richina Pacific	D	37	0.07	4	Nil
Affco Holdings	D	22	0.05	10	Nil	Horizon Energy	C	350	3.84	18	10.7	Richmond Hold.	C	315	N/A	NE	Nil
Air New Zealand	D	53	0.43	10	Nil	ING Property	C	101	5.69	9	9.7	Rocom Wireless	D	15	0.33	NE	Nil
Akd Int Airport	A	651	8.69	26	5.0	IT Capital Ltd	C	1.0	2.22	NE	Nil	Rubicon Limited	D	73	N/A	14	Nil
Allied Farmers	B	205	0.31	9	8.0	Ind Newspapers	B	458	2.09	25	3.1	Ryman Health.	B	208	2.20	14	3.6
Apple Fields	D	4.2	3.59	18	Nil	Infratil NZ	B	225	3.33	15	2.7	Sanford Limited	C	511	1.24	13	5.8
Beauty Direct	D	9.0	2.39	NE	Nil	KidCorp	E	20	N/A	NE	Nil	Savoy Equities	E	1.7	5.00	NE	Nil
Blis Technology	D	29	N/A	NE	Nil	Kingsgate Int'l	D	25	1.93	10	Nil	Scott Tech. Ltd	C	270	2.04	24	6.1
Botry-Zen Ltd	D	12	N/A	NE	Nil	Kirkcaldie & St	B	355	0.67	16	5.0	Selector Group	E	1.0	1.96	NE	Nil
Brierley Invest	C	71	5.41	NE	Nil	Kiwi Property	C	104	8.07	13	8.2	Shotover Jet	D	87	1.53	11	2.1
Briscoe Group	C	197	1.39	18	5.1	Lion Nathan Ltd	B	615	1.76	18	3.2	Skellmax Indust	C	116	1.21	9	9.0
Broadway Ind	C	55	0.30	8	3.6	Lyttelton Port	B	195	3.26	15	8.4	Sky City Ltd	C	865	3.22	17	8.1
CACI Group Ltd	D	18	0.20	6	Nil	Mainfreight Grp	C	145	0.28	13	6.7	Sky Network TV	D	498	4.96	NE	Nil
CDL Hotel NZ	B	39	0.72	8	5.4	Metro. LifeCare	B	190	1.63	16	Nil	SkyCity Leisure	E	113	1.91	37	Nil
CDL Investments	C	30	2.35	9	8.0	Michael Hill	B	435	0.74	16	5.8	Software of Exc	E	124	1.58	NE	Nil
Cabletalk Group	C	40	0.32	NE	Nil	Mid-Cap Index *	N/R	208	N/A	NE	Nil	South Port NZ	D	150	2.68	15	6.7
Cadmus Tech Ltd	C	13	1.59	51	Nil	Mooring Systems	C	155	N/A	NE	Nil	Spectrum Res.	D	1.7	N/A	NE	Nil
Calan Hlthcare	C	84	7.20	15	9.5	Mowbray Collect	C	120	2.62	NE	2.5	Steel & Tube	A	365	0.98	15	9.4
Cap Properties	C	89	2.88	10	10.3	Mr Chips Hold	D	100	0.94	24	4.5	Strathmore Grp	C	1.2	1.69	NE	Nil
Carter Holt	D	174	0.73	17	4.3	NGC Holdings	D	168	3.00	27	5.4	Submarines Aust	C	0.5	0.26	NE	Nil
Cavalier Corp	A	545	1.78	19	6.8	NZ Experience	C	25	1.79	11	Nil	Summit Gold Ltd*	N/R	7.5	N/A	NE	Nil
Cedenco Foods	A	230	1.33	8	Nil	NZ Exchange Ltd	D	446	N/A	NE	Nil	Tag Pacific Ltd	C	14	0.27	NE	Nil
Cert Organics	D	6.8	2.38	NE	Nil	NZ Invest Trust*	N/R	520	N/A	NE	1.6	Taylor's Grp Ltd	A	201	0.85	11	7.8
Col FS Property	D	99	5.71	17	10.6	NZ Oil and Gas *	N/R	34	9.34	NE	Nil	TeNZ *	N/R	101	N/A	NE	Nil
Col Motor Co	B	300	0.21	12	9.2	NZ Refining Co	B	1576	2.34	11	14.2	Telecom Corp	B	507	1.86	14	5.9
Commssoft Group	C	0.3	0.04	NE	Nil	NZUJ.co.nz	E	30	2.33	NE	Nil	Tourism Hold.	C	157	0.78	62	2.9
Contact Energy	B	512	2.82	25	5.5	Nat Property Tr	C	93	6.70	15	9.7	Tower Limited	D	137	0.55	NE	10.9
Cube Capital	C	4.4	0.15	NE	Nil	Newcall Group	E	2.5	0.15	NE	Nil	Training Sol.	E	0.2	2.86	NE	Nil
Cue Energy Ltd *	N/R	7.0	3.06	33	Nil	Northland Port	B	285	N/A	29	4.4	Trans-Tasman	D	33	2.39	19	Nil
DB Breweries	B	760	1.33	20	5.3	Nuhaka Forestry	C	540	1.02	NE	16.9	Tranz Rail Hold	D	108	0.37	NE	Nil
Dairy Brands	D	64	N/A	NE	Nil	Nuplex Indust	A	410	0.40	11	7.3	Trust Power Ltd	C	500	1.52	NE	3.8
Design Textiles	C	97	0.52	9	6.3	Opio Forestry	E	48	8.60	NE	Nil	Turners Auction	A	450	1.73	19	5.0
Dorchester Pac	B	175	0.61	8	6.4	Owens Group Ltd	D	107	0.14	22	2.8	Urbus Property	D	89	N/A	NE	Nil
Ebos Group Ltd	B	328	0.40	14	7.5	Ozzy (Tortis) *	N/R	204	N/A	NE	Nil	Utilico Int'l	C	62	6.35	NE	Nil
Evergreen	E	45	1.84	NE	Nil	Pac Edge Bio.	E	4.0	4.55	NE	Nil	Vending Tech.	D	100	1.31	11	Nil
F & P Health.	A	1300	6.39	18	5.7	Pacific Retail	D	258	0.26	9	Nil	Vertex Group	B	160	0.60	14	13.2
F & P Appliance	A	1480	1.15	13	6.7	Port Tauranga	C	421	5.14	22	5.8	WN Drive Tech.	C	72	N/A	NE	Nil
FC - Forests	E	129	1.06	NE	Nil	Ports Auckland	B	812	5.14	19	6.2	Wakefield Hosp.	C	165	0.86	20	2.7
Finzsoft Sol'ns	D	103	2.14	NE	Nil	Postie Plus Grp	E	118	0.19	NE	Nil	Warehousing Group	B	585	0.87	22	3.7
Fletcher Build.	A	429	0.54	10	6.6	Powerco Limited	C	183	2.52	15	7.7	Waste Mgmt NZ	B	385	2.44	29	2.9
Freightways Ltd	B	183	N/A	17	9.4	Property F. Ind.	C	93	N/A	16	7.5	Williams Kettle	A	480	0.43	11	7.5
GDC Communicat.	C	64	0.35	7	8.2	Pureco Group	C	37	0.63	29	Nil	World Index Fd *	N/R	113	N/A	NE	Nil
Genesis Res.	C	103	1.73	NE	Nil	Proven NZ Limited	E	2.5	3.57	NE	Nil	Wrighton Ltd	B	149	0.31	11	11.5
Guinness Peat	B	168	0.67	8	1.8	Pyne Gould G.	B	124	N/A	10	10.2	Ave of 140 Cos	C	213	0.55	21	3.7
AMP Ltd	C	660	1.57	NE	7.0	Deutsche Ind Tr	C	170	6.82	15	8.8	Onesteel Ltd	B	216	0.75	25	5.1
ANZ Bank	D	1812	1.70	12	4.7	Deutsche Div Tr	C	109	6.69	12	8.5	Orica Ltd	B	1197	0.79	16	3.7
APN News Media	C	359	1.47	17	4.5	Deutsche Office	C	111	6.62	12	9.0	Origin Energy	B	433	0.85	18	2.3
AWB Limited	B	396	0.47	10	6.3	Djerrirarrh	C	345	N/A	18	6.2	Oxiana Ltd	C	80	N/A	NE	Nil
AXA Asia Pac	B	257	1.49	14	3.8	Dowser EDI Ltd	E	91	0.33	13	3.2	Pacifica Group	A	501	0.64	16	4.0
Adelaide Bright	A	138	1.52	15	3.8	Envestra	C	103	2.39	59	2.2	Paperlin X Ltd	A	540	0.61	17	5.1
Adelaide Bank	C	830	1.37	14	4.5	Fairfax (John)	C	336	2.39	23	3.9	Patrick Corp	B	1316	2.73	23	1.5
Alinta Limited	B	660	2.70	18	3.8	Flight Centre	B	2190	3.26	29	2.0	Perp Trust Aust	B	3750	4.67	21	3.5
Alumina Ltd	B	548	2.43	35	2.4	Foodland Assoc	B	1783	0.33	17	4.8	Principal Off.	C	159	9.15	16	6.9
Amcor Ltd	C	885	0.70	21	3.4	Foster's Group	C	447	1.96	20	4.2	Publishing & Br	B	1105	2.50	18	2.3
Anaconda Nickel	C	15	4.62	NE	Nil	Futuris Corp.	C	155	0.41	10	5.2	O.B.E. Insur.	B	1017	0.74	22	3.4
Aneka Tambang	B	20	6.17	51	43.9	GWA Internat'l	B	289	1.20	15	5.4	Qantas Airways	C	338	0.53	17	5.0
Ansell Ltd	A	685	0.97	26	1.6	Gandel Retail	C	130	8.46	15	7.4	Ramsay Health	B	435	0.84	15	3.6
Aquarius Plat.	A	800	6.59	61	0.3	General Prop Tr	C	283	7.18	14	7.2	Reece Australia	B	795	1.07	17	2.6
Argo Investment	B	510	N/A	27	3.1	Graincorp	B	1310	0.75	11	6.0	Rinker Group	A	585	1.10	11	1.2
Aristocrat	B	190	0.89	11	6.3	Guinness Peat	B	148	0.68	8	1.8	Rio Tinto Ltd	B	3335	0.90	15	3.1
Aust Foundation	C	339	N/A	26	3.9	Guinness Peat	B	1350	1.82	15	3.0	Ronin Property	B	110	9.38	12	8.5
Aust Pharm. Ind	C	258	0.24	25	5.0	Harvey Norman	B	306	3.23	21	1.6	Rural Press Ltd	A	719	1.80	12	3.3
Aust Stock Exch	B	1439	7.10	25	2.8	Hills Indust.	B	382	0.77	19	3.5	SFE Corporation	B	432	3.82	21	3.6
Aust Pipeline	C	260	2.46	15	8.3	Miss Motorway	C	616	N/A	NE	3.5	Santos Ltd	B	580	2.18	10	5.2
Aust Gas Light	C	1072	1.03	16	3.1	ING Indust Trl	C	160	9.06	12	3.5	Seven Network	B	560	1.07	25	4.2
Austereo Group	C	137	2.38	16	5.3	ING Office Fund	C	111	7.64	11	9.5	Sigma Company	A	681	0.54	30	2.0
Australand Hold	B	173	0.78	10	6.9	Iluka Resources	B	438	1.02	9	5.0	Sims Group Ltd	B	1020	0.59	13	5.3
BHP Billiton	B	1065	2.63	23	1.9	Insurance Aust.	B	406	1.47	45	2.8	Smorgon Steel	B	123	0.42	10	6.5
BHP Steel Ltd	A	510	0.75	9	4.3	Interoil Corp	B	340	N/A	NE	Nil	Sonic Health	C	660	1.76	42	3.8
Bank of O'land	C	889	3.38	20	3.3	Investa Prop.	C	196	8.80	14	8.0	Sons of Gwalla	C	322	0.89	16	Nil
Baycorp Advant.	C	227	2.85	NE	1.8	Ivanhoe Mines	E	1200	N/A	NE	Nil	Soul Pattinson	B	632	3.82	21	2.2
Bendigo Bank	C	907	3.34	20	3.7	James Hardie	A	735	2.83	59	1.3	Southcorp Ltd	B	324	1.95	44	3.1
Bidvest	C	460	0.27	14	2.5	Jupiters	C	657	1.69	23	3.5	Spotless Group	B	519	0.45	21	4.4
Billabong Int'l	A	757	2.43	20	3.1	Leighton Hold	B	999	0.54	19	4.4	St George Bank	C	2071	2.63	24	3.9
Boral Limited	A	540	0.80	11	4.3	Lend Lease Corp	C	1031	0.45	NE	2.9	Sthn C. Fliers	C	11015	N/A	12	8.2
Brambles Ind.	C	460	0.95	24	2.2	Lend Lease US	C	98	6.53	10	18.7	Sthn Cross Brd.	B	939	1.51	32	6.1
Brickworks Ltd	A	867	5.39	16	1.8	Lihir Gold	C	168	5.46	22	Nil	Stockland	C	476	5.70	17	6.7
Bristle-It Ltd	A	365	1.74	14	8.6	Macquarie G Mgt	B	260	N/A	NE	1.9	Suncorp/Metway	C	1223	1.27	17	4.6
Burns Philp	C	69	2.10	45	7.3	Macquarie Infra	D	334	5.27	33	2.2	TAB Ltd	C	336	1.59	20	4.5
Burswood Ltd	C	116	1.57	47	3.5	Macquarie Off.	C	110	9.11	10	10.0	Tabcorp Holding	B	1195	2.26	17	5.6
C with Prop Off.	C	115	2.37	11	9.0	Macquarie Bank	B	3520	2.65	22	2.6	Telstra	C	499	2.97	19	5.4
C.S.R. Ltd	A	201	0.25	3	8.5	Macquaries Air.	B	179	N/A	35	3.1	Ten Network	E	245	1.40	NE	Nil
CSL Limited	B	1745	2.15	40	1.9	Macquarie C'Wde	C	159	9.96	14	8.6	Toll Holdings	C	740	0.88	22	2.0
Caltex Australia	B	385	0.18	5	Nil	Macquarie Good.	C	153	5.99	13	7.7	Transfield Serv	B	384	0.51	20	

Recommended Investments

Richina Pacific has changed its stock exchange code from RCH to RPL.

South Port NZ has told shareholders at the AGM that new and extended shipping services and faster loading times with the new crane offer "excellent potential for cargo growth". Dairy processing and wood processing have increased over recent years and export woodchip volumes are also expected to rise around the middle of this decade.

Rural Portfolio Investments sought to increase its investment in **Wrightson** from 1,117,932 shares to 25,980,000 shares (19.9% of the company) through a stand in the market offering 145 cents. This, however, was not successful with the bidder only managing to increase its shareholding to 8.1 million shares (5.95%).

Rural Portfolio Investments has bought these shares as a "long term portfolio investment". That is, a passive investor who does not plan to change the board or management.

Rural Portfolio Investments is a joint venture between the McConnan family (who developed the **Mainland** cheese business and sold to **Fonterra** last year) and the Norgate family (previously CEO of Fonterra and before that **Kiwi Co-operative Dairies**). The buying by interests with knowledge of the rural sector clearly indicates that they see good value in Wrightson shares at 145 cents. A stand in the market also removes *weak* investors from the market, improving the future *supply/demand* equilibrium. With fewer future sellers (i.e. many would have already *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation Code	- Date -	Price	Perform- ance 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	C	187.1	1.9	2.35	9	8.0	30	7.7	+51%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	A	63.0	0.7	1.78	19	6.8	545	111.0	+321%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.6	0.21	12	9.2	300	240.8	+261%
BUY	Lyttelton Port Company	LPC	12/12/00	150	B	102.0	1.0	3.26	15	8.4	195	25.0	+47%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.4	0.6	0.74	16	5.8	435	127.0	+1122%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	61.3	0.8	0.40	11	7.3	410	88.0	+42%
HOLD	Renaissance Corp	RNS	13/08/96	85*	B	37.1	1.6	0.14	NE	10.4	43	14.4	-32%
HOLD+	Richina Pacific	RPL	03/11/95	94*	D	144.4	1.9	0.07	4	Nil	37	9.4	-51%
HOLD	South Port New Zealand	SPN	13/02/96	120	D	26.2	1.0	2.68	15	6.7	150	65.0	+79%
BUY	Steel & Tube Holdings	STU	08/08/00	146	A	87.9	0.9	0.98	15	9.4	365	75.0	+201%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.7	0.85	11	7.8	201	32.0	+128%
HOLD	Wrightson Limited	WRI	13/01/98	83	B	136.2	1.2	0.31	11	11.5	149	41.3	+129%
<u>Australian Shares</u> (in Aust cents)													
BUY	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.6	0.21	18	2.4	335	53.0	+46%
BUY	AJ Lucas Group	AJL	13/05/03	120	A	45.4	0.7	0.58	12	4.1	197	Nil	+64%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.7	1.82	6	12.8	24	7.0	-58%
HOLD	Auspine Limited	ANE	08/02/00	210	B	53.9	0.6	0.66	10	6.0	285	56.0	+62%
HOLD	Austral Coal Ltd	AUO	16/01/01	19	C	154.5	1.3	0.93	7	Nil	60	Nil	+216%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	14.01	9	7.0	158	Nil	
HOLD	Biron Capital Ltd	BIC	12/04/94	171*	C	38.2	1.6	4.17	8	8.3	30	14.5	-74%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.2	0.5	0.62	19	5.3	570	102.5	+61%
BUY	Candle Australia	CND	08/04/03	86	B	37.6	0.8	0.29	13	5.3	123	6.0	+50%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	B	49.5	1.0	0.14	8	8.0	87	13.0	-34%
BUY	Commander Comm.	CDR	11/09/01	92	B	145.1	0.9	0.49	11	3.9	113	9.1	+33%
BUY	Computershare Ltd	CPU	12/08/03	189	A	544.1	0.9	2.10	45	1.8	274	2.5	+46%
BUY	Health Communication	HCN	07/10/03	101	B	61.5	1.0	2.09	35	Nil	101	Nil	
HOLD+	IASbet Ltd	IAS	11/02/03	180	B	41.0	1.0	0.14	13	4.8	156	Nil	-13%
HOLD	Julia Ross Recruitment	JRR	14/08/01	92	C	57.4	1.4	0.24	31	7.4	61	13.5	-19%
HOLD	McPherson's Ltd	MCP	10/10/00	125	B	54.8	0.4	0.91	20	3.6	422	31.0	+262%
HOLD	Nufarm Limited	NUF	11/02/97	418*	B	155.7	0.6	0.51	13	3.8	473	106.3	+39%
HOLD+	OAMPS Limited	OMP	15/05/01	132*	B	74.3	0.5	0.42	15	4.6	367	24.3	+196%
BUY	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.9	0.36	15	5.9	262	25.5	+128%
BUY	Solution 6 Holdings	SOH	15/07/03	59	D	251.6	1.3	0.72	NE	Nil	63	Nil	+7%
HOLD	Toll Holdings	TOL	08/09/98	60*	C	309.8	0.6	0.88	22	2.0	740	43.5	+1206%
HOLD	UXC Limited	UXC	11/01/00	55*	A	125.1	1.3	0.90	16	6.0	83	16.0	+80%
HOLD	Villa World Ltd	VWD	11/06/02	68	B	103.2	0.7	0.96	7	7.9	140	10.0	+121%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	C	167.5	1.1	1.33	15	3.8	106	24.1	+89%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +141.2%. This is equal to an average annual rate of +32.0%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 36 current and 120 closed out) is +29.6%, compared with a market gain of +8.6% (by the SRC Total Return Index). CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

Recommended Investments (Continued from Page 3) sold in the market stand) the potential for the shares to perform well over the next 12-18 months has improved!

Nevertheless, we shall still rate Wrightson a "Hold". We didn't sell any shares in the market stand and we shall "let our profits run" (and bank those big dividend cheques!), but there are probably better places to invest new cash.

Australian Shares

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

AJ Lucas Group has lifted revenues 126.5% to \$154.9 million for the year to 30 June 2003. Profits rose 88.9% to \$7,743,000. Earnings per share rose 51.3% to 17.1 cents, owing to the increase in capital from a share placement and cash issue. A 12.5% higher final dividend of 4.5 cents will lift the annual dividend rate 6.7% to 8.0 cents.

Operating cash flows remained *very strong* at \$24.0 million, up 5%. This - plus the \$9.0 million in new equity - lifted the company's cash \$24.2 million to \$31.6 million (69.7 cents per share). Interest bearing debts fell slightly to a low \$5.6 million.

At 197 cents, AJ Lucas shares trade on a Price/Sales ratio of 0.58, a Price/Earnings ratio of 12 and offer a Dividend Yield of 4.1%. The shares are in an uptrend with a very favourable Relative Strength rating of +21.2%, ranked 24 (on a scale of 0-99).

Those financial results and statistics read like a stockmarket fairy story but things just get better . . .

Owing to the "timing of contracted payments" \$7 million of revenues (and about \$750,000 in pre-tax profits) were not included in the above result but deferred into the 2003/2004 financial year.

The core **Pipelines** business - helped by the large **SEA Gas** project - lifted revenues 279% to \$123.3 million with earnings (before overheads and tax) up 278% to \$12.8 million.

Horizontal Directional Drilling recorded a 24% drop in revenues (owing to that \$7 million deferred payment) to \$19.1 million, although earnings *doubled* to \$2.1 million. This division was "operating close to full capacity" after acquiring three more HDD rigs from a "major international competitor's liquidation" which "nearly doubled capacity with a relatively modest outlay".

Coal Seam Gas lifted revenues 129% to \$8.8 million but still recorded a loss of \$0.5 million after expensing Research & Development. This new business is already "the leading supplier of gas management services to the coal industry". Having recently won an unspecified "major" surface to in-seam gas extraction contract this division is expected to become profitable this financial year. In October the company will also start drilling a production well and an exploration well at its 75% owned **Gloucester Basin** exploration permit where it seeks to extract commercial volumes of methane gas for sale.

AJ Lucas Group is also very optimistic about the future, with the next 18 months being "particularly encouraging" for all three divisions. The company (and its partners) are discussing "a number of major pipeline projects" that they are "well positioned to win". Utilities deregulation, development of natural resources and the availability of project finance and a healthier world

economy is expected to generate "a significant number of new projects" over the next 2-3 years.

With the new equity raised last year - and the large operating cash flow - AJ Lucas Group is in a strong financial position to expand and to participate in new major projects. The company is "currently evaluating several potential acquisitions" of "existing successful businesses" that will expand its business to capture infrastructure projects that are not currently pursued.

Future expansion will cover both *specialist civil engineering* (i.e. designing and building specific infrastructure projects for clients) and *facilities management* - which is the operation and maintenance of infrastructure assets. While this second area offers lower profit margins it offers reliable, recurring cashflows and revenues.

We don't know how the story will end - the best stockmarket fairy stories never do - but investors holding AJ Lucas Group shares will likely live happily ever after over the next few years. Our initial projection in May was that these shares had the potential to appreciate 7½-10 fold in value over the next five years.

Given the modest valuation, strong financial position and excellent growth potential, we continue to rate AJ Lucas Group shares as a "Buy".



Austral Coal closed their convertible note issue early, on 21 August. So owing to postal times most NZ shareholders have probably missed out. This issue was oversubscribed and all successful applications were scaled down.

Austral Coal, unfortunately, is building a track record of *neglecting* its own shareholders when making attractive share issues. In 2002 it placed 50.0 million shares at 45 cents with *outside* investors, then offered its *existing* shareholders just 6,660 shares each - and scaled that back to just 4500 shares. As the ordinary shares do not yet pay a dividend, the convertible notes are an attractive investment. The directors should be able to confidently anticipate that the *existing* shareholders would contribute this \$22 million in new equity and a pro-rata cash issue would have been the best way to "reward" existing shareholders.

Instead the directors have offered these new income producing securities to *outside* investors, scaled back applications from *existing* Australian shareholders and effectively cut out the *existing* New Zealand shareholders.

Does this really matter? We have a diversified portfolio, so whether or not we get an allocation of new

shares (or whether or not Austral Coal succeeds or goes bankrupt) will have only a small impact on our investment wealth. However, if a company *consistently* transfers *shareholder wealth to outside interests*, not to *existing* investors, then we have to ask "Is this the best place to be investing our money?". If a company is unsuccessful, we'll take our losses without complaint. If it succeeds, we are not happy to see the directors ignore the *existing* shareholders and giving those gains (i.e. discounted shares, income distributions) to outsiders. The directors' lack of interest in generating shareholder wealth should lead us to *downgrade* the potential dividends and capital appreciation likely from this shareholding.

Austral Coal shares could still perform well over the next year, but we are downgrading our advice to a "Hold".

The convertible notes will begin trading on 7 October, and it *maybe* attractive for investors to switch from the ordinary shares to the convertible notes (i.e. sell the ordinary shares on-market and buy a similar number of notes). Whether or not this switch is attractive will depend upon the relative market values of the ordinary shares and the convertible notes. The notes will pay a fixed annual interest of 5.225 cents - while the ordinary shares *may* start paying dividends in a couple of years (subject to the decisions of the directors).

So if the convertible notes trade on-market for up to 4-5 cents more than the ordinary shares, then it is probably worthwhile selling the ordinary shares and re-investing in the income producing convertible notes.

Cellnet Group recorded a 6.7% drop in revenues to \$318.7 million for the year to 30 June 2003. Profits fell 35.2% to \$5,258,723 (10.6 cents per share). A final 4.0 cents dividend brings the annual rate to a 22.2% lower 7.0 cents.

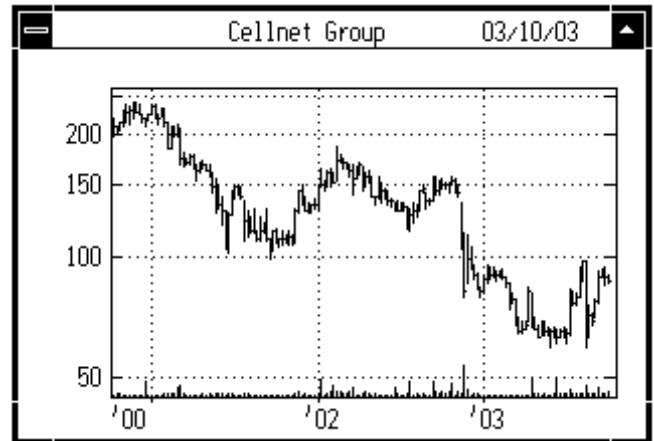
Operating cashflow, however, rose sharply - up 211% to a massive \$25.4 million. This lifted the cash balance to \$21.4 million (43.2 cents per share), while interest bearing debts fell \$1.6 million to \$14.0 million.

Results for the last year were depressed by the \$2.1 million (pre-tax) write-off of obsolete stock. *Future* results will suffer from the loss of **Nokia** accessories, but benefit from the distribution of 3G handsets for **Hutchinson**. The strong operating cashflow shows the benefits of the company's efficient warehousing, where faster stock turnover has reduced its investment in inventories.

Cellnet Group has an efficient business, but just needs to expand its product range and volumes to *better utilise* its warehousing and distribution facilities. The company is looking for better returns ahead from its business. At 87 cents the shares trade at a very low Price/Sales ratio of 0.14, a low Price/Earnings ratio of 8 and a high Dividend Yield of 8.0%. The Relative Strength rating has turned *positive* at +3.4%, ranked 61, so the shares are probably in the early stages of a new uptrend. In addition, there have been three *insider* trades over the last year (i.e. two buys in late 2002 and one small on-market buy in September).

Expected profit improvement, the low current valuation, a new uptrend and insider buying warrants us upgrading Cellnet Group shares from a "Hold" to a

"Buy". We shall be adding to our own investment which has declined in value over the last 20 months.



Commander Communications has confirmed that its first half result "will be materially lower than the second half of 2004" owing to its changed business strategy but "confirmed the major sales and service opportunities" now available to the company. The company notes that "market commentators have not fully factored in the impact on revenue streams" of its "transition to direct relationships with customers for data and telephony services". Not surprisingly, therefore, the market has reacted to the *lower current earnings* and again ignored the new *growth potential* - marking the shares down from a recent high of 138 cents to a recent low of 103 cents, before stabilising around 124 cents.

IASbet has reported a 28.2% increase in turnover to \$449.4 million although revenues (i.e. the company's win margin) fell 28.2% to \$27.1 million. Pre-tax profits were up 1.3%, but high income tax left the net profit 15.6% lower at \$5,099,823 (12.4 cents per share). A final 2.5 cents dividend lifts the annual dividend rate 7.1% to 7.5 cents.

Wagering by clients increased 18% to \$387.7 million although IASbet's win margin fell to 5.7% (down from an unusually high 8.4% the previous year). During the year 34% of client bets were placed via the internet, up from 16% in 2002.

Wagering investments (i.e. IASbet's own bets placed with other bookmakers and TABs) increased 170% to \$61.6 million with a consistent win margin of 5.0% (5.2% in 2002). This increase results from expansion into Asian racing markets. Wagering investments will have increased further following the recent acquisition of **Ferncourt**.

McPhersons has reported a 2.1% drop in revenues for the year to 30 June 2003 to \$253.0 million. Profits rose 22.8% to \$11,846,000 (28.9 cents per share) and a 2.0 cents higher final dividend of 8.0 cents will lift the annual payout 25.0% to 15.0 cents.

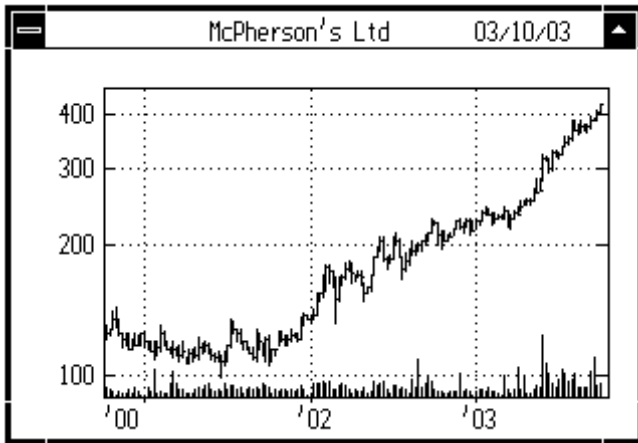
Operating cashflows rose 6.1% to \$16.6 million.

The **Housewares** division saw revenues dip 4% to \$130.5 million but earnings soared 76% to \$10.9 million. The **Printing** division's revenues slipped just 1% to \$121.5 million but earnings were down 15% at \$12.3 million.

Since balance date - as previously discussed - McPhersons has purchased **Cork Asia Pacific** for \$101 million, funded from the (Continued on Page 6)

Recommended Investments (Continued from Page 5) issue of 12.6 million new shares and \$70 million in new borrowings. This attractive acquisition has helped increase McPhersons share price to around 412 cents.

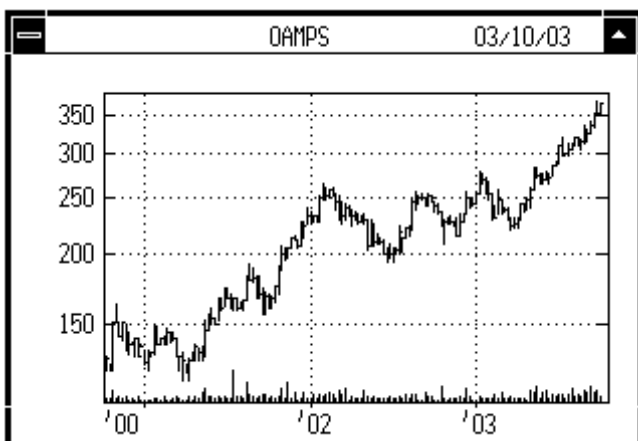
At that level we have seen our investment increase 3½-fold in three years - but the shares still offer reasonable value and are in a strong uptrend (i.e. Relative Strength rating of +25.8%, ranked 17) so remain a "Hold" with the potential for further investment gains over the next 6-12 months.



OAMPS has raised \$13.5 million cash from the placement of 4.5 million shares at \$3.00 each and will seek a further \$6.0 million from current shareholders under a *share purchase plan* (SPP). This will involve offering 1666 shares for \$4998 (\$3.00 per share) to each shareholder. However, as the company has 3600 shareholders, and is limited to 2,000,000 shares, applications would be scaled back to only 555 shares if every shareholder applies for the full number.

OAMPS shares currently trade at 367 cents (although the new shares do not receive the 10.0 cents dividend), so this SPP offers an attractive 16% discount. Shareholders should therefore apply for the shares - either adding to your investment or, as many are probably already over-weighted in OAMPS shares, selling them later on-market for a small gain. We would anticipate that applications for the full 1666 shares will be scaled back to about 1100-1200 shares. Entitlement forms have been mailed and applications must be in by 13 October - so require immediate attention.

OAMPS acquisition for September was Queensland based **All Boat & Cargo Marine** which has 1000 clients and generates insurance premium revenues in excess of \$1.75 million.



Toll Holdings has placed three million shares at \$7.30 per share to raise \$21.9 million which "approximately covers the shortfall" in the company's dividend re-investment plan. Executive Director, M Rowsthorn, also sold three million of his shares through the placement.

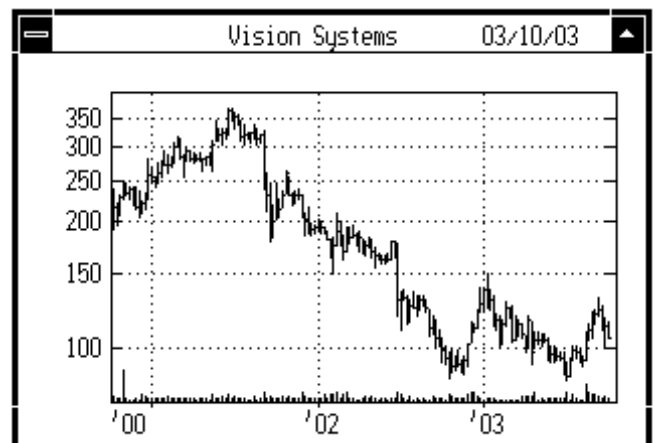
Toll Holdings is also seeking to raise \$220-250 million through an issue of 2.2-2.5 million \$100 *reset preference* shares. This will enable the company to repay existing bank debt and strengthen its balance sheet (enabling it to raise even greater bank debts in the future) as the preference shares will rank *behind* all other liabilities of the company. The reset preference shares will pay a fully franked fixed dividend (to be set by institutional tender) for the first five years.

At November 2008, Toll Holdings will reset the interest rates and other terms of the preference shares. At that stage investors can either (1) continue to hold the preference shares or (2) request conversion to ordinary shares. With option (2), Toll Holdings can either issue new ordinary shares or pay cash of equivalent value. Conversion to ordinary shares is at a 2½% discount to the market price at the conversion date, subject to the issue of a *minimum* of 8.34 ordinary shares per \$100 preference share. That effectively means the preference shares will *participate* in any capital appreciation in the ordinary shares above \$12.30 (which is 66% above the current share price).

The Toll Holdings reset preference shares will be offered to existing shareholders, but we won't be investing in them. The preference shares are effectively an unsecured, fixed interest investment - with a chance of capital gain (i.e. if the ordinary share price appreciates at more than 10.7% per annum over the next five years). The yield will be unattractive to New Zealand investors who cannot use the franking credits.

UXC's program to sell shares for smaller investors has removed 16,730 shareholders from its registry, who had an average holding of just 155 shares.

Vision Systems has raised \$19,457,926 from the placement of 12,161,204 convertible notes at 160 cents. The company will now seek at least another \$10 million from a retail offer to existing shareholders and other small investors.



Share Recommendation: Buy Australian Infrastructure Fund

BUY Australian listed

Australian Infrastructure Fund (code AIX).

Australian Infrastructure Fund holds a diversified portfolio of investments in unlisted transport infrastructure businesses. The shares trade at a discount to net asset value, offer a high income yield, *insiders* are buying and the shares are in a new uptrend.

Company History

Australian Infrastructure Fund was formed in 1997, raising \$175 million from offering 87.5 million shares at \$2.00. A further \$106 million of capital was raised in June 1998 with a 1 for 2 cash issue at \$2.35 per share.

Australian Infrastructure Fund is structured as a company and a trust, with its listed "stapled security" consisting of one share and one unit - that cannot be separated. This gives some tax advantages with dividend distributions.

Australian Infrastructure Fund has ties to **Westpac Banking** and is managed by **Hastings Funds Management**, which is 51% owned by Westpac (with an option to increase that to 100% in 2005).

Recent Results

Initially the fund invested in a wide range of infrastructure investments, including listed shares (e.g. **Auckland International Airport**, **Telstra** and **Transurban**) as well as unlisted shares and subordinate debt. Unfortunately, many of the earlier investments were unsuccessful. For example, the fund lost over \$63 million on its investment in **Vodafone Pacific** (i.e. a write-down of \$37.7 million in 2001 and a further \$22.1 million loss selling back to the parent company in 2002), over \$14 million on **Metro Light Rail & Monorail** (i.e. a \$5.1 million write down in 1999 and a \$9.0 million write-down last year) and \$18.7 million on **Epic Energy** (i.e. in 2001) - which is now for sale. As a result of these losses Australian Infrastructure Fund has performed poorly since its formation in 1997.

Over the last few years, however, the company has changed its investment strategy to focus on *equity securities in unlisted transport businesses* - which are lower risk, income producing investments which still

offer good long term growth. Most of the non-transport assets have now been sold, leaving the company with a portfolio of Airport, Seaport and Toll Roads which is producing a high income *and* capital growth as these port businesses expand and grow.

Current Portfolio

The fund's current portfolio has a net asset value of \$350.6 million (196 cents per share) and consists of investments in the following companies:

Company	Million
Aust Pacific Airports (5.0% owned) (Melbourne, VIC and Launceston, TAS)	\$71.7
Airport Development (25.4%) (Darwin, Tennant Creek, Alice Springs, NT)	\$22.0
Airstralia Development (24.9%) (Perth, WA)	\$134.0
Port of Geelong (35.0%)	\$14.1
Port of Portland (50.0%)	\$40.7
CSX World Terminals Adelaide (30.4%)	\$0.4
Statewide Roads (6.2% ordinary shares, 100% preference shares)	\$38.6
Metro Light Rail & Monorail (38.9%)	\$6.1
Epic Energy (to be sold)	\$17.5
Cash	\$5.5
Total	\$350.6

Australian Infrastructure Fund has board representation on all of these companies through its manager, Hastings Fund Management, which holds additional investments in these companies for other infrastructure trusts, including the unlisted **Utilities Trust of Australia**. In total, Hastings controls 10% of Melbourne Airport, 75% of NT Airports, 85% of Perth Airport, 35% of Port of Geelong, 100% of Port of Portland, 30% of Statewide Roads and 78% of Metro Transport. Australian Infrastructure Fund has pre-emptive acquisition rights, should other investors wish to sell their shares.

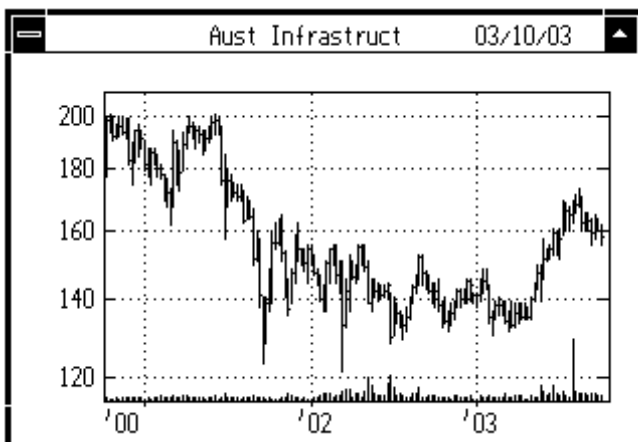
Australian Infrastructure Fund expects to participate in the **Lane Cove Motorway Consortium's** financing of that new tollroad. The fund will also seek to participate in the **Mitcham to Frankston Freeway** project and is evaluating "a number of opportunities" to expand its investments in airports and seaports.

Income and Growth Potential

The Seaports have been the most profitable investments for Australian Infrastructure Fund, providing returns of about 40% per annum (from income and capital appreciation). Airports have also been very profitable, with total returns of 20-30% per annum.

International flights through Perth are scheduled to increase by 9% (i.e. 11 extra flights per week) from October, bringing in extra revenue for the airport. This is seen as a recovery in air travel after the SARS downturn earlier this year.

Australian Infrastructure (Continued on Page 8)



BUY Aust Infrastructure Fund (*Continued from Page 7*)
Fund's Airport investments offer good growth potential - as would new Toll Road investments - while other investments offer lower growth potential but attractive income yields.

Statewide Roads, which operates the **M4 Motorway** concession that will expire in 2010, has provided a 9% rate of return but a high cash flow (i.e. about \$4.8 million per annum in income) and capital repayments (i.e. about \$8.1 million) as it liquidates over the next seven years. **Metro Light Rail and Monorail** has been an unprofitable investment - producing no income return and being written down in value by \$9 million over the last year.

Recent Results

For the year to June 2001 the company earned investment income of \$16.9 million but suffered a net \$14.1 million *devaluation* in the value of its investments. The net *loss* was \$12,599,000 (*minus* 8.6 cents). The annual dividend rate was a steady 13.5 cents.

The year to June 2002 saw investment income up 25.5% to \$21.3 million but an \$11.7 million net *devaluation* in the value of investments. Net profit was \$4,053,000 (2.5 cents per share) and the annual dividend rate 5.5 cents.

With the change in investment strategy towards transport businesses the company performed better in the year to June 2003. Investment income fell slightly, down 5.0%, to \$20.2 million with net increases in the value of investments of \$18.6 million. Net profits recovered 7½-fold to \$30,285,000 (16.9 cents per share) and the annual dividend rate 100.0% to 11.0 cents.

This latest result was still depressed by the \$9.0 million (5.0 cents per share) write-down in the value of the Metro Light Rail investment.

Investment Criteria

At 158 cents, Australian Infrastructure Fund shares trade at a Price/Earnings ratio of 9 and offer a high Dividend Yield of 7.0%. The shares also trade at a 19% discount to their net asset value of 195 cents.

With a market capitalisation of \$283 million this is a medium sized listed company.

Australian Infrastructure Fund is relatively *neglected* by brokers, with just three firms publishing profit forecasts, but institutional investors do have fairly

large holdings in the fund.

Management have large investments in the company: The Managing Director, MC Fitzpatrick, owns 1,146,568 shares (0.64% of the company) and the Chairman, CW Breeze, has 57,170 shares. Most of the non-executive directors own shares: RI Wilson holds 211,537 shares, T Hyams has 175,000 shares, PR Espie has 65,268 shares, B Capp 20,356 shares, R Dunning 10,343 shares and M Hutchinson 7,500 shares.

There have been seven *insider* buys (and no sells) over the last year: The Managing Director purchased 300,535 shares on-market in November 2002, 100,000 shares and 60,000 shares in February 2003, plus 20,000 shares and 140,000 shares in March. In February, R Dunning bought his 10,000 shares and MJ Hutchinson purchased his 7,500 shares.

Australian Infrastructure Fund was a long term under-performer through until 2002 - reflecting the poor performance of some earlier investments - but the shares started to rise in value from May this year. The Relative Strength rating is +7.3%, ranked 49, which suggests the shares are in a new uptrend.

The *insider* buying and *positive* Relative Strength rating is a "Buy" under the *Most Insider Buying* section of our *Comprehensive Share Selection Criteria*.

Summary & Recommendation

The change in investment strategy to focus upon Airports, Seaports and Toll Roads has resulted in a stronger performance from Australian Infrastructure Fund - although there was still a \$9 million write down last year on its Metro Rail business.

This is now a lower risk fund, offering investors a high current income yield *and* the potential for income growth and capital growth over the medium to long term. With this improvement by the fund's portfolio, plus higher airport revenues (owing to expansion of shopping facilities and a recovery in the volumes of air traffic), the attractive discount to net asset value and *insider* buying, we believe that the shares will be re-rated over the next 12-24 months and likely perform well over that period.

Australian Infrastructure Fund should therefore appeal to a wide range of investors - offering low risks, a high income yield and good potential for capital appreciation.

Buy Health Communication Network

BUY Australian listed
Health Communication Network (code HCN).

We took our first close look at this company three months ago owing to the large number of *insider* buyers (see *Market Analysis*, July 2003). Since then the company has made significant progress and the shares have become more actively traded.

This is still a very small company - so can involve significant risks - but offers good potential for significant investment gains over the medium to long term. Health Communication Network has a dominant position in an important sector of the health care market from which it has excellent potential to expand its range of services.

The business generates high profit margins from recurring revenues. The company exceeded its forecasts for the year to June 2003, its cash holding has increased and profits are now forecast to rise 2-2½ fold this financial year.

Company History

Health Communication Network shares listed on the Australian stockmarket in late December 1999 (i.e. during the Technology boom) following an initial public offer of 13,793,100 shares at \$1.45 to raise \$20 million. All of this money went to the company, with about half going to pay debts owing from the acquisition of the *Microinfo* and *Medical Director* businesses. Existing

investors retained all of their 5,888,920 shares.

The boom quickly carried the shares to a high of 473 cents in March 2000, so the company placed another 5,000,000 shares at \$4.00 to raise a further \$20 million in cash.

Unique Competitive Advantage and Growth Strategy

The *Medical Director* patient record and prescribing software was used by 80-90% of GPs and gave Health Communication Network dominance in this sector from which to expand its range of services. This business has grown rapidly as computer use has increased, with market share remaining steady. This dominant market share is an important competitive advantage for Health Communication Network, giving it unique access to GPs who are at the start of health care services.

The company entered and expanded into Practice Management software to become the largest in this sector, with a 33% market share which is expected to rise to about 50%.

Health Communication Network has started to earn recurring revenues by offering access to other services through *Medical Director* (i.e. pathology, radiology), promoting other healthcare providers (e.g. Mayne Health, Medibank Private) and the collection and re-sale of de-identified medical data.

Health Communication Network has developed technology to provide *Online Health Information Resources* to hospitals - again dominating this sector with about an 80% market share.

There are, however, several large gaps in the market where Health Communication Network can expand: While it dominates patient record keeping, electronic prescription writing and practice management for GPs it has only a small 10-15% market share with Specialists and zero market share with hospitals. It dominates the provision of knowledge resources in hospitals, but has zero market share in that sector with GPs and Specialists. Therefore, the company has potential to cross sell these services to its existing customers.

New products planned for 2004 include (1) an integrated practice management and *Medical Director* program providing additional benefits, (2) a version of *Medical Director* for Palm computers and (3) new Specialist software. In addition Health Communication Network plans to "enhance our hospital product range by introducing *Medical Director* components".

A breakdown of revenues and earnings for the year to June 2003 shows revenues of \$6.2 million (up 19%) from GPs and Specialists but losses of \$2.7 million (improving from a loss of \$5.5 million in 2002). The annual subscription to *Medical Director* was raised in June from \$250 to \$450, which will improve financial returns in this sector. Corporate and Government services generated revenues (i.e. advertising, transaction fees) of \$9.8 million (up 23%) and earnings of \$4.8 million (up 23%). The provision of services to Hospitals generated \$10.4 million in revenues (down 5%) and earnings of \$1.4 million (up 32%).

History of Acquisitions and Internal Growth

Health Communication Network built upon the dominant market share of its *Medical Director* patient

record and prescribing software to enter the "fragmented" market for practice management software. In February 2000 it acquired **Multiview Medical Australia** for \$1.2 million in shares (i.e. 406,976 shares at \$3.05) plus an undisclosed sum in cash. This was followed up with the acquisition of **PracSoft** in March 2000 for \$500,000 in shares (i.e. 134,328 shares at \$3.35) plus undisclosed cash - moving Health Communication Network to the number two position in this sector. PracSoft was described as "an excellent fit with *Multiview Medical* and *Medical Director*, giving Health Communication Network clients access to a superior product and service.

Health Communication Network then moved into the number one position in practice management software in May 2000 with the acquisition of **CASEG** for about \$1 million in shares (i.e. 666,667 shares issued at about \$1.50) and an undisclosed sum in cash. This company has the leading position, about a 15% market share, with medical specialists.

This position was further strengthened with the acquisition of **Practice Innovators Australia** in June 2000 for \$260,000 in shares (i.e. 220,000 shares at about \$1.20) and an undisclosed amount of cash. This made Health Communication Network twice as large as its closest competitor in this sector.

In July 2001 Health Communication Network further strengthened its dominance of the GPs software with an agreement with its major shareholder **MediMedia Australia** (which has an 11.2% shareholding in HCN) which is a subsidiary of European based **Vivendi Universal Publishing**. The agreement consolidates the software businesses of each company with Health Communication Network and the drug database businesses with MediMedia Australia. GPs using MediMedia's *MIMS Script* were encouraged to change to *Medical Director* which started using a drug information database maintained by MediMedia. Eventually Vivendi will help Health Communication Network expand its electronic drug prescription business into Europe.

With its dominance in GP desktop software Health Communication Network was in a position to sell access to other health care companies:

In February 2000, a strategic alliance was formed with **iSOFT** to allow the transfer of patient information from GPs (using Health Communication Network software) to hospitals (using iSOFT systems) across the internet. As electronic health becomes more widely used, Health Communication Network will earn growing transaction fees on the transfer of records and other data.

Of greater immediate value is a November 2001 agreement with **Mayne Health** who will pay \$4.0-4.5 million over three years for *Medical Director* to provide an additional feature allowing doctors to directly access Mayne-related services. In a similar agreement - on undisclosed terms - the company entered a three year arrangement with **Medibank Private** to promote its brand and services on *Medical Director*. In December 2001 an agreement was reached with **Optum Group** to integrate their *Telepathy* electronic pathology reporting into *Medical Director*. The *Telepathy* service is available to all pathology laboratories (Continued on Page 10)

BUY Health Communication (Continued from Page 9) for a fee per episode processed - with that fee now shared with Health Communication Network. Within six months, 73% of *Medical Director* users were downloading pathology results.

Health Communication Network's other major business is the provision of *Online Health Information Resources* services for medium to large hospitals. This mainly involves re-selling access to third party medical databases. The company has an 80% market share among medium sized and larger hospitals. This service significantly improved from May 2002 after a joint venture with **World Medicus** developed *Unified Search Environment* software to allow one step searches across multiple databases from multiple vendors. Health Communication Network purchased full ownership of this technology from the joint venture and this enables the company to add value - and increase profit margins - on this information resource business.

Health Communication Network's other developing businesses and projects include:

Mediboss - a company providing diagnostic video software for gastroenterologists in twelve countries - that was acquired in April 2000. The fibre-optic video imaging software is being developed to provide similar services to other specialists including urologists, gynaecologists and respiratory specialists.

An 87% interest in radiology and ASP software specialist **Amokka Java** was purchased in July 2000 for \$700,000 in cash. The company's *iRIS* (internet radiology information system) program can be run over the internet, or on a local computer, and provides patient information, scheduling, reporting, billing, voice integration, imaging, faxing, email and can electronically send reports back to GPs *Medical Director* programs via the internet. US based **GE Medical Systems** was appointed as the sole agent in Australia and NZ to market, distribute, install and support this product from September 2001. This business became profitable by June 2002 although the first *private* radiology clinic did not trial the software until March 2003 - then proceeded to full implementation. The main competitor in this sector is the listed company **Promedicus** which has a market capitalisation of \$84 million.

A website (www.doctors.hcn.com.au) aimed at GPs was launched in February 2000, earning sponsorship and advertising revenues. This was merged into a new joint venture site (www.australiandoctors.com.au) with **Reed Business Information**, the leader in medical publishing with the weekly *Australian Doctor* newspaper, in July 2001.

Government Support

The Australian government is actively seeking to encourage the growth in electronic health transactions as a way of lowering operating costs. The **Health Insurance Commission** (HIC) is seeking to move GPs from the *Medclaim X400* system to *HIC Online*. The HIC has offered practice management software vendors "a payment towards their software integration costs" with *HIC Online*, plus \$1000 per practice converted to *HIC Online* by 30 June 2004 and \$400 per practice by 31 March 2005.

3,200 practices use Health Communication

Network's practice management software and the company "expects a significant percentage" will convert to *HIC Online*.

Recent Results

For the year to June 2000 (i.e. the first period as a public company), Health Communication Network lifted revenues 5.3 fold to \$16.6 million but traded at a loss of \$7,809,000 (*minus* 13.4 cents per share). Net operating cashflows were a *negative* \$4.3 million.

For the year to June 2001 revenues rose 93.6% to \$32.1 million but trading losses grew to \$13,772,000 (*minus* 24.1 cents per share). In addition, the company wrote down the value of Goodwill by \$14.6 million. Losses were caused by significant expenses for software and business development. The operating cash *deficit* increased slightly to \$5.8 million.

For the year to June 2002 revenues rose just 7.3% to \$34.5 million with trading losses of \$10,142,000 (*minus* 16.5 cents per share). The cash operating *deficit* fell to just \$879,000 showing a significant improvement in the company's operating performance.

Health Communication Network spent \$4.2 million on Research & Development, which is fully expensed. Losses were also increased by a provision for costs to exit its UK business (after a rival acquired an information supplier and cancelled its rights to distribute content) and an accounting change which deferred \$2.2 million of *Medical Director* subscription revenue into future periods.

The full year to June 2003 saw revenues down 13.8% to \$29.7 million with profits of \$1,794,000 (2.9 cents per share). The drop in revenues resulted from closing the UK business, while revenues from continuing operations rose 7.7% to \$26.7 million. The company produced strong cashflows and a cash operating surplus of \$3.0 million. This lifted the cash holding to \$11.0 million (17.8 cents per share). The company continues to invest heavily in its future, spending \$4.4 million on Research & Development.

Health Communication Network has also published forecasts for the year to June 2004 - when it expects to generate a profit of \$3.7-4.7 million (6.0-7.6 cents per share) and anticipates announcing a maiden dividend with the half year profit result.

Investment Criteria

At first glance Health Communication Network looks a little expensive at 101 cents which is a Price/Sales ratio of 2.09, a Price/Earnings ratio of 35 and paying no Dividend.

Health Communication Network, however, is a business that should be capable of earning high profit margins, which justifies a higher than normal P/S ratio. At 15-20% net profit margin, for example, the P/S ratio of 2.0 is equivalent to a P/E ratio of 10-13. That indicates exceptional value for an emerging growth company.

The company predicts profits of \$3.7-4.7 million this financial year - which will put the shares on a P/E ratio of 13-17. That also indicates very good value and predictions of dividend payments show that the directors expect on-going profitability.

Another way to evaluate an emerging growth company is its Price/Research ratio. Health Communication Network spent \$4,378,000 on Research

& Development in the year to June 2003 - which puts the shares on a Price/Research ratio of 13.9. Values of 5-10 are considered to offer very good value, so Health Communication Network shares are just a little more expensive.

Health Communication Network is also in a strong financial position with cash in the bank of \$11.0 million (17.8 cents per share) and just \$464,000 of interest bearing debts.

The issued capital is 61,559,946 shares, giving a market capitalisation of \$62.2 million and making this a smaller listed company. The shares, however, are reasonably actively traded (i.e. several tens of thousands or hundreds of thousand shares trade per day), although investors wanting large holdings will probably need to accumulate shares over several weeks or months.

Health Communication Network is *neglected* by brokers with none currently following it closely enough to publish profit forecasts. The shares are also *neglected* by institutional investors who own only about 4% of the company. *Neglected* shares tend to be under-valued relative to *widely followed* shares and can appreciate very strongly in value when they are eventually discovered by brokers and institutions.

Management have large holdings in the company - which is favourable. Chairman CM Fullerton owns 3,400,000 shares (5.5% of the company), Managing Director MJ Gregg has 2,598,769 shares (4.2%), Dr JA Alexander has 560,100 (0.9%), CL Gibbon has 3,971,820 (6.5%) and NR Cullimore holds 500,954 shares (0.8%).

There have been seven *insider* buys (plus several small *insider* sells which we don't count) and no sells over the last year. Many of these shares were purchased around 50 cents in March and April, but N Cullimore purchased 25,000 shares at around 104 cents in late September and 25,000 shares last week at 102 cents. Health Communication Network shares rate as a "Buy" in the Most Insider Buying section of our Comprehensive Share Selection Criteria.

After soaring to a high of 473 cents in March 2000, Health Communication Network shares fell to a low of 22½ cents in June 2001. The shares then recovered to trade in a band around 50-70 cents until June this year

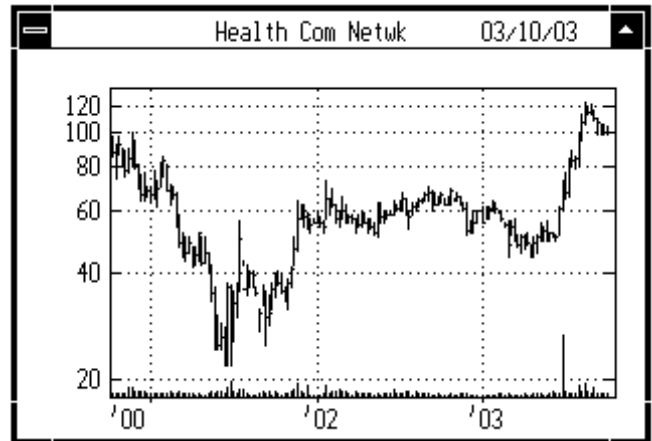
and have since started to appreciate in value as the company has become profitable and starts to realise its potential for strong profit growth. The Relative Strength rating is +48.0%, ranked 8.

Summary and Recommendation

Health Communication Network holds a unique competitive advantage with its access to GP's desktops - allowing it to earn recurring advertising revenue from other health service providers and growing transaction fees with the emerging growth in electronic record keeping in health services. This strong base also allows the company to steadily expand its range of services and to expand to related sectors. With the Australian government encouraging electronic health transactions, Health Communication Network is ideally placed to experience far above average growth over the next 5-10 years.

The company has only just become profitable, but profits are forecast to increase 2-2½ fold this year which will put the shares on a low P/E ratio. *Insiders* are actively buying shares on-market, despite already having large shareholdings, and the shares are in a strong uptrend.

While Health Communication Network is a financially sound company (i.e. with a strong balance sheet and recurring revenue streams) this is an emerging growth company and does involve higher risks. The shares will therefore appeal to investors seeking long term growth and capital appreciation.



“Insider” Trades in New Zealand Shares

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

“Insider” Indicators
 Last 5 wks: 75.0% Buyers
 Last 13 wks: 65.7% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMP Limited	1-0	Col Motor Co	4-1	Ind Newspapers	0-1	NZ Invest Trust	8-0	Telecom Corp	2-1
Air New Zealand	5-0	Design Textiles	1-5	Infratil NZ	4-1	Northland Port	0-2	Tourism Hold.	5-0
Akd Int Airport	0-1	Ebos Group Ltd	0-1	Kidicorp	1-0	Nuplex Indust	3-0	Tower Limited	2-0
Apple Fields	1-0	Evergreen	0-2	Kiwi Property	0-1	Provenco Group	5-0	Urbus Property	1-0
Botry-Zen Ltd	0-1	F & P Health.	1-0	Lytelton Port	4-1	Pyne Gould G.	1-0	Utilico Int'l	1-0
Broadway Ind	1-0	FC - Forests	2-0	Mainfreight Grp	0-1	Rocom Wireless	0-1	Vending Tech.	0-1
Cabletalk Group	2-0	Fletcher Build.	1-0	Metro. LifeCare	2-0	Ryman Health.	1-2	WN Drive Tech.	0-4
Cap Properties	1-0	GDC Communicat.	1-2	Michael Hill	3-0	Summit Gold Ltd	1-0	Wakefield Hosp.	1-0
Carter Holt	1-0	Hallenstein G.	1-0	Mowbray Collect	0-2	Tag Pacific Ltd	1-0	Waste Mgmt NZ	0-3
Cedenco Foods	7-0							Wrighton Ltd	0-1

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

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Company	Share Price	STRENGTH RATING	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til. ity	Price Earn. Ratio	Div. Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til. ity	Price Earn. Ratio	Div. Yield	Price Sales Ratio	Market Cap'n													
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0																																										
Owens Group Ltd	107	+8.7	-0.4	25	0-0	3	1.8	8	1.2	22	2.8	0.14	61	Freightways Ltd	183	+0.4	+0.4	61	0-0	-	-	-	0.8	17	9.4	N/A	221	Hallenstein G.	295	+2.7	-0.4	49	1-0	4	4.0	26	0.5	15	9.4	0.98	174	
Renaissance	43	+40.2	+5.6	1	0-0	-	1.7	-	1.6	NE	10.4	0.14	16	Skellmax Indust	116	+2.5	-2.3	50	0-0	-	4.5	49	0.8	9	9.0	1.21	116	Lyttelton Port	195	+7.0	+0.4	30	4-1	5	4.0	27	0.7	15	8.4	3.26	199	
Mainfreight Grp	145	+4.4	-1.0	40	0-1	4	2.2	17	1.0	13	6.7	0.28	117	INSIDER BUYING: Most Insider Buying, Relative Strength > 0																												
Broadway Ind	55	+12.6	-2.9	8	1-0	-	1.2	15	1.1	8	3.6	0.30	11	NZ Invest Trust	520	+8.3	-1.1	26	8-0	-	-	-	0.4	NE	1.6	N/A	53	Cedenco Foods	230	+15.8	+6.2	7	7-0	-	1.3	15	0.5	8	Nil	1.33	36	
Wrighton Ltd	149	+8.9	+2.9	23	0-1	3	1.6	15	1.3	11	11.5	0.31	203	Tourism Hold.	157	+20.4	+4.6	3	5-0	4	0.9	1	0.8	62	2.9	0.78	144	Air New Zealand	53	+1.7	-1.2	55	5-0	5	1.5	16	1.4	10	Nil	0.43	1,549	
Allied Farmers	205	+1.0	+0.5	58	0-0	-	1.2	13	0.9	9	8.0	0.31	22	Provenco Group	37	+3.4	+4.3	44	5-0	-	3.6	12	1.5	29	Nil	0.63	30	Nuplex Indust	410	+5.8	-0.5	35	3-0	3	1.6	14	0.6	11	7.3	0.40	251	
Nuplex Indust	410	+5.8	-0.5	35	3-0	3	1.6	14	0.8	11	7.3	0.40	251	Lyttelton Port	195	+7.0	+0.4	30	4-1	5	4.0	27	0.7	15	8.4	3.26	199	Infrafil NZ	225	+10.7	-0.2	16	4-1	3	1.3	9	0.6	15	2.7	3.33	413	
Ebos Group Ltd	328	+2.1	+1.3	52	0-1	-	2.1	15	0.7	14	7.5	0.40	90	FC - Forests	129	+6.6	+1.2	32	2-0	6	0.8	-	0.9	NE	Nil	1.06	719	Cabletalk Group	40	+36.1	-4.8	1	2-0	-	0.9	-	1.4	NE	Nil	0.32	15	
Williams Kettle	480	+4.0	+2.8	42	0-0	-	1.4	13	0.5	11	7.5	0.43	71	OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																												
Design Textiles	97	+2.9	+0.1	48	1-5	-	2.4	27	1.4	9	6.3	0.52	31	Opio Forestry	48	-2.2	-1.6	71	0-0	-	0.5	-	0.6	NE	Nil	8.60	7	Port Tauranga	421	-0.6	-1.1	65	2-2	5	1.3	6	0.3	22	5.8	5.14	563	
Fletcher Build.	429	+11.7	+1.0	11	1-0	6	2.1	20	0.7	10	6.6	0.54	1,741	Horizon Energy	350	-1.5	-2.2	68	0-0	2	2.7	15	0.3	18	10.7	3.84	87	South Port NZ	150	-1.7	+0.4	68	0-0	1	1.7	11	0.7	15	6.7	2.68	39	
Vertex Group	160	+4.4	-2.9	39	0-0	-	2.3	17	1.2	14	13.2	0.60	51	NZ Refining Co	1576	-1.4	-0.6	66	0-0	2	1.2	12	0.1	11	14.2	2.34	378	Scott Tech. Ltd	270	-0.4	-1.1	64	0-0	-	3.9	16	0.4	24	6.1	2.04	59	
Dorchester Pac	175	+10.6	+2.5	17	0-0	-	1.5	18	0.9	8	6.4	0.61	34	WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average																												
Guinness Peat	168	+3.2	+1.5	46	0-0	-	0.9	12	1.1	8	1.8	0.67	1,045	Spectrum Res.	2	-58.3	+0.0	98	0-0	-	1.4	-	3.2	NE	Nil	N/A	5	Genesis Res.	103	-12.0	-0.7	90	0-0	-	0.7	-	0.9	NE	Nil	1.73	27	
CDL Hotel NZ	39	+14.6	+5.5	8	0-0	-	0.6	8	1.3	8	5.4	0.72	136	Blis Technology	29	-11.3	-0.2	88	0-0	-	6.5	-	1.0	NE	Nil	N/A	18	SkyCity Leisure	113	-9.8	+0.6	88	0-0	-	4.2	11	1.3	37	Nil	1.91	77	
Broadway Ind	55	+12.6	-2.9	8	1-0	-	1.2	15	0.8	8	3.6	0.30	11	Briscoe Group	197	-8.6	+0.5	87	0-0	6	5.1	29	0.6	18	5.1	1.39	414	Mr Chips Hold	100	-8.2	-0.5	86	0-0	-	2.2	9	0.8	24	4.5	0.94	24	
Taylor's Grp Ltd	201	+11.8	+1.4	9	0-0	-	1.9	17	0.6	11	7.8	0.85	49	Evergreen	45	-8.2	+0.1	85	0-2	-	0.8	-	0.8	NE	Nil	1.84	68	Software of Exc	124	-7.5	-4.3	84	0-0	-	4.5	-	0.9	NE	Nil	1.58	26	
Fletcher Build.	429	+11.7	+1.0	11	1-0	6	2.1	20	0.6	10	6.6	0.54	1,741	Michael Hill	435	-6.1	+0.6	81	3-0	3	3.3	20	0.4	16	5.8	0.74	167	Vending Tech.	100	-5.9	-3.6	80	0-1	-	1.6	14	0.8	11	Nil	1.31	30	
Dorchester Pac	175	+10.6	+2.5	17	0-0	-	1.5	18	0.9	8	6.4	0.61	34	Botry-Zen Ltd	12	-4.0	+1.5	77	0-1	-	6.7	-	1.2	NE	Nil	N/A	20	Warehouse Group	585	-3.9	+3.8	76	0-0	6	5.2	23	0.4	22	3.7	0.87	1,787	
Affco Holdings	22	+9.1	-3.4	22	0-0	-	0.4	4	1.3	10	Nil	0.05	108	Kirkcaldie & St	355	-3.6	+1.1	76	0-0	-	1.6	10	0.4	16	5.0	0.67	27	Sanford Limited	511	-2.7	+1.0	73	2-2	1	1.2	9	0.5	13	5.8	1.24	489	
Wrighton Ltd	149	+8.9	+2.9	23	0-1	3	1.6	15	1.1	11	11.5	0.31	203	Summit Gold Ltd	8	-2.2	+9.8	72	1-0	-	1.8	-	1.7	NE	Nil	N/A	7	Opio Forestry	48	-2.2	-1.6	71	0-0	-	0.5	-	0.5	NE	Nil	8.60	7	
Steel & Tube	365	+6.3	-2.0	34	0-0	5	2.5	17	0.8	15	9.4	0.98	321	Pacific Retail	258	-2.2	+3.8	71	0-0	2	1.7	19	1.0	9	Nil	0.26	158	INSIDER SELLING: Most Insider Selling, Relative Strength < 0														
Nuplex Indust	410	+5.8	-0.5	35	3-0	3	1.6	14	0.7	11	7.3	0.40	251	Evergreen	45	-8.2	+0.1	85	0-2	-	0.8	-	0.8	NE	Nil	1.84	68	Vending Tech.	100	-5.9	-3.6	80	0-1	-	1.6	14	0.7	11	Nil	1.31	30	
Vertex Group	160	+4.4	-2.9	39	0-0	-	2.3	17	1.0	14	13.2	0.60	51	Kiwi Property	104	-1.2	+0.0	66	0-1	6	1.0	7	0.5	13	8.2	8.07	575	Botry-Zen Ltd	12	-4.0	+1.5	77	0-1	-	6.7	-	1.1	NE	Nil	N/A	20	
Mainfreight Grp	145	+4.4	-1.0	40	0-1	4	2.2	17	0.8	13	6.7	0.28	117	GDC Communicat.	64	-16.3	-0.7	92	1-2	1	1.5	22	1.0	7	8.2	0.35	24															
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Allied Farmers	205	+1.0	+0.5	58	0-0	-	1.2	13	0.7	9	8.0	0.31	22																													
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million																																										
NZ Refining Co	1576	-1.4	-0.6	66	0-0	2	1.2	12	0.2	11	14.2	2.34	378																													
Restaurant Brds	126	-7.3	-1.0	83	0-0	5	2.3	23	0.8	10	11.8	0.40	119																													
Wrighton Ltd	149	+8.9	+2.9	23	0-1	3	1.6	15	1.0	11	11.5	0.31	203																													
Tower Limited	137	-12.2	+4.8	90	2-0	7	0.3	0	1.1	143	10.9	0.55	561																													
Pyme Gould G.	124	+6.4	-1.7	33	1-0	-	1.2	12	0.6	10	10.2	N/A	124																													
Steel & Tube	365	+6.3	-2.0	34	0-0	5	2.5	17	0.8	15	9.4	0.98	321																													

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Company	Share Price	STRENGTH RATING	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til. ity	Price Earn. Ratio	Div. Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING	Cur. rent	4-Wk Chg.	Rank	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til. ity	Price Earn. Ratio	Div. Yield	Price Sales Ratio	Market Cap'n
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0																													
VRI Biomedical	26	-18.1	+3.0	96	3-1	-	6.4	-	1.0	NE	Nil	9.88	17	Gold Mines Sard	35	-0.1	+0.0	73	0-0	-	-	-	0.9	NE	Nil	6.12	92		
Auiron Energy	5	-5.8	+5.2	85	0-0	-	-	-	1.6	NE	Nil	9.47	18	Q-Mastor Ltd	15	-3.5	+0.2	82	0-1	-	-	-	0.9	NE	Nil	6.05	6		
Int'l Wine Inv.	198	-16.7	-0.9	95	0-0	1	0.8	-	0.3	NE	5.6	9.32	116	Cochlear Ltd	3204	-0.5	+1.0	74	2-1	10	16.1	55	0.2	29	2.4	5.86	1,700		
Pro Medicus Ltd	84	-3.3	-0.3	81	0-0	1	8.4	46	0.4	18	3.9	8.84	84	Iatia Limited	7	-10.9	+9.1	91	1-0	-	2.3	-	1.4	NE	Nil	5.60	8		
Midwest Corp	27	-26.1	-19.7	97	0-0	-																							

Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	Share Price	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
		Cur-ent	4-Wk Chg.	Rank	099											Cur-ent	4-Wk Chg.	Rank	099								
Gradipore Ltd	63	-16.9	+1.9	95	3-0	- 0.9	- 0.7	NE	Nil	4.39		30	Hire Intell.	10	-17.1	+6.1	95	1-0	- 1.6	- 1.1	NE	Nil	0.97		7		
Bass Strait Oil	334	-1.1	-0.0	76	0-0	- 1.7	19 0.3	9 13.8	4.28			187	Gradipore Ltd	63	-16.9	+1.9	95	3-0	- 0.9	- 0.7	NE	Nil	4.39		30		
Zeolite Aust.	14	-2.2	-3.0	79	0-0	- 3.5	- 1.1	NE	Nil	4.18		6	Atlantic Ltd	10	-16.5	-3.0	95	0-0	- 1.3	- 0.9	NE	Nil	6.17		5		
Earth Sanct.	19	-0.1	+0.3	73	1-0	- 0.5	- 1.1	NE	Nil	4.18		5	CMC Power Syst.	5	-16.4	+1.8	95	0-0	-	- 1.5	NE	Nil	N/A		14		
Biron Capital	30	-1.6	-1.2	78	13-0	- 0.7	8 0.8	8 8.3	4.17			11	Aust Mining Inv	5	-15.7	-0.6	94	0-0	-	- 2.1	NE	Nil	N/A		12		
DenX Ltd	23	-25.6	+0.8	97	0-0	- 4.6	- 0.7	NE	Nil	4.14		26	Beyond Int'l	30	-15.7	+2.0	94	2-0	-	- 0.7	120	Nil	0.31		18		
Icon Energy	4	-0.4	-1.9	74	1-0	-	- 2.2	NE	Nil	3.93		7	Xanadu Wines	17	-15.5	+3.3	94	4-0	- 0.6	- 0.9	NE	Nil	1.39		26		
Hallmark Cons.	13	-18.8	-0.6	96	2-2	-	- 1.5	NE	Nil	3.76		7	FSA Group Ltd	7	-15.3	+5.6	94	0-0	- 2.2	- 1.2	NE	Nil	0.51		6		
West Aust Metal	9	-2.3	+1.3	79	0-3	-	- 1.6	NE	Nil	3.46		5	ICE Corporation	2	-15.2	+0.7	94	0-0	-	- 2.2	1	Nil	0.29		6		
Federation Grp	9	-12.9	+12.0	93	0-0	- 0.6	- 2.1	NE	Nil	3.45		8	VeCommerce Ltd	80	-15.2	+10.2	94	2-0	- 0.8	- 0.6	NE	Nil	0.96		10		
Asset Backed	20	-1.6	+13.1	78	0-0	- 1.1	- 1.2	NE	Nil	3.38		10	Barra Resources	10	-15.1	+14.7	94	2-0	-	- 1.0	NE	Nil	0.34		6		
Eurogold Ltd	7	-5.1	+10.2	84	1-0	-	- 1.4	NE	Nil	3.00		7	Intec Ltd	5	-14.9	+10.4	94	1-0	-	- 1.8	NE	Nil	N/A		6		
Deep Sea Fish.	47	-3.8	+0.5	82	0-1	- 0.9	3 0.5	25 3.4	2.91			26	Byte Power Grp	6	-14.2	+3.1	93	0-0	-	- 1.9	NE	Nil	0.37		10		
Financial Res.	14	-4.4	-2.1	83	0-0	-	- 1.3	7	Nil	2.81		9	Webjet NL	4	-14.2	+2.7	93	0-1	- 4.0	- 1.5	NE	Nil	4.44		6		
S8 Limited	92	-0.2	-3.1	73	4-0	-	- 0.6	12	6.9	2.53		64	Audax Resources	30	-14.2	+3.4	93	3-0	-	- 0.8	NE	Nil	N/A		18		
Canbet Limited	9	-5.2	+0.5	84	0-0	- 1.7	3 1.3	61	Nil	2.51		30	Horizon Energy	8	-14.1	+5.3	93	3-0	1 0.7	- 1.2	NE	Nil	N/A		25		
Lake Technology	15	-17.9	+7.0	96	2-0	-	- 1.0	NE	Nil	2.34		19	Swish Group	7	-13.8	+10.6	93	0-0	-	- 1.8	NE	Nil	1.80		8		
Child Care C.A.	125	-22.2	+7.9	97	3-0	-	- 0.6	NE	Nil	2.33		46	Virax Holdings	19	-13.3	+5.1	93	0-2	- 4.8	- 1.3	NE	Nil	N/A		9		
Advanced Engine	4	-3.2	+0.9	81	0-0	-	- 1.7	NE	Nil	2.31		6	Silex Systems	54	-13.2	+7.3	93	0-0	2 1.4	- 0.8	NE	Nil	N/A		70		
Telezon Limited	6	-0.0	+0.0	73	0-0	-	- 1.5	NE	Nil	2.27		12	Stericorp Ltd	18	-13.0	+0.3	93	1-0	- 1.9	- 1.0	NE	Nil	1.21		19		
Minerals Corp.	15	-6.2	+5.2	86	4-1	- 0.7	- 0.8	NE	Nil	2.19		38	Federation Grp	9	-12.9	+12.0	93	0-0	- 0.6	- 2.0	NE	Nil	3.45		8		
CSL Limited	1745	-1.2	+7.8	76	2-0	8 7.2	18 0.3	40 1.9	2.15	2,791			Snowball Group	21	-12.9	+8.4	93	0-0	-21.0	- 1.2	NE	Nil	1.26		7		
Electrometals	9	-4.8	+3.1	84	1-0	-	- 1.2	NE	Nil	2.12		6	Jervois Mining	2	-12.7	+10.3	92	0-0	-	- 2.8	NE	Nil	N/A		8		
Telemedia Netwk	73	-0.1	+0.0	73	0-0	- 4.1	- 0.7	NE	Nil	2.06		51	Ind Practition.	6	-12.5	-1.4	92	3-0	-	- 1.3	NE	Nil	N/A		53		

WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average

AMCIL Limited	6	-50.0	-4.3	99	0-0	- 2.1	- 1.3	NE	Nil	0.83		6
Key2 Limited	18	-48.7	+1.7	99	0-0	-	- 0.7	NE	Nil	2.00		5
Aust Magnesium	8	-40.2	+0.4	99	0-0	1 -	- 1.6	NE	Nil	0.44		32
Quiktrak Netwks	1	-39.1	+1.8	99	4-3	-	- 4.1	NE	Nil	0.59		7
TV & Media Serv	3	-32.4	+4.3	99	0-0	-	- 2.0	NE	Nil	0.25		24
Intermoco Ltd	6	-32.0	+0.1	98	1-2	- 5.7	- 1.4	NE	Nil	N/A		31
Ambri Limited	25	-30.4	-0.2	98	0-0	1 -	- 1.3	NE	Nil	5.25		13
Nova Health Ltd	18	-30.1	+7.0	98	8-0	-	- 0.9	NE	Nil	N/A		42
Q-Vis Limited	2	-29.5	-7.3	98	0-0	- 0.5	- 3.2	NE	Nil	N/A		7
Mustang Group	0	-27.6	+7.1	97	0-0	-	- 5.3	NE	Nil	N/A		6
Midwest Corp	27	-26.1	-19.7	97	0-0	-	- 0.7	NE	Nil	8.83		15
DenX Ltd	23	-25.6	+0.8	97	0-0	- 4.6	- 0.7	NE	Nil	4.14		26
ASG Group Ltd	55	-25.0	+8.3	97	0-1	-	- 0.9	NE	Nil	N/A		36
Platinum Aust	17	-23.1	-8.1	97	0-0	-	- 1.2	NE	Nil	N/A		12
Child Care C.A.	125	-22.2	+7.9	97	3-0	-	- 0.5	NE	Nil	2.33		46
Env Infrastruct	9	-22.1	-7.2	97	0-0	- 1.0	- 1.5	NE	Nil	N/A		9
Reynolds Wines	8	-21.9	+6.2	96	0-1	-	- 1.3	1	Nil	0.32		8
Jacobsen Ent.	21	-20.6	+2.7	96	0-0	- 5.3	- 1.0	NE	Nil	N/A		5
Dromana Estate	36	-19.0	+2.6	96	3-0	- 0.8	- 1.0	NE	Nil	1.63		5
Gindalbie Gold	15	-18.8	+12.4	96	1-1	-	- 1.0	NE	Nil	0.71		19
Hallmark Cons.	13	-18.8	-0.6	96	2-2	-	- 1.5	NE	Nil	3.76		7
VRI Biomedical	26	-18.1	+3.0	96	3-1	- 6.4	- 0.9	NE	Nil	9.88		17
Lake Technology	15	-17.9	+7.0	96	2-0	-	- 0.9	NE	Nil	2.34		19
Data & Commerce	6	-17.7	-3.2	95	2-0	-	- 1.8	NE	Nil	1.41		8
City View	10	-17.5	+0.4	95	0-0	-	- 1.2	NE	Nil	N/A		7
Tomato Tech.	27	-17.4	-3.9	95	0-2	- 0.7	- 0.7	NE	Nil	N/A		6

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

Tempo Services	136	-6.4	-3.6	86	0-5	5 -	- 0.4	15	5.9	0.20		142
Millers Retail	180	-0.2	+1.6	74	0-5	4 4.6	33 0.6	14	5.3	0.40		424
Marybor'gh Suga	620	-1.1	-2.8	76	0-4	- 51.7	- 0.2	6	3.2	0.57		19
Cabcharge Ltd	298	-0.0	+0.3	73	2-6	6 3.0	18 0.3	17	4.0	0.52		336
Atlas Pacific	24	-12.1	-2.0	92	0-3	- 0.9	16 0.7	6	12.8	1.82		21
Selwyn Mines	23	-8.0	+2.0	87	0-3	-	- 0.7	19	Nil	0.35		22
West Aust Metal	9	-2.3	+1.3	79	0-3	-	- 1.4	NE	Nil	3.46		5
Hidson Timber	32	-12.5	+11.1	92	0-2	- 2.7	- 0.6	NE	Nil	0.10		29
Virax Holdings	19	-13.3	+5.1	93	0-2	- 4.8	- 1.2	NE	Nil	N/A		9
Tomato Tech.	27	-17.4	-3.9	95	0-2	- 0.7	- 0.6	NE	Nil	N/A		6
Reynolds Wines	8	-21.9	+6.2	96	0-1	-	- 1.2	1	Nil	0.32		8
James Fielding	272	-5.7	-2.0	85	0-1	- 1.2	5 0.3	23	8.5	6.28		296
Ivanhoe Mines	1200	+0.0	+0.0	72	0-1	-	- 0.1	NE	Nil	N/A		861
Webjet NL	4	-14.2	+2.7	93	0-1	- 4.0	- 1.4	NE	Nil	4.44		6
Vietnam Indust.	19	-16.7	+1.1	95	0-1	- 0.6	6 0.7	11	10.5	0.12		20
Daily Planet	100	-3.9	+3.7	82	0-1	-	- 0.7	NE	Nil	N/A		8
Viagold Capital	3	-5.5	+3.0	85	0-1	-	- 1.9	NE	Nil	0.07		7
ASG Group Ltd	55	-25.0	+8.3	97	0-1	-	- 0.9	NE	Nil	N/A		36
Bendigo Mining	25	-1.9	+5.7	79	0-1	-	- 0.8	NE	Nil	N/A		232
Drillsearch	6	-9.0	+3.4	89	0-1	-	- 1.2	NE	Nil	1.40		9
Deep Sea Fish.	47	-3.8	+0.5	82	0-1	- 0.9	3 0.4	25	3.4	2.91		26
Westfield Trust	332	-1.2	-1.7	76	0-1	6 1.1	8 0.2	14	7.1	7.49		6,684
Q-Mastor Ltd	15	-3.5	+0.2	82	0-1	-	- 0.8	NE	Nil	6.05		6
Intermoco Ltd	6	-32.0	+0.1	98	1-2	- 5.7	- 1.3	NE	Nil	N/A		31
Rivkin Fin Serv	26	-3.0	+2.3	81	1-2	- 1.2	6 0.9	20	5.8	0.20		26

New Issue: 42 Below

The following update was emailed to subscribers on Monday 23 September:

42 Below Ltd

If you are seriously considering buying shares in this New Issue then you have probably consumed too much of the company's product. Sleep it off, and re-assess the situation with a clear head in the morning.

42 Below Ltd is seeking to raise \$15.5 million from the issue of 31.0 million shares at 50 cents. All of this money will go to the company to fund future growth (and past losses). In fact, this will be the first equity contributed to the company. Existing owners of the business will be (literally) given 90.0 million shares for nothing.

Over the last year the company recorded revenues of \$504,000 and lost \$589,000. The company currently has assets of \$373,000 and liabilities of \$962,000 with Shareholders Equity of *negative* \$589,000. Existing investors will receive 90,000,000 shares (i.e. worth \$45

million at the public issue price) for this insolvent, loss making company with very little revenues!!!

Over the *next* year, 42 Below projects revenues of \$6.4 million and a cash operating *deficit* of \$3.1 million - which indicates the business will probably remain unprofitable. The 50 cents issue price of the shares being offered to the public values 42 Below on an historical Price/Sales ratio of 119.57 and at a projected Price/Sales ratio of a still excessively over-valued 9.45. A high-tech internet company *may* have been able to obtain this valuation during the Technology boom of 1999 - but a company that makes *Vodka*? Are these people serious? Perhaps it is the promoters and the underwriters who have been consuming too much of the company's product!

Our theory is the company is called "42 Below" as that is the fair value of the shares in this emerging growth company: 8 cents per share (i.e. 42 cents *below* the public offer price of 50 cents). Avoid!

“Insider” Trades in Australian Shares

The 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: 53.9% Buyers
Last 13 wks: 54.9% Buyers

Insiders Reduce Share Purchases as Stockmarket Rallies

Over the very long term *insider* buying accounts for only about 35-45% of all trades on-market, with the majority of trades being sells. The reason for this is that *insiders* acquire a lot of shares *off market* (e.g. original shareholdings acquired prior to a company going public or from executive share options).

Over recent years (see earlier quarterly *Insider* articles) *insider* buying has accounted for an abnormally high 60-80% of trades. This is consistent with our brief that *insiders* are the most knowledgeable investors and accumulated shares in their companies while the stockmarket was depressed. Over the last three months - as share prices rallied strongly - this buying has diminished. The current statistics (see above right) show around 55% buys over the last three months. That shows that *insiders* are (as a group) less keen to buy shares at current price levels.

55% buy trades, however, is still moderately favourable and above the 35-45% historical average for buy trades. And there is certainly no sign of widespread *insider* selling that would indicate that the stockmarket generally was over-valued.

Insider trades in individual companies is an excellent stock selection method. These trades provide an objective assessment of what directors think about the value of their shares. Directors have an obligation to *say* their company's shares are a good investment. What they are actually doing with their own money is a more reliable guide to what they really *believe*.

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
ABB Grain Ltd	40	Arrow Pharm.	0.2	Biota Holdings	1.0	Circadian Tech	3.1	Djerriwarrh	0.1
ABC Learning	0.3	Ashburton Min.	1.0	Biron Capital	13.0	Circle Com Ltd	0.2	Dolomatrix Intl	4.1
AFT Corporation	1.0	Aspen Group Ltd	2.0	Bounty Oil Gas	0.1	Citadel Pooled	0.1	Downer EDI Ltd	1.0
AI Group	1.0	Aspermont Ltd	1.0	Brambles Ind.	4.1	City Pacific	1.0	Dragon Mining	1.2
AIS Corporation	1.0	Atlas Pacific	0.3	Brandrill	1.2	Clinical Cell	3.1	Drillsearch	0.1
AMP Ltd	2.0	Audax Resources	3.0	Brazin Limited	8.1	Clover Corp.	0.3	Dromana Estate	3.0
ANZ Bank	7.1	Ausdrill Ltd	0.2	Breakfree Ltd	6.1	Cluff Resource	3.1	E-Bet Limited	3.0
APN News Media	5.0	Ausmelt Ltd	1.0	Brickworks Ltd	5.0	Coates Hire	4.1	E-Global Intl	2.0
ARC Energy	1.0	Auspine Ltd	2.0	Bristle Ltd	1.2	Cochlear Ltd	2.1	E-Star Online	4.0
ASG Group Ltd	0.1	Aust Infra.	7.0	Broadtel Com.	2.0	Cockatoo Wines	1.0	E.R.G.	1.2
AV Jennings	3.4	Aust United In	1.0	Buderim Ginger	3.0	Coffey Intl	4.0	ETRADE Aust.	4.0
AXA Asia Pac	1.0	Aust Foundation	2.0	Bullion Min.	2.0	Coles Myer	2.0	Earth Sanct.	1.0
Abacus Property	4.0	Aust Pharm. Ind	1.0	Bunnings W/hse	1.0	Collection Hse	9.0	Eastern Corp	1.0
Abelle Ltd	0.1	Aust Healthcare	6.0	Burns Philp	2.0	Comwealth Bank	2.1	Easycall Intl	0.1
Aberdeen Leader	0.2	Aust Stock Exch	2.0	Burswood Ltd	4.0	Commander Comm.	1.0	Echo Technology	1.0
Acclaim Explor	2.0	Aust Wine Hold.	2.1	CBD Energy Ltd	3.1	Compumedics Ltd	1.0	Eiffel Tech.	6.0
Adacel Tech.	2.0	Aust Energy	1.7	CCI Holdings	1.0	Computer Share	9.1	Electrometals	1.0
Adcorp Aust.	1.0	Aust Wwide Exp	1.0	CCK Financial	1.0	Con Broken Hill	2.0	Emperor Mines	0.2
Adelaide Bright	0.2	Aust Ethical In	1.2	CPT Global Ltd	2.0	Concept Systems	3.1	Energy World	3.0
Adelaide Res.	0.1	Aust Mines Ltd	1.0	CSL Limited	2.0	Conquest Mining	1.0	Energy Resource	1.0
Adsteam Marine	4.0	Aust Agricul.	1.0	CTI Logistics	1.0	Cooper Energy	2.0	Energy Develop.	8.0
Adtrans Group	0.5	Aust Heritage	2.0	CVC Limited	1.0	Corp Express	2.6	Ent Media & Tel	3.1
Advantage Tele.	2.0	Austin Group	0.9	Cabcharge Ltd	2.6	Count Financial	1.0	Environmt Grp	3.0
Advanced Energy	2.0	Austindo Res	1.0	Caltex Austria	3.0	County Diamonds	2.0	Environ. Rec'y	1.0
Afminex Limited	13.0	Austrim Nylex	2.0	Campbell Bros	2.3	Country Road	0.5	Environ. Sol'n	3.0
Aim Resources	0.1	Aviva Corp Ltd	5.0	Candle Aust.	0.1	Coventry Group	3.0	Eqitx Limited	1.0
Ainsworth Game	3.0	Avoca Resources	2.0	Carlton Invest	1.9	Crane Group	1.5	Equigold NL	8.10
Aliquot Asset	0.1	BHP Billiton	4.0	Carmanov Pet.	3.1	Credit Corp	1.0	Equity Trustees	7.0
Alkane Explor.	6.3	BHP Steel Ltd	7.0	Carpenter Pac.	1.0	Croesus Mining	1.4	EservGlobal Ltd	1.2
Allegiance Min.	7.0	Ballarat Gold	3.0	Cash Converters	0.4	Crown Diamonds	2.0	Eumundi Brewing	3.0
Alliance Fin.	1.0	Bambuu Ltd	0.1	Casinos Austria	1.0	Cryosite Ltd	1.0	Eurast Ltd	3.0
Alumina Ltd	6.0	Bank of Q'land	1.0	Catuity	3.1	Cullen Resource	3.0	Eurogold Ltd	1.0
Amadeus Energy	1.0	Barra Resources	2.0	Celestis Ltd	0.2	Cypress Lakes	1.0	Euroz Limited	1.0
Ambition Group	3.0	Baxter Group	1.2	Cellnet Group	3.0	DCA Group Ltd	7.8	Evans & Tate	3.0
Amcom Telecom.	3.0	Baycorp Advant.	10.0	Cent West Gold	2.0	Daily Planet	0.1	Extract Res.	0.1
Amcor Ltd	2.0	Becker Group	5.0	Cent. Kalgoorie	2.0	Data & Commerce	2.0	F.F.I. Holdings	1.0
Amity Oil NL	7.4	Belmont Hold.	1.0	Centamin Egypt	1.0	Data 3 Ltd	1.0	FTR Holdings	4.0
Ammtec Ltd	0.5	Bemax Resources	4.2	Centennial Coal	2.0	David Jones	1.0	Fairfax (John)	1.0
Amrad Corp.	4.0	Bendigo Mining	0.1	Centro Prop.	1.0	De Grey Mining	1.0	Fantastic Hold.	1.0
Ansell Ltd	3.0	Bendigo Bank	10.0	Chariot Limited	1.0	Deakin Fin Serv	2.0	Fiducian P Serv	3.0
Anvil Mining	0.1	Benitec Ltd	3.5	Charter Pacific	2.0	Deep Yellow Ltd	2.0	Finbar Intern'l	6.0
Aquarius Plat.	1.0	Bentley Equit.	1.0	Chester Mining	1.0	Deep Green Min.	4.0	First Aust Res.	1.0
Aquila Res.	4.0	Betcorp Ltd	2.0	Chieftain	2.0	Deep Sea Fish.	0.1	Fleetwood Corp	2.5
Argo Investment	2.1	Beyond Intl	2.0	Child Care C.A.	3.0	Destra Corp Ltd	3.0	Flight Centre	0.1
Aristocrat	1.0	Bionomics Ltd	1.0	Chiquita Brands	0.2	Devine	2.0	Forest Ent Aust	0.5
Arrow Energy	4.0							Forest Place Gr	5.0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
Fortescue Metal	1-0	Int'l Concert	3-0	Mirvac Group	3-0	Queens'd Cotton	1-0	Sunshine Gas	2-0
Fox Resources	1-0	Intec Ltd	1-0	Molopo Aust	1-0	Queste Comm's	1-0	Supply Network	1-0
Funtastic Ltd	1-0	Integrated Grp	0-1	Monadelphous Gr	0-1	Quiktrak Netwks	4-3	Swiftel	1-0
Future Corp	4-1	Intellect Hold	0-4	Monarch Res.	1-0	R M Williams	0-1	Sydney Gas Ltd	4-2
Futuris Corp.	1-0	Intermoco Ltd	1-2	Motion Picture	1-0	RMG Limited	3-2	Symex Holdings	1-2
G.R.D. NL	9-2	Intermin Res	11-0	Mt Burgess Min.	4-3	RP Data Limited	2-0	Synergy Equity	5-0
GWA Internat'l	1-2	Investa Prop.	6-0	Mt Conqueror	1-0	Ramelius Res.	1-0	Synergy Metals	2-0
Gale Pacific	3-1	Investika Ltd	3-1	Multiimedia Ltd	0-4	Ramsay Health	0-2	TVSN Limited	1-0
Gallery Global	1-2	Iress Mkt Tech	3-0	Murchison Un.	1-0	Range River Gld	1-0	Tabcorp Holding	3-0
Gallery Gold	0-3	Ironbark Cap.	0-4	NCML (Holdings)	2-1	Range Resources	1-0	Tag Pacific	1-0
Garratt's Ltd	10-0	Ivanhoe Mines	0-1	NSL Health Ltd	0-1	Reckon Limited	0-1	Tanami Gold NL	3-1
Gazal Corp	2-0	JAM Develop.	3-0	Namakwa Diamond	3-0	Reclaim Indust.	1-0	Tandou Ltd	2-0
General Publish	0-1	James Fielding	0-1	Namoi Cotton	4-0	Record Realty	1-0	Tap Oil	0-3
General Prop Tr	3-0	Jetset Travel	0-1	Natl Foods	1-0	Record Invest.	1-0	Tasman Resource	2-0
Genetic Tech.	4-1	Jindalee Res.	3-0	Natl Telecoms	8-1	Red Back	0-6	Tech Star Ltd	1-0
Ges Internat'l	0-1	Joyce Corp.	1-0	Netcomm Limited	2-0	Reece Australia	2-0	Tech Investment	1-0
Giants Reef Min	2-0	Jubilee Mines	0-2	Network Ltd	6-0	Reed Resources	1-0	Tectonic Res.	1-0
Gippsland Ltd	3-0	Julia Ross Rec.	1-0	Newcrest Mining	2-0	Reefton Mining	2-0	Telstra	3-0
Gleneagle Gold	1-0	Jumbuck Corp.	8-3	Nexus Energy	2-0	Renew. Energy	1-0	Tempo Services	0-5
Glangary Res.	1-0	Kagara Zinc Ltd	6-0	Niagara Mining	2-0	Renison Cons	5-0	Three-D Global	0-1
Globe Int'l Ltd	2-0	Kalrez Energy	1-2	Nido Petroleum	7-0	Rescol Ltd	1-0	Thundelarra Exp	8-0
Gold Aura Ltd	1-0	Kanowna Lights	3-1	Noni B Limited	1-0	Resolute Mining	2-0	Ticor Ltd	2-0
Golden State	1-0	Kimberley Oil	2-0	Norwest Energy	1-0	Retail Tech.	1-0	Timbercorp	1-0
Golden Cross	1-0	Knights Insol.	1-0	Norwood Abbey	1-0	Reynolds Wines	0-1	Tomato Tech.	0-2
Golden Valley	1-0	Lafayette Min.	1-0	Nova Health Ltd	8-0	Ridley Corp.	0-2	Tourism Leisure	1-0
Goldsearch Ltd	2-1	Lake Technology	2-0	Novera Energy	2-1	Rinker Group	2-0	Tox Free Sol.	2-0
Gondwana Res.	0-1	Lakes Oil NL	1-0	Novogen Ltd	0-4	Rivkin Fin Serv	1-2	Transurban Grp	2-3
Gowing Brothers	1-0	Legalco Limited	1-4	Nufarm Limited	1-0	Roberts Ltd	0-2	Treasury Group	1-0
Gowit Ltd	0-1	Leighton Hold	0-3	OAMPS	4-0	Roc Oil Company	0-1	Trent Capital	1-0
Gradipore Ltd	3-0	Lemarne Corp	2-0	OFM Investment	7-0	Rock Build Soc.	0-10	Triako Res.	1-0
Grandbridge Ltd	1-0	Lemvest Ltd	3-0	OPSM Group Ltd	1-0	Ruralco Hold.	4-0	Troy Resources	0-3
Grange Resource	1-0	Lend Lease Corp	1-0	Objective Corpo	2-0	Rural Press Ltd	2-0	Trust Co of Aus	11-0
Green's Foods	3-1	Lighting Corp.	3-1	Oil Search Ltd	0-1	S8 Limited	4-0	U.S. Masters	2-0
Gregory Indust.	2-0	Lihir Gold	1-0	Optiscan Image	1-0	SDI Limited	3-6	UNITAB Ltd	0-1
Gribbles Group	2-0	Lion Selection	1-0	Orbital Engine	1-0	SDS Corporation	1-0	Uecomm Limited	2-0
Gro Prop Limited	4-0	Lion Equities	2-0	Orchard Petrol.	3-0	SFE Corporation	4-1	Union Capital	0-2
Gt Sthn Plant'n	1-0	Lionore Mining	0-2	Orica Ltd	3-0	SMC Gold Ltd	1-0	United Group	2-0
Guinness Peat	1-0	Loftus Capital	9-0	Origin Energy	1-0	SMS Mgmt & Tech	1-2	Unitract Ltd	0-1
Gunson Res.	3-0	Longreach Oil	1-0	Oroton Group	8-0	SPC Ardmona Ltd	1-6	Universal Res.	1-0
HJ & B Group	1-0	Ludowici Ltd	0-1	Oroya Mining	1-0	SSH Medical Ltd	3-0	VRi Biomedical	3-1
Haddington Res.	1-0	Lumacom	0-2	PCH Group	0-1	STW Comm Group	0-2	VeCommerce Ltd	2-0
Hampton Hill	1-0	M-Box.com	2-1	PMP Limited	14-0	Sabina Corp Ltd	3-0	Ventracor Ltd	1-0
Hansen Tech.	1-0	M.Y.O.B. Ltd	0-1	POS Media	0-1	Salmat Ltd	4-0	Viagold Capital	0-1
Haoma Mining NL	1-0	MFS Lev Invest.	3-0	Pacific Energy	4-0	Sam's Seafood	6-0	Vietnam Indust.	0-1
Harrington Grp	1-2	Macarthur Cook	4-1	Pacrim Energy	1-2	Santos Ltd	2-0	Villa World	1-3
Harvey Norman	3-1	Macmin Silver	0-6	Pacsoft Limited	2-0	Scantech	4-0	Village Road.	1-0
Havilah Res.	6-0	Macquarie G Mgt	4-0	Paladin Res.	3-0	Select harvest	1-2	Virax Holdings	0-2
Health Com Ntwk	7-0	Macquarie Infra	1-0	Palm Springs	1-0	Select Vaccines	2-7	Vision Systems	3-0
Healthscope	2-0	Macquarie Bank	3-2	Pan Palladium	2-0	Selwyn Mines	0-3	Visionmed Group	3-0
Henry Walker E.	9-0	Macquaries Air.	15-1	Pan Pharmaceut.	5-0	Servcorp Ltd	12-0	Volante Group	2-0
Herald Resource	0-1	Macquaries C&I	3-0	Panbio Ltd	1-0	Siberia Mining	2-0	Voxson Limited	2-0
Heron Resources	4-0	Macquarie C Tel	1-0	Paperlin X Ltd	2-0	Sims Group Ltd	0-8	WMC Resources	3-0
Hidson Timber	0-2	Macquarie Leis.	5-4	Patrick Corp	2-0	Sirius Telecom.	0-3	WRF Securities	2-0
Hillcrest Res.	5-0	Macquarie Good.	7-0	Payce Consol.	6-1	Sirtex Medical	0-1	Wadepack Ltd	5-0
Hills Indust.	2-1	Magna Pacific	0-1	Pearl Healthcare	7-0	Sky Net Global	1-0	Waterco Ltd	3-0
Hills Motorway	3-0	Mariner Retire.	2-1	Pelorus Pipes	0-1	Smorgon Steel	1-0	Wattyl Ltd	3-1
Hire Intell.	1-0	Mariner Fin.	1-0	Penfold Buscomb	2-0	Softlaw Corp	1-0	Webjet NL	0-1
Hitech Energy	6-0	Mark Sensing	4-0	Peplin Biotech	0-2	Software Comm	0-1	Webspy Limited	1-0
HomeLeisure Ltd	3-2	Marybor'igh Suga	0-4	Peppercorn I Fd	2-0	Solar Energy	3-1	Wedgetail Exp.	3-2
Horizon Energy	3-0	Maxi TRANS	4-1	Peptech Limited	1-0	Solution 6	6-0	Wesfarmers Ltd	5-1
Hostworks Group	0-1	Maxis Corp Ltd	4-0	Perp Trust Aust	0-5	Sonic Health	0-2	West Aust Metal	0-3
Housewares Int.	0-1	Mayne Group Ltd	1-0	Perseverance	1-0	Soul Pattinson	5-0	West Aust News	1-0
Hudson Sec.	2-0	McGuigan Simeon	2-1	PharmNet Online	3-0	Southcorp Ltd	2-0	West Oil NL	1-0
Hunter Hall Int	0-7	McPherson's Ltd	0-4	Pilbara Mines	3-1	St Francis Grp	1-0	West'n Metals	2-0
Hutchison Tel.	1-0	Medaire Inc	3-0	Pineapplehead	1-0	St George Bank	0-1	Western Areas	1-0
IBA Health Ltd	2-0	Medical Corp	1-0	Plaspak Group	2-0	Starpharma Pool	2-1	Westfield Trust	0-1
IMF (Aust) Ltd	0-2	Meditech Rsrch	0-2	Platinum Cap'l	0-2	Stericorp Ltd	1-0	Westfield Hold.	2-1
IWL Limited	1-0	Mermald Marine	3-0	Port Douglas	1-2	Sthn Star	3-0	Whitefield Ltd.	2-4
Iasbet Limited	0-1	Metal Storm Ltd	0-2	Port Bouvard	4-0	Sthn Titanium	2-0	Wide Bay Cap'n	0-4
Iatia Limited	1-0	Metcash Trading	0-6	Primary Health	4-0	Stockland	2-1	Willmott Forest	4-3
Icon Energy	1-0	Metex Resources	1-0	Prime TV	10-0	Straits Res.	1-0	Wilson Invest.	2-0
iInet	0-4	Methanol Aust.	3-0	Prime Life Corp	3-0	Strata Mining	1-0	Wine Investment	1-0
Iluka Resources	2-0	Metroland Aust	0-1	Promina Group	2-0	Striker Res.	1-0	Winepros Ltd	0-1
Image Resources	3-0	Mia Group Ltd	2-0	Prophecy Int'l	5-0	Structural Syst	1-0	Woodside Petrol	4-0
Index Limited	1-0	Mikoh Corp.	1-0	Prudential Inv.	1-0	Sub-Sahara Res.	0-3	Woolworths Ltd	1-0
Impress Venture	1-0	Millers Retail	0-5	Psiron Limited	1-0	Sun Resources	1-0	Working Systems	4-0
Incitec Pivot	4-0	Milton Corp.	2-0	Publishing & Br	3-1	Suncorp-Metway	9-1	Wrigdways Aust	2-1
Ind Practition.	3-0	Minerals Corp.	4-1	QMastor Ltd	0-1	Sundowner Group	2-0	Xanadu Wines	4-0
Independ. Gold	5-2	Minotaur Res.	3-1	QED Occtech Ltd	5-0	Sunland Group	4-8	Yamana Goldfld	6-5
Insurance Aust.	2-0	Mirrabooka Inv.	3-0	QRSciences Hold	4-0	Sunraysia TV	1-0	ZyloTech	2-0
Int Research	1-0								

Insider Buying Identifies Attractive Shares

In addition to **Australian Infrastructure Fund** and **Health Communication Network** which we are formally recommending for investment, *insider* buying identifies **CPT Global**, **FTR Holdings**, **Lemarne Corporation**, **Lemvest**, **Port Bouvard** and **Servcorp** as attractive companies.

CPT Global (code CGO).

We have discussed this very small IT services company previously. Revenues were virtually unchanged for the year to June 2003 at \$28.9 million but profits recovered 96.8% to \$1,669,000. Earnings per share *doubled* to 4.8 cents (helped by the on-market share buy-back) and the dividend rate remained steady at 5.0 cents.

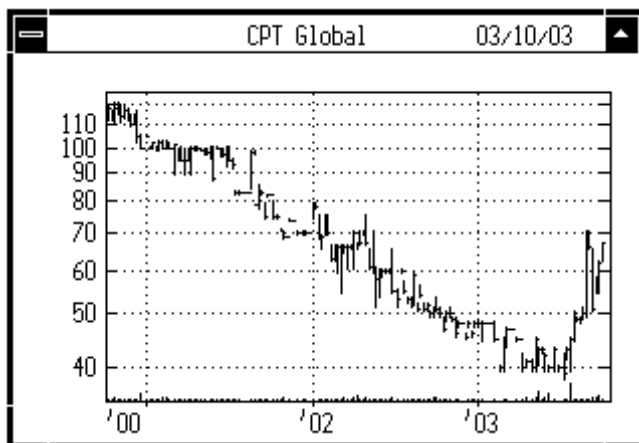
So the shares look very cheap on a P/S ratio of 0.80, a P/E ratio of 14 and offer a high Dividend Yield of 7.5%.

The shares have recovered in value over the last few months and this should develop into a long term recovery. The Relative Strength rating is +14.2%, ranked 33.

There have been two *insider* buys over the last year: 100,000 shares bought at 45 cents in May and another 135,200 shares acquired at 54 cents in September.

Summary and Recommendation

This is a very small, \$23 million capitalisation, company so the shares only trade in small volumes. The shares have been volatile lately, but certainly worth considering for purchase on any dips.



FTR Holdings (code FTR).

FTR Holdings - which produces courtroom recording equipment and owns 49% of unlisted internet service provider **WebCentral** - has been discussed previously and remains an attractive micro-cap growth share.

The company's consolidated accounts *under-state* the true profitability of this group owing to the accounting treatment of its investment in WebCentral. **FTR Holdings** has recently declared a maiden dividend of 1.0 cent. For the year to June 2003, FTR Holdings generated revenues of \$10.7 million from its recording business and a profit of \$781,112. WebCentral generated revenues of \$28.9 million and profits (*after* goodwill amortisation) of \$1,289,238. Adding 49% of WebCentral's revenues and profits to FTR Holdings' core business shows that investors have an *economic* interest in a group with revenues of \$24.9 million and profits of \$1,412,839.

Equity accounting standards, however, require FTR Holdings' (1) to not record any revenues from WebCentral as it is less than 50% owned, (2) to ignore WebCentral's goodwill amortisation (as that goodwill was incurred *prior* to FTR Holdings buying its shares) and to add \$898,368 (i.e. 49.4% of *pre*-amortisation profits of \$1,818,558) to its equity accounted profits and (3) to then *deduct* amortisation, over seven years, of the goodwill it paid to acquire the WebCentral shares.

The net result is that WebCentral adds *no revenues* and a *loss* of \$155,370 to FTR Holdings. The accounts therefore show revenues of \$10.7 million and profits of \$625,742. So the *accounting* results are less than *half* of the true, *economic*, interest that investors have in these businesses.

At 56 cents FTR Holdings is shown on a P/S ratio of 1.86, a P/E ratio of 32 and a Dividend Yield of 1.8%. Adjusted to the *economic* interest, the P/S ratio would be 0.81 and the P/E ratio 14.

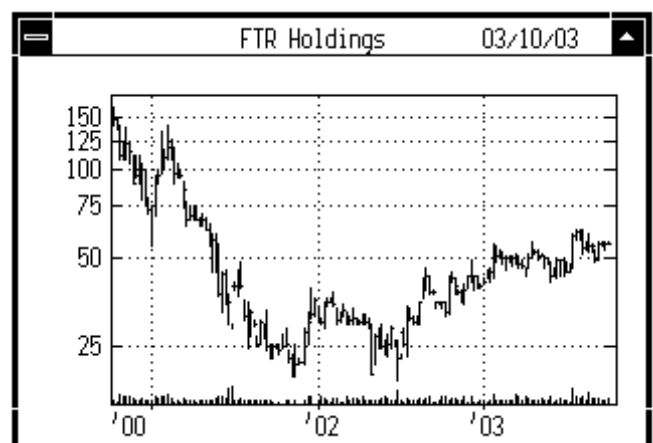
FTR Holdings has cash and fixed interest investments worth \$5,770,000 (16.1 cents per share) and no interest bearing debts.

The shares are in an established uptrend, with a Relative Strength rating of +11.5%, ranked 39. The directors have *huge* shareholdings and have added to those with four on-market buys over the last year. In October 2002, Chairman MB Turnbull and LB Turnbull bought 96,316 shares (at 36 cents) to hold 10,455,387 shares (29.2% of the company). TJ Kennedy purchased 50,000 shares at 82,322 shares (at around 47-51 cents in March 2003 and 30,000 shares at 45 cents in June to hold a total of 4,329,837 shares (12.1%). S Howard has 5,284,535 shares (14.7%), while Managing Director SW Townsend has 108,000 shares.

Summary and Recommendation

What more could investors ask in an investment? Massive investments by the directors - plus additional on-market buying, a modest valuation, a cash rich, debt free balance sheet, two growing businesses, a maiden dividend (signalling on-going profitability) and a long term uptrend. FTR Holdings is an attractive smaller company growth share.

Unfortunately, as it is so small and as directors have such large investments, the shares do not trade in large volumes. That shouldn't be too much of a problem for *individual* investors wanting to invest \$1000 or \$10,000 in FTR Holdings shares.



Lemarne Corporation (code LMC) and **Lemvest** (code LEV).

These two companies are closely related as Lemarne Corporation owns 62% of Lemvest.

Lemvest has two businesses, Malaysian based **Lemtronics** (a contract manufacturer of electronic sub-assemblies) and **C10 Communications** (an Australian based supplier of communication products). It also has a huge cash holding following the sale of a third business.

Lemvest recorded a trading profit of \$3,591,000 (35.8 cents per share) for the year to June 2003 and paid an annual dividend of 20.0 cents. In addition there was a \$9.9 million capital gain of the sale of Richardson Pacific which has left the company with \$21.8 million (218.0 cents per share) in cash and virtually no interest bearing debt (i.e. just \$709,000).

This puts Lemvest on a P/S ratio of 0.31, a P/E ratio of 8 and a Dividend Yield of 7.4% - with cash in the bank equal to 81% of the share price.

Lemarne Corporation owns **Pacific Composites** (which designs, manufactures and markets "fibre reinforced plastic products" which apparently are used in fibre optic cables) and 62% of **Lemvest**.

The company earned a trading profit of \$3,295,000 (19.9 cents per share) for the year to June 2003 and paid a dividend of 15.0 cents. In addition, its consolidated share of the gain on Richardson Pacific was \$6.1 million. The consolidated accounts (i.e. including Lemvest) show cash on hand of \$32.6 million (197 cents per share) and interest bearing debts of just \$1.7 million.

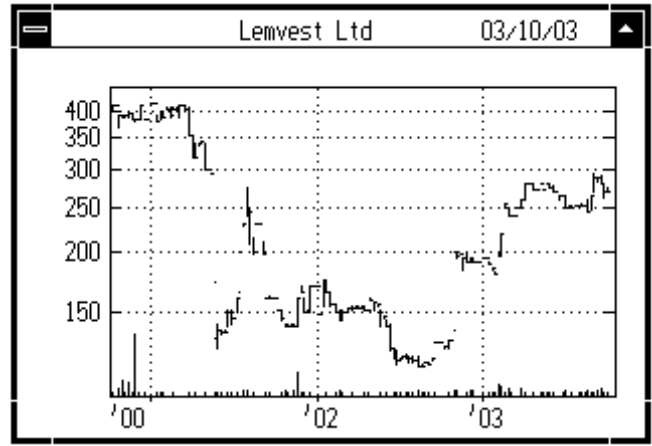
This puts Lemarne on a P/S ratio of 0.30, a P/E ratio of 11 and a Dividend Yield of 6.7% - with cash in the bank equal to 88% of the share price. Both shares therefore trade at low valuations and hold very large cash reserves.

Since balance date Lemarne Corporation has bought back 3,306,369 shares from **HGL Group** at \$1.80 per share. This *reduced* its cash holding to \$26.7 million, but *increased* cash per share to 202 cents on the reduced capital of 13,230,097 shares.

Insiders have been purchasing shares in both companies. There have been three insider buys in Lemvest and two insider buys in Lemarne.

Summary and Recommendation

Both Lemarne Corporation and Lemvest are under-valued, cash rich companies, offering high income yields, that should be attractive investments in a diversified portfolio. The future performance of both shares should be similar, and will depend upon how wisely the companies can invest their large cash holdings. Both shares are inactively traded, although that should not be a problem for *individual* investors.



Port Bouvard (code PBD).

Property developer Port Bouvard - previously name Menzies Court - is currently involved in the residential development at *Port Bouvard* (about one hour's drive south of Perth) and *Princeton Estates*.

Revenues rose 138.6% to \$68.1 million for the year to June 2003 with profits up almost nine-fold to \$13,336,000 (21.1 cents per share) and a 6.0 cents final dividend was paid. Net asset backing is about 74 cents per share.

This development appears to be well advanced (and sold), although it is difficult to get information on the development timetable. Port Bouvard is in three sections. Stage II of *Southport* appears to be pre-sold and under construction with the final Stage III (and the development of a golf course) expected to be released for sale in 2003/2004. Stages II and III of the *Eastport* marina appear to be completed, with the final Stage IV (40% pre-sold) starting construction. Stage VI, VII and VIII of the *Northport* development are currently selling, with the final Stages IX, X and XI remaining.

Further development, however, is likely with the company agreeing in September to pay \$2.25 million for 6.18 hectares adjoining the *Northport* development. This purchase is subject to rezoning and planning approval.

The long term plans for the company are uncertain but it "intends to return surplus cash either as dividends or return of capital over the life of the two projects".

The shares trade on a low P/E ratio of 5 and offer a reasonable Dividend Yield of 5.4%. Whether or not that is good value really depends upon the length of future profit streams from its current development projects and, after that, possible new developments.

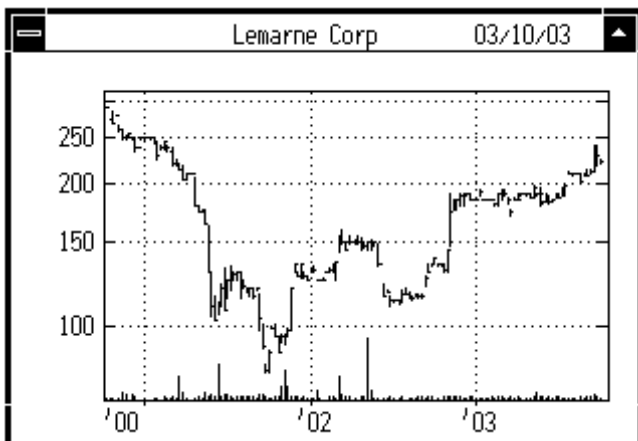
Despite this uncertainty, however, directors have large investments in the company *and* have been buying further shares on-market: The Chairman MD Perrott owns 5,943,332 shares (9.4% of the company), Managing Director RJ Neumann has 7,599,273 shares (12.0%), and non-executive directors RW Crabb and IA MacIver own 599,243 shares (1.0%) and 419,920 shares (0.7%) respectively.

There were four *insider* trades over the last year which would indicate good value in the shares: RJ Neumann purchased 66,926 shares (at 54 cents) in March, 199,234 shares (at 85-97 cents) in July and 10,000 shares (at 111 cents) in August. RW Crabb bought 20,000 shares (at 112 cents) in September.

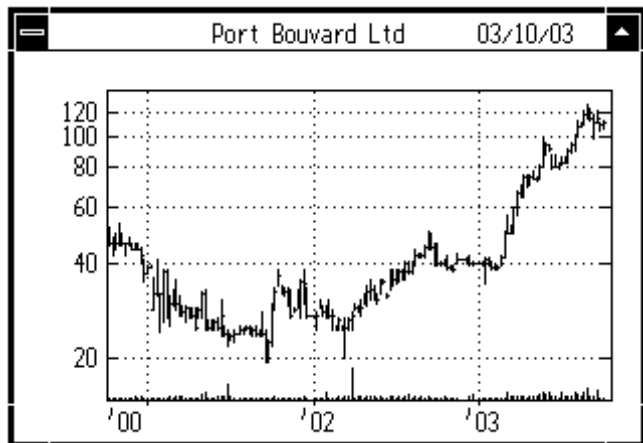
Summary and Recommendation

Insiders are the most knowledgeable investors, so these large director shareholdings and on-market buying suggest good value in Port Bouvard shares!

(Continued on Page 18)



Dividend\$



Servcorp (code SRV).

As discussed in previous quarterly *Insider Reviews*, this company is involved in providing serviced offices and related services. The company has substantial cash reserves and no debt, but is exposed to economic cycles as it buys office space on long term leases and re-sells to small businesses on short term rentals. Profitability was therefore depressed during the 2002 global economic downturn.

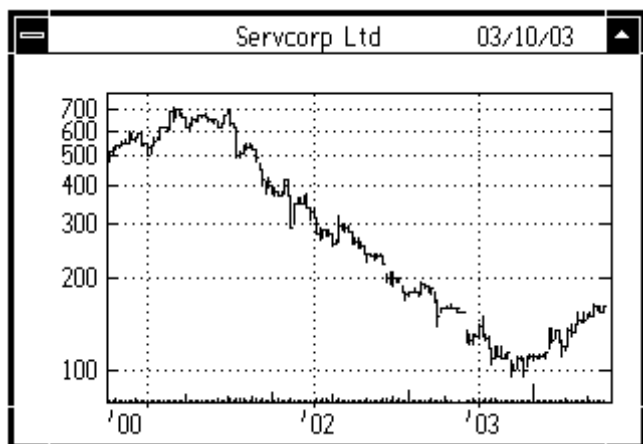
Revenues fell 3.9% to \$113.8 million for the year to June 2003 but the company returned to profitability, earning (a still depressed) \$2,455,000 (3.1 cents per share).

During the year, Servcorp spent \$5.3 million to repurchase 4.8 million shares on-market, reducing its issued capital to 79,955,354 shares. Interest bearing debts also fell \$3.1 million to just \$4.0 million. As a result cash assets (i.e. cash and fixed interest investments) dropped \$7.2 million to \$39.2 million (49 cents per share).

At 161 cents, Servcorp shares trade on a P/S ratio of 1.13, a P/E ratio of 52 - reflecting *low* profits, not a *high* share price) and offer a Dividend Yield of 4.7%. There have been 12 *insider* buys (and no sells) over the last year although only one of these was during the last six months (i.e. a small purchase in June at 125 cents per share)

Summary and Recommendation

Before the recent glitch, Servcorp had a long term track record of consistent growth. A return to that growth would yield excellent returns to investors. These shares only trade in small volumes, but investors seeking long term growth may be interested in making a small investment.



Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Auckland International Airport	12.50	13-10	24-10	Full
Briscoes Group	2.75	22-09	25-09	Full
Broadway Industries	2.00	27-10	31-10	Nil
Cavalier Corporation	13.00	06-10	10-10	Full
Colonial Motor Company	9.50	20-10	28-10	Full
Ebos Group	9.40	06-10	10-10	Full
Fletcher Building	10.00	27-10	13-11	Full
Hallenstein Glasson	9.50	08-12	15-12	Full
Hellaby Holdings	15.00	06-10	10-10	Full
Hirequip	1.50	29-09	10-10	Full
ING Property	2.51	15-09	19-09	Nil
INL	5.00	15-09	26-09	Full
Lyttelton Port Company	7.25	20-10	17-10	Full
Michael Hill International	10.00	13-10	20-10	Full
Nuplex Industries	10.50	22-09	13-10	Full
Port of Tauranga	12.00	13-10	17-10	Full
Pyne Gould Corporation	11.50	22-09	29-09	Full
Skellmax Industries	4.00	20-10	24-10	Full
South Port NZ	4.00	06-10	07-11	Full
Tourism Holdings	4.00	06-10	17-10	Full
Warehouse	4.00	17-11	24-11	Full
Williams & Kettle	13.00	20-10	29-10	Full
<u>Australian Shares</u>				
Abigroup	4.00	27-10	14-11	
AJ Lucas Group	4.50	25-11	16-12	
Biron Capital	1.50	26-09	10-10	
Cellnet Group	4.00	24-09	21-10	
Julia Ross Recruitment	1.50	22-09	17-10	
McPhersons	8.00	13-10	31-10	
OAMPS	10.00	09-10	31-10	
Skilled Engineering	9.50	23-09	21-10	
UXC	3.00	30-10	21-11	
Villa World	6.00	27-10	14-11	

Total Return Index for All Listed Shares			
Sep 8	1848.16	Sep 15	1851.46
Sep 9	1839.24	Sep 16	1852.12
Sep 10	1841.50	Sep 17	1859.92
Sep 11	1842.22	Sep 18	1867.88
Sep 12	1848.40	Sep 19	1872.61
Sep 22	1877.31	Sep 29	1892.41
Sep 23	1876.06	Sep 30	1905.70
Sep 24	1881.20	Oct 1	1896.46
Sep 25	1880.65	Oct 2	1901.48
Sep 26	1888.55	Oct 3	1908.22

Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday November 11, 2003 (and delivered in most areas on Wednesday 12).

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