Information and Advice on the Australian and NZ Sharemarket from Securities Research Company's . . .

Market Analysis

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

Summary and Recommended Investment Strategy.

Our stockmarket Forecasts are only moderately Bullish, but we see good potential to realise significant investment gains from careful *share selection* of under-valued, emerging growth companies. Therefore, remain fully invested in the recommended shares. Any general market weakness will be a buying opportunity.

Investment Outlook.

Interest rates in Australia and NZ - and globally - have increased slightly over the last 3-4 months. Last week the Reserve Bank of Australia lifted interest rates. Shares have suffered a mild correction, although some prices have come back sharply in interest rate sensitive sectors (e.g. housing). Some investors are asking "Is this the end of the stockmarket recovery?"

In fact, interest rate *declines* are favourable for the stockmarket, but interest rate *increases* are neither favourable nor unfavourable. The reason is that interest rate *declines* usually indicate an economic recession - which is a time when share prices are depressed and usually good value. An interest rate decline can also boost economic activity and corporate profitability or inflate financial asset prices (e.g. liquidity bubbles).

Once the economy *starts* to recover, interest rates begin to rise. This stage of the economic cycle, however, is also a good time to be invested in shares. With rising incomes and attractive investment opportunities for companies, the rise in interest rates has little impact on consumer spending or economic growth. In fact, it is widely accepted that raising interest rates seldom has any impact on housing booms or economic booms!

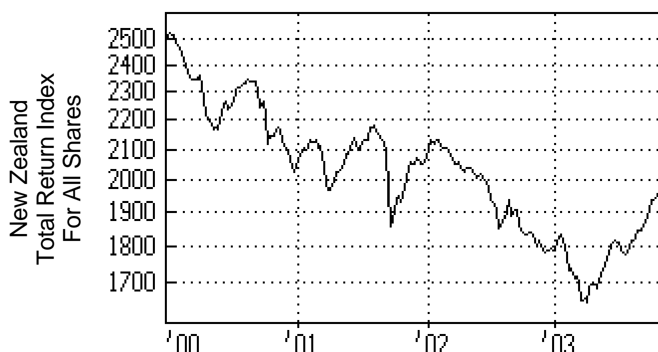
Even when interest rates do have an impact, there is also the question of *lead times* to consider. For example, normally *two* interest rate cuts could be expected to have a positive and relatively immediate impact upon share prices. The Federal Reserve cut US interest rates *twice* in January 2001 - but the stockmarket continued to decline for another 21 months until October 2002.

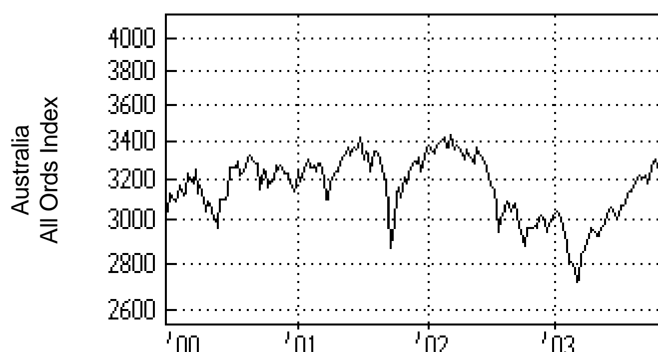
Stockmarkets may well suffer a healthy correction - but this will be a buying opportunity when investors can add to "Buy" and "Hold+" rated shares.

Our stockmarket Forecasts, however, are only moderately Bullish for the Australian and NZ stockmarkets. Nevertheless, we see the potential for far above average returns over the next few years owing to the low valuations and strong potential of many emerging growth companies.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	**62%** (Bullish)	**66%** (Bullish)
New Zealand:	**64%** (Bullish)	**59%** (Neutral)





Performance Forecasts

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

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	C	755	1.17	10	8.2
AMP NZ Office	D	80	6.68	7	8.4
AXA Asia Pac.	A	325	1.16	15	3.7
Abano Health.	C	22	0.73	40	Nil
Affco Holdings	D	25	0.06	12	Nil
Air New Zealand	D	48	0.39	9	Nil
Akd Int Airport	A	680	9.08	27	4.8
Allied Farmers	B	225	0.34	10	7.3
Apple Fields	D	2.5	2.14	11	Nil
Beauty Direct	D	8.5	2.26	NE	Nil
Blis Technology	D	28	N/A	NE	Nil
Botry-Zen Ltd	E	13	N/A	NE	Nil
Brierley Invest	D	68	5.18	NE	Nil
Briscoe Group	C	181	1.28	16	5.6
Broadway Ind	C	55	0.30	8	3.6
CACI Group Ltd	D	18	0.20	6	Nil
CDL Hotel NZ	B	40	0.74	8	5.2
CDL Investments	C	30	2.35	9	8.0
Cabletalk Group	C	37	0.29	NE	Nil
Cadmus Tech Ltd	C	13	1.62	52	Nil
Calan Hlthcare	D	87	7.46	16	9.2
Cap Properties	C	90	2.91	10	10.1
Carter Holt	C	185	0.78	18	4.1
Cavalier Corp	A	556	1.81	19	6.7
Cedenco Foods	B	230	1.33	8	Nil
Cert Organics	D	6.8	2.38	NE	Nil
Col FS Property	D	98	5.65	17	10.7
Col Motor Co	C	288	0.21	12	9.6
Commsoft Group	C	0.3	0.04	NE	Nil
Contact Energy	B	505	2.78	24	5.6
Cube Capital	C	4.8	0.16	NE	Nil
Cue Energy Ltd *	N/R	6.0	2.62	29	Nil
DB Breweries	C	770	1.35	20	5.2
Design Textiles	C	101	0.54	9	6.1
Dorchester Pac	B	203	0.71	10	5.5
Ebos Group Ltd	A	345	0.42	15	7.1
Evergreen	E	55	2.25	NE	Nil
F & P Appliance	A	1499	1.17	13	6.6
F & P Health.	A	1215	5.97	17	6.1
FC - Forests	E	132	1.09	NE	Nil
Finmedia Ltd	E	74	N/A	NE	Nil
Finzsoft Sol'ns	D	100	2.08	NE	Nil
Fletcher Build.	A	412	0.52	10	6.9
Forty Two Below	E	37	N/A	NE	Nil
Freightways Ltd	C	185	N/A	18	9.3
GDC Communicat.	C	77	0.42	8	6.8
Genesis Res.	E	110	1.85	NE	Nil

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Guinness Peat	C	184	0.73	9	1.6
Hallenstein G.	B	308	1.02	16	9.0
Hellaby Hold.	B	474	0.79	10	8.2
Heritage Mining*	N/R	5.0	N/A	NE	Nil
Hirequip NZ Ltd	B	91	2.77	17	2.5
Horizon Energy	B	360	3.95	18	10.4
ING Property	C	100	5.63	9	9.8
IT Capital Ltd	D	1.6	6.18	NE	Nil
Ind Newspapers	B	490	2.23	27	2.9
Infratil NZ	B	252	3.73	16	2.4
KidiCorp	D	20	N/A	NE	Nil
Kingsgate Int'l	C	26	2.01	10	Nil
Kirkcaldie & St	B	342	0.61	18	6.3
Kiwi Property	D	104	8.07	13	8.2
Lion Nathan Ltd	B	645	1.85	19	3.0
Lyttelton Port	C	160	2.68	12	10.3
Mainfreight Grp	C	139	0.27	12	7.0
Metro. LifeCare	B	201	1.73	17	Nil
Michael Hill	B	442	0.75	17	5.7
Mid-Cap Index *	N/R	213	N/A	NE	Nil
Mooring Systems	C	175	N/A	NE	Nil
Mowbray Collect	B	120	2.62	NE	2.5
Mr Chips Hold	D	96	0.90	23	4.7
NGC Holdings	C	177	3.16	28	5.1
NZ Exchange Ltd	E	505	N/A	NE	Nil
NZ Experience	C	25	1.79	11	Nil
NZ Invest Trust*	N/R	513	N/A	NE	1.6
NZ Oil and Gas *	N/R	36	9.89	NE	Nil
NZ Refining Co	B	1645	2.44	11	13.6
NZIJ.co.nz	E	19	1.47	NE	Nil
Nat Property Tr	C	94	6.77	15	9.6
Newcall Group	D	2.5	0.15	NE	Nil
Northland Port	B	303	N/A	30	4.1
Nuhaka Forestry	C	542	1.03	NE	16.8
Nuplex Indust	A	420	0.41	11	7.1
Opio Forestry	E	52	9.32	NE	Nil
Owens Group Ltd	C	112	0.14	23	2.7
Ozzy (Tortis) *	N/R	205	N/A	NE	Nil
Pac Edge Bio.	E	4.0	4.55	NE	Nil
Pacific Retail	C	250	0.25	8	Nil
Port Tauranga	C	433	5.28	23	5.7
Ports Auckland	B	810	5.13	19	6.3
Postie Plus Grp	E	119	0.62	16	Nil
Powerco Limited	C	189	2.61	16	7.4
Property F Ind.	D	91	N/A	16	7.7
Provenco Group	C	44	0.75	35	Nil
Pure NZ Limited	D	4.5	6.43	NE	Nil

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Pyne Gould G.	B	134	N/A	11	9.5
Renaissance	C	41	0.14	NE	10.9
Restaurant Brds	C	133	0.42	10	11.2
RetailX Limited	B	13	2.99	NE	Nil
Richina Pacific	D	37	0.07	4	Nil
Richmond Hold.	D	310	N/A	NE	Nil
Rocom Wireless	D	14	0.31	NE	Nil
Rubicon Limited	D	75	N/A	15	Nil
Ryman Health.	B	208	2.20	14	3.6
Sanford Limited	C	540	1.31	14	5.5
Savoy Equities	D	1.4	4.12	NE	Nil
Scott Tech. Ltd	B	335	1.57	13	6.2
Selector Group	E	1.7	3.33	NE	Nil
Shotover Jet	C	87	1.53	11	2.1
Skellmax Indust	C	122	1.27	10	8.6
Sky City Ltd	B	910	3.39	18	7.7
Sky Network TV	D	523	5.21	NE	Nil
SkyCity Leisure	D	112	1.90	37	Nil
Software of Exc	D	117	1.49	NE	Nil
South Port NZ	C	154	2.75	15	6.5
Spectrum Res.	D	1.4	N/A	NE	Nil
Steel & Tube	A	389	1.04	16	8.8
Strathmore Grp	C	0.8	1.13	NE	Nil
Submarines Aust	C	0.5	0.26	NE	Nil
Summit Gold Ltd*	N/R	9.0	N/A	NE	Nil
Tag Pacific Ltd	B	14	0.27	NE	Nil
Taylors Grp Ltd	A	214	0.91	12	7.3
TeNZ *	N/R	100	N/A	NE	Nil
Telecom Corp	B	492	1.81	13	6.1
Tourism Hold.	B	167	0.83	66	2.7
Tower Limited	D	131	0.52	NE	11.5
Training Sol.	E	0.1	1.43	NE	Nil
Trans-Tasman	D	36	2.61	20	Nil
Tranz Rail Hold	C	146	0.50	NE	Nil
Trust Power Ltd	B	590	1.79	NE	3.2
Turners Auction	A	435	1.67	19	5.1
Urbus Property	E	91	N/A	NE	Nil
Utilico Int'l	C	75	7.68	NE	Nil
Vending Tech.	D	99	1.30	11	Nil
Vertex Group	C	150	0.56	13	14.1
WN Drive Tech.	C	70	N/A	NE	Nil
Wakefield Hosp.	C	190	0.99	23	2.4
Warehouse Group	B	568	0.85	22	3.8
Waste Mgmt NZ	B	384	2.44	29	2.9
Williams Kettle	A	493	0.44	11	7.3
World Index Fd *	N/R	112	N/A	NE	Nil
Wrighton Ltd	B	149	0.31	11	11.5
Ave of 141 Cos	C	217	0.57	21	3.6

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Ltd	C	660	1.57	NE	7.0
ANZ Bank	D	1629	1.90	11	5.8
APN News Media	C	393	1.61	19	4.1
AWB Limited	B	420	0.49	11	6.0
AXA Asia Pac	B	285	1.66	15	3.4
Adelaide Bright	B	126	1.39	13	4.2
Adelaide Bank	C	768	1.26	13	4.8
Alinta Limited	B	645	2.64	18	3.9
Alumina Ltd	B	605	2.68	39	2.1
Amcor Ltd	C	845	0.67	20	3.6
Anaconda Nickel	C	18	5.38	NE	Nil
Aneka Tambang	A	20	6.17	51	43.9
Ansell Ltd	A	690	0.98	26	1.6
Aquarius Plat.	A	775	6.38	59	0.3
Argo Investment	B	502	N/A	27	3.2
Aristocrat	B	266	1.24	15	4.5
Aust Foundation	C	326	N/A	25	4.1
Aust Pharm. Ind	C	273	0.25	26	4.8
Aust Stock Exch	B	1580	7.79	28	2.5
Aust Pipeline	C	268	2.53	16	8.0
Aust Gas Light	C	1072	1.03	16	5.1
Austereo Group	B	143	2.49	16	5.0
Australand Hold	B	172	0.78	10	7.0
BHP Billiton	B	1179	2.91	26	1.7
BHP Steel Ltd	A	553	0.82	10	4.0
Bank of Q'land	C	935	1.59	16	3.4
Baycorp Advant.	C	263	3.31	NE	1.5
Bendigo Bank	C	811	2.98	18	4.1
Bidvest	B	465	0.27	14	2.5
Billabong Int'l	B	715	2.29	19	3.3
Boral Limited	B	525	0.78	11	4.4
Brambles Ind.	C	463	0.95	24	2.2
Brickworks Ltd	A	840	5.23	15	1.9
Burns Philp	C	65	0.61	7	3.5
Burswood Ltd	B	118	1.60	48	1.5
C'wth Prop Off.	B	115	2.37	11	9.0
C.S.R. Ltd	B	199	0.25	3	8.5
CSL Limited	B	1752	2.15	40	1.9
Caltex Austrlia	B	436	0.20	5	Nil
Centro Prop.	C	378	N/A	19	7.2
Challenger Fin.	C	50	5.07	57	2.0
Coal & Allied	B	2350	1.63	13	3.4
Coates Hire	B	278	1.40	17	3.6
CocaCola Amatil	C	619	1.13	20	3.0
Cochlear Ltd	C	3082	5.64	28	2.5
Coles Myer	C	774	0.35	22	3.4
Com'wealth Bank	D	2758	3.68	17	5.6
Computer Share	A	362	2.78	60	1.4
Corp Express	B	565	1.42	25	1.4
David Jones	B	140	0.33	15	4.3
Deutsche Office	C	111	6.62	12	9.0
Deutsche Div Tr	C	114	7.00	12	8.2

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Deutsche Ind Tr	C	174	6.98	15	8.6
Djerriwarrh	C	349	N/A	18	6.2
Downer EDI Ltd	B	90	0.33	13	3.2
Energy Resource	A	360	2.58	24	3.1
Envestra	C	102	2.66	58	9.3
Fairfax (John)	B	364	2.59	25	3.6
Flight Centre	B	2212	3.30	29	2.0
Foodland Assoc	B	1930	0.35	19	4.4
Foster's Group	C	434	1.90	19	4.3
Futuris Corp.	C	149	0.39	10	5.4
GWA Internat'l	B	270	1.13	14	5.7
Gandel Retail	B	129	8.39	15	7.5
General Prop Tr	B	286	7.25	14	7.1
Graincorp	B	1341	0.77	11	5.8
Guinness Peat	B	160	0.73	9	1.7
Gunns Ltd	B	1268	1.71	14	3.2
Harvey Norman	B	312	3.29	22	1.6
Hills Indust.	B	370	0.74	18	5.7
Hills Motorway	C	619	N/A	NE	3.4
ING Indust Trt	C	166	9.28	13	8.3
ING Office Fund	C	112	7.71	11	9.4
ION Limited	C	237	0.74	10	4.7
Iluka Resources	B	438	1.02	9	5.0
Insurance Aust.	B	455	1.65	50	2.5
Interoil Corpor	C	296	N/A	NE	Nil
Investa Prop.	C	195	8.75	13	8.0
Ivanhoe Mines	E	1200	N/A	NE	Nil
James Hardie	B	725	2.79	58	1.3
Jubilee Mines	A	432	3.44	11	6.5
Jupiters	C	654	1.68	23	3.5
Leighton Hold	B	1176	0.64	23	3.7
Lend Lease Corp	C	1131	0.49	NE	2.7
Lend Lease US	C	98	6.53	10	18.7
Lihir Gold	C	170	5.52	22	Nil
Macquarie G Mgt	B	235	N/A	35	2.1
Macquarie Infra	D	305	4.81	12	2.5
Macquaries Air.	C	188	N/A	37	2.9
Macquarie Off.	C	114	9.44	11	9.6
Macquarie Good.	D	156	6.11	14	7.6
Macquarie Bank	B	3435	2.59	21	2.7
Macquarie C'Wde	C	165	N/A	15	8.3
Mayne Group Ltd	B	359	0.47	51	1.1
Metcash Trading	B	235	0.21	18	3.7
Milton Corp.	B	1365	N/A	24	3.5
Mirvac Group	C	427	2.55	14	6.8
Nat'l Aust Bank	D	3003	1.74	14	4.9
Nat'l Foods	C	398	0.94	19	4.9
Newcrest Mining	A	1270	6.77	45	0.4
News Corporatio	C	1312	0.92	15	0.2
Novogen Ltd	C	810	N/A	NE	Nil
Nufarm Limited	B	516	0.54	10	3.9
OPSM Group Ltd	B	376	1.03	25	4.0

Company	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
Oil Search Ltd	A	98	2.37	12	1.5
Onesteel Ltd	B	206	0.72	24	5.3
Orica Ltd	B	1340	0.88	18	3.3
Origin Energy	B	427	0.84	17	2.3
Oxiana Ltd	C	105	N/A	NE	Nil
Pacifica Group	B	485	0.62	15	4.1
Paperlin X Ltd	B	499	0.56	16	5.5
Patrick Corp	B	1497	3.11	27	1.3
Perp Trust Aust	B	4115	5.13	23	3.2
Principal Off.	C	159	9.15	16	6.9
Publishing & Br	B	1204	2.73	19	2.1
Q.B.E. Insur.	B	1035	0.75	23	3.4
Qantas Airways	C	345	0.54	18	4.9
Ramsay Health	B	435	0.84	15	3.6
Reece Australia	B	730	0.98	16	2.9
Rinker Group	A	625	1.17	11	1.1
Rio Tinto Ltd	B	3565	0.97	16	2.9
Ronin Property	B	112	9.55	13	8.4
Rural Press Ltd	A	700	1.75	12	3.4
SFE Corporation	A	495	4.37	24	3.1
Santos Ltd	B	629	2.37	11	4.8
Seven Network	B	605	1.16	27	3.9
Sigma Company	B	665	0.52	30	2.0
Sims Group Ltd	B	1010	0.58	12	5.3
Smorgon Steel	B	111	0.38	9	7.2
Sonic Health	C	684	1.82	43	3.7
Sons of Gwalia	C	346	0.96	17	Nil
Soul Pattinson	B	630	3.48	17	2.7
Southcorp Ltd	C	290	1.75	39	3.4
Spotless Group	A	518	0.45	21	4.4
St George Bank	D	1963	2.50	23	4.1
Sthn Cross Brd.	B	1073	1.73	36	5.3
Sthn C. Fliers	C	10965	N/A	12	8.2
Stockland	B	490	5.87	18	6.6
Suncorp-Metway	C	1269	1.32	18	4.4
TAB Ltd	B	397	1.88	24	3.8
Tabcorp Holding	B	1112	2.10	16	6.0
Telstra	C	475	2.83	18	5.7
Ten Network	B	275	1.44	12	4.2
Toll Holdings	B	840	1.00	24	1.7
Transfield Serv	B	445	0.59	23	2.9
Transurban Grp	D	403	5.09	NE	5.0
UNiTAB Ltd	B	650	1.90	21	4.3
WMC Resources	C	528	2.81	79	Nil
Wesfarmers Ltd	B	2790	1.35	20	4.6
West Aust News	B	658	4.34	22	4.6
Westfield Hold.	B	1419	6.98	28	1.8
Westfield Amer.	B	184	3.06	14	8.3
Westfield Trust	B	336	7.58	14	7.0
Westpac Banking	D	1559	2.22	13	5.0
Woodside Petrol	C	1363	4.06	NE	2.9
Woolworths Ltd	B	1090	0.40	18	3.6
Ave of 1348 Cos	C	166	0.41	27	1.5

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Recommended Investments

Cavalier Corporation's carpet business has been operating at full capacity over the last year, but the company now plans to install a three metre semi-worsted card set at its Wanganui Yarn plant next financial year (i.e. after June 2004). This will expand capacity by up to 25% in a "very cost effective way". Carpet sales for the first four months of this financial year are up 10%, with profits up 16%. This has been helped by favourable exchange rates (i.e. the NZ dollar is lower than expected against the Australian currency, while both are stronger than expected against the US dollar).

The company also plans to invest about $1 million in plant and machinery modernisation to reduce production costs at its 89.5% owned Australian business **Ontera Modular Carpets**. The business will seek to expand its products and brands, with the objective of increasing revenues and profits.

Cavalier Corporation has also increased its holding in **Hawkes Bay Woolscourers** from 76.0% to 92.5%.

As a result of an executive share scheme established in November 2000 - and the strong performance in Cavalier Corporation's share price since then - the company will issue 1.93 million shares (worth $9.5 million) to executives!

Cavalier Corporation will pay a steady first interim dividend of 4.5 cents (plus full imputation tax credits).

Colonial Motor Company has started the new financial year (i.e. since 1 July) with group sales and profitability "slightly up on the same period last year".

(Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	Initial Recommendation Price	Performance Forecast	Issued Shares (mil.)	Volatility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	NZ Shares												
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	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	1.81	19	6.7	556	124.0	+336%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.6	0.21	12	9.6	288	250.3	+259%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	1.0	2.68	12	10.3	160	32.3	+28%
HOLD	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.4	0.6	0.75	17	5.7	442	137.0	+1159%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	A	61.3	0.8	0.41	11	7.1	420	88.0	+45%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	37.1	1.6	0.14	NE	10.9	41	14.4	-35%
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	C	26.2	1.0	2.75	15	6.5	154	69.0	+86%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	A	87.9	0.9	1.04	16	8.8	389	75.0	+218%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.7	0.91	12	7.3	214	32.0	+141%
HOLD	Wrightson Limited	WRI	13/01/98	83	B	136.2	1.3	0.31	11	11.5	149	41.3	+129%
	Australian Shares (in Aust cents)												
HOLD	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.6	0.25	22	2.0	401	57.0	+73%
BUY	AJ Lucas Group	AJL	13/05/03	120	A	45.4	0.7	0.65	13	3.6	223	Nil	+86%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.8	1.78	6	13.0	23	7.0	-59%
HOLD	Auspine Limited	ANE	08/02/00	210	B	53.9	0.6	0.65	10	6.1	278	56.0	+59%
HOLD	Austral Coal Ltd	AUO	16/01/01	19	B	154.5	1.2	1.15	9	Nil	74	Nil	+289%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	N/A	10	6.6	166	Nil	+5%
SELL	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	0.66	20	5.0	604	102.5	+69%
BUY	Candle Australia	CND	08/04/03	86	B	37.6	0.8	0.31	14	4.8	135	6.0	+64%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	C	49.5	1.0	0.14	8	7.9	89	13.0	-33%
BUY	Commander Comm.	CDR	11/09/01	92	C	145.1	1.0	0.43	10	4.5	100	9.1	+19%
BUY	Computershare Ltd	CPU	12/08/03	189	A	544.1	0.9	2.78	60	1.4	362	2.5	+93%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	0.9	2.61	43	Nil	126	Nil	+25%
HOLD	IASbet Ltd	IAS	11/02/03	180	C	41.0	1.1	0.11	10	6.4	118	2.5	-33%
BUY	Julia Ross Recruitment	JRR	14/08/01	92	B	57.4	1.3	0.27	36	6.5	69	13.5	-10%
HOLD	McPherson's Ltd	MCP	10/10/00	125	B	54.8	0.4	0.70	15	3.4	435	39.0	+279%
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.54	10	3.9	516	119.3	+52%
HOLD+	OAMPS Limited	OMP	15/05/01	132*	A	74.3	0.5	0.48	17	4.1	418	34.3	+243%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.9	0.35	14	6.1	255	25.5	+123%
BUY	Solution 6 Holdings	SOH	15/07/03	59	E	251.6	1.3	0.79	NE	Nil	69	Nil	+17%
BUY	Technology One Ltd	TNE	11/11/03	44	B	298.5	1.5	2.72	19	5.7	44	Nil	
HOLD-	Toll Holdings	TOL	08/09/98	60*	B	309.8	0.6	1.00	24	1.7	840	43.5	+1373%
HOLD	UXC Limited	UXC	11/01/00	55*	A	125.1	1.3	0.96	17	5.6	89	19.0	+96%
HOLD+	Villa World Ltd	VWD	11/06/02	68	B	103.2	0.8	0.78	6	9.6	114	16.0	+91%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.1	1.26	14	4.0	100	24.1	+80%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +146.8%. This is equal to an average annual rate of +34.6%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 37 current and 120 closed out) is +30.4%, compared with a market gain of +8.7% (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.

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Recommended Investments *(Continued from Page 3)*

Lyttelton Port Company's share price has been marked down sharply after reporting cost overruns with its new coal facility and the need for $60-80 million in capital expenditure over the next five years. This expenditure will involve improving the container terminal - possibly involving the purchase of a third crane - and replacing older infrastructure (i.e. the oil berth). Stockbroker and media reports question whether this capital expenditure will impact upon the company's ability to pay dividends.

A look back at Lyttelton Port Company's historical accounts will show that over the *last* five years the business has generated operating cash flows totalling $91.1 million and invested $42.8 million in capital expenditure. Furthermore, the company has a strong balance sheet with interest bearing debt of just $24.1 million compared with Shareholders Equity of $49.6 million and a market capitalisation of $163 million. Maintaining the current annual dividend rate of 11.0 cents would cost about $11.2 million per year or a total of $56.0 million over the next five years.

So maintaining the current dividend over the next five years *and* investing $60-80 million in capital expenditure *would* see debt levels rise $25-45 million to around $50-70 million. That would not be a high debt level for the company and it is also both prudent and sensible to finance 40-55% of these long term infrastructure assets with debt.

Of course, Lyttelton Port Company *may* reduce the dividend slightly, but this is still an attractive, low risk share for investors seeking high, fully imputed income.

The company predicts earnings (before interest, tax and depreciation) will rise 2.5% this year, although net profit will be lower owing to higher interest and depreciation charges.

Michael Hill International reports first quarter NZ sales down 6.6% at $15.1 million, while Australian sales rose 17.2% to $28.9 million. Canada contributed revenues of $1.1 million (nil last year), lifting total group revenues 10.4% to $45.1 million. The first quarter is the slowest for the year, while the December quarter is the most important.

Following the new Trans-Tasman tax rules, Michael Hill International attached full Australian franking credits to its final NZ$0.10 dividend (paid 20 October) to Australian resident shareholders.

Nuplex Industries reports "steady" trading conditions for the first quarter but predicts that net profits for the year to June 2004 will rise about 10% to $25 million (41 cents per share). The final result, of course, could fluctuate owing to movements in exchange rates and volatility in petrochemical raw materials.

After exporting to Asia for 30 years, manufacturing in Vietnam for six years and operating an office in China for two years, Nuplex Industries is investigating establishing a resin manufacturing plant in China. China is already the "principal supplier of materials to existing operations" and the capital costs of establishing manufacturing facilities close to these suppliers would be "relatively low". Chinese manufacturing would service the group's growing Asian export markets but could also lower production costs for NZ and Australian markets.

Richina Pacific has again needed to downgrade its profit forecast for the current year by almost 40% to $4 million (2.8 cents per share). The downgrade comes from the **Shanghai Richina Leather** business which has progressively downgraded its expected earnings from US$5.0 million to only US$1.5 million.

Garment leathers have caused the worst problems, with large quantities of pelts purchased in NZ being of "particularly poor" quality. Not only did this cause production problems, but demand for leather garments was weak, leaving surplus stock which the company is now seeking to sell in an orderly fashion. Changes have been made to the way this operation is managed and monitored to prevent a repeat of this situation.

The upholstery leather operations - where the company sees "significant long term growth opportunities" - suffered from the impact of SARS. The division "made the correct strategic decision" to exit its contract processing for one customer and to become the "long term strategic supply partner" for several manufacturing customers. SARS prevented travel to China for 4-5 months during the busiest buying season, so this division did little business until recently but is now receiving "significant volumes of business".

With new plant capacity becoming available from early 2004, Shanghai Richina Leather "will become the undisputed leader in the leather industry in China".

Shanghai Richina Leather has also entered into a contract with US based **Garden State Tanning** and the Chinese state owned **Shanghai Light Industry Holdings** whereby Shanghai Richina Leather will produce up to 50 million square feet of automotive leather per annum within the next two years. This will be used in China's automotive industry, with Golden State Tanning marketing surplus production to its existing international automotive customers.

Richina Pacific is planning to change from a NZ registered company to a Bermuda registered company by the end of this year and will then seek to dual list its shares on an international stock exchange such as Singapore.

Steel & Tube Holdings reports the first quarter of the new financial year is "slightly ahead" of last year, with the full year likely to show "an overall improved result" owing to the inclusion of a full year's trading from **Hurricane Wire Products**.

We have discussed Steel & Tube's strong cash flows and low debt levels on numerous occasions, so it is no surprise that the company has declared another special dividend of 10.0 cents (plus full imputation tax credits) which will distribute a further $8.8 million to shareholders.

Australian Shares

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

Abigroup has received a takeover bid of $3.90 per share from German based **Bilfinger Berger AG**. If the takeover becomes unconditional, Abigroup will also pay a 10.0 cents dividend to existing shareholders.

Abigroup directors, who own 50.24% of the company have agreed to this takeover and already sold a 19.9% shareholding to Bilfinger Berger. They recommend acceptance "in the absence of a superior offer".

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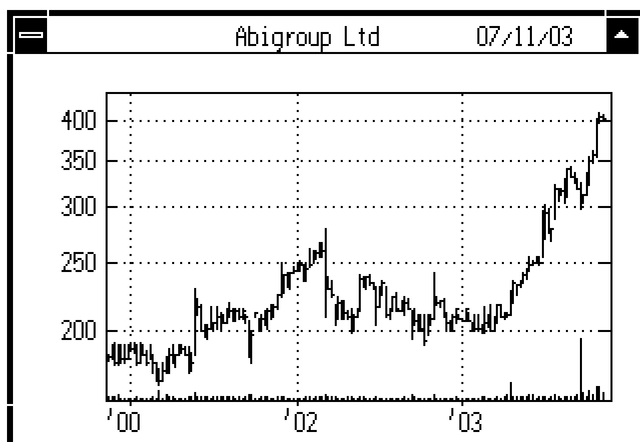
Media reports suggest that Spanish construction group **Ferrovial** may be interested in making a rival bid . . . and that Bilfinger Berger would likely respond to that by raising their bid. The current bid is also probably seen as too low by most public shareholders. An investor with 6% of Abigroup has stated he will not be accepting the bid.

Unfortunately, a takeover of Abigroup fails to release most of the value that we see in the company. As we have always stated, we believe that the only way to maximise shareholder value would be to separate the asset rich, low income **Hills Motorway** investment (worth $93 million or 195 cents per Abigroup share) from the income producing construction business. Such a split could repay a large part of our investment (i.e. in cash and Hills Motorway shares) while having little impact upon the profitability and dividends from Abigroup's remaining businesses.

Clearly there have been good reasons to retain the Hills Motorway shares which will probably increase further in value as motorway extensions will bring in more traffic over the next couple of years. The shares have also been pledged as security for performance bonds for the **Westlink M7** project. However, if the directors now want to sell out of everything for a cash sum, then it would be better to sell off the family silver (i.e. the Hills Motorway shares), distribute the proceeds through a capital repayment and then to sell off a construction business with slightly less ambitious growth plans.

The takeover *may* be better for the long term growth of Abigroup than a partial liquidation. That, however, is of little comfort to the *existing* shareholders who get just $3.90 while the new shareholder reaps *all* of the benefits of future growth. The public shareholders cannot be expected to accept this takeover simply as it is a good investment for Bilfinger Berger! Denied the right to participate in that long term growth, shareholders have the right to expect directors to pursue a short term strategy to maximise current value.

Nevertheless, even if this takeover goes through Abigroup will have been a reasonable investment for us, realising a 71% total return over the last 5¾ years. While that may not be a great return - we probably do not need to remind investors that there were a lot of *worse* places to invest your money in early 1999. Investors who have bought into Abigroup more recently have earned significantly better returns as the shares have *doubled* in value over the last year.



Abigroup is at the beginning of an upturn in construction activity and profits should grow strongly over the next few years. So Abigroup shares remain an attractive investment. There is also a possibility that a rival bidder will enter the market - which could start a bidding war. In this situation, the last shareholders to sell out will probably get the best price. At the very least there is a good chance that the current bid will need to be increased to win over the public minority shareholders.

<u>Therefore, do NOT accept the current takeover bid at this stage</u>. If there are any significant developments, requiring action, we shall inform subscribers by email.

<u>**AJ Lucas**</u> plans to acquire **Stuart Pty**, a company providing building, facilities management and civil engineering services. This acquisition will cost up to $1.38 million, consisting of the issue of 350,000 new AJ Lucas shares now and up to 250,000 shares (subject to profitability to June 2004) in September 2004. Stuart generates annual revenues of around $20 million, so is being purchased on a very low Price/Sales ratio of about 0.07. This acquisition requires shareholder approval as two AJ Lucas directors are also directors of Stuart and one has a small financial interest in the company.

This is a relatively small acquisition, but a "strategic" investment for AJ Lucas with "facilities management and maintenance capabilities" skills that the company can apply in other areas of its business to "expedite our strategy of strengthening and diversifying revenue steams".

<u>**Atlas Pacific**</u> had nucleated 194,000 oysters (through to September) of which almost a quarter were for joint ventures. Over 90% of these have been on new oysters, as re-seeding has produced the poorer quality pearls harvested this year. Next year the company expects to nucleate 300,000 new oysters - and has sufficient juvenile oysters at Alyui Bay and other sites, plus sufficient trained technicians to achieve this target.

The Alyui Bay site now specialises on seeding and harvesting. As "costs are largely fixed" the company is seeking to supply the maximum number of juvenile oysters at the cheapest cost from grow-out sites. The grow-out phase requires a large number of relatively unskilled part-time workers on a regular basis, so has been relocated near villages in North Bali and North Maluku. Atlas Pacific is seeking a second grow-out farm in North Bali.

<u>**Auspine**</u> reports lower sales in the September quarter owing to wet weather which has depressed demand for framing timber in southern states and production interruptions during the commissioning of new production machinery at its *Tarpeena* plant. The second quarter has started well.

Earnings before interest and tax for the December 2003 half year will be down about 17%, but lower interest costs will leave pre-tax profits down about 11%. A tax benefit from new tax consolidation laws is expected to result in the net profit being *above* last year.

<u>**Austral Coal**</u> reports "very tight" conditions in the international coking coal market owing to "buoyant steel production in North Asia, particularly Mainland China". This situation is expected to continue "throughout 2004 and beyond" *(Continued on Page 6)*

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Recommended Investments *(Continued from Page 5)*
and "likely to result in increased coking coal prices". Austral Coal will therefore have no trouble selling its increased production volumes *and* receive a higher price per tonne.

Australian Infrastructure Fund reports a net asset value of 195 cents at the end of September.

Airports reported strong revenue growth during the September 2003 quarter: Perth up 10.6% (compared with the September 2002 quarter) to $25.0 million, Melbourne up 13.9% to $64.9 million and Northern Territory up 31.6% to $7.5 million. Toll road revenues rose 6.2% to $20.5 million, while Light Rail revenues dropped 5.7% to $3.3 million. The drought depressed grain export volumes resulting in lower Port revenues: Portland down 10.8% to $3.3 million and Geelong down 5.0% to $3.8 million.

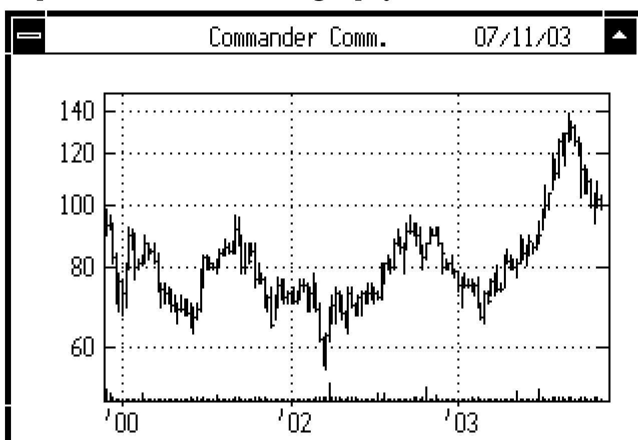
The Port of Geelong will expand with plans for the State Government to build a rail link to Lascelles Wharf. The port company has acquired land adjacent to the wharf and rail head to expand storage facilities.

Commander Communications has released financial projections for the current year which involves the transition of the business. First half revenues are expected to be around $230 million but generate earnings (before interest, depreciation and amortisation) of just $6 million and a net loss of about $2.5 million. The second half should see revenues climb to $270-285 million with earnings recovering strongly to $16-18 million.

With the acquisition of RSL, Commander Communications has a *low cost, intelligent virtual telecommunications network* which puts the company in a strong position to compete in the provision of telecommunication services. Its virtual network consists mainly of "intelligent switches" in major cities and other locations allowing it to access the cheapest long distance services from **Telstra** or **Optus** or other network companies. A relatively low $2-3 million in capital expenditure would allow Commander Communications to expand its network capacity by 30%.

The company's immediate challenge is to successfully *market* its new telecommunications services. Longer term the company sees growth potential from mobile telecommunications and the growth in broadband services.

Subsidiary **RSL** and **Digiplus** have settled a legal dispute with RSL receiving a payment of $3.4 million.



Computershare has expanded - and increased its exposure to cyclical stockmarkets - with the US$115 million cash acquisition of US based **Georgeson Shareholder Communications** from its 70 private shareholders. An additional US$9 million (in the form of new Computershare shares) will become payable if the company achieves performance goals.

In line with the stockmarket decline, Georgeson Shareholder Communications' revenues have fallen 40% over the last two years to US$122.0 million for the year to May 2003, but expected to rise about 5% this year. So the business is being purchased on a Price/ Sales ratio of about 1.00 - which would appear to be a "bottom of cycle" valuation. No figures for profitability were given but the acquisition "would help earnings per share this financial year" and possibly "requiring a review of previous earnings guidance" given to the market.

The major businesses are Corporate Proxy solicitation (55% market share) including takeovers: Revenue is strongly linked to stockmarket activity, and earned mainly from *per call* charges contacting investors as well as *success fees* on acquisitions, tender offers and proxy fights. Other activities include Post Merger Cleanups (i.e. identifying missing shareholders), Small Shareholder Plans (i.e. buying back small shareholdings) and Financial printing, distribution and mailing.

Georgeson Shareholder Communications has 3500 corporate clients in the US, so there is significant potential for Computershare to use this to expand its core share registry business.

Health Communication Network shares rose strongly last month as subscribers competed to purchase shares in this relatively small company. The volume of shares trading on-market also declined, further compounding the difficulty building up shareholdings. The initial buying rush has now subsided - and general market weakness brought the price back around 126 cents last week. That is 17-21 times this year's expected profits and while not as cheap as some well established businesses we have bought in the past (e.g. Toll Holdings on a P/E of 8, McPhersons on a P/E of 4½) this is not unreasonable for an emerging growth company with an important niche market.

It is difficult to apply valuation criteria to a company that is just emerging into profitability. We can use valuation statistics to avoid paying "blue sky" prices as in the Technology boom, but ultimately our "Buy" decision is based upon the company's unique competitive advantages and the *future profits* that *we* believe these will be able to generate.

The company's September quarter cashflow statement shows receipts of $4,895,000 but an operating *deficit* of $2,315,000. This reflects the payment to suppliers for a large state government knowledge resource contract, where Heath Communication Network received revenue in the June quarter.

IASbet's share price has suffered over the last month owing to bad press coverage relating to a problem gambler. Since 1998 a **Commonwealth Bank** branch manager, KD Faithfull, has embezzled $19 million - completely unnoticed and missed by the bank's audits - which was only discovered when he confessed. All of

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this money was apparently bet over the internet with IASbet.

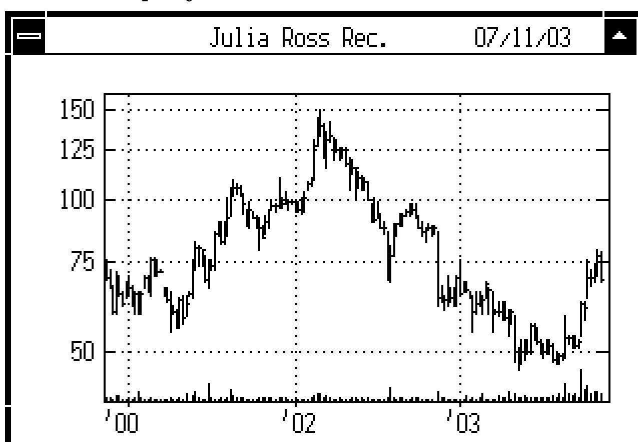
The media clearly paints IASbet as the villain in this story even though Mr Faithfull's defence lawyer points out "the almost seamless transition from social gambler to psychopathological gambler". Not one media report is even mildly critical of the lack of internal controls or ineffective audits at the Commonwealth Bank.

The bottom line, of course, is that the whole gaming industry *depends* upon business from problem gamblers, gambling addicts and people gambling with money that should be spent more responsibly (e.g. feeding their families). TABs, casinos and other providers of gaming services are required to provide oxymoron statements about "responsible gambling" - so no blame for the evils of gambling can fall upon the authorities! If IASbet had refused to accept bets from this customer he would simply have moved his business elsewhere. Another embezzler, charged with stealing $22 million from **K & S Corporation**, and found guilty of taking $11.5 million, placed bets with Darwin based but UK owned **Sportingbet Australia** and with its Vanuatu based subsidiary **Number One Betting Shop**.

While the Commonwealth Bank obviously has a serious problem with internal controls and audits, one cannot fault their public relations department. A single employee, acting alone has been able to divert virtually unlimited funds, for over five years and completely unnoticed. It isn't the bank's fault and it isn't the employee's fault. *Someone else* gets the blame!

IASbet's September cash flow statement shows a 35.0% increase in receipts from customers to $116.2 million although the cash operating surplus fell 55% to $1,245,000.

We are upgrading **Julia Ross Recruitment** shares from a "Hold" to a "Buy". The start of a recovery in the share price trend has turned the Relative Strength rating *positive*, currently +6.1%, ranked 59. That, together with the low share valuation (i.e. a Price/Sales ratio of 0.27 and a Dividend Yield of 6.5%) plus an *insider* buy over the last year, rates the shares a "Buy" in the *Under-Valued Shares* section of our *Comprehensive Share Selection Criteria*. We agree, and investors can add to existing shareholdings - or establish new holdings - in the company.



Nufarm lifted revenues 2.1% to $1,458.8 million in the year to 31 July 2003, but profits rose 35.6% to $77,093,000 (49.4 cents per share) - helped by a $12,824,000 tax benefit under the new Australian consolidated tax rules. A final 13.0 cents dividend will lift the annual dividend rate 11.1% to 20.0 cents.

Operating cash flows more than *quadrupled* to a very high $218.3 million which helped reduce interest bearing debts $130.9 million to $480.5 million. That is still a high level of debt compared with Shareholders Equity of $455.7 million.

The directors are confident of achieving an average 10% profit growth over each of the next three years.

OAMPS share purchase plan was over-subscribed and scaled back. An application for the full 1666 shares being scaled down to 1067 shares.

Unfortunately, not only were application letters "delayed in the post" (or was there some problem at the share registry?) but there were *also* "postal delays" with NZ applications mailed back to Australia - and many applications from NZ investors "arrived after the closing date". This whole situation has been less than satisfactory. The timetable for printing and mailing the applications and the deadline for them to be back at the share registry was far too short. *Our* experience with mailing to Australian subscribers is that the mail takes only about 4-5 days! While it won't help in this situation, we believe that unsuccessful shareholders should send a short letter or email to the OAMPS directors who have failed in their recently stated responsibility to keep "investors both informed and happy".

OAMPS also plans to make a 1 for 4 bonus issue - which doesn't create any value, but divides every existing four shares into five new shares. The shares will trade "ex-entitlement" to this issue from 11 November (and fortunately you won't have to mail anything back to the company to get *these* shares!).

OAMPS has been a very successful investment and the directors have "a positive outlook for the next couple of years", so the shares remain a sound "Hold+" for further gains over at least the next year.

Skilled Engineering expects profits (excluding the non-recurring items) to be steady this year after failing to win any of the **Telstra** *Access Network* contracts this year. Last year the company performed $50 million of work for Telstra, but tender prices were significantly lower this year. At those lower prices Skilled Engineering's margins would have been "significantly lower" and it "would not have been able to deliver a quality service". While the stockmarket will no doubt react unfavourably in the short term, turning down unprofitable work is the correct decision and offers Skilled Engineering the opportunity to seek other business where it can earn a profit for shareholders.

A recent High Court decision dealing with superannuation on overtime earnings of casual employees will result in a $2.5 million non-recurring profit for the company from the reversal of a provision for this cost made in last year's accounts.

Solution 6 sold its **Alpha West** IT services business in a management buyout (MBO) in August 2002 for $18 million, with $2.5 million received in cash and $15.5 million owing as vendor finance. The new owners raised an additional $2.3 million in equity for working capital. Listed **AIS Corporation** now plans to purchase Alpha West - paying the current MBO investors $8.9 million in AIS Corporation shares. *(Continued on Page 8)*

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Recommended Investments *(Continued from Page 7)*
To complete this acquisition, AIS Corporation will also need to pay the $15.5 million owing to Solution 6 and will seek to raise $8 million through a public share issue and $7.5 million through a debt facility. Solution 6 is not directly involved in these changes, but is now significantly closer to receiving its $15.5 million (plus interest) from this earlier sale.

Toll Holdings is learning from its experience in NZ. Institutional investors blocked its full takeover of **Tranz Rail Holdings** (leaving it with 84.2% ownership and some annoying minority shareholders), so the company acquired a 12.0% interest in **Owens Group** to block **Mainfreight**'s less than generous takeover. A Mainfreight/Owens Group merger would have been a strong competitor, but Owens Group must now continue to operate as a separate company while Mainfreight's balance sheet is stretched by the debt used to fund its 79.6% investment in that company.

Toll Holdings reports "earnings well ahead of last year". While Toll Holdings shares remain a sound investment, the share price has risen substantially over the last 8-12 months. Our investment in this company has increased 14½-fold over the last six years - so investors over-weighted in these shares may wish to sell another 25-35% to help finance investments in recent new recommendations. "Hold-".

UXC has acquired Queensland based **Lanlink Pty** which will be merged with its existing voice, data and IP business communications subsidiary **Integ Communications**.

(Continued on Page 20)

Share Recommendation: Buy Technology One

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

BUY Australian listed Technology One (code TNE).
During the Technology boom of 1999/2000 these shares traded on a Price/Sales ratio of 16, a Price/Earnings ratio of 80 and a Yield of just 0.3%. Although Technology One is a high quality growth company, such high valuations can only result in losses to investors. The Technology sector has since fallen out of favour and - owing to a decline in the share price *plus* the growth in revenues, profit and dividends - investors can now buy Technology One shares at just 10-20% of that earlier valuation!

Just as importantly, Technology One has spent the last three years investing heavily in Research & Development, building customer relationships and improving its competitive advantage relative to its much larger global software competitors. Over the next two years Technology One plans to take the product leadership position in its industry - with the potential for significant growth in market share and an explosive increase in revenues and profits!

Company History

Technology One was formed in 1987 to provide accounting software to small and medium sized businesses. By the time the company listed on the Australian stockmarket in late 1999 its main software products were *Finance One* (i.e. financial management and accounting software for *large* companies), *People One*, (i.e. payroll and human resources software), *Student One* (i.e. student administration software for universities and other educational institutions) and was close to finalising *Retail One* (i.e. software for large retailers which was launched in July 2000).

A public share issue in November 1999 at 33.3 cents per share (adjusted for a 3:1 share split a year later) raised 27.85 million. $16.0 million (57%) of this went to existing shareholders who also retained a 72% shareholding in the company. A share placement at 134.3 cents (adjusted for the subsequent share split) raised an additional $18.0 million for the company in October 2000.

In December 2000, **Proclaim Software** was acquired for around $10.6 million, financed about 80% in cash from the recent placement and 20% by the issue of new shares. Proclaim Software was a leading provider of software to local government.

Technology One also provides custom software development for companies and government departments.

Recent Results

Unlike other Technology companies that ventured into new areas during the boom (and then re-trenched), Technology One has remained focused upon its core business which continues to grow and remains very profitable, generates strong cash flows and allows the company to pay high dividends! Unlike competitors, Technology One has continued to invest heavily in Research & Development (which is fully expensed) and is steadily gaining market share. The company has a strong balance sheet, with high cash reserves and virtually no interest bearing debt.

In the year to June 2000 (i.e. its first as a listed company), revenues rose 46.4% to $28.7 million while profits rose 55.9% to $5,750,000 (1.9 cents per share, adjusted for the 3:1 share split) and paid a dividend of 0.5 cents. The cash operating surplus rose 40% to $5.5 million.

For the year to June 2001, revenues increased 39.1% to $40.0 million. Profits rose another 35.1% to $7,767,000 (2.4 cents per share) and the annual dividend was raised 184.0% to 1.42 cents (plus a special 0.95 cents

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dividend was paid). The operating cash surplus was steady at $5.6 million.

Revenues grew by only 17.1% to $47.4 million in the year to June 2002. Profits grew a similar 12.7% to $8,755,000 (2.8 cents per share) and the dividend was increased 40.8% to 2.0 cents per share. The cash surplus from operations rose 22% to $6.8 million.

The year to June 2003 saw revenues continue to rise - up 2.0% to $48.4 million - but profits fell 19.7% to $7,030,000 (2.4 cents per share). The dividend continued to increase, up 25.0% to 2.5 cents, while the cash operating surplus improved 40% to $9.6 million.

The lower profitability in the latest period reflects higher costs as the company (1) opened new regional offices to improve service to clients and (2) increased Research & Development. Technology One is developing major upgrades to all of its products under the brand *Connected Intelligence* that will run under **Microsoft Corporation**'s *.Net* platform *and* provide significant improvements.

Competitive Advantage

Technology One is a relatively small company competing against many significantly larger international software companies. Major competitors include **Oracle** (with worldwide revenues 200 times larger than Technology One), **SAP** (revenues 150 times greater), **Peoplesoft** (revenues 40 times higher), **Epicor**, **Systems Union**, **GEAC** and **JD Edwards**. Nevertheless, Technology One believes it has important competitive advantages:

Over the last four years, Technology One has increased its revenues by over 140%, while its best competitors, SAP and Systems Union, have managed less than 50% growth. Epicor's revenues have fallen almost 50%.

Over the same period, Technology One has increased its annual Research & Development expenditure 250% to further improve its products to seek future growth. Competitors' R&D expenditure have remained relatively steady (i.e. within a range of plus or minus 40%).

Technology One also has succeeded in growing profits. Software is a business with significant economies of scale - so the largest companies should be the most profitable. Yet Technology One has achieved high profit margins of around 15-20%, despite spending a very high 20% of revenues on Research & Development.

Technology One also believes its business structure is a competitive advantage. It is the only company in this sector to *develop* and *market*, *install* and *support* its own products. All of the other software vendors sell through third parties. So Technology One assumes complete responsibility for software and builds *closer* relationships with its customers.

Competitors weak relationships with clients is expected to lead to significant market share gains for Technology One from 2005 when organisations look to replace 4-5 year old systems purchased ahead of the Y2K boom. Technology One believes that many competitors "over promised and under delivered" and customers will therefore look for new software suppliers.

Technology One has invested heavily in its new *Connected Intelligence* software to enable it to "take a product leadership position over competitors" over the next 6-24 months. This new *Connected Intelligence* software will "combine client server and Internet to connect customers, suppliers, staff and managers, connect disparate systems across multiple IT platforms and across multiple organisations". It will also be "easily deployed via the Internet or intranet, have a rich powerful user interface that is very simple and easy to use without training or experience".

Connected Intelligence upgrades will be progressively released to minimise risks and control Research & Development expenditure: *Finance One CI* will be released in mid-2004, *Retail One CI* in mid-2005, *People One CI* in mid-2005, *Proclaim One CI* in mid to late 2005 and *Student One CI* in late 2005.

Apart from acquiring Proclaim Software three years ago Technology One has avoided acquisitions and industry consolidation. Consolidation *is* an important feature of a boom/bust cycle to remove *excessive competition* from the market and to enable companies to achieve economies of scale through increased market share. Technology One, however, sees little point in acquiring "overlapping products", that "acquisitions do not necessarily deliver long term benefits to either shareholders or clients" and that the "consolidation phase will substantially reduce the effectiveness of many of our competitors".

Technology One believes that "future growth will be driven by customers replacing their existing systems" and that success or failure in this industry will depend upon "who will keep their customers and who will lose them". Technology One's strategy is to have the best software, the best relationships with customers and the best support. So Technology One has avoided acquisitions for short term gain but invested heavily in Research & Development to enable it to have the best software products over the next few years and expanded its branches to further raise its level of client support.

All of this investment in R&D and branch expansion has been funded from revenues (and expensed, not capitalised) while the company has maintained high profit margins!

The payoff from successfully implementing this growth strategy to Technology One could therefore be huge. Market share (and revenues and profits) would increase rapidly in Australia and NZ and other (currently small) Asian markets. Beyond 2005 the company is considering expansion in the United Kingdom and expansion of its software services to cover Professional Services businesses and Asset Intensive industries.

Quite possibly, however, Technology One will find itself on the receiving end of a hostile takeover bid from a competitor seeking to acquire the Intellectual Property rights to its software and market it internationally. Subscribers may remember how **JNA Telecommunications** developed a better data/voice switch for telecommunication networks and sought a partner to market it internationally. **Lucent Technology** liked the product so much, they made a takeover bid for the whole company which realised a significant capital gain on our investment!

On-Market Share Buy-Backs

In July 2002, Technology One *(Continued on Page 10)*

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Buy Technology One *(Continued from Page 9)*
announced an on-market buy-back for up to 31,775,179 shares (10% of its capital). Over the year it acquired and cancelled 19,679,092 shares (6.25%) for $4.9 million (i.e. an average cost of 25.1 cents per share). A new on-market share buy-back for up to 29,849,598 shares (10%) was announced in August 2003.

Investment Criteria

Technology One is a high quality growth company. Revenues have increased steadily, the business earns very high profit margins and strong cashflows, the company continues to invest heavily in Research & Development so is well placed for future growth *and* it pays a high cash dividend to its shareholders.

At 44 cents, the shares trade on a Price/Sales ratio of 2.72, a Price/Earnings ratio of 19 and a Dividend Yield of 5.7%.

The P/S ratio is relatively high, but justifiable owing to the high profit margin of 15-20% - which is *after* spending 19% of revenues on Research & Development and additional amounts to expand branches ahead of expected future growth.

A P/E ratio of 19 is slightly below the average of all listed Australian companies, yet Technology One is a potential *super stock* that could experience significant revenue and profit growth over many years and generate outstanding returns for investors.

The high dividend yield of 5.7% and the 100% payout ratio makes this look more like a mature company with no growth potential for re-invested profits. In fact, the high dividend probably simply reflects the large cash holding, strong balance sheet, fairly reliable cashflows and profits, as well as the directors belief in future growth.

Technology One has cash and interest bearing investments of $20.2 million (6.8 cents per share), with less than $1.1 million in interest bearing debt. Shareholders Equity is just $35.6 million (11.9 cents per share), but this is not a capital intensive business and its most valuable assets (i.e. intellectual property rights, client relationships, skilled staff) have no monetary value in the balance sheet.

The issued capital is 298,495,976 shares giving the company a market capitalisation of $131 million. This makes Technology One a *medium sized* business. Although management own 60% of the company, the shares are very actively traded in large volumes (i.e. around 75,000 to 500,000 shares daily), so should be quite easy to acquire.

The shares are relatively *neglected* by brokers, with just four firms following the company closely enough to publish profit forecasts. The consensus is that profits will rise about 16% in 2004 and 22% in 2005. Other analysts and brokers do not share our view on the potential of Technology One and, seeing nothing special in the company, rate the shares "fairly valued" and a "Hold". Institutional investors also have little interest and have sold down their holdings to own only about 15% of the company.

Directors have a significant interest in Technology One. Director and founding shareholder, J Mactaggart, still retains 83,902,500 shares (28.1% of the company). The other founding shareholder, A Di Marco, is the Executive Chairman (i.e. Chief Executive *and* Chairman of the board) and holds 78,372,500 shares (26.3% of the company). Chief Operating Officer R McLean owns 400,000 shares and non-executive director S Larwill has 200,000 shares. Other management and staff own a further 5.5% of Technology One, taking the total ownership by the directors, management and staff to over 60% and resulting in "a very strong alignment between the interests of staff and shareholders".

Technology One shares listed at a significant premium following their initial public offering and peaked at 164 cents in late 2000 before dropping to a low of 21 cents in late 2002. Since then, the shares have started to recover strongly. The Relative Strength rating is +14.4%, ranked 41, indicating that the shares are in an uptrend and appreciating faster than most other listed shares.

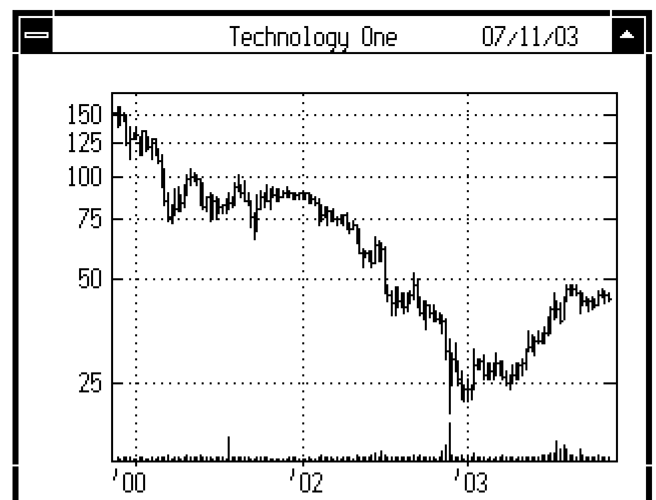
Summary and Recommendation

Technology One has always been a quality company, but traded at a high valuation during the Technology boom. The decline in the share price during 2001 and 2002 - *plus* the growth in revenues, profits and dividends over that period - has created good *value* in the shares.

Technology One has also invested heavily to take a *product leadership position* and to build a competitive advantage in client relationships and service. The company is therefore well positioned to realise substantial gains in market share over the next several years - which would yield significant revenue and profit growth.

This company is not without risk - but appears to have built a strong competitive advantage within its sector, a very profitable business with strong cashflows and holds large cash reserves. So although Technology One is smaller than its competitors it appears to have the product, corporate structure, customers and financial resources needed to achieve its future growth goals.

Technology One shares offer a high current income yield, which will make them more attractive to retired investors than many other low-yielding growth shares. Despite this high income, we mainly see this as an emerging growth company for investors seeking maximum capital appreciation. The shares have the potential to appreciate 4-6 fold in value over the next 5 years and perhaps 15-30 fold over the next decade (i.e. a compound rate of growth of 30-40% per annum).



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Share Recommendation: Sell Biron Capital

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

We are recommending the sale of shares in **Biron Capital** - mainly owing to concerns over its mezzanine finance business. The company's annual result to 30 June 2003 disclosed two large "past due" loans totalling $6,825,000 or 61% of its loan portfolio.

The quarterly cashflow report to 30 September suggests this situation has not improved: Loan repayments totalled only $1.5 million for the quarter which would indicate the company has failed to recover any of the principal of these two problem loans.

"Property finance and associated receipts" which approximately equals revenues for this business was just $277,074 for the quarter. For the June 2003 year Biron Capital reported annual receipts of $2,055,934 and accounting revenues $2,481,000. The difference between these figures results from the timing of cashflows. So the September quarter receipts are well down on the $500,000 to $600,000 that could be expected.

Furthermore, "net operating cash flows" is an indication of profitability. For the June 2003 year, net cashflows were $1,078,342 while accounting profits were $1,385,000. For the September 2003 quarter the company has reported a cash operating *deficit* of $204,652. In addition to the lower income, staff costs and "interest and other costs of finance" have increased. As Biron Capital is lending its own money, interest costs are nil, so "other costs of finance" may indicate legal and other costs of the "significant enforcement action" being taken to recover the overdue loans.

In other words, as a result of the two problem loans, interest income is well down while operating costs (i.e. presumably to recover these loans) has increased and the company appears to be trading uprofitably.

Of course, hopefully Biron Capital will eventually recover these loans, secured by second mortgages and other guarantees, in full. If so, cash flow and profitability will be boosted by interest (which has not been taken into account on overdue loans) as well as default fees. Nevertheless, having most of the finance portfolio invested in problem loans is not the ideal way to run this business. At best it will depress short term profitability (and the share price) while at worst could result in a significant loss of Shareholder Equity and even bankrupt the company. Risks (as well as potential profits) will increase as the company plans to expand its finance portfolio with $10 million in short term borrowings.

Our Investment in Biron

Needless to say, *overall* our 9½ year investment in Biron has not been a great success - but that is only part of the story.

We were initially attracted to this company owing to its niche market in producing created emeralds and the high profit margins, high profits and strong cashflows this business produced. Although Biron was a *low cost producer* - and further lowered its unit cost by doubling production and reducing total costs - it was hit by competition and falling prices. Much of the competition came from Russian production, seeking foreign exchange earnings rather than sustainable profitability. The growth in demand for created emeralds in jewellery also appears to have quickly peaked and then declined. In 2001 the company sold this business and went into property finance. Biron made a 1 for 2 cash issue at 35 cents in early 2002 but we advised against increasing investments in the company and instead sold the rights for a small amount.

What Can We Learn from this Unsuccesful Investment?

Firstly, we still look for companies which, like Biron, have a leading position in a niche market. We still look for companies that are profitable, generate strong cash flows and pay dividends. We still look for companies that can *increase* production volumes and *lower* operating costs to *improve their competitive position* in the market. These are still favourable characteristics to look for in an investment. Unfortunately, while some niche markets expand and grow, others will decline. In 1943, the Chairman of IBM estimated a worldwide demand for "about five computers". Today it is no easier to estimate the eventual market for a new product or service. So we can look for companies with characteristics important for success - but can never completely eliminate the risk of significant loss. This is simply a fact of stockmarket investment and the reason we diversify our portfolio so widely.

Secondly, Biron helped teach us to be more cautious about the *sustainability* of high profit margins. The experience with Biron has long ago helped evolve our share selection methods to give significantly greater emphasis to the importance of a *low Price/Sales ratio*. High profit margins result in high P/S ratios, so by being more cautious of high P/S ratio shares we can avoid many situations like Biron where high profit margins prove to be unsustainable. We formulated our *Comprehensive Share Selection Criteria* in 1997 which has been responsible for a significant improvement in the profitability of our share recommendations over recent years.

Thirdly, Biron has re-affirmed the importance of being a *share investor*, not a *newsletter publisher* (or an analyst or a stockbroker). Our investment in Biron lost 93% of its value in the first three years dropping to a low of 11½ cents in early 1997. Most advisers will simply "conveniently forget" such investments or recommend their sales - for the sole purpose of removing an embarrassment from their Recommended Portfolio which would make it more difficult to sell newsletter subscriptions! But selling the shares may or may not be the right decision. In this case, holding these shares was the correct *investment* decision *(Continued on Page 12)*

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Sell Biron Capital *(Continued from Page 11)*

as Biron has been a relatively successful, albeit volatile, investment over the last six years - approximately tripling in value (with the help of some recent dividends). Having our own money invested in all of the shares recommended in the newsletter helps keep us focussed on maximising *investors* gains over the long term.

[Editor's Note: Which, of course, gives us a huge competitive advantage *retaining* existing newsletter subscribers and earning your referrals to other investors.]

Summary and Recommendation

Our investment in Biron lost virtually all of its value over the first three years - but since then the shares have recovered well. The company has re-invented itself as a property finance company which has the potential to be very profitable, but it is also very risky. Unfortunately this business appears to be experiencing some problem loans so we are now recommending the sale of these shares to realise cash that we can better re-invest elsewhere.

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

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

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Renaissance	41	+31.9	-8.0	1	0-0	-	1.6	-	1.6	NE	10.9	0.14	15
Owens Group Ltd	112	+9.7	+0.7	26	0-0	3	1.9	8	1.2	23	2.7	0.14	63
Mainfreight Grp	139	+4.9	+0.8	43	0-1	4	2.1	17	1.0	12	7.0	0.27	112
Broadway Ind	55	+9.3	-3.0	28	1-0	-	1.2	15	1.1	8	3.6	0.30	11
Wrighton Ltd	149	+12.5	+2.9	16	0-1	3	1.6	15	1.3	11	11.5	0.31	203
Allied Farmers	225	+3.4	+2.4	49	0-1	-	1.3	13	0.9	10	7.3	0.34	24
Nuplex Indust	420	+7.8	+1.8	34	3-0	3	1.6	14	0.8	11	7.1	0.41	258
Ebos Group Ltd	345	+4.9	+2.4	42	0-1	-	2.2	15	0.7	15	7.1	0.42	94
Williams Kettle	493	+9.0	+4.0	29	0-0	-	1.4	13	0.5	11	7.3	0.44	73
Fletcher Build.	412	+11.2	-0.9	18	1-0	6	2.0	20	0.8	10	6.9	0.52	1,672
Design Textiles	101	+4.5	+1.3	45	1-5	-	2.5	27	1.4	9	6.1	0.54	32
Vertex Group	150	+0.1	-3.6	66	0-0	-	2.2	17	1.2	13	14.1	0.56	48
Dorchester Pac	203	+13.7	+2.4	14	0-0	-	1.7	18	1.0	10	5.5	0.71	39
Guinness Peat	184	+6.6	+3.0	38	0-0	-	1.0	12	1.1	9	1.6	0.73	1,144
CDL Hotel NZ	40	+23.2	+6.9	3	0-0	-	0.6	8	1.6	8	5.2	0.74	140
Carter Holt	185	+2.6	+2.8	54	1-0	5	0.6	4	1.1	18	4.1	0.78	3,222
Hellaby Hold.	474	+15.8	-2.4	12	0-0	1	2.5	24	0.6	10	8.2	0.79	233
Tourism Hold.	167	+22.9	+1.8	4	6-0	4	0.9	1	1.1	66	2.7	0.83	154
Warehouse Group	568	+1.9	+4.7	57	0-0	6	5.0	23	0.6	22	3.8	0.85	1,735
Taylors Grp Ltd	214	+13.4	+1.7	15	0-0	-	2.1	17	0.7	12	7.3	0.91	52
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
CDL Hotel NZ	40	+23.2	+6.9	3	0-0	-	0.6	8	1.3	8	5.2	0.74	140
Hellaby Hold.	474	+15.8	-2.4	12	0-0	1	2.5	24	0.5	10	8.2	0.79	233
Dorchester Pac	203	+13.7	+2.4	14	0-0	-	1.7	18	0.9	10	5.5	0.71	39
Taylors Grp Ltd	214	+13.4	+1.7	15	0-0	-	2.1	17	0.6	12	7.3	0.91	52
Wrighton Ltd	149	+12.5	+2.9	16	0-1	3	1.6	15	1.1	11	11.5	0.31	203
Fletcher Build.	412	+11.2	-0.9	18	1-0	6	2.0	20	0.6	10	6.9	0.52	1,672
Affco Holdings	25	+9.9	+1.0	25	0-0	-	0.5	4	1.3	12	Nil	0.06	123
Broadway Ind	55	+9.3	-3.0	28	1-0	-	1.2	15	0.8	8	3.6	0.30	11
Williams Kettle	493	+9.0	+4.0	29	0-0	-	1.4	13	0.4	11	7.3	0.44	73
Nuplex Indust	420	+7.8	+1.8	34	3-0	3	1.6	14	0.7	11	7.1	0.41	258
Guinness Peat	184	+6.6	+3.0	38	0-0	-	1.0	12	0.9	9	1.6	0.73	1,144
Ebos Group Ltd	345	+4.9	+2.4	42	0-1	-	2.2	15	0.5	15	7.1	0.42	94
Mainfreight Grp	139	+4.9	+0.8	43	0-1	4	2.1	17	0.8	12	7.0	0.27	112
Design Textiles	101	+4.5	+1.3	45	1-5	-	2.5	27	1.2	9	6.1	0.54	32
Pacific Retail	250	+4.1	+4.7	46	0-0	2	1.6	19	1.2	8	Nil	0.25	154
Allied Farmers	225	+3.4	+2.4	49	0-1	-	1.3	13	0.7	10	7.3	0.34	24
Carter Holt	185	+2.6	+2.8	54	1-0	5	0.6	4	1.0	18	4.1	0.78	3,222
Air New Zealand	48	+1.4	-0.2	60	5-0	5	1.4	16	1.7	9	Nil	0.39	1,403
Vertex Group	150	+0.1	-3.6	66	0-0	-	2.2	17	1.0	13	14.1	0.56	48
Richina Pacific	37	+0.1	+1.9	67	0-0	-	0.4	10	1.5	4	Nil	0.07	53
INCOME SHARES: Highest Yields, Capitalisation > NZ$100 million													
NZ Refining Co	1645	-2.0	-0.4	75	0-0	2	1.3	12	0.2	11	13.6	2.44	395
Wrighton Ltd	149	+12.5	+2.9	16	0-1	3	1.6	15	1.0	11	11.5	0.31	203
Tower Limited	131	-7.9	+3.1	86	2-0	7	0.3	0	1.1	136	11.5	0.52	537
Restaurant Brds	133	-4.7	+2.1	82	0-0	5	2.4	23	0.8	10	11.2	0.42	126
Lyttelton Port	160	+4.5	-2.9	44	4-1	5	3.3	27	0.8	12	10.3	2.68	163
Pyne Gould G.	134	+7.5	+0.9	36	1-0	-	1.3	12	0.6	11	9.5	N/A	134
Freightways Ltd	185	+2.3	+1.7	55	0-0	-	-	-	0.8	18	9.3	N/A	223
Hallenstein G.	308	+3.3	+0.5	51	1-0	4	4.2	26	0.5	16	9.0	1.02	181
Steel & Tube	389	+6.4	+0.2	39	0-0	5	2.7	17	0.8	16	8.8	1.04	342
Skellmax Indust	122	+2.0	-0.3	56	0-0	-	4.7	49	0.8	10	8.6	1.27	122
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
NZ Invest Trust	513	+6.2	-1.8	40	8-0	-	-	-	0.4	NE	1.6	N/A	52
Cedenco Foods	230	+16.0	-1.0	11	7-0	-	1.3	15	0.5	8	Nil	1.33	36
Tourism Hold.	167	+22.9	+1.8	4	6-0	4	0.9	1	0.8	66	2.7	0.83	154
Provenco Group	44	+17.2	+11.2	10	5-0	-	4.3	12	1.5	35	Nil	0.75	36
Air New Zealand	48	+1.4	-0.2	60	5-0	5	1.4	16	1.5	9	Nil	0.39	1,403
Nuplex Indust	420	+7.8	+1.8	34	3-0	3	1.6	14	0.6	11	7.1	0.41	258
Infratil NZ	252	+11.2	+0.5	19	4-1	3	1.4	9	0.6	16	2.4	3.73	462
Lyttelton Port	160	+4.5	-2.9	44	4-1	5	3.3	27	0.7	12	10.3	2.68	163
Metro. LifeCare	201	+25.3	+5.1	2	2-0	1	1.6	9	0.7	17	Nil	1.73	174
FC - Forests	132	+8.6	+1.7	30	2-0	6	0.9	-	0.9	NE	Nil	1.09	736
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Opio Forestry	52	-2.4	+0.2	76	0-0	-	0.6	-	0.6	NE	Nil	9.32	8
Horizon Energy	360	-0.4	+1.3	70	0-0	2	2.8	15	0.3	18	10.4	3.95	90
NZ Refining Co	1645	-2.0	-0.4	75	0-0	2	1.3	12	0.1	11	13.6	2.44	395
Evergreen	55	-4.1	+4.1	81	0-2	-	0.9	-	0.8	NE	Nil	2.25	83
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
GDC Communicat.	77	-15.4	+1.0	93	2-2	1	1.8	22	1.0	8	6.8	0.42	29
Software of Exc	117	-9.6	-1.2	90	0-0	-	4.2	-	0.9	NE	Nil	1.49	25
Blis Technology	28	-9.4	+1.6	90	0-0	-	6.3	-	1.0	NE	Nil	N/A	18
SkyCity Leisure	112	-8.4	+1.1	88	0-0	-	4.1	11	1.3	37	Nil	1.90	76
Genesis Res.	110	-8.4	+2.8	87	0-0	-	0.7	-	0.9	NE	Nil	1.85	29
Mr Chips Hold	96	-7.1	+1.4	85	0-0	-	2.1	9	0.8	23	4.7	0.90	23
Vending Tech.	99	-7.1	-0.8	85	0-1	-	1.5	14	0.8	11	Nil	1.30	30
Briscoe Group	181	-5.5	+2.5	84	0-0	6	4.7	29	0.6	16	5.6	1.28	380
Evergreen	55	-4.1	+4.1	81	0-2	-	0.9	-	0.8	NE	Nil	2.25	83
Michael Hill	442	-4.0	+1.9	80	5-0	3	3.4	20	0.4	17	5.7	0.75	170
Opio Forestry	52	-2.4	+0.2	76	0-0	-	0.6	-	0.5	NE	Nil	9.32	8
Postie Plus Grp	119	-2.2	-0.7	76	0-0	-	5.1	32	0.7	16	Nil	0.62	48
Urbus Property	91	-1.4	+0.4	74	3-0	-	-	-	0.7	NE	Nil	N/A	82
Kirkcaldie & St	342	-1.3	+1.8	73	0-0	-	1.5	9	0.4	18	6.3	0.61	26
Forty Two Below	37	-1.2	-1.2	72	1-0	-	-	-	1.2	NE	Nil	N/A	45
Botry-Zen Ltd	13	-1.2	+2.9	71	0-1	-	7.1	-	1.1	NE	Nil	N/A	22
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Evergreen	55	-4.1	+4.1	81	0-2	-	0.9	-	0.7	NE	Nil	2.25	83
Vending Tech.	99	-7.1	-0.8	85	0-1	-	1.5	14	0.7	11	Nil	1.30	30
Botry-Zen Ltd	13	-1.2	+2.9	71	0-1	-	7.1	-	1.1	NE	Nil	N/A	22
Kiwi Property	104	-0.4	+0.7	69	0-1	6	1.0	7	0.5	13	8.2	8.07	575

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

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

UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Ruralco Hold.	375	+10.2	+0.7	49	4-0	-	2.0	16	0.5	12	3.7	0.07	35
Cordukes Ltd	33	+10.4	+1.8	48	0-0	-	-	-	1.3	6	3.1	0.07	8
Wallace Abs Ret	97	+1.5	-0.3	71	0-0	-	0.9	1	1.2	81	2.1	0.08	17
Namoi Cotton	37	+19.3	+5.7	34	4-0	-	0.5	11	1.5	4	4.1	0.09	40
Citic Australia	40	+39.2	+1.6	16	0-0	-	2.9	19	1.5	15	5.0	0.11	32
Data 3 Ltd	170	+36.2	+1.2	18	1-0	-	8.9	81	0.8	11	5.9	0.13	25
A.P. Eagers	597	+7.7	-5.7	55	0-0	1	1.3	11	0.5	12	5.2	0.13	102
Cellnet Group	89	+3.5	-0.2	66	2-0	1	0.9	11	0.9	8	7.9	0.14	44
CTI Logistics	52	+14.5	-3.6	41	1-0	-	0.7	1	1.1	61	1.9	0.14	13
Optima ICM Ltd	20	+58.1	-2.6	9	0-0	-	2.0	32	1.8	6	2.6	0.14	19
OM Holdings	35	+21.1	+0.5	31	0-0	-	1.7	1	1.5	292	2.1	0.15	17
Hugall & Hoile	10	+5.6	+3.7	61	1-1	-	1.1	12	2.4	9	2.6	0.15	7
Queens'd Cotton	350	+4.4	+2.8	64	1-0	1	0.7	6	0.5	12	6.0	0.15	97
Adtrans Group	362	+12.4	-2.1	45	0-5	1	2.5	22	0.4	11	5.7	0.16	83
Danks Holdings	1175	+5.0	-6.8	62	0-0	-	-	-	0.3	15	4.7	0.17	76
Watpac Ltd	59	+19.1	-3.2	34	0-0	-	1.6	19	1.1	9	7.6	0.17	43
Henry Walker E.	115	+19.8	+10.6	33	9-0	3	1.0	-	0.9	NE	3.0	0.18	190
Bridgestone	254	+8.0	-4.3	55	0-0	-	0.6	8	0.6	7	3.9	0.18	93
Joyce Corp.	65	+8.8	-3.3	52	1-0	-	1.0	15	1.3	7	3.8	0.20	13
Metcash Trading	235	+2.4	+0.5	69	0-6	6	8.1	44	0.6	18	3.7	0.21	1,482
ABB Grain Ltd	413	+10.9	+0.6	48	4-0	-	1.5	12	0.6	13	4.1	0.21	189
SunTech Environ	3	+17.7	-1.6	37	0-0	-	0.4	16	5.1	3	12.5	0.22	12
York Group	36	+6.4	+5.1	58	0-0	-	1.2	12	1.4	10	2.8	0.22	9
RCR Tomlinson	45	+28.1	+6.9	23	0-0	-	0.9	9	1.3	10	2.2	0.22	20
Oldfields Hold	86	+6.9	-3.4	57	0-0	-	0.8	25	0.8	3	3.5	0.22	6
Catalyst Rec'mt	55	+24.4	+11.3	27	0-0	-	-	-	1.2	15	8.2	0.23	20
HJ & B Group	38	+6.0	+3.7	60	0-0	-	9.5	57	1.2	17	5.3	0.23	23
Crane Group	907	+3.2	-4.8	67	2-5	2	1.5	15	0.4	10	6.6	0.24	464
Merchant House	18	+9.0	+3.0	52	0-0	-	1.3	18	1.7	7	5.6	0.24	17
Aust Pharm. Ind	273	+0.7	+0.9	73	1-0	5	2.8	11	0.5	26	4.8	0.25	619
C.S.R. Ltd	199	+8.3	-0.8	54	2-2	9	1.8	54	0.8	3	8.5	0.25	1,880
Volante Group	121	+10.2	+6.0	49	2-0	2	4.3	22	0.8	20	6.6	0.25	82
Abigroup Ltd	401	+23.0	+1.3	29	0-0	-	1.6	7	0.5	22	2.0	0.25	191
Devine	73	+31.7	+5.1	20	2-1	-	1.2	17	1.2	7	9.6	0.27	92
Julia Ross Rec.	69	+6.1	+10.4	59	1-0	2	3.6	10	1.2	36	6.5	0.27	40
Bidvest	465	+8.1	+3.5	54	0-0	-	2.8	20	0.6	14	2.5	0.27	915
CMI Limited	210	+14.9	+4.5	41	0-0	1	2.3	30	0.6	8	4.8	0.29	57
Brazin Limited	136	+9.2	+10.3	51	8-1	3	3.1	4	0.8	77	7.4	0.29	158
Supply Network	42	+19.9	-0.9	33	1-0	-	1.2	12	1.2	10	4.2	0.30	9
United Overseas	40	+12.2	+2.6	45	0-0	-	0.4	11	1.2	4	7.5	0.31	24
Candle Aust.	135	+20.1	-0.4	33	0-1	1	-	-	0.7	14	4.8	0.31	51
Lemvest Ltd	275	+7.3	+1.4	56	2-0	-	0.9	12	0.5	8	7.3	0.31	28
Skydome Holding	40	+53.2	+14.3	11	0-0	-	-	-	1.2	29	1.9	0.32	5
Lemarne Corp	240	+12.4	+1.4	44	1-0	-	1.1	9	0.5	12	6.3	0.32	40
David Jones	140	+9.8	-4.6	50	1-0	3	1.3	8	0.7	15	4.3	0.33	576
Downer EDI Ltd	90	+17.7	+2.8	37	1-0	2	2.4	18	1.0	13	3.2	0.33	878
Clough Limited	77	+14.7	+3.1	41	0-0	1	1.9	-	1.1	NE	0.6	0.33	324
Coles Myer	774	+7.2	-0.3	57	4-0	7	3.6	16	0.5	22	3.4	0.35	9,384
Skilled Eng.	255	+16.0	-6.5	39	0-0	3	5.8	41	0.8	14	6.1	0.35	231
Foodland Assoc	1930	+0.0	+0.5	75	1-0	6	11.8	63	0.4	19	4.4	0.35	2,252
Integrated Grp	162	+20.2	-0.5	33	0-1	2	4.8	43	0.9	11	5.6	0.36	112
Embelton Ltd	285	+10.1	+2.6	49	0-0	-	1.0	8	0.6	12	3.9	0.36	6
Monadelphous Gr	481	+17.0	+0.0	38	0-2	-	2.6	21	0.5	13	5.2	0.37	90
Wrigdways Aust	83	+3.4	-0.5	67	2-1	-	-	-	0.9	8	5.4	0.37	27
Steamships Trad	220	+11.7	-6.0	47	0-0	-	0.8	2	0.8	32	2.3	0.38	68
Smorgon Steel	111	+3.9	-2.1	66	1-0	6	-	-	1.0	9	7.2	0.38	959
Buderim Ginger	58	+1.3	-0.5	72	3-0	-	0.7	5	1.0	16	5.2	0.40	12
Angus & Coote	740	+7.3	+3.1	56	0-0	-	1.5	10	0.4	16	4.9	0.41	88
Millers Retail	186	+1.6	+1.3	71	0-5	4	4.9	34	0.9	14	5.1	0.41	438
Commander Comm.	100	+13.7	-10.9	43	1-0	2	-	-	0.9	10	4.5	0.43	145
Coventry Group	560	+9.8	-3.1	50	3-0	-	1.4	8	0.4	18	5.4	0.44	193
Adcorp Aust.	116	+14.3	+6.3	42	1-0	2	14.5	93	0.8	16	5.2	0.45	70
Spotless Group	518	+18.6	+6.3	35	0-0	6	-	-	0.6	21	4.4	0.45	1,067
United Group	402	+20.7	+4.2	32	1-0	4	-	-	0.6	18	3.5	0.46	398
K&S Corporation	465	+24.9	+4.5	26	0-0	3	2.5	20	0.6	13	3.4	0.46	140
Metroland Aust	26	+26.2	+6.2	25	0-0	-	1.9	28	1.5	7	7.7	0.47	20
Mayne Group Ltd	359	+7.3	+2.7	57	1-0	8	2.6	5	0.7	51	1.1	0.47	2,774
OAMPS	418	+19.8	+3.6	34	3-0	-	10.7	62	0.5	17	4.1	0.48	311
Chalmers	226	+2.8	+1.1	68	0-0	-	0.7	4	0.7	19	2.2	0.49	13
Lend Lease Corp	1131	+10.2	+5.1	48	1-0	7	2.7	-	0.6	NE	2.7	0.49	4,961

BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Netcomm Limited	23	+83.0	+3.8	4	2-0	-	3.3	23	1.5	14	2.2	0.92	16
Int'l Equities	5	+78.9	-8.0	5	0-0	-	0.5	41	2.3	1	Nil	0.06	4
Aust Energy	78	+78.0	-4.7	5	1-6	-	78.0	-	1.0	17	1.3	0.66	34
Oriental Tech.	15	+63.5	-0.8	8	0-0	-	1.5	12	1.5	12	Nil	0.65	17
Aust Pure Fruit	72	+62.2	-14.6	8	0-0	-	1.4	11	0.7	12	Nil	0.10	13
Optima ICM Ltd	20	+58.1	-2.6	9	0-0	-	2.0	32	1.4	6	2.6	0.14	19
Cash Converters	15	+46.8	+2.4	12	0-2	-	-	-	1.5	7	Nil	0.94	19
Sietel Ltd	70	+45.0	+10.8	13	0-0	-	0.7	24	0.6	3	Nil	0.28	6
Sunland Group	114	+44.4	-0.8	13	4-11	-	2.1	29	0.6	7	2.6	0.89	194
Maxi TRANS	68	+43.9	-4.5	13	2-1	-	5.2	27	1.0	20	3.7	0.83	98
B Digital Ltd	30	+42.3	+16.9	14	0-0	-	4.2	24	1.6	17	Nil	0.40	73
Astron Ltd	170	+41.5	+34.9	15	0-0	-	1.5	44	0.6	4	Nil	0.27	22
Citic Australia	40	+39.2	+1.6	16	0-0	-	2.9	19	1.2	15	5.0	0.11	32
Data 3 Ltd	170	+36.2	+1.2	18	1-0	-	8.9	81	0.6	11	5.9	0.13	25
Bolnisi Gold NL	27	+34.3	+1.7	19	0-0	-	1.5	21	1.3	7	5.6	0.94	46
Autron Corp	31	+34.2	+6.1	19	0-0	-	6.1	-	1.1	2	Nil	0.13	23
MacMahon Hold	32	+33.2	+15.4	19	0-0	-	1.5	16	0.9	9	Nil	0.19	79
Penfold Buscomb	61	+32.6	+5.2	20	3-0	-	1.7	12	0.8	14	Nil	0.22	21
Devine	73	+31.7	+5.1	20	2-1	-	1.2	17	1.0	7	9.6	0.27	92
AJ Lucas	223	+29.5	+5.6	22	0-1	-	3.1	23	0.5	13	3.6	0.65	101
Coffey Int'l	552	+29.4	+1.8	22	4-0	-	4.4	36	0.3	12	4.9	0.57	63
CDK Tectonics	84	+28.9	+6.3	23	0-0	-	2.0	20	0.6	10	7.1	0.88	27
Becker Group	31	+28.5	+7.8	23	5-0	-	1.1	9	1.4	13	Nil	0.59	22
RCR Tomlinson	45	+28.1	+6.9	23	0-0	-	0.9	9	1.0	10	2.2	0.22	20
Multistack Int'	6	+28.1	+16.4	23	0-0	-	0.6	6	2.4	10	Nil	0.19	6
NCML (Holdings)	16	+27.8	+11.3	24	2-1	-	2.6	29	1.4	9	3.2	0.88	8
Metroland Aust	26	+26.2	+6.2	25	0-0	-	1.9	28	1.1	7	7.7	0.47	20
Caltex Austrlia	436	+25.4	-2.3	26	2-0	1	1.2	21	0.7	5	Nil	0.20	1,177
BHP Steel Ltd	553	+25.2	+1.5	26	6-0	-	-	-	0.6	10	4.0	0.82	4,330
Rebel Sport	327	+25.1	+3.8	26	0-0	1	3.7	25	0.5	15	1.8	0.89	248
K&S Corporation	465	+24.9	+4.5	26	0-0	3	2.5	20	0.5	13	3.4	0.46	140
Melbourne IT	57	+24.8	-2.1	27	0-0	-	3.8	26	1.0	15	Nil	0.60	28
Raptis Group	39	+24.7	+1.1	27	0-0	-	1.9	35	0.9	5	Nil	0.24	27
Catalyst Rec'mt	55	+24.4	+11.3	27	0-0	-	-	-	0.9	15	8.2	0.23	20
CPT Global Ltd	67	+23.8	+5.9	28	2-0	-	3.9	28	0.9	14	7.5	0.80	23
McPherson's Ltd	435	+22.1	-3.8	30	0-4	-	6.3	42	0.3	15	3.4	0.70	238
Roberts Ltd	719	+21.3	-3.1	31	0-2	-	2.4	19	0.3	13	4.7	0.52	92
UXC Limited	89	+21.1	+2.3	31	0-0	-	3.6	21	1.0	17	5.6	0.96	111
Waterco Ltd	240	+21.0	+0.6	32	3-0	-	2.2	19	0.5	12	5.4	0.64	45
Tat Hong Hold.	40	+21.0	+10.8	32	0-0	-	1.4	7	1.2	20	2.3	0.86	157
United Group	402	+20.7	+4.2	32	1-0	4	-	-	0.6	18	3.5	0.46	398
Haddington Res.	16	+20.2	+9.5	33	0-1	-	-	-	1.4	8	6.3	0.80	6
Integrated Grp	162	+20.2	-0.5	33	0-1	2	4.8	43	0.8	11	5.6	0.36	112
Candle Aust.	135	+20.1	-0.4	33	0-1	1	-	-	0.6	14	4.8	0.31	51
Supply Network	42	+19.9	-0.9	33	1-0	-	1.2	12	0.9	10	4.2	0.30	9
OAMPS	418	+19.8	+3.6	34	3-0	-	10.7	62	0.4	17	4.1	0.48	311
Namoi Cotton	37	+19.3	+5.7	34	4-0	-	0.5	11	1.2	4	4.1	0.09	40
Watpac Ltd	59	+19.1	-3.2	34	0-0	-	1.6	19	0.9	9	7.6	0.17	43
Canberra Invest	179	+19.0	-1.6	34	1-0	-	1.5	35	0.6	4	3.9	0.91	55
Sons of Gwalia	346	+18.8	-0.3	35	0-0	7	-	-	0.4	17	Nil	0.96	577
Pacifica Group	485	+18.3	+0.6	35	0-0	4	2.4	16	0.6	15	4.1	0.62	681
Housewares Int.	262	+18.0	+0.1	36	0-1	-	4.0	28	0.7	14	3.8	0.65	299
Downer EDI Ltd	90	+17.7	+2.8	37	1-0	2	2.4	18	0.8	13	3.2	0.33	878
SunTech Environ	3	+17.7	-1.6	37	0-0	-	0.4	16	3.8	3	12.5	0.22	12
Shearer (John)	210	+17.3	+7.7	37	0-0	-	-	-	0.6	10	3.8	0.52	26
AV Jennings	184	+17.1	-0.1	37	3-4	-	1.8	26	0.7	7	5.4	0.75	396
Monadelphous Gr	481	+17.0	+0.0	38	0-2	-	2.6	21	0.4	13	5.2	0.37	90
Villa World	114	+16.7	-4.1	38	1-3	1	1.5	25	0.5	6	9.6	0.78	118
Korvest Ltd	262	+16.2	-7.8	39	0-0	-	1.9	19	0.4	10	4.8	0.56	21
Strarch Int'l	10	+16.0	-0.3	39	0-0	-	5.0	40	2.2	13	Nil	0.28	5
Skilled Eng.	255	+16.0	-6.5	39	0-0	3	5.8	41	0.7	14	6.1	0.35	231
Nat'l Can	154	+15.7	-2.2	39	0-0	-	1.0	8	0.5	12	2.3	0.53	103
CMI Limited	210	+14.9	+4.5	41	0-0	1	2.3	30	0.5	8	4.8	0.29	57
HGL Limited	169	+14.8	+1.1	41	0-0	-	1.7	17	0.5	10	7.1	0.69	79
Noni B Limited	170	+14.6	-3.4	41	1-0	-	3.9	22	1.0	18	5.3	0.61	52
Adcorp Aust.	116	+14.3	+6.3	42	1-0	2	14.5	93	0.6	16	5.2	0.45	70
Commander Comm.	100	+13.7	-10.9	43	1-0	2	-	-	0.7	10	4.5	0.43	145
Graincorp	1341	+13.7	+2.3	43	0-0	1	1.8	17	0.3	11	5.8	0.77	539
AIS Corporation	15	+13.5	-12.1	43	1-0	-	-	-	1.5	0	Nil	0.01	4
Lemarne Corp	240	+12.4	+1.4	44	1-0	-	1.1	9	0.4	12	6.3	0.32	40

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Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
INCOME SHARES: Highest Yields, Capitalisation > A$250 million													
Aneka Tambang	20	-9.9	+8.7	93	0-0	-	-	-	1.2	51	43.9	6.17	1,978
Lend Lease US	98	+0.0	-0.0	76	0-0	5	-	-	0.4	10	18.7	6.53	502
Envestra	102	+0.5	-0.2	74	0-0	2	-	-	0.5	58	9.3	2.66	742
C.S.R. Ltd	199	+8.3	-0.8	54	2-2	9	1.8	54	0.6	3	8.5	0.25	1,880
Sthn C. Fliers	10965	+2.0	-0.3	70	0-0	-	1.1	9	0.3	12	8.2	N/A	658
Aust Pipeline	268	-1.9	-3.9	82	0-0	4	1.5	9	0.4	16	8.0	2.53	654
Aust Gth Prop.	85	+1.7	-0.8	71	0-0	-	0.8	6	0.6	14	7.3	1.36	256
Smorgon Steel	111	+3.9	-2.1	66	1-0	6	-	-	0.7	9	7.2	0.38	959
Australand Hold	172	+6.6	-2.0	58	0-0	3	1.3	13	0.5	10	7.0	0.78	902
AMP Ltd	660	-3.3	+8.2	86	2-0	10	1.5	-	0.6	NE	7.0	1.57	7,652
Kingsgate Cons.	376	+7.6	+0.5	55	0-0	-	-	-	0.3	6	6.6	2.89	274
Aust Infra.	166	+5.4	-1.2	61	7-0	3	0.9	9	0.5	10	6.6	N/A	297
Crane Group	907	+3.2	-4.8	67	2-5	2	1.5	15	0.3	10	6.6	0.24	464
Platinum Cap'l	229	+10.2	+0.2	49	0-3	-	1.4	-	0.4	NE	6.6	N/A	261
Jubilee Mines	432	+49.9	+5.0	11	0-2	2	6.3	57	0.5	11	6.5	3.44	529
Gasnet Aust Grp	206	-3.2	-3.6	86	0-0	2	1.0	10	0.5	10	6.2	2.52	268
Djerriwarrh	349	+0.4	-0.5	74	0-1	-	1.1	6	0.5	18	6.2	N/A	521
Tabcorp Holding	1112	+5.0	+1.0	62	3-0	7	-	-	0.3	16	6.0	2.10	4,065
AWB Limited	420	+3.7	+1.0	66	2-1	4	1.4	13	0.5	11	6.0	0.49	1,148
ANZ Bank	1629	-0.4	-0.1	78	5-2	10	2.2	20	0.6	11	5.8	1.90	29,295
Graincorp	1341	+13.7	+2.3	43	0-0	1	1.8	17	0.3	11	5.8	0.77	539
GWA Internat'l	270	+4.4	-1.8	64	2-2	3	1.8	13	0.5	14	5.7	1.13	750
Telstra	475	+4.5	-1.2	64	3-0	9	4.4	24	0.4	18	5.7	2.83	61,116
Hills Indust.	370	+6.8	-1.1	57	2-1	2	3.2	17	0.4	18	5.7	0.74	502
Com'wealth Bank	2758	-0.7	-2.1	80	3-1	11	2.3	13	0.4	17	5.6	3.68	34,574
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
PMP Limited	119	+23.4	-1.2	29	16-0	3	5.2	23	0.8	22	Nil	0.24	346
Macquaries Air.	188	+21.5	-2.0	31	15-1	-	1.0	3	0.5	37	2.9	N/A	1,771
Bendigo Bank	811	+7.2	-0.4	57	13-0	6	2.1	12	0.3	18	4.1	2.98	1,034
Prime TV	248	+4.7	-1.3	63	10-0	5	-	-	0.5	28	4.0	2.03	302
Loftus Capital	65	+6.4	+3.0	58	10-0	-	0.9	3	0.5	31	1.5	2.32	24
Henry Walker E.	115	+19.8	+10.6	33	9-0	3	1.0	-	0.6	NE	3.0	0.18	190
Trust Co of Aus	775	+15.5	+6.4	40	9-0	-	4.0	0	0.3	NE	1.4	7.79	251
Garratt's Ltd	23	+0.6	-2.8	73	9-0	-	2.1	-	0.9	NE	Nil	0.26	3
Amrad Corp.	62	+16.3	-6.1	39	9-0	1	1.2	2	0.5	69	Nil	3.18	81
Intermin Res	9	+20.8	+3.4	32	8-0	-	-	-	1.2	15	Nil	2.86	8
Nido Petroleum	2	+11.4	-6.1	47	8-0	-	-	-	3.1	NE	Nil	2.15	4
Baycorp Advant.	263	+23.4	+12.8	29	8-0	4	23.9	-	0.5	NE	1.5	3.31	600
Network Ltd	30	+44.8	+15.5	13	8-0	-	7.5	-	0.9	NE	Nil	6.09	20
Servcorp Ltd	185	+18.6	+6.5	35	8-0	2	2.5	4	0.4	60	4.1	1.30	148
Oroton Group	647	+16.9	+5.4	38	8-0	1	14.7	28	0.4	52	3.6	3.64	119
Health Com Ntwk	126	+45.1	-3.0	13	7-0	-	-	-	0.6	43	Nil	2.61	77
Aust Infra.	166	+5.4	-1.2	61	7-0	3	0.9	9	0.4	10	6.6	N/A	297
Allegiance Min.	18	+93.0	+46.4	3	7-0	-	-	-	1.1	NE	Nil	N/A	37
Pearl Heathcare	14	+7.4	-3.6	56	7-0	-	7.0	19	2.0	37	Nil	1.20	14
Macquarie Good.	156	+1.0	+0.3	73	7-0	3	1.2	9	0.3	14	7.6	6.11	1,481
Computer Share	362	+36.2	+14.5	18	8-1	8	-	-	0.6	60	1.4	2.78	1,970

Company	Share Price	STRENGTH RATING Cur-rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola-til-ity	Price Earn. Ratio	Divi-dend Yield	Price Sales Ratio	Market Cap'n
Brazin Limited	136	+9.2	+10.3	51	8-1	3	3.1	4	0.5	77	7.4	0.29	158
Kagara Zinc Ltd	117	+38.1	+10.1	17	6-0	-	-	-	0.4	NE	Nil	N/A	168
BHP Steel Ltd	553	+25.2	+1.5	26	6-0	-	-	-	0.6	10	4.0	0.82	4,330
OFM Investment	201	+6.5	-1.1	58	6-0	-	1.3	10	0.5	13	5.5	4.00	94
Equity Trustees	570	+0.4	+4.9	74	6-0	-	3.0	-	0.3	NE	Nil	2.12	35
Energy Develop.	250	+12.2	-0.1	45	6-0	3	1.0	-	0.5	NE	Nil	2.45	287
Suncorp-Metway	1269	+4.6	-0.1	63	7-1	7	3.0	17	0.3	18	4.4	1.32	6,735
Incitec Pivot	1600	+3.9	+0.3	66	5-0	-	-	-	0.6	NE	Nil	N/A	N/A
Wesfarmers Ltd	2790	+5.1	+0.6	62	5-0	8	4.7	24	0.4	20	4.6	1.35	10,505
Bullion Min.	23%	+108.9	+35.1	2	5-0	-	-	-	0.8	NE	Nil	N/A	8
Forest Place Gr	49	+19.9	-0.3	33	5-0	-	0.7	6	0.6	12	Nil	1.95	40
Brickworks Ltd	840	+11.9	-0.5	46	5-0	2	1.8	12	0.3	15	1.9	5.23	1,106
Solution 6	69	+17.7	-3.8	37	5-0	2	6.9	-	0.8	NE	Nil	0.79	174
Finbar Intern'l	31	+7.5	+0.7	56	5-0	-	0.9	11	0.7	9	3.3	1.48	27
Aust Healthcare	3	+4.7	+2.6	63	5-0	-	2.8	-	2.7	NE	Nil	0.97	2
Renison Cons	6	+44.8	+17.0	13	5-0	-	-	-	2.1	NE	Nil	3.08	14
Hillcrest Res.	4	+41.1	+23.6	15	5-0	-	-	-	2.1	NE	Nil	N/A	4
APN News Media	393	+5.2	-0.2	62	5-0	7	1.8	9	0.5	19	4.1	1.61	1,723
Becker Group	31	+28.5	+7.8	23	5-0	-	1.1	9	1.2	13	Nil	0.59	22
Hitech Energy	6	+3.8	+9.1	66	5-0	-	6.0	-	1.6	NE	Nil	N/A	22
Soul Pattinson	630	+8.5	+0.3	53	5-0	1	2.4	14	0.5	17	2.7	3.48	1,503
Aviva Corp Ltd	5	+32.9	+19.5	19	5-0	-	4.8	-	2.1	NE	Nil	N/A	10
Breakfree Ltd	152	+11.5	-0.1	47	6-1	-	2.3	14	0.6	17	3.9	1.49	58
Payce Consol.	200	+36.1	+2.1	18	6-1	-	1.7	21	0.5	8	Nil	1.37	68
Alumina Ltd	605	+13.4	+3.3	43	6-1	-	7.0	18	0.6	39	2.1	2.68	6,730
G.R.D. NL	185	+28.3	+6.4	23	7-2	-	-	-	0.7	31	2.7	1.94	392
Thundelarra Exp	62	+62.4	+33.7	8	8-3	-	-	-	0.8	NE	Nil	N/A	29
Jumbuck Corp.	6	+34.0	-32.8	19	8-3	-	-	-	1.5	NE	Nil	N/A	7
BHP Billiton	1179	+12.0	+2.2	46	4-0	8	4.1	16	0.5	26	1.7	2.91	73,285
Heron Resources	19	+18.1	+3.9	36	4-0	-	-	-	1.2	NE	Nil	N/A	21
Deep Green Min.	4	+4.4	+4.5	64	4-0	-	-	-	2.3	NE	Nil	0.79	6
Auspine Ltd	278	+6.4	-3.0	58	4-0	1	0.8	8	0.4	10	6.1	0.65	150
Gold Aura Ltd	18	+24.1	+18.3	28	4-0	-	-	-	1.1	NE	Nil	N/A	3
Salmat Ltd	321	+33.0	+5.2	19	4-0	-	-	-	0.5	23	2.6	1.29	373
Wadepack Ltd	180	+4.6	+3.6	63	4-0	-	1.9	26	0.4	7	2.8	0.66	57
Abacus Property	115	+0.0	-1.1	75	4-0	-	1.2	13	0.6	9	9.1	2.21	311
Synergy Equity	1	+6.1	+6.1	60	4-0	-	-	-	3.6	NE	Nil	9.17	5
Burswood Ltd	118	+21.5	+5.6	31	4-0	6	1.9	4	0.5	48	1.5	1.60	534
Pacific Energy	35	+18.2	+12.6	36	4-0	-	-	-	0.9	NE	Nil	1.07	6
Adsteam Marine	174	+8.1	+2.2	54	4-0	5	-	-	0.4	527	Nil	1.21	398
Coffey Int'l	552	+29.4	+1.8	22	4-0	-	4.4	36	0.3	12	4.9	0.57	63
Gro Pep Limited	84	+31.3	+3.2	20	4-0	-	2.1	-	0.8	NE	Nil	3.40	37
Prophecy Int'l	16	+11.5	+7.5	47	4-0	-	1.6	-	1.2	NE	Nil	1.03	7
Dolomatrix Intl	11	+6.1	+15.4	59	4-0	-	11.0	-	1.6	NE	Nil	6.04	11
Ruralco Hold.	375	+10.2	+0.7	49	4-0	-	2.0	16	0.3	12	3.7	0.07	35
Woodside Petrol	1363	+5.8	-1.7	60	4-0	9	-	-	0.4	NE	2.9	4.06	9,087
Working Systems	11	+23.3	-12.6	29	4-0	-	-	-	1.2	NE	Nil	1.46	10
Port Bouvard	129	+33.3	-2.8	19	4-0	-	1.7	28	0.8	6	4.7	1.20	81
ETRADE Aust.	93	+54.4	-4.0	10	4-0	1	5.8	6	1.0	104	Nil	6.58	126

New Issue: Repco Group

The following update was emailed to subscribers on Sunday 26 September:

Repco Group

The Repco Group is seeking to raise A$405 million by offering 152.8 million shares to the public at A$2.65 per share. All - plus another $21.3 million from the company - will go to pay expenses of the New Issue ($26 million) or go to existing investors who are selling out of the company, although directors and management will retain 14.0 million shares.

Repco Group is a sound, profitable business with recurring revenues from the retailing of auto parts. The company predicts a profit of $35.8 million (19.7 cents per share) for the year to June 2004 and an annual dividend of 14.0 cents. That puts the shares on a Price/Earnings ratio of 13.5 and a Dividend Yield of 5.3%. The dividend will include full Australian franking credits and about 50% NZ imputation tax credits (i.e. equal to a gross yield to NZ investors of about 6.6%).

That is reasonable, but probably near the higher end of the valuation range that is appropriate for this type of business.

What also concerns us is the limited Equity in the business. At June 2003, Shareholders Equity was low at $54.1 million, but the current float (i.e. raising money from the public and buying back shares from existing investors) will reduce that to only $32.8 million (20 cents per share). Retailing is a business that does not require a lot of equity, but that is just 7½% of the $2.65 issue price of the shares. This low equity probably reflects the existing owners success at extracting assets from the business and maximising its current value. Unfortunately, it does leave the company in a weaker financial position - limiting its ability to weather an economic downturn or participate in industry consolidation by acquiring a major competitor for cash.

Summary and Recommendation

Repco Group has a sound business and offers a good dividend yield. The balance sheet is a little weak, which increases risk and limits potential for expansion. This issue is more attractive than many recent New Issues (and may list at a small premium), but we still believe that investors can find better value and better growth potential from many existing listed companies.

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Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AKD Limited	3	20	1-4	0.8	0.0	+999	0.80	3.47	1.00	+350
Abelle Ltd	182	30	3-4	150.0	157.1	-5	0.52	1.15	1.00	-0
Aberdeen Leaders	93	118	0-2	0.4	0.0	+999	0.17	9.99	1.00	+326
Acclaim Explor.	6	20	0-5	0.5	0.1	+539	1.05	4.34	1.00	+999
Adultshop.com	7	100	0-2	0.1	0.0	+999	0.54	9.99	1.00	+999
Adultshop.com	7	20	0-7	0.6	0.0	+999	0.54	8.23	1.00	+586
Adultshop.com	7	175	0-1	0.1	0.0	+999	0.54	9.99	1.00	+999
Aeris Technologies	73	20	1-7	56.0	56.0	-0	0.82	1.26	1.00	+3
Afminex Ltd	3	10	1-6	0.7	0.0	+999	0.53	4.63	1.00	+157
Alcaston Mining	6	15	3-10	2.0	2.8	-29	0.83	1.49	1.00	+29
Alkane Explor.	45	35	1-4	22.5	18.9	+19	0.68	1.88	1.00	+20
Allegiance Mining	18	20	0-1	0.9	0.8	+9	0.83	7.14	1.00	+741
Amadeus Energy	40	25	1-0	19.0	17.9	+6	0.57	1.98	1.00	+10
Amadeus Energy Ltd	40	20	0-0	18.0	17.9	+1	0.57	1.98	1.00	-100
Ambition Group	42	100	0-10	0.1	0.1	+80	0.37	9.44	1.00	+184
Amity Oil Limited	126	100	0-9	54.0	35.6	+52	0.44	2.89	1.00	+31
Amlink Technologies	18	45	0-7	0.3	2.4	-88	1.26	2.45	1.00	+386
Amnet	24	25	1-10	6.0	9.9	-39	0.77	1.74	1.00	+15
Anitsense Therapeutic	14	20	3-2	7.0	4.8	+44	0.63	1.78	1.00	+24
Anvil Mining	41	12	0-5	30.5	28.8	+6	0.55	1.41	1.00	+12
Apollo Gold	20	20	2-0	9.0	10.3	-13	0.93	1.49	1.00	+20
Aquacarotene	3	5	1-7	1.0	1.2	-15	0.91	1.78	1.00	+43
Argonaut Resources	14	30	3-7	3.7	6.0	-38	0.81	1.53	1.00	+28
Arrow Energy NL	17	20	0-7	3.8	4.2	-10	1.05	2.25	1.00	+87
Astro Mining NL	12	75	6-1	2.6	11.7	-78	2.05	1.01	1.00	+36
Audax Resources	28	30	0-1	2.1	0.8	+157	0.47	11.75	1.00	+415
Auridiam Consolidated	5	50	0-7	0.2	0.0	+999	0.68	8.52	1.00	+999
Aust Food & Fibre	29	32	2-7	0.7	6.6	-89	0.34	2.79	1.00	+5
Aust Magnesium	8	125	1-8	1.3	1.1	+19	1.37	1.84	1.00	+436
Aust Mines	22	20	0-4	4.6	4.3	+6	0.64	3.49	1.00	+40
Aust Silicon	9	20	0-2	0.2	0.4	-47	1.58	3.80	1.00	+999
Autogen Ltd	53	125	6-3	19.0	35.8	-47	0.92	1.21	1.00	+17
Aviva Corporation	5	10	2-1	1.2	1.3	-10	0.82	1.89	1.00	+50
Aztec Resources	12	20	1-2	3.1	2.3	+32	0.84	2.28	1.00	+82
Barlow (Tony)	0	10	1-1	0.1	0.0	+999	0.00	9.99	1.00	+999
Barra Resources	7	20	2-9	2.4	3.8	-37	1.26	1.31	1.00	+53
Batavia Mining	13	20	2-10	5.0	8.4	-40	1.28	1.23	1.00	+28
Beach Petroleum	38	34	1-6	10.5	8.2	+28	0.25	3.58	1.00	+11
Beach Petroleum NL	38	140	0-4	12.5	0.0	+999	0.25	9.99	1.00	+999
Berkeley Resources	18	20	3-0	7.5	7.8	-4	0.64	1.67	1.00	+15
Bioprospect	12	20	2-2	2.8	4.2	-34	0.88	1.68	1.00	+37
Biotech Capital	48	55	2-11	9.0	12.0	-25	0.38	2.48	1.00	+11
Biron Capital	30	40	0-6	0.5	0.2	+200	0.24	9.99	1.00	+82
Blink Models Ltd	2	10	1-2	0.3	0.4	-16	1.19	2.07	1.00	+261
Bolnisi Gold	27	40	1-1	5.0	2.5	+99	0.50	3.72	1.00	+60
Boulder Steel	10	20	2-0	1.6	3.9	-59	1.03	1.59	1.00	+48
Bounty Oil	12	20	0-2	1.2	0.1	+999	0.76	8.11	1.00	+999
Brandrill	3	10	1-10	0.6	1.4	-56	1.36	1.45	1.00	+96
Bullion Minerals	23	20	0-7	6.0	6.8	-11	0.81	2.35	1.00	+28
CP1 Ltd	350	150	2-4	210.0	221.3	-5	0.43	1.52	1.00	+1
Cape Range Wireless	4	5	0-10	1.4	0.7	+100	0.70	2.78	1.00	+81
Cardia Technologies	10	20	0-7	1.2	0.4	+177	0.76	4.06	1.00	+282
Carpathian Resources	9	20	1-5	2.5	2.5	-2	1.05	1.83	1.00	+91
Central Asia Gold	42	12	2-0	30.0	32.9	-9	0.89	1.22	1.00	+0
Central Equity	195	220	1-5	9.2	16.4	-44	0.22	5.70	1.00	+12
Cervantes Seafood	8	20	1-9	1.3	2.8	-54	1.12	1.63	1.00	+75
Chameleon Mining	19	20	4-1	8.5	9.2	-8	0.58	1.58	1.00	+10
City Pacific	380	30	2-7	287.0	353.7	-19	0.50	1.07	1.00	-7
City Pacific	380	100	2-9	275.0	295.2	-7	0.50	1.27	1.00	-0
Clover	52	30	0-8	25.0	23.9	+4	0.58	2.02	1.00	+9
Cluff Resources	5	4	0-1	0.9	1.0	-9	1.29	3.33	1.00	+113
Cockatoo Ridge Wines	69	55	2-1	26.0	23.8	+9	0.34	2.38	1.00	+8
Comet Resources	9	8	1-1	3.1	2.5	+23	0.58	2.42	1.00	+25
Conquest Mining	38	20	1-7	2.6	23.0	-89	0.80	1.47	1.00	-28
Cool or Cosy	24	20	4-6	7.0	10.3	-32	0.33	1.92	1.00	+3
Cooper Energy	24	20	0-4	5.2	6.1	-15	0.71	2.96	1.00	+16
Crown Diamonds	21	5	0-9	15.0	19.6	-23	3.23	1.04	1.00	-9
DCA Group	231	235	1-10	32.0	45.1	-29	0.30	3.34	1.00	+8
Datafast Telecom	2	1	1-1	0.8	1.5	-45	1.53	1.24	1.00	-9
Datafast Telecom	2	20	2-0	0.4	0.7	-45	1.53	1.44	1.00	+219
De Grey Mining Ltd	18	20	1-7	4.7	5.6	-16	0.66	2.08	1.00	+22
Denx Ltd	20	60	1-11	15.0	1.8	+741	0.64	2.77	1.00	+98
Diamond Ventures	13	10	2-7	6.0	8.4	-29	0.97	1.31	1.00	+8
Didasko	8	10	0-11	3.5	2.4	+48	0.95	2.05	1.00	+77
Dioro Exploration	14	18	0-2	0.5	0.1	+245	0.48	9.99	1.00	+461
Dioro Exploration NL	14	18	0-2	1.0	0.1	+590	0.48	9.99	1.00	+562
Dolomatrix Int'l	11	8	0-7	3.5	4.7	-25	0.99	1.89	1.00	+8
Drillsearch Energy	5	8	1-2	1.0	0.5	+105	0.52	3.54	1.00	+63
Dromana Estate	39	150	1-10	1.6	4.7	-66	0.82	2.34	1.00	+110
Earth Sanctuaries Ltd	19	350	1-4	0.1	0.1	-14	0.95	3.43	1.00	+789
Eastland Medical	46	35	0-1	13.5	12.6	+8	1.12	3.10	1.00	+89
Echo Technology	4	35	1-7	0.5	0.3	+50	1.03	2.33	1.00	+279
Ellendale Resources	23	12	2-7	10.5	16.5	-37	0.96	1.25	1.00	-1
Ellex Medical Laser	34	50	0-8	4.0	1.4	+184	0.47	5.35	1.00	+105
Ellex Medical Lasers	34	100	0-6	0.5	0.0	+999	0.47	9.99	1.00	+800
Empire Oil	1	20	2-1	0.2	0.3	-39	1.42	1.58	1.00	+273
Eqitx Limited	41	20	3-7	20.0	32.3	-38	0.98	1.17	1.00	-1
Euroz	85	50	1-0	30.0	39.0	-23	0.47	2.02	1.00	-6
Evans & Tate	135	150	3-11	12.0	40.5	-70	0.34	2.28	1.00	+5
Evans & Tate	135	115	0-11	19.0	31.5	-40	0.34	3.37	1.00	-1
Exco Resources NL	25	20	2-9	9.4	17.6	-47	1.16	1.21	1.00	+7
FSA Group Limited	6	20	2-1	0.6	2.5	-76	1.36	1.40	1.00	+88
Financial Resources	16	20	4-6	3.2	2.2	+44	0.16	4.14	1.00	+9
First Aust Resources	5	7	1-8	1.4	1.0	+44	0.61	2.42	1.00	+42
Flinders Diamonds	6	20	1-3	1.5	1.4	+10	1.25	1.83	1.00	+189
Flinders Resources	6	10	4-10	2.0	4.6	-56	1.25	1.12	1.00	+17
Fox Resources Ltd	58	20	2-2	44.0	42.9	+2	0.80	1.27	1.00	+5
Future Corporation	1	6	0-7	0.1	0.0	+999	0.89	5.45	1.00	+999
Future Corporation	1	3	1-9	0.2	0.2	+31	0.89	2.12	1.00	+106
Gateway Mining NL	17	30	3-3	12.0	4.1	+194	0.54	2.09	1.00	+33
Giant Reef Mining	8	10	0-7	1.9	0.6	+209	0.47	4.89	1.00	+93
Gippsland	8	9	4-1	4.0	6.3	-37	1.25	1.13	1.00	+13
Giralia Resources	17	15	0-4	3.7	3.3	+11	0.65	3.41	1.00	+46
Glengarry Resources Ltd	7	15	1-4	1.4	0.8	+69	0.71	2.72	1.00	+91
Globe Securities	4	20	0-1	0.1	0.0	+999	0.97	9.99	1.00	+999
Golden State Petroleum	27	65	3-1	8.0	16.9	-53	1.29	1.24	1.00	+39
Golden State Res	5	10	0-4	0.3	0.1	+216	0.85	5.16	1.00	+952
Golden State Res.	5	10	3-7	1.5	2.1	-30	0.85	1.48	1.00	+28
Golden Valley Mines	3	10	1-10	0.8	0.5	+57	0.92	2.04	1.00	+109
Goldsearch	7	8	1-10	4.4	2.8	+56	0.80	1.73	1.00	+37
Gondwana Resources	2	2	1-1	0.6	1.0	-40	1.15	1.58	1.00	+22
Gondwana Resources Ltd	2	2	0-1	0.2	0.3	-39	1.15	4.03	1.00	+75
Gowit Ltd	77	25	0-7	50.0	53.2	-6	0.86	1.42	1.00	-4
Gutnick Resources	27	10	9-3	14.5	26.8	-46	1.57	1.00	1.00	-1
Gutnick Resources	27	125	6-10	1.0	25.1	-96	1.57	1.03	1.00	+25
Halcyon Group	3	3	1-4	1.3	1.5	-11	0.82	1.76	1.00	+19
Halcyon Group	3	50	0-2	0.1	0.0	+999	0.82	9.99	1.00	+999
Helix Resources	24	25	2-0	9.0	9.9	-9	0.73	1.74	1.00	+19
Hill End Gold	27	25	1-7	7.0	6.4	+10	0.33	3.06	1.00	+11
Hillcrest Resources	4	20	1-2	0.6	0.1	+335	0.85	3.17	1.00	+307
Hugall & Hoile	10	11	1-5	1.5	2.7	-43	0.60	2.29	1.00	+17
Iatia Ltd	5	25	2-4	1.8	1.4	+26	1.03	1.72	1.00	+99
Imperial One	1	10	0-7	0.2	0.1	+206	1.48	2.69	1.00	+999
Independence Gold	119	20	1-2	96.0	100.2	-4	0.60	1.19	1.00	-2
Indophil Resources NL	43	25	1-1	23.0	21.4	+7	0.69	1.75	1.00	+12
Int'l Goldfields	38	20	0-1	17.5	17.6	-0	0.47	2.13	1.00	+0
Integra Medical	2	20	1-1	1.0	0.0	+999	0.60	7.12	1.00	+776
JAM Developments	26	25	2-0	5.6	5.9	-5	0.29	3.13	1.00	+8
Jackson Gold Ltd	26	20	1-2	8.6	10.5	-18	0.68	1.95	1.00	+9
Jervois Mining Ltd	2	5	1-3	0.6	0.2	+224	0.81	2.66	1.00	+148
Jindalee Resources	25	25	1-7	8.0	10.9	-27	0.86	1.68	1.00	+19
KCG Mines	3	20	1-0	0.8	0.4	+95	1.39	2.06	1.00	+571
KLM Group	36	200	0-10	1.6	0.0	+999	0.49	9.99	1.00	+690
KLM Group	36	20	2-1	18.0	19.5	-8	0.49	1.68	1.00	+3
Kanowna Lights	3	20	1-7	0.6	0.4	+35	1.17	1.96	1.00	+245
Kmiberley Diamond	108	35	2-5	77.0	78.9	-2	0.58	1.32	1.00	+2
Knights Insolvency	60	50	3-3	24.5	18.3	+34	0.15	3.01	1.00	+7
Legend Mining Ltd	7	15	1-5	1.9	2.4	-21	1.26	1.60	1.00	+96
Lindsay Australia	35	25	1-0	11.0	13.3	-17	0.53	2.21	1.00	+3
Lion Energy	1	3	1-3	0.2	0.1	+127	0.99	2.32	1.00	+199
Lodestone Explor.	16	20	1-0	5.0	2.1	+139	0.49	3.50	1.00	+55
M2M Corporation	1	20	6-3	0.3	0.9	-68	1.60	1.06	1.00	+60
MFS Leveraged Invest	131	150	0-7	5.0	6.5	-23	0.30	7.33	1.00	+33
Macmin	16	12	1-10	7.2	7.1	+2	0.64	1.75	1.00	+12
Magna Pacific	55	32	0-3	21.5	23.4	-8	0.30	2.35	1.00	-10
Medical Monitors	11	20	1-7	3.0	3.8	-21	1.08	1.66	1.00	+64
Metal Storm Ltd	46	65	0-9	13.0	4.3	+203	0.57	3.82	1.00	+102
Metex Resources	12	20	0-7	1.5	0.6	+140	0.64	4.39	1.00	+172
Metex Resources	12	10	2-10	6.8	6.1	+12	0.64	1.58	1.00	+13
Midas Resources	15	25	3-0	4.8	4.2	+14	0.58	1.99	1.00	+26
Midware Ltd	8	20	-1-10	0.5	4.2	-88	1.16	1.99	1.00	-100
Mikoh Corporation Ltd	5	20	0-8	1.0	0.5	+83	1.31	2.44	1.00	+689
Millepede International	28	20	2-1	9.2	13.5	-32	0.58	1.72	1.00	+2
Mineral Commodoties	32	25	0-6	10.5	9.4	+11	0.66	2.62	1.00	+27
Minotaur Resources	91	20	0-1	70.0	71.1	-2	0.59	1.28	1.00	-12
Molopo Australia	7	10	3-7	2.2	2.7	-18	0.68	1.63	1.00	+19
Monarch Resources	35	20	2-8	15.0	21.5	-30	0.66	1.44	1.00	+0
Mt Gibson Iron	20	25	0-1	0.8	0.2	+364	0.58	9.99	1.00	+999
Natural Intelligence	5	3	3-1	3.0	4.0	-25	1.08	1.18	1.00	+5
Navigator Resources	17	20	3-7	6.4	2.9	+122	0.21	3.54	1.00	+13
New Hope Corporation	60	45	4-9	28.5	24.8	+15	0.08	2.42	1.00	+4
New Horozon Energy	14	20	2-7	4.8	5.7	-16	0.78	1.65	1.00	+25

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Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
Nexus Energy	9	18	0-8	1.2	2.0	-41	1.28	2.10	1.00	+201
Niagara Mining Ltd	8	20	1-0	2.4	1.6	+54	1.16	2.04	1.00	+195
Nido Petroleum	2	2	1-7	0.5	0.4	+15	0.65	2.18	1.00	+33
Novera Energy	27	55	2-0	5.0	2.9	+75	0.51	2.99	1.00	+49
Olea Australia	11	25	2-0	2.6	3.5	-26	1.00	1.68	1.00	+62
Optima Corporation	6	20	1-1	0.7	1.9	-62	1.49	1.66	1.00	+214
Optum Health	2	1	2-7	0.6	1.5	-59	1.97	1.05	1.00	+0
Orchid Capital	4	5	3-0	1.7	2.5	-33	0.92	1.37	1.00	+15
Oriel Communications	3	25	0-10	0.3	0.4	-15	1.59	2.06	1.00	+999
Oropa Ltd	3	5	4-1	1.3	1.8	-27	0.92	1.32	1.00	+20
Oroya Mining	15	17	0-4	4.0	1.2	+225	0.54	5.18	1.00	+174
Pacific Strategic	24	30	0-4	0.1	0.0	+110	0.20	9.99	1.00	+97
Paladin Resources Ltd	2	10	0-2	0.1	0.0	+999	1.18	8.08	1.00	+999
Patrick Corporation	1497	875	1-1	644.0	670.9	-4	0.27	2.21	1.00	+1
Penfold Buscombe Ltd	61	100	1-4	0.1	13.0	-99	0.77	2.28	1.00	+45
Pilbara Mines	23	20	1-4	7.0	8.1	-13	0.64	2.05	1.00	+15
Platinum Australia	25	20	0-9	6.0	8.1	-26	0.68	2.29	1.00	+8
Plexus International	7	10	4-6	2.7	5.5	-51	1.31	1.11	1.00	+15
Precious Metals	7	200	2-0	0.4	0.0	+999	0.00	9.99	1.00	+424
Prima BioMed	33	20	0-7	15.0	14.0	+7	0.67	2.10	1.00	+15
Q-Mastor	15	25	2-1	1.3	4.3	-70	0.74	1.94	1.00	+31
QED Corporation	4	20	0-9	0.7	0.0	+999	0.66	6.45	1.00	+858
QRScience Holdings	15	20	1-2	4.5	1.9	+138	0.50	3.41	1.00	+55
QRScience Holdings	15	40	2-2	2.5	0.9	+182	0.50	3.36	1.00	+63
Quantum Resources	7	10	6-11	2.1	6.5	-67	1.59	1.02	1.00	+9
Quiktrak Networks Ltd	1	10	1-1	1.5	0.0	+999	0.84	4.99	1.00	+999
RMG Limited	6	3	0-11	3.5	3.7	-4	0.77	1.59	1.00	+3
Ramelius Resources	17	20	4-1	5.2	7.6	-31	0.57	1.64	1.00	+10
Range Resources	5	10	0-7	1.4	1.0	+43	1.25	2.28	1.00	+284
Range River Gold NL	34	25	0-10	13.5	13.8	-2	0.75	1.99	1.00	+16
Red 5 Limited	16	20	0-2	3.1	1.1	+195	0.87	5.10	1.00	+805
Redflex Holdings	93	110	0-1	4.5	1.1	+322	0.52	9.99	1.00	+999
Reefton Mining NL	6	20	0-0	0.1	1.1	-91	0.69	9.99	1.00	+999
Resolute Mining Ltd	130	80	1-7	52.0	60.6	-14	0.46	1.93	1.00	+1
Resource Mining	1	10	0-7	0.1	0.0	+313	1.62	2.70	1.00	+999
Resources Mining	1	2	2-7	0.6	0.6	+4	1.62	1.16	1.00	+58
Revesco Group Ltd	16	12	7-12	12.0	10.7	+12	0.54	1.28	1.00	+6
Rimfire Pacific	4	20	0-10	0.6	0.3	+93	1.20	2.55	1.00	+594
Rusina Mining Ltd	7	30	1-2	1.5	0.9	+61	1.13	2.18	1.00	+267
SP Telecommunications	128	25	2-6	100.0	106.0	-6	0.33	1.21	1.00	-1
Safe Effect Technologies	13	20	0-1	1.7	0.0	+999	0.50	9.99	1.00	+999
Saracen Mineral Hold.	17	10	9-7	9.5	16.2	-41	1.41	1.01	1.00	+2
Select Vaccines	65	20	4-6	45.0	57.5	-22	1.06	1.09	1.00	+0
Senetas Corporation	6	20	0-6	1.5	0.0	+999	0.59	8.61	1.00	+999
Simon Gilbert	3	100	1-1	0.1	0.0	+114	1.39	2.63	1.00	+999
Solagran	22	20	0-7	5.5	11.6	-52	1.74	1.48	1.00	+29
Solagran Ltd	22	80	1-0	0.4	8.1	-95	1.74	1.53	1.00	+265
Solar Energy Systems	22	30	1-1	2.2	5.7	-61	0.88	2.11	1.00	+45
Sphere Investments	17	29	0-7	1.2	1.9	-36	0.88	3.09	1.00	+168
Spinifex Gold	66	20	2-7	13.5	48.9	-72	0.47	1.33	1.00	-23
St Barbara Mines	8	30	0-3	0.8	0.0	+999	0.90	8.13	1.00	+999
Sthn Pacific Petrol.	27	55	0-12	5.4	1.4	+280	0.61	3.82	1.00	+134
Stratatel Limited	9	25	1-9	1.9	1.3	+45	0.79	2.30	1.00	+91
Striker Resources	5	15	2-0	1.6	0.5	+206	0.65	2.65	1.00	+80
Sub-Sahara Resources	13	20	0-1	1.0	0.2	+383	1.18	6.93	1.00	+999
Sun Resources NL	10	15	1-7	3.1	1.8	+68	0.59	2.57	1.00	+45
Sunshine Gas Ltd	30	20	0-7	9.5	14.6	-35	1.15	1.69	1.00	-3
Swiftel Ltd	14	10	1-4	6.0	6.9	-12	0.91	1.59	1.00	+14
Sydney Gas Company	81	60	0-2	25.0	22.1	+13	0.55	3.41	1.00	+34
Sylvannia	40	20	1-7	22.0	22.3	-1	0.47	1.70	1.00	+3
Synergy Equities Group	1	20	0-7	0.1	0.0	+999	0.84	6.89	1.00	+999
Syntech Group	15	10	4-3	8.0	12.7	-37	1.33	1.08	1.00	+5
Tasgold Ltd	15	20	4-0	6.5	8.7	-25	0.84	1.35	1.00	+15
Tasman Resources	13	20	2-3	7.6	5.7	+34	0.93	1.56	1.00	+40
Tawana Resources	107	75	2-0	57.0	58.2	-2	0.76	1.53	1.00	+11
Technology Invest Fund	44	50	1-0	4.0	3.9	+3	0.31	5.05	1.00	+24
Tectonic Resources	25	20	0-7	8.0	8.3	-3	0.82	2.23	1.00	+26
Telezon	6	20	1-1	1.8	0.0	+999	0.00	9.99	1.00	+229
Terraplanet Ltd	1	10	1-6	0.1	0.0	+999	0.00	9.99	1.00	+642
Terraplanet.com	1	100	1-0	0.2	0.0	+999	0.00	9.99	1.00	+999
Thundelarra Explor.	62	23	1-5	40.0	41.3	-3	0.59	1.46	1.00	+1
Tiger Resources	8	10	1-7	4.3	2.7	+57	0.80	1.88	1.00	+44
Union Capital	3	100	1-4	0.3	0.0	+999	0.71	6.50	1.00	+999
Universal Resources Ltd	15	20	1-8	5.3	4.3	+24	0.71	2.07	1.00	+38
VRI Biomedical	30	75	2-3	7.0	2.6	+165	0.52	2.98	1.00	+56
Virax Holdings	29	25	2-2	17.0	19.2	-11	1.23	1.26	1.00	+20
Virax Holdings Ltd	29	50	2-1	9.0	15.1	-40	1.23	1.38	1.00	+43
Visionmed Group	10	20	0-10	2.1	1.8	+19	1.05	2.29	1.00	+165
Vital Capital	31	20	5-6	16.0	19.1	-16	0.46	1.44	1.00	+3
Vulcan Resources	49	25	2-1	29.0	32.2	-10	0.84	1.36	1.00	+5
WAM Capital	154	155	1-7	14.0	17.9	-22	0.16	5.82	1.00	+6
WRF Securities	23	35	1-1	1.9	3.8	-50	0.72	2.61	1.00	+58
Webspy Ltd	3	8	2-6	0.5	2.0	-75	1.77	1.14	1.00	+58
West Aust Metals	10	20	1-4	0.9	0.9	-3	0.63	3.06	1.00	+78
Westonia Mines Ltd	40	20	2-9	22.0	26.3	-16	0.69	1.37	1.00	+2
Wine Investment Fund	15	25	3-1	5.0	5.0	-1	0.68	1.76	1.00	+27
Winepros Ltd	33	40	4-1	10.0	21.8	-54	0.94	1.26	1.00	+11
Yamarna Goldfields	1	20	1-2	0.3	0.0	+999	0.95	3.59	1.00	+889
Yilgarn Gold Ltd	8	10	1-6	2.9	3.0	-3	0.93	1.73	1.00	+40
Zylotech Limited	2	6	1-4	0.5	0.6	-12	1.09	1.89	1.00	+118

If you have invested in any of the options we have reviewed and informally recommended over the last year then you are probably sitting on a significant capital gain! The stockmarket recovery over the last eight months has resulted in some options appreciating *many-fold* in value!

While options *can* produce substantial gains - and we attempt to bring the most attractive situations to your attention - options are very risky. Investors must remember that (1) many options will expire worthless and (2) options are often inactively traded and only trade in small volumes, so can sometimes be difficult to purchase. Your *total* investment in options should not make up more than a very small percentage of your investment portfolio.

Of the options reviewed below, we would favour selling **Aeris Technology**, **Fox Resources** and **Sunshine Gas** options to realise gains. Investors *may* wish to realise partial profits on **Euroz** options, although these remain an attractive holding. We shall also *probably* look to realise profits on our **Magna Pacific** options closer to their 28 February 2004 final exercise date.

Options suitable for purchase at present - for investors aware of the risks involved - include formerly reviewed **Beach Petroleum**, **DCA Group** and perhaps **Orchid Capital**. Options that we are reviewing for the first time and suitable for investment include **Biotech Capital** and **Datafast Telecommunications**.

Aeris Technology (codes AEI and AEIO).

We featured this company in February 2003 when the shares were 24 cents and the options inactively traded around 9-12 cents. We rated the shares and options as “Avoid” as this was a “very speculative start-up” with “no meaningful revenues”. Nevertheless, this was a good example of “how options can sometimes be a *lower* risk alternative to investing in the shares”.

We were a little more positive in our May review after the company had reported “significant technical and commercial developments”. So while *we* didn't buy any Aeris Technology options for our own portfolio, some subscribers may have purchased some at that time at around 10 cents.

Aeris Technology still has no meaningful revenues - although is starting to receive interest in its technology to improve air quality in buildings. But forget revenues, forget profits - there has been a mini-technology boom and the stockmarket has decided it just *loves* Aeris Technology! The shares have *tripled* to 73 cents and the options are up 5-6 fold to 56 cents.

Very wisely, Aeris Technology has taken advantage of its good fortune on the stockmarket to place 2.2 million new shares with investors at 65 cents to raise

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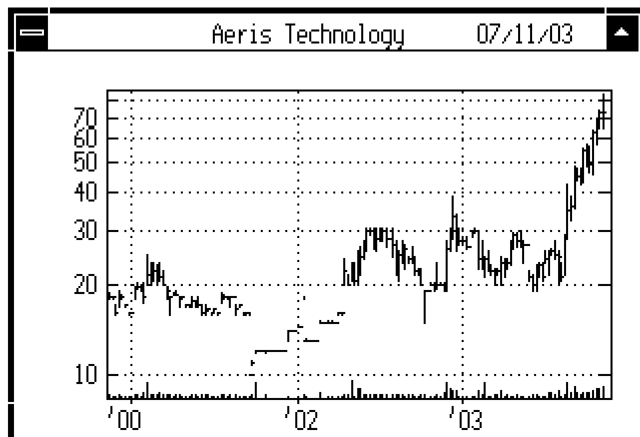
$1.4 million in cash.

Our current advice? With little or no revenues this situation is still very speculative, so anyone sitting on a significant gain on the options would do well to realise all or most of these options and take a big cash payout!



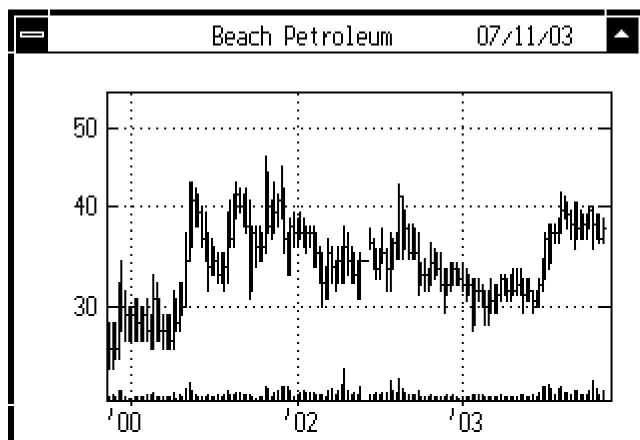
Beach Petroleum (codes BPT and BPTOA).

We first reviewed Beach Petroleum options (to buy shares at 33½ cents on 31 May 2005) in our August 2003 survey.

Over the last quarter the shares have dipped 5.0% to 38 cents and the options are down 16.0% to 10½ cents.

The company has raised $34 million in new capital through the placement of 52 million shares at 33 cents and a share purchase plan, also at 33 cents.

These options are actively traded (so easy to purchase), are "in the money" (i.e. the shares trade slightly above the options exercise price) with 18½ months until their final exercise date. The warrant leverage has increased to a very high 3.58 times. All of this adds up to an attractive speculative investment, so if Beach Petroleum shares perform well over the next year and a half, then the options will produce a high return to investors.

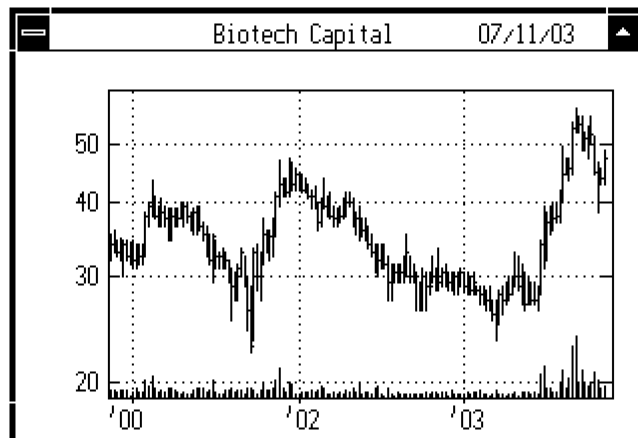


Biotech Capital (codes BTC and BTCOA).

Biotech Capital is a biotechnology investment company with interests in seven unlisted companies, an investment in listed **Clinical Cell Culture** and $11.8 million (14.7 cents per share) in cash.

The options (to buy shares on 10 October 2006 at 55 cents) are slightly "out of the money" (i.e. the exercise price is *above* the current share price) and trade at a small discount to *fair* value to offer a fairly high leverage of 2.48 times. The *Break-Even rate* is relatively low at 11%, so if the shares can appreciate at greater than 11% per annum over the next 35 months then the options will start to rapidly grow in value.

With the upturn in the stockmarket and improved sentiment towards Biotechnology companies this could be an attractive sector in which to hold a small investment. In a speculative sector, *options* can be particularly attractive as they offer an exposure to the company at only 20% of the cost of buying the shares directly.



Datafast Telecommunications (codes DFT and DTFOA).

An investment in this $17.5 million micro-cap company must involve significant risks, but Datafast appears to be recovering and rapidly expanding its Internet Service Provider (ISP) business, buying up *customers* of other ISPs and consolidating this industry.

For the year to June 2003 Datafast Telecommunications generated revenues of $15.2 million but recorded a loss of $4,334,000. That, however, was *after* goodwill amortisation and the write-down in intangible assets values of $5,396,000. So before those non-cash, accounting items there was a profit of $1,062,000 (0.13 cents per share).

The September cashflow report shows receipts rising steadily to $3,865,000 and continued operating *cash surpluses* up to $120,000.

Cash on hand is $601,000 but Datafast has interest bearing debts of $820,000. Creditors of $3.8 million also exceed debtors of $1.3 million. So this is a *tight* financial situation, but the cash keeps coming in fast enough to pay the creditors *and* buy up another ISP every couple of months.

The November 2005 options to buy shares at 20 cents (code DFTO) will probably expire worthless - so forget about them.

The 10 January 2005 options to buy shares at 1 cent (code DFTOA) offer an attractive speculation. The ordinary shares trade at 2 cents and appear to be in a new uptrend, with a Relative Strength rating of +83.1%, ranked 4. This makes them one of the *very strongest* shares listed on the Australian stockmarket. The DFTOA options last traded at 0.8 cents - a 45% discount to *fair* value - and investors should be able to easily buy them on-market at 1.0 cent (i.e. a couple of investors are currently offering 3.5 million *(Continued on Page 18)*

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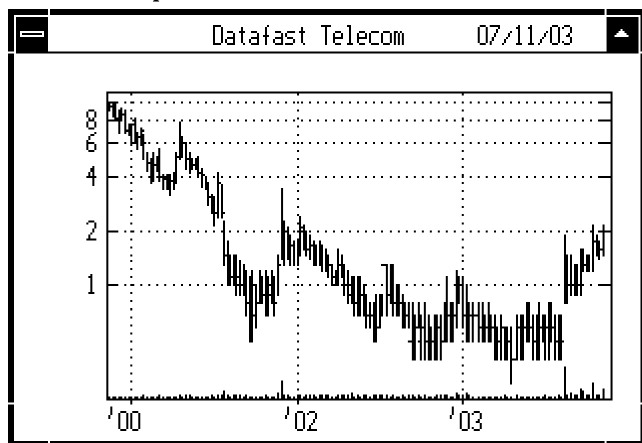
Warrant/Option Analysis *(Continued from Page 17)*

options at 1 cent).

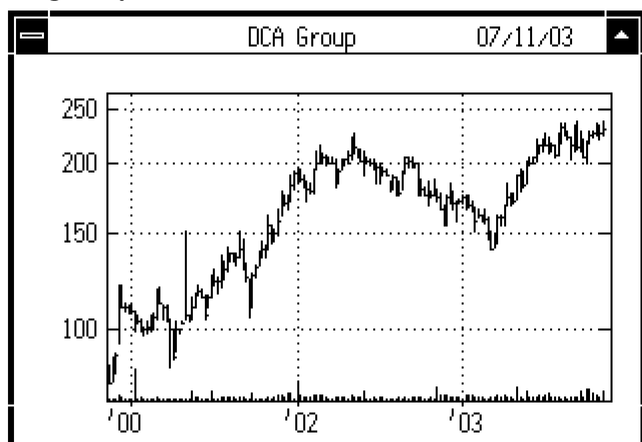
The options have 14 months to their final exercise date. If Datafast shares remain steady at 2 cents, then the options will be worth 1 cent (i.e. unchanged in value) at that date. If the shares appreciate to around 4-5 cents then the options would increase 3-4 fold to 3-4 cents.

The company's *positive* cashflows plus improving sentiment to Technology companies makes this a reasonable speculation.



DCA Group (code DVC and DVCO).
DCA Group options (to buy shares at 235 cents on 30 September 2005) were reviewed in our last quarterly survey. The share price is virtually unchanged (i.e. down 1 cent) at 231 cents but the options have risen 30% to 32 cents. This increase reflects the fact that the options were *extremely* under-valued (i.e. at 49% below *fair* value) in August and are now only *very* under-valued (i.e. 29% below *fair* value).

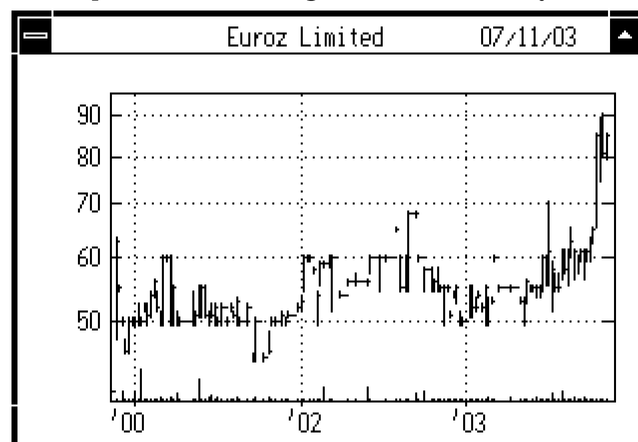
The options offer very high leverage, 3.34 times, so remain an attractive speculative investment. The options trade in fairly good volumes, albeit a bit irregularly.



Euroz (codes EZL and EZLO).
The November 2004 options (to buy shares at 50 cents) of this small stockbroking firm have been featured as an "investment quality" option in each of our quarterly surveys since May 2002 when they traded around 9½ cents. A year ago the options dipped back to trade around 6½ cents but have recently soared as high as 40 cents.

Stockbroking is, of course, a cyclical business - so the recent upturn in the stockmarket should have a big impact upon Euroz's revenues and profits. In anticipation of this, the share price has increased about 50% over recent months - with the highly leveraged options soaring many-fold in value.

Despite the increase in share and option prices, the options still offer a high leverage (i.e. will fluctuate in value 2.1 times more than the shares) and stockbroking is an attractive investment sector at this stage of the stockmarket cycle. So the options remain an attractive investment. Investors sitting on a large gain may wish to realise partial profits, but we will continue to hold these options for further gains over the next year.

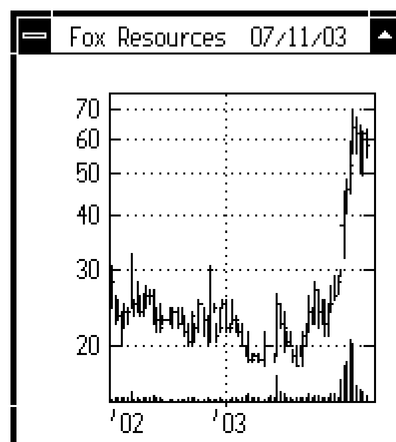


Fox Resources (codes FXR and FXRO).
In May 2003 we featured this small, speculative company that is seeking to re-open the **Radio Hill** nickel mine. The shares traded at 22 cents and the January 2006 options (to buy shares at 20 cents) traded at 5-6½ cents - half of their *fair* value.

The company's mineral exploration to find additional ore appears to have been successful and the company plans to start producing metal from mid-2004. As a result the share price has risen 2½-fold to 58 cents and the options are up 7-9 fold at 44 cents!

At current prices the options are *fairly valued* and offer little leverage (i.e. just 1.27 times).

Even as a nickel *producer* this company will be speculative. It is therefore appropriate for investors to sell these options and realise a significant capital gain. Investors wishing to maintain an interest in Fox Resources should also sell all of their options and re-invest a small amount in the shares. This will minimise the future risks.



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Magna Pacific (codes MPH and MPHOB).

We first featured the February 2004 options (to buy shares at 32 cents) in this "rapidly growing business producing DVDs" in our August 2002 survey when they traded around 3.4 cents - although at that stage they were very under-valued and inactively traded but "worth buying if you can pick some up".

Three months later the shares were up 24% at 41 cents and the options up 179% to 9½ cents - but trading in much larger quantities - so we again featured the options which were "still very attractive". The shares now trade at 55 cents and the options at 21½ cents. So the options have increased 6-fold since we first reviewed them and better than *doubled* since November 2002 when larger volumes became available on-market.

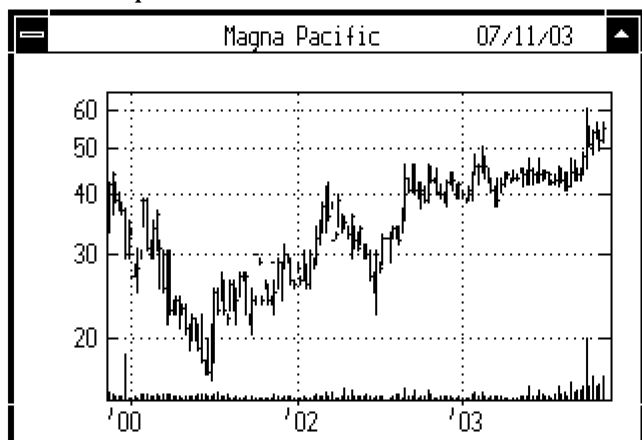
Over the last three months the company has issued 9.0 million new shares at 38 cents to **Thorney Holdings** to raise $3.42 million, plus issued 9.0 million options at 2 cents with an exercise price of 48 cents in December 2005 (to potentially raise a further $4.5 million).

The listed options are now approaching their final exercise date of 28 February 2004 so within the next 3½ months we need to decide whether to (1) sell the options on market (to realise their value) or (2) to exercise them by paying 32 cents to buy shares and *continue* our investment in Magna Pacific.

On the *positive* side, Magna Pacific is a rapidly growing business so our initial thoughts were that this could be a good growth investment. There are, however, a few *negative* factors. Firstly, issued capital will increase 84% with the exercise of the listed options in February - which will dilute earnings per share growth. Of course, Magna Pacific has significant cash reserves and will receive another $15 million from the exercise of the options - so has cash for expansion or an acquisition. Therefore it is surprising that the company has recently issued further new shares to Thorney at a substantial discount to market price - effectively transferring shareholder wealth from *existing* investors to a new investor. The shares and options issued to Thorney will result in an even larger *increase* in the issued capital, so even greater dilution in earnings per share.

Earnings per share were 3.05 cents for the year to 30 June 2003, so at 55 cents the shares are trading at a Price/Earnings ratio of 18.

With massive *dilution* from the exercise of the existing options and the issue of discounted shares to an outside shareholder our current view is that we shall probably sell these options on-market over the next 3½ months, probably in January or early February. The shares are currently in an uptrend, so we shall let our profits run for now and will keep subscribers informed of developments.

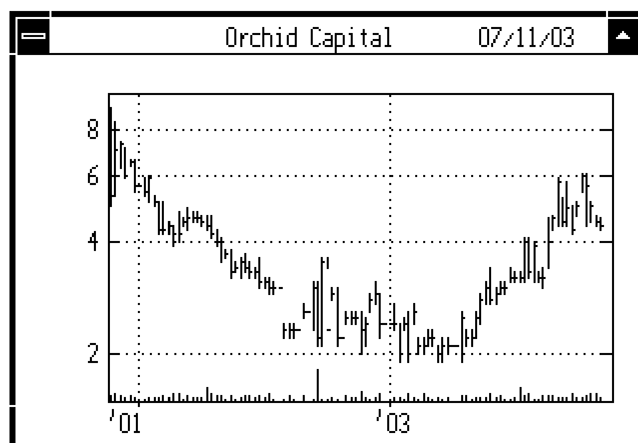


Orchid Capital (codes ORC and ORCO).

This is a struggling investment company with its main asset being about $7 million in cash. Net asset backing is 6.19 cents per share.

We reviewed the company briefly in August, and since then the share price has increased 37% to 4.4 cents while the options have *doubled* to 1.7 cents.

We still don't know what the company may do with its cash to create shareholder wealth in the future, but the options still have over three years until their final exercise date. So this is a *speculative, long term* investment that is worth consideration.

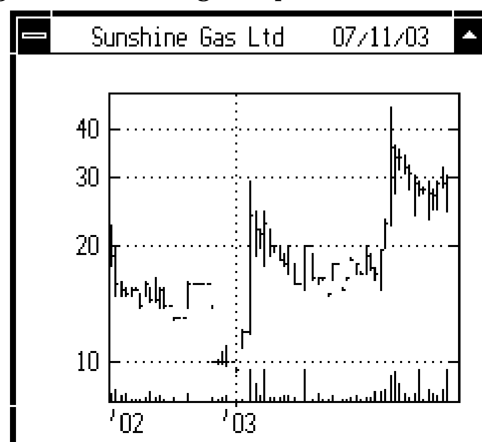


Sunshine Gas (codes SHG and SHGO).

We first featured these options (to buys shares at 20 cents in June 2004) in our February 2003 review. This was a "very speculative investment" in a risky exploration company but attractive owing to the very small initial investment (i.e. 5½ cents to buy an option) to participate in any success in the company's exploration.

The shares spiked to a high of 45 cents in early August. With exploration companies it is better to take profits at some stage - rather than wait for the *long term* returns which are usually negative. We sold our options at 12 cents and they later peaked at 15 cents.

The options currently trade around 9½ cents and have about 7½ months until their final exercise date. For investors holding these options, we would favour selling on rallies during that period.



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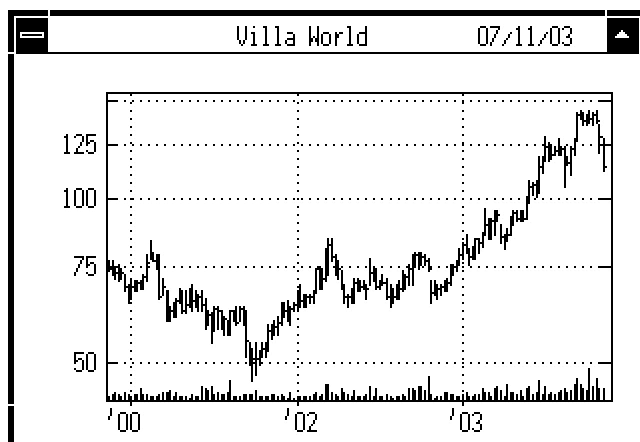
Recommended Investments *(Continued from Page 8)*

Villa World shares have been marked down sharply over the last month as investors *over-anticipate* the end of the housing boom as a result of a slight rise in Australian interest rates.

Nevertheless, Villa World expects the market to remain buoyant - and we agree. "A small increase in profit" is forecast this financial year, with the dividend "maintained or slightly increased" from last year's 11.0 cents. In addition, the company has a good spread of medium term to long term projects that offer reasonably steady profits and growth. The shares offer a very high Dividend Yield so remain a "Hold".



Vision Systems expects continued start-up losses from its Biosystems instruments business for the half year to December 2003, a break-even in the second half of the year and a "strong 2005 financial year". Novocastra which "will be profitable and more than cover the instrument business losses" is also developing new antibody and reagent products which will be released "before March". The Fire & Security division is expected to produce strong growth.

In the short term the company is under-performing earlier expectations, resulting in the current weakness in the share price. The business, however, has the potential for significant revenue and profit growth with the release of its own brand of automated cancer testing instruments and recurring, high margin reagent sales.

Dividend$

Company	Cents per Share	Ex-Date	Payable	Tax Credit
Calan Healthcare Properties	1.8019	08-12	19-12	0.1981
DB Breweries	20.50	24-11	03-12	-
Fletcher Building	10.00	27-10	13-11	Full
Hallenstein Glasson	9.50	08-12	15-12	Full
Infratil NZ	5.00	24-11	28-11	Full
Kirkcaldie & Stains	11.00	08-12	15-12	Nil
Powerco	7.20	08-12	19-12	Nil
Property For Industry	1.35	03-11	07-11	0.30
Restaurant Brands	4.50	10-11	21-11	Full
Scott Technology	8.00	01-12	04-12	Full
Steel & Tube Holdings (special)	10.0	10-11	21-11	Full
Trust Power	17.00	08-12	19-12	Full
Urbus Properties	3.6225	10-11	21-11	0.08775
	Australian Shares			
Abigroup	4.00	27-10	14-11	
AJ Lucas Group	4.50	25-11	16-12	
IASbet	2.50	16-09	06-10	
Nufarm	13.00	20-10	07-11	
UXC	3.00	30-10	21-11	
Villa World	6.00	27-10	14-11	

Total Return Index for All Listed Shares

	Oct 6	1919.63	
	Oct 7	1930.58	
	Oct 8	1938.53	
	Oct 9	1938.24	
	Oct 10	1939.87	
Oct 13	1942.73	Oct 20	1949.02
Oct 14	1939.59	Oct 21	1953.96
Oct 15	1937.79	Oct 22	1947.67
Oct 16	1942.05	Oct 23	1940.09
Oct 17	1946.26	Oct 24	1950.86
Oct 27	Holiday	Nov 3	1965.22
Oct 28	1951.93	Nov 4	1956.19
Oct 29	1962.38	Nov 5	1965.13
Oct 30	1959.33	Nov 6	1956.93
Oct 31	1965.34	Nov 7	1951.34

Current Issues

BONUS ISSUES

	Ratio	Ex-Date
Scott Technology	1:8	01-12

SHARE REPURCHASES

	Details
NGC Holdings	1 in 3, off-market at 184 cents
NZ Experience	34%, on-market at 25 cents

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday December 9, 2003 (and delivered in most areas on Wednesday 10).

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

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