

# Market Analysis

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## Inside Market Analysis

Bilfinger Berger fails to reach 90% of Abigroup.  
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## Summary and Recommended Investment Strategy.

The impact of major exchange rate movements on the economy is a cause for concern, although commodity prices are generally adjusting to reflect the declining value of the US dollar. The stockmarket outlook remains favourable, so remain fully invested in the recommended shares.

### Investment Outlook.

The big question facing investors at present is the likely impact of the rise of the NZ and Australian currencies against the US dollar. Historically a higher value of local currencies lowered export returns, depressing the profitability of exporters and eventually slowing growth across the whole economy. That is to say, a high exchange rate is bad for most businesses, economic activity and the stockmarkets.

This time things may be a little different. The current exchange rate is not the result of the high NZ and Australian dollars, but the low value of the US dollar. So all currencies have appreciated against the not so mighty greenback (except for those that are tied to the US dollar).

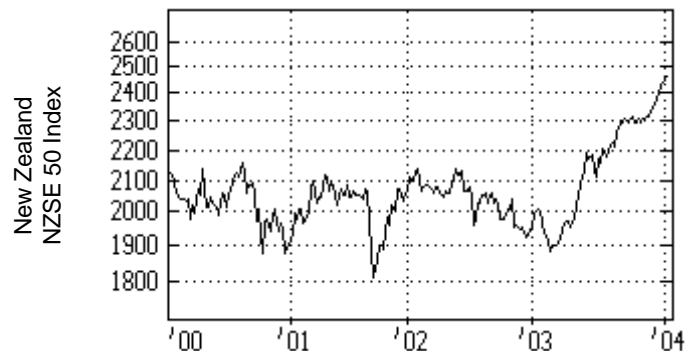
A lot of coal is mined in Australia, sold in Japan but priced in US dollars. If the Australian dollar rises against the Japanese Yen, then returns to Australian miners should fall. If, however, the Australian dollar/Japanese Yen exchange rate remains relatively stable then it makes no sense that returns fall to Australian producers while Japanese consumers realise significant cost savings simply because this commodity is internationally priced in depreciating US dollars. If markets worked properly, the US dollar value of commodities would rise to compensate for the lower value of that currency. In fact, that is exactly what is happening to the price of gold (which is priced daily), coal (which is priced on annual contracts) and many other commodities and agricultural products.

In many cases, price changes do not fully compensate for the fluctuating exchange rate - but the impact on the export sectors is not as bad as simply looking at the exchange rate would suggest. Nevertheless, there is cause for some concern about export businesses, while importers are probably best placed to benefit from the current economic environment.

Overall our Forecasting models remain moderately favourable so we advise remaining fully invested in the recommended shares.

### Stockmarket Forecasts

	One-Month	One-Year
Australia:	<b>69%</b> (Bullish)	<b>68%</b> (Bullish)
New Zealand:	<b>74%</b> (Bullish)	<b>61%</b> (Bullish)



# Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	C	560	1.06	9	11.1	Heritage Mining*	N/R	5.0	N/A	NE	Nil	Richmond Hold.	B	251	0.08	8	4.5
AMP NZ Office	C	82	6.85	7	8.2	Hirequip NZ Ltd	C	97	2.95	19	2.3	Rocom Wireless	D	16	0.35	NE	Nil
AXA Asia Pac.	A	313	1.12	15	3.8	Horizon Energy	B	376	4.13	19	9.9	Rubicon Limited	C	79	N/A	16	Nil
Abano Health.	D	20	0.67	36	Nil	ING Property	C	101	5.69	9	9.7	Ryman Health.	B	223	2.36	15	3.4
Afco Holdings	D	22	0.13	7	Nil	Ind Newspapers	A	515	2.35	28	2.8	Sanford Limited	C	521	1.44	12	5.6
Air New Zealand	D	47	0.38	8	Nil	Infratil NZ	A	280	4.15	18	2.1	Savoy Equities	E	2.0	5.88	NE	Nil
Akd Int Airport	A	699	9.33	28	4.7	Kidcorp	D	16	N/A	NE	Nil	Scott Tech. Ltd	A	317	1.67	14	6.6
Allied Farmers	B	208	0.31	9	7.9	Kingsgate Int'l	D	25	1.93	10	Nil	Sealegs Corp	C	1.3	5.02	NE	Nil
Apple Fields	C	4.2	N/A	NE	Nil	Kirkcaldie & St	B	328	0.58	17	6.5	Seeka Kiwifruit	E	400	N/A	NE	Nil
Beauty Direct	D	7.0	1.86	NE	Nil	Kiwi Property	C	108	8.39	13	7.9	Selector Group	D	1.5	2.94	NE	Nil
Blis Technology	D	16	N/A	NE	Nil	Lion Nathan Ltd	B	690	1.78	18	4.4	Shotover Jet	C	104	1.83	13	1.8
Botry-Zen Ltd	D	14	N/A	NE	Nil	Loan & Building	D	340	1.25	NE	Nil	Skellmax Indust	B	132	1.37	10	7.9
Brierley Invest	E	69	5.26	NE	Nil	Lytelton Port	C	178	2.98	13	9.2	Sky City Ltd	C	470	3.50	18	7.5
Briscoe Group	C	171	1.21	15	5.9	Mainfreight Grp	B	166	0.32	15	5.8	Sky Network TV	E	535	5.33	NE	Nil
Broadway Ind	B	79	0.43	11	2.5	Metro. LifeCare	B	230	1.97	19	Nil	SkyCity Leisure	E	115	1.95	38	Nil
CACI Group Ltd	C	18	0.20	6	Nil	Michael Hill	B	490	0.83	18	5.2	Smiths City	E	54	N/A	NE	Nil
CDL Hotel NZ	C	47	0.86	10	4.4	Mid-Cap Index*	N/R	212	N/A	NE	Nil	Software of Exc	D	185	2.36	NE	Nil
CDL Investments	D	32	2.51	10	7.5	Mooring Systems	C	260	N/A	NE	Nil	South Port NZ	C	143	2.55	14	7.0
Cabletalk Group	D	25	0.20	NE	Nil	Mowbray Collect	C	115	2.51	NE	2.6	Spectrum Res.	E	1.5	N/A	NE	Nil
Cadmus Tech Ltd	D	13	1.57	50	Nil	Mr Chips Hold	D	96	0.90	23	4.7	Steel & Tube	B	384	1.03	16	8.9
Calan Hilticare	C	88	7.55	16	9.1	NGC Holdings	B	235	2.73	24	3.8	Strathmore Grp	D	0.5	0.70	NE	Nil
Cap Properties	C	91	2.94	10	10.0	NZ Exchange Ltd	C	585	N/A	NE	Nil	Submarines Aust	C	0.5	0.26	NE	Nil
Carter Holt	C	193	0.81	19	3.9	NZ Experience	D	28	2.00	12	Nil	Summit Gold Ltd*	N/R	8.6	N/A	NE	Nil
Cavalier Corp	A	555	1.81	19	6.7	NZ Invest Trust*	N/R	560	N/A	NE	1.5	Tag Pacific Ltd	C	14	0.28	NE	Nil
Cert Organics	C	7.4	2.59	NE	Nil	NZ Oil and Gas *	N/R	38	N/A	NE	Nil	Taylor's Grp Ltd	A	260	1.10	15	6.0
Col FS Property	C	101	5.83	17	10.4	NZ Refining Co	A	1520	2.26	10	14.7	TeNZ *	N/R	106	N/A	NE	Nil
Col Motor Co	B	291	0.21	12	9.5	NZ Wine Company	D	240	N/A	NE	Nil	Telecom Corp	A	538	1.97	14	5.5
Commssoft Group	D	0.3	0.34	NE	Nil	Nat Property Tr	C	94	6.77	15	9.6	Tourism Hold.	B	158	0.79	62	2.8
Convita	E	230	0.84	NE	Nil	Newcall Group	D	2.0	0.12	NE	Nil	Tower Limited	D	133	0.53	NE	11.3
Contact Energy	C	548	2.74	28	6.3	Norhland Port	B	317	N/A	32	4.0	Training Sol.	E	0.2	2.86	NE	Nil
Cube Capital	D	5.0	0.17	NE	Nil	Nuhaka Forestry	C	525	1.00	NE	17.3	Trans-Tasman	D	35	2.54	20	Nil
Cue Energy Ltd *	N/R	6.3	2.75	30	Nil	Nuplex Indust	B	432	0.42	12	6.9	Tranz Rail Hold	C	159	0.55	NE	Nil
DB Breweries	B	815	1.29	17	6.1	Opio Forestry	E	51	9.14	NE	Nil	Trust Power Ltd	B	690	2.09	NE	2.7
Design Textiles	C	97	0.52	9	6.3	Owens Group Ltd	C	115	0.15	23	2.6	Turners Auction	A	500	1.92	21	4.5
Dorchester Pac	A	235	0.82	11	4.8	Oyster Bay	C	220	N/A	NE	Nil	Urbus Property	D	90	N/A	NE	Nil
Ebos Group Ltd	B	350	0.43	15	7.0	Ozzy (Tortis)*	N/R	210	N/A	NE	Nil	Utilico Int'l	C	75	7.68	NE	Nil
Evergreen	E	50	2.05	NE	Nil	Pac Edge Bio.	D	4.0	4.55	NE	Nil	Vending Tech.	C	130	1.71	15	Nil
F & P Appliance	A	373	1.16	13	6.6	Pacific Retail	C	242	0.24	8	Nil	Vertex Group	C	140	0.52	12	15.1
F & P Health.	B	1250	6.14	18	6.0	Port Tauranga	C	430	5.25	23	5.7	WN Drive Tech.	C	78	N/A	NE	Nil
FC - Forests	D	136	1.12	NE	Nil	Ports Auckland	B	780	4.94	19	6.5	Wakefield Hosp.	B	225	1.17	27	2.0
Finmedia Ltd	D	74	N/A	NE	Nil	Postie Plus Grp	D	109	0.56	15	Nil	Warehouse Group	B	537	0.80	21	4.0
Finzsoft Solns	D	106	2.21	NE	Nil	Powerco Limited	B	198	2.73	16	7.1	Waste Mgmt NZ	A	412	2.62	31	2.7
Fletcher Build.	B	408	0.51	10	7.0	Property F Ind.	C	92	N/A	16	7.6	Widespread Port	E	3.0	0.23	NE	Nil
Forty Two Below	E	31	N/A	NE	Nil	Provenco Group	C	46	0.79	37	Nil	Williams Kettle	B	490	0.44	11	7.3
Freightways Ltd	B	229	N/A	22	7.5	Pure NZ Limited	D	4.0	5.71	NE	Nil	Windflow Tech.	D	286	N/A	NE	Nil
GDC Communicat.	C	21	0.12	2	24.9	Pyne Gould G.	B	127	N/A	10	10.0	World Index Fd *	N/R	112	N/A	NE	Nil
Genesis Res.	E	104	1.75	NE	Nil	Renaissance	B	65	0.22	NE	6.9	Wrighton Ltd	C	149	0.31	11	11.5
Guinness Peat	B	188	0.75	9	1.6	Restaurant Brds	C	119	0.38	9	12.5	Zintel Comm.	E	104	N/A	NE	Nil
Hallenstein G.	C	283	0.94	15	9.8	RetailX Limited	C	10	2.28	NE	Nil	<b>Ave of 148 Cos</b>	C	211	0.62	22	3.6
Hellaby Hold.	B	500	0.83	11	7.8	Richina Pacific	C	44	0.08	5	Nil						
AMP Ltd	C	494	1.43	NE	9.3	Djerriwarrh	B	355	N/A	19	6.0	Orica Ltd	B	1350	0.90	37	3.9
ANZ Bank	C	1791	2.09	12	5.3	Downer EDI Ltd	A	390	0.35	14	3.1	Origin Energy	A	512	1.00	21	2.0
APN News Media	C	399	1.63	19	4.0	Envestra	B	99	2.58	57	9.6	Oxiana Ltd	C	108	N/A	NE	Nil
AWB Limited	A	440	0.63	45	5.7	Fairfax (John)	B	344	2.45	24	3.8	Pacifica Group	C	425	0.55	13	4.7
AXA Asia Pac	A	269	1.56	14	3.6	Flight Centre	B	2215	3.30	30	2.0	Paperlin X Ltd	B	447	0.51	14	6.2
Adelaide Bank	C	800	1.32	14	4.6	Foodland Assoc	A	1935	0.35	19	4.4	Patrick Corp	A	1515	2.46	18	1.6
Adelaide Bright	A	153	1.69	16	3.4	Foster's Group	C	453	1.99	20	4.1	Perp Trust Aust	A	4148	5.17	23	3.1
Alinta Limited	B	660	2.70	18	3.8	Futuris Corp.	C	160	0.42	10	5.0	Primary Health	A	50	1.2	2.8	2.5
Alumina Ltd	A	629	2.79	40	2.1	GWA Internatl	B	284	1.17	14	5.5	Prin. Amer Off	A	119	7.93	12	15.4
Amarco Ltd	B	797	0.63	19	3.8	Gandel R. (GrFS)	B	137	8.91	16	7.1	Principal Off.	B	159	9.15	16	9
Aneka Tambang	B	20	6.17	51	43.9	General Prop Tr	B	300	7.61	15	6.8	Publishing & Br	B	1232	2.79	20	2.0
Ansell Ltd	A	638	0.90	24	1.7	Graincorp	E	1350	1.07	NE	Nil	O.B.E. Insur.	B	1010	0.73	22	3.5
Aquarius Plat.	A	821	6.76	62	0.2	Guinness Peat	B	165	0.75	9	1.6	Qantas Airways	B	339	0.53	18	5.0
Argo Investment	B	510	N/A	27	3.1	Gunns Ltd	B	1215	1.64	14	3.3	Ramsay Health	B	475	0.92	16	3.3
Aristocrat Leis	B	188	0.88	11	6.4	Harvey Norman	C	279	2.95	19	1.8	Reece Australia	B	750	1.01	16	2.8
Aust Gas Light	C	1124	1.08	17	4.9	Hills Motorway	C	641	N/A	NE	3.3	Rinker Group	A	634	1.19	11	1.1
Aust Foundation	B	331	N/A	26	4.0	Hills Indust.	B	369	0.74	18	5.7	Rio Tinto Ltd	A	3685	1.00	17	2.8
Aust Pipeline	B	277	2.62	16	7.8	ING Indust Trt	B	177	9.89	13	7.8	Ronin Property	A	112	9.55	13	8.4
Aust Stock Exch	A	1681	8.29	30	2.4	ING Office Fund	B	117	8.05	12	9.0	Rural Press Ltd	B	715	1.79	12	3.0
Aust Pharm. Ind	B	295	0.27	28	4.4	ION Limited	C	244	0.77	10	4.6	SFE Corporation	A	551	4.87	27	2.8
Austar United	D	44	1.22	NE	Nil	Iluka Resources	A	427	1.00	9	5.2	Santos Ltd	A	652	2.45	12	4.6
Austereo Group	B	138	2.40	16	5.2	Incitec Pivot	E	1600	1.34	NE	Nil	Seven Network	B	600	1.15	26	3.9
Australand Prop	B	161	0.73	9	7.5	InsuranceAust.	B	424	1.54	47	2.7	Sigma Company	B	705	0.55	32	1.9
BHP Billiton	A	1179	2.91	26	1.7	Interoil Corpor	C	333	N/A	NE	Nil	Sims Group Ltd	B	1074	0.62	13	5.0
Bank of Oland	B	993	1.69	17	3.2	Investa Prop.	B	197	8.84	14	7.9	Smorgon Steel	C	103	0.35	9	7.8
Baycorp Advant.	B	274	3.45	NE	1.5	Ivanhoe Mines	D	1200	N/A	NE	Nil	Sonic Health	B	708	1.89	45	3.5
Bendigo Bank	C	891	3.28	20	3.8	James Hardie	B	650	2.50	52	1.5	Sons of Gwalla	C	380	1.05	18	Nil
Bidvest	A	529	0.31	16	2.2	Jubilee Mines	B	433	3.45	11	6.5	Soul Pattinson	B	641	3.54	17	2.7
Billabong Int'l	B	692	2.22	18	3.4	Leighton Hold	A	1169	0.63	23	3.8	Southcorp Ltd	C	265	1.60	36	3.8
Bluescope Steel	A	538	0.79	9	4.1	Lend Lease Corp	C	1045	0.45	NE	2.9	Spotless Group	B	455	0.40	18	5.1
Boral Limited	B	504	0.75	10	4.6	Lihir Gold	C	154	5.00	20	Nil	St George Bank	C	2010	2.32	17	4.7
Brambles Ind.	B	519	1.07	27	1.9	Macquarie Off.	C	117	9.69	11	9.4	Sthn Cross Brd.	A	1070	1.72	36	5.3
Brickworks Ltd	B	776	4.83	14	2.1	Macquarie G Mgt	B	297	N/A	44	1.7	Sthn C. Fliers	A	11080	N/A	12	8.2
Burns Philp	C	58	0.55	6	3.9	Macquarie C'Wde	C	170	N/A	15	8.0	Stockland	B	528	6.32	19	6.1
Burswood Ltd	B	115	1.56	47	1.5	Macquarie Bank	B	3444	2.59	21	2.7	Suncorp-Metway	B	1230	1.28	17	4.6
C'wth Prop Off.	C	117	2.41	11	8.8	Macquarie Good.	B	169	6.61	15	7.0	TAB Ltd	A	460	2.18	28	3.3
C.S.R. Ltd	B	180	0.23	3	9.4	Macquarie Infra	B	318	5.02	12	2.4	Tabcorp Holding	C	1129	2.13	16	5.9
CSL Limited	B	1679	2.07	38	2.0												

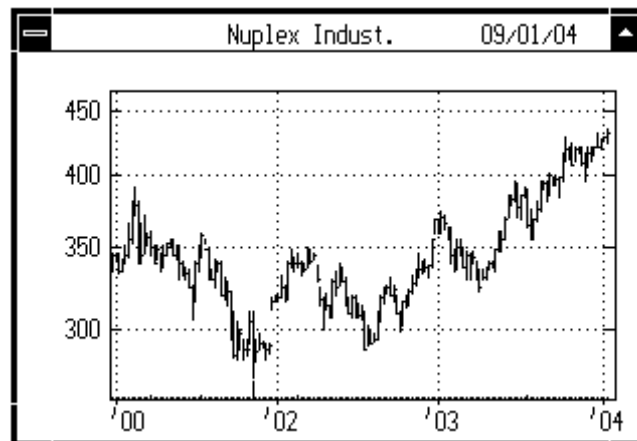
# Recommended Investments

**Lyttelton Port Company** will be one of four ports (the others being Tauranga, Napier and Port Chalmers) that will benefit from a new **P&O Nedlloyd/NYK** direct service between NZ and South East Asia.

Lyttelton Port Company remains an attractive share for high income.

**Nuplex Industries** is making a very small Australian acquisition with the purchase of the assets of **Megachem Pty** for A\$1.6 million. This business generates revenues of A\$5 million from the manufacture of surfactants and esters, and will be merged with the group's existing **APS Surfactants** division.

**Nuplex Industries** shares are attractive for high income plus the potential for income growth and capital appreciation. "Buy".



(Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date -	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 %
<b>NZ Shares</b>													
HOLD+	CDL Investments Ltd	CDI	12/01/99	25	D	187.1	1.8	2.51	10	7.5	32	7.7	+59%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	A	63.0	0.5	1.81	19	6.7	555	128.5	+338%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.21	12	9.5	291	250.3	+261%
BUY	Lyttelton Port Company	LPC	12/12/00	150	C	102.0	0.9	2.98	13	9.2	178	32.3	+40%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	B	38.4	0.6	0.83	18	5.2	490	137.0	+1263%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	61.3	0.8	0.42	12	6.9	432	88.0	+49%
HOLD	Renaissance Corp	RNS	13/08/96	85*	B	37.1	1.2	0.22	NE	6.9	65	14.4	-7%
HOLD+	Richina Pacific	RPL	03/11/95	94*	C	144.4	1.5	0.08	5	Nil	44	9.4	-43%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.0	2.55	14	7.0	143	69.0	+77%
HOLD+	Steel & Tube Holdings	STU	08/08/00	146	B	87.9	0.8	1.03	16	8.9	384	85.0	+221%
HOLD+	Taylor's Group Ltd	TAY	09/11/99	102	A	24.3	0.7	1.10	15	6.0	260	32.0	+186%
HOLD	Wrightson Limited	WRI	13/01/98	83	C	136.2	1.2	0.31	11	11.5	149	41.3	+129%
<b>Australian Shares (in Aust cents)</b>													
HOLD	Abigroup Limited	ABG	09/03/99	265	A	47.7	0.5	0.25	21	2.1	390	67.0	+72%
BUY	AJ Lucas Group	AJL	13/05/03	120	B	45.4	0.8	0.62	12	3.8	213	4.5	+81%
HOLD+	Atlas Pacific Ltd	ATP	14/05/96	73	A	87.8	1.7	1.70	6	13.6	22	7.0	-60%
HOLD	Auspine Limited	ANE	08/02/00	210	B	53.9	0.5	0.74	11	5.4	316	56.0	+77%
HOLD	Austral Coal Ltd	AUO	16/01/01	19	B	154.5	1.2	1.16	9	Nil	75	Nil	+295%
BUY	Aust Infrastructure	AIX	07/10/03	158	B	179.1	0.7	N/A	10	6.8	161	5.5	+5%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99	418*	B	39.2	0.5	0.67	20	4.9	618	116.5	+76%
BUY	Candle Australia	CND	08/04/03	86	A	37.6	1.0	0.31	14	4.9	134	6.0	+63%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	A	49.5	1.0	0.18	11	6.1	115	13.0	-16%
BUY	Commander Comm.	CDR	11/09/01	92	C	145.1	0.8	0.52	11	3.7	119	9.1	+39%
BUY	Computershare Ltd	CPU	12/08/03	189	B	544.1	1.0	2.57	55	1.5	335	2.5	+79%
BUY	Health Communication	HCN	07/10/03	101	C	61.5	1.2	2.21	37	Nil	107	Nil	+6%
HOLD	IASbet Ltd	IAS	11/02/03	180	B	41.0	1.2	0.08	7	8.9	84	2.5	-52%
HOLD	McPherson's Ltd	MCP	10/10/00	125	A	54.8	0.5	0.73	16	3.3	448	39.0	+290%
HOLD-	Nufarm Limited	NUF	11/02/97	418*	B	155.8	0.6	0.56	11	3.8	533	119.3	+56%
HOLD+	OAMPS Limited	OMP	15/05/01	99*	A	92.9	0.5	0.47	17	5.2	325	25.8	+254%
BUY	Ross Human Directions	RHD	14/08/01	92	A	57.4	1.3	0.27	35	6.7	67	13.5	-13%
HOLD+	Skilled Engineering	SKE	12/03/02	126	B	90.4	0.7	0.34	14	6.2	250	25.5	+119%
BUY	Solution 6 Holdings	SOH	15/07/03	59	E	251.6	1.4	0.75	NE	Nil	66	Nil	+12%
BUY	Technology One Ltd	TNE	11/11/03	44	A	298.5	1.2	2.99	21	5.2	49	Nil	+10%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	309.8	0.6	1.03	25	1.7	865	43.5	+1414%
HOLD	UXC Limited	UXC	11/01/00	55*	B	125.1	1.1	0.91	16	6.0	84	19.0	+87%
HOLD	Villa World Ltd	VWD	11/06/02	68	B	103.2	0.7	0.86	7	8.8	125	16.0	+107%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	B	167.5	1.0	1.15	13	4.4	91	24.1	+67%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +156.5%. This is equal to an average annual rate of +37.8%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 36 current and 121 closed out) is +30.6%, compared with a market gain of +8.8% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues.

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

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

**Richina Pacific** is using funds raised in last year's cash issue to expand its Shanghai Richina Leather annual production capacity from 65 million to 180 million sq ft of leather. New tanning drum technology will allow this three-fold increase in capacity but require only 25% more building space, significantly lower water usage and waste water discharge, and reduce chemical usage by 30%. New buildings will be completed in May and the facilities will be fully operational by August.

In future the company will report in US dollars with a profit slightly in excess of US\$2.2 million likely to be reported in late February for the year to December 2003. This will be down on the 2002 result of US\$3.5 million but the company expects "to achieve a much improved performance for 2004".

**South Port New Zealand** will suffer a loss of container business with **Mediterranean Shipping Company** discontinuing its service to Australia. This is the result of MSC ending a joint venture with **P&O Nedlloyd** and **Contship**, and entering a new joint venture with **ANL**. Container services is only a small part of South Port NZ's business but an area where it has invested to increase capacity and is looking for future growth.

**Australian Shares**

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

The takeover for **Abigroup** will close on 16 January. **Bilfinger Berger** has failed to reach 90% acceptances (which would allow it to take full control) and presently owns "more than 82%" - in line with our December prediction that they would reach 80-85%. So Abigroup will remain a listed company with a new, financially stronger major shareholder to improve its future growth potential.

Just to prove that you can't believe anything people say, Bilfinger Berger states it is "extremely pleased with the response from Abigroup shareholders". That is not really consistent with recent events: (1) Earlier media reports that "sources close to Bilfinger Berger" saw the loyal Abigroup shareholders as Greenmailers simply holding out to force up the takeover price, (2) Abigroup's misleading special dividend announcement, incorrectly giving the impression that the special 10.0 cents dividend would only be paid to shareholders who had accepted the takeover and (3) announcements relating to potential losses selling the **Sydney SuperDome** which Fund Managers described as a "scare campaign". Anyway, the takeover battle will end this Friday and hopefully Bilfinger Berger and the minority shareholders can co-exist peacefully and focus on building the company for everyone's benefit.

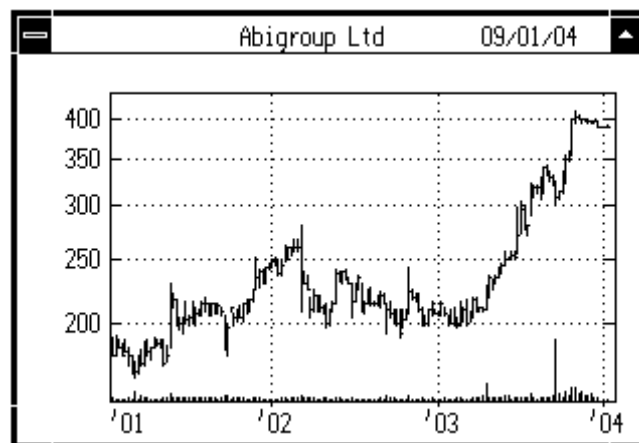
With only 18% of the shares outstanding - worth around \$33 million - Abigroup shares *maybe* inactively traded on the stockmarket. Although just a year ago, with the shares at \$2, the public's shareholding was worth only slightly more at \$47 million. A *tight scrip* situation, however, is not really a problem as we are not traders but long term investors. In fact, the situation *could* result in the share price rising significantly in value as Abigroup enjoys the benefits of an upturn in construction activity and the continued growth in its **Hills Motorway** investment.

This situation is not unlike **Tranz Rail** here in NZ. In both cases a financially stronger company with better management has acquired a major (i.e. 80-85%) shareholding which significantly improves the potential of the company and its value for the remaining loyal shareholders.

Abigroup will pay the special 10.0 cents dividend - to *all* shareholders - on 20 February. This payment date is perhaps chosen to co-incide with the receipt of the Hills Motorway 19.0 cents distribution on 16 February which will fund 60% of the amount to be passed on to Abigroup's shareholders.

Hills Motorway continues to perform extremely well with traffic volumes up 9.9% and revenues up 25.2% for the month of December.

Abigroup's new management hopes to sell the **Sydney SuperDome** which may result in up to a \$20 million abnormal loss. This, however, will remove operating losses (i.e. the SuperDome lost \$12.8 million pre-tax last year), so the group's ongoing profitability will improve. The sale will also release funds invested in this venture and remove interest bearing debt from Abigroup's consolidated balance sheet. So this strengthens the company's position to seek growth in its core businesses.



**AJ Lucas** has raised an additional \$10.0 million of cash through the placement of 5,000,000 shares at \$2.00. This additional equity will help the company with bids for four large scale pipeline projects.

AJ Lucas and **Spie Capag** of France have completed the **SEA Gas Pipeline** "on time and to specification". Gas began flowing on 1 January and the pipeline is now fully operational.

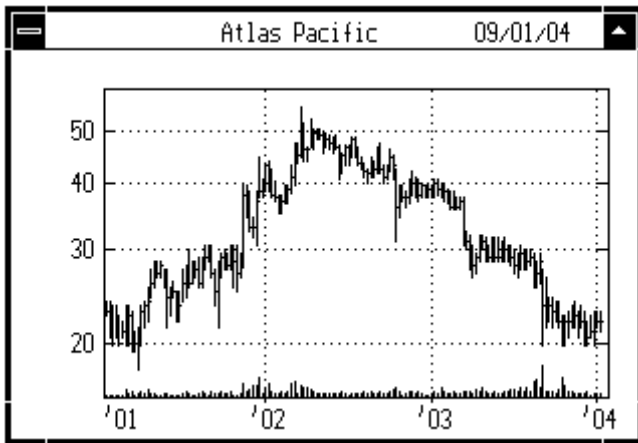
**Atlas Pacific** reports a "promising start" to the production of juvenile oysters at North Bali and Bacan, with further spawnings planned through to March. The growout of oysters in North Bali has been successful, with surplus oysters available for sale to other pearl farmers. The Alyui Bay pearl farm currently holds 357,000 nucleated oysters and 284,000 mature oysters that will be nucleated this year.

A water lease at Penyabangan in North Bali has been acquired which will replace the nearby joint venture operation that expires in 2005. "No significant infrastructure" is required in the short term although a new small hatchery will probably be established. The Bacan hatchery joint venture has been extended for another five years, with Atlas Pacific having management control and receiving a share of

New shares in its capital raising, however, will not be offered to NZ shareholders.

**Candle Australia** has acquired Western Australian based **Workskills Professionals**, which offers permanent and temporary clerical, secretarial, engineering and accounting staff. The purchase price will be around \$2.4 million - subject to performance over the next two years - payable in cash and shares.

**Cellnet Group's IT Wholesale** division has won the competitive tender to become one of the two distributors of **HP** consumables to re-sellers in NZ. This market is worth NZ\$100 million per year, but offers only small margins to Cellnet Group.



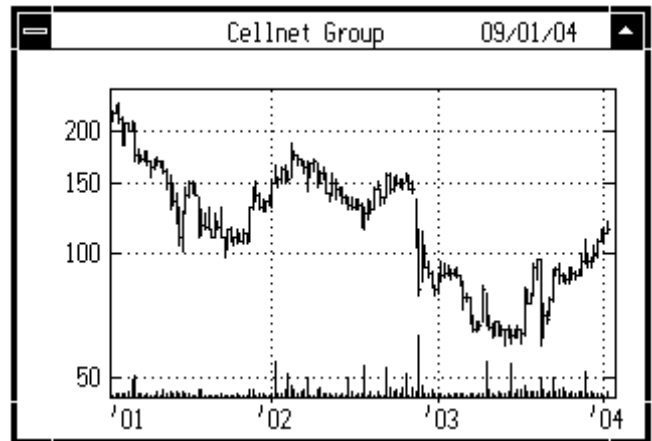
**Austral Coal** has downgraded its \$10 million profit expectation for the year ended December 2003 owing to "adverse mining conditions" in longwall panel 21 which has slowed extraction and delayed shipments. This is a localised problem and the company will mine through this zone. Normal production is expected within a month and panel 21 will now be completed by early March when the company will switch to Tahmoor North where "mining conditions are considerably more favourable".

Austral Coal is also raising a further US\$11.5 million (A\$15.0 million) cash from the issue of a further 19,160,000 new shares to Hong Kong based **Noble Group**. Austral Coal has also given Noble Group's coal division exclusive rights to market all of its thermal coal production and over six million tonnes of coking coal production.

Coal prices for 2004 are expected to rise about 20% in US dollar terms, effectively maintaining the same *real* price of coal and offsetting the fall in the value of the US dollar.

This share placement increases the issued capital by a further 9.8% (fully diluted). This latest issue does not appear to be raising money for further expansion. Instead Austral Coal appears to be outsourcing its marketing to Noble Group, with this share issue to establish closer ties between the two companies. Money raised, however, will probably be used to repay existing expansion debt, bringing Austral Coal closer to the time when it can begin to pay dividends.

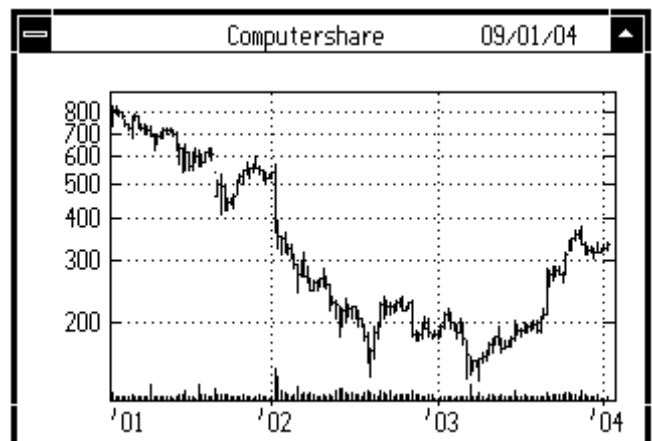
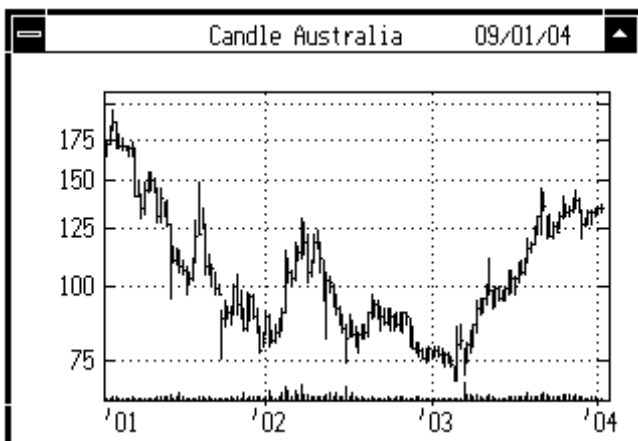
**Australian Infrastructure Fund** has completed the acquisition of a further 3.1% of **Australian Pacific Airports Corporation**, lifting its shareholding to 8.1%.



**Commander Communications** has agreed to purchase **Jtec Pty** (trading as *Panaseer*) which provides managed Virtual Private Networks for \$3.5 million in cash. This acquisition is expected to generate annual revenues of \$15 million and become "earnings per share positive" from the June 2004 quarter.

**Computershare** has completed the acquisition of **Georgeson Shareholder Communications** and also moved to full ownership of its previously 49% owned **Deutsche Bourse Computershare GmbH**.

Computershare is also seeking to repurchase up to 250,000 (16.7%) of its Reset Preference Shares which would cost about \$25 million. This on-market share buy-back could be a very significant indication of the strong performance currently being enjoyed by Computershare. Having just spent US\$115 million in cash (i.e. from new borrowings) to acquire Georgeson Shareholder Communications we would not expect to see Computershare spending a further \$25 million repurchasing its own convertible debt securities. This buy-back announcement (Continued on Page 6)



**Recommended Investments** (Continued from Page 5) therefore suggests the company is experiencing very strong operating cash flows and generating large cash operating surpluses. During the first three days of this buy-back Computershare has already re-purchased 3033 Preference shares at a cost of \$305,126.

Computershare is a very cyclical business - and the Australian and world stockmarkets continue to recover with significant increases in trading volumes, new issues, takeover and other activity. The shares therefore continue to rate a "Buy".

**Health Communication Network** has had its contract to provide online health information to the **Health Department of Western Australia** renewed.

**OAMPS** has upgraded its profit forecast for the year to 30 June 2004 and now expects an increase of "over 25%" with earnings per share up "10-15%".

OAMPS will expand its insurance underwriting

with agreements to purchase **Australian Home Warranty Pty** (an underwriting agent for **Builders Warranty Insurance**) and to take over the insurance liabilities and IT assets of **Reward Insurance** (for which it will receive an undisclosed cash sum).

The insurance broking business of **Australian Professional Insurance Brokers** in Wagga Wagga has also been acquired, adding a further 1000 clients and \$5 million in insurance premiums to the group.

**Villa World** reports that higher interest rates are "slowing the property market down" but that "market conditions remain strong, particularly in South East Queensland" where the company has the majority of its projects. It also reports that "a less buoyant but still solid property market suits Villa World's project mix very well". The company expects a higher profit this financial year, so remains an attractive "Hold", particularly for further high income distributions.

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

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

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell									Brokers Following	Cur. Price	Cur. rent	4-Wk Chg.	Rank 0-99								Insider Buy/Sell	Brokers Following
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0																											
Owens Group Ltd	115	+8.6	-0.2	26	0-0	2	1.9	8	1.0	23	2.6	0.15	65	Tower Limited	133	-3.5	+0.4	77	2-0	5	0.3	0	0.8	138	11.3	0.53	545
Renaissance	65	+19.8	+3.4	6	0-1	-	2.6	-	1.2	NE	6.9	0.22	24	AMP Limited	560	-4.3	-2.0	79	1-0	-	0.5	6	0.8	9	11.1	1.06	6,320
Wrighton Ltd	149	+7.4	-1.9	33	0-1	3	1.6	15	1.2	11	11.5	0.31	203	Pyne Gould G.	127	+4.4	-1.1	45	1-0	-	1.2	12	0.6	10	10.0	N/A	127
Allied Farmers	208	+2.0	-0.6	53	0-1	-	1.2	13	0.9	9	7.9	0.31	22	Hallenstein G.	283	-0.1	-2.1	65	1-1	3	3.8	26	0.4	15	9.8	0.94	167
Mainfreight Grp	166	+7.6	+2.1	32	0-2	2	2.5	17	0.8	15	5.8	0.32	133	Lyttelton Port	178	-3.1	-2.5	76	4-1	5	3.7	27	0.6	13	9.2	2.98	182
Nuplex Indust	432	+6.6	-0.5	37	4-0	4	1.7	14	0.8	12	6.9	0.42	265	Steel & Tube	384	+4.4	-0.3	45	0-0	5	2.7	17	0.6	16	8.9	1.03	337
Ebos Group Ltd	350	+4.7	-0.5	43	0-1	-	2.2	15	0.7	15	7.0	0.43	96	Skellmax Indust	132	+6.4	+2.2	37	0-0	-	5.1	49	0.7	10	7.9	1.37	132
Broadway Ind	79	+17.4	+6.3	10	1-0	-	1.7	15	0.9	11	2.5	0.43	15	<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0													
Williams Kettle	490	+9.6	-2.0	24	0-0	-	1.4	13	0.5	11	7.3	0.44	73	NZ Invest Trust	560	+4.5	+0.0	44	8-0	-	-	0.4	NE	1.5	N/A	57	
Fletcher Build.	408	+4.2	-2.3	47	3-0	6	2.0	20	0.6	10	7.0	0.51	1,656	Michael Hill	490	+2.2	+2.8	53	8-0	3	3.8	20	0.4	18	5.2	0.83	188
Design Textiles	97	+0.7	-0.5	61	1-5	-	2.4	27	1.2	9	6.3	0.52	31	Tourism Hold.	158	+12.1	-4.6	17	6-0	3	0.9	1	0.8	62	2.8	0.79	145
Guinness Peat	188	+8.4	+0.8	27	0-0	-	1.0	12	0.9	9	1.6	0.75	1,169	Nuplex Indust	432	+6.6	-0.5	37	4-0	4	1.7	14	0.6	12	6.9	0.42	265
Tourism Hold.	158	+12.1	-4.6	17	6-0	3	0.9	1	1.0	62	2.8	0.79	145	Provenco Group	46	+26.7	-1.4	3	5-1	-	4.4	12	1.1	37	Nil	0.79	37
Warehouse Group	537	+0.1	-2.7	63	0-0	7	4.7	23	0.8	21	4.0	0.80	1,640	NGC Holdings	235	+12.0	+5.3	17	3-0	-	2.2	9	0.7	24	3.8	2.73	1,041
Carter Holt	193	+5.1	+1.1	41	1-0	5	0.7	4	1.0	19	3.9	0.81	3,362	Fletcher Build.	408	+4.2	-2.3	47	3-0	6	2.0	20	0.4	10	7.0	0.51	1,656
Dorchester Pac	235	+16.6	+2.3	12	0-0	-	2.0	18	0.9	11	4.8	0.82	45	F & P Appliance	373	+9.3	-2.2	25	3-0	4	1.7	13	0.6	13	6.6	1.16	970
Michael Hill	490	+2.2	+2.8	53	8-0	3	3.8	20	0.6	18	5.2	0.83	188	FC - Forests	136	+9.7	-1.1	23	2-0	6	0.9	-	0.9	NE	Nil	1.12	759
Hellaby Hold.	500	+8.0	-3.1	29	1-0	2	2.6	24	0.5	11	7.8	0.83	246	Metro. LifeCare	230	+25.4	-2.0	3	2-0	1	1.8	9	0.7	19	Nil	1.97	199
CDL Hotel NZ	47	+20.4	-0.4	5	0-0	-	0.7	8	1.5	10	4.4	0.86	164	<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0													
<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0																											
CDL Hotel NZ	47	+20.4	-0.4	5	0-0	-	0.7	8	1.5	10	4.4	0.86	164	Opio Forestry	51	-0.4	+1.2	67	0-0	-	0.5	-	0.6	NE	Nil	9.14	8
Broadway Ind	79	+17.4	+6.3	10	1-0	-	1.7	15	0.6	11	2.5	0.43	15	Brierley Invest	69	-1.4	-1.3	71	0-0	-	0.8	-	0.9	NE	Nil	5.26	975
Dorchester Pac	235	+16.6	+2.3	12	0-0	-	2.0	18	0.8	11	4.8	0.82	45	Lyttelton Port	178	-3.1	-2.5	76	4-1	5	3.7	27	0.6	13	9.2	2.98	182
Williams Kettle	490	+9.6	-2.0	24	0-0	-	1.4	13	0.4	11	7.3	0.44	73	South Port NZ	143	-0.6	-0.7	68	0-0	2	1.6	11	0.7	14	7.0	2.55	38
Guinness Peat	188	+8.4	+0.8	27	0-0	-	1.0	12	0.7	9	1.6	0.75	1,169	NZ Refining Co	1520	-1.9	-0.4	72	0-0	2	1.2	12	0.1	10	14.7	2.26	365
Hellaby Hold.	500	+8.0	-3.1	29	1-0	2	2.6	24	0.4	11	7.8	0.83	246	Evergreen	50	-0.8	+1.0	69	0-2	-	0.8	-	0.7	NE	Nil	2.05	76
Mainfreight Grp	166	+7.6	+2.1	32	0-2	2	2.5	17	0.6	15	5.8	0.32	133	<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Affco Holdings	22	+7.4	-2.2	33	0-0	-	0.7	10	1.2	7	Nil	0.13	119	Blis Technology	16	-16.7	-5.8	93	0-0	-	3.5	-	1.4	NE	Nil	N/A	15
Wrighton Ltd	149	+7.4	-1.9	33	0-1	3	1.6	15	1.0	11	11.5	0.31	203	Forty Two Below	31	-9.0	-3.8	87	2-0	-	-	-	1.0	NE	Nil	N/A	38
Nuplex Indust	432	+6.6	-0.5	37	4-0	4	1.7	14	0.7	12	6.9	0.42	265	Briscoe Group	171	-6.5	-1.6	84	0-0	6	4.5	29	0.8	15	5.9	1.21	359
Carter Holt	193	+5.1	+1.1	41	1-0	5	0.7	4	0.8	19	3.9	0.81	3,362	SkyCity Leisure	115	-5.7	+1.5	83	0-0	-	4.3	11	1.4	38	Nil	1.95	78
Ebos Group Ltd	350	+4.7	-0.5	43	0-1	-	2.2	15	0.6	15	7.0	0.43	96	Postie Plus Grp	109	-5.0	-0.8	81	0-0	-	4.6	32	0.5	15	Nil	0.56	44
Fletcher Build.	408	+4.2	-2.3	47	3-0	6	2.0	20	0.5	10	7.0	0.51	1,656	Mr Chips Hold	96	-4.5	+1.5	80	0-0	-	2.1	9	0.7	23	4.7	0.90	23
Pacific Retail	242	+3.3	-3.3	50	0-0	2	1.6	19	1.1	8	Nil	0.24	149	Genesis Res.	104	-4.3	+0.7	79	0-0	-	0.7	-	1.0	NE	Nil	1.75	27
Richina Pacific	44	+2.3	+2.1	52	0-0	-	0.5	10	1.2	5	Nil	0.08	64	Air New Zealand	47	-4.2	-1.4	78	5-0	4	1.3	16	1.0	8	Nil	0.38	1,374
Michael Hill	490	+2.2	+2.8	53	8-0	3	3.8	20	0.5	18	5.2	0.83	188	Vending Tech.	130	-2.7	+5.0	74	0-1	-	2.0	14	1.2	15	Nil	1.71	39
Allied Farmers	208	+2.0	-0.6	53	0-1	-	1.2	13	0.7	9	7.9	0.31	22	Kirkcaldie & St	328	-2.5	-1.3	73	0-0	-	1.5	9	0.4	17	6.5	0.58	25
Design Textiles	97	+0.7	-0.5	61	1-5	-	2.4	27	1.0	9	6.3	0.52	31	Brierley Invest	69	-1.4	-1.3	71	0-0	-	0.8	-	0.9	NE	Nil	5.26	975
<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million													<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0														
NZ Refining Co	1520	-1.9	-0.4	72	0-0	2	1.2	12	0.1	10	14.7	2.26	365	Evergreen	50	-0.8	+1.0	69	0-2	-	0.8	-	0.6	NE	Nil	2.05	76
Restaurant Brds	119	-7.9	-0.8	85	1-0	3	2.2	23	0.9	9	12.5	0.38	113	Vending Tech.	130	-2.7	+5.0	74	0-1	-	2.0	14	1.2	15	Nil	1.71	39
Wrighton Ltd	149	+7.4	-1.9	33	0-1	3	1.6	15	1.0	11	11.5	0.31	203	Richmond Hold.	251	-5.6	-4.2	82	0-1	-	0.8	10	0.3	8	4.5	0.08	103

# “Insider” Trades in NZ Shares

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

## “Insider” Indicators

Last 5 wks: 41.2% Buyers

Last 13 wks: 56.3% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AMP Limited	1-0	Col Motor Co	5-1	Ind Newspapers	0-1	NZ Oil and Gas	1-0	Sky City Ltd	0-1
Air New Zealand	5-0	Cue Energy Ltd	4-2	Infratil NZ	4-3	Northland Port	0-2	Summit Gold Ltd	1-0
Akd Int Airport	0-1	Design Textiles	1-5	KidICorp	1-0	Nuplex Indust	4-0	Tag Pacific Ltd	1-0
Allied Farmers	0-1	Ebos Group Ltd	0-1	Kiwi Property	0-2	Provenco Group	5-1	Telecom Corp	2-1
Apple Fields	1-0	Evergreen	0-2	Lyttelton Port	4-1	Pyne Gould G.	1-0	Tourism Hold.	6-0
Botry-Zen Ltd	0-1	F & P Appliance	3-0	Mainfreight Grp	0-2	Renaissance	0-1	Tower Limited	2-0
Broadway Ind	1-0	F & P Health.	1-0	Metro. LifeCare	2-0	Restaurant Brds	1-0	Urbus Property	3-0
Cabletalk Group	2-0	FC - Forests	2-0	Michael Hill	8-0	Richmond Hold.	0-1	Utilico Int'l	1-0
Cadmus Tech Ltd	0-2	Fletcher Build.	3-0	Moorning Systems	0-3	Rocom Wireless	0-3	Vending Tech.	0-1
Cap Properties	1-0	Forty Two Below	2-0	Mowbray Collect	0-2	Ryman Health.	1-2	WN Drive Tech.	0-4
Carter Holt	1-0	Freightways Ltd	0-1	NGC Holdings	3-0	Sanford Limited	2-3	Wakefield Hosp.	1-0
Cavalier Corp	0-2	Hellaby Hold.	1-0	NZ Invest Trust	8-0	Scott Tech. Ltd	1-0	Waste Mgmt NZ Wrighton Ltd	0-3 0-1

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

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Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	Price NTA	Return on Equity	Vola-ity	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n	Company	Share Price	Cur. rent	4-Wk Chg.	Rank 0-99	Insider Buy/Sell	Brokers Following	Price NTA	Return on Equity	Vola-ity	Price Earnings Ratio	Dividend Yield	Price Sales Ratio	Market Cap'n
<b>UNDER-VALUED SHARES: Lowest Price/Sales, Yld &gt; 0, Rel Strength &gt; 0</b>																											
Ruralco Hold.	360	+3.9	-2.9	55	1-0	-	1.7	9	0.5	19	3.9	0.07	39	David Jones	134	+2.3	-3.2	59	1-0	4	1.2	8	0.8	15	4.5	0.31	552
Cordukes Ltd	35	+6.9	-1.7	46	0-0	-	-	-	1.2	6	2.9	0.08	9	Lemarne Corp	236	+9.0	-3.3	41	0-0	-	1.1	9	0.6	12	6.4	0.32	39
Namoi Cotton	41	+10.3	-4.7	37	1-0	-	0.5	10	1.4	5	3.7	0.10	45	Clough Limited	74	+12.6	-1.6	33	0-0	1	1.8	-	1.0	NE	0.7	0.32	311
Citic Australia	39	+20.2	-5.6	22	0-0	-	2.8	19	1.3	15	5.1	0.11	31	Skydome Holding	40	+51.1	-6.5	5	0-0	-	-	-	1.2	29	1.9	0.32	5
CTI Logistics	48	+3.1	-5.9	57	0-0	-	0.7	1	1.2	56	2.1	0.13	12	OM Holdings	78	+49.8	+17.2	6	0-0	-	3.7	1	1.0	650	1.0	0.33	37
Queens'd Cotton	329	+1.3	-1.7	63	2-0	1	0.7	6	0.5	11	6.4	0.14	92	Coles Myer	766	+4.0	-1.6	54	4-1	8	3.5	16	0.6	22	3.4	0.34	9,287
Hugall & Hoile	9	+5.0	+0.5	52	2-2	-	1.0	12	2.5	9	2.7	0.14	7	Foodland Assoc	1935	+1.7	+0.9	62	5-2	9	11.8	63	0.3	19	4.4	0.35	2,258
A.P. Eagers	680	+3.2	-0.6	57	0-0	1	1.5	11	0.4	14	4.6	0.15	116	Downer EDI Ltd	390	+16.5	-2.9	27	1-0	-	2.6	18	0.8	14	3.0	0.35	951
Optima ICM Ltd	21	+23.6	-16.2	18	0-0	-	2.1	32	2.3	7	2.4	0.16	21	Monadelphous Gr	468	+9.5	-3.8	39	1-2	-	2.6	21	0.5	12	5.3	0.36	88
Henry Walker E.	102	+10.6	-6.0	37	9-0	3	0.9	-	1.1	NE	3.4	0.16	169	Wrigdways Aust	84	+0.1	-1.5	69	2-1	-	-	-	1.0	8	5.4	0.38	27
Adtrans Group	380	+5.0	-2.4	52	0-5	1	2.6	22	0.4	12	5.4	0.17	87	Embelton Ltd	300	+12.0	-1.3	33	0-0	-	1.0	8	0.6	13	3.7	0.38	6
Data 3 Ltd	218	+20.2	-7.3	22	0-0	-	11.5	81	0.7	14	4.6	0.17	32	Integrated Grp	174	+9.4	-3.8	40	0-1	2	5.1	43	0.7	12	5.2	0.38	120
Watpac Ltd	60	+9.8	-1.9	38	0-0	-	1.7	19	1.1	9	7.5	0.17	44	Angus & Coote	716	+9.1	-0.2	41	1-0	-	1.5	10	0.4	15	5.0	0.39	85
Cellnet Group	115	+14.0	+4.0	31	2-0	1	1.2	11	0.9	11	6.1	0.18	57	Spotless Group	455	+4.2	-6.3	54	0-0	7	-	-	0.7	18	5.1	0.40	937
SunTech Environ	3	+0.3	-5.6	67	0-0	-	0.4	19	5.3	2	14.9	0.18	10	Adcorp Aust.	110	+8.7	-3.1	42	1-0	2	13.8	93	0.7	15	5.5	0.42	66
Bridgestone	273	+4.1	-0.4	54	0-0	-	0.6	8	0.6	8	3.7	0.19	100	Steamships Trad	250	+14.4	+4.4	30	0-0	-	0.9	2	0.9	37	2.0	0.43	78
Oldfields Hold	77	+4.6	-1.4	53	0-0	-	0.7	25	0.9	3	3.9	0.20	5	Metroland Aust	24	+15.9	-6.3	27	0-0	-	1.7	28	1.5	6	8.3	0.44	19
RJR Tomlinson	44	+23.3	-4.1	18	1-0	-	0.9	9	1.3	10	2.3	0.22	20	Mayne Group Ltd	335	+4.0	-2.0	54	1-0	9	2.4	5	0.6	47	1.2	0.44	2,588
HJ & B Group	38	+8.8	-1.9	42	0-0	-	9.5	57	1.2	17	5.3	0.23	23	Coventry Group	560	+4.5	-1.5	53	1-0	-	1.4	8	0.4	18	5.4	0.44	193
Catalyst Rec'mt	57	+23.8	-3.2	18	0-0	-	-	1.1	15	7.9	0.24	21	Lend Lease Corp	1045	+5.0	-2.6	52	1-0	7	2.5	-	0.7	NE	2.9	0.45	4,583	
Metcash Trading	269	+8.5	+3.0	42	0-6	8	8.7	42	0.6	21	3.2	0.24	1,697	Buderim Ginger	67	+1.7	+0.1	62	1-0	-	0.9	5	1.0	18	4.5	0.47	14
Merchant House	18	+8.2	+0.4	43	0-0	-	1.1	15	1.9	7	5.6	0.24	17	OAMPS	325	+20.5	-2.1	22	4-1	-	8.3	50	0.5	17	5.2	0.47	302
Devine	67	+10.2	-10.7	38	0-1	-	1.1	17	1.1	6	10.4	0.25	84	Shearer (John)	195	+9.4	-8.3	39	0-0	-	97.5	-	0.6	9	4.1	0.48	24
Abigroup Ltd	390	+21.5	-0.9	21	0-0	-	1.5	7	0.4	21	2.1	0.25	186	Roberts Ltd	676	+9.3	-5.8	40	0-2	-	2.3	19	0.3	12	5.0	0.49	87
York Group	42	+11.6	+0.8	34	0-0	-	1.4	12	1.3	12	2.4	0.26	11	Chalmers	225	+1.3	-1.1	63	0-0	-	0.7	4	0.7	19	2.2	0.49	13
CCI Holdings	16	+6.1	+4.1	49	0-0	-	1.0	13	2.0	8	11.6	0.26	11	Ausdrill Ltd	80	+12.0	+1.3	33	0-4	-	1.3	19	1.0	7	5.0	0.49	72
Ross Human Dir.	67	+11.7	-0.8	34	1-0	1	3.5	10	1.2	35	6.7	0.27	38	Natl Can	145	+5.6	-4.2	51	0-0	-	0.9	8	0.6	11	2.4	0.50	97
Aust Pharm. Ind	295	+3.3	+2.2	56	1-0	5	2.9	10	0.6	28	4.4	0.27	669	Lighting Corp.	85	+2.1	-1.9	60	5-2	-	-	-	0.9	14	3.6	0.50	70
CMI Limited	206	+8.9	-4.8	41	0-0	1	2.3	30	0.7	8	4.9	0.28	56	United Group	445	+15.6	-0.8	28	2-0	5	-	-	0.7	20	3.1	0.51	440
Supply Network	42	+13.9	-0.4	31	1-0	-	1.2	12	1.2	10	4.2	0.30	9	Commander Comm.	119	+1.9	-1.2	61	1-0	3	-	-	0.8	11	3.7	0.52	173
Volante Group	142	+11.8	+1.9	34	1-0	2	5.1	22	0.8	23	5.6	0.30	97	Qantas Airways	339	+0.9	-0.3	64	0-0	11	1.2	7	0.6	18	5.0	0.53	6,014
United Overseas	40	+6.3	-2.0	48	0-0	-	0.4	11	1.1	4	7.5	0.31	24	Ludowici Ltd	385	+5.2	-2.6	52	0-1	-	1.8	13	0.5	14	3.6	0.54	55
Brazin Limited	143	+14.5	+0.6	29	8-1	2	3.3	4	1.0	81	7.0	0.31	166	Pacificca Group	425	+3.5	-6.9	56	0-0	5	2.1	16	0.7	13	4.7	0.55	597
Candle Aust.	134	+11.3	-1.7	35	0-1	1	-	-	0.9	14	4.9	0.31	50	Sigma Company	705	+8.8	-3.2	42	0-0	7	11.4	36	0.5	32	1.9	0.55	977
Bidvest	529	+15.0	+1.6	29	0-0	-	3.2	20	0.5	16	2.2	0.31	1,041	Wattyl Ltd	385	+4.5	-3.2	53	1-1	3	1.5	6	0.6	26	4.7	0.56	308

(Continued on Page 8)

Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING					Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	
	Share Price	Current	4-Wk Chg.	Rank	Insider Buy/Sell									Brokers Following	Current	4-Wk Chg.	Rank	Insider Buy/Sell								Brokers Following
<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0																										
Astron Ltd	325%	+145.0	+49.8	0	0.0	-2.9	44	1.0	7	Nil	0.51	42	Kingsgate Cons.	386	+6.2	-0.8	48	0.0	-	-	0.3	6	6.5	2.97	281	
B Digital Ltd	26	+67.4	+3.5	3	0.0	-3.7	24	2.0	15	Nil	0.35	65	Jubilee Mines	433	+33.4	-10.5	12	0.3	3	6.3	57	0.4	11	6.5	3.45	530
Aust Pure Fruit	80	+35.4	-5.9	11	0.0	-1.5	11	0.6	14	Nil	0.11	15	Platinum Cap'l	232	+3.0	-2.9	57	0.2	-	1.4	-	0.5	NE	6.5	N/A	264
Netcomm Limited	24	+35.1	-19.6	11	2.0	-3.4	23	1.4	15	2.1	0.96	17	Aristocrat Leis	188	-0.5	-3.2	73	1.0	10	7.0	65	0.8	11	6.4	0.88	858
Aust Energy	77	+33.9	-15.9	12	1.6	-77.0	-	0.8	17	1.3	0.65	34	Paperlin X Ltd	447	-3.2	-3.3	82	2.0	7	1.4	10	0.5	14	6.2	0.51	1,839
Penfold Buscomb	77	+32.1	+0.7	12	5.0	-2.1	12	0.6	18	Nil	0.28	26	Djerriwarrah	355	+0.8	+0.3	65	0.1	-	1.1	6	0.4	19	6.1	N/A	530
MacMahon Hold	35	+31.0	-3.8	13	0.0	-1.6	16	1.2	10	Nil	0.20	85	Tabcorp Holding	1129	+1.1	-2.0	64	3.0	8	-	-	0.4	16	5.9	2.13	4,127
Multistack Int'	4	+28.1	-10.0	15	0.0	-0.4	6	2.6	8	Nil	0.15	5	Gasnet Aust Grp	217	-3.6	+1.2	84	0.0	3	1.0	10	0.5	11	5.9	2.65	282
Becker Group	33	+25.9	-9.1	16	4.0	-1.2	9	1.2	13	Nil	0.63	24	Onesteel Ltd	192	+1.1	-4.3	64	0.0	8	1.1	5	0.6	22	5.7	0.67	2,073
Catalyst Rec'mt	57	+23.8	-3.2	18	0.0	-	-	0.8	15	7.9	0.24	21	Hills Indust.	369	+1.4	-1.7	63	2.1	3	3.2	17	0.4	18	5.7	0.74	500
Optima ICM Ltd	21	+23.6	-16.2	18	0.0	-2.1	32	1.8	7	2.4	0.16	21	AWB Limited	440	+6.1	+1.7	49	1.1	3	4.0	9	0.5	45	5.7	0.63	1,387
AJ Lucas	213	+23.5	-8.7	18	0.1	-2.9	23	0.6	12	3.8	0.62	97	Millers Retail	171	-0.4	-1.7	72	0.5	4	4.5	34	0.7	13	5.6	0.38	402
RCR Tomlinson	44	+23.3	-4.1	18	1.0	-0.9	9	1.0	10	2.3	0.22	20	GWA Internat'l	284	+0.4	-1.3	66	1.2	4	1.9	13	0.4	14	5.5	1.18	789
Caltex Australia	492	+22.9	-0.6	19	0.0	1.1	23	0.8	6	Nil	0.23	1,328	Telstra	498	+2.2	-1.0	60	3.0	11	4.6	24	0.4	19	5.4	2.96	64,076
OAMPS	325	+20.5	-2.1	22	4.1	-8.3	50	0.4	17	5.2	0.47	302	Nat'l Aust Bank	3017	-3.6	+0.0	84	0.0	8	3.1	27	0.4	12	5.4	1.77	45,734
Data 3 Ltd	218	+20.2	-7.3	22	0.0	-11.5	81	0.6	14	4.6	0.17	32	<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0													
Citic Australia	39	+20.2	-5.6	22	0.0	-2.8	19	1.0	15	5.1	0.11	31	Bendigo Bank	891	+1.7	-2.0	62	16.0	7	2.3	12	0.4	20	3.8	3.28	1,136
Sietel Ltd	55	+18.7	-22.4	23	0.0	-0.4	10	1.2	4	Nil	0.20	4	PMP Limited	136	+31.9	+5.3	12	13.0	3	5.9	23	0.9	25	Nil	0.27	395
Autron Corp	32	+17.3	-12.0	25	0.0	-6.3	-	1.2	2	Nil	0.13	23	Macquarie Air.	175	+11.2	-5.6	35	12.0	-	1.0	3	0.5	34	3.1	N/A	1,648
Sunland Group	115	+17.0	-11.9	26	6.12	-2.1	29	0.6	7	2.6	0.89	196	Intermin Res	9	+13.6	-5.5	31	9.0	-	-	-	1.2	16	Nil	2.99	8
AV Jennings	190	+16.7	-0.4	26	5.5	-1.7	24	0.6	7	5.3	0.77	409	Collection Hse	207	+0.3	+2.7	68	9.0	4	3.1	13	0.3	24	2.7	1.65	198
Downer EDI Ltd	390	+16.5	-2.9	27	1.0	-2.6	18	0.7	14	3.0	0.35	951	Henry Walker E.	102	+10.6	-6.0	37	9.0	3	0.9	-	0.8	NE	3.4	0.16	169
Kimberley Secur	90	+16.4	+7.0	27	0.0	-0.7	49	0.7	1	Nil	0.30	14	Oroton Group	264	+11.9	-6.0	34	9.0	6	12.0	28	0.6	43	4.4	2.97	97
Bluescope Steel	538	+16.0	-3.5	27	5.0	-1.4	15	0.7	9	4.1	0.79	4,213	Payce Consol	202	+17.9	-6.9	24	10.1	-	1.7	21	0.4	8	Nil	1.39	69
Metroland Aust	24	+15.9	-6.3	27	0.0	-1.7	28	1.1	6	8.3	0.44	19	Port Bouvard	126	+17.4	-5.3	25	10.1	-	1.7	28	0.8	6	4.8	1.17	80
Coffey Int'l	548	+15.9	-5.5	28	3.0	-4.4	36	0.5	12	4.9	0.56	62	Amrad Corp.	67	+6.6	-0.9	47	8.0	2	1.3	2	0.6	74	Nil	3.44	88
Bidvest	529	+15.0	+1.6	29	0.0	-3.2	20	0.4	16	2.2	0.31	1,041	Network Ltd	31	+63.8	+1.9	4	8.0	-	7.8	-	0.8	NE	Nil	6.29	21
Sthn Star	85	+14.5	+6.7	29	3.0	1.8	11	0.7	16	4.1	0.82	93	HHG Plc	105	+1.7	+1.7	62	8.0	-	-	-	0.6	NE	Nil	N/A	N/A
CPT Global Ltd	70	+14.4	-3.6	29	2.0	-4.1	28	1.0	14	7.1	0.83	24	Trust Co of Aus	805	+18.0	-0.1	24	8.0	-	3.8	0	0.3	NE	1.4	8.09	261
McPherson's Ltd	448	+14.4	-3.3	29	0.4	-6.5	42	0.4	16	3.3	0.73	246	Renison Cons	7	+21.5	-16.8	20	7.0	-	-	-	2.1	NE	Nil	3.33	15
Tat Hong Hold.	34	+14.4	-5.3	30	0.0	-1.3	8	1.5	17	2.8	0.73	133	Brickworks Ltd	776	+2.0	-4.4	60	7.0	1	1.7	12	0.3	14	2.1	4.83	1,022
ABB Grain Ltd	515	+14.2	+2.6	30	3.0	-2.0	12	0.4	16	4.0	0.57	248	Bullion Min.	24	+67.6	-27.1	3	7.0	-	-	-	1.2	NE	Nil	N/A	8
Concept Hire	79	+14.0	-5.6	30	0.0	-1.8	20	0.6	9	7.6	0.83	25	Brazin Limited	143	+14.5	+0.6	29	8.1	2	3.3	4	0.7	81	7.0	0.31	166
Cellnet Group	115	+14.0	+4.0	31	2.0	1.2	11	0.7	11	6.1	0.18	57	Breakfree Ltd	145	+7.1	-2.0	45	8.1	-	-	-	0.5	16	4.1	1.42	56
Supply Network	42	+13.9	-0.4	31	1.0	-1.2	12	0.9	10	4.2	0.30	9	Wesfarmers Ltd	2800	+1.8	-1.7	61	6.0	10	4.7	24	0.4	20	4.5	1.36	10,543
Oriental Tech.	12	+13.1	-18.4	32	0.0	-1.2	12	2.2	10	Nil	0.52	14	Prime TV	253	+2.2	-0.3	60	6.0	6	-	-	0.6	28	4.0	2.07	308
Nufarm Limited	533	+12.5	-0.7	33	0.0	5.3	33	0.5	11	3.8	0.56	831	Macquarie Good.	169	+3.3	+1.8	56	6.0	4	1.3	9	0.4	15	7.0	6.61	1,604
Raptis Group	35	+12.3	-6.0	33	0.0	-1.6	35	0.9	5	Nil	0.21	24	Loftus Capital	68	+9.8	+1.1	39	6.0	-	0.9	3	0.5	32	1.5	2.42	26
Ausdrill Ltd	80	+12.0	+1.3	33	0.4	-1.3	19	0.8	7	5.0	0.49	72	Rinker Group	634	+9.2	-0.4	40	6.0	-	3.3	29	0.5	11	1.1	1.19	5,989
Embelton Ltd	300	+12.0	-1.3	33	0.0	-1.0	8	0.5	13	3.7	0.38	6	Equity Trustees	635	+9.4	+3.7	40	6.0	-	3.4	-	0.5	NE	Nil	2.36	39
Ariadne Aust	35	+11.8	-8.9	34	1.0	-1.3	7	0.9	19	2.9	0.76	78	OFM Investment	201	+3.2	-1.1	57	6.0	-	1.3	10	0.5	13	5.5	4.00	94
York Group	42	+11.6	+0.8	34	0.0	-1.4	12	1.0	12	2.4	0.26	11	Sundowner Group	15	+11.4	-3.0	35	6.0	-	0.6	-	1.0	NE	Nil	0.97	21
HGL Limited	172	+11.4	-2.1	35	0.0	-1.8	22	0.5	8	5.0	0.71	83	Ainsworth Game	53	+8.2	-2.2	43	6.0	2	2.5	-	0.9	NE	Nil	2.01	78
Candle Aust.	134	+11.3	-1.7	35	0.1	-	0.8	14	4.9	0.31	0.50	50	Globe Int'l Ltd	51	+15.0	-5.6	28	6.0	3	3.2	-	1.3	NE	Nil	1.02	211
Rebel Sport	279	+11.1	-10.2	36	0.0	3.2	25	0.5	13	2.2	0.76	211	APN News Media	399	+6.3	+0.9	48	6.0	7	1.8	9	0.5	19	4.0	1.63	1,749
General Publish	15	+10.8	+9.5	36	0.0	-	1.6	2	Nil	0.19	2	Aust Infra.	161	+4.1	-0.7	54	6.0	4	0.8	9	0.4	10	6.8	N/A	288	
Namoi Cotton	41	+10.3	-4.7	37	1.0	-0.5	10	1.1	5	3.7	0.10	45	Health Com Ntwk	107	+17.6	-8.3	25	7.1	-	-	-	0.8	37	Nil	2.21	66
Devine	67	+10.2	-10.7	38	0.1	-1.1	17	0.9	6	10.4	0.25	84	Computershare	335	+27.9	-6.2	15	7.1	9	-	-	0.8	55	1.5	2.57	1,823
Waterco Ltd	256	+10.1	-3.6	38	2.0	-2.3	19	0.4	12	5.1	0.68	48	Suncorp-Metway	1230	+3.9	-0.7	55	7.1	8	2.9	17	0.3	17	4.6	1.28	6,528
UXC Limited	84	+10.0	-5.2	38	0.0	-3.4	21	0.8	16	6.0	0.91	105	G.R.D. NL	200	+28.6	-2.5	15	8.2	-	-</						



# "Insider" Trades in Australian Shares

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

## "Insider" Indicators

Last 5 wks: 70.9% Buyers

Last 13 wks: 67.7% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
AAV Limited	0-2	Ausmelt Ltd	1-0	Cabcharge Ltd	2-3	Deep Green Min.	4-0	GWA Internat'l	1-2
ABB Grain Ltd	3-0	Auspine Ltd	3-0	Canberra Invest	1-0	Deep Sea Fish.	0-2	Gallery Global	0-2
ABC Learning	0-4	Aust Foundation	3-1	Candle Aust.	0-1	Deep Yellow Ltd	2-0	Gallery Gold	1-3
AFT Corporation	1-0	Aust Food Fibre	1-0	Cardia Tech.	0-1	Destra Corp Ltd	4-0	Gaming & Ent.	3-1
AGD Mining	0-1	Aust Agricult.	2-0	Carlton Invest	1-9	Devine	0-1	Garratt's Ltd	6-0
AGT Bioscience	2-1	Aust Energy	1-6	Carnarvon Pet.	2-0	Dioro Explor.	1-0	Gazal Corp	3-0
AI Limited	1-0	Aust Wwide Exp	2-1	Carpenter Pac.	1-0	Djerriwarrh	0-1	General Prop Tr	3-0
AIS Corporation	1-0	Aust Ethical In	0-4	Casinos Austria	2-0	Dolomatrix Intl	1-0	Genetic Tech.	4-1
AJ Lucas	0-1	Aust Wine Hold.	3-2	Catuity	3-1	Downer EDI Ltd	1-0	Giants Reef Min	4-0
AMP Ltd	2-0	Aust Healthcare	2-0	Cazaly Res Ltd	3-0	Dragon Mining	1-3	Gippsland Ltd	3-1
ANZ Bank	4-2	Aust United In	1-0	Cedar Woods Prp	1-0	Dromana Estate	4-0	Gleneagle Gold	2-0
APN News Media	6-0	Aust Mines Ltd	2-1	Celestis Ltd	0-2	E-Bet Limited	3-0	Glengarry Res.	1-0
ASG Group Ltd	0-1	Aust Leis & Hos	1-0	Cellnet Group	2-0	E.R.G.	0-1	Globe Intl Ltd	6-0
AVT Holdings	3-0	Aust Infra.	6-0	Cent West Gold	3-0	ETRADE Aust.	4-1	Go Connect Ltd	1-0
AXA Asia Pac	1-0	Aust Stock Exch	2-1	Centennial Coal	1-0	Earth Sanct.	1-0	Gold Aura Ltd	4-0
Abelle Ltd	0-1	Aust Pharm. Ind	1-0	Centro Prop.	2-0	Eastern Corp	2-0	Golden Cross	1-0
Aberdeen Leader	0-5	Austin Group	0-8	Challenger Fin.	1-0	Easycall Intl	0-1	Gondwana Res.	0-2
Acclaim Explor	2-0	Austindo Res	1-0	Chariot Limited	1-0	Echo Technology	4-2	Gowing Brothers	2-0
Adcorp Aust.	1-0	Austminex NL	0-1	Charter Pacific	1-0	Effel Tech.	1-0	Graincorp	0-2
Adelaide Bright	0-2	Avatar Indust.	1-0	Chemeq Ltd	3-2	Electrometals	1-0	Grandbridge Ltd	1-0
Adsteam Marine	4-0	Aviva Corp Ltd	5-0	Chester Mining	1-0	Elect Trans Tec	1-0	Grange Resource	1-0
Adtrans Group	0-5	Avoca Resources	2-0	Chieftain Sec.	2-0	Emperor Mines	0-2	Greater Pacific	0-1
Advance Health.	2-0	BHP Billiton	2-0	Child Care C.A.	3-0	Energy Develop.	3-0	Green's Foods	2-1
Advanced Energy	2-0	BQT Solutions	1-0	Chiquita Brands	0-2	Energy World	3-0	Gribbles Group	2-0
Afminex Limited	5-0	Ballarat Gold	2-0	Circadian Tech	2-1	Energy Resource	1-0	Gro Pep Limited	3-1
Ainsworth Game	6-0	Bambuu Ltd	0-2	Circle Com Ltd	0-2	Ent Media & Tel	3-2	Gt Sthn Plant'n	1-0
Alkane Explor.	3-4	Bank of Q'land	1-0	City Pacific	1-0	Environm't Grp	3-0	Guinness Peat	1-0
Allegiance Min.	4-0	Barra Resources	1-0	Clinical Cell	6-1	Eqjtx Limited	1-0	Gunson Res.	1-0
Alliance Fin.	1-0	Baxter Group	1-2	Clover Corp.	0-3	Equigold NL	5-8	HHG Plc	8-0
Allied Gold Ltd	1-0	Baycorp Advant.	2-0	Club Crocodile	1-0	Equity Trustees	6-0	Haddington Res.	0-1
Alumina Ltd	6-2	Becker Group	4-0	Cluff Resource	5-4	Equity 1 Res.	1-0	Hallmark Cons.	2-0
Amadeus Energy	1-0	Belmont Hold.	1-0	Coates Hire	4-1	Equs Limited	0-1	Hampton Hill	1-0
Ambition Group	3-0	Bemax Resources	4-2	Coffey Intl	3-0	EservGlobal Ltd	1-2	Hannans Reward	3-0
Amcom Telecom.	1-0	Bendigo Bank	16-0	Coles Myer	4-1	Eumundi Brewing	3-0	Hansen Tech.	1-0
Ancor Ltd	2-0	Benitec Ltd	1-5	Collection Hse	9-0	Eurast Ltd	2-0	Haoma Mining NL	0-1
Amity Oil NL	7-5	Bentley Equit.	4-0	Com'wealth Bank	3-0	Eurogold Ltd	1-0	Hardman Res.	0-2
Ammtec Ltd	0-8	Betcorp Ltd	1-0	Commander Comm.	1-0	Euroz Limited	1-0	Harrington Grp	1-2
Amrad Corp.	8-0	Beyond Intl	4-0	Compumedics Ltd	1-0	Evans & Tate	4-1	Harvey Norman	2-1
Angus & Coote	1-0	Biota Holdings	1-0	Computronics	1-0	Extract Res.	0-3	Harvey Wild Trav	0-1
Ansell Ltd	2-0	Biron Capital	9-0	Computershare	7-1	Ezenet Limited	1-0	Harvest Road	0-2
Antisense T.	1-0	Bluescope Steel	5-0	Con Broken Hill	0-7	FTR Holdings	3-0	Havilah Res.	4-0
Anvil Mining	0-1	Bounty Oil Gas	0-1	Concept Systems	3-2	Fairfax (John)	1-0	Healthscope	3-1
Anzoil NL	1-0	Brambles Ind.	2-0	Coonawarra Aust	8-0	Fantastic Hold.	1-0	Health Com Ntwk	7-1
Aquacarotene	0-2	Brandrill	1-2	Cooper Energy	2-0	Farm Pride Food	1-0	Henry Walker E.	9-0
Aquarius Plat.	1-0	Brazin Limited	8-1	Corp Express	2-5	Felix Resources	1-0	Herald Resource	0-2
Aquila Res.	1-0	Breakfree Ltd	8-1	Count Financial	1-0	Fiducian P Serv	1-0	Heron Resources	4-0
Arafura Res.	1-0	Brickworks Ltd	7-0	Country Road	0-5	Finbar Internl	5-0	Hillcrest Res.	5-0
Ariadne Aust	1-0	Broadcast Serv.	1-0	Coventry Group	1-0	First Aust Res.	2-0	Hills Motorway	1-0
Aristocrat Leis	1-0	Broadtel Com.	2-0	Crane Group	2-5	Fleetwood Corp	1-5	Hills Indust.	2-1
Arrow Energy	4-0	Buderim Ginger	1-0	Credit Corp	1-0	Flight Centre	0-3	Hitech Energy	3-0
Arrow Pharm.	0-2	Bullion Min.	7-0	Croesus Mining	1-3	Flinders Diam.	1-0	HomeLeisure Ltd	3-2
Ashburton Min.	1-0	Bunnings W/hse	2-1	Crown Diamonds	5-1	Folkestone Ltd	1-0	Horizon Oil NL	2-0
Aspen Group Ltd	1-0	Burns Philip	2-0	Cryosite Ltd	1-0	Foodland Assoc	5-2	Hostworks Group	0-1
Astro Mining NL	0-1	Burswood Ltd	1-0	Cullen Resource	3-0	Forest Place Gr	5-0	Housewares Int.	0-1
Atlas Pacific	0-1	C.S.R. Ltd	2-1	DCA Group Ltd	5-3	Forest Ent Aust	0-7	Hpal Limited	1-0
Atlas Grp Hold.	2-0	CBD Energy Ltd	5-1	Data & Commerce	1-0	Forestcue Metal	3-0	Hudson Sec.	3-0
Audax Resources	3-0	CCK Financial	1-0	Datafast Tel.	2-0	Fox Resources	1-0	Hunter Hall Int	0-7
Aurex Cons Ltd	0-1	CPI Group	0-1	David Jones	1-0	Futuris Corp.	2-0	Hutchison Tel.	2-0
Auridiam Cons.	1-0	CPT Global Ltd	2-0	De Grey Mining	1-0	Future Corp	5-1	IBA Health Ltd	3-0
Ausdrill Ltd	0-4	CVC Limited	1-0	Deakin Fin Serv	1-0	G.R.D. NL	8-2		

(Continued on Page 10)

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
IMF (Aust) Ltd	0:3	Marengo Mining	2:0	Oroton Group	9:0	Reynolds Wines	0:1	Tag Pacific	1:0
ION Limited	1:0	Mariner Retire.	2:1	Oroya Mining	1:0	Ridley Corp.	0:2	Takoradi Ltd	0:1
IT & e Limited	2:3	Mark Sensing	5:1	Oxiana Ltd	0:1	Rinker Group	6:0	Tamawood Ltd	3:5
IWL Limited	1:2	Maryborigh Suga	0:6	PCH Group	0:1	Rivkin Fin Serv	1:2	Tanami Gold NL	5:1
lasbet Limited	0:1	Mawson West Ltd	1:2	PMP Limited	13:0	Roberts Ltd	0:2	Tandou Ltd	2:0
Icon Energy	1:0	Maxi TRANS	1:2	Pacific Hydro	2:1	Rock Build Soc.	0:12	Tap Oil	0:3
liiNet	0:5	Mayne Group Ltd	1:0	Pacific Energy	3:0	Ronin Property	1:0	Tassal Group	1:0
Iluka Resources	2:0	McGuigan Simeon	1:2	Pacrim Energy	1:2	Ross Human Dir.	1:0	Tech Investment	1:0
Image Resources	5:0	McPherson's Ltd	0:4	Pacsoft Limited	1:0	Rural Press Ltd	2:0	Technology One	0:1
Imdex Limited	1:0	Medaire Inc	3:0	Paladin Res.	4:0	Ruralco Hold.	1:0	Tectonic Res.	2:0
Imperial One	0:1	Medec Limited	1:0	Palm Springs	1:2	SDI Limited	3:6	Tele-IP Limited	2:0
Impress Venture	2:0	Medical Dev Int	2:0	Pan Australian	0:1	SFE Corporation	4:1	Telstra	3:0
Imugene Ltd	2:1	Meditech Rsrch	2:3	Pan Palladium	2:0	SMC Gold Ltd	2:0	Templeton Globa	1:0
Incitec Pivot	5:0	Metabolic Phar.	1:0	Panbio Ltd	1:0	SMS Mgmt & Tech	1:4	Tempo Services	1:3
Ind Practition.	4:0	Metal Storm Ltd	0:2	Paperlin X Ltd	2:0	SPC Ardmona Ltd	1:6	Three-D Global	0:3
Infracorp Ltd	4:0	Metcash Trading	0:6	Patrick Corp	1:0	SSH Medical Ltd	5:0	Thundelarra Exp	5:4
Institute Drug	1:0	Metex Resources	1:0	Payce Consol.	10:1	STW Comm Group	0:2	Tianshan Gold.	1:0
Int Research	3:0	Methanol Aust.	3:0	Pearl Healthcare	4:0	Sabina Corp Ltd	3:0	Ticor Ltd	2:0
Int'l Goldfield	0:1	Mia Group Ltd	1:0	Pelorus Pipes	0:1	Salmat Ltd	4:0	Tiger Int'l	1:0
Int'l Concert	3:0	Midas Resources	1:0	Penfold Buscomb	5:0	Sam's Seafood	4:0	Titan Resources	0:2
Intec Ltd	1:0	Midware Limited	1:0	Peplin Biotech	0:2	Santos Ltd	2:0	Toll Holdings	0:1
Integrated Grp	0:1	Mikoh Corp.	1:0	Peppercorn Mgmt	0:1	Saracen Mineral	1:0	Tomato Tech.	0:3
Intellect Hold	0:4	Millers Retail	0:5	Peppercorn I Fd	2:0	Schaffter	4:0	Tourism Leisure	1:0
Intermin Res	9:0	Milton Corp.	1:0	Peptech Limited	1:0	Schaffer Corp	0:1	Transol Corp	2:0
Interoil Corpor	3:0	Mincor Resource	1:0	Perilya Mines	1:2	Select Vaccines	2:8	Transurban Grp	3:6
Investa Prop.	7:0	Minerals Corp.	3:1	Perp Trust Aust	0:5	Select harvest	1:2	Travel.com.au	1:0
Investika Ltd	3:1	Minotaur Res.	2:1	PharmNet Online	2:0	Senetas Corp	2:0	Trent Capital	2:0
Iress Mkt Tech	3:0	Mirvac Group	1:0	Pilbara Mines	3:1	Servcorp Ltd	5:0	Tribeca Corp.	0:2
Ironbark Cap.	0:4	Molopo Aust	1:0	Pinnacle VRB	1:0	Sherlock Bay N.	2:0	Troy Resources	0:3
JAM Develop.	2:0	Monadelphous Gr	1:2	Plaspak Group	1:0	Siberia Mining	2:0	Trust Co of Aus	8:0
Jetset Travel	2:0	Monarch Res.	1:0	Platinum Cap'l	0:2	Sims Group Ltd	0:7	U.S. Masters	1:0
Jindalee Res.	3:0	Motion Picture	1:0	Platinum Aust	1:0	Sirius Telecom.	0:2	UNITAB Ltd	0:1
Joyce Corp.	1:0	Mt Burgess Min.	4:2	Port Bouvard	10:1	Sky Net Global	1:0	Uecomm Limited	2:0
Jubilee Mines	0:3	Mt Conqueror	1:0	PowerTel Ltd	1:0	Smorgon Steel	2:0	Union Capital	0:1
Jumbuck Corp.	8:4	Multimedia Ltd	0:6	Primary Health	1:2	Sofcom Limited	0:1	United Group	2:0
Kagara Zinc Ltd	5:0	Murchison Un.	1:0	Prime Life Corp	2:4	Softlaw Corp	1:0	Unitract Ltd	0:1
Kanowna Lights	4:1	NCML (Holdings)	2:1	Prime Retail	1:0	Solar Energy	3:1	VRI Biomedical	3:1
Kimberley Oil	2:0	NKWE Platinum	2:0	Prime Infra Grp	3:0	Solbec Pharm.	7:2	VeCommerce Ltd	5:0
Knights Insol.	1:0	NSL Health Ltd	0:1	Prime TV	6:0	Solution 6	4:0	Viagold Capital	0:1
Konekt Limited	1:0	Namakwa Diamond	3:0	Promina Group	2:0	Sonic Health	0:1	Vietnam Indust.	0:2
Korvest Ltd	2:0	Namoi Cotton	1:0	Prophecy Int'l	4:0	Sonnet Corp Ltd	5:0	Villa World	0:3
Lake Technology	2:0	Nat'l Telecoms	3:1	Publishing & Br	2:1	Sons of Gwalia	0:1	Virax Holdings	0:1
Lakes Oil NL	1:0	National 1 Ltd	1:0	QED Occtech Ltd	2:0	Soul Pattinson	4:0	Visionmed Group	2:0
Lako Pacific	1:0	Navigator Res	1:0	QPSX Limited	0:2	Southcorp Ltd	5:0	Vision Systems	2:0
Legalco Limited	1:4	Netcomm Limited	2:0	QRSciences Hold	4:0	Sphere Invest.	1:0	Volante Group	1:0
Leighton Hold	0:6	Network Ltd	8:0	Quantum Energy	3:0	St Barbara Mine	1:0	WAM Capital Ltd	0:1
Lend Lease Corp	1:0	Newcrest Mining	2:0	Queens'd Cotton	2:0	St George Bank	1:0	WMC Resources	3:1
Lighting Corp.	5:2	Newhaven Park	1:0	Queste Comm's	1:0	Stargames Ltd	0:1	WRF Securities	4:0
Lihir Gold	1:0	Nexus Energy	2:0	RCR Tomlinson	1:0	Stericorp Ltd	4:0	Wadepack Ltd	2:0
Lion Equities	2:0	Niagara Mining	2:0	RIM Capital Ltd	3:0	Sthn Star	3:0	Waterco Ltd	2:0
Lion Energy Ltd	1:2	Nido Petroleum	6:0	RP Data Limited	1:0	Sthn Titanium	1:0	Webjet NL	0:4
Lionore Mining	1:5	Noni B Limited	0:1	Ramelius Res.	1:0	Stockland	3:2	Wesfarmers Ltd	6:0
Loftus Capital	6:0	Northern Gold	3:0	Ramsay Health	0:1	Straits Res.	1:0	West Aust Metal	0:3
Longreach Group	1:0	Norwest Energy	1:0	Range Resources	1:0	Strata Mining	1:0	West'n Metals	1:0
Ludowici Ltd	0:1	Norwood Abbey	0:1	Range River Gld	0:1	Structural Syst	1:0	Westcoast Min.	1:0
Lumacom	0:2	Nova Health Ltd	8:0	Realestate.com	0:1	Stuart Petrol.	0:1	Western Areas	1:2
M-Box.com	3:1	Novera Energy	2:1	Reckon Limited	0:1	Sub-Sahara Res.	1:3	Westfield Trust	0:1
M.Y.O.B. Ltd	0:1	Novogen Ltd	0:4	Reclaim Indust.	2:0	Suncorp-Metway	7:1	Westonia Mines	3:2
MFS Lev Invest.	3:0	Nthn Star Res.	1:0	Record Realty	1:0	Sundance Res.	2:0	Whitefield Ltd	3:4
MMC Contrarian	1:0	Nylex Ltd	4:0	Record Invest.	1:0	Sundowner Group	6:0	Wide Bay Aust.	0:4
Macarthur Cook	5:1	OAMPS	4:1	Red Back	0:4	Sunland Group	6:12	Willmott Forest	4:3
Macmin Silver	0:8	OFM Investment	6:0	Redflex Holding	1:0	Sunraysia TV	1:0	Wilson Inv Fund	4:0
Macquaries C&I	3:0	Objective Corp.	2:0	Reece Australia	2:0	Sunshine Gas	2:0	Wine Investment	3:0
Macquarie Leis.	3:2	Occupational Md	1:0	Reed Resources	1:0	Supply Network	1:0	Woodside Petrol	1:0
Macquarie Bank	5:2	Oil Search Ltd	0:1	Reefton Mining	2:0	Sydney Gas Ltd	5:2	Woolworths Ltd	1:0
Macquarie C Tel	1:0	Optiscan Image	1:0	Renison Cons	7:0	Symex Holdings	1:3	Working Systems	3:0
Macquarie Good.	6:0	Orbital Engine	1:0	Resolute Mining	2:0	Synergy Metals	2:0	Wrigdways Aust	2:1
Macquarie Infra	3:0	Orchard Petrol.	3:0	Resonance Hlth	1:5	Synergy Equity	4:1	Xanadu Wines	4:0
Macquarie Air.	12:0	Orica Ltd	2:0	Retail Tech.	2:0	TVSN Limited	1:0	Zeolite Aust.	1:0
Magna Pacific	0:1	Origin Energy	2:1	Revesco Group	0:2	Tabcorp Holding	3:0	Zylotech	2:1

# Companies with Insider Buying

## **Coffey International** (code COF).

This business is involved in the provision of geophysical engineering and project management services. Profits have risen rapidly over recent years and the shares have appreciated strongly in value. Despite this, however, the shares still offer good value and *insiders* have been buying on-market.

For the year to June 2003, revenues were steady (i.e. down just 0.6%) at \$110.9 million but profits rose 60.9% to \$5,133,000 (45.0 cents per share) and the annual dividend rate was raised 80.0% to 27.0 cents.

In September the group spent \$4.2 million to acquire **Soil and Rock Engineering** which will increase group profits by around 15%.

Coffey International is providing specialised skills to a complex \$70 million, 2.7 km electricity transmission tunnel being constructed in Singapore and for the twin 2-3 lane, 3.4 km **Lane Cove Tunnels** in Sydney. The company also designed and will monitor construction of a \$90 million, 4.5 km seawall for the **Port of Brisbane** (which will be filled with material from dredging over the next 25 years to provide 230 hectares of reclaimed land). Coffey is also part of a roading consortium that will design and construct a solution to unstable land and rock falls on Lawrence Hargrave Drive, between Coalcliff and Clifton, Wollongong, NSW.

The company reports “an extremely good outlook” for the current year, that it is “well positioned to continue expansion” and that the company's shares “are an excellent investment opportunity”. Of course, we do start to get a bit sceptical when management begins to offer such investment advice. Nevertheless, *insiders* have been buying shares on-market: two purchases in March 2003 (at prices around 335-340 cents) and one buy in September (at around 490 cents).

### **Summary & Recommendation**

This business is not capital intensive, so can succeed (and grow rapidly) or fail depending upon its ability to win new work, offer successful and competitive engineering solutions and to successfully manage projects.

*Insiders* have been buying and the shares trade on a moderate valuation (i.e. a Price/Sales ratio of just 0.56, a Price/Earnings ratio of 12 and offer a Dividend Yield of 4.9%), so this should be an attractive *smaller* company growth stock.

## **Henry Walker Eltin** (code HWE).

Contract miner and civil engineering company Henry Walker Eltin suffered a 7.3% drop in revenues to \$1,071.6 million for the year to June 2003 and a 68.4% larger *loss* of \$23,594,000. No dividend was paid.

The company is seeking “more rigorous management of assets and increased focus on cost and productivity efficiencies” which it expects will lead to a return to profitability in the current year. Business appears to be improving with the company winning many major contracts over recent months. \$226 million in contract extensions and new work has lifted the group's work in hand to \$1,700 million - with an additional \$500 million in “final negotiation”.

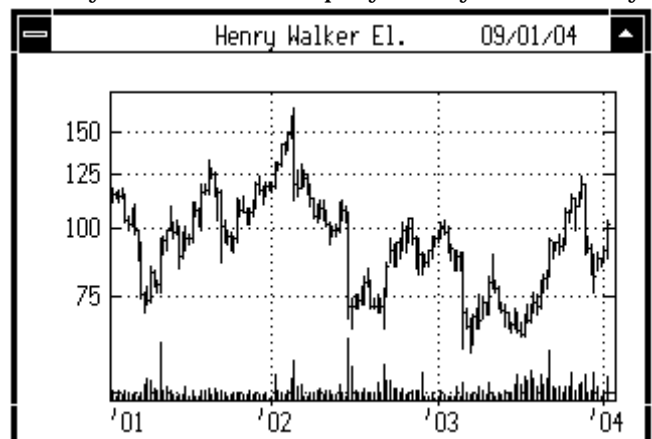
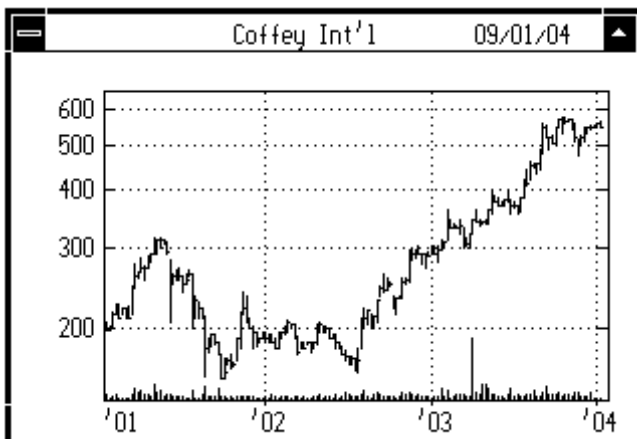
From an investment perspective this business is very capital intensive and much of the company's operating cashflows need to be re-invested to replace depreciating heavy equipment. So this restricts growth potential. On the positive side, capital intensive businesses tend to be cyclical. Bought at the right time (i.e. when profits and the share price are depressed) cyclical shares can offer high rates of capital appreciation as the industry recovers. A further positive is that Henry Walker Eltin is seeking to build up the less capital intensive sectors of its business - although that is currently not happening owing to strong growth in the capital intensive contract mining business.

*Insiders* appear positive with nine buys (and no sells) over the last year. Eight of those buys were in February and March 2003 - at prices around 65-70 cents - but 30,000 shares were bought in September 2003 at 90 cents. In addition, there have been several *off-market* buys and *small* buys which we do not count.

Henry Walker Eltin expects “a solid return to profits this year” although most of “the benefits of our restructuring will become clearly evident in 2005 and beyond”. 44-55% of profits will be distributed as a fully franked dividend.

### **Summary and Recommendation**

After suffering two years of large losses, Henry Walker Eltin has restructured and should return to profitability this year - with dividends re-instated. Restructuring and an upturn in the industry should result in strong profit growth over at least the next couple of years. Investors could consider following the directors example and buy shares in this company for a cyclical recovery.



# *Proposed Changes to Taxation of International Investments*

## *(and How to Legally Avoid Taxes Forever)*

The Government is proposing new rules for taxing International Investments, including Australian shares. This proposal - unlikely to become law until 2005, if ever - seeks to fix a loophole and simplify the current rules. Unfortunately, the current proposal will close one loophole, while potentially opening dozens of others, whilst "simplification" appears to have the opposite meaning when discussing tax law.

Overall we rate this a "bad" tax change. It is full of potential loopholes, complicated to calculate, difficult to enforce and won't bring in any more revenue. In other words, the sort of proposal that *could* become law in this country!

### **"Risk Free Rate of Return" Taxation**

The main proposal is that international investments should be taxed based upon an assumed *risk free rate of return* instead of taxing the *actual income* (as at present for individual investors) or the actual gains or losses from those investments.

For example, under the proposed rules all international investments will be assumed to produce a 4% rate of return which will be taxed at the investor's marginal income tax rate (i.e. up to 39%). So \$100,000 invested in Australian shares will produce a "taxable income" (regardless of the *actual* dividends received) of \$4000 on which the investor will pay \$1560 in income tax. Effectively this proposal abolishes income tax on international investments and imposes a 1.56% wealth tax.

As we seek to invest in *under-valued* shares - which tend to have higher than average yields - the average income yield on *our* Australian shares over recent years has been around 4-5%. So this change would marginally lower our taxes on Australian investments. On the other hand, our UK investments produce very little income, so our tax on these investments would rise. Unlike other *high tax* OECD countries, NZ would still not have a capital gains tax.

### **Tax Simplification**

In theory, replacing *income tax* on international investments (i.e. not having to collate all of those foreign dividend advices and converting them to NZ currency on their payment dates) with a simple *wealth tax* looks like tax simplification. In practice the investor will be required to value their investments at 1 April each year and then make a complicated series of *part year* adjustments every time a share is bought or sold.

### **Tax Loopholes**

A loophole in the current legislation allows interest paid to an Australian unit trust held by NZ investors to avoid some income tax. Rather than plugging this small loophole, the proposal is to apply this *risk free rate of*

*return* to all foreign investments. It is not our business to think up tax avoidance schemes (nor do we invest in any) but the potential loopholes in this new tax proposal are obvious and numerous!

For example, as international investments will only be taxed on an assumed 4% income (regardless of the actual income) there should be several potential loopholes involving holding *high income NZ investments* through a foreign trust so that only the first 4% is taxed.

Or tax schemes *could* be set up where NZ investors borrow at high, *fully tax deductible*, interest rates to invest in high return foreign entities which are taxed at that 4% rate of return. This would create a tax loss to offset against other income. As a *simple* example, an "investor" would borrow \$100,000 at 12% from a company involved in making investment loans and use that to buy shares in an *unrelated* (but identical) investment loan company based in a no-tax country. The net asset value of this investment would increase by 12% over the next year owing to accumulated, non-taxable interest income on *its* loans to *other* investors. The NZ "investor" would make no cash outlay: the initial \$100,000 "investment" funded by the loan and the interest paid by redeeming the \$12,000 capital gain on the shares. The investor's NZ tax return, however, would show the standard \$4000 income assessed on the foreign investment, less a \$12,000 cost on the loan for a net \$8,000 tax loss that could be offset against other taxable income to give a tax refund of up to \$3120. As no money actually changes hands (other than the tax refund), a NZ tax payer could probably borrow \$10 million and save \$312,000 off their income tax!

The *real* danger with these potential loopholes is that the government will believe that it is the *low 4%* standard return that creates this opportunity... and in later years raise that assumed return to 6% or 8% or 10% "to close loopholes" while also extracting significantly higher taxes from *genuine* investors.

### **Enforceability**

All *high tax* countries, like NZ, rely largely on *voluntary compliance* by their citizens - backed up by tax penalties and a degree of enforceability. Withholding taxes, imputation tax credits and the GST system help the Inland Revenue trace investment income and business income *within* NZ.

Disclosing income and paying income tax is accepted by most New Zealanders, but disclosing the actual *value* of investments may not be so widely accepted. This information, for example, could be collated to enable future governments to target wealthier individuals or, more likely, to target the larger pool of people with a few hundred thousand dollars in investments and therefore

the “ability to pay” high taxes or a higher charge for “free” government services.

Unfortunately, tracking international income or international investments is very difficult. Hiding income in offshore trusts (or hiding assets under the new proposals) is illegal tax evasion, but almost impossible to trace owing to secrecy laws covering bank accounts, lawyers and trustees in many countries.

We certainly do not advocate illegal tax evasion, especially as any New Zealander can legally avoid taxes! You will legally avoid having to pay taxes at any time, anywhere in the world simply by leaving NZ and then either (1) avoid taking up residence in another high tax country (i.e. usually that requires staying in a country for less than 183 days per year) or (2) become a resident in a no-tax country (e.g. Bahamas, Bermuda, Cayman Islands, Nauru, Vanuatu) or (3) become a resident in a country that does not tax foreign source income (e.g. Singapore, Hong Kong, Gibraltar, Panama).

#### **Inefficient Investment**

One of the aims of the proposed change is to avoid the “significant economic costs” involved where tax is “a significant factor in investment decisions”. Unfortunately, tax will become an even more significant factor in investment decisions. Invest \$500,000 in Australian shares and you will pay \$7,800 per year in tax on the assumed \$20,000 “income”. Or invest that money in a holiday home in Surfers Paradise and pay no tax. Or buy an Australian investment property yielding 9% and pay \$17,550 in tax on the actual income of \$45,000. Or invest in an Australian property trust and pay \$7,800 in tax on an assumed 4% return.

In addition to all the “economic costs” (i.e. your time) spent deciding upon and implementing the best investment option to suit your personal goals, you can be sure that lawyers, accountants and financial services companies will also be kept just as busy by any new rules.

#### **Summary**

Changes to the taxation of international investments have been under consideration for about 15 years. The current proposal may be rejected as it is certainly *bad* tax law that will *fail* to provide economic benefits, simplify compliance or allow for enforceability.

NZ's existing investment tax laws, however, are not good (e.g. the problems with the Foreign Investment Fund rules, different taxation of direct and indirect investment), so this current proposal *could* become law. If so, this will lead to a boom for the financial services industry (i.e. tax minimisation schemes), accountants (i.e. preparing tax returns), lawyers (i.e. setting up trusts in no-tax countries), emigration services (i.e. as wealthy investors leave NZ) and government services (i.e. *redrafting* international tax law).

# *Exercise Magna Pacific Options to Buy Shares*

We hold some **Magna Pacific** options (code MPHOB) with a final exercise date of 28 February 2004. Each option allows us to buy a new share at 32 cents, so with the shares trading around 50 cents we have the choice of either (1) selling the options on-market for about 16½ cents or (2) exercise the options by paying 32 cents to buy a share.

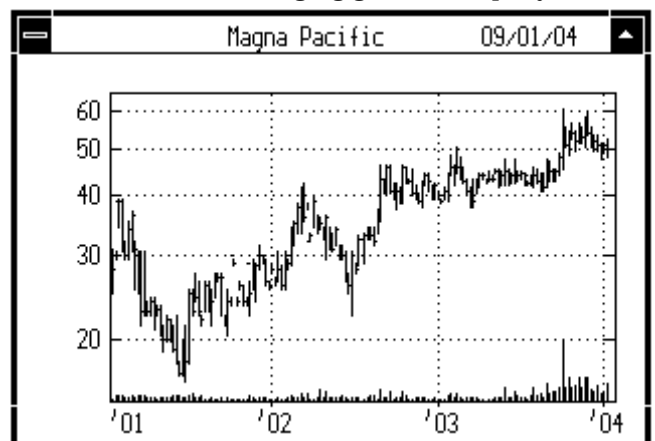
We originally featured these options in August 2002 at 3.4 cents, although bought our own options three months later at around 9½ cents when they were more actively traded.

In our last *Warrant/Option Analysis (Market Analysis, November 2003)* we were a little pessimistic owing to the dilutive impact of new shares issued to raise cash by this already cash rich company and stated “we shall probably sell these options on-market”. Now we favour exercising the options and continuing our investment in Magna Pacific.

For the first quarter (to 30 September) Magna Pacific reported a 93.6% increase in revenues to \$10.7 million and a 159.6% increase in profits to \$945,000. While quarterly results can show volatility, that clearly puts the company well on the way to achieving its forecast 50% growth in profits to \$2,630,000 for the year to June 2004. The massive increase in issued capital will dilute earnings per share growth but, offsetting that, provides a huge amount of cash. So future profit growth should benefit from a significant acquisition as well as this revenue and profit growth from existing operations.

#### **Summary and Recommendation**

Despite this dilution, Magna Pacific is growing very rapidly (i.e. at around 150% per year), has a large cash hoard to fund internal growth *and* an acquisition, and the shares trade at a moderate valuation. So we shall exercise our options and buy shares to continue our investment in this emerging growth company.



# Current Issues

## SHARE RECONSTRUCTIONS

Williams & Kettle.

**Williams & Kettle** is planning to "spin off" its investment in **NZ Rural Properties** to its shareholders. This will be achieved by:

1. Transferring NZ Rural Properties (and a \$6 million debt) to another wholly owned subsidiary, **Rural Equities**.
2. Williams & Kettle will then re-purchase 1 in every 4 of its own shares off-market, distributing 4 Rural Equities shares in payment.
3. Each remaining Williams & Kettle share will then be split into two new shares.

So each 4 "old" Williams & Kettle shares will become 6 "new" Williams & Kettle shares and 4 Rural Equities shares. Splitting the rural services *business* from the land *owning* assets is likely to lead to the stockmarket placing a slightly higher overall value on the two new companies than on the existing combined company. The investment in Rural Equities represents about 8-9% of the combined group's net assets, Rural Equities shares are likely to be worth around 40-45 cents. After the buy-back and split, the new Williams & Kettle shares should trade around 300 cents.

### Total Return Index for All Listed Shares

Dec 8	1920.08		
Dec 9	1929.86		
Dec 10	1930.54		
Dec 11	1943.44		
Dec 12	1943.98		
Dec 15	1961.97	Dec 22	1967.25
Dec 16	1949.76	Dec 23	1963.94
Dec 17	1949.81	Dec 24	1971.27
Dec 18	1959.22	Dec 25	Holiday
Dec 19	1961.69	Dec 26	Holiday
Dec 29	1970.76	Jan 5	1995.68
Dec 30	1980.87	Jan 6	1997.19
Dec 31	1980.88	Jan 7	1981.02
Jan 1	Holiday	Jan 8	1983.96
Jan 2	Holiday	Jan 9	1993.68

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday February 10, 2004 (and delivered in most areas on Wednesday 11).

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

# Dividend \$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Loan & Building	7.00	15-12	16-12	Full
Mr Chips Holdings	1.50	25-01	30-01	Full
Seeka Kiwifruit	9.00	16-02	18-02	Full
Smiths City Market	1.00	09-02	13-02	Full
<u>Australian Shares</u>				
Abigroup (special)	10.00	17-12	20-02	
Australian Infrastructure	5.50	23-12	25-02	

## Readers Ask . . .

**Question:** As a relatively new shareholder in several Australian companies what are my legal obligations to the Australian Inland Revenue? In the event of death of the holder of shares listed in Australia what if any are the ramifications for the relatives of the deceased?

**Answer:** As a NZ resident your obligation to the Australia Tax Office is nil. They impose income tax and capital gains taxes on Australian residents only.

Death does not create any tax liability. The executor will need to contact the various branches of the share registry companies involved to obtain the required paperwork. When this is completed and returned the shares will usually be transferred to the executor who can sell them through any broker (or, after completing more paperwork, transfer them off-market to the beneficiaries).

If shares are jointly held they are usually transferred into the name of the survivor.

The NZ resident investor is only liable for NZ taxes. NZ imposes no capital gains tax on shares held for *investment*. Australian dividends - whether received in cash or re-invested in additional shares - are liable for income tax. Australian *franking credits* are ignored in NZ. If the Australian company deducts *withholding tax* (i.e. if the dividend is not fully franked) then this is allowed as tax credit in NZ. Similarly an Australian company that has paid income tax in NZ *could* attach *NZ imputation tax credits* to a dividend paid to a NZ shareholder.

Your Gross Income is (1) the cash dividend you receive plus (2) any withholding tax and (3) any NZ imputation tax credits. Your Tax Credit (if any) is (2) and (3) above. Most dividends are fully franked, so the *cash dividend* will be your income and subject to tax in your NZ Tax Return.

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