

# Market Analysis

Issue No. 386

P.O. Box 34-162, Auckland

August 10, 2004

## Inside Market Analysis

|  |          |                                    |                    |
|--|----------|------------------------------------|--------------------|
| BUY Metlifecare .....                    | 7, 8     | Solution 6 merges with MYOB .....  | 6                  |
| BUY Keycorp .....                        | 8, 9, 10 | Company Analysis: Ebos Group ..... | 14                 |
| SELL McPhersons .....                    | 10, 11   | Warrant / Option Analysis .....    | 14, 15, 16, 17, 18 |
| SELL Nufarm .....                        | 10, 11   |                                    |                    |
| EXERCISE Euroz options immediately ..... | 17, 18   |                                    |                    |

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

## Summary and Recommended Investment Strategy.

Our outlook is Neutral for the New Zealand stockmarket and slightly Bullish for Australia - but that should not prevent us finding attractive shares for investment. We are holding a small cash reserve, but recommend remaining close to fully invested in the recommended shares.

## Investment Outlook.

Interest rates have been raised further in New Zealand - but left steady in Australia. Rising interest rates are not favourable for the stockmarket, but no one factor can turn the stockmarket outlook negative. Unfortunately, Economic indicators are also Bearish (i.e. unfavourable) in NZ, but Neutral in Australia. So our One-Year Forecast is Neutral at 55% for the NZ stockmarket but slightly Bullish (i.e. favourable) at 63% in Australia.

We are currently holding a small 2-5% cash reserve from the sale of **Wrightson** (which *doubled* in our *Recommended Portfolio* but were up about 5-fold on their 1998/99 lows where many subscribers bought shares). We shall add to this with the sale of **McPhersons** (a *quadruple* gain over four years) and the sale of **Nufarm** (a long term holding showing a small gain). After re-investing some of this in **Metlifecare** and **Keycorp**, we should be left with about a 5% cash holding that we may use to add another couple of holdings to our *Recommended Portfolio* over the next few months.

While the stockmarket outlook is just Neutral to moderately Bullish it is not impossible for investors to make significant investment gains in this environment. In a raging Bull Market one can buy anything and watch it double in a year (and then probably crash!). In today's market it is necessary to focus on shares trading at low valuations in companies that have strong businesses with growth potential. If you can find some of these companies then your portfolio may *double* in value over the next 3-4 years.

Is that rate of growth *too slow*? By just doubling your money every 3-4 years it will increase 50-fold over just two decades. That will turn \$20,000 into \$1,000,000.

### Stockmarket Forecasts

|              | One-Month            | One-Year             |
|--------------|----------------------|----------------------|
| Australia:   | <b>66%</b> (Bullish) | <b>63%</b> (Bullish) |
| New Zealand: | <b>70%</b> (Bullish) | <b>55%</b> (Neutral) |



# Performance Forecasts

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

|                  | Performance | Price/Sales | P/E   | Gross |     | Performance      | Price/Sales | P/E   | Gross |    | Performance | Price/Sales           | P/E   | Gross |      |    |      |
|------------------|-------------|-------------|-------|-------|-----|------------------|-------------|-------|-------|----|-------------|-----------------------|-------|-------|------|----|------|
|                  | Forecast    | Ratio       | Ratio | Yield |     | Forecast         | Ratio       | Ratio | Yield |    | Forecast    | Ratio                 | Ratio | Yield |      |    |      |
| A2 Corporation   | C           | 10          | N/A   | NE    | Nil | Heritage Gold *  | N/R         | 10    | N/A   | NE | Nil         | Restaurant Brds       | C     | 133   | 0.42 | 10 | 11.2 |
| AMP Limited      | C           | 726         | 1.10  | NE    | 2.4 | Hirequip NZ Ltd  | C           | 124   | 3.77  | 24 | 1.8         | RetailX Limited       | D     | 30    | 2.18 | NE | Nil  |
| AMP NZ Office    | D           | 83          | 6.93  | 7     | 8.1 | Horizon Energy   | C           | 390   | 3.93  | 15 | 8.4         | Richina Pacific       | D     | 45    | 0.15 | 17 | Nil  |
| AXA Asia Pac.    | B           | 420         | 1.50  | 20    | 2.8 | ING Property     | C           | 106   | N/A   | 23 | 10.5        | Richmond Hold.        | B     | 312   | 0.10 | 10 | 3.6  |
| Abano Health.    | D           | 13          | 0.43  | 23    | Nil | Ind Newspapers   | C           | 468   | 2.12  | 25 | 3.0         | Rocom Wireless        | C     | 28    | 1.28 | NE | Nil  |
| Affco Holdings   | C           | 40          | 0.24  | 13    | Nil | Infratil NZ      | C           | 307   | 4.61  | 28 | 5.8         | Rubicon Limited       | D     | 90    | N/A  | NE | Nil  |
| Air New Zealand  | D           | 40          | 0.32  | 7     | Nil | Just Water Int.  | C           | 74    | N/A   | 18 | Nil         | Ryman Health.         | B     | 289   | 2.64 | 16 | 3.1  |
| Akd Int Airport  | B           | 710         | 9.48  | 28    | 4.6 | Kidicorp         | C           | 22    | 1.58  | NE | Nil         | Sanford Limited       | C     | 465   | 1.29 | 11 | 6.2  |
| Allied Farmers   | B           | 175         | 0.40  | 12    | 6.3 | Kingfish Ltd *   | N/R         | 93    | N/A   | NE | Nil         | Savoy Equities        | D     | 1.1   | N/A  | NE | Nil  |
| Apple Fields     | C           | 22          | 6.67  | NE    | Nil | Kingstgate Int'l | C           | 35    | 5.81  | 34 | Nil         | Scott Tech. Ltd       | A     | 330   | 1.73 | 15 | 6.3  |
| Beauty Direct    | C           | 10          | N/A   | NE    | Nil | Kirkcaldie & St  | B           | 240   | 0.45  | 13 | 8.9         | Sealegs Corp          | D     | 2.0   | N/A  | NE | Nil  |
| Blis Technology  | E           | 13          | N/A   | NE    | Nil | Kiwi Property    | D           | 105   | 9.40  | 14 | 8.2         | Seeka Kiwifruit       | A     | 500   | 0.79 | 13 | 5.4  |
| Blue Chip NZ     | D           | 120         | 0.45  | NE    | Nil | Lion Nathan Ltd  | A           | 770   | 1.98  | 20 | 4.0         | Selector Group        | C     | 2.1   | 4.12 | NE | Nil  |
| Botry-Zen Ltd    | E           | 9.2         | N/A   | NE    | Nil | Loan & Building  | B           | 364   | 1.36  | 14 | 5.9         | Shooter Jet           | C     | 105   | 1.85 | 13 | 1.8  |
| Brierley Invest  | E           | 77          | 5.86  | NE    | Nil | Lyttelton Port   | C           | 170   | 2.85  | 13 | 9.7         | Skellmax Indust       | C     | 132   | 1.37 | 10 | 7.9  |
| Briscoe Group    | C           | 135         | 0.89  | 12    | 7.7 | MG Property Trt  | D           | 98    | 6.73  | 18 | 9.7         | Sky City Ltd          | B     | 483   | 3.60 | 19 | 7.3  |
| Broadway Ind     | C           | 112         | 0.61  | 16    | 1.8 | Mainfreight Grp  | C           | 200   | 0.29  | 34 | 4.9         | Sky Network TV        | D     | 517   | 5.15 | NE | Nil  |
| ACI Group Ltd    | D           | 34          | 0.49  | NE    | Nil | Media Tech.      | D           | 14    | 2.37  | NE | Nil         | SkyCity Leisure       | C     | 76    | 1.29 | 25 | Nil  |
| CDL Hotel NZ     | D           | 47          | 0.98  | 10    | 4.4 | Metro. LifeCare  | C           | 236   | 1.85  | 14 | 2.1         | Slavus Strat. *       | N/R   | 87    | N/A  | NE | Nil  |
| CDL Investments  | E           | 27          | 1.98  | 8     | 8.8 | Michael Hill     | B           | 616   | 1.05  | 23 | 4.1         | Smiths City           | B     | 75    | 0.19 | 9  | 7.0  |
| Cabletalk Group  | C           | 42          | 0.24  | 7     | Nil | Mid-Cap Index *  | N/R         | 222   | N/A   | NE | Nil         | Software of Exc       | D     | 148   | 1.90 | NE | Nil  |
| Cadmus Tech Ltd  | E           | 11          | 1.33  | 43    | Nil | Mike Pero Mort.  | E           | 88    | 0.31  | 18 | Nil         | Sol. Dynamics         | D     | 124   | N/A  | NE | Nil  |
| Calan Hiltcare   | D           | 85          | 7.29  | 15    | 9.4 | Mooring Systems  | D           | 343   | N/A   | NE | Nil         | South Port NZ         | C     | 145   | 2.59 | 15 | 6.9  |
| CanWest Media.   | E           | 157         | N/A   | NE    | Nil | Mowbray Collect  | C           | 158   | 3.47  | NE | 4.3         | Spectrum Res.         | D     | 1.2   | N/A  | NE | Nil  |
| Cap Properties   | C           | 98          | 4.00  | 15    | 9.2 | Mr Chips Hold    | B           | 123   | 0.85  | 15 | 6.1         | Steel & Tube          | B     | 441   | 1.18 | 18 | 7.8  |
| Carter Holt      | C           | 214         | 0.96  | 15    | 2.8 | NGC Holdings     | B           | 296   | 3.44  | 31 | 3.0         | Summit Gold Ltd*      | N/R   | 5.8   | N/A  | NE | Nil  |
| Cavalier Corp    | B           | 490         | 1.60  | 17    | 7.6 | NZ Exchange Ltd  | C           | 835   | 7.63  | 36 | Nil         | Tag Pacific Ltd       | B     | 27    | 0.53 | NE | Nil  |
| Cert Organics    | E           | 9.5         | 7.42  | NE    | Nil | NZ Experience    | E           | 26    | 1.86  | 11 | Nil         | Tailors Grp Ltd       | A     | 272   | 1.15 | 15 | 5.8  |
| Col Motor Co     | B           | 303         | 0.22  | 12    | 9.1 | NZ Invest Trust* | N/R         | 620   | N/A   | NE | 1.3         | TeNZ                  | N/R   | 114   | N/A  | NE | Nil  |
| Commsort Group   | E           | 0.3         | 0.34  | NE    | Nil | NZ Oil and Gas * | N/R         | 67    | N/A   | NE | Nil         | Teantalk Ltd          | A     | 247   | 0.91 | 24 | 9.1  |
| Comvita          | B           | 258         | 1.05  | 19    | 2.4 | NZ Refining Co   | A           | 2300  | 2.91  | 15 | 7.8         | Telecom Corp          | A     | 607   | 2.23 | 16 | 4.9  |
| Contact Energy   | B           | 596         | 2.98  | 30    | 5.8 | NZ Wine Company  | C           | 190   | N/A   | NE | Nil         | Tenon Ltd             | D     | 200   | 1.45 | NE | Nil  |
| Cube Capital     | C           | 5.2         | 0.17  | NE    | Nil | Nat Property Tr  | C           | 95    | 6.84  | 16 | 9.5         | Tol NZ Ltd            | C     | 187   | 0.64 | NE | Nil  |
| Cue Energy Ltd * | N/R         | 8.5         | 3.71  | 40    | Nil | Northland Port   | C           | 265   | N/A   | 27 | 4.7         | Tourism Hold.         | C     | 187   | 1.05 | 23 | 6.4  |
| DB Breweries     | B           | 946         | 1.50  | 20    | 5.3 | Nuhaka Forestry  | C           | 470   | 2.41  | NE | 13.4        | Tower Limited         | C     | 196   | 0.78 | NE | 7.7  |
| Design Textiles  | C           | 115         | 0.61  | 11    | 5.4 | Nuplex Indust    | A           | 525   | 0.51  | 14 | 5.7         | Training Sol.         | D     | 0.1   | 0.59 | NE | Nil  |
| Dominion Fin.    | D           | 100         | N/A   | 9     | 8.2 | Opio Forestry    | D           | 75    | N/A   | NE | Nil         | Trans-Tasman          | E     | 36    | 3.35 | 11 | Nil  |
| Dorchester Pac   | B           | 276         | 0.79  | 10    | 5.4 | Owens Group Ltd  | E           | 115   | 0.18  | NE | Nil         | Trust Power Ltd       | A     | 460   | 1.15 | 12 | 5.7  |
| Ebos Group Ltd   | B           | 370         | 0.45  | 16    | 6.6 | Oyster Bay       | B           | 284   | N/A   | NE | Nil         | Turners Auction       | B     | 480   | 1.39 | 19 | 5.0  |
| Evergreen        | E           | 39          | 1.60  | NE    | Nil | Pac Edge Bio.    | N/R         | 209   | N/A   | NE | Nil         | Urbus Property        | C     | 98    | 2.33 | 5  | 9.2  |
| F & P Appliance  | A           | 475         | 1.32  | 15    | 6.4 | Port Retail      | D           | 200   | 0.12  | NE | Nil         | Utilico Intl          | D     | 68    | 6.97 | NE | Nil  |
| F & P Health.    | A           | 1330        | 6.33  | 25    | 5.8 | Port Tauranga    | A           | 506   | 6.18  | 27 | 4.9         | VTL Group Ltd         | D     | 96    | 1.26 | 11 | Nil  |
| Feltex Ltd       | C           | 173         | N/A   | 25    | 5.2 | Ports Auckland   | B           | 705   | 4.46  | 17 | 7.2         | Vertex Group          | C     | 165   | 0.60 | 11 | 3.6  |
| Finmedia Ltd     | E           | 94          | 1.01  | NE    | Nil | Postie Plus Grp  | D           | 104   | 0.54  | 14 | Nil         | WN Drive Tech.        | E     | 46    | N/A  | NE | Nil  |
| Finsoft Sol'ns   | D           | 85          | 1.30  | 22    | Nil | Powerco Limited  | B           | 215   | 2.09  | 12 | 7.4         | Wakefield Hosp.       | A     | 293   | 1.00 | 16 | 4.1  |
| Fletcher Build.  | B           | 484         | 0.61  | 12    | 5.9 | Property F Ind.  | C           | 97    | N/A   | 10 | 7.5         | Warehouse Group       | B     | 441   | 0.66 | 17 | 4.9  |
| Forty Two Below  | C           | 49          | N/A   | NE    | Nil | Provenco Group   | D           | 63    | 1.08  | 50 | Nil         | Waste Mgmt NZ         | A     | 475   | 2.57 | 25 | 5.0  |
| Freightways Ltd  | B           | 257         | N/A   | 24    | 6.7 | Pumpkin Patch    | C           | 172   | N/A   | 25 | Nil         | Widespread Port       | D     | 2.8   | N/A  | NE | Nil  |
| GDC Communicat.  | D           | 24          | 0.16  | NE    | Nil | Pure NZ Limited  | E           | 4.5   | 6.43  | NE | Nil         | Williams Kettle       | B     | 315   | 0.42 | 10 | 11.4 |
| Genesis Res.     | C           | 74          | 1.94  | NE    | Nil | Pyne Gould G.    | B           | 174   | N/A   | 14 | 7.3         | Windflow Tech.        | D     | 320   | N/A  | NE | Nil  |
| Guinness Peat    | B           | 198         | 1.00  | 9     | 1.4 | Pyne Gould Corp  | D           | 610   | N/A   | NE | Nil         | World Index Fd *      | N/R   | 110   | N/A  | NE | Nil  |
| Hallenstein G.   | B           | 331         | 1.09  | 17    | 8.3 | Renaissance      | C           | 72    | 0.27  | 20 | 14.5        | Wrightson Ltd         | C     | 143   | 0.29 | 11 | 12.0 |
| Hellaby Hold.    | B           | 550         | 0.92  | 12    | 7.1 | Envestra         | B           | 107   | 2.79  | 61 | 8.9         | Zintel Comm.          | B     | 152   | 1.91 | 19 | 6.6  |
|                  |             |             |       |       |     | Fairfax (John)   | A           | 386   | 2.75  | 27 | 3.4         | <b>Ave of 159 Cos</b> | C     | 227   | 0.73 | 23 | 3.4  |
| AMP Ltd          | B           | 670         | 1.13  | NE    | 2.4 | Flight Centre    | B           | 215   | 3.00  | 27 | 2.2         | Onesteel Ltd          | A     | 267   | 0.93 | 31 | 4.1  |
| ANZ Bank         | B           | 1801        | 2.10  | 12    | 5.3 | Foodland Assoc   | B           | 1795  | 0.33  | 17 | 4.7         | Orica Ltd             | B     | 1582  | 1.06 | 44 | 3.3  |
| APN News Media   | A           | 429         | 1.74  | 20    | 4.3 | Foster's Group   | B           | 460   | 2.02  | 21 | 4.1         | Origin Energy         | B     | 420   | 1.22 | 25 | 1.6  |
| AWB Limited      | B           | 472         | 0.67  | 48    | 2.6 | Futuris Corp.    | B           | 166   | 0.44  | 11 | 4.8         | Oxana Ltd             | B     | 60    | 8.60 | 93 | Nil  |
| AXA Asia Pac     | B           | 390         | 1.43  | 7     | 2.6 | G.U.D. Holdings  | A           | 995   | 1.53  | 17 | 4.0         | PMP Limited           | B     | 175   | 0.35 | 33 | Nil  |
| Adelaide Bright  | B           | 142         | 1.22  | 13    | 3.9 | GWA Internat'l   | A           | 308   | 1.28  | 16 | 5.0         | Pacifico Group        | C     | 376   | 0.52 | 11 | 5.7  |
| Adelaide Bank    | A           | 880         | 1.45  | 15    | 4.2 | Gandel R. (CFS)  | B           | 147   | 9.56  | 17 | 6.6         | Paperlin X Ltd        | B     | 534   | 0.60 | 17 | 5.1  |
| Alinta Limited   | B           | 649         | 1.44  | 10    | 5.1 | General Prop Tr  | A           | 349   | N/A   | 16 | 6.1         | Patrick Corp          | B     | 500   | 2.44 | 18 | 1.6  |
| Alumina Ltd      | B           | 514         | N/A   | 25    | 3.9 | Graincorp        | D           | 1325  | 1.05  | NE | Nil         | Perp Trust Aust       | A     | 4549  | 5.67 | 25 | 2.9  |
| Amcor Ltd        | B           | 680         | 0.54  | 16    | 4.4 | Gt Sthn Plant'n  | B           | 319   | 6.45  | 15 | 2.2         | Primary Health        | A     | 606   | 3.41 | 49 | 2.1  |
| Ansell Ltd       | B           | 778         | 1.10  | 29    | 1.4 | Guinness Peat    | B           | 182   | 0.91  | 9  | 1.4         | Prin. Amer. Off       | A     | 134   | N/A  | 68 | 12.2 |
| Argo Investment  | B           | 496         | N/A   | 27    | 3.2 | Gunnis Ltd       | A           | 1363  | 1.84  | 15 | 2.9         | Promina Group         | B     | 387   | 1.07 | 15 | 3.2  |
| Aristocrat Leis  | B           | 558         | 2.67  | NE    | 1.1 | HHG Plc          | C           | 130   | 0.21  | NE | Nil         | Publishing & Br       | B     | 1349  | 3.06 | 22 | 1.9  |
| Arrow Pharm.     | B           | 920         | 2.17  | 46    | Nil | Hardy Res.       | C           | 227   | N/A   | NE | Nil         | O.B.E. Insur.         | B     | 1217  | N/A  | 21 | 3.5  |
| Aust Leis & Hos  | C           | 307         | N/A   | NE    | Nil | Harvey Norman    | B           | 311   | 3.28  | 22 | 1.6         | Qantas Airways        | B     | 330   | 0.51 | 17 | 5.2  |
| Aust Pharm. Ind  | C           | 253         | 0.19  | 31    | 5.1 | Leighton Hold    | A           | 902   | 0.49  | 18 | 4.9         | Ramsay Health         | B     | 598   | 1.16 | 23 | 2.6  |
| Aust Foundation  | B           | 327         | N/A   | 24    | 4.1 | Lend Lease Corp  | B           | 1045  | 0.45  | NE | 2.9         | Record Invest.        | A     | 425   | N/A  | 25 | 3.3  |
| Aust Stock Exch  | B           | 1570        | 6.64  | 19    | 3.6 | Lihir Gold       | B           | 106   | 6.35  | 39 | 1.9         | Recce Australia       | A     | 911   | 2.22 | 19 | 2.3  |
| Aust Gas Light   | A           | 1266        | 1.22  | 19    | 4.3 | Lionore Mining   | C           | 585   | 2.91  | 15 | Nil         | Rinker Group          | A     | 828   | 1.15 | 18 | 1.7  |
| Aust Pipeline    | B           | 267         | 2.52  | 16    | 8.1 | Macquarie Air.   | A           | 218   | 4.75  | 7  | 3.7         | Rio Tinto Ltd         | A     | 3768  | 4.02 | 25 | 2.4  |
| Austar United    | B           | 89          | 2.87  | NE    | Nil | Macquarie C/Wde  | A           | 185   | N/A   | 17 | 7.4         | Ronin Property        | B     | 120   | N/A  | 14 | 7.8  |
| Austereo Group   | A           | 140         | 2.43  | 16    | 5.1 | Macquarie Infra  | A           | 344   | 5.43  | 13 | 2.2         | Rural Press Ltd       | B     | 806   | 2.02 | 14 | 2.9  |
| Australand Prop  | B           | 165         | 0.81  | 12    |     |                  |             |       |       |    |             |                       |       |       |      |    |      |

# Recommended Investments

**CDL Investments** has reported a 14.7% drop in revenues to \$12.5 million for the six months to 30 June 2004, but profits rose 28.4% to \$4,734,000 (2.4 cents per share). As usual, no *interim* dividend will be paid.

The number of sections sold fell 52.8% from 163 to 77, but the product-mix changed from "mid-value, lower margin sections" in 2003 to more "high-margin, premium" - including many waterfront properties at Waimanu Bay - this year.

The company has acquired a further 12.43 hectares in Albany, Auckland, plus 4.04 hectares in Hamilton and 2.02 hectares in Hastings adjoining existing developments. This increases the company's total land holdings to 254 hectares.

An "unseasonably wet summer" has resulted in "considerable delays" completing subdivisions in Auckland, Hamilton, Tauranga, Hastings and Queenstown. Most of these 200 sites will be completed and released for sale later this year.

**Lyttelton Port Company** reports "stronger than anticipated volumes" for the six months to 30 June - and has upgraded its profit forecast for the June 2004 year to \$12.0 million (up from \$11.6 million predicted in February).

For the year to June 2005 the port is forecasting 5.5% growth in container terminal volumes, 14.1% growth in coal volumes, a 3% increase in bulk fuel, a 5.7% increase in motor vehicle imports *(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    | E                    | 199.4                | 2.0              | 1.98              | 8                    | 8.8                  | 27                 | 7.7                  | +39%           |
| HOLD           | Cavalier Corporation                     | CAV  | 05/12/95                        | 156*  | B                    | 63.0                 | 0.6              | 1.60              | 17                   | 7.6                  | 490                | 128.5                | +296%          |
| HOLD+          | Colonial Motor Company                   | CMO  | 10/11/92                        | 150   | B                    | 27.9                 | 0.5              | 0.22              | 12                   | 9.1                  | 303                | 250.3                | +269%          |
| BUY            | Lyttelton Port Company                   | LPC  | 12/12/00                        | 150   | C                    | 102.0                | 0.9              | 2.85              | 13                   | 9.7                  | 170                | 36.0                 | +37%           |
| BUY            | Metlifecare Ltd                          | MET  | 10/08/04                        | 236   | C                    | 86.4                 | 1.0              | 1.85              | 14                   | 2.1                  | 236                | Nil                  |                |
| BUY            | Michael Hill Int'l Ltd                   | MHI  | 11/06/91                        | 46*   | B                    | 38.4                 | 0.5              | 1.05              | 23                   | 4.1                  | 616                | 137.0                | +1537%         |
| BUY            | Nuplex Industries Ltd                    | NPX  | 11/02/97                        | 350   | A                    | 61.3                 | 0.8              | 0.51              | 14                   | 5.7                  | 525                | 88.0                 | +75%           |
| HOLD+          | Renaissance Corp                         | RNS  | 13/08/96                        | 85*   | C                    | 37.2                 | 1.2              | 0.27              | 20                   | 14.5                 | 72                 | 17.4                 | +5%            |
| BUY            | Richina Pacific                          | RPL  | 03/11/95                        | 94*   | D                    | 144.4                | 1.5              | 0.15              | 17                   | Nil                  | 45                 | 9.4                  | -42%           |
| HOLD           | South Port New Zealand                   | SPN  | 13/02/96                        | 120   | C                    | 26.2                 | 1.0              | 2.59              | 15                   | 6.9                  | 145                | 71.3                 | +80%           |
| HOLD+          | Steel & Tube Holdings                    | STU  | 08/08/00                        | 146   | B                    | 87.9                 | 0.7              | 1.18              | 18                   | 7.8                  | 441                | 85.0                 | +260%          |
| HOLD           | Taylors Group Ltd                        | TAY  | 09/11/99                        | 102   | A                    | 24.3                 | 0.7              | 1.15              | 15                   | 5.8                  | 272                | 32.0                 | +198%          |
|                | <b>Australian Shares (in Aust cents)</b> |      |                                 |       |                      |                      |                  |                   |                      |                      |                    |                      |                |
| HOLD           | AJ Lucas Group                           | AJL  | 13/05/03                        | 120   | B                    | 45.4                 | 0.9              | 0.47              | 9                    | 5.0                  | 160                | 8.0                  | +40%           |
| HOLD           | Atlas Pacific Ltd                        | ATP  | 14/05/96                        | 73    | C                    | 87.8                 | 2.0              | 1.55              | 14                   | Nil                  | 18                 | 7.0                  | -66%           |
| HOLD           | Austral Coal Ltd                         | AUO  | 16/01/01                        | 19    | B                    | 203.2                | 1.3              | 1.25              | 28                   | Nil                  | 72                 | Nil                  | +279%          |
| HOLD+          | Aust Infrastructure                      | AIX  | 07/10/03                        | 158   | A                    | 228.6                | 0.7              | N/A               | 11                   | 6.2                  | 186                | 11.5                 | +25%           |
| HOLD+          | Campbell Brothers Ltd                    | CPB  | 12/10/99                        | 418*  | B                    | 40.1                 | 0.5              | 0.71              | 19                   | 4.7                  | 700                | 135.5                | +100%          |
| BUY            | Candle Australia                         | CND  | 08/04/03                        | 86    | B                    | 37.6                 | 0.9              | 0.39              | 17                   | 3.8                  | 170                | 10.0                 | +109%          |
| BUY            | Cellnet Group Ltd                        | CLT  | 12/02/02                        | 152   | B                    | 49.5                 | 1.0              | 0.20              | 12                   | 5.5                  | 128                | 19.5                 | -3%            |
| BUY            | Circadian Technology                     | CIR  | 10/02/04                        | 188   | B                    | 40.1                 | 1.2              | N/A               | 16                   | Nil                  | 230                | Nil                  | +22%           |
| BUY            | Commander Comm.                          | CDR  | 11/09/01                        | 92    | A                    | 145.1                | 0.8              | 0.67              | 15                   | 2.9                  | 155                | 9.1                  | +78%           |
| BUY            | Computershare Ltd                        | CPU  | 12/08/03                        | 189   | A                    | 544.1                | 1.0              | 2.41              | 52                   | 1.6                  | 314                | 5.5                  | +69%           |
| BUY            | Health Communication                     | HCN  | 07/10/03                        | 101   | C                    | 61.5                 | 1.2              | 2.59              | 43                   | Nil                  | 125                | 1.0                  | +25%           |
| HOLD           | Int'l AllSports                          | IAS  | 11/02/03                        | 180   | B                    | 41.0                 | 1.6              | 0.04              | 3                    | 17.6                 | 43                 | 2.5                  | -75%           |
| BUY            | Keycorp Ltd                              | KYC  | 10/08/04                        | 154   | B                    | 81.7                 | 1.3              | 1.21              | 90                   | Nil                  | 154                | Nil                  |                |
| SELL           | McPherson's Ltd                          | MCP  | 10/10/00                        | 125   | B                    | 54.8                 | 0.5              | 0.73              | 16                   | 3.3                  | 452                | 48.0                 | +300%          |
| HOLD+          | Melbourne IT                             | MLB  | 10/02/04                        | 53    | B                    | 50.9                 | 1.0              | 1.00              | 24                   | 3.1                  | 98                 | 2.0                  | +89%           |
| HOLD+          | M.Y.O.B. Ltd                             | MYO  | 15/07/03                        | 84*   | A                    | 253.2                | 1.0              | 4.13              | 43                   | 1.2                  | 147                | Nil                  | +75%           |
| SELL           | Nufarm Limited                           | NUF  | 11/02/97                        | 418*  | B                    | 155.8                | 0.6              | 0.64              | 12                   | 3.3                  | 612                | 119.3                | +75%           |
| HOLD           | OAMPS Limited                            | OMP  | 15/05/01                        | 106*  | A                    | 92.9                 | 0.5              | 0.47              | 17                   | 5.3                  | 323                | 33.5                 | +236%          |
| BUY            | Ross Human Directions                    | RHD  | 14/08/01                        | 92    | B                    | 57.4                 | 1.3              | 0.32              | 41                   | 5.6                  | 80                 | 15.0                 | +3%            |
| HOLD+          | Skilled Engineering                      | SKE  | 12/03/02                        | 126   | B                    | 90.4                 | 0.7              | 0.41              | 17                   | 5.2                  | 298                | 31.5                 | +162%          |
| BUY            | Technology One Ltd                       | TNE  | 11/11/03                        | 44    | A                    | 298.5                | 1.2              | 3.89              | 27                   | 4.0                  | 63                 | 1.3                  | +46%           |
| HOLD-          | Toll Holdings                            | TOL  | 08/09/98                        | 60*   | A                    | 309.8                | 0.6              | 1.23              | 30                   | 1.4                  | 1039               | 52.0                 | +1718%         |
| HOLD           | UXC Limited                              | UXC  | 11/01/00                        | 55*   | B                    | 125.1                | 1.2              | 0.80              | 14                   | 6.8                  | 74                 | 21.0                 | +73%           |
| HOLD-          | Villa World Ltd                          | VWD  | 11/06/02                        | 68    | B                    | 103.2                | 0.7              | 0.93              | 7                    | 8.1                  | 136                | 21.5                 | +132%          |
| BUY            | Vision Systems Ltd                       | VSL  | 10/11/98                        | 69*   | B                    | 167.5                | 1.0              | 1.11              | 13                   | 4.5                  | 88                 | 26.1                 | +65%           |

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +180.7%. This is equal to an average annual rate of +40.9%, 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 124 closed out) is +31.2%, compared with a market gain of +9.1% (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) and a 37.0% growth in log exports (i.e. recovering from the significant drop in the year to June 2004).

Total ship visits fell 9.2% in 2004, but a 1.7% increase is expected over the next year.

Steady growth in volumes should produce improved revenues, maintain profitability and high dividend yield produced by Lyttelton Port Company. "Buy" for high income.

**Michael Hill International** has released revenue figures for the year to 30 June 2004. Total revenues rose 15.3% to \$259.2 million. NZ revenues rose 3.1% to \$86.4 million, Australian revenues jumped 20.3% to \$166.9 million while Canadian sales rose 154.0% to \$5.9 million. The full annual results will be released on 20 August.

#### Michael Hill International



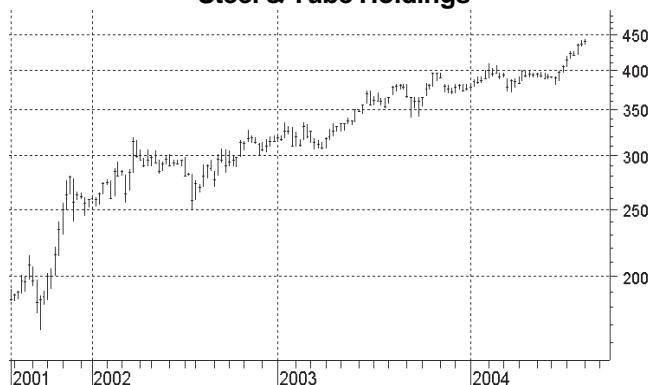
**Renaissance Corporation** lifted revenues just 1.0% to \$50.2 million for the six months to 30 June and trading profits rose 10.6% to \$775,000 (2.1 cents per share). The interim dividend will fall 25.0% to 3.0 cents (plus full imputation tax credits). The operating cash surplus rose 26.0% to \$4.5 million.

The high dividends are distributing surplus cash to shareholders but the company has almost exhausted its imputation tax credits. The business, however, cannot be far from "paying tax and generating further imputation credits".

The directors report a "positive" outlook for the second half which is expected to exceed the first half result.

**Steel & Tube Holdings** reports "very strong trading" in May and June and now expects the annual profit to be "in the range of \$27-28 million" (31-32 cents per share). That is 25-30% ahead of the \$21,522,000 profit for the year to June 2003 - and 12-16% ahead of the \$24 million predicted in February.

#### Steel & Tube Holdings



### Australian Shares

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

**Austral Coal** produced 135,081 tonnes of coal in July, up 44% from the 94,000 tonnes in June, although this production is still "below expectations".

**Australian Infrastructure Fund** is a member of the Transurban led **Mitcham Frankston Motorway** consortium which is bidding against **Macquarie Bank's ConnectEast** to fund the \$2 billion **Mitcham-to-Frankston** toll road. Bids close mid-August, with the winner expected to be announced in September. If successful, Australian Infrastructure Fund is expected to invest around \$100-150 million, partially funded from \$45 million of cash and \$50 million from an undrawn debt facility.

Australian Infrastructure Fund's current net asset value is 192 cents per unit.

As at 30 June **Circadian Technologies'** cash and listed investments were worth \$122.9 million or 306 cents per share:

| Listed Companies (% owned)      | Market Value           |
|---------------------------------|------------------------|
| Metabolic Pharmaceuticals (21%) | \$45.6 million         |
| Axon Instruments (15%)          | \$27.9 million         |
| Amrad Corporation (22%)         | \$18.1 million         |
| Antisense Therapeutics (20%)    | \$11.6 million         |
| Optiscan Imaging (8%)           | \$2.3 million          |
| Cash                            | \$17.4 million         |
| <b>Total</b>                    | <b>\$122.9 million</b> |

Since the end of June, Axon Instruments has merged with US listed **Molecular Devices**, with Circadian Technologies receiving US\$9,988,405 in cash and 539,477 Molecular Devices shares which have appreciated in value to US\$11.3 million.

**Amrad Corporation** has announced plans to spin-off a new company, **Avexa**, which will hold its "advanced anti-infectives drug portfolio". Amrad will transfer this drug portfolio and \$12 million cash to Avexa, then distribute 80.01% of these shares to its own shareholders and retain a 19.99% interest. So Circadian Technologies will receive a direct 17.6% shareholding in Avexa which plans to list on the Australian stockmarket later this year at a capitalisation of "\$24 million". If this is *after* raising a further \$5-10 million from new public investors, then Circadian's stake in Avexa could be worth \$2.5-3.3 million.

Circadian Technologies shares continue to trade at a large discount to net asset value - so are a cheap way to obtain a diversified exposure to the biotechnology sector. "Buy".

#### Circadian Technologies



**Campbell Brothers** is forecasting that its six month profit to 30 September 2004 will be around 25% higher than last year - helped by a "strong metals market" which is having a "positive effect on the earnings" of its main Laboratory Services business and growth in its other "service oriented business units".

**Candle Australia** expects to report a 27% increase in profits to \$4.5 million for the year ended 30 June 2004. The recruitment market has "picked up" slightly but is still near the bottom of the cycle with demand "still slow and steady". Candle Australia (and our other recruitment companies, Ross Human Directions and Skilled Engineering) therefore remain attractive investments with potential for further profit growth as cyclical employment markets recover.

**Cellnet Group** has acquired **Jatek Pty**, an Adelaide based importer and distributor of mobile phone accessories, for \$1,350,000. Jatek holds licensing agreements to display many well-known brands on its products. Benefits of this acquisition will include access to new retail customers, use of Jatek's brands on other Cellnet products and direct importation of Jatek products to improve profit margins.

**Commander Communications** has announced the \$21.0 million acquisition of **Axon Group** - a group of companies providing IT products and services to the Education, Government and Corporate markets with emphasis on notebook and mobile computing. Commander Communications will pay \$9.6 million immediately (i.e. \$6.6 million in cash and issue 2,000,000 new shares to the vendors) and a further \$11.4 million (i.e. a further 4,400,000 shares and 2,400,000 convertible notes) provided Axon achieves revenue and profit expectations to 30 June 2005. Revenues are expected to be around \$70 million and the acquisition "earnings per share positive immediately".

This is a diversification for Commander Communications, expanding the business into the supply of computer equipment. The reasoning behind this expansion is that notebook and mobile computers are being used more for voice and data communications, with Commander Communications seeking to expand its interest in this integration of telephone and computing.

The media also continues to speculate that **Optus** is seeking to buy into Commander Communications. In May, Commander Communications denied any takeover discussions with Optus, but one newspaper reports that major shareholders "were understood to have discussed selling" to Optus.

#### Commander Communications



**Computershare** has acquired US based **Alamo Direct Mail Services** - a company involved in printing, mailing and proxy solicitation services to the mutual fund industry. The company is also described as having a "state of the art, web-based tabulation software system". Computershare has paid US\$15.5 million in cash, with a further US\$7 million payable in three years if the company achieves unspecified revenue targets. At present the business generates annual revenues of around US\$26 million.

Computershare looked at acquiring this business a year ago, but it is more attractive now that it can be combined with **Transcentive** and **Georgeson Shareholder Communications** to produce cost savings in administration, call centres, sales and marketing.

Computershare has beaten the **Bank of England** with a £10 million (A\$25 million), five year tender to act as registrar for British Government securities. This contract is a "significant boost" for the "underperforming UK operations".

**Health Communication Network** has reported strong cashflows in the June quarter producing a quarterly cash surplus of \$4.5 million and an annual surplus of \$2.7 million. Cash on hand at 30 June was \$12.8 million (20.2 cents per share).

Health Communication Network *may* benefit indirectly from **DCA Group's** \$700 million takeover of **MIA Group**. As we have previously reported, DCA Group's radiology subsidiary **I-Med** is currently trialling Health Communication Network's *IRIS* software at 26 of its 101 clinics and appears to be happy with that product. The MIA Group acquisition will add 113 radiology clinics to DCA Group - effectively *doubling* the potential market for *IRIS* if it is introduced into all of the clinics.

**International All Sports** is to take over listed **Canbet**. The company will "assume management" of Canbet immediately and advance \$1,000,000 to "assist with immediate working operations" and a further \$1,040,000 to subscribe for 51 million Canbet shares. A full takeover will be achieved by offering one new International All Sports share for every 25 Canbet shares. This values Canbet shares at 1.84 cents - an 8% discount to their last sale on-market at 2.0 cents - and the whole company at about \$6 million. After the takeover the current International All Sports shareholders will own 79% of the merged group, with Canbet shareholders owning 21%.

Canbet has "substantial assets and operations" in the UK, interests in US sports betting, owns an Internet betting business and, perhaps just as importantly, net tangible assets of \$12.4 million (as at December 2003).

The "merger" announcement, cash injection and immediate change of control and a takeover *discount* would indicate that Canbet is experiencing some type of *temporary financial problem* - and that cash-rich International All Sports is acquiring this troubled business cheaply.

International All Sports produced a June quarter cashflow *deficit* of \$1.3 million, but the company managed an annual surplus of \$448,000. Cash on hand was \$19.2 million (36.6 cents per share). (Continued on Page 6)



**Recommended Investments** (Continued from Page 5)

The merger between **MYOB** and **Solution 6** is currently taking place. Solution 6 shares have been suspended from trading and shareholders will receive 20.7 cents cash on 11 August and 0.55 MYOB shares which currently trade on "deferred settlement" and which will trade normally from 18 August.

Our initial purchase price of 59 cents per Solution 6 share is equivalent to about 84 cents per MYOB share (assuming that the cash from the capital repayment is re-invested at market prices). We have therefore changed our *Recommended Portfolio* to show MYOB shares acquired at this equivalent price.

We are happy to hold the MYOB shares received in this merger. The share price is appreciating strongly so we shall let our profits run. "Hold+".

**Melbourne IT** has signed a Reseller Agreement to provide domain name services through **Yahoo! JAPAN**. Melbourne IT *already* holds a 20% market share for domain names in Japan and this agreement should help to further increase that business.

**Ross Human Directions** has released further information about **Spherion Group** which confirms our view that this is an attractive acquisition. Spherion is forecast to earn \$2.0 million before tax for the six months to December 2004 - equal to around \$2.8 million *annually* after tax. Ross Human Directions is paying \$25-31 million for this company, so at a Price/Earnings multiple of about 9-11. That is not cheap, but reasonable. More importantly, back office cost savings of \$2 million annually, will boost the after tax profit contribution to around \$4.2 million. That equals a P/E of 6-7 which looks very attractive.

Longer term there is also potential to improve Spherion's margins, for "significant" cost savings by consolidating premises (as leases expire) and from cross selling to the enlarged client base.

We rate Ross Human Directions a "strong Buy".

**Ross Human Directions**

**Skilled Engineering** plans to sell its *Skilled Communications Services* business to **Service Stream** in November for \$10 million plus a further \$3 million if the business achieves its expected earnings (before interest, depreciation and tax) of \$2.5 million to June 2005. Last year this business was unsuccessful at winning work from **Telstra** but employs 250 staff, 300 contractors and generates annual revenues of \$45 million but little profit.

**Skilled Engineering**

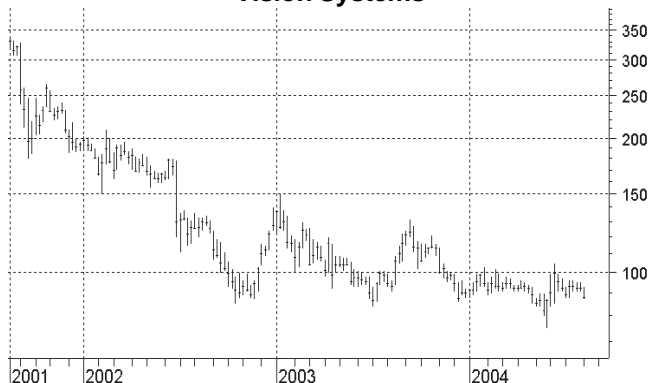
**Technology One** has released unaudited results to 30 June showing revenues up 8% to \$50 million and *pre-tax* profits up 30% to \$13.1 million. The company will also pay a final dividend of 1.6 cents, lifting the annual dividend 14.0% to 2.85 cents. Cash on hand is \$23.8 million or 8.0 cents per share.

**UXC** has announced three acquisitions that will be merged with its existing businesses: Firstly, the *Navision* business has been purchased from **Data #3** and will merge with UXC's *Eclipse Computing* business, increasing that division's revenues by about 20%. Secondly **AAS Consulting Pty** - a leading telecommunications consulting firm - which will merge with UXC's *Gibson Quai* consulting business. Thirdly, data service company **Fieldforce Services Pty** has been acquired and will join the *Skilltech Consulting Services* division.

**Vision Systems** has spent \$3.3 million (with up to another \$2.1 million payable over three years) to acquire UK based voice response systems manufacturer **Ampekko**. The business is expected to contribute revenues of \$4 million and earnings of \$300,000 in the year to June 2005. Ampekko provides voice response systems - replacing standard fire sirens with "differentiated responses to different threat levels and allowing for phased evacuations".

This technology will be integrated with Vision Systems' fire and security systems where it is expected to generate "material increases" in revenues and profits in 2006 and onwards.

The stockmarket places a low valuation on Vision Systems shares but this company has excellent growth potential in high profit margin businesses (i.e. high value medical equipment and reagents, plus high value fire and security systems). So there is excellent potential for significant long term capital appreciation. "Buy".

**Vision Systems**

# Share Recommendations:

## Buy Metlifecare

### BUY Metlifecare (code MET)

We are recommending the purchase of shares in retirement village operator Metlifecare. These shares trade on a relatively low valuation but this low risk business should be capable of generating above average profit growth over many years. This profit growth - plus some re-rating of the share valuation - offers the potential for investors to *double or triple* their money in Metlifecare shares over the next 3-5 years.

### Company History

This business was formed in 1984 to develop retirement villages and listed on the NZ stockmarket in July 1994 after offering 15,000,000 shares to the public at 85 cents. 65% of the \$12.75 million raised from the public went to original investors in the company, who also retained a 71% shareholding.

The company initially focused upon the *development* of retirement villages. Revenues (from property sales) and profits (from development margins) rose strongly until 1998, then plunged 82% to \$1,528,000 in 1999 and fell to just \$474,000 in 2000 as the company restructured. Dividends were cut 50% to 1.5 cents in 1999 - and no further dividends were paid until 2003.

Metlifecare now focuses upon profits from *operating* its existing facilities. The main source of profits - about 80% - are now from recurring "service fees", "amenities contributions" (although these accrue against the refundable value of occupancy licences and are only realised when the properties are re-sold) and gains on the re-sale of occupancy licences. The company still earns profits from new property developments but this accounts for only about 20% of group profitability.

The company currently operates 1,620 retirement villas and apartments in 13 villages. It is the largest operator of retirement villages in NZ with an 11% market share.

### New Developments

While Metlifecare earns recurring revenues and profits from managing its *existing* properties, any *new* developments offer both a development margin and growth in the company's recurring business.

In *Metlifecare Pinesong* in Titirangi, Auckland, the company expected to complete the 12 *Cliffview* apartments in June 2004 and another 24 apartments at *The Point* in late 2004. A further 98 apartments are planned for development in future years.

The company is planning a \$25.5 million luxury retirement development consisting of 52 two and three bedroom apartments and two private care suites at 7 Saint Vincent, Remuera, Auckland. Construction is expected to start this month with completion by November 2005.

Approval is being sought for four-level and five-level developments in *Metlifecare Bayswater*, Mt Maunganui with a total of 53 retirement apartments. Future developments will add a further 29 apartments.

The company is also developing 5 units at *Metlifecare Coastal Villas*, Paraparaumu (with plans for another 74), 5 at *Metlifecare Crestwood*, Titirangi (to be followed by a further 24) and has plans for the future development of an additional 24 units at *Metlifecare Greenwood Park*, Tauranga and 32 more units at *Metlifecare Somervale*, Mt Maunganui.

In March 2003 Metlifecare agreed to acquire a 1.83 hectare site on the corner of Shakespeare and Taharoto Roads (i.e. adjacent to North Shore Hospital), in Auckland, at a cost of \$12,825,000 (i.e. \$8,500,000 payable when the agreement goes unconditional, with the remaining \$4,325,000 payable over four years). The contract will become unconditional with Resource Consent for 250 apartments and a care facility - which is now expected within a couple of months.

Completion of all of these projects will add around 688 units over the next several years - expanding the ongoing business by over 40%!

### Recent Results

Profitability recovered strongly in the year to December 2001 - up 15-fold to \$7,214,000 (8.3 cents per share) - from revenues down 4.5% at \$82.2 million.

Revenues rose 22.5% to \$100.7 million in the year to December 2002, with profits up 43.5% to \$10,353,000 (12.0 cents per share).

The year to December 2003 saw further steady growth with revenues up 9.4% to \$110.1 million and profits up 36.8% to \$14,164,000 (16.4 cents per share). Dividends were re-instated with the payment of a final 5.0 cents (without imputation tax credits) in March 2004.

Revenues for the six months to 30 June 2004 rose just 2.6% to \$54.6 million and profits increased 30.6% to \$8,414,000 (9.7 cents per share). A 2.0 cents dividend (without imputation tax credits) will be paid on 27 August. The shares will trade ex-dividend on 16 August.

The company predicts the full year result will be "in excess of \$17 million" or 19.6 cents per share - subject to the "completion and sale of certain ongoing development projects".

### Property Investments

Metlifecare owns \$338.3 million worth of properties, but these are almost completely funded by the sale of \$324.6 million of refundable occupancy licences. These liabilities, however, are only payable out of the proceeds of re-selling the occupancy licences (with any decline in property values being *deducted* from the amount repayable). In the meantime the company accrues "amenities contributions" from these properties and receives the full benefit of any increase in property values (after charging the occupier for maintenance). So occupiers fund most of Metlifecare's investment in properties (and suffer any decline in value) while Metlifecare collects management income and any increase in property values. (Continued on Page 8)

**BUY Metlifecare** (Continued from Page 7)

The re-sale of occupancy licences at higher prices will produce significant profitability and release additional free cash flow to the company over the next several years.

Metlifecare mainly only needs to fund its investment in development properties (i.e. \$95.2 million) to produce growth in the business. This investment will be repaid when occupancy licences are sold and can be re-used for further expansion.

Owing to the nature of this business (i.e. the "liability" for licence repayments and depreciation of properties) the company incurs no tax liability and, in fact, has tax losses carried forward of \$125.6 million.

**Investment Criteria**

At 236 cents, Metlifecare shares trade on a Price/Sales ratio of 1.85, a Price/Earnings ratio of 14 and offer a gross Dividend Yield of 2.1%.

The P/S ratio is higher than many trading companies as this is a type of property company earning "rental" income in the form of its amenities fees. The low dividend yield reflects the low payout ratio as cash is re-invested in new property developments for future growth.

The P/E ratio of 14 shows reasonable value and we see the business producing relatively steady, low risk, profit growth of 15-25% over the next several years. The \$17 million profit expected this calendar year would lower the P/E ratio to 12.

The issued capital is 86,548,541 ordinary shares, giving a market capitalisation of \$203 million and making this a relatively large NZ company.

There have been two insider buys over the last year: Director MP Stiassny purchased 500,000 shares on-market at 140 cents in August 2003 and Dr H LeGrice purchased 25,000 shares at 163-165 cents in September 2003. Founding director CJ Cook also retains a shareholding of 23,313,345 shares or 26.9% of the company.

The main shareholder is Todd Lifecare with 30,215,026 shares (34.9% of the company) and Fisher Funds Management has recently acquired a 10.1%

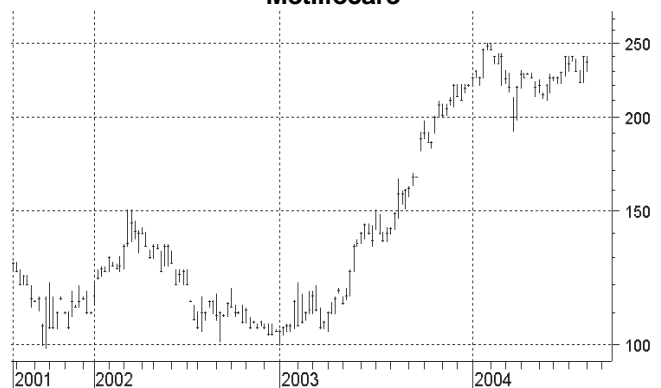
shareholding - but the shares are still somewhat *neglected* by institutional investors. Metlifecare is also *neglected* by brokers, with just one firm publishing profit forecasts.

Metlifecare shares peaked in 1998 at 275 cents and then lost two-thirds of their value as profits fell and the business restructured. From early 2003 to early 2004 the shares recovered strongly, rising from 100 cents to 250 cents, before dropping back to 190 cents in March. Over the last five months the shares have again started to appreciate in value. The Relative Strength rating is currently +4.4%, ranked 39 (on a scale of 0-99).

**Summary and Recommendation**

Metlifecare offers the potential for steady, long term growth in revenues and profits - funded internally from the sale of occupancy licences. Growth will come from the development of new properties, as well as the re-sale of occupancy licences on existing properties at higher values. This will boost profitability - and cashflows - over the next several years. This *could* allow the company to increase its low dividend payout ratio, but *without* imputation tax credits. So re-investment to finance continued growth is more likely.

This is a relatively low risk business, with the ability to generate steady, above average growth over the medium to long term. Metlifecare should therefore be suitable for a wide range of investors, although the current income yield is low (and will not include imputation tax credits).

**Metlifecare**

## *Buy Australian listed Keycorp*

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

**BUY Keycorp (code KYC).**

We briefly reviewed - and informally recommended - Keycorp in July 2003 (*Market Analysis* issue 373). Since then the business has continued to improve and the company has recently paid a maiden dividend. The volume of shares trading on the market has also increased significantly!

There is some uncertainty and risk related to Keycorp, but it is experiencing strong demand for its smartcard and payment terminals while its high fixed, non-cash depreciation and amortisation offers the potential for *very rapid profit growth* over the next few years. The current share valuation is low *in relation to those potential profits*, so the shares could appreciate strongly over the next 2-3 years.

**Company History**

This business was formed in 1983 and listed on the Australian stockmarket in 1987. Initially the company manufactured computer keyboards and, in 1994, developed a *Retail Terminal* for Australia Post which led into EFTPOS terminals and secure payment systems.

The share price exploded from \$1 to \$15 during the 1999 Technology boom, then dropped back in 2000/2001 to under a dollar.

In December 2000, Keycorp acquired the EFTPOS business of **Telstra** for \$425 million - paid by issuing 38,700,000 new shares at \$11.00 per share! This expanded Keycorp's business but this transaction was conducted at prices inflated by the boom. Keycorp obviously paid *too much* for intangible assets (i.e.



August 10, 2004.

capitalised R&D and goodwill), but at least paid with shares that were equally *over-inflated* in price. Telstra clearly has a significant (i.e. 85%) loss on its investment in Keycorp, while Keycorp has needed to depreciate and write-down the value of its intangible assets.

In recent years Keycorp has sought to move away from being a supplier of "commodity" equipment to become an electronic payment "solutions provider". Operating *Transaction Networks* now generates around 28% of revenues, with another 15-20% from *Service & Maintenance*. *Equipment sales* still account for about 50% of revenues, with about two-thirds of this from EFTPOS terminals and one-third from smartcards.

### **Recent Results**

Like most Technology companies during the boom, Keycorp recorded massive cash deficits until 2002. Since then the situation has significantly improved, with Keycorp generating a large cash surplus to June 2003. Reported profits, however, have been depressed by R&D amortisation and massive write-downs in intangible assets.

Revenues slipped 1.8% to \$120.6 million for the year to June 2002, with a trading loss of \$49,137,000 *plus* a further \$272.4 million write-down in intangible assets. There was a cash operating *deficit* of \$3.2 million.

For the year to June 2003 Keycorp reported revenues of \$104.0 million - up 22.9% on the previous year (after adjusting for an accounting change). The trading profit was \$1,398,000 (1.7 cents per share) *after* deducting regular depreciation and amortisation of \$31.2 million. In addition, Keycorp wrote down intangible assets by a further \$52.4 million to report a bottom line loss of \$50,952,000. The net operating cash surplus of \$15.5 million probably gives a better indication of the value of the business. Interest bearing debt fell only \$1.0 million to \$42.0 million, but cash on hand rose \$9.9 million to \$10.5 million.

For the six months to December 2003 revenues slipped 9.6% to \$47.3 million but profits improved 2.5% to \$1,142,000 (1.4 cents per share). The cash operating surplus was steady at \$10.5 million - resulting in a \$4.0 million decline in interest bearing debt (to \$38.0 million) and a \$6.0 million increase in cash on hand (to \$16.4 million).

The results to June 2004 should be released later this month but the company has been predicting revenues of \$110-120 million and a net profit of \$5-10 million (6-12 cents per share). On 25 June the company announced a maiden 3.0 cents dividend which has since been paid. The company stated "This dividend payment is the result of two years strong cash generation and is an indication of the profit turnaround".

### **New Business and the EMV Standard**

Keycorp appears to have been very successful at winning new business over the last year with part of this resulting from the proposed introduction of the new EMV (Europay MasterCard Visa) standard for secure smartcards to reduce the potential for credit card fraud. The EMV standard will verify all transactions by any compliant credit card at any compliant terminal.

In March 2003 Keycorp and **MasterCard** announced a low priced US\$1.99 *MULTOS* smartcard to encourage the banks to move towards EMV credit cards. All

Keycorp terminals are EMV-compliant.

Over the next few years, the liability for credit card fraud will be transferred from the issuing banks to any merchants not using EMV-compliant terminals. So Western European merchants need to upgrade by January 2005 and merchants in Asia/Pacific, Central Europe, the Middle East and Africa will need to upgrade by January 2006. Canadian and US banks have not yet set a timetable for merchant upgrades.

So Keycorp will experience strong demand for both its smartcards and terminals over the next several years as the world upgrades to the EMV standard. The introduction of multi-application smartcards into credit cards to meet EMV will then lead to the spread of other applications (i.e. loyalty programs, ID cards, transport payment) so could lead to further growth potential.

In November 2003 the company entered a strategic alliance with leading UK payment processing software company **Retail Logic** to "co-operate in reciprocal marketing" of card payment systems. This agreement is expected to "drive strong demand for Keycorp terminals" in the UK, while Keycorp will offer Retail Logic's products and services to its customers in the Asia Pacific region.

In December 2003 the company received an initial order for 2,000,000 *Keycorp LiteOS* modules from an undisclosed bank.

**Norsk Tipping**, the Norwegian State Lottery, ordered 2,100,000 multi-application *MULTOS* modules in March 2004 for smartcards that will allow people to purchase lottery tickets, enable secure access to online public services and make payment to other e-commerce providers.

In May 2004, two undisclosed banks in Australia and New Zealand ordered \$4 million worth of *K23* payment terminals.

That same month (May 2004) Keycorp entered into a \$100 million, five year service agreement to purchase/lease back, maintain and replace all of the 72,000 EFTPOS terminals used by **Westpac Banking** customers in Australia. Keycorp will buy all of Westpac's existing EFTPOS terminals and progressively replace these with their new *K23* terminals and wireless *K78* terminals over five years. Around \$25 million of income will be earned from leasing back the old terminals, \$45 million from the lease of new terminals and \$30 million from service and maintenance. Keycorp will borrow around \$50 million to purchase the old terminals and finance the new terminals, with that debt reducing over the five year contract period. The company has not disclosed other financial details but expects "a strong earnings contribution going forward". This contract should help provide stability to Keycorp's future - with a steady demand for new terminals, plus more reliable revenue and income from ongoing lease receivables - rather than a series of "one-off" equipment sales. This contract alone will add around 20% to annual revenues.

In June the company had a repeat order from **Cosmos Bank** in Taiwan for a further 500,000 *MULTOS* smartcards - bringing to 1.3 million the number supplied to the bank since 2001.

In July the **Hong Kong Government** signed a contract to purchase (Continued on Page 10)

**BUY Keycorp** (Continued from Page 9)  
a further 4.7 million smartcards for ID cards. Keycorp had previously supplied 2.0 million chips.

#### **Investment Criteria**

At 163 cents and based upon the June 2003 result, Keycorp shares trade on a Price/Sales ratio of 1.28, a Price/Earnings ratio of 95 and a nil Dividend Yield. Based upon the dividend for the 2004 year and the company's forecasts, the P/S ratio will be about 1.2, the P/E 14-27 and the Yield 1.8%. If the 2004 result comes at the top of the \$5-10 million forecasts then the shares would look very cheap on a P/E of around 14.

In addition, considerable amounts of non-cash depreciation and amortisation mean that the cash operating surplus will *significantly* exceed reported profits. This fixed cost also leverages the improvement in net profits so a 20% growth in revenues and earnings (before depreciation and amortisation) to June 2005 would lift the net profits 50-100% to \$10-15 million - reducing the P/E to 8-13.

With an issued capital of 81,662,938 shares the market capitalisation is \$133 million - making this a *medium sized* company.

On the negative side, Keycorp directors have very low investments in the company. Founder JW Wood (who is now a non-executive director) continues to hold 765,713 shares (0.9% of the company) and the Chairman, MG Irving, has 35,105 shares. Four other directors do not own shares. This lack of investment is unfavourable and we would prefer to see directors and management's interests more closely aligned with those of the shareholders!

**Telstra** remains the largest shareholder with 47.9% of the company, while institutions have relatively small holdings and the shares are *neglected* by brokers (i.e. only one firm publishes profit forecasts). Institutional and broker *neglect* is favourable. If Keycorp can produce the profit growth we expect then the company will likely

be "discovered" by institutional investors and brokers - with the resulting buying pushing the share price sharply higher!

Technically the shares are in a moderate uptrend and have been climbing steadily over the last two years as the company's financial position improves. The Relative Strength rating is +0.3%, ranked 39.

#### **Summary and Recommendation**

Keycorp has made significant improvements in its business over recent years. The company became *cashflow positive*, then slightly *profitable* and has recently started to pay *dividends*. Demand for the company's products and services appears strong, while the Westpac contract provides longer term certainty to revenues, cashflows and profits. Owing to high depreciation and amortisation charges, the business now generates strong cashflows. Growth in revenue and earnings will have a leveraged impact on reported profits which could therefore grow strongly over the next few years and result in even stronger growth in the share price!

Keycorp shares do involve above average risk and offer a low income yield, so are most suitable for investors with a diversified portfolio (to minimise risks) and seeking maximum long term capital appreciation from an emerging growth company.

#### **Keycorp**



## *Sell Australian listed McPhersons and Sell Australian listed Nufarm*

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

#### **SELL McPhersons (MCP).**

#### **SELL Nufarm (NUF).**

We are recommending the sale of both McPhersons and Nufarm shares. These are both sound companies, but we believe that other investments can now offer us better returns in the future.

#### **McPhersons**

McPhersons has been a very successful investment for us. We first bought into McPhersons shares in October 2000 at 125 cents when they were trading on a Price/Earnings ratio of just 4.6 and offered a Dividend Yield of 9.6%. That very low valuation was even more surprising as this was a company able to generate high

*free* cashflows that did not need to be re-invested in the business but were available to pay dividends or to finance acquisitions.

For about a year McPhersons' share price went nowhere. We banked our high dividend cheques and continued to rate them a "must Buy" share.

The business initially suffered a little owing to the impact of the appreciating Australian dollar on its importing business (i.e. the Houseware division) but its strong cashflow enabled it to make a large Printing acquisition (which benefited from the higher dollar).

Eventually - in late 2001 - the share price started to appreciate and has just kept on going up. A major

acquisition - **Cork Asia Pacific** for \$101 million in June 2003 - boosted the company's potential and also required a share placement that resulted in McPhersons being "discovered" by institutional investors who pushed the price higher and higher.

Although we have *quadrupled* our money in McPhersons in a little less than four years we do not believe the shares are *over-valued* at present. The shares were quite clearly *very under-valued* when we initially bought into the company in 2000 and its high free cashflows always offered the potential for further growth. McPhersons had potential to do great things - and did!

All that has really changed is (1) the market has discovered the company and re-rated the shares from under-valued to fairly valued and (2) the potential for another major acquisition is limited in the short term to medium term as McPhersons integrates the Cork Asia Pacific acquisition and seeks to reduce its debt levels.

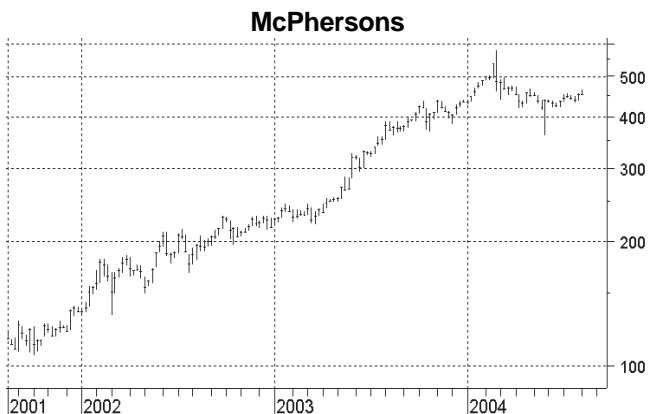
Earnings per share and dividends are likely to continue to grow - but at a slower rate than over the last couple of years. With the shares now *fairly* valued we start to worry about risk: The company could suffer owing to (1) slower growth, (2) a possible glitch, or (3) the shares may simply fall out of favour with institutional investors. There has been some *insider* selling - as directors cash up their gains - and overall we feel we may be able to invest this money more profitably elsewhere.

**Summary and Recommendation**

McPhersons has grown its business successfully - but the shares have also been *discovered* by institutional investors and appreciated in value even more quickly as they bought into the company. What was *under-valued* has become *fairly valued*.

McPhersons is still a sound company but probably only offers the potential for average gains in the future. Can we do better than that? Can we find new emerging growth companies at attractive valuations? Can we find under-valued, high yielding, cyclical shares? Shares that will increase *several fold* in value over *several years*? That has been our objective for 23½ years (and with some success).

So we are recommending the sale of fairly valued McPhersons shares to raise cash to go hunting for investments that offer us the potential for better *future* returns.



**Nufarm**

Nufarm has been a long term investment (i.e. 7½ years) that has been disappointing. We had sought long term growth from Nufarm but although the company made several acquisitions and expanded its product range it has failed to produce significant profit growth.

The shares have repaid 28% of our initial investment through dividends over the 7½ years - equal to an average annual income yield of just 3.8%. In late 2001 the shares had dropped to a low of 225 cents and we were sitting on a loss of 46%. Over the last three years, however, the shares have recovered strongly. At 612 cents we shall realise a 46% *gain* (i.e. about 5.2% per annum compounded).

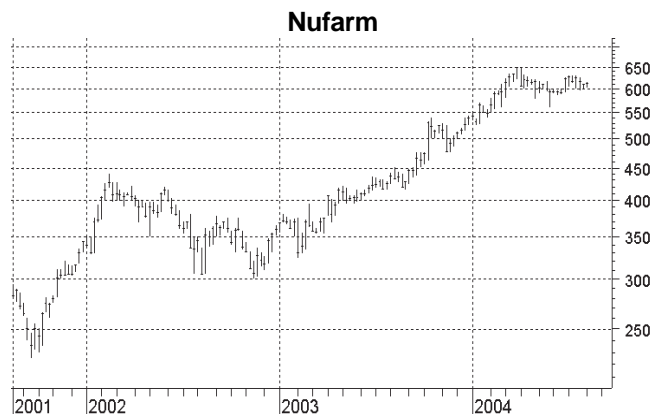
Sadly the 9% per annum total return from Nufarm makes this a relatively *unsuccessful* investment for us. Even more sadly, many institutional investors would be very happy with that rate of return!

Nufarm shares still trade on a low Price/Sales ratio of 0.64 and a low Price/Earnings ratio of 12 but also have a low Dividend Yield of 3.3%. With a low dividend payout ratio (i.e. with all the funds retained in the business) we feel that Nufarm should have been able to grow its profits faster. Expectations are for further moderate growth in the future. That isn't too bad, but we think we can do better elsewhere.

Furthermore, Nufarm *may* soon experience stronger competition in Australia and New Zealand which will erode margins and slow growth over the next couple of years. Israel based **Makhteshim-Agan** has been seeking to sell in Australia for many years but has just paid \$22 million to acquire **Farmoz**. This will give it \$100 million in local revenues (9% of the Australian market) and it intends to lift this to \$250 million over three years. The market for agricultural chemicals is growing at just 2% annually, so this growth will require *increased competition* to win market share. This is not a favourable environment for Nufarm, so now is probably a good time to exit this shareholding.

**Summary and Recommendation**

As indicated over the last year, we have been looking for an opportunity to sell our Nufarm shares but have *let our profits run* as the share price rose strongly during 2003. That strong uptrend has slowed - and the company now faces a potential increase in competition - so we recommend the sale of Nufarm shares.



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

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

| Company   | STRENGTH RATING |           |           |           |                  | Price to NTA | Return on Equity | Volatility | Price/Earn. Ratio | Dividend Yield | Price Sales Ratio | Market Cap'n |
|---|-----------------|-----------|-----------|-----------|------------------|--------------|------------------|------------|-------------------|----------------|-------------------|--------------|
|   | Share Price     | Cur. rent | 4-Wk Chg. | Rank 0-99 | Insider Buy/Sell |              |                  |            |                   |                |                   |              |
| <b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0 |                 |           |           |           |                  |              |                  |            |                   |                |                   |              |
| Richmond Hold.  | 312             | +7.2      | +4.5      | 29        | 0-1              | -1.0         | 10               | 0.6        | 10                | 3.6            | 0.10              | 128          |
| Smiths City   | 75              | +16.8     | +8.9      | 6         | 0-1              | -1.3         | 14               | 0.9        | 9                 | 7.0            | 0.19              | 40           |
| Col Motor Co  | 303             | +1.4      | -0.4      | 60        | 1-0              | -1.0         | 8                | 0.5        | 12                | 9.1            | 0.22              | 84           |
| Renaissance   | 72              | +11.0     | -2.4      | 15        | 0-2              | -2.9         | 15               | 1.2        | 20                | 14.5           | 0.27              | 27           |
| Mainfreight Grp   | 200             | +7.7      | -2.1      | 26        | 0-2              | 4            | 2.6              | 8          | 0.8               | 34             | 4.9               | 191          |
| Wrightson Ltd   | 143             | +3.9      | -1.0      | 43        | 0-6              | 4            | 1.6              | 15         | 1.2               | 11             | 12.0              | 195          |
| Allied Farmers  | 175             | +8.6      | +0.0      | 21        | 0-1              | -1.0         | 9                | 0.9        | 12                | 6.3            | 0.40              | 28           |
| Restaurant Brds   | 133             | +0.5      | -1.1      | 63        | 2-0              | 4            | 2.4              | 23         | 1.1               | 10             | 11.2              | 126          |
| Williams Kettle   | 315             | +0.3      | +2.9      | 64        | 1-1              | -0.9         | 9                | 0.6        | 10                | 11.4           | 0.42              | 70           |
| Ebos Group Ltd  | 370             | +2.3      | +0.2      | 55        | 0-0              | -2.3         | 15               | 0.7        | 16                | 6.6            | 0.45              | 101          |
| Nuplex Indust   | 525             | +10.4     | -1.1      | 18        | 3-0              | 5            | 2.0              | 14         | 0.8               | 14             | 5.7               | 322          |
| Vertex Group  | 165             | +5.0      | -2.3      | 36        | 0-4              | -2.2         | 20               | 0.9        | 11                | 3.6            | 0.60              | 53           |
| Fletcher Build.   | 484             | +5.6      | +0.4      | 34        | 8-0              | 5            | 2.4              | 20         | 0.6               | 12             | 5.9               | 1,965        |
| Broadway Ind  | 112             | +18.8     | -0.1      | 4         | 1-0              | -2.4         | 15               | 0.6        | 16                | 1.8            | 0.61              | 22           |
| Design Textiles   | 115             | +4.3      | +1.9      | 40        | 1-0              | -2.9         | 27               | 1.2        | 11                | 5.4            | 0.61              | 37           |
| Tower Limited   | 196             | +10.3     | +0.1      | 19        | 0-0              | 7            | 0.4              | 0          | 1.0               | 204            | 7.7               | 803          |
| Seeka Kiwifruit   | 500             | +8.5      | +0.7      | 22        | 1-0              | -1.6         | 12               | 0.7        | 13                | 5.4            | 0.79              | 40           |
| Dorchester Pac  | 276             | +7.7      | -3.3      | 27        | 0-1              | -1.9         | 20               | 0.9        | 10                | 5.4            | 0.79              | 57           |
| Mr Chips Hold   | 123             | +10.8     | +3.3      | 16        | 0-0              | -2.4         | 16               | 1.1        | 15                | 6.1            | 0.85              | 30           |
| Teantalk Ltd  | 247             | +2.7      | +1.7      | 52        | 0-0              | -2.7         | 11               | 1.0        | 24                | 9.1            | 0.91              | 50           |

|  |     |       |       |    |     |      |     |     |     |      |      |       |
|--|-----|-------|-------|----|-----|------|-----|-----|-----|------|------|-------|
| <b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0 |     |       |       |    |     |      |     |     |     |      |      |       |
| Affco Holdings   | 40  | +27.3 | +9.3  | 1  | 0-0 | -1.4 | 10  | 1.0 | 13  | Nil  | 0.24 | 217   |
| Broadway Ind   | 112 | +18.8 | -0.1  | 4  | 1-0 | -2.4 | 15  | 0.6 | 16  | 1.8  | 0.61 | 22    |
| Smiths City  | 75  | +16.8 | +8.9  | 6  | 0-1 | -1.3 | 14  | 0.6 | 9   | 7.0  | 0.19 | 40    |
| Cabletalk Group  | 42  | +13.8 | +15.5 | 11 | 3-1 | -2.8 | 39  | 1.7 | 7   | Nil  | 0.24 | 13    |
| Renaissance  | 72  | +11.0 | -2.4  | 15 | 0-2 | -2.9 | 15  | 0.9 | 20  | 14.5 | 0.27 | 27    |
| Mr Chips Hold  | 123 | +10.8 | +3.3  | 16 | 0-0 | -2.4 | 16  | 0.9 | 15  | 6.1  | 0.85 | 30    |
| Nuplex Indust  | 525 | +10.4 | -1.1  | 18 | 3-0 | 5    | 2.0 | 14  | 0.7 | 14   | 5.7  | 322   |
| Allied Farmers   | 175 | +8.6  | +0.0  | 21 | 0-1 | -1.0 | 9   | 0.8 | 12  | 6.3  | 0.40 | 28    |
| Seeka Kiwifruit  | 500 | +8.5  | +0.7  | 22 | 1-0 | -1.6 | 12  | 0.6 | 13  | 5.4  | 0.79 | 40    |
| Dorchester Pac   | 276 | +7.7  | -3.3  | 27 | 0-1 | -1.9 | 20  | 0.7 | 10  | 5.4  | 0.79 | 57    |
| Richmond Hold.   | 312 | +7.2  | +4.5  | 29 | 0-1 | -1.0 | 10  | 0.4 | 10  | 3.6  | 0.10 | 128   |
| Fletcher Build.  | 484 | +5.6  | +0.4  | 34 | 8-0 | 5    | 2.4 | 20  | 0.5 | 12   | 5.9  | 1,965 |
| Vertex Group   | 165 | +5.0  | -2.3  | 36 | 0-4 | -2.2 | 20  | 0.9 | 11  | 3.6  | 0.60 | 53    |
| Richina Pacific  | 45  | +4.3  | +0.6  | 40 | 0-0 | -0.9 | 5   | 1.2 | 17  | Nil  | 0.15 | 65    |
| Design Textiles  | 115 | +4.3  | +1.9  | 40 | 1-0 | -2.9 | 27  | 1.0 | 11  | 5.4  | 0.61 | 37    |
| CDL Hotel NZ   | 47  | +4.0  | +1.0  | 42 | 0-1 | -0.7 | 7   | 1.2 | 10  | 4.4  | 0.98 | 164   |
| Wrightson Ltd  | 143 | +3.9  | -1.0  | 43 | 0-6 | 4    | 1.6 | 15  | 1.1 | 11   | 12.0 | 195   |
| Hellaby Hold.  | 550 | +2.9  | +1.1  | 50 | 1-1 | 2    | 2.9 | 24  | 0.4 | 12   | 7.1  | 271   |
| Carter Holt  | 214 | +2.7  | -0.6  | 51 | 2-0 | 6    | 0.9 | 6   | 0.8 | 15   | 2.8  | 3,730 |
| Ebos Group Ltd   | 370 | +2.3  | +0.2  | 55 | 0-0 | -2.3 | 15  | 0.6 | 16  | 6.6  | 0.45 | 101   |

|  |      |       |      |    |     |      |     |     |     |     |      |     |
|--|------|-------|------|----|-----|------|-----|-----|-----|-----|------|-----|
| <b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million |      |       |      |    |     |      |     |     |     |     |      |     |
| Wrightson Ltd  | 143  | +3.9  | -1.0 | 43 | 0-6 | 4    | 1.6 | 15  | 1.0 | 11  | 12.0 | 195 |
| Restaurant Brds  | 133  | +0.5  | -1.1 | 63 | 2-0 | 4    | 2.4 | 23  | 0.9 | 10  | 11.2 | 126 |
| Lyttelton Port   | 170  | -0.8  | +1.4 | 72 | 0-0 | 5    | 3.5 | 27  | 0.7 | 13  | 9.7  | 173 |
| Hallenstein G.   | 331  | +3.3  | +0.9 | 47 | 1-2 | 3    | 4.5 | 26  | 0.4 | 17  | 8.3  | 195 |
| Skellmax Indust  | 132  | +3.0  | +0.6 | 49 | 0-0 | -5.1 | 49  | 0.7 | 10  | 7.9 | 1.37 | 132 |
| NZ Refining Co   | 2300 | +11.5 | +2.2 | 14 | 0-0 | 1    | 1.7 | 12  | 0.1 | 15  | 7.8  | 552 |
| Steel & Tube   | 441  | +4.6  | +1.8 | 38 | 1-0 | 5    | 3.1 | 17  | 0.6 | 18  | 7.8  | 387 |
| Briscoe Group  | 135  | -10.1 | +1.2 | 92 | 0-0 | 6    | 3.2 | 26  | 1.0 | 12  | 7.7  | 284 |
| Tower Limited  | 196  | +10.3 | +0.1 | 19 | 0-0 | 7    | 0.4 | 0   | 0.7 | 204 | 7.7  | 803 |
| Cavalier Corp  | 490  | -1.8  | +1.0 | 75 | 1-2 | 2    | 5.0 | 29  | 0.4 | 17  | 7.6  | 309 |

|   |      |       |      |    |     |      |     |     |     |     |      |       |       |
|---|------|-------|------|----|-----|------|-----|-----|-----|-----|------|-------|-------|
| <b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0 |      |       |      |    |     |      |     |     |     |     |      |       |       |
| Fletcher Build.   | 484  | +5.6  | +0.4 | 34 | 8-0 | 5    | 2.4 | 20  | 0.4 | 12  | 5.9  | 1,965 |       |
| Michael Hill  | 616  | +9.4  | -1.1 | 20 | 6-0 | 3    | 4.7 | 20  | 0.4 | 23  | 4.1  | 1.05  | 237   |
| Tourism Hold.   | 187  | +8.4  | +1.0 | 23 | 4-0 | 3    | 1.0 | 5   | 0.7 | 23  | 6.4  | 1.05  | 184   |
| Cue Energy Ltd  | 9    | +0.9  | -0.4 | 61 | 3-0 | -0.8 | 2   | 2.1 | 40  | Nil | 3.71 | 28    |       |
| NGC Holdings  | 296  | +13.7 | +0.1 | 12 | 3-0 | -2.8 | 9   | 0.6 | 31  | 3.0 | 3.44 | 1,311 |       |
| F & P Appliance   | 475  | +8.0  | -2.1 | 24 | 3-0 | 4    | 2.2 | 15  | 0.6 | 15  | 6.4  | 1.32  | 1,243 |
| Urbus Property  | 98   | +2.5  | +0.5 | 53 | 3-0 | -0.4 | 10  | 0.6 | 5   | 9.2 | 2.33 | 110   |       |
| Nuplex Indust   | 525  | +10.4 | -1.1 | 18 | 3-0 | 5    | 2.0 | 14  | 0.6 | 14  | 5.7  | 322   |       |
| Metro. LifeCare   | 236  | +4.6  | -0.1 | 37 | 2-0 | 1    | 1.4 | 10  | 0.7 | 14  | 2.1  | 1.85  | 204   |
| F & P Health.   | 1330 | +4.3  | -0.1 | 41 | 2-0 | 5    | 7.1 | 29  | 0.5 | 25  | 5.8  | 6.33  | 1,360 |

|  |     |       |      |    |     |      |     |     |     |      |      |      |       |
|--|-----|-------|------|----|-----|------|-----|-----|-----|------|------|------|-------|
| <b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0 |     |       |      |    |     |      |     |     |     |      |      |      |       |
| Ports Auckland   | 705 | -3.5  | -0.7 | 80 | 1-0 | 6    | 2.1 | 12  | 0.4 | 17   | 7.2  | 4.46 | 747   |
| Lyttelton Port   | 170 | -0.8  | +1.4 | 72 | 0-0 | 5    | 3.5 | 27  | 0.6 | 13   | 9.7  | 2.85 | 173   |
| South Port NZ  | 145 | -2.7  | +1.3 | 79 | 0-0 | 2    | 1.6 | 11  | 0.7 | 15   | 6.9  | 2.59 | 38    |
| Nuhaka Forestry  | 470 | -3.1  | -0.7 | 80 | 0-0 | -0.9 | -   | 0.3 | NE  | 13.4 | 2.41 | 8    |       |
| Media Tech.  | 14  | -17.2 | -1.2 | 96 | 0-3 | -2.2 | -   | 2.7 | NE  | Nil  | 2.37 | 12   |       |
| Ind Newspapers   | 468 | -0.6  | -1.4 | 70 | 0-0 | 2    | 1.3 | 5   | 0.7 | 25   | 3.0  | 2.12 | 1,650 |

|   |     |       |      |    |     |       |     |     |     |     |      |      |       |
|---|-----|-------|------|----|-----|-------|-----|-----|-----|-----|------|------|-------|
| <b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average |     |       |      |    |     |       |     |     |     |     |      |      |       |
| Widespread Port   | 3   | -42.7 | +2.7 | 98 | 0-0 | -1.1  | -   | 2.1 | NE  | Nil | N/A  | 7    |       |
| Media Tech.   | 14  | -17.2 | -1.2 | 96 | 0-3 | -2.2  | -   | 2.6 | NE  | Nil | 2.37 | 12   |       |
| SkyCity Leisure   | 76  | -16.7 | +0.2 | 96 | 0-0 | -2.8  | 11  | 1.5 | 25  | Nil | 1.29 | 52   |       |
| Abano Health.   | 13  | -15.6 | +2.3 | 95 | 0-0 | -0.6  | 3   | 1.4 | 23  | Nil | 0.43 | 25   |       |
| Blis Technology   | 13  | -11.9 | -3.8 | 93 | 0-1 | -2.6  | -   | 1.5 | NE  | Nil | N/A  | 8    |       |
| WN Drive Tech.  | 46  | -11.8 | -3.2 | 93 | 0-2 | -25.3 | -   | 0.9 | NE  | Nil | N/A  | 58   |       |
| Genesis Res.  | 74  | -10.0 | +2.6 | 91 | 0-0 | -0.7  | -   | 1.1 | NE  | Nil | 1.94 | 19   |       |
| Blue Chip NZ  | 120 | -9.4  | -0.3 | 90 | 0-0 | -     | -   | 1.2 | NE  | Nil | 0.45 | 62   |       |
| Evergren  | 39  | -9.1  | -1.0 | 89 | 0-0 | -0.7  | -   | 0.7 | NE  | Nil | 1.60 | 59   |       |
| Botry-Zen Ltd   | 9   | -7.7  | -4.9 | 88 | 0-2 | -8.7  | -   | 1.3 | NE  | Nil | N/A  | 15   |       |
| A2 Corporation  | 10  | -6.1  | -0.2 | 87 | 0-0 | -1.0  | -   | 1.5 | NE  | Nil | N/A  | 9    |       |
| Summit Gold Ltd   | 6   | -5.9  | +0.6 | 86 | 0-0 | -1.4  | -   | 1.9 | NE  | Nil | N/A  | 5    |       |
| VTL Group Ltd   | 96  | -5.8  | -3.3 | 86 | 0-0 | -1.5  | 14  | 1.2 | 11  | Nil | 1.26 | 29   |       |
| Warehouse Group   | 441 | -5.7  | +1.3 | 85 | 3-0 | 7     | 3.9 | 23  | 0.6 | 17  | 4.9  | 0.66 | 1,347 |
| Cadmus Tech Ltd   | 11  | -5.3  | +1.1 | 85 | 0-2 | -2.5  | 6   | 1.5 | 43  | Nil | 1.33 | 18   |       |
| Sanford Limited   | 465 | -5.0  | -1.3 | 84 | 0-1 | 2     | 1.0 | 9   | 0.4 | 11  | 6.2  | 1.29 | 445   |
| Norland Port  | 265 | -4.9  | -0.3 | 83 | 0-0 | 1     | 2.5 | 10  | 0.6 | 27  | 4.7  | N/A  | 110   |
| Air New Zealand   | 40  | -4.8  | -0.0 | 82 | 0-0 | 5     | 1.1 | 16  | 1.1 | 7   | Nil  | 0.32 | 1,169 |
| Finzsoft Sol'ns   | 85  | -4.5  | -7.9 | 81 | 0-0 | -2.2  | 10  | 0.5 | 22  | Nil | 1.30 | 7    |       |
| NZ Experience   | 26  | -3.7  | -0.4 | 81 | 0-0 | -1.7  | 15  | 1.2 | 11  | Nil | 1.86 | 15   |       |

|   |     |       |      |    |     |       |     |     |     |     |      |      |     |
|---|-----|-------|------|----|-----|-------|-----|-----|-----|-----|------|------|-----|
| <b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0 |     |       |      |    |     |       |     |     |     |     |      |      |     |
| Media Tech.   | 14  | -17.2 | -1.2 | 96 | 0-3 | -2.2  | -   | 2.6 | NE  | Nil | 2.37 | 12   |     |
| Cadmus Tech Ltd   | 11  | -5.3  | +1.1 | 85 | 0-2 | -2.5  | 6   | 1.5 | 43  | Nil | 1.33 | 18   |     |
| WN Drive Tech.  | 46  | -11.8 | -3.2 | 93 | 0-2 | -25.3 | -   | 0.9 | NE  | Nil | N/A  | 58   |     |
| Botry-Zen Ltd   | 9   | -7.7  | -4.9 | 88 | 0-2 | -8.7  | -   | 1.2 | NE  | Nil | N/A  | 15   |     |
| Blis Technology   | 13  | -11.9 | -3.8 | 93 | 0-1 | -2.6  | -   | 1.4 | NE  | Nil | N/A  | 8    |     |
| Postie Plus Grp   | 104 | -2.7  | +2.1 | 78 | 0-1 | -4.4  | 32  | 0.5 | 14  | Nil | 0.54 | 42   |     |
| Sanford Limited   | 465 | -5.0  | -1.3 | 84 | 0-1 | 2     | 1.0 | 9   | 0.4 | 11  | 6.2  | 1.29 | 445 |
| Kiwi Property   | 105 | -1.5  | -0.6 | 73 | 0-1 | 5     | 0.9 | 7   | 0.4 | 14  | 8.2  | 9.40 | 684 |
| Cavalier Corp   |     |       |      |    |     |       |     |     |     |     |      |      |     |

# 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.

| STRENGTH/RATING   |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              | STRENGTH/RATING  |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              |
|---|-------------|-----------|-----------|-----------|------------------|-------------------|--------------|------------------|------------------|-------------------|----------------|-------------------|--------------|--|-------------|-----------|-----------|-----------|------------------|-------------------|--------------|------------------|------------------|-------------------|----------------|-------------------|--------------|
| Company   | Share Price | Cur. rent | 4-Wk Chg. | Rank 0/99 | Insider Buy/Sell | Brokers Following | Price to NTA | Return on Equity | Vola-til. Equity | Price/Earn. 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 to NTA | Return on Equity | Vola-til. Equity | Price/Earn. Ratio | Dividend Yield | Price/Sales Ratio | Market Cap'n |
| <b>OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength &lt; 0</b>               |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              | <b>INSIDER SELLING: Most Insider Selling, Relative Strength &lt; 0</b> |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              |
| Argosy Minerals   | 12          | -22.2     | -0.9      | 93        | 0.0              | -                 | -            | -                | 1.4              | NE                | Nil            | 9.84              | 12           | Oroya Mining   | 7           | -26.5     | -0.4      | 96        | 0.0              | -                 | -            | -                | 1.6              | NE                | Nil            | N/A               | 8            |
| Unwired Group   | 65          | -26.3     | +3.1      | 96        | 1.0              | -                 | 1.9          | 20               | 1.6              | 10                | Nil            | 9.63              | 114          | Unwired Group  | 65          | -26.3     | +3.1      | 96        | 1.0              | -                 | 1.9          | 20               | 1.5              | 10                | Nil            | 9.63              | 114          |
| Homeloans Ltd   | 32          | -7.4      | -0.5      | 67        | 0.0              | -                 | 1.0          | -                | 0.6              | NE                | Nil            | 9.58              | 16           | Rockeby Biomed   | 8           | -26.1     | -3.9      | 96        | 2.0              | -                 | 1.9          | -                | 1.3              | NE                | Nil            | N/A               | 7            |
| Visionmed Group   | 4           | -25.0     | -2.8      | 95        | 1.0              | -                 | -            | -                | 2.2              | NE                | Nil            | 9.49              | 7            | Gindalbie Gold   | 7           | -26.0     | -2.0      | 96        | 1.1              | -                 | -            | -                | 1.3              | NE                | Nil            | 0.35              | 12           |
| Genetic Tech.   | 34          | -12.9     | -1.3      | 80        | 2.1              | -                 | 6.7          | -                | 0.9              | NE                | Nil            | 9.49              | 88           | Horizon Oil Ltd  | 7           | -25.8     | -2.6      | 96        | 2.0              | -                 | -            | -                | 1.5              | NE                | Nil            | N/A               | 32           |
| Cullen Resource   | 4           | -12.5     | +5.6      | 79        | 2.0              | -                 | -            | -                | 1.9              | 51                | Nil            | 9.47              | 10           | E.R.G.   | 35          | -25.2     | -2.0      | 95        | 0.0              | 1                 | 1.5          | -                | 1.0              | NE                | Nil            | 0.40              | 211          |
| Northern Gold   | 30          | -4.7      | -0.5      | 62        | 3.0              | -                 | -            | -                | 0.6              | NE                | Nil            | 9.15              | 44           | ITL Limited  | 27          | -25.1     | -2.7      | 95        | 1.0              | -                 | -            | -                | 0.8              | NE                | Nil            | N/A               | 27           |
| Oxiana Ltd  | 80          | -3.8      | -0.2      | 59        | 0.1              | -                 | 4.0          | 4                | 0.6              | 93                | Nil            | 8.60              | 758          | Visionmed Group  | 4           | -25.0     | -2.8      | 95        | 1.0              | -                 | -            | -                | 2.1              | NE                | Nil            | 9.49              | 7            |
| ABC Learning  | 355         | -2.8      | -0.8      | 55        | 0.6              | -                 | 2.1          | 7                | 0.4              | 29                | 2.0            | 8.46              | 346          | Stericorp Ltd  | 7           | -24.0     | +2.5      | 94        | 4.0              | -                 | 1.1          | -                | 1.5              | NE                | Nil            | 0.46              | 7            |
| Int'l Goldfield   | 30          | -2.6      | -10.3     | 54        | 0.0              | -                 | -            | -                | 0.9              | 14                | Nil            | 8.29              | 9            | Environ. Sol'n   | 11          | -24.0     | +1.7      | 94        | 3.0              | -                 | 1.4          | -                | 1.0              | NE                | Nil            | 0.57              | 8            |
| Pacific Hydro   | 294         | -1.6      | +1.7      | 51        | 2.1              | 5                 | 2.0          | 16               | 0.4              | 13                | 1.7            | 8.11              | 380          | RMG Limited  | 3           | -23.8     | +0.1      | 94        | 1.0              | -                 | -            | -                | 2.7              | NE                | Nil            | 0.51              | 18           |
| Polartech   | 47          | -19.3     | -7.1      | 91        | 1.0              | 1                 | 2.3          | -                | 0.7              | NE                | Nil            | 7.54              | 22           | Select Vaccines  | 32          | -23.7     | +0.9      | 94        | 2.5              | -                 | 5.3          | -                | 0.9              | NE                | Nil            | N/A               | 7            |
| Knights Insol.  | 69          | -0.8      | -2.9      | 47        | 2.1              | -                 | 4.9          | 16               | 0.7              | 31                | Nil            | 7.43              | 36           | Milepede Int'l   | 12          | -23.3     | -0.1      | 94        | 0.0              | -                 | 4.0          | -                | 1.0              | NE                | Nil            | N/A               | 8            |
| Renew. Energy   | 12          | -3.9      | +1.1      | 59        | 2.0              | -                 | 1.0          | -                | 1.2              | NE                | Nil            | 7.23              | 8            | Prime Life Corp  | 130         | -22.3     | -4.7      | 93        | 2.4              | 1                 | 0.9          | -                | 0.5              | NE                | Nil            | 0.60              | 70           |
| Sino Gold Ltd   | 205         | -9.7      | -0.6      | 73        | 0.0              | -                 | -            | -                | 0.7              | 78                | Nil            | 7.08              | 264          | VRI Biomedical   | 14          | -22.2     | +2.0      | 93        | 0.1              | -                 | 4.7          | -                | 1.4              | NE                | Nil            | 5.43              | 9            |
| Amity Oil NL  | 68          | -8.8      | +3.4      | 70        | 4.3              | -                 | -            | -                | 0.7              | 378               | Nil            | 6.96              | 108          | Argosy Minerals  | 12          | -22.2     | -0.9      | 93        | 0.0              | -                 | -            | -                | 1.3              | NE                | Nil            | 9.84              | 12           |
| Alkane Explor.  | 20          | -19.4     | -2.6      | 91        | 8.4              | -                 | -            | -                | 1.2              | NE                | Nil            | 6.87              | 26           | Occupational Md  | 160         | -22.0     | -0.2      | 93        | 1.0              | -                 | 13.3         | -                | 0.4              | NE                | Nil            | N/A               | 42           |
| Sylvania Res.   | 28          | -13.4     | -4.4      | 81        | 1.0              | -                 | -            | -                | 1.1              | NE                | Nil            | 6.73              | 8            | Climax Mining  | 9           | -20.9     | +1.3      | 92        | 1.0              | -                 | -            | -                | 1.8              | NE                | Nil            | N/A               | 24           |
| China West Int.   | 9           | -16.8     | -6.3      | 88        | 0.0              | -                 | 0.5          | -                | 2.1              | NE                | Nil            | 6.67              | 30           | Intermoco Ltd  | 4           | -20.7     | +2.7      | 92        | 1.1              | -                 | -            | -                | 1.6              | NE                | Nil            | N/A               | 21           |
| Aust Stock Exch   | 1570        | -1.3      | -0.5      | 49        | 3.5              | 9                 | 7.9          | 41               | 0.6              | 19                | 3.6            | 6.64              | 1,602        | Medical Corp   | 16          | -20.7     | -1.8      | 92        | 1.0              | -                 | 5.3          | -                | 1.2              | NE                | Nil            | N/A               | 19           |
| Ambri Limited   | 31          | -2.8      | -2.0      | 55        | 0.0              | 1                 | 2.4          | -                | 1.3              | NE                | Nil            | 6.64              | 16           | Alpha Tech.  | 1           | -20.4     | -0.5      | 92        | 0.0              | -                 | -            | -                | 3.3              | NE                | Nil            | 0.52              | 6            |
| Bounty Oil Gas  | 12          | -10.0     | +0.8      | 73        | 0.0              | -                 | -            | -                | 1.6              | NE                | Nil            | 6.45              | 10           | Austpac Res  | 4           | -20.3     | +4.0      | 92        | 0.0              | -                 | -            | -                | 1.9              | NE                | Nil            | N/A               | 17           |
| Mosaic Oil NL   | 19          | -2.1      | -3.1      | 52        | 0.1              | 1                 | -            | -                | 0.9              | 56                | Nil            | 6.40              | 73           | QPSX Limited   | 17          | -20.2     | -14.3     | 92        | 1.2              | -                 | 8.3          | -                | 1.0              | NE                | Nil            | N/A               | 22           |
| Mineral Sec.  | 86          | -14.3     | +0.8      | 83        | 1.0              | -                 | 1.1          | -                | 0.7              | NE                | Nil            | 6.35              | 32           | Multi-media Ltd  | 4           | -20.0     | -4.3      | 92        | 1.11             | -                 | 3.8          | -                | 2.6              | NE                | Nil            | 1.44              | 33           |
| Lihir Gold  | 106         | -10.4     | +3.5      | 75        | 0.0              | 10                | 2.4          | 6                | 0.4              | 39                | 1.9            | 6.35              | 1,361        | Novera Energy  | 18          | -20.0     | -3.1      | 92        | 3.0              | -                 | 2.3          | -                | 1.0              | NE                | Nil            | 1.34              | 37           |
| Pro Medicus Ltd   | 60          | -10.7     | -3.1      | 76        | 0.0              | 2                 | 6.0          | 46               | 0.5              | 13                | 5.4            | 6.32              | 60           | Marlborough Res  | 2           | -19.8     | +0.9      | 91        | 0.0              | -                 | -            | -                | 2.3              | NE                | Nil            | 1.32              | 12           |
| Easycall Int'l  | 10          | -1.3      | +4.3      | 49        | 0.0              | -                 | 1.4          | -                | 1.3              | NE                | Nil            | 5.75              | 25           | Ezenet Limited   | 14          | -19.7     | -7.8      | 91        | 1.0              | -                 | 4.5          | -                | 1.5              | NE                | Nil            | N/A               | 5            |
| Bionomics Ltd   | 21          | -17.3     | -0.9      | 89        | 0.0              | -                 | 1.9          | -                | 1.3              | NE                | Nil            | 5.69              | 9            | Sipa Resources   | 11          | -19.6     | +5.0      | 91        | 0.0              | -                 | -            | -                | 1.3              | 14                | Nil            | 0.70              | 22           |
| Biota Holdings  | 55          | -3.1      | -4.8      | 56        | 2.0              | 1                 | 2.0          | -                | 1.0              | NE                | Nil            | 5.57              | 41           | ETT Ltd  | 32          | -19.6     | -4.2      | 91        | 0.0              | -                 | 5.3          | -                | 0.8              | NE                | Nil            | N/A               | 191          |
| Luminus Systems   | 7           | -0.0      | +0.0      | 42        | 0.0              | -                 | -            | -                | 1.4              | NE                | Nil            | 5.46              | 21           | Prima Biomed   | 19          | -19.4     | +0.1      | 91        | 7.4              | -                 | 2.7          | -                | 1.2              | NE                | Nil            | N/A               | 10           |
| Grange Resource   | 56          | -2.0      | -1.1      | 52        | 6.0              | -                 | -            | -                | 0.7              | NE                | Nil            | 5.44              | 37           | Alkane Explor.   | 20          | -19.4     | -2.6      | 91        | 8.4              | -                 | -            | -                | 1.1              | NE                | Nil            | 6.87              | 26           |
| VRI Biomedical  | 14          | -22.2     | +2.0      | 93        | 0.1              | -                 | 4.7          | -                | 1.5              | NE                | Nil            | 5.43              | 9            | Polartech  | 47          | -19.3     | -7.1      | 91        | 1.0              | 1                 | 2.3          | -                | 0.6              | NE                | Nil            | 7.54              | 22           |
| Astro Mining NL   | 7           | -10.7     | -8.5      | 75        | 0.1              | -                 | -            | -                | 2.3              | NE                | Nil            | 5.28              | 10           | Eqitx Limited  | 22          | -19.3     | -2.8      | 91        | 0.0              | -                 | 1.7          | -                | 0.7              | NE                | Nil            | N/A               | 6            |
| CBD Energy Ltd  | 42          | -11.3     | -2.0      | 77        | 6.0              | -                 | 7.0          | -                | 1.4              | NE                | Nil            | 5.25              | 6            | Molopo Aust  | 3           | -18.9     | -2.1      | 90        | 0.0              | -                 | -            | -                | 1.8              | NE                | Nil            | 3.47              | 8            |
| Stratetel Ltd   | 11          | -3.6      | -0.2      | 58        | 0.1              | -                 | 5.5          | -                | 1.0              | NE                | Nil            | 5.19              | 6            | Sirtex Medical   | 253         | -18.8     | -3.5      | 90        | 1.0              | -                 | 9.4          | 21               | 0.5              | 44                | Nil            | N/A               | 140          |
| SDI Limited   | 855         | -5.8      | -2.5      | 65        | 0.1              | -11.6             | 32           | 0.2              | 3.7              | 0.9               | 5.16           | 199               | Golden Cross | 5  | -18.5       | +0.2      | 90        | 0.0       | -                | -                 | -            | 1.4              | NE               | Nil               | N/A            | 6                 |              |
| BMA Gold Ltd  | 21          | -16.7     | +1.0      | 88        | 1.0              | -                 | -            | -                | 1.3              | 12                | Nil            | 5.11              | 15           | KLM Group Ltd  | 22          | -18.5     | +6.6      | 90        | 2.0              | -                 | 2.4          | -                | 0.9              | NE                | Nil            | 0.34              | 6            |
| Tantalum Aust.  | 6           | -10.7     | -0.7      | 75        | 0.0              | -                 | -            | -                | 1.7              | NE                | Nil            | 5.09              | 13           | Essential Pet.   | 9           | -18.3     | -4.6      | 90        | 0.0              | -                 | -            | -                | 1.3              | NE                | Nil            | N/A               | 12           |
| Aquarius Plat.  | 608         | -11.0     | +0.8      | 76        | 1.0              | -                 | -            | -                | 0.5              | 46                | 0.3            | 5.01              | 485          | <b>INSIDER SELLING: Most Insider Selling, Relative Strength &lt; 0</b> |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              |
| Bullion Min.  | 19          | -3.0      | +1.0      | 56        | 13.4             | -                 | -            | -                | 1.2              | NE                | Nil            | 5.00              | 7            | Sunland Group  | 106         | -2.7      | -1.7      | 55        | 3.14             | -                 | 1.6          | 23               | 0.4              | 7                 | 2.8            | 0.85              | 225          |
| Gradipore Ltd   | 68          | -4.9      | +0.3      | 63        | 4.0              | -                 | 1.7          | -                | 0.6              | NE                | Nil            | 4.74              | 33           | Multi-media Ltd  | 4           | -20.0     | -4.3      | 92        | 1.11             | -                 | 3.8          | -                | 2.5              | NE                | Nil            | 1.44              | 33           |
| RIM Capital Ltd   | 6           | -12.9     | -3.3      | 80        | 4.1              | -                 | 0.5          | -                | 2.4              | NE                | Nil            | 4.72              | 5            | Aust Energy  | 105         | -2.0      | -11.1     | 52        | 0.8              | -13.1             | 58           | 0.5              | 23               | 1.0               | 0.89           | 46                |              |
| Zimbabwe Plat.  | 375         | -2.2      | -0.3      | 53        | 0.0              | -                 | -            | -                | 0.3              | 43                | Nil            | 4.71              | 336          | Con Broken Hill  | 20          | -2.9      | +0.5      | 56        | 0.8              | -                 | -            | -                | 1.6              | NE                | Nil            | N/A               | 43           |
| Titan Resources   | 29          | -16.1     | -1.1      | 87        | 0.3              | -                 | 1.9          | 12               | 1.0              | 17                | Nil            | 4.60              | 49           | Ammtec Ltd   | 159         | -1.9      | +1.0      | 52        | 0.8              | -                 | 4.2          | 30               | 0.2              | 14                | 5.7            | 2.74              | 30           |
| Scigen Ltd  | 7           | -10.8     | +1.5      | 76        | 0.0              | -                 | 3.4          | -                | 1.6              | NE                | Nil            | 4.56              | 16           | Macmin Silver  | 15          | -12.3     | +1.1      | 79        | 0.6              | -                 | -            | -                | 0.9              | NE                | Nil            | N/A               | 41           |
| Asset Backed  | 12          | -15.9     | -1.9      | 86        | 0.0              | -                 | 0.7          | -                | 1.6              | NE                | Nil            | 4.49              | 6            | ABC Learning   | 355         | -2.8      | -0.8      | 55        | 0.6              | -                 | 2.1          | 7                | 0.4              | 29                | 2.0            | 8.46              | 346          |
| Minara Resource   | 218         | -4.6      | -1.3      | 61        | 0.0              | -                 | -            | -                | 1.0              | NE                | Nil            | 4.47              | 1,006        | Lionore Mining   | 585         | -5.4      | +1.8      | 64        | 2.7              | -                 | -            | -                | 0.5              | 15                | Nil            | 2.91              | 1,135        |
| Carnegie Corp   | 2           | -2.6      | -1.5      | 54        | 1.0              | -                 | -            | -                | 2.5              | NE                | Nil            | 4.40              | 5            | Austin Group   | 67          | -0.6      | -0.1      | 46        | 0.4              | -                 | 3.0          | 30               | 0.4              | 10                | 6.0            | 0.76              | 42           |
| Webjet NL   | 4           | -8.5      | -2.9      | 70        | 1.5              | -                 | -            | -                | 1.7              | NE                | Nil            | 4.33              | 6            | Adtrans Group  | 369         | -1.6      | -0.2      | 51        | 0.4              | 2                 | 2.5          | 22               | 0.2              | 11                | 5.6            | 0.16              | 84           |
| OFM Investment  | 217         | -0.7      | -1.0      | 46        | 5.0              | -                 | 1.4          | 10               | 0.4              | 14                | 5.1            | 4.32              | 101          | Resonance Hlth   | 13          | -16.7     | -0.6      | 88        | 1.5              | -                 | 4.2          | -                | 1.0              | NE                | Nil            | N/A               | 5            |
| <b>WORST PERFORMING SHARES: Weakest Shares, P/S Ratio &gt; 0.25, Yield &lt; Twice Average</b> |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              | Webjet NL  | 4           | -8.5      | -2.9      | 70        | 1.5              | -                 | -            | -                | 1.4              | NE                | Nil            | 4.33              | 6            |
| Open Telecom.   | 55          | -43.1     | +0.5      | 99        | 0.0              | 1                 | -            | -                | 0.8              | NE                | Nil            | 0.56              | 7            | Equigold NL  | 142         | -3.4      | +0.4      | 58        | 2.6              | -                 | -            | -                | 0.4              | 17                | 3.5            | 2.73              | 211          |
| Catully   | 48          | -41.9     | +0.2      | 99        | 0.0              | -                 | 0.7          | -                | 1.0              | NE                | Nil            | 0.81              | 6            | Giralia Res.   | 13          | -10.7     | -3.6      | 75        | 0.3              | -                 | -            | -                | 1.3              | NE                | Nil            | N/A               | 11           |
| Intellect Hold  | 9           | -39.7     | +2.0      | 99        | 0.0              | 1                 | 2.9          | -                | 1.6              | NE                | Nil            | 0.57              | 19           | Marybor'gh Suga  | 640         | -0.8      | +5.2      | 47        | 0.3              | -                 | 0.9          | 15               | 0.3              | 6                 | 3.1            | 0.59              | 20           |
| AMCIL Limited   | 46          | -37.3     | +3.7      | 99        | 0.0              | -                 | 0.9          | 1                | 0.6              | 66                | Nil            | N/A               | 40           | Leighton Hold  | 902         | -9.2      | +0.8      | 72        | 0.3              | 7                 | 3.0          | 17               | 0.3              | 18                | 4.9            | 0.49              | 2,456        |
| Legalco Limited   | 90          | -32.3     | +0.3      | 98        | 0.3              | -                 | 2.9          | 5                | 0.8              | 62                | Nil            | 0.71              | 32           | Legalco Limited  | 90          | -32.3     | +0.3      | 98        | 0.3              | -                 | 2.9          | 5                | 0.8              | 62                | Nil            | 0.71              | 32           |
| Siberia Mining  | 25          | -31.4     | -0.8      | 98        | 1.0              | -                 | -            | -                | 0.8              | NE                | Nil            |                   |              |  |             |           |           |           |                  |                   |              |                  |                  |                   |                |                   |              |



# Company Analysis: Ebos Group

**Ebos Group** (code EBO) operates a range of healthcare related businesses. The focus on improving their performance to maximise cashflow has allowed the company to both increase dividend payments to shareholders *and* to fund acquisitions for growth.

## Company History

This company restructured to focus on the health care sector in the early 1990's and performed extremely well during that decade but the shares peaked at 420 cents in January 2000 and have since moved backwards.

In June 1999 the group acquired a 50% interest in **Health Support** (in partnership with **Auckland Healthcare** and **Waitemata Health**) which distributes healthcare supplies in Auckland. Ownership of this business was increased to 74% in July 2001 and to 100% in July 2002. This business now generates just under 50% of group revenues, with other NZ operations contributing 30-35% of revenues and Australian businesses about 20% of revenues.

In September 2002 the company's *Medic Scientific* division was merged with **Global Science & Technology** with Ebos Group receiving cash and 47.5% of the merged business which generates annual revenues in excess of \$20 million.

Ebos Group has made two recent acquisitions in Australia - buying **Stelmara Medical Pty** and **Vernon-Carus Australia Pty** at a total cost of \$8 million last month. Vernon-Carus provides waste sanitation, infection control and pressure mattresses to hospitals and aged care facilities throughout Australia and Ebos Group plans to expand in these markets.

In recent years the group has focused upon improving its information technology systems and almost half of its sales are ordered electronically. This may be a reason for the improving cash operating surpluses which have enabled the company to raise its dividend and finance acquisitions.

## Recent Results

Revenues for the year to June 2000 rose 11.8% to \$80.8 million but profits slipped 0.3% to \$4,238,000. Earnings per share, however, fell 31.0% to 15.8 cents owing to a 1 for 2 cash issue in June 1999. The annual dividend was 27.8% lower at 13.0 cents and the business generated a small operating cash surplus of \$2.9 million.

The year to June 2001 saw revenues up 32.1% to \$106.8 million and profits up 22.3% to \$5,185,000 (19.3 cents per share). The annual dividend was raised 23.1% to 16.0 cents, with the net operating cash surplus doubling to \$6.7 million.

Revenues rose 93.3% to \$206.4 million for the year to June 2002 owing to the consolidation of revenue from Health Support - or up 4.2% if the previous year is adjusted for that business. Profits rose 16.8% to \$6,058,000 (22.3 cents per share). The annual dividend fell 9.4% to 14.5 cents, but the cash operating surplus increased 51.5% to \$10.1 million.

For the year to June 2003, revenues rose 8.5% to

\$224.0 million with profits up 5.9% to \$6,416,000 (23.5 cents per share). The annual dividend rose 13.1% to 16.4 cents (plus full tax credits) while the operating cash surplus was a healthy \$9.9 million.

The company experienced strong growth in the half year to December 2003. Revenues rose just 5.6% to \$120.2 million, but profits rose 40.2% to \$3,610,000 (13.1 cents per share) and the interim dividend was raised 28.6% to 9.0 cents (plus full imputation tax credits).

## Investment Criteria

At 370 cents **Ebos Group** shares offer good value, trading on a Price/Sales ratio of 0.45, a Price/Earnings ratio of 16 and with a gross Dividend Yield of 6.6%.

With a market capitalisation of \$101 million this is a medium to large sized NZ listed company.

There have been *no insider* trades over the last year, but directors hold large investments in the company. Deputy Chairman PF Kraus owns 7,314,761 shares (27.0% of the company), Chief Executive MB Waller has 457,002 shares and Executive Director ML Ryan has 291,704 shares. Non-executive director HJ Vollemaere holds 120,000 shares and the Chairman RGM Christie has 97,800 shares. Significant investments in the company help to align management's interests with those of shareholders.

Ebos Group shares are *neglected* by institutional investors who have only very small shareholdings and are *neglected* by brokers with no-one following the company closely enough to publish profit forecasts. *Neglected* shares tend to be *under-valued* relative to *widely owned* and *widely followed* shares.

Technically the shares are in a steady long term uptrend, with a Relative Strength rating of +2.3%, ranked 56 (on a scale of 0-99).

## Summary and Recommendation

Ebos Group *can* be sensitive to both a lower exchange rate and the limits on government health care spending - but otherwise is a sound business with potential for steady growth.

While we are not formally recommending the shares, they offer both a good current income yield and potential for good long term capital appreciation, so would be suitable for a wide range of investors.



# Australian Warrant / Option Analysis

| Company                 | Share | 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 | Company                    | Share | 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             | 2     | 20             | 0.7              | 0.1          | 0.0                     | +999                     | 0.72             | 14.35           | 1.00                   | +999            | Denx Ltd                   | 14    | 60             | 1.2              | 0.1          | 0.1                     | +94                      | 0.54             | 5.54            | 1.00                   | +240            |
| Adultshop.com           | 7     | 10             | 1.10             | 2.1          | 1.7                     | +23                      | 0.57             | 2.37            | 1.00                   | +31             | Diamond Ventures           | 9     | 10             | 1.10             | 4.0          | 3.7                     | +7                       | 0.81             | 1.70            | 1.00                   | +27             |
| Advance Healthcare      | 8     | 55             | 0.4              | 0.1          | 0.0                     | +805                     | 1.20             | 5.40            | 1.00                   | +999            | Diamond Ventures NL        | 9     | 12             | 0.2              | 0.2          | 0.4                     | -7                       | 0.81             | 5.93            | 1.00                   | +520            |
| Aeris Technologies      | 103   | 20             | 0.10             | 80.0         | 83.9                    | -5                       | 0.65             | 1.23            | 1.00                   | -3              | Diamonex Ltd               | 33    | 20             | 1.10             | 12.5         | 16.2                    | -23                      | 0.46             | 1.83            | 1.00                   | -1              |
| Afininex Ltd            | 2     | 10             | 0.9              | 0.1          | 0.0                     | +999                     | 0.52             | 9.58            | 1.00                   | +766            | Didasko                    | 9     | 10             | 0.2              | 0.9          | 0.7                     | +20                      | 0.66             | 5.70            | 1.00                   | +159            |
| Alcaston Mining         | 4     | 15             | 3.1              | 1.2          | 0.7                     | +66                      | 0.70             | 2.05            | 1.00                   | +57             | Drillsearch Energy         | 4     | 8              | 0.5              | 0.4          | 0.0                     | +999                     | 0.39             | 9.99            | 1.00                   | +530            |
| Alkane Exploration      | 20    | 35             | 0.7              | 1.3          | 0.1                     | +881                     | 0.42             | 8.31            | 1.00                   | +190            | Dromana Estate             | 24    | 150            | 1.1              | 0.1          | 0.4                     | -77                      | 0.86             | 3.50            | 1.00                   | +443            |
| Allied Gold             | 23    | 20             | 2.10             | 11.0         | 13.0                    | -15                      | 0.82             | 1.41            | 1.00                   | +12             | Earth Sanctuaries Ltd      | 16    | 350            | 0.7              | 0.1          | 0.0                     | +999                     | 0.97             | 6.74            | 1.00                   | +999            |
| Amadeus Energy          | 48    | 25             | 0.3              | 21.5         | 23.3                    | -8                       | 0.49             | 2.05            | 1.00                   | -12             | Eastern Corporation        | 6     | 4              | 0.10             | 3.0          | 2.1                     | +42                      | 0.64             | 2.14            | 1.00                   | +34             |
| Ambition Group          | 35    | 100            | 0.1              | 0.1          | 0.0                     | +999                     | 0.54             | 9.99            | 1.00                   | +999            | Echo Technology            | 4     | 35             | 0.10             | 0.7          | 0.0                     | +999                     | 0.75             | 6.00            | 1.00                   | +999            |
| Amcil Ltd               | 46    | 50             | 2.6              | 6.8          | 25.0                    | -73                      | 0.91             | 1.43            | 1.00                   | +9              | Ellendale Resources        | 9     | 12             | 1.10             | 5.5          | 4.2                     | +32                      | 1.02             | 1.53            | 1.00                   | +44             |
| Amity Oil Limited       | 68    | 100            | 0.0              | 2.6          | 25.0                    | -90                      | 0.45             | 1.43            | 1.00                   | +999            | Empire Oil                 | 1     | 20             | 1.4              | 0.1          | 0.0                     | +999                     | 0.84             | 4.62            | 1.00                   | +999            |
| Analytica Ltd           | 8     | 9              | 1.0              | 2.0          | 2.2                     | -10                      | 0.80             | 2.15            | 1.00                   | +38             | Enterprise Energy          | 16    | 20             | 3.4              | 8.0          | 3.6                     | +124                     | 0.33             | 2.66            | 1.00                   | +18             |
| Andean Resources        | 6     | 20             | 0.3              | 0.5          | 0.0                     | +999                     | 1.07             | 5.73            | 1.00                   | +999            | Eqix Limited               | 22    | 20             | 2.10             | 16.0         | 10.4                    | +53                      | 0.62             | 1.64            | 1.00                   | +19             |
| Anitsense Therapeutic   | 12    | 20             | 2.5              | 5.7          | 1.9                     | +207                     | 0.46             | 2.76            | 1.00                   | +37             | Euraust Ltd                | 11    | 20             | 3.5              | 4.0          | 6.8                     | -41                      | 1.09             | 1.28            | 1.00                   | +26             |
| Aquacarotene            | 4     | 5              | 0.10             | 1.5          | 0.6                     | +145                     | 0.71             | 2.84            | 1.00                   | +97             | Euroz                      | 106   | 50             | 0.3              | 53.0         | 56.7                    | -6                       | 0.45             | 1.87            | 1.00                   | -11             |
| Arafura Resources       | 16    | 20             | 3.10             | 7.2          | 6.6                     | +9                       | 0.60             | 1.65            | 1.00                   | +16             | Evans & Tate               | 115   | 115            | 0.2              | 5.0          | 5.0                     | +0                       | 0.24             | 9.99            | 1.00                   | +29             |
| Argonaut Resources      | 15    | 30             | 2.10             | 4.8          | 3.8                     | +26                      | 0.66             | 1.96            | 1.00                   | +36             | Evans & Tate               | 115   | 150            | 3.2              | 7.0          | 15.2                    | -54                      | 0.24             | 3.77            | 1.00                   | +10             |
| Astro Mining            | 7     | 5              | 8.3              | 3.5          | 6.4                     | -46                      | 1.46             | 1.01            | 1.00                   | +3              | Exco Resources NL          | 18    | 20             | 2.0              | 8.5          | 8.6                     | -2                       | 0.91             | 1.54            | 1.00                   | +26             |
| Astro Mining NL         | 7     | 75             | 5.4              | 1.7          | 5.1                     | -66                      | 1.46             | 1.11            | 1.00                   | +58             | Ezenet Ltd                 | 14    | 15             | 2.10             | 6.0          | 5.8                     | +4                       | 0.64             | 1.69            | 1.00                   | +17             |
| Aurora Minerals         | 19    | 20             | 1.11             | 4.9          | 2.7                     | +85                      | 0.21             | 4.51            | 1.00                   | +15             | FSA Group Limited          | 5     | 20             | 1.4              | 0.3          | 0.8                     | -61                      | 1.13             | 2.03            | 1.00                   | +204            |
| Ausmet Resources        | 17    | 20             | 2.4              | 2.5          | 3.2                     | -21                      | 0.33             | 3.07            | 1.00                   | +13             | Falcon Minerals            | 14    | 20             | 0.10             | 6.0          | 2.3                     | +157                     | 0.76             | 2.74            | 1.00                   | +110            |
| Ausquest Ltd            | 20    | 20             | 2.3              | 7.0          | 7.7                     | -9                       | 0.60             | 1.87            | 1.00                   | +14             | Farsands Corporation       | 25    | 30             | 4.3              | 3.0          | 6.7                     | -56                      | 0.31             | 2.42            | 1.00                   | +7              |
| Aust Food & Fibre       | 37    | 32             | 1.10             | 6.3          | 10.4                    | -39                      | 0.34             | 2.70            | 1.00                   | +3              | Financial Resources        | 20    | 20             | 3.9              | 4.5          | 8.3                     | -46                      | 0.49             | 1.76            | 1.00                   | +6              |
| Aust Magnesium          | 3     | 125            | 0.11             | 0.3          | 0.0                     | +999                     | 0.49             | 9.99            | 1.00                   | +999            | First Aust Resources       | 6     | 7              | 0.11             | 2.2          | 1.2                     | +80                      | 0.72             | 2.55            | 1.00                   | +69             |
| Aust Mining Investments | 4     | 10             | 1.11             | 1.6          | 0.2                     | +920                     | 0.47             | 3.82            | 1.00                   | +79             | Flinders Diamonds          | 4     | 20             | 0.6              | 0.3          | 0.0                     | +999                     | 0.70             | 8.75            | 1.00                   | +999            |
| Aust Pure Fruits        | 148   | 30             | 3.9              | 112.0        | 128.6                   | -13                      | 0.82             | 1.12            | 1.00                   | -1              | Flinders Resources         | 4     | 10             | 4.1              | 1.1          | 1.1                     | -2                       | 0.70             | 1.70            | 1.00                   | +33             |
| Auth Investments        | 22    | 25             | 5.7              | 6.3          | 16.6                    | -62                      | 0.93             | 1.17            | 1.00                   | +7              | Fox Resources Ltd          | 66    | 20             | 1.5              | 42.0         | 47.8                    | -12                      | 0.59             | 1.36            | 1.00                   | -4              |
| Auth Investments        | 22    | 25             | 2.4              | 5.5          | 11.5                    | -52                      | 0.93             | 1.45            | 1.00                   | +15             | Future Corporation         | 3     | 3              | 1.9              | 0.4          | 0.8                     | -50                      | 0.68             | 1.99            | 1.00                   | +19             |
| Autron Corporation      | 23    | 18             | 2.9              | 11.0         | 10.0                    | +10                      | 0.48             | 1.82            | 1.00                   | +10             | Future Corporation         | 3     | 3              | 1.0              | 0.1          | 0.6                     | -82                      | 0.68             | 2.53            | 1.00                   | +24             |
| Aviva Corporation       | 4     | 10             | 1.4              | 0.6          | 0.2                     | +144                     | 0.70             | 3.04            | 1.00                   | +130            | GEC Asian Value Fund       | 89    | 100            | 0.6              | 0.3          | 1.6                     | -81                      | 0.17             | 9.99            | 1.00                   | +26             |
| Arztec Resources        | 12    | 20             | 0.5              | 0.6          | 0.3                     | +119                     | 0.63             | 5.72            | 1.00                   | +305            | GEC Aust Healthcare        | 105   | 100            | 0.8              | 2.6          | 9.1                     | -71                      | 0.08             | 9.99            | 1.00                   | -4              |
| Barlow (Tony)           | 1     | 10             | 0.4              | 0.1          | 0.0                     | +999                     | 1.40             | 4.38            | 1.00                   | +999            | Gaming & Entertainment     | 18    | 15             | 1.10             | 5.6          | 11.1                    | -49                      | 1.19             | 1.32            | 1.00                   | +9              |
| Barra Resources         | 6     | 20             | 2.0              | 1.1          | 1.5                     | -27                      | 1.00             | 1.79            | 1.00                   | +91             | Gateway Mining NL          | 10    | 30             | 2.6              | 3.7          | 1.2                     | +209                     | 0.62             | 2.46            | 1.00                   | +65             |
| Batavia Mining          | 8     | 20             | 2.1              | 2.9          | 3.8                     | -24                      | 1.31             | 1.38            | 1.00                   | +70             | Gippsland                  | 8     | 9              | 3.4              | 4.5          | 4.8                     | -6                       | 0.85             | 1.37            | 1.00                   | +16             |
| Beach Petroleum         | 31    | 34             | 0.9              | 5.0          | 2.2                     | +123                     | 0.26             | 6.61            | 1.00                   | +33             | Glengarry Resources Ltd    | 4     | 15             | 0.7              | 0.9          | 0.0                     | +999                     | 0.76             | 5.49            | 1.00                   | +999            |
| Berkeley Resources      | 19    | 20             | 2.3              | 7.0          | 8.6                     | -19                      | 0.81             | 1.58            | 1.00                   | +18             | Global Mining Inv.         | 95    | 100            | 2.3              | 15.0         | 8.9                     | +68                      | 0.09             | 7.71            | 1.00                   | +9              |
| Biometrics Ltd          | 8     | 20             | 3.4              | 2.1          | 1.6                     | +34                      | 0.58             | 2.15            | 1.00                   | +36             | Golden State Petroleum     | 29    | 65             | 2.4              | 9.0          | 5.8                     | +55                      | 0.67             | 2.18            | 1.00                   | +49             |
| Bionomics Ltd           | 21    | 50             | 2.11             | 2.1          | 2.5                     | -17                      | 0.48             | 2.72            | 1.00                   | +37             | Golden State Res.          | 3     | 10             | 2.10             | 0.6          | 0.9                     | -34                      | 0.81             | 1.79            | 1.00                   | +51             |
| Bioprospect             | 9     | 20             | 1.5              | 1.9          | 1.6                     | +17                      | 0.84             | 2.25            | 1.00                   | +89             | Golden Valley Mines        | 2     | 10             | 1.1              | 0.3          | 0.0                     | +999                     | 0.59             | 5.62            | 1.00                   | +354            |
| Biosignal Ltd           | 30    | 50             | 1.10             | 15.0         | 10.0                    | +50                      | 0.87             | 1.78            | 1.00                   | +52             | Goldsearch                 | 4     | 8              | 1.1              | 0.7          | 0.9                     | -26                      | 0.95             | 2.15            | 1.00                   | +92             |
| Biosignal Ltd           | 30    | 20             | 2.4              | 12.0         | 18.8                    | -36                      | 0.87             | 1.37            | 1.00                   | +3              | Goldwana Resources         | 1     | 2              | 0.4              | 0.1          | 0.0                     | +999                     | 0.98             | 5.40            | 1.00                   | +999            |
| Biotech Capital         | 42    | 55             | 2.2              | 6.5          | 5.1                     | +28                      | 0.31             | 3.75            | 1.00                   | +20             | Gradipore Ltd              | 68    | 50             | 0.0              | 15.0         | 0.0                     | +999                     | 0.65             | 5.00            | 1.00                   | -100            |
| Blink Models Ltd        | 2     | 10             | 0.5              | 0.1          | 0.0                     | +999                     | 0.94             | 5.99            | 1.00                   | +999            | Great Australian Resources | 11    | 20             | 1.5              | 2.4          | 0.5                     | +366                     | 0.41             | 4.46            | 1.00                   | +65             |
| Bolnisi Gold            | 32    | 40             | 0.4              | 2.6          | 1.2                     | +113                     | 0.47             | 6.96            | 1.00                   | +136            | Great Western Explor.      | 24    | 20             | 4.9              | 6.5          | 11.2                    | -42                      | 0.36             | 1.79            | 1.00                   | +2              |
| Boulder Steel           | 14    | 20             | 1.3              | 4.2          | 3.9                     | +6                       | 0.86             | 2.03            | 1.00                   | +55             | Gutnick Resources          | 15    | 10             | 8.6              | 8.2          | 13.0                    | -37                      | 0.84             | 1.09            | 1.00                   | +2              |
| Brandrill               | 2     | 10             | 1.1              | 0.3          | 0.0                     | +999                     | 0.63             | 5.50            | 1.00                   | +458            | Gutnick Resources          | 15    | 125            | 6.1              | 0.4          | 6.0                     | -93                      | 0.84             | 1.43            | 1.00                   | +42             |
| CBD Energy              | 42    | 2              | 2.5              | 8.5          | 40.2                    | -79                      | 0.59             | 1.04            | 1.00                   | -44             | Hailian International      | 12    | 25             | 1.1              | 4.0          | 2.5                     | +63                      | 0.99             | 2.16            | 1.00                   | +126            |
| CBD Energy              | 42    | 100            | 2.5              | 10.0         | 6.2                     | +62                      | 0.59             | 2.47            | 1.00                   | +50             | Halcyon Group              | 2     | 3              | 0.7              | 0.4          | 0.0                     | +999                     | 0.49             | 6.40            | 1.00                   | +228            |
| CP1 Ltd                 | 320   | 150            | 1.7              | 165.0        | 183.0                   | -10                      | 0.32             | 1.73            | 1.00                   | -1              | Hannans Reward NL          | 15    | 20             | 1.7              | 3.0          | 3.7                     | -18                      | 0.64             | 2.29            | 1.00                   | +31             |
| Cape Range Wireless     | 4     | 5              | 0.1              | 0.3          | 0.0                     | +999                     | 0.55             | 9.99            | 1.00                   | +999            | Helix Resources            | 18    | 25             | 1.3              | 4.6          | 2.4                     | +88                      | 0.51             | 3.19            | 1.00                   | +49             |
| Carnarvon Petroleum     | 2     | 6              | 2.4              | 0.3          | 0.4                     | -23                      | 0.73             | 2.13            | 1.00                   | +60             | Hill End Gold              | 13    | 25             | 0.10             | 2.5          | 0.5                     | +403                     | 0.56             | 4.53            | 1.00                   | +146            |
| Carpathian Resources    | 6     | 20             | 0.8              | 1.9          | 0.1                     | +999                     | 0.75             | 4.65            | 1.00                   | +548            | Hillcrest Resources        | 4     | 20             | 0.5              | 0.1          | 0.0                     | +999                     | 0.67             | 9.99            | 1.00                   | +999            |
| Cazaly Resources        | 19    | 20             | 1.5              | 5.2          | 3.9                     | +34                      | 0.45             | 2.88            | 1.00                   | +24             | Hugall & Hoile             | 9     | 11             | 0.8              | 0.8          | 0.7                     | +16                      | 0.39             | 5.21            | 1.00                   | +42             |
| Central Asia Gold       | 57    | 12             | 1.3              | 35.0         | 46.6                    | -25                      | 0.99             | 1.20            | 1.00                   | -14             | Hunter Hall Global Value   | 99    | 100            | 2.8              | 15.0         | 12.6                    | +19                      | 0.04             | 7.61            | 1.00                   | +6              |
| Central Equity          | 208   | 220            | 0.8              | 2.5          | 11.9                    | -79                      | 0.20             | 8.49            | 1.00                   | +11             | Iatia Ltd                  | 9     | 25             | 1.7              | 0.5          | 1.9                     | -73                      | 0.93             | 2.03            | 1.00                   | +92             |
| Cervantes Seafood       | 4     | 20             | 1.0              | 0.3          | 0.2                     | +63                      | 1.06             | 2.74            | 1.00                   | +480            | Image Resources            | 37    | 25             | 2.0              | 16.0         | 19.4                    | -17                      | 0.66             | 1.61            | 1.00                   | +5              |
| Chameleon Mining        | 5     | 20             | 3.4              | 1.6          | 1.5                     | +5                       | 0.87             | 1.64            | 1.00                   | +56             | IncomePlus Ltd             | 111   | 100            | 1.10             | 18.0         | 21.1                    | -25                      | 2.00             | 3.73            | 1.00                   | +3              |
| Chemgenex Pharm.        | 49    | 125            | 5.7              | 15.0         | 23.6                    | -36                      | 0.74             | 1.42            | 1.00                   | +21             | Independence Gold          | 110   | 20             | 0.5              | 89.0         | 90.4                    | -2                       | 0.58             | 1.22            | 1.00                   | -2              |
| City Pacific            | 479   | 100            | 2.0              | 370.0        | 389.4                   | -5                       | 0.40             | 1.23            | 1.00                   | -1              | Indigo Pacific Capital     | 99    | 150            | 2.7              | 23.0         | 1.8                     | +999                     | 0.15             | 8.61            | 1.00                   | +24             |
| City Pacific            | 479   | 30             | 1.10             | 435.0        | 451.9                   | -4                       | 0.40             | 1.06            | 1.00                   | -2              | Indophil Resources NL      | 31    | 25             | 0.4              | 7.0          | 8.8                     | -21                      | 0.78             | 2.71            | 1.00                   | +10             |
| Clime Capital           | 95    | 100            | 1.4              | 5.0          | 5.4                     | -7                       | 0.10             | 9.99            | 1.00                   | +8              | Innamincka Petroleum       | 71    | 20             | 0.0              | 50.0         | 8.8                     | +467                     | 1.43             | 2.71            | 1.00                   | -100            |
| Clover                  | 32    | 30             | -1.11            | 0.1          | 5.4                     | -98                      | 0.41             | 9.99            | 1.00                   | +73             | JAM Developments           | 22    | 25             | 1.3              | 3.5          | 2.5                     | +42                      | 0.33             | 4.23            | 1.00                   | +25             |
| Cockatoo Ridge Wines    | 55    | 55             | 1.4              | 18.0         | 7.9                     | +128                     | 0.24             | 4.57            | 1.00                   | +24             | Jackson Gold Ltd           | 19    | 20             | 0.5              | 3.2          | 2.2                     | +45                      | 0.50             | 4.56            | 1.00                   | +61             |
| Coltech Australia       | 14    | 25             | 0.10             | 4.3          | 0.0                     | +999                     | 0.30             | 9.99            | 1.00                   | +153            | Jaguar Minerals            | 15    | 20             | 4.1              | 3.5          | 1.3                     | +172                     | 0.14             | 5.42            | 1.00                   | +12             |
| Comet Resources         | 9     | 8              | 0.4              | 2.0          | 1.4                     | +42                      | 0.56             | 3.97            | 1.00                   | +63             | Jervois Mining Ltd         | 1     | 5              | 0.6              | 0.1          | 0.0                     | +999                     | 0.98             | 5.76            | 1.00                   | +999            |
| Conquest Mining         | 27    | 20             | 2.4              | 12.0         | 14.6                    |                          |                  |                 |                        |                 |                            |       |                |                  |              |                         |                          |                  |                 |                        |                 |

| Company                  | Share Price | Yr/Mth Exercise Price | to Expiry | Option Price | Black-Scholes Valuation | Option Over/Under-Valued | Share Volatility | Option Leverage | Options to Buy 1 Share | Break-Even Rate | Company                 | Share Price | Yr/Mth Exercise Price | to Expiry | Option Price | Black-Scholes Valuation | Option Over/Under-Valued | Share Volatility | Option Leverage | Options to Buy 1 Share | Break-Even Rate |  |
|--------------------------|-------------|-----------------------|-----------|--------------|-------------------------|--------------------------|------------------|-----------------|------------------------|-----------------|-------------------------|-------------|-----------------------|-----------|--------------|-------------------------|--------------------------|------------------|-----------------|------------------------|-----------------|--|
| MGM Wireless             | 2           | 20                    | 6-3       | 0.6          | 0.4                     | +65                      | 0.70             | 1.72            | 1.00                   | +49             | Resonance Health        | 13          | 40                    | 3-5       | 3.0          | 2.2                     | +36                      | 0.61             | 2.14            | 1.00                   | +44             |  |
| MMC Contrarian           | 102         | 100                   | 0-10      | 5.7          | 7.1                     | -20                      | 0.08             | 9.99            | 1.00                   | +4              | Resonance Health        | 13          | 15                    | 2-5       | 5.9          | 4.3                     | +36                      | 0.61             | 1.91            | 1.00                   | +24             |  |
| Macmin                   | 15          | 12                    | 1-1       | 6.7          | 5.1                     | +31                      | 0.62             | 2.16            | 1.00                   | +26             | Resources Mining        | 1           | 2                     | 1-10      | 0.1          | 0.2                     | -33                      | 1.18             | 1.66            | 1.00                   | +119            |  |
| Malachiti Resources      | 17          | 20                    | 1-6       | 5.0          | 3.0                     | +69                      | 0.46             | 2.97            | 1.00                   | +32             | Revesco Group Ltd       | 33          | 12                    | 7-3       | 26.0         | 27.4                    | -5                       | 0.62             | 1.15            | 1.00                   | +2              |  |
| Marengo Mining           | 9           | 20                    | 3-6       | 2.6          | 1.4                     | +84                      | 0.46             | 2.50            | 1.00                   | +30             | Rimfire Pacific         | 3           | 20                    | 0-1       | 0.2          | 0.0                     | +999                     | 0.71             | 9.99            | 1.00                   | +999            |  |
| Medical Monitors         | 6           | 20                    | 0-10      | 1.0          | 0.0                     | +999                     | 0.66             | 5.04            | 1.00                   | +399            | Rimfire Pacific Mining  | 3           | 8                     | 2-1       | 0.6          | 0.3                     | +74                      | 0.71             | 2.38            | 1.00                   | +78             |  |
| Medusa Mining Ltd        | 32          | 20                    | 2-5       | 15.0         | 16.8                    | -11                      | 0.51             | 1.67            | 1.00                   | +4              | Rusina Mining Ltd       | 16          | 30                    | 0-5       | 0.5          | 1.6                     | -69                      | 1.09             | 3.07            | 1.00                   | +370            |  |
| Metal Storm Ltd          | 32          | 65                    | 0-0       | 1.0          | 16.8                    | -94                      | 0.55             | 1.67            | 1.00                   | +999            | S8 Ltd                  | 131         | 300                   | 2-8       | 11.0         | 3.9                     | +180                     | 0.31             | 4.70            | 1.00                   | +38             |  |
| Metex Resources          | 7           | 10                    | 2-1       | 3.0          | 1.8                     | +65                      | 0.60             | 2.17            | 1.00                   | +35             | SP Telecommunications   | 148         | 25                    | 1-9       | 126.0        | 125.2                   | +1                       | 0.28             | 1.18            | 1.00                   | +1              |  |
| Methanol Australia       | 19          | 25                    | 1-1       | 4.0          | 4.7                     | -15                      | 0.82             | 2.20            | 1.00                   | +51             | Sandfire Resources NL   | 26          | 10                    | 1-1       | 8.5          | 16.6                    | -49                      | 0.46             | 1.55            | 1.00                   | -27             |  |
| Midas Resources          | 12          | 25                    | 2-3       | 4.0          | 2.6                     | +53                      | 0.68             | 2.13            | 1.00                   | +48             | Saracen Mineral Hold.   | 9           | 10                    | 8-10      | 4.2          | 8.9                     | -53                      | 1.58             | 1.01            | 1.00                   | +5              |  |
| Millepede International  | 12          | 20                    | 1-4       | 3.0          | 2.5                     | +22                      | 0.76             | 2.32            | 1.00                   | +63             | Select Vaccines         | 32          | 20                    | 3-9       | 10.0         | 20.3                    | -51                      | 0.63             | 1.38            | 1.00                   | -2              |  |
| Mineral Securities       | 86          | 115                   | 3-5       | 15.0         | 34.0                    | -56                      | 0.61             | 1.72            | 1.00                   | +13             | Select-Tel Ltd          | 32          | 20                    | 2-5       | 5.5          | 18.0                    | -70                      | 0.63             | 1.53            | 1.00                   | -9              |  |
| Minerals Commodities     | 20          | 30                    | 2-10      | 4.9          | 5.7                     | -14                      | 0.56             | 2.04            | 1.00                   | +22             | Senetas Corporation     | 7           | 8                     | 0-9       | 2.2          | 0.8                     | +162                     | 0.56             | 3.54            | 1.00                   | +82             |  |
| Mokuti Mining Ltd        | 17          | 20                    | 2-4       | 3.3          | 4.3                     | -23                      | 0.44             | 2.43            | 1.00                   | +14             | Simon Gilbert           | 18          | 100                   | 0-4       | 0.1          | 0.3                     | -68                      | 1.50             | 3.59            | 1.00                   | +999            |  |
| Molopo Australia         | 3           | 10                    | 2-10      | 0.8          | 0.7                     | +17                      | 0.69             | 2.06            | 1.00                   | +50             | Solagran Ltd            | 12          | 80                    | 0-3       | 0.1          | 0.0                     | +999                     | 0.77             | 9.99            | 1.00                   | +999            |  |
| Monarch Resources        | 14          | 20                    | 1-11      | 3.8          | 2.7                     | +39                      | 0.55             | 2.48            | 1.00                   | +34             | Solar Energy Systems    | 26          | 30                    | 0-4       | 0.5          | 3.5                     | -86                      | 0.79             | 3.61            | 1.00                   | +61             |  |
| Monteray Group           | 1           | 1                     | 4-4       | 0.5          | 0.7                     | -26                      | 0.71             | 1.36            | 1.00                   | +7              | Solbec Pharmaceuticals  | 14          | 20                    | 1-1       | 3.0          | 2.6                     | +13                      | 0.71             | 2.57            | 1.00                   | +58             |  |
| Moto Goldmines           | 24          | 28                    | 1-9       | 7.5          | 9.9                     | -25                      | 0.86             | 1.68            | 1.00                   | +25             | Solbec Pharmaceuticals  | 14          | 30                    | 2-1       | 3.0          | 2.9                     | +2                       | 0.71             | 2.15            | 1.00                   | +51             |  |
| NGM Resources Ltd        | 18          | 20                    | 2-7       | 4.0          | 4.5                     | -12                      | 0.38             | 2.55            | 1.00                   | +12             | Solbec Pharmaceuticals  | 14          | 12                    | 0-1       | 3.0          | 2.4                     | +26                      | 0.71             | 4.76            | 1.00                   | +129            |  |
| Navigator Resources      | 13          | 20                    | 2-10      | 4.0          | 2.6                     | +53                      | 0.45             | 2.50            | 1.00                   | +24             | Sihm Pacific Petrol.    | 24          | 55                    | 0-3       | 1.1          | 0.0                     | +999                     | 0.33             | 1.00            | 1.00                   | +999            |  |
| Neptune Marine Serv.     | 23          | 20                    | 6-4       | 10.0         | 14.0                    | -29                      | 0.52             | 1.39            | 1.00                   | +4              | Stirling Products       | 26          | 20                    | 3-4       | 10.0         | 16.0                    | -37                      | 0.75             | 1.37            | 1.00                   | +4              |  |
| New Hope Corporation     | 123         | 45                    | 4-0       | 78.0         | 87.9                    | -11                      | 0.37             | 1.37            | 1.00                   | +0              | Stratatel Limited       | 11          | 25                    | 1-0       | 1.3          | 1.2                     | +12                      | 0.82             | 2.80            | 1.00                   | +139            |  |
| New Horizon Energy Ltd   | 5           | 20                    | 1-10      | 1.5          | 0.5                     | +193                     | 0.75             | 2.53            | 1.00                   | +115            | Striker Resources       | 5           | 15                    | 1-3       | 1.3          | 0.0                     | +999                     | 0.40             | 6.85            | 1.00                   | +149            |  |
| Niagara Mining Ltd       | 9           | 20                    | 0-3       | 1.0          | 0.2                     | +431                     | 1.03             | 4.95            | 1.00                   | +999            | Style Plantation        | 20          | 20                    | 4-5       | 4.0          | 6.0                     | -34                      | 0.26             | 2.42            | 1.00                   | +5              |  |
| Nido Petroleum           | 2           | 2                     | 0-10      | 0.6          | 0.5                     | +27                      | 0.70             | 2.51            | 1.00                   | +46             | Sun Resources NL        | 11          | 15                    | 0-10      | 2.8          | 0.7                     | +328                     | 0.41             | 5.06            | 1.00                   | +78             |  |
| Novera Energy            | 18          | 55                    | 1-3       | 2.2          | 1.0                     | +120                     | 0.71             | 3.21            | 1.00                   | +152            | Sunnycove Management    | 82          | 150                   | 4-9       | 7.5          | 4.2                     | +78                      | 0.18             | 4.99            | 1.00                   | +15             |  |
| Olea Australia           | 8           | 25                    | 1-3       | 0.8          | 0.7                     | +20                      | 0.82             | 2.75            | 1.00                   | +158            | Sylvania                | 28          | 20                    | 0-10      | 11.5         | 9.6                     | +20                      | 0.41             | 2.59            | 1.00                   | +15             |  |
| Optima Corporation       | 22          | 20                    | 0-4       | 2.6          | 7.1                     | -64                      | 1.25             | 2.15            | 1.00                   | +8              | Synergy Metals          | 10          | 10                    | 2-6       | 3.8          | 5.0                     | -25                      | 0.84             | 1.48            | 1.00                   | +15             |  |
| Optum Health             | 1           | 1                     | 1-10      | 0.2          | 0.3                     | -31                      | 1.17             | 1.46            | 1.00                   | +46             | Tasgold Ltd             | 15          | 20                    | 3-3       | 4.5          | 6.8                     | -34                      | 0.76             | 1.52            | 1.00                   | +18             |  |
| Orchid Capital           | 7           | 5                     | 2-3       | 2.9          | 3.9                     | -25                      | 0.90             | 1.40            | 1.00                   | +9              | Tasman Resources        | 8           | 20                    | 1-6       | 1.7          | 0.8                     | +113                     | 0.68             | 2.81            | 1.00                   | +94             |  |
| Organic Resource Tech.   | 10          | 10                    | 3-6       | 6.0          | 5.8                     | +4                       | 0.78             | 1.39            | 1.00                   | +14             | Tawana Resources        | 150         | 75                    | 1-3       | 100.0        | 83.8                    | +19                      | 0.58             | 1.67            | 1.00                   | +13             |  |
| Organic Resource Tech.   | 10          | 20                    | 3-6       | 3.5          | 4.2                     | -16                      | 0.78             | 1.56            | 1.00                   | +28             | Technology Invest Fund  | 46          | 50                    | 0-3       | 0.6          | 0.7                     | -16                      | 0.20             | 9.99            | 1.00                   | +46             |  |
| Oriel Communications     | 2           | 25                    | 0-1       | 0.1          | 0.0                     | +999                     | 0.66             | 9.99            | 1.00                   | +999            | Telezon                 | 6           | 20                    | 0-4       | 1.8          | 0.0                     | +999                     | 0.00             | 9.99            | 1.00                   | +999            |  |
| Oropa Ltd                | 2           | 5                     | 3-4       | 0.9          | 0.4                     | +105                     | 0.63             | 1.99            | 1.00                   | +40             | Terraplanet Ltd         | 1           | 10                    | 0-9       | 0.1          | 0.0                     | +999                     | 0.00             | 9.99            | 1.00                   | +999            |  |
| Pacific Magnesium Corp   | 2           | 5                     | 2-3       | 0.3          | 0.4                     | -16                      | 0.89             | 1.87            | 1.00                   | +75             | Thundelarra Explor.     | 43          | 23                    | 0-8       | 20.0         | 21.2                    | -6                       | 0.54             | 1.94            | 1.00                   | +0              |  |
| Pancontinental Oil & Gas | 8           | 20                    | 0-7       | 0.8          | 1.2                     | -32                      | 1.29             | 2.38            | 1.00                   | +404            | Tiger International     | 14          | 20                    | 1-5       | 4.6          | 3.8                     | +20                      | 0.79             | 2.07            | 1.00                   | +49             |  |
| Paradigm Gold            | 9           | 25                    | 3-9       | 2.2          | 1.6                     | +38                      | 0.56             | 2.16            | 1.00                   | +36             | Tiger Resources         | 11          | 10                    | 0-10      | 3.5          | 3.8                     | -7                       | 0.92             | 1.97            | 1.00                   | +35             |  |
| Paramount Mining Corp    | 16          | 20                    | 2-4       | 5.0          | 5.8                     | -14                      | 0.67             | 1.83            | 1.00                   | +21             | Tomahawk Energy         | 34          | 20                    | 4-4       | 15.0         | 18.6                    | -19                      | 0.26             | 1.75            | 1.00                   | +1              |  |
| Penfold Buscombe Ltd     | 120         | 100                   | 0-7       | 21.0         | 31.0                    | -32                      | 0.52             | 2.98            | 1.00                   | +1              | Transol Corporation     | 34          | 25                    | 1-9       | 16.0         | 26.9                    | -41                      | 1.71             | 1.14            | 1.00                   | +11             |  |
| Peninsula Minerals       | 2           | 20                    | 0-10      | 0.4          | 0.0                     | +999                     | 0.95             | 4.26            | 1.00                   | +999            | Trent Capital           | 84          | 125                   | 4-9       | 11.0         | 13.1                    | -16                      | 0.24             | 3.20            | 1.00                   | +11             |  |
| Pharmanet Group          | 7           | 5                     | 2-4       | 3.7          | 6.5                     | -43                      | 2.48             | 1.03            | 1.00                   | +11             | Union Capital           | 4           | 100                   | 0-7       | 0.2          | 0.0                     | +999                     | 0.78             | 1.00            | 1.00                   | +999            |  |
| Phosphagenics            | 19          | 20                    | 4-9       | 8.5          | 8.1                     | +4                       | 0.43             | 1.76            | 1.00                   | +9              | Universal Resources Ltd | 15          | 20                    | 0-11      | 3.0          | 2.4                     | +26                      | 0.66             | 2.94            | 1.00                   | +63             |  |
| Pilbara Mines            | 19          | 20                    | 0-7       | 3.7          | 2.8                     | +33                      | 0.56             | 3.61            | 1.00                   | +53             | VRI Biomedical          | 14          | 75                    | 1-6       | 4.0          | 0.1                     | +999                     | 0.56             | 4.80            | 1.00                   | +217            |  |
| Platinum Australia       | 17          | 20                    | 2-3       | 5.5          | 6.1                     | -10                      | 0.65             | 1.86            | 1.00                   | +20             | Van Eyk Three Pillars   | 94          | 100                   | 0-9       | 3.0          | 2.6                     | +14                      | 0.11             | 9.99            | 1.00                   | +14             |  |
| Platinum Australia       | 17          | 20                    | 0-0       | 0.4          | 6.1                     | -93                      | 0.65             | 1.86            | 1.00                   | +999            | Virax Holdings          | 46          | 25                    | 1-5       | 30.0         | 26.4                    | +14                      | 0.81             | 1.52            | 1.00                   | +15             |  |
| Polaris Metals NL        | 18          | 20                    | 4-4       | 6.1          | 5.7                     | +6                       | 0.36             | 2.12            | 1.00                   | +10             | Virax Holdings Ltd      | 46          | 50                    | 1-4       | 17.0         | 15.8                    | +8                       | 0.81             | 1.92            | 1.00                   | +35             |  |
| Precious Metals          | 6           | 200                   | 1-3       | 0.1          | 0.0                     | +115                     | 1.16             | 3.01            | 1.00                   | +999            | Visionmed Group         | 4           | 12                    | 3-7       | 1.3          | 0.6                     | +119                     | 0.57             | 2.23            | 1.00                   | +43             |  |
| Premier Bionics Ltd      | 34          | 20                    | 2-4       | 13.0         | 18.8                    | -31                      | 0.55             | 1.60            | 1.00                   | -1              | Visionmed Group         | 4           | 20                    | 0-1       | 0.1          | 0.0                     | +999                     | 0.57             | 9.99            | 1.00                   | +999            |  |
| Premium Investors        | 96          | 100                   | 0-4       | 1.1          | 1.0                     | +5                       | 0.09             | 9.99            | 1.00                   | +17             | Voyager Energy          | 29          | 25                    | 1-7       | 10.0         | 8.1                     | +23                      | 0.34             | 2.77            | 1.00                   | +13             |  |
| Progen Industries        | 390         | 250                   | 0-9       | 176.0        | 161.1                   | +9                       | 0.54             | 2.17            | 1.00                   | +12             | Vulcan Resources        | 10          | 25                    | 1-4       | 1.8          | 3.7                     | -51                      | 1.34             | 1.59            | 1.00                   | +109            |  |
| Q-Master                 | 17          | 25                    | 1-4       | 0.2          | 2.0                     | -90                      | 0.52             | 3.19            | 1.00                   | +37             | WAM Capital             | 160         | 155                   | 0-10      | 7.3          | 14.9                    | -51                      | 0.14             | 8.01            | 1.00                   | +2              |  |
| QED Corporation          | 1           | 20                    | 0-0       | 0.1          | 2.0                     | -95                      | 0.82             | 3.19            | 1.00                   | +999            | WRF Securities          | 23          | 35                    | 0-4       | 0.5          | 1.0                     | -49                      | 0.71             | 5.13            | 1.00                   | +268            |  |
| QRScience Holdings       | 20          | 20                    | 0-5       | 5.0          | 3.0                     | +67                      | 0.58             | 3.97            | 1.00                   | +81             | Webspy Ltd              | 3           | 8                     | 1-9       | 0.3          | 0.9                     | -68                      | 1.07             | 1.72            | 1.00                   | +79             |  |
| QRScience Holdings       | 20          | 40                    | 1-5       | 4.9          | 1.8                     | +180                     | 0.58             | 3.23            | 1.00                   | +80             | Wedgetail Exploration   | 3           | 5                     | 1-4       | 0.8          | 0.6                     | +41                      | 0.66             | 2.57            | 1.00                   | +56             |  |
| Quantum Resources        | 4           | 10                    | 6-2       | 1.8          | 2.7                     | -34                      | 1.15             | 1.12            | 1.00                   | +22             | West Aust Metals        | 2           | 20                    | 0-7       | 0.1          | 0.0                     | +999                     | 0.93             | 5.47            | 1.00                   | +999            |  |
| Quantum Resources        | 4           | 5                     | 8-3       | 0.8          | 3.2                     | -75                      | 1.15             | 1.05            | 1.00                   | +6              | Westcoast Mining        | 8           | 20                    | 2-2       | 1.7          | 1.2                     | +45                      | 0.65             | 2.40            | 1.00                   | +59             |  |
| Quiktrak Networks Ltd    | 0           | 10                    | 0-4       | 1.5          | 0.0                     | +999                     | 1.54             | 1.00            | 1.00                   | +999            | Westonia Mines Ltd      | 28          | 20                    | 1-12      | 15.0         | 13.5                    | +11                      | 0.61             | 1.71            | 1.00                   | +12             |  |
| Quiktrak Networks Ltd    | 0           | 10                    | 0-4       | 0.1          | 0.0                     | +999                     | 1.54             | 1.00            | 1.00                   | +999            | Wilson Investment Fund  | 97          | 100                   | 0-4       | 1.3          | 1.2                     | +13                      | 0.08             | 9.99            | 1.00                   | +16             |  |
| RMG Limited              | 3           | 3                     | 0-2       | 0.3          | 0.2                     | +67                      | 0.64             | 6.13            | 1.00                   | +233            | Wilson Leaders          | 93          | 100                   | 0-10      | 2.5          | 0.5                     | +383                     | 0.05             | 9.99            | 1.00                   | +13             |  |
| Ramelius Resources       | 9           | 20                    | 3-4       | 3.0          | 2.6                     | +17                      | 0.65             | 1.86            | 1.00                   | +33             | Winepros Ltd            | 32          | 40                    | 3-4       | 5.0          | 11.5                    | -56                      | 0.53             | 1.87            | 1.00                   | +11             |  |
| Range River Gold NL      | 25          | 25                    | 0-1       | 2.2          | 2.2                     | +0                       | 0.74             | 6.29            | 1.00                   | +175            | Yamarna Goldfields      | 1           | 20                    | 0-5       | 0.1          | 0.0                     | +999                     | 0.65             | 9.99            | 1.00                   | +999            |  |
| Red 5                    | 13          | 35                    | 0-5       | 1.6          | 0.2                     | +784                     | 0.85             | 5.01            | 1.00                   | +999            | Yilgam Gold Ltd         | 4           | 10                    | 0-9       | 0.7          | 0.2                     | +332                     | 0.79             | 3.67            | 1.00                   | +298            |  |
| Republic Gold            | 15          | 25                    | 2-3       | 3.4          | 3.3                     | +2                       | 0.59             | 2.25            | 1.00                   | +33             | Zylo-tech Limited       | 1           | 6                     | 0-7       | 0.1          | 0.0                     | +999                     | 0.95             | 5.36            | 1.00                   | +999            |  |
| Resolute Mining Ltd      | 118         | 80                    | 0-10      | 44.0         | 45.5                    | -3                       | 0.52             | 2.28            | 1.00                   | +6              |                         |             |                       |           |              |                         |                          |                  |                 |                        |                 |  |

# New Zealand Warrant / Option Analysis

| Warrant                | Share Price | Exercise Price | Years & Months to Expiry | Warrant Price (NZ cents) | Black-Scholes Valuation (NZ cents) | Warrant Over/Under Valued (%) | Share Volatility | Warrant Leverage | No. Warrants to Buy One Share | Break-Even Rate |
|------------------------|-------------|----------------|--------------------------|--------------------------|------------------------------------|-------------------------------|------------------|------------------|-------------------------------|-----------------|
| Forty Two Below (2005) | \$0.49      | \$0.50         | 1-2                      | 12.9                     | 7.6                                | +70                           | 0.302            | 4.1              | 1.0000                        | +24             |

# Warrant / Option Analysis

## Review of Existing Option Holdings

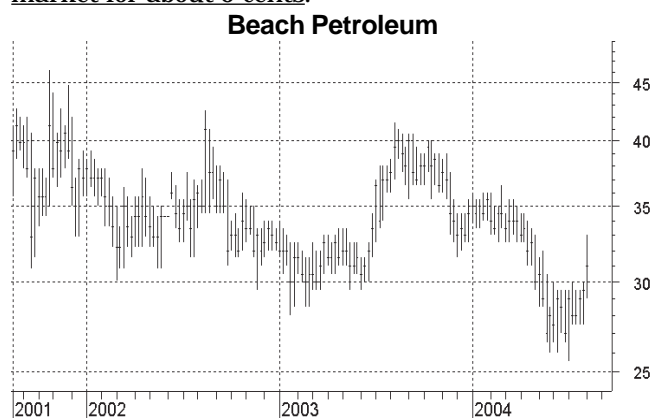
We are exercising our **Euroz** options *immediately* (i.e. three months early) to participate in a large dividend that the company will pay early next month. We *may* then sell some or all of these shares to realise around a 500-800% gain on our initial investment in the options!

We are also selling our **Beach Petroleum** options on-market as they look over-valued and unlikely to increase in value. Our loss here is about 60%.

Our **DCA Group** options have increased further in value and remain an attractive Buy/Hold for further gains. Our **WAM Capital** options are down - but offer huge leverage so also remain an attractive Buy/Hold speculation.

### **Beach Petroleum** (codes BPT and BPTOC).

Beach Petroleum's share price continues to slip and the options are now looking expensive. The shares would need to appreciate 26% over the next 10 months (i.e. 33% per annum) for the options to equal their current value at their final exercise/expiry date. Therefore we shall cut our losses and sell these options (which we originally bought around 12½ cents in August 2003) on-market for about 5 cents.



### **Biotech Capital** (codes BTC and BTCOA).

These options have fallen in value to 6½ cents (down from our initial purchase at 9 cents), are very speculative but offer a very high 3.75 times leverage. The investment company's net asset value has been stable around 55.5 cents, of which 11.3 cents is in cash, but the shares have fallen to 42 cents - a 24% discount to net assets. This fall in the share price has resulted in the larger (i.e. leveraged) decline in the option value.

Nevertheless, there is still over two years until the final exercise/expiry date, so if the company's investments increase in value the options could soar.

These options remain suitable for a small speculative investment.

### **Datafast Telecommunications** (codes DFT and DFTOA).

Datafast Telecommunications continues to expand via acquisition - buying two small ISPs (**TIK** and **Geelong Science & Technology**) and one large ISP (**OzzieNet**) with 4000 customers.

The 10 January 2005 options (to buy shares at 1 cent) trade around 0.5-0.6 cents, while the shares trade at 1.3-1.4 cents. The shares, however, can be very volatile, so the options *could* increase in value. Hold.

### **DCA Group** (codes DVC and DVCO).

DCA Group has significantly expanded its business with the acquisition of listed **MIA Group** for \$700 million (\$280 million in cash and \$420 million in DCA shares).

Our options have already increased 2½ times in value to 62 cents and continue to offer the potential for highly leveraged (i.e. 3.68 times) gains over the next 13 months.

Buy and Hold for further capital appreciation.



### **Euroz** (codes EZL and EZLO).

We recommend the immediate exercise of the Euroz options ahead of their final exercise/expiry date of 30 November 2004.

The company has announced an unaudited 760% increase in profits to \$6,183,281 (16.6 cents per share) for the year to June 2004 and plans to pay a final 10.0 cents dividend. Investors who exercise their options immediately will participate in this dividend.

The shares will *probably* trade ex-dividend from the end of August, so exercising these options three months early will produce 10.0 cents in extra income.

We originally reviewed these options in May 2002 at 9½ cents and they traded as low as 6½ cents during the remainder of 2002. Exercising the options early will now maximise their value by collecting the upcoming dividend.

The company now believes it is "unlikely that market activity will continue at the same rate" as in 2004 and profits will be lower in the current year to June 2005. The shares, however, offer reasonable value and will probably stabilise around 100 cents. After exercising the options to obtain the final dividend, investors may therefore wish to sell some or all of these shares to realise the significant capital gain on this investment.

Investors who do not have the cash to exercise their options *could* look to sell on-market but at present may not receive more than 40-41 cents. Unfortunately the market for the options is now fairly inactive. Investors will maximise their gain by first exercising the options

(with the payment of 50 cents), then receiving the 10 cents dividend, then selling the more actively traded ordinary shares around 100 cents - for net proceeds of about 60 cents!



### Orchid Capital (codes ORC and ORCO).

We indicated in May that we would seek to sell about half our Orchid Capital options at 3.0 cents if prices remained high. There were several trades at 3.0 and 3.1 cents, but we did not sell any of our options.

The share price has since eased back from 7.5 cents to around 6.5 cents and the options are quoted around 1.7-2.9 cents.

The company will begin exploring for minerals in Asia and has signed an agreement to seek gold in Tibet.

The options are inactively traded at present, but have over two years until their final exercise/expiry date, so we are happy to just hold them for a while longer.

### Total Return Index for All Listed Shares

|        |         |        |         |
|--------|---------|--------|---------|
| Jul 5  | 2146.79 |        |         |
| Jul 6  | 2144.86 |        |         |
| Jul 7  | 2145.68 |        |         |
| Jul 8  | 2148.58 |        |         |
| Jul 9  | 2148.41 |        |         |
| Jul 12 | 2153.38 | Jul 19 | 2169.74 |
| Jul 13 | 2144.54 | Jul 20 | 2171.02 |
| Jul 14 | 2149.53 | Jul 21 | 2168.96 |
| Jul 15 | 2161.45 | Jul 22 | 2171.70 |
| Jul 16 | 2169.96 | Jul 23 | 2168.15 |
| Jul 26 | 2177.13 | Aug 2  | 2197.57 |
| Jul 27 | 2186.82 | Aug 3  | 2199.10 |
| Jul 28 | 2193.08 | Aug 4  | 2214.12 |
| Jul 29 | 2191.50 | Aug 5  | 2212.88 |
| Jul 30 | 2202.67 | Aug 6  | 2204.40 |

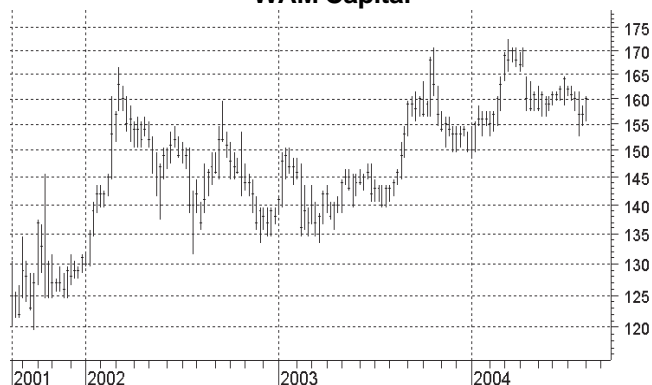
### WAM Capital (code WAM and WAMO).

These options (to buy shares at 155 cents on 17 June 2005) are very speculative but offer high leverage (i.e. 8.01 times).

Unfortunately, while this investment company has a successful long term track record it has underperformed the market over *each* of the last five months. Net asset backing is 152.2 cents (before tax) or 139.8 cents (after providing for tax) although the share price is 160 cents. 63% of the portfolio is currently in equities and 37% in fixed interest securities.

If the share price falls below 155 cents by June 2005 then these options will expire worthless. If the shares rise, however, the options could double or triple or more. So we are looking at a large percentage loss or gain on these options. This, however, is what options are all about and these WAM Capital options offer an attractive way to add some leverage to a diversified share portfolio.

### WAM Capital



## Dividends

| Company                      | Cents per Share | Ex-Date | Pay-able | Tax Credit |
|------------------------------|-----------------|---------|----------|------------|
| AMP Office Trust             | 1.75            | 23-08   | 27-08    | Nil        |
| Calan Healthcare Properties  | 1.7069          | 16-08   | 01-09    | 0.2931     |
| Carter Holt Harvey           | 3.00            | 09-08   | 19-08    | Nil        |
| Comvita                      | 2.00            | 16-08   | 27-08    | Full       |
| Contact Energy               | 7.00            | 17-05   | 28-08    | Full       |
| Contact Energy (special)     | 10.00           | 23-08   | 02-09    | Full       |
| Metlifecare                  | 2.00            | 16-08   | 27-08    | Nil        |
| National Property Trust      | 2.25            | 23-08   | 03-09    | Nil        |
| Property For Industry        | 1.40            | 02-08   | 06-08    | 0.1075     |
| Renaissance Corporation      | 3.00            | 27-09   | 01-10    | Full       |
| Seeka Kiwifruit              | 9.00            | 13-09   | 15-09    | Full       |
| Smiths City Market           | 2.50            | 02-08   | 09-08    | Full       |
| <u>Australian Shares</u>     |                 |         |          |            |
| Health Communication Network | 1.25            | 16-08   | 03-09    |            |
| Technology One               | 1.60            | 06-09   | 24-09    |            |

## Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday September 7, 2004 (and delivered in most areas on Wednesday 8).

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

MARKET ANALYSIS is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Birkenhead, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or [www.australia-stockmarket.com](http://www.australia-stockmarket.com) Email: [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz)). Subscription Rate NZ\$265 (including GST) per year.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. A summary of All prior recommendations is available to any current subscriber, free of charge, upon request. The information presented has been obtained from original and published sources believed to be reliable, but its accuracy cannot be guaranteed. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.