

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Our shares continue to appreciate rapidly in value - although the longer term general stockmarket outlook is only Neutral. Remain fully invested in the recommended shares.

Investment Outlook.

We see good value in our Recommended Portfolios shares and recommend remaining fully invested in these shares. The longer term outlook for the Australian and New Zealand stockmarket is, however, only Neutral.

The best thing going for both stockmarkets is that they are in strong uptrends. Trends tend to continue as investors buy into uptrends and sell into downtrends - often pushing share prices to extremes of over-valuation or under-valuation. One of the basic rules of the stockmarket is "Invest *with* the trend" - at least until signs of mania warn of massive over-valuation!

Unfortunately, other factors are less favourable. Australian shares are about *fairly valued*, trading around historical average P/E and Yields. New Zealand shares, however, are looking a little *over-valued*, with P/Es near historical highs and Yields near historical lows.

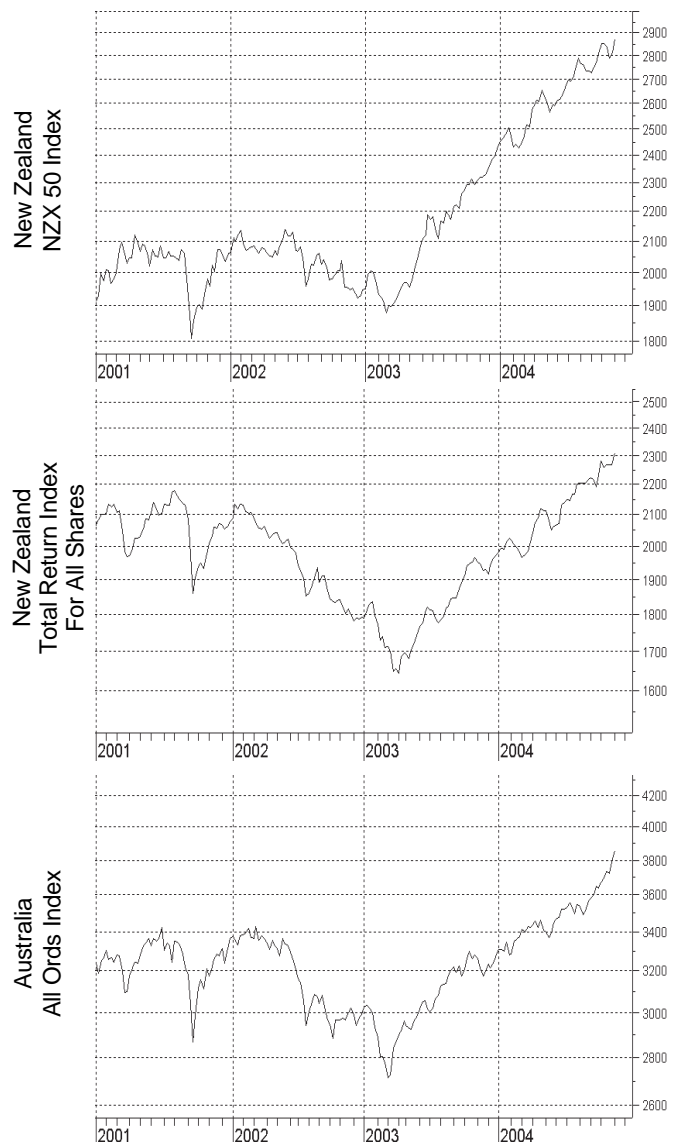
Monetary conditions are generally Neutral in Australia. Interest rates and inflation are relatively stable, although the exchange rate is rising. Money supply growth is rapid, albeit at a slower rate than 6-12 months ago. New Zealand's monetary conditions are less favourable: Interest rates are rising (although may have peaked?), while inflation and the exchange rate are also rising. This is unfavourable for the economy *and* the stockmarket. Stable, moderate money supply growth is slightly favourable.

The Australian economy appears to be approaching a cyclical economic peak while the New Zealand economy is at its peak. This boosts current levels of corporate profitability, but the stockmarket *anticipates* future economic trends - and that future trend is likely to be an unfavourable cyclical downturn.

At the present time we recommend investors remain fully invested in shares as our portfolio is appreciating rapidly in value. These gains are driven by the general stockmarket uptrend *and* careful selection of under-valued shares with recovery *and/or* growth potential. This current long term uptrend *may* continue for several years but may slow or reverse slightly in late 2005.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	82% (Bullish)	61% (Bullish)
New Zealand:	78% (Bullish)	46% (Neutral)



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
A2 Corporation	C	10	N/A	NE	Nil	Horizon Energy	B	435	4.38	17	7.5	Richina Pacific	D	59	0.19	23	Nil
AMP Limited	D	738	1.12	NE	2.4	ING Property	C	116	N/A	25	9.6	Richmond Hold.	C	312	0.10	10	3.6
AMP NZ Office	C	88	5.67	11	8.0	Ind Newspapers	B	520	3.88	40	2.7	Rocom Wireless	D	34	1.55	NE	Nil
AXA Asia Pac.	B	422	1.50	20	2.8	Infratil NZ	C	325	4.88	30	5.5	Rubicon Limited	D	106	N/A	NE	Nil
Abano Health.	D	13	0.38	NE	Nil	Just Water Int.	D	80	4.01	24	Nil	Ryman Health.	B	335	3.06	18	2.7
Affco Holdings	C	46	0.28	15	Nil	Kidicorp	D	24	1.73	NE	Nil	Sanford Limited	C	435	1.21	10	6.7
Air New Zealand	C	154	0.26	6	Nil	Kingfish Ltd *	N/R	97	N/A	NE	Nil	Savoy Equities	D	1.9	N/A	NE	Nil
Akd Int Airport	B	756	8.79	24	5.5	Kingsgate Int'l	E	35	5.81	34	Nil	Scott Tech. Ltd	B	335	2.33	22	5.8
Allied Farmers	A	205	0.44	11	7.6	Kirkcaldie & St	C	236	0.57	22	4.7	Sealegs Corp	E	1.9	N/A	NE	Nil
Apple Fields	B	4.0	N/A	NE	Nil	Kiwi Property	C	111	9.94	15	7.7	Seeka Kiwifruit	B	468	0.73	12	5.7
Beauty Direct	C	15	N/A	NE	Nil	Lion Nathan Ltd	A	845	2.18	22	3.6	Selecter Group	E	1.5	2.94	NE	Nil
Blis Technology	D	13	N/A	NE	Nil	Loan & Building	A	440	1.64	17	4.9	Shotover Jet	D	105	1.85	13	1.8
Blue Chip NZ	D	100	0.37	NE	Nil	Lytelton Port	C	170	2.81	14	9.7	Skellmax Indust	C	118	1.11	10	8.9
Botry-Zen Ltd	D	9.4	N/A	NE	Nil	MG Property Trt	C	107	7.35	19	8.9	Sky City Ltd	C	464	3.23	19	8.5
Brierley Invest	C	84	2.25	13	2.6	Mainfreight Grp	C	203	0.29	35	4.8	Sky Network TV	D	570	5.04	63	Nil
Briscoe Group	C	140	0.93	12	7.5	Media Tech.	D	12	2.08	NE	Nil	SkyCity Leisure	D	76	1.29	25	Nil
Broadway Ind	C	110	0.53	7	1.8	Metro. LifeCare	B	248	1.95	15	2.0	Slavus Strat. *	N/R	86	N/A	NE	Nil
CACI Group Ltd	D	34	0.49	NE	Nil	Michael Hill	A	781	1.15	20	4.0	Smiths City	C	70	0.18	9	7.5
CDL Hotel NZ	C	54	1.12	11	3.9	Mid-Cap Index *	N/R	237	N/A	NE	Nil	Software of Exc	E	141	1.81	NE	Nil
CDL Investments	D	33	2.42	10	7.2	Mike Pero Mort.	D	84	1.07	17	10.7	Sol. Dynamics	E	132	0.89	NE	Nil
Cabletalk Group	B	53	0.31	9	Nil	Mooring Systems	D	415	N/A	NE	Nil	South Port NZ	C	130	2.30	17	7.5
Cadmus Tech Ltd	C	15	2.55	NE	Nil	Mowbray Collect	C	160	3.51	NE	4.2	Spectrum Res.	D	1.4	1.52	NE	Nil
Calan Hlthcare	C	92	8.42	14	8.7	Mr Chips Hold	C	116	0.80	14	6.4	Steel & Tube	B	460	1.04	14	8.8
CanWest Media.	D	172	N/A	NE	Nil	NGC Holdings	B	311	3.02	17	9.1	Sthn Travel	D	136	N/A	NE	Nil
Cap Properties	C	101	4.12	15	8.9	NZ Experience	C	34	1.61	15	8.8	Summit Gold Ltd*	N/R	13	N/A	NE	Nil
Carter Holt	D	206	0.79	12	2.9	NZ Exchange Ltd	D	729	6.66	31	Nil	Tag Pacific Ltd	C	35	0.69	NE	Nil
Cavalier Corp	B	465	1.52	14	8.7	NZ Invest Trust*	N/R	704	N/A	NE	1.2	Taylor's Grp Ltd	B	236	0.93	13	7.0
Cert Organics	D	8.0	6.25	NE	Nil	NZ Oil and Gas *	N/R	93	8.24	15	Nil	TeNZ *	N/R	112	N/A	NE	Nil
Col Motor Co	B	295	0.20	10	1.1	NZ Refining Co	A	2620	3.32	17	6.8	TeanTalk Ltd	A	255	2.56	19	9.7
Commsort Group	E	0.3	N/A	NE	Nil	NZ Wine Company	B	200	2.22	23	4.2	Telecom Corp	B	583	2.10	15	6.9
Convita	C	226	0.92	16	2.8	Nat Property Tr	C	90	5.72	14	10.0	Tenon Ltd	D	222	0.37	NE	Nil
Contact Energy	B	618	3.09	32	5.6	Northland Port	B	285	N/A	35	4.2	Tol NZ Ltd	B	275	0.83	5	Nil
Cube Capital	C	8.0	0.27	NE	Nil	Nuhaka Forestry	C	415	2.13	NE	15.2	Tourism Hold.	B	190	1.09	17	7.1
Cue Energy Ltd *	N/R	20	N/A	66	Nil	Nuplex Indust	B	508	0.48	10	7.2	Tower Limited	C	244	0.98	NE	6.1
DB Breweries	B	941	1.49	20	5.3	Opio Forestry	C	85	N/A	NE	Nil	Training Sol.	E	0.1	0.59	NE	Nil
Dominion Fin.	D	103	N/A	9	7.9	Owens Group Ltd	E	114	0.18	NE	Nil	Trans-Tasman	E	39	3.63	12	Nil
Dorchester Pac	B	270	0.77	10	5.5	Oyster Bay	C	270	N/A	NE	Nil	Trust Power Ltd	B	520	1.30	13	5.0
Ebos Group Ltd	A	436	0.53	14	6.8	Ozzy (Tortis) *	N/R	221	N/A	NE	Nil	Turners Auction	C	440	1.27	18	5.4
Evergreen	E	37	1.43	NE	Nil	POU Ltd	A	175	0.78	15	2.6	Turners & Grow.	B	315	N/A	NE	Nil
F & P Appliance	C	420	1.17	13	7.2	Pac Edge Bio.	C	27	N/A	NE	Nil	Urbus Property	B	105	2.50	5	8.6
F & P Health.	B	310	7.38	29	5.0	Pacific Retail	D	198	0.12	NE	Nil	Utilico Intl	E	62	3.99	NE	Nil
Feltex Ltd	C	156	0.71	11	3.8	Port Tauranga	A	570	5.05	23	5.2	VTL Group Ltd	C	87	0.92	13	3.8
Finmedia Ltd	C	127	1.36	NE	Nil	Ports Auckland	B	679	4.37	16	8.9	Vertex Group	C	155	0.56	10	3.9
Finzsoft Solns	C	90	1.38	23	Nil	Postie Plus Grp	B	97	0.36	10	10.9	WN Drive Tech.	D	44	N/A	NE	Nil
Fletcher Build.	A	563	0.62	10	6.6	Powenco Limited	B	212	2.06	12	7.5	Wakefield Hosp.	A	349	1.20	19	3.4
Forty Two Below	C	59	N/A	NE	Nil	Property F. Ind.	C	99	N/A	11	7.4	Warehouse Group	C	407	0.55	20	5.3
Freightways Ltd	B	268	N/A	26	6.4	Provenco Group	D	80	1.01	18	Nil	Waste Mgmt NZ	A	556	3.01	30	4.2
GDC Communicat.	C	18	0.15	NE	Nil	Pumpkin Patch	C	218	1.65	45	Nil	Widespread Port	E	1.9	7.13	NE	Nil
Genesis Res.	D	43	1.13	NE	Nil	Pure NZ Limited	E	2.5	8.62	NE	Nil	Williams Kettle	B	325	0.43	11	7.8
Guinness Peat	B	217	1.10	10	1.2	Pyne Gould G.	B	200	0.69	11	6.7	Windflow Tech.	E	298	N/A	NE	Nil
Hallenstein G.	A	370	1.20	13	9.7	Pyne Gould Corp	B	326	0.76	9	6.4	World Index Fd *	N/R	110	N/A	NE	Nil
Hellaby Hold.	A	612	0.91	15	8.5	Renaissance	D	72	0.27	20	14.5	Wrightson Ltd	C	160	0.35	22	10.7
Heritage Gold *	N/R	9.2	N/A	NE	Nil	Restaurant Brds	D	138	0.43	16	10.8	Zinfel Comm.	D	126	1.58	15	8.0
Hirequip NZ Ltd	C	117	1.72	8	2.6	RetailX Limited	E	4.0	0.29	NE	Nil	Ave of 161 Cos	C	229	0.76	22	3.7
ABC Learning	B	477	6.81	26	2.1	Envestra	C	111	2.85	38	8.6	Nufarm Limited	A	815	0.85	18	2.8
AMP Ltd	C	675	1.14	20	4.4	Excel Coal Ltd	A	440	3.67	31	3.0	Nufarm Group Ltd	A	384	1.08	Nil	Nil
ANZ Bank	B	2077	4.07	27	4.9	FKP Limited	B	383	1.90	14	3.9	Oil Search Ltd	A	673	2.70	11	0.8
APN News Media	B	479	1.94	22	3.8	Fairfax (John)	A	437	2.23	14	3.8	Onesteel Ltd	B	274	0.47	12	4.4
AWB Limited	B	470	0.67	48	5.3	Flight Centre	B	1904	2.24	22	3.2	Orica Ltd	A	1835	1.23	51	2.8
AXA Asia Pac	A	391	1.43	7	2.6	Foodland Assoc	B	1872	0.32	15	5.3	Origin Energy	A	685	1.29	22	1.9
Adelaide Bright	B	166	1.43	16	3.3	Foster's Group	B	519	2.67	13	3.7	Oxiana Ltd	B	102	N/A	NE	Nil
Adelaide Bank	B	953	1.08	12	4.6	Futuris Corp.	B	215	0.52	59	3.7	PMP Limited	C	200	0.48	33	Nil
Aiinta Limited	A	792	1.75	12	4.2	G.R.D. Holdings	A	288	2.69	33	2.9	Pacific Brands	B	673	1.33	23	2.6
Alumina Ltd	B	565	N/A	28	3.5	G.U.D. Holdings	A	1079	1.66	18	3.7	Pacific Group	C	369	0.51	10	5.8
Amalgamated Hld	A	430	1.11	12	3.0	GWA Internat'l	B	320	1.31	14	5.6	Pacific Hydro	C	364	7.56	14	1.4
Amcor Ltd	C	770	0.65	20	4.2	Gandel R. (CFS)	B	159	9.08	17	6.3	Paperlin X Ltd	B	490	0.35	20	5.6
Ansell Ltd	A	905	1.41	23	1.4	General Prop Tr	B	373	N/A	17	5.7	Patrick Corp	B	592	2.89	22	1.4
Aquarius Plat.	A	643	1.95	13	1.3	Graincorp	D	1280	1.02	NE	Nil	Perp Trust Aust	A	5860	7.06	25	2.6
Argo Investment	B	509	N/A	29	3.2	Gt Sthn Plant	C	35	4.31	19	1.2	Primary Health	A	685	4.67	23	2.6
Aristocrat Leis	B	871	4.17	NE	0.7	Hi-Lux Aust.	A	198	0.99	10	2.1	Prime Health	B	673	3.36	26	9.1
Arrow Pharm.	B	1317	3.11	65	Nil	Gunn's Ltd	A	1590	2.00	13	3.1	Prim. Amer. Off	B	131	N/A	66	12.5
Aust Pharm. Ind	B	325	0.25	39	4.0	HHG Plc	D	118	0.20	NE	Nil	Promina Group	B	470	1.29	18	2.7
Aust Foundation	B	350	N/A	25	3.8	Hardman Res.	C	197	N/A	NE	Nil	Publishing & Br	A	1516	3.17	15	2.8
Aust Infra.	A	219	N/A	13	5.3	Harvey Norman	C	305	1.76	18	2.5	Q.B.E. Insur.	C	1378	N/A	23	3.0
Aust Gas Light	B	1302	1.41	17	4.6	Hills Motorway	C	813	N/A	NE	4.5	Qantas Airways	C	336	0.55	10	5.1
Aust Pipeline	B	305	2.17	19	2.2	Hills Plant	B	419	0.81	19	5.4	Ramsay Health	C	673	1.13	23	2.6
Aust Stock Exch	B	1882	7.96	23	3.0	H											

Recommended Investments

Cavalier Corporation reports profitability up about 4% for the first four months of the new financial year, but the high exchange rate against the Australian dollar will depress export profitability in the second half of the year.

Colonial Motor Company reports "overall sales and profitability are behind the same period last year".

Lyttelton Port Company has confirmed its plans to "maintain current dividend levels over the next five years" while also investing \$90 million in capital expenditure. So this is a low-risk, *highyield* investment.

Metlifecare's contract to purchase a 1.83 hectare site in Takapuna, Auckland, from **Calan Healthcare Properties** has finally become unconditional now that the company has Resource Consent for its 260 luxury apartment and care facility development. \$8,500,000

(plus GST) is payable this month on settlement with four year vendor finance provided for the balance of \$4,325,000. Site work is expected to start in 2006 and staged construction will begin from 2007.

Michael Hill International has announced plans to expand the group from 149 stores at present to 1000 stores around the world in 18 years! Is that sort of growth possible? Well, yes - and confirms our projection (*Market Analysis* December 2003) that these shares *could* eventually become a 100-bagger investment for us (i.e. increase our initial investment in this company 100-fold).

Expanding from 149 stores to 1000 stores over 18 years is a compound growth rate of 11% per annum - about in line with the company's *historical* growth rate. Historical growth has been (Continued on Page 4)

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Perform- mance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %	
		Code	- Date - Price										
NZ Shares													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	D	199.4	1.8	2.42	10	7.2	33	9.3	+69%
HOLD	Cavalier Corporation	CAV	05/12/95	156*	B	64.9	0.6	1.52	14	8.7	465	143.0	+290%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.6	0.20	10	10.1	295	259.8	+270%
HOLD+	Lyttelton Port Company	LPC	12/12/00	150	C	102.1	0.9	2.81	14	9.7	170	43.3	+42%
BUY	Metlifecare Ltd	MET	10/08/04	236	B	86.4	1.0	1.95	15	2.0	248	2.0	+6%
HOLD+	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.7	0.5	1.15	20	4.0	781	150.0	+1924%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	62.1	0.8	0.48	10	7.2	508	101.0	+74%
HOLD	Renaissance Corp	RNS	13/08/96	85*	D	37.2	1.2	0.27	20	14.5	72	20.4	+9%
BUY	Richina Pacific	RPL	03/11/95	94*	D	144.4	1.4	0.19	23	Nil	59	9.4	-27%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	1.1	2.30	17	7.5	130	75.0	+71%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.0	0.7	1.04	14	8.8	460	100.0	+284%
HOLD	Taylors Group Ltd	TAY	09/11/99	102	B	24.3	0.8	0.93	13	7.0	236	32.0	+163%
Australian Shares (in Aust cents)													
HOLD+	AJ Lucas Group	AJL	13/05/03	120	B	51.2	0.8	0.72	9	4.7	172	12.5	+54%
HOLD	Atlas Pacific Ltd	ATP	14/05/96	73	C	87.8	2.1	1.51	13	Nil	17	7.0	-67%
HOLD+	Austral Coal Ltd	AUO	16/01/01	19	C	203.2	1.2	1.51	33	Nil	87	Nil	+358%
HOLD	Aust Infrastructure	AIX	07/10/03	158	A	228.6	0.7	11.20	13	5.3	219	11.5	+46%
BUY	Campbell Brothers Ltd	CPB	12/10/99	418*	A	40.1	0.5	0.82	22	4.1	800	135.5	+124%
BUY	Candle Australia	CND	08/04/03	86	C	39.6	0.9	0.39	15	5.1	176	10.0	+116%
BUY	Cellnet Group Ltd	CLT	12/02/02	152	B	49.8	0.9	0.18	9	7.1	163	24.5	+23%
HOLD+	Circadian Technology	CIR	10/02/04	188	C	40.1	1.2	13.25	17	Nil	240	50.0	+54%
BUY	Commander Comm.	CDR	11/09/01	92	A	154.6	0.7	0.63	33	1.0	201	11.2	+131%
BUY	Computershare Ltd	CPU	12/08/03	189	A	542.4	0.9	3.01	41	1.5	526	10.5	+184%
HOLD+	Health Communication	HCN	07/10/03	101	B	63.3	1.1	3.09	22	1.6	145	2.3	+46%
HOLD	Int'l AllSports	IAS	11/02/03	180	C	52.5	1.6	0.04	NE	Nil	40	2.5	-76%
BUY	Iluka Resources Ltd	ILU	12/10/04	471	A	232.8	0.8	1.48	14	4.3	515	Nil	+9%
BUY	Keycorp Ltd	KYC	10/08/04	154	A	81.7	1.2	1.58	21	1.5	196	Nil	+27%
HOLD+	Melbourne IT	MLB	10/02/04	53	B	50.9	0.9	1.22	29	2.5	120	4.0	+134%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	253.2	1.0	3.85	40	1.3	137	Nil	+63%
HOLD-	OAMPS Limited	OMP	15/05/01	106*	B	107.1	0.5	0.79	26	4.7	343	43.5	+265%
BUY	Ross Human Directions	RHD	14/08/01	92	B	59.1	1.3	0.30	13	4.1	85	17.0	+11%
HOLD	Skilled Engineering	SKE	12/03/02	126	C	95.6	0.7	0.33	15	6.2	257	41.5	+137%
BUY	Sonnet Corporation	SNN	07/09/04	31½	B	82.0	1.7	0.86	7	16.1	28	1.5	-8%
BUY	Technology One Ltd	TNE	11/11/03	44	B	298.7	1.2	3.53	19	4.7	61	2.9	+45%
HOLD-	Toll Holdings	TOL	08/09/98	60*	A	321.3	0.6	1.17	23	1.7	1203	64.0	+2012%
HOLD	UXC Limited	UXC	11/01/00	55*	B	144.8	1.2	0.61	13	6.3	80	24.0	+89%
HOLD-	Villa World Ltd	VWD	11/06/02	68	A	113.2	0.7	0.96	7	8.7	149	29.0	+162%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	C	173.4	1.0	1.25	16	4.1	102	28.3	+89%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +194.4%. This is equal to an average annual rate of +47.2%, 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 126 closed out) is +33.0%, compared with a market gain of +9.3% (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) completely funded internally from operating cashflows and acceptable levels of debt, so it should be possible to finance steady *future* growth in the same way. There would be no *dilution* in earnings per share which would happen if new shares were issued to raise additional equity. So a 6½ fold increase in store numbers should result in approximately a 6½ fold increase in revenues, a 6½ fold increase in group profits and 6½ fold increase in annual dividends and a 6½ fold increase in the share price to \$45-52.

Where will the company put all these stores? Expansion could take the company east across Canada, south into the United States and across the Atlantic where there are "huge opportunities in mid-sized British towns". Of course, whether or not the company eventually makes it to 1000 stores is of little importance at this time. What is obvious is that the company is in a rapid phase of expansion and growth. This should drive revenue and profit growth over many years, while the market's perception of this long term growth potential should help to further increase the valuation of the shares. At 781 cents Michael Hill International shares are not *cheap*, but neither are they *expensive* for a company with strong growth potential. Further strong investment gains look likely so the shares remain an attractive long term "Hold+" (i.e. still attractive to Buy).

For the September quarter, NZ revenues rose just 2.4% to \$15.5 million from 46 stores. Australian revenues rose 13.1% to NZ\$33.1 million, helped by four new stores, making 97 stores in Australia. Canadian revenues rose 14.1% to NZ\$1.2 million, with two new stores taking the total to six. The Canadian operations will probably require 12 stores to achieve a break-even profitability.

Michael Hill International



Nuplex Industries announced a major acquisition with the purchase of the coating resins business of Netherlands based **Akzo Nobel NV** for Euro 117 million (\$215 million). This business generates revenues of Euro 256 million, so is being acquired on an attractive Price/Sales ratio of 0.46. This acquisition will boost total revenues by about 70% to about \$1,100 million and earnings (before interest and depreciation) about 45% to \$107 million. The combined group will be a global business with 39% of revenues from Australia, 25% from Europe, 13% from the Americas, 12% from New Zealand and 11% from Asia.

30% of the purchase price will be funded from new equity and Nuplex Industries has placed 11,550,000

shares at 490 cents to raise \$56.6 million and a further \$8-9 million to be raised in a rights issue, dividend re-investments or a Share Purchase Plan. This will increase the issued capital about 21%. The remaining 70% will be debt funded.

The initial impact will be a 10% increase in earnings per share. Debt funding most of the acquisition also increases future growth potential owing to the additional leverage.

Nuplex Industries shares continue to trade on a low valuation. At 508 cents the Price/Sales ratio is 0.48, the Price/Earnings ratio only 10 and the gross Dividend Yield a high 7.2%. The shares are therefore very attractive for both a high current income yield and above average long term capital appreciation as the company continues to grow and expand. "Buy".

Nuplex Industries



Richina Pacific has completed the purchase of 68% of **Shanghai Leather Company** for RMB 129,339,550 (US\$15.6 million) and taken full management control of that business. The acquisition of the next 22%, giving 90% ownership, for RMB 41,845,150 (US\$5.1 million) is subject to approval by shareholders at a meeting on 8 December as it will be financed by Richina Pacific's major shareholder. The company also holds an option to buy the final 10% at any time before 31 December 2007.

Steel & Tube Holdings reports that the "strong trading conditions" experienced in the second half of last year have continued into the new financial year. With a "better sales mix, cost saving initiatives and production efficiencies" the profit for the September quarter is "considerably ahead" of the same period last year. The company expects the economy to "remain strong throughout the year" so the shares should continue to yield high income and appreciate further over the next 6-12 months. "Hold".

Australian Shares

(This section is in Australian currency, unless stated.) **Austral Coal** reports "longwall performance approached desired levels during the month of September". Quarterly coal production was below budget owing to early problems commissioning the new equipment, high gas levels and a dyke zone running diagonally across the first 600 metres of the coal panel. The company is "now well positioned to improve production performance in the remaining 1275 metres" of this panel.

Austral Coal has started delivering coal under its new 2004/05 contracts - at a price 30% above the

previous year - but returns should continue to increase significantly. The company reports that "the coking coal market remains in short supply" and expected "substantial increases in contract prices" for next year "based upon recent sales of spot cargoes".

Australian Infrastructure Fund's consortium was unsuccessful in its bid for the **Mitcham Frankston Freeway**. The fund, however, reports very strong growth in passenger numbers through Melbourne Airport. Total passengers for the September quarter were 5,209,000 up 15.8% on the same period in 2003. The airport's *Northern Winters* schedule "confirms a 23% increase in international airline seat capacity" for the period from November 2004 to March 2005 - so revenue should continue to show strong growth over at least the next six months!

Australian Infrastructure shares are probably about *fairly valued* at present, having risen strongly since we bought into this investment 13 months ago. Nevertheless, we rate the shares a "Hold" and will let our profits run. Strong growth through Melbourne airport, a high Relative Strength rating (+11.5%, ranked 20), an *insider* buy last week and a moderate valuation are all favourable factors and the shares could continue to perform very well over the next 6-12 months.

Australian Infrastructure Fund



Campbell Brothers shares have dipped back around 800 cents - a level at which we believe they offer good buying as discussed last month.

Campbell Brothers



Candle Australia has relaunched its executive search division - which was closed during the Technology downturn - and is seeking acquisitions to help grow this division ahead of an expected surge in demand for senior technology executives. This sector actually *fell* 20% in September, ahead of the recent Election, but has since improved strongly and this is expected to continue into 2005.

Computershare has announced its major US acquisition: the purchase of **EquiServe** from **DST Systems Inc** for US\$292 million (i.e. the issue of 29,600,000 new Computershare shares and US\$216 million in cash). Completion and settlement are expected around 1 January 2005.

EquiServe - a share registry business - is expected to generate revenues of US\$300 million this year, so the company is being acquired on a Price/Sales ratio of slightly less than 1.00. It should be "earnings per share accretive for Computershare in 2005" - which means that expected profits will exceed the interest cost on the additional borrowings to fund this expansion. Most importantly, within three years Computershare expects to realise synergies of US\$55 million per annum combining EquiServe with its existing North American businesses. Achieving these synergies would approximately double or triple the value of this acquisition - boosting Computershare by around 80-120 cents per share. Others estimate potential cost savings of as much as US\$160 million annually!

EquiServe has 1300 corporate clients - including 18 of the 30 Dow Jones Industrial Average companies - and services 19 million shareholders. The business has performed poorly over recent years and has been losing clients. Computershare's systems should help improve service and significantly lower operating costs.

This acquisition increases the group's market share in the US share registry business from 5% to 25%, making it the biggest company in this sector.

Computershare made a smaller acquisition: Western Australian based **Post Data**, an electronic and paper based marketing and fundraising company. Computershare is also growing "organically", winning the contract to provide share registry services for **National Australia Bank**. The bank previously provided this service itself, with systems provided and supported by Computershare.

Computershare



Health Communication Network has become the target of a hostile takeover offer from **IBA Health** which is offering 1.73 IBA Health shares for each Health Communication Network share. IBA Health valued its own shares at 81 cents for the takeover, valuing Health Communication Network shares at 140 cents, but then immediately placed 27,800,000 of its shares with institutions at only 72 cents to raise \$20 million in cash.

Health Communication Network is strong in the GP
(Continued on Page 6)

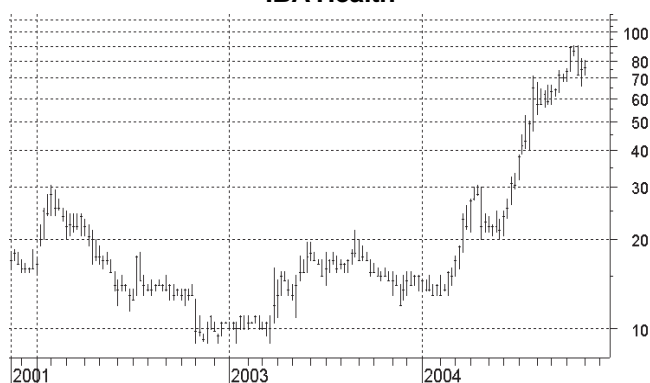
Recommended Investments (Continued from Page 5) sector, while IBA Health provides services to 60% of hospitals, so there is logic in combining these two companies. The current offer is probably not the best deal the HCN shareholders could expect to receive. Both companies have held discussions "for a long time" but without agreement. Health Communication Network directors may have concerns about the "short to medium term value" of IBA Health shares which have risen *extremely* rapidly in value!

The takeover offer is conditional on 50.1% acceptances and IBA Health, in addition to its off-market scrip takeover, intends to use some of its recently raised cash to buy Health Communication Network shares on market. Depressing its own share price through placements while boosting the target's share price by buying on-market does seem a strange takeover strategy - so we would expect further developments (e.g. an *increase* in the takeover) over the coming weeks. We estimate that this bid will probably need to be raised to 150-155 cents - say two IBA Health shares for each Health Communication Network share - for it to be successful. At this stage, Health Communication Network shareholders should just "Hold" their shares awaiting the formal takeover, the directors' response and other developments. Ultimately our options are to (1) accept and receive IBA Health shares, (2) sell on-market for cash or (3) remain a holder of Health Communication Network shares. In the latter case, IBA Health may acquire either a small shareholding (e.g. 10-20%) on-market or a larger holding (e.g. 50.1-89.9%) on-market and through the share swap. In the latter case, there would be strong case for later buying-out the remaining Health Communication Network shareholders in the future - perhaps at a significantly higher price - to realise the full benefits possible from

Health Communication Network



IBA Health



combining these businesses.

"Hold" at this stage. We shall review takeover developments again next month - or by an email update, if necessary, over the next few weeks.

Health Communication Network is seeking future growth in several areas:

Firstly the expansion of *Medical Director* usage by the 20,000 Specialists in Australia. At present only a small number use computers, with 1000 using the GP version of *Medical Director*. Health Communication Network expects 90% of Specialists to computerise by 2009 and is targeting a market share in excess of 50% with its new *Specialist Medical Director* software.

Secondly, the company is seeking to lift its market share in practice management software from 40% (i.e. 3500 practices using *PracSoft*) to over 50% by the end of 2005. All users of *PracSoft* are potential users of the government's *HIC Online* payment system. Health Communication Network expects "at least one-third of Pracsoft users will take up HIC Online in 2004-05" for which it will receive government incentive payments of \$1000 per practice in the first year and \$400 in the second year.

Thirdly, growth in the electronic health transaction market which will generate growth in transaction fees. 32% of the one *billion* transactions in the Australian health system either originate or terminate on the company's software - but only 10-15% are currently electronic.

Fourthly, Health Communication Network believes its *Knowledge Deployment System* (KDS) offers "a major opportunity" for growth over the next three years. This service will be marketed to pharmaceutical companies and the government to "educate GPs" and "modify their behaviour" to "encourage best practice prescribing". *Medical Director* users prescribe around \$2.5 *billion* worth of drugs annually.

Finally, Health Communication Network appears very optimistic about its *iRIS* radiology software, proclaiming it "superior to anything else in the market". The company claims this software is realising "up to 30%" increases in patient throughput at radiology clinics and that it will be "installed in most *I-MED* practices by mid-2005". Interest from other practices is "encouraging" with prospective clients now visiting *I-MED* sites.

International All Sports' cashflow report for the September quarter indicates that the business is still very depressed. Receipts from customers fell 16.7% to \$96.8 million, while the net cash surplus dropped 78.5% to just \$268,000. Cash on hand is \$18.4 million.

This suggests that the business is probably trading around a break-even level - or at a small loss. It is, however, still producing a small cash surplus and holds significant cash reserves. So there is little risk of the company failing in the short to medium term, but good potential to develop a profitable business in the medium to longer term.

International All Sports shares remain a "Hold" while the business is depressed, but we will upgrade them in the future when the business starts to recover.

Iluka Resources' revenues for the September quarter rose 9.0% to \$210.8 million, with revenues for

the nine months to September up 9.4% at \$603.8 million.

The company has also announced the discovery of zircon-rich deposits in the Eucla Basin, South Australia. The deposit has the "potential to be economically developed" using conventional technology and averaging 10% heavy mineral sands, of which 52% is the more valuable zircon.

Iluka Resources also confirms that "the price outlook is "very positive" for zircon and has finalised negotiations with its major customers to progressively increase prices from US\$500/tonne to US\$600/tonne during 2005.

Iluka Resources has awarded a three year contract to **RCR Tomlinson** for offsite equipment repair and maintenance. With new mining projects in Australia the value of this contract is expected to grow from \$3 million in the first year to \$9 million in the third year.

Keycorp is planning to enter the "lucrative integrated point-of-sales market" which involves "more complex terminals with multimedia capabilities". This market is currently dominated in Australia by **NCR** and **Fujitsu**, but Keycorp believes it could compete by focusing on "quality of execution" and is considering "relationships and partnerships" with other companies.

Melbourne IT expects to lift revenues 20% to \$60 million for the year to 31 December 2004 and lift profits by more than 40%.

M.Y.O.B. has sold its **Pollak Learning Alliance** business that provided computer training to larger corporate clients. This business, which generated just under \$9 million in revenues but operated at around a break-even, was considered to not be a strategic fit with training services that will continue for smaller businesses.

The merger with **Solution 6** is proceeding with "considerable progress reducing overhead, rationalising properties and aligning the organisation structure" with the group on target to achieve the forecast synergies of \$10-12 million per annum within three years.

OAMPS has made two further acquisitions: **AIB Insurance Brokers** and **ZIB Group Holdings Company**. What we *really* want to know is who makes up these names?

AIB Insurance is a Darwin based broker with 2500 clients and generating over \$4.5 million annually in general insurance premiums. ZIB Group Holdings Company is a nationwide brokerage and underwriting business with annual premium income of \$90 million. That equals net broking revenues of \$14.5 million and net underwriting revenues of \$5 million. Both acquisitions are for undisclosed cash considerations and "will make positive contributions to earnings per share" for the current financial year.

First quarter results for the group are described as "sound" with 10% earnings per share growth still predicted for the full year.

Skilled Engineering is to change its name to **Skilled Group**. The company is also to continue to exit *Infrastructure Services* businesses and focus upon its core *Managed Labour Services* businesses.

Sonnet Corporation's September quarter cashflow report shows receipts of \$8.5 million and a net operating surplus of \$845,000 - which would indicate that the

business is continuing to trade profitably! Cash in the bank was \$5.1 million (6.2 cents per share). "Buy" for capital appreciation and a high income yield.

Technology One believes that **Oracle's** hostile takeover offer for **Peoplesoft** (which recently took over **JD Edwards**) provides a competitive advantage for the company. Oracle will not support "numerous R&D teams building overlapping products", creating uncertainty for users. Technology One is the "only vendor" that "develops, markets, implements and supports all its own products".

UXC has sold 15,000,000 **IT&e** shares on-market at 25 cents and 699,909 shares at 27.4 cents to realise a "significant capital gain". The company continues to hold 13,109,147 **IT&e** shares.

Toll Holdings reports that current trading conditions "have generally continued the trend shown in the previous year" and that this will provide the company with further growth opportunities. Fuel is "an important element" of the group's costs, but it has a "well developed surcharge regime" to pass increased fuel prices through to its customers.

While we don't recommend buying Toll Holdings shares at current prices, with further growth potential existing shareholders should continue to let their profits run!

Villa World expects market conditions to be "a little less favourable" this year owing to the increase in interest rates. Nevertheless, the company is budgeting for "a similar level of profitability" to June 2005 compared with last year (i.e. \$24.5 million or 21.6 cents per share). In addition, completion of the *Dolphin Arcade* sale would add a *further* \$13.5 million to tax paid profits!

So we are happy to realise partial profits on our investment in Villa World at prices around 155-160 cents or higher. At lower prices the shares are attractively priced and offer a high income yield - with the possibility of the special dividend to distribute cash from the *Dolphin Arcade* sale.

Vision Systems' contract research division, *Invetech*, has won three US contracts for unnamed clients: Firstly, "a long term contract" to develop automated equipment for the manufacture of new pharmaceuticals. Secondly, "a long term relationship" with a large biopharmaceutical manufacturer to "develop and manufacture tools and equipment" for use in their drug discovery processes. Thirdly, "work with a company, incorporating nanotechnology into a DNA research platform" that will be used in the ongoing development of their technology. These projects will generate at least \$10 million in revenues during the current financial year and presumably on-going revenues from at least the first two contracts.

The *Vision BioSystems* division has appointed Italian based **Menarini Diagnostics** to distribute its biomedical instruments and reagents in Italy, France, Germany, Spain, Portugal, Austria, Greece, Belgium and the Netherlands. The company already has experience in marketing immunohistochemistry tissue staining equipment and is part of the **Menarini Pharmaceutical Group** which generates \$3 billion in annual revenues throughout Europe. (Cont'd on Page 8)

Recommended Investments (Continued from Page 7)

Vision Systems reports that monthly reagent sales per *Bond-X* instrument are exceeding initial expectations. So the on-going, high margin income streams from reagent sales that build up as more instruments are sold and become operational should be higher than anticipated. The company also plans two strategies to resolve the patent infringement action brought against its *Bond-X* instrument in the United States by **Ventana**. This action is widely seen as a delaying tactic to protect Ventana's 80% market share, although Vision Systems is expected to eventually win

in court. Firstly, Vision Systems will redesign the bar coding which is alleged to infringe copyright. Secondly, the company will talk to Ventana about their "total business relationship". That is, Vision Systems, through **Novocastra**, supplies Ventana with "lots of reagents, on which they make a large mark-up" but this contract expires in only ten months. Perhaps it is not in Vision Systems best interest to provide specialised reagents that support a rival product? Perhaps the Ventana instruments will be less attractive with cancer pathology laboratories if there is uncertainty over the availability of the reagents needed to operate the system?

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

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

Company	Share Price	Cur. rent	4-Wk Chg.	Rank	Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Richmond Hold.	312	+5.3	-2.0	40	0-1	-	1.0	10	0.6	10	3.6	0.10	128
Smiths City	70	+10.6	-7.3	21	0-1	-	1.2	14	0.9	9	7.5	0.18	37
Col Motor Co	295	+2.2	-0.5	57	2-0	-	0.9	10	0.6	10	10.1	0.20	82
Renaissance	72	+2.9	-2.7	52	1-9	-	2.9	15	1.2	20	14.5	0.27	27
Mainfreight Grp	203	+6.6	-1.6	35	0-5	4	2.7	8	0.8	35	4.8	0.29	194
Wrightson Ltd	160	+5.6	+2.3	39	1-12	3	2.1	9	1.2	22	10.7	0.35	224
Restaurant Brds	138	+2.7	-0.1	53	2-0	4	2.6	16	1.1	16	10.8	0.43	131
Williams Kettle	325	+4.3	+0.3	44	1-1	-	1.8	16	0.6	11	7.8	0.43	72
Allied Farmers	205	+13.2	+1.8	15	0-0	-	1.6	14	0.9	11	7.6	0.44	33
Nuplex Indust	508	+2.9	-1.9	53	1-0	4	1.9	19	0.8	10	7.2	0.48	315
Ebos Group Ltd	436	+10.4	+2.3	21	0-0	-	2.6	18	0.6	14	6.8	0.53	120
Broadway Ind	110	+2.5	-6.1	56	0-0	-	1.3	18	0.8	7	1.8	0.53	22
Vertex Group	155	+2.2	-2.3	58	0-5	-	2.0	20	1.1	10	3.9	0.56	50
Fletcher Build.	563	+14.2	+0.3	14	7-0	5	2.2	21	0.6	10	6.6	0.62	2,459
Pyne Gould G.	200	+12.4	-0.7	16	0-0	-	1.8	16	0.6	11	6.7	0.69	200
Seeka Kiwifruit	468	+3.2	-3.4	50	1-0	-	1.5	12	0.7	12	5.7	0.73	38
Pyne Gould Corp	326	+5.7	+0.5	38	0-0	-	1.0	11	0.9	9	6.4	0.76	319
Dorchester Pac	270	+4.5	-0.9	43	0-2	-	1.9	20	0.9	10	5.5	0.77	56
POD Ltd	175	+33.3	+6.9	2	0-0	-	3.2	21	1.0	15	2.6	0.78	56
Mr Chips Hold	116	+4.8	-3.4	41	0-0	-	2.3	16	1.1	14	6.4	0.80	28
BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0													
Cabletalk Group	53	+45.4	+5.6	0	1-2	-	3.5	39	1.7	9	Nil	0.31	17
Tol NZ Ltd	275	+35.6	+3.7	1	0-0	2	8.5	-	0.8	5	Nil	0.83	578
POD Ltd	175	+33.3	+6.9	2	0-0	-	3.2	21	0.9	15	2.6	0.78	56
Affco Holdings	46	+30.1	-3.4	4	0-0	-	1.6	10	0.9	15	Nil	0.28	233
Fletcher Build.	563	+14.2	+0.3	14	7-0	5	2.2	21	0.5	10	6.6	0.62	2,459
Allied Farmers	205	+13.2	+1.8	15	0-0	-	1.6	14	0.7	11	7.6	0.44	33
Pyne Gould G.	200	+12.4	-0.7	16	0-0	-	1.8	16	0.6	11	6.7	0.69	200
Smiths City	70	+10.6	-7.3	21	0-1	-	1.2	14	0.6	9	7.5	0.18	37
Ebos Group Ltd	436	+10.4	+2.3	21	0-0	-	2.6	18	0.5	14	6.8	0.53	120
Hellaby Hold.	612	+9.9	+0.6	23	1-1	2	3.1	21	0.4	15	8.5	0.91	301
Pyne Gould Corp	326	+5.7	+0.5	38	0-0	-	1.0	11	0.8	9	6.4	0.76	319
Richmond Hold.	312	+5.3	-2.0	40	0-1	-	1.0	10	0.4	10	3.6	0.10	128
Mr Chips Hold	116	+4.8	-3.4	41	0-0	-	2.3	16	0.9	14	6.4	0.80	28
Dorchester Pac	270	+4.5	-0.9	43	0-2	-	1.9	20	0.7	10	5.5	0.77	56
Williams Kettle	325	+4.3	+0.3	44	1-1	-	1.8	16	0.5	11	7.8	0.43	72
Seeka Kiwifruit	468	+3.2	-3.4	50	1-0	-	1.5	12	0.6	12	5.7	0.73	38
Renaissance	72	+2.9	-2.7	52	1-9	-	2.9	15	0.9	20	14.5	0.27	27
Nuplex Indust	508	+2.9	-1.9	53	1-0	4	1.9	19	0.7	10	7.2	0.48	315
Restaurant Brds	138	+2.7	-0.1	53	2-0	4	2.6	16	0.9	16	10.8	0.43	131
Broadway Ind	110	+2.5	-6.1	56	0-0	-	1.3	18	0.6	7	1.8	0.53	22
INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million													
Restaurant Brds	138	+2.7	-0.1	53	2-0	4	2.6	16	0.9	16	10.8	0.43	131
Wrightson Ltd	160	+5.6	+2.3	39	1-12	3	2.1	9	1.0	22	10.7	0.35	224
Hallenstein G.	370	+9.7	+0.3	25	1-2	3	4.0	31	0.4	13	9.7	1.20	218
Lyttelton Port	170	+3.2	-0.9	49	0-0	5	3.4	24	0.7	14	9.7	2.81	174
NGC Holdings	311	+11.4	-1.4	18	3-0	-	4.5	27	0.7	17	9.1	3.02	1,377
Ports Auckland	679	-3.9	+0.1	81	1-0	5	1.8	11	0.5	16	8.9	4.37	720
Skellmax Indust	118	-1.6	-2.3	73	3-0	-	4.2	41	0.7	10	8.9	1.11	118
Steel & Tube	460	+8.2	-0.5	28	1-0	4	3.2	23	0.6	14	8.8	1.04	405
Cavalier Corp	465	-1.0	-0.8	71	3-2	2	4.5	31	0.4	14	8.7	1.52	302
Hellaby Hold.	612	+9.9	+0.6	23	1-1	2	3.1	21	0.4	15	8.5	0.91	301
INSIDER BUYING: Most Insider Buying, Relative Strength > 0													
Fletcher Build.	563	+14.2	+0.3	14	7-0	5	2.2	21	0.4	10	6.6	0.62	2,459
Michael Hill	781	+16.0	+2.5	12	3-0	2	5.2	26	0.4	20	4.0	1.15	302
NGC Holdings	311	+11.4	-1.4	18	3-0	-	4.5	27	0.6	17	9.1	3.02	1,377
Loan & Building	440	+9.5	+3.8	25	4-1	-	1.3	8	0.2	17	4.9	1.64	13
MG Property Trt	107	+2.2	+1.8	58	2-0	-	1.1	6	0.5	19	8.9	7.35	155
F & P Health.	310	+7.8	+1.1	30	2-0	8	1.7	6	0.6	29	5.0	7.38	1,585
Restaurant Brds	138	+2.7	-0.1	53	2-0	4	2.6	16	0.8	16	10.8	0.43	131
Col Motor Co	295	+2.2	-0.5	57	2-0	-	0.9	10	0.3	10	10.1	0.20	82
DB Breweries	941	+8.8	-0.3	27	1-0	-	5.2	27	0.3	20	5.3	1.49	474
Finmedia Ltd	127	+17.9	+7.1	10	1-0	-	2.4	-	0.4	NE	Nil	1.36	14
OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0													
Widespread Port	2	-35.8	+1.3	98	0-1	-	0.7	-	2.8	NE	Nil	7.13	5
NZ Exchange Ltd	729	-0.9	-3.6	69	0-0	-	3.6	11	0.6	31	Nil	6.66	92
Ports Auckland	679	-3.9	+0.1	81	1-0	5	1.8	11	0.4	16	8.9	4.37	720
Sky City Ltd	464	-1.3	-1.9	72	0-1	6	9.2	47	0.5	19	8.5	3.23	1,932
South Port NZ	130	-4.6	-1.1	84	0-0	2	1.4	9	0.7	17	7.5	2.30	34
NZ Wine Company	200	-4.0	+1.9	82	1-0	-	1.0	4	0.5	23	4.2	2.22	17
Nuhaka Forestry	415	-6.2	-2.0	87	0-0	-	0.8	-	0.3	NE	15.2	2.13	7
Media Tech.	12	-20.6	+2.1	96	0-3	-	1.9	-	2.8	NE	Nil	2.08	10
WORST PERFORMING SHARES: Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Widespread Port	2	-35.8	+1.3	98	0-1	-	0.7	-	2.5	NE	Nil	7.13	5
Media Tech.	12	-20.6	+2.1	96	0-3	-	1.9	-	2.7	NE	Nil	2.08	10
Genesis Res.	43	-18.5	-5.8	95	0-0	-	0.4	-	1.2	NE	Nil	1.13	11
Botry-Zen Ltd	9	-12.9	-1.3	94	0-2	-	8.9	-	1.3	NE	Nil	N/A	16
WN Drive Tech.	44	-12.2	+0.8	93	0-1	-	11.8	-	0.9	NE	Nil	N/A	61
Air New Zealand	154	-11.1	-3.8	92	2-0	6	0.8	14	0.8	6	Nil	0.26	923
Blue Chip NZ	100	-10.5	-0.7	92	0-0	-	-	-	1.2	NE	Nil	0.37	52
Finsoft Sol'ns	90	-9.6	+1.4	91	0-0	-	2.3	10	0.5	23	Nil	1.38	7
SkyCity Leisure	76	-9.1	+2.3	90	0-0	-	2.8	11	1.5	25	Nil	1.29	52
Evergreen	37	-9.0	+0.1	90	4-0	-	0.7	-	0.7	NE	Nil	1.43	58
Blis Technology	13	-7.6	+1.7	88	0-1	-	2.5	-	1.5	NE	Nil	N/A	8
Sealegs Corp	2	-7.1	-0.7	88	0-0	-	10.0	-	4.5	NE	Nil	N/A	20
Abano Health.	13	-5.8	+0.7	87	1-0	-	0.6	-	1.4	NE	Nil	0.38	25
VTL Group Ltd	87	-5.3	-0.5	86	0-2	-	1.4	11	1.3	13	3.8	0.92	26
Sanford Limited	435	-5.1	+0.5	85	0-1	1	0.9	9	0.4	10	6.7	1.21	416
Sol. Dynamics	132	-4.0	-1.1	82	0-0	-	22.1	-	0.8	NE	Nil	0.89	11
NZ Wine Company	200	-4.0	+1.9	82	1-0	-	1.0	4	0.5	23	4.2	2.22	17
Taylor's Grp Ltd	236	-3.7	-2.9	80	0-0	-	2.1	16	0.5	13	7.0	0.93	57
Kirkcaldie & St	236	-3.5	+1.6	80	0-0	-	1.1	5	0.4	22	4.7	0.57	24
F & P Appliance	420	-3.2	-3.7	79	3-0	6	2.0	15	0.6	13	7.2	1.17	1,099
INSIDER SELLING: Most Insider Selling, Relative Strength < 0													
Turners Auction	440	-1.3	-2.9	72	0-7	-	5.3	30	0.3	18	5.4	1.27	

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

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

Company	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n		
	Share Price	Cur. Chg.	4-Wk	Rank										Cur. Price	Cur. Chg.	4-Wk	Rank										
UNDER-VALUED SHARES: Lowest Price/Sales, Yld > 0, Rel Strength > 0													BEST PERFORMING SHARES: Strongest Shares, P/E < 20, P/S < 1.0														
Auto Group Ltd	71	+5.6	+1.3	34	1-0	-5.5	56	1.0	10	2.8	0.04	24	Chieftain Sec.	12	+92.0	+36.2	1	0-1	-1.6	-1.8	1	Nil	0.44	2			
Citic Australia	44	+0.3	+0.9	53	0-5	-2.4	36	1.3	7	4.5	0.08	35	Catalyst Rec'mt	111	+38.1	+7.3	3	1-0	-	-0.7	18	3.6	0.38	42			
Al Limited	17	+7.0	+1.4	30	3-1	-1.1	17	2.0	6	6.1	0.10	21	MBF Carpenters	36	+36.9	-22.4	3	0-0	-0.4	10	1.9	4	Nil	0.12	36		
Aust Pure Fruit	126	+7.6	-9.2	29	0-0	-2.5	16	0.7	16	1.6	0.11	36	Coffey Int'l	929	+36.8	+6.7	4	1-0	-	-8.5	53	0.4	16	4.7	0.86	113	
Danks Holdings	1260	+1.8	+0.4	48	1-0	-1.5	13	0.3	11	4.4	0.15	82	Tag Pacific	30	+35.1	-7.0	4	0-0	-1.6	24	1.3	7	1.7	0.37	20		
A.P. Eagers	735	+1.1	-0.9	50	0-0	1.2	8	0.4	14	4.5	0.17	144	Penfold Buscomb	167	+28.1	+4.7	5	4-0	-3.7	26	0.5	14	3.3	0.58	63		
Cellnet Group	163	+12.4	+5.3	18	4-0	2	1.8	20	0.8	9	7.1	0.18	81	Watpac Ltd	115	+22.6	-4.2	7	3-0	-2.6	28	0.7	10	6.1	0.30	85	
Namoi Cotton	60	+7.6	+2.6	29	2-0	-	-1.3	8	4.2	0.20	0.66	66	MacMahon Hold	47	+21.6	+10.0	7	1-0	-1.9	12	1.1	15	1.1	0.47	176		
CTI Logistics	60	+4.9	-1.1	37	0-0	-0.7	8	1.1	9	1.7	0.20	15	Sonnet Corp Ltd	28	+21.1	-4.3	8	1-4	-5.6	83	1.1	7	16.1	0.86	23		
CMI Limited	202	+1.4	-2.1	49	0-0	1.4	74	0.7	5	5.9	0.21	58	Murchison Un.	5	+21.0	+3.9	8	0-0	-	-2.5	4	Nil	0.21	9			
Devine	70	+6.3	-1.3	32	1-0	-1.1	21	1.2	5	11.4	0.22	81	Noni B Limited	276	+20.8	-1.0	8	2-1	-5.2	26	0.7	20	3.1	0.88	88		
Caltex Australia	850	+10.8	-4.8	21	0-0	4	1.9	16	0.8	12	2.1	2,295	Belmont Hold	240	+18.2	+9.3	11	2-0	-1.6	46	0.7	4	4.6	0.76	7		
Queens'd Cotton	455	+11.6	+1.1	20	2-0	1	1.0	10	0.5	10	2.2	0.23	127	Gregory Indust.	37	+17.7	+4.4	11	0-0	-1.4	14	1.2	10	Nil	0.30	5	
Data 3 Ltd	270	+9.4	+1.8	24	0-0	-7.1	59	0.7	12	5.7	0.23	41	RCR Tomlinson	64	+16.6	+11.7	12	1-0	-1.4	10	0.9	14	2.3	0.36	35		
Bridgestone	340	+6.9	+1.5	30	0-0	-0.8	7	0.6	12	3.7	0.24	124	Integrated Grp	250	+16.4	+3.6	12	0-0	2	5.7	38	0.6	15	4.0	0.53	176	
Aust Pharm. Ind	325	+9.7	+5.3	23	0-0	6	3.3	8	0.6	39	4.0	0.25	726	Monadelphous Gr	719	+16.0	+1.1	12	2-0	-3.8	23	0.4	17	4.2	0.63	141	
York Group	36	+0.1	-0.8	54	1-0	-1.0	20	1.5	5	2.1	0.25	10	Computronics	30	+15.7	-5.4	13	0-0	-2.0	25	1.2	8	Nil	0.58	10		
Joyce Corp.	80	+11.9	+1.7	19	0-0	-1.2	17	1.1	7	6.3	0.25	16	Brazin Limited	189	+15.1	-1.0	14	1-0	4	4.0	22	0.8	18	3.2	0.53	222	
Hamilton James	45	+10.7	+2.9	21	1-0	-9.0	71	1.1	13	5.6	0.26	28	Sunland Group	149	+14.6	+6.0	14	3-6	-1.7	29	0.5	6	4.0	0.82	320		
Raptis Group	57	+6.0	-1.6	33	0-0	-1.9	44	1.1	4	3.5	0.26	35	The Reject Shop	269	+13.8	+1.0	15	0-0	-	-0.8	12	0.9	0.35	65			
Crane Group	1040	+6.3	+1.1	32	1-0	5	2.3	-0.4	NE	5.8	0.27	572	CEC Group Ltd	151	+13.5	-0.4	16	0-0	-	-0.9	8	15.2	0.95	60			
Metcash Trading	308	+5.9	+1.1	33	0-3	10	8.6	44	0.6	19	3.6	0.27	1,961	AHC Ltd	210	+13.4	+0.4	16	0-0	-0.9	14	0.6	7	1.2	0.96	12	
Legend Corp.	55	+0.2	-1.9	54	2-0	-	-1.5	14	1.4	0.30	0.37	37	Sims Group Ltd	1668	+13.4	+4.2	16	0-0	6	4.2	31	0.4	14	4.0	0.81	1,519	
Watpac Ltd	115	+22.6	-4.2	7	3-0	-2.6	28	0.9	10	6.1	0.30	85	Downer EDI Ltd	436	+13.4	+6.6	16	0-0	7	2.5	17	0.7	15	3.1	0.39	1,230	
Ross Human Dir.	85	+11.1	-1.5	21	0-0	-3.5	28	1.2	13	4.1	0.30	50	Onesteel Ltd	274	+13.3	-3.5	16	0-1	8	-	0.6	12	4.4	0.47	1,529		
Ridley Corp.	138	+2.4	-0.5	46	0-0	4	1.3	6	0.9	21	4.2	0.32	372	SunTech Environ	3	+12.8	+5.7	17	0-0	-0.5	16	3.5	3	Nil	0.33	13	
Atlas Grp Hold.	123	+12.5	+0.4	17	5-0	-2.2	21	1.0	10	6.3	0.33	103	David Jones	200	+12.6	-2.4	17	2-2	8	2.0	16	0.6	13	5.5	0.46	835	
Paperlin X Ltd	490	+3.2	-1.7	43	5-0	8	1.6	8	0.6	20	5.6	0.35	2,186	Atlas Grp Hold.	123	+12.5	+0.4	17	5-0	-2.2	21	0.8	10	6.3	0.33	103	
Avatar Indust.	63	+9.9	+6.5	23	2-0	-1.3	14	1.5	9	4.8	0.35	50	Cellnet Group	163	+12.4	+5.3	18	4-0	2	1.8	20	0.7	9	7.1	0.18	81	
The Reject Shop	269	+13.8	+1.0	15	0-0	-	-0.9	12	0.9	0.35	0.65	65	Trysoft Corp	12	+12.3	-0.8	18	0-0	-4.0	32	1.9	12	Nil	0.32	3		
Supply Network	55	+4.0	+0.4	40	0-0	-1.5	17	1.1	9	4.5	0.36	12	Joyce Corp.	80	+11.9	+1.7	19	0-0	-1.2	17	0.9	7	6.3	0.25	16		
RCR Tomlinson	64	+16.6	+11.7	12	1-0	-1.4	10	1.2	14	2.3	0.36	35	B Digital Ltd	36	+11.9	-5.3	19	3-0	-9.0	49	1.9	18	Nil	0.75	212		
Tag Pacific	30	+35.1	-7.0	4	0-0	-1.6	24	1.7	7	1.7	0.37	20	Queens'd Cotton	455	+11.6	+1.1	20	2-0	1	1.0	10	0.4	10	2.2	0.23	127	
Adcorp Aust.	112	+1.4	-1.5	49	1-1	3	9.3	67	0.8	14	5.8	0.37	68	Nuffarm Limited	815	+11.4	+5.4	20	2-2	6	4.7	26	0.5	18	2.8	0.85	1,367
Coles Myer	975	+6.8	-0.5	31	0-1	11	4.4	21	0.6	21	3.0	0.37	11,954	Ross Human Dir.	85	+11.1	-1.5	21	0-0	-3.5	28	1.0	13	4.1	0.30	50	
Catalyst Rec'mt	111	+38.1	+7.3	3	1-0	-	-0.9	18	3.6	0.38	0.42	42	Korvest Ltd	430	+11.0	-2.6	21	3-1	-2.3	22	0.6	10	2.1	0.73	36		
Downer EDI Ltd	436	+13.4	+6.6	16	0-0	7	2.5	17	0.8	15	3.1	0.39	1,230	Caltex Australia	850	+10.8	-4.8	21	0-0	4	1.9	16	0.7	12	2.1	0.22	2,295
Embelton Ltd	320	+2.5	-1.5	45	0-0	-1.0	9	0.6	12	4.2	0.39	7	Hamilton James	45	+10.7	+2.9	21	1-0	-9.0	71	0.8	13	5.6	0.26	28		
Candle Aust.	176	+6.3	-1.7	42	4-2	1	5.9	38	0.9	15	5.1	0.39	70	Transfield Serv	649	+10.6	+4.3	21	1-0	7	5.2	40	0.5	13	2.5	0.72	896
Smorgon Steel	124	+5.7	+1.9	34	1-0	8	-	-1.1	24	5.2	0.42	1,092	SPC Ardmona Ltd	184	+10.2	+5.1	22	1-0	-2.0	14	0.6	14	3.3	0.78	373		
Oldfields Hold	100	+1.6	-1.8	49	1-0	-0.9	8	0.8	11	5.0	0.42	10	Avatar Indust.	63	+9.9	+6.5	23	2-0	-1.3	14	1.2	9	4.8	0.35	50		
Spotless Group	494	+0.9	+1.0	51	0-0	8	-	-0.7	46	4.7	0.42	1,038	Villa World	149	+9.8	+0.3	23	1-2	1	2.0	29	0.5	7	8.7	0.96	169	
OM Holdings	119	+29.5	-0.4	5	0-0	-4.3	15	0.9	28	0.8	0.45	76	Angus & Coote	990	+9.4	+3.4	24	2-0	-1.9	13	0.3	15	4.0	0.49	118		
David Jones	200	+12.6	-2.4	17	2-2	8	2.0	16	0.7	13	5.5	0.46	835	Data 3 Ltd	270	+9.4	+1.8	24	0-0	-7.1	59	0.6	12	5.7	0.23	41	
Onesteel Ltd	274	+13.3	-3.5	16	0-1	8	-	-0.7	12	4.4	0.47	1,529	Funstastic Ltd	260	+9.4	+0.7	24	1-3	-6.5	53	0.5	12	2.7	0.75	172		
MacMahon Hold	47	+21.6	+10.0	7	1-0	-1.9	12	1.4	15	1.1	0.47	176	Village Road.	221	+9.2	+1.9	25	0-3	4	1.2	8	1.0	15	Nil	0.34	761	
Lend Lease Corp	1167	+5.8	+1.7	34	0-0	9	2.2	16	1.4	3.8	0.48	4,670	Coventry Group	719	+9.1	+3.1	25	2-0	-1.8	10	0.3	17	4.7	0.57	252		
Angus & Coote	990	+9.4	+3.4	24	2-0	-1.9	13	0.4	15	4.0	0.49	118	Burns Philp	83	+9.1	+0.4	25	0-0	5	-	-0.9	15	Nil	0.50	1,686		
Volante Group	136	+3.1	-3.0	43	2-1	3	4.7	20	0.8	23	6.3	0.50	174	Tolhurst Noall	16	+9.0	+1.2	25	0-0	-2.0	36	1.5	6	Nil	0.44	16	
Roberts Ltd	755	+3.5	-0.2	41	0-0	-2.4	23	0.3	11	5.8	0.51	97	Guinness Peat	198	+9.0	+0.6	25	0-11	-1.4	15	0.5	10	1.2	0.99	1,501		
W'bool Cheese	390	+4.2	+5.9	39	2-0	-	-0.8	11	1.6	0.52	0.149	149	Recco Corp Ltd	300	+8.7	+1.7	26	1-1	-18.8	-	0.6	17	2.3	0.63	500		
Futuris Corp.	215	+10.9	+2.3	21	4-0	5	2.3	4	0.9	59	3.7	0.52	1,417	Ariadne Aust	38	+8.7	-1.5	26	5-0	-	-0.9	16	2.6	0.79	84		
Integrated Grp	250	+16.4	+3.6	12	0-0	2	5.7	38	0.7	15	4.0	0.53	176	Shearer (John)	261	+8.4	+2.4	26	2-0	-87.0	-	0.5	10	3.8	0.64	32	
Brazin Limited	189	+15.1	-1.0	14	1-0	4	4.0	22	0.9	18	3.2	0.53	222	Lako Pacific	8	+8.4	+9.3	26	1-1	-1.6	11	2.1	15	Nil	0.52	5	
Capral Alum.	259	+1.4	+4.3	49	1-0	2	1.4	-0.6	NE	1.5	0.53	252	McPherson's Ltd	562	+8												

Company	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Price to Book	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n																
	Share Price	Current	4-Wk Chg.	Rank										Share Price	Current	4-Wk Chg.	Rank																								
INCOME SHARES: Highest Yields, Capitalisation > AS\$250 million													Bemax Resources	17	+3.0	+3.7	43	6-0	-	-	-	1.3	NE	Nil	N/A	50	Xceed Biotech	35	+6.8	+1.8	31	6-0	-	2.1	-	0.7	NE	Nil	N/A	30	
ION Limited	111	-15.1	-6.5	89	1-1	6	1.0	10	0.7	10	10.8	0.40	282	Grange Resource	53	+13.8	-0.3	15	6-0	-	-	0.7	7	Nil	1.35	37	Western Areas	167	+21.6	+9.9	8	8-2	-	-	-	0.9	NE	Nil	N/A	126	
Burswood Ltd	135	+1.9	-0.3	48	0-0	-	2.0	13	0.7	15	10.4	1.77	662	Fiducian P Serv	69	+16.6	+3.0	12	5-0	-	2.4	2	1.3	130	0.7	1.64	24	Ariadne Aust	38	+8.7	-1.5	26	5-0	-	-	-	0.7	16	2.6	0.79	84
Jubilee Mines	442	+6.8	-1.0	31	1-1	3	4.1	71	0.4	6	10.2	2.34	551	Acumen Cap Prop	105	+2.0	+1.1	47	5-0	-	-	-	0.7	12	9.0	N/A	100	Nylex Ltd	35	+9.8	+2.3	23	5-0	-	-	-	1.2	NE	Nil	0.25	223
Gasnet Aust Grp	232	-0.4	-1.1	58	0-0	4	1.1	8	0.5	15	9.5	3.26	325	Brambles Ind.	717	+12.5	+2.2	17	5-0	10	6.5	16	0.5	4.0	1.4	1.55	12,124	Lion Energy Ltd	1	+38.7	+35.9	3	5-0	-	-	-	4.1	NE	Nil	3.42	22
Aust Pipeline	305	+5.0	+2.3	37	0-0	8	1.7	25	0.4	7	9.2	2.94	838	Paperlin X Ltd	490	+3.2	-1.7	43	5-0	8	1.6	8	0.4	20	5.6	0.35	2,186	F.F.I. Holdings	320	+11.8	-16.4	19	5-0	-	2.5	13	0.3	19	3.8	1.18	19
Prime Infra Grp	116	+3.8	-1.4	40	3-1	-	1.2	5	0.7	26	9.1	3.36	513	Breakfree Ltd	320	+21.5	+2.2	8	5-0	-	-	-	0.4	20	2.6	2.02	141	Atlas Grp Hold.	123	+12.5	+0.4	17	5-0	-	2.2	21	0.7	10	6.3	3.33	103
Envestra	111	+2.5	+0.5	45	0-0	7	-	-	0.5	38	8.6	2.85	854	Finbar Intern'l	44	+22.4	+7.1	7	5-0	-	1.3	14	0.7	9	4.5	0.90	39	Global Mining I	98	+5.3	+0.9	36	5-0	-	-	-	0.8	280	Nil	N/A	76
Sthn C. Fliers	11260	+0.3	-0.0	53	0-0	-	1.1	9	0.2	12	8.0	N/A	676	Wilson Leaders	98	+1.7	+1.0	48	5-0	-	-	-	0.8	2.7	1.5	N/A	43	Snowball Group	32	+20.0	+6.5	9	6-1	-	-	-	1.2	NE	Nil	2.09	14
Millers Retail	127	-8.1	-1.5	79	0-2	4	2.8	3	0.7	102	7.5	0.80	309	Ironbark Cap.	55	+0.9	+0.6	51	6-1	-	0.9	10	0.7	10	5.5	8.62	64	Computershare	526	+21.0	+12.4	8	6-1	8	-	-	0.7	41	1.5	3.01	2,853
City Pacific	461	+4.5	-1.5	38	0-6	-	5.7	60	0.5	10	7.2	7.07	418	CMS Diversified	95	+1.6	+2.1	48	6-1	-	1.0	10	0.7	10	11.1	4.98	43	Crusader Hold.	26	+17.2	+2.6	11	4-0	-	-	-	1.2	NE	Nil	N/A	5
Australand Prop	190	+6.2	+2.7	33	0-0	4	1.4	10	0.5	14	7.0	0.93	1,311	Home Bldg Soc.	525	+13.3	-3.0	16	4-0	-	1.4	10	0.4	14	4.2	1.16	79	Crown Diamonds	19	+3.8	+2.3	40	4-0	-	-	-	1.2	NE	Nil	1.62	5
Platinum Cap'l	229	+1.9	-0.5	47	0-0	-	1.3	10	0.5	14	6.6	N/A	266	Cellnet Group	163	+12.4	+5.3	18	4-0	2	1.8	20	0.6	9	7.1	0.18	81	Equitx Limited	31	+1.0	+7.5	51	4-0	-	2.4	-	0.7	NE	Nil	N/A	10
DJerrivarrh	355	+0.3	-0.1	53	1-4	-	1.1	6	0.5	19	6.1	N/A	560	Investa Prop.	214	+2.9	+1.2	44	4-0	8	1.2	8	0.5	14	7.7	4.80	3,071	M-Box.com	8	+1.1	+8.2	50	4-0	-	1.5	-	1.6	NE	Nil	N/A	5
AV Jennings	182	-2.3	+1.4	65	6-1	-	1.5	26	0.6	6	6.0	0.71	392	Equity Trustees	1010	+10.5	+5.1	22	4-0	-	4.9	22	0.5	23	3.0	3.24	64	ING Office Fund	138	+4.2	+1.8	39	4-0	8	1.2	9	0.4	13	7.4	7.85	1,245
Peet & Company	167	+8.5	+4.5	26	0-0	-	-	-	0.8	12	6.0	5.16	334	Penfold Buscomb	167	+28.1	+4.7	5	4-0	-	3.7	26	0.4	14	3.3	0.58	63	Perp Trust Aust	5860	+9.3	+3.3	25	4-0	11	9.1	37	0.4	25	2.6	7.06	2,242
Pacifica Group	369	-8.1	-0.4	79	0-0	7	2.1	20	0.6	10	5.8	0.51	502	Campbell Bros	800	+11.9	+3.0	19	4-0	1	5.1	23	0.3	22	4.1	0.82	320	Gallery Gold	47	+17.4	+9.8	11	4-0	-	-	-	0.8	NE	Nil	N/A	90
Nat'l Aust Bank	2805	-4.5	+2.0	71	0-0	13	2.7	25	0.4	11	5.8	1.65	42,520	Soul Pattinson	888	+17.6	+0.9	11	4-0	1	2.9	22	0.4	14	2.3	4.01	2,119	Southern Corp Ltd	365	+5.0	+2.8	37	4-0	11	2.9	5	0.4	59	Nil	2.35	2,717
Crane Group	1040	+6.3	+1.1	32	1-0	5	2.3	-	0.3	NE	5.8	0.27	572	Sherlock Bay N.	15	+57.2	+4.7	1	4-0	-	-	-	1.7	NE	Nil	N/A	30	Structural Syst	60	+11.6	-3.9	19	4-0	-	2.4	-	0.6	NE	Nil	0.19	15
Comwealth Bank	3188	-1.5	+0.7	63	0-1	14	2.6	17	0.4	16	5.7	2.37	40,308	Macquarie Air.	283	+19.4	+3.2	10	4-0	-	-	-	0.4	9	2.8	6.17	2,976	Southcorp Ltd	15	+57.2	+4.7	1	4-0	-	-	-	1.7	NE	Nil	N/A	30
GWA Internat'l	320	+4.4	+0.2	39	0-0	5	2.1	15	0.4	14	5.6	1.31	891	Rinker Group	905	+10.0	-0.8	23	4-0	-	4.5	22	0.5	20	1.5	1.58	8,551	Sherlock Bay N.	15	+57.2	+4.7	1	4-0	-	-	-	1.7	NE	Nil	N/A	30
Paperlin X Ltd	490	+3.2	-1.7	43	5-0	8	1.6	8	0.5	20	5.6	0.35	2,186	Wedgetail Exp.	4	+19.1	+3.1	10	4-0	-	-	-	1.9	NE	Nil	N/A	36	ING Indust Trt	218	+7.3	+2.0	29	4-0	7	1.3	9	0.5	15	6.6	9.64	1,550
Telstra	464	-1.1	-1.7	62	0-0	12	4.3	30	0.4	14	5.6	2.75	58,596	Newcrest Mining	1730	+12.1	+1.6	19	4-0	9	6.2	13	0.5	46	0.3	7.99	5,684	Futuris Corp.	215	+10.9	+2.3	21	4-0	5	2.3	4	0.7	59	3.7	0.52	1,417
David Jones	200	+12.6	-2.4	17	2-2	8	2.0	16	0.5	13	5.5	0.46	835	Red 5 Ltd	17	+0.2	+6.5	54	4-0	-	-	-	1.2	NE	Nil	N/A	22	Exco Resources	23	+3.7	+2.9	41	4-0	-	-	-	1.4	NE	Nil	N/A	12
Hills Indust.	419	+3.7	-0.2	41	0-3	4	3.2	17	0.4	19	5.4	0.81	587	Futuris Corp.	215	+10.9	+2.3	21	4-0	5	2.3	4	0.7	59	3.7	0.52	1,417	Dioro Explor.	11	+0.7	+6.8	51	4-0	-	-	-	1.2	NE	Nil	N/A	40
AWB Limited	470	-0.9	+0.1	61	0-0	4	3.5	7	0.5	48	5.3	0.67	1,481	Ainsworth Game	134	+48.7	+20.9	2	4-0	2	5.2	6	0.7	93	Nil	3.11	198	Mobile Innov.	18	+20.5	+5.9	8	4-0	-	2.0	28	1.2	7	Nil	1.23	20

INSIDER BUYING: Most Insider Buying, Relative Strength > 0

Echo Technology	4	+6.3	+3.3	32	13-0	-	4.1	-	2.0	NE	Nil	N/A	5
HHG Plc	118	+1.9	-3.7	47	12-0	-	-	-	0.6	NE	Nil	0.20	1,730
Gaming & Ent.	18	+8.1	+2.6	27	12-1	-	0.2	-	1.7	NE	Nil	7.26	5
Hillcrest Res.	6	+19.3	+8.6	10	10-0	-	-	-	2.0	NE	Nil	N/A	5
Heron Resources	24	+21.5	-17.8	8	10-0	-	-	-	1.2	NE	Nil	N/A	25
Bentley Int'l	38	+0.4	-1.1	53	10-0	-	0.8	11	1.0	8	Nil	N/A	15
G.R.D. NL	285	+18.6	+8.2	10	11-1	-	3.4	11	0.6	31	1.1	2.69	607
E-Bet Limited	16	+15.7	+11.4	13	9-0	-	-	-	1.6	NE	Nil	1.58	29
Bendigo Bank	1001	+1.5	+0.3	49	9-0	7	-	-	0.4	17	3.3	3.39	1,395
Impress Venture	9	+14.1	+2.4	15	9-0	-	-	-	2.0	NE	Nil	4.89	10
Whitefield Ltd	310	+0.6	+0.5	52	12-3	-	0.9	3	0.4	27	4.1	3.69	148
Medical Dev Int	136	+22.6	+5.8	7	8-0	-	-	-	0.6	162	0.2	N/A	77
Trent Capital	99	+0.8	+4.0	51	8-0	-	1.2	4	0.5	34	Nil	2.30	11
Servcorp Ltd	240	+12.4	+0.1	18	9-1	1	3.2	16	0.7	20	3.1	1.79	192
WRF Securities	39	+20.5	+13.6	9	9-1	-	1.1	14	0.9	8	Nil	1.54	15
Brickworks Ltd	1168	+15.1	-0.9	14	7-0	2	2.5	26	0.3	10	2.1	3.16	1,539
Globe Int'l Ltd	61	+8.3	-1.3	27	7-0	4	3.8	11	1.3	36	1.6	1.35	253
SFE Corporation	830	+14.3	+5.4	14	7-0	-	6.9	25	0.4	28	2.7	N/A	1,095
Chal Financial	62	+6.6	+5.9	31	7-0	-	3.6	17	0.7	21	Nil	2.02	1,651
Waterco Ltd	390	+19.2	+5.6	10	6-0	-	3.2	21	0.3	15	3.8	1.09	81
Ausquest Ltd	16	+9.4	-5.5	24									

profits to \$12,202,000 (13.1 cents per share). The annual dividend remained steady at 10.0 cents. The net operating cash surplus rose 12.8% to \$24.1 million.

Restaurant Brands then changed its balance date to 28 February, so also reported results for the 15 months to February 2002. Results for the final three months included abnormal gains of \$13.8 million from the sale and leaseback of 51 KFC properties.

The year to February 2003 saw revenues grow 15.3% to \$300.9 million, with profits again slipping 8.9% to \$11,114,000 (11.7 cents per share). The dividend remained steady at 10.0 cents. Net operating cashflows improved 20.5% to \$29.1 million.

Revenues rose just 2.1% to \$307.1 million through to February 2004 and profits again fell - down 27.3% to \$8,076,000 (8.4 cents per share). The dividend, however, was maintained at 10.0 cents. Operating cashflows fell 15.8% to \$24.5 million.

Revenues for the half year to 6 September 2004 rose just 0.4% to \$167.8 million, but profits recovered 27.5% to \$5,440,000 (5.6 cents per share) and a steady 4.5 cents dividend was paid. Operating cashflows declined 4.2% to \$10.6 million.

Current Business

When floated in 1997, 86 KFC outlets generated 80% of revenues and 43 Pizza Hut restaurants accounted for the other 20%.

At present the company operates 87 KFC stores generating around 55% of revenues and about 60% of earnings and 95 Pizza Hut stores account for 26-28% of revenues and 30-32% of earnings. It also operates 51 Pizza Hut stores in Victoria, Australia, which bring in 10% of group revenues but which approximately break-even and 36 Starbucks stores with 7-8% of revenues and 7% of earnings. So while Restaurant Brands has diversified over the last seven years, the KFC division is still the most important. This division has suffered a series of "one-off" problems - with the net impact being a decline in margins which has depressed group profitability. Margins appear to have stabilised and a new contract with *Inghams* chickens should produce significant cost savings. So margins should improve over future periods with a favourable impact on the group's bottom line profit!

The company entered a licencing agreement in 1998 to establish Starbucks in New Zealand. The growth in Pizza Hut resulted from the purchase of **Eagle Boys** (53 stores) in May 2000 for NZ\$28.3 million. Both of these businesses should help to produce steady growth in revenues and profits.

In March 2002 the company purchased the Australian Pizza Hut business for A\$11.8 million (NZ\$14.4 million), consisting of 11 stores (in receivership) and 40 stores repurchased from seven franchisees. Revenues have dropped 20% since this business was acquired, but it has gone from losing money to making a very small profit - so there is potential for these Australian operations to start making a positive contribution.

Investment Criteria

At 138 cents, Restaurant Brands shares trade on a Price/Sales ratio of 0.43, a Price/Earnings ratio of 16 and offer a gross Dividend Yield of 10.8%. As the P/E is inflated by depressed profits, the shares appear to offer

good value - although long term growth will probably do little better than keep pace with inflation (i.e. 1-3% per annum). Dividend growth is also unlikely in the immediate future as profits will need to recover 60-75% to \$13-14 million over the next 3-4 years before the annual dividend will be increased. The shares, however, do offer a high, fully imputed Dividend Yield for investors needing income.

Over the years the balance sheet has also slowly improved. Shareholders Equity has increased from just \$9.5 million at the time of the float to \$49.7 million. Interest bearing debts started around \$52 million, peaked at \$79.4 million in 2000 and have since dropped to \$27.8 million. This strengthening of the balance sheet improves Restaurant Brands' ability to maintain its current high dividend payout.

With an issued capital of 96,192,826 shares the market capitalisation is \$132.7 million, making this a medium sized to larger NZ listed company.

Directors have reasonable investments in Restaurant Brands. Chairman WJ Falconer owns 103,391 shares while the Chief Executive VJ Salmon holds 83,343 shares. Non-executive director D Diab has 3,444,300 shares (3.6% of the company). Another non-executive director RG Bettle has just 5000 shares and a third, SR Beck, owns no shares.

There have been two *insider* trades over the last year with Chief Executive VJ Salmon buying 50,000 shares (at 117-118 cents) on-market in January and another 20,000 shares (at 123-124 cents) in May to increase her shareholding to 83,343 shares.

Restaurant Brands is moderately followed, with four brokers publishing profit forecasts. Institutional investors own about 40% of the company.

Restaurant Brands shares hit a recent high of 218 cents in May 2002 and then declined to a low of 102 cents in November 2003. Over the last year the share price has slowly recovered. The Relative Strength rating is +2.7%, ranked 54 (on a scale of 0-99), showing a moderate long term uptrend.

Summary and Recommendation

We are not formally recommending Restaurant Brands shares as we believe the long term growth potential is not particularly attractive compared with many other companies. Nevertheless, this is a fairly low risk investment, offers a very high current dividend yield and potential for moderate capital appreciation over the next few years.

That is probably an attractive combination for many retired investors.

Restaurant Brands



Company Review: Namoi Cotton Co-operative

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

Namoi Cotton Co-operative (code NAM) shares offer investors the opportunity to invest in a depressed business which is recovering strongly. Profits were expected to fall to just \$1-3 million for the current year to February 2005 - so *last year's* dividend was cut to 2.5 cents. Namoi Cotton Co-operative, however, is performing better than the directors had expected. The annual profit to February 2005 is now forecast at \$8 million - with further strong growth in the year to February 2006.

So the annual dividend will likely recover to 5.0 cents - offering a current income yield around 8.3% - and profit growth *next year* will likely see the share price rise 50-80% over the next eighteen months!

Company History

Namoi Cotton Co-operative was formed in 1962 as a co-operative involved in cotton ginning and marketing. The company is still a co-operative - controlled by growers - but was restructured in early 1998. At that time members were given "grower shares" and tradeable "capital stock". Further "capital stock" was offered to public investors at 50 cents and these shares were listed on the Australian stockmarket.

Grower shares can only be held by "active members" who must hold at least "800 grower shares, produce cotton from a minimum of 40 hectares" and sell "a minimum of 20%" of their cotton through the company. Growers continue to control the company through their ability to appoint the majority of the board of directors. Grower shares receive no dividends, but entitle "active members" to participate in the 7.5% of profits rebated to cotton producers. Grower shares are issued and redeemed at a fixed price of \$2.70 as cotton growers wish to join or leave the co-operative. At February 2004 there were 352,000 "grower shares" with the value of \$950,400.

The "capital stock" is listed on the stockmarket and can be owned by anyone. Capital stockholders have no voting rights but can appoint up to three non-grower directors, receive all of the dividends and - if the company was wound up - receive all of the assets after re-payment of the grower shares. Shareholders Equity (excluding the \$950,400 value of grower shares) is around \$81.8 million (73.9 cents per share).

Recent Results

Namoi Cotton Co-operative's profits since listing on the stockmarket have been volatile - reflecting both the commodity risks and environmental risks in this business.

For the year to February 1999, revenues rose 15.9% to \$373.4 million, with profits up 5.7% to \$15,863,000 (16.2 cents per share) and a steady 9.5 cents dividend was paid.

"Net ginning" arrangements - where the company "received a substantial proportion of its ginning revenues

by retaining cotton seed and on-selling it" - depressed profits in the year to February 2000. A larger Australian cotton crop helped boost revenues 59.5% to \$595.5 million, but profits dropped 34.8% to \$10,343,000 (10.0 cents per share) owing to the collapse in cotton seed prices. The annual dividend rate was cut 21.1% to 7.5 cents per capital stock. Subsequently Namoi Cotton Co-operative has "substantially reduced" its future exposure to this risk by "restricting net ginning" arrangements.

Floods, droughts or bad debts on loans to growers impacted on results for the following two years:

The year to February 2001 recorded steady revenues, down just 1.0% at \$589.7 million, but profits collapsed 84.2% to \$1,632,000 (1.5 cents per share) and the dividend was cut 73.3% to 2.0 cents.

This poor result was repeated in 2002 when revenues slipped slightly (i.e. down 1.4%) to \$581.6 million but profits fell further to just \$865,000 (0.8 cents per share) and no dividend was paid for the year.

The year to February 2003 saw revenues 24.5% lower at \$438.9 million but profitability returned and the company earned a net profit of \$9,824,000 (9.0 cents per share). Dividend payments were restored, but only 1.5 cents was paid.

Revenues fell a further 22.5% in the year to February 2004, but profits dipped just 9.8% to \$8,862,000 (8.0 cents per share). An annual dividend of 2.5 cents was paid. The company, however, announced at the same time that it anticipated a 20% reduction in the 2004 cotton crop which would "severely impact" the current year's result which was forecast at only \$1-3 million.

In fact, the current year results have been significantly above this forecast: For the six months to 31 August the company reported revenues up 4.1% at \$214.2 million and a first half profit 16.8% higher at \$12,070,000. Namoi Cotton Co-operative historically trades at a *loss* during the second half of the year, so is now forecasting an annual profit of around \$8 million. A 2.5 cents interim dividend will be paid in January, so it is likely that the company will also pay a final 2.5 cents, lifting the annual dividend 100% to 5.0 cents. Furthermore, the company now forecasts a \$10-15 million profit (9-14 cents per share) for the year to February 2006.

Restructuring and Managing Risks

The positive side to the volatility in this business is that Namoi Cotton Co-operative has sought to improve efficiency, reduce costs, improve marketing and to improve risk management.

In November 2001 Namoi Cotton Co-operative sold a 50% interest in its *Lachlan* and *Murrumbidgee* valley ginning facilities to **Twynam Agricultural Group**. This type of joint venture with major grower groups ensures maximum efficiency and consistent throughput

November 9, 2004.

levels with the mill servicing both existing independent growers and a large grower.

In February 2003 the company entered a similar joint venture with **Australian Food & Fibre**, selling 49% of its *Ashley* ginning facility in the Gwydir Valley in exchange for 10,000,000 shares in AFF. AFF was privatised in a scheme of arrangement in July 2004, with Namoi Cotton Co-operative receiving \$3.85 million in cash.

A further deal was announced in December 2003 with Namoi Cotton Co-operative selling 50% of its *Wathaga* ginning facility, also in the Gwydir Valley, to a major cotton grower **Sundown Pastoral Co.**

Cotton seeds are on-sold to Cagill Oilseed Australia (15% owned) which has a "predominant presence in all export and domestic markets".

In November 2002 the company established a marketing office in Indonesia - its biggest export market for cotton. This has "created additional marketing opportunities", strengthened "strategic relationships" with cotton buyers and also "improved management of counter party risk".

A further joint venture with **Twynam Agricultural Group** in January 2003 was the formation of **Australian Classing Services**, an independent business to grade cotton. This joint venture has contracts from Namoi Cotton Co-operative and **Colly Cotton** - helping it to achieve a 40% market share in 2003 - which will "capture significant capital and cost-saving efficiencies" and allow further "investments in technology".

The company's "drought management strategy" temporarily reduced costs by \$6 million for the year to February 2005, but overhead reductions have also permanently reduced costs by \$1.5 million annually. The recent outsourcing of non-core activities is expected to generate additional annual cost savings of around \$1 million.

Namoi Cotton Co-operative seeks to manage the price risk involved in owning cotton between the time it buys from growers and later sells through the use of cotton futures and options on the New York Cotton Exchange. Payments to growers are also made in Australian dollars while sales are in United States dollars, so forward exchange contracts and currency options are used to hedge this exposure.

Investment Criteria

At 60 cents, Namoi Cotton Co-operative capital stock trades on a low Price/Sales ratio of 0.20, a low Price/Earnings ratio of 8 and offers a Dividend Yield of 4.2%. Achieving its February 2005 profit forecast of \$8 million will slightly increase the P/E to 8½ but this better than expected profitability should enable the annual dividend rate to be increased to around 5.0 cents. That would offer a high 8.4% yield. Namoi Cotton Co-operative is a volatile rural business, so the shares will probably always trade at a low valuation but with further profit growth - up 25-90% to \$10-15 million (9-13½ cents per share) - expected to February 2005 there is excellent potential for further dividend growth (e.g. 7-10 cents) and capital appreciation over the next 18-24 months.

While *company specific* risks in this type of business are high, investors can eliminate individual company

risk through good portfolio diversification. Many of the risks of a commodity business will be different from the risk factors impacting upon technology companies, retailers or manufacturers. So including a "risky" commodity share like Namoi Cotton Co-operative can actually *reduce* an investor's overall portfolio risk!

The issued capital consists of 112,931,121 capital stock units, giving the company a market capitalisation of \$66 million.

Directors have fairly large investments in Namoi Cotton Co-operative. Six of the seven directors own a total of 2,862,083 shares.

There have been two *insider* buys over the last year with one director buying 90,000 shares on-market in May 2004 at around 42 cents and a further 235,000 shares last week at around 54-58 cents.

Namoi Cotton Co-operative shares are *neglected* by brokers and institutional investors. No brokers follow the company closely enough to publish profit forecasts and institutions own less than 10% of the capital.

Namoi Cotton Co-operative shares lost significant value from late 2000 through to late 2001, falling to an ultimate low of 17 cents (i.e. down 82% from their 1999 peak of 95 cents). The shares then doubled to a high of 41 cents in March 2002, before falling back to 20 cents in October 2002. The shares then climbed steadily, tripling in value to 61 cents by March 2004. Initial forecasts of a significant profit decline resulted in the shares easing back to 36 cents in June, but with the series of recent profit upgrades the shares are again appreciating in value. The Relative Strength rating is +7.6%, ranked 29 (on a scale of 0-99), which shows a strong uptrend.

Summary and Recommendation

We are not formally recommending Namoi Cotton Co-operative as the shares do not trade in large volumes.

Namoi Cotton Co-operative operates in a volatile business. While this involves risks, it also provides investment opportunities. This is a cyclical share so - if purchased at the right time and at the right price - offers investors both a high income and potential for capital appreciation. While the shares have *already* risen strongly from their 2001-2002 lows, the business has significantly restructured to improve profitability and should experience strong profit growth over the next couple of years. This will result in strong dividend recovery and growth - helping to fuel around a 60-80% appreciation in the share price over the next 18-24 months.

Namoi Cotton



Australian Warrant / Option Analysis

Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Share Price	Exercise Price	Yr/Mth to Expiry	Option Price	Black-Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
AKD Limited	2	20	0.4	0.1	0.0	+999	0.68	9.99	1.00	+999	Contango Microcap	115	100	0.10	15.0	20.1	-26	0.16	5.21	1.00	+0
Adultshop.com	7	10	1.7	1.4	0.9	+50	0.51	2.98	1.00	+41	Cool or Cosy	74	20	3.6	52.0	57.7	-10	0.42	1.27	1.00	-1
Advance Healthcare	9	55	0.1	0.1	0.0	+999	0.79	9.99	1.00	+999	Cougar Metals NL	10	25	2.1	1.6	0.9	+82	0.54	2.98	1.00	+60
Aeris Technologies	84	20	0.7	63.0	64.6	-3	0.58	1.30	1.00	-2	Crescent Gold	13	20	1.0	3.5	1.3	+178	0.59	3.39	1.00	+88
Afminex Ltd	4	10	0.6	0.3	0.0	+999	0.57	8.35	1.00	+766	Crusader Holdings	26	20	2.1	7.5	9.3	-19	0.32	2.39	1.00	+3
Alcaston Mining	3	15	2.10	0.8	0.5	+60	0.76	2.08	1.00	+76	Cryptome Pharm.	14	35	0.7	1.0	0.0	+999	0.54	7.39	1.00	+405
Alkane Exploration	22	35	0.4	1.9	0.1	+999	0.43	9.99	1.00	+372	D'Aguilar Gold	9	20	1.4	1.7	0.7	+131	0.66	3.02	1.00	+102
Allied Gold	22	20	2.7	7.9	12.5	-37	0.86	1.42	1.00	+10	DCA Group	318	235	0.10	87.0	94.4	-8	0.22	3.25	1.00	+2
Amadeus Energy	71	25	0.0	45.0	12.5	+260	0.45	1.42	1.00	-100	Datafast Telecom	2	1	0.1	0.7	0.8	-13	0.80	2.21	1.00	-41
Amcil Ltd	52	50	2.3	7.8	12.2	-36	0.27	3.10	1.00	+5	Datafast Telecom.	2	3	0.7	0.4	0.2	+140	0.80	3.40	1.00	+197
Analytica Ltd	7	9	0.9	1.7	1.7	+0	0.80	2.48	1.00	+56	Datafast Telecom	2	20	1.0	0.1	0.0	+999	0.80	4.96	1.00	+999
Andean Resources	9	20	0.0	0.1	1.7	-94	0.88	2.48	1.00	+999	De Grey Mining Ltd	52	20	0.7	30.5	34.3	-11	1.15	1.43	1.00	-5
Anitsense Therapeutic	11	20	2.2	4.9	1.0	+400	0.41	3.46	1.00	+46	Deep Green Minerals	5	0	0.10	1.7	5.1	-67	0.42	1.04	1.00	-71
Aquacarotene	3	5	0.7	1.7	0.3	+463	0.83	3.27	1.00	+296	Denx Ltd	13	60	0.11	0.1	0.0	+624	0.57	6.50	1.00	+430
Arafura Resources	14	20	3.7	6.5	5.6	+16	0.66	1.64	1.00	+21	Diamond Ventures	10	10	1.7	4.0	3.5	+13	0.67	1.97	1.00	+24
Argonaut Resources	13	30	2.7	4.4	2.4	+82	0.62	2.24	1.00	+46	Diamonex Ltd	27	20	1.7	7.9	10.9	-27	0.50	2.05	1.00	+2
Ashburton Minerals	13	32	2.4	2.5	3.5	-30	0.82	1.85	1.00	+52	Drillsearch Energy	7	8	0.2	1.3	0.2	+518	0.43	9.91	1.00	+405
Aspen Group	20	25	0.11	1.0	0.6	+70	0.24	8.43	1.00	+35	Dromana Estate	37	150	0.10	0.1	1.0	-90	0.88	3.56	1.00	+437
Astro Mining	6	5	8.0	3.0	6.0	-50	1.21	1.03	1.00	+3	Earth Sanctuaries Ltd	14	350	0.4	0.1	0.0	+999	1.00	1.00	1.00	+999
Astro Mining NL	6	75	5.1	1.7	3.7	-54	1.21	1.23	1.00	+63	Eastern Corporation	5	4	0.7	3.0	1.6	+83	0.51	2.72	1.00	+61
Aurora Minerals	19	20	1.8	5.2	3.0	+76	0.27	3.93	1.00	+18	Echo Technology	4	35	0.7	0.5	0.0	+999	0.55	3.22	1.00	+999
Aurox Resources	17	20	2.11	4.0	0.9	+362	0.10	8.60	1.00	+14	Ellendale Resources	9	12	1.7	4.1	2.8	+44	0.86	1.84	1.00	+50
Ausmet Resources	16	20	2.1	3.0	3.3	-9	0.43	2.69	1.00	+19	Empire Oil	1	20	1.1	0.1	0.0	+999	0.90	4.34	1.00	+999
Ausquest Ltd	16	20	2.0	6.0	6.1	-1	0.81	1.71	1.00	+30	Enterprise Energy	25	20	3.1	12.5	15.4	-19	0.81	1.36	1.00	+9
Aust Food & Fibre	37	32	1.7	6.3	9.4	-33	0.31	3.01	1.00	+3	Eqitx Limited	31	20	2.7	15.0	18.5	-19	0.72	1.44	1.00	+5
Aust Magnesium	3	125	0.8	0.3	0.0	+999	0.67	9.99	1.00	+999	Euraust Ltd	24	20	3.2	7.0	18.1	-61	1.18	1.18	1.00	+4
Aust Mining Investments	4	10	1.8	1.4	0.2	+476	0.52	3.53	1.00	+82	Euroz	129	50	0.0	51.0	18.1	+181	0.41	1.18	1.00	-100
Aust Pure Fruits	126	30	3.6	97.0	104.7	-7	0.72	1.17	1.00	+0	Evans & Tate	108	150	2.11	7.5	9.0	-17	0.22	4.68	1.00	+14
Auth Investments	20	25	5.4	5.0	14.8	-66	0.96	1.18	1.00	+8	Exco Resources NL	23	20	1.9	9.6	8.5	+13	0.55	2.03	1.00	+16
Auth Investments	20	25	2.1	5.5	9.7	-43	0.96	1.51	1.00	+22	Ezenet Ltd	14	15	2.7	6.0	6.3	-4	0.75	1.59	1.00	+19
Autron Corporation	22	18	2.6	9.3	8.4	+10	0.44	2.01	1.00	+10	FSA Group Limited	5	20	1.1	0.3	0.8	-60	1.18	2.13	1.00	+264
Aviva Corporation	4	10	1.1	0.5	0.2	+180	0.65	3.66	1.00	+149	Falcon Minerals	16	20	0.7	6.0	2.1	+191	0.66	3.48	1.00	+130
Aztec Resources	14	20	0.2	0.2	0.1	+281	0.49	9.99	1.00	+801	Farsands Corporation	25	30	4.0	4.6	7.5	-39	0.37	2.20	1.00	+8
Ballarat Goldfields	13	15	0.10	3.0	1.9	+59	0.51	3.49	1.00	+48	Financial Resources	19	20	3.6	4.0	7.5	-46	0.51	1.80	1.00	+8
Barlow (Tony)	2	10	0.1	0.1	0.0	+999	1.43	9.99	1.00	+999	First Aust Resources	8	7	0.8	2.4	2.4	+1	0.81	2.28	1.00	+35
Barra Resources	4	20	1.9	0.9	0.7	+25	0.99	2.03	1.00	+144	Flinders Diamonds	3	20	0.3	0.2	0.0	+999	0.60	9.99	1.00	+999
Batavia Mining	4	20	1.10	1.0	0.1	+683	0.67	3.22	1.00	+150	Flinders Resources	3	10	3.10	1.1	0.7	+57	0.60	2.02	1.00	+37
Beach Petroleum	45	34	0.6	14.0	12.8	+10	0.34	3.27	1.00	+11	Fox Resources Ltd	60	20	1.2	39.5	41.2	-4	0.40	1.45	1.00	-1
Berkeley Resources	16	20	2.0	7.0	4.8	+45	0.62	2.06	1.00	+30	Future Corporation	3	3	1.6	0.3	0.7	-59	0.64	2.21	1.00	+17
Biometrics Ltd	7	20	3.1	2.0	1.2	+61	0.59	2.25	1.00	+43	Future Corporation	3	3	0.9	0.1	0.5	-78	0.64	3.00	1.00	+26
Biometrics Ltd	30	50	2.8	4.5	5.2	-14	0.47	2.57	1.00	+26	GEC Asian Value Fund	86	100	0.3	0.3	0.4	-20	0.20	9.99	1.00	+85
Bioprospect	8	20	1.2	1.4	0.9	+50	0.82	2.64	1.00	+130	GEACust Healthcare	105	100	0.5	2.2	8.0	-72	0.13	9.99	1.00	-6
Biosignal Ltd	28	20	2.1	8.0	16.6	-52	0.93	1.39	1.00	+1	Gaming & Entertainment	18	15	1.7	8.5	7.6	+12	0.68	1.82	1.00	+18
Biosignal Ltd	28	50	1.7	14.0	8.4	+67	0.93	1.84	1.00	+70	Gateway Mining NL	9	30	2.3	3.1	0.7	+333	0.60	2.81	1.00	+78
Biotech Capital	37	55	1.11	3.9	1.1	+255	0.23	6.65	1.00	+29	Gippsland	8	9	3.1	3.9	4.0	-2	0.75	1.51	1.00	+17
Blink Models Ltd	1	10	0.2	0.1	0.0	+999	0.82	9.99	1.00	+999	Glengarry Resources Ltd	4	15	0.4	0.2	0.0	+999	0.66	9.99	1.00	+999
Bolnisi Gold	55	40	0.1	15.0	15.2	-1	0.45	3.60	1.00	+0	Global Mining Inv.	98	100	2.0	11.5	11.4	+1	0.12	6.27	1.00	+7
Boulder Steel	19	20	1.0	4.5	5.3	-15	0.71	2.30	1.00	+29	Golden State Petroleum	32	65	2.1	9.2	4.9	+86	0.59	2.53	1.00	+50
Brandrill	2	10	0.10	0.3	0.0	+999	0.29	9.99	1.00	+834	Golden State Res.	3	10	2.7	0.7	0.6	+15	0.73	2.07	1.00	+60
CBD Energy	35	2	2.2	8.0	33.2	-76	0.47	1.05	1.00	-45	Golden Valley Mines	3	10	0.10	0.3	0.0	+999	0.57	6.56	1.00	+447
CBD Energy	35	100	2.2	10.0	1.4	+595	0.47	3.70	1.00	+71	Goldlink IncomePlus	114	100	1.7	14.0	25.4	-45	0.21	3.72	1.00	+0
CO2 Group	48	12	6.11	35.5	41.6	-15	0.67	1.11	1.00	+0	Goldsearch	4	8	0.10	0.7	0.6	+8	0.88	2.63	1.00	+127
CP1 Ltd	480	150	1.4	330.0	340.6	-3	0.37	1.41	1.00	+0	Great Australian Res	15	20	1.2	3.5	2.4	+47	0.56	2.97	1.00	+47
Cardia Technologies	7	10	3.1	2.0	2.7	-25	0.65	1.73	1.00	+19	Great Gold Mines	14	10	8.3	7.9	10.8	-27	0.64	1.18	1.00	+3
Carnarvon Petroleum	2	6	2.1	0.2	0.1	+49	0.61	2.87	1.00	+81	Great Western Explor.	22	20	4.6	7.0	10.5	-33	0.45	1.67	1.00	+5
Carpathian Resources	8	20	0.5	1.9	0.1	+999	0.78	5.48	1.00	+999	Hailian International	12	25	0.10	4.0	1.3	+205	0.86	2.85	1.00	+188
Cazaly Resources	18	20	1.2	4.0	3.4	+18	0.48	3.02	1.00	+28	Halcyon Group	2	3	0.4	0.3	0.0	+999	0.45	11.86	1.00	+777
Central Asia Gold	61	12	1.0	41.0	49.8	-18	0.84	1.22	1.00	-13	Hannans Reward NL	14	20	1.4	4.0	3.2	+24	0.72	2.30	1.00	+50
Central Equity	202	220	0.5	1.1	1.4	-24	0.11	9.99	1.00	+24	Helix Resources	16	25	1.0	3.4	1.1	+213	0.48	4.18	1.00	+78
Cervantes Seafood	3	20	0.9	0.3	0.1	+382	1.09	3.32	1.00	+999	Hill End Gold	10	25	0.7	0.8	0.1	+999	0.60	6.41	1.00	+454
Chameleon Mining	4	20	3.1	0.6	0.5	+29	0.74	2.13	1.00	+78	Hillcrest Resources	6	20	0.2	0.1	0.0	+999	0.65	9.99	1.00	+999
Chemq Ltd	236	240	0.7	49.0	44.0	+11	0.60	3.23	1.00	+42	Huggal & Hoile	8	11	0.5	0.5	0.1	+322	0.39	8.61	1.00	+142
Chemgenex Pharm.	50	125	5.4	13.0	8.3	+56	0.39	2.41	1.00	+21	Hunter Hall Global Value	97	100	2.5	11.0	10.0	+10	0.06	8.43	1.00	+6
Citrofresh International	32	25	3.6	15.0	23.2	-35	1.01	1.21	1.00	+7	IM Medical	2	4	4.1	1.2	1.2	-3	0.79	1.42	1.00	+21
City Pacific	461	30	1.7	415.0	433.5	-4	0.27	1.06	1.00	-2	latia Ltd	8	25	1.4	0.5	0.7	-24	0.82	2.69	1.00	+150
City Pacific	461	100	1.9	360.0	370.1	-3	0.27	1.25	1.00	-0	Image Resources	35	25	1.9	9.0	15.6	-42	0.54	1.87	1.00	-2
City Pacific Ltd	461	30	1.7	78.0	433.5	-82	0.27	1.06	1.00	-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
Jervois Mining Ltd	1	5	0-3	0.1	0.0	+999	0.88	9.99	1.00	+999	QRScience Holdings	27	40	1-2	4.2	3.4	+22	0.59	3.09	1.00	+58
Jindalee Resources	21	25	0-7	6.5	3.7	+75	0.80	2.83	1.00	+109	QRScience Holdings	27	20	0-2	6.5	6.8	-5	0.59	3.63	1.00	+0
KLM Group	17	20	1-1	5.5	3.3	+66	0.57	2.81	1.00	+45	Quantum Resources	3	10	5-11	1.8	2.5	-27	1.07	1.16	1.00	+23
Karoo Gas Australia	33	20	1-7	18.0	15.0	+20	0.33	2.08	1.00	+9	Quantum Resources	3	5	8-0	0.8	3.0	-73	1.07	1.07	1.00	+7
Kimberley Diamond	101	35	1-5	71.0	69.4	+2	0.59	1.42	1.00	+3	Quiktrak Networks Ltd	0	10	0-1	0.1	0.0	+999	1.51	9.99	1.00	+999
Knights Insolvency	71	50	2-3	23.5	28.9	-19	0.31	2.19	1.00	+2	Quiktrak Networks Ltd	0	10	0-1	1.5	0.0	+999	1.51	9.99	1.00	+999
Legend Mining Ltd	6	15	0-5	1.0	0.1	+999	0.82	5.23	1.00	+999	Ramelius Resources	8	20	3-1	3.0	1.7	+73	0.60	2.12	1.00	+39
Liberty Gold NL	20	20	2-6	6.0	7.1	-15	0.50	2.01	1.00	+11	Red 5	17	35	0-2	0.1	0.0	+506	0.71	9.99	1.00	+999
Lindsay Australia	27	25	0-0	1.3	7.1	-82	0.51	2.01	1.00	-100	Reefton Mining NL	5	10	5-0	1.2	1.6	-25	0.51	1.85	1.00	+17
Lion Energy	1	3	0-3	0.1	0.1	+90	1.11	4.35	1.00	+999	Regis Resources	5	5	9-2	2.3	4.0	-43	0.88	1.09	1.00	+5
Lodestone Explor.	10	20	0-0	1.0	0.0	+999	0.85	9.99	1.00	+999	Republic Gold	12	25	2-0	3.0	1.7	+72	0.62	2.49	1.00	+56
M2M Corporation	1	20	5-3	0.1	0.4	-77	1.01	1.42	1.00	+72	Resolute Mining Ltd	150	80	0-7	72.0	72.7	-1	0.47	2.02	1.00	+2
MFS Diversified Trust	95	120	0-8	0.5	0.5	-8	0.17	9.99	1.00	+43	Resonance Health	14	40	3-2	4.0	3.3	+23	0.71	1.90	1.00	+46
MFS Leveraged Inv Grp	160	150	0-7	7.0	20.2	-65	0.25	5.77	1.00	-3	Resonance Health	14	15	2-2	4.6	5.4	-15	0.71	1.76	1.00	+19
MGM Wireless	2	20	6-0	0.7	0.6	+13	0.71	1.66	1.00	+43	Resources Mining	1	2	1-7	0.1	0.1	-21	1.02	1.95	1.00	+121
MMC Contrarian	102	100	0-7	4.4	5.8	-24	0.08	9.99	1.00	+4	Rimfire Pacific Mining	4	8	1-10	0.8	0.6	+35	0.71	2.32	1.00	+65
Macmin	15	12	0-10	6.2	4.4	+42	0.56	2.53	1.00	+31	Ritract Ltd	30	75	2-1	4.2	6.1	-31	0.77	2.08	1.00	+61
Macmin Silver	15	25	3-11	6.1	4.7	+30	0.56	1.85	1.00	+22	Rusina Mining Ltd	14	30	0-2	0.2	0.1	+180	0.98	7.18	1.00	+999
Malachiti Resources	15	20	1-3	5.5	2.2	+147	0.51	3.11	1.00	+53	S8 Ltd	144	300	2-5	15.0	4.8	+215	0.31	4.80	1.00	+38
Marengo Mining	11	20	3-3	3.2	2.5	+26	0.51	2.18	1.00	+26	SP Telecom.	162	25	1-6	141.0	138.9	+2	0.28	1.17	1.00	+2
Medical Monitors	5	20	0-7	0.4	0.0	+999	0.62	8.33	1.00	+999	Sandfire Resources NL	28	10	0-10	9.0	18.5	-51	0.51	1.51	1.00	-37
Medusa Mining Ltd	56	20	2-2	32.5	39.8	-18	0.65	1.34	1.00	-3	Saracen Mineral Hold.	9	10	8-7	2.4	7.5	-68	0.88	1.10	1.00	+4
Metex Resources	7	10	1-10	3.4	1.1	+219	0.40	3.22	1.00	+38	Select Vaccines	43	20	3-6	24.0	30.0	-20	0.65	1.32	1.00	+1
Methanol Australia	16	25	0-10	3.5	2.4	+46	0.81	2.70	1.00	+108	Select-Tel Ltd	43	20	2-2	10.5	27.6	-62	0.65	1.43	1.00	-15
Metroland Australia	22	26	4-6	4.5	8.5	-47	0.44	1.83	1.00	+8	Senetas Corporation	23	8	0-6	16.0	14.8	+8	0.72	1.51	1.00	+14
Midas Resources	13	25	2-0	2.5	2.2	+14	0.60	2.46	1.00	+45	Simon Gilbert	19	100	0-1	0.1	0.0	+999	0.94	9.99	1.00	+999
Mikoh Corporation Ltd	5	20	-1-8	0.1	2.2	-95	0.60	2.46	1.00	-99	Solagran Ltd	17	80	0-0	0.1	0.0	+999	0.71	9.99	1.00	+999
Millepede International	10	20	1-1	2.6	1.1	+146	0.71	2.96	1.00	+112	Solar Energy Systems	24	30	0-1	0.1	0.4	-75	0.76	9.50	1.00	+999
Mineral Securities	96	115	3-2	14.0	30.2	-54	0.46	2.08	1.00	+10	Solbec Pharmaceuticals	13	20	0-10	2.6	0.5	+445	0.45	5.26	1.00	+104
Minerals Commodities	17	30	2-7	5.3	4.0	+31	0.59	2.14	1.00	+33	Solbec Pharmaceuticals	13	30	1-10	2.6	0.5	+412	0.45	4.01	1.00	+69
Minerals Corporation	8	9	2-10	3.3	1.9	+78	0.31	2.80	1.00	+16	Stirling Products	32	20	3-1	15.0	20.7	-28	0.76	1.35	1.00	+3
Moby Oil & Gas	36	20	0-1	23.0	15.6	+48	0.44	2.28	1.00	+896	Stratatel Limited	14	25	0-9	1.8	0.5	+249	0.57	4.64	1.00	+149
Mokuti Mining Ltd	14	20	2-1	2.0	2.6	-23	0.50	2.57	1.00	+26	Striker Resources	5	15	1-0	1.1	0.0	+999	0.34	9.99	1.00	+258
Molopo Australia	4	10	2-7	1.3	0.6	+133	0.58	2.45	1.00	+51	Structural Monitoring	20	20	2-5	7.6	6.7	+13	0.51	2.04	1.00	+15
Monarch Resources	21	20	1-8	5.5	8.7	-37	0.75	1.77	1.00	+12	Style Plantation	20	20	4-2	4.8	7.7	-38	0.39	1.94	1.00	+5
Monterey Group	1	1	4-1	0.4	0.7	-41	0.74	1.35	1.00	+6	Sun Resources NL	15	15	0-7	4.9	2.3	+110	0.47	3.90	1.00	+62
Mosaic Oil NL	23	23	0-10	5.0	4.3	+16	0.51	3.18	1.00	+30	Sunnycove Manage.	99	150	4-6	15.0	16.8	-11	0.28	2.95	1.00	+12
Moto Goldmines	35	28	1-6	14.0	14.9	-6	0.67	1.84	1.00	+13	Sylvania	38	20	0-7	18.5	18.3	+1	0.48	2.01	1.00	+5
Mt Gibson Iron	20	22	0-11	4.4	2.6	+71	0.40	4.06	1.00	+37	Synergy Metals	9	10	2-3	1.8	3.5	-48	0.66	1.80	1.00	+13
NGM Resources	14	20	2-4	3.1	3.4	-8	0.53	2.29	1.00	+24	Tasgold Ltd	14	20	3-0	4.6	5.4	-15	0.68	1.71	1.00	+21
NGM Resources Ltd	14	20	2-4	3.1	3.4	-8	0.53	2.29	1.00	+24	Tasman Resources	8	20	1-3	1.7	0.3	+455	0.59	3.79	1.00	+131
Navigator Resources	16	20	2-7	5.4	4.8	+13	0.55	2.03	1.00	+21	Tawana Resources	142	75	1-0	95.0	73.5	+29	0.54	1.81	1.00	+20
Neptune Marine Serv.	26	20	6-1	15.0	18.5	-19	0.69	1.24	1.00	+5	Technology Invest Fund	43	50	0-0	0.1	73.5	-100	0.21	1.81	1.00	+999
New Hope Corporation	127	45	3-9	78.0	91.3	-15	0.38	1.36	1.00	-1	Telezon	6	20	0-1	1.8	0.0	+999	0.00	9.99	1.00	+999
New Horozon Energy	7	20	1-7	1.0	1.0	+1	0.79	2.40	1.00	+97	Terraplanet Ltd	1	10	0-6	0.1	0.0	+999	0.00	9.99	1.00	+999
Niagara Mining Ltd	11	20	0-0	0.1	1.0	-90	0.80	2.40	1.00	+999	Terraplanet.com	1	100	0-0	0.2	0.0	+999	0.00	9.99	1.00	+999
Nido Petroleum	4	2	0-7	2.5	2.4	+4	0.72	1.71	1.00	+8	Thundelarra Explor.	38	23	0-5	20.5	15.6	+31	0.44	2.38	1.00	+38
Novera Energy	34	55	1-0	2.7	6.7	-60	0.84	2.38	1.00	+70	Tiger International	15	20	1-2	4.1	1.6	+152	0.47	3.58	1.00	+55
Nuenco NL	3	5	1-3	1.2	0.5	+134	0.60	2.89	1.00	+64	Tiger Resources	11	10	0-7	3.0	3.7	-19	0.97	2.11	1.00	+33
Olea Australia	4	25	1-0	0.1	0.0	+246	0.83	4.02	1.00	+597	Tomahawk Energy	115	20	4-1	95.0	100.7	-6	0.68	1.12	1.00	+0
Open Telecom.	41	2	1-2	2.0	39.1	-95	1.40	1.03	1.00	-88	Transol Corporation	28	25	1-6	11.0	20.9	-47	1.77	1.18	1.00	+18
Optima Corporation	28	20	0-1	2.8	8.3	-66	1.20	2.85	1.00	-89	Trent Capital	99	125	4-6	12.5	21.6	-42	0.26	2.82	1.00	+8
Optum Health	1	1	1-7	0.2	0.2	-13	1.05	1.65	1.00	+55	Union Capital	4	100	0-4	0.2	0.0	+999	0.74	9.99	1.00	+999
Orchid Capital	7	5	2-0	2.5	4.0	-37	0.77	1.51	1.00	+2	Universal Resources	12	20	0-8	1.5	0.3	+337	0.54	5.32	1.00	+172
Organic Resource Tech.	10	10	3-3	5.0	5.7	-13	0.81	1.40	1.00	+13	VRI Biomedical	17	25	1-7	6.8	2.9	+132	0.58	2.62	1.00	+51
Organic Resource Tech.	10	20	3-3	2.0	4.1	-51	0.81	1.57	1.00	+27	VRI Biomedical	17	75	1-3	2.7	0.1	+999	0.58	4.96	1.00	+245
Oropa Ltd	3	5	3-1	1.3	1.0	+33	0.67	1.79	1.00	+29	Van Eyk Three Pillars	96	100	0-6	1.8	2.9	-38	0.14	9.99	1.00	+13
Pacific Magnesium Corp	1	5	2-0	0.1	0.3	-62	0.88	2.02	1.00	+91	Verus Investments	19	20	1-7	5.0	5.7	-12	0.62	2.13	1.00	+21
Pancontinental Oil & Gas	13	20	0-4	2.1	2.0	+7	1.25	2.76	1.00	+391	Virax Holdings	45	25	1-2	27.0	23.6	+14	0.72	1.67	1.00	+15
Paradigm Gold	6	25	3-6	2.5	1.0	+140	0.66	2.07	1.00	+54	Virax Holdings Ltd	45	50	1-1	17.5	11.8	+49	0.72	2.31	1.00	+49
Paramount Mining Corp	14	20	2-1	3.7	4.8	-23	0.80	1.77	1.00	+31	Visiomed Group	3	12	3-4	0.9	0.3	+168	0.58	2.42	1.00	+55
Patrick Corporation	592	875	0-1	297.0	0.0	+999	0.21	9.99	1.00	+999	Voyager Energy	38	25	1-4	16.5	15.1	+9	0.38	2.25	1.00	+8
Pelican Resources	4	20	1-4	1.0	0.1	+999	0.69	3.67	1.00	+227	Vulcan Resources	17	25	1-1	3.0	4.2	-28	0.90	2.12	1.00	+63
Penfold Buscombe Ltd	167	100	0-4	63.0	68.9	-9	0.37	2.41	1.00	-7	WAM Capital	163	155	0-7	6.2	13.6	-55	0.11	9.99	1.00	-2
Peninsula Minerals	2	20	0-7	0.2	0.0	+999	0.93	5.67	1.00	+999	WRF Securities	39	35	0-1	2.0	5.6	-64	0.73	5.13	1.00	-47
People Telecom	20	20	0-4	2.0	3.7	-45	0.90	3.14	1.00	+51	Webspy Ltd	3	8	1-6	0.2	0.4	-47	0.82	2.40	1.00	+105
Perseus Mining	20	20	4-4	6.9	4.7	+47	0.16	3.26	1.00	+8	Wedgetail Exploration	4	5	1-1</							

Australian Warrant / Option Analysis

Investment opportunities occur at random time intervals. Over the last three quarterly *Warrant/Option Analysis* reports we have been unable to find any new investment opportunities. This month we have four (see below).

Farsands Corporation, Financial Resources, Organic Resource Technology and PharmaNet Group are all very small to micro-cap companies, so involve high risks. Nevertheless, these businesses all have the potential to perform well. The options in these companies allow us to either (1) minimise our risk (i.e. by risking less capital investing in a cheaper option, than directly in the shares) and/or (2) to maximise our potential gains if the company does well.

In all cases, investors should seek to make only a very small investment in each company. As is often the case with options - and especially as these are small companies - the volume of options available for purchase at any time can be limited, so patience and common sense is necessary when buying!

New Options

Farsands Corporation (code FCO and FCOO).

Farsands Corporation is a consulting firm specialising in project and risk management and property development services. The company listed just over a year ago and has since acquired the existing businesses of **Farsands Risk Management** and its subsidiary, **MPL Group**, (October 2003) and **Clifton Coney Group** (June 2004).

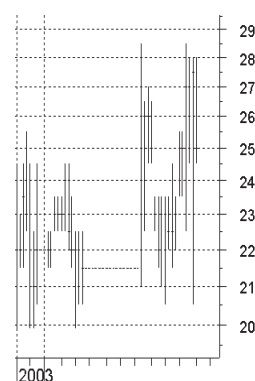
As these businesses have recently been acquired the financial results to June 2004 are meaningless. For the current year to June 2005 the company is forecasting revenues of \$21.5 million, a net profit around \$3.0 million (2.0 cents per share) and an annual dividend of 1.25 cents. Achieving that forecast would give a Price/Earnings ratio of 12 and a Dividend Yield of 5.0% which appears to be good value.

The issued capital - after a reorganisation in mid-2004 - consists of 152.6 million shares and 66.4 million options to buy shares at 30 cents on 30 November 2008. Owing to the dilution resulting from exercising options, the company will seek to re-purchase "at least half" of these options in an off-market buy-back at 4½ cents per option.

The options are also attractive to investors as a leveraged investment in the long term success of this company. The final exercise/expiry date is four years away - giving plenty of time for the company to grow and for the shares to appreciate. The "break-even rate" is a low 8%, so if the shares grow at 8% for four years to 34½ cents then the options will be worth their current value of 4½ cents. A higher rate of capital appreciation by the shares will result in leveraged gains in the value of the options. Leverage is 2.20 times, so a 1% fluctuation in the share price should result in around a 2.2% fluctuation in the value of the options. The options are also significantly *under-valued*, trading at a 39% discount to their *fair value*.

Farsands Corporation is a smaller to medium sized company. The shares look to offer reasonable value, while the options offer a long term, under-valued and leveraged way to profit from the future success of the company. A small investment in the options is therefore attractive for investors seeking a leveraged investment opportunity.

Farsands Corporation

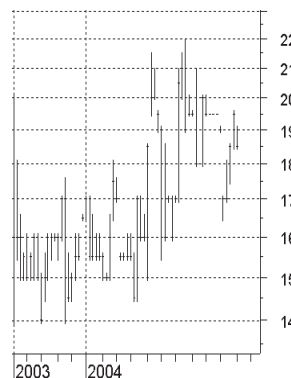


Financial Resources (code FRL and FRLO).

This is a \$9 million *micro-cap* company involved in Finance and Equipment rental. The business is profitable and the shares look to offer reasonable value, trading on a P/E ratio of 10 and offering a Dividend Yield of 5.9%. In addition, there has been one *insider* buy on-market. So despite its small size, this company does appear to have attractive investment characteristics.

The main attractions of the options (to buy shares at 20 cents on 31 May 2008) are (1) their long period (i.e. over 3½ years) until final exercise/expiry, (2) they are 46% under-valued, (3) offer a good 1.80 times leverage and (4) have a low 8% "break-even rate". So these options have the potential to produce significant capital appreciation if Financial Resources grows strongly over the next several years. That is great potential, "investment quality" and not too much risk!

Financial Resources



Organic Resource Technology (code ORT and ORTO).

This is a *micro-cap* (\$12 million) company with no revenues - and no cash - that is seeking to commercialise its *DiCOM* municipal waste disposal system.

Organic Resources is *already* at the stage of seeking

to prove its technology with a 17,000 tonnes per annum plant to be built at Shenton Park, Perth, for \$5 million by the end of this year. If successful, the company will construct a full-scale 55,000 tonnes per annum facility in 2005 and finalise a 20-year, \$100 million contract. The *DiCOM* system, developed over the last five years, is a "hybrid biological system for processing municipal waste that integrates existing technologies - aerobic composting and anaerobic digestion - at the process level" enabling waste treatment environmentally and "at gate fees more than 25% below current waste disposal charges". In addition, the process will produce compost and green energy - which should further improve the economics of the process.

The main risks would appear to be the company's need to issue new shares to raise cash to fund operations in the short term. This could cause some dilution, although the current capitalisation of just \$12 million is a low price for what *could* prove a valuable, cost effective waste disposal technology. A good way to minimise risk in this type of start-up business is to minimise our initial investment by investing through the options. So rather than buy shares at 10-10½ cents, we can buy options at 4-5 cents. That way we risk only 40-50% of our capital initially. *Then* in over three years (i.e. on 28 February 2008) we will have a much better idea about the success or otherwise of this business and can exercise our options (at 10 cents) to buy the shares or allow the options to expire worthless.

The options are slightly *under-valued*, have an achievable "break-even rate" of 13% per annum but offer only low leverage of 1.57 times. So if the shares *doubled* to 20 cents by 2008, then the options would also only *double* to 10 cents, although *tripling* in the shares to 30 cents would *quadruple* the options to 20 cents and provide some leveraged gains. The main impact of the option leverage in this situation is to minimise our initial investment in a high risk, start-up business. If we need to invest only 40-50% to buy options, rather than the shares, then 50-60% of our capital is not put at risk (and can be invested to earn investment returns elsewhere).

This is an attractive start-up business - albeit with high risks - that *could* develop into a valuable business. So a small investment by higher risk investors with diversified portfolios would be appropriate - and the options allow us to maximise our interest in the company while minimising the amount of capital we place at risk.

Organic Resources Technology



PharmaNet Group (code PNO and PNOO).

This is a *very high risk* company - but the options (to buy shares at 5 cents on 31 December 2006) offer a lower cost entry to significantly minimise the amount of our capital that is initially placed at risk.

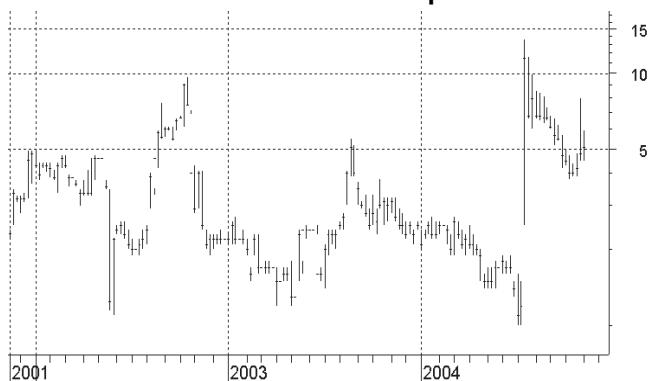
We won't go into the company's history in too much detail except to say that it was one of the high-tech companies where things didn't quite work out and the shares lost close to 99% of their value! In fact, the shares traded at a low of just 1.0 cent in July *this year* - then jumped to 13.6 cents with the discovery of a new pain killing compound called *Tripeptofen* in its *Thermalife* product that has been used as a topical treatment for the relief of arthritis for 17 years. The company has recently contracted the **Western Australian Biomedical Research Institute at Curtin University of Technology** to undertake initial studies of this "potentially new and important analgesic compound".

PharmaNet Group also owns a small medical equipment supply business that is seeking to expand.

The shares have since eased back to around 5.2 cents - although the options at around 1.4-1.6 cents give us an interest in this company whilst minimising our risk exposure. PharmaNet Group is now a *micro-cap* share with an issued capital of 162.5 million shares - giving a market capitalisation of just \$8.5 million - and 45.0 million options.

This is an *extremely* high risk situation - but our risk is limited to just 100% of the capital we invest in purchasing some options while there is *no limit* to the potential gains if the company can turn around its business! Despite the very small size of this company, the options are *very actively* traded at the present time. A small investment in the options is an attractive, speculative investment.

PharmaNet Group



Review of Existing Options

Biotech Capital (codes BTC and BTCOA).

These shares are down further and at 3.9 cents the options are down 57% on our initial purchase at 9 cents. This situation is not looking too good at present - and we do not recommend further option purchases at this price. Nevertheless, there is still almost two years until the final exercise/expiry date and the option volatility is extremely high at 6.65 times, so *anything* is possible.

We shall "hold" - realising that on some options we can eventually suffer a 100% loss on our initial investment.

(Continued on Page 18)

Datafast Telecom. (codes DFT and DFTOA).

Datafast Telecommunications is holding merger discussions with another listed ISP, **Chariot Internet**. If a merger takes place it will be achieved by Chariot offering shares for Datafast.

Our options (to buy shares at 1 cent before 10 January 2005) are currently "in the money" as the shares trade around 1.8-1.9 cents. So the options have an intrinsic value of 0.8-0.9 cents, although are quoted at 0.6-0.7 cents. With just *eight weeks* until the final exercise/expiry date, investors will need to look at either (1) selling the options on-market during late December (or at any other time if the shares and options should rise in value) or (2) exercising the options (i.e. pay 1 cent to buy the shares).

We originally reviewed these options in November 2003 when the shares were at 2 cents and the options were around 0.8 cents. So we may realise a small loss or break-even - but this can be a volatile company and there are still eight weeks to go! Hold.

DCA Group (codes DVC and DVCOA).

This investment continues to grow strongly in value! Over the last quarter the shares rose 12.4% to 318 cents while our options rose a further 40.3% to 87 cents. We originally reviewed DCA Group options in August 2003 at 24½ cents, so they have increased 3½ fold in value (i.e. 255% gain) to date, with still another ten months until the final exercise/expiry date. The shares are in a strong uptrend, the options offer a very high 3.25 times leverage so there is good potential for further gains and we shall let our profits run.

Euroz (codes EZL and EZLO).

As we recommended in August, we exercised our Euroz options a little early to receive the 10.0 cents dividend being paid on the shares.

We originally reviewed these options at 9½ cents in May 2002 (although bought our own options in this company at around 6½ cents in late 2002). After exercising the options and selling about half the shares to realise partial profits we continue to hold some Euroz shares worth 129 cents - equal to about an 80 cents gain per option (i.e. about an 8-12 fold gain).

The final exercise date is 30 November 2004 - so

Total Return Index for All Listed Shares

Oct 11	2272.51	Oct 18	2269.30
Oct 12	2269.61	Oct 19	2264.99
Oct 13	2277.50	Oct 20	2273.40
Oct 14	2276.61	Oct 21	2275.35
Oct 15	2268.85	Oct 22	2270.08
Oct 25	Holiday	Nov 1	2275.94
Oct 26	2258.98	Nov 2	2278.84
Oct 27	2253.49	Nov 3	2287.57
Oct 28	2268.13	Nov 4	2306.68
Oct 29	2267.98	Nov 5	2308.30

anyone still holding these options needs to exercise them immediately. As most options were exercised three months ago, as we advised, the market in Euroz options is extremely thin, so selling on-market is not possible, except at an unrealistically low value.

Orchid Capital (codes ORC and ORCO).

These shares are quoted around 7.0-7.2 cents and the options 2.0-2.9 cents. We originally bought some options around 0.8 cents in August 2003 - so we are up about 3-fold. The options still have about two years until their final exercise/expiry date. We rate the options a "Hold" and would sell around half at 3.0 cents or better - but the options are traded inactively.

WAM Capital (codes WAM and WAMO).

We originally reviewed these options in February 2004 and they have since declined 41% in value to 6.2 cents. The final exercise/expiry date is 17 June 2005 - just seven months away. This short date makes these options very risky, but also results in the extreme 10.0 times leverage.

If the WAM Capital share price were to rise over the next seven months then the options could increase several fold in value. If it falls below 155 cents then the options will expire worthless.

This is an attractive - but highly volatile and speculative - short term investment opportunity!

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Brierley Investments	\$S0.025	-	18-11	-
Cavalier Corporation	4.50	06-12	10-12	Full
Dominion Finance	2.1865	08-11	12-11	Full
Fletcher Building	14.00	25-10	11-11	Full
Hallenstein Glassons	14.00	06-12	13-12	Full
Horizon Energy	8.00	29-11	02-12	Nil
Horizon Energy special	4.00	29-11	02-12	Nil
Infratil	5.00	22-11	26-11	Full
Kirkcaldie & Stains	6.00	06-12	13-12	Nil
Postie Plus Group	4.00	11-10	05-11	Full
Powerco	7.50	06-12	17-12	Nil
Restaurant Brands	4.50	08-11	19-11	Full
Scott Technology	7.00	22-11	25-11	Full
South Port NZ	3.75	04-10	08-11	Full
TrustPower	9.00	06-12	17-12	Full
Urbus Properties	4.3181	22-11	03-12	Full
VTL Holdings	3.32	08-11	19-11	Nil
Wakefield Hospital	5.00	06-12	10-12	Full
Warehouse Group	4.00	15-11	22-11	Full
<u>Australian Shares</u>				
AJ Lucas Group	4.50	25-11	16-12	

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday December 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.

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