

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Nearly everyone *expects* stockmarkets to suffer a *decline* - so the next move will likely be *higher!* Such negative sentiment is nearly always followed by higher share prices . . . so remain fully invested in shares.

Investment Outlook.

Stockmarkets have been volatile over the last month, amidst cries that “The rally is over” and “Shares are correcting”. With “the rally over”, stockmarkets fell sharply several days in a row - only to bounce back just as quickly over the next few days. Then it all happened again.

Overall the United States stockmarket is *down* just 0.2% over the last four weeks. Not bad for a “correction”, especially as most of the predictions of a further 5-10% decline were made *after* the market fell 5% (and from which it has since recovered).

The Australian stockmarket is *down* 3.2% - but hardly significant in a market often fluctuating by 2% per day - while the New Zealand stockmarket is *up* 1.4%.

“I suspect, without any rational basis, that a major correction is coming”, writes one subscriber. He is not alone. Fund Managers are cautious, worried about a “double dip recession” or that share prices rallied too quickly and will fall back. Many have a cash holding to protect their portfolios and to be able to take advantage of those lower prices in the future. At least one Kiwisaver *growth* fund has significantly under-performed its benchmark over the last eight months as it holds few shares and heavily over-weighted in cash.

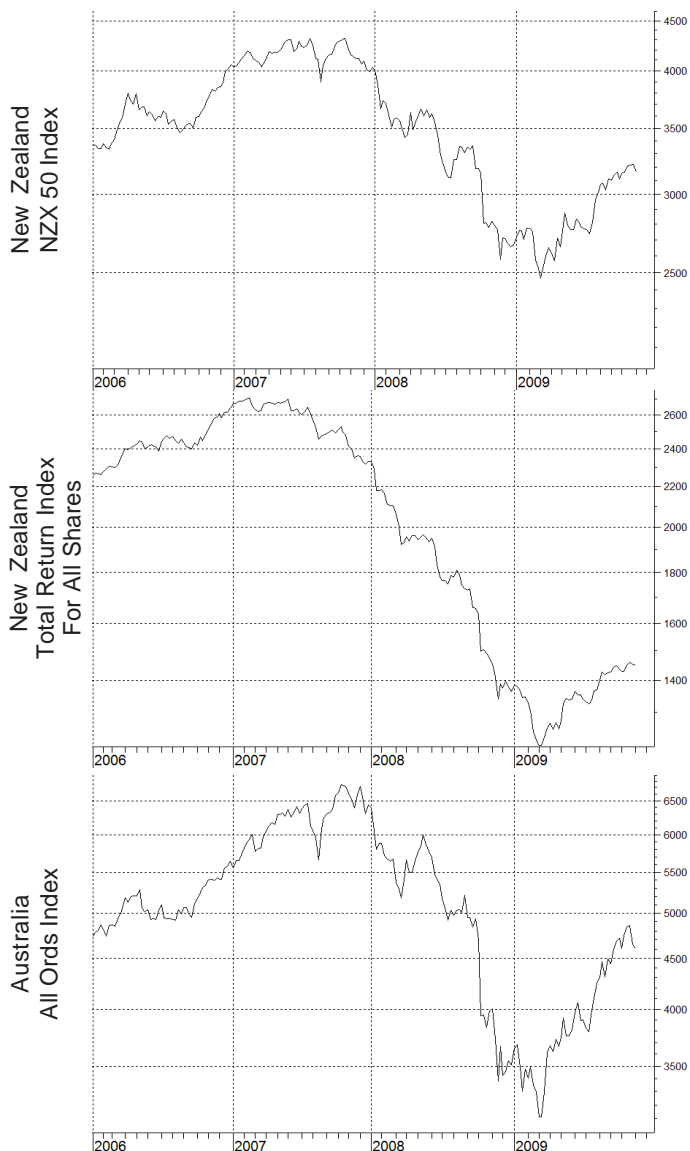
This widespread expectation of a major stockmarket decline was discussed last month . . . and as long as most market participants remain cautious and pessimistic then the likelihood of a major correction remains low. Shares will likely surprise everyone and go higher! All of these investors are *prepared* for a correction, with cash holdings which they would use to buy shares at lower prices (having missed out on the rally to date).

So when the stockmarket falls on bad news or negative sentiment for a day (or several days), then there is a hoard of potential buyers ready to jump into the market - which pushes prices back up just as quickly.

Eventually this widespread negative sentiment will change and investors and fund managers will become optimistic and *expect share prices to rise.* When that happens, watch out for a major correction!

Stockmarket Forecasts

	One-Month	One-Year
Australia:	48% (Neutral)	71% (Bullish)
New Zealand:	70% (Bullish)	65% (Bullish)



Performance Forecasts

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

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield
AMP Limited	B	740	4.36	22	6.0	Inv Research Gr	D	1.8	0.69	NE	Nil	ProvencoCadmus	D	3.5	0.04	NE	Nil
AMP Onyx Mgmt	D	80	5.97	NE	8.6	Jasons Media	D	55	0.80	11	4.1	Pumpkin Patch	C	193	0.78	NE	4.8
Abano Health	A	654	0.81	16	4.8	Just Water Int.	D	35	0.82	17	15.7	Pyne Gould Corp	E	47	0.32	NE	Nil
Affco Holdings	E	39	0.21	NE	Nil	Kermadec Prop.	C	54	3.20	NE	9.3	Rakon Ltd	D	119	1.09	34	Nil
Air New Zealand	B	130	0.30	66	7.1	Kingfish Ltd	B	94	N/A	NE	4.8	Renaissance	C	25	0.06	3	17.9
Akd Int Airport	C	193	6.40	57	6.1	Kirkcaldie & St	B	270	0.60	23	5.5	Restaurant Brds	A	152	0.48	18	6.9
Allied Farmers	E	28	0.09	NE	Nil	Kiwi Property	D	102	4.36	NE	8.9	Rubicon Limited	C	92	0.46	NE	Nil
Allied Work.	C	76	0.26	9	12.8	Life Pharmacy	D	38	3.54	NE	Nil	Ryman Health	B	200	N/A	15	2.1
Apple Fields	D	5.0	1.48	3	Nil	Livestock Imp.	B	250	0.56	3	25.0	Salvus Strat.	C	82	N/A	NE	Nil
Barramundi Ltd	B	76	N/A	NE	2.3	Lombard Group	D	6.1	0.80	NE	Nil	Sanford Limited	D	490	1.24	23	6.7
Blis Technology	C	11	N/A	NE	Nil	Lytelton Port	C	258	3.13	26	2.7	Satara Co-op	E	65	0.18	5	Nil
Botry-Zen Ltd	E	1.9	9.50	NE	Nil	Mainfreight Grp	A	530	0.41	15	5.2	Savoy Equities	C	1.5	N/A	NE	Nil
Briscoe Group	B	115	0.63	21	5.8	Marlin Global	B	82	N/A	14	3.5	Scott Tech. Ltd	A	100	0.85	8	13.4
Broadway Ind	D	30	0.39	NE	Nil	Media Tech.	D	2.0	0.31	2	Nil	Sealegs Corp	C	23	1.56	NE	Nil
Burger Fuel	D	35	3.93	NE	Nil	Methven Limited	A	167	0.81	11	10.5	Seeka Kiwifruit	C	275	0.32	9	6.5
CDL Investments	E	28	N/A	41	Nil	Metro. LifeCare	D	240	5.02	NE	Nil	Skellerup Hold.	C	53	0.44	9	6.7
CER Group Ltd	D	1.3	0.68	NE	Nil	Michael Hill	C	65	0.60	14	4.5	Sky City Ltd	B	339	2.33	17	6.5
Canty Bldg Soc.	B	300	0.99	18	4.0	Mid-Cap Index	C	216	N/A	NE	Nil	Sky Network TV	C	488	2.74	22	4.1
Cavalier Corp	A	250	0.68	12	8.6	Millennium & C.	C	45	1.27	9	4.0	Smartpay NZ Ltd	B	4.7	0.35	NE	Nil
Cavotec MSL	C	290	0.63	10	Nil	Mowbray Collect	D	99	2.64	NE	Nil	Smiths City	C	35	0.08	18	5.7
Charlie's Group	D	7.5	0.70	NE	Nil	NZ Experience	B	28	1.18	11	11.5	Sol. Dynamics	E	45	0.44	NE	Nil
Col Motor Co	B	265	0.15	14	8.1	NZ Exchange Ltd	B	786	6.56	21	4.0	South Port NZ	B	265	3.56	21	5.5
Comvita	C	118	0.46	44	Nil	NZ Finance Hold	E	25	0.49	NE	Nil	Speirs Group	C	40	0.37	NE	Nil
Connexion	D	10	0.67	NE	Nil	NZ Farming Sys.	E	44	4.39	NE	Nil	Steel & Tube	B	315	0.57	11	8.6
Contact Energy	C	602	1.29	30	6.6	NZ Oil & Gas * N/R	170	4.76	12	4.2	Sthn Travel	D	16	0.12	NE	Nil	
Cynotech Hold.	E	12	0.72	5	15.5	NZ Refining Co	C	505	3.05	10	13.3	Tag Pacific Ltd	B	26	0.16	12	3.6
Delegat's Group	B	248	1.08	8	4.6	NZ Wine Company	A	205	1.42	14	2.8	Taylor's Grp Ltd	A	220	0.76	12	8.4
Dominion Fin.	C	1.0	0.01	0.149.3	Nil	NZ Windfarms	E	44	8.98	NE	Nil	TeamTalk Ltd	B	220	1.46	11	13.0
Dorchester Pac	C	12	0.18	NE	Nil	NZ Wool Service	E	20	0.09	NE	Nil	Telecom Corp	C	252	0.84	12	9.5
Eastern Hi-Fi	E	8.0	0.47	NE	Nil	NZSX 10 Fund	D	87	N/A	NE	Nil	Tenon Ltd	E	90	0.12	NE	Nil
Ebos Group Ltd	A	600	0.22	15	6.0	NZSX 50 Port.	C	131	N/A	NE	Nil	Tourism Hold.	C	70	0.41	NE	Nil
F & P Health.	B	320	3.55	26	5.8	NZX Aust MidCapC	C	525	N/A	NE	Nil	Tower Limited	B	168	0.66	10	5.3
F & P Appliance	E	67	0.20	NE	Nil	Nat Property Tr	C	49	2.85	NE	10.2	Training Sol.	D	0.1	5.00	NE	Nil
Finzsoft Sol'ns	C	13	0.14	NE	Nil	New Image Group	C	61	1.44	9	3.5	Trust Power Ltd	C	750	3.01	23	6.6
Fletcher Build.	B	795	0.68	14	5.9	Northland Port	C	180	N/A	28	4.4	Turners & Grow.	D	159	0.28	12	9.4
Freightways Ltd	B	305	1.34	13	7.7	Nuplex Indust	C	254	0.32	29	2.0	Turners Auction	A	125	0.44	31	3.5
Genesis Res.	E	7.0	1.59	NE	Nil	Opus Intl' Cons	D	151	N/A	NE	Nil	VTL Group Ltd	C	1.5	0.01	0	Nil
Goodman Prop.	D	102	6.65	NE	10.2	Oyster Bay	C	230	1.76	13	4.3	Vector Ltd	C	192	1.63	11	10.2
Guinness Peat	C	83	0.37	NE	3.0	Ozzy (Tortis)	C	346	N/A	NE	Nil	WN Drive Tech.	D	9.9	2.92	NE	Nil
GuocoLeisure	B	59	1.30	8	2.7	PGG Wrightsons	E	62	0.15	NE	Nil	Wakefield Hlth	B	900	1.48	13	4.1
Hallenstein G.	A	310	0.93	14	9.7	Pac Edge Bio.	C	24	N/A	NE	Nil	Warehouse Group	B	450	0.81	18	6.7
Hellaby Hold.	A	163	0.17	16	5.3	Pike River Coal	D	107	N/A	NE	Nil	Widespread Port	N/R	17	N/A	NE	Nil
Heritage Gold *	N/R	4.0	N/A	NE	Nil	Plus SMS Hold.	D	0.5	0.36	NE	Nil	Windflow Tech.	E	120	0.46	NE	Nil
Horizon Energy	B	350	2.88	17	7.2	Port Tauranga	B	710	6.62	21	5.4	Wool Equities	E	9.0	N/A	NE	Nil
ING Property	C	78	3.84	NE	10.3	Postie Plus Grp	C	41	0.15	27	Nil	World Index Fd	D	104	N/A	NE	Nil
ING Med. Prop.	C	121	0.00	NE	7.0	Propertyfinance	E	10	0.16	NE	Nil	Xero Ltd	C	166	N/A	NE	Nil
Infratil NZ	E	156	0.47	NE	6.0	Property F Ind.	D	120	7.85	NE	6.0	Zintel Comm.	B	32	0.41	7	14.0
												Ave of 141 Cos	C	163	0.00	6	5.0
AGL Energy Ltd	B	1353	1.02	8	4.0	Dexus Property	D	80	4.80	NE	9.2	Onesteel Ltd	B	296	0.54	17	3.4
AMP Ltd	B	587	4.07	20	6.5	Djerriwarrh	C	440	N/A	NE	5.9	Orica Ltd	C	2235	1.23	15	4.0
ANZ Bank	A	2240	1.12	14	6.1	Downer EDI Ltd	A	820	0.46	14	3.5	Origin Energy	B	1602	1.74	26	3.1
APA Group	A	303	1.59	19	3.9	Equinox Resource	B	2342	8.86	20	1.2	Pacific Brands	C	124	0.58	NE	6.9
APN News Media	B	221	0.91	NE	10.2	Equinox Min.	C	396	N/A	NE	Nil	Paladin Energy	E	411	N/A	NE	Nil
ASX Limited	B	3345	6.85	18	4.9	Extract Res.	C	854	N/A	NE	Nil	Panaust Ltd	D	49	4.92	NE	Nil
AWB Limited	A	116	0.07	5	7.8	Fairfax Media	C	161	1.45	NE	1.2	Perpetual Ltd	B	3410	3.86	38	2.9
AXA Asia Pac	C	430	1.22	NE	4.3	Felix Resources	B	1740	4.52	13	3.0	Platinum Asset	A	560	N/A	25	3.6
Adelaide Bright	B	272	1.47	12	5.5	Flight Centre	A	1658	0.96	43	0.5	Premier Invest	A	800	1.38	14	6.9
Alumina Ltd	B	160	N/A	11	7.5	Fortescue Metal	C	382	5.20	19	Nil	Primary Health	B	623	2.02	23	2.2
Amcor Ltd	B	549	0.52	24	6.2	Foster's Group	B	531	2.19	23	5.1	Q.B.E. Insur.	B	2242	N/A	18	5.6
Aneka Tambang	C	111	N/A	NE	10.8	GPT Group	C	60	2.91	NE	29.7	Qantas Airways	B	264	0.41	51	2.3
Ansell Ltd	B	1028	1.03	12	2.7	GWA Internat'l	B	277	1.22	17	6.5	REA Group Ltd	A	852	6.46	NE	1.2
Aquarius Plat.	E	503	5.87	NE	Nil	Goodman Group	C	61	N/A	NE	16.0	Ramsay Health	A	1055	0.57	17	3.6
Aquila Res.	C	778	N/A	NE	Nil	Goodman Fielder	B	155	0.85	12	6.8	Reece Australia	A	2352	1.55	24	2.2
Argo Investment	C	668	N/A	NE	4.0	Graincorp	D	657	0.33	NE	Nil	Rio Tinto Ltd	B	6500	0.46	6	2.9
Aristocrat Leis	B	419	1.77	19	5.7	Guinness Peat	C	66	0.33	NE	3.1	Riversdale Min.	D	540	N/A	NE	Nil
Arrow Energy	C	394	N/A	8	Nil	Harvey Norman	B	411	3.03	20	2.7	S/Tracks ASX200B	4348	N/A	NE	4.2	
Asciano Group	E	156	0.64	NE	Nil	Healthscope	B	457	0.71	16	4.7	SP Ausnet	B	87	1.58	13	13.6
Australand Prop	B	53	1.18	6	20.8	Henderson Group	C	236	N/A	NE	5.3	SP Telemedia	A	130	1.89	52	1.5
Austar United	D	129	N/A	NE	Nil	ING Office Fund	C	56	4.28	NE	17.4	Santos Ltd	B	1494	3.37	17	2.8
Aust Foundation	B	522	N/A	49	4.0	IOOF Holdings	B	522	3.25	76	0.8	Seek Ltd	A	590	9.44	36	1.6
Aust Infra.	B	185	9.14	11	7.0	Iluka Resources	D	340	2.26	21	Nil	Seven Network	B	635	9.73	NE	5.4
Aust W'wide Exp	C	267	2.36	16	Nil	Incitec Pivot	C	262	1.09	5	5.0	Sigma Pharm.	B	93	0.28	11	7.5
BHP Billiton	C	3740	2.02	NE	2.7	Infigen Energy	B	140	2.57	6	6.4	Silex Systems	D	648	N/A	NE	Nil
Bank of Q'land	A	1160	0.80	14	6.3	Insurance Aust.	B	377	1.01	43	2.7	Sims Metal Mgmt	C	2108	0.44	NE	1.8
Beach Petroleum	B	78	0.82	3	2.2	Iress Mkt Tech	B	765	5.65	26	4.1	Sino Gold Min.	C	730	N/A	NE	Nil
Bendigo Bank	A	850	0.77	15	5.1	JB Hi-Fi Ltd	A	2100	0.97	24	2.1	Sonic Health	B	1408	1.79	32	4.0
Billabong Int'l	B	1000	1.51	16	4.5	James Hardie	B	718	1.79	16	Nil	Soul Pattinson	A	1338	4.12		

Recommended Investments

Publishing an investment newsletter is a strange business. Last week we received the email "I don't want to renew my subscription as I have lost a lot of money from your guidance, especially Mercury Brands".

We also invested our own money in Mercury Brands (as we do in all of the shares recommended) and bought Mercury Brands shares for the few accounts we manage on behalf of other investors. Although that individual share has become worthless,

all of these Australian and NZ portfolios have hit new highs over recent months!

The not-wanting-to renew investor has declined to answer our email asking what other shares he held in his portfolio.

This situation is so bizarre! At a time when our recommended shares have recovered strongly and a diversified portfolio of shares is reaching new highs, some investor decided to "bet the farm" on just one or a few shares and lost heavily! (Cont'd 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
<u>NZ Shares</u>													
HOLD	CDL Investments Ltd	CDI	12/01/99	25	E	243.4	1.3	15.73	41	Nil	28	17.9	+84%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	A	67.1	0.8	0.68	12	8.6	250	238.0	+213%
HOLD	Colonial Motor Company	CMO	10/11/92	150	B	27.9	0.5	0.15	14	8.1	265	353.8	+313%
HOLD	Lyttelton Port Company	LPC	12/12/00	150	C	102.3	0.7	3.13	26	2.7	258	73.3	+121%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	5*	C	382.5	0.9	0.60	14	4.5	65	27.9	+1758%
BUY	Nuplex Industries Ltd	NPX	11/02/97	131*	C	189.8	0.6	0.32	29	2.0	254	98.1	+169%
HOLD	Postie Plus Group	PPG	08/05/06	71	C	40.0	1.3	0.15	27	Nil	41	8.5	-30%
HOLD	Renaissance Corp	RNS	13/08/96	85*	C	44.9	1.8	0.06	3	17.9	25	53.9	-7%
HOLD	Smiths City Group	SCY	09/10/06	64	C	53.0	1.6	0.08	18	5.7	35	11.0	-28%
HOLD	South Port New Zealand	SPN	13/02/96	120	B	26.2	0.7	3.56	21	5.5	265	117.3	+219%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	B	88.2	0.8	0.57	11	8.6	315	231.0	+274%
TENDER	Taylors Group Ltd	TAY	09/11/99	102	A	24.3	0.6	0.76	12	8.4	220	99.0	+213%
<u>Australian Shares (in Aust cents)</u>													
HOLD+	AJ Lucas Group	AJL	13/05/03	120	A	64.9	0.7	0.57	24	3.6	440	41.0	+301%
HOLD+	Atlas South Sea Pearl	ATP	14/05/96	73	B	120.1	2.1	0.67	NE	17.4	12	17.5	-60%
HOLD	Breville Group Ltd	BRG	13/11/06	171	A	129.5	0.6	0.67	18	2.5	222	16.0	+39%
HOLD	Campbell Brothers Ltd	CPB	12/10/99	389*	A	61.9	0.3	1.70	15	3.5	2829	439.0	+740%
HOLD	Cellnet Group Ltd ¹	CLT	12/02/02	147*	D	76.8	1.4	0.27	NE	Nil	30	32.4	-49%
BUY	Challenger Wine Trust	CWT	12/01/09	30	C	170.3	1.3	1.66	NE	21.8	33	2.4	+16%
HOLD-	Charter Hall Group	CHC	06/04/09	30*	C	698.0	1.1	6.50	NE	8.7	57	1.0	+93%
HOLD	Circadian Technologies	CIR	10/02/04	188	E	45.2	0.9	10.98	NE	Nil	75	65.0	-26%
BUY	Clarius Group Ltd	CND	08/04/03	82*	B	79.7	0.9	0.22	35	Nil	98	65.5	+99%
BUY	CPT Global Ltd	CGO	10/03/08	88	A	36.8	0.8	0.82	17	5.6	99	7.3	+21%
HOLD+	Devine Ltd	DVN	13/11/06	94	C	315.5	1.1	0.32	9	6.6	46	19.0	-31%
HOLD+	Ellex Medical Lasers	ELX	14/03/06	49	B	84.9	1.6	0.34	47	Nil	24	Nil	-52%
BUY	Fiducian Portfolio Ser	FPS	11/02/08	260	B	32.4	0.9	2.36	16	4.2	160	13.3	-33%
HOLD	Iluka Resources Ltd	ILU	12/10/04	471	D	380.7	0.6	2.26	21	Nil	340	64.0	-14%
BUY	Integrated Research	IRI	14/01/08	40	B	166.8	1.1	1.84	10	8.5	47	7.0	+35%
HOLD	M2 Telecommunications	MTU	09/10/06	33	A	108.5	0.7	0.82	22	3.6	153	13.5	+405%
HOLD	Mercury Mobility ¹	MMY			C	208.3	2.6	1.66	NE	Nil	9	Nil	
BUY	Melbourne IT	MLB	10/02/04	53	B	78.0	0.6	0.72	8	8.8	171	51.0	+319%
HOLD+	Photon Group Ltd	PGA	10/11/08	132*	B	154.3	0.7	0.29	7	7.2	174	11.8	+41%
HOLD+	Probiotec Ltd	PBP	11/02/08	116	A	47.1	0.6	1.30	13	1.4	240	5.8	+112%
HOLD+	Prophecy International	PRO	08/09/08	26	B	45.8	1.1	4.57	14	6.6	64	4.3	+163%
HOLD+	Ross Human Directions	RHD	14/08/01	92	A	83.5	1.2	0.08	7	4.9	36	34.3	-24%
BUY	Skilled Group Ltd	SKE	12/03/02	126	A	123.6	0.6	0.15	10	4.4	236	1.5	+88%
HOLD	Technology One Ltd	TNE	11/11/03	44	B	298.9	0.9	2.21	14	5.1	82	17.2	+124%
BUY	TFS Corporation Ltd	TFC	08/01/07	45	B	191.3	0.9	1.88	5	4.6	93	5.2	+118%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	B	25.8	0.4	0.82	18	4.2	1302	181.5	+477%
BUY	Village Roadshow PREF	VRLPA	10/08/09	77	B	224.9	0.7	0.28	5	7.2	178	Nil	+131%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is %+170.5%. This is equal to an average annual rate of +26.0%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 38 current and 146 closed out) is +30.0%, compared with a market gain of +4.8% (by the SRC Total Return Index).

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

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

(1) Cellnet Group includes 1½ shares of Mercury Mobility distributed to shareholders.

Recommended Investments

(Continued from Page 3)

We would like to tell you that this is an isolated incident but, although uncommon, it is a story we have heard far too many times over the last 28½ years.

Sometimes the person will add “I was stupid and ignored your advice about diversifying my portfolio”, but nine times out of ten the former investor prefers to blame their inevitable losses from holding a one-share portfolio on our “poor advice”!!

Let us hasten to state (and cut off that deluge of emails) that we are aware that 90% of subscribers do hold well diversified portfolios. We get lots of emails from investors saying “I hold most of your shares” or “I have 15 shares from Market Analysis”. People write to ask “I have 20 shares but one has grown to 25% of the portfolio. Should I take some profits on that larger holding?”.

So we do know that most of you have picked up on the single most important piece of advice that we can ever give you (and if you still don't know what that is, then no doubt we shall be getting the blame for your forthcoming investment disaster some time soon).

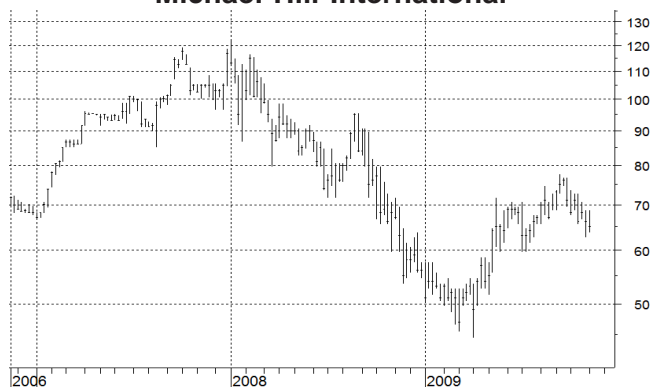
Perhaps just 1% of readers think they know better and put all of their money in only one or a few shares - and perhaps only 10% of those people suffer the inevitable catastrophic loss each year - but this results in a steady stream of investors blaming us for our “poor advice”.

We are not sure what else we can do about this situation. The problem is easily avoidable and the answer is cheap and simple and in your hands. Ignore our advice about diversifying your share portfolio at your own risk!

Michael Hill International reports same store revenues down 0.4% for the September quarter, but total revenues up 6.3% to \$84.6 million.

NZ stores experienced weak sales in July “but rebounded showing good growth in August and September” although margins were slightly lower than a year earlier. The US stores have “largely completed” the clearance of old merchandise (which was acquired from **Whitehall**) and “margins are now improving”.

Michael Hill International



Nuplex Industries reports a “stronger than expected” first four months for the current year and has

upgraded its annual profit forecast to \$34-44 million (18-23 cents per share).

The company is also considering changing its domicile from New Zealand, probably to Australia where it already has its Head Office. Under tax legislation, the corporate costs of its international business are carried by the NZ parent company, offsetting NZ operating profits. That leaves little or no net profit in NZ on which to pay tax and generate imputation tax credits that could be distributed to shareholders.

Nuplex Industries has “extensive” manufacturing infrastructure in NZ but this is probably in excess of its future needs, especially as many larger customers have relocated their operations offshore over recent years.

Nuplex Industries is experiencing strong growth in Asia, particularly from China. Earnings from this region increased 68% to contribute 26% of group earnings last year (i.e. to June 2009), with Asian earnings “doubling its proportion of group earnings so far this year”. The company is planning “major capacity and capability expansion in China” over the next three years.

Spotless Group's takeover offer for **Taylor's Group** is progressing very slowly, with the company reporting acceptances taking it to an 88.715% shareholding on 3 November. The offer has been extended from 5 November to a final date of 12 November . . . which should just be sufficient for it to pick up enough shares to achieve its condition of a minimum 90% acceptance.

Nuplex Industries



Australian Shares

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

Breville Group directors have disclosed that the “trading performance in the year to date has been pleasing” with “the first quarter exceeding our expectations”. They advise taking no action over the **GUD Holdings** takeover at this stage. Breville Group's formal response to the takeover will be released tomorrow (10 November) and the takeover offer will remain open until at least 8 December (and likely be extended).

GUD Holdings' share price has risen 24 cents over the last month, increasing the value of its 1 GUD share for every 4 BRG shares by 6 cents to 218 cents.

At this stage there is the potential for a competing offer or for Breville Group directors to negotiate a better

takeover from GUD or the inclusion of a cash alternative.

In the absence of a competing offer, GUD Holdings should be able to achieve its minimum holding of a controlling 50.1%, but **Premier Investments** owns 24.9% (and associated interests take that to just over 30%) which could prevent GUD Holdings from reaching the 90% level.

As we said last month, however, a takeover offer at a premium of over 40% is usually successful (even if the target company seeks to fight off the takeover). There should be cost savings and synergies in merging these operations so (if the takeover is going through) then taking GUD Holdings shares should yield further capital appreciation over the next 6-12 months.

At this stage we also recommend that investors take no action. HOLD your Breville Group shares pending further developments in this takeover situation. Selling on-market too early or accepting a takeover offer too early is never a good strategy. Once you accept an offer you are tied in and cannot sell on-market (which can be a good idea if a takeover looks as though it will fail) or accept higher alternative bids. Sit back and see how this situation develops!

Breville Group



GUD Holdings



Campbell Brothers has negotiated a takeover of **Pearlstreet**. Campbell Brothers' original offer of 56 cents (a 65% premium to Pearlstreet's market price of 34 cents) was rejected in favour of a recapitalisation proposal from a private equity group (which would have also allowed existing shareholders to sell 45% of their shares at 50 cents). Campbell Brothers has now raised its offer to 75 cents cash (a 120% premium) and acquired a call option over 19.9% of Pearlstreet's capital from the Managing Director who owns 50.7% of the company.

This acquisition will cost Campbell Brothers \$63.7

million plus it will acquire \$44.6 million of Pearlstreet's existing debts. That is a fairly high valuation for a company with annual revenues around \$95 million and net profits of \$3-4 million, but the real value to Campbell Brothers should be from acquiring technology and know-how which can be duplicated throughout its existing laboratory network and expand the company into non-destructive testing.

Campbell Brothers



Circadian Technologies has achieved a "key manufacturing milestone" with the production of "gram quantities" of the VGX-300 protein (i.e. the soluble form of the VEGFR-3 receptor) from cell cultures. This enables the company to produce a "substantial supply" of the protein for testing and ultimately for sale as a cancer treatment.

Circadian Technology has also cancelled a licence to UK based **Ark Therapeutics** for non-payment of licence fees and is initiating arbitration over the use of its gene therapy in *Trinam*, a treatment to extend the function of intravenous access grafts used by kidney dialysis patients which could reach the market in about three years.

Ark Therapeutics was issued the non-exclusive licence in 2001 and another company, Lymphatix Oy, was issued a licence to develop therapies in 2004. Ark Therapeutics acquired Lymphatix Oy in 2007 and believes that licence gives it the rights to market *Trinam*. Circadian Technologies believes that the Lymphatix Oy licence "expressly excludes rights previously granted to a third party".

Arbitration will take 6-12 months but will clarify this situation before the *Trinam* treatment reaches market. The company does not expect the costs and management time involved in arbitration will be significant.

Circadian Technologies



(Continued on Page 6)

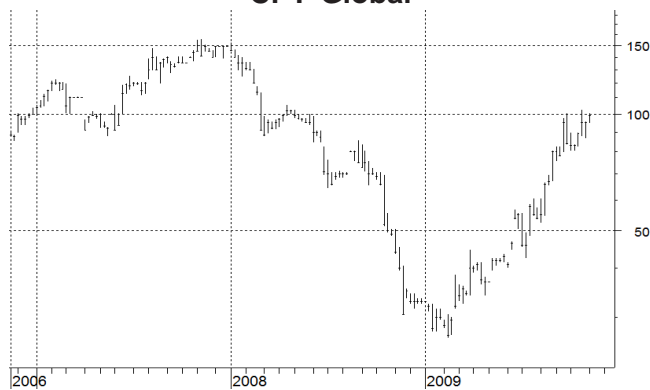
Recommended Investments

(Continued from Page 5)

CPT Global reports a slower start for the first quarter due to “client specific” factors, but remains confident of “achieving our targets for the year as a whole”. The directors believe the company is “in a good position to reap rewards” and sees “encouraging results from our international business development efforts” but “reliant upon the timing of client commitments”.

The company is also exploring the potential to expand into new markets in South America, Japan and China.

CPT Global



Ellex Medical Lasers is “budgeted to return to profitability” this financial year. The company is seeking a “more sustainable business model” with a “balance between initiatives that reduce costs and initiatives that position the company for growth”.

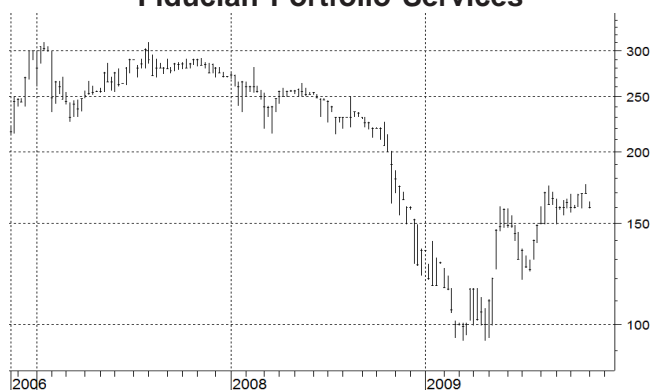
Ellex Medical Lasers



Fiducian Portfolio Services reports September quarter revenues of \$5.6 million and a net operating cash surplus of \$940,000. That is down 18% and 22% respectively on the same period in 2008. This result, however, is up slightly on the June 2009 quarter, showing some recovery in the business.

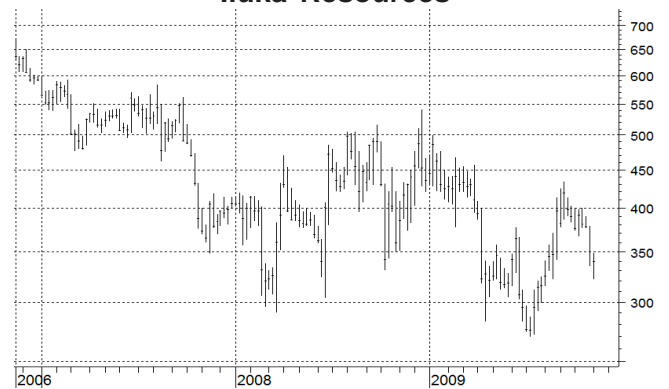
Cash on hand is \$7.7 million (23.8 cents per share).

Fiducian Portfolio Services



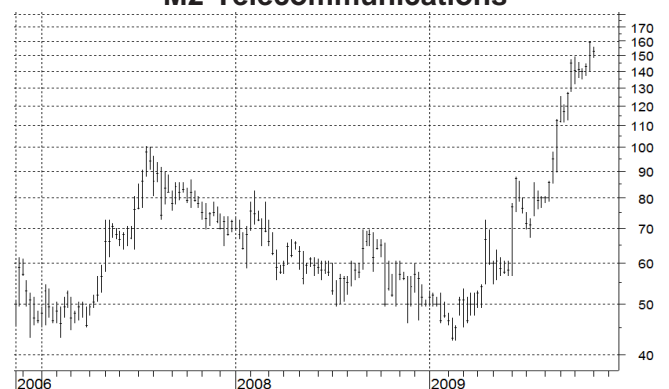
Iluka Resources has begun heavy mineral concentrate production from the *Kulwin* project in the northern Murray Basin. The concentrate is being trucked to the Hamilton mineral separation plant for processing, supplementing production from the *Douglas* operations in the southern part of the Murray Basin and achieving “maximum utilisation” of the separation plant.

Iluka Resources



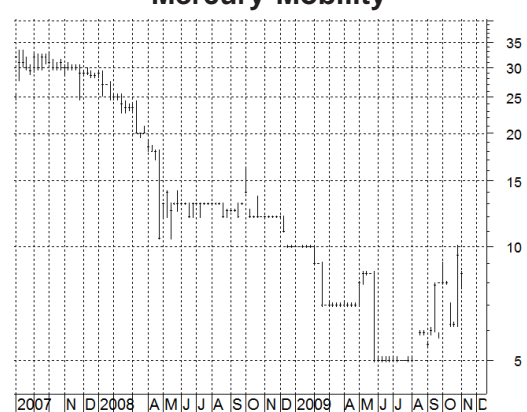
M2 Telecommunications reports its first quarter results are “tracking according to our expectations and guidance”. As we reported two months ago, the company is predicting profits of \$14.5-15.5 million (13.3-14.3 cents per share) for the current financial year, which would suggest an annual dividend rate of 9.5-10.0 cents.

M2 Telecommunications



Mercury Mobility has completed its merger with **m.Net Corporation**, issuing 103.3 million new shares. That doubles the issued capital to 208.6 million shares.

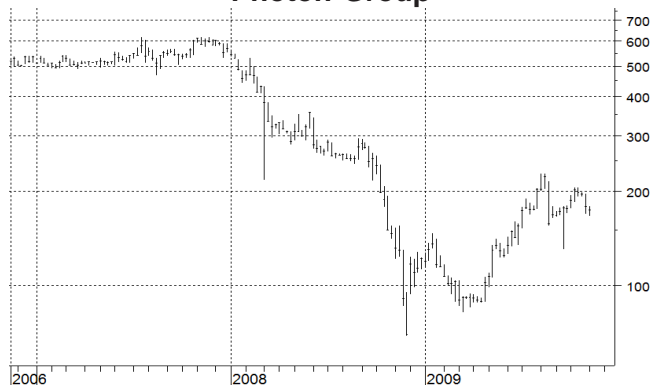
Mercury Mobility



Photon Group reports a “solid start” to the current financial year, with “early signs of recovery in businesses most impacted by the economic downturn”, although they remain “well off the peak”.

First half group earnings may be depressed by expenditure on new product development in the Internet and E-Commerce division and the stronger Australian dollar. 35% of earnings are expected from offshore.

Photon Group



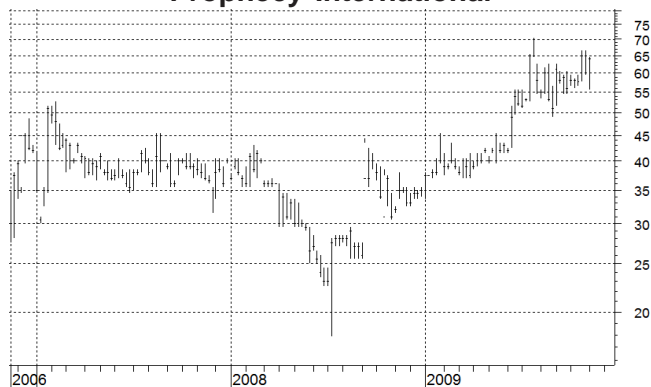
Prophecy International believes the *Customer Information Systems* market is worth US\$50,000 million per year in software and services, but without any “market leader” in this field. That gives Prophecy International an insignificant market share of about 0.01% but another way of looking at that is that the company has virtually *unlimited* growth potential within its business sector. Expanding to capture an also insignificant 1% global market share, for example, offers the company the *very significant* potential to grow revenues 100-fold.

Prophecy International will ultimately succeed or fail based upon the merits of its software and services, relative to a hoard of potential competitors. Clearly the company has had some success (i.e. in the United States, the UK and Egypt) and the potential for even *moderate* future success in its market *could* be enormous.

The company is debt-free, holding surplus cash and generates strong cash flows. The Egyptian contract should contribute to revenues, cashflows and profits over the next five years. The world's largest computer services business, **Computer Sciences Corporation**, apparently thinks highly enough of Prophecy's software to form a strategic alliance to market its services.

With this upside for further potential gains, Prophecy International shares remain an attractive holding in our diversified share portfolio!

Prophecy International



Skilled Group reports profits above the second half of the 2009 financial year and improving, “clear signs of improving customer confidence” and “growth trends

emerging in key businesses” although the “economic recovery” has “yet to gather strength”.

Skilled Group



TFS Corporation has signed a multi-million dollar contract to supply up to three tonnes of Sandalwood Oil annually to US based biotechnology company **ViroXis Corporation**, subject to that company's *albuterpenoids* botanical drug receiving regulatory approval for commercialisation. This long term supply contract will start in 2012 when TFS Corporation begins to produce Sandalwood Oil with sales to be made at “a significant premium to current spot prices” owing to the security of supply that TFS Corporation can offer.

TFS Corporation



Village Roadshow will effectively use the \$80 million proceeds from the sale of its film business in Greece to finance the buy-back of up to 12.7 million ordinary shares (10% of the total) and 45.0 million preference shares (46.1% of the total) on market from 7 November till 30 November. At current prices the share buy-back would cost about \$105 million.

Investors selling will not receive the 6.0 cents ordinary dividend or 9.0 cents preference dividend that is payable in December. An independent report for the company has valued Village Roadshow ordinary and preference shares at 369-530 cents each. If successful, this buy-back will reduce the issued capital 25.7% and increase future earnings per share by 23%. It would also increase the independent valuation by 66-120 cents per share, or 18-22%, to around 435-650 cents for the remaining shares!

The major shareholder and executive directors will not be participating in this buy-back and will retain all of their shares. We similarly recommend that investors retain their preference shares and do NOT sell in the buy-back. (Continued on Page 8)

Recommended Investments

(Continued from Page 7)

This type of buy-back will further increase the value of our investment in Village Roadshow. **DON'T SELL!**

Of course, with the recent rise in both the ordinary and preference share prices - and the independent report commissioned by the directors to indirectly recommend *against* selling - the proposed on-market buy-back may be unsuccessful and the company will likely acquire far fewer shares than it is seeking.

Ultimately, Village Roadshow wants to eliminate its Class A Preference shares and have just one class (i.e. ordinary shares) of equity. Buying back the preference shares is one way to *reduce* the number of outstanding preference shares before eventually proposing some capital restructure. In a takeover offer, the preference shares can convert to ordinary shares - but a full takeover is unlikely at this time.

A proposal to convert the preference shares to ordinary shares in a one for one swap would not, in our opinion, be attractive. Although the preference shares usually trade at a discount to the ordinary shares, we believe they are more valuable and should trade at a premium. If the company performs poorly, then the preference shares will still receive a 10.175 cents dividend (fully franked) while the ordinary shares receive nothing. At other times the preference shares will receive a dividend 3.0 cents *higher* than the ordinary shares.

So the present value of that extra 3.0 cents annual dividend should be around 30-40 cents. At some stage in the future, we expect to see the preference shares trading at a 30-40 cents premium above the ordinary shares to reflect the value of this extra income.

Although normally non-voting, the preference shares do get to vote on any capital restructuring that *may* be proposed in the future. We would vote *against* the straight conversion of the preference shares to ordinary shares - as we would lose the guaranteed minimum 10.175 cents and the extra 3.0 cents per share annual dividend - and it would be better to remain a preference shareholder. An acceptable restructuring would need to offer one ordinary share plus 30-40 cents in cash for every preference share, or perhaps 12 or 13 ordinary shares for every 10 preference shares.

By the way, the votes on the ordinary shares are effectively worthless as the major shareholder has a controlling interest.

An Australian newspaper report (i.e. written by people who probably don't own shares and probably don't understand the stockmarket) suggests that the buy back would result in "even fewer Village Roadshow shares available on market" which "might possibly mean they will trade at an even deeper discount" to their fair valuation.

In our experience (i.e. managing our own money in the stockmarket since 1971), fewer shares can result in a very favourable "tight scrip" situation which could propel the share price sharply higher!! It is no secret that the major shareholder would like to own the whole company and that in the meantime the company would

like to convert all of its equity shares into one class. As we pointed out in our initial recommendation in August (*Market Analysis*, Issue No. 446), over recent years the company has repurchased 52.8% of its capital. The current buy-back will seek to acquire a further 25.6% of the shares currently outstanding.

A creeping takeover is not a very efficient way to gain ownership of a business as invariably the "weakest" shareholders sell first at a low price and the buyer then has to pay ever increasing prices to attract further sellers. Usually the last investors to sell out get the very best price. This is an uncommon situation, but perhaps a good example was the creeping takeover and merger of power companies in NZ after shares were distributed to customers.

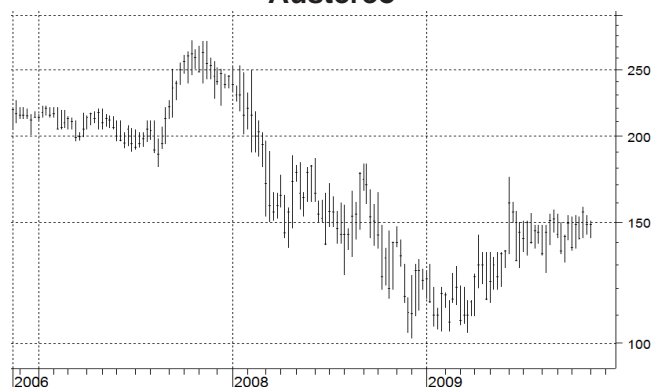
We are not in any hurry to sell our Village Roadshow shares. In fact, we do not want to sell them. The company has not been managed too well in the past - which has allowed us to buy in cheaply - but is steadily seeking to improve the performance of its business although it is still far from realising its full potential. A successful buy-back of shares at current low valuations will simply further improve the future recovery and growth potential of this investment - with higher earnings per share, higher dividends and a higher market value of the shares.

Village Roadshow



Village Roadshow owns 181.1 million shares in listed **Austereo**, so an investment in each Village Roadshow share gives an indirect interest in 0.805 Austereo shares (worth 120 cents per Village Roadshow share). If the current share buy-back reduces the issued capital by 25.7% then each Village Roadshow share (after the buy-back) will give an indirect interest in 1.083 Austereo shares (worth 161 cents per Village Roadshow share).

Austereo



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

For an explanation of this table see the *Share Selection Methods* report available from our website. These shares are not formal “buy” and “sell” recommendations, but the “Under-Valued”, “Best Performing” and “Income” shares should be considered for purchase, while the “Over-Valued” and “Worst Performing” shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING													
	Share Price	Cur-4-Wk Chg.	0-99	Rank	0-99	Rel	Strength	Price	Return	Volatility	Price	Dividend	Price	Market
UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, RelStrength>0														
Col Motor Co	265	+1.7	+3.0	55	9-0	-	0.6	4	0.5	14	8.1	0.15	74	
Tag Pacific Ltd	26	+25.6	+13.4	7	0-0	-	0.6	5	2.2	12	3.6	0.16	18	
Hellaby Hold.	163	+31.1	+2.4	4	13-0	-	1.0	6	0.8	16	5.3	0.17	83	
Ebos Group Ltd	600	+11.0	+0.4	25	0-0	1	1.8	12	0.5	15	6.0	0.22	294	
Allied Work.	76	+4.2	-3.2	49	0-0	-	1.1	12	1.1	9	12.8	0.26	20	
Air New Zealand	130	+16.2	+2.9	15	0-7	1	0.9	1	0.8	66	7.1	0.30	1,386	
Seeka Kiwifruit	275	+8.2	-1.0	33	2-0	-	0.6	7	0.4	9	6.5	0.32	35	
Guinness Peat	83	+7.9	+2.8	34	0-4	-	0.5	-	1.0	NE	3.0	0.37	1,294	
Mainfreight Grp	530	+10.3	+3.4	29	0-9	-	1.8	12	0.6	15	5.2	0.41	522	
Zintel Comm.	32	+26.6	+6.8	6	1-0	-	1.4	20	1.7	7	14.0	0.41	16	
Turners Auction	125	+36.7	+9.1	4	2-0	-	1.7	5	0.7	31	3.5	0.44	34	
Restaurant Brds	152	+23.9	+8.1	8	11-0	-	4.0	22	0.7	18	6.9	0.48	148	
Livestock Imp.	250	+5.7	+3.4	43	0-0	-	0.5	14	0.6	3	25.0	0.56	84	
Steel & Tube	315	+5.6	-1.3	46	0-4	-	1.9	17	0.8	11	8.6	0.57	278	
Kirkcaldie & St	270	+3.7	+3.0	52	0-0	-	1.2	5	0.4	23	5.5	0.60	27	
Michael Hill	65	+5.6	-2.2	44	1-1	1	1.7	12	0.9	14	4.5	0.60	249	
Briscoe Group	115	+13.3	-2.8	21	0-0	-	2.0	10	0.8	21	5.8	0.63	244	
Tower Limited	168	+4.8	-0.6	48	2-0	1	1.2	13	0.9	10	5.3	0.66	418	
Fletcher Build.	795	+13.9	+0.2	18	1-10	1	1.6	12	0.7	14	5.9	0.68	4,806	
Cavalier Corp	250	+17.8	-1.4	13	0-0	1	1.9	16	0.7	12	8.6	0.68	168	

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

Hellaby Hold.	163	+31.1	+2.4	4	13-0	-	1.0	6	0.6	16	5.3	0.17	83
Zintel Comm.	32	+26.6	+6.8	6	1-0	-	1.4	20	1.3	7	14.0	0.41	16
Tag Pacific Ltd	26	+25.6	+13.4	7	0-0	-	0.6	5	1.8	12	3.6	0.16	18
Taylor's Grp Ltd	220	+24.2	+2.2	8	0-0	-	1.8	14	0.5	12	8.4	0.76	53
Restaurant Brds	152	+23.9	+8.1	8	11-0	-	4.0	22	0.6	18	6.9	0.48	148
Abano Health.	654	+18.4	-0.1	12	0-0	-	2.6	17	0.6	16	4.8	0.81	152
Cavalier Corp	250	+17.8	-1.4	13	0-0	1	1.9	16	0.6	12	8.6	0.68	168
Methven Limited	167	+14.3	+2.3	15	1-2	-	1.9	17	0.8	11	10.5	0.81	111
Fletcher Build.	795	+13.9	+0.2	18	1-10	1	1.6	12	0.6	14	5.9	0.68	4,806
Scott Tech. Ltd	100	+11.2	-5.6	24	5-0	-	1.4	17	0.6	8	13.4	0.85	25
Ebos Group Ltd	600	+11.0	+0.4	25	0-0	1	1.8	12	0.4	15	6.0	0.22	294
Hallenstein G.	310	+10.8	+1.6	27	0-0	-	3.3	23	0.4	14	9.7	0.93	185
Mainfreight Grp	530	+10.3	+3.4	29	0-9	-	1.8	12	0.6	15	5.2	0.41	522
Warehouse Group	450	+8.7	+2.2	32	3-2	1	4.4	24	0.5	18	6.7	0.81	1,400
Seeka Kiwifruit	275	+8.2	-1.0	33	2-0	-	0.6	7	0.3	9	6.5	0.32	35
Livestock Imp.	250	+5.7	+3.4	43	0-0	-	0.5	14	0.5	3	25.0	0.56	84
Michael Hill	65	+5.6	-2.2	44	1-1	1	1.7	12	0.6	14	4.5	0.60	249
Steel & Tube	315	+5.6	-1.3	46	0-4	-	1.9	17	0.7	11	8.6	0.57	278
Tower Limited	168	+4.8	-0.6	48	2-0	1	1.2	13	0.8	10	5.3	0.66	418
Allied Work.	76	+4.2	-3.2	49	0-0	-	1.1	12	0.9	9	12.8	0.26	20

INCOME SHARES: Highest Yields, Capitalisation > NZ\$100 million

NZ Refining Co	505	-14.5	-3.6	86	0-0	-	2.1	21	0.4	10	13.3	3.05	1,212
Methven Limited	167	+14.3	+2.3	15	1-2	-	1.9	17	0.7	11	10.5	0.81	111
ING Property	78	+13.7	-0.2	20	1-0	-	0.7	-	0.5	NE	10.3	3.84	413
Vector Ltd	192	-3.3	+0.1	71	2-0	1	0.9	9	0.7	11	10.2	1.63	1,835
Goodman Prop.	102	+5.8	+0.4	43	0-0	-	1.0	-	0.6	NE	10.2	6.65	862
Hallenstein G.	310	+10.8	+1.6	27	0-0	-	3.3	23	0.4	14	9.7	0.93	185
Telecom Corp	252	-0.5	-2.7	62	1-1	1	1.7	15	0.6	12	9.5	0.84	4,693
Turners & Grow.	159	-1.7	-0.9	64	1-0	-	0.6	5	0.5	12	9.4	0.28	159
Kiwi Property	102	+5.5	+1.8	46	0-0	-	0.9	-	0.6	NE	8.9	4.36	797
AMP Onyx Mgmt	80	+2.0	+2.0	55	1-0	-	0.8	-	0.5	NE	8.6	5.97	798

Company	STRENGTH RATING													
	Share Price	Cur-4-Wk Chg.	0-99	Rank	0-99	Rel	Strength	Price	Return	Volatility	Price	Dividend	Price	Market
INSIDER BUYING: Most Insider Buying, Relative Strength > 0														
Hellaby Hold.	163	+31.1	+2.4	4	13-0	-	1.0	6	0.5	16	5.3	0.17	83	
Guoco Leisure	59	+21.7	+6.7	10	11-0	-	0.5	7	0.6	8	2.7	1.30	807	
Restaurant Brds	152	+23.9	+8.1	8	11-0	-	4.0	22	0.5	18	6.9	0.48	148	
Col Motor Co	265	+1.7	+3.0	55	9-0	-	0.6	4	0.3	14	8.1	0.15	74	
Scott Tech. Ltd	100	+11.2	-5.6	24	5-0	-	1.4	17	0.4	8	13.4	0.85	25	
Comvita	118	+13.3	+4.5	20	5-0	-	0.5	1	0.6	44	Nil	0.46	33	
Tourism Hold.	70	+8.7	+7.9	32	4-0	-	0.4	-	0.7	NE	Nil	0.41	69	
Rubicon Limited	92	+18.7	-5.0	11	5-1	-	1.1	-	0.5	NE	Nil	0.46	229	
Sky City Ltd	339	+7.6	+0.2	38	3-0	1	2.6	16	0.7	17	6.5	2.33	1,950	
Port Tauranga	710	+7.6	+1.1	37	3-0	-	1.5	7	0.4	21	5.4	6.62	951	

OVER-VALUED SHARES: Highest Price/Sales Ratios, Relative Strength < 0

NZ Windfarms	44	-13.5	-6.4	85	0-0	-	0.4	-	1.1	NE	Nil	8.98	35
NZ Farming Sys.	44	-15.6	+1.2	87	3-1	-	0.4	-	0.8	NE	Nil	4.39	107
Burger Fuel	35	-2.9	+4.5	70	0-0	-	4.0	-	0.8	NE	Nil	3.93	19
NZ Refining Co	505	-14.5	-3.6	86	0-0	-	2.1	21	0.4	10	13.3	3.05	1,212
WNDrive Tech.	10	-21.9	-1.5	90	7-0	-	2.1	-	1.2	NE	Nil	2.92	42
Mowbray Collect	99	-6.2	+5.1	78	0-0	-	2.6	-	0.3	NE	Nil	2.64	11

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

Charlie's Group	8	-58.3	+0.0	98	1-0	-	1.6	-	1.4	NE	Nil	0.70	22
Pyne Gould Corp	47	-35.2	-6.3	95	7-0	-	0.3	-	0.7	NE	Nil	0.32	324
WNDrive Tech.	10	-21.9	-1.5	90	7-0	-	2.1	-	1.1	NE	Nil	2.92	42
Windflow Tech.	120	-19.6	-1.1	90	0-0	-	0.9	-	0.4	NE	Nil	0.46	14
NZ Farming Sys.	44	-15.6	+1.2	87	3-1	-	0.4	-	0.8	NE	Nil	4.39	107
NZ Windfarms	44	-13.5	-6.4	85	0-0	-	0.4	-	1.0	NE	Nil	8.98	35
Jasons Media	55	-12.3	-4.5	84	0-0	-	3.3	30	0.7	11	4.1	0.80	11
NZ Finance Hold	25	-8.8	+2.8	81	1-0	-	1.1	-	0.6	NE	Nil	0.49	19
Northland Port	180	-8.7	-0.3	81	0-0	-	0.6	2	0.4	28	4.4	N/A	74
Rakon Ltd	119	-7.4	-2.3	80	1-2	-	1.1	3	0.9	34	Nil	1.09	152
Mowbray Collect	99	-6.2	+5.1	78	0-0	-	2.6	-	0.3	NE	Nil	2.64	11
Canty Bldg Soc.	300	-5.9	+1.5	77	2-1	-	0.7	4	0.2	18	4.0	0.99	36
Sanford Limited	490	-5.4	-0.6	76	0-1	1	0.9	4	0.2	23	6.7	1.24	459
Cavotec MSL	290	-5.1	+0.3	74	0-0	-	7.6	78	0.5	10	Nil	0.63	185
Oyster Bay	230	-4.9	-0.8	73	0-0	-	0.4	3	0.3	13	4.3	1.76	21
Burger Fuel	35	-2.9	+4.5	70	0-0	-	4.0	-	0.8	NE	Nil	3.93	19

INSIDER SELLING: Most Insider Selling, Relative Strength < 0

PGGWrightsons	62	-25.6	-0.9	92	1-4	1	0.5	-	0.6	NE	Nil	0.15	196
Sanford Limited	490	-5.4	-0.6	76	0-1	1	0.9	4	0.2	23	6.7	1.24	459
Rakon Ltd	119	-7.4	-2.3	80	1-2	-	1.1	3	0.9	34	Nil	1.09	152

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

For an explanation of this table see the *Share Selection Methods* report available from our website. 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-4-Wk Rent	Rank Chg.	0-99	Strength	Rating	Dividend Yield	Return on Equity	Volatility	Price to Earnings	Dividend Ratio	Price to Sales	Market Cap'n
UNDER-VALUED SHARES: Lowest Price/Sales, Yld>0, RelStrength>0													
AustPharm.Ind	65	+21.9	+6.0	31	4-0	1	0.8	7	1.0	11	1.6	0.05	166
AustLeadersFd	117	+20.6	-2.4	33	2-0	-	0.9	10	0.7	9	4.3	0.06	79
RossHumanDir.	36	+45.3	+15.9	12	2-0	-	1.6	22	1.2	7	4.9	0.08	30
ChandlerMcLeod	17	+12.7	+17.3	46	2-0	1	4.1	-	2.0	NE	9.1	0.08	67
NamoiCotton	43	+6.9	-2.6	56	2-0	-	0.4	7	1.1	6	9.3	0.10	41
ScottCorpLtd	25	+16.5	+4.6	39	0-0	-	0.7	8	1.5	9	4.0	0.11	16
CaltexAustralia	1025	+2.7	-6.2	65	0-1	2	1.0	6	0.4	15	3.5	0.12	2,768
AdtransGroup	322	+16.7	+5.3	38	13-1	-	1.4	12	0.3	12	5.0	0.12	81
DexionLtd	48	+5.1	+12.2	60	2-0	-	-	-	1.1	4	16.7	0.12	62
MesbonChinaN.	10	+5.2	+4.8	60	0-0	-	0.3	1	2.4	22	20.0	0.13	13
LindsayAust	20	+8.5	+1.0	53	0-0	-	1.0	13	1.5	7	8.0	0.14	30
AmbitionGroup	35	+36.5	+13.1	17	1-0	-	2.7	-	1.2	NE	4.3	0.14	22
ServiceStream	40	+2.7	+6.1	65	3-0	1	-	-	1.2	7	8.8	0.15	107
DanksHoldings	1290	+57.3	+4.4	7	1-0	-	-	-	0.2	12	5.8	0.15	84
SkilledGroup	236	+22.5	+9.9	30	1-0	1	-	-	0.6	10	4.4	0.15	292
PeopleBankAust	75	+47.1	+10.2	11	0-0	-	-	-	0.9	11	6.7	0.15	73
MaxTrust	6	+56.8	+7.3	8	0-0	-	0.4	-	3.1	NE	90.3	0.15	11
RuralcoHold.	245	+8.9	+5.4	53	9-1	-	1.4	17	0.5	8	9.0	0.15	135
AutomotiveHold	215	+35.6	-1.0	18	0-0	-	3.1	15	0.7	20	6.5	0.16	485
KLMGroupLtd	45	+70.6	+27.9	5	1-0	-	2.5	10	1.3	26	2.2	0.17	27
WatpacLtd	141	+13.5	-4.5	44	1-0	-	0.9	19	0.8	5	7.5	0.17	169
PMP Limited	70	+21.8	+5.7	31	2-0	-	1.0	-	1.0	NE	4.3	0.17	233
MerchantHouse	14	+9.7	+2.3	51	2-0	-	0.5	10	2.0	5	7.1	0.18	13
A.P. Eagers	1015	+19.5	+1.0	34	9-0	-	1.2	13	0.2	9	4.3	0.18	305
EmpiredLtd	14	+44.2	+15.5	13	1-0	-	-	-	2.1	12	5.6	0.19	6
BSA Ltd	25	+26.6	+10.4	25	0-0	-	8.2	-	1.5	6	8.2	0.20	49
BoartLongyear	29	+13.0	+4.9	45	2-0	2	-	-	1.6	2	11.1	0.21	869
AmbertechLtd	49	+4.2	-0.0	62	2-0	-	0.9	10	1.0	8	7.1	0.21	15
BoomLogistics	50	+12.4	+12.3	46	1-0	2	0.6	-	1.1	NE	2.0	0.21	86
E & A Limited	36	+5.4	+7.4	59	3-0	-	-	-	1.4	43	4.2	0.22	24
Asian CentreLD	15%	+449.5%	+282.8	0	0-0	-	-	-	2.0	2	13.3	0.22	101
Data 3Ltd	785	+19.0	+3.7	35	0-1	-	6.8	55	0.4	12	6.4	0.23	121
SpotlessGroup	253	+8.2	+0.3	54	2-0	2	-	-	0.6	13	4.3	0.23	554
BriertyLtd	39	+51.6	+4.9	9	2-0	-	1.2	19	1.3	6	3.8	0.24	43
RCRTomlinson	114	+63.5	+11.1	6	2-0	2	1.3	13	0.8	10	2.2	0.24	143
TagPacific	23	+24.5	+8.6	27	0-0	-	0.7	4	1.6	18	3.3	0.24	21
KrestaHoldings	20	+18.1	-1.2	36	4-0	-	1.3	16	1.5	8	5.0	0.24	29
NomadBuilding	76	+38.2	+2.4	16	1-4	2	2.5	32	1.0	8	6.0	0.25	104
HastieGroup	190	+24.0	+3.2	28	4-0	2	-	-	0.6	8	6.3	0.25	445
UXCLimited	83	+36.1	-1.6	18	0-0	2	27.7	-	0.8	13	4.2	0.25	180
SupplyNetwork	44	+14.8	-0.8	42	2-0	-	1.0	14	1.0	7	6.9	0.27	11
LendLeaseCorp	920	+21.2	+1.2	32	1-0	1	2.2	-	0.4	NE	4.5	0.28	4,210
PhotonGroup	174	+12.1	-5.8	47	4-2	-	-	-	0.6	7	7.2	0.29	268
VillageRoad.	190	+28.9	+11.5	23	6-0	-	-	-	0.7	6	5.1	0.30	427
CraneGroup	840	+3.4	-4.8	63	0-0	3	1.9	13	0.5	15	7.5	0.31	648
DiplomaGroup	37	+38.9	+8.0	16	3-0	-	6.2	28	1.3	22	2.7	0.31	44
MetcashLtd	451	+4.2	+1.1	62	1-2	4	34.7	-	0.6	16	5.3	0.31	3,450
MacMahonHold	59	+18.9	+7.7	35	4-0	4	1.6	6	1.1	26	2.6	0.32	429
MaxiTRANS	45	+33.1	+10.7	20	3-0	3	1.4	7	1.0	19	2.2	0.32	81
HGLLimited	105	+11.4	+4.3	48	1-0	-	1.4	-	0.7	NE	11.5	0.32	56
CoffeyInt'l	214	+9.8	+2.5	51	2-0	-	-	-	0.6	16	6.1	0.33	263
NewsCorp.	1541	+9.9	-0.2	51	0-0	1	-	-	0.3	NE	1.0	0.33	12,305
ProMaintenance	400	+30.8	+5.5	21	0-0	3	7.8	55	0.4	14	3.6	0.33	479
GuinnessPeat	66	+5.9	+3.5	59	0-4	-	0.8	-	0.9	NE	3.1	0.33	936
ZicomGroup	22	+37.4	+7.4	17	3-0	-	1.0	23	2.0	4	2.8	0.34	45
Chalmers	269	+2.6	-1.7	66	0-0	-	0.6	8	0.5	8	5.2	0.34	15
TuttBryantGrip	80	+11.1	+4.2	49	0-0	-	1.0	13	0.9	8	5.6	0.34	110
GazalCorp	140	+15.5	+4.7	40	1-0	-	2.3	19	0.6	12	5.7	0.35	85
GEOProperty	19	+28.7	+12.6	23	1-0	-	0.5	-	1.5	NE	10.8	0.35	79
EmbeltonLtd	451	+1.9	+2.1	67	2-0	-	1.1	12	0.4	9	3.7	0.36	10
ManacommCorp.	50	+37.3	-2.8	17	1-0	-	16.7	-	1.2	7	3.0	0.37	22
Pro-PacPack	23	+5.9	+6.5	59	1-0	-	2.9	24	1.4	12	2.2	0.37	28
WAMActiveLtd	100	+14.8	-1.2	42	0-0	-	0.8	3	1.1	24	2.0	0.38	15
ITXGroup	113	+26.4	+8.5	25	0-0	-	5.1	65	0.9	8	5.3	0.39	57
RidleyCorp.	104	+16.5	+2.3	39	15-0	2	1.3	5	0.8	25	6.7	0.39	320
WatercoLtd	96	+27.7	+4.5	24	0-0	-	0.7	6	0.9	12	3.1	0.39	29
EnvirozelLtd	16	+23.1	+4.6	29	6-0	-	3.9	24	1.7	16	3.2	0.40	32
G.R.D.NL	54	+9.7	-2.9	51	0-0	2	1.6	10	1.2	16	5.6	0.41	103
QantasAirways	264	+16.5	+3.5	39	1-0	2	1.2	2	0.5	51	2.3	0.41	5,980
SymexHoldings	53	+8.3	-2.7	54	7-0	-	2.1	30	0.9	7	3.8	0.41	68
BEST PERFORMING SHARES: Strongest Shares, P/E<20, P/S<1.0													
Asian CentreLD	15	+449.5	+282.8	0	0-0	-	-	-	1.5	2	13.3	0.22	101
ForgeGroupLtd	190	+141.3	+34.6	1	1-0	-	4.0	49	0.7	8	1.6	0.77	130
DecmilGroup	128	+95.2	-17.0	3	1-0	1	7.1	47	0.6	15	Nil	0.52	150
Netcomm Limited	42	+76.2	+27.7	4	0-0	-	3.8	52	0.7	7	Nil	0.55	43
Vita Group Ltd	30	+68.0	+29.7	5	4-0	-	-	-	0.9	8	Nil	0.14	42
BrevilleGroup	222	+64.8	+27.8	6	5-0	1	4.5	25	0.5	18	2.5	0.67	288
Solco Ltd	13	+64.3	+28.5	6	0-0	-	3.1	23	1.7	14	2.0	0.90	25
RCR Tomlinson	114	+63.5	+11.1	6	2-0	2	1.3	13	0.6	10	2.2	0.24	143
SpecFashion	113	+60.1	+8.2	7	5-0	2	11.3	-	0.7	10	Nil	0.38	214
DanksHoldings	1290	+57.3	+4.4	7	1-0	-	-	-	0.2	12	5.8	0.15	84
NRW Holdings	169	+53.1	+4.4	9	9-0	2	3.7	32	0.7	11	1.2	0.83	425
CleverComAust	5	+52.1	+16.0	9	2-0	-	5.2	27	2.3	19	Nil	0.44	6
McPherson'sLtd	319	+51.8	-1.6	9	2-0	1	-	-	0.4	12	Nil	0.63	224
BriertyLtd	39	+51.6	+4.9	9	2-0	-	1.2	19	1.0	6	3.8	0.24	43
QuestusLtd	12	+49.9	+4.7	10	0-0	-	0.8	14	1.6	6	Nil	0.70	3
CPTGlobalLtd	99	+49.0	+8.5	11	0-1	-	4.5	27	0.5	17	5.6	0.82	36
MacquarieCTel	380	+48.9	-8.7	11	0-0	-	1.5	15	0.4	10	Nil	0.31	78
QRSciencesHold	6	+48.7	+5.6	11	4-0	-	1.2	9	2.1	13	Nil	0.50	9
CreditCorp	217	+47.4	+1.6	11	8-2	-	1.3	16	0.4	8	1.8	0.62	96
PeopleBankAust	75	+47.1	+10.2	11	0-0	-	-	-	0.7	11	6.7	0.15	73
Autodom Limited	7	+46.7	+26.3	12	0-0	-	0.6	19	2.8	3	Nil	0.04	4
RossHumanDir.	36	+45.3	+15.9	12	2-0	-	1.6	22	0.9	7	4.9	0.08	30
Sietel Ltd	402	+44.3	-17.8	13	1-0	-	1.5	13	0.3	12	Nil	0.77	32
EmpiredLtd	14	+44.2	+15.5	13	1-0	-	-	-	1.5	12	5.6	0.19	6
RHG Ltd	68												

Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola- ity	Price- Earnings Ratio	Divi- dend Yield	Price Sales Ratio	Market Cap'n
CoventryGroup	185	+27.7	+11.7	23	7-0	-	0.6	4	0.5	13	Nil	0.17	73
WatercoLtd	96	+27.7	+4.5	24	0-0	-	0.7	6	0.7	12	3.1	0.39	29
KoonHoldings	28	+27.2	+9.5	24	7-0	-	0.8	8	0.9	11	Nil	0.17	23
WDSLimited	185	+26.9	-4.3	24	2-0	-	4.0	38	0.7	11	2.3	0.43	239
BSALtd	25	+26.6	+10.4	25	0-0	-	8.2	-	1.1	6	8.2	0.20	49
ITXGroup	113	+26.4	+8.5	25	0-0	-	5.1	65	0.7	8	5.3	0.39	57
SteriHealthLtd	155	+26.4	+6.0	25	0-0	-	-	-	0.4	8	Nil	0.69	30
KonektLimited	12	+26.3	+8.4	25	1-1	-	-	-	1.5	7	Nil	0.25	8
GLGCorporation	28	+24.7	+9.1	27	0-0	-	0.6	8	1.0	8	Nil	0.09	21
TagPacific	23	+24.5	+8.6	27	0-0	-	0.7	4	1.2	18	3.3	0.24	21
HastieGroup	190	+24.0	+3.2	28	4-0	2	-	-	0.5	8	6.3	0.25	445
UnitedGroup	1345	+23.9	-2.0	28	0-0	3	-	-	0.5	16	4.8	0.46	2,210
CollectionHse	71	+23.7	+5.4	28	10-1	-	0.8	10	0.6	9	6.9	0.68	69
FrigriteLtd	15	+23.5	+4.7	28	4-0	-	1.8	11	1.5	17	Nil	0.04	7
RegionalExp.	122	+23.4	+8.3	28	0-1	-	1.2	19	0.7	6	Nil	0.55	138
EnvirozellLtd	16	+23.1	+4.6	29	6-0	-	3.9	24	1.2	16	3.2	0.40	32
VisionGroup	105	+22.7	+7.9	30	1-1	2	-	-	0.6	6	4.8	0.65	74
CompumedicsLtd	18	+22.6	+5.0	30	0-0	-	3.6	34	1.1	11	Nil	0.77	29
SkilledGroup	236	+22.5	+9.9	30	1-0	1	-	-	0.5	10	4.4	0.15	292

INCOME SHARES: Highest Yields, Capitalisation >A\$250million

GPTGroup	60	+2.9	+3.5	64	1-0	1	0.8	-	0.7	NE	29.7	2.91	5,316
HastDivUtil	104	-5.1	+5.1	83	0-0	1	0.5	-	0.5	NE	26.9	2.11	443
AustralandProp	53	+17.7	-0.2	37	1-0	-	0.6	10	0.6	6	20.8	1.18	1,529
AbacusProperty	41	+6.3	+5.7	57	3-0	2	0.7	-	0.7	NE	18.9	4.47	619
NewHopeCorp.	438	+11.8	-6.0	47	8-2	3	1.3	10	0.4	14	18.7	5.10	3,576
INGOfficeFund	56	+6.7	+4.5	57	1-0	1	0.6	-	0.6	NE	17.4	4.28	1,003
AspenGroupLtd	52	+13.2	+13.6	45	0-1	2	0.8	-	0.7	NE	17.3	4.12	290
GoodmanGroup	61	+7.1	+9.2	56	2-2	1	0.7	-	0.7	NE	16.0	N/A	3,132
SparkInfrastru	118	+0.7	+2.9	69	0-0	2	0.7	1	0.6	125	15.8	5.19	1,185
MacquarieInfra	138	-1.5	+0.3	77	2-0	1	0.8	-	0.5	NE	14.5	N/A	3,110
DUETGroup	172	-2.5	+2.7	79	2-0	-	1.0	-	0.4	NE	14.1	1.41	1,473
ChalDivProp	48	+3.3	+2.7	63	1-0	-	0.5	8	0.7	7	14.0	3.29	410
Envestra	53	+7.3	-0.1	55	2-0	1	-	-	0.6	2	13.8	1.76	686
AleProperty	219	+4.6	-0.5	61	5-2	-	0.7	9	0.3	8	13.7	3.90	288
SPAusnet	87	-0.5	+4.2	74	0-1	2	1.0	8	0.5	13	13.6	1.58	2,715
MacquarieOff.	31	+11.3	+7.6	48	0-0	1	0.6	-	0.8	NE	12.3	4.01	1,398
MacquarieC'Wde	58	+25.4	-3.2	26	0-0	1	0.7	-	0.6	NE	12.2	4.08	842
CromwellGroup	75	+9.0	+4.1	53	7-0	1	1.0	-	0.4	NE	12.0	3.79	527
TransfieldSIn	101	-3.1	+3.0	80	2-0	1	0.7	6	0.7	12	11.9	1.44	271
INGIndustTrit	46	+45.0	+11.8	12	1-0	1	0.5	-	0.7	NE	11.5	1.78	522
BoartLongyear	29	+13.0	+4.9	45	2-0	2	-	-	1.0	2	11.1	0.21	869
AnekaTambang	111	-7.5	+4.4	86	0-0	-	-	-	1.1	NE	10.8	N/A	2,118
STWCommGroup	74	+21.1	+3.6	32	1-0	1	-	-	0.6	8	10.8	0.49	264
ArdentLeisure	135	+4.7	-2.1	61	0-0	-	1.1	-	0.6	NE	10.6	0.89	325
APNNewsMedia	221	+15.3	+5.9	41	2-3	1	-	-	0.4	NE	10.2	0.91	1,301

INSIDER BUYING: Most Insider Buying, Relative Strength >0

Ridley Corp.	104	+16.5	+2.3	39	15-0	2	1.3	5	0.5	25	6.7	0.39	320
RedHillIron	280	+9.5	-0.2	52	12-0	-	-	-	0.6	NE	Nil	N/A	114
RungeLtd	85	+25.8	+2.6	25	12-0	-	-	-	0.8	13	5.3	1.26	105
AdtransGroup	322	+16.7	+5.3	38	13-1	-	1.4	12	0.2	12	5.0	0.12	81
MagellanFinGp	76	+28.4	-1.9	23	13-1	-	1.2	-	0.7	NE	Nil	N/A	111
PattiesFoods	97	+12.5	-0.3	46	11-0	1	4.2	35	0.5	12	4.6	0.75	135
CMLimited	66	+19.9	+7.1	34	12-1	-	0.5	-	0.6	NE	Nil	0.26	22
ChaliceGold	49	+49.2	-3.8	10	10-0	-	-	-	1.0	NE	Nil	N/A	35
CuDecoLtd	551	+71.8	+9.0	5	10-0	-	-	-	0.8	NE	Nil	N/A	523
PrimaryHealth	623	+13.1	+0.1	45	16-6	5	-	-	0.2	23	2.2	2.02	2,684
PPKGroupLtd	40	+1.3	+8.5	68	9-0	-	0.7	2	0.6	42	6.3	4.71	23
A.P.Eagers	1015	+19.5	+1.0	34	9-0	-	1.2	13	0.1	9	4.3	0.18	305
NRWHoldings	169	+53.1	+4.4	9	9-0	2	3.7	32	0.6	11	1.2	0.83	425
IndMinerals	13	+33.1	+16.1	20	9-0	-	-	-	1.2	NE	Nil	N/A	1
CollectionHse	71	+23.7	+5.4	28	10-1	-	0.8	10	0.4	9	6.9	0.68	69
SPTelemedia	130%	+132.6	+6.4	1	8-0	-	-	-	0.5	52	1.5	1.89	911
MacarthurCoal	881	+28.2	-4.4	23	8-0	4	2.2	16	0.4	13	1.5	3.22	2,241
WavenetInt'l	7	+16.5	+1.4	39	8-0	-	0.5	1	1.7	36	Nil	3.68	4
NationalHire	211	+12.4	+8.6	46	8-0	-	0.9	7	0.4	13	Nil	2.93	313
RewardMinerals	80	+20.3	+25.5	33	8-0	-	-	-	0.6	NE	Nil	N/A	49

Company	Share Price	Cur- rent	4-Wk Chg.	Rank 0-99	Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Vola- ity	Price- Earnings Ratio	Divi- dend Yield	Price Sales Ratio	Market Cap'n
BellFinancial	123	+32.6	+4.5	20	8-0	-	4.5	22	0.6	21	4.1	1.69	297
RuralcoHold.	245	+8.9	+5.4	53	9-1	-	1.4	17	0.3	8	9.0	0.15	135
TransfieldServ	417	+35.5	+10.7	18	7-0	3	-	-	0.6	14	2.9	0.51	1,723
KoonHoldings	28	+27.2	+9.5	24	7-0	-	0.8	8	0.6	11	Nil	0.17	23
CromwellGroup	75	+9.0	+4.1	53	7-0	1	1.0	-	0.4	NE	12.0	3.79	527
CoventryGroup	185	+27.7	+11.7	23	7-0	-	0.6	4	0.4	13	Nil	0.17	73
SoulPattinson	1338	+18.2	+2.4	36	7-0	1	1.4	10	0.3	14	2.4	4.12	3,193
Brandrill	12	+50.3	+24.9	10	7-0	-	0.9	4	1.2	21	Nil	0.32	57
SymexHoldings	53	+8.3	-2.7	54	7-0	-	2.1	30	0.5	7	3.8	0.41	68
CapeRangeWire	1	+39.5	+25.9	15	7-0	-	-	-	3.3	NE	Nil	N/A	7
CazalyResLtd	24	+26.2	-3.5	25	7-0	-	-	-	1.0	NE	Nil	N/A	20
EntekEnergy	20	+60.2	+2.1	7	7-0	-	-	-	0.9	31	Nil	5.87	33
ClimeInvMgmt	41	+16.9	+2.0	38	7-0	-	1.0	-	0.5	NE	0.9	7.13	21
ChromeCorpLtd	13	+43.1	+11.9	13	7-0	-	-	-	1.3	NE	Nil	N/A	18
LionSelection	175	+30.0	+0.9	22	8-1	-	1.2	-	0.6	NE	1.7	5.44	334
GloucesterCoal	613	+6.4	-0.4	57	6-0	3	2.9	47	0.4	6	2.2	1.64	502
CharterPacific	6	+6.4	-2.4	57	6-0	-	0.5	-	1.4	NE	Nil	4.59	5
EnterpriseMet.	43	+68.0	-33.8	5	6-0	-	-	-	1.0	NE	Nil	N/A	19
EnvirozellLtd	16	+23.1	+4.6	29	6-0	-	3.9	24	0.9	16	3.2	0.40	32
SaferoadsHold.	75	+13.7	+13.7	44	6-0	-	2.1	15	0.5	14	Nil	0.34	20
ImpressEnergy	6	+15.0	-7.3	42	6-0	-	-	-	1.6	NE	Nil	5.22	47
CSGLtd	147	+40.5	+2.2	15	6-0	-	-	-	0.7	11	3.1	1.31	258
VillageRoad.	190	+28.9	+11.5	23	6-0	-	-	-	0.5	6	5.1	0.30	427
HeadlineGroup	14	+13.7	+4.3	44	6-0	-	1.1	-	0.9	NE	Nil	1.34	16
Selectharvest	405	+14.2	+5.3	43	6-0	3	2.6	27	0.3	10	3.0	0.65	160
TreasuryGroup	521	+8.9	+1.5	53	6-0	-	2.4	10	0.3	24	3.8	N/A	120
APNProperty	36	+23.2	+12.9	29	6-0	1	1.8	-	0.8	NE	Nil	1.95	51
Garratt'sLtd	50	+16.4	+8.1	39	6-0	-	3.8	33	0.6	12	Nil	1.19	20
FinbarGroup	89	+13.8	-6.4	43	7-1	-	1.6	24	0.4	7	7.9	2.31	126
Talent2Int'l	159	+45.9	+8.2	12	7-1	1	13.3	-	0.3	NE	Nil	0.88	202
NewHopeCorp.	438	+11.8	-6.0	47	8-2	3	1.3	10	0.4	14	18.7	5.10	3,576
CreditCorp	217	+47.4	+1.6	11	8-2	-	1.3	16	0.4	8	1.8	0.62	96
GrainicMetals	7	+21.1	+2.2	32	5-0	-	-	-	1.7	NE	Nil	N/A	4
APAGroup	303	+5.2	+2.6	60	5-0	2	2.6	13	0.3	19	3.9	1.59	1,511
WellcomGroup	240	+10.5	+7.3	50	5-0	1	5.5	39	0.4	14	5.0	1.19	94
ImageResources	84	+17.4	+6.4	37	5-0	-	-	-	0.9	NE	Nil	N/A	63
SpecFashion	113	+60.1	+8.2	7	5-0	2	11.3	-	0.5	10	Nil	0.38	214
MarengoMining	17	+40.9	+11.0	14	5-0	-	-	-	1.4	NE	Nil	N/A	46
TidewaterInv	30	+4.3	+12.3	62	5-0	-	1.6	-	0.7	NE	Nil	2.06	7
BlackthornRes.	42	+23.3	+1.6	29	5-0	-	-	-	0.9	NE	Nil	N/A	318
RazorRiskTech	3	+3.5	-4.9	63	5-0	-	-	-	2.4	7	Nil	0.53	10
Lumacom	2%	+168.8	+2.5	1	5-0	-	-	-	2.3	NE	Nil	N/A	12
HudsonRes.Ltd	25	+9.5	+8.7	52	5-0	-	8.3	8	0.7	109	Nil	N/A	25
TishmanSpeyer	37	+14.6	+3.3	42									

Readers Ask . . .

Question: I am a New Zealand resident. Are you able to confirm that I do not need to file an Australian tax return for dividends or capital gains from my Australian shares?

Answer: If you are not an Australian resident and you are not conducting a business in Australia then you do not need to file an Australian tax return.

Owning rental property would be “conducting a business” and may require you to file an Australian tax return for the rental income (or any realised capital gains).

Owning listed shares and having cash in the bank or a cash management account earning interest is not a business. Companies will deduct Australian withholding tax where applicable (i.e. from unfranked dividends and interest) but this is your final Australian tax (and you can claim the Australian withholding tax as a tax credit on your NZ tax return) and there is no Australian tax return to file. Foreign investors in Australian shares are not subject to Australian capital gains taxes.

The only exception for foreign shareholders is when you own over 10% and sometimes over 15% of the total company. If you invest in a diversified portfolio of stock exchange listed shares, then this situation is unlikely to apply!

Question: Are you able to send us a list of the Australian companies included in the NZ capital gains tax issue? Our holdings are getting up to over \$50,000.

Answer: NZ does not have a capital gains tax on these foreign investments but a “Fair Dividend Rate” tax.

Inland Revenue publishes a list of exempt shares - Australian companies included in the All Ordinaries Index, but excluding foreign companies and trusts - on its website under the code IR871. All other Australian shares (and other foreign securities) will be subject to the FDR tax.

Non-exempt Australian shares (i.e. those subject to the FDR tax) from our Recommended Portfolio are disclosed in our April newsletter each year.

If your non-exempt investments had a market value of less than NZ\$50,000 on 1st April 2009 then you are not subject to the FDR tax *this year* and should pay NZ income tax on the actual dividends received.

If the market value of your non-exempt investments exceeds \$50,000 on 1st April 2010, then you will become subject to the FDR for the tax year ending 31st March 2011. The FDR “income” will be 5% of the market value of your shares on 1st April 2010. If the shares appreciate significantly in value over the year or if you add significantly to your holdings - any increase will only impact in the *next* tax year based upon the market value on 1st April which will determine the FDR “income” for the coming year. Any actual dividends from FDR shares are non-taxable (although you can claim a tax credit for Australian withholding taxes, if any, that are deducted), even if the actual dividends received exceed the FDR 5% “income”.

Australian Bank Accounts

In response to our article last month, several NZ resident investors have shared their recent experience of opening an Australian bank account:

Several subscribers have gone into Australian banks (including the Commonwealth Bank and ANZ) while in Australia on holiday and (with varying degrees of ease or difficulty) opened savings accounts and cheque accounts, with one person also obtaining an Australian credit card!

Many other subscribers have approached their brokers or bank (especially Commonwealth Securities/ASB Securities/ASB Bank) and opened savings accounts with the Commonwealth Bank's online *Netbank* subsidiary.

Another subscriber opened an Australian dollar account with Macquarie via Direct Broking.

In all cases, any savings or cheque account with an Australian bank should give an investor access to BPAY via internet banking - which is the quick and easy and free way to pay for cash issues or Share Purchase Plan shares!

The initial account opening paperwork is often easier if you approach the Australian bank via their NZ bank or broker, with the local operation often able to verify the identification documentation. Often, however, you will be dealing with NZ staff who are not experienced with customers wishing to open a foreign bank account. It is important, for example, to open the account with the *Australian bank* because an Australian dollar deposit account with a *NZ bank* will not give access to services such as BPAY.

BPAY now available from ASB Securities

Another subscriber paid for two recent cash issues by faxing his Entitlement Letter to ASB Securities. The broker paid for the new shares with funds in the investor's Cash Management Account.

In fact, ASB Securities has just recently begun advertising this new service to its NZ brokerage clients (see www.asbsecurities.co.nz/story3968.asp?).

The broker requires the completed application form faxed or scanned and emailed to them the day *before* the offer closing date, along with your ASB Securities client number and instructions whether to pay from your NZ dollar Cash Management Account or Australian dollar Foreign Currency Account. The fee for this service is just NZ\$12.

As we said last month, “there is no reason your local bank does not provide” the BPAY service, so it is good to see at least one NZ broker now offering this service to its clients.

Australian Warrant / Option Analysis

Company	Yr/Mth			Black-Option Price	Option Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate	Company	Yr/Mth			Black-Option Price	Option Scholes Valuation	Option Over/Under-Valued	Share Volatility	Option Leverage	Options to Buy 1 Share	Break-Even Rate
	Share Price	Exercise Price	to Expiry									Share Price	Exercise Price	to Expiry							
AXGMining	2.3	20	0-9	0.2	0.2	-3	1.60	2.20	1.0	+999	Coal Spur Mines	38	8.0	1-7	30.0	31.7	-5	1.10	1.16	1.0	+0
ActinogenLtd	5.9	50	2-8	0.3	3.8	-92	1.77	1.19	1.0	+123	Colonial Resources	8.5	20	1-1	0.1	0.9	-89	0.81	2.74	1.0	+121
Activex Ltd	10	8.0	0-8	4.5	4.5	-1	1.19	1.70	1.0	+40	Con Global Invest.	2.5	20	0-2	0.2	0.3	-23	3.45	2.13	1.0	+999
Adultshop.com	0.9	0.8	2-1	0.2	0.6	-66	1.23	1.27	1.0	+5	Con Tin Mines	8.0	20	4-1	1.9	6.6	-71	1.51	1.10	1.0	+28
Agenix Ltd	1.7	30	1-7	1.0	0.0	+999	0.00	9.99	1.0	+526	Continental Coal	6.1	5.0	3-3	2.5	3.6	-31	0.78	1.39	1.0	+7
Alchemy Resources	92	25	0-9	64.0	71.6	-11	1.51	1.22	1.0	-4	Convergent Minerals	12	20	2-1	4.0	8.8	-54	1.71	1.17	1.0	+39
AllBrands	15	60	1-1	0.5	0.5	+9	0.78	3.47	1.0	+262	Copper Range Ltd	3.2	30	0-10	0.6	0.1	+820	1.17	3.09	1.0	+999
Amcom Telecom.	22	17	0-1	4.6	5.1	-9	0.40	4.30	1.0	-20	Coppermoly	15	30	1-5	2.1	7.4	-71	1.47	1.42	1.0	+71
AmPELLa Mining	58	15	0-8	43.0	43.1	-0	0.86	1.32	1.0	+1	Coppermoly Ltd	15	7.0	2-0	8.0	12.2	-34	1.47	1.14	1.0	+0
Anaeco Ltd	25	100	2-6	0.4	6.3	-94	0.95	1.75	1.0	+76	Copetrack Ltd	20	20	0-3	5.0	4.3	+15	1.16	2.72	1.0	+170
Anaeco Ltd	25	50	0-6	0.3	1.8	-83	0.95	3.39	1.0	+322	DSF International	1.5	3.0	3-1	0.3	1.4	-78	2.05	1.05	1.0	+29
Anchor Resources	18	25	0-4	2.0	1.8	+8	0.91	3.60	1.0	+237	Dart Mining NL	7.2	20	0-6	0.2	0.8	-74	1.33	2.60	1.0	+687
Aragon Resources	20	25	0-10	3.0	9.3	-68	1.52	1.53	1.0	+50	Datamont Asia Pac.	0.3	1.0	3-5	0.1	0.2	-50	1.37	1.20	1.0	+46
Archer Exploration	12	25	0-3	0.6	0.3	+96	1.12	4.83	1.0	+999	Desert Energy	10	25	0-5	2.0	0.5	+289	1.10	3.49	1.0	+984
Argent Minerals	17	20	1-7	5.0	10.2	-51	1.40	1.32	1.0	+28	Dia-B Tech Ltd	1.4	20	1-1	0.2	0.0	+999	0.91	4.05	1.0	+999
Artemis Resources	5.1	5.0	1-7	2.7	3.0	-11	1.28	1.35	1.0	+30	Drake Resources	29	20	0-1	8.0	9.1	-12	1.15	2.79	1.0	-19
Asburton Minerals	2.7	6.5	0-3	0.2	0.3	-28	1.72	2.74	1.0	+999	Dynastey Metals Aust.	27	35	0-3	2.0	3.5	-43	1.10	3.32	1.0	+253
Ashburton Minerals	2.7	1.0	0-1	1.9	1.7	+11	1.72	1.56	1.0	+136	Eagle Eye Metals	6.0	20	0-7	0.5	0.4	+14	1.21	2.82	1.0	+722
Astro Diamond Mines	1.4	5.0	3-0	0.3	0.9	-66	1.40	1.23	1.0	+56	East Nickel	3.5	30	2-7	0.4	0.5	-17	0.94	1.97	1.0	+131
Astro Mining NL	1.4	75	0-1	0.5	0.0	+999	1.40	9.99	1.0	+999	Eastern Iron	8.0	12	1-1	3.0	2.3	+32	1.00	1.98	1.0	+83
Athena Resources	4.0	20	0-0	0.2	0.0	+999	1.45	9.99	1.0	+999	Eastland Medical	7.0	20	1-6	1.9	1.2	+64	0.90	2.19	1.0	+114
Atlantic Gold NL	6.0	8.0	1-2	2.7	1.6	+69	0.82	2.14	1.0	+64	Eastland Medical	7.0	10	1-7	3.8	2.4	+57	0.90	1.79	1.0	+54
Atlantic Ltd	4.0	0.8	2-1	3.2	3.6	-11	1.49	1.08	1.0	+0	Eco Quest Ltd	13	20	1-4	4.5	5.4	-16	1.25	1.55	1.0	+66
Atom Energy	10	38	0-11	0.7	1.5	-53	1.27	2.16	1.0	+346	Eldore Mining Corp	0.9	4.0	0-1	0.2	0.0	+999	1.82	7.04	1.0	+999
Atomic Resources	11	25	1-9	3.4	1.5	+126	0.68	2.53	1.0	+72	Elektra Mines Ltd	14	7.0	1-7	7.0	10.6	-34	1.60	1.16	1.0	+2
Atticus Resources	18	20	2-10	4.0	6.7	-41	0.58	1.84	1.0	+11	Electrometals Tech.	2.2	14	1-5	0.2	0.4	-51	1.31	1.86	1.0	+288
Augur Resources	7.1	20	0-7	1.2	2.0	-41	1.86	1.75	1.0	+552	Elemental Minerals Ltd	43	20	2-2	24.0	34.4	-30	1.35	1.15	1.0	+1
Aurium Resources	3.6	20	0-6	0.5	0.1	+380	1.33	3.19	1.0	+999	Eneabba Gas	32	15	0-7	9.0	18.6	-51	0.99	1.59	1.0	-39
Ausquest Ltd	17	20	0-0	0.4	0.1	+284	0.67	3.19	1.0	+999	Eneabba Gas Ltd	32	20	2-7	8.0	22.0	-64	0.99	1.27	1.0	-5
Aust China Holdings	0.6	2.0	4-1	0.3	0.5	-42	1.73	1.07	1.0	+39	Entek Energy	20	20	0-1	2.0	1.9	+4	0.83	5.73	1.0	+214
Aust Leaders Fund	117	125	1-0	5.0	8.6	-42	0.21	6.74	1.0	+11	Enterprise Metals Ltd	43	25	2-7	25.0	29.9	-16	1.00	1.26	1.0	+7
Aust Mines Ltd	0.2	0.2	3-7	0.1	0.2	-49	2.30	1.01	1.0	+12	Env. Clean Tech.	5.3	2.0	4-2	3.5	5.0	-30	1.55	1.04	1.0	+1
Aust Oil Company	10	20	0-1	0.4	0.0	+797	1.21	8.13	1.0	+999	Envirogold	8.9	25	0-1	0.8	0.0	+999	0.89	9.99	1.0	+999
Austindo Resources	2.6	1.5	2-7	0.8	2.0	-60	1.23	1.17	1.0	-5	Eromanga Hydrocar.	13	20	2-8	6.2	6.8	-8	1.01	1.41	1.0	+30
Auth Investments	3.3	25	0-4	1.0	0.0	+999	0.57	9.99	1.0	+999	Euroz Ltd	155	75	4-3	75.0	111.3	-33	0.69	1.27	1.0	-1
Auzex Resources	17	75	0-10	1.5	0.6	+167	0.95	3.29	1.0	+508	Excalibur Mining	1.8	6.0	3-1	0.7	0.9	-20	1.12	1.38	1.0	+53
Avanco Resources	4.0	1.5	2-5	2.2	3.8	-42	2.17	1.03	1.0	-3	Excalibur Mining	1.8	3.0	0-1	0.2	0.0	+968	1.12	7.71	1.0	+999
Avanco Resources	4.0	20	0-7	0.2	1.1	-81	2.17	1.68	1.0	+999	Exoma Energy	22	20	1-4	6.4	16.7	-62	1.95	1.16	1.0	+15
Barra Resources	12	65	1-1	2.0	0.7	+199	1.04	2.66	1.0	+409	Exoma Energy Ltd	22	10	2-10	15.0	20.6	-27	1.95	1.04	1.0	+5
Bass Metals	30	40	0-5	6.5	3.2	+101	0.79	3.62	1.0	+186	EyeCare Partners	8.0	20	0-10	0.2	0.0	+530	0.46	7.17	1.0	+204
Batavia Mining	12	15	2-7	4.0	2.8	+45	0.48	2.36	1.0	+22	Firewest Ltd	23	25	0-6	5.0	7.4	-33	1.26	2.00	1.0	+70
Bathurst Resources	8.3	25	1-1	1.5	5.5	-72	2.39	1.21	1.0	+192	Fission Energy	13	20	1-3	3.6	3.5	+3	0.89	2.03	1.0	+61
Beach Petroleum	78	200	0-7	1.5	0.0	+999	0.39	9.99	1.0	+409	Fox Resources Ltd	24	30	1-0	6.3	8.2	-24	1.08	1.82	1.0	+54
Beacon Minerals	2.2	20	0-9	0.2	0.2	-10	1.66	2.12	1.0	+999	Frontier Resources Ltd	3.2	4.5	1-0	1.2	1.5	-20	1.46	1.50	1.0	+77
Beacon Minerals	2.2	1.0	0-9	1.2	1.6	-23	1.66	1.27	1.0	+0	GB Energy	4.0	20	1-10	0.3	0.6	-49	0.97	2.07	1.0	+143
Benitec Ltd	5.0	10	4-4	2.2	3.0	-26	0.96	1.29	1.0	+23	GBM Resources	24	25	0-7	7.3	11.5	-36	1.70	1.54	1.0	+66
Benitec Ltd	5.0	15	1-4	0.6	0.8	-23	0.96	2.22	1.0	+135	Geodynamics Ltd	91	150	0-0	0.5	0.0	+999	0.51	9.99	1.0	+999
Berkeley Resources	104	75	3-6	49.0	72.4	-32	0.92	1.25	1.0	+5	Global Geoscience	7.2	25	2-9	1.4	3.6	-61	1.24	1.35	1.0	+60
Bioprospect Ltd	3.8	5.0	0-4	0.3	0.5	-41	0.99	3.22	1.0	+171	Global Health Ltd	2.5	1.7	1-1	1.0	2.0	-50	2.18	1.14	1.0	+7
Black Fire Energy	13	20	0-7	1.5	2.6	-42	1.16	2.29	1.0	+153	Gold Aura Ltd	3.6	3.0	2-7	2.0	2.7	-27	1.34	1.17	1.0	+14
Black Range Minerals	5.3	4.5	1-3	2.9	3.0	-3	1.24	1.42	1.0	+31	Gold Company Ltd	42	20	1-7	23.0	26.7	-14	0.84	1.42	1.0	+1
Black Ridge Mining	0.9	3.0	1-0	0.1	0.2	-55	1.39	1.82	1.0	+244	Gold One International	32	50	2-10	11.0	14.7	-25	0.88	1.50	1.0	+26
Blaze International	1.5	5.0	0-9	0.2	0.3	-27	1.43	2.03	1.0	+425	Golden Gate Petrol.	4.3	8.0	2-9	1.8	1.9	-8	0.94	1.49	1.0	+35
Boss Energy	5.0	20	1-0	0.5	0.2	+107	0.90	3.05	1.0	+310	Golden State Res	4.1	12	1-0	0.6	0.7	-16	1.15	2.13	1.0	+207
Boulder Steel Ltd	16	10	2-4	7.0	13.9	-50	1.77	1.08	1.0	+3	Golden West Res	35	200	1-1	2.0	0.2	+736	0.73	4.35	1.0	+411
Bounty Industries	2.5	20	2-1	0.3	0.8	-64	1.39	1.51	1.0	+173	Gondwana Resources	4.0	1.2	0-7	0.9	3.1	-71	1.91	1.20	1.0	-67
Bowen Energy	13	20	0-0	0.2	0.8	-76	1.47	1.51	1.0	+999	Gondwana Resources	4.0	1.0	1-7	3.4	3.6	-6	1.91	1.07	1.0	+6
Brainytoys Ltd	1.0	20	3-4	0.1	0.0	+999	0.43	6.00	1.0	+146	Greenvale Mining	16	30	2-1	2.0	7.8	-74	1.16	1.43	1.0	+39
Brumby Resources	7.4	15	0-2	1.0	0.3	+252	1.36	4.27	1.0	+999	Gt Bendigo Gold Mines	3.7	20	0-1	0.5	0.0	+999	0.00	9.99	1.0	+999
Buccaneer Energy Ltd	6.8	10	3-0	3.9	4.0	-3	1.06	1.32	1.0	+27	Gt Western Explor.	18	30	2-7	4.1	12.3	-67	1.40	1.21	1.0	+28
Burleson Energy	7.0	25	0-9	0.9	0.0	+999	0.64	5.69	1.0	+472	Gulf Resources	3.7	25	0-1	0.3	0.0	+999	1.18	9.99	1.0	+999
Buru Energy	19	94	0-10	0.6	0.0	+999	0.49	9.33	1.0	+545	Gulf Resources	3.7	20	1-7	0.5	0.7	-31	1.18	1.86	1.0	+195
C @ Ltd	1.3	1.0	2-5	0.4	1.0	-59	1.36	1.17	1.0	+3	Haddington Resources	22	35	0-6	6.0	3.2	+86	1.03	2.76	1.0	+247
CO2 Group	37	12	1-11	25.0	27.5	-9	0.82	1.28	1.0	+0	Havilah Resources	60	160	0-5	3.0	0.7	+350	0.82	5.33	1.0	+999
Capital Mining	6.0	20	0-11	1.0	0.1	+624	0.74	3.99	1.0	+305	Hawthorn Resources	0.9	20	2-5	0.1	0.0	+216	0.93	2.44	1.0	+262
Capital Mining Ltd	6.0	8.0	1-7	2.5	1.7	+45	0.74	2.05	1.0	+42	Hawthorn Resources	0.9	10	3-3	0.3	0.1	+106	0.93			

Company	Yr/Mth			Black- Option Share	Option Over/ Volati- lity	Option Lev- erage	Options to Buy 1 Share	Break- Even Rate	Company	Yr/Mth			Black- Option Share	Option Over/ Volati- lity	Option Lev- erage	Options to Buy 1 Share	Break- Even Rate				
	Share Price	Exercise Price	to Expire							Price	Valuation	Under- Valued						Price	Exercise Price	to Expire	Price
Iron Ore Holdings	125	100	1-5	38.0	75.7	-50	1.25	1.36	1.0	+7	Quantum Resources	2.5	10	2-5	0.3	1.7	-83	1.75	1.17	1.0	+80
Iron Road	57	20	0-10	36.0	43.1	-17	1.59	1.23	1.0	-2	Ram Resources	1.8	15	0-7	0.2	0.1	+118	1.59	2.56	1.0	+999
Jupiter Energy	6.0	8.0	0-7	2.0	1.5	+29	1.16	2.16	1.0	+140	Ramelius Resources	46	150	0-7	4.0	0.0	+999	0.52	9.24	1.0	+693
Kingsrose Mining	68	20	3-1	47.0	54.7	-14	0.85	1.18	1.0	-0	Range Resources	4.0	5.0	2-1	1.8	1.7	+6	0.86	1.63	1.0	+29
Labtech Systems	13	20	3-7	3.1	7.2	-57	0.91	1.36	1.0	+17	Range Resources	4.0	100	0-10	0.3	0.0	+999	0.86	6.59	1.0	+999
Labtech Systems	13	20	3-7	8.0	7.2	+11	0.91	1.36	1.0	+24	Red River Resources	8.0	20	0-4	0.5	0.5	+11	1.26	3.37	1.0	+999
Legacy Iron Ore	9.2	25	2-1	1.5	4.9	-69	1.40	1.34	1.0	+65	Red Sky Energy	4.4	2.0	1-9	2.7	3.4	-20	1.35	1.19	1.0	+4
Lincoln Minerals	32	30	0-7	7.0	11.3	-38	1.09	1.98	1.0	+28	Regal Resources	4.5	6.0	1-11	1.8	2.2	-17	1.05	1.49	1.0	+33
Indian Resources	30	30	0-1	2.5	5.9	-58	1.72	3.04	1.0	+161	Regis Resources	52	100	2-11	0.3	20.1	-99	0.82	1.62	1.0	+25
Indian Resources	30	15	2-1	14.5	25.8	-44	1.72	1.09	1.0	-1	Regis Resources	52	200	2-5	0.3	9.4	-97	0.82	2.02	1.0	+75
Lion Energy	5.0	35	1-9	0.2	0.3	-31	0.88	2.57	1.0	+205	Regis Resources	52	50	4-2	0.3	33.2	-99	0.82	1.30	1.0	-1
Living Cell Tech.	29	24	1-1	7.5	13.9	-46	1.04	1.61	1.0	+8	Republic Gold	3.2	4.0	1-6	0.6	1.2	-48	0.87	1.80	1.0	+27
Lonrho Mining	1.5	15	2-7	0.3	0.6	-47	1.37	1.43	1.0	+146	Republic Gold Ltd	3.2	3.0	0-6	0.7	0.9	-21	0.87	2.42	1.0	+32
M2M Corporation	0.5	20	0-3	0.1	0.0	+999	1.20	9.99	1.0	+999	Rer Group Ltd	31	20	1-1	12.0	27.6	-56	2.82	1.07	1.0	+3
MEC Resources	39	20	3-8	24.0	37.8	-37	2.08	1.02	1.0	+3	Resolute Mining	81	60	2-1	35.0	41.9	-17	0.75	1.56	1.0	+8
MGM Wireless	1.7	20	1-0	0.1	0.1	-29	1.47	2.16	1.0	+999	Resource Mining Corp	1.0	0.8	2-4	0.7	0.8	-17	1.73	1.10	1.0	+19
Macquarie Harbour	28	20	2-9	16.0	24.3	-34	1.67	1.08	1.0	+10	Rey Resources	25	30	0-4	3.1	5.0	-37	1.19	2.60	1.0	+147
Magellan Financial Grp	76	130	1-7	10.5	5.8	+80	0.45	3.72	1.0	+47	Rialto Energy Ltd	17	60	1-7	3.0	5.2	-42	1.25	1.66	1.0	+129
Magellan Financial Grp	76	300	6-7	4.7	12.0	-61	0.45	2.18	1.0	+23	Richmond Mining	15	20	1-1	6.4	5.1	+25	1.10	1.77	1.0	+74
Magna Mining NL	1.0	10	0-0	0.1	12.0	-99	1.57	2.18	1.0	+999	Rocklands Richfield	40	30	0-0	9.0	5.1	+75	1.32	1.77	1.0	-100
Magnesium Int'l	3.9	10	2-6	1.5	1.6	-7	1.05	1.51	1.0	+54	Rockstead Financial	0.7	25	0-0	0.4	5.1	-92	0.00	1.77	1.0	+999
Mamba Minerals	5.0	20	0-4	0.2	0.0	+999	0.93	6.47	1.0	+999	Rox Resources	2.4	10	1-7	0.4	0.9	-54	1.42	1.53	1.0	+152
Manas Resources Ltd	16	20	1-10	6.5	6.6	-1	0.89	1.66	1.0	+32	Rox Resources Ltd	2.4	1.5	1-8	1.5	1.8	-15	1.42	1.21	1.0	+14
Matilda Zircon Ltd	2.0	20	0-7	0.1	0.1	-33	1.81	2.26	1.0	+999	Sabre Resources	31	35	0-2	5.0	5.4	-7	1.35	3.03	1.0	+361
Matilda Zircon Ltd	2.0	35	0-1	0.1	0.0	+999	1.81	1.00	1.0	+999	Safety Medical Prods	4.0	100	1-1	0.1	0.0	+178	1.20	3.05	1.0	+999
Medic Vision Ltd	2.1	20	2-2	0.3	0.1	+286	0.80	2.72	1.0	+191	Samson Oil & Gas	1.0	1.5	3-1	0.4	0.7	-42	1.25	1.21	1.0	+23
Medigard Ltd	10	12	0-4	2.0	1.9	+8	1.09	2.78	1.0	+174	Saracen Mineral Hold.	34	10	3-7	19.0	26.8	-29	0.77	1.19	1.0	-4
Meridian Minerals	9.6	20	1-3	2.1	3.9	-46	1.38	1.55	1.0	+95	Saracen Mineral Hold.	34	13	0-0	1.1	26.8	-96	0.77	1.19	1.0	-100
Metminco Ltd	20	25	3-0	5.4	10.6	-49	0.91	1.40	1.0	+16	Scotgold Resources	12	30	0-5	1.5	1.0	+48	1.27	2.92	1.0	+913
Midas Resources	3.4	10	1-6	1.0	0.7	+37	1.02	1.96	1.0	+119	Segue Resources	6.0	33	0-7	0.3	0.4	-19	1.44	2.62	1.0	+999
Millepede Int'l	1.1	5.0	2-4	0.2	0.5	-63	1.42	1.34	1.0	+95	Segue Resources	6.0	100	0-7	0.1	0.0	+139	1.44	3.38	1.0	+999
Minermakers Ltd	38	75	0-6	3.0	1.5	+102	0.78	4.29	1.0	+333	Sierra Mining	8.5	20	1-1	1.5	3.0	-51	1.43	1.62	1.0	+136
Minerals Commodities	5.5	20	3-1	1.1	2.9	-62	1.22	1.32	1.0	+55	Sino Gas & Energy	20	50	2-1	1.1	0.9	+27	0.46	3.74	1.0	+59
Mining Projects Group	0.2	0.2	4-7	0.2	0.2	+4	1.87	1.02	1.0	+16	Sino Gas & Energy	20	25	0-7	3.1	1.2	+162	0.46	5.25	1.0	+87
Modena Resources	6.5	20	0-7	0.4	0.6	-28	1.21	2.73	1.0	+610	Souls Private Equity	9.6	30	0-1	0.1	0.0	+999	0.41	9.99	1.0	+999
Moko.mobi Ltd	8.4	10	3-8	0.6	5.5	-89	1.00	1.26	1.0	+7	Sovereign Metals	12	20	0-7	3.0	1.7	+77	0.98	2.75	1.0	+205
Monitor Energy	0.3	2.5	1-9	0.1	0.1	-24	1.73	1.37	1.0	+243	Spiffire Resources	10	20	0-7	1.9	1.8	+5	1.26	2.29	1.0	+283
Montezuma Mining	26	20	1-9	9.5	15.3	-38	1.08	1.38	1.0	+9	Stirling Minerals	8.0	20	0-7	1.0	0.0	+999	0.45	9.99	1.0	+423
Morning Star Gold	33	10	0-4	21.5	23.1	-7	0.84	1.42	1.0	-13	Stirling Products	1.1	20	0-7	0.1	0.0	+999	1.31	3.97	1.0	+999
Mt Magnet South	6.5	25	0-9	0.3	1.0	-70	1.40	2.12	1.0	+489	Stirling Resources	13	4.0	2-7	5.0	10.1	-50	0.82	1.22	1.0	-13
Murchison Holdings	69	120	0-6	0.1	0.1	-8	0.34	9.99	1.0	+203	Stonehenge Metals	2.6	25	0-1	0.1	0.0	+999	1.16	9.99	1.0	+999
Mutiny Gold Ltd	5.3	10	1-7	2.0	3.4	-41	1.73	1.25	1.0	+68	Stratatal Ltd	6.8	10	1-10	2.0	1.7	+18	0.66	2.17	1.0	+36
NKWE Platinum Ltd	34	35	1-9	15.0	13.9	+8	0.81	1.72	1.0	+26	Structural Monitoring	3.0	1.5	1-1	1.4	2.4	-42	1.99	1.15	1.0	-3
Neptune Marine Serv	80	20	1-1	57.0	60.9	-6	0.59	1.31	1.0	-3	Strzelecki Metals	8.0	20	0-9	1.2	0.4	+181	0.84	3.46	1.0	+296
Nex Metals Explor.	25	25	2-0	6.0	16.6	-64	1.33	1.26	1.0	+11	Swish Group	0.3	2.0	0-2	0.1	0.0	+999	1.03	9.99	1.0	+999
Norton Gold Fields	31	20	0-10	15.0	14.6	+3	0.83	1.78	1.0	+15	Synergy Metals	1.6	3.0	1-9	0.5	0.4	+26	0.80	2.02	1.0	+56
Nthn Mining	15	4.0	2-1	6.0	12.9	-54	1.40	1.11	1.0	-18	Syngas Ltd	4.5	20	0-1	0.2	0.0	+999	1.07	9.99	1.0	+999
Nthn Uranium	19	25	0-1	2.5	1.4	+74	1.46	4.42	1.0	+999	Talisman Mining	96	20	1-1	73.0	80.1	-9	1.36	1.16	1.0	-3
Nthn Uranium Ltd	19	20	2-10	6.2	15.0	-59	1.46	1.14	1.0	+12	Target Energy Ltd	4.1	10	2-11	1.5	1.8	-17	0.99	1.48	1.0	+42
Nuenergy Capital	9.0	20	0-6	1.6	0.7	+138	1.03	3.21	1.0	+476	Tasman Resources	15	10	2-7	8.0	11.6	-31	1.40	1.14	1.0	+9
Nylex Ltd	6.4	184	0-0	0.3	0.0	+999	0.67	9.99	1.0	+999	Tasman Resources	15	20	0-1	2.1	0.8	+150	1.40	4.83	1.0	+999
Nylex Ltd	6.4	184	0-0	0.1	0.0	+999	0.67	9.99	1.0	+999	Tawana Resources	1.5	10	1-4	1.0	0.3	+211	1.42	1.76	1.0	+346
OBJ Ltd	3.2	1.0	1-1	2.1	2.5	-15	1.38	1.21	1.0	-3	Terrain Minerals	7.5	25	0-8	0.8	0.2	+320	0.87	3.87	1.0	+538
Odin Energy	3.5	25	3-0	0.4	1.9	-79	1.43	1.28	1.0	+94	Territory Uranium	16	70	0-7	0.3	0.7	-60	1.23	3.00	1.0	+999
Oil Basins Ltd	2.3	1.5	2-7	1.4	2.2	-36	2.36	1.02	1.0	+9	Teys Ltd	2.0	20	1-6	0.8	1.2	-34	2.32	1.21	1.0	+376
Orchid Capital	1.0	5.0	2-3	0.2	0.5	-62	1.53	1.31	1.0	+108	Thundelarra Explo.	62	20	3-4	41.0	52.1	-21	1.09	1.12	1.0	-0
Ord River Resources	6.9	65	0-1	0.1	0.0	+999	1.10	9.99	1.0	+999	Torrens Energy	31	25	0-4	9.0	10.7	-16	1.13	2.18	1.0	+32
Orion Petroleum	11	30	0-10	1.0	1.0	+3	0.99	2.72	1.0	+267	Total Staffing Solutions	3.0	20	1-9	0.2	1.5	-87	1.80	1.32	1.0	+205
Oropa Ltd	8.0	20	1-2	4.0	3.8	+6	1.69	1.42	1.0	+156	Transit Holdings	30	25	0-1	7.0	6.2	+14	0.93	3.87	1.0	+117
Oropa Ltd	8.0	20	0-2	0.5	0.4	+37	1.69	3.61	1.0	+999	Transol Corporation	1.0	2.0	1-6	0.2	0.8	-73	2.17	1.15	1.0	+69
Oroya Mining	0.5	0.8	2-0	0.3	0.4	-21	1.81	1.15	1.0	+48	Transzact Financial	15	30	0-5	1.5	0.2	+649	0.68	5.90	1.0	+543
Outback Metals	6.1	30	1-1	1.5	1.2	+23	1.44	1.86	1.0	+384	Triton Gold Ltd	19	25	4-1	5.5	1.8	+206	0.17	4.66	1.0	+12
Oz Brewing	3.3	20	3-1	1.0	0.0	+999	0.00	9.99	1.0	+82	Union Resources Ltd	0.8	2.0	1-1	0.1	0.1	-24	1.00	2.26	1.0	+144
Pacific Ore Ltd	3.0	5.0	2-10	1.2	2.5	-52	1.76	1.09	1.0	+29	Uran Ltd	7.0	8.0	2-8	3.2	5.2	-38	1.39	1.18	1.0	+20
Padbury Mining Ltd	13	20	1-6	7.0	11.1	-37	1.46	1.10	1.0	-20	Uranium Oil & Gas	4.7	20	0-8	0.6	0.1	+740	0.90	4.04	1.0	+793
Padbury Mining Ltd	2.6	2.0	1-6	1.1	1.7	-35	1.33	1.30	1.0	+12	Uraniumsa Ltd	21	25	0-2	2.3						

Australian Warrant / Option Analysis

Living Cell Technologies (codes LCT and LCTO). Living Cell Technologies is seeking to commercialise a treatment for type 1 diabetes using insulin producing pig cells enclosed in a semi-permeable alginate capsule which prevents immune rejection and the need for immunosuppressive drugs. Phase I and Phase IIa trials have been completed in Russia and trials on the first of eight patients in New Zealand was started in October. The NZ patients will be given 2-3 times the initial doses of encapsulated pig islet cells given in Russia.

A Russian subsidiary was established in July this year to facilitate the commercialisation of this diabetes treatment with product registration expected in late 2011 or 2012 and "significant revenue potential within three years".

The company owns disease-free pig herds held at two locations in NZ. Cells from 12-18 piglets (depending upon the patient size and requirements) are needed for each human patient. Retaining female piglets for breeding, and male piglets as a source of cells, would allow the company to increase its breeding stock and cell production about 5-6-fold annually. At present the company can produce enough cells to treat around 30 patients annually, but that could rise to 200 patients in the second year, 1,200 patients in the third year and so on when the treatment is approved and commercialised.

The treatment could be priced around A\$150,000 with the company covering its costs and breaking even with just 78 patients. With 100 patients the company forecasts a profit of \$3.7 million (1.3 cents per share), 250 patients would yield profits of over \$20 million (7.3 cents per share) and 1000 patients would produce an annual profit of over \$100 million (36 cents per share)!

The company sees the potential for peak revenues of around \$1000 million - from treating around 6500-7000 patients annually - although worldwide there are 360,000 new cases annually.

There are 20 million people worldwide with type 1 diabetes. In developed countries the lifetime treatment cost is estimated at \$1 million per patient. Human islet transplant costs US\$250,000 per patient, but is severely limited by the supply of human cells.

Living Cell Technologies made a placement of 25.5 million shares in July 2009 at 16½ cents to raise \$4.2 million and this included 10.2 million of new listed options. These options will allow investors to buy new shares at 24 cents through until 31 December 2010.

With recent progress in patient trials and moves to commercialise a potentially very profitable treatment within the next several years, Living Cell Technologies' share price has risen strongly over recent months.

The issued capital consists of 263.8 million ordinary shares and only 10.2 million of the listed options. The options are therefore fairly inactively traded, but with a lower initial cost, high leverage and a low break-even

rate are an attractive way to take an equity position in this company.

Summary and Recommendation

This is a high risk "start-up" business but with significant potential for profits and strong growth over the next several years. In this high risk/high return situation options can be an attractive way to gain an exposure to the upside capital appreciation potential while limiting the amount of capital initially put at risk. At a later time (i.e. 13½ months, in this case) - when the company should have moved closer to commercialisation and start-up risks should be lower - investors can choose whether or not to exercise the options, invest further capital and remain shareholders to participate in the long term growth potential of the company.

There are, however, only 10.2 million listed options so they are inactively traded and usually in relatively small volumes. If available, however, a few Living Cell Technologies options inserted into your portfolio could be attractive for investors seeking high growth potential and prepared to accept high risks.

Living Cell Technologies



Review of Existing Options

Amcom Telecommunications (codes AMM and AMMO)

As discussed last month, we shall seek to sell all or most of our Amcom Telecommunications options in late November and/or early December - ahead of their final exercise/expiry date of 31 December 2009.

Amcom Telecommunications



New Issue: Kathmandu

The following review was emailed to subscribers on 1 November:

Kathmandu will list on the Australian and New Zealand stockmarkets after its current Initial Public Offering of 166.9-197.4 million shares. The shares will be priced at around 201-232 NZ cents, raising around \$336-458 million - but the final price will be set by institutional bidding and could be higher or lower. \$86 million will be retained by the company, but used to repay *existing* debt, while the balance (after expenses) will be distributed to the existing shareholders (who bought the company from its founder Jan Cameron in 2006).

The shares are available as "firm allocation" from brokers. The offer closes for retail investors on Friday 6 November, with shares to list from 18 November.

Kathmandu has a high market share in its sector, plus generates high profit margins. Growth in store numbers *may* drive future growth . . . but Jan Cameron has indicated her intention to launch a new business (probably in 2011) which could change the competitive environment and impact adversely on both Kathmandu's further growth and future profit margins.

The company predicts further strong growth over the year to July 2010 with a net profit around \$30.9 million (15.5 cents per share) and a dividend of 6.7 cents (plus tax credits). At an issue price of 201-232 cents, that values the shares on a prospective Price/Earnings ratio of 13-15 and a gross Dividend Yield of 4.1-4.8%.

The company has Goodwill in its balance sheet of \$248.9 million (from the purchase of the business by the current Private Equity vendors from the founder in 2006) and even after this float that will *exceed* Shareholders Equity of \$218.3 million (i.e. there will be *negative* net tangible assets). Interest bearing debts will be \$70 million.

Kathmandu is a successful business but these shares appear over-valued, especially in the current market. The existing Private Equity investors are seeking to reduce their ownership from 97.2% to zero (but may retain up to 15%, if the issue isn't fully subscribed). \$85 million will be retained by the company, but not to finance *future growth* just to reduce *existing* high debt levels. Neither is a favourable situation. The existing professional shareholders know the company best and they would rather have cash from selling Kathmandu shares. If they want to sell out completely, why would we want to buy? The market may also become more competitive in future years and growth and profit margins could come under pressure. Kathmandu - with *negative* net assets and interest bearing debts - *may* not be best placed to prosper in a more difficult economic environment.

Summary and Recommendation

As a general rule - that will be right 80-90% of the time - investors should avoid Initial Public Share sales from Private Equity groups. Often these groups have stripped out cash and/or loaded the company up with debts and are flicking the shares on to less knowledgeable "retail" investors. Even where Private Equity groups successfully accelerate growth in a business under their control they will usually *own* the business during that growth phase and use the "exit strategy" of selling on the stockmarket only when the company reaches its full value and future growth prospects begin to decline.

The best guide to the future investment success of any company floating on the stockmarket is to follow the money. *If* the money raised goes to the *company* to help finance future growth and expansion, then the shares are likely to perform significantly better than in floats where the money goes to *existing shareholders* who are selling out.

Kathmandu is a fine company . . . but if the existing investors want to sell *all* of their shares and walk away from the business with a big pile of cash, then we doubt that doing the opposite (i.e. buying Kathmandu shares) is really a good idea. The shares also look relatively expensive in the current market which offers many better investment opportunities. Avoid.

Dividend\$

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Goodman Property	2.125	03-12	17-12	0.06451
GuocoLeisure	\$S0.015	-	18-11	Nil
Hallenstein Glasson	11.00	04-12	11-12	Full
Kiwi Income Properties	3.75	30-11	18-12	0.75
New Image	1.00	-	-12	
Oyster Bay	10.00	30-10	13-11	Nil
Restaurant Brands	4.50	06-11	20-11	Full
TrustPower	19.00	27-11	11-12	6.00
Wakefield Health	8.00	27-11	04-12	Full
Warehouse Group	5.50	06-11	18-11	Full
Warehouse Group special	10.00	06-11	18-11	Full
<u>Australian Shares</u>				
TFSCorporation	3.00	26-11	22-12	
Village Roadshow pref.	9.00	12-11	02-12	

Next Issue:

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