

Market Analysis

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Inside Market Analysis

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Summary and Recommended Investment Strategy.

Remain invested in the recommended New Zealand and Australian shares, but with a 5-10% cash reserve which we shall probably re-invest in new shares over the months ahead.

Investment Outlook.

Sentiment towards the NZ stockmarket has improved slightly over the last month. December's interest rate increase is now widely expected to be the peak, with lower rates in mid-2006 as the economy weakens.

Some domestic shares - for example, retailers - are *out of favour* with investors. While profitability will suffer as the economy weakens - and this may drive share prices lower in the short to medium term - we can already see good value emerging in this sector. While brokers are rating these shares a "Sell", we are looking for an attractive buying opportunity to develop during 2006 when this sector becomes most depressed but when the next cyclical recovery cannot be too far away!

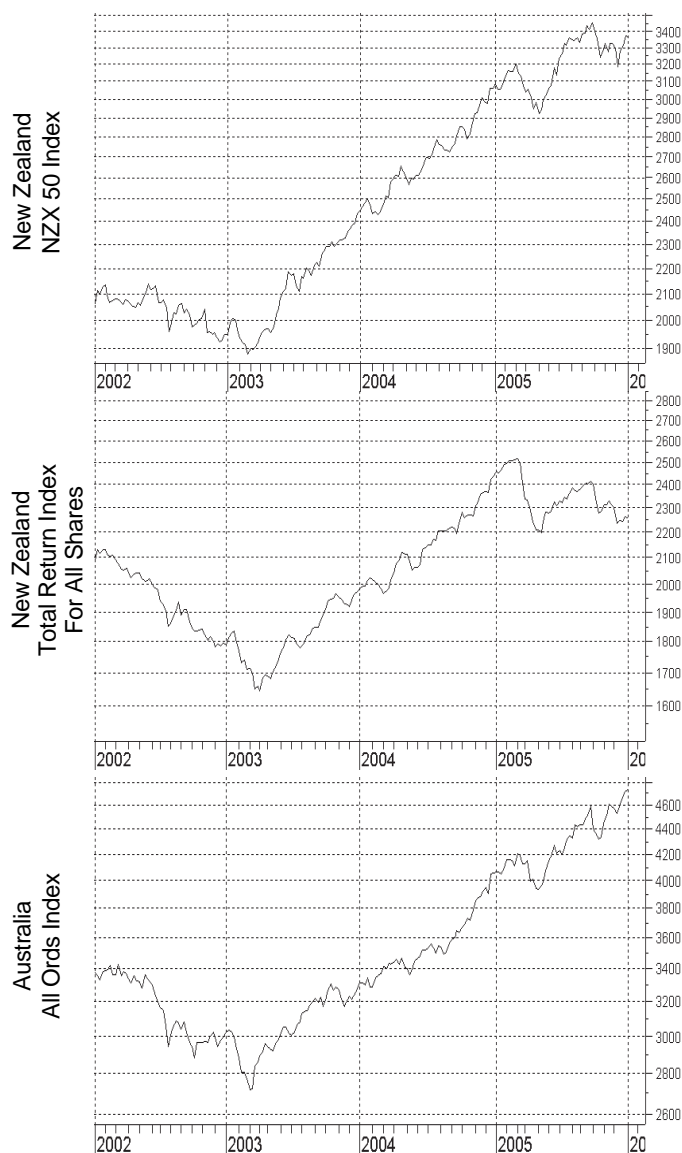
Weakness in the NZ dollar exchange rate is also a popular concern. With relatively high interest rates, we do not expect a major weakening in the immediate future - but exchange rate fluctuations are particularly difficult to predict! Sanford (see our *Company Analysis* on pages 12-13) should make a good investment *when* the NZ dollar falls in value - but with the short term risk of being only marginally profitable at the current exchange rate! Overall a weaker dollar would be good for the business sector, especially for companies with export markets or foreign businesses, but would probably lower consumer spending.

A number of medium sized and smaller company shares have dipped sharply in value over the last six months on both sides of the Tasman. This has been in response to weaker profit results, anticipation of lower economic growth and negative investor sentiment. This provides an interesting investment environment - with the possibility of some more weakness in the short term but many quality shares have come back to values at which we would like to start buying.

Overall we are happy to remain close to fully invested in the recommended shares, but with a 5-10% cash holding from recent sales which will allow us to take advantage of new buying opportunities as they emerge over the coming months.

Stockmarket Forecasts

	One-Month	One-Year
Australia:	73% (Bullish)	70% (Bullish)
New Zealand:	62% (Bullish)	44% (Neutral)



Recommended Investments

Our "Recommended Portfolio" recorded its 8th consecutive annual gain during 2005, albeit with its lowest gain over this period. Overall the portfolio rose just +3.8%.

This compares with a 10.9% gain by the NZX50 index (which *overstates* returns by a couple of percent by including tax credits), an 8.3% *decline* by our SRC Total Return index (which measures the performance of all NZ shares and shows the weakness by medium sized and small company shares over recent years) and a 16.6% gain by the Australian All Ordinaries index.

While there are always a few big winners and big losers each year, during 2005 our portfolio experienced a greater than normal spread of results: The bigger gains last year were AUO/CEY up +77.8%, TRS up +77.4%, ATP up +64.7%, IAS up +48.4%, SKE up

+46.2% and RNS up +45.1%. Amongst the losers, SNN was down 66.5%, LRX lost 57.9%, RHD fell 42.3% and AJL was down 44.1%.

Shares *are* volatile investments, so annual returns can fluctuate widely. Furthermore, we make no attempt to *index* our portfolio or to match market returns in any particular period - we simply seek to maximise our long term returns. We focus upon medium sized and smaller company shares, which offer the best expected long term returns, but short term performance often varies from the larger company shares that make up the indices.

Despite last year's poor result, over the last three years our "Recommended Portfolio" has produced a +96% gain, significantly outperforming the overstated 69% increase in the NZX50, the 25% gain by the TRI and 56% gain by the All Ords. *(Continued on Page 4)*

Portfolio of Recommended Investments

CURRENT ADVICE	Company	Initial Recommendation		Performance 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	C	200.5	1.3	3.88	9	6.1	39	11.3	+101%
HOLD+	Cavalier Corporation	CAV	05/12/95	156*	C	65.5	0.5	0.93	10	13.7	295	173.0	+200%
HOLD+	Colonial Motor Company	CMO	10/11/92	150	C	27.9	0.5	0.21	11	11.2	292	281.8	+283%
BUY	Lytelton Port Company	LPC	12/12/00	150	C	102.3	0.6	2.77	16	9.1	180	54.3	+56%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91	46*	A	38.7	0.3	1.11	18	4.4	785	173.0	+1983%
BUY	Nuplex Industries Ltd	NPX	11/02/97	350	B	76.7	0.5	0.38	12	8.6	460	127.5	+68%
HOLD+	Renaissance Corp	RNS	13/08/96	85*	B	38.2	0.7	0.45	23	7.8	140	29.9	+100%
HOLD+	Richina Pacific	RPL	03/11/95	94*	D	148.7	1.1	0.14	17	3.6	56	11.4	-28%
HOLD	South Port New Zealand	SPN	13/02/96	120	C	26.2	0.8	2.35	16	8.0	121	81.5	+69%
HOLD	Steel & Tube Holdings	STU	08/08/00	146	D	88.1	0.5	0.81	10	11.8	405	132.0	+268%
HOLD+	Taylors Group Ltd	TAY	09/11/99	102	C	24.3	0.6	0.65	12	11.1	175	50.0	+121%
Australian Shares (in Aust cents)													
HOLD	AJ Lucas Group	AJL	13/05/03	120	C	51.6	0.9	0.63	NE	3.9	91	20.5	-7%
BUY	Atlas Pacific Ltd	ATP	14/05/96	73	D	87.8	1.5	4.00	NE	Nil	27	8.0	-53%
HOLD	Austin Group Ltd	ATG	08/02/05	93	B	62.2	1.1	0.62	9	9.8	61	4.0	-30%
BUY	Campbell Brothers Ltd	CPB	12/10/99	406*	B	49.5	0.4	0.95	21	3.9	1081	192.6	+214%
BUY	Candle Australia	CND	08/04/03	86	A	45.9	0.7	0.49	16	4.7	246	23.5	+213%
HOLD+	Cellnet Group Ltd	CLT	12/02/02	152	B	51.0	1.0	0.09	9	6.9	102	31.5	-12%
HOLD+	Centennial Coal Ltd	CEY	16/01/01	70*	B	268.5	0.5	1.50	19	3.6	362	13.0	+436%
HOLD	Circadian Technologies	CIR	10/02/04	188	D	40.1	0.9	N/A	NE	Nil	115	65.0	-4%
HOLD	Commander Comm.	CDR	11/09/01	92	C	170.2	0.8	0.55	14	3.0	197	17.2	+133%
BUY	Computershare Ltd	CPU	12/08/03	189	B	594.9	0.6	3.57	39	1.6	670	21.5	+266%
BUY	Int'l AllSports	IAS	11/02/03	180	C	66.4	1.3	0.05	NE	Nil	46	4.0	-73%
BUY	Iluka Resources Ltd	ILU	12/10/04	471	B	232.9	0.6	2.14	20	2.8	780	22.0	+70%
BUY	Keycorp Ltd	KYC	10/08/04	123*	C	81.6	1.0	0.85	19	Nil	146	Nil	+19%
HOLD+	LongReach Group Ltd	LRX	11/01/05	23½	C	174.5	2.6	0.48	76	Nil	10	Nil	-59%
BUY	Melbourne IT	MLB	10/02/04	53	B	52.8	0.7	1.23	19	3.9	140	10.5	+184%
HOLD	M.Y.O.B. Ltd	MYO	15/07/03	84*	B	386.1	0.9	3.14	38	2.2	102	2.3	+24%
HOLD	Ross Human Directions	RHD	14/08/01	92	B	81.7	1.1	0.13	9	7.1	56	21.0	-16%
HOLD	Skilled Engineering	SKE	12/03/02	126	A	100.5	0.5	0.46	29	4.2	383	57.5	+250%
HOLD	Sonnet Corporation	SNN	07/09/04	31½	C	137.3	2.6	0.33	5	16.9	9	3.0	-63%
HOLD+	Technology One Ltd	TNE	11/11/03	44	B	299.4	1.2	3.00	16	5.5	56	6.0	+41%
HOLD+	The Reject Shop Ltd	TRS	11/01/05	257	A	25.1	0.7	0.54	16	3.9	439	17.0	+77%
HOLD-	Toll Holdings	TOL	08/09/98	60*	B	330.2	0.5	1.23	22	1.8	1448	90.5	+2464%
HOLD	UXC Limited	UXC	11/01/00	55*	B	161.4	0.9	0.60	12	6.1	90	29.5	+117%
BUY	Vision Systems Ltd	VSL	10/11/98	69*	A	179.4	0.8	1.86	50	2.4	176	32.5	+202%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +217.2%. This is equal to an average annual rate of +41.3%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 35 current and 132 closed out) is +32.6%, compared with a market gain of +8.5% (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) LongReach notes (LRXGA) last traded at 12 cents.

Recommended Investments (Continued from Page 3)

Colonial Motor Company has agreed to purchase the business of **Metro Ford**, which operates in the Porirua Basin and Kapiti Coast, plus the Parumoana Street property in Porirua from which it operates. This motor vehicle dealer will be merged into the company's **Capital City Ford** business.

Australian Shares

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

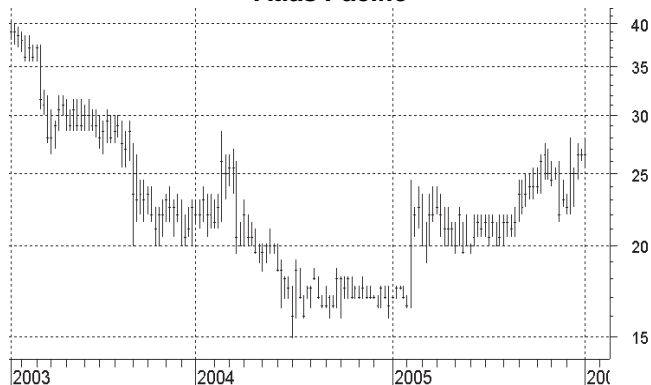
Atlas Pacific's Shareholder Update for December was particularly optimistic. The company - which has returned to profitability and declared a dividend - has "grown from strength to strength" over the year and the directors expect "even better things to come in 2006" with "further significant improvement in revenue and profit as more pearls are harvested and sold".

There was a "significant improvement in quality, and consequently price" for pearls from the recent harvest, with "exceptional consistency in colour with over 99% being white". Atlas Pacific believes this is the highest percentage of any South Seas pearl farmer, and the results of its selective breeding programme.

Over the last year the company has seeded in excess of 350,000 oysters - up from about 300,000 in 2004 and 200,000 in 2003. Pearls are harvested 2-3 years after seeding, so this will lead to growing revenues and profits over the next few years.

Breeding at its *Penyabangan* hatchery and joint venture hatchery in West Lombok during September produced "commercial numbers of young oysters". These have since been graded and the company is "very happy with the results to date". Further breeding was scheduled for December and January.

The new pearl farm at *Karang Asem* now holds 60,000 oysters and development of this farm will be completed by the middle of the year. A third pearl farming site near *Nusa Lembongan* island is being developed, together with a joint venture tourist operation with **Bali Hai Cruises**. Development started in November and the tourism venture will commence next month (i.e. February 2006). The tourism venture could bring "in excess of 100 guests daily" and this will promote the company's pearls and boost its pearl jewellery manufacturing and marketing business.

Atlas Pacific

Austin Group has issued a profit warning. Lower than expected sales in November and December will see revenues down 15% for the first half to December 2005, with profits down almost 50% on the same period last year. The problem is a "disappointing performance" by the Menswear division. A complete review of that

division is now being undertaken.

Despite this sharp downturn in a small part of the business the Austin Group's directors "anticipate maintaining" the interim dividend at 3.0 cents owing to the "strong balance sheet and low level of debt".

Campbell Brothers has reported that shareholders applying for additional shares in the recent cash issue were given all of the extra shares sought. This surprises us as we expected there would be only a small number of shares available. This was a renounceable issue and the rights had value, so we would have expected shareholders to either take up their entitlements or to sell the rights on-market. Some shareholders obviously allowed their valuable rights to expire and these were available for other shareholders to apply for additional shares at 900 cents.

Campbell Brothers reports greater difficulty finding laboratory acquisitions as private equity funds are becoming more interested in the industry. The company is seeking businesses that will take the group into a "new region" or which "added expertise". It is focusing upon the European environmental testing market which is worth around \$1,800 million annually. This is a fragmented market with, for example, 2000 laboratories in Germany competing for \$800 million in annual business. Campbell Brothers is seeking to buy a "medium sized" German environmental testing laboratory, with "some depth of management and systems" as a base from which to expand in this sector.

Cellnet Group believes its reorganisation is now about 70% complete. The first half result to December 2005 is expected to show a small profit of \$0.7-1.2 million - down 80-90% on last year - mainly owing to the cost of discounting to sell excess and slow moving inventory. The benefits of the changes - previously expected "in the June 2007 financial year" - are now forecast to show in the current half year (i.e. to June 2006) "when it is expected that profitability will start an upward trend".

Commander Communications has made a hostile takeover bid for **Volante Group**, offering 101 cents per share - or \$129.7 million in total for the company. This is widely seen as an "opportunistic" and "low bid" and Volante Group's shares are trading around 111 cents in anticipation that Commander Communications will increase its offer.

This is a larger than normal acquisition for Commander Communications which describes Volante Group as "complementary to our business". That is another way of saying that its IT hardware and managed services businesses don't have too much in common with Commander Communication's current telecommunications, internet and data businesses. The bid is conditional on 90% acceptances, but Commander Communications has indicated that it may be happy to get at least a 50.1% controlling stake.

To partially fund this acquisition, Commander Communications has placed 22,050,954 shares at 200 cents - a 5.2% premium to its market price at the time - to raise \$44.1 million. The balance of the acquisition will be debt funded.

Computershare has paid £20 million (i.e. 85% in cash, 15% in shares) to acquire **Interactive Meetings**,

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a "key player in the European meetings technology market". Interactive Meetings has developed "audience response systems" - such as wireless shareholder voting - targeting AGMs and is currently involved with 1000 meetings annually in the UK. It also has distributors in the US, Canada, Japan, South Africa, Australia and Belgium, but Computershare is a better partner to take this technology global.

The business will be "marginally EPS accretive in the first year" which in plain English means current profits will slightly exceed the interest cost on money borrowed to fund this acquisition. That would equal a Price/Earnings ratio of 20-25, but revenues and profits should be capable of growing rapidly over many years so this should prove a good expansion for the group.

Computershare has also expanded its AGM services in Europe with the acquisition of the German company **SLS Group** for Euros 14.85 million (A\$24 million).

International All Sports - which we upgraded to a "Buy" two months ago - has reported more good news confirming its improving fortunes. In a short statement the company re-instated dividend payments "from current period earnings" of 1.5 cents. The shares are now ex-dividend which will be paid on 20 January.

This announcement *confirms* the return to profitability and the payment of a dividend is an even more favourable development. "Profit" is simply the result of applying accounting rules that measure revenues and expenses - but there is no obligation on a company to *ever* pay a dividend. A dividend also requires a company to transfer real cash from its bank account to its shareholders. So a company can manipulate its accounting to report a profit, but the payment of a dividend confirms that a company is in a sound financial position and indicates that the directors *expect* future positive cashflows and profitability. "Buy".

International All Sports



LongReach Group reported a 30.2% increase in revenues (from its continuing businesses) to \$7.8 million for the six months to September 2005, but profits from this Networks/Wireless business fell 77.9% to \$494,000 (0.3 cents per share). No dividend will be paid for the period. The net operating cash surplus was \$396,000.

The second half of the year has started well with the company earning strong revenues from equipment delivered in October and November.

Skilled Group has upgraded its profit forecasts, increasing its earlier prediction that earnings (before interest, tax and depreciation) would rise 15-25% to now expect a 25-30% increase to around \$42-44 million. We

estimate that would give a net profit 30-43% higher at \$17½-19 million (17-18½ cents per share).

Skilled Group under-performed from late 2003 until mid-2005 owing to its restructuring and initial problems with its *Origin Healthcare* acquisition. The business is now back on track and the share price has risen 40% since we upgraded them to a "Buy" in July 2005. In fact, even allowing for the expected 30-43% profit increase this year the shares are now starting to look a little expensive relative to other similar listed companies, so we are downgrading our recommendation to "Hold".

Investors who are heavily over-weighted in Skilled Group - which is up 3½-fold in just four years - may wish to consider selling 25-35% of these shares to realise partial profits and improve their portfolio diversification.

Skilled Group



Toll Holdings has extended its takeover for **Patrick Corporation** to 1 February.

Toll Holdings together with **POSCO Engineering & Construction** and an unnamed "major Japanese industrial group" are carrying out a feasibility study to establish a new deep water port at Oakajee (23km north of Geraldton) in Western Australia and rail links to iron ore projects being developed by **Murchison Metals**. The cost of these rail and port facilities would probably exceed \$1.1-1.3 billion.

UXC has won a contract worth over \$6 million to develop and support a new system to administer entitlements and allowances for Parliament.

UXC has also negotiated to acquire **Oxygen Business Solutions** from **Carter Holt Harvey** for an undisclosed cash consideration, plus a deferred incentive to *management* and *staff* based upon earnings for 2006 and 2007. The business provides *SAP* consulting, with 140 professional staff and annual revenues in excess of \$25 million. This acquisition will be "immediately EPS positive".

UXC



"Insider" Trades in Australian Shares

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

"Insider" Indicators

Last 5 wks: 81.3% Buyers
Last 13 wks: 81.2% Buyers

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
1300 Smiles Ltd	0-1	Ausdrill Ltd	1-0	Buka Minerals	6-0	Cooper Energy	1-3	Foster's Group	1-0
A.P. Eggers	1-0	Auselect Ltd	1-0	Bullion Min.	11-0	Copper Strike	1-0	Fox Resources	5-0
ABB Grain Ltd	3-0	Ausmelt Ltd	1-0	Bunnings W/hse	4-0	CopperCo Ltd	3-0	Frigrite Ltd	1-0
ABC Learning	6-2	Auspine Ltd	4-0	C.S.R. Ltd	1-0	Corp Express	1-2	Funtastic Ltd	1-3
AED Oil Ltd	4-0	Ausquest Ltd	3-0	CBH Resources	1-3	Cougar Metals	1-0	Futuris Corp.	1-0
AFT Corporation	1-0	Ausron Limited	6-0	CCI Holdings	1-0	Coventry Group	3-0	G Retail Ltd	2-0
AHC Ltd	0-1	Aust Oriental	2-0	CDS Tech	0-3	Creatable Media	2-0	G.R.D. NL	7-1
AI Limited	2-1	Aust Mining Inv	1-0	CEC Group Ltd	0-1	Credit Corp	2-0	G.U.D. Holdings	2-1
AMCIL Limited	3-0	Aust United In	2-0	CMA Corporation	2-0	Cromwell Corp	0-1	GPT Group	1-0
AMP Ltd	3-0	Aust Stock Exch	1-2	CMI Limited	1-0	Cryosite Ltd	2-0	GWA Internat'l	3-0
ANZ Bank	2-1	Aust Energy	0-3	CO2 Group Ltd	0-2	Customers Ltd	0-2	Gale Pacific	11-0
APN News Media	4-0	Aust Ethical In	0-1	CPT Global Ltd	1-0	Cygenics Ltd	3-0	Galleo Shop Am	0-1
ARB Corporation	1-0	Aust Education	4-0	CSL Limited	1-2	Cypress Lakes	0-1	Garratt's Ltd	3-0
ASG Group Ltd	2-0	Aust Gas Light	1-0	CVC Limited	3-0	Cytopia Ltd	1-0	Gateway Mining	2-0
AV Jennings	2-0	Aust Foundation	1-0	Cabcharge Ltd	0-5	D'Aguliar Gold	1-0	Gazal Corp	7-0
AWB Limited	3-0	Aust Wealth Mgt	9-0	Calliden Group	1-0	DCA Group Ltd	0-8	Genetic Tech.	3-0
AXA Asia Pac	1-2	Aust Agricult.	9-0	Caltex Austria	1-0	DKN Financial	1-0	Gindalbie Met.	0-1
Abra Mining Ltd	2-0	Aust Pharm. Ind	1-0	Campbell Bros	3-2	Dark Blue Sea	3-0	Gippsland Ltd	0-1
Access Provider	2-0	Aust Zircon NL	1-0	Candle Aust.	3-0	Data 3 Ltd	1-2	Gippsland Off.	0-1
Acrux Ltd	1-0	Aust Infra.	1-0	Capral Alum.	2-0	Datadot Tech.	2-0	Giralia Res.	1-0
Adamus Resource	0-1	Austal Limited	2-1	Cardia Tech.	1-2	De Grey Mining	0-5	Global Mining I	0-1
Adcorp Aust.	2-0	Austar United	0-1	Cardno Ltd	9-2	Deep Yellow Ltd	2-3	Global Approach	4-0
Adelaide Bright	9-0	Australand Prop	1-0	Carlton Invest	0-1	Deep Sea Fish.	1-0	Gloucester Coal	6-0
Admerex Ltd	2-0	Avastra Ltd	3-0	Carmarvon Pet.	4-0	DenX Ltd	5-0	Go Connect Ltd	1-0
Admiralty Res.	2-0	Avatar Indust.	2-0	Carpathian Res.	6-0	Desane Group	0-2	Gold Aura Ltd	3-0
Adsteam Marine	1-0	Avexa Limited	7-0	Carrick Gold	7-0	Destra Corp Ltd	3-0	Golden Cross	2-0
Adtrans Group	2-0	Axiom Property	1-0	Caspian Oil & G	8-1	Devine	2-0	Goldstream Min.	0-1
Adv Magnesium	1-0	Aztec Resources	2-0	Catalyst Rec'mt	1-0	DiaB Tech Ltd	1-0	Goldsearch Ltd	2-0
Adv Nanotech.	3-0	B & B Infrastr.	4-0	Cazaly Res Ltd	3-2	Diamonex Ltd	1-0	Gowing Brothers	2-0
Aequs Capital	2-0	BBX Holdings	4-0	Celastis Ltd	0-2	Diatreme Res.	0-2	Grange Resource	16-1
Aevum Ltd	3-0	BOT Solutions	7-0	Celnet Group	1-3	Diario Explor.	4-1	Gravity Diamond	1-0
Affiance Group	0-1	Bakehouse Quart	13-0	Centamin Egypt	1-0	Discovery Nick.	1-0	Greater Pacific	2-4
Agenix Limited	5-0	Baraka Petrol.	1-0	Centennial Coal	1-0	Dominion Mining	3-0	Green Rock En.	2-0
Aim Resources	4-0	Bass St Oil Coy	0-2	Centro Property	7-1	Centro Property	7-1	Green's Foods	11-0
Albidon Ltd	3-0	Batavia Mining	7-5	Centro Retail	3-0	Drake Resources	1-0	Gregory Aust.	3-0
Alcaston Mining	7-0	Baxter Group	1-2	Century Aust In	2-0	E-Bet Limited	5-0	Gro Pep Limited	2-1
Alchemia Ltd	0-1	Baycorp Advant.	2-1	Ceramic Fuel C.	1-0	E.R.G.	2-0	Gryphon Mineral	1-0
Ale Property	6-0	Beach Petroleum	2-1	Chal Wine Trust	1-0	EC-Asia Int'l	1-0	Gt Stn Plant'n	2-1
Alesco Corp Ltd	5-2	Beaconsfield GI	1-0	Chal Financial	1-0	ETRADE Aust.	1-0	Guinness Peat	0-1
Alexander Res.	2-0	Becker Group	1-0	Chandler McLeod	0-1	Eastern Corp	2-0	Gullewa Gold NL	1-0
Alinta Limited	2-1	Bendigo Bank	0-3	Chariot Limited	1-0	Echelon Res.	2-1	Gunns Ltd	4-2
Alkane Explor.	3-0	Bendigo Mining	2-0	ChemGenex Pharm	1-0	Elkix Petrol.	2-0	Gunson Res.	0-1
Allegiance Min.	0-1	Benitec Ltd	1-2	Chemeq Ltd	0-1	Elkedra Diamond	2-0	Hamilton James	1-0
Allied Tech Grp	2-0	Bentley Int'l	10-0	Cheviot Bridge	6-0	Ellex Medical	7-0	Hampton Hill	2-0
Allied Gold Ltd	2-0	Berkeley Res.	3-0	Childs Family	0-2	Emperor Mines	2-0	Hannans Reward	1-0
Alpha Tech.	7-0	Betcorp Ltd	10-0	Chiquita Brands	2-0	Ent Media & Tel	0-5	Hardman Res.	0-1
Altium Limited	2-0	Beyond Int'l	3-0	Choiseul Inv.	3-0	Entek Energy	3-0	Harrington Grp	1-0
Alumina Ltd	0-1	Bill Express	1-0	Circadian Tech	2-1	Envestra	1-0	Harvey Norman	0-1
Amalgamated Hld	1-0	Billabong Int'l	0-2	Citic Australia	0-1	Environ'mt Grp	1-0	Hastie Group	2-0
Ambertech Ltd	2-1	Biodiem Ltd	1-0	Citrofresh Int.	0-1	Environ Limited	2-0	Heartware Ltd	9-0
Ambition Group	1-0	Biomd Ltd	1-0	City Pacific	2-1	Equigold NL	4-0	Heemskirk Cons.	1-0
Ambri Limited	2-0	Biometrics Ltd	2-1	Clime Capital	1-0	Equinox Min.	1-0	Helix Resources	2-0
Amcom Telecom.	0-2	Bionomics Ltd	1-0	Clinical Cell	2-0	Equity Trustees	5-0	Henderson Group	1-0
Amcor Ltd	1-0	Biota Holdings	2-0	Clover Corp.	6-0	Espreon Ltd	0-1	Heron Resources	1-0
Analytica Ltd	6-0	Biotech Capital	1-0	Cluff Resource	0-1	Essa Australia	3-2	Hill End Gold	4-0
Anglo Pacific	1-0	Biron Apparel	1-0	Coates Hire	1-0	Eumundi Group	2-0	Hillcrest Litig	2-0
Angus & Coote	1-0	Blackmores Ltd	3-0	CocaCola Amatil	0-1	Eurogold Ltd	4-0	Hillgrove Res.	2-1
Ansell Ltd	0-2	Black Range Min	0-2	Cochlear Ltd	4-0	Evans & Tate	5-0	Hire Intell.	11-0
Antares Energy	13-0	Blaze Intern'l	1-0	Codan Ltd	1-0	Everest B&B Alt	13-0	Hodges Res.	1-0
Anvil Mining	0-2	Blina Diamonds	2-0	Coffey Int'l	2-1	Exco Resources	5-0	HomeLeisure Ltd	5-0
Anzon Australia	1-0	Bluescope Steel	4-0	Cogstate Ltd	1-0	Extract Res.	1-0	Homeloans Ltd	3-0
Apex Minerals	1-0	Bluestone Tin	3-0	Colorado Group	1-0	F.F.I. Holdings	2-0	Horizon Oil Ltd	1-0
Apollo Life Sci	1-0	Bone Medical	1-0	Colorpak Ltd	1-0	FSA Group Ltd	0-1	Hostworks Group	0-5
Aquarius Plat.	0-1	Boom Logistics	1-2	Com'wealth Bank	0-1	Falcon Minerals	3-1	Hpal Limited	0-1
Aquila Res.	1-0	Bounty Oil Gas	1-0	Comet Resources	1-0	Farm Pride Food	1-0	Hudson Timber	1-0
Argo Investment	1-0	Bow Energy Ltd	3-0	Comet Ridge Ltd	4-0	Fast Scout Ltd	1-0	Hudson Invest.	1-0
Aristocrat Leis	5-0	Bradken Ltd	3-0	Commander Comm.	0-2	Felix Resources	3-1	Hudson Res. Ltd	0-1
Arrow Energy	1-0	Brain Resource	2-0	Community Life	8-0	Fiducian P Serv	4-0	Hunter H Global	1-0
Aspen Group Ltd	7-3	Brambles Ind.	3-0	Compass Res	2-0	Financial Res.	6-0	Hunter Hall Int	0-2
Atlas Gold Ltd	13-0	Brandrill	5-0	Computershare	3-1	Finbar Intern'l	5-1	Huntley Invest	1-0
Atlas Grp Hold.	3-6	Brazin Limited	5-0	Compumedics Ltd	1-0	First Aust Res.	2-0	Hut. Child Care	1-0
Atlas Pacific	3-0	BresaGen Ltd	2-0	Concept Hire	1-0	Fleetwood Corp	1-2	Hutchison Tel.	2-0
Audax Resources	1-0	Brickworks Inv.	3-0	Cons Rutile	1-0	Flight Centre	1-0	Hydromet Corp.	7-0
Aurora Minerals	1-0	Brickworks Ltd	2-1	Cons Minerals	2-3	Folkestone Ltd	1-0	Hyperion Flag.	3-0
Aurox Resources	6-2	Buderim Ginger	7-0	Contango Micro.	0-1	Fortescue Metal	0-1	IBA Health Ltd	1-0

Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers	Company	Insider Buyers-Sellers
IC2 Global Ltd	1-0	Macquarie Bank	6-4	OAMPS	1-5	Resources Min.	3-0	Tandou Ltd	0-1
IFC Capital Ltd	3-4	Macquarie DDR	2-0	OBJ Limited	0-3	Resource Pac.	4-0	Tap Oil	2-3
IMF (Aust) Ltd	0-3	Macquarie Infra	3-0	OFM Investment	3-0	Retail Cube	6-0	Tasman Resource	2-0
IMT Holdings	2-1	Macquarie Prol.	1-0	OM Holdings	3-0	Rimfire Pacific	1-0	Tasmanian Perp	1-0
IOOF Holdings	2-1	Macquaries C&I	1-0	ORT Ltd	1-0	Rinker Group	2-0	Tassal Group	2-0
IT & e Limited	3-0	Macquarie C Tel	1-0	Oakton Limited	1-0	Riversdale Min.	7-0	Tawana Resource	7-0
ITL Limited	7-0	Macquarie Priv.	8-0	Occupational Md	3-0	Roberts Ltd	4-0	Tectonic Res.	3-0
IWL Limited	4-0	Macquarie Off.	2-1	Oceana Gold Ltd	4-0	Roc Oil Company	0-3	Templeton Globa	2-0
Ilatia Limited	0-2	Magnesium Int'l	1-0	Oilex NL	7-0	Rock Build Soc.	1-0	Ten Network	0-5
Iberian Res.	1-0	Malachite Res.	1-0	Oldfields Hold	1-0	Ross Human Dir.	3-0	Tennant Creek G	1-3
Ideas Intern'l	1-0	Marengo Mining	2-0	Olympia Res.	1-0	Rox Resources	1-0	Tethyan Copper	3-0
Iluka Resources	1-0	Mariner Fin.	5-0	Omegacorp Ltd	1-0	Rural Press Ltd	1-0	Thundelarra Exp	5-0
Image Resources	9-7	Marine Produce	4-0	Onesteel Ltd	0-1	Ruralco Hold.	2-0	Tianshan Gold.	3-0
Imdex Limited	1-0	Mariner Wealth	3-2	Optima Corp Ltd	2-0	Rusina Mining	0-3	Tiger Resources	1-3
Impress Venture	7-0	Marion Energy	1-0	Optima ICM Ltd	2-1	S Gilbert Wines	1-0	Timbercorp	0-2
Incitec Pivot	1-2	Mark Sensing	1-0	Optiscan Image	8-0	S8 Limited	4-0	Toll Holdings	0-1
Incremental Pet	3-0	Maryborough Suga	0-1	Orchard Petrol.	0-1	SDI Limited	1-0	Tomahawk Energy	2-0
Ind Practition.	0-1	Matilda Mineral	2-0	Orchid Capital	7-0	SFE Corporation	7-0	Traka Resources	1-0
Independ. Group	0-1	Maxi TRANS	1-2	Orica Ltd	1-2	SMS Mgmt & Tech	1-0	Transol Corp	1-0
Info Choice Ltd	3-1	Mayne Pharma	2-0	Orion Telecom.	3-1	SP Telecom.	4-0	Transonic Trav.	2-0
Infomedia Ltd	0-1	McGuigan Simeon	2-0	Ottoman Energy	2-0	SSH Medical Ltd	3-0	TransMetro Corp	1-0
Int Research	1-2	McPherson's Ltd	2-1	Oxiana Ltd	1-0	ST Synergy Ltd	0-1	Transurban Grp	2-0
Integrated Inv.	1-0	Medec Limited	0-7	P-Svida Ltd	0-1	STW Comm Group	0-2	TransPacific In	1-0
Integrated Grp	7-0	Medical Therapy	2-0	PCH Group	1-2	Safety Medical	1-0	Tranzact Fin.	2-0
Intellect Hold	0-2	Medical Corp	0-2	PMP Limited	7-3	Sally Malay Min	1-2	Travel.com.au	3-2
Intermin Res	5-0	Medical Dev Int	6-0	Pacifica Group	6-0	Salmat Ltd	6-0	Treasury Group	0-6
Investa Prop.	6-0	Medivac Ltd	2-0	Pacific Brands	3-0	Sam's Seafood	0-1	Trent Capital	9-0
Investika Ltd	7-0	Melbourne IT	0-1	Pacific Energy	3-0	Santos Ltd	1-0	Tri Origin Min.	2-0
Invocare Ltd	0-1	Mermaid Marine	6-1	Pacrim Energy	2-1	Saracen Mineral	2-0	Triako Res.	1-0
Ironbark Cap.	6-0	Metabolic Phar.	4-0	Paladin Res.	1-3	Scantech	2-0	Tribeca Learn.	1-0
JB Hi-Fi Ltd	2-0	Metals Exp.	2-0	Pan Pacific Pet	1-0	Schaffer Corp	1-0	Tritton Res.	0-1
JF Meridian Trt	2-0	Metallica Min.	3-0	Panbio Ltd	2-0	Scigen Ltd	0-3	Trojan Equity	1-0
JV Global Ltd	1-0	Metcash Trading	0-3	Paperlin X Ltd	2-0	Scimitar Res.	2-0	Troy Resources	0-4
Jackgreen Ltd	3-0	Meteorite Res.	6-0	Peet & Company	1-0	Select harvest	5-0	Two Way TV Aust	0-2
Jackson Gold	1-0	Metex Resources	1-0	Pengana Hedge.	1-0	Select Vaccines	2-0	UXC Limited	0-2
Jervois Mining	0-2	Metroland Aust	1-0	PeopleBank Aust	1-0	Senetas Corp	2-3	Union Resources	3-6
Jindalee Res.	4-1	Michelago Ltd	1-0	People Telecom	2-0	Servcorp Ltd	4-0	United Group	2-0
Joyce Corp.	3-0	Microview Ltd	1-0	Peplin Ltd	2-0	Seven Network	1-0	United Kimberly	4-0
Jubilee Mines	1-3	Midas Resources	1-0	Peptech Limited	2-0	Siberia Mining	1-0	Universal Res.	0-3
Jumbo Corp	0-4	Mikoh Corp.	2-0	Perp Trust Aust	4-1	Sino Gold Ltd	5-1	Unwired Group	2-0
Jupiter Energy	3-0	Millers Retail	5-0	Perseus Mining	6-0	Sirius Telecom.	3-0	Uranex NL	1-0
Just Group Ltd	7-1	Milton Corp.	1-0	Petratherm Ltd	1-0	Skilled Group	8-0	Uscom Limited	1-0
KH Foods Ltd	1-0	Minara Resource	2-0	Pharmaust Ltd	7-0	Skywest Ltd	8-0	Van Eyk Three P	1-0
Keycorp Ltd	1-0	Mindax Limited	1-0	Pharmaxis Ltd	2-0	Smorgon Steel	0-1	VeCommerce Ltd	5-0
Kimberley Diam.	0-5	Minerals Corp.	3-0	Phileo Aust.	2-1	Snowball Group	5-0	Verticon Group	7-0
Kimberley Oil	1-0	Mineral Sec.	1-0	Phosphagenics	3-0	So Natural Food	8-0	Verus Investm't	1-0
Kip McGrath EC	2-0	Minotaur Exp.	1-0	Pipe Networks	1-0	Solagran Ltd	5-0	Viculus Ltd	1-0
Knights Insol.	1-0	Mirvac Group	1-3	Plaspak Group	1-0	Solbec Pharm.	3-0	Vietnam Indust.	4-0
Konekt Limited	1-0	MobileActive	1-0	Platinum Aust	5-0	Solco Ltd	1-3	Village Life	2-0
Korab Resources	1-0	Moby Oil & Gas	0-1	Platsearch NL	1-0	Somnomed Ltd	2-0	Village Road.	0-6
Korvest Ltd	1-0	Molly Mines Ltd	2-0	Polartechnics	1-0	Sonic Health	0-4	Villa World	1-4
Kresta Holdings	4-0	Monarch Res.	2-0	Port Bouvard	1-0	Sonnet Corp Ltd	2-1	Virgin Blue	0-1
Lakes Oil NL	5-0	Monax Mining	1-0	Powerlan Ltd	1-0	Soul Pattinson	4-0	Vision Group	1-2
Landmark White	6-0	Monitor Hold.	2-0	PowerTel Ltd	4-0	Souls Priv Equ	2-0	Visionmed Group	5-0
Lefroy Res.	1-0	Montec Int'l	1-0	Precious Metals	1-3	St Barbara Mine	6-1	Volante Group	10-0
Legend Corp.	2-0	Morn. Star Gold	0-1	Premier Bionics	1-0	Starpharma Hold	1-0	Voxson Limited	1-0
Legend Mining	0-1	Mt Burgess Min.	6-1	Prima Biomed	3-0	Stericorp Ltd	2-0	WHK Group Ltd	0-2
Leighton Hold	0-5	Mt Gibson Iron	0-4	Prime Life Corp	2-0	Sthn Cross Brd.	2-1	WRF Securities	0-1
Lemame Corp	1-0	Multiplex Group	4-1	Pro-Pac Pack.	2-1	Stirling Prod.	1-0	Waterco Ltd	2-0
Lend Lease Corp	1-0	Murchison Metal	0-1	Promentum Ltd	2-4	Stockland	3-1	Watpac Ltd	2-0
Leviathan Res.	10-0	Murchison Hold.	0-2	Promina Group	6-0	Straits Res.	0-5	Wattyl Ltd	1-0
Liberty Gold NL	1-0	NGM Resources	7-0	Prophecy Int'l	5-0	Strike Oil Ltd	1-0	Wavenet Int'l	1-0
Life Therapeut.	8-0	NSX Limited	0-2	Prosperity Res.	1-0	Structural Syst	5-0	Webcentral Grp	0-2
Lighting Corp.	2-0	Namakwa Diamond	1-0	Old Trustees	1-0	Stuart Petrol.	0-1	Webjet NL	2-7
Lihir Gold	1-0	Nat'l Aust Bank	3-0	Q.B.E. Insur.	2-1	Sub-Sahara Res.	1-0	Webspy Limited	1-0
Lindsay Aust	1-0	Nat'l Can	2-0	QM Technologies	2-0	Sun Capital Grp	2-0	Webster Ltd	0-1
Linq Resources	1-0	Navigator Res	2-0	QRSciences Hold	2-0	Sun Resources	2-1	Wesfarmers Ltd	1-0
Lionore Mining	2-6	Neptune Marine	0-2	Qantas Airways	3-0	Suncorp-Metway	3-1	West Gas Power	1-0
Living Cell T.	1-0	Netcomm Limited	4-1	Quantum Energy	1-0	Sundance Res.	0-1	Western Areas	4-2
Loftus Capital	4-0	Neuren Pharm.	2-0	Quay Magnesium	1-0	Sundowner Group	6-0	Westfield Group	0-1
Longreach Group	0-1	Neurodiscovery	5-0	Queensland Ores	1-0	Sunland Group	15-1	Westgold Res.	2-0
Ludowici Ltd	1-0	New Hope Corp.	2-0	Quiktrak Netwks	6-0	Sunshine Heart	1-0	Westmag Limited	2-0
Lynas Corp Ltd	2-0	New Holland Min	3-0	RCR Tomlinson	0-7	Sunvest Corp	1-0	Westonia Mines	3-0
M.Y.O.B. Ltd	1-2	New Horizon En.	2-0	Ramelius Res.	0-2	Supply Network	1-0	Westpac Banking	1-3
M2 Telecom. Grp	2-0	New Opportunity	1-0	Ramsay Health	0-2	Sydney Gas Ltd	3-0	Whitefield Ltd	3-0
MFS Diversified	0-1	New World Alloy	1-0	Range River Gld	1-0	Sylvastate Ltd	5-0	Willmott Forest	1-0
MFS Limited	30-0	Newhaven Hotels	1-0	Red Fork Energy	3-0	Sylvania Res.	1-0	Wilson Leaders	0-5
MFS Living & L.	5-0	Nexus Energy	4-3	Red River Res.	0-1	Symbion Health	1-0	Wilson Inv Fund	5-0
MGM Wireless	0-1	Niagara Mining	0-1	Redflex Holding	1-3	Symex Holdings	1-0	Woodside Petrol	2-0
MMC Contrarian	1-0	Nido Petroleum	0-1	Reece Australia	1-0	Synergy Equity	3-0	Woolworths Ltd	0-1
MXL Limited	4-0	Noni B Limited	1-3	Reed Resources	4-0	Synergy Metals	3-0	Working Systems	2-0
MacMahon Hold	0-1	Novacoat Hold.	4-0	Reef Casino Trt	2-0	TFS Corporation	5-1	Worley Group	0-1
Macarthur Cook	3-0	Novera Energy	6-0	Reefton Mining	0-1	Tabcorp Holding	2-0	Wrigdways Aust	3-1
Macarthur Coal	0-2	Novogen Ltd	1-3	Regenera Ltd	2-0	Tag Pacific	2-0	Xceed Biotech.	3-0
Macmin Silver	1-5	Nuenco NL	0-1	Regis Resources	2-0	Takoradi Ltd	0-1	Yamama Goldfld	3-4
Macquarie Leis.	1-0	Nufarm Limited	6-0	Repco Corp Ltd	1-3	Talent2 Int'l	1-0	Yilgarn Gold	1-0
Macquarie C'Wde	0-2	Nustar Mining	2-0	Republic Gold	1-0	Tamawood Ltd	5-0	Yilgarn Mining	1-0
Macquarie Air.	1-0	Nylex Ltd	4-0	Resolute Mining	1-0	Tanam Gold NL	3-0	Zylotech	3-1

Insiders Buy Depressed Share

Verticon Group (code VGP).

This company went public in December 2004, issuing 41.7 million shares to the public at 120 cents to raise \$50.0 million. All of this cash went to acquire two tower hoist and crane businesses, Queensland based **Seca** and Victoria based **Econ Construction Equipment**. Verticon is seeking further acquisitions to consolidate this fragmented industry.

In April 2005 the company bought six tower and three mobile cranes operated by **Eltrax** in Victoria for \$6.5 million.

In May 2005 it bought four tower cranes operated by an undisclosed NZ construction company for NZ\$1,236,000 and the same month bought **BFB Engineering** - a specialist business manufacturing steel components and providing services for tower cranes - for \$231,000 in shares, plus cash for work in progress.

The company slightly under-performed its prospectus forecast for the six month period to 30 June 2005. Revenues were 3% lower than forecast at \$24.4 million and profits 8% lower than expected at \$4,486,000 (7.1 cents per share). The dividend, however, was raised 12.5% above the prospectus forecast to 4.5 cents.

Since then the company has made two other acquisitions which have been financed with debt:

In September 2005 it acquired Sydney based **Fire Up Cranes & Rigging** for \$4.8 million. That was a Price/Sales ratio of just over 1.0 and a EBITDA multiple of 3.9 - which we estimate to be around a Price/Earnings ratio of 7 which looks to be a reasonably attractive value. The business also has "excellent management" and a "great reputation in the marketplace" but growth was limited by finance to buy additional equipment to meet demand - so the business also has good growth potential.

In December 2005 it bought NZ based **Daniel Smith Industries** for NZ\$41 million - acquired on an EBITDA multiple of 4.6 (i.e. probably equal to a P/E ratio of about 9).

The Directors and management have a large investment in this company - and have been actively buying shares on-market. The Chairman owns 140,000 shares, the Managing Director has 57,000 shares and an executive director (who was a part owner of Seca) owns 2,487,166 shares (4.0% of the company). The two non-executive directors jointly own 15,038,333 shares (24.0% of the company). 14,583,333 of these shares were received at no cost prior to promoting the initial public offering, but 420,000 shares were bought on-market at 69 cents in December and 35,000 shares were previously bought on-market in May at 100 cents.

Two other executives, part owners of the Seca and Econ Construction businesses, own 2,534,166 shares (4.0%) and 1,500,833 shares (2.4%).

There have been seven *insider* buys on-market over

the last year. In addition to the two buys by the major shareholder, the Managing Director bought 27,000 shares on-market at 109 cents in September, while the Chairman bought 20,000 shares at 111 cents in August and 20,000 shares at 101 cents in May.

Despite this bullish *insider* buying, Verticon Group's share price collapsed in October when the directors reported "slower than anticipated" trading for the current year. The forecast earnings per share to June 2006 was downgraded 27-33% from 15 cents to 10-11 cents. On the current share price of 69 cents, however, that rates the shares on a prospective Price/Earnings ratio of just 6-7 which looks very low.

The risks are that having taken on significant interest bearing debt for recent acquisitions the company would need to issue new equity to at least partially finance *future* acquisitions to achieve its goal of consolidating crane businesses. This is clearly unfavourable when the share price is so low.

We are also cautious about buying shares which are so weak. The shares are in a strong downtrend - the Relative Strength rating is -18.6%, ranked 93. Very weak shares can continue to under-perform and sometimes this price weakness anticipates future problems for the company.

Summary and Recommendation

There are some financial and operational risks in this business, but the market does appear to be pricing the shares too cheaply. *Insider* buying would suggest there was good value in the shares at around a dollar and after the profit downgrade *insiders* bought more shares at 69 cents.

Nevertheless, we would rather see the share price stabilise - and perhaps start to recover - before investing heavily in this company. Verticon Group shares, however, are worth watching and could become suitable for purchase as a high income and recovery situation in mid to late 2006.



Company Analysis: Sanford and the Exchange Rate

Sanford Ltd (code SAN).

New Zealand based fishing company Sanford is a well managed and usually very profitable business but suffers from a number of potential problems - including a high sensitivity to the NZ dollar exchange rate. As a result, profitability and the share price fluctuate inversely to the exchange rate. So if the NZ dollar declines in value in the future, then Sanford's share price should rise strongly. Unfortunately, at the current exchange rate the business will be only marginally profitable. If the exchange rate doesn't improve, the share price could weaken in the short to medium term as profits fall.

Company History

This is a very old company, incorporated in 1904 to continue a small fishing business that began in 1881.

Recent Results

This business grew strongly - and the shares traded on a high valuation - through until the late 1980's. Since then the business has become more volatile with profitability tied to fluctuations in the NZ dollar exchange rate. The company also made some large debt funded acquisitions in early 1990's and suffered

owing to the high interest rates during that period. Interest bearing debts were completely repaid by 2004, but the company borrowed \$143.0 million last year to fund acquisitions.

90% of revenues are earned overseas, so the current exchange rate - plus or minus gains or losses on forward exchange contracts - therefore have the greatest impact on profits.

Year	Revenue (mil.)	Net Profit from Operations	Exchange Gains/ (Losses)	Net Profit After Tax	Earn. Per Share	Div. Per Share
2001	354.9	48.8	(18.6)	30.2	31.6	20.0
2002	393.5	41.5	(4.5)	37.0	38.7	20.0
2003	367.7	23.4	23.9	47.3	49.4	21.0
2004	350.4	16.9	37.0	53.9	56.3	22.0
2005	365.8	3.3	27.1	30.4	32.1	22.0

As shown in the table above, the net profit (after tax) from operations has declined significantly over the last three years reflecting the rise in the NZ dollar over the last four years. This decline in profitability has been largely offset by large gains on forward exchange rate contracts over the last three years. Unfortunately, forward exchange contracts were exhausted in November 2005, producing a pre-tax



gain of only \$5 million for the current financial year.

Every 1 cent movement in the exchange rate results in a \$1-2 million change in net profits - so even a significant fall in the exchange rate may leave profits short of their historical levels.

Investment Criteria

At 429 cents, Sanford shares trade on an historical Price/Sales ratio of 1.09, a Price/Earnings ratio of 13 and offer a Dividend Yield of 7.7%. Unfortunately, profits will probably decline significantly in the current year - which will raise the P/E, although the company will probably seek to maintain the 22.0 cents dividend.

Under most circumstances the business generates strong cashflows and over the last year spent \$8.6 million re-purchasing its own shares on-market. That repurchase is also a favourable factor, indicating that the directors consider the shares under-valued.

The issued capital is 93,626,735 shares, giving the company a market capitalisation of \$402 million and making this a large listed NZ company.

Directors have a significant investment in Sanford. Amalgamated Dairies, a company associated with some of the directors, holds 35,822,078 shares or 38.3% of the company. Chairman D Goodfellow owns a further 1,169,858 shares (1.25%) directly, Managing Director E Barratt has 416,655 shares and the previous Managing Director D Anderson holds 171,952 shares. The other four directors own between 804 and 74,650 shares each.

There have been no *insider* trades on-market over the last year.

The company announced an on-market share buyback in March 2005 - which may continue through until the end of March 2006. To date the company has re-purchased 2,036,982 shares, all acquired in April 2005 at prices from 415-425 cents.

Although Sanford is a large NZ company the

shares are relatively *neglected* with only two brokerage firms following the company closely enough to publish profit forecasts.

Sanford shares have lost 40% of their value since peaking at 700 cents in mid-2001 and technically are still weak and in a downtrend. The Relative Strength rating is -3.2%, ranked 55.

Summary and Recommendation

Sanford is a well managed business, which can be very profitable, but also faces many risks of which the exchange rate is the largest and most obvious. Medium to long term there is a large negative correlation between the NZ dollar and the company's profits and share price. So if the NZ dollar is to weaken over the next few years then Sanford's shares should appreciate strongly.

The short term risk is that at the *current* exchange rate the business is only marginally profitable. Forward exchange contracts are exhausted and cannot support profits as they have over the last three years. So - unless the NZ dollar drops *very* sharply - profits will decline this year and the dividend *may* be cut. This in turn *may* result in the share price dropping to new lows over the next 3-9 months.

On the other hand, the market may look beyond the decline in current profitability and the shares *could* rise in *anticipation* of the NZ dollar depreciating significantly over the next few years.

So while there is good medium to long term recovery and growth potential from investing in Sanford shares we are concerned about the short to medium term risk that the shares decline further. At this stage, investors should probably wait, while monitoring the exchange rate, Sanford's interim result and dividend (expected in late May) and other investment indicators (i.e. look for an improvement in the Relative Strength rating or *insider* buying).

Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Ashburton Building Society	7.50	-	-	Full
Blue Chip Financial	1.90	09-01	30-03	Full
Jasons Travel Media	1.50	21-01	31-01	Full
Seeka Kiwifruit	10.00	10-02	20-02	Full
Smith City Market	1.50	06-02	10-02	Nil
<i>Australian Shares</i>				
Atlas Pacific	1.00	13-12	29-12	
International All Sports	1.50	23-12	20-01	

Total Return Index for All Listed Shares

Dec 12	2225.73	Dec 19	2247.38
Dec 13	2226.96	Dec 20	2234.94
Dec 14	2231.77	Dec 21	2241.08
Dec 15	2224.64	Dec 22	2242.44
Dec 16	2246.46	Dec 23	2244.55
Dec 26	Holiday	Jan 2	Holiday
Dec 27	Holiday	Jan 3	Holiday
Dec 28	2249.06	Jan 4	2258.97
Dec 29	2255.67	Jan 5	2267.47
Dec 30	2262.00	Jan 6	2256.47

A New Service: Individual Portfolio Management

Securities Research Company plans to offer a new service - but one that we hope most of you will never use!

In response to requests from long term "Market Analysis" subscribers we shall now offer an "Individually Managed Portfolio" service for a small number of investors. It is not our intention to grow *funds management* into a major part of our business.

Helping Investors to

Manage Their Own Investments

We believe that whenever possible investors should seek to manage their own share portfolios as, over the longer term, this can make a very significant difference to the compounding growth in your investment wealth. For the last 25 years we have published this newsletter to help investors to take control of their investments. With hard work, and perhaps a bit of skill and intelligence (i.e. "luck" to those who never took a subscription or have never made a share investment) this newsletter has helped investors manage their own portfolios, avoiding annual fees and expenses, and we have succeeded in picking more than a few big winners which have significantly boosted the overall performance!

Our focus in the future will continue to remain on "Market Analysis" to provide the independent research and unbiased advice that investors need to manage their own share portfolios.

Our new service, however, will offer an alternative for investors who wish to continue investing in the shares we are recommending but have become unable to continue to efficiently manage their own portfolio.

Two Reasons Why You

Should NOT Use This Service . . .

Firstly, we have always considered *Professional Funds Management* to be an oxymoron. Why would anyone with skills at investment want to manage millions of dollars of *other people's money*? Even starting with no capital, saving just \$10,000 annually for 15 years and investing at a 25% annual return will build up an

investment portfolio of over a million dollars of *your own money*. Or \$10,000 annually for 20 years at 20% will grow to almost two million dollars. Of course, that first million or two is always the hardest, but at 20-25% a portfolio will continue to *double* in value every 3-4 years. So the best people to manage your money probably are not offering their service as they are busy building up their own investment wealth.

Secondly, the *total costs* to your wealth of having someone else manage your portfolio will always far exceed the annual costs of hiring an investment manager. For example, \$100,000 self invested at 15% for 20 years will grow to \$1,636,000. Professional management might cost 2% annually - or just \$2000 the first year - but your money will only *compound* at 13% so will grow to about \$1,152,000. Over two decades you will be \$484,000 worse off - a loss of 30% of your wealth - mainly as there is less to re-invest each year and to compound in value.

. . . And One Reason Why You Might . . .

Half of the people reading this newsletter have been subscribing for over ten years - and some of you for over 20 years. Many subscribers in their 80's and 90's still manage their investments and take a keen interest in the stockmarket. In fact, stockmarket investing is one of the new skills and interests that many people develop during retirement!

Some subscribers, however, have indicated they are getting "*too old*" to continue managing their own investments. In some of these cases it may be appropriate to simply sell off everything and put the money in a bank deposit and live off the interest and capital. In other cases - especially where there are larger amounts of capital which will eventually pass to future generations - the portfolio should remain invested in equities for long term capital growth.

By offering this new service we seek to provide an alternative for investors who should be investing in equities but for some reason are unable to do this for themselves.

Next Issue

The next issue of *Market Analysis* will be posted in four weeks time on Tuesday February 7, 2006 (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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