

# PRIVATE BANK PORTFOLIO SERVICES DAILY BULLETIN



**Thursday, 21 June 2007**

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**ST GEORGE BANK LIMITED**  
**SHARE PRICE AS AT 20 June 2007**  
Last Sale \$35.94  
Changes +\$0.09  
Total Volume 1,465,301

**Web Address:** [www.stgeorge.privatebank.com.au](http://www.stgeorge.privatebank.com.au)  
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# Daily Bulletin

21 June 2007

## Overnight Markets

US indices took a late hit as investors fretted over rising treasury yields once again, bringing back bad memories of the short but sharp sell-down last week. Falling crude oil prices did little to help ease inflation concerns; instead this dragged the energy sector lower.

## Australian Market Summary

The local market opened lower in Wednesday trading, spending most of the morning session underwater. However, a midday rally saw the market recover lost ground during afternoon trading with the All Ordinaries finishing the day 28 points in the black.

## Flashnotes

**Healthscope (HSP)** - See your \$1.1B and raise you by 1 dollar...HSP consortium seals SYB deal  
**Sigma Pharmaceuticals (SIP)** - Misses out on prize SYB Consumer asset by a dollar  
**Symbion Health Limited (SYB)** - HSP seals deal with a \$1 premium to SIP's offer  
**Hastings Diversified Utilities (HDF)** - 4Q07 Distribution announced  
**ING Real Estate Community Living Group (ILF)** - Distribution for 4Q07  
**Babcock and Brown Power (BBP)** - Upgrade to distribution to 30 June 2007  
**Aust. Infrastructure Fund (AIX)** - 2H07 Distribution estimation  
**Babcock and Brown Wind Partners (BBW)** - Estimated distribution for 2H07  
**ING Industrial Fund (IIF)** - Distribution for 4Q07  
**ING Office Fund (IOF)** - Distribution for 4Q07  
**Mirvac Group (MGR)** - Distribution for 4Q07  
**Macquarie Airports (MAP)** - May-07 Airport portfolio traffic performance  
**Suncorp-Metway (SUN)** - More news on NSW storms  
**Challenger Diversified Property Group (CDI)** - Distribution for 2H07  
**DB RREEF Trust (DRT)** - Distribution for 2H07  
**Mariner American Property Income Trust (MRA)** - Distribution for 4Q07  
**Oxiana Limited (OXR)** - Oxiana sells Wiluna to Apex Minerals  
**Macquarie Goodman (MGQ)** - Distribution for 4Q07  
**Stockland (SGP)** - Distribution for 2H07  
**Ten Network (TEN)** - 3Q07 Result: group revenue increases 8%  
**CFS Retail Property Trust (CFX)** - Distribution for 2H07  
**Commonwealth Office (CPA)** - Distribution for 2H07  
**Tishman Speyer Office Fund (TSO)** - Distribution for 2H07  
**Leighton Holdings (LEI)** - Leighton Contractors awarded \$116M Dynon Port Rail Link Project  
**Macquarie Media Group (MMG)** - Distribution for 2H07  
**Centro Properties Group (CNP)** - Distribution for 2H07  
**Centro Retail Trust (CER)** - Distribution for 2H07 and FY08 guidance  
**Centro Shopping America Trust (CSF)** - Distribution for 2H07  
**ING Office Fund (IOF)** - Debt restructure

## Foreign Equities

Index/Security	Close	Chg	%Chg
Dow Jones (US)	13,489	-146.0	-1.1
S&P 500	1,513	-20.9	-1.4
NASDAQ	2,600	-26.8	-1.0
FTSE 100 (UK)	6,649	-0.9	0.0
DAX 30 (Germany)	8,090	+57.0	+0.7
CAC 40 (France)	6,093	+21.6	+0.4
Nikkei (Japan)	18,212	+48.1	+0.3

Figures as at 21/06/2007 8:30 AM AEST

## Australian Market Summary

Index/Security	Close	Chg	%Chg
All Ordinaries	6,421	+27.6	+0.4
ASX 200	6,397	+24.9	+0.4
ASX Small Ords	4,009	+30.9	+0.8
Industrials	7,281	+43.2	+0.6
Fin.-x-Prop Trusts	7,498	+29.5	+0.4
Materials	13,292	-72.4	-0.5
Cons. Staple	8,316	+11.3	+0.1
Telecom Serv.	1,694	-17.1	-1.0
10y Bond Yield	6.20	-0.03	-0.5

Figures as at 20/06/2007 4:30 PM AEST

## Commodities

Index/Security	Close	Chg	%Chg	Units
<b>Base Metals</b>				
CRB Index	317.6	-0.18	-0.1	
Aluminium	2,680	+26.0	+1.0	USD/t
Copper	7,586	+97.0	+1.3	USD/t
Lead	2,523	+116.0	+4.8	USD/t
Nickel	36,735	-940.0	-2.5	USD/t
Tin	14,120	-175.0	-1.2	USD/t
Zinc	3,612	-2.5	-0.1	USD/t
<b>Precious Metals</b>				
Gold	654	-7.1	-1.1	USD/Oz
Silver	13.2	-0.1	-1.1	USD/Oz
<b>Energy</b>				
Oil (West Texas)	68.2	-0.9	-1.3	USD/Bar

Figures as at 21/06/2007 8:30 AM AEST

## Currencies

Index/Security	Close	Chg	%Chg	Units
AUD / USD	0.845	-0.002	-0.2	\$US
AUD / Euro	0.630	-0.001	-0.1	\$A
AUD / STG	0.423	-0.002	-0.5	GBP
AUD / Yen	104	-0.1	-0.1	Yen
USD / Yen	124	+0.2	+0.2	Yen
Euro / USD	1.34	0.00	-0.1	\$US

Figures as at 20/06/2007 4:30 PM AEST

## Daily Research Reports

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**Ten Network (TEN)** - 3Q07 Result: TV enjoys a better reception

**Babcock and Brown Power (BBP)** - Upgrade to distribution for period to 30 June 2007

**Suncorp-Metway (SUN)** - Impact of NSW storms expected to reach maximum potential exposure

**Toll Holdings (TOL)** - Acquisition assumptions review: Raising expectations and price target

**Macquarie Media Group (MMG)** - 2H07 Distribution guidance

**Macquarie Prologis Trust (MPR)** - Few days left before meeting... Accept Offer!!

**Macquarie Airports (MAP)** - Arrivederci Roma

US Equities

US indices took a late hit as investors fretted over rising treasury yields once again, bringing back bad memories of the short but sharp sell-down last week. Falling crude oil prices did little to help ease inflation concerns; instead this dragged the energy sector lower.

News that two large hedge funds are on the brink of collapse, due to the infamous sub-prime lending market, dented investor confidence and brought on fears of a spill over. Merrill Lynch sought bids for \$800M worth of assets seized from these distressed funds as collateral for loans. Its shares tumbled 2.8%. Morgan Stanley's better than expected 2Q earnings report did little to restore confidence in the sector.

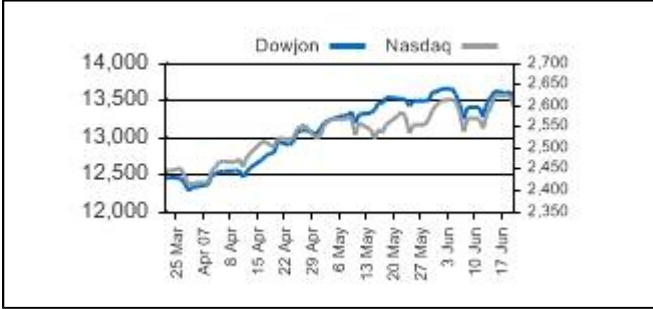
In other news, News Corp is believed to be considering swapping its social networking site MySpace for a 25% stake in Yahoo. The second largest search engine has recently lost favour with investors, forcing the resignation of its CEO.

Most sectors fell by the close though the retail sector registered gains; an interesting development considering fears of rising interest rates featured prominently in the trading session. The sector was helped by Home Depot's share buyback announcement though. Among the NYSE indices, the biggest drag was Energy.

US Bonds

Bond prices slipped in early trade, although there was no economic news to give the market direction. The yield on the 30-year note gained 0.05 to 5.25%, while the two- and five-year notes climbed to 4.97% (+0.04) and 5.05% (+0.06) respectively. Bond prices and yields are inversely related.

US EQUITIES



US BONDS

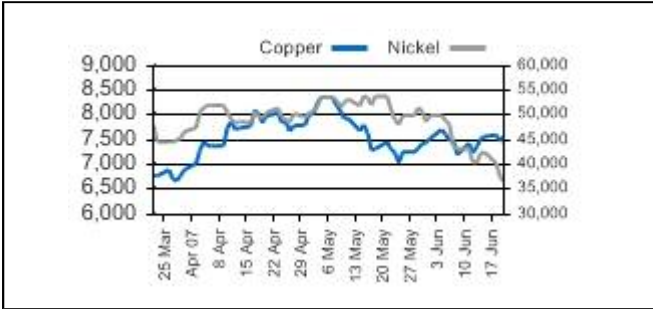


Commodities

Nickel continues to tumble despite a drop in stockpiles, weighing down most other base metals. Pressuring nickel are fears of further falling demand if Chinese stainless steel producers carry out threats to cut production. However, not all analysts believe stainless steel producers will have the discipline to stick to cuts, citing a similar failed move by Chinese aluminium producers. Labour unrest at key copper producers limited falls for the red metal, while lead hit fresh record highs.

Oil tumbled after US crude inventories showed a surprisingly strong rise. This pressured gold, especially since traders did not have other news to take cues from.

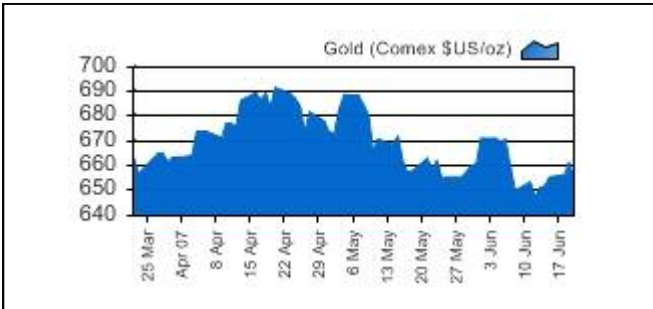
COPPER & NICKEL



OIL



GOLD



## International Markets

European stocks were mostly up in overnight trade, with strong support for banks and insurers. The German DAX closed at fresh record highs, but the FTSE 100 closed flat on interest rates concerns in the UK.

Allianz gained 2% on news that Deutsche Bank is interested in buying the retail arm of the insurer's Dresdner Bank unit, while Alpha Bank jumped 2.5% on speculation that HSBC could make a bid for the Greek bank. Positive investor sentiment spilt over to others in the sector, boosting shares in Standard Life and AXA.

In the UK, minutes from the last Bank of England meeting showed that its governor and a few policy makers had wanted to lift interest rates in anticipation of rising borrowing costs next month. Meanwhile, the London Stock Exchange confirmed that it was in talks with the owners of the Italian stock exchange on a possible merger.

The DAX finished the day with a record close up 0.71%, while the CAC gained 0.36%. The FTSE closed down 0.01% after morning gains petered out.

The US dollar ended mix with no currency moving news released overnight. Meanwhile, hawkish minutes from the last Bank of England meeting supported the British pound.

In early Australian trade, the pound is up 0.25% from this time yesterday to US\$1.9930. The Euro dipped slightly to US\$1.3406 (verses US\$1.3425) and the Japanese Yen was largely flat. One US dollar buys 123.47 Yen.

The Australian dollar had climbed over US\$0.8470 earlier in the session but has since eased.

FTSE EURO TOP 100



\$US/\$A VS EUR/\$A



## Australian Stock Prices Overnight

In New York, News Corp fell by US\$0.08 to US\$23.60, equivalent to A\$27.94, A\$0.22 below its last close on the ASX.

ResMed fell by US\$0.62 to US\$43.24, equivalent to A\$5.12, A\$0.05 below its last close on the ASX.

In London, Rio Tinto fell 65.0 pence to £38.38, A\$1.53 lower in Australian currency terms.

BHP-Billiton rose 19.0 pence to £13.84, A\$0.45 higher in Australian currency terms.

Henderson Group Plc was unchanged at £1.63.

## US Economic Action

It was a very light day on the economic news front. Crude oil inventories made a surprise jump to 6902K compared with the prior week's 82K level. Markets will get more direction from tomorrow's Initial Jobless Claims and Leading Indicators.

- Initial Claims (for week of June 16, released Fri AEST, F/cast: 310K, Prior: 311K)
- Leading Indicators (for May, released Fri AEST, F/cast: 0.2%, Prior: -0.5%)
- Philadelphia Fed (for Jun, released Fri AEST, F/cast: 7.0, Prior: 4.2)

**Australian Market Summary:** As at 20 June 2007

**Overview**

AUSTRALIAN EQUITIES MARKET: The local market opened lower in Wednesday trading, spending most of the morning session underwater. However, a midday rally saw the market recover lost ground during afternoon trading with the All Ordinaries finishing the day 28 points in the black.

The S&P/ASX 200 made a solid 25 point gain with Financials performing strongly while Materials lagged on the day. For the Financials sector Westfield Group (+\$0.45), Macquarie Bank (+\$1.59) and ASX (+\$1.31) ended the day with good performances. BHP (-\$0.37) along with Zinifex (-\$0.31) and Rio Tinto (-\$0.66) were the main culprits in holding down the Materials sector. Energy stocks moved higher with buying in Origin Energy (+\$0.37), Paladin Resources (+\$0.35) and Woodside Petroleum (+\$0.35). Other notable movers on the day were Wesfarmers (+\$1.18), Leighton Holdings (+\$1.26) and CSL (+\$1.47).

In other news, Ten Network (-\$0.07) announced group revenue was \$729M for the nine months to 31 May 2007, an increase of 8.4% over the pcp. This was driven by a 37.9% revenue increase in the Eye Corp outdoor division to \$131.4M, as well as a turnaround in the TV division, with revenue up 3.5% to \$597.6M. However, group EBITDA declined 7.1% to \$186M.

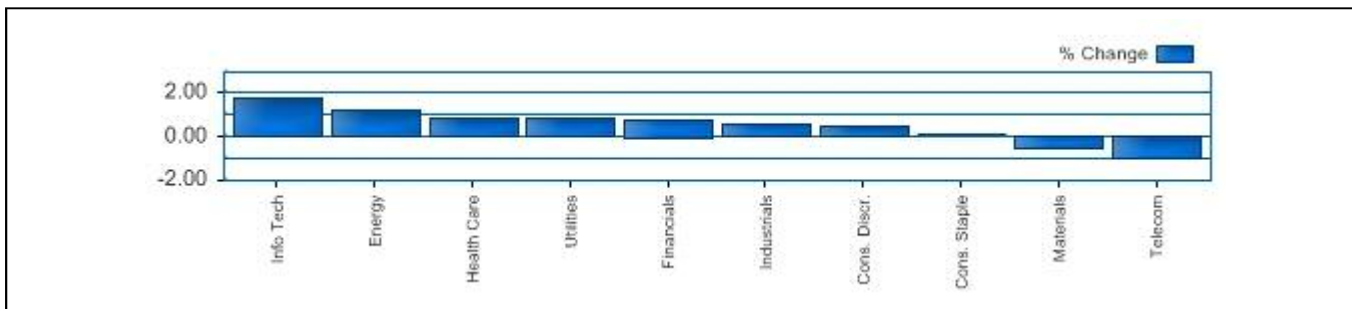
AUSTRALIAN BOND MARKET: Australian Treasury Bond yields moved around 3 basis points lower during Wednesday trading.

AUSTRALIAN DOLLAR: The Australian Dollar moved higher against the US currency over Wednesday trading and was sitting at around US\$0.847 at days end.

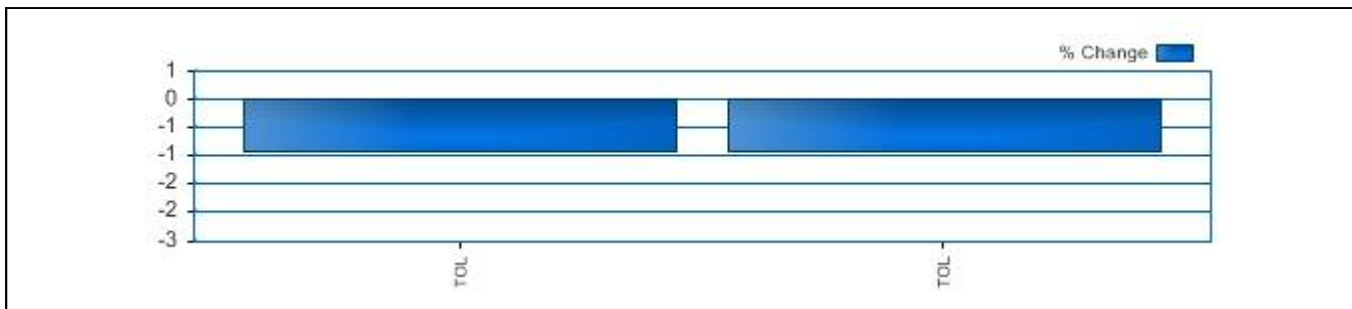
AUSTRALIAN ECONOMIC STATISTICS: WESTPAC LEADING ECONOMIC INDEX: The Westpac Leading Index climbed 0.7% in April, bringing the index to an annualised growth rate of 6.7%. This suggests that growth in the Australian economy will continue due to a combination of increased wages and consumer spending, along with the lowest jobless rate in 33 years.

**Market Movers**

**SECTOR PERFORMANCE**



**5 BEST / WORST STOCKS**



## Companies Ex-Dividend

Ex Date	Sub Type	Security	Div Amt (cents)	Franking
05-Jul-07	Final Year Result	Programmed Maintenance Services Ltd (PRG)	10	100
05-Jul-07	Half Yearly Result	RiverCity Motorway Group (RCY)	3	100
03-Jul-07	Final Year Result	RR Australia Limited (RRA)	0.97	100
03-Jul-07	Final Year Result	Tutt Bryant Group Limited (TBG)	3	100
02-Jul-07	Special Event	Clime Capital Limited (CAM)	3	100
26-Jun-07	Special Event	Gunns Frankable Optionally Redeemable Equity Settleable Transferable Securities (FORESTS) (GNSPA)	157.59	100
26-Jun-07	Half Yearly Result	Ramelius Resources Limited (RMS)	0.5	0
25-Jun-07	Final Year Result	Subordinated Step-Up Exchangeable Trust Securities (ASSETS) (AAZPB)	219.48	0
25-Jun-07	Final Year Result	Australian Hotel Fund (AHO)	2.10	0
25-Jun-07	Final Year Result	Aspen Group (APZ)	3.5	0
25-Jun-07	Final Year Result	Adelaide Managed Funds Asset Backed Yield Trust (AYT)	5.91	0
25-Jun-07	Final Year Result	Babcock & Brown Infrastructure Group (BBI)	7.25	0
25-Jun-07	Final Year Result	Bass Strait Oil Trust (BSO)	19.3292	0
25-Jun-07	Final Year Result	Bunnings Warehouse Property Trust (BWP)	6.47	0
25-Jun-07	Final Year Result	Carindale Property Trust (CDP)	12.5	0
25-Jun-07	Final Year Result	Charter Hall Group (CHC)	5.23	0
25-Jun-07	Final Year Result	DUET Group (DUE)	12.5	0
25-Jun-07	Half Yearly Result	Everest Babcock & Brown Alternative Inv Trust (EBI)	20.3	0
25-Jun-07	Final Year Result	Esplanade Property Fund (EPF)	0.4	0
25-Jun-07	Final Year Result	Galileo Japan Trust (GJT)	3.95	0
25-Jun-07	Final Year Result	Investa Property Group (IPG)	8	0
25-Jun-07	Half Yearly Result	Kresta Holdings Limited (KRS)	1	100
25-Jun-07	Final Year Result	Ale Property Group (LEP)	16.8	0
25-Jun-07	Third Quarter Result	Multiplex Acumen Prime Property Fund (MAF)	1.153	0
25-Jun-07	Half Yearly Result	Macquarie Airports (MAP)	13	0
25-Jun-07	Third Quarter Result	Macquarie Income Securities (MBLHB)		0
25-Jun-07	Final Year Result	Macquarie Countrywide Trust (MCW)	7.80	0
25-Jun-07	Final Year Result	Macquarie DDR Trust (MDT)	2.50	0
25-Jun-07	Final Year Result	Macquarie Infrastructure Group (MIG)	10	0
25-Jun-07	Final Year Result	Mirvac Industrial Trust (MIX)	4.875	0
25-Jun-07	Final Year Result	Macquarie Leisure Trust (MLE)	9.1	0
25-Jun-07	Final Year Result	Macquarie Office Trust (MOF)	2.80	0
25-Jun-07	Final Year Result	Multiplex Acumen Property Fund (MPF)	2.7	0
25-Jun-07	Final Year Result	Macquarie Private Capital Group (MPG)	2	0
25-Jun-07	Final Year Result	Macquarie Prologis Income Trust (MPNCA)	200.781	0
25-Jun-07	Final Year Result	Macquarie Prologis Trust (MPR)	2	0
25-Jun-07	Special Event	Mirvac Real Estate Investment Trust (MRZ)	1	0
25-Jun-07	Final Year Result	Mirvac Real Estate Investment Trust (MRZ)	2.575	0
25-Jun-07	Half Yearly Result	Minerals Corporation Limited Convertible Note (MSCG)		0
25-Jun-07	Final Year Result	Metcash Limited (MTS)	10	100
25-Jun-07	Final Year Result	Multiplex Group (MXG)	10	0
25-Jun-07	Third Quarter Result	CBA Perpetual Exchangeable Repurchaseable Listed Shares (PERLS III) (PCAPA)	251.83	0
25-Jun-07	Final Year Result	SPDR S&P/ASX 50 Fund (SFY)		0
25-Jun-07	Final Year Result	SPDR S&P/ASX 200 Listed Property Fund (SLF)		0
25-Jun-07	Final Year Result	SPDR S&P/ASX200 Fund (STW)		0
25-Jun-07	Final Year Result	Westpac Office Trust (WOT)	0.97	0
22-Jun-07	Final Year Result	Abacus Property Group (ABP)	3.25	0
22-Jun-07	Final Year Result	Coca Cola Hellenic Bottling Company S.A. (CHB)		
22-Jun-07	Half Yearly Result	CCI Holdings Limited (CHL)	3	100
21-Jun-07	Final Year Result	Aneka Tambang (Persero) Tbk (Pt) (ATM)		0

Companies Ex-Dividend (continued)

Ex Date	Sub Type	Security	Div Amt (cents)	Franking
21-Jun-07	Half Yearly Result	FFI Holdings Limited (FFI)	6.50	100

## Flashnotes

**Healthscope (HSP)** - See your \$1.1B and raise you by 1 dollar...HSP consortium seals SYB deal 20-Jun-07 19:43

Following SIP-Carnegie Wylie's offer of \$1.085B for SYB's Consumer and Pharmacy assets, the HSP consortium has today made a new offer of \$1.085B + \$1.00. Under the Scheme Implementation Deed, SYB's board must deem this a "superior" offer and recommend it to shareholders. Although SIP today made another offer of \$1.105B, this was ruled invalid as the Deed required SIP to pitch its final offer by 20 June. The HSP consortium appears to have secured the assets by the slimmest of necessary margins.

**Sigma Pharmaceuticals (SIP)** - Misses out on prize SYB Consumer asset by a dollar 20-Jun-07 19:37

Following SIP-Carnegie Wylie's offer of \$1.085B for SYB's Consumer and Pharmacy assets, the HSP consortium has today made a new offer of \$1.085B + \$1.00. Under the Scheme Implementation Deed, SYB's board must deem this a "superior" offer and recommend it to shareholders. SIP today made another offer of \$1.105B, but unfortunately the Deed required final offers from all parties other than HSP by 20 June (the date SIP lodged its first bid) and so SYB is prevented from considering SIP's new offer.

**Symbion Health Limited (SYB)** - HSP seals deal with a \$1 premium to SIP's offer 20-Jun-07 19:21

Following the 20 June offer of \$1.085B by SIP-Carnegie Wylie for SYB's Consumer and Pharmacy assets, the HSP consortium has today made a new offer of \$1.085B + \$1.00 (lifting the cash component of HSP's previous offer from \$1.84 to \$1.90464 per SYB share). Under the Scheme Implementation Deed, SYB's board must deem this a "superior" offer and recommend it to shareholders. Although SIP today made a higher offer again (\$1.105B), the Deed prevents SYB from considering any further offers. Game over.

**Hastings Diversified Utilities (HDF)** - 4Q07 Distribution announced 20-Jun-07 17:21

HDF has announced a quarterly distribution of 6.65 cps for the 3 months to 30 Jun 2007. This will result in a FY07 distribution of 26.6 cps. The 4Q07 distribution is a 3.9% increase over pcp. The ex-date is 25 Jun, the record date is 29 Jun, and the payment date is expected on 27 Jul. The DRP will apply to this distribution at 2.5% discount to the weighted average market price for HDF over 18 Jun to 29 Jun.

**ING Real Estate Community Living Group (ILF) - Distribution for 4Q07***20-Jun-07 17:00*

ILF has advised that its distribution for 4Q07 will be 2.675cpu, which is in line with our expectation. This takes FY07 distribution to 10.7cpu, a 9.4% increase on FY06. The ex-distribution date is 25 June 2007 and payment date is 31 August 2007. Units issued under the DRP will be at a 2.5% discount to the VWAP of units traded on the ASX during the 14 trading days up to and including the record date of 29 June 2007. ILF has also advised that the estimated tax deferred component is 90%.

**Babcock and Brown Power (BBP) - Upgrade to distribution to 30 June 2007***20-Jun-07 16:53*

BBP has announced a fully tax deferred distribution for the period from 11 December 2006 to 30 June 2007 of 14.0 cents per stapled security (cps). The 14.0cps distribution is an upgrade to the previous guidance of 12.6cps. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is expected to be 17 September 2007.

**Aust. Infrastructure Fund (AIX) - 2H07 Distribution estimation***20-Jun-07 16:50*

AIX estimated a distribution of 8.0 cps for the 6 months to 30 Jun-07 inline with our forecast. This would result in a FY07 distribution of 15.5 cps. The 2H07 distribution is a 0.5 cent increase over pcp. The ex-date is 25 Jun, the record date is 29 Jun, and the payment date is expected on 30 Aug. The DRP will apply to this distribution at 2.5% discount to the weighted average market price for AIX over 25 Jun to 29 Jun.

**Babcock and Brown Wind Partners (BBW) - Estimated distribution for 2H07***20-Jun-07 15:59*

BBW has announced a fully tax deferred distribution for 2H07 of 6.25 cents per stapled security (cps). The 2H07 distribution is in-line with our expectation and takes FY07 distribution to 12.5cps, in line with previous distribution guidance. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is 14 September 2007. The DRP will apply to this distribution, and securities will be issued at a 2.5% discount to the average market price over a 10 trading day period.

**ING Industrial Fund (IIF) - Distribution for 4Q07***20-Jun-07 15:55*

IIF has advised that its distribution for 4Q07 will be 4.35cpu, which is slightly below our expectation. This takes FY07 distribution to 16.65cpu, a 7.4% increase on FY06. The ex-distribution date is 25 June 2007 and payment date is 31 August 2007. Units issued under the DRP will be at a 2% discount to the VWAP of units traded on the ASX during the 14 trading days up to and including the record date of 29 June 2007. IIF has also advised that the estimated tax deferred component is 50%.

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**ING Office Fund (IOF) - Distribution for 4Q07**

20-Jun-07 15:55

IOF announced its distribution for 4Q07 will be 2.675cpu, which is slightly below our expectation. This takes the FY07 distribution to 10.55cpu, reflecting a 1.9% increase on FY06. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is 31 August 2007. The Distribution Reinvestment Plan will not operate for this distribution. IOF has estimated the tax deferred component to be 40%.

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**Mirvac Group (MGR) - Distribution for 4Q07**

20-Jun-07 15:28

MGR announced its distribution for 4Q07 will be 7.975cps, 1.595cpu of which is fully franked. This takes FY07 distribution to 31.9cpu, up 2.9% on FY06. The ex-distribution date is 25 June 2007 and payment date is around 27 July 2007. Securities issued under the DRP will be at a 2% discount to the average of the daily VWAP of MGR traded on the ASX for five trading days immediately preceding and inclusive of the record date. Notification to participate in the DRP must be lodged by 29 June 2007.

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**Macquarie Airports (MAP) - May-07 Airport portfolio traffic performance**

20-Jun-07 15:06

MAP released its May-07 report on traffic performance for its airport portfolio. New flight services were introduced across the portfolio leading to increased passenger numbers. Sydney, Copenhagen, Brussels and Roma booked pcp increases of 6%, 1.4%, 2.5% and 5.2% respectively. Birmingham was down 0.8% & Bristol fell 2.7% on pcp. UK airports were down due to the withdrawal of BA Connect following its acquisition. A five day cabin crew strike at SAS airlines impacted Copenhagen's monthly growth.

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**Suncorp-Metway (SUN) - More news on NSW storms**

20-Jun-07 14:39

SUN advised that it is highly likely that the cost of the NSW storms will reach its maximum catastrophe reinsurance retention figure of \$160M pre-tax (\$100M for Suncorp and \$60M for Promina). To date it has received around 19,000 claims (7,000 from the Suncorp and GIO brands and 12,000 from the former Promina brands). SUN does not expect the total number of claims to rise significantly above this.

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**Challenger Diversified Property Group (CDI) - Distribution for 2H07**

20-Jun-07 12:39

CDI has announced the estimated distribution for 2H07 will be 3.88cpu, slightly above the PDS forecast and our expectation. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is 30 August 2007.

**DB RREEF Trust (DRT) - Distribution for 2H07***20-Jun-07 12:39*

DRT has announced its distribution for 2H07 will be 5.7cps, which is in-line with our expectation. This takes FY07 distribution to 11.3cps, up 2.7% on FY06. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is 29 August 2007. The Distribution Reinvestment Plan will apply to this distribution, and securities will be issued at a 2% discount to average market price of DRT traded during the ten day pricing period commencing 2 July 2007.

**Mariner American Property Income Trust (MRA) - Distribution for 4Q07***20-Jun-07 12:39*

MRA has announced its distribution for 4Q07 will be 2.32cpu, slightly below our expectation. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is 13 July 2007.

**Oxiana Limited (OXR) - Oxiana sells Wiluna to Apex Minerals***20-Jun-07 12:26*

Oxiana has sold its Wiluna assets for \$29.5M to Apex Minerals. The sale price consists of \$10M in Apex shares and \$16.5M in cash. Oxiana will cease mining operations this month and continue processing ore until 31 July 2007. Oxiana will retain nickel and uranium exploration and development rights over the sale tenements in addition to retaining the majority of the tenements that were acquired from the Agincourt merger.

**Macquarie Goodman (MGQ) - Distribution for 4Q07***20-Jun-07 11:59*

MGQ announced its estimated distribution for 4Q07 will be 7.875cps, slightly below our expectation. The ex-distribution date is 25 June 2007 and payment date is 23 August 2007. Securities issued under the DRP will be at a 2% discount to the average of the daily VWAP of all MGQ securities traded on the ASX for ten consecutive trading days following the ASX trading day after the record date of 29 June 2007. Notification to participate in the DRP must be lodged by 29 June 2007.

**Stockland (SGP) - Distribution for 2H07***20-Jun-07 11:58*

SGP has announced the estimated distribution for 2H07 will be 22.8cpu, slightly above previous guidance and our expectation. The ex-distribution date is 25 June 2007, record date is 30 June 2007 and payment is expected to be made on 31 August 2007. SGP's DRP will apply to this distribution and the price will be determined on 16 August 2007. Notification to participate in the DRP must be lodged by 17 August 2007. Units issued under the DRP in Feb 2007 are entitled to a distribution of 15.2cpu.

**Ten Network (TEN) - 3Q07 Result: group revenue increases 8%***20-Jun-07 11:58*

TEN announced today group revenue was \$729M in the nine months to 31 May 2007, an increase of 8.4% over the pcp. This was driven by a 37.9% revenue increase in the Eye Corp outdoor division to \$131.4M, as well as a turnaround in the TV division, with revenue up 3.5% to \$597.6M. However, group EBITDA declined 7.1% to \$186M. TEN declared a fully franked second dividend of 4c per share, to be paid on 11 July 2007. Total dividends for FY07 will be 13c per share, fully franked.

**CFS Retail Property Trust (CFX) - Distribution for 2H07***20-Jun-07 10:29*

CFX has announced the distribution for 2H07 will be 5.9cpu, consistent with our expectation. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is around 24 August 2007. The DRP is in operation and notification to participate must be lodged by 29 June 2007. No discount is offered for participation in the DRP. Units issued under the DRP in February 2007 are entitled to a distribution of 3.98cpu with dates being the same as ordinary units (as above).

**Commonwealth Office (CPA) - Distribution for 2H07***20-Jun-07 10:29*

CPA has announced an estimated distribution for 2H07 of 4.87cpu, which is in-line with our expectation. The ex-distribution date is 25 June 2007, record date is 29 June 2007, and payment is expected to be made around 24 August 2007.

**Tishman Speyer Office Fund (TSO) - Distribution for 2H07***20-Jun-07 10:28*

TSO has announced an estimated distribution for 2H07 of 8.5cpu, which is consistent with our expectation. The ex-distribution date is 25 June 2007, record date is 29 June 2007, and payment is expected to be made on 31 August 2007.

**Leighton Holdings (LEI) - Leighton Contractors awarded \$116M Dynon Port Rail Link Project***20-Jun-07 10:22*

LEI's wholly owned subsidiary Leighton Contractors Pty Ltd has been awarded a new design and construction contract for the Dynon Port Rail Link project in Melbourne worth \$1160M. The Dynon Port Rail Link is a joint project of the Victorian and Australian Governments and will involve the construction of a direct rail link into the Port of Melbourne. Construction is expected to commence later this year and be completed in 2009.

**Macquarie Media Group (MMG) - Distribution for 2H07***20-Jun-07 10:02*

MMG today announced its final distribution payment for FY07 will be 24.5c per stapled security, which is slightly above our expectation. The record date is 29 June 2007 and the estimated payment date 21 August 2007. This will bring total distributions for FY07 to 45.5c per stapled security.

**Centro Properties Group (CNP) - Distribution for 2H07***20-Jun-07 09:46*

CNP has announced that its distribution for 2H07 will be 20.5cpu, taking FY07 to 39.8cps, 8.2% above FY06. The ex-distribution date is 25 June 2007 and payment is expected to be made around 30 August 2007. The Distribution Reinvestment Plan (DRP) is in operation and investors can reinvest their distributions into either CNP or Centro Direct Property Funds International. CNP has also confirmed its forecast FY08 distribution of 47cps, up 18.1% on FY07 (previously 19% on FY07 guidance).

**Centro Retail Trust (CER) - Distribution for 2H07 and FY08 guidance***20-Jun-07 09:46*

CER has announced its distribution for 2H07 will be 6.4cpu, taking full year distributions to 12.7cpu, slightly above our expectation. The ex-distribution date is 25 June 2007 with payment expected on 30 August 2007. Units will be issued under the DRP at a 1% discount to the ten day VWAP of CER units from and including 25 June 2007. Notification to participate in the DRP must be lodged by 25 June 2007. CER also provided distribution guidance for FY08 of 13.73cpu, an 8.1% increase on FY07.

**Centro Shopping America Trust (CSF) - Distribution for 2H07***20-Jun-07 09:46*

CSF has announced that its final distribution for FY07 will be 5.09cpu, funded partly from retained earnings. The ex-distribution date is 25 June 2007 and payment is expected to be made on 30 August 2007. The Distribution Reinvestment Plan (DRP) will apply to this distribution, and units will be issued at a 2% discount to the VWAP of all CSF units sold on the ASX for 10 consecutive trading days commencing on 2 July 2007. Notification to participate in the DRP must be lodged by 29 June 2007.

**ING Office Fund (IOF) - Debt restructure***20-Jun-07 09:46*

IOF has replaced several of its existing secured debt facilities (including its domestic CMBS) with a A\$1.425B unsecured multicurrency syndicated debt facility. The facility, which has a three year tranche of \$570M and a five year tranche of \$855M, is currently drawn to approximately A\$1B. The balance of the facility will be used to replace remaining secured facilities in time, and fund future working capital requirements. No guidance was provided in relation to interest rates.

## Daily Research Reports

### **Ten Network (TEN)** - 3Q07 Result: TV enjoys a better reception

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TEN announced today group revenue was \$729M in the nine months to 31 May 2007, an increase of 8.4% over the pcp. This was driven by a 37.9% revenue increase in the Eye Corp outdoor division to \$131.4M, as well as a turnaround in the TV division, with revenue up 3.5% to \$597.6M. However, group EBITDA declined 7.1% to \$186M. TEN declared a fully franked second dividend of 4c per share, to be paid on 11 July 2007. Total dividends for FY07 will be 13c per share, fully franked.

### **Babcock and Brown Power (BBP)** - Upgrade to distribution for period to 30 June 2007

---

BBP has announced a fully tax deferred distribution for the period from 11 December 2006 to 30 June 2007 of 14.0 cents per stapled security (cps). The 14.0cps distribution is an upgrade to the previous guidance of 12.6cps. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is expected to be 17 September 2007.

### **Suncorp-Metway (SUN)** - Impact of NSW storms expected to reach maximum potential exposure

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SUN advised that it is highly likely that the cost of the NSW storms will reach its maximum catastrophe reinsurance retention figure of \$160M pre-tax (\$100M for Suncorp and \$60M for Promina). To date it has received around 19,000 claims (7,000 from the Suncorp and GIO brands and 12,000 from the former Promina brands). SUN does not expect the total number of claims to rise significantly above this.

### **Toll Holdings (TOL)** - Acquisition assumptions review: Raising expectations and price target

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After discussions with management, we revisit our acquisition assumptions for the company.

### **Macquarie Media Group (MMG)** - 2H07 Distribution guidance

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MMG today announced that its final distribution payment for FY07 will be 24.5c per stapled security, which is slightly above our expectation. The record date is 29 June 2007 and the estimated payment date 21 August 2007. This will bring total distributions for FY07 to 45.5c per stapled security.

### **Macquarie Prologis Trust (MPR)** - Few days left before meeting... Accept Offer!!

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MPR unitholders have the opportunity to vote on the proposed cash offer for all the units in MPR on 27 June 2007. The takeover cash offer is being made by ProLogis at \$1.43 per unit, a 12% premium to the closing price of \$1.275 on 16 April 2007 and \$0.01 per unit below the current price. MPR's independent directors have unanimously recommended the proposal. Grant Samuel, the independent expert, has also concluded that the offer is fair and reasonable to, and in the best interest of, unitholders.

### **Macquarie Airports (MAP)** - Arrivederci Roma

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MAP announced that Macquarie Airports Luxembourg (MALSA) has agreed to dispose of its 44.74% stake in Aeroporti di Roma (AdR) to Leonardo S.r.L, the wholly owned subsidiary of Gemina for €1.24B (A\$2.06B). MAP has a 34.2% beneficial interest in AdR, realising A\$1.58B from the sale.

# Ten Network Holdings Limited

ASX: TEN

Bloomberg: TEN AU

Reuters: TEN.AX

20 June 2007

\$2.87

HOLD

## 3Q07 Result: TV enjoys a better reception

# of Shares:	927M	Market Cap:	\$2,511M	Current Price:	\$2.87
% All Ords:	0.1%	% Sector:	0.8%	12 Month Target:	\$3.03

FIGURE 1: SHAREPRICE CHART



TABLE 1: EARNINGS SUMMARY

Yr to Aug	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	45.8	60.4	155.7	169.8
NPAT <sup>1</sup> Adj (\$M)	130.3	124.8	155.7	169.8
EPS (c)	14.1	13.5	16.8	18.3
DPS (c)	16.0	13.0	15.8	17.8
P/E (x)	20.4	21.3	17.1	15.7
Yield (%)	5.6	4.5	5.5	6.2
Franking (%)	100	100	100	100
EPS growth (%)	(31.1)	(4.3)	24.7	9.1

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

TEN today announced group revenue in the nine months to 31 May 2007 grew 8.4% over the pcp to \$729M. This was driven by a 37.9% revenue increase in the Eye Corp outdoor division to \$131.4M, as well as a modest turnaround in the TV division, with revenue up 3.5% to \$597.6M. However, group EBITDA declined 7.1% to \$186M. TEN declared a fully franked final dividend of 4c per share, to be paid on 11 July 2007. Total dividends for FY07 will be 13c per share, fully franked.

### Implications

TEN's 3Q07 results were in line with expectations, with a modest turnaround in TV and ongoing cost increases with the international expansion of Eye Corp, which contributed to the EBITDA decline. TEN's big news came yesterday, when Canwest announced it would not sell its controlling stake after searching for a buyer for eight months. Instead, Canwest will convert its voting and economic interests into a 56% equity stake in TEN, which is expected to be completed by 30 June 2007. We have adjusted the number of TEN's ordinary shares on issue to reflect the restructure. As a result, our EPS forecasts decline, by 7.9% for FY07 and by about 3% for FY08 and FY09. We have also removed our analyst premium now that Canwest has taken TEN off the auction block. With these changes our 12-month price target falls from \$3.29 to \$3.03, while our valuation declines slightly from \$2.95 to \$2.85. We retain our neutral view on the stock.

### Investment Opinion

TEN has about 85% earnings exposure to the commercial FTA TV market and 15% to the outdoor advertising business. TEN's previous focus on the 16-39s audience propelled the network to lead TV ratings in this advertiser-friendly demographic for six years. TEN now aims to broaden its appeal to 18-49s. Management is well-regarded and has delivered industry-best margins (30% in 1H07). However, TEN remains leveraged to the advertising cycle, and long-term organic growth is unlikely to be robust.

TEN must build on its core market (16-39s) and appeal to a wider audience of 18-49s, meaning smart and innovative TV programming as well as leveraging its new digital media division. The deregulated media laws, which took effect in April 2007, opened the potential for corporate action, yet TEN's controlling shareholder, CanWest, has now taken the for-sale sign off the company. We have a neutral view on the stock.

# Ten Network

Recommendation<sup>1</sup>: HOLD

12M Target: \$3.03

Company risk<sup>2</sup>: ★★☆☆☆

Share Price risk<sup>2</sup>: ★★☆☆☆

Ethical rating<sup>3</sup>: ★★☆☆☆

Year end Aug. All figures in A\$M

<b>Profit &amp; loss summary</b>					<b>Ratio analysis</b>				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>893.1</b>	<b>960.7</b>	<b>1,035.8</b>	<b>1,104.6</b>	Revenue growth (%)	(6.3)	7.6	7.8	6.6
Invest & other income	0.0	0.0	0.0	0.0	EBITDA growth (%)	(26.2)	1.8	13.7	6.8
<b>EBITDA</b>	<b>252.0</b>	<b>256.4</b>	<b>291.6</b>	<b>311.4</b>	EPS growth (%)	(31.1)	(4.3)	24.7	9.1
Depreciation/Amort	(21.7)	(22.9)	(22.4)	(22.8)	EBITDA/Sales margin (%)	28.2	26.7	28.1	28.2
<b>EBIT</b>	<b>230.3</b>	<b>233.6</b>	<b>269.1</b>	<b>288.6</b>	EBIT/Sales margin (%)	25.8	24.3	26.0	26.1
Net Interest	(32.1)	(42.7)	(45.3)	(44.4)	Tax rate (%)	29.9	30.7	30.5	30.5
<b>Pre-tax profit</b>	<b>198.2</b>	<b>190.9</b>	<b>223.9</b>	<b>244.2</b>	Net debt/equity (%)	102.5	131.7	86.9	84.6
Tax expense	(59.2)	(58.5)	(68.2)	(74.4)	Net debt/net debt + equity (%)	50.6	56.8	46.5	45.8
Minorities/Assoc./Prefs	(93.1)	(80.9)	0.0	0.0	Net interest cover (x)	7.2	5.5	5.9	6.5
<b>NPAT</b>	<b>45.8</b>	<b>51.5</b>	<b>155.7</b>	<b>169.8</b>	Payout ratio (%)	113.8	96.6	94.1	97.2
Non recurring items	0.0	8.9	0.0	0.0	Capex to deprec'n (%)	118.3	206.1	126.8	131.3
<b>Reported profit</b>	<b>45.8</b>	<b>60.4</b>	<b>155.7</b>	<b>169.8</b>	NTA per share (\$)	(1.84)	(1.96)	(0.64)	(0.62)
NPAT add Goodwill & Pref	84.5	73.3	0.0	0.0	ROA (%)	14.6	14.1	15.8	16.6
<b>Adjusted profit</b>	<b>130.3</b>	<b>124.8</b>	<b>155.7</b>	<b>169.8</b>	ROE (%)	9.8	11.6	27.2	26.9
<b>Cashflow summary</b>					<b>Multiple analysis</b>				
<b>EBITDA</b>	<b>252.0</b>	<b>256.4</b>	<b>291.6</b>	<b>311.4</b>	Market cap (M)	2,511			
Working capital changes	(11.9)	40.3	(19.4)	(9.6)	Net debt (\$M)	544.0			
Interest and tax	(124.4)	(114.5)	(103.4)	(116.0)	Peripheral assets (\$M)	(12.9)			
Other operating items	(26.1)	(64.4)	2.7	2.3	<b>Enterprise value (\$M)</b>	<b>3,042.2</b>			
<b>Operating cashflow</b>	<b>89.6</b>	<b>117.9</b>	<b>171.6</b>	<b>188.1</b>	<b>EV/EBIT (x)</b>	<b>13.2</b>	<b>13.0</b>	<b>11.3</b>	<b>10.5</b>
Required capex	(24.4)	(44.1)	(28.0)	(29.8)	<b>EV/EBITDA (x)</b>	<b>12.1</b>	<b>11.9</b>	<b>10.4</b>	<b>9.8</b>
<b>Maintainable cashflow</b>	<b>65.3</b>	<b>73.8</b>	<b>143.6</b>	<b>158.3</b>	EV/EBITDA All Ind (x)	10.1	8.9	8.0	7.4
Dividends	(181.6)	(163.4)	(114.5)	(155.7)	EV/EBITDA rel All Ind (x)	1.2	1.3	1.3	1.3
Acq/Disp	(14.8)	(27.0)	0.0	0.0	<b>P/E (x)</b>	<b>20.4</b>	<b>21.3</b>	<b>17.1</b>	<b>15.7</b>
Other investing items	(3.1)	(0.8)	0.0	0.0	P/E rel All Ind (x)	0.9	1.1	1.0	1.0
<b>Free cashflow</b>	<b>(134.2)</b>	<b>(117.4)</b>	<b>29.1</b>	<b>2.6</b>	P/E rel All Ind ex banks (x)	0.9	1.1	1.0	1.0
Equity	0.6	0.0	0.0	0.0	P/E sector (x)	24.7	21.2	21.5	18.9
Debt inc/(red'n)	137.7	121.6	(29.1)	(2.6)	P/E rel sector (x)	0.8	1.0	0.8	0.8
<b>Balance sheet</b>					<b>Assumptions</b>				
Cash & deposits	22.0	17.0	19.0	19.0	GDP growth (%)	2.76	2.67	3.18	3.62
Inventories	150.4	164.4	178.4	190.2	Interest Rates (%)	5.85	6.44	6.31	6.30
Trade debtors	143.5	156.9	172.8	184.3	Inflation (%)	3.42	2.60	2.60	2.50
Other curr assets	10.3	16.2	16.2	16.2	<b>Notes To Accounts</b>				
<b>Total current assets</b>	<b>326.3</b>	<b>354.6</b>	<b>386.4</b>	<b>409.7</b>	All P&L items (except Reported profit) now exclude Goodwill				
Prop., plant & equip.	88.6	114.2	120.1	127.2	Amortisation as per the new AIFRS requirements. EPS is calculated				
Non-curr intangibles	1,178.4	1,214.5	1,214.1	1,214.0	on a fully diluted basis. This method of calculating EPS reflects the				
Non-curr investments	15.5	2.7	2.7	2.7	EPS that would arise if TEN's convertible debentures were converted				
Other non-curr assets	10.0	11.3	11.6	11.7	and its subordinated debentures redeemed. Dividend payout is				
<b>Total assets</b>	<b>1,618.7</b>	<b>1,697.2</b>	<b>1,734.8</b>	<b>1,765.3</b>	calculated on shareholding interest.				
Trade creditors	181.4	198.3	209.1	222.9					
Curr borrowings	0.5	0.5	0.5	0.5					
Other curr liabilities	23.3	(5.6)	(23.7)	(19.3)					
<b>Total current liab.</b>	<b>205.2</b>	<b>193.2</b>	<b>186.0</b>	<b>204.2</b>					
Borrowings	478.8	587.1	560.0	557.4					
Other non-curr liabilities	325.3	319.2	320.1	320.8					
<b>Total liabilities</b>	<b>1,009.3</b>	<b>1,099.6</b>	<b>1,066.1</b>	<b>1,082.5</b>					
Minorities/Convertibles	163.1	164.3	45.5	45.5					
<b>Shareholders equity</b>	<b>609.4</b>	<b>597.6</b>	<b>668.7</b>	<b>682.8</b>					

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

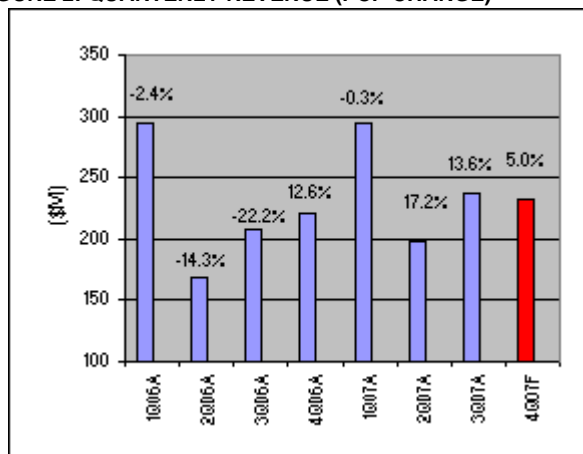
2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)



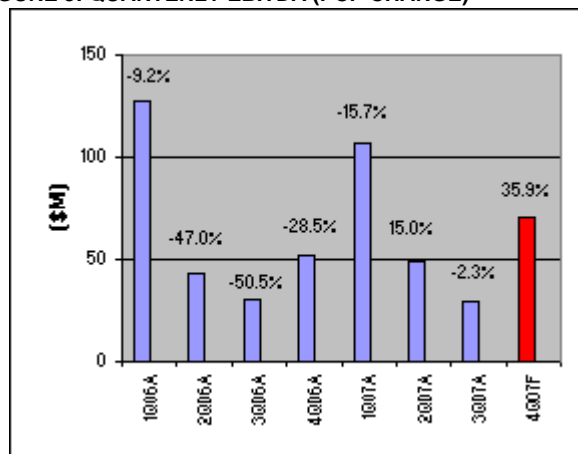
# Ten Network

FIGURE 2: QUARTERLY REVENUE (PCP CHANGE)



Source: Company/Aegis Equities

FIGURE 3: QUARTERLY EBITDA (PCP CHANGE)



Source: Company/Aegis Equities

## Quarterly Highlights

- **TV turnaround:** TV revenue for the three months to May 2007 increased 10% on the pcp while EBITDA rose 20% in the same period. Revenue for the nine months to May 2007 increased 3.5% to \$597.6M. Although the free-to-air advertising market was flat in early CY07, it has since rebounded and is expected to increase by about 5% by December 2007.
- **Eye Corp expansion:** The outdoor advertising division grew revenue by 13% in the three months to May 2007 over the pcp, and by 37.9% over the nine-month period to \$131.4. The growth reflected Eye Corp's expansion beyond its Australian and New Zealand businesses into the US and UK. Yet start-up losses for Eye Corp's new businesses are expected to total \$15M for FY07, of which \$4M was incurred in 3Q07. Losses for the new businesses are expected to be about \$7.5M in FY08 before the businesses generate positive returns in FY09.
- **Group revenue rises:** Group revenue was up 8.4% in the nine months to May 2007 to reach \$729M, and increased 13.6% for the quarter.
- **Margins decline:** Group EBITDA declined 7.1% over in the nine months to May 2007 to \$186M, while the EBITDA margin slipped from 29.8% to 25.5% over the same period. This is below the 1H07 EBITDA margin of 31.8%. The margin contraction was mainly due to costs associated with the international expansion of Eye Corp.
- **Gradual diversification:** Eye Corp's growth is gradually reducing TEN's dependence on the TV business. Outdoor and TV contributed 18:82% of revenue respectively in 3Q07, compared to 15:85% in FY06.
- **Distribution:** TEN declared a fully franked final dividend of 4c per share, to be paid to shareholders on 11 July 2007. The record date is 29 June. Total dividends for FY07 will be 13c per share, fully franked.
- **TV Ratings:** TEN has largely held its audience share in its primary 18-49 demographic, coming second to the Seven Network with a 33.8% share among the free-to-air networks. TEN retains its lead in its secondary 16-39 demographic with a 36.6% share.

## Ownership & Restructuring

- Controlling shareholder, the Canadian media company Canwest, announced yesterday (19 June 2007) that it would not sell its stake in TEN, and would instead exercise its right to exchange its 68M ordinary shares and convertible debentures (worth 455M shares) in The Ten Group into ordinary shares of Ten Network Holdings (TEN). The exchange is subject to Foreign Investment Review Board approval, and the application process is expected to be completed within one month.
- Canwest's decision follows its failed attempt to sell its 14% voting interest and 56% economic interest in the Ten Group over the past eight months. (TEN has an 84% voting interest and 43% economic interest in the Ten Group.)
- After the exchange, which is expected to be implemented by 30 June 2007, Canwest will become TEN's majority shareholder with about 523M ordinary shares, representing a 56% equity stake.

## Ownership & Restructuring (cont'd)

- Canwest can implement the exchange without making a follow-on offer to TEN shareholders by virtue of an exemption obtained from ASIC in 1998 at the time of TEN's IPO.
- An additional 5M shares in Ten Group, owned by AMP and another company, will also be converted into ordinary shares in TEN.
- The exchanges will increase TEN's number of ordinary shares on issue from 398.9M now to 927M.
- Canwest has flagged cash distributions to TEN's shareholders in the future, possibly by way of returning capital and/or a share buyback program. However, no further details were revealed.

## Investment View and Outlook

- TEN's 3Q07 results were in line with expectations, with a modest turnaround in TV and ongoing cost increases with the international expansion of Eye Corp.
- The 4Q07 should be better still for TEN. TV will benefit from increased advertising in the commercial TV sector, especially from federal government advertising in the lead-up to the election later this year. Most of Eye Corp's costs for its international expansion in FY07 have already been incurred.
- But TEN's big news came yesterday, when Canwest announced it would not sell its controlling stake after all. The restructure will make TEN's share structure more transparent.
- We have adjusted the number of TEN's ordinary shares on issue to reflect the restructure. As a result, our EPS forecasts decline, by 7.9% for FY07 and about 3% for FY08 and FY09.
- We have also removed our analyst premium now that Canwest has taken TEN off the auction block.
- With these changes our 12-month price target falls from \$3.29 to \$3.03, while our valuation declines slightly from \$2.95 to \$2.85. We retain our neutral view on the stock.

# Babcock and Brown Power

ASX: BBP

Bloomberg: BBP AU

Reuters: BBP.AX

20 June 2007

\$3.44

HOLD

## Upgrade to distribution for period to 30 June 2007

# of Shares:	359M	Market Cap:	\$1,225M	Current Price:	\$3.44
% All Ords:	0.1%	% Sector:	3.6%	12 Month Target:	\$3.68

FIGURE 1: SHAREPRICE CHART

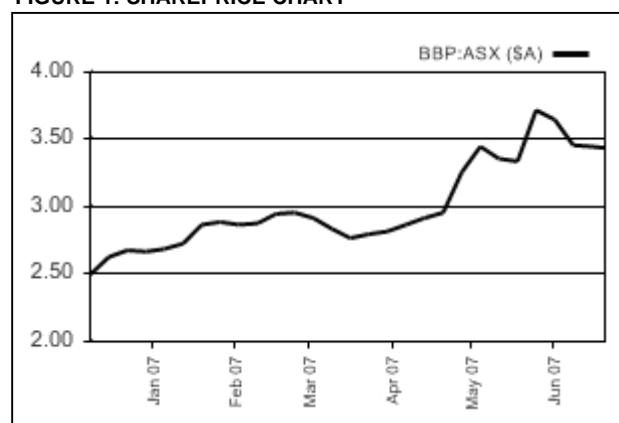


TABLE 1: EARNINGS SUMMARY

Yr to Jun	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	(23.0)	(3.3)	28.8	56.0
NPAT <sup>1</sup> Adj (\$M)	(23.0)	(3.3)	28.8	56.0
EPS (c)	(6.4)	(0.9)	7.9	15.1
DPS (c)	0.0	14.0	24.0	24.7
P/E (x)	(53.7)	(<99)	43.5	22.8
Yield (%)	0.0	4.1	7.0	7.2
Franking (%)	0	0	0	0
EPS growth (%)	n/a	n/a	n/a	90.4

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

BBP has announced a fully tax deferred distribution for the period from 11 December 2006 to 30 June 2007 of 14.0 cents per stapled security (cps). The 14.0cps distribution is an upgrade to the previous guidance of 12.6cps. The ex-distribution date is 25 June 2007, record date is 29 June 2007 and payment date is expected to be 17 September 2007.

### Implications

We have upgraded our estimated distribution for the period from 11 December 2006 to 30 June 2007 to reflect the company guidance. The estimated distribution guidance of 14.0cps is an upgrade from the previous guidance of 12.6cps disclosed in the BBP prospectus and PDS dated 10 November 2006, and reflects the earnings upgrade announced on 26 April 2007. BBP confirmed EBITDA for the year ended 30 June 2007 is expected to be at least 12.5% higher than the forecast of \$91M disclosed in the prospectus. We are forecasting EBITDA of \$104.2M for FY07. We have maintained our valuation at \$3.45 and our 12-month price target is now \$3.68.

### Investment Opinion

Electricity demand is expected to grow roughly 2% per annum for the next 10 years. To keep up with demand, capacity equivalent to a new Snowy Hydro must be built every six years. As such, we believe the outlook for electricity favours continued investment into electricity generation. BBP is in a good position to participate in this growth through its relationship with BNB and its role as a conduit for sourcing new funds.

While distributions will be supported with debt in the short term, BBP's relatively low gearing means this strategy is not overly onerous. The relationship with BNB should continue to deliver acquisition opportunities. With BBP expecting its portion of the AAN carve-up to be earnings accretive, we look favourably on the deal. However, with the stock trading close to our increased 12-month price target, we have a neutral view on BBP.

# Babcock and Brown Power

Recommendation<sup>1</sup>: HOLD

12M Target: \$3.68

Company risk<sup>2</sup>: ★★★★★

Share Price risk<sup>2</sup>: ★★★★★

Ethical rating<sup>3</sup>: ★★★★★

Year end Jun. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>439.0</b>	<b>426.1</b>	<b>606.0</b>	<b>649.9</b>	Revenue growth (%)	2.3	(2.9)	42.2	7.2
Invest & other income	0.0	0.0	0.0	0.0	EBITDA growth (%)	(15.6)	13.3	72.5	15.1
<b>EBITDA</b>	<b>92.0</b>	<b>104.2</b>	<b>179.8</b>	<b>206.9</b>	EPS growth (%)	n/a	n/a	n/a	90.4
Depreciation/Amort	(55.0)	(42.4)	(70.5)	(75.4)	EBITDA/Sales margin (%)	21.0	24.5	29.7	31.8
<b>EBIT</b>	<b>37.0</b>	<b>61.8</b>	<b>109.3</b>	<b>131.5</b>	EBIT/Sales margin (%)	8.4	14.5	18.0	20.2
Net Interest	(68.0)	(61.6)	(71.9)	(55.2)	Tax rate (%)	9.7	>1000	30.0	30.0
<b>Pre-tax profit</b>	<b>(31.0)</b>	<b>0.2</b>	<b>37.4</b>	<b>76.3</b>	Net debt/equity (%)	99.8	91.5	101.8	100.1
Tax expense	3.0	(7.4)	(11.2)	(22.9)	Net debt/net debt + equity (%)	49.9	47.8	50.5	50.0
Minorities/Assoc./Prefs	5.0	3.8	2.6	2.6	Net interest cover (x)	0.5	1.0	1.5	2.4
<b>NPAT</b>	<b>(23.0)</b>	<b>(3.3)</b>	<b>28.8</b>	<b>56.0</b>	Payout ratio (%)	0.0	(<1000)	303.2	164.0
Non recurring items	0.0	0.0	0.0	0.0	Capex to deprec'n (%)	645.5	444.5	131.9	105.0
<b>Reported profit</b>	<b>(23.0)</b>	<b>(3.3)</b>	<b>28.8</b>	<b>56.0</b>	NTA per share (\$)	1.65	1.79	1.65	1.59
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	5.9	2.8	4.3	5.1
<b>Adjusted profit</b>	<b>(23.0)</b>	<b>(3.3)</b>	<b>28.8</b>	<b>56.0</b>	ROE (%)	(11.0)	(0.4)	3.4	6.7
Cashflow summary					Multiple analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>EBITDA</b>	<b>92.0</b>	<b>104.2</b>	<b>179.8</b>	<b>206.9</b>	Market cap (M)	1,225			
Working capital changes	0.0	2.3	(1.1)	(7.2)	Net debt (\$M)	892.9			
Interest and tax	0.0	(62.3)	(83.9)	(72.7)	Peripheral assets (\$M)	(34.6)			
Other operating items	(96.0)	159.4	11.8	37.0	<b>Enterprise value (\$M)</b>	<b>2,083.5</b>			
<b>Operating cashflow</b>	<b>(4.0)</b>	<b>203.6</b>	<b>106.6</b>	<b>164.0</b>	<b>EV/EBIT (x)</b>	<b>56.3</b>	<b>33.7</b>	<b>19.1</b>	<b>15.8</b>
Required capex	(355.0)	(188.4)	(93.0)	(79.2)	<b>EV/EBITDA (x)</b>	<b>22.6</b>	<b>20.0</b>	<b>11.6</b>	<b>10.1</b>
<b>Maintainable cashflow</b>	<b>(359.0)</b>	<b>15.2</b>	<b>13.6</b>	<b>84.8</b>	EV/EBITDA All Ind (x)	9.8	8.7	7.9	7.3
Dividends	0.0	0.0	(94.0)	(90.1)	EV/EBITDA rel All Ind (x)	2.3	2.3	1.5	1.4
Acq/Disp	0.0	(223.4)	0.0	0.0	<b>P/E (x)</b>	<b>(53.7)</b>	<b>(&lt;99)</b>	<b>43.5</b>	<b>22.8</b>
Other investing items	0.0	0.0	0.0	0.0	P/E rel All Ind (x)	(2.5)	(19.4)	2.6	1.6
<b>Free cashflow</b>	<b>(359.0)</b>	<b>(208.2)</b>	<b>(80.4)</b>	<b>(5.3)</b>	P/E rel All Ind ex banks (x)	(2.4)	(19.3)	2.5	1.5
Equity	155.0	251.5	28.2	27.0	P/E sector (x)	>99	71.0	27.2	18.7
Debt inc/(red'n)	291.0	162.8	52.2	(21.7)	P/E rel sector (x)	(0.1)	(5.2)	1.6	1.2
Balance sheet					Assumptions				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Cash & deposits	253.0	0.0	0.0	0.0	GDP growth (%)	2.92	2.50	3.02	3.64
Inventories	31.0	74.7	75.5	81.0	Interest Rates (%)	5.73	6.38	6.34	6.30
Trade debtors	185.0	153.6	155.2	166.5	Inflation (%)	3.20	3.09	2.47	2.50
Other curr assets	6.0	4.5	4.5	4.5					
<b>Total current assets</b>	<b>475.0</b>	<b>232.8</b>	<b>235.3</b>	<b>252.0</b>					
Prop., plant & equip.	917.0	1,377.7	1,400.2	1,404.0					
Non-curr intangibles	241.0	227.3	227.3	227.3					
Non-curr investments	61.0	104.9	102.1	99.4					
Other non-curr assets	834.0	607.8	607.8	607.8					
<b>Total assets</b>	<b>2,528.0</b>	<b>2,550.5</b>	<b>2,572.7</b>	<b>2,590.4</b>					
Trade creditors	115.0	129.6	131.0	140.5					
Curr borrowings	0.0	54.5	54.5	54.5					
Other curr liabilities	0.0	30.9	30.4	37.5					
<b>Total current liab.</b>	<b>115.0</b>	<b>215.0</b>	<b>215.9</b>	<b>232.5</b>					
Borrowings	1,086.0	741.7	793.9	772.1					
Other non-curr liabilities	415.0	663.6	667.8	695.6					
<b>Total liabilities</b>	<b>1,616.0</b>	<b>1,620.3</b>	<b>1,677.5</b>	<b>1,700.2</b>					
Minorities/Convertibles	77.0	60.1	62.1	64.1					
<b>Shareholders equity</b>	<b>912.0</b>	<b>930.2</b>	<b>895.2</b>	<b>890.2</b>					

## Notes To Accounts

FY06 figures are pro forma estimates prepared by BBP based on the assumption that it held the entire initial portfolio of assets during this time. FY07 figures incorporate the actual 1H07 reported results during which the initial portfolio of assets were progressively added during the period. The 2H07 result incorporates the entire initial portfolio of assets. As such, our FY07 estimate is not directly comparable to the FY06 pro forma result.

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)



# Suncorp-Metway Limited

ASX: SUN

Bloomberg: SUN AU

Reuters: SUN.AX

20 June 2007

\$20.62

HOLD

## Impact of NSW storms expected to reach maximum potential exposure

# of Shares:	933M	Market Cap:	\$19,248M	Current Price:	\$20.62
% All Ords:	1.0%	% Sector:	3.0%	12 Month Target:	\$21.79

FIGURE 1: SHAREPRICE CHART

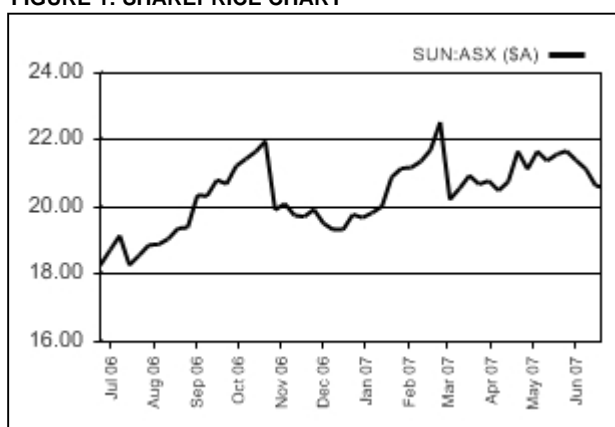


TABLE 1: EARNINGS SUMMARY

Yr to Jun	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	916	1,013	1,361	1,551
NPAT <sup>1</sup> Adj (\$M)	916	1,044	1,482	1,638
EPS (c)	161.3	154.3	159.1	174.2
DPS (c)	97.0	105.0	114.0	120.0
P/E (x)	12.8	13.4	13.0	11.8
Yield (%)	4.7	5.1	5.5	5.8
Franking (%)	100	100	100	100
EPS growth (%)	4.6	(4.3)	3.1	9.5

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

SUN advised that it is highly likely that the cost of the NSW storms will reach its maximum catastrophe reinsurance retention figure of \$160M pre-tax (\$100M for Suncorp and \$60M for Promina). To date it has received around 19,000 claims (7,000 from the Suncorp and GIO brands and 12,000 from the former Promina brands). SUN does not expect the total number of claims to rise significantly above this. We note that in its release dated the 14 June 2007, SUN advised that Suncorp's property catastrophe reinsurance retention was \$100M and Promina's reinsurance retentions were \$60M for property catastrophe losses and \$5M for motor claims.

### Implications

In our noted dated 14 June 2007 we had estimated the impact of the NSW storms for SUN to be \$140M pre-tax in FY07. We have now updated our FY07 NPAT forecast to reflect a \$160M pre-tax cost impact from the storms. Our FY07 EPS forecast has fallen by 1.3%. Our valuation and price target remain largely unchanged.

### Investment Opinion

SUN is a leading Australian and New Zealand general insurer with a strong banking franchise in its home state of Queensland. It has a well-diversified insurance product portfolio and is attempting to capitalise on its large customer base by seeking product cross-sell opportunities. However, the domestic insurance industry is relatively mature and we see limited opportunities. We have a neutral medium- to long-term view of SUN.

SUN's short-term earnings outlook is underpinned by ongoing releases from reserves due to the improvement in its long-tail insurance business. In our view, SUN's earnings outlook is already reflected in its share price, and there are risks associated with the PMN integration. However, the stock is likely to be supported by its attractive, dividend yield. We have a neutral 12-month view of SUN.

# Suncorp-Metway

Recommendation<sup>1</sup>: HOLD

12M Target: \$21.79

Company risk<sup>2</sup>: ★★☆☆☆

Share Price risk<sup>2</sup>: ★★☆☆☆

Ethical rating<sup>3</sup>: ★★★★★

Year end Jun. All figures in A\$M

<b>Profit &amp; loss summary</b>					<b>Ratio analysis</b>				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Net interest income	848	925	992	1,062	Interest Margin (%)	2.04	1.95	1.86	1.79
Non interest income	1,577	1,921	3,134	3,271	Cost / Income (%)	46.0	47.8	47.5	44.6
<b>Total revenue</b>	<b>2,425</b>	<b>2,846</b>	<b>4,126</b>	<b>4,333</b>	Tax rate (%)	28.3	28.6	30.0	30.0
Operating expenses	(1,116)	(1,360)	(1,961)	(1,934)	Payout ratio (%)	60.1	68.1	71.6	68.9
Depreciation/Amort	0	0	0	0	ROE (%)	24.7	12.4	12.0	12.6
Bad debts	(31)	(23)	(48)	(59)	EPS growth (%)	4.6	(4.3)	3.1	9.5
<b>Pre-tax profit</b>	<b>1,278</b>	<b>1,462</b>	<b>2,117</b>	<b>2,340</b>	NTA per share (\$)	5.94	6.03	6.62	7.30
Tax expense	(362)	(419)	(635)	(702)	Tier 1 Capital (%)	10.8	9.5	10.1	10.9
Minorities	0	0	0	0	Total Capital (%)	12.9	11.1	11.6	12.3
Pref. Distributions	0	0	0	0	BDD/avg loans (%)	0.08	0.05	0.10	0.11
<b>NPAT</b>	<b>916</b>	<b>1,044</b>	<b>1,482</b>	<b>1,638</b>	Ttl prov/non accruals (%)	53.4	43.6	52.5	62.4
Non recurring items	0	(31)	(121)	(87)					
<b>Reported profit</b>	<b>916</b>	<b>1,013</b>	<b>1,361</b>	<b>1,551</b>	<b>Multiple analysis</b>				
<b>Adjusted profit</b>	<b>916</b>	<b>1,044</b>	<b>1,482</b>	<b>1,638</b>	<b>P/E (x)</b>	<b>12.8</b>	<b>13.4</b>	<b>13.0</b>	<b>11.8</b>
					P/E rel All Ind (x)	0.6	0.7	0.8	0.8
<b>Ending balance sheet</b>	<b>2006A</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>	P/E rel All Ind ex banks (x)	0.6	0.7	0.7	0.8
Loans	38,683	44,615	50,129	55,794	P/E sector (x)	20.2	17.1	14.6	13.2
Acceptances	0	0	0	0	P/E rel sector (x)	0.6	0.8	0.9	0.9
Goodwill	1,124	6,317	6,317	6,317					
Other Assets	17,562	15,159	17,813	20,540					
<b>Total assets</b>	<b>57,369</b>	<b>66,091</b>	<b>74,259</b>	<b>82,651</b>					
<b>Total liabilities</b>	<b>52,936</b>	<b>54,198</b>	<b>61,769</b>	<b>69,459</b>					
<b>Shareholders equity</b>	<b>4,433</b>	<b>11,893</b>	<b>12,491</b>	<b>13,192</b>					
<b>Average balance sheet</b>	<b>2006A</b>	<b>2007F</b>	<b>2008F</b>	<b>2009F</b>					
Interest earning assets	41,591	47,502	53,373	59,404					
Non interest earning assets	2,304	2,806	3,152	3,509					
<b>Total assets</b>	<b>43,895</b>	<b>50,307</b>	<b>56,525</b>	<b>62,912</b>					
Interest bearing liabilities	39,568	44,721	50,248	55,926					
Non interest bearing liabilities	620	(2,800)	(6,061)	(6,032)					
<b>Avg Ttl Liabilities</b>	<b>40,188</b>	<b>41,921</b>	<b>44,187</b>	<b>49,894</b>					
<b>Avg ord sh'holders equity</b>	<b>3,707</b>	<b>8,387</b>	<b>12,338</b>	<b>13,018</b>					

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)

# Toll Holdings Limited

ASX: TOL

Bloomberg: TOL AU

Reuters: TOL.AX

20 June 2007

\$15.25

BUY

## Acquisition assumptions review: Raising expectations and price target

# of Shares:	641M	Market Cap:	\$9,876M	Current Price:	\$15.25
% All Ords:	0.5%	% Sector:	5.6%	12 Month Target:	\$17.72

FIGURE 1: SHAREPRICE CHART

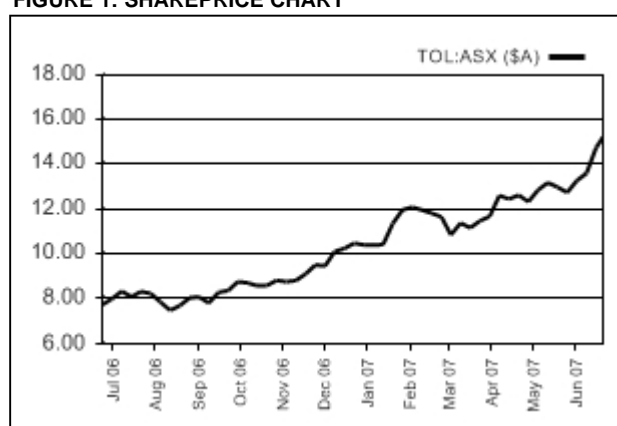


TABLE 1: EARNINGS SUMMARY

Yr to Jun	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	0.0	1,387.3	429.1	477.9
NPAT <sup>1</sup> Adj (\$M)	0.0	364.3	429.1	477.9
EPS (c)	0.0	113.5	66.7	73.9
DPS (c)	0.0	16.0	27.0	29.5
P/E (x)	0.0	13.4	22.9	20.6
Yield (%)	0.0	1.0	1.8	1.9
Franking (%)	0	100	100	100
EPS growth (%)	n/a	n/a	(41.3)	10.8

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

After discussions with management, we revisit our acquisition assumptions for the company.

### Implications

We have reviewed TOL's potential acquisition strategy and increased our total acquisition expenditure assumptions. We had previously assumed a steady rate of expenditure; however, after discussions with management, we have allocated more acquisition expenditure to the medium term and less to the longer term. We have also been more aggressive on how synergy gains expand margins, and thus EPS, after acquisitions are made. Given we have assumed TOL's future acquisitions will be EPS accretive, the net effect of this has been an increase in our TOL valuation. This is due to more cashflow being discounted at a lower rate as it is in the nearer term (standard discounted cashflow valuation methodology). We have made no significant changes to our EPS forecasts for FY07, FY08 or FY09. Our new 12-month price target has increased from \$16.36 to \$17.72, reinforcing our BUY recommendation on a 12-month outlook.

### Investment Opinion

Following the spin-out of the ports and rail businesses into AIO, TOL's differentiating factors remain to be its strong record of profit growth and its exceptional record in cutting costs. TOL offers a well-managed exposure to the transport sector; however, future growth is heavily reliant on finding earnings-accretive acquisitions and until some of these materialise, we have a neutral long-term outlook for TOL.

We expect TOL to pursue an aggressive acquisition strategy to focus on expanding its existing logistics businesses, particularly in Asia. Given its past track record of successful acquisitions, we believe its strong balance sheet and business skill will drive earnings in the near term and retain a bullish position on a 12-month outlook.

# Toll Holdings

Recommendation<sup>1</sup>: BUY

12M Target: \$17.72

Company risk<sup>2</sup>: ★★★★★

Share Price risk<sup>2</sup>: ★★★★★

Ethical rating<sup>3</sup>: ★★★★★

Year end Jun. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>0.0</b>	<b>7,556.0</b>	<b>8,142.1</b>	<b>8,813.6</b>	Revenue growth (%)	0.0	0.0	7.8	8.2
Invest & other income	0.0	7.0	0.0	0.0	EBITDA growth (%)	n/a	n/a	14.6	9.2
<b>EBITDA</b>	<b>0.0</b>	<b>998.0</b>	<b>1,143.5</b>	<b>1,248.3</b>	EPS growth (%)	n/a	n/a	(41.3)	10.8
Depreciation/Amort	0.0	(325.0)	(262.8)	(270.3)	EBITDA/Sales margin (%)	0.0	13.2	14.0	14.2
<b>EBIT</b>	<b>0.0</b>	<b>673.0</b>	<b>880.6</b>	<b>978.0</b>	EBIT/Sales margin (%)	0.0	8.9	10.8	11.1
Net Interest	0.0	(35.4)	(50.0)	(58.1)	Tax rate (%)	0.0	29.5	30.0	30.0
<b>Pre-tax profit</b>	<b>0.0</b>	<b>637.6</b>	<b>830.7</b>	<b>919.9</b>	Net debt/equity (%)	0.0	19.2	23.2	20.6
Tax expense	0.0	(188.3)	(249.2)	(276.0)	Net debt/net debt + equity (%)	0.0	16.1	18.8	17.1
Minorities/Assoc./Prefs	0.0	(85.0)	(152.4)	(166.0)	Net interest cover (x)	n/a	19.0	17.6	16.8
<b>NPAT</b>	<b>0.0</b>	<b>364.3</b>	<b>429.1</b>	<b>477.9</b>	Payout ratio (%)	0.0	14.1	40.5	39.9
Non recurring items	0.0	1,023.0	0.0	0.0	Capex to deprec'n (%)	0.0	132.0	265.6	104.9
<b>Reported profit</b>	<b>0.0</b>	<b>1,387.3</b>	<b>429.1</b>	<b>477.9</b>	NTA per share (\$)	0.00	4.46	4.95	5.46
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	0.0	12.3	11.0	11.1
<b>Adjusted profit</b>	<b>0.0</b>	<b>364.3</b>	<b>429.1</b>	<b>477.9</b>	ROE (%)	n/a	11.9	8.6	9.0
Cashflow summary					Multiple analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>EBITDA</b>	<b>0.0</b>	<b>998.0</b>	<b>1,143.5</b>	<b>1,248.3</b>	Market cap (M)	9,876			
Working capital changes	0.0	(455.6)	(19.0)	(27.0)	Net debt (\$M)	663.0			
Interest and tax	0.0	(127.9)	(248.1)	(321.5)	Peripheral assets (\$M)	(0.0)			
Other operating items	0.0	166.8	30.7	43.6	<b>Enterprise value (\$M)</b>	<b>10,539.0</b>			
<b>Operating cashflow</b>	<b>0.0</b>	<b>581.3</b>	<b>907.1</b>	<b>943.4</b>	<b>EV/EBIT (x)</b>	<b>0.0</b>	<b>15.8</b>	<b>12.0</b>	<b>10.8</b>
Required capex	0.0	(429.0)	(698.1)	(283.5)	<b>EV/EBITDA (x)</b>	<b>0.0</b>	<b>10.6</b>	<b>9.2</b>	<b>8.4</b>
<b>Maintainable cashflow</b>	<b>0.0</b>	<b>152.3</b>	<b>208.9</b>	<b>660.0</b>	EV/EBITDA All Ind (x)	9.8	8.7	7.9	7.3
Dividends	0.0	(41.7)	(144.6)	(184.1)	EV/EBITDA rel All Ind (x)	0.0	1.2	1.2	1.2
Acq/Disp	0.0	(150.0)	(375.0)	(468.7)	<b>P/E (x)</b>	<b>0.0</b>	<b>13.4</b>	<b>22.9</b>	<b>20.6</b>
Other investing items	0.0	0.0	0.0	0.0	P/E rel All Ind (x)	0.0	0.7	1.4	1.4
<b>Free cashflow</b>	<b>0.0</b>	<b>(39.4)</b>	<b>(310.7)</b>	<b>7.2</b>	P/E rel All Ind ex banks (x)	0.0	0.7	1.3	1.3
Equity	0.0	12.5	43.4	55.2	P/E sector (x)	28.7	26.7	22.4	18.7
Debt inc/(red'n)	0.0	266.7	267.3	(62.5)	P/E rel sector (x)	0.0	0.5	1.0	1.1
Balance sheet					Assumptions				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Cash & deposits	0.0	0.0	0.0	0.0	GDP growth (%)	2.92	2.50	3.02	3.64
Inventories	0.0	165.1	175.1	189.3	Interest Rates (%)	5.73	6.38	6.34	6.30
Trade debtors	0.0	1,222.6	1,296.8	1,402.3	Inflation (%)	3.20	3.09	2.47	2.50
Other curr assets	0.0	105.0	105.0	105.0					
<b>Total current assets</b>	<b>0.0</b>	<b>1,492.7</b>	<b>1,576.9</b>	<b>1,696.6</b>					
Prop., plant & equip.	0.0	3,694.7	4,504.9	4,986.8					
Non-curr intangibles	0.0	1,975.0	1,975.0	1,975.0					
Non-curr investments	0.0	297.0	297.0	297.0					
Other non-curr assets	0.0	92.0	92.0	92.0					
<b>Total assets</b>	<b>0.0</b>	<b>7,551.4</b>	<b>8,445.9</b>	<b>9,047.4</b>					
Trade creditors	0.0	1,074.1	1,139.3	1,231.9					
Curr borrowings	0.0	86.0	0.0	0.0					
Other curr liabilities	0.0	60.9	112.0	124.6					
<b>Total current liab.</b>	<b>0.0</b>	<b>1,221.0</b>	<b>1,251.3</b>	<b>1,356.6</b>					
Borrowings	0.0	594.7	948.0	885.6					
Other non-curr liabilities	0.0	864.8	895.5	939.1					
<b>Total liabilities</b>	<b>0.0</b>	<b>2,680.6</b>	<b>3,094.8</b>	<b>3,181.3</b>					
Minorities/Convertibles	0.0	31.0	183.3	349.4					
<b>Shareholders equity</b>	<b>0.0</b>	<b>4,870.8</b>	<b>5,351.1</b>	<b>5,866.2</b>					

## Notes To Accounts

The financial information presented contains forecast pro forma details provided by Toll Holdings in its Restructure Scheme Book for the FY07 income statement, cash flow statement and balance sheet. The forecast income statement for FY08 is based on pro forma details provided by Toll Holdings. The income statement, cash flow statement and balance sheet for FY09 are based on Aegis forecasts.

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)



# Macquarie Media Group

ASX: MMG

Bloomberg: MMG AU

Reuters: MMG.AX

20 June 2007

**\$4.58**

**BUY**

## 2H07 Distribution guidance

# of Shares:	203M	Market Cap:	\$901M	Current Price:	\$4.58
% All Ords:	0.0%	% Sector:	0.3%	12 Month Target:	\$5.31

FIGURE 1: SHAREPRICE CHART

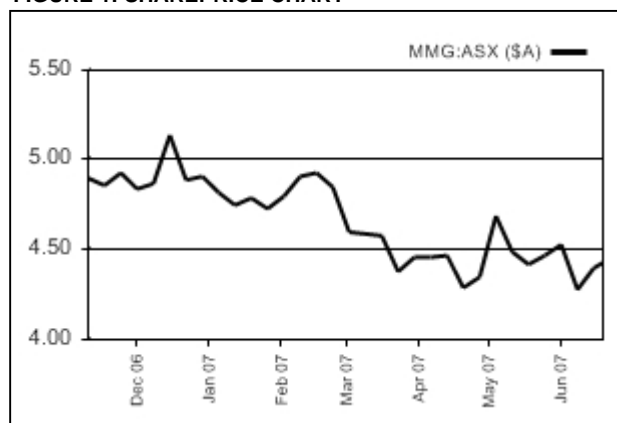


TABLE 1: EARNINGS SUMMARY

Yr to Jun	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	4.4	51.9	73.6	86.3
NPAT <sup>1</sup> Adj (\$M)	0.4	59.5	73.6	86.3
EPS (c)	0.2	29.3	36.2	42.4
DPS (c)	14.5	45.5	46.0	48.0
P/E (x)	>99	15.6	12.7	10.8
Yield (%)	3.2	9.9	10.0	10.5
Franking (%)	0	0	0	0
EPS growth (%)	n/a	>1000	23.7	17.2

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

MMG today announced that its final distribution payment for FY07 will be 24.5c per stapled security, which was slightly above our expectation. The record date is 29 June 2007 and the estimated payment date 21 August 2007. This will bring total distributions for FY07 to 45.5c per stapled security. MMG said it expected a portion of the distribution will include a tax-deferred component, a small franked component (expected to be negligible) and a small number of foreign tax credits. MMG gave the following guidance for 2H07 performance of its business divisions: Macquarie Regional Radioworks division generated revenue growth in excess of that achieved in 1H07; Taiwan Broadband Communications generated revenue growth in line with that achieved in 1H07; and ACM is performing in line with expectations.

### Implications

MMG's total distribution for FY07 of 45.5c per stapled security is 8% higher than our estimate. We have updated our FY07 distribution forecast accordingly. Our numbers are in line with management's divisional performance guidance. Our 12-month price target and EPS forecasts remain unchanged, and we retain a positive view on the stock.

### Investment Opinion

MMG is an MBL investment vehicle with a mandate to invest in global media assets. It currently holds three core assets: 1) MRR, which dominates the Australian regional radio market; 2) a 60% holding in TBC, which is a leading cable television broadcaster in Taiwan; and 3) ACM, a US publisher of 65 community newspapers in Texas and Oklahoma. MMG has a 13.8% stake in SBC, which has TV broadcast, TV production and radio interests. We expect MMG to build a sizeable media platform over time.

We expect to see MMG acquiring more media assets over the next 12 months as it takes advantage of opportunities both at home and abroad. Although in the near term there is some uncertainty surrounding its MRR operations with regard to the new content obligations of regional radio operators post media reforms, MMG's acquisition of US-based ACM in Feb-07 has led to further expansion in the US, and its Taiwanese operations promise further growth. Therefore, we are more bullish on a 12-month basis.

# Macquarie Media Group

Recommendation<sup>1</sup>: BUY

12M Target: \$5.31

Company risk<sup>2</sup>: ★★☆☆☆

Share Price risk<sup>2</sup>: ★★☆☆☆

Ethical rating<sup>3</sup>: ★★★★★

Year end Jun. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>175.6</b>	<b>327.5</b>	<b>411.8</b>	<b>450.3</b>	Revenue growth (%)	0.0	86.5	25.7	9.3
Invest & other income	15.6	3.7	7.4	7.4	EBITDA growth (%)	n/a	92.1	22.0	10.1
<b>EBITDA</b>	<b>72.1</b>	<b>138.5</b>	<b>169.0</b>	<b>186.0</b>	EPS growth (%)	n/a	>1000	23.7	17.2
Depreciation/Amort	(11.2)	(25.9)	(26.4)	(26.9)	EBITDA/Sales margin (%)	41.1	42.3	41.0	41.3
<b>EBIT</b>	<b>60.8</b>	<b>112.6</b>	<b>142.6</b>	<b>159.0</b>	EBIT/Sales margin (%)	34.6	34.4	34.6	35.3
Net Interest	(43.8)	(39.3)	(51.7)	(52.5)	Tax rate (%)	41.8	18.8	19.0	19.0
<b>Pre-tax profit</b>	<b>17.1</b>	<b>73.3</b>	<b>90.9</b>	<b>106.5</b>	Net debt/equity (%)	139.0	125.2	140.9	142.1
Tax expense	(7.1)	(13.8)	(17.3)	(20.2)	Net debt/net debt + equity (%)	58.2	55.6	58.5	58.7
Minorities/Assoc./Prefs	(9.5)	0.0	0.0	0.0	Net interest cover (x)	1.4	2.9	2.8	3.0
<b>NPAT</b>	<b>0.4</b>	<b>59.5</b>	<b>73.6</b>	<b>86.3</b>	Payout ratio (%)	>1000	155.4	127.1	113.1
Non recurring items	4.0	(7.6)	0.0	0.0	Capex to deprec'n (%)	96.7	72.6	51.4	55.2
<b>Reported profit</b>	<b>4.4</b>	<b>51.9</b>	<b>73.6</b>	<b>86.3</b>	NTA per share (\$)	(3.18)	(3.61)	(3.72)	(3.77)
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	10.9	5.7	7.1	7.9
<b>Adjusted profit</b>	<b>0.4</b>	<b>59.5</b>	<b>73.6</b>	<b>86.3</b>	ROE (%)	0.2	7.3	9.2	11.0
Cashflow summary					Multiple analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>EBITDA</b>	<b>72.1</b>	<b>138.5</b>	<b>169.0</b>	<b>186.0</b>	Market cap (M)	901			
Working capital changes	(21.2)	(2.9)	(3.4)	(1.9)	Net debt (\$M)	1,021.0			
Interest and tax	(43.5)	(72.8)	(68.2)	(71.1)	Peripheral assets (\$M)	(19.7)			
Other operating items	(62.6)	(3.9)	2.5	1.4	<b>Enterprise value (\$M)</b>	<b>1,901.9</b>			
<b>Operating cashflow</b>	<b>(55.2)</b>	<b>58.9</b>	<b>99.8</b>	<b>114.3</b>	<b>EV/EBIT (x)</b>	<b>31.3</b>	<b>17.5</b>	<b>14.1</b>	<b>12.5</b>
Required capex	(10.9)	(18.8)	(13.6)	(14.9)	<b>EV/EBITDA (x)</b>	<b>26.4</b>	<b>14.1</b>	<b>11.8</b>	<b>10.7</b>
<b>Maintainable cashflow</b>	<b>(66.1)</b>	<b>40.1</b>	<b>86.2</b>	<b>99.4</b>	EV/EBITDA All Ind (x)	9.8	8.7	7.9	7.3
Dividends	(4.5)	(71.8)	(96.6)	(95.6)	EV/EBITDA rel All Ind (x)	2.7	1.6	1.5	1.5
Acq/Disp	(410.6)	(125.6)	(84.2)	0.0	<b>P/E (x)</b>	<b>&gt;99</b>	<b>15.6</b>	<b>12.7</b>	<b>10.8</b>
Other investing items	(26.8)	0.0	0.0	0.0	P/E rel All Ind (x)	96.2	0.8	0.8	0.7
<b>Free cashflow</b>	<b>(508.0)</b>	<b>(157.3)</b>	<b>(94.5)</b>	<b>3.9</b>	P/E rel All Ind ex banks (x)	95.2	0.8	0.7	0.7
Equity	517.8	400.2	0.0	0.0	P/E sector (x)	24.7	21.2	21.5	18.9
Debt inc/(red'n)	(21.7)	(145.9)	94.5	(3.9)	P/E rel sector (x)	85.2	0.7	0.6	0.6
Balance sheet					Assumptions				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Cash & deposits	95.7	0.0	0.0	0.0	GDP growth (%)	2.92	2.50	3.02	3.64
Inventories	1.3	2.1	2.5	2.7	Interest Rates (%)	5.73	6.38	6.34	6.30
Trade debtors	439.7	47.0	56.5	61.8	Inflation (%)	3.20	3.09	2.47	2.50
Other curr assets	0.0	0.0	0.0	0.0					
<b>Total current assets</b>	<b>536.7</b>	<b>49.1</b>	<b>59.0</b>	<b>64.5</b>	<b>Notes To Accounts</b>				
Prop., plant & equip.	143.3	147.5	218.8	206.8	All P&L items (except Reported profit) now exclude Goodwill				
Non-curr intangibles	1,445.5	1,543.8	1,543.8	1,543.8	Amortisation as per the new AIFRS requirements.				
Non-curr investments	29.7	19.7	19.7	19.7					
Other non-curr assets	72.4	186.9	186.9	186.9					
<b>Total assets</b>	<b>2,227.6</b>	<b>1,947.0</b>	<b>2,028.3</b>	<b>2,021.7</b>					
Trade creditors	27.7	32.1	38.6	42.2					
Curr borrowings	387.3	0.0	0.0	0.0					
Other curr liabilities	111.5	79.1	80.1	81.9					
<b>Total current liab.</b>	<b>526.5</b>	<b>111.2</b>	<b>118.8</b>	<b>124.1</b>					
Borrowings	829.7	1,014.0	1,108.5	1,104.7					
Other non-curr liabilities	65.0	34.7	37.0	38.2					
<b>Total liabilities</b>	<b>1,421.1</b>	<b>1,160.0</b>	<b>1,264.3</b>	<b>1,267.0</b>					
Minorities/Convertibles	(0.4)	(22.8)	(22.8)	(22.8)					
<b>Shareholders equity</b>	<b>806.5</b>	<b>787.0</b>	<b>764.0</b>	<b>754.8</b>					

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)



# Macquarie Prologis Trust

ASX: MPR

Bloomberg: MPR AU

Reuters: MPR.AX

20 June 2007

\$1.44

ACCEPT OFFER

## Few days left before meeting... Accept Offer!!

# of Shares:	867M	Market Cap:	\$1,243M	Current Price:	\$1.44
% All Ords:	0.1%	% Sector:	0.2%	12 Month Target:	\$1.43

FIGURE 1: SHAREPRICE CHART

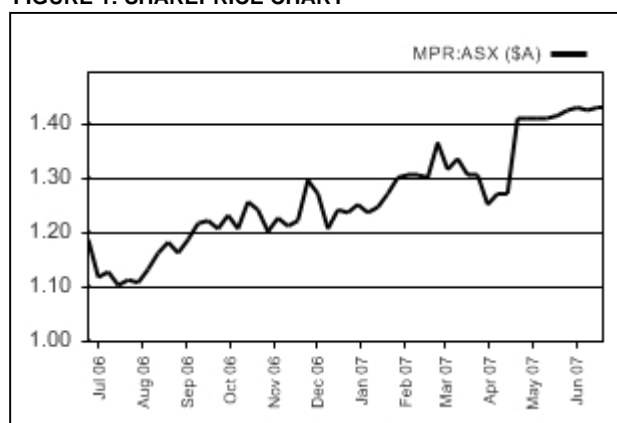


TABLE 1: EARNINGS SUMMARY

Yr to Jun	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	196.0	184.5	106.6	115.0
NPAT <sup>1</sup> Adj (\$M)	93.3	101.2	106.6	115.0
EPS (c)	11.3	11.7	12.3	13.3
DPS (c)	10.8	10.8	10.8	10.8
P/E (x)	12.7	12.3	11.7	10.8
Yield (%)	7.5	7.5	7.5	7.5
Franking (%)	0	0	0	0
Deferred Tax (%)	33	33	33	33

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

## Event

MPR unitholders have the opportunity to vote on the proposed cash offer for all the units in MPR on 27 June 2007. The takeover cash offer is being made by ProLogis (a joint venture partner of MPR) at \$1.43 per unit, a 12% premium to the closing price of \$1.275 on 16 April 2007 and \$0.01 per unit below the current price. MPR's independent directors have unanimously recommended the proposal. Grant Samuel, the independent expert, has also concluded that the offer is fair and reasonable to, and in the best interest of, unitholders.

## Implications

Unitholders have two options, either to sell their units on market (for which the price is uncertain and brokerage costs will be incurred but with prompt settlement) or to accept the offer (for which the price is certain, no brokerage costs will be incurred but settlement will be deferred to 16 July 2007). The later option allows unitholders to defer potential capital gains into the next financial year. To reflect the current bid by ProLogis, we have added a six percent premium, which brings our target price to \$1.43. We believe the \$1.43 offer price is attractive and, in the absence of a superior proposal, we recommend MPR unitholders accept the offer, which is for a set amount and will have no brokerage cost, but has a short delay in payment. Accordingly, we recommend that MPR unitholders vote in favour of the scheme at the unitholders' meeting scheduled for 27 June 2007.

## Investment Opinion

MPR has a passive investment strategy, aiming to source income and capital growth through part ownership in the US and Mexican distribution facilities. The ProLogis Trust Group, the largest US industrial REIT, acts as property manager. MPR benefits from ProLogis' extensive property management expertise and had the first right of offer on ProLogis developments. The first right of offer expired at the end of 2005 and was not renewed, limiting MPR's growth opportunities and future earnings growth.

We recommend unitholders accept the offer and vote in favour of the scheme at the unitholders' meeting scheduled for 27 June 2007.

# Macquarie Prologis Trust

Recommendation<sup>1</sup>: ACCEPT OFFER 12M Target: \$1.43 Company risk<sup>2</sup>: ★★★★★ Share Price risk<sup>2</sup>: ★★★★★ Ethical rating<sup>3</sup>: ★★★★★

Year end Jun. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>168.7</b>	<b>210.9</b>	<b>225.0</b>	<b>224.0</b>	Revenue growth (%)	5.8	25.0	6.7	(0.4)
Invest & other income	(13.2)	(13.3)	(13.4)	(13.5)	EBITDA growth (%)	14.3	(3.8)	14.4	5.6
<b>EBITDA</b>	<b>166.7</b>	<b>160.2</b>	<b>183.3</b>	<b>193.6</b>	EPS growth (%)	0.1	3.7	4.9	7.9
Depreciation/Amort	0.0	0.0	0.0	0.0	EBITDA/Sales margin (%)	98.8	76.0	81.5	86.4
<b>EBIT</b>	<b>166.7</b>	<b>160.2</b>	<b>183.3</b>	<b>193.6</b>	EBIT/Sales margin (%)	98.8	76.0	81.5	86.4
Net Interest	(58.5)	(54.6)	(59.0)	(59.0)	Tax rate (%)	6.2	4.1	6.0	7.0
<b>Pre-tax profit</b>	<b>99.5</b>	<b>105.6</b>	<b>113.4</b>	<b>123.7</b>	Net debt/equity (%)	31.0	99.2	96.9	93.2
Tax expense	(6.2)	(4.4)	(6.8)	(8.7)	Net debt/net debt + equity (%)	23.6	49.8	49.2	48.2
Minorities/Assoc./Prefs	0.0	0.0	0.0	0.0	Net interest cover (x)	2.5	2.9	2.6	2.8
<b>NPAT</b>	<b>93.3</b>	<b>101.2</b>	<b>106.6</b>	<b>115.0</b>	Payout ratio (%)	95.5	92.1	87.8	81.4
Non recurring items	102.7	83.3	0.0	0.0	Capex to deprec'n (%)	0.0	0.0	0.0	0.0
<b>Reported profit</b>	<b>196.0</b>	<b>184.5</b>	<b>106.6</b>	<b>115.0</b>	NTA per share (\$)	1.08	1.30	1.31	1.34
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	9.3	8.4	8.2	8.6
<b>Adjusted profit</b>	<b>93.3</b>	<b>101.2</b>	<b>106.6</b>	<b>115.0</b>	ROE (%)	11.2	10.1	9.4	10.0
Cashflow summary					Multiple analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>EBITDA</b>	<b>166.7</b>	<b>160.2</b>	<b>183.3</b>	<b>193.6</b>	Market cap (M)	1,243			
Working capital changes	0.0	0.0	0.0	0.0	Net debt (\$M)	1,120.0			
Interest and tax	(17.3)	(68.9)	(76.5)	(77.6)	Peripheral assets (\$M)	(0.0)			
Other operating items	(72.1)	0.0	0.0	0.0	<b>Enterprise value (\$M)</b>	<b>2,363.5</b>			
<b>Operating cashflow</b>	<b>77.3</b>	<b>91.3</b>	<b>106.8</b>	<b>115.9</b>	<b>EV/EBIT (x)</b>	<b>14.2</b>	<b>14.7</b>	<b>12.9</b>	<b>12.2</b>
Required capex	0.0	0.0	0.0	0.0	<b>EV/EBITDA (x)</b>	<b>14.2</b>	<b>14.7</b>	<b>12.9</b>	<b>12.2</b>
<b>Maintainable cashflow</b>	<b>77.3</b>	<b>91.3</b>	<b>106.8</b>	<b>115.9</b>	EV/EBITDA All Ind (x)	9.8	8.7	7.9	7.3
Dividends	(47.8)	(93.2)	(93.6)	(93.6)	EV/EBITDA rel All Ind (x)	1.4	1.7	1.6	1.7
Acq/Disp	(124.4)	0.0	0.0	0.0	<b>P/E (x)</b>	<b>12.7</b>	<b>12.3</b>	<b>11.7</b>	<b>10.8</b>
Other investing items	(39.3)	0.0	0.0	0.0	P/E rel All Ind (x)	0.6	0.6	0.7	0.7
<b>Free cashflow</b>	<b>(134.2)</b>	<b>(1.9)</b>	<b>13.2</b>	<b>22.3</b>	P/E rel All Ind ex banks (x)	0.6	0.6	0.7	0.7
Equity	39.1	0.0	0.0	0.0	P/E sector (x)	20.2	17.1	14.6	13.2
Debt inc/(red'n)	94.4	(7.4)	(13.2)	(22.3)	P/E rel sector (x)	0.6	0.7	0.8	0.8
Balance sheet					Assumptions				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Cash & deposits	1.0	0.0	0.0	0.0	GDP growth (%)	2.92	2.50	3.02	3.64
Inventories	0.0	0.0	0.0	0.0	Interest Rates (%)	5.73	6.38	6.34	6.30
Trade debtors	5.9	4.8	4.8	4.8	Inflation (%)	3.20	3.09	2.47	2.50
Other curr assets	11.7	17.3	17.3	17.3					
<b>Total current assets</b>	<b>18.7</b>	<b>22.1</b>	<b>22.1</b>	<b>22.1</b>					
Prop., plant & equip.	0.0	0.0	0.0	0.0					
Non-curr intangibles	0.0	0.0	0.0	0.0					
Non-curr investments	1,171.0	2,185.3	2,185.3	2,185.3					
Other non-curr assets	28.8	41.5	41.5	41.5					
<b>Total assets</b>	<b>1,218.5</b>	<b>2,248.9</b>	<b>2,248.9</b>	<b>2,248.9</b>					
Trade creditors	0.0	0.0	0.0	0.0					
Curr borrowings	0.0	0.0	0.0	0.0					
Other curr liabilities	3.5	10.7	10.9	11.8					
<b>Total current liab.</b>	<b>3.5</b>	<b>10.7</b>	<b>10.9</b>	<b>11.8</b>					
Borrowings	142.6	921.0	907.7	885.4					
Other non-curr liabilities	145.8	193.7	193.7	193.7					
<b>Total liabilities</b>	<b>291.8</b>	<b>1,125.4</b>	<b>1,112.4</b>	<b>1,091.0</b>					
Minorities/Convertibles	0.0	0.0	0.0	0.0					
<b>Shareholders equity</b>	<b>926.7</b>	<b>1,123.4</b>	<b>1,136.5</b>	<b>1,157.9</b>					

## Notes To Accounts

All P&L items (except Reported profit) now exclude Goodwill Amortisation as per the new AIFRS requirements. Periods prior to FY06 are not adjusted for AIFRS. We treat the hybrid instrument (SHEDS) as a debt instrument.

**Notes:** 1 The recommendation system rates stocks on a 12 month, absolute basis based on the total return (capital and dividends). BUY denotes an expectation of 15% or more total return; SELL 5% or less; HOLD within the range of 5-15%. ACCEPT OFFER relates to a situation where there is a public offer for shares and our view is to accept that offer.

2. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

3. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see [www.aer.com.au](http://www.aer.com.au)



# Macquarie Airports

ASX: MAP

Bloomberg: MAP AU

Reuters: MAP.AX

19 June 2007

\$4.29

HOLD

## Arrivederci Roma

# of Shares:	1,844M	Market Cap:	\$7,911M	Current Price:	\$4.29
% All Ords:	0.4%	% Sector:	4.5%	12 Month Target:	\$4.39

FIGURE 1: SHAREPRICE CHART



TABLE 1: EARNINGS SUMMARY

Yr to Dec	2006A	2007F	2008F	2009F
NPAT Rep (\$M)	600.5	428.4	560.4	590.5
NPAT <sup>1</sup> Adj (\$M)	395.5	428.4	560.4	590.5
EPS (c)	22.7	23.2	30.4	32.0
DPS (c)	25.0	26.0	26.0	26.0
P/E (x)	18.9	18.5	14.1	13.4
Yield (%)	5.8	6.1	6.1	6.1
Franking (%)	0	0	0	0
EPS growth (%)	34.0	2.2	30.8	5.4

<sup>1</sup> Profit & EPS adjusted for options, goodwill, notional earnings and non recurring items.

### Event

MAP announced that Macquarie Airports Luxembourg (MALSA) has agreed to dispose of its 44.74% stake in Aeroporti di Roma (AdR) to Leonardo S.r.L, the wholly owned subsidiary of Gemina for €1.24B (A\$2.06B). MALSA acquired its interest in AdR for €480M (A\$873M) in Mar-03. MAP had a 34.2% beneficial interest in AdR, realising A\$1.58B from the sale. MAP further announced that it intends to maintain its distribution guidance of \$0.26 for Dec-07.

### Implications

We feel that the sale of AdR is a positive move by MAP as it continued to struggle to control AdR's cashflows and given AdR's "obligations" to a struggling incumbent airline. At present MAP has not yet disclosed its intention for the cash, however investment opportunities may exist within Eastern Europe, New Zealand and USA. If no opportunity exists for MAP to reinvest the proceeds in reasonably priced airport assets, MAP has indicated that a proportion of the sale would be returned to shareholders most likely via a capital return or share buy-back. We have take the opportunity of the removal of AdR from our forecasts to remodel MAP based on a proportionate earnings basis as we believe this better reflects MAP's earnings growth profile. The net effect of the removal of AdR and remodelling has resulted in an increased 12 month price target which is now \$4.39 and we retain our neutral view.

### Investment Opinion

MAP is the world's second biggest airport operator. MAP holds controlling stakes in Sydney, Brussels and Copenhagen airports, with the ability to control timing and the level of distributions from these assets. MAP has a strong management team, pursuing further growth in earnings through a combination of higher passenger revenues, non-aeronautical revenues and a range of cost-cutting initiatives.

Each of MAP's airports is reporting solid traffic growth as low-cost carriers around the world ramp up capacity to serve a world hungry to travel. MAP has a proven track record of increasing revenues from its investments ahead of passenger traffic growth through tariff increases and the promotion of ancillary services. We believe MAP is in a good position to continue to maintain a healthy distribution.

# Macquarie Airports

Recommendation<sup>1</sup>: HOLD

12M Target: \$4.39

Company risk<sup>2</sup>: ★★★★★

Share Price risk<sup>2</sup>: ★★★★★

Ethical rating<sup>3</sup>: ★★★★★

Year end Dec. All figures in A\$M

Profit & loss summary					Ratio analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>Operating revenue</b>	<b>1,461.5</b>	<b>1,560.1</b>	<b>1,268.9</b>	<b>1,371.3</b>	Revenue growth (%)	30.0	6.7	(18.7)	8.1
Invest & other income	0.0	0.0	0.0	0.0	EBITDA growth (%)	31.9	5.7	10.2	8.1
<b>EBITDA</b>	<b>857.6</b>	<b>906.7</b>	<b>998.8</b>	<b>1,079.3</b>	EPS growth (%)	34.0	2.2	30.8	5.4
Depreciation/Amort	(56.2)	(57.6)	(40.8)	(42.6)	EBITDA/Sales margin (%)	58.7	58.1	78.7	78.7
<b>EBIT</b>	<b>801.4</b>	<b>849.1</b>	<b>958.0</b>	<b>1,036.7</b>	EBIT/Sales margin (%)	54.8	54.4	75.5	75.6
Net Interest	(353.1)	(358.9)	(320.4)	(319.8)	Tax rate (%)	11.8	12.6	12.1	17.6
<b>Pre-tax profit</b>	<b>448.3</b>	<b>490.2</b>	<b>637.6</b>	<b>716.9</b>	Net debt/equity (%)	220.6	225.0	172.4	165.4
Tax expense	(52.8)	(61.8)	(77.2)	(126.4)	Net debt/net debt + equity (%)	68.8	69.2	63.3	62.3
Minorities/Assoc./Prefs	0.0	0.0	0.0	0.0	Net interest cover (x)	2.3	2.4	3.0	3.2
<b>NPAT</b>	<b>395.5</b>	<b>428.4</b>	<b>560.4</b>	<b>590.5</b>	Payout ratio (%)	110.0	111.9	85.6	81.2
Non recurring items	205.0	0.0	0.0	0.0	Capex to deprec'n (%)	275.2	0.0	0.0	0.0
<b>Reported profit</b>	<b>600.5</b>	<b>428.4</b>	<b>560.4</b>	<b>590.5</b>	NTA per share (\$)	(1.34)	(1.36)	(1.31)	(1.25)
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	6.1	5.6	6.7	7.4
<b>Adjusted profit</b>	<b>395.5</b>	<b>428.4</b>	<b>560.4</b>	<b>590.5</b>	ROE (%)	8.6	13.6	17.8	18.3
Cashflow summary					Multiple analysis				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
<b>EBITDA</b>	<b>857.6</b>	<b>906.7</b>	<b>998.8</b>	<b>1,079.3</b>	Market cap (M)	7,911			
Working capital changes	1,069.6	0.0	0.0	0.0	Net debt (\$M)	0.0			
Interest and tax	(24.8)	(358.9)	(382.1)	(397.0)	Peripheral assets (\$M)	(0.0)			
Other operating items	(1,072.1)	(5.3)	0.0	0.0	<b>Enterprise value (\$M)</b>	<b>7,910.8</b>			
<b>Operating cashflow</b>	<b>830.3</b>	<b>542.4</b>	<b>616.6</b>	<b>682.3</b>	<b>EV/EBIT (x)</b>	<b>9.9</b>	<b>9.3</b>	<b>8.3</b>	<b>7.6</b>
Required capex	(154.7)	0.0	0.0	0.0	<b>EV/EBITDA (x)</b>	<b>9.2</b>	<b>8.7</b>	<b>7.9</b>	<b>7.3</b>
<b>Maintainable cashflow</b>	<b>675.6</b>	<b>542.4</b>	<b>616.6</b>	<b>682.3</b>	EV/EBITDA All Ind (x)	9.8	8.7	7.9	7.3
Dividends	(310.0)	(461.0)	(479.4)	(479.4)	EV/EBITDA rel All Ind (x)	0.9	1.0	1.0	1.0
Acq/Disp	(291.3)	(150.5)	1,427.4	(152.6)	<b>P/E (x)</b>	<b>18.9</b>	<b>18.5</b>	<b>14.1</b>	<b>13.4</b>
Other investing items	160.2	0.0	0.0	0.0	P/E rel All Ind (x)	0.9	1.0	0.9	0.9
<b>Free cashflow</b>	<b>234.5</b>	<b>(69.1)</b>	<b>1,564.6</b>	<b>50.3</b>	P/E rel All Ind ex banks (x)	0.9	1.0	0.8	0.9
Equity	107.9	0.0	0.0	0.0	P/E sector (x)	28.7	26.7	22.4	18.7
Debt inc/(red'n)	(198.9)	69.1	(1,564.6)	(50.3)	P/E rel sector (x)	0.7	0.7	0.6	0.7
Balance sheet					Assumptions				
	2006A	2007F	2008F	2009F		2006A	2007F	2008F	2009F
Cash & deposits	1,694.0	400.0	400.0	400.0	GDP growth (%)	2.66	2.63	3.47	3.49
Inventories	0.0	0.0	0.0	0.0	Interest Rates (%)	6.05	6.41	6.30	6.30
Trade debtors	140.9	140.9	140.9	140.9	Inflation (%)	3.54	2.51	2.50	2.50
Other curr assets	21.9	21.9	21.9	21.9					
<b>Total current assets</b>	<b>1,856.8</b>	<b>562.8</b>	<b>562.8</b>	<b>562.8</b>					
Prop., plant & equip.	5,725.3	5,918.2	4,550.1	4,760.0					
Non-curr intangibles	5,744.7	5,744.7	5,744.7	5,744.7					
Non-curr investments	3,507.4	3,407.4	3,307.4	3,207.4					
Other non-curr assets	92.3	92.3	92.3	92.3					
<b>Total assets</b>	<b>16,926.5</b>	<b>15,725.5</b>	<b>14,257.3</b>	<b>14,367.3</b>					
Trade creditors	1,406.5	1,406.5	1,406.5	1,406.5					
Curr borrowings	69.5	69.5	69.5	69.5					
Other curr liabilities	65.1	122.9	138.3	187.5					
<b>Total current liab.</b>	<b>1,541.1</b>	<b>1,598.9</b>	<b>1,614.3</b>	<b>1,663.5</b>					
Borrowings	8,846.3	7,621.4	6,056.8	6,006.5					
Other non-curr liabilities	1,516.5	1,515.2	1,515.2	1,515.2					
<b>Total liabilities</b>	<b>11,904.0</b>	<b>10,735.5</b>	<b>9,186.4</b>	<b>9,185.3</b>					
Minorities/Convertibles	1,749.5	1,749.5	1,749.5	1,749.5					
<b>Shareholders equity</b>	<b>5,022.6</b>	<b>4,990.0</b>	<b>5,070.9</b>	<b>5,182.0</b>					

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