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- LIMITED CIRCULATION

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Overseas Market Report - US Closes Higher

US stocks moved up sharply, with Intel and Hewlett-Packard assisting the Dow Jones Industrial Average as well as the Standard & Poor's 500 Index, which hit a new closing high for the year.

The S&P 500 rose 10.57 points (0.91%) to 1,173.48, taking out the high of 1,166.17 it reached on 5 November. The S&P 500 is now less than 30 points away from the 1,200 mark, which it last closed above on 7 August 2001. The Dow Jones Industrial Average gained 84.36 points (0.81%) to 10,469.84. And the Nasdaq Composite Index advanced 26.71 points (1.31%) to 2,061.27. On the New York Stock Exchange, there were 2,384 issues advancing, 880 declining and 124 unchanged.

Intel (Nasdaq) gained 31 cents (1.4%) to $23.17. The semiconductor maker tapped President and Chief Operating Officer Paul Otellini to replace Chief Executive Craig Barrett, who will take the chairman's seat in May.

Hewlett-Packard rose 28 cents (1.5%) to $19.25, recouping some of the 3.7% it lost on Wednesday when UBS downgraded shares to neutral from buy, citing, among other reasons, the potential for a slowing personal computer market.

But Hewlett-Packard may have been lifted by hopes that Dell Computer would post positive results after the closing bell. The personal computer maker rose 40 cents (1.1%) to $37.25 on the Nasdaq ahead of reporting third-quarter earnings of 33 cents a share, which is what analysts' were looking for, while revenue was a bit shy of Wall Street's projection.

Just a handful of the Dow Jones Industrial Average's 30 members fell and Coca Cola was among them with a drop of 21 cents to $40.96. The beverage giant sharply lowered its long-term earnings and volume growth targets.

Tiffany tumbled $1.84 (5.7%) to $30.29. The high-end jeweler's third-quarter earnings disappointed Wall Street as sales in Japan, as well as in the company's direct marketing channel, were weaker than expected.

Whole Foods Market (Nasdaq) rose $8.42 (9.8%) to $94.57. The natural foods retailer's earnings surged in the latest quarter from a year earlier, due to new stores, higher margins and healthy sales growth.

Oracle (Nasdaq) lost 24 cents (1.8%) to $13.14. PeopleSoft's board rejected Oracle's $24 a share bid for the software provider, which said its business is now worth substantially more to its suitor. PeopleSoft dropped 36 cents (1.6%) to $22.43 on the Nasdaq.

Advanced Micro Devices advanced $1.30 (7.5%) to $18.59 after Merrill Lynch upgraded shares to buy from neutral. The investment firm feels the company is in the midst of a microprocessor product cycle that should allow it to continue expanding profit margin and gaining market share against Intel for at least another year.

Nortel Networks lost 21 cents (5.9%) to $3.37. If management didn't have a credibility problem before, it does now after delaying again the network-equipment company's financial statements, institutional investors said.

Valassis Communications fell $2.75 (7.7%)to $33.02. The printer and distributor of advertising inserts for newspapers disclosed that the US Federal Trade Commission has opened a preliminary investigation into whether the company, in connection with its pricing policy, may have engaged in unfair methods of competition or unfair acts and practices.

Investors continued driving up Internet shares, with Google gaining $15.16 (9%) to $183.02, Ebay rising $4 (3.9%) to $107.84 and Yahoo advancing $1.13 (3.1%) to $37.79, all on the Nasdaq.

Bond markets were closed Thursday in observance of the Veterans Day holiday.

The FTSE 100 ended 42.2 points (0.9%) higher at 4,776.9 on oil price retreats. Better-than-expected results from BT Group, up 3.1%, boosted telecoms, but Royal & Sun Alliance led decliners, down 2.9%, on worries over US reserves.

Base metals on the LME finished mixed. Copper prices rose to a four-week high, as falling inventory renewed expectations that supply will fall short of demand. Stockpiles at LME warehouses fell below 70,000 tons for the first time since July 1990. The 5.9% increase in world demand from January to August exceeded output from scrap yards and mines, leaving a shortfall of 643,000 tons, double the deficit of a year earlier, the International Copper Study Group said yesterday.

Spot gold rose to a 16-year high as a decline in the US$'s value made precious metals cheaper for buyers holding euros. Gold, sold in dollars, reached its highest level since 1988, as the dollar fell to its lowest against the euro since the European currency started trading in 1999.

West Texas Intermediate crude oil fell for the third session in four, as increased imports and warmer weather raised expectations that U.S. refineries will have enough on hand to make heating oil for winter.

Equities	Close	% change
Dow Jones (US)	10469.84	0.81
S&P 500	1173.48	0.91
NASDAQ	2061.27	1.31
FTSE 100 (UK)	4776.9	0.90
Nikkei 225 (Japan)	10846.92	-1.35

Commodities	US$	Close	% change
Aluminium	US$/t 3mth	1791.0	-0.56
Copper	US$/t 3mth	2960.0	-0.60
Nickel	US$/t 3mth	13760.0	0.07
Gold	US$/oz	434.88	0.23
Oil	US$/bbl	47.43	-2.95

Australian Market Report - Local Market to Gain on Strong US Performance

Local markets can be expected to perform strongly Friday after indexes on Wall Street closed higher overnight, particularly as it was a good night for technology stocks such as Intel, Hewlett-Packard and Dell.

The Australian share market rose on Thursday after the release of employment figures that showed the lowest unemployment levels on record. The All Ordinaries gained 15.9 points (0.41%) to close at 3,873.60, with the ASX 200 rising by 16.9 points (0.44%) to 3,863.3.

Shares in Coles Myer (CML) rose 10 cents (1.02%) to $9.86 after announcing 1Q05 sales of $8.5 billion, an increase of 20.7% on the pcp. Food and Liquor sales rose 6.6%, outpacing the market. Kmart sales grew 8.9%, Officeworks sales increased 8% and Target sales rose 10.5%. Coles Express sales were $1.3 billion while Myer and Megamart sales fell 0.5%. CML expects double-digit sales growth in FY05, with 4% comparative sales growth in Food and Liquor and mid-single digit growth for combined non-food businesses.

Fisher & Paykel Appliances Holdings (FPA) reported profit after tax of NZ$34.52 million for the quarter ended 30 September 2004, down 1.2% from the pcp. Total revenue was NZ$469.4 million, up 9% compared to pcp. EPS was NZ13 cents, with an interim dividend of NZ9 cents payable on 8 December 2004. FPA said it has exchanged several patent rights as part of a strategic alliance with Whirlpool Corporation. FPA has been contracted to supply product components for an initial period of five years, which is expected to require an initial investment of approximately NZ$25 million. Anticipated revenue generated over the medium term is NZ$35-40 million pa. FPA expects supply of DishDrawer dishwashers to commence late 2004 and supply of components commencing late 2005. FPA firmed 11 cents (2.90%) to $3.90.

Fletcher Building (FBU) announced it has signed a conditional agreement to acquire assets of Malaysian Roofing Industries for $12 million, including a subsequent upgrade to plant and equipment. FBU said the agreement is conditional upon being granted a new manufacturing license and foreign investment approval from public authorities in Malaysia. FBU shed 3 cents (0.57%) to $5.22.

Telstra Corporation (TLS) announced the successful issue of $500 million 6.25% coupon bonds maturing April 2015. The issue marks Telstra□s return to the Australian dollar bond market after an absence of more than two and a half years. Telstra's Corporate Treasurer John Stanhope added that Telstra had completed over half of its $2.5 billion long term funding plans for FY05 and was on target to achieve the remainder by June 2005. TLS rose 2 cents (0.43%) to $4.72.

Macquarie Goodman Industrial Trust (MGI) announced the purchase of Millennium Centre Phase 2 in Auckland, NZ for $51.5 million from Manson Developments. The Company commented that Millennium Centre Phase 2 is scheduled for completion in November 2005 with a forecast initial yield of 10.1%. MGI said the acquisition will be paid in three installments, comprising of $2.3 million on exchange, $35.2 million on completion and $14 million on 12 months from completion. MGI lost 1 cent (0.49%) to $2.05.

Investa Property Group (IPG) rose 1 cent (0.47%) to $2.13 after announcing the execution of approximately 13,500 msq of new leases and renewals within the Delta Office Portfolio. The Group said NAB has agreed to a 12 month extension over 6,508 msq, expiring in October 2005. Other successful lease executions were achieved at Kindersley House (1,016 msq) and Market St (2,132 msq).

Shares in Macquarie Airports (MAP) jumped 16 cents (5.65%) to $2.99 after successfully raising $510 million from the institutional placement of 183.5 million securities. The funds are to be used to fund MAp's acquisition of a 52% interest in Brussels Airport International Company NV/SA (BIAC), as part of a consortium that has acquired 70% of BIAC.

Chariot (CTI) surged 11 cents (12.94%) to 96 cents after announcing the JV with Transcom International, will launch a new telephony system allowing low cost Internet-based international telephone calls early in the New Year. Chariot commented that Australia is the first market for the launch and more than 60 international markets are being targeted over the next five years.

AVJennings Homes Limited (AVJ) shed 20 cents (10.81%) to $1.65 after announcing NPAT of $19.4 million, down from $39 million in the pcp for the half year ending 30 September 2004. Revenue was lower at $236 million compared to $300 million in 2003. Managing Director Louis Milkovits, said that the timing of larger projects coming on stream, rather than market conditions, was the main reason for variation in the results. Directors have declared an interim dividend of 3.5 cents per share, fully franked.

Figures released by the ABS on Thursday showed the lowest unemployment rate of 5.3% since record keeping began in June 1981. The number of people in work rose by 43,700 to 9,764,400, with the participation rate increasing by 0.1% to 63.7% in October.

Among companies holding annual general meetings today are Cellnet Group, Croesus Mining, Huntley Investment Company, Michelago and Minara Resources.

Equities/Fixed Interest	Close	% change	Currency	Close	% change
All Ordinaries	3873.6	0.41	AUD/USD	0.765	0.71
S&P/ASX 200	3863.3	0.44	AUD/GBP	0.416	1.02
10-year Bond Rate	5.5567%	0.85	AUD/YEN	81.57	0.22
5-year Swap rate	5.84%	0.17	AUD/EUR	0.593	0.66
90-day Bank Bill Rate	5.455%	0.09	AUD/NZD	1.112	0.22

Industrial

AMP (AMP)

Share price running hot on strong market and takeover speculation

Accumulate **$7.19**

Event

AMP shares have risen 17% since October 25, when the share price was $6.15. The share price had tracked sideways somewhat above this level since mid-August.

The local sharemarket continues to make new record highs.

Takeover speculation has been a feature of recent trading in AMP shares.

The ASX asked AMP if it knew the reason for the rally in its shares and if it had any price-sensitive information to release to the market. AMP answered no to both questions.

On 26 October AMP had advised the market that a combination of factors, including product improvements, increased planner confidence, a strengthening brand and more favourable market conditions, was driving AFS□s better cash flows. During the third quarter, there were particularly strong flows into annuity products ahead of the changes to assets means testing introduced on 20 September. For the nine months cash flows in Australia were $797m compared with a net outflow of $679m for the same period in 2003. Total gross inflows of $6,926m were 24% better than for the same period in 2003 and total outflows of $6,129m were 2% lower. Net cash flows for Australian contemporary products of $1,865m were more than double those for the same period in 2003. Net cash flows in the Australian mature/closed book for the nine months to September this year improved by 29%, from a net outflow of $1,442 million in the same period last year to a net outflow of $1,030 million. In New Zealand, a net outflow of $38m for the nine months was an improvement over the net outflow of $137m in the same period last year.

Impact

It is no surprise AMP shares are running hot while the local sharemarket is making record highs. A bull market in equities encourages retail investors to invest more money in AMP's sharemarket managed funds, boosts capital strength and increases investment income. AMP's intrinsic value rises and falls with sharemarkets, particularly key Australian indexes like the All Ordinaries.

The takeover speculation of the last three weeks has focused on ANZ, Westpac and Commonwealth Bank, all of which have denied their interest. Despite this the market refuses to believe AMP is not a takeover target.

AMP customers' confidence in the sharemarket was reflected in AMP's recent statement of product cashflows outlined above. Any bidder would have to pay a premium reflecting AMP's leverage to the current excellent operating conditions.

We were looking for an AMP share price of over $8 by early 2007. The shares could get there much sooner assuming the bull market continues. Deciding to buy AMP always implies a bet the local sharemarket will trend higher.

AMP is demonstrating its leverage to the sharemarket rally. Product cashflows are recovering and earnings momentum is underway. Valuations of AMP should contain premiums for its high market shares, the strong brand, the large customer base and the planner network. The new threat of intensifying price competition will cloud the sector's outlook but we are still optimistic about AMP's long-term earnings growth potential.

As to a takeover bid, with a current market capitalisation of $13.4bn AMP would be a significant but not indigestible purchase for the likes of CBA, ANZ or WBC which have market caps from $40.4bn to $33bn. Of the three ANZ is the lightest in wealth management and John Macfarlane has indicated his interest in building that area, although recently pointing out he is happy to bide his time. AMP's P/E of over 19 times, plus an acquisition premium, makes it expensive and dilutive for one of these banks priced at around 13 times. Others quietly but substantially building their Australian exposure, such as GE or HBOS, should also not be discounted.

We upgraded from Hold to Buy at $5.11 in Morning Notes on 5 March this year. On 6 May at $5.77 we classified AMP as a long-term Accumulate, moving back to long-term Buy on 1 July at $6.33, reaffirmed at $6.10 on 20 August. We continue to see long-term upside in the stock and recommend Accumulation at these levels and buying on any weakness.

FYE Dec		2002A	2003A	2004E	2005E
Reported NPAT	$m	-775.0	581.0	740.0	720.0
EPS	c	-50.1	41.9	39.8	38.7
P/E	x	--	11.6	18.1	18.6
EPS Growth	%	-223.7	--	-5.0	-2.8
DPS	c	33.9	16.0	26.0	28.0
Yield	%	3.3	3.3	3.6	3.9
Franking	%	15	54	85	85

Source: Intersuisse estimates

Computershare (CPU)

Bullish tone at AGM

Continue to Accumulate **$5.26**

Event

At CPU's AGM the Chairman reflected that over the last decade CPU's revenue grew from $13m to $871m and its profit from $6.5m to $110.7m. He also said:

'Although it is impossible to predict the timing for the recovery of international markets, we believe that we continue to be in a strong position going forward. We expect that the cost synergies from acquisitions will flow through to the current financial year and we expect to continue to organically grow in our global employee plans and document services businesses.

We will continue to pursue our strategic objectives through expanding our range of services across all regions and through seeking out opportunities in both organic and acquisitive growth.

Given current trading conditions and our first quarter results, we are comfortable with our prior guidance for the full year of 20% growth in earnings per share together with revenue growth of 10%, excluding the expected positive impact of the EquiServe acquisition.'

CEO Chris Morris said that the Equiserve acquisition had already received very positive feedback from customers and staff. It had greatly improved credibility and recognition in the US and

elsewhere, making CPU No 1 in the US, highly unlikely to see another global competitor and resulting in further consolidation in the US. It creates opportunities for more activity in ADR□s, cross selling and CDS expansion. Meanwhile CPU will expand into more countries in continental Europe and build in Asia, where it is researching opportunities to grow in Japan, Korea and Taiwan, while it also plans to expand into consultancy services.

Impact

CPU is a leveraged play on sharemarket activity and interest rates. While markets are hot, earnings will be boosted. An issue for investors is whether markets face a turnaround over the next year - our view is positive for the US market and for Australia over that time frame.

More importantly for the long term, CPU is also a global leader in its field. The field is growing and rapidly. CPU is acting very positively to diversify its service offering, improve operating performance and reduce costs. Its move on Equiserve was a major step forward, making it now number one in the US. The FY04 result was solid and showed positive signs that the profitability and performance of the core business is improving. It also showed that CPU has learned from its difficult period and its experienced CFO is ensuring financial stability and efficiency.

The EquiServe addition adds a whole new dimension of value and the positive tone at the AGM indicated tbat we can look forward to more, smaller, acquisitions to boost CPU's strength in Europe and its increasingly diverse product range which places it in a prime position to win mandates from multinationals. We have increased our preliminary estimates, made on 22 October after the acquisition, by 7.5% in FY05 and FY06.

Continue to Accumulate for long term out-performance.

FYE Jun		2003A	2004A	2005E	2006E
Reported NPAT	$m	32.9	77.8	99.8	172.0
EPS	c	6.0	13.2	17.2	28.2
P/E	x	31.4	23.0	30.6	18.7
EPS Growth	%	-50.8	120.0	30.3	64.0
DPS	c	5.0	8.0	10.5	17.5
Yield	%	2.6	2.6	2.0	3.3
Franking	%	100	100	100	100

Source: Intersuisse estimates

Leighton Holdings (LEI)

1Q05 profit result and AGM remarks confirm strong performance rebound and outlook

Accumulate for strong earnings rebound $11.00

Event

At its AGM yesterday, Leighton announced that its 1Q05 profit result was 5% above the pcp as the company began to spring back to what the CEO predicted would be "more normal levels of profitability" as the Group's high level of momentum was particularly benefitting from its core construction and resource markets remaining in the midst of a major upswing. The engineering and infrastructure markets were being boosted by a number of large transport infrastructure projects. The ConnectEast consortium, which includes two of LEI's subsidiaries, Theiss and John Holland, was recently announced as the preferred tenderer for the $2.5 billion Mitcham-Frankston Freeway, Australia'a largest ever transport infrastructure project.

At the same time as the infrastructure sector is booming, LEI's CEO said the company was experiencing growth in demand for Australian resources, particulaly in China. LEI's strong position in contract mining was recently boosted by the award to its subsidiary, Theiss, of a $300m contract for the Curragh North coal mine of WES in Queensland.

LEI has reiterated that the outlook for the non-residential property market remains positive, given the strength of the domestic economy. LEI has over $2billion of work in hand in building and property with a mix of office, defence, industrial, retail and hospital work. LEI also expects the Asian economies to continue to grow strongly, given the strength of China and the USA, and the Group continues to generate strong returns from its activities in the region which include a number of large life-of-mine coal mining contracts in Indonesia (where it continues to closely monitor the operating environment) and a growing amount of road and rail infrastructure work in Hong Kong.

Overall, LEI expects its work in hand to peak at over $15 billion over the course of FY05 with the award of the Mitcham-Frankston Freeway, and that work on hand at the end of FY05 could be bck to around current levels of about $13 billion.

Impact

While not shying away from the unsatisfactory profit result in FY04, LEI is painting a set of circumstances now prevailing and likely to continue for some time which strongly support a rebound in its financial performance. We sense that the company has learnt from its two headline "bad" contracts -

the Spencer Street Railway Station refurbishment and the Sydney Hilton project - that caused it to make substantial writedowns in FY04, and that although there are a plethora of projects and opportunities on offer, it is being more selective and making more rigorous risk assessments of the projects it wants to take on and that it is likely to limit the amount of work it takes in hand so as to protect profit margins.

In reiterating its expectation of a profit of about $180m in FY05, equivalent to about 67 cents per share, LEI is expected to fully meet this target, (despite the 1Q05 result running at slightly below this level), placing the stock at current prices on a prospectiv P/E ratio of about 16 times and a fully franked prospective yield of 4.3%. We continue to recommend accumulation of the stock for this strong profit rebound and sereral years of strong profit growth from the favourable macro economic conditions in prospect.

FYE Jun		2003A	2004A	2005E	2006E
Reported NPAT	$m	139.2	110.0	182.1	200.3
EPS	c	51.3	40.4	66.7	73.4
P/E	x	19.0	25.6	16.5	15.0
EPS Growth	%	-18.3	-21.2	65.1	10.0
DPS	c	44.0	45.0	47.0	51.0
Yield	%	4.3	4.3	4.3	4.6
Franking	%	100	100	100	100

Source: Intersuisse estimates

PMP (PMP)

Rebuilding to continue
Accumulate **$2.07**

Event

CEO David Kirk has restated PMP's strategy from just being a print business with add-ons to being a media services company, including direct marketing.

The new presses and binders will be fully installed from January 2006. Vendor finance will allow payment for the $124m capital cost over several years, assisting cashflow.

Impact

The plant upgrade is long overdue and will give PMP a competitive edge, provided there are no teething issues.

PMP will step-up its marketing and customer services, trying to gain longer-term contracts. It will offer more combined services to customers.

Cash flow will be used to service the very high gearing of 150%.

FY05 will also benefit from the three recent minor acquisitions, offsetting Gordon and Gotch's problems. The acquisition of McPhersons directory printing business announced on 4 November will be a valuable contributor. The chairman does not expect dividends until FY06.

PMP will rebuild for another three years. The turnaround in underlying profit- seen in FY04- is not complete. The two major moves underway are to upgrade the core printing plants and to increase cross-selling. PMP's debt is still its main constraint on how quickly it can improve earnings and restore dividends. At current prices around $2.00, PMP is on only a moderate FY06 P/E ratio of 11 times.

FYE Jun		2003A	2004A	2005E	2006E
Reported NPAT	$m	14.5	44.4	43.4	54.3
EPS	c	4.9	15.0	14.7	17.9
P/E	x	13.6	8.7	14.1	11.6
EPS Growth	%	-54.6	206.1	-2.0	21.8
DPS	c	--	--	--	2.5
Yield	%	--	--	--	1.2
Franking	%	--	--	--	15

Source: Intersuisse estimates

Toll Holdings (TOL)

Growth to continue - the more it evolves the more it improves
Accumulate for growth as a core stock **$11.72**

Toll's AGM

CEO Paul Little told the AGM that TOL was in its best position ever.

Little assured shareholders that the company has well established processes to minimise the impact of rising oil prices, including a customer surcharging scheme. So far Australia has taken the fuel price increases in its stride. Little says rail is on average 50 per cent more fuel efficient than road. TOL's rail joint venture with Patrick, Pacific National, should benefit from a move to rail by those saving costs, despite being at some expense to TOL's road operations. Five years ago 77% of goods and services were moved by road and 17% by rail. Today that has already altered to 42% road and 28% rail, with the trend to continue.

Pacific National should have the momentum to drive strong earnings growth for some time. The recent acquisition of Freight Australia in Victoria will add to the reach and scale of the network enhancing its ability to service clients. Government recognition of the need to increase rail infrastructure spending is positive although the timing of such remains to be seen.

TOL is an integrated provider of transport and logistics services, the number one road and rail operator in Australia, the number one coastal shipping operator in Australia, and the number one rail and number two road operator in NZ. Despite this dominance its share of the estimated $66bn logistics market - estimated to more than double within the next 10 years - is only 6%.

Much of the logistics task in Australia is performed by companies in-house but growing recognition of the importance of supply chain excellence makes the outsourced model an increasingly compelling one. TOL's organic growth target of twice GDP growth continues to be met, driven by new customers and increasing the range of services provided to existing customers.

TOL is somewhat dependent on the Australian retail sector, which generated 43% of group revenues in FY04. The power of the retailers should not be underestimated. Their suppliers should come under increasing pressure as the retailers' ability to grow wanes, however TOL's ability to streamline supply chains should insulate it from pressure as TOL would be difficult to replace.

Offshore revenues will assume some significance.

South-East Asia is another market which T0L is developing. Three years ago revenues were almost exclusively Australian. In FY04 Australia fell to 84%, with NZ, Thailand, Malaysia and Singapore the remainder. TOL enters these markets via Australian-based multinational clients or joint venturing with established companies in targeted segments and locations. Growth in Asia on this basis is low-risk and although slow at first it will become a meaningful component.

The magic in TOL's business is its exceptional ability to develop and utilise information technology. It can monitor the movement of goods and inventory levels and efficiently deploy its own transport and logistics assets across a customer's supply chain. TOL employs over 120 technology specialists and spends heavily in the area, $30m in FY04. For most businesses, but more so with those that sell large volumes of low value goods, e.g. a Woolworths or Coles, the time to move an item from a supplier to a customer is vital. Retailer shelves have to be well stocked all the time or sales are lost. The less stock that is carried optimises the use of space and maximises choice and range for customers. To move stock quickly and accurately is critical.

TOL's strong cash flow generation and balance sheet gives the flexibility to make further acquisitions which have been significantly value-adding. The negotiation and particularly the effective integration of acquisitions is another of TOL's proven strengths. Cash flows will be even stronger when Pacific National begins to pay dividends, unlikely before 2006.

We continue to rate TOL as one of the outstanding growth stocks. Whether it will repeat by end 1010 its ten times price growth over the last six years remains to be seen and will be a tough ask. But TOL thrives on challenges and has plenty of scope for further expansion - continue to accumulate as a core growth stock.

FYE Jun		2003A	2004A	2005E	2006E
Reported NPAT	$m	106.1	160.9	213.7	245.6
EPS	c	34.6	50.1	62.1	71.5
P/E	x	19.9	17.8	18.9	16.4
EPS Growth	%	31.1	44.8	24.0	15.1
DPS	c	14.5	20.5	25.5	30.0
Yield	%	2.3	2.3	2.2	2.6
Franking	%	100	100	100	100

Source: Intersuisse estimates

Wesfarmers (WES)

Focus on wealth creation

Accumulate / Hold as a core stock **$36.00**

Event

The report for the September quarter reveals strong growth in production of both coking and steaming coal from Curragh (Queensland) and Bengalla (NSW).

The AGM on 8 November paid tribute to CEO MIchael Chaney, who will be succeeded at the end of June 2005. The presentations confirmed that all parts of Wesfarmers were performing well. Although the highlight is the coal prospects, mentioned here before, a resurging growth at Bunnings over recent months is reassuring after some weakness at the end of FY04.

Impact

The acquisition of the Curragh coal interests has proven to be a very timely and shrewd investment and management is backing these operations with a $290m expansion of Curragh North with its coal production due at the end of March 2005.

The full impact will be felt in FY06 at very favourable 2005 contract prices.

In FY06 management expects total Curragh sales around nine million tonnes, seven million tonnes of metallurgical or coking coal and two millions tonnes of thermal or steaming coal. This compares with FY04 sales of 6.9m tonnes.

WES is one of Australia's premier growth companies operating and managing a diversified portfolio. Management is first class and has produced well above average earnings growth for many years. We expect this to continue after the hand-over to CEO-elect Richard Goyder. Operations generate growing cash flow and the sound management of the cash flow has created significant shareholder wealth. WES attracts a premium P/E that is well justified by the combination of an excellent track record, sound management, a conservative balance sheet and a focus on shareholder wealth creation over the long term.

Do not be concerned at the record price. The coal prospects are an added bonus that is likely to continue for some while. Continue to accumulate or hold for the long term as a core stock.

FYE Jun		2003A	2004A	2005E	2006E
Reported NPAT	$m	481.9	569.2	638.0	762.0
EPS	c	127.9	151.5	169.5	202.5
P/E	x	20.6	18.5	21.2	17.8
EPS Growth	%	10.3	18.5	11.9	19.5
DPS	c	127.0	140.0	165.0	200.0
Yield	%	5.0	5.0	4.6	5.6
Franking	%	100	100	100	100

Source: Intersuisse estimates

Resources

Breakaway Resources (BRW)

Exploration Update

Speculative Buy **$0.04**

Positive nickel results from Spargoville Project, WA

BRW has a 7-hole diamond drilling program underway at its 100%-owned Spargovill nickel sulphide project in WA, and has released the results from 3 holes that were completed on its 5B nickel deposit.

The 3 holes were designed to test for extensions to the already-identified nickel sulphide mineralisation at depth at 5B. All 3 holes successfully intersected massive and/or disseminated nickel sulphide mineralisation about 75 metres below the current resource. The individual intercepts from each hole comprised 2.9 metres @ 0.47% Ni, 1.5 metres @ 1.86% Ni and 1.25 metres @ 1.56% Ni.

5B contains an existing nickel resource of 261,500 tonnes @ 1.85% Ni.

Impact

The drilling program is continuing, with planned holes on the nearby 5A and Andrews deposits underway and expected to be completed within the next 2 weeks. The results so far are encouraging, as they indicate the potential for further mineralisation at depth at 5B. Comparable nickel deposits in the Kambalda area are know to extend to depths of 1,000 metres, so the current interecpts at around 250 metres leave a lot of scope for further extensions.

We await the results of testing below the 5A and Andrews deposits with interest and maintain our Spec Buy recommendation.

Giants Reef Mining (GTM)

Situation Update

Accumulate **$0.07**

Improved operational performance at Tennant Creek

We met this week with Robert Rae, chairman, and Joe Ariti, MD, of GTM.

The company has announced a solid and improved operational performance during the September quarter at its 100%-owned Tennant Creek gold project in the Northern Territory, with record gold production of 18,954 oz at a cash operating cost of $277/oz. This represents a 69% boost in production over the previous quarter and a 40% reduction in operating costs.

Mining continues at the Chariot mine, while 3 new sources of ore are being commissioned comprising the West Malbec, Cats Whiskers and Edna Beryl deposits.

The company has reduced its bank debt from $16.25m to $11 currently.

Impact

With the commissioning of several new ore sources, we anticipate a modest increase in production at a comparable cash operating cost. GTMs aim is to expand production to 100,000 oz annually and to increase mine life.

The company is currently taking advantage of strong gold prices, with forward sales at A$595/oz and spot sales of A$575/oz, compared to cash operating costs of A$277/oz.

With a market cap of $64m, GTM is well leveraged to exploration success and is reasonably priced. We maintain an Accumulate recommendation on the stock at under 8.0c.

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