

HD BARELY HIGHER ON THE DAY, CLOSES DOWN FOR THE MONTH

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AUSTRALIAN **COMPANY** NEWS BITES

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The S&P/ASX200 closed up just 1.9 points to 5190 on strong volume worth \$5.4 **billion** or good average volume worth \$4.1 **billion** after subtracting assignments. There were 508 issues higher and 450 down. The SPI Futures closed up 5 points to 5143 on lightish volume of 19,484 contracts. Aussie 10 year bond yields were down 1 point to 3.99%. The \$A is at 87.66US c, up 40 points on last evening.

*The banks contributed 1.4 negative points to the index, resources contributed 0.5 negative points, **property** trusts contributed 0.4 positive points, retailers contributed 0.5 positive points and Telstra contributed 0.5 positive points.

*Over the week our market fell 50.9 points or 1% to 5190 and fell 162.2 points or 3% over the month.

At 4pm AEST the Nikkei Dow futures was down 130 points to 14,860 points, Shanghai CSI physical and Hang Seng futures were closed on holiday. S&P futures was down 2.60 points to 1778.60, Nasdaq futures were up 8.75 points to 3510.75. Dow futures was down 24 points to 15,709 points. **Gold** futures were up \$1 to \$1243.50. Crude futures fell 31c to \$97.92.

Stock specific activity and position taking ahead of the profit reporting season was the main focus.

*Japan CPI rises, jobless rate falls to 6 yr low, factory output rises

Japan's CPI has risen at the fastest pace in more than five years, marking more progress in the country's battle against deflation. Data showed that core consumer prices, excluding fresh food, rose by 1.3% in December from a year earlier, which was higher than market forecasts.

*Japan's jobless rate fell to 3.7% in December vs 3.9% expected, its lowest level in six years. The Statistics Bureau said that the percentage of the total work force that is unemployed and actively seeking employment during the previous month fell to a seasonally adjusted 3.7%, from 4.0% in the preceding month.

"Stabilise today, probably finish up 20/25 on the day, could be a little bit more"

"Maree" said, "I think we are going to stabilise today, probably finishing up 20/25 on the day, could be a little bit more given it is the month's close off.

"But when the news hits again on deterioration in the emerging markets our market will be affected as well.

"I am not confident with what is going on with some of our sectors. The US economy continues to grow a lot more than our economy.

"For us, its a matter of seeing what is going to happen with our No. 1 and No. 2 trading partners, **China** and Japan. But for today, we are likely to close in the positive".

The S&P/ASX200 closed down 40.9 points to 5188.1 last evening.

THE WEEK AHEAD

(China, on holiday, to Feb 7)

Feb 3: ANZ job ads, bldg appr, PMI M'fr. CTY fin. PRY int. Ex div: AAI ex div. US ISM ind, constr spend, m/v sales. Euro comp PMI

Feb 4: RBA rates decision. CDI, DOW, REA int. Ex div: AYK ex 85c; AYJ ex \$1.10; AYD ex 90c; AFI ex 8c; AKY ex 74c. US factory orders. Euro PPI.

Feb 5: EGP int. US MBA mort ind, ISM, Crude inv.

Feb 6: NAB biz serv/ret sales/trade bal. COH, FXL, NWS, TAH int. WOW 2nd qtr sales. US jobless, trade bal, prod. ECB, BOE rate decision.

Feb 7: Aussie PCI constr, RBA SOMP. FOX int. US Jan jobs, avg workweek, consum cr.

ECO NEWS

*PPI rises 0.2% in December quarter

The ABS announced the Producer Price Indexes for Australia rose 0.2% in the December quarter mainly due to rises in the prices received for other agriculture (+11.1%), other transport equipment manufacturing (+3.2%) and building construction (+0.4%).

Partly offset by falls in the prices received for petroleum refining and petroleum fuel manufacturing (-5.5%), and computer and electronic equipment manufacturing (-2.5%).

The PPI rose 1.9% through the year to the December quarter 2013.

Intermediate indexes rose 0.3% in the December quarter 2013 mainly due to rises in the prices received for oil and gas extraction (+4.2%), meat and meat product manufacturing (+3.4%) and other agriculture (+2.8%).

partly offset by falls in the prices received for sheep, beef cattle and grain farming; and dairy cattle farming (-3.2%) and coal mining (-3.4%).

rose 2.1% through the year to the December quarter 2013.

Preliminary demand rose 0.3% in the December quarter 2013.

mainly due to rises in the prices received for oil and gas extraction (+4.2%), meat and meat product manufacturing (+5.5%) and legal and accounting services (+1.1%).

partly offset by falls in the prices received for metal ore mining (-3.1%) and coal mining (-3.4%).

rose 2.2% through the year to the December quarter 2013.

The RBA reported:

Financial Aggregates Percentage change

Monthly Year-ended

Nov13 Dec13 Dec12 Dec13

Total credit 0.3 0.5 3.6 3.9

– Housing 0.5 0.6 4.5 5.4

– Personal 0.0 0.2 −0.3 0.9

– Business 0.0 0.4 2.9 1.7

M3 0.6 0.6 7.3 6.6

Broad money 0.5 0.5 6.7 5.8

All growth rates for the financial aggregates are seasonally adjusted, and adjusted for the effects of breaks in the series as recorded in the notes to the tables listed below. Data for the levels of financial aggregates are not adjusted for series breaks. Historical levels and growth rates for the financial aggregates have

been revised owing to the resubmission of data by some financial intermediaries, the re-estimation of seasonal factors and the incorporation of securitisation data. The RBA credit aggregates measure credit provided by financial institutions operating domestically. They do not capture cross-border or non-intermediated lending.

TOP STOCKS

*Karoon Gas fell 23c to \$3.21 on 1.5m shares on reporting no hydrocarbons found in Grace-1 in the Browse Basin.

*Medusa fell 22c to \$1.95 on 2.5m shares on low production in the December quarter due to the new SAG mill problems.

Among the financials, AMP closed down 1c to \$4.27 on 6.67m shares, ANZ rose 8c to \$30.13 on 7.48m shares, CBA gained 3c to \$74.23 on 10.49m shares, NAB fell 2c to \$33.25 on 6.59m shares. Westpac closed down 2c to \$30.87 on 7.5m shares.

Among the TMT's Telstra closed up 1c to \$5.14 on 36.2m shares including 12m shares assigned, Telecom NZ fell 1c to \$2.17 on 982,511 shares, SingTel closed down 1c to \$3.12 on 1.98m shares. Seven West Media rose 7c to \$2.19 on 2.98m shares.

Among the resources BHP closed down 12c to \$36.57 on 12.34m shares, RIO closed down 16c to \$65.64 on 4m shares. Fortescue rose 10c to \$5.33 on 20.9m shares, Atlas fell .5c to \$1.01 on 11.39m shares. Iluka rose 5c to \$8.78 on 1.8m shares. OZL rose 4c to \$3.52 on 2.3m shares,

Among the oils, Woodside closed down 11c to \$37.38 on 2.7m shares, Santos rose 2c to \$13.34 on 4.6m shares, **Oil** Search fell 5c to \$8.03 on 3.78m shares.

Among the golds, Newcrest fell 1c to \$9.65 on 11.6m shares, Oceana fell 9c to \$2.03 on 390,913 shares, Teranga closed up 3.5c to 90.5c on 329,258 shares. Northern Star was down 2.5c to 88c on 2m shares.

WINNERS AND LOSERS AMONG THE TOP 20 OVER THE MONTH

Winner for the month was CSL, up 130c or 1.9% to \$70.26 followed by Westfield, up 11c or 1.1% to \$10.20 and Woolworths, up 22c or 0.6% to \$34.07.

On the downside, Fortescue fell furthest, shedding 49c or 8.4% to \$5.33 followed by ANZ, down 210c or 6.5% to \$30.13 and Westpac, down 151c or 4.7% to \$30.87.

AT THE SMALLER END

*Prana Biotech rose 10c to \$1.25 on 4.6m shares.

*Red Fork Ltd, an explorer for **oil**, shale **oil** and gas in the US fell 6.5c to 22c on 25.3m shares - strong net production, sales up 28% to \$US12.8 **million** but cash outflow during the quarter was \$US32.883 **million**. Cash in hand is \$US35 **million** - although a further \$US150 **million** refinanced debt and secured term loan has been agreed, the cash outflow each month is likely to have scared investors.

NEWS OF THE DAY

Ex div: ASW ex 1.9c.

To all our dear Readers who observe the Lunar New Year of the Wooden Horse:

May the New Year be Happy, Healthy and Prosperous for you and yours

Regards,

LARGE CAP INDUSTRIALS

*AIA: Record year, record December for passengers excluding transits

Auckland International Airport Ltd announced that 14,424,473 passengers excluding transits used Auckland Airport in 2013, comprising 7,501,859 international passengers and 6,922,614 domestic passengers.

AIA's CFO Simon Robertson said 2013 was a record year for the number of passengers using the airport. Also in December 2013 Auckland Airport experienced the highest ever number of international passengers in one month, with 745,345 international passengers excluding transits using Auckland Airport.

Last year's growth came from a number of airlines, including Emirates, Jetstar, Qantas, Malaysia Airlines, **China** Southern Airlines, **China** Airlines, Hawaiian Airlines as well as Air New Zealand.

Market Cap \$4.47b.

AIA down 6 cents to \$3.38

*BKI: Net op result up 16.8%, div 3.45c ff, DRP avail, outlook positive

BKI Investment Ltd for the half year ended December 31 2013 announced net operating result before special dividend was up 16.8% to \$18 **million**.

Net profit after including special dividends from WPL, CCL, SLM, WBC and GNC lifted net profit by 3.5% to \$19.1 million.

The interim dividend was increased from 3.25c to 3.45c fully franked, ex date is February 11, record date February 17. The DRP is available.

Basic eps before special dividend income rose 4.5% to 3.72cps.

BKI has no debt, cash and cash equivalents represent 7.8% of the portfolio.

CEO Tom Millner said BKI has now recorded 10 years of being listed on the ASX. The discount to NTA has reduced from a peak of 20% in June 2008 to a premium in July 2013 while the interim ordinary dividend has grown by 62% from the first half 2005, with 6 fully franked special dividends paid since listing.

Outlook

In the outlook statement the LIC said while earnings valuations for many companies are starting to look stretched, the **company** remains confident that long term stock picking opportunities will continue to emerge. (Jan 30)

Market Cap \$824m

BKI down 1 cent to \$1.585

*CCL: CCL to now include major writedown of assets on Ardmona in result

Coca-Cola Amatil announced its disappointment in the Federal Government's decision not to invest \$25 **million** as a one off grant for SPC Ardmona, the last remaining major fruit and vegetable processor in Australia. The Federal Government decision also means a potential \$25 **million** grant from the Victorian that was conditional on a positive Fed decision will also no longer be forthcoming.

CCL had committed a further investment of more than \$90 **million** to support the government contribution.

CCL **Group** MD Terry David said the government decision is disappointing in light of the fact that SPC Ardmona had presented a solid **business** case to both the Fed and Victorian governments for a one off co-investment of \$25 **million** each with CCL committing to a significant and much greater investment of more than \$90 **million**. This was to be invested in best in class technology for both new product development and efficiency gains, utilising clean, green Australian grown fruit and vegetables.

CCL will now need to write down its assets including brands and goodwill, to be included in CCL's 2013 full year results presentation on February 18. (Jan 30, 5.10 pm)

Market Cap \$8.9b.

CCL down 10 cents to \$11.69

*CTX: Caltex Australia Ltd advised the December unlagged Caltex Refiner Margin (CRM) was \$US7.81/bbl vs \$US6.55/bbl in November but well below the prior year equivalent \$US12.49/bbl.

Regionally the unlagged Caltex Singapore Weighted Average Margin was \$US12.33/bbl, higher than November's \$US11.93/bbl but below December 2012 level of \$US12.93/BBL.

Sales from production in December were 19% below the prior year equivalent of 951ML and significantly below November sales of 1,045ML.

For the 12 months from January 1 2013 to December 31 2013 the average realised CRM was \$US9.34/bbl vs \$US11.83/bbl last year with CRM sales from production totalling 10,638ML vs 10,913 ML the previous year.

Caltex's full year RCOP NPAT outlook of \$320/340 million issued on December 19 remains unchanged.

Market Cap \$5.2b.

CTX up 54 cents to \$19.32

*DJS/MYR: Received a proposal from Myer in Oct 2013 that was rejected

David Jones Ltd responding to various media commentary following a speculative article in "Street Talk" in the Fin Review that Myer could approach David Jones in respect of a union by way of an all scrip deal at a ratio of 1.4 Myer shares for every David Jones shares, David Jones is not currently in discussion with Myer in relation to any such proposal.

David Jones was previously approached by Myer on October 28 2013 offering 1.06 shares in Myer for each David Jones shares. The Board formed the view that the potential transaction did not have sufficient merit for David Jones shareholders to warrant engaging in discussions.

Also the execution and implementation of any such transaction would have substantial commercial, market, business and regulatory risks including the ACCC review process and would involve the diversion of company resources over a lengthy period with great uncertainty as to the final outcome and the potential to result in diminution of value of the David Jones business. (Jan 30, 8 pm)

Market Cap \$1.6b. / \$1.5b.

DJS up 12 cents to \$2.99 / MYR down 4 cents to \$2.53

*NUF: CEO confirms sale of shares, remains committed to leadership of Nufarm

Nufarm Ltd CEO Doug Rathbone sold about 11 million of his 12 million shares after market last night (the Fin Review reports raising \$41 million) and has entered into a derivative transaction over a portion of the remaining shares held by him and associated family entities.

The purpose of the sale and derivative transaction is to complete the refinancing of his personal and family business interests at the request of his primary financier.

Mr Rathbone sold 8.38 million shares at \$3.80 per share, about 3.18% of the company's issued share capital under a bookbuild managed and underwritten by Credit Suisse (Australia) Ltd. Following the sale Mr Rathbone and family entities will hold 3.348 million shares or 1.27% of Nufarm's capital. Mr Rathbone has entered into a collar derivative transaction involving 2.85 million shares. To hedge the collar Credit Suisse has sold 2.283 million shares at the same price.

Mr Rathbone said he is pleased to have resolved the refinancing of his personal and family business obligations. "Having devoted more than 30 years to help build Nufarm into a leading global crop protection company .. I will continue to devote my full attention to the leadership of the company".

Market Cap \$1b.

NUF down 12 cents to \$3.88

*SPN: AER caps Victorian elec bills at status quo the next 3 years

SP Ausnet announced the Australian Energy Regulator has issued its final decision on SP AusNet's revenue proposal for the three year regulatory period commencing April 1 2014.

SP AusNet is the principal electricity transmission network service provider in Victoria. The AER's final decision sets the maximum revenue that SPN can recover from its customers via the transmission network component of an electricity bill.

AER chairman Andrew Reeves said for the average four person Victorian household, the residential bill should fall by \$4 per year and halt the past trend of increasing transmission charges. The average business will see their bills fall by \$16 per year.

The final decision rejects \$40 million or 7% of SPN's proposed operating expenditure. It also rejects \$29 million or 5% of SPN's proposed capital expenditure. The capex expenditure approved includes \$513 million over 2013/14 to rebuild major stations across Victoria including the redevelopment of the Richmond and West Melbourne terminal stations. For example the West Melbourne terminal station was built in the 1960's the AER report said.

Market Cap \$4.2b.

SPN up 4 cents to \$1.24

LARGE CAP RESOURCES

*KAR/Other: No significant hydrocarbons encountered in Grade-1 well

Karoon Gas Australia Ltd announced at 0600 WDT on January 31 following the completion of a wireline logging program preparations are underway to plug and abandon the Grace-1 well. No significant hydrocarbons were encountered. (POS90%, ConocoPhillips 10% and operator).

Once the well is plugged and abandoned the Transocean Legend has a one month maintenance period to complete after which the fifth exploration well in the drilling campaign, Poseidon North-1 is scheduled to spud.

Market Cap \$821m.

KAR down 23 cents to \$3.21

*MML: Prod down in Dec qtr due to new SAG Mill powercell failure/now fixed

Medusa Mining Ltd for the December quarter announced gold production was 11,587 ozs for the quarter, down on September quarter production of 14,502 due to the power cell failure with the new SAG Mill which was not operational until December 6. The new SAG Mill operated at 1,800 tpd in the last days of Decemebr.

The grade was lower due to milling low grade stockpiles and development ore was lower due to mining narrow vein lodes.

Exploration at the Co-O mine is continuing with two underground rigs on contract and two company owned rigs. Surface exploration including geophysical surveys is on going.

At the Tambis area, Bananghilig gold deposit, diamond drilling at the B2 area is temporarily suspended pending results and planning of the 2014 exploration and development programs.

On the corporate front, total cash and cash equivalent in gold on metal account at the end of the quarter was approximately \$US20.77 million.

The company successfully raised gross proceeds of \$34 million via the placement of 18,890,390 shares at \$1.80 each to clients of Euroz Securities Ltd.

Non exec chairman Geoff Davis, founding managing director, retired with Andrew Teo replacing him as chair. (Jan 30)

Market Cap \$405m.

MML down 22 cents to \$1.95

*ORG: Prod up 28%, sales revenue up 39% for Dec qtr vs pcq, down on Sep qtr

Origin Energy Ltd for the December quarter announced production of 37 petajoules (Pje) and sales revenue of \$281 million, with production up 28% on the previous corresponding period (pcq), primarily reflecting higher volumes for Otway Basin. Sales revenue rose 39% on the pcq, reflecting increased production, higher average commodity prices and higher third party sales volumes.

Compared to the previous quarter production fell 1% as higher plant availability and increased volumes at Otway were offset by lower seasonal demand at Kupe. Sales revenue fell 9% from the September quarter 2013.

Origin added the report does not cover its electricity generation, energy retailing, non hydrocarbon development activity or the performance of subsidiary Contact Energy of New Zealand.

Market Cap \$15.4b.

ORG up 4 cents to \$13.98

MID TO SMALL INDUSTRIALS

*ACR: Dec qtr sales up on September, confident of sales growth in 2014

Acrux Ltd confirmed that Eli Lilly reported Axiron net sales of \$US53.9 million for the quarter ended December 31 2013 up from \$US40.6 million for the September quarter. Global sales for the 2013 calendar year were \$US178.7 million.

Acrux remains confident about net sales growth prospects for calendar 2014.

Market Cap \$386m

ACR down 3 cents to \$2.32

*GXL: Completes acquisition of Mammoth Pet, new CEO

Greencross Ltd announced it has completed its acquisition of Mammoth Pet Holdings Pty Ltd, the owner of Petbarn and Animates, to create Australasia's largest integrated consumer facing pet care company.

Jeff David has been appointed MD and CEO of Greencross.

since the announcement of the merger on November 14 2013, six new Petbarn stores have been opened and GXL has acquired two more veterinary practices, in Caldwell, ACT and Beaudesert, Qld. Interim results will be announced on February 10.

Market Cap \$320m

GXL down 2 cents to \$8.48

*IFN: Australian production up 8%, US in line, revenue up 10% for Dec qtr

Infigen Energy Ltd announced for the second quarter of 2014 group production was 1,233 GWh, up 1% on the prior corresponding period (pcp).

US production was 818 GWh, down 2% on the pcp, revenue was \$US36.2 million in line with the pcp.

Australian production was \$15 GWh, up 8% on the pcp and revenue rose 8% to \$A38.9 mln.

Group revenue was \$A77.9 million, up 10% on the pcp.

Infigen will announce its interim financial results on February 26.

Market Cap \$180m

IFN down 0.5 to 23.5 cents

*PVA: pSivida Corp 2nd quarter financial results to be announced after market close on February 7.

Market Cap \$39m.

PVA down 1 cent to \$5.52

*SAV: ANZ extended debt reduction deadline to March 31

Savcor Group Ltd advised ANZ has extended the amended deadline for debt reduction by \$10 million to March 31 2014. ANZ remains supportive of the company.

Market Cap \$2.1m. SAV steady at 1.5 cents

MID TO SMALL RESOURCES

*BUL/BPT: Buys balance 25% from Beach for 100% in ATP 674P + ATP 733P

Blue Energy Ltd announced the company has secured a 100% interest in ATP674P and ATP 733P, from 75% held formerly and has reached an in principle agreement with Australian Unconventional Gas Pty Ltd, a wholly owned subsidiary of Beach to acquire the whole of Beach's interest in ATP613P in the Maryborough Basin, Queensland, subject to final documentation.

Consideration is \$2.5 million in three instalments over a 12 month period. The sale is conditional on standard Queensland Government approvals and other third party consents.

Market Cap \$83m. / \$1.8b.

BUL down 0.1 to 7.3 cents / BPT up 2 cents to \$1.425

*RNI: Increase in finance facility to \$19.5 mln, repayment date extended

Resource and Investment NL announced it has successfully negotiated an increase and extension of the **company's** finance facility with Taurus Resources No. 2 Fund, increasing the facility from \$15 **million** to \$19.5 **million** with the date for repayment being extended by approximately 12 months to February 7 2015.

Market Cap \$27.5m.

RNI up 0.9 to 9.2 cents

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