

HD DIRECTION OWES MUCH TO END OF QTR/END OF YR ADJUSTMENTS

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WC 4,390 words

PD 31 March 2014

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The S&P/ASX200 closed up 267.9 points to 5394.8, falling from up 39.4 points on matchout, and closing down just 10 points for the month. Volume was average at \$3.9 **billion** with 576 issues higher and 450 down. The SPI Futures is up 37 points to 5393 on strong volume of 25,381 contracts. Aussie 10 year bond yields down 2 points to 4.06%. The \$A is at 92.29, losing about 30 points after the market closed.

*The banks contributed 8.3 positive points to the index, insurers contributed 2 positive points, resources contributed 3.5 positive points, **property** trusts contributed 0.2 negative points, retailers contributed negative 0.4 points and Telstra contributed 2.4 positive points.

For the quarter the market gained 42.6 points, for the month it was down 10 points.

*At 4pm AEST the Nikkei Dow futures was up 90 points to 14,790, Shanghai CSI physical was up 1.70 points to 2043.41, Hang Seng futures rose 19 points to 22,080 points. S&P futures rose 7 points to 1857.40, Nasdaq futures gained 15.25 points to 3578.25 and Dow futures was up 55 points to 16,295 points.

Gold futures rose \$2.10 to \$1296.40. Crude futures was down 23c to \$101.44.

*Japan Industrial Output fell 2.3% in February from January, the steepest drop in eight months, the trade minister announced in Tokyo, Bloomberg reported adding that it undercut all forecasts.

***China's** manufacturing PMI is due out tomorrow, not expected to be good, with markets punting on stimulus measures being announced at the same time.

*Also there are signs that the tension over the Crimea is de-escalating - Reuters reports U.S. Secretary of State John Kerry and Russian Foreign Minister Sergei Lavrov held talks on Sunday about ways to defuse the crisis over Ukraine, with Kerry telling Moscow that progress depended on a Russian troop pullback from Ukraine's borders.

"Ceiling will be 5390. Floor 5345. Close at 5364, down 2.9 points"

Daniel Goulding, the author of "The Sextant Market Report" says, "Our market looks set to open higher with the local futures contract up 12 points.

"The blueprint that I have been working since late February is that of a multi-week pullback back to 5180 to 5220 points before a final advance to a marginal new rally high.

"At present, I have pencilled in circa 5500 points by mid-April or mid-May for the top.

"While it is possible the final act could be postponed again, this does not change the fact that the internal top for our market was April-2013.

"With each new rally high, both price and internal momentum continue to wane.

"Unless the bulls can initiate a new wave of buying, the rally should run out of fuel shortly with a multi-year bear market back to circa 4300 to follow.

"But none of this matters for today. The ceiling will be 5390. The floor will be 5345. When the dust has settled, the market will have closed at 5364, down 2.9 points'.

The S&P/ASX200 closed up 16.8 points to 5366.9 last evening.

ECO NEWS

*The Housing Industry Association reported sales of new homes in Australia jumped 4.6% in February from January on strong demand for detached houses, an industry survey showed on Monday, the latest sign that low interest rates are fuelling a revival in the market. It is the highest in almost 3 years.

Sales of new detached houses surged 6.9 percent in February, while the volatile multi-unit sector dropped 6.8 percent.

"Both sales and building approvals for detached housing are signalling faster momentum ahead for this component of new dwelling construction, compared to what was evident in the first phase of the recovery," said HIA chief economist Harley Dale.

"This signal suggests more balanced growth ahead in the composition of new home building and adds a further positive dimension to the recovery for many of Australia's manufacturers and suppliers."

*The Reserve Bank reported Australia private sector credit rose 0.4% in February.

TOP STOCKS

*Recall rose 13c to \$4.65 on 2.1m shares after announcing an extended services contract for HSBC.

*SP AusNet rose a half cent to \$1.31 on 6m shares after announcing internalisation of management - expected to cost \$50 mln or less.

*Dexus rose .5c to \$1.07 on 9.5m shares - also report below.

Among the financials, AMP closed up 2c to \$4.98 on 4.4m shares, ANZ rose 24c to \$33.06 on 4.9m shares, CBA added 30c to \$77.44 on 2.69m shares, NAB rose 14c to \$35.46 on 4.19m shares, Westpac gained 13c to \$34.56 on 4.65m shares.

Among the TMT's Telstra closed up 5c to \$5.08 on 25.9m shares, Telecom NZ rose 2c to \$2.29 on 1.13m shares, SingTel gained 2c to \$3.14 on 437,446 shares.

Among the resources BHP rose 33c to \$36.47 on 5.17m shares, RIO rose 31c to \$63.55 on 1.48m shares, Fortescue fell 9c to \$5.25 on 16.1m shares, Iluka closed up 20c to \$9.91 on 2.26m shares, Lynas fell .5c to 21c on 10.6m shares. Mt Gibson rose 3.5c to 91c on 11.19m shares.

Among the oils, Woodside rose 37c to \$39.02 on 2.3m shares, Santos rose 18c to \$13.50 on 3.35m shares, **Oil** Search gained 10c to \$8.46 on 3.19m shares.

Among the golds, Newcrest closed up 9c to \$9.89 on 4.6m shares, Medusa rose 9c to \$2.08 on 1.9m shares, Perseus rose .5c to 43.5c on 3.6m shares, Saracen was up 1.5c to 33.5c on 1.7m shares. Alacer was up 8c to \$2.79 on 903,400 shares.

WINNERS AND LOSERS OVER THE QUARTER

Over the quarter AMP was the winner, up 59c or 13.4% to \$4.98 followed by QBE, up 131c or 11.4% to \$12.82 and Westpac, up 218c or 6.7% to \$34.56.

On the downside, Fortescue fell 57c or 9.8% to \$5.25 followed by RIO, down 463c or 6.8% to \$63.55 and Wesfarmers, down 285c or 6.5% to \$41.19.

AT THE SMALLER END

*Millennium Mines rose 6c to 16c on 109.2m shares after achieving a \$40 **million** maiden profit, mainly on clever hedging.

*Funtastic closed steady at 13c on 600,000 shares - reported an interim loss, no dividend but reiterated profit at EBIT level for the year.

*Graphite hopeful Lamboo gave back 7.5c to 79c on 1.1m shares.

NEWS OF THE DAY

Our Darvas Systems related Special Report is on Flexigroup Ltd today, posted separately.

Changes in substantials reported March 26, 27 and 28 inc posted separately.

Ex div: MNY ex 2c; VRT ex 12c; WBA ex 1.5c.

LARGE CAP INDUSTRIALS

*DXS: S&P upgrades to A- after CPA **acquisition**

Dexus **Property Group** announced Standard & Poor's has upgraded its credit rating from BBB+ to A-.

Dexus CEO Darren Steinberg said in the report the upgrade reflects the **group's** strong balance sheet, consistent operating performance and high quality **property** portfolio which has been enhanced through the **acquisition** of the Commonwealth **Property** Office Fund. S&P noted the CPA **acquisition** strengthened Dexus's **business** profile.

Market Cap \$5.7b.

DXS up 0.5 cent to \$1.06

*GFF: Completes **sale** of meat **business**

Goodman Fielder Ltd announced completion of the meats **business sale**, announced on January 8. Net proceeds from the **sale** will be used to reduce net debt and further strengthen GFF's financial position.

Market Cap \$1.2b.

GFF down 1 to 61.5 cents

*QAN: Passenger numbers for Feb up 1.4%, RPK down 2.6%

Qantas **Group** passenger numbers for February rose by 1.4% from the previous year, **Group** capacity (Available Seat Kilometres) rose 0.3% and demand (Revenue Passenger Kilometres) fell by 2.6% resulting in a revenue seat factor of 76.2% which was 2.2% lower than the previous year.

The **company** also referred to recent developments, including changes to the Qantas Frequent Flyer program.

Market Cap \$2.43b.

QAN up 2 cents to \$1.105

*QBE: Effective April 1 Marty Becker will assume the role of Chair

QBE Insurance **Group** Ltd referred to its letter of December 9 2013 regarding Chairman succession.

Belinda Hutchinson retires from the **board** today, effective April 1 Marty Becker assumes the role of Chairman and Duncan Boyle of Dy Chair.

Market Cap \$16b.

QBE up 17 cents to \$12.82

*REC: Expands existing services to HSBC in new 10 year contract

Recall Holdings Ltd announced it has expanded its existing services to multinational banking and financial services **company** HSBC Holdings Plc through a new 10 year contract to deliver comprehensive document and digital information management and data protection services across a total of 10 countries.

Through this contract, Recall will initially be responsible for securing and managing approximately an additional 4.5 **million** carton equivalents of documents and additional files of which approximately 45% is currently unvended.

Implementation will start next month and will be phased in over a three year period, having limited impact in fiscal year 2014.

Recall currently provides information management services to HSBC in Australia, Malaysia, Canada and Mexico. The agreement expands the partnership to also manage physical and digital assets across the US, Brazil, France, India, Taiwan and **China**.

Market Cap \$1.45b.

REC up 13 cents to \$4.65

*SPN: Management to be internalised/cost \$50 mln or less

SPAusNet announced SPN, Singapore Power and SPI Management Services Pty Ltd (SPIMS), a wholly owned subsidiary of Singapore Power, have now entered into a termination deed pursuant to which they have agreed to terminate the Management Services Agreement with effect from March 31 2014.

Key terms include a termination payment of \$50 **million** is payable by SP AusNet to SPIMS. This payment is made up of an early termination fee and the present value of estimated performance fees that would have been payable to SPIMS from April 1 2014 to September 30 2015 had the management services agreement continued until that time.

Each SPIMS employee will be offered employment with and is expected to transfer to SPN.

Also agreement has been reached with SPIMS to unwind shared information technology services provided to SPN by Enterprise **Business** Services (EBS) a subsidiary of SPIMS in place since September 2008. The costs associated with this restructure of IT services are not expected to exceed \$7.5 **million**.

Market Cap \$4.44b.

SPN up 0.5 to \$1.31

*XRO: KPMG chooses Xero to be strategic Cloud partner for SME's

Accounting software **company** Xero Ltd announced a strategic alliance with KPMG in the UK. The alliance sees Xero's online accounting platform play a central role in the formation of a new KPMG division which will provide select online accounting and tax services to small and medium sized enterprises using the cloud. Interested businesses will be able to sign up to the service from May 2014.

Managing director Gary Turner said in the report it was very gratifying that an organisation of KPMG's standing selected Xero to be its technology platform partner for their online services, confirming Xero's belief that cloud accounting is fast becoming the default platform for both accounting firms and small businesses.

Market Cap \$4.7b.

XRO down 32 cents to \$36.88

LARGE CAP RESOURCES

*ROC/COE: ROC sells 50% **stake** in BMG to COE for net profit of \$US32 mln

ROC **Oil Company** Ltd announced it has signed a **sale** and **purchase** agreement to sell its entire 50% participating interest in the Basker Manta Gummy field to Cooper **Energy** Ltd for cash proceeds of \$1 **million** upfront plus \$5 **million** contingent consideration, subject to first hydrocarbon from a **commercial** development.

The **sale** of the interest includes the transfer of all remaining ROC BMG liabilities and operatorship to COE, resulting in a reversal of ROC's full abandonment obligation with a resulting profit of \$US32 **million** subject to working capital adjustment, before and after tax.

The **sale** is effective January 1 2014 and is subject to regulatory approval.

ROC CEO Alan Linn said the **sale** completes ROC's exit from the BMG fields and surrounding licences. ROC and the joint venture suspended BMG **operations** in 2010 because at that time a full field development was considered to be non **commercial**. With ROC's strategy progressively increasing its **business** focus in South East Asia and **China** it has concluded a BMG gas development is no longer a core project.

Market Cap \$319m / \$176m

ROC up 1 to 46.5 cents / COE down 1.5 to 53.5 cents

*SFR: Meets project completion test reqd by banking syndicate/\$40m repaid

Sandfire Resources NL announced it has met the project completion test required by its banking syndicate as part of the original \$380 million project finance facility for its DeGrussa Copper-Gold Mine in Western Australia.

Satisfaction of the project completion test follows the transition of the DeGrussa Project to steady state operations and marks a significant milestone for Sandfire and DeGrussa.

Sandfire has deposited funds to make the scheduled \$40 million repayment of the DeGrussa Project Finance Facility on March 31. This will reduce the outstanding balance to \$190 million from \$230 million at December 31 2013.

Market Cap \$909m.SFR up 14 cents to \$5.84

MID TO SMALL INDUSTRIALS

*CNN: EcNow to use Cardia Compostable to mfr disposable cutlery in US

Cardia Bioplastics announced it has won a contract to supply Cardia Compostable resin to USA's EcNow Tech for disposable compostable cutlery applications. Cardia has delivered initial orders, with annual supply projections of \$400,000 for its compostable resin used in EcNow Tech's production of disposable compostable cutlery and ice cream sticks.

Cardia Bioplastics and EcNow Tech established a strong relationship in the development, testing and validation of So Delicious Dairy Free's new compostable ice cream sticks. Throughout the validation process, EcNow Tech recognised Cardia's high quality compostable resin, which EcNow Tech will use to manufacture disposable compostable cutlery for the food services industry.

Market Cap \$8.4m.

CNN down 0.1 to 0.3 cents

*CWE: Receives \$1.9 million government grant milestone payments

Carnegie Wave Energy Ltd announced completion of the final foundation milestone and progress milestone for the onshore plant component of the Perth Wave Energy Project with the receipt of \$739,862 from the Western Australian State Government and \$1,165,921 in payment claims submitted to the Australian government.

Market Cap \$80m.

CWE steady at 5.2 cents

*EGN: Two maint sub contracts for \$5m from Downer EDI/Bombardier

Engenco Ltd announced it has been awarded two maintenance contracts for the A-series electric commuter trains operated by the Public Transport Authority of Western Australia in Perth.

The contracts were signed between Perth based Gemco Rail, Engenco's specialist rail maintenance services business and EDI Rail-Bombardier Transportation (Maintenance) Pty Ltd, the j/v between Downer EDI and Bombardier Transportation Australia.

Engenco's four year contracts valued at around \$5 million in aggregate are to service and maintain bogies and wheel sets as part of EDI Rail Bombardier's commitment to maintain the A-series fleet.

Market Cap \$47m.

EGN untraded last at 15 cents

*FUN: Net loss for int/major writedown of Madman/full yr guidance reaffirmed

Funtastic Ltd for the six months ended January 31 2014 announced a net loss of \$25.9 million vs a profit of \$6.1 million for the prior corresponding period (pcp). On revenue up 2% to \$61.3 million.

EBITDA was \$3.3 million vs \$11.5 million for the pcp, in line with the trading update announced on March 4.

No interim dividend was proposed.

EPS was negative 3.87c vs eps of 1.72c for the pcg.

Net cash in hand is negative \$1.9 million vs \$800,000 for the pcg.

Proposed sale of Madman

The company received two Expressions of interest from the potential purchasers of the Madman Entertainment business. The assessed fair value of Madman Entertainment, based on the offers, was considerably lower than its carrying value, requiring a writedown of \$24.2 million as a non cash item, resulting in the half year loss of \$25.9 million.

CEO and MD Stewart Downs said it was a disappointing first half both for Funtastic and Madman Entertainment. "On a positive note, our own brands performed exceptionally well, now making up 56% of our earnings contribution.

Outlook

"Going forward I remain confident that the company's second half performance improvement will result in us reporting a full year EBITDA number in the range of \$19/23 million (continuing operations \$13/16 million)."

Market Cap \$87m.

FUN steady at 13 cents

*FWD: CEO Steve Price resigns, effective June 30

Fleetwood Corporation Ltd advised Steve Price, CEO has tendered his resignation effective June 30. The board paid tribute to his four years in the position. The process of identifying a new appointee will begin immediately. (Mar 28)

Market Cap \$153m

FWD down 7 cents to \$2.53

*HLO: Rob Gurney resigns as CEO, Elizabeth Gaines apptd

Helloworld Ltd announced Rob Gurney has advised of his decision to step down as CEO and MD of Helloworld Ltd. Although this will take effect immediately, he will remain available to provide assistance the board over the coming months. He wishes to pursue a new opportunity with an international focus.

Chairman Tom Dery paid tribute. Also Elizabeth Gaines has been announced CEO with immediate effect. Ms Gaines has been with the company and its predecessors since 2008 as COO, CFO and an executive director. She is a director of Fortescue Metals Group Ltd, Mantra Group Holdings Ltd and also serves as a director of the Australian Federation of Travel Agents Ltd. (Mar 28)

Market Cap \$150m.

HLO untraded last at 34 cents

*PBT: Trading halt pending announcement on results of PBT2 Phase II trial

Prana Biotechnology asked for a trading halt pending an announcement regarding results of its PBT2 IMAGINE Alzheimer's disease Phase II trial.

Market Cap \$447m.

PBT untraded last at \$1.04

*RFL: Contract to transition major client to Cloud, reiterates guidance

Major contract Rubik Financial Ltd announced it has signed contracts to transition one of its largest Wealth Institutional clients to the cloud. The ASX listed top 50 company is expected to access this mission critical application via the cloud during 2014.

Group CEO Niek Hoogenhout said the migration represents a major milestone for Rubik's growth strategy and a strong piece of evidence for suitability of the cloud to meet corporate needs.

Rubik also announced the Bank in a Box hosted Core banking solution announced on December 12 will not proceed into the next phase. Both parties have agreed not to proceed for various **commercial** reasons.

Neither of these contract outcomes will affect full year 2014 guidance. However the transitioning of a major Wealth client to a cloud solution strengthens the **company's** confidence in the corporate ambitions announced in the AGM update in November 2013.

Market Cap \$118m.

RFL up 1.5 to 44.5 cents

MID TO SMALL RESOURCES

*CYL/NML: Navarre 51% j/v interest in Tandarra **gold** obtained by CYL

Catalyst Metals Ltd and Navarre Minerals Ltd have agreed terms whereby Catalyst can earn a 51% interest in Navarre's Tandarra **Gold** Project, north of Bendigo. The **transaction** will allow for the entire 60 km strike length of the North Bendigo Goldfield to be under single management for the first time. The agreement allows Navarre to focus on its flagship Miga Arc **copper** porphyry properties in western Victoria.

Navarre will transfer its interests in two **gold** projects owned by Castlemaine Goldfields Ltd, a subsidiary of LionGold Corp, subject to j/v arrangements between Navarre and Castlemaine. Navarre has earned a 51% interest in the Sebastian Project (EL4536 and EL 4974) and is earning a 51% interest in the Raydarra Project (EL5266). Navarre will retain a 1% net smelter royalty on catalyst's entitlement to proceeds from future production.

Catalyst will be required to spend \$3 **million** on exploration during a four year period commencing on the date at which certain conditions precedent are satisfied to earn its 51% **equity** interest in the Tandarra **Gold** Project.

Market Cap \$14m. / \$5m.

CYL down 3 to 30 cents / NML up 0.8 to 8.3 cents

*GBG/Other: Remedial actions completed, back to 75% of nameplate prod

Gindalbie Metals Ltd advised in an update on the Karara project (Ansteel 52.16%, GBG 47.84%) the remedial actions approved previously have been completed, meaning that the Karara concentrator circuit is now capable of producing at approximately 75% of its nameplate capacity - a nominal production rate of 6.6 **million** wet metric tonnes per annum. This rate of production has been exceeded on 7 days during March. The grade of the concentrate during March averaged 65.14%.

Market Cap \$87m.

GBG down 0.1 to 5.8 cents

*IOG: Inclusion of writedown of deferred tax leads to material diff in loss Incremental **Oil** & Gas Ltd advised there is a material difference between the net loss after tax and the net assets as reported in the Preliminary Final Report and the final financial statements, mainly due to a write down of the deferred tax asset of \$5.37 **million** from uncertainty regarding the determination of future profits.

The net loss after tax is \$1.469 **million** vs \$6.32 **million** in the preliminary final report.

Net assets are \$13.598 **million** vs \$18.8 **million** in the preliminary final report. (Mar 27)

Market Cap \$8.1m.

IOG untraded last at 5.2 cents

*MBN: Repayment of \$US395 mln loan now to earlier of recapitalisation/Jun 30

Mirabela Nickel Ltd advised with regard to the \$US45 **million** loan obtained from a consortium of holders of the **company's** \$US395 **million** 8.75% Senior Unsecured Notes due April 15, the **company** and lenders have agreed to extend the date for repayment to the earlier of a successful recapitalisation and June 30 2014.

Market Cap \$14m.

MBN untraded last at 1.6 cents

*MOY: NPAT \$41.7 mln, including derivative gains, realised and unrealised

Millennium Minerals Ltd announced a maiden after tax net profit of \$41.7 **million** for the 12 month period ended December 31 2013.

The headline after tax profit number includes an unrealised derivative gain of \$16.2 **million** related to the **company's** hedge book and an income tax benefit of \$11.6 **million**.

Gross profit was \$22.5 **million** arising from **gold** sales and realised hedge gains of \$103.3 **million** and cost of sales of \$80.8 **million**. The underlying profit for the 12 month period before treasury, tax and finance costs was \$17.9 **million**. EPS was 19c per share.

Considering the cash flow generated by the **business**, the operation produced net cash of \$30.4 **million** which was utilised to repay a total of \$20.2 **million** in lease, debt and interest charges and approximately \$19.1 **million** in investing activities relating to **property** plant and equipment, security deposits, mineral exploration and evaluation and mine development.

The activities were partly funded by gross proceeds from an **equity** raising of \$6.5 **million**, \$1.7 **million** proceeds from leases and borrowings and cash at bank of \$600,000.

Managing director Brian Rear said in the report the profit reflects the **company's** strong focus on operating margins and sensible risk management at a time when the **gold** industry is experiencing very difficult operating conditions.

Market Cap \$35m.

MOY up 6 to 16 cents

*NXS/SVW: **Board** recommends Seven **Group's** 2c cash takeover offer

Nexus **Energy** Ltd announced it has entered into a merger implementation agreement with Seven **Group** Holdings Ltd under which SVW will **acquire** all of the **company's** shares at 2c each.

The **board** of Nexus is unanimously recommending the offer, in the absence of a superior proposal and subject to an independent expert concluding that the scheme is in the best interests of the **company's** shareholders.

The **Board** said it has completed a comprehensive process to consider all alternatives available. The immediacy of the **company's** funding needs and capital commitments has been compounded by the recent outage at the **company's** Longtom project, its sole producing asset.

Nexus believes the proposal is its best prospect of delivering value to shareholders in current circumstances.

Nexus key assets include 100% of the producing Longtom Gas Project in Victoria's Gippsland Basin, the Crux development licence (SHELL 82%, NXS 15% Osaka Gas 3%) in Western Australia's Browse Basin and the Echuca Shoals gas exploration concession (NXS 100%) also in the Browse Basin.

SGW estimates the capital outlay over the medium term to be approximately \$A 400 **million** including \$120 mln on Longtom, 460 mln on Echuca Shoals drilling obligation and \$55 **million** on Crux make good obligations plus \$50 **million** to senior debt holders, \$100 **million** to note holders, \$5 **million** to capitalised interests and \$33 **million** provision for litigation settlement with Sedco.

Market Cap \$78.5m. / \$2.55b.

NXS untraded last at 5.9 cents / SVW up 3 cents to \$8.26

*SRR: Becomes 100% owner of Otjozundu manganese project, Namibia

Shaw River Manganese Ltd announced it has entered into a binding term sheet to **acquire** the remaining 12.8% of Otjozundu **Mining** Pty Ltd from its j/v partner Oreport Holdings Pty Ltd. Oreport is a wholly owned subsidiary of Grindrod Trading Holdings Pty Ltd. Otjozundu Holdings a wholly owned subsidiary of Shaw River and Oreport are the shareholders of OM, pursuant to a shareholders agreement dated December 14 2007.

Following completion of the **acquisition** Shaw River will wholly own OM, the 100% owner of the Otjozundu Manganese Project in Namibia.

Market Cap \$4.5m.

SRR up 0.1 to 0.5 cents

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