

HD MARKET CLOSES BARELY LOWER

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WC 4,437 words

PD 6 August 2014

SN OzEquities News Bites

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The S&P/ASX200 closed down 6.6 points to 5512 on average volume worth \$3.8 **billion**. There were 373 issues higher and 610 down. The SPI Futures closed down 16 points to 5458 on strong volume of 22,067 contracts. Aussie 10 year bond yields were steady at 3.49%. The \$A is at 93.07US c, down about 30 points from last evening.

*The banks have contributed 5.5 negative points to the index, insurers have contributed 0.2 negative points, resources have contributed 4.5 positive points, **property** trusts are Neutral, retailers have contributed 0.8 negative points and Telstra has contributed 0.9 positive points.

*At 4pm AEST the NikkeiDow futures was down 160 points to 15,180 points, Shanghai CSI physical was down 9.88 points to 2210.06, Hang Seng futures was down 136 points to 24,455 points, S&P futures was up 1.8 points to 1914.8 points, Nasdaq futures was up 4 points to 3875.75.

Spot **gold** was up \$4 to \$1292. Crude futures were up 10c to \$97.48.

Our market seems to have risen off its early lows on bargain hunting ahead of the profit reporting season, with no real news to push it either way.

"High will be 5520. Low will be 5470.. close at 5491, down 27.6 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open lower with the local futures contract pointing down 31 points.

"While I inferred yesterday that the move higher in US equities was just a bounce, I was still surprised that most of the US marquee indices were able to print lower lows so soon. Whether they are headed immediately lower or whether we will first see some more digestion of the prior losses, I am not sure.

"It was interesting that the small cap Russell 2000 managed to hold its respective low. Just a blip or a sign that demand is starting to pick up again - we will find out soon enough.

"I believe enough technical damage has been done to inflict further losses on equities in the very near term. As to whether the final top is in or not, the jury is still out deliberating on that front.

"None of this matters for today. The high will be 5520. The low will be 5470. When the dust has settled, the market will have closed at 5491, down 27.6 points.

The S&P/ASX200 closed down 22.3 points to 5518.6 last evening.

TOP STOCKS

*AGL **Energy** rose 2c to \$14.59 on 1.2m shares after receiving permission to begin fracking its 4 gas wells.

*Adelaide Brighton closed down 3c to \$.58 on 2.67m shares after announcing attractive **purchases** but lifting debt to the upper limit.

*Ausdrill fell 9.5c to 97c on 1.96m shares on its non cash impairments guidance today.

*Orica closed down 68c to \$20.67 on 3.1m shares.

Among the financials, AMP closed down 2c to \$5.33 on 5.4m shares, ANZ fell 16c to \$32.98 on 3.7m shares, CBA shed 35c to \$81.71 on 1m shares, NAB fell 6c to \$34.63 on 2.8m shares, Westpac was steady at \$33.67 on 4.29m shares.

Among the TMT's Telstra closed up 2c to 45.43 on 18m shares, Telecom NZ closed down 2c to \$2.58 on 1.2m shares, SingTel rose 3c to \$3.37 on 219,661 shares.

Among the resources BHP closed up 31c to 438.32 on 10.58m shares, RIO rose 49c to \$65.82 on 1.9m shares. Fortescue closed down 1c to \$4.69 on 8.7m shares, OZL closed down 3c to \$4.53 on 1m shares, Panoramic fell 8c to 86c on 3.3m shares,

Among the oils, Woodside fell 31c to \$41.85 on 1.8m shares, Santos fell 17c to \$14.05 on 3.4m shares, **Oil** Search fell 2c to \$9.32 on 3.14m shares.

Among the golds, Newcrest fell 17c to \$10.47 on 3.9m shares, Medusa closed up 8c to \$1.39.5 on 3.2m shares, Resolute rose 1.5c to 59.5c on 2.7m shares, Beadell was down 3c to 46.5c on 13.39m shares.

AT THE SMALLER END

*Hot Chilli rose 8c to 28c on 3.2m shares on the report below.

*Bellamy's rose another 6.5c to \$1.37 on 1.76m shares.

NEWS OF THE DAY

Mineralogy ordered to pay Citic Pacific's indemnity costs

"The Australian" reports a West Australian Supreme Court judge has launched an unusually blunt attack on Clive Palmer's **mining** vehicle Mineralogy, describing its legal tactics as "unreasonable", "absurd" and "a moveable feast" as he made a rare order for the **company** to pay indemnity costs.

In a scathing decision published today, Justice James Edelman ordered Mineralogy to pay the "not insignificant" costs of its estranged business partner, **Chinese company** Citic Pacific, over a legal claim it launched late last year but abandoned after just four months.

The so-called frustration claim was made as part of Mr Palmer's wider legal battle with Citic Pacific over the \$10 **billion** Sino **iron** project in the Pilbara.

Changes in substantials reported August 4 and 5 inc posted separately.

Ex div: AAI ex div.

LARGE CAP INDUSTRIALS

*AAD: Acquiring 8 Fitness First clubs in Perth/u/writ placement at \$2.41/SPP

Ardent Leisure **Group** announced it is to acquire eight Fitness First health clubs in Perth. Combined with the existing six Goodlife health clubs in WA, the total portfolio of 14 clubs will create the state's largest full service health club chain. Total consideration is \$A342.5 **million** (5.27x pro forma EBITDA).

The **acquisition** is to be funded through an underwritten \$A50 **million** underwritten institutional placement at \$2.41 per security, a 4% discount to the last closing price on August 5, gearing is expected to be approximately 31%. The placement will open and close today. UBS AG Australia is sole **lead** manager and underwriter of the placement.

An SPP is also available, with eligible shareholders entitled to subscribe for up to \$A15,000 worth of stapled securities, subject to scale back.

Additional funds will primarily be utilised to accelerate the expansion of Main Event, one of the fastest growing family entertainment businesses in the US.

Prior to any synergies with the **Group**'s existing clubs the **acquisition** is expected to deliver pro forma 2015 eps and dps accretion of 3/5% based on the \$A35 **million** raised to fund the **acquisition** and associated costs.

Update on 2014 financial performance

Statutory profit is expected to be up 37.6% to \$49 **million** on revenue up 11.3% to \$499.7million.

Core earnings are up 15.7% to \$58.2 **million**.

Core eps is 14.4c, up 9.6%.

DPS is 13c, up 8.3% on last year.

Market Cap \$1:0b

AAD untraded last at \$2.51

*ABC: Buys 2 aggregates+premix concrete businesses + Penrice for \$174m

Adelaide Brighton Ltd announced the **acquisition** of two integrated aggregates and premixed concrete businesses located in South Australia and Queensland.

Together with the recently announced **acquisition** of the Penrice Quarry at Angaston, they represent a total investment by the **company** of \$174 **million**.

In South Australia, Adelaide Brighton has entered into a contract to **purchase** Direct Mix Concrete (DMC), the largest independent aggregates and premixed concrete supplier to the Adelaide building, construction and infrastructure market. DMC operates 13 concrete plants under its Direct Mix brand and operates significant hard rock quarry and sand **operations** under its Southern Quarries brand. It has a strong number two position in the Adelaide aggregates and sand market.

Adelaide Brighton has completed the **acquisition** of the Angaston quarry assets from Penrice. With long term reserves in excess of 30 years, the Penrice Quarry supplies approximately 1 **million** tpa of high quality industrial minerals and aggregates.

The total **transaction** costs for the three acquisitions is \$174 **million** including related **transaction** costs, expected to be eps accretive in 2014 and onwards. The acquisitions will be funded with existing cash and available facilities. Post **acquisition** gearing is expected to be at the upper end of target range of 25/45%.

Market Cap \$2.3b

ABC down 3 cents to \$3.58

*AGK: Fracking of 4 existing gas wells approved for Waukivory Pilot

AGL **Energy** Ltd announced it welcomes the NSW Government approval of its exploration pilot program to flow test gas at Gloucester. AGL has received approval from the Office of **Coal** Seam Gas for the Waukivory Pilot and the Environment Protection Licence from the Environment Protection Authority.

AGL can now commence the Waukivory Pilot to fracture stimulate and flow gas from four existing gas wells located within the Stage 1 area of the Gloucester Gas Project.

Market Cap \$8.2b

AGK up 2 cents to \$14.59

*ASL: Non cash impairment in range of \$60/90 mln for year to June 30

Ausdrill Ltd advised that it has carried out a preliminary review of the carrying value of assets as at June 30 with the review including a consideration of the reasonableness of the assumptions used in these valuations. The review is ongoing and will be completed as part of the audit of Ausdrill's annual financial statements for 2014.

In addition to the pre-impairment expense in the **company**'s 2014 half year results, an impairment expense in the range of \$60/90 **million** pre tax comprised mainly of goodwill will be required.

The impairment expense is a non cash item and does not have any impact on cashflow, will not have an impact on **operations** and will not have a material impact on banking covenants with the principal covenant affected being the gearing ratio which would increase by approximately 2% which is well within

the required limit, allowing the **company** to maintain a significant level of headroom under its gearing covenant test.

Market Cap \$303m

ASL down 9.5 to 97 cents

*CAB: ComfortDelGro/CAB buys Blue Mtn bus service for \$26.5m

Cabcharge Australia Ltd advised its associate ComfortDelGro Cabcharge Pty Ltd has entered into an agreement to acquire the assets of the Blue mountains Bus **Company** (BMBC). BMBC currently operates an Outer Metropolitan Bus Services contract in the Blue Mountains region, which joins the western fringe of metropolitan Sydney. BMBC derives the bulk of its revenue from contract services, with the remainder from charter.

BMBC owns 3 depots and operates a fleet of 101 buses and coaches.

The **purchase** consideration of \$26.5 **million** is subject to the necessary regulatory approvals and final due diligence. (Aug 5)

Market Cap \$552m

CAB down 2 cents to \$4.58

*LEP: Stat profit up 149.5%, final distrib 8.25c, rec date Jun 30/outlook positive

ALE **Property Group** for the year ended June 30 announced a statutory profit up 149.5% to \$37.194 **million** on total revenue up 0.9% to \$56.403 **million**.

Profit before income tax attributable to stapled security holders before net gain from fair value adjustments of investment properties and derivatives, amortisation of borrowing costs and other non cash expenses was down 1.5% to \$31.232 **million**.

Net assets per security are \$1.93 vs \$1.90 last year.

Total revenue was up 0.9% as a result of lower interest income offset by higher rental income. Rent received from properties was up 2.05%. Interest income decreased due to lower funds on deposit and lower interest rates.

Other income increased by \$24.8957 **million** to \$40.68 **million** due mainly to increases in fair value increments to properties in the current year.

The final distribution is 8.25c, record date was June 30. The full year distribution of 16.45c is expected to be 96.43% tax deferred.

Chairman Peter Warne said in the report the pubs enjoyed a healthy increase in value and the **group** locked in lower credit margins and base interest rates during the year.

2015 guidance

At least 16.45c plus CPI to be paid in distribution.

\$335 **million** AMTN refinancing ensures capital position remains strong. Maturity dates are now diversified over the next 3, 6 and 9 years. The lower base interest rates are fixed and hedging simplified for 8.8 years.

Savings from all up interest rate of 4.35% p.a. is fixed until 2018.

Analysts expectations: \$34 mln.

A leading broker on July 21 had a "lighten" on ALE **Property Group** with a price target of \$2.71, up from \$2.51 earlier.

The broker said ALE **Property Group** has substantially improved its debt structure over the past couple of months .. we still like ALE **Property**'s long dated, triple net leases to Woolworths, its under-rented portfolio and the strength of its management team, but we see better value elsewhere in the **property** sector.

regarding Woolworths pub portfolio, the broker said, "The AFR and The Australian have both reported that ALE **Property** is in the running to **buy** Woolworths leased pubs. Based on prior statements of its **acquisition** strategy, we think ALE **Property** would be interested in these assets, but only at the "right

price". Its cost of capital is competitive, but with real **estate** capital markets being dominated by asset hungry pension and sovereign wealth funds, we think it is more likely that ALE **Property** will be unwilling to pay the capitalisation rate needed to secure the assets'.

Market Cap \$591m

LEP down 1 cent to \$3.02

*MFF: Net operating profit after tax down 38%, final 1c unfr div

Magellan Flagship Fund Ltd for the year ended June 30 announced Net operating profit after tax down 38% to \$49.343 **million** on total net investment income down 36.69% to \$79.006 **million**.

Pre tax profit was \$68.014 **million** vs \$114.865 **million** last year.

A final 1c unfranked dividend was announced, ex date October 13, record date October 15. The DRP is available with no discount.

Pre tax NTA per security was \$1.427 vs \$1.263 last year.

Post tax NTA was \$1.308 vs \$1.191 last year.

Diluted post tax NTA was \$1.24.8 vs \$1.15.6 last year.

Chairman Richard FE Warburton AO said in the report during the year MFF changed from a **company** fully managed by Magellan Asset Management to a **company** with its own Managing Director, Chris Mackay, who continues as Portfolio Manager, while MFG provides most admin and other services and enables its research to be available to the Portfolio Manager.

Market Cap \$540m MFF up 1 cent to \$1.52

*ORI: To retain **Mining** Services, spin off/sell Chemicals business

Orica Ltd announced it has completed a strategic review of its Chemicals business. As a result the **board** intends to pursue the separation of the chemicals businesses either by demerger or **sale**.

Orica's two businesses **Mining** Services and Chemicals are both market leaders in their respective industries.

A separation of the businesses would allow Orica to focus on its core **Mining** Services activities and capitalise on its global leadership positions in **commercial** explosives, ground support and sodium cyanide.

Orica Chemicals is a leading supplier of chemical products to the **mining**, water treatment and other industrial, food and cosmetics markets in Australia and New Zealand and with a growing presence in Asia and Latin America. The annual revenue is approximately \$1.2 **billion**. A demerger would create a separate ASX listing for the Chemicals business.

Whilst demerger is currently the preferred approach, Orica will consider any alternatives that are in the interests of shareholders. A further update will be provided at the full year results announcement on November 19.

Market Cap \$7.7b.

ORI down 68 cents to \$20.67

*SPO: Awarded Dept of Defence facilities in Qld, Southern NSW for 6yrs +

Spotless **Group** Holdings Ltd announced it has been awarded a contract to manage Australian Department of Defence facilities in the Queensland and Southern NSW Defence regions as part of the Defence Support Reform **Group's** national Base Services Retendering project.

The initial contract term is for six years, with options to renew for up to four years. The annualised revenue from the contract is approximately \$200 **million** and will commence from November 1 2014.

Under the contract, Spotless will provide **Estate** Maintenance and Operation Services which includes base management and support, **estate** upkeep, transport, laundry and land management services for Defence bases and training facilities across the two awarded regions.

Spotless anticipates to employ approximately 1,000 additional employees to support the management and delivery of the services.

Market Cap \$2b.

SPO down 1.5 to \$1.85

LARGE CAP RESOURCES

*SDL: Court dismisses David Porter's claims, ordered to pay costs

Sundance Resources Ltd advised on August 6 the Supreme Court of Western Australia delivered its judgment in the longstanding dispute between Absolute Analogue Inc and David Porter as plaintiffs and Sundance Resources Ltd, following a trial in November 2013.

The Court dismissed the plaintiffs claim which sought damages in lieu of a grant of 30 **million** options and ordered the plaintiffs to pay Sundance's costs.

A further claim by Mr Porter is scheduled to proceed to trial in 2015. The further claim is unrelated to the matters that were the subject of the claim of today's decision.

Market Cap \$259m

SDL down 0.1 to 8.4 cents

MID TO SMALL INDUSTRIALS

*ABV: Cashel House takes 77 mln shares in placement at 0.7c per share

Advanced Braking Technology Ltd announced it has been approached and has worked with Cashel House to place 77 **million** shares at 0.7c per share to raise \$539,000. This brings the total raised by the **company** to \$2.583 **million**, in line with the capital required as identified with the strategy changes announced on May 20.

Cashel House is a financial services **firm** which includes a proprietary special situation fund, Cashel Capital Partners, through which it has taken an investment in ABV. (Aug 5)

Market Cap \$8.4m ABV steady at 0.6 cents

*BLG: Loss for year \$2.8/3.1 **million** vs \$1.67m last year, increase due to one off

BluGlass Ltd advised the loss for the financial year is likely to be in the order of \$2.8/3.1 **million** vs \$1.67 **million** operating loss last year.

The increase in operating loss for the 2014 financial year is primarily a result of the recognition, as sundry income, of one tax research and development rebate in the 2014 financial year as compared to the recognition of two years of R&D tax rebates in the 2013 financial year.

The **company** has received advice that the potential R&D tax rebate for the 2014 financial year is likely to be in the vicinity of \$2/2.25 **million** vs \$4.2 **million** recognised as tax rebates in the 2013 financial year. The tax rebate for the 2014 financial year of between \$2/2.25m is likely to be received as cash in September or early October 2014. This compares to the \$4.2 **million** recognised as tax rebates in the 2013 financial year, relating to the 2012 and 2013 financial years. (Aug 5)

Market Cap \$40m

BLG untraded last at 14 cents

*EOL: Lifts profit 260% on last yr, no div, cash in hand, no sig debt/positive

Energy One Ltd, that offers a platform for physical and financial **energy** trading, for the year ended June 30 announced a net profit of \$337,605 up 260% on last year on revenue up 41% to \$3.45 **million**.

No dividend is proposed.

NTA backing is 10c vs 9c last year.

Basic and diluted eps is 1.9c vs negative 1.18c last year.

EOL said in the report the **company** continues its R&D activities and continues to apply for the R&D tax incentive, expecting to receive \$709,327 in cash during the 2014 financial year.

The **company's** net assets remain consistent compared to last year.

As of June 30 the **group** had cash of \$1.39 **million** with no significant liabilities.

Market Cap \$6.4m

EOL steady at 3.6 cents

*FET: Fin NPAT up 35%, 12c distrib, 3c per qtr/outperforms index

Folkestone Education Trust for the year ended June 30 announced a net profit after tax up 35% to \$53.787 **million** on revenue up 20% to \$74.3 **million**.

Distributions are paid quarterly, record date for June 30 3c distribution was June 30, 12c distribution paid for the year, providing a total return of 27% for the year to June 30 2014. Historical returns have outperformed the S&P/ASX300 A-REIT Index for three years at 38.8% p.a. (vs 14.2% for the S&P/ASX300 A-REIT index) and for 5 years at 55.7% p.a. vs 14.3% for the index.

Investors who participated in December's \$45 **million** capital raising have received a total return of 14.1% on their investment.

NTA per unit is \$1.50 vs \$1.33 last year.

Gearing is at 31.7% vs 34.1% last year.

FET has 298 early learning centres in Australia and 54 in New Zealand.

Outlook and distribution forecast

The distribution forecast for 2015 is estimated to be 12.7cpu, up 5.8% on 2014. FET will continue to pay quarterly distributions, one month in arrears.

Market Cap \$362m

FET down 0.5 cents to \$1.765

*MRP: Prelim u/g study increases **ore** reserve by 60% Ag equivalent

McPhersons Resources Ltd advised it has taken an important step in its strategy to extend the mine life of its flagship Nimbus silver-zinc-**gold** project in Kalgoorlie, WA with a substantial increase in the underground **Ore** Reserve.

The **company** has received a preliminary underground mine study which has increased the underground **ore** reserve by 60% to 741,655 tonnes at 270gpt Ag equivalent for 6.43 **million** oz Ag equivalent, and the overall **ore** reserve to 12.37Moz Ag/Eq (8.3M oz silver, 44,000 t Zn, 4,800 oz **gold**). This does not include the **gold** reserves from Boorara-Coolgardie **gold operations** which will be operated concurrently with Nimbus.

Market Cap \$42m

MRP down 1 to 16.5 cents

*PIE: Partnership agreement with news agency The Canadian Press

Pienetworks Ltd advised The Canadian Press, Canada's multimedia news agency has signed a partnership agreement with user-generated content aggregator NewZulu to deliver validated crowd sourced content direct to Canadian publishers, broadcasters and creative agencies.

Newzulu today launched a Canadian edition in English and French through which contributors can share news, get published and get paid via the web at www.newzulu.ca or via the Newzulu mobile apps for iOS and Android. The agreement will initially focus on crowd sourced photography and eventually incorporate video.

Market Cap \$12m.

PIE up 1 to 15 cents

*VEI: Clarifies FXJ reports - Dr Unger and VEI in claims and counter claims

Vision Eye Institute Ltd advised with regard to an article published in the Fairfax media on August 5 and 6 in relation to legal proceedings brought against it by Dr Harry Unger and related entities, VEI is dealing with new allegations as part of an ongoing dispute with Dr Unger that has now been on foot since 2013.

VEI and Dr Unger are both pursuing claims and counterclaims seeking payment of debt, interest and costs. On July 28 the Supreme Court made orders that the two sets of proceedings be heard together, with the trial likely to occur in 2015.

Market Cap \$110m.

VEI down 4 to 68 cents

MID TO SMALL RESOURCES

*BCK: CEO, exec dir Luk Kin Peter Joseph resigns on conviction for bribery

Brockman Mining Ltd announced Mr Luk Kin Peter Joseph has resigned as executive director and CEO of the company from August 5 following his conviction on August 5 of certain offences under the Prevention of Bribery Ordinance and the Crime Ordinance by the District court of Hong Kong Special Administrative Region.

Market Cap \$436m

BCK untraded last at 5.2 cents

*HCH: MOU with Compania Minera del Pacifico, to be free carried to PFS

Hot Chilli Ltd announced it has executed a MOU with project partner Chilean resource major Compania Minera del Pacifico SA (CMP) to form a j/v to develop the Productora copper project in Chile.

Under the deal CMP will have a 17.5% stake in Productora in return for providing surface rights, easements and its remaining 35% interest in certain Productora leases. The CMP assets will enable Hot Chili to build the key infrastructure needed to underpin Productora while saving time and cost.

CMP will be free carried to completion of a PFS expected to be in the first half of 2015.

Market Cap \$97m

HCH up 8 to 28 cents

*LCY/HAW: Approval for drilling on Mt Bevan iron ore targets rec'd

Legacy Iron Ore Ltd as j/v manager advised in an update on the Phase 4 DSO drilling program planned for the Mt Bevan iron ore project in WA, government approval for drilling has been received, the Department of Mines and Petroleum has approved the conduct of drilling on a number of DSO iron ore targets within the Mt Bevan project area.

A number of high grade iron assays, greater than 60% Fe were received from the surface sampling programs conducted earlier in the year.

Legacy Iron holds a 60% share in the Mount Bevan j/v with Hawthorn Resources holding the remaining 40%.

Market Cap \$8.9m / \$5m.

LCY up 0.1 to 1.5 cents / HAW up 0.4 to 2.9 cents

*WSR: Acquiring additional 12.5% of Spookfish Pty Ltd

White Star Resources Ltd advised it has exercised its right to acquire an initial 12.5% interest in Spookfish Pty Ltd. further to the announcement made on July 17, the company has paid \$1 million for an initial 12.5% interest in the capital of Spookfish pursuant to the 30 day right in definitive agreements.

The option remains on foot for the company to elect to acquire the remaining share capital of Spookfish within the next 9 months or completion of the enhancement and testing of the first phase technology demonstrator. (Aug 1)

Market Cap \$13.2m

WSR steady at 3.7 cents

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