

HD MARKET WEAKER AT MIDDAY AS EXPECTED

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The S&P/ASX200 is down 15.7 points to 5502.9 at midday on lightish volume worth \$1.5 **billion**. There are 339 issues higher and 504 down. The SPI Futures is down 31 points to 5443 on light volume of 9571 contracts. Aussie 10 year bond yields are down 3 pnts to 3.46%. The \$A is at 92.97US c, down about 10 points on early levels.

*The banks have contributed 9.8 negative points to the index, insurers have contributed 0.5 negative points, resources have contributed 1.2 positive points, **property** trusts have contributed 0.3 negative points, retailers have contributed 1.8 negative points and Telstra has contributed 1.2 positive points.

*The Nikkei Dow futures is down 200 points to 15,140 points, Shanghai CSI physical is down 24.32 points to 2195.63, Hang Seng futures is down 232 points to 24,359 points. S&P futures is down 20 points to 1912.80, Nasdaq futures is down 0.25 points to 3871.5 points, Dow futures is down 8 points to 16,358 points.

Spot **gold** is up \$2 to \$1290. Crude futures is up 27c to \$97.65.

Our market has drifted down in line with Asia on a lack of inspiration.

"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

*Adelaide Brighton rose 4c to \$3.65 on 750,000 shares on the report below.

*ALE **Property** Fund fell 2c to \$3.01 on 72,000 shares on its profit result below.

*Ardent Leisure is untraded last at \$2.51, after the announcement below.

*Ausdrill fell 11.5c to 94.7c on 1.36m shares on the report below.

*Crown recovered 17c to \$15.37 on 1.4m shares.

*Cochlear rose \$1.26 to \$70.26 on 578,525 shares.

*Orica fell 54c to \$20.81 on 1.48m shares on the report below.

Among the financials, AMP is down 6.5c to \$5.28.5 on 2.4m shares, ANZ is down 20c to \$32.94 on 1.5m shares, CBA has shed 42c to \$81.64 on 825,969 shares, NAB is down 22c to \$34.47 on 1.26m shares, Westpac is down 12c to \$33.55 on 1.7m shares.

Among the TMT's Telstra is up 2.5c to \$5.43.5 on 6.26m shares, Telecom NZ is down 1c to \$2.59 on 378,440 shares, SingTel is up 4c to \$3.38 on 81,574 shares.

Among the resources BHP is up 15.5c to \$38.16.5 on 2.9m shares, RIO is down 1c to \$65.32 on 577,983 shares. Fortescue is down 4c to \$4.66 on 4.8m shares. Atlas is down .5c to 66c on 5.7m shares, Iluka is up 4.5c to \$8.51.5 on 751,352 shares. Orocobre is down 3c to \$2.62 on 43,556 shares.

Among the oils, Woodside is down 42c to \$41.74 on 644,027 shares. Santos is down 18c to \$14.04 on 1.68m shares, **Oil** Search is up 2c to \$9.36 on 1.5m shares.

Among the golds, Newcrest is down 11c to \$10.53 on 1.9m shares, Perseus is up 1.5c to 42.5c on 1.2m shares, Resolute is up 1.5c to 59.5c on 1.4m shares, Medusa is up 11c to \$1.42.5 on 1.7m shares, Oceana is down 3c to \$3 on 109,055 shares.

AT THE SMALLER END

*Folkestone Education is down a half cent to \$1.77.5 on 550,000 shares also profit result below.

*Vision Eye is down 2c to 70c on 238,000 shares, also report below.

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

NEWS OF THE DAY

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.

*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%.

*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.

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

Cabcharge Australia Ltd advised its associate ComfortDelGro Cabcharger 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)

*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'.

*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.

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.

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)

*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)

*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.

*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.

*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.

*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.

*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.

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.

*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.

*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%.

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