■ LONDON MARKET TURNS NEGATIVE ON £4b RIGHTS ISSUE

HBOS funding hits snag

Steve Slater

IN A fresh sign that the global liquidity crisis has intensified, HBOS plc — the British owner of Australia's BankWest — has encountered problems with its planned £4 billion ($A8.32 billion) rights issue.

HBOS told British investors on Wednesday that the raising was going "according to plan", even though its share price slumped to a record low.

The bank discounted the issue price of the rights offering six weeks ago, and since then it has been wiped out as the share price has slumped on concern about the profitability of the troubled British housing market.

The bank is offering two new shares at 275p each for every five existing shares held, in a fully underwritten rights issue.

The stock slumped to 257.25p on Wednesday, its lowest level since 2001, before closing at 258p, down 11.6 per cent.

Morgan Stanley and Dresdner Kleinwort are the advisers and underwriters. They have sub-underwritten the offer and may be forced to fund the entire offering if the HBOS share price does not rise above 275p.

Smaller lender Bradford & Bingley was forced to slash its rights issue price a week ago, but that followed a sharp deterioration in its performance, which may have made its underwriting terms invalid.

HBOS signalled on Wednesday that this had not happened with its planned equity raising.

"Current trading, and specifically mortgage arrears performance, is in line with the group's expectations," the bank said in a brief statement.

It plans to release its prospectus and a full trading update next week.

A HBOS spokesman said: "The reasons why we decided to raise more capital are as valid today as they were when we made the rights announcement in the first place."

HBOS shares have slumped 48 per cent since it unveiled its rights issue on April 29, and in recent days concern had mounted that the offer could fail.

Deepening gloom about prospects for the British housing and commercial property markets have knocked shares, but hedge funds and speculators have also been blamed.

Royal Bank of Scotland completed a record £12 billion rights issue this week, but HBOS's offer could face greater risk due to its higher reliance on retail investors.

Some 27 per cent of its investors are retail investors, who typically are less likely to subscribe, especially as household finances are getting squeezed by higher mortgage and fuel bills.

Some analysts have also questioned the need for a dilutive rights issue, given an expected slowdown in loan growth.

HBOS chief executive Andy Hornby said at the time of the rights issue launch that he had looked at potential disposals of assets such as BankWest in Australia or pensions provider Clerical Medical, but it wanted to keep them.

Dealers said cautious comments from RBS raised concern about growth prospects, while a two-day battering for housebuilders added to gloom about the mortgage market.

Other bank and building society shares were hit hard in Wednesday's London trading. – REUTERS

Cancer tool gets tick

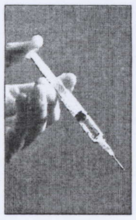
Olga Galacho

LISTED device maker ImpediMed said yesterday the success of its lymphodema diagnostic tool had been reinforced by results of a new study.

Queensland University of Technology put the device through its paces in a trial involving 300 women with the post-breast cancer condition.

A fifth of the 11,000 women diagnosed with breast cancer develop secondary lymphodema, in which fluid collects in tissue leading to distressing symptoms.

QUT professor Sandra Hayes said early diagnosis was critical for effective treatment and ImpediMed's sensitive measurement device, the L-Dex U400, would help with such detection.



This latest study consolidates the outcomes of a recent US National Institute of Health report, which has led to widespread acclaim of the technology in North America.

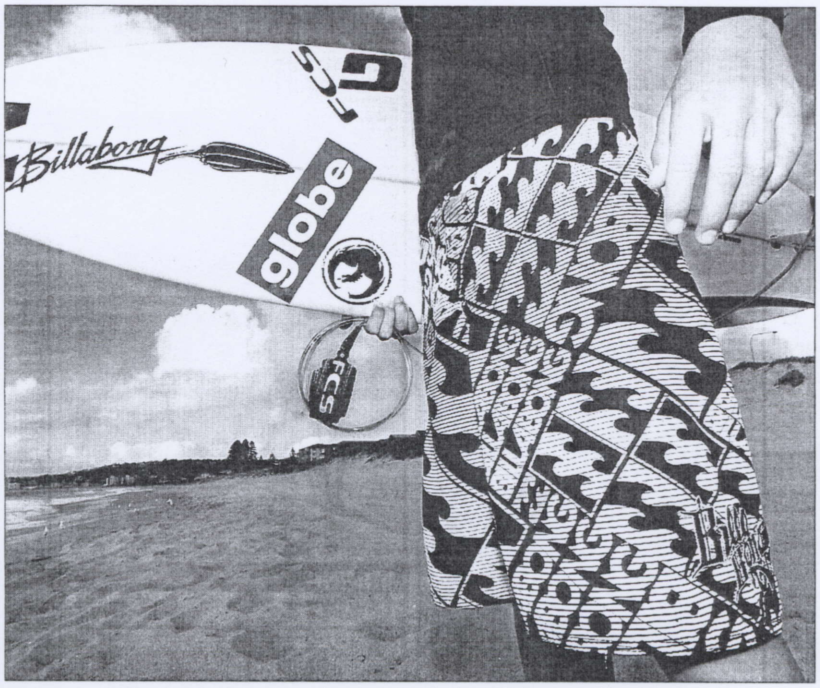
'It shows the tinuing pos- results coming out of indepen- studies using the device and es ImpediMed as one of our in the life sciences sector," o analyst Scott Power said.

n by the US Federal Drug ion, which is considering cation for approval of the ex U400 to be used in hospitals, is expected within months.

IN OTHER news, skin pharmaceuticals developer Peplin has agreed to buy private dermatology-focused company Neosil for $US6.7 million ($A7.1 million).

Shares will be issued for the deal, delivering 7.3 per cent of Peplin to Neosil investors.

Peplin will this quarter begin Phase 3 clinical trials for a compound to treat actinic keratosis, or sun spots, on the body.



Ripple effect: a strong Aussie dollar pinches Billabong as US sales slip.

Billabong hangs ten in US

Josh Robertson

GLOBAL surfwear giant Billabong will fly its own flag in New York's Times Square with the acquisition of 13-store US retail chain Quiet Flight.

While Billabong did not reveal a price, it said Quiet Flight, whose presence extends along the US east coast to Universal Studios in Florida, would add to earnings-per-share within a year.

Its contribution to group sales would be small, about 3 per cent in 2008-09.

The purchase matched analyst predictions earlier this year that Billabong would seek to acquire US retailers and benefit from greater inventory control.

Quiet Flight's chain includes a Billabong-branded store in Times Square.

Two analyst reports last week highlighted the current weakness of surfwear sales in north America where Billabong draws almost half of its earnings.

Retailer PacSun, which accounts for 15 per cent of Billabong's US sales, saw same-store sales slide three per cent in May, although apparel was up 10 per cent.

Zumiez, a 309-store mall-based chain, saw same-store sales up just 0.3 per cent. However, Citi Investment Research expected Billabong's brands to continue winning market share and for 2007-08 sales to remain "firm".

Citi rated the stock at current prices a buy — albeit a high risk one, depending on prolonged softness in the US — with a 12-month target price of $17.20.

Goldman Sachs JB Were was also concerned by a general deterioration in retail in Australia, Billabong's most penetrated market. It kept a hold recommendation on the stock, with a target of $14.98.

Shaw Stockbroking analyst Greg Fraser said the high local currency remained "the real story" for Billabong. "We know the rising Aussie dollar has hurt them," he said.

Billabong chief Derek O'Neill last year said each US1¢ rise in the value of the Aussie crimped Billabong's profits by 0.7 per cent.

Shares closed 49¢ down at $11.52.

Spotlight, Page 82

Octaviar loses NZ lifeline

Ben Butler

THE Kiwi arm of teetering Gold Coast financier Octaviar has decided that a guarantee with a face value of $NZ415 million ($A333 million) provided by its parent is now worthless.

In a deal that sees no cash change hands, OPI New Zealand has decided to cancel the guarantee in return for the refund of a $2 million fee.

In a statement to the New Zealand Exchange on Wednesday, OPI New Zealand said there was no "reasonable prospect" the deeds could be exercised or "be assigned for value".

"Accordingly, a release and discharge has been provided," the company said.

It said the $2 million fee it paid Octaviar for the options had been rebated "against existing debts owed by subsidiaries ... to Octaviar".

The company said it had entered into the "call option deeds" with Octaviar, then known as MFS, in December 2006.

Corporate filings show that under the terms of the options, Octaviar said it would "purchase any of Pacific's (an OPI subsidiary) assets at cost under certain circumstances".

Octaviar's half-year financial report for the period ending December 2006 valued those assets at $NZ415 million.

But since then, OPI New Zealand has been hard-hit by the wave of collapses that has swept the Kiwi finance sector.

Last week, its stock was suspended from the New Zealand Exchange after it failed to file its annual report on time.

Octaviar could face liquidation at the hands of its creditors unless it can do a deal with them by close of business today.

The Public Trustee of Queensland, acting on behalf of noteholders owed about $350 million, has launched winding-up action against the company in the Queensland Supreme Court.

A hearing is scheduled for Monday.

Wiki reference riles Trujillo

Fleur Leyden
Telcos

TELSTRA boss Sol Trujillo threatened Wikipedia with legal action if it failed to remove defamatory statements about him.

It emerged yesterday that lawyers for Mr Trujillo had written to the internet encyclopedia in March, demanding the removal of defamatory material.

A copy of the letter, published on online legal issues website Chilling Effects, also demanded that the person who was repeatedly uploading the material be blocked from the site.

"If Wikipedia and Wikimedia do not remove the improper language by that time (7pm on March 7), and take the steps necessary to block its being reinserted, Mr (Trujillo) intends to commence litigation ...," the letter states.

The offensive material has since been removed and Mr Trujillo's Wikipedia entry now consists of a brief career history, photograph and web links.

A search through the history section of the entry reveals that two unflattering sections titled "CEO of Telstra" and "Controversies" have been removed.

Both sections contained negative statements about Mr Trujillo's stewardship of telco US West, his tenure at Telstra and standing in the business community.

Telstra spokesman Martin Barr said Telstra was not involved in editing the site and the information that Mr Trujillo's lawyers wanted removed had "nothing to do with business".

"They were highly defamatory, false and offensive personal comments," he said.

"Wikipedia has recognised the defamatory and inaccurate nature of information ..."

Mr Barr could not confirm reports that the comments had been posted using a 3G mobile phone.

Mr Trujillo joins a growing list of high profile people, including former treasurer Peter Costello and Australian Federal Police Commissioner Mick Keelty, who have had profiles on Wikipedia tampered with.

Mr Trujillo's Wikipedia entry has now been protected and can only be edited by registered users.

The site has a policy of removing imbalanced or offensive material.

Sol Trujillo