Battling Jennings quits Southgate

By PHILLIP HUDSON

EMBATTLED building giant the Jennings Group Ltd, last night announced it was pulling out of the Southgate development as part of a substantial restructuring of its operations.

Australia's biggest home builder will write-off the $74 million it has spent on the Southgate commercial and retail centre in Melbourne, and its partner Westpac Banking Corp Ltd, will take full control of finishing the project.

The restructure comes as Jennings' 50c shares yesterday plunged by 15 per cent as they crashed 8c to a 13-year low of 46c — only 1c above its all-time low.

Jennings shares were at $1.15 at the start of May last year.

Jennings' managing director Terry McFadgen last night said the write-down on Southgate was the catalyst for the entire restructure of the Jennings Group.

He said "further substantial provisions will be required to be made against the carrying value of the company's non-housing assets" for the year ending June 30, 1992.

"Southgate was certainly not a failure, but it is simply too big for Jennings relative financial capacity," he said.

Mr McFadgen said Jennings was now finished with commercial property and would rely on its housing business to survive.

"We are a builder of lots of little houses," he said.

There will also be a financial restructuring with Jennings appointing merchant bankers Baring Brothers Burrows & Co Ltd to "enhance value for shareholders".

Jennings' bankers will assist in the strategic review, and the 48 per cent major shareholder Fletcher Challenge Ltd has given its support.

Jennings will sell all its non-core housing assets over the next three years with its 34 per cent stake in Centro Properties Ltd already on the market.

Fletcher Challenge, which has a 9 per cent stake in Centro, has underwritten the sale of Jennings share to the value of $16 million by July 31.

Fletcher Challenge last night announced it would post an abnormal write-down of $283 million to cover among other things the $74 million write-down by Jennings.

Since December 1990, Jennings had made $226 million from the sale of non-core assets, but Mr McFadgen said so far this year Jennings had raised only $10 million of its $100 million target.

Mr McFadgen attributed the slump in the sale of commercial assets to the continuing decline in the commercial property markets in Australia over tha past 12 months and "the lack of any general economic recovery".

Jennings said housing sales for the four months ending April were $192 million — up 29 per cent on the same time last year.

Jennings will still manage the Southgate project and Mr McFadgen said if it is sold in the future at a handsome profit there was a clawback opportunity for Jennings to reap some of that profit.

Westpac said the agreement which will now see it take over Jennings' 50 per cent equity obligations in the $650 million Southbank project was factored into its half yearly results posted last Wednesday.

A Westpac spokesman said the "likely development was recognised in the bank's accounts and does not affect our provisioning announced last Wednesday".