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Business

Investors ponder suing Centro

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THE beleaguered Centro Properties Group is facing a series of potential hefty class actions after it was revealed at the weekend that its current liabilities were understated by about $1.5 billion in its annual accounts.

News that the retail landlord received an extension to repay its $3.9 billion of debt was initially warmly received by the market. At the resumption of trade yesterday, after it requested a trading halt on Friday, Centro securities jumped 16 per cent to a day high of 71.5 cents.

But concern that Centro still needed a lot of cash in two months to stave off collapse later led to a sell-off. At the close of trading its shares were up 2c, or 3.3 per cent, to 63c. Centro Retail Trust units did not fare as well, closing down 3.5c to 33c.

The banks' deal means that Centro does not have to pay $US1.3 billion ($1.4 billion) in debt for its US business plus $US80 million in additional funding until September. Its Australian lenders have granted a lifeline until April 30 for $2.3 billion in debt.

The law firm Slater & Gordon confirmed yesterday that it was investigating more wrongly classified debt and would decide whether to pursue class actions after Centro reports its half-year results on February 28.

An associate at Slater & Gordon, Ben Phi, said the reclassified debt "gives rise to a number of complex issues and we will await for a full and in-depth disclosure of the situation at the half-year result".

"We are continuing with our investigations and we will have more to say after the results," Mr Phi said.

A solicitor and partner at William Roberts Lawyers, Robert Ishak, said the threat of class actions against Centro was growing.

"Not only does the latest report of an additional $1.5 billion in current liabilities give additional ammunition to the disgruntled security holders from the mid-December fallout but it may have increased the exposure of Centro to additional security holder claims and may also have implications for Centro's auditors," Mr Ishak said.

Centro's new chief executive, Glenn Rufrano, spent yesterday talking to Australian institutional investors for the first time.

He told them that he had three priorities: to review Centro's assets, to placate the banks and to refinance its debts.

Fund managers said he was optimistic that the problems at Centro could be fixed.

Mr Rufrano has confirmed there are four shortlisted bidders for its stake in the Centro Australian Wholesale Fund, which owns $2.6 billion worth of shopping centres. The bidders are said to include the US-based Citadel and large private superannuation funds.

Brokers dismissed suggestions that listed companies such as Mirvac would be able to bid for the group but said Mirvac's Dubai-based shareholder Nakheel and the Asian group CapitaLand did have the balance sheets to make a full offer or act as a cornerstone investor.