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HD **Grocon loss 'an aberration'**
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The **company** says it's quickly heading back into the black

The nation's largest privately owned construction **company** is confident a \$1.5 **billion** development pipeline in the year ahead will propel it back into the black after posting a \$23.1 **million** loss last year following several big project completions and a series of one-off costs.

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Grocon chief executive Carolyn Viney told The Australian yesterday that the result for the year to June 30 was due to the "naturally bumpy nature of the industry that we operate in" and said the **company** was in transition from being a pure construction **firm** to a diversified developer.

Asked if she could guarantee the **company** would be profitable in the current year, she replied: "Absolutely".

"If you were taking the 24 months combined, you would be very happy," she said, describing last year's result as "a timing issue".

"We have worked hard over the past 12 months in building the project pipeline. These projects are now secured and in the process of being funded," she said.

She was referring to the \$500m Commonwealth Games Athletes' Village on the **Gold** Coast, the \$500m The Ribbon development in Sydney and a \$300m **residential** development in Melbourne.

Middle East-based Abu Dhabi Investment Council is backing the Commonwealth Games project.

Accounts lodged with the corporate regulator show that while Grocon's total revenues, including joint ventures, rose from \$544.5m to \$571m last year, revenue from its core business was down almost \$30m. The **company**'s cost of sales also increased by \$40m, while it booked \$5.8m worth of impairment losses on **property**, plant and equipment.

But despite the **company** reporting a loss, a dividend of \$2.43m was declared, compared to none being paid in the prior year.

The dividend will be distributed to the **company**'s owner, executive chairman and third-generation heir Daniel Grollo.

Mr Grollo took full control of Grocon in April 2012 in a complex family succession.

Asked about the payment, Ms Viney said: "The business was in a position to do it this year. It is a decision made by the **board**, which includes independent directors." The **company**'s 2015 result is set to be boosted by a series of asset sales, most notably the former Carlton brewery **site** in Melbourne that was **sold** for \$58.3m to a private development **company** from **China** in late September.

It was also the **site** where three pedestrians were killed last year following a freak wall collapse that is now subject to litigation by the Victorian safety regulator.

The accounts said the **site sale** resulted “in a substantial gain on **sale** on the 30 June 2014 carrying value”.

“The proceeds will be used to repay the loan facilities that are secured against the land and to support the investment in a significant and diverse project pipeline,” the accounts said.

Subsequent to June 30, the Grocon **board** has also approved the **sale** of non core plant and equipment with a carrying value of \$6m.

Grocon has been expanding the **residential** component of its national workbook and its profits now largely flow from its development business.

The **group** brings third party **equity** into projects and last year struck a landmark Australian real **estate** joint venture with investment bank UBS. The next leg of its growth strategy is government work and social infrastructure.

“We see a big part of the market going forward as building infrastructure for government,” Ms Viney said. “We are looking at that with confidence”.

She said the construction market generally was “performing much better than ... expected.” “Sydney is particularly strong ... because it is playing catch up,” she said. “The growth in the **residential** market is keeping people busy.” Asked about the dangers of a **residential** housing bubble, Ms Viney cited a Grocon **residential** project earlier this year that **sold** so well, the **company** was encouraged to increase the **apartment** prices. But it declined.

“The only times when things get out of control is when people go too far off centre. We are keen to maintain a position of balance,” she said.

Last year’s result compared to a \$25.9m profit in 2013, that was ahead of budget and slightly up on its \$25.1m result of 2012. While the **company** has been trying to deliver more consistent returns, especially since securing the UBS joint venture last year, Ms Viney said she was confident the 2014 result was an aberration.

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