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Cubbie sale process hits another snag

Matthew Cranston

Administrators for Australia's largest cotton irrigator, the controversial Cubbie Station in south-east Queensland which has more than \$300 million in debt, have recommended another extension for the property's sale.

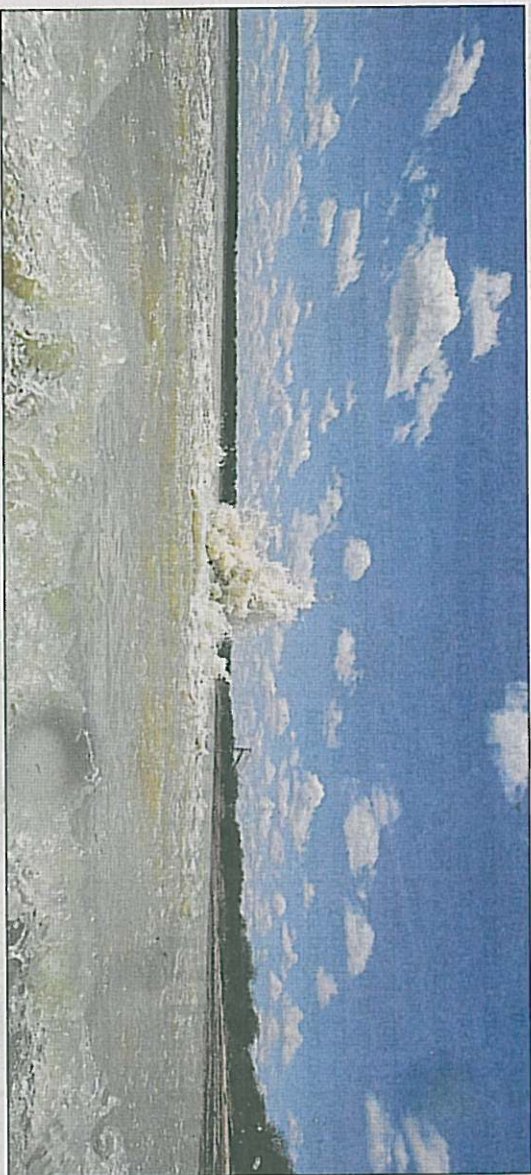
The *Australian Financial Review* has learned that administrators McGrathNicol recommended, in a letter to creditors including National Australia Bank that more time should be taken to assess a possible restructure beyond this Friday's creditors' meeting in St George, Queensland.

Administrators were appointed in October last year, more than a year after the then drought-stricken 92,000 hectare property breached banking covenants on NAB and SunCorp loans.

McGrathNicol partner John Cronin said he was unable to comment on the report to creditors due to confidentiality.

"We have been confidentially dealing with a number of interested parties in a competitive process to restructure and/or sell the business and its assets. We need to protect that process as well," Mr Cronin said.

The administrators have been dealing with two parties since tenders for the property closed on February 26, after an extensive selling campaign



Before the drought... water being pumped into Cubbie Station's irrigation channels in 2006.

Photo: ROBERT ROUGH

from Jones Lang LaSalle and RBS Morgan.

One party, Eastern Agriculture Australia, is backed by several London-based investment companies, including Odey Asset Management, which controls about \$US6 billion (\$6.5 billion) and Ecofin, which specialises in the alternative energy sector and has recently taken up a major share in ASX-listed agricultural company Tandon. Eastern also has back-

ing from Hong Kong-based Pacific Alliance Group.

Eastern has revised its offer for Cubbie after it received flooding rains this year, almost filling the property's total water capacity of more than 500,000 megalitres.

Eastern has also been in discussions with the federal government about the sale of up to 90,000 megalitres of water if it purchases the property. The company owns other farms

in the area and has previously sold off water to the government.

The second party is a consortium including Cubbie Group directors — such as chairman Keith De Lacy and John Grabbe — and backer Western Gulf Advisory. The Cubbie directors sought funding for more than two years with the help of investment bankers and overseas road shows.

However, the support provided by Western Gulf Advisory is uncertain

KEY POINTS

- One party bidding for Cubbie Station includes Cubbie Group directors.
- There is uncertainty about this consortium's funding

and it is believed this is why administrators recommended an extension.

Cubbie is a property at the centre of the country's controversial water buy-back scheme because of its massive water storage, famously compared to the size of Sydney Harbour and criticised by downstream farmers for sucking up too much water.

The administrators said recent amendments to the Queensland Water Act had also presented "new opportunities". "Land and water assets can now be sold separately, opening up the opportunity for the administrators to participate in the federal government's Water Tender program."

Minister for Climate Change and Water Penny Wong has repeated her views on Cubbie's possible water sales.

"As always, water entitlements offered to the Commonwealth for sale are subject to value-for-money assessment in the context of prevailing market prices, competing offers and potential environmental benefit," she said after Cubbie's official selling campaign closed.