

The Treasury

South Canterbury Finance Limited Information Release

Release Document

April 2011

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(i) - to protect trade secrets
- [3] 9(2)(b)(ii) - to avoid unreasonable prejudice to the commercial position of the person who supplied the information or who is the subject of the information
- [4] 9(2)(ba) - to protect information that is subject to an obligation of confidence, or that was or could be provided under legal compulsion, where making the information available would be likely to prejudice the supply of similar information and it is in the public interest for that information to continue to be supplied
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [7] 9(2)(h) - to maintain legal professional privilege
- [8] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [8] appearing where information has been withheld in a release document refers to section 9(2)(i).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



South Canterbury Finance

Tuesday, 28 April 2009

Mr John Park
Team Leader Guarantee Scheme
The Treasury
P O Box 3724
Wellington

Cc Trustee Executors

Dear John

Thank your for letter of 21 April 2009, please find our response to your questions below.

A) Transactions;

1. In the Financial Statements to 31 December 2008 South Canterbury Finance (SCF) disclosed that it had entered into a Security Sharing agreement with its Parent Southbury Group Limited (Southbury), to a value of \$89.6m
2. This agreement transferred SCF's security interest for 28 loans (predominately property receivables) to Southbury
3. This transaction was completed with Southbury paying for those security interests at SCF's book value (included accrued Interest)
4. SCF's exposure to these receivables reduced by \$89.6m
5. Southbury ranks behind SCF in all respects
6. It was an oversight on our behalf in not seeking approval under the Deposit Guarantee Scheme, we did not consider this transaction required approval under the deed as it was not an advance
7. The second transaction of \$90m has been subject to a question and response via our trustee from RBNZ
8. It essentially is a reclassification of Investments (listed and unlisted) held by SCF to defray the negative cost of carrying cash reserves, as a liquidity buffer
9. At 31 December 2008 total shares and investments were \$132m. the unlisted investments were included at 2.4.6 " Intangibles and all others": At 31 January 2009 we omitted to split the unlisted investments and show them at 2.4.6. Listed Securities totalled \$73m. These investments were acquired on the open market from unrelated parties.
10. SCF intends to propose to Treasury an independent expert for approval, in the next few days



South Canterbury Finance

B) Additional Information

- 1) SCF Management Reporting Suite
- 2) Capital Adequacy

Reports included

- 3) Liquidity position

Treasury Reports included

- 4) Arrears

"Our accounting policy states an account is in arrears when a payment contractual due is not made". In practice we allow 3 days leeway. This relates to accounts that where interest is generated within Sovereign but we need to issue invoices for the interest payable. Technically the account is payable when interest is charged but there is the delay between notifying the customer and receiving payment. There may also be delays where customers pay a few days late but apart from that are not in arrears.

- 5) Loan Portfolio

Information provided electronically

As discussed on the phone earlier this week SCI would welcome the opportunity to meet to discuss this information and to provide a better insight into our business.

Yours faithfully
South Canterbury Finance Limited
[1]

Chief Financial Officer