

The Treasury

South Canterbury Finance Limited Information Release

Release Document

April 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(i) - to protect trade secrets
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- [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
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: Stephen Revill
Sent: Wednesday, 21 January 2009 10:32 a.m.
To: Lachie McLeod
Cc: Brian McCulloch; William More
Subject: RE: Meeting Thursday 9-15 am Thursday the 22nd

Lachie

I tried to call you but you were away from your desk, hence this e mail.

I understand that you are looking to merge South Cant Finance, Scales, Helicopters NZ and Dairy Holdings and that as a result the shareholder funds of the merged entity will increase to approx \$380 m

I presume that the overall object of this exercise is to meet capital buffer requirements for the purposes of the Wholesale Guarantee Scheme.

Brain has referred to me a communication sent to [1] last month the text of which is set out below

[1]

The Reserve Bank advised us that a reasonable level of capital for non bank entities for this purpose should be at least 8% tier one capital calculated on the Basel II standardized approach. The policy guidelines for the wholesale guarantee facility indicate a cut off level of 6% tier one capital for banks. You have indicated that South Canterbury Finance's level is around 6.73%. A 0.73% margin above the requirement on banks is, in the Bank's judgment, insufficient for this business and the level should be at least 8%. In deciding to decline the application, we considered the issues and decided that we had no reason to differ from the assessment of the Bank.

*Regards
Brian Mc*

I do not think there is any requirement for Treasury approval in relation to the proposed merger and you have already our advises as to the kind of capital buffer we are looking for.

It also needs to be pointed out that the capital buffer is not the only requirement of the Wholesale Guarantee Scheme, nor is the application process a "tick the box" exercise. So we are not in a position to provide an "pre approvals" or other forms of assurance of any aspect of the process in advance.

That said Brian is still happy to meet with you and Mr Hubbard at 9.15 tomorrow on the basis of the understanding set out above. Unfortunately I will not be able to attend but my colleague William More will be in attendance.

PS We have now spoken

Stephen Revill | Senior Solicitor | The Treasury
Phone [1] | Stephen.Revill@treasury.govt.nz

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From: Lachie McLeod [mailto:lachie.mcleod@scf.co.nz]
Sent: Tuesday, 20 January 2009 9:49 p.m.
To: Stephen Revill
Subject: RE: Meeting Thursday 9-15 am Thursday the 22nd

Stephen

Allan and I will be in Wellington This Thursday

Can you confirm you are ok for 9-15 am

Thanks

Lachie

From: Stephen Revill [mailto:Stephen.Revill@treasury.govt.nz]
Sent: Friday, 16 January 2009 1:34 p.m.
To: Lachie McLeod
Subject: RE: Meeting Thursday 9-15 am Thursday the 22nd

OK – and will confirm one way or the other on Tuesday

Cheers

Stephen Revill | Senior Solicitor | **The Treasury**
Phone [1] | Stephen.Revill@treasury.govt.nz

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From: Lachie McLeod [mailto:lachie.mcleod@scf.co.nz]
Sent: Friday, 16 January 2009 1:31 p.m.
To: Stephen Revill
Subject: RE: Meeting Thursday 9-15 am Thursday the 22nd

Thanks Stephen

Could you pencil in 9-15 for you and Brian for Thursday for say 1.5 hours

I will talk to you Tuesday

From: Stephen Revill [mailto:Stephen.Revill@treasury.govt.nz]
Sent: Friday, 16 January 2009 1:14 p.m.
To: Lachie McLeod
Subject: RE: Meeting Thursday 9-15 am Thursday the 22nd

Lets leave it until Tuesday when Brian gets back.

I will get in touch with you then

Stephen Revill | Senior Solicitor | **The Treasury**
Phone [1] | Stephen.Revill@treasury.govt.nz

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From: Lachie McLeod [mailto:lachie.mdeod@scf.co.nz]
Sent: Friday, 16 January 2009 12:56 p.m.
To: Stephen Revill
Subject: FW: Meeting Thursday 9-15 am Thursday the 22nd

[Stephen - just trying to organise times](#)
[Not sure if you can organise or help](#)

[Lachie](#)

From: Lachie McLeod
Sent: Friday, 16 January 2009 11:01 a.m.
To: brian.mcculloch@treasury.govt.nz
Subject: Meeting Thursday 9-15 am Thursday the 22nd

Brian

Allan Hubbard and I are in Wellington next Thursday
Could we call in to see you and Stephen
We are putting a paper together on merging South Cant Finance, Scales (owned for 50 years), Helicopters NZ (owned for 55 years) and Dairy Holdings
This basically increases the shareholders funds from \$252m to approx \$380m
We see this adding many positives but mainly adding \$130m additional equity which will be directly available to debenture holders. This is not available under current separate entities.
Clearly this will make SCF Robust for the future years ahead - what ever the economy throws at us.
However I believe we need Treasury approval under Govt guarantee scheme.
I will forward you a summary prior to next Thursday
Could you make a time available at say 9-15 next Thursday.

Lachie McLeod Chief Executive Officer
South Canterbury Finance Limited PO Box 125, Timaru 7940

T [1]
F
M
E _____
W www.scf.co.nz



South Canterbury Finance



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