

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.

From: Andrew Hemphill^[1]
Sent: Tuesday, 29 September 2009 10:34 a.m.
To: John Park; Craig Murphy; Joanna Gordon
Subject: DGS Reporting Suite - July 09
Attachments: *[Remaining attachments not relevant to release]*

Review SCF 31July09aeecfeab.doc;

Reporting suite attached for July data.

Let me know if you have any queries.

Thanks
Andrew

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Review of guaranteed NBDT entity

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Entity Name:	South Canterbury Finance Ltd
Assessment date:	July 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors ^[1] 2
Guaranteed Deposits	\$1,873m (30,065)

Ownership

100% - Southbury Group (Allan Hubbard holds 70% shareholding).

Key People:

Allan Hubbard – Chairman, Lachie McLeod – CEO,^[1] 2 CFO

Estimated Loss in the event of company failure

- The estimated net claim under the DGS has increased to circa \$550m - \$600m. This increase is a result of the company reclassifying their exposure to different sectors plus an increase in the level of delinquency.

Movement

- Deposits above \$1m reduced from \$52m to \$23m
- Reinvestment rate down to 60% from 75% the previous month
- Rural loan book declined \$28m, “other property” loan book increased \$40m
- Fixed Assets increased \$21m, Listed equity Investments decreased \$25m, Intangibles increased \$7m and Other assets increased \$9m
- First Mortgage security decreased \$22m, 2nd mortgages decreased \$88m and PPSR security increased \$114m
- 90+ delinquency and Impaired Assets increased \$41m
- Provisions increased \$20m
- Loans with capitalising interest reduced by \$88m
- Related Party lending increased \$14m

Continuing variations of the reported data suggests Coy has poor understanding of their portfolio.

Risk ranking

- Low levels of capital.
- High level of related party lending
- Diminishing Loan book quality
- Concentration / Large exposure risk
- Modest levels of provisions

Entity to be reclassified as High risk.

Recent announcement

Standard & Poor's recently updated their SCF credit rating from BB+ Neg outlook to Creditwatch Negative. S&P comments were as follows:

Review of guaranteed NBDT entity COMMERCIALLY SENSITIVE

"The CreditWatch action reflects our view that, with no debenture prospectus in the public domain, SCF's funding flexibility and liquidity are undermined at the 'BB+' rating level, at least in the short term," Standard & Poor's credit analyst Derryl D'silva said.

"The ratings may be lowered by one or more notches should SCF's debenture prospectus remain out of the market on or soon after Sept. 30, 2009, or should the confluence of actual or potential liquidity concerns that affect the company cause us to consider that SCF's financial strength is no longer congruent with our 'BB' category rating," said Mr. D'silva. "Negative ratings momentum could also occur if the company were to announce any new adverse developments that could affect its audited 2009 financial statements."

Standard and Poor's said if SCF's credit profile deteriorated, evidence of Allan Hubbard's support would be required to keep the rating at 'BB+'. "If support is not forthcoming, or is not sufficient to afford debenture- and bond-holders' confidence, it is likely the company will be immediately downgraded," it said.

Key Graphs

