

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.

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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
- [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.

Review of guaranteed NBDT entity

Entity Name:	South Canterbury Finance Ltd
Assessment date:	August 2009
Assessed by:	A Hemphill
Trustee	Trustee Executors [1]
Guaranteed Deposits	\$1,831m (29,606)

Ownership

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

Key People:

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

New prospectus / Latest announcements

Summary of pertinent points as follows:

- SCF have entered into an agreement to repay USD\$100m private placement facility over various tranches – the first payment of USD\$45m + USD\$15m fee is due 25 October 09.
- The arrangement with the USPP holders waives their current default rights re. credit rating downgrades
- A new NZD\$75m facility is in the process of being arranged with a new provider. This facility will hold priority over deposit holders.
- Coy plans to divest non-core assets over next 6 – 12 months – including farming assets. It also plans to refocus on tradition fin coy business, reduced related party exposure by \$50m before June 2010.
- Company reaffirmed it hold \$485m of property finance assets – with 43% secured by 2nd ranking mortgages. 52% of the past due loans are held in this asset class.

Liquidity

Based upon the Bank's weekly data, as at 2nd October 09, the company held ~\$70m of liquid assets and had \$92m of deposits, either on call or maturing within 30 days.

Estimated Loss in the event of company failure

- The estimated net claim under the DGS has been reduced to between \$450m - \$500m.
- Now with a greater understanding of the "other assets" that the company report – the RBNZ is of the view that there is some value attributed to these assets, whereas previously, the modelling discounted these assets by 100%.

Monthly Movement

- Guaranteed deposits declined by \$42m during the month
- Reinvestment rate at 18.8% - due to prospectus not issued
- Provisions increased \$12m
- Restructured assets increased \$31m
- Loans with capitalising interest increased \$27M
- Related Party lending reduced \$9m

Review of guaranteed NBDT entity

Risk ranking

- Low levels of capital.
- High level of related party lending
- Diminishing Loan book quality
- Concentration / Large exposure risk
- Property development / 2nd mortgages exposure
- Modest levels of provisions

Entity classified as High risk.

Key Graphs

