



South Canterbury Finance

Tuesday, 19 January 2010

Retail Deposit Guarantee Scheme
The Treasury
1 The Terrace
PO Box 3724
Wellington 6011

Application for Extension to Crown Retail Deposit Guarantee

Please find following the information discussed in support of South Canterbury Finance Limited's application for the extended Government Guarantee

Full legal name and address of applicant, any trading names and other identifying material:

SOUTH CANTERBURY FINANCE LIMITED
19 SOPHIA STREET
TIMARU 7940

PO BOX 125
TIMARU 7940

Established 10/2/1926

Company reference: 121022

Name of directors or members of governing body (please highlight any changes from original application for the existing Guarantee):

Three new independent directors were appointed 20 October 2009;

Stuart James McLauchlan

James Denham Shale

William Arthur Baylis

The following directors resigned from office effective 28 August 2009

Stuart John Natrass

Robert Alexander White

Name of Chief Executive Officer (please highlight any changes from original application for the existing Guarantee):

Sandy Maier
Appointed 23 December 2009

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Replaced Lachie McLeod, who resigned 26 November 2009

Name of trustee (please highlight any changes from original application for the existing Guarantee):

Trustee Executors Limited

No change

Details of any material change to the applicant's business from original application for the existing Guarantee:

Further capital contributions

- o \$20m 27 February 2009
- o \$40m 30 June 2009
- o \$20m 31 December 2009
- o 6m 13 January 2010
- o \$0.4m 19 January 2010

Rating changes

Standard and Poor's downgraded SCF on 13 August 2009 to BB+, and then subsequently issued a credit watch negative on 20 September 2009 that was removed on 24 December 2009. SCF rating remains BB+ negative outlook.

Details of any material change to the profile of financial services provided by the applicant from original application for the existing Guarantee:

No material change to the profile of the services provided.

Details of any material change to the profile of other business carried out by the applicant from original application for the existing Guarantee:

Since the original application SCF has undertaken the following transactions that have been disclosed to the market via offer documents and releases via the NZX announcements platform;

1. Acquisition of shares in following companies
 - a. CommTest Instruments Limited (40%)
 - b. Scales Corporation Limited (19.5% subsequently sold down to 15.7%)
 - c. Dairy Holdings Limited (33.6%)
 - d. South Island Farm Holdings Limited (22.7% subsequently sold)

I have enclosed copies of the following:

- Latest S+P rating report;
- Schedule of investment realisations and;
- South Canterbury Finance Limited draft management accounts to 31 December 2009



South Canterbury Finance confirms that there have been no amendments to the Trust Deed between South Canterbury Finance Limited and Trustee Executors

Full contact details of relevant contact person in South Canterbury Finance:

[Withheld under s.9(2)(a)]

**General Manager Funding
South Canterbury Finance Limited
P O Box 125
TIMARU 7940**

[Withheld under s.9(2)(a)]

Yours faithfully



SOUTH CANTERBURY FINANCE LIMITED

[Withheld under s.9(2)(a)]

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South Canterbury Finance Director Confirmation

We / I being directors of, South Canterbury Finance Limited confirm that South Canterbury Finance's application to the extended deposit guarantee scheme is true and correct and that South Canterbury Finance has:

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- complied (~~or has not complied~~) with any requirement of the Reserve Bank of New Zealand Act 1989 including (without limitation) any prudential supervision, direction or notice of the Reserve Bank;
 - complied (~~or has not complied~~) with:
 - 1) The terms of Debt Securities issued by the entity;
 - 2) The entity's trust deed (where relevant);
 - met its payments as they fell due and maintained solvency;
 - never been in moratorium nor have been the subject of any insolvency administration;
 - not have been subject to a default event (as defined in the Crown Retail Deed of Guarantee); and
 - conducted its affairs in a manner that is not prejudicial to the soundness of its own operations.
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Signed by

Dated

20th day of January 2010



Allan James Hubbard
Director



Edward Oral Sullivan
Director

[Withheld under s.9(2)(b)(ii)]

South Canterbury Finance Ltd and Subsidiary Companies
Income Statement
For the Six Months Ended 31 December 2009

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	6 Months to 31 December 2009	6 Months to 31 December 2008	12 Months to 30 June 2009
Income:			
Interest: Lending	89,309,012	103,418,858	196,966,011
Other Sources	3,860,399	11,065,718	23,236,038
	93,169,411	114,484,576	220,202,049
Lending and Credit Facility Fees	3,969,896	5,237,046	10,499,464
Lease Income	9,543,823	8,487,537	18,230,080
Dividends Received	2,207,822	750,876	2,265,646
Gain on Sales of Investments	1,164,421	7,047,780	7,469,163
Gain on Sale of Derivatives	16,464,213		
Depn Recovery: Lease Receivables	2,046,599	892,779	1,981,569
Depn Recovery: Property Plant and Equipment	47,917	(192)	(356,901)
Realised Discount		176,770	581,803
Fair Value Gain (Loss) on Financial Assets	(36,833,209)		8,363,751
Forex Gain	16,120,964	625,380	2,720,624
Other Revenue	1,140,007	824,754	4,663,011
Total Gross Revenue	109,041,864	138,527,306	276,620,259
Less Direct Costs			
Interest Paid: Debentures & Deposits	87,824,992	87,015,775	180,281,116
Audit Fees	1,122,059	287,193	517,225
Bad Debts Written Off	28,714,783	5,841,240	16,500,050
Allowance for Impairment: Advances	(21,901,821)	(2,571,545)	51,333,873
Impairment on Investments			14,684,423
Directors Fees & Expenses	81,941	218,500	412,250
Donations	2,610	17,233	20,852
Brokerage and Debenture Expenses	2,074,184	2,410,010	4,771,839
Rent Paid	711,410	634,216	1,292,326
Depreciation: Lease Receivables	3,690,215	3,562,937	5,404,863
Depreciation: Property, Plant and Equipment	1,959,852	1,161,729	4,599,055
Loss on Disposal: Property Plant and Equipment	191,500	187,690	205,731
Loss on Investments	15,918,230		35,000,000
Loss on Property Held for Resale	160,382		464,367
Write off of Intangible Assets		3,353,875	3,758,908
Other Operating and Overhead Expenses	21,222,060	17,395,618	28,982,538
Total Expenses	141,772,397	119,514,471	348,229,416
Share of Profit (Loss) in Associates	4,500,000		(997,793)
Net Profit (Before Taxation)	(28,230,533)	19,012,835	(72,606,950)
Subvention Payment		3,000,000	
Provision for Taxation		911,201	1,882,847
Deferred Tax	172,163	227,083	(15,776,296)
Net Profit (After Taxation)	(28,402,696)	14,874,551	(58,713,501)
Less Minority Interests Share of Profit		465,286	860,372
Profit Attributable to Parent Company	(28,402,696)	14,409,265	(59,573,873)

South Canterbury Finance Ltd and Subsidiary Companies
Statement of Changes in Equity
For the Six Months Ended 31 December 2009

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	<u>6 Months to</u> <u>31 December</u> <u>2009</u>	<u>6 Months to</u> <u>31 December</u> <u>2008</u>	<u>12 Months to</u> <u>30 June</u> <u>2009</u>
Equity at Beginning of the Period	225,922,014	252,711,173	252,711,173
Net Profit After Taxation	(28,402,696)	14,409,265	(59,573,873)
Net Retained Earnings Acquired on Amalgamation			2,096
Minority Interests Share of Profit		465,286	860,372
Capital receipt, surrender of lease	2,435,000		
Property Revaluation	1,374,223		
Fair Value Adjustment	(2,213,078)	(2,017,441)	3,843,655
	(26,806,551)	12,857,110	(54,867,750)
Contribution from Owners:			
Ordinary Shares Issued	20,000,000		60,000,000
Distribution to Owners:			
Preference Shares Paid	3,031,279	4,096,386	7,894,325
Ordinary Shares Paid		10,000,000	24,027,085
Movements in Equity for the Period	(9,837,830)	(1,239,276)	(26,789,160)
Equity at End of the Period	216,084,184	251,471,897	225,922,013
	=====	=====	=====
Comprising:			
Parent Company Interest	212,332,317	248,115,116	222,170,146
Minority Interest	3,751,867	3,356,781	3,751,867
	216,084,184	251,471,897	225,922,013
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South Canterbury Finance Ltd and Subsidiary Companies

Balance Sheet

As At 31 December 2009

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	As At 31 December 2009	As At 31 December 2008	As At 30 June 2009
Assets			
Bank	144,882	84,227,077	13,395,160
Short Term Deposits	13,456,768	238,271,524	109,880,905
Other Short Term Deposits	275,561	259,522	286,561
Receivables	16,780,639	17,537,298	25,060,615
Property Held for Resale	62,624,928	8,697,540	52,381,395
Related Company Lending	1,399,210		
Taxation	39,570,162	37,575,578	38,415,616
Deferred Taxation	24,153,513	8,322,297	24,325,676
	158,405,663	394,890,836	263,745,928
Financial Assets			
Advances	1,733,136,709	1,559,928,542	1,713,738,368
Deferred Fee Income	(3,127,522)	(3,663,055)	(3,750,370)
Unearned Interest	(4,119,849)	(14,752,461)	(8,349,322)
Bad Debt Provision	(57,953,969)	(22,133,793)	(76,329,751)
Lease Receivables	2,814,579	11,057,625	6,477,201
	1,670,749,948	1,530,436,858	1,631,786,126
Financial Assets at Fair Value	1,982,813	48,105,452	36,833,209
Property, Plant and Equipment	102,059,131	96,817,968	104,576,904
NZ Government Stock	530,335	1,019,524	1,017,840
Shares and Investments	179,595,293	144,732,500	269,880,043
Held to Maturity Investments			47,050,000
Total Assets	2,113,323,183	2,216,003,138	2,354,890,050
Less Liabilities			
Creditors	20,904,967	24,427,000	21,464,875
Borrowings			
Debentures	1,390,258,256	1,484,711,878	1,552,294,916
Less Deferred Brokerage	(3,190,450)	(4,644,284)	(4,497,901)
Secured Bond Maturing 12 October 2010	100,000,000		100,000,000
Three Year Secured Bonds	125,000,000	125,000,000	125,000,000
Five Year Secured Bonds	125,000,000	125,000,000	125,000,000
Less Deferred Bond Issue Expenses	(4,073,274)	(5,351,605)	(5,311,473)
US Private Placement	34,449,148	173,340,267	153,704,273
Less Deferred Issue Costs	(281,983)	(1,067,653)	(982,513)
Unsecured Deposits	14,677,842	30,663,323	28,172,526
Prior Charges	94,494,493	12,452,315	34,123,334
	1,876,334,032	1,940,104,241	2,107,503,162
Total Liabilities	1,897,238,999	1,964,531,241	2,128,968,037
Total Net Assets	216,084,184	251,471,897	225,922,013
Equity			
Authorised Capital	270,000,000	190,000,000	250,000,000
Capital Reserve Account	(1,768,975)	(1,768,975)	(1,768,975)
Retained Earnings	(55,898,708)	59,884,091	(26,060,879)
	212,332,317	248,115,116	222,170,146
Minority Interest	3,751,867	3,356,781	3,751,867
Total Shareholders Equity	216,084,184	251,471,897	225,922,013