

The Treasury

South Canterbury Finance Limited Information Release

Release Document

April 2011

www.treasury.govt.nz/publications/informationreleases/scf

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: Wednesday, 17 March 2010 8:36 a.m.
To: Craig Murphy; John Park
Subject: [seemail] SCF
Attachments: MOA 2 Mar10 signed as registered.pdf

John / Craig

You will be aware that in my review of SCF as at 31 Jan, there appeared to be some inconsistencies with some the data we received, mainly

1/. An increase in related party lending. We have since discovered that this relates to a transaction where SCF transferred preference share equity in South Island Farms Ltd (SIFL) into debt to SIFL. This was disclosed in their recent SOA (attached) but I would have thought that they required specific approval from the Crown. Of course the other question is how did they determine the value of the pref shares.

2/. A material increase in the level of loans with interest capitalising. I have since spoken with [3] and was somewhat surprised that he was not particularly familiar with these transactions and what they related to. My query was; were these loans previously recognized within the impaired loans category, as for our purposes, we wish to avoid double counting the same loans. – which of course will impact of estimated Crown loss. The Trustee is going to make further enquiry, but appear more interested in the finalization of the 31 Dec financial statements.

Craig – I spoke with Andy re. Your request to utilise our statistical returns directly within your correspondence to SCF - It is our preference that you don't use them.

Cheers
Andrew

"This message (and any files transmitted with it) are confidential and may be legally privileged. If you are not the intended recipient please notify the sender immediately and delete this message from your system."

This message does not necessarily reflect the views of the Reserve Bank of New Zealand. If the recipient has any concerns about the content of this message they should seek alternative confirmation from the Reserve Bank of New Zealand."



**Memorandum of Amendments dated 2 March 2010 to South Canterbury Finance Limited Prospectus No. 60 dated 20 October 2009 (as amended by a Memorandum of Amendments dated 9 February 2010)
(the Registered Prospectus)**

In accordance with section 43 of the Securities Act 1978, the directors of South Canterbury Finance Limited (**South Canterbury Finance**) amend the Registered Prospectus as follows:

1. Amending the cover page by:
 - (a) deleting the word "Memorandum" and replacing it with "Memoranda"; and
 - (b) inserting after "9 February" the words "and 2 March".
2. Amending the Table of Contents on current page 2 to replace the words "20 October" in point 6 with "30 June" and consequential numbering amendments.
3. Inserting the following paragraph on current page 5 above the paragraph beginning "Woodnorth Myers...":

"Independent Reporters Northington Partners Investment bankers Level 13, 52 Swanson Street Auckland 1143	Simmons Corporate Finance Corporate finance and investment bankers Level 5, Shortland Chambers Building, 70 Shortland St Auckland 1010"
--	--

4. Deleting the last paragraph on current page 7 and replacing it with the following:

The Chairman's Statement was prepared as at 20 October 2009. PLEASE READ THE "DEVELOPMENTS SINCE 30 JUNE 2009" SECTION ON PAGES 20 to 24 AND THE BUSINESS OVERVIEW SECTION (UPDATED ON 1 MARCH 2010) ON PAGES 12 to 16 IN CONJUNCTION WITH THE CHAIRMAN'S STATEMENT.

5. Deleting the last paragraph on current page 11 and replacing it with the following:

The Chief Executive's Report was prepared as at 20 October 2009. PLEASE READ THE "DEVELOPMENTS SINCE 30 JUNE 2009" SECTION ON PAGES 20 to 24 AND THE BUSINESS OVERVIEW SECTION (UPDATED ON 1 MARCH 2010) ON PAGES 12 to 16 IN CONJUNCTION WITH THE CHIEF EXECUTIVE'S REPORT.

6. Inserting the following paragraph at the end of on current page 12:

"Since 30 June 2009, there has been deterioration in certain sections of the business lending portfolio, in particular, in relation to those loans that rely strongly on underlying property security. For the six months to 31 December 2009, the Company has made a preliminary unaudited provision against the business loan book totalling \$14 million."

7. Inserting the following sentence at the end of the first paragraph on current page 14:

"As at 31 December, the Company has made further provisions (unaudited) of \$6 million in respect of its plant and equipment lending portfolio."

8. Deleting the following from the third paragraph under the heading "Property Lending" on current page 14:

"The Company is of the view that further provisioning is likely to be required in respect of property loans. Details of the level of provisioning required will be announced when the work necessary to assess these matters is completed for inclusion in the results for the six months ended 31 December 2009, which is expected to be at the end of February 2010."

and replacing it with the following:

"As a result, the Company has made further impairment provisions (unaudited) of \$140.5 million in respect of its property lending portfolio as at 31 December 2009."

9. Inserting the following sentence at the end of the first paragraph on current page 15:

"As at 31 December, the Company has made further provisions (unaudited) of \$12 million in respect of its rural lending portfolio."

10. Deleting the word "This" from the sentence beginning "This process involves an in depth..." on current page 16 and replacing it with the following:

"The Company's credit approval and risk mitigation processes have subsequently been added to or modified to ensure the appropriate processes are in place. The credit approval"

11. Adding the following new paragraph to the end of current page 19:

"This section should be read in conjunction with the "Developments since 30 June 2009" section on pages 20 to 24, in particular, the information under the heading "Management Discussion and Analysis for the period since 30 June 2009"."

12. Deleting the "Developments since 20 October 2009" section on current pages 20 to 22 in its entirety and replacing it with a new "Developments since 30 June 2009" section in the form set out in Schedule 1 to this memorandum of amendments and amending all page numbering and references accordingly.

13. Amending the fourth paragraph on current page 23 under the heading "PROSPECTUS" by deleting the word "a", deleting the word "memorandum" and replacing it with the word "Memoranda" and inserting after "9 February" the words "and 2 March".

14. Inserting the following new paragraph directly above the heading "Material Contracts" on current page 28:

"On 28 February 2010, Helicopters (NZ) Limited (**HNZ**) and Scales Corporation Limited (**Scales**) became subsidiaries of the Company. Neither HNZ nor Scales are members of the Borrowing Group. Accordingly, HNZ and Scales do not guarantee the obligations of the South Canterbury Finance Borrowing Group to holders of Stock or Deposits issued under this Prospectus nor are their assets charged as security for Stock under the Trust Deed. However, South Canterbury Finance's shareholdings in HNZ and Scales do form part of the assets of the Charging Group which are subject to the Trust Deed and charged as security for the Stock."

15. Inserting the word "ultimate" in the first sentence of the sixth paragraph under the heading "Material Contracts" on current page 28 before the words "parent company".

16. Inserting the following new paragraph on current page 29 under the heading "Material Contracts" at the end of the paragraph beginning "The Company and certain members of the Charging Group...":

"South Canterbury Finance acquired all of the ordinary shares in Helicopters (NZ) Limited and a 64% interest in Scales Corporation Limited from its sole ordinary shareholder Southbury Corporation Limited for an aggregate purchase price of \$162.5 million pursuant to an agreement for sale and purchase dated 28 February 2010. The purchase price payable by the Company for the acquisitions was satisfied through the issue of new ordinary

shares in the Company with an aggregate issue price of \$152.5 million to Southbury Corporation Limited, all of which shares were credited as fully paid, and by the payment of \$10 million in cash to Southbury Corporation Limited. Because Southbury Corporation Limited is a "related party" of South Canterbury Finance the acquisitions were each certified (by independent experts approved by the Crown) as being on arms' length terms in accordance with the terms of the Company's guarantee under the Deposit Guarantee Scheme."

17. Inserting the following new section on current page 29 above the heading "Other Material Matters":

"EXPERTS

Each of Northington Partners and Simmons Corporate Finance has given, and has not, before delivery of a copy of this Prospectus (as amended by the memorandum of amendments dated 2 March 2010) for registration withdrawn, its written consent to the distribution of this Prospectus with their names and the references to their independent reports being included in the form and context in which they appear. No officer or employee of either of Northington Partners or Simmons Corporate Finance is or is intended to be a director, officer or employee of South Canterbury Finance. However, the Company may in the future retain either or both of Northington Partners or Simmons Corporate Finance as a professional advisor."

18. Inserting the following at the end of the paragraph under the heading "Acquisition of business or subsidiary" on current page 32:

"Helicopters (NZ) Limited (**HNZ**) and Scales Corporation Limited (**Scales**) became subsidiaries of South Canterbury Finance on 28 February 2010. South Canterbury Finance now owns all of the ordinary shares in HNZ and approximately 79.7% of the ordinary shares in Scales. Neither HNZ nor Scales are members of the Charging Group and, accordingly, do not guarantee the Stock or Deposits issued under this Prospectus."

19. Inserting the following sentence at the end of the paragraph under the heading "Asset Backing" on current page 32:

"Based on the preliminary unaudited interim balance sheet as at 31 December 2009, each \$100 worth of Stock issued by the Company will have an asset backing of \$110.

20. Deleting the entire paragraph under the heading "Restrictions on Borrowing Group" on current pages 32 to 33 and replacing it with the following:

"In addition to the restrictions set out in the section of this Prospectus headed "Main Provisions of the Trust Deed", the senior \$75 million funding facility entered into with New Zealand Credit Fund Limited (which provides for the issue of certain tranches of bonds by South Canterbury Finance) contains the same restrictions on prior charges as those contained in the Company's Trust Deed. In addition, it contains restrictions on the Company's ability to incur indebtedness which ranks prior to the claims of bonds issued under the facility with New Zealand Credit Fund."

21. Inserting the following new paragraph at the end of the first paragraph on current page 42 immediately above the heading "Issue of Stock and Unsecured Deposits":

"The Company has been granted a waiver from the breaches that would otherwise have occurred in respect of certain of the covenants above. See pages 21 to 22 for full details of those waivers and the periods to which they relate."

A copy of the Registered Prospectus, as amended pursuant to the foregoing, accompanies this Memorandum of Amendments. Page numbering in this amended Prospectus has been updated to take into account changes due to the inclusion of the above amendments.

Signed by the directors of **South Canterbury Finance Limited** (or their agents duly authorised in writing) in accordance with section 43 of the Securities Act 1978:

C. Baylis

Arthur William Baylis
(or his authorised agent)

A. Hubbard

Allan James Hubbard
(or his authorised agent)

S. McLauchlan

Stuart James McLauchlan
(or his authorised agent)



J. Shale

James Denham Shale
(or his authorised agent)

Edward Oral Sullivan
(or his authorised agent)



SCHEDULE 1 - DEVELOPMENTS SINCE 30 JUNE 2009

Since this Prospectus was registered on 20 October 2009, there have been a number of material changes in the Company's circumstances. The purpose of this update is to ensure that potential investors are aware of the material changes and developments since 20 October 2009 and, where appropriate, their impact on the Company and its business activities.

Status of recapitalisation plans for South Canterbury Finance and its parent company as at 1 March 2010

On 31 December 2009, South Canterbury Finance, Helicopters (NZ) Limited and Scales Corporation Limited were joined under the umbrella of a new parent holding company, Southbury Corporation Limited. Southbury Group Limited owns 100% of the shares in Southbury Corporation Limited. Southbury Corporation Limited is now the sole holder of all of the ordinary shares in the Company.*

As part of the group restructuring described above, Southbury Corporation Limited completed a private placement of \$27.5 million of convertible notes to institutional and private investors in New Zealand as the first part of an intended two stage capital raising process. The majority of funds raised under the private placement were used by Southbury Corporation Limited to subscribe for \$26.4 million of ordinary shares in South Canterbury Finance. South Canterbury Finance has guaranteed the performance by Southbury Corporation Limited of its obligations in respect of the convertible notes issued by it and has granted a prior ranking charge in favour of Southbury Corporation Limited over its assets in support of that guarantee. The guarantee is secured by a prior ranking charge under the Trust Deed. Southbury Corporation Limited has agreed to indemnify South Canterbury Finance for any payments it is required to make under the guarantee.

*Southbury Corporation Limited and Southbury Group Limited do not guarantee the Stock and Deposits offered under this Prospectus.

Acquisition of Helicopters (NZ) Limited and majority interest in Scales Corporation Limited

As part of the recapitalisation plan for South Canterbury Finance, the Company acquired all of the ordinary shares in Helicopters (NZ) Limited (**HNZ**) and approximately 64% of the ordinary shares in Scales Corporation Limited (**Scales**) from Southbury Corporation Limited on 28 February 2010 for an aggregate purchase price of \$162.5 million. The purchase price payable by the Company for the HNZ and Scales shareholdings was satisfied through the issue of new ordinary shares in the Company with an aggregate value of \$152.5 million to Southbury Corporation Limited, all of which shares were credited as fully paid, and by the payment of \$10 million in cash to Southbury Corporation Limited. The acquisition of the Scales interest has resulted in the Company's total shareholding in Scales Corporation Limited increasing to approximately 79.7%. Neither HNZ nor Scales are members of the Borrowing Group. Accordingly, HNZ and Scales do not guarantee the obligations of the South Canterbury Finance Borrowing Group to holders of Stock or Deposits issued under this Prospectus nor are their assets charged as security for Stock under the Trust Deed. However, South Canterbury Finance's shareholdings in both HNZ and Scales do form part of the assets of the Charging Group which are subject to the Trust Deed and charged as security for the Stock.

In addition, the Company has made an advance of \$15.6 million to Southbury Corporation Limited on a secured, subordinated basis as part of the above acquisitions and group restructuring. The amount being advanced to Southbury Corporation Limited will be applied towards repayment of third party debt of Southbury Corporation Limited, a necessary prerequisite for the restructuring and sale of HNZ and Scales shares to the Company. The loan is for a two year term with an interest rate of 10% per annum reviewable on the first anniversary of the loan.

As the acquisitions were from a related party of South Canterbury Finance and the \$15.6 million advance was to a related party, the Company has obtained independent expert reports on them under the terms of the Crown Deposit Guarantee Scheme. Independent reports were provided by Simmons Corporate Finance and Northington Partners on the HNZ and Scales acquisitions, respectively. Simmons Corporate Finance also opined on the advance to Southbury Corporation Limited. Both of the independent reporters have certified to the Crown that the transactions (including the advance to Southbury Corporation Limited) were on arms' length terms for the purposes of the Company's Crown guarantee. Under the Crown guarantee deed, a transaction is not on arms' length terms, in the case of an acquisition of shares, if the value of the consideration given or to be given for the acquisition at the time of acquisition exceeds the open market value (as between a willing but not anxious seller and a willing but not anxious buyer) of the shares. As the acquisitions were effected substantially by the issue of new ordinary equity by South Canterbury Finance, the Directors considered the transactions to be favourable for South Canterbury Finance debenture and perpetual preference share investors.

Management discussion and analysis for the period since 30 June 2009 (as at 1 March 2010)

On 1 March 2010, South Canterbury Finance announced its preliminary unaudited half year results for the six months to 31 December 2009.

The continuing impact of the economic downturn and negative property cycle has led the Company to announce an unaudited preliminary net after tax loss for the consolidated group (which comprises the Charging Group and other minor non-charging subsidiaries set out in note 23 of the financial statements) of \$154.9 million for the six months to 31 December 2009. The Charging Group itself incurred a preliminary unaudited net after tax loss of \$155.7 million for the six months to December 2009. The Charging Group result includes unaudited provisions of \$178.5 million on a pre-tax basis for losses on impaired or non-performing assets in the six months to 31 December 2009. The Company's auditor is still reviewing the financial statements for the six month period including, in particular, the level of provisions made by the Company for its preliminary announcement. The audited result is expected to be available by 31 March 2010. The unaudited loss for the Charging Group of \$155.7 million arises primarily as a result of a rigorous review of all asset valuations by the Company's board and new senior management team. The Charging Group had shareholders' funds (unaudited) of \$93.3 million as at 31 December 2009.

The Company's subsequent acquisitions of all of the ordinary shares in Helicopters (NZ) Limited and the majority interest in Scales Corporation Limited for an aggregate purchase price of \$162.5 million and the issue of approximately 317.7 million new fully paid ordinary shares in part satisfaction of the purchase price for those shareholdings have improved the Company's asset base and its capital position. In broad terms, these transactions have offset the loss in equity that the consolidated group incurred as a result of the unaudited impairments and provisions as at 31 December 2009. Shareholders' funds upon completion of the issue of new ordinary shares for the acquisitions of shares in Helicopters (NZ) Limited and Scales Corporation Limited were \$252.8 million.

It is expected that audited financial statements for both the consolidated group and the Charging Group for the six months to 31 December 2009 will be finalised before 31 March 2010. The Directors do not expect the Charging Group loss to be materially different to the unaudited preliminary loss for the six month period. If there are any material changes to the provision referred to above as a result of the completion of the audit of the Charging Group's financial statements for the six months to 31 December 2009, the loss for that six months period would also change. As indicated above, the Company's auditor is still reviewing the financial statements including, in particular, the level of provisions made by the Company for its preliminary announcement.

As a result of the Company's unaudited loss for the six months to 31 December 2009, the Company would have breached certain financial covenants contained in its Trust Deed when it was required to report against them on 1 March 2010. On 28 February 2010, Trustees Executors Limited, the Trustee, granted South Canterbury Finance a waiver from anticipated

breaches of the covenants contained in clauses 16.1(a) and 16.1(d) of the Trust Deed as at 1 March 2010.

In addition, the Trustee has waived any breach of the financial covenants that subsisted between 31 December 2009 and 1 March 2010.

In broad terms:

- (a) clause 16.1(a) of the Trust Deed requires the aggregate book value of equity securities held by members of the Charging Group not to exceed 100% of the Charging Group's Shareholders' Funds. This covenant would have been breached as a result of the Company's acquisitions of all of the ordinary shares in Helicopters (NZ) Limited and 64% of the ordinary shares in Scales Corporation Limited as following completion of those transactions, the aggregate book value of the equity securities held by members of the Charging Group was 116.7% of the Charging Group's Shareholders' Funds. The Company will seek to comply with this covenant by, if necessary, selling equity securities held by it or raising additional capital;
- (b) clause 16.1(d) of the Trust Deed limits the aggregate exposure of the Charging Group to any Person or Single Group to an amount not exceeding 35% of Shareholders' Funds. The Charging Group had made loans to Helicopters (NZ) Limited at the time it was acquired by the Company. As a result of the acquisition, the Charging Group's aggregate exposure to Helicopters (NZ) Limited has increased to 50.9% of the Charging Group's Shareholders' Funds. The Company will seek to comply with this covenant by reducing its overall exposure to Helicopters (NZ) Limited or raising additional capital; and
- (c) the waiver from any covenant breaches that subsisted from 31 December 2009 to 1 March 2010 is a technical waiver and does not relate to any specific or identified breaches that may have occurred over that period. In particular, the Company has reported its covenant compliance as at 1 March 2010, as it is required to under the Trust Deed. It has sought and received a waiver for the period from 31 December 2009 until 1 March 2010 to ensure that it was not in technical breach of the Trust Deed during this period. This technical waiver is superseded by the waiver given by the Trustee from 1 March 2010 onward, which waiver has been given based on the full compliance certificate figures.

The waiver granted by the Trustee is subject to certain conditions, including the following:

- that during the subsistence of the waiver of clause 16.1(a), the Charging Group must not, without the prior written consent of the Trustee, have an interest in equity securities in terms of the restrictions other than in relation to the Helicopters (NZ) Limited and Scales Corporation Limited shares and all other equity securities in which the Charging Group had an interest before the date of the waiver letter;
- that the acquisitions of the ordinary shares in Helicopters (NZ) Limited and the ordinary shares in Scales Corporation Limited are approved as being on arms' length terms by independent experts approved by the Crown under the terms of the Crown guarantee. The Company confirms, in this regard, that the required confirmation has been obtained (as disclosed above);
- that the Company registers a memorandum of amendments to this Prospectus incorporating disclosures of the acquisitions and the nature of the anticipated Trust Deed breaches referred to above (which the Company has done);
- Auditor's confirmation that the purchase price of these assets does not exceed the value that would be disclosed in audited financial statements as at the date of the transactions; and

- that the Company's directors provide a certificate to the Trustee certifying certain matters including that the information provided in support of the application for the waiver from compliance with the anticipated Trust Deed breaches is accurate, that the acquisition of the shareholdings acquired are fair and reasonable from the Company's point of view and do not exceed what would be payable in an arms' length transaction, that the transactions will not prejudice the general interests of the Security Holders and that there will be no material change between the purchase price of the shareholdings acquired and the fair value recognition of them at the transaction date as stated in the audited financial statements for the six months to 31 December 2009.

In other financial reporting matters, the Company announced on 3 February 2010 that adjustments may be required to the valuation and reporting of certain items in the 30 June 2009 audited financial statements, the most significant of which is the Company's preference share investment in South Island Farm Holdings Limited as outlined below. The Company is currently reviewing the issues and seeking independent advice where necessary to determine the extent of any potential prior period adjustments. The Company believes that the issues identified may not have a material impact on the position of the Company. The impact of these items will be known when the audit of the Charging Group's financial statements for the six months to 31 December 2009 is finalised.

In considering the impact of the above events on the Charging Group's position going forward, it is important to bear in mind that the Company and its investors still have the benefit of a guarantee under the Deposit Guarantee Scheme in respect of first ranking stock or unsecured deposits which mature, or otherwise become payable, on or before 11 October 2010. In addition, on 21 January 2010, the Company applied to participate in the extended Crown guarantee. If accepted into this extended scheme, the Company will be able to offer a broad range of investment options to investors. Further details regarding the terms of the Crown guarantee and the extended scheme are set out on pages 36 to 38 of this Prospectus.

30 June 2009 financial statements

Note 25 on page 74 of the Prospectus refers to the security sharing arrangement entered into by South Canterbury Finance. The Company wishes to add, in relation to that disclosure, that the consideration for the acquisition of the loans under the security sharing agreement comprised 67.2m preference shares issued by South Island Farm Holdings Ltd ("SIFHL") at an issue price of \$1 per share (which rank ahead of the SIFHL ordinary shares), \$12m for a 40% interest in Commtest Instruments Ltd and \$10.5m for 5.25m shares in Scales Corporation Ltd. The fair value of \$67.2m attributed to the SIFHL preference shares (being the aggregate issue price of the shares) was determined by the Board of South Canterbury Finance and represented the Board's opinion of their fair value based on a sample review of the underlying farming assets of SIFHL.

The financial statements for the year ended 30 June 2009 contained in this Prospectus (and certain other sections of the Prospectus) disclose that South Canterbury Finance acquired 67.2 million preference shares in SIFHL in the year ended 30 June 2009. As also disclosed, on 1 July 2009, South Canterbury Finance acquired 6.8 million ordinary shares in SIFHL. This acquisition of ordinary shares resulted in South Canterbury Finance and SIFHL becoming "associates" for financial reporting purposes.

As announced on 3 February 2010, the Company has become aware that it did not comply with the applicable financial reporting standard when valuing its investment in the 67.2 million SIFHL preference shares in its 30 June 2009 financial statements. In particular, the methodology used is inconsistent with the fair value methodology for such an investment as set out in Note 20 to the financial statements for the year ended 30 June 2009. The methodology used to assess fair value of the SIFHL preference shares has been reviewed by the Company's new auditors, Ernst & Young, who have indicated that the fair value assessment should have used techniques such as a discounted cash flow model and taking account of the returns from a similar instrument. The fair value using such techniques may have been less than the value attributed to the SIFHL preference shares by the Company in

its 30 June 2009 audited financial statements. South Canterbury Finance has instructed Deloitte to value the SIFHL preference shares in accordance with the correct methodology.

South Canterbury Finance has subsequently sold the 6.8 million SIFHL ordinary shares that were held by it to an independent third party for \$6.8 million (being the price initially paid by it for those shares) while the 67.2 million SIFHL preference shares held by it have all been redeemed for \$67.2 million and South Canterbury Finance has made an advance of that amount to SIFHL.

If there is a material difference between the \$67.2m value attributed by the Company to the SIFHL preference shares in the 30 June 2009 audited financial statements and the fair value that is determined following independent advice on the matter, then that may result in a prior period adjustment being required in respect of the year ended 30 June 2009. However, any difference arising from the revaluation of the SIFHL preference shares will be fully reversed in the period of six months ended 31 December 2009.

The value attributed to the Commttest Instruments shares was determined by the Board of South Canterbury Finance and represented the Board's opinion on their value. The value attributed to the Scales Corporation shares was assessed by the Board at \$10.5 million and reflected the prevailing market share price.

New CEO and independent directors

As indicated on page 6, three new independent directors (Arthur William Baylis, James Denham Shale and Stuart James McLauchlan) were appointed to the board of directors of South Canterbury Finance on 20 October 2009. Sandy Maier was appointed as Chief Executive Officer of South Canterbury Finance and the Southbury Group on 23 December 2009.

\$75 million credit facility

In October 2009, the Company entered into a new senior \$75 million funding facility with New Zealand Credit Fund Limited, which arranged funding from a syndicate of professional investors from Australia and New Zealand. The facility has been fully drawn down and (as alluded to in the Chief Executive's Report on page 8) the funds used to repay, in part, the sum of US\$55 million issued pursuant to the US Private Placement. The facility is secured by way of a prior ranking charge under the Company's Trust Deed.

Status of United States Private Placement as at 1 March 2010

As a result of its improved liquidity in recent months, the Company has repaid, in full, all amounts payable by it to US noteholders pursuant to the US private placement earlier than agreed. Repayment was completed on 26 February 2010. In addition, Southbury Group Limited has paid the \$15 million refinancing fee to the US noteholders in connection with the restatement of the United States private placement arrangements agreed by the Company.

Developments regarding Securities Act Trust Fund

The Chief Executive's Report as at 20 October 2009 provides that, as at 14 October 2009, approximately \$45.1 million was being held on trust under the Securities Act 1978. Following registration of this Prospectus, approximately \$25 million of that sum has been reinvested in South Canterbury Finance securities and \$12 million of that sum has been repaid to investors. Funds were also held on trust for investors who have the right, exercisable before 1 March 2010, to avoid their subscriptions in accordance with the Securities Act 1978. As at 28 February 2010, approximately \$7.1 million was held on trust and the Company had not received further requests for repayment in respect of those funds. Accordingly, it expects that the sum of \$7.1 million will be able to be released to it from the trust account after 1 March 2010.

South Canterbury Finance's credit rating confirmed

On 24 December 2009, Standard & Poor's Ratings Services affirmed its 'BB+' long-term rating on South Canterbury Finance. At the same time, the rating was removed from CreditWatch Negative, where it was initially placed on 20 September 2009. The outlook is negative. The negative outlook reflects immediate pressures on South Canterbury Finance's financial profile and medium-term uncertainty concerning restructuring and recapitalisation initiatives.

Extended Crown Deposit Guarantee Scheme

On 21 January 2010, South Canterbury Finance applied to participate in the extended Crown deposit guarantee scheme. If accepted into the extended scheme, South Canterbury Finance will be able to offer a greater range of investment options to investors. Further information about the extended scheme can be found on pages 36 to 38 of this Prospectus.

COMPANY NUMBER: 121022

SOUTH CANTERBURY FINANCE LIMITED

Authority of agent to sign memorandum of amendments to prospectus
(Pursuant to section 43(2) of the Securities Act 1978)

I, Arthur William Baylis, being a director of South Canterbury Finance Limited (**SCF**) appoint Allan James Hubbard, Director, to sign, on my behalf as my agent, a memorandum of amendments (to be dated on or about 1 March 2010) to SCF's prospectus number 60, dated 20 October 2009.

Dated: 28 February 2010

Arthur William Baylis

Arthur William Baylis

COMPANY NUMBER: 121022

SOUTH CANTERBURY FINANCE LIMITED

Authority of agent to sign memorandum of amendments to prospectus
(Pursuant to section 43(2) of the Securities Act 1978)

I, Stuart James McLauchlan, being a director of South Canterbury Finance Limited (**SCF**) appoint Allan James Hubbard, Director, to sign, on my behalf as my agent, a memorandum of amendments (to be dated on or about 1 March 2010) to SCF's prospectus number 60, dated 20 October 2009.

Dated: /*March* 2010

S. J. McLauchlan

Stuart James McLauchlan

COMPANY NUMBER: 121022

SOUTH CANTERBURY FINANCE LIMITED

Authority of agent to sign memorandum of amendments to prospectus
(Pursuant to section 43(2) of the Securities Act 1978)

I, James Denham Shale, being a director of South Canterbury Finance Limited (**SCF**) appoint Allan James Hubbard, Director, to sign, on my behalf as my agent, a memorandum of amendments (to be dated on or about 1 March 2010) to SCF's prospectus number 60, dated 20 October 2009.

Dated: 28 February 2010



James Denham Shale