



(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.<sup>1</sup>

### CHOOSING AN INVESTMENT ADVISER

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

<sup>1</sup> This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this Offer, the two documents have been combined. Accordingly, the prospectus available on request is identical to this document.





## GENERAL INFORMATION

This Offer Document is for an offer (the "Offer") of Secured Bonds by South Canterbury Finance Limited ("South Canterbury Finance" or the "Company"). The Secured Bonds are first ranking secured debt securities subject to permitted Prior Charges and statutorily preferred claims. This Offer Document has been prepared as at, and is dated, 16 November 2007.

## CHARGING GROUP AND BORROWING GROUP

The Issuer of Secured Bonds under this Offer Document is South Canterbury Finance. References in this Offer Document to "Charging Group" or "Borrowing Group" mean South Canterbury Finance and its Charging Subsidiaries.

## STANDARD & POOR'S CREDIT RATING BBB-\*

South Canterbury Finance and the Secured Bonds are currently rated BBB- with a stable outlook by international credit rating agency Standard & Poor's. These investment grade credit ratings reflect the Company's strong business profile and the geographic diversity that underpins its market position as one of the largest domestically owned finance companies in New Zealand. The Company's good profitability track record, sound credit-loss experience, and good funding and liquidity positions also support the rating.

## IMPORTANT NOTICE

This Offer Document is a combined investment statement and prospectus for the purposes of the Securities Act 1978 and the Securities Regulations 1983. The purpose of the investment statement section of this Offer Document, being the section headed "Answers to Important Questions", is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for Secured Bonds under the Offer. Investors should be aware that other important information about the Secured Bonds and the Offer is set out in the prospectus section of this Offer Document.

## NO RESPONSIBILITY

The Lead Manager and Organising Participant has not independently verified any information contained in this Offer Document, makes no representation or warranty (express or implied) as to the accuracy or completeness of the information contained in this Offer Document and is not obliged to update any information contained in this Offer Document nor to notify any person should any such information cease to be correct after the date of this Offer Document.

This Offer Document does not constitute a recommendation by the Lead Manager and Organising Participant to subscribe for Secured Bonds under this Offer. To the maximum extent possible by law, the Lead Manager and Organising Participant, or any of its officers, employees or agents, does not accept any liability whatsoever for any loss arising from this Offer Document or its contents or otherwise arising in connection with this Offer. The Lead Manager and Organising Participant and its related companies may from time to time provide various services to South Canterbury Finance (whether as adviser, investor, underwriter, sharebroker, fund manager or other service provider) and as a result the proceeds received by South Canterbury Finance under this Offer may be paid to the Lead Manager and Organising Participant and its related companies as compensation for services provided by them.

\*Standard & Poor's (Australia) Pty Limited has given its consent to the inclusion of its credit rating of South Canterbury Finance in the form and context in which it is included and to being named in this Offer Document in the form and context in which it is named.

Analytic services provided by Standard & Poor's Ratings Services ("Ratings Services") are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytical process.

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Credit ratings issued by Ratings Services are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of credit ratings issued by Ratings Services should not rely on any such ratings or other opinion issued by Ratings Services in making any investment decision. Ratings are

based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. In Australia, credit ratings are assigned by Standard & Poor's (Australia) Pty Limited, which does not hold an Australian financial services licence under the Corporations Act 2001.

Standard & Poor's (Australia) Pty Limited and its subsidiaries have not authorised or caused the issue of this Offer Document and do not make any statement that is included in this Offer Document or any statement on which a statement made in this Offer Document is based, other than as specified above. Standard & Poor's (Australia) Pty Limited and its subsidiaries to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Offer Document, other than the reference to its name and the statements included in this Offer Document as specified above.

#### REGISTRATION

A copy of this Offer Document, duly signed, and having attached to it (or being accompanied by) copies of the documents required by section 41 of the Securities Act 1978 (being the Auditor's Report and Consent, the Trustee's statement, a copy of the material contract referred to in clause 9.1 of the Statutory Information section of this Offer Document and a Memorandum of Particulars in respect of the material contract referred to in clause 9.2 of that section and the letter from New Zealand Exchange Limited under clause 23 of the Securities Regulations 1983), was delivered to the Registrar of Companies for registration in accordance with section 42 of the Securities Act 1978 on or after the date of this Offer Document.

#### NEW ZEALAND EXCHANGE LISTING

Application has been made to NZX for permission to list the Secured Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Initial quotation of the Secured Bonds on the NZDX Market is expected to occur on 20 December 2007. NZX has authorised Primary Market Participants to act in respect of this Offer.

#### GUARANTORS

The obligations of South Canterbury Finance in respect of the Secured Bonds are guaranteed by the Charging Subsidiaries which, as at the date of this Offer Document, are: Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd (all of which are wholly owned by South Canterbury Finance), and Face Finance Ltd (which is 75% owned by South Canterbury Finance). For further information, see the section entitled "Summary of Trust Deed" on pages 65 to 68.

None of South Canterbury Finance's directors, its non-charging subsidiaries, Southbury Group Limited, the Lead Manager and Organising Participant, the Underwriter, the Trustee, nor any of their respective directors, officers or employees, or any other person (other than the Charging Subsidiaries referred to above) guarantees the payment of interest or any other amounts due under the Secured Bonds or the amount of returns which investors may receive as holders of Secured Bonds.



### RISKS

Details of certain risks associated with an investment in the Secured Bonds are set out under the heading "What are my risks?" on pages 72 to 74 of this Offer Document.

### USE OF FUNDS

The funds raised by the Company from the issue of new Secured Bonds under this Offer will be used to further diversify its funding sources, add additional duration to its funding profile and provide further liquidity.

### OVERSEAS INVESTORS

This Offer is only made to members of the public in New Zealand and to certain selected institutional investors in New Zealand. No person may offer, invite, sell or deliver any Secured Bonds or distribute any documents (including this Offer Document) to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction. Any person or entity subscribing for Secured Bonds under the Offer will, by virtue of such subscription, be deemed to represent to South Canterbury Finance that he, she or it is not in a jurisdiction that does not permit the making of an offer or invitation of the kind contained in this Offer Document and is not acting for the account or benefit of a person within such a jurisdiction. None of South Canterbury Finance, the Lead Manager and Organising Participant, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person outside New Zealand is able to participate in this Offer.

### DEFINITIONS

Capitalised terms in this Offer Document have the specific meaning set out in the Glossary on page 78 of this Offer Document. All references to \$ are to New Zealand dollars unless specified otherwise.

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## ESTABLISHED, PROFITABLE AND SIGNIFICANT BUSINESS

### ESTABLISHED NEW ZEALAND BUSINESS

South Canterbury Finance is one of the largest finance companies in New Zealand with a long-standing and successful history. It was founded in 1926 and has strong links with borrowers, debenture holders, depositors, brokers and financial intermediaries in all of the communities in which it operates.

### IMPRESSIVE EARNINGS TRACK RECORD

South Canterbury Finance and the Charging Subsidiaries (the "Charging Group") have a sound track record of profitability and earnings growth. Profits have been made and dividends paid every year since 1934 - a continuous period of over 73 years.

For the year ended 30 June 2007, the Charging Group recorded a net profit before tax of \$49.4 million, representing an increase of \$10.7 million or 27% on the previous year. Over the past five years, the Charging Group's net profit before tax has increased at an average annual growth rate of 27%.

### SIGNIFICANT SCALE

The South Canterbury Finance Group has experienced considerable growth in the scale of its operations. As at 30 June 2007, the Charging Group had total assets of \$1,586.8 million, representing an increase of \$300 million from the year ended 30 June 2006, and total liabilities of \$1,387.8 million. The Charging Group's growth in total assets has matched its impressive earnings track record, having increased at an average annual growth rate of 25% over the past five years.

### WELL CAPITALISED BUSINESS

On 9 November 2007, South Canterbury Finance announced the sale of its 12.75% shareholding in Dairy Holdings Limited realising a capital profit of \$40 million, combined with the injection of an additional \$25 million of new capital, effective from 30 November 2007. Together these transactions result in an increase in the Charging Group's shareholders' funds of \$65 million, and will increase the Charging Group's shareholders' funds to \$264 million (including \$120

million of Perpetual Preference Shares listed on the NZX) based on the amount of shareholders' funds as at 30 June 2007. This increase in shareholders' funds will further strengthen the Charging Group's financial position and provide additional liquidity to fund the ongoing operations of the Charging Group.

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## INVESTMENT GRADE INVESTMENT OPPORTUNITY

### STANDARD & POOR'S CREDIT RATING BBB-

South Canterbury Finance and the Secured Bonds have been rated BBB-, by international credit rating agency Standard & Poor's. The Company's credit rating and its stable outlook was most recently reaffirmed in August 2007 and the Secured Bonds received their rating on 14 November 2007. These investment grade credit ratings reflect South Canterbury Finance's strong business profile and the geographic diversity that underpins its market position as one of the largest domestically owned finance companies in New Zealand. The Company's good profitability track record, sound credit-loss experience, and good funding and liquidity positions also support the rating.

South Canterbury Finance is committed to maintaining and improving its BBB- investment grade credit rating and is continually looking at ways in which to improve its business.

### FIRST RANKING SECURITY

The Secured Bonds are constituted by the Trust Deed and are secured by a first ranking floating charge and security interest given by the Company and each of the Charging Subsidiaries over all their undertakings, property and assets, both present and future, subject to permitted Prior Charges\* totalling approximately \$3.984 million, as at the date of this Offer Document, and statutorily preferred claims. The Prior Charges represent a mortgage over land securing a fixed principal amount with no express right for further drawings or advances to be made under it and debenture stock previously issued by Ashburton Finance Ltd. Ashburton Finance Ltd no longer issues debenture

stock. The current amount of Prior Charges represents 0.25% of total tangible assets as at 30 June 2007 and 0.32% of total receivables. The Secured Bonds rank equally with all first ranking secured debenture stock (i.e. "First Ranking Stock") issued by the Company under the Trust Deed. Further information is set out in the sections entitled "Conditions of the Secured Bonds" on pages 61 to 64 and "Summary of Trust Deed" on pages 65 to 68.

\* The Company can grant Prior Charges which rank in priority ahead of First Ranking Stock. In accordance with the Trust Deed, Prior Charges shall not exceed 7.5% of Total Tangible Assets except in certain circumstances, where, for a limited time, Prior Charges can increase to 10.0% of Total Tangible Assets.

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## SOUND LIQUIDITY POSITION

### FAVOURABLE MATURITY PROFILE

South Canterbury Finance has a sound maturity profile. As at 30 June 2007, financial assets due over the following 12 months exceeded debenture and deposit maturities for the corresponding period by 1.1x. The Company will continue to conservatively manage its liquidity position by seeking to maintain short-term liquidity and extend the maturity profile of its funding base.

### CASH ON DEPOSIT AND COMMITTED UNDRAWN BANK FACILITIES

South Canterbury Finance continues to maintain a sound liquidity position with, as at the date of this Offer Document, over \$53 million in cash on deposit and committed undrawn bank facilities from the Bank of New Zealand and Commonwealth Bank of Australia totalling \$150 million. Funds drawn down on these bank facilities will rank equally with (and not in priority to) the Secured Bonds and all other First Ranking Stock.

### HIGH PROPORTION OF LOANS PAYING PRINCIPAL AND INTEREST

Approximately 82% of the Charging Group's total receivables by value, as at 30 September 2007, are scheduled to regularly pay interest and a proportion of principal back over the life of the loan, rather than the interest being capitalised (added) to the value of the loan and all principal and interest being paid as a

lump sum upon maturity. The high proportion of the Charging Group's loans that are scheduled to regularly pay principal and interest over the term of the loan enhances the Company's sound cash flow and liquidity position.

### STRONG DEBENTURE ROLL-OVER RATES

South Canterbury Finance continues to receive strong support from its existing debenture investors. Over the three months to 30 September 2007, South Canterbury Finance's debenture roll-over rates averaged 71.8%, which compares well to the twelve month average to 30 June 2007 of 74.2%, particularly given recent finance company receiverships and the resultant adverse publicity for finance companies generally during this period.

### NEW ALTERNATIVE SOURCES OF FUNDING

In addition to the recently secured \$150 million committed bank facility and this Secured Bond offer, the Company is currently investigating a range of funding options to supplement and further diversify its existing funding base, including expanding the size of its existing banking facility, and proceeding with further bond offers in the future.

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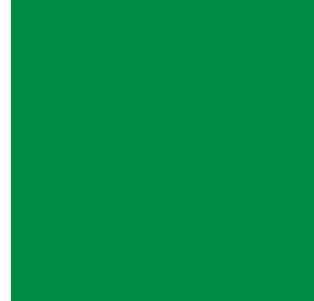
## DIVERSIFIED BUSINESS AND CUSTOMER BASE

### DIVERSIFIED PRODUCT RANGE

The South Canterbury Finance Group offers a diverse range of finance products to borrowers in the business, plant and equipment, property, rural and consumer sectors. The key products offered include hire purchase, floor plan financing, leasing of plant, vehicles and equipment, personal loans, business term loans and revolving credit facilities, mortgages against property and other financial instruments, including consumer loan insurance.

### DIVERSE LOAN PORTFOLIO

The Charging Group's lending risk profile is well diversified geographically and by industry, and by the number and size of its loans. As at 30 September 2007, its loan portfolio by sector was business (37.1%), plant





and equipment (19.1%), property (27.4%), rural (9.0%) and consumer (7.4%).

#### SUBSTANTIAL AND LOYAL INVESTOR BASE

South Canterbury Finance has built up a substantial and loyal investor base and has well established relationships with brokers and financial intermediaries throughout New Zealand. As at 30 September 2007, it had \$1,348.6 million of secured debenture stock and \$41.9 million of unsecured deposits on issue held by approximately 33,500 debenture holders and approximately 1,500 deposit holders, respectively. A significant number of these investors have invested with South Canterbury Finance for many years.

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### NATIONWIDE NETWORK OF FINANCE COMPANIES

#### NATIONWIDE COVERAGE

South Canterbury Finance operates a nationwide network of nine regional finance companies as well as three specialist companies (Flexi Lease Ltd, Face Finance Ltd and Southbury Insurance Ltd). Each regional finance company trades under its local provincial name.

#### AUTONOMOUS SUBSIDIARY OPERATIONS

Each of South Canterbury Finance's subsidiary companies operates on a relatively autonomous basis, but subject to specified limits and controls. This has the advantage of enabling senior managers to exercise their discretion and leverage off local relationships and knowledge, while benefiting from the efficiencies and controls offered by the wider Charging Group.

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### EXPERIENCED PERSONNEL AND OPERATING SYSTEMS

#### EXPERIENCED BOARD AND MANAGEMENT

The Board of Directors of South Canterbury Finance comprises four Directors with industry experience totalling over 90 years. The Board is chaired by Allan Hubbard who has been associated with the Company for over 50 years.

A number of the Company's senior management have extensive experience in the banking and finance sectors. The Chief Executive Officer, Lachie McLeod, was appointed in September 2003 and has over 20 years experience in the finance and banking sectors. The appointment of Peter Bosworth in 2005, as Chief Operating Officer, and Graeme Brown in 2006, as Chief Financial Officer, has ensured that the growth of the business and the governance environment are well managed.

#### TIME TESTED CONTROLS AND PROCESSES

South Canterbury Finance has developed a range of systems, processes and controls to evaluate and monitor its lending activities. These processes emphasise standard loan application procedures and documentation, well specified approval conditions and review processes, and an appropriate level of security. These controls and procedures have contributed to the success of the Company, and enable loan applications to be processed on an efficient and timely basis.

#### ENHANCED INTERNAL MONITORING AND FINANCIAL REPORTING

South Canterbury Finance has made a significant investment in its information and technology systems over the last 12 to 18 months. This investment has enhanced the Company's internal monitoring and financial reporting capabilities with Charging Group liquidity and arrears now being monitored on a daily basis with management and board reports being sent out on a weekly and monthly basis respectively.

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### EXCELLENT BRAND AND REPUTATION

South Canterbury Finance is one of the most respected and trusted brands in the finance company sector.

The brand position has been established over many years based on the Company's long and successful trading history, its strong emphasis on values and its commitment to customer relationships and service. These attributes reflect the values of the Company's Chairman, Allan Hubbard, one of New Zealand's most respected and successful businessmen.

## KEY FEATURES AND IMPORTANT DATES

### KEY FEATURES

ISSUER:	South Canterbury Finance Limited
OFFER:	Fixed rate Secured Bonds
OFFER PRICE:	\$1.00 per Secured Bond
MAXIMUM OFFER AMOUNT:	\$125 million comprising \$100 million (being 100 million Secured Bonds) plus up to \$25 million (being 25 million Secured Bonds) by way of oversubscriptions
MATURITY DATE:	15 December 2012*
INTEREST RATE**:	Set on 17 December 2007 at the higher of: <ul style="list-style-type: none"><li>• 10.25% (the "Base Rate"); or</li><li>• The aggregate of the Benchmark Rate and the Margin of 2.25% per annum</li></ul>
FIRST INTEREST PAYMENT DATE:	Payable to the original subscriber on 15 March 2008
SUBSEQUENT INTEREST PAYMENT DATES:	15 June, 15 September, 15 December and 15 March in each year or, if that day is not a Business Day, the next Business Day
SECURITY:	First ranking debt securities*** issued by South Canterbury Finance and guaranteed by the Charging Subsidiaries
MINIMUM APPLICATION AMOUNT:	5,000 Secured Bonds and thereafter in multiples of 1,000 Secured Bonds

\* Subject to the Secured Bondholder Put Option set out in the section entitled "Conditions of the Secured Bonds" on pages 61 to 65.

\*\* The Interest Rate, once fixed on 17 December 2007, will be announced to the NZX by South Canterbury Finance and will be advised to all successful applicants when they receive notice of the number of Secured Bonds issued to them. The Company reserves the right to increase the Base Rate or the Margin over the Benchmark Rate to such greater rate or margin as it may determine during the Offer Period, following consultation with the Lead Manager and Organising Participant, by announcing any such increase to NZX. All Secured Bonds allotted under this Offer will bear interest at the Interest Rate, regardless of when they are allotted.

\*\*\* Subject to permitted Prior Charges and statutorily preferred claims.

### IMPORTANT DATES\*

Opening Date:	19 November 2007
Closing Date:	14 December 2007
Interest Rate Set Date:	17 December 2007
Final Allotment Date:	17 December 2007
Expected quotation of Secured Bonds on the NZDX:	19 December 2007
Holding statements sent to Secured Bondholders:	no later than 21 December 2007

\* The Company and the Lead Manager and Organising Participant may amend these dates at their discretion upon written notice to NZX.



South Canterbury Finance

## LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of the Board of Directors of South Canterbury Finance I am very pleased to present New Zealand resident investors with an offer to subscribe for Secured Bonds to be issued by the Company which will be listed on NZDX market operated by New Zealand Exchange Limited.

South Canterbury Finance has a proud history in New Zealand, having been incorporated as South Canterbury Loan & Finance Company Ltd in 1926. Profits have been earned and dividends paid every year since 1934, a continuous period of over 70 years.

It is with pleasure that I advise that South Canterbury Finance and its Charging Subsidiaries recorded a before tax profit of \$49.4 million for the year ended 30 June 2007, representing an increase of 27% on the previous year's result. The assets of the Charging Group are now over \$1.5 billion.

South Canterbury Finance and the Secured Bonds are currently rated by international credit rating agency Standard & Poor's at BBB- with a stable outlook. These investment grade credit ratings reflect the Company's business profile and the geographic diversity that underpins our position as one of the largest domestically owned finance companies in New Zealand. Our track record of profitability, asset quality and our sound liquidity position and funding base support these credit ratings.

South Canterbury Finance is one of only four finance companies in New Zealand with an investment grade credit rating and is one of the best performing companies in the sector. South Canterbury Finance is well positioned to take advantage of the current changes and rationalisation occurring within the industry.

The Secured Bonds are fixed rate, fixed term, first ranking debt securities issued by South Canterbury Finance and guaranteed by the Charging Subsidiaries. The Secured Bonds will have a maturity of approximately 5 years and will pay a minimum interest rate of 10.25% with the final interest rate being set on 17 December at the higher of 10.25% or such rate as is equal to the Benchmark Rate plus the Margin.

The proceeds of this Secured Bond offer will be used to finance the Company's lending activities, further diversify its funding sources, add additional duration to its funding profile and provide further liquidity.

The Board of Directors welcomes your participation in this offer.

Yours sincerely

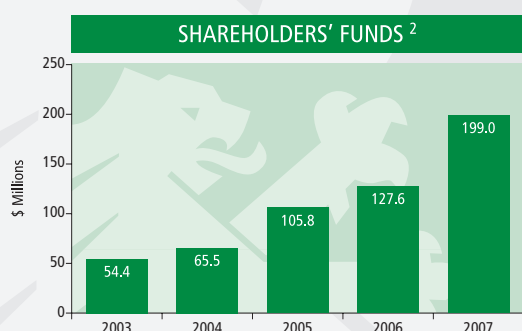
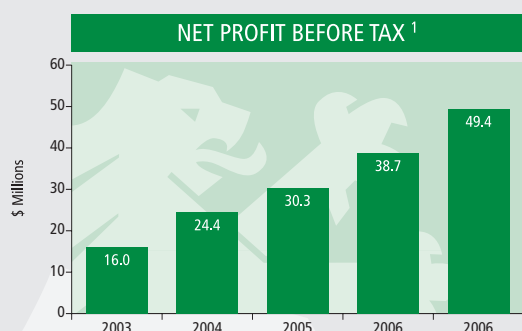
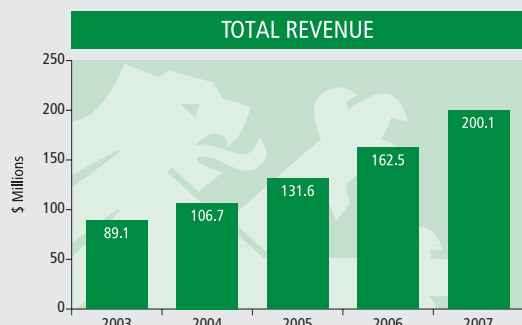
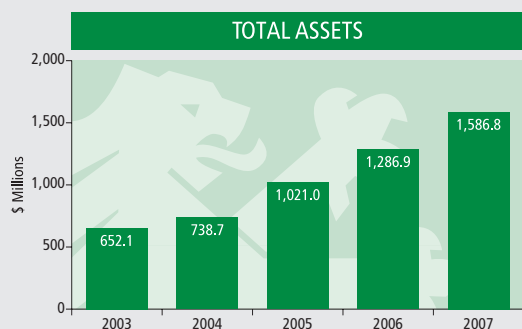
Allan Hubbard

Chairman

South Canterbury Finance Limited



## SUMMARY OF THE SOUTH CANTERBURY FINANCE GROUP'S FINANCIAL PERFORMANCE AND CHARGING COMPANIES



The Charging Group has a sound track record of asset, revenue and earnings growth. It has achieved this level of growth by expanding its operations and management team into a nationwide network of regional and specialist finance companies. Throughout this expansion, South Canterbury Finance has continued to focus on asset quality and the development of suitable structures and processes to manage this growth.

The Charging Group had total assets of \$1,586.8 million and total liabilities of \$1,387.8 million as at 30 June 2007, the South Canterbury Finance Charging Group is one of the largest finance companies in New Zealand. The Charging Group's total assets have increased by \$1,070 million over the five year period ending 30 June 2007 representing an impressive average annual growth rate of 25.1% over this period.

Total revenue and net profit before tax have increased on a commensurate basis with the Charging Group's growth in total assets. Over the five year period ending 30 June 2007, total annual revenue has increased by \$121.9 million to \$200.1 million and annual net profit before tax has increased by \$34.1 million to \$49.4 million. This represents an average annual growth rate of 20.7% and 26.5%, respectively.

As at 30 June 2007, the Charging Group shareholders' funds totalled \$199.0 million (including \$120 million Perpetual Preference Shares). Return on shareholders' funds prior to taxation (including South Canterbury Finance's preference share capital (where relevant)) has averaged 30.1% over the last five years.

The above financial information has been taken from the Charging Group's audited financial statements as at 30 June in each respective year.

<sup>1</sup> Net Profit Before Tax is before minority interests.

<sup>2</sup> Shareholders' Funds include (where relevant) preference share capital.



### THE OFFER

The following is a summary of the main terms of the Offer. Investors should refer to the more detailed information in the other sections of this Offer Document, including the sections entitled "Answers to Important Questions" and "Conditions of the Secured Bonds".

### ISSUER

The issuer of the Secured Bonds is South Canterbury Finance Limited.

### OFFER AMOUNT

Secured Bonds with an aggregate Principal Amount of up to \$100 million are offered for subscription at an Issue Price of \$1.00 each. South Canterbury Finance reserves the right to accept over-subscriptions in respect of Secured Bonds with an aggregate Principal Amount of up to a further \$25 million.

Up to \$100 million Secured Bonds (being 80% of the total number of Secured Bonds being offered) have been reserved for subscription by clients of NZX Firms and invited financial institutions on a firm allocation basis.

Secured Bonds (if any) not taken up under firm allocations may, at the Company's discretion (in consultation with the Lead Manager and Organising Participant), be allocated by way of firm allocation or may be available for subscription by members of the public through a public pool (the "Public Pool"). There is no guarantee, however, that any Secured Bonds will be available to members of the public under this Public Pool.

### TYPE OF INSTRUMENT

The Secured Bonds are first ranking, fixed interest secured debt obligations of South Canterbury Finance that are constituted by and issued pursuant to, and subject to the terms and conditions contained in, the Trust Deed. The Trust Deed contains a first ranking floating charge and security interest given by the

Company and each of the Charging Subsidiaries over all their undertakings, property and assets, both present and future subject to permitted Prior Charges and statutorily preferred claims.

The Secured Bonds have a fixed return for a fixed period.

The Secured Bonds rank in priority for repayment ahead of all other amounts owed by the Company with the exception of permitted Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages) in the event of a winding up. As at the date of this Offer Document, there are permitted Prior Charges totalling approximately \$3.984 million. The Prior Charges represent a mortgage over land securing a fixed principal amount with no express right for further drawings or advances to be made under it and debenture stock previously issued by Ashburton Finance Ltd. Ashburton Finance Ltd no longer issues debenture stock. The current amount of Prior Charges represents 0.25% of total tangible assets as at 30 June 2007 and 0.32% of total receivables. The Secured Bonds will rank equally in all respects with all other existing (and future) first ranking debt securities (i.e. First Ranking Stock) issued by the Company under the Trust Deed and without preference among themselves.

For further information on the Secured Bonds refer to the section entitled "Conditions of the Secured Bonds" on pages 61 to 64.

### GUARANTORS

The obligations of South Canterbury Finance in respect of the Secured Bonds are guaranteed by the Charging Subsidiaries which, as at the date of this Offer Document, are: Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd,

Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd (all of which are wholly owned by South Canterbury Finance), and Face Finance Ltd (which is 75% owned by South Canterbury Finance). There are no other guarantors of the Secured Bonds.

None of South Canterbury Finance's directors, its non-charging subsidiaries, Southbury Group Limited, the Lead Manager and Organising Participant, the Underwriter, the Trustee, nor any of their respective directors, officers or employees, or any other person (other than the Charging Subsidiaries referred to above) guarantees the payment of interest or any other amounts due under the Secured Bonds or the amount of returns which investors may receive as holders of Secured Bonds.

#### ISSUE PRICE

The Issue Price of \$1.00 per Secured Bond must be paid in cash in full on application for Secured Bonds under this Offer.

#### INTEREST RATE

The Secured Bonds will bear interest at a fixed interest rate from the date of allotment until the Maturity Date of 15 December 2007, which rate will be set on 17 December 2007 at the higher of:

- 10.25% (the Base Rate); or
- the aggregate of the Benchmark Rate as at 17 December 2007 and the Margin

South Canterbury Finance, in consultation with the Lead Manager and Organising Participant, may elect during the term of the Offer to increase the Base Rate or the Margin over the Benchmark Rate by notice to NZX. The Interest Rate, once fixed on 17 December 2007, will be announced to NZX by South Canterbury Finance and will be advised to all successful applicants when they receive notice of the number of Secured Bonds issued to them.

#### PUBLIC POOL

Secured Bonds not taken up under firm allocations (if any) will, at the Company's discretion (in consultation with the Lead Manager and Organising Participant), be available for subscription by members of the public through a Public Pool. If the Company decides to accept any subscriptions under a Public Pool, the Company may give preference to applications through that Public Pool from existing customers and clients of South Canterbury Finance, including South Canterbury Finance Perpetual Preference Shareholders and brokers and financial intermediaries with an established business relationship with South Canterbury Finance.

Notwithstanding this potential allocation preference, the Company has reserved to itself, in its total discretion, the right to decide whether to accept any applications under a Public Pool and the right to allocate Secured Bonds out of a Public Pool for subscription on a firm allocation basis progressively throughout the Offer period.

#### USE OF FUNDS

The funds raised under this Offer will be used to finance the Company's lending activities, further diversify its funding sources, add additional duration to its funding profile and provide further liquidity.

#### OFFER PERIOD

The Offer will open on the Opening Date and close on the Closing Date, or such earlier date as is advised by the Company. The Company, in conjunction with the Lead Manager and Organising Participant, has the right to vary any of these dates upon providing written



notice to NZX.

#### PAYMENT OF INTEREST

Interest will accrue on the Secured Bonds on a daily basis from the Allotment Date. The first interest payment will be made on 15 March 2008, and will be payable to the original subscriber, irrespective of any transfer of the Secured Bonds by that original subscriber prior to this date. Subsequent interest payments will be payable to the registered Holders of Secured Bonds on the Record Date, in equal quarterly instalments, in arrears on 15 June, 15 September, 15 December and 15 March in each year, or if that day is not a Business Day, the next Business Day.

Additional information regarding the calculation and payment of interest on the Secured Bonds can be found on page 62 and in the section entitled "Conditions of the Secured Bonds" on pages 61 to 64.

#### SECURED BONDHOLDER PUT OPTION

The Conditions of the Secured Bonds provide that if there is a Change of Control Event (as defined in the Conditions of the Secured Bonds) in respect of South Canterbury Finance, the Trustee will convene a meeting of Secured Bondholders to allow them to decide, by Extraordinary Resolution, whether they should have the right to require South Canterbury Finance to purchase their Secured Bonds. For further information, see the Secured Bondholder Put Option set out in the section

entitled "Conditions of the Secured Bonds" on pages 61 to 64.

#### APPLICATIONS UNDER FIRM ALLOCATIONS AND THE PUBLIC OFFER

Applications to subscribe for Secured Bonds under a firm allocation or the Public Pool (if any) must be for a minimum of 5,000 Secured Bonds (being a minimum application amount of \$5,000) and thereafter in multiples of 1,000 Secured Bonds (i.e. multiples of \$1,000).

Applications under a firm allocation or the Public Pool (if any) must be made on the Application Form contained at the back of this Offer Document and must be lodged with the Registrar before 5:00pm on 14 December 2007 or returned to South Canterbury Finance, the Lead Manager and Organising Participant, or any Primary Market Participant through which a firm allocation was obtained, or any other channel approved by NZX, in time for such applications to be forwarded to the Registrar by 5:00pm on 14 December 2007.

The aggregate Issue Price of the total number of Secured Bonds for which application is made must be paid in full on application. Cheques should be made payable to "South Canterbury Finance Secured Bond Offer", be crossed "Not Transferable" and must not be post-dated. South Canterbury Finance may refuse all or any part of any application without giving a reason.

Additional application instructions, including how to apply for Secured Bonds, can be found on page 80.

#### ALLOTMENT

Secured Bonds will be allotted at the sole discretion of the Company. Secured Bonds will be allotted under firm allocations and the Public Pool (if any) on a daily basis following the receipt and acceptance of valid applications by the Company. The Company will advise successful applicants of the number of

Secured Bonds allotted to them within five days of the Final Allotment Date.

#### REFUND

South Canterbury Finance reserves the right to refuse all or any part of an application without giving a reason. If South Canterbury Finance accepts an application in part, the balance of the application monies will be refunded to the applicant no later than five Business Days after the Final Allotment Date. Applications received after the Closing Date may not be accepted. Any application monies received for applications that are not accepted by the Company will be refunded to the applicant no later than five Business Days after the Closing Date. No interest will be paid on refunds for applications that are not accepted.

#### BROKERAGE

No brokerage is payable by any subscriber for Secured Bonds under the Offer, although brokerage may be payable if Secured Bonds are subsequently bought and sold in the secondary market.

Brokerage is payable by the Company to Primary Market Participants, the Lead Manager and Organising Participant, and other approved intermediaries at the rate of:

- 1.25% of the aggregate Issue Price of Secured Bonds allotted pursuant to any valid applications bearing their stamp; and
- 0.50% of the aggregate Issue Price of Secured Bonds allotted pursuant to valid applications submitted under firm allocations bearing their stamp.

#### UNDERWRITING

Forsyth Barr Group Limited (the "Underwriter") has agreed to underwrite the Offer up to a maximum of \$75 million under an agreement (the "Underwriting Agreement") entered into with South Canterbury

Finance. For further information on the Underwriting Agreement, see the section entitled "Statutory Information" on pages 76 to 77.

#### NEW ZEALAND EXCHANGE LISTING

Application has been made to NZX for permission to list the Secured Bonds, and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Initial quotation of the Secured Bonds on the NZDX Market is expected to occur on 20 December 2007. NZX has authorised Primary Market Participants to act in respect of this Offer.

#### TRUSTEE

The Trustee in respect of the Secured Bonds is Trustees Executors Limited.

#### LEAD MANAGER AND ORGANISING PARTICIPANT

Forsyth Barr Limited.



**INTRODUCTION**

South Canterbury Finance has been operating continuously since 1926. Its principal activities are to borrow funds from the public by way of secured debentures or unsecured deposits and to on-lend those funds to borrowers in the business, plant and equipment, property, rural, and consumer sectors. It typically advances funds by means of hire purchase, floor plans, leasing of plant, vehicles and equipment, personal loans, business term loans and revolving

credit facilities, mortgages against property, and other financial instruments, including consumer loan insurance.

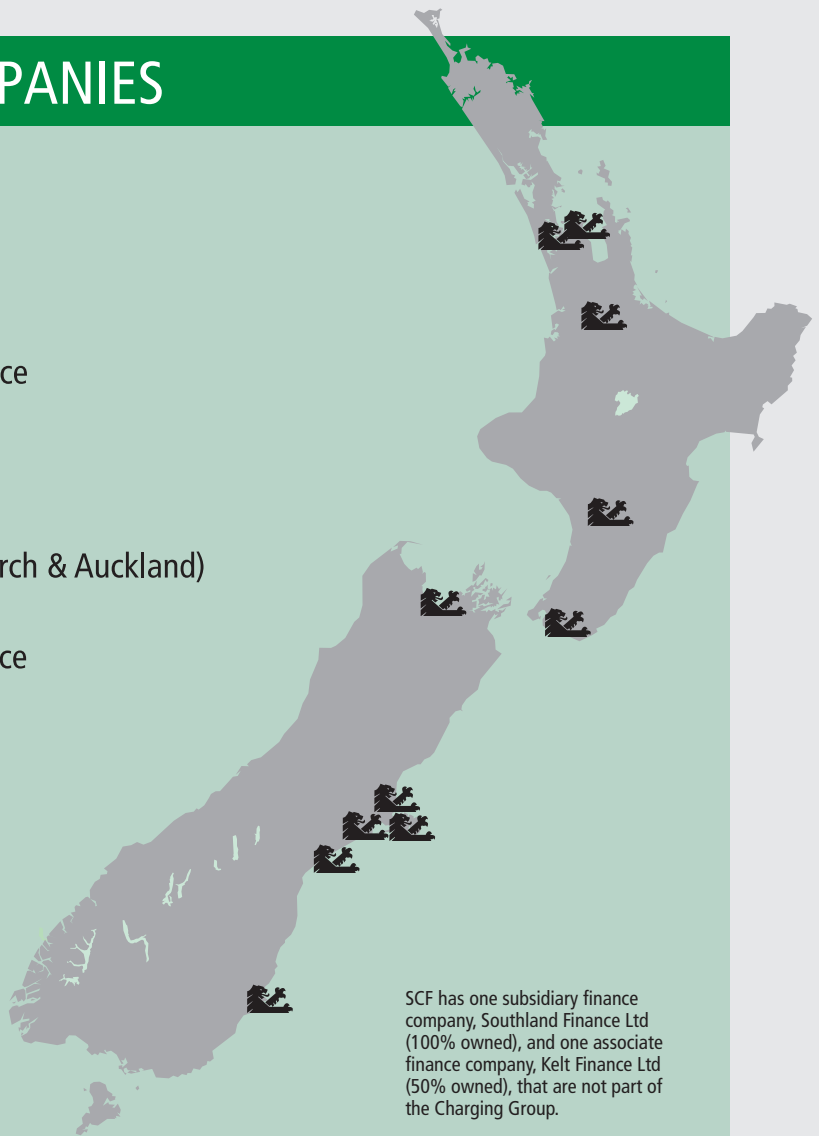
The Charging Group operates through its parent company, South Canterbury Finance, and through a series of finance companies operating in similar fields throughout New Zealand.

## GROUP COMPANIES



### FINANCE COMPANIES

- Auckland Finance
- Waikato Finance
- Palmerston North Finance
- Wellington Finance
- Tasman Bay Finance
- Canterbury Finance
- Face Finance (Christchurch & Auckland)
- Ashburton Finance
- South Canterbury Finance
- Otago Finance



SCF has one subsidiary finance company, Southland Finance Ltd (100% owned), and one associate finance company, Kelt Finance Ltd (50% owned), that are not part of the Charging Group.

### HISTORY OF SOUTH CANTERBURY FINANCE

South Canterbury Finance is one of New Zealand's largest privately owned finance companies. It has operated continuously since 1926 when it commenced trading as South Canterbury Loan & Finance Company with authorised capital of £15,000 and paid up capital of £3,750. The initial shareholders were a group of South Canterbury investors that included James D. Todd of the well known Todd Family, who ran a garage and vehicle assembly plant in Timaru.

The first loan on 26 March 1926 was for £30 repayable over three years and earned interest of £5.

With the exception of the 1933 and 1934 Depression years, South Canterbury Finance is proud to have made good profits and paid dividends throughout its history. Its present owners have held an interest in the Company since the late 1950's.

Over the past decade, South Canterbury Finance has expanded rapidly by acquiring ownership of or establishing Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd, Wellington Finance Ltd, Southbury Insurance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Rental Cars Ltd and SCFG Systems Ltd, all of which companies are members of the Charging Group and Charging Subsidiaries. The Company also has a 75% holding in Face Finance Ltd which is also a Charging Subsidiary. Southland Finance Ltd, Alford Investments Ltd, Dunbarton Investments Ltd and Glamorgan Investments Ltd (which are all wholly owned by South Canterbury Finance) and Kelt Finance Ltd and Financial Synergy Ltd (which are both 50% owned by South Canterbury Finance) are not members of the Charging Group nor Charging Subsidiaries.

### SOUTH CANTERBURY FINANCE IN THE COMMUNITY

South Canterbury Finance has always taken a keen interest in the affairs of the communities in which it and its subsidiaries operate. When the Company celebrated its 75th anniversary in 2001, it made charitable donations totalling \$500,000, and announced, in its annual result to 30 June 2007, donations of \$200,000 and \$300,000 to the South Canterbury Hospice and the Child Cancer Foundation respectively, over a three year period.

The donation to the South Canterbury Hospice, which provides palliative care to cancer patients in the South Canterbury region, will be used to offset some of the costs of redeveloping the existing hospice site. The donation to the Child Cancer Foundation will not only provide financial support, but provide a great opportunity for South Canterbury Finance staff to become actively involved in activities of the Child Cancer Foundation.



**SOUTH CANTERBURY FINANCE**

- Trusted by our lenders and depositors
- Sustained performance over the long run (we have been operating since 1926)
- Flexibility in how we work with our customers
- Relationship and community based lending
- Ability to act quickly with new opportunities
- Staff autonomy within well established policies

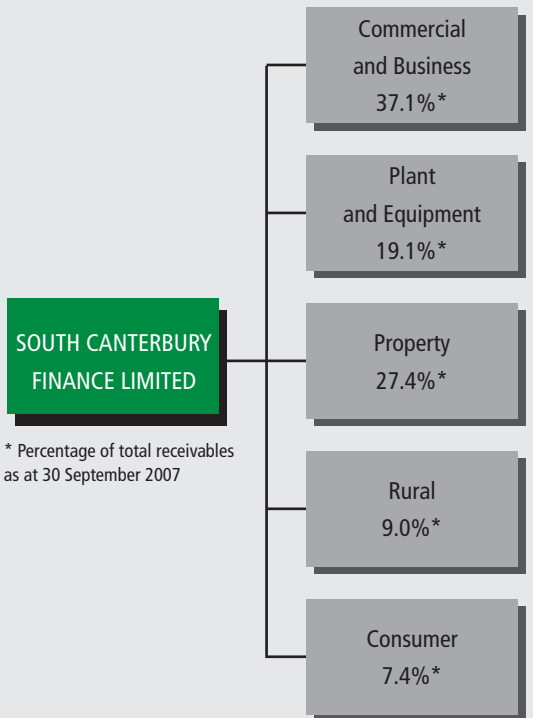
**INTRODUCTION**

The South Canterbury Finance Group offers a diverse range of products to borrowers in the business, plant and equipment, property, rural, and consumer sectors. The key products offered include hire purchase, floor plans, leasing of plant, vehicles and equipment, personal loans, business term loans and revolving credit facilities, mortgages over property and other financial instruments, including consumer loan insurance.

South Canterbury Finance has a presence in most of the main centres throughout New Zealand with nine regional finance companies. Each regional finance company is managed by an experienced General Manager, each of whom has had prior banking or finance company experience. In addition, Flexi Lease Ltd, which operates in Christchurch, Wellington and Auckland, is involved in leasing new and near-new cars to the business market. Face Finance Ltd operates from Christchurch and Auckland providing finance to the plant and equipment sector throughout New Zealand, and Southbury Insurance Ltd is based in Christchurch and provides consumer protection insurance.

The Company currently employs 105 staff. Most of these employees are based in the regional offices and have direct contact with customers. It has a small head office team of 16 based in Timaru and Christchurch. The Chief Executive Officer, Lachie McLeod, and Chief Financial Officer, Graeme Brown, are based in Timaru and Peter Bosworth, the Chief Operating Officer, is based in Christchurch.

As at 30 September 2007, the Company has approximately 33,500 secured debenture holders and approximately 1,500 unsecured depositors. Total debentures and deposits as at 30 September 2007 were \$1,390 million with approximately 45% sourced from the North Island and 55% sourced from the South Island. Debentures and deposits of \$904 million (65%) originated from the Company's well-established and loyal broker network and \$486 million (35%) were sourced directly from investors.



\* Percentage of total receivables as at 30 September 2007

**BUSINESS LENDING**

The business lending sector has been a traditional strength of the South Canterbury Finance Group. It lends to a vast range of businesses throughout New Zealand including businesses involved in manufacturing, fishing, tourism, hospitality, importing and exporting businesses. As at 30 September 2007, the Charging Group had net receivables in this sector of approximately \$465 million.

Loans are typically for business expansion and acquisitions, funding of working capital lines, guarantees for trade facilities or to finance the purchase

of other assets. Loan terms are generally for two to three years and most customers are provided with a term loan or revolving credit facility.

The South Canterbury Finance Group has specialist business lenders in each region who are supported by the General Managers. South Canterbury Finance has a close working relationship with the trading banks and will often work together with a trading bank to provide funding to a borrower where South Canterbury Finance takes a subordinated funding position to the bank. It has a track record of providing flexible solutions for customers based on a depth of experience built up over many years.

Most lending in the business sector is secured over property and other tangible assets, including plant and equipment.

South Canterbury Finance is well placed in this segment with experienced business lenders. With the expected tightening of the credit cycle, South Canterbury Finance is well positioned to manage its existing portfolio and capitalise on any future lending opportunities which may present themselves.

#### PLANT AND EQUIPMENT LENDING

South Canterbury Finance, through its regional network and 75% owned Face Finance Ltd, lends money to businesses and individuals secured by plant and equipment. Face Finance Ltd, with offices in Christchurch and Auckland, was established in response to strong demand for plant and equipment lending and the restructuring of other providers in the market. This specialist area of business financing has provided the Company with considerable growth over recent years.

Plant and equipment lending involves lending to businesses operating in the transport, contracting, agriculture and horticulture, manufacturing and aviation industries. The South Canterbury Finance Group's risk

profile of lending is well diversified geographically and by industry, with its key credit exposures in aviation, contracting and transport.

As at 30 September 2007, the Charging Group had net plant and equipment receivables of approximately \$239 million.

Over the next 12 months, South Canterbury Finance will look to consolidate the growth it has experienced in this sector and build on the presence and brand of Face Finance Ltd.

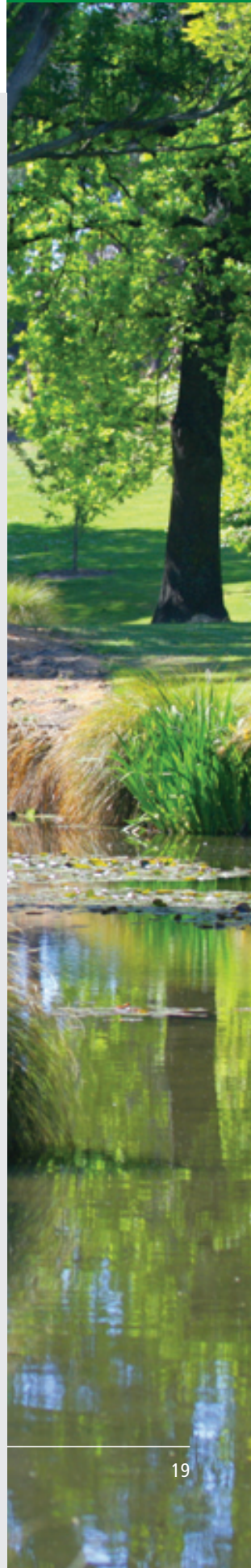
#### PROPERTY LENDING

The Company has experienced specialist property lenders whose roles are to manage and oversee the property portfolio. As at 30 September 2007, the Charging Group's net receivables in the property sector were approximately \$343 million or approximately 27.4% of its total receivables.

Property lending is typically development lending or lending secured over land being held for future development. Property development includes residential subdivisions, residential and commercial building and rural residential subdivisions. Loan terms are typically 6 to 24 months and security is in the form of a first or second registered mortgage.

As at the date of this Offer Document, the Charging Group had advanced approximately \$33.5 million (2.7% of total receivables) to New Zealand domiciled principals and secured over Fijian based property assets. While these loans have recently been consolidated and additional security over New Zealand property has been provided, they are currently performing and no specific provision has been made in respect of them. The Charging Group has no exposure to the Auckland or Queenstown CBD apartment development markets.

South Canterbury Finance considers the exposure of the Charging Group to the property market is within acceptable prudential limits and loan exposures are





regularly reviewed. The property loan book is diverse in location and is well managed by the Company's specialist property management team.

#### RURAL LENDING

South Canterbury Finance has had a long standing presence in the New Zealand rural lending market as a result of the background of and relationships held by its Chairman many of its Directors, and the executive team. The recent appointment of a General Manager Rural will further enhance this presence and allow the Company to build on its existing relationships within the rural sector.

As at 30 September 2007, the Charging Group's rural loan portfolio stood at approximately \$112 million and covers a number of loan types from land use changes through to seasonal funding arrangements. These loans cover all forms of rural activities from sheep and beef to dairy farming.

As a result of the continual growth of the rural sector in New Zealand and the corresponding growth in demand for funding, and the Company's strong relationships with the leading trading banks, South Canterbury Finance sees this sector as continuing to offer key lending opportunities.

#### CONSUMER LENDING

The South Canterbury Finance Group lends to a range of customers in the consumer sector for a wide variety of purposes including the financing of boats, cars, home improvements and personal activities. Selected car and boat dealers also originate loan facilities on behalf of members of the South Canterbury Finance Group in a number of regions.

Typically, the average loan size is approximately \$7,800 and is secured by a mortgage over property or a registered finance charge over a vehicle. Loan

applications within agreed criteria are approved by General Managers within the regional offices or otherwise by the Chief Executive Officer or Chief Operating Officer. One of the Company's key points of difference in the consumer lending market is that the majority of all applicants are personally interviewed and, as at 30 September 2007, approximately 98.8% of all consumer loans are secured.

As at 30 September 2007, the Charging Group had net consumer lending receivables of approximately \$93 million which were well spread geographically.

Competition is intense in the consumer lending sector. This business tends to be higher risk than lending in other market sectors, with many operators competing at the lower end of the market. Banks are also active in personal lending and generally target the higher quality end of the market, although this business is often lower yielding.

Customer numbers in consumer lending have reduced over the past three years as the Company has reduced its exposure to the higher risk area of this lending market and increased its focus on business lending. South Canterbury Finance has also reduced the number of car and boat dealers through which it originates loans. These initiatives have resulted in an increase in the quality of this business.

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South Canterbury Finance has a conservative growth strategy that focuses on growing revenue from a larger asset base whilst ensuring credit quality and expenditure are maintained at appropriate levels. The Company has identified six key areas of strategic development to support ongoing growth.

### CUSTOMER FOCUS AND RELATIONSHIPS

The key to achieving further growth is to ensure the Company has staff that are highly motivated and engaged with customers. This will ensure customers have a good borrowing experience and that they will continue to use the South Canterbury Finance Group for their finance requirements. The Company has recently completed a review of its people and performance strategy and continues to develop new initiatives in this area.

In addition, South Canterbury Finance is continuing to develop better customer relationship systems to deepen its customer knowledge and to ensure its customers' requirements are met and their expectations exceeded.

By continuing to provide customers with a locally-based service from staff who understand the markets they operate in, South Canterbury Finance expects to maintain strong customer loyalty and repeat business.

### GROW AND DIVERSIFY THE FUNDING BASE

In order to achieve its growth expectations, the Company needs to continue to grow and diversify its funding base. South Canterbury Finance's funding base comprises its shareholders' funds (including Perpetual Preference Share capital), secured debenture stock and unsecured deposits.

South Canterbury Finance currently funds the majority of its lending by way of its successful secured debenture stock programme (refer section headed "Summary of Trust Deed on pages 66 to 69. It has also recently secured a committed banking facility for \$150 million from the Commonwealth Bank of Australia and the Bank of New Zealand. This facility comprises a three year \$100 million component of front line funding, renewable on an annual basis, supported by a one year standby component of \$50 million.

The funds raised by the Company from this issue of Secured Bonds will diversify, lengthen the term of, and enhance the Company's funding base. South Canterbury Finance will retain the flexibility to raise additional funds by further issues of secured bonds or other similar instruments.

The Company is currently investigating a range of new sources of potential funding. It is envisaged that these new funding initiatives will complement South Canterbury Finance's successful existing debenture programme and provide further diversity in terms investor audience and funding duration.

### MAINTAIN AND IMPROVE UPON ITS BBB- INVESTMENT GRADE CREDIT RATING

In November 2006, South Canterbury Finance achieved a BBB- rating from Standard and Poor's which was most recently reaffirmed in August 2007. This rating provides an independent endorsement of the Company's credit quality and operations. The rating has also increased the transparency of the Company's business and has assisted the Company in formulating a path of continuous improvement within the business as the Company strives to improve this rating. The Secured Bonds have also been rated BBB- by Standard and Poor's.



Since initiating the rating process and achieving its investment grade rating, the Company has implemented a number of steps to achieve continuous improvement including further diversifying its funding base, strengthening its management team, improving its information and technology systems and restructuring its capital base.

#### BRAND MANAGEMENT

South Canterbury Finance is one of the most respected and trusted brands in the finance company sector.

This brand position has been established over many years based on the Company's long and successful trading history, its strong emphasis on values and its commitment to customer relationships and service. These attributes reflect the values of the Company's Chairman, Allan Hubbard, one of New Zealand's most respected and successful businessmen.

The South Canterbury Finance brand has been understated in the wider market for many years with the Company focusing on local service and relationships. The Board believes there are significant opportunities to grow the market's overall awareness of the Company's brand and values, and for South Canterbury Finance to become the preferred finance company of borrowers and lenders alike. This will assist in enhancing further balance sheet and revenue growth.

#### OPERATIONS AND SYSTEMS

Over the last 12-18 months, South Canterbury Finance has made a significant investment in its information and technology systems. This investment has enhanced the Company's internal monitoring and financial reporting capabilities, with Charging Group liquidity and arrears now being monitored on a daily basis.

The Company operates under Sovereign Information Systems for customer records and management. This system interfaces effectively with the Company's accounting software. The Company continues to look at ways in which it can improve its existing systems.

#### INDUSTRY POSITION

South Canterbury Finance has a strong competitive position and is well placed to benefit from the initiatives effected in the past two years (including obtaining an investment grade credit rating of BBB- from international rating agency Standard & Poor's, new offices, additional management and lending personnel), and from the growth in its loan book.

South Canterbury Finance plans to capitalise on its reputation and its regional presence throughout New Zealand, and to grow its presence in the lending market by diversifying its product offering and leveraging off South Canterbury Finance's position as a successful nationwide finance company.

It is also expected that some further industry rationalisation and consolidation is likely to occur as smaller and less established finance companies come under increasing liquidity pressures. This could present acquisition opportunities where those companies share the same culture and values and can fulfil the growth and strategic aspirations of South Canterbury Finance. However, the Company is not actively pursuing any material acquisitions at this time.

## OPERATING EFFICIENCY

The South Canterbury Finance Group has a proud history of profitability and earnings growth. A key element of this is the Group's ability to maintain costs within budgeted levels and to achieve targeted margins. All of the Company's subsidiaries report to senior management on a series of key performance indicators. Each subsidiary is monitored monthly with actual results compared against budget and regular management meetings.

## CREDIT CONTROL

South Canterbury Finance has developed a range of policies and procedures that are used in assessing and approving all loan applications. Industry and product concentrations are managed within established credit policies and underwriting standards. South Canterbury Finance also has formal provisioning policies that are monitored and reviewed by both management and the Board.

The South Canterbury Finance Credit Committee comprises the Chief Executive, Chief Operations Officer and the full Board. The company intends to recruit a specialist credit manager to support the Credit Committee and provide ongoing credit support to the business to manage ongoing credit risk.

With its long and successful history, South Canterbury Finance has established strong relationships with its customers, many of whom have been clients of the Company for a number of years. This history, and its local presence in the communities in which it operates, have enabled the Company to understand borrowers' needs, their businesses and ultimately their credit capacity to the best extent possible.

## PRE ADVANCE LENDING APPROVALS

A rigorous loan application and credit approval process is followed, and the process must be satisfactory to South Canterbury Finance before an advance is made to a borrower. This process involves in-depth analysis of the:

- previous history of the borrower and past financial performance;
- strategic and financial viability of the proposed loan and business; and
- adequacy of security, industry trends and outlook.

Applications for roll-overs of existing loans are dealt with on the same basis as the application for the initial advance.

Director approval is required for all loans over \$1 million.

General Managers have the discretion to approve loans by applicants up to clearly defined levels and have the discretion to approve a "top-up" loan to existing customers subject to specified exposure limits. For loans above this limit, there is a hierarchical system in place depending on the size of the loan.

## POST ADVANCE LENDING MONITORING

The process of monitoring loans involves regular contact with the customer, site visits, reviews and a continual security re-assessment process.

All loans over \$500,000 are subject to a regular review process that generally involves the following:

- a physical inspection of the security;
- a manager's update of the overall financial position of the borrower;
- analysis of the previous year's accounts;



- commentary on profitability, financial accounts and trends
- cash flow for next 12 months and commentary;
- trends in the industry in which the borrower operates; and
- any other material issues.

#### BAD DEBT POLICY

Bad debts are written off in the period they become evident.

The Company makes a provision for potential bad debts which is offset against loan advances. Traditionally, the provision has been calculated as follows:

- A specific provision was made in respect of those loans, identified on an individual contract basis, that have been passed to a collection agency or for which the Directors believed it was prudent to make a provision. A full offset of any security held was recognised in the calculation of this provision.
- A general provision was made, after making due allowance for the specific provision, on the total value of the loan book. The level of the general provision was determined having regard to economic conditions, the level of gross lending and other general risk factors.

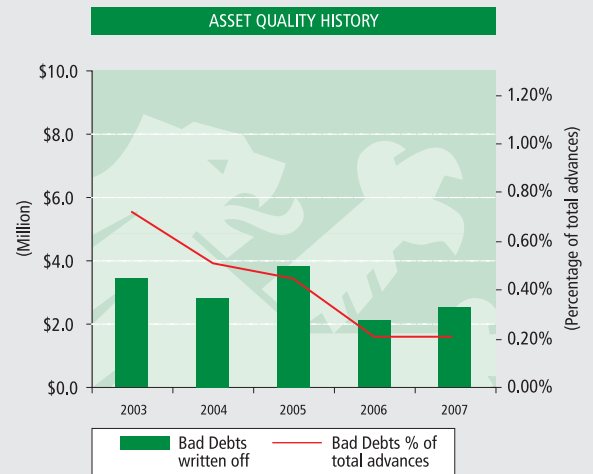
With the adoption of New Zealand International Financial Reporting Standards ("NZIFRS") for the year ending 30 June 2008, provisioning will be permitted in the future only where a loss is likely. The result of this change will be that for the year to 30 June 2008, the Company will be unable to make a general provision and the general provision of 0.5% of all performing loans made in respect of the year to 30 June 2007 will be released subject to the need to make any specific provisions.

Notwithstanding the changes to the Company's provisioning policies driven by NZIFRS, from the 2008 financial year onwards the Directors believe that, based on the current provisions, the fair value of the Charging Group's receivables is reflected accurately in the Charging Group's financial statements.

#### SOUTH CANTERBURY FINANCE ASSET QUALITY

In almost every case, the Charging Group takes security over property or assets held by the borrower. As at 30 September 2007, more than 99% of all of the Charging Group's loans, by value, were secured over property or assets of the borrower.

The table below presents the Charging Group's bad debt history over the five years ending 30 June 2007.



The average level of bad debts written off, expressed as a percentage of total advances, over this five year period was 0.40% and was 0.20% for the year ended 30 June 2007. The higher level of bad debts written off in the 2003 financial year (as a percentage of total receivables) was a result of an exposure to the Auckland consumer lending sector, a sector in which the Company is no longer involved. While bad debts rose to \$3.8 million in 2005, as a percentage of total receivables bad debts fell from 0.48% in 2004, to 0.45% in 2005.

As at 30 June 2007, the Charging Group made a provision of 0.58% of gross receivables which represented an increase from a provision of 0.21% in the previous financial year. This was due, in part, to a thorough review of the loan portfolio in light of the changing economy. As at 30 September 2007, this provision has not been utilised. As indicated above, the 2007 year was the last year for which the Charging Group could make a general provision across the total loan book. From the 2008 financial year onwards, the basis for determining any general provision over a portfolio of loans will need to be based on the loan history of that portfolio.

South Canterbury Finance considers its level of current provisioning is appropriate and consistent with industry experience and practice.

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## FUNDING

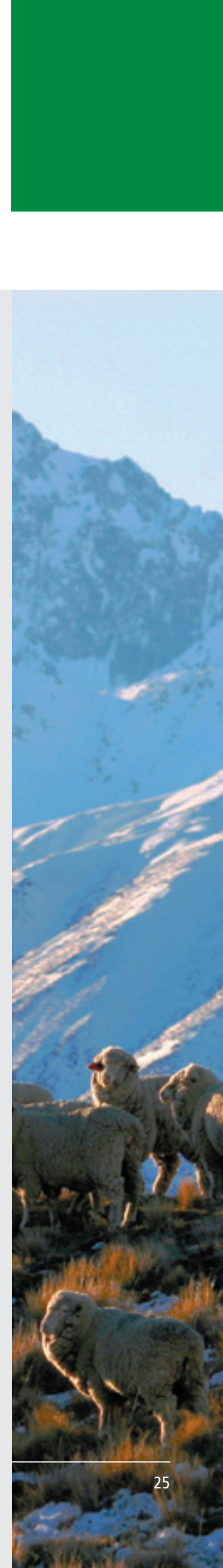
South Canterbury Finance has traditionally raised funds primarily through the issue of secured debenture stock and unsecured deposits to investors throughout New Zealand. South Canterbury Finance is the major source of funding for its subsidiaries.

An important part of South Canterbury Finance's success is the longstanding support it receives from investors and its strong relationships with brokers and financial intermediaries throughout New Zealand. The Company has been involved in raising debenture and deposit funds from the New Zealand public for over 40 years and has recently issued its 58th prospectus. This strong and loyal investor support is evidenced by the roll-over rates the Company enjoyed over the three months to 30 September 2007, which averaged 71.8%, compared to the Company's average roll over rate for the 12 months to 30 June 2007 of 74.2%. This is despite recent finance company receiverships and the resultant adverse publicity for finance companies generally.

Under the Trust Deed, the Company has to report to the Trustee on a regular basis and maintain, at all times, the ratios set out in the Trust Deed. The Company is also required to have its books and accounts audited twice yearly and to prepare annual and half-yearly financial statements. As indicated below, these reporting obligations have recently increased as a result of recent changes to the statutory reporting regime.

South Canterbury Finance has recently developed a funding strategy to further diversify its funding base in terms of both tenure and source with complementary sources of funding to its existing highly successful debenture funding programme. The first step in this process was the recently secured committed banking facility of \$150 million from the Commonwealth Bank of Australia and the Bank of New Zealand which consists of a three year, annually renewable, \$100 million front line funding facility and a one year \$50 million standby facility. Funds drawn down under this bank facility will rank equally with (and not in priority to) the Secured Bonds and all other First Ranking Stock. These bank facilities are currently undrawn.

In addition to these committed banking facilities and this Secured Bond offering, South Canterbury Finance is currently working on a number of other funding initiatives to further diversify its funding base as part of its diversified funding strategy. Key areas of focus for these programmes are diversity in terms of investor audience and funding maturity.



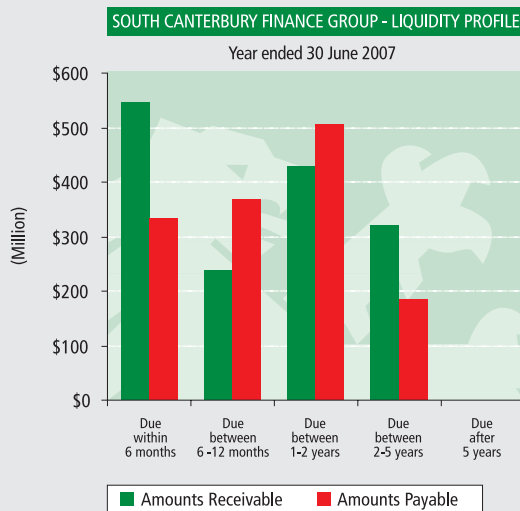


### LIQUIDITY

The Company has historically maintained a conservative liquidity position. The Company's current liquidity policy is to hold cash and/or cash equivalents greater than the higher of 8% of gross receivables or 75% of the next 3 months' receivables less 75% of the next 3 months' payables.

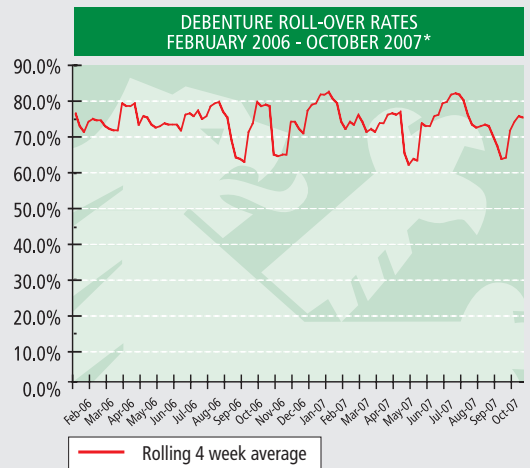
A key feature of the Charging Group's lending portfolio is that approximately 82% of total receivables, by value, as at 30 September 2007 are scheduled to regularly pay interest and a proportion of principal back to the Charging Group over the life of the loan rather than the interest being capitalised (added) to the value of the loan and being paid when the loan is repaid upon maturity. The remaining 18% of receivables primarily related to the Charging Group's property portfolio. The high proportion of loans scheduled to pay principal and interest enhances the Charging Group's strong cash flow and liquidity position.

South Canterbury Finance has a sound maturity profile. As at 30 June 2007, financial assets due over the following 12 months exceeded debenture and deposit maturities for the corresponding period by 1.1x. The Company will continue to conservatively manage its liquidity position by seeking to maintain short-term liquidity and extend the maturity profile of its funding base.



As at the date of this Offer Document, South Canterbury Finance had approximately \$203 million of available liquid funds, comprising \$53 million of cash on deposit and undrawn committed bank facilities of \$150 million. Combined with the strong debenture roll-over rates the Company has been enjoying, this places the Company in a sound liquidity position.

The graph below illustrates the Company's debenture roll-over rates, on a four week moving average basis, since February 2006. Debenture roll-over rates over the three months to 30 September 2007 averaged 71.8%, which compares well to the twelve month average to 30 June 2007 of 74.2%, particularly given recent finance company receiverships and the resultant adverse publicity for finance companies generally during this period.

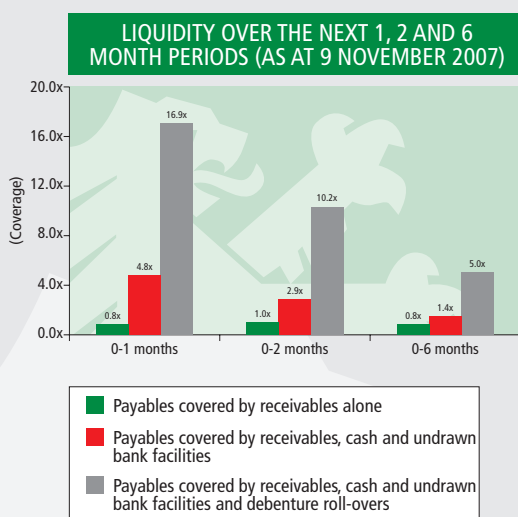


\*By number of debenture holders

In relation to new money invested in the Company's debenture programme, the Company closely monitors daily new money received and the outflows of maturing debentures repaid to investors. For each of the four months since 30 June 2007, the Company recorded a positive net cash inflow, being calculated as new investment monies less the repayment of maturing debentures.

The table below sets out the liquidity position of the Company (as represented by the Company's ability to repay maturing debentures) during the one, two and six month periods from 9 November 2007 assuming that the Company receives no new money and on the basis of the following:

- payables covered by receivables alone (ie not including cash deposits and undrawn banking facilities and assuming a zero debenture roll-over rate);
- payables covered by receivables, cash and undrawn banking facilities (ie assuming a zero debenture roll-over rate); and
- payables covered by receivables, cash and undrawn banking facilities and debenture roll-overs (assuming a debenture roll over rate of 71.8%, being the roll-over rate experienced by South Canterbury Finance for the three months to 30 September 2007).



As can be observed, South Canterbury Finance can fund its maturing debentures for the next one, two and six month periods based on scheduled loan maturities alone by 0.8x, 1.0x and 0.8x respectively. Taking into account the Company's cash and undrawn banking facilities this coverage increases to 4.8x, 2.9x, and 1.4x for the next one, two and six month periods

respectively, and, assuming a debenture rollover rate of 71.8% (ie being the rate for the three months to 30 September 2007) this coverage increases further to 16.9x, 10.2x and 5.0x respectively. This analysis assumes that there is no new money invested in South Canterbury Finance.

In summary, with the high proportion of the Charging Group's loans scheduled to regularly repay principal and interest over the term of the loan combined with its favourable short term maturity profile, the level of liquid funds available and the Company's strong debenture roll-over rates, the Board of South Canterbury Finance considers it is in a sound liquidity position.

## TREASURY POLICY

As South Canterbury Finance continues to diversify its funding sources, the need to manage the interest rate risk across the funding portfolio will become more relevant in managing the cost of funds. South Canterbury Finance is currently in the process of developing and implementing an interest rate swap programme to assist it in managing this interest rate risk. The benefits of this programme will begin to be reflected in the results to 30 June 2008.

## TRADING PROSPECTS AND OUTLOOK

South Canterbury Finance anticipates that some smaller and less established finance companies may continue to struggle with liquidity over the short to medium term and many will choose to sell or consolidate their businesses or progressively run-down their loan books over time due to the difficulties in attracting investment funds. This is likely to result in a significant reduction in the amount of finance available in the New Zealand market generally and provide a unique opportunity for those remaining lenders in the industry to be very selective about the quality of the lending they undertake.



South Canterbury Finance believes that its track record of profitability, its existing lending and borrowing relationships, the quality and diversification of its lending book, its liquidity position, and the endorsement provided by its BBB- investment grade credit rating from Standard & Poor's place it in a relatively unique position in the industry to capitalise on any opportunities that may eventuate.

For the year to 30 June 2008, South Canterbury Finance expects to consolidate its overall market share across the market sectors in which it operates and to continue to move the overall mix of its lending toward lower-yielding, but higher quality, loans in the business, plant and equipment, and rural sectors. The Company will continue to focus on maintaining its sound liquidity position and the quality of its receivables focusing, in particular, on its existing customers and those with proven track records.

For the three months to 30 September 2007, net profit before tax for the Charging Group, on an unaudited basis, was \$14.8 million, 12.6% above budget for the period and 38.6% above that recorded for the prior corresponding period.

On 9 November 2007, South Canterbury Finance announced the following transactions which will take effect on 30 November 2007:

- the sale of its 12.75% shareholding in Dairy Holdings Limited to Southbury Holdings Limited ("Southbury Holdings") for \$42 million, realising a capital profit on sale of \$40 million for South Canterbury Finance; and
- an injection of \$25 million of new capital into South Canterbury Finance by Southbury Group Limited\*, the holder of all of South Canterbury Finance's ordinary shares.

\* Southbury Group Limited does not guarantee the Secured Bonds.

The sale of its stake in Dairy Holdings Limited combined with the injection of new capital will result in a \$65 million increase in shareholders' funds in South Canterbury Finance. Based on the Charging Group's audited shareholders' funds of \$199 million as at 30 June 2007, shareholders' funds will increase to \$264 million (including Perpetual Preference Share capital of \$120 million) as a result of these transactions.

With an increase in shareholders' funds of \$65 million, sound liquidity and ongoing levels of profitability, South Canterbury Finance is in a strong position to capitalise on the favourable lending opportunities currently existing in the sector as it looks to consolidate its position over the next 12 to 18 months as one of the largest and most successful finance companies in New Zealand.

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## IMPACT OF INDUSTRY REGULATION

In September 2007, the Securities Regulations were amended to include a number of new regulations intended to strengthen the position of trustees of finance companies and to assist trustees to perform their supervisory roles in the interests of investors.

The finance companies affected by the new regulations are issuers that continuously offer debt securities to the public and either lend money or provide financial services, such as South Canterbury Finance. The regulations introduce new clauses that are deemed to be included in trust deeds of finance companies apply to both existing and future trust deeds.

Under the new clauses, finance companies must:

- provide regular reports to the trustee about the issuer's financial position and to regularly certify compliance with the trust deed;
- keep the trustee informed of matters relevant to the trustee's duties;

- have the borrowing group’s half-yearly financial statements audited or, if that requirement is waived by the trustee, have them reviewed;
- provide the trustee with copies of the borrowing group’s annual and half-yearly financial statements;
- consult the trustee on the appointment of auditors and inform the trustee if an auditor resigns or declines appointment or reappointment; and
- include specific conditions in the terms of appointment of auditors, which will give auditors responsibilities vis-à-vis the trustee.

The new clauses will also give the trustee power to:

- appoint an independent auditor to audit the financial statements of the borrowing group; and
- appoint an expert to assist the trustee to determine the true financial position of an issuer, and recover the fees and expenses from the issuer.

These changes have had little impact on South Canterbury Finance given the sound working relationship it has with its Trustee and the quality of its financial reporting.

In addition to these changes to the Securities Regulations, the New Zealand Government has proposed legislative and other regulatory changes in relation to the financial services sector. In particular it has proposed a new regulatory regime for non-bank deposit takers (“NBDTs”), which includes finance companies. The proposals for increased regulation of NBDTs include licensing, increased disclosure levels and mandatory credit ratings.





The Company's capital policy is to maintain a prudent level of capital consistent with the risk profile of its lending. As at 30 June 2007, the Charging Group had shareholders' funds of \$199 million (including the Company's existing Perpetual Preference Share capital of \$120 million).

The Company's current capital policy targets a shareholders' funds ratio for the Charging Group in excess of 10%, where this rate is the ratio of shareholders' funds of the Charging Group to total liabilities of the Charging Group excluding total contingent liabilities (with shareholders' funds, total liabilities and total contingent liabilities all being defined in the Trust Deed). This target shareholders' funds ratio is above the minimum shareholders' funds ratio of 8.3% that is allowable under the Trust Deed.

The Charging Group's Shareholders' Funds ratio as at 30 June 2007 was 14.3%.

On 9 November 2007, South Canterbury Finance announced the following transactions which will take effect on 30 November 2007:

- the sale of its 12.75% shareholding in Dairy Holdings Limited to Southbury Holdings Limited ("Southbury Holdings") for \$42 million, realising a capital profit on sale of \$40 million; and
- an injection of \$25 million of new capital into South Canterbury Finance by Southbury Group Limited\*, the holder of all South Canterbury Finance's ordinary shares.

\* Southbury Group Limited does not guarantee the Secured Bonds.

Together these transactions result in an increase in the Charging Group's shareholders' funds of \$65 million and, based on the amount of the Charging Group's shareholders' funds as at 30 June 2007 will increase the Charging Group's shareholder's funds to \$264 million (including \$120 million of Perpetual Preference Shares listed on the NZX). This \$65 million increase in shareholders' funds would increase the Charging Group's shareholders' funds ratio (as defined above) from 14.3% as at 30 June 2007 to 19.0%.

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## BOARD OF DIRECTORS



**ALLAN JAMES HUBBARD (CHAIRMAN)**  
QSO, B.COM., FCA, (HON.) LL.D (OTAGO), (HON) D.COM.  
(LINCOLN)

Allan Hubbard has been a Director of the Company since 1961. Allan is Chairman of Helicopters (NZ) Limited, which operates 50 helicopters within New Zealand, Australia, South East Asia and Antarctica. He is also Chairman of Scales Corporation Limited and Polarcold Stores Limited and a large number of private companies.

Allan has been a Chartered Accountant practising in Timaru since 1953 and is a senior partner of Hubbard, Churcher & Co., Chartered Accountants.

Allan is a long standing member of the Board of Presbyterian Support Services (SC) Inc. He is a Trustee of Bible College Foundation of Henderson, Auckland and a member of the Marsden Cross Trust Board. He has been inspirational in the development of major irrigation schemes in South Canterbury and has contributed substantial personal support to these projects. In 2003 the University of Otago honoured Allan with an Honorary Doctorate of Law in recognition of his services to New Zealand business and philanthropy and in 2006 the University of Lincoln honoured Allan with an Honorary Doctorate of Commerce in recognition of his services to New Zealand business. Earlier in 2005 he was appointed a companion of the Queen's Order for community service.



**EDWARD ORAL SULLIVAN**  
KSTJ., LL.B (INDEPENDENT DIRECTOR)

Edward Sullivan has been a partner of Raymond Sullivan McGlashan, a legal partnership formed in 1883, for 36 years. He is on the Priory Trust Board for the Order of St John as well as being involved in charitable and community activities. Edward is the Governor of Van Diemen's Land Limited, a Charter Company formed in 1825, and Chairman of Directors of Tasman Farms Limited.

Edward has been a Director since 1990 and is a director of many other companies including Opuha Dam Limited and Scales Corporation Limited. He has been substantially involved in promoting business activities in South Canterbury and was closely associated with the creation and operation of Opuha dam. He has extensive experience in commercial law and has held many company directorships.



### ROBERT ALEXANDER WHITE

J.P., B.COM., CA

Bob White has been a partner in Hubbard, Churcher & Co., Chartered Accountants of Timaru since 1970 and a Director since 1990. He has experience in a wide range of business types and has developed a specialist interest in aviation and pharmacy accounting. Bob is a director of a number of private companies.



### STUART JOHN NATRASS

B.AG.SC (HONS) (INDEPENDENT DIRECTOR)

Stuart Natrass has been a director of Fonterra Co-operative Group Limited since June 2003 and is also a director of Pike River Coal and a number of other public and private companies. Stuart has been involved in international financial markets, principally foreign exchange and interest risk management for 16 years. He was initially employed at the National Bank of New Zealand Limited in Wellington and held the position of Global Head of Foreign Exchange Risk for Westpac Banking Corporation Limited based in Sydney.

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## SENIOR MANAGEMENT

### EXECUTIVE



#### LACHIE MCLEOD

**B.AG.(VAL.), P.G. DIP.  
COMMERCE**

**CHIEF EXECUTIVE  
OFFICER**

Lachie McLeod has been Chief Executive Officer of South Canterbury Finance since September 2003. He

has extensive commercial and rural banking experience in the South Island with Westpac Banking Corporation (12 years) and previously the Rural Bank. Lachie also worked for Continental Illinois Bank in London for two years. He is currently a director of Southland Finance Ltd, Face Finance Ltd and Kelt Finance Ltd.

Lachie was widely known in rugby refereeing circles, having been previously involved with Super 12, NPC and international rugby matches.



#### GRAEME BROWN

**BBS., CA**

**CHIEF FINANCIAL  
OFFICER**

Graeme Brown joined South Canterbury Finance in August 2006 as Chief Financial Officer. Prior to joining South Canterbury

Finance, Graeme worked for EziBuy and NZ Post.



#### KEVIN GLOAG

**GENERAL MANAGER  
FUNDING**

Kevin Gloag joined the Company in 1979 after six years with the Bank of New Zealand. He has been involved as a Senior Lending and Investment

Manager and the Company's Credit Manager for nearly 20 years before leaving in 1998 when he accepted a position as a professional rugby coach with the Highlanders. Kevin rejoined South Canterbury Finance in 2001 as Funding Manager, a new position created to maintain and enhance the Company's very strong funding base and investment broker network.



#### PETER BOSWORTH

**MBA, B.COM (AGR)**

**CHIEF OPERATIONS  
OFFICER**

Peter Bosworth joined South Canterbury Finance in January 2005, as Chief Operations Officer, based in Christchurch. Prior to

joining South Canterbury Finance, Peter worked for Westpac Banking Corporation for 11 years. For the last five years at Westpac, he held Regional Manager positions in the agribusiness and commercial lending segments.





This section of the Offer Document contains historical financial information in relation to South Canterbury Finance Limited and its Charging Subsidiaries defined, for the purposes of this "Historical Financial Information" section as the "Parent" or the "Company", and the "Charging Group", respectively.

The historical information should be read together with the commentary above, the Risk Factors set out in the section headed "What are my risks?" on pages 72 to 74 and the other information contained in this Offer Document.

### HISTORICAL FIVE-YEAR SUMMARY FINANCIAL INFORMATION

The historical financial information summarised below is derived from the audited consolidated financial statements of the South Canterbury Finance Limited and Charging Subsidiary Companies for the years ended 30 June 2007, 30 June 2006, 30 June 2005, 30 June 2004 and 30 June 2003. The accounting policies set out under the heading "Statement of Accounting Policies" on pages 42 to 44 of this Offer Document have been consistently applied for all of the financial years presented below.

#### SOUTH CANTERBURY FINANCE LIMITED AND CHARGING SUBSIDIARY COMPANIES

##### STATEMENT OF FINANCIAL PERFORMANCE

	Year to 30/06/07 \$	Year to 30/06/06 \$	Year to 30/06/05 \$	Year to 30/06/04 \$	Year to 30/06/03 \$
Gross Revenue	200,101,218	162,489,761	131,621,375	106,697,248	89,115,275
Net Profit Before Taxation	49,350,210	38,707,101	30,275,681	24,438,112	15,957,178
Less Subvention Payments & Provision for Taxation	13,189,098	11,457,971	7,919,846	3,734,043	133,556
<b>Net Profit After Taxation</b>	<b>36,161,112</b>	<b>27,249,130</b>	<b>22,355,835</b>	<b>20,704,069</b>	<b>15,823,622</b>
Net Profit before taxation is after charging interest expense of	101,489,034	81,107,705	57,207,148	44,158,423	38,331,838
<b>Dividends paid:</b>					
Ordinary Shares					
-Dividends	23,000,000	21,000,000	17,300,000	10,000,000	11,000,000
-Cents per share	51.11	46.67	69.2	40.0	55.0
Preference Shares					
-Dividends	6,385,822	3,985,992	2,574,157	1,092,703	1,390,503
-Cents per share	10.0/10.25	10.25/11.09	6.25/10.25	6.25/8.0	6.25/8.0
<b>Profits Retained in Charging Group</b>	<b>6,775,290</b>	<b>2,263,138</b>	<b>2,481,678</b>	<b>9,611,366</b>	<b>3,433,119</b>



STATEMENT OF FINANCIAL POSITION SUMMARY

	Year to 30/06/07 \$	Year to 30/06/06 \$	Year to 30/06/05 \$	Year to 30/06/04 \$	Year to 30/06/03 \$
<b>ASSETS</b>					
Fixed Deposits at Bank	114,671,682	122,334,823	94,581,923	57,089,405	71,999,728
Cash at Bank	21,913,498	54,045,618	39,014,809	18,451,145	7,899,608
Other Deposits	230,636	215,153	201,565	484,400	180,731
Government Stock	506,594	509,820	513,047	-	-
Investments Held for Resale	69,094,367	-	1,001,770	12,929,151	23,626,532
Investment Properties	-	-	-	4,335,000	-
Future Tax Benefits	-	-	-	-	1,957,610
Sundry Current Assets	35,935,131	27,382,344	18,105,438	14,510,804	9,855,055
Advances & Operating Lease Assets (after allowing for unearned interest)	1,251,126,250	1,003,832,214	815,545,704	576,498,763	476,266,423
Plant & Vehicles	1,238,483	1,379,805	1,808,151	1,748,160	1,528,846
Land & Buildings	13,650,823	589,280	599,446	527,504	3,691,214
Assets Leased to Third Parties	38,343,255	28,287,202	28,858,994	23,343,819	24,323,910
Investments	38,500,149	48,328,356	20,793,519	28,767,051	30,819,841
<b>Total Tangible Assets</b>	<b>1,585,210,868</b>	<b>1,286,904,615</b>	<b>1,021,024,366</b>	<b>738,685,202</b>	<b>652,149,498</b>
Goodwill	1,603,701	-	-	-	-
<b>Total Assets</b>	<b>1,586,814,569</b>	<b>1,286,904,615</b>	<b>1,021,024,366</b>	<b>738,685,202</b>	<b>652,149,498</b>

STATEMENT OF FINANCIAL POSITION SUMMARY

	Year to 30/06/07 \$	Year to 30/06/06 \$	Year to 30/06/05 \$	Year to 30/06/04 \$	Year to 30/06/03 \$
<b>EQUITY</b>					
Paid Up Share Capital	165,000,000	100,000,000	80,000,000	40,000,000	39,656,000
Share Issue Expenses	(1,979,189)	(1,497,427)	(1,096,247)	-	-
Capital Reserves	-	-	-	2,039,987	683,579
Tax Paid Reserves	34,576,459	28,603,749	26,811,306	23,495,992	14,034,681
Minority Interests	1,408,209	509,545	38,850	-	-
<b>Total Equity</b>	<b>199,005,479</b>	<b>127,615,867</b>	<b>105,753,909</b>	<b>65,535,979</b>	<b>54,374,260</b>
<b>LIABILITIES</b>					
Current Liabilities and Accruals	14,898,706	15,010,290	12,900,391	12,827,684	9,485,482
Deferred Taxation	1,262,258	955,545	809,645	634,697	523,816
Debenture Stock & Prior Charges	1,326,738,904	1,101,321,500	868,628,694	620,146,797	554,093,292
Deposits	44,909,222	42,001,413	32,931,727	39,540,045	33,672,648
<b>Total Liabilities</b>	<b>1,387,809,090</b>	<b>1,159,288,748</b>	<b>915,270,457</b>	<b>673,149,223</b>	<b>597,775,238</b>
<b>Total Funds Employed</b>	<b>1,586,814,569</b>	<b>1,286,904,615</b>	<b>1,021,024,366</b>	<b>738,685,202</b>	<b>652,149,498</b>

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE FIVE YEAR SUMMARY FINANCIAL INFORMATION

As at 30 June 2007 the Charging Group had Total Assets of \$1.6 billion having increased by \$1.07 billion over the five year period to 30 June 2007, representing an impressive average annual growth rate of 25.1%. The majority of Total Assets are made up of Net Advances (loans) of \$1.25 billion representing 78.8% of Total Assets as at 30 June 2007. Net Advances grew by 24.6% over the year to 30 June 2007. As 30 June 2007 the other material categories included Cash and Call Bank Deposits of \$136.8 million (9% of Total Assets), Investments Held for Resale of \$69 million, Assets Leased to Third Parties of \$38.3 million and Investments of \$38.5 million.

As at 30 June 2007 the Company had issued over \$1.3 billion Debentures Stock and Prior Charges constituting approximately 96% of Total Liabilities and had over \$44 million of Deposits on issue. Of particular note Debentures Stock and Prior Charge funding has grown by \$911 million over the five year period to 30 June 2007 reflecting an average annual growth rate of 26.2%.

As 30 June 2007 the Charging Group had Total Equity of \$199 million, representing approximately 12.5% of Total Assets, which consisted of \$165 million of Paid Up Share Capital (including \$120 million perpetual preference shares) and Tax Paid Reserves (retained earnings) of \$34 million. The Charging Group's Total Equity has increased by \$144.6 million over the five years to 30 June 2007, representing an average annual growth rate of 31.1% over that period and an increase of 55.9% over the previous year.

Over the five year period to 30 June 2007, Total Revenue for the Charging Group increased by \$121.9 million to \$200.1 million. This increase represents an average annual growth rate of 20.7%. The majority of revenue is Interest Earned. For the year ended 30 June 2007, Interest Earned of \$150 million represented 75% of Total Revenue, and increased by 27.9% from the previous year. The next largest contributors to Total Revenue in the year to 30 June 2007 were Other Income and Lending and Credit Facilities at \$28 million (14% of total revenue) and \$16 million (8% of total revenue) respectively. Other Income primarily consists of dividend income and gain on sale of investments.

The major expense for the Charging Group is Interest Paid, which for the year ended 30 June 2007 was \$101.5 million, an increase of 25.1% over the previous year. The other major expense categories were Other Operating and Overhead Expenses (which is principally made up of operating lease expenses and employee remuneration) and Depreciation (including depreciation on assets held on balance sheet leased to third parties) totalling \$19.3 million and \$14.8 million respectively in 2007. Other Operating and Overhead Expenses for the year to 30 June 2007 were lower than that recorded for the comparable 2006 period and Depreciation expense increased proportionally over the 2006 comparable period with the growth in the value of Assets Leased to Third Parties, discussed above.

Net Profit Before Tax for the year ended 30 June 2007 was \$49.4 million, which represented a margin of 24.7% on Total Revenue, and an increase of 27.5% over the previous 12 months. Over the five year period to 30 June 2007, Net Profit Before Tax increased by \$34.1 million, representing an average annual growth rate over the five years of 26.5%.



SOUTH CANTERBURY FINANCE LIMITED AND CHARGING SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2007

The assets and liabilities of the Charging Group as disclosed by the audited accounts as at 30th June 2007 are set out as follows:

		As At 30 June 2007	As At 30 June 2006
<b>ASSETS</b>			
<b>Current Assets</b>	<b>note</b>		
Cash at Bank		21,913,498	54,045,618
Short Term Bank Deposits		114,671,682	122,334,823
Other Short Term Deposits		230,636	215,153
Sundry Debtors		9,207,559	6,593,026
Investments Held for Resale	9	69,094,367	-
Taxation Paid in Advance	12	26,727,572	20,789,318
<b>Total of Current Assets</b>	<b>4</b>	<b>241,845,314</b>	<b>203,977,938</b>
<b>Debtors Advances</b>			
Net Advances	4	1,251,126,250	1,003,832,214
<b>Non-Current Assets</b>			
Fixed Assets	6	53,232,561	30,256,287
Government Stock		506,594	509,820
Shares and Investments	9	38,500,149	48,328,356
<b>Total of Non-Current Assets</b>		<b>92,239,304</b>	<b>79,094,463</b>
<b>Goodwill</b>	<b>8</b>	<b>1,603,701</b>	<b>-</b>
<b>Total Assets</b>		<b>1,586,814,569</b>	<b>1,286,904,615</b>
<b>Less LIABILITIES</b>			
<b>Current Liabilities</b>			
Sundry Creditors and Accruals	10	14,898,706	15,010,290
<b>Borrowings</b>	<b>10</b>	<b>1,371,648,126</b>	<b>1,143,322,913</b>
<b>Non-Current Liabilities</b>			
Deferred Taxation Provision	12	1,262,258	955,545
<b>Total Liabilities</b>		<b>1,387,809,090</b>	<b>1,159,288,748</b>
<b>Net Assets</b>		<b>\$199,005,479</b>	<b>\$127,615,867</b>
<b>Equity</b>			
Attributable to Parent Company	11	197,597,270	127,106,322
Minority Interests		1,408,209	509,545
<b>Total Equity</b>		<b>\$199,005,479</b>	<b>\$127,615,867</b>

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30TH JUNE 2007

		30 June 2007	30 June 2006
<b>Income</b>	<b>note</b>		
Interest Earned	3	149,999,000	117,288,856
Dividends: Subsidiaries		1,800,000	2,273,355
Others		2,383,720	1,304,354
Profit on Sale of Shares and Investments		1,533,986	1,418,593
Lending and Credit Facilities		16,443,991	14,628,176
Other Revenue		27,940,521	25,576,427
<b>Total Gross Revenue</b>		<b>200,101,218</b>	<b>162,489,761</b>
<b>Less Expenses</b>			
Interest Paid		101,489,034	81,107,705
Audit Fees		285,012	300,301
Bad Debts Written Off		2,595,345	2,153,232
Bad Debts Provision: Advances	5	7,616,365	2,318,150
Bad Debts Provision: Other		-	(87,471)
Directors Fees and Expenses	23	277,500	277,500
Depreciation		14,842,662	13,718,088
Brokerage and Debenture Expenses	24	4,298,692	4,389,569
Other Operating and Overhead Expenses	24	19,346,398	19,605,586
<b>Total Expenses</b>		<b>150,751,008</b>	<b>123,782,660</b>
Net Profit (Before Taxation)		49,350,210	38,707,101
Subvention Payment		11,444,924	5,268,455
Provision for Taxation	12	1,744,174	6,189,516
<b>Net Profit (After Taxation)</b>		<b>36,161,112</b>	<b>27,249,130</b>
Less Minority Interests Share of Profit		898,664	470,695
<b>Profit Attributable to Parent Company</b>		<b>\$35,262,448</b>	<b>\$26,778,435</b>



**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY FOR YEAR ENDED 30TH JUNE 2007**

	30 June 2007	30 June 2006
Equity at Beginning of the Period	127,615,867	105,753,909
Net Profit after Taxation	35,262,448	26,778,435
Acquired on Amalgamation	1,593,511	
Minority Interest Share of Profit	898,664	470,695
Share Issue Expenses	(1,979,189)	(401,180)
<b>Total Recognised Revenue for the Period</b>	<b>35,775,434</b>	<b>26,847,950</b>
<b>Contribution from Owners:</b>		
Ordinary Shares Issued	-	20,000,000
Preference Shares Issued	120,000,000	
<b>Distribution to Owners:</b>		
Preference Shares Repaid	(55,000,000)	-
Preference Share Dividends	(6,385,822)	(3,985,992)
Ordinary Dividends	(23,000,000)	(21,000,000)
<b>Movements in Equity for the Period</b>	<b>71,389,612</b>	<b>21,861,958</b>
<b>Equity at End of the Period</b>	<b>\$199,005,479</b>	<b>\$127,615,867</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30TH JUNE 2007**

	This Year	Last Year
<b>Cash Flows from Operating Activities</b>		
Cash was received from:		
Interest Received	150,255,649	117,092,627
Leased Asset Charges	23,051,008	20,622,940
Income from Other Charges	18,773,325	17,029,131
Dividends Received	4,183,720	3,577,709
	<b>196,263,702</b>	<b>158,322,407</b>
Cash was applied to:		
Interest Paid	106,257,934	79,786,584
Overhead Expenses	27,772,789	32,554,106
Taxation/Subvention Payments	14,229,542	14,867,116
	<b>148,260,265</b>	<b>127,207,806</b>
<b>Net Cash Flow from Operating Activities</b>	<b>48,003,437</b>	<b>31,114,601</b>
<b>Cash Flows from Investing Activities</b>		
Cash was received from:		
Sale of Shares	72,343,143	38,809,987
Sale of Fixed Assets	61,387	2,976,052
Sale of Lease Assets	11,587,022	15,290,449
	<b>83,991,552</b>	<b>57,076,488</b>
Cash was applied to:		
Increase in Advances (Net Movements)	253,494,434	189,791,458
Increase In Shares and Investments	130,478,184	64,734,737
Purchase of Fixed Assets	25,995,808	2,978,324
Purchase of Lease Assets	23,255,798	24,332,267
	<b>433,224,224</b>	<b>281,836,786</b>
<b>Net Cash Flow used in Investing Activities</b>	<b>(349,232,672)</b>	<b>(224,760,298)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30TH JUNE 2007**

	This Year	Last Year
<b>Cash Flows from Financing Activities</b>		
Cash was received from:		
Increase in Capital	65,000,000	20,000,000
Increase in Debentures and Deposits	224,871,046	241,762,492
Increase in Prior Charges	3,454,167	-
	293,325,213	261,762,492
Cash was applied to:		
Dividends Paid	29,912,050	24,931,906
Share Issue Expenses	1,979,189	401,180
	31,891,239	25,333,086
<b>Net Cash Flow from Financing Activities</b>	261,433,974	236,429,406
<b>Net Increase (Decrease) in Cash Held</b>	\$(39,795,261)	\$42,783,709
	This Year	Last Year
<b>Reconciliation</b>		
Cash Held at Start of Year	176,380,441	133,596,732
Net Increase (Decrease) in Cash Held	(39,795,261)	42,783,709
<b>Cash Held at End of Year</b>	\$136,585,180	\$176,380,441
Being:		
Cash at Bank	21,913,498	54,045,618
Short Term Deposits	114,671,682	122,334,823
	\$136,585,180	\$176,380,441
<b>Reconciliation of Reported Profit with Cash Flows from Operating Activities</b>		
Net Profit After Taxation	36,161,112	27,249,130
<b>Add (Deduct) Non-Cash Items:</b>		
Depreciation (Net)	13,479,691	11,269,254
Provision for Bad Debts (Net)	7,616,365	2,230,679
Profit on Sale of Shares	(1,533,986)	(1,418,593)
	19,562,070	12,081,340
	55,723,182	39,330,470
<b>Add (Less) Movements in Other Working Capital</b>		
(Increase) Decrease in Operating Debtors	(1,982,374)	(3,246,061)
Increase (Decrease) in Operating Creditors	(105,830)	835,668
(Increase) Decrease in Taxation	(5,631,541)	(5,805,476)
	(7,719,745)	(8,215,869)
<b>Net Cash Flow from Operating Activities</b>	\$48,003,437	\$31,114,601



## 1. COMPANY ACTIVITY

South Canterbury Finance Limited has a balanced range of financial activities based around its core business of providing financial services.

## 2. STATEMENT OF ACCOUNTING POLICIES

### A REPORTING ENTITY

South Canterbury Finance Ltd is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

### B MEASUREMENT BASE

The Company has adopted the general accounting principles recognised as appropriate for the measurement and reporting of profit and financial position on an historical cost basis. Revenue and expenditure items are reported on an accrual basis with the exception of those items referred to in specific accounting policies.

### C SPECIFIC ACCOUNTING POLICIES

#### I) BASIS OF CONSOLIDATION

These consolidated accounts include the financial statements of the parent company (South Canterbury Finance Ltd), those of the charging (guaranteeing) subsidiaries and the financial statements of the joint venture Islington Park. All individual assets and liabilities in the joint venture have been consolidated to reflect the parent company's 50% ownership in the venture. Trading results for the joint venture produced a nil profit for the year. The joint venture accounts have not been audited. The charging subsidiary companies are: Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd, all 100% owned and Face Finance Ltd, 75% owned. The normal principals of consolidation as recommended by the New Zealand Institute of Chartered Accountants have been adhered to, using the purchase method for all charging subsidiaries.

In accordance with the terms of the Trust Deed non-charging subsidiary companies and associated companies are excluded from the consolidation and are stated at investment cost only. The non-charging subsidiary companies are Alford Investments Ltd, Ben Hope Investments Ltd, Dunbarton Investments Ltd, Esk Investments Ltd, Glamorgan Investments Ltd, Hertford Investments Ltd, and Southland Finance Ltd (100% holding). A 50% interest is held in the associated companies Financial Synergy Ltd and Kelt Finance Ltd.

#### II) INCOME RECOGNITION

- a) For loan and lease contracts where interest has been included at the time of origin, income is accounted for on an accruals basis
- b) On loans where interest is charged monthly, income is brought into account as charged.
- c) Dividend income is recognised when received.
- d) Interest on impaired assets is brought to account as and when instalments are received.

#### III) INCOME TAX

The income tax expense recognised in the accounts is based on the accounting surplus adjusted for certain timing differences between accounting and taxation rules. Following the liability method for tax calculation, the Company has adopted the partial basis for the calculation of deferred tax. Future income tax benefits attributable to timing differences are recognised in the financial statements only when there is virtual certainty of realisation.

#### IV) FIXED ASSETS AND DEPRECIATION

Fixed assets have been shown at cost. Depreciation has been provided for on a straight line basis using taxation rates as follows: Buildings - 2.5%, Leasehold Improvements - 6.5% to 28.8%, Plant and Equipment - 6.5% to 60%. Motor Vehicles - 10% to 36%. Operating Lease Assets are depreciated on a straight line basis to the residual value over the term of the contract.

#### V) VALUATION OF OTHER ASSETS

- a) Advances are recorded at their estimated realisable value.
- b) Investments in other companies are valued at cost.

#### VI) GOODS AND SERVICES TAX (GST)

All revenue and expenditure amounts are shown in the Financial Statements net of GST. GST paid, net of any refunds collected or due, is shown as a separate expense item.

#### VII) FOREIGN CURRENCY

Transactions in foreign currencies are converted into New Zealand dollars using the exchange rate ruling at the date of the transaction. At balance date, foreign monetary items subject to exchange rates swaps are converted into New Zealand dollars using the swap rate. In all other cases foreign currencies are translated at the exchange rate prevailing at balance date. Exchange variations arising from these translations are recognised in the Statement of Financial Performance.

#### VIII) BAD DEBTS

- a) Actual  
All known losses are written off against income in the period in which they become evident.
- b) Provision  
There exists a provision for doubtful debts. This provision is offset against Debtors and Advances and recorded as a Bad Debt Reserve.
- c) Method of Determining Bad Debt Reserve  
Specific Provision is based on the total of the impaired assets. These loans, identified on a counterparty by counterparty basis, are in the hands of external collection agents or are those which the directors believe it to be prudent to provide for in the current period. A full offset of any security held has been recognised in the calculation of this provision.

General Provision is a non-specific provision calculated on the total value of loans held by the Company after making due allowance for the specific provision. The level of provision is determined having regard to the economic conditions, the level of gross lending assets and other general risk factors.

The Directors believe the above adjustments to the carrying values accurately reflect the fair value of the loans held by the Company.

#### IX) STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared using the direct approach. Cash reflects the balance of cash and liquid assets used in the day to day cash management of the entity which are unconditionally convertible at the investors' option within no more than two working days.



X) FINANCIAL INSTRUMENTS

The Charging Group has various financial instruments. All assets and liabilities in the Statement of Financial Position other than fixed assets and prepaid expenditure meet the financial instrument definitions. The only financial instruments not recorded in the Statement of Financial Position are guarantees as detailed in Note 16(i). All financial instruments are valued at their estimated realisable value or settlement value.

XI) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company has been evaluating the potential impacts of adopting NZIFRS in place of the company's existing policies since July 2004. The objective has been to ensure the conversion occurs within the agreed and required timelines and that it results in minimal operational impact on the company.

The adoption of NZIFRS may result in changes to the accounting policies that could have significant impact on the reported financial position and financial performance of the Company. It is intended that the NZIFRS will be adopted by the Company for the year ended 30 June 2008. Key differences in accounting policies identified to date may affect i) the timing for the recognition of loan fee revenue and brokerage payable. In some cases it may be necessary to attribute income from fees over the term of the loan. At present this income is being reported at the time the contract is entered into or, if payable at a later date, when the fee is received. Brokerage paid on funds introduced through our broker network is expensed at the time brokerage is paid. The full impact of this change in policy has yet to be quantified but it is not likely to have a significant impact on the Charging Group's position; ii) the treatment of income tax. Currently deferred tax is accounted for on a partial basis, based on the accounting profit. The new standards require a balance sheet approach to the calculation of deferred tax. This is likely to create a \$4 million future tax benefit account in the Company's balance sheet; iii) the calculation of bad debt provisions. NZIFRS permit provisioning only where a loss is likely. Currently a provision of 0.5% is made on all performing loans. The change in policy may see the Charging Group's net advances increase by \$4.5 million. The impact of ii and iii above may result in an increase in equity of \$8.5 million.

NZIFRS standards may change between now and the date the company adopts those standards so the impact may change from that set out above. In addition, other differences may be identified which could have a material impact on the company's reported financial position and/or performance.

**D CHANGES IN ACCOUNTING POLICIES**

All policies have been applied on bases consistent with those used in the previous year. When necessary the comparative figures have been reclassified so that the information corresponds to the classification presented in the current period.

**3. INTEREST EARNED**

	<b>This Year</b>	<b>Last Year</b>
Advances	138,301,492	108,037,949
Impaired Assets	435,372	176,779
Bank Deposits and Investments	11,262,136	9,074,128
	<b>\$149,999,000</b>	<b>\$117,288,856</b>

#### 4. ADVANCES, OPERATING LEASE ASSETS AND CURRENT ASSETS

	This Year	Last Year
Advances	1,271,878,957	1,012,209,589
Unearned Interest	(39,466,472)	(34,284,325)
Bad Debt Reserve	(17,164,580)	(9,296,477)
Net Advances	1,215,247,905	968,628,787
Lease Vehicles*	35,878,345	35,203,427
	<b>\$1,251,126,250</b>	<b>\$1,003,832,214</b>
Due Within 1 Year	555,133,589	495,710,640
Due After 1 Year	695,992,661	508,121,574
	<b>\$1,251,126,250</b>	<b>\$1,003,832,214</b>
*Lease Vehicles (at Cost)	59,103,203	66,320,796
Accumulated Depreciation	(23,224,858)	(31,117,369)
Book Value	<b>\$35,878,345</b>	<b>\$35,203,427</b>

These include amounts in arrears. The proportion thereof with repayments in arrears in excess of three months at 30 June 2007, represents 3.11% of total receivables due (last year - 3.40%).

Amounts receivable owing by the six largest borrowers amounted to 9.8% (last year - 10.8%) of total amounts receivable. Loans to Associated Companies and Related Parties are disclosed in Note 21.

The directors are not in receipt of any advances from the Company.

<b>AGGREGATE CURRENT ASSETS</b>	This Year	Last Year
Debtors and Deposits	241,845,314	203,977,938
Net Advances	555,133,589	495,710,640
	<b>\$796,978,903</b>	<b>\$699,688,578</b>



## 5. ASSET QUALITY

## MOVEMENTS PRIOR TO PROVISION

	This Year	Last Year
<b>Non-Accrual Assets</b>		
Balance at Beginning of Year	25,478,352	3,826,453
Additions	18,374,234	26,083,588
Written Off	(1,626,542)	(1,433,456)
Deletions	(19,170,485)	(2,998,233)
<b>Balance at End of Year</b>	<b>\$23,055,559</b>	<b>\$25,478,352</b>
<b>Restructured Assets</b>		
Balance at Beginning of Year	432,324	3,218,684
Additions	903,756	114,637
Written Off	(133,100)	(4,414)
Deletions	(243,552)	(2,896,583)
<b>Balance at End of Year</b>	<b>\$959,428</b>	<b>\$432,324</b>
<b>Other Asset Acquired Through Enforcement</b>		
Balance at Beginning of Year	987,874	758,585
Additions	1,293,114	1,465,116
Written Off	(372,004)	(454,639)
Deletions	(681,567)	(781,188)
<b>Balance at End of Year</b>	<b>\$1,227,417</b>	<b>\$987,874</b>
<b>Past Due Assets</b>		
Balance at Beginning of Year	8,608,794	22,040,722
Additions	36,135,575	10,116,543
Written Off	(361,887)	(343,325)
Deletions	(17,819,923)	(23,205,146)
<b>Balance at End of Year</b>	<b>\$26,562,559</b>	<b>\$8,608,794</b>

**A Specific Provision is made in respect of impaired assets, which comprise the following**

- **NON-ACCRUAL ASSETS:** These are loans from which the Company may not be able to collect all amounts owing in accordance with the terms of the contract.
- **RESTRUCTURED ASSETS:** These are loans where the original contract has been amended, providing the borrower with concessionary terms not normally available, due to difficulties in complying with the original terms, but which are not non-accrual loans as defined above.
- **REAL ESTATE ASSETS:** These comprise land and buildings which have been acquired through the enforcement of securities.

**A General Provision is made in respect of past due assets and performing loans.**

**PAST DUE ASSETS:** These are loans which have not operated within their key terms for more than 90 days, but which are not impaired assets.

**PROVISION FOR DOUBTFUL DEBTS**

	This Year	Last Year
<b>Non-Accrual Assets</b>		
Balance at Beginning of Year	4,522,657	2,629,080
Additions	9,364,560	24,662,871
Written Off	(1,623,740)	(1,167,978)
Deletions	(1,697,428)	(21,601,316)
Balance at End of Year	10,566,049	4,522,657
<b>Restructured Assets</b>		
Balance at Beginning of Year	39,120	16,240
Additions	659,224	36,151
Written Off	(11,360)	(3,145)
Deletions	-	(10,126)
Balance at End of Year	686,984	39,120
<b>Other Asset Acquired Through Enforcement</b>		
Balance at Beginning of Year	125,550	133,757
Additions	899,543	750,065
Written Off	(87,183)	(278,794)
Deletions	(80,862)	(479,478)
Balance at End of Year	857,048	125,550
<b>Total Specific Provision</b>	<b>\$12,110,081</b>	<b>\$4,687,327</b>
<b>Past Due Assets</b>		
Balance at Beginning of Year	172,175	440,812
Additions	722,832	202,333
Written Off	(207,595)	(6,867)
Deletions	(156,399)	(464,103)
Balance at End of Year	531,013	172,175
<b>General Provision: Other Assets</b>	<b>4,523,486</b>	<b>4,436,975</b>
<b>Total General Provision</b>	<b>\$5,054,499</b>	<b>\$4,609,150</b>
<b>Bad Debt Provision</b>		
Provision at Beginning of Year	9,296,477	6,978,327
Specific Provision	7,396,651	1,908,250
General Provision	219,714	409,900
Charged to Statement of Financial Performance	7,616,365	2,318,150
Acquired on Acquisition	251,738	-
<b>Provision at End of Year</b>	<b>\$17,164,580</b>	<b>\$9,296,477</b>



## 6. FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation as follows:

	Cost	Accumulated Depreciation	Depreciation 30.06.07	Book Value 30.06.07	Book Value 30.06.06
Plant & Office Equipment	3,281,371	2,591,653	407,787	702,727	818,420
Motor Vehicles	114,434	19,813	4,262	15,480	57,169
Leasehold Improvements	738,436	253,164	57,612	520,276	504,216
Land	2,343,630	-	-	2,343,630	142,345
Buildings	11,862,368	555,175	38,807	11,307,193	446,935
	18,340,239	3,419,805	508,468	14,889,306	1,969,085
Leased Plant Fixed Assets	44,887,675	7,016,338	1,971,812	38,343,255	28,287,202
<b>Total Fixed Assets</b>	<b>\$63,227,914</b>	<b>\$10,436,143</b>	<b>\$2,480,280</b>	<b>\$53,232,561</b>	<b>\$30,256,287</b>

Land and buildings rating valuation (as at 30 June 2007) \$11,928,000

## 7. BUILDING LEASES

Companies in the Charging Group have entered into non-cancellable lease agreements for lease of premises.

Aggregate lease commitments are due as follows.

	This Year	Last Year
Due within 1 year	776,965	648,215
Due within 2 years	608,041	529,622
Due within 2 - 5 years	1,551,940	759,286
Due thereafter	899,963	6,609
	<b>\$3,836,909</b>	<b>\$1,943,732</b>

## 8. GOODWILL

Goodwill has been paid in respect of the acquisition of the minority interest in Ashburton Finance Ltd.

## 9. SHARES AND INVESTMENTS

	This Year	Last Year
Investments Held for Resale	69,094,367	-
Non-Current Investments	38,500,149	48,328,356
<b>Total Investments at Cost</b>	<b>\$107,594,516</b>	<b>\$48,328,356</b>
<b>Being:</b>		
Shares: Non-Charging Subsidiaries	19,924,004	23,947,705
Shares: Associated Companies	1,650,000	650,000
Shares: Other Companies - Listed	25,013,807	11,557,485
Shares: Other Companies - Unlisted	30,871,305	3,873,205
Other Investments	30,135,400	8,299,961
	<b>\$107,594,516</b>	<b>\$48,328,356</b>
<b>Market Value:</b>		
Shares: Non-Charging Subsidiaries	19,504,929	22,978,313
Shares: Associated Companies	1,757,853	533,899
Shares: Other Companies - Listed	27,606,380	13,354,845
Shares: Other Companies - Unlisted	37,865,311	3,540,278
Other Investments	30,135,400	8,299,961
	<b>\$116,869,873</b>	<b>\$48,707,296</b>

## 10. BORROWINGS

	This Year	Last Year
Debentures (Secured)	1,323,284,737	1,101,321,500
Sundry Deposits (Unsecured)	44,909,222	42,001,413
Secured Prior Charges	3,454,167	-
	<b>\$1,371,648,126</b>	<b>\$1,143,322,913</b>
Due within 1 year	683,817,594	409,888,727
Due after 1 year	687,830,532	733,434,186
	<b>\$1,371,648,126</b>	<b>\$1,143,322,913</b>
<b>AGGREGATE CURRENT LIABILITIES</b>		
Creditors	14,459,095	14,013,656
Employee Entitlements	439,611	470,406
Dividends	-	526,228
	<b>14,898,706</b>	<b>15,010,290</b>
Borrowings	683,817,594	409,888,727
	<b>\$698,716,300</b>	<b>\$424,899,017</b>
<b>NON CURRENT LIABILITIES</b>		
Debenture Stock	669,854,860	711,822,784
Prior Charges	3,000,000	-
<b>Secured Liabilities</b>	<b>672,854,860</b>	<b>711,822,784</b>



	This Year	Last Year
Deposits	14,975,672	21,611,402
Deferred Tax	1,262,258	955,545
<b>Total Unsecured Liabilities</b>	<b>16,237,930</b>	<b>22,566,947</b>
<b>Total Non Current Liabilities</b>	<b>\$689,092,790</b>	<b>\$734,389,731</b>
<b>NON CURRENT LIABILITIES MATURITY</b>		
1-2 years	503,911,518	433,335,870
2-3 years	126,169,134	241,770,713
3-4 years	37,248,200	31,058,838
4-5 years	21,763,938	28,224,310
	<b>\$689,092,790</b>	<b>\$734,389,731</b>

## 11. EQUITY

	This Year	Last Year
Ordinary Shares	45,000,000	45,000,000
Perpetual Preference Shares	120,000,000	55,000,000
Share Issue Expenses	(1,979,189)	(1,497,427)
Retained Earnings	34,576,459	28,603,749
<b>Total Equity</b>	<b>\$197,597,270</b>	<b>\$127,106,322</b>

All ordinary shares carry equal voting rights.

Dividends on Perpetual Preference Shares are set annually using the Benchmark Rate, prescribed in the share issue prospectus, at 1 October plus 230 basis points. Current dividend rate, as set on 1 October 2007, is 10.96% inclusive of imputation credits.

Perpetual Preference Shares have no voting rights and no fixed date for redemption.

In a winding up all Perpetual Preference Shares are redeemable at issue price only.

## 12. TAXATION

	This Year	Last Year
<b>a) Taxable profit has been calculated as:</b>		
Net Profit before Taxation	49,350,210	38,707,101
Taxation Adjustments to reported Income	350,515	(2,938,964)
	<b>49,700,725</b>	<b>35,768,137</b>
Increase (Decrease) in Deferred Income	929,433	442,122
Subvention Payment	(11,444,924)	(5,268,455)
Loss Offsets	(33,899,860)	(12,211,181)
<b>Taxable Income</b>	<b>\$5,285,374</b>	<b>\$18,730,623</b>

	This Year	Last Year
<b>b) Taxation as per Statement of Financial Performance</b>	\$1,744,174	\$6,189,516
Consisting of:		
Current Taxation Payable	1,437,461	6,035,206
Credit (Debit) to Deferred Tax	306,713	145,900
Prior Period Adjustment	-	8,410
<b>Taxation</b>	<b>\$1,744,174</b>	<b>\$6,189,516</b>
<b>c) Current Taxation Payable</b>	<b>(1,437,461)</b>	<b>(6,035,206)</b>
Less Paid Current Year	7,375,715	11,986,582
Less Prior Years Tax Paid	20,789,318	14,837,942
<b>Tax Paid as per Statement of Financial Position</b>	<b>\$26,727,572</b>	<b>\$20,789,318</b>
<b>d) Deferred Taxation</b>		
Opening Balance	955,545	809,645
Movement in Period	306,713	145,900
<b>Closing Balance</b>	<b>\$1,262,258</b>	<b>\$955,545</b>

### 13. IMPUTATION CREDIT ACCOUNT

	This Year	Last Year
Opening Balance	(3,563,390)	(3,341,274)
Credits Acquired	10,004,625	12,288,421
Credits Allocated	(15,277,174)	(12,510,537)
<b>Balance at End of the Year</b>	<b>\$(8,835,939)</b>	<b>\$(3,563,390)</b>

### 14. MANAGEMENT OF LIQUIDITY

South Canterbury Finance Ltd manages the Charging Groups liquidity by forecasting future cash requirements and maintaining a diverse and stable funding base in order to match the different maturities on monetary assets and liabilities. South Canterbury Finance Ltd at 30 June 2007 had standby facilities totalling \$57.5 million (last year \$57.5 million). These facilities have been provided by two trading banks. One facility, for \$50 million, is secured by way of a Debenture over the Company's assets. The remaining facility is secured by way of First Ranking Stock. Subsequently these facilities have been replaced with a committed \$150 million bank facility from two trading banks. This facility will rank equally with debenture holders. South Canterbury Finance is the major source of funding for all companies within the Charging Group. These facilities may be drawn upon to meet the needs of individual companies within the group. At balance date no funds were drawn against these facilities.



## 15. LIQUIDITY PROFILE

30 June 2007	due within 6 months	due between 6 & 12 months	due between 1 & 2 years	due between 2 & 5 years
<b>Amounts Receivable</b>				
Cash & Other Current Assets	146,023,375			
Government Stock			506,594	
Advances	317,102,912	212,918,089	388,560,767	296,666,137
Operating Lease Assets	15,047,677	10,064,912	6,671,799	4,093,957
Investments	39,758,968	29,335,399	17,576,145	20,924,004
	\$517,932,932	\$252,318,400	\$413,315,305	\$321,684,098

<b>Amounts Payable</b>				
Debentures	299,714,240	353,715,637	493,015,553	176,839,307
Deposits	15,927,783	14,005,767	10,895,965	4,079,708
Prior Charges	454,167			3,000,000
Current Liabilities	14,898,706			
	\$330,994,896	\$367,721,404	\$503,911,518	\$183,919,015

30 June 2006	due within 6 months	due between 6 & 12 months	due between 1 & 2 years	due between 2 & 5 years
<b>Amounts Receivable</b>				
Cash & Other Current Assets	203,977,938			
Government Stock	509,820			
Advances	279,489,852	191,359,208	205,202,464	292,577,264
Operating Lease Assets	12,547,115	12,314,465	6,265,318	4,076,529
Investments		11,596,501		36,731,855
	\$496,524,725	\$215,270,174	\$211,467,782	\$333,385,648

<b>Amounts Payable</b>				
Debentures	202,005,989	187,492,727	419,603,730	292,219,054
Deposits	12,602,900	7,787,111	13,732,140	7,879,262
Current Liabilities	15,010,290			
	\$229,619,179	\$195,279,838	\$433,335,870	\$300,098,316

## 16. FINANCIAL INSTRUMENTS

### I) OFF STATEMENT OF FINANCIAL POSITION RISK

In the normal course of business the Charging Group enters into transactions whereby it guarantees the performance of customers and issues guarantees to third parties. The maximum credit risk not recorded in the Statement of Financial Position in respect of these instruments at 30 June 2007 was \$19,419,667 (last year - \$15,738,943). The Directors do not envisage any likelihood of these guarantees being called upon.

### II) CREDIT RISK AND FAIR VALUES

Credit Risk is the risk of loss arising from the failure of a debtor or other party failing to honour a financial or contractual obligation. Financial instruments that potentially subject the company to credit risk principally consist of bank balances, investments, debtors and advances. The face value on the Statement of Financial Position is the maximum credit risk and equates to fair value, with the exception of investments,

whose fair value equates to the market value shown in the schedule of investments. The company performs credit evaluations on all customers to whom it lends and normally requires collateral by way security registered under the Personal Property Securities Act 1999 or by mortgage. Loan security may be supported by personal guarantees and/or loan insurance repayment cover. Credit evaluations are also undertaken on all dealers it discounts finance to and has recourse against. Credit Managers within the Charging Group monitor individual loan performance and take appropriate recovery action, within set guidelines, when necessary.

III) CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash, short term investments and advances. Cash and short term investments are placed with recognised leading banking institutions. Credit risk associated with advances is limited due to the large number of individual contracts held. At balance date \$55.8 million had been advanced to parties in Australia in the New South Wales and Queensland regions. (last year - \$26.0 million) All other material loans and investments are held within New Zealand. There are no geographical concentrations of credit risk within New Zealand. Pre 31 December 2005 all loans were denominated in New Zealand dollars and any risk associated with exchange variation is borne by the borrower. Subsequently exchange rate swaps have been entered into with a registered bank for loans advanced offshore.

IV) CURRENCY RISK

Currency risk is the risk that the company may suffer a loss through an adverse movement in the exchange rate. South Canterbury Finance has an exposure to currency risk through loans advanced to parties in Australia. To minimise the risk arising from exchange variation the company has entered into exchange rate swaps with a registered bank. This offers surety of the rate of exchange that will apply when the loans are repayable at a future predetermined date.

V) INTEREST RATES

Interest rate risk is the risk that market interest rates will change and impact on the company's financial performance by affecting the interest margin between funds lent and funds borrowed. The Company monitors interest rates and regularly reviews the interest rate exposure. Cash on hand, finance receivables, operating lease receivables, short term borrowings, and long term liabilities are subject to interest rate risk as follows:

	EFFECTIVE INTEREST RATE		INTEREST RATE REVIEW PERIOD
	This Year	Last Year	
Bank Deposits - At Call	6.86%	6.24%	Floating Daily
- On Term Deposits	8.30%	7.36%	Fixed for Term of Agreement
Debtors Advances	11.40%	12.65%	Fixed for Term of Agreement
Lease Receivables	13.26%	12.66%	Fixed for Term of Agreement
On Call Debentures & Deposits	7.91%	4.25%	Floating
Debentures	7.90%	8.07%	Fixed for Term of Agreement
Deposits	8.59%	8.27%	Fixed for Term of Agreement



IV) CONCENTRATION OF CREDIT EXPOSURE

	This Year	Last Year
Agriculture, Forestry & Fishing	193,739,433	159,979,097
Manufacturing	65,625,928	44,278,832
Construction	36,740,719	35,414,283
Wholesale & Retail Trade	94,984,210	52,491,150
Accommodation & Restaurants	55,835,410	18,229,149
Transport, Storage & Communication	175,239,668	164,551,652
Finance & Insurance	59,557,665	82,711,185
Property & Business Services	465,661,000	296,949,766
Personal Services	103,742,217	149,227,100
	<b>\$1,251,126,250</b>	<b>\$1,003,832,214</b>

17. SECURITY FOR BORROWINGS

Security has been granted for the provision of certain facilities and borrowings, on funds not raised through the Debenture and Deposit issue, secured by debenture or specific charge as disclosed in the following note.

18. CHARGE OF ASSETS

- i) All rights and interest in the assets of each Charging Group Member are charged in favour of the Trustee, Trustees Executors Ltd, in terms of the Amending and Supplemental Trust Deed dated 30 June 1995.
- ii) The Bank of New Zealand holds a debenture over the assets of all members of the South Canterbury Finance Ltd Charging Group, securing a \$50 million stand by facility and a \$2 million bank overdraft facility. At balance date no funds had been drawn against these facilities. Post balance date the \$50m facility has been replaced by a committed \$150 million bank facility, provided by the Bank of New Zealand and The Commonwealth Bank of Australia. This facility will rank equally with the secured debentures.
- iii) Trustees Executors Ltd has a prior charge over the assets of Ashburton Finance Ltd in respect of the debentures and deposits issued under their Trust Deed. At 30 June 2007 these totalled \$1,296,620 (last year \$5,636,668). The activities of Ashburton Finance Ltd are now funded by South Canterbury Finance Ltd.

19. CONCENTRATIONS OF FUNDING

The Company's activities are funded by the Parent Company, South Canterbury Finance Ltd. South Canterbury Finance Ltd raises funds through the issue of a prospectus and draws on investors throughout New Zealand. All transactions are denominated in New Zealand dollars.

Funds raised by way of debentures and deposits have been provided by:

	This Year	Last Year
New Zealand Residents	\$1,341,173,380	\$1,119,782,540
Non-residents	\$27,020,579	\$23,540,373

## 20. CREDIT EXPOSURE NET OF PROVISIONS

The following table details individual counterparties to which the Company has a credit exposure in excess of 10% of its equity and in increasing bands of 10%.

### This Year

10 - 20%	5	20 - 30%	2	30-40%	1	40 - 50%	1
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### Last Year

10 - 20%	7	20 - 30%	1	90 - 100%	1
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Exposures over 30% relate to deposits held with registered banks

## 21. RELATED PARTY TRANSACTIONS

Associated company and related party transactions totalled \$65,450,426 (last year \$42,978,617). All transactions were in the normal course of business and are fully secured. No related party loans have been written off or forgiven during the current period.

	INTEREST RECEIVED		LOAN BALANCES	
	This Year	Last Year	This Year	Last Year
<b>Parties Related by Ownership</b>				
Financial Synergy Ltd	\$61,703	\$43,596	\$561,050	\$390,700
Islington Park Ltd	-	\$1,936,666	-	-
<b>Parties Related by Parent</b>				
<b>Company Ownership</b>				
Helicopters (NZ) Ltd	\$721,803	\$791,418	-	-
Northbury Ltd	-	\$579,115	-	-
Specialised Sales and Marketing Ltd	\$165,699	\$21,875	\$1,222,000	-
<b>Parties over Whom Directors are Able to Exercise Control</b>				
Aorangi Securities Ltd	-	\$914,851	-	-
Burning Bush	\$187,239	\$235,034	-	\$3,000,000
Dairy Holdings Ltd	\$549,262	\$286,599	\$7,792,035	\$2,636,100
Emerald Shores Ltd	\$607,792	\$423,895	-	\$4,040,000
Hubbard Churcher Client Income Equalisation Accounts	-	\$76,765	-	\$1,700,000
Raukapuka Dairies Ltd	\$120,467	-	-	-
Southbury Group Ltd	\$4,706,030	\$104,167	\$52,247,349	\$25,000,000
Te Tua Trust	\$90,578	\$165,053	-	-
Timber Investments Ltd	\$59,167	-	-	-
Woodbury Rise Ltd	\$427,329	\$400,721	-	\$2,860,240
<b>Parties Related by Directorship</b>				
Cambiste Ltd	\$156,538	\$3,949	-	\$76,803
Debonaire Products Ltd	\$416,322	\$369,053	\$3,235,792	\$3,274,774
Deegan Farm Ltd	\$37,872	\$25,458	-	-
Hubbard Churcher Trust Management Ltd	-	\$380,300	-	-
Kenley Farm Ltd	-	\$55,021	-	-
Kinloch Park Ltd	-	\$274,610	-	-
Kokura Holdings Ltd	-	\$73,265	-	-
Mataura Farm Holdings Ltd	\$39,733	\$31,440	\$392,200	-
North Holt Ltd	\$70,152	\$150,038	-	-



In addition to the loan to Helicopters (NZ) Ltd, cancellable leases have been entered into for the hire of helicopters. Income from leasing totalled \$4,123,943 (last year \$3,869,852). The terms and conditions of these leases are on the basis of normal arms length transactions.

Southbury Group Ltd received a management fee of \$1,250,000 (last year \$1,250,000).

Shares in non-listed companies were traded with the parent company, Southbury Group, at fair market rates. The sale of these shares resulted in a gain on sale of \$994,803.

Directors' interests are disclosed in Note 24 below.

## 22. SUBSIDIARY AND ASSOCIATED COMPANIES

	INTEREST		PRINCIPAL ACTIVITIES
	This Year	Last Year	
<b>Charging Subsidiaries</b>			
Ashburton Finance Ltd	100%		Financial Services
Auckland Finance Ltd	100%	100%	Financial Services
Canterbury Finance Ltd	100%	100%	Financial Services
Coversure Guarantee Ltd	100%	100%	Non Trading
Face Finance Ltd	75%	75%	Financial Services
Flexi Lease Ltd	100%	100%	Vehicle Leasing
Helicopter Nominees Ltd	100%	100%	Helicopter Leasing
Hornchurch Ltd	100%	100%	Investment Activities
Otago Finance Ltd	100%	100%	Financial Services
Palmerston North Finance Ltd	100%	100%	Financial Services
Rental Cars Ltd	100%	100%	Vehicle Leasing
SCFG Systems Ltd	100%	100%	Computer Services
Southbury Insurance Ltd	100%	100%	Insurance Broking
Tasman Bay Finance Ltd	100%	-	Financial Services
Waikato Finance Ltd	100%	100%	Financial Services
Wellington Finance Ltd	100%	-	Financial Services
<b>Non-Charging Subsidiaries</b>			
Alford Investments Ltd	100%	100%	Investment Activities
Ashburton Finance Ltd		100%	Financial Services
Dunbarton Investments Ltd	100%	100%	Investment Activities
Glamorgan Investments Ltd	100%	100%	Investment Activities
Southland Finance Ltd	100%	100%	Financial Services
<b>Non-Charging Associates</b>			
Financial Synergy Ltd	50%	50%	Premium Funding
Kelt Finance Ltd	50%	-	Financial Services
<b>Joint Venture</b>			
Islington Park	50%	50%	Rental Property

Wellington Finance Ltd was incorporated on 28 August 1995. It has been dormant until 8 March 2007 at which time its capital was increased to \$1.5 million and a call made on that capital.

Kelt Finance Ltd was incorporated on 23 May 2007 with paid up capital of \$2 million of which South Canterbury Finance holds 50%. By 30 June 2007 the company had not started trading.

On 1 August 2006 Hornchurch acquired a 100% interest in Investment House Ltd for \$900,000 at which time the company held real property valued at \$1.4 million and prior charges of \$500,000. On 22 December 2006 Investment House Ltd and AFL Properties Ltd were amalgamated with Hornchurch Ltd under part XIII of the Companies Act 1993.

## 23. DIRECTORS' REMUNERATION AND EXPENSES

During the period, the following Directors Fees and Expenses were paid to Directors of the Charging Group:

	This Year	Last Year
Allan J Hubbard (Chairman)	123,000	123,000
Edward O Sullivan	51,500	51,500
Robert A White	51,500	51,500
Stuart J Natrass	51,500	51,500
	<b>\$277,500</b>	<b>\$277,500</b>

## 24. DIRECTORS' INTERESTS

During the year the Parent Company and Charging Subsidiary Companies have conducted normal business transactions with organisations in which individual Directors have an interest. In all instances no individual advantage was received in their capacity as Directors. The Directors interest in these transactions have been declared and noted. Transactions in which Directors interests have been noted are:

Messrs A J Hubbard and R A White are partners in the accounting practice, Hubbard Churcher & Co, supplying secretarial and accounting services to the Charging Group. Charges are on a time-fee basis and are calculated at or below standard commercial rates. Fees paid for the year ended 30 June 2007 comprised 2.5% of other operating and overhead expenses. The practice also receives brokerage on client funds introduced together with a share of brokerages earned by the associated sharebroking partnership Munro Hubbard and Co. Brokerages paid and payable are on no more favourable terms than those paid to unrelated brokers. Brokerage paid for the year ended 30 June 2007 comprised 2.6% of the total amount of brokerage paid.

Mr E O Sullivan is a partner in a firm of solicitors who provide periodic legal services to the Parent Company. Fees payable are at normal arms-length rates for work of a similar type. Fees paid for the year ended 30 June 2007 comprised 0.1% of other operating and overhead expenses. The firm also receives brokerage on client funds introduced. Brokerages paid and payable are on no more favourable terms than those paid to unrelated brokers. Brokerage paid for the year ended 30 June 2007 comprised 0.2% of the total amount of brokerage paid.

Mr A J Hubbard is a director of Southland Finance Ltd, a finance company based in Invercargill.

Mr A J Hubbard is a director of Helicopters (NZ) Ltd. Cancellable operating lease agreements have been entered into with Helicopters (NZ) Ltd and one of the charging subsidiary companies. The terms and conditions of these leases are on the basis of normal arms-length transactions.

## 25. INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

South Canterbury Finance Ltd has made arrangements for the insurance of the company's Directors and executives in accordance with Section 162 of the Companies Act 1993 and the constitution of the company. This indemnifies and insures directors and executives against liability and costs for actions undertaken by them in the course of their duties to the extent permitted by Section 162.

## 26. DONATIONS

During the current financial period the company made no donations (last year - \$10,000).

## 27. PARENT COMPANY

Southbury Group Limited holds all the ordinary shares issued by South Canterbury Finance Ltd, and through that shareholding, holds a controlling interest in the Charging Group.



## 28. SEGMENTAL REPORTING

The company operates in the New Zealand market in the financial services industry.

## 29. FIXED CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into a Licence and Services Agreement for the supply of software and a three year Outsource Service Agreement for the provision of certain computer equipment and services to maintain the delivery of the application software. These contracts have been entered into for the benefit of each of the financing companies within the Charging Group plus Ashburton Finance Ltd and Southland Finance Ltd.

The Company has committed a further \$4 million into an investment which the Company has already invested \$6 million.

Apart from the preceding contracts and those guarantees referred to in Note 16(i) there were no fixed capital commitments existing at balance date.

The return on investments, costing \$9,000,300, is dependent upon the outcome of arbitration entered into. The Directors are of the opinion that there will be no resulting diminution in the value of this investment.

No other contingent liabilities were known to exist at balance date.

## 30. SUBSEQUENT EVENTS

No events have occurred after balance date that require adjustment to the Financial Statements.



## WOODNORTH MYERS & Co

16 November 2007

The Directors  
South Canterbury Finance Ltd  
PO Box 125  
TIMARU

Dear Directors

This report is issued in respect of the public offer of Secured Bonds in terms of the combined Investment Statement and Prospectus (Offer Document) to be dated 16 November 2007.

### Directors' Responsibilities

The Directors are responsible for the preparation and presentation of:

- (a) annual financial statements as required by clauses 16 to 31 of the Second Schedule to the Securities Regulations 1983 (the **Second Schedule**). The annual financial statements provide information about the past financial performance and cash flows of the Company and its charging subsidiaries (the **Charging Group**) for the year ended 30 June 2007 and the Charging Group's financial position as at that date; and
- (b) the summary of financial statements of the Charging Group for the years ended 30 June 2007, 30 June 2006, 30 June 2005, 30 June 2004 and 30 June 2003 as required by clauses 7(2) and 7(3) of the Second Schedule.

### Auditor's Responsibilities

We are responsible for:

- (a) expressing an independent opinion on the financial statements of the Charging Group as at 30 June 2007 and for the years ended on those dates, prepared and presented by the Directors, and reporting our opinion in accordance with clause 36(1) of the Second Schedule;
- (b) reporting, in accordance with clause 36(1)(g) of the Second Schedule, on the amounts included in the summary of financial statements. This report has been prepared for inclusion in the Offer Document for the purpose of meeting the requirements of clause 36 of the Second Schedule. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements, the summary of financial statements, or for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Offer Document not mentioned in this report.

### Basis of Opinion

Our audit of financial statements for the year ended 30 June 2007 included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also included assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Charging Group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

We have also undertaken procedures to provide reasonable assurance that the amounts in the summary of financial statements, pursuant to clauses 7(2) and 7(3) of the Second Schedule, have been correctly taken from audited financial statements.

Associates of the auditors receive other income from South Canterbury Finance Limited on normal terms within the ordinary course of trading activities. The firm has no other interests in the company or any of its charging subsidiaries.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Charging Group as far as appears from our examination of those records; and
- (b) the financial statements on pages 38 to 58 of this Offer Document that are required by clauses 16 to 31 of the Second Schedule, and that are required to be audited:
  - (i) comply with the Securities Regulations 1983; and
  - (ii) subject to those regulations, comply with generally accepted accounting practice in New Zealand; and
  - (iii) give a true and fair view of the state of affairs of the Charging Group as at 30 June 2007 and of the results and cash flows of the Charging Group for the year ended on that date; and
- (c) the amounts in the summary of financial statements, on pages 35 and 36 of this Offer Document, pursuant to clauses 7(2) and 7(3) of the Second Schedule, have been correctly taken from audited financial statements of the Charging Group for the years ended 30 June 2007, 30 June 2006, 30 June 2005, 30 June 2004 and 30 June 2003.
- (d) the amounts stated pursuant to clauses 8(2), 8(3) and 12 of the Second Schedule have been correctly taken from the audited financial statements of the Charging Group.

We completed our work for the purposes of this report on 16 November 2007 and our unqualified opinion is expressed as at that date.

Yours faithfully

*Woodnorth Myers & Co.*

Woodnorth Myers & Co

TIMARU

PO Box 529, Timaru

100-104 Sophia Street - Timaru - Phone 03 684 5079 - Facsimile 03 688 4623





## Trustees Executors

Level 1, 50-64 Customhouse Quay, PO Box 3222, DX SP20011,  
Wellington, New Zealand. Phone (04) 495-0999, Fax (04) 496-2952

16 November 2007

The Directors  
South Canterbury Finance Limited  
39 George Street  
PO Box 125  
TIMARU

Dear Sirs

### Re: Investment Statement and Prospectus

Clause 13 (3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer of up to \$100m of Secured Bonds with oversubscriptions of up to any additional \$25m of Secured Bonds issued by South Canterbury Finance Limited ("the Securities") set out in this Investment Statement and Prospectus complies with any relevant provisions of the amending and supplemental trust deed dated 30<sup>th</sup> June 1995 ("the Trust Deed") as subsequently amended. These provisions are those which:

- (i) Entitle South Canterbury Finance Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Investment Statement and Prospectus;
- (ii) Impose restrictions on the right of South Canterbury Finance Limited to offer the Securities;

and are described in the summary of the Trust Deed in the Investment Statement and Prospectus.

The Auditors have reported on the financial information set out in the Investment Statement and Prospectus and our statement does not refer to that information or to any other material in the Investment Statement and Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Securities set out in the Investment Statement and Prospectus complies with the relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) Set out above; and
- (b) That, subject to the duties imposed on the Trustee by the Fifth Schedule of the Securities Regulations 1983, the Trustee relies on the information supplied to it by South Canterbury Finance Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustees Executors Limited does not guarantee the repayment of the Securities or the payment of interest thereon.

Signed for and on behalf of  
Trustees Executors Limited

Richard McLoughlin  
Business Manager  
Corporate Trust



## CONDITIONS OF THE SECURED BONDS

### 1 GENERAL

- 1.1 This section sets out the Conditions applying to the Secured Bonds.
- 1.2 The Conditions are subject to the detailed provisions of the Trust Deed. Secured Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the Trust Deed.

- 1.3 Words and expressions defined in the Trust Deed or the Glossary and used in the Conditions have the meanings given to them in the Trust Deed or the Glossary, as applicable, unless otherwise defined. In addition, unless the context otherwise requires:

**Accrued Interest** means, on any date and in respect of any Secured Bond, all interest on the Principal Amount of that Secured Bond which has accrued in accordance with these Conditions but has not been paid to the relevant Secured Bondholder and includes, where the context requires, interest overdue for payment.

**Benchmark Rate** on any day, means the rate per annum expressed on a percentage yield basis, and rounded up to the nearest two decimal places, which is:

- (a) the average of the bid and offered swap rates displayed at or about 11 am (New Zealand time) on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a five year term; or
- (b) if a rate is unable to be determined in accordance with paragraph (a), or if South Canterbury Finance forms the view that the rate so determined is not an accurate reflection of market rates, the average of the bid and offered swap rates quoted by three registered banks in New Zealand at or about 11 am (New Zealand time) on that day for an interest rate swap with a five year term;

**Change of Control Event** means any sale, amalgamation or other event as a consequence of which Allan Hubbard or entities controlled by Allan Hubbard cease to hold, directly or indirectly, at least 50.1% of the Shares in South Canterbury Finance.

**Chargor** means any member of the Charging Group.

**Exercise Price** has the meaning given to that term in Condition 5.2(b).

**First Ranking Stock** means all stock constituted and issued by South Canterbury Finance as first ranking stock under and pursuant to the Trust Deed from time to time outstanding and ranking in priority to the Second Ranking Stock and Deposits, and includes the Principal Moneys represented thereby, and includes the Secured Bonds offered under this Offer Document.

**Interest Date** means the 15th day of each December, March, June and September arising during the term of the Secured Bonds.

**Interest Period** means the period from and including one Interest Date up to, but excluding, the next Interest Date, provided that the first Interest Period will be deemed to be a period from and including the date of allotment for a Secured Bond up to, but excluding, the First Interest Payment Date succeeding such date of allotment.

**Interest Rate** means, in respect of each Secured Bond, the interest rate announced to NZX by South Canterbury Finance on 17 December 2007.

**Maturity Date** means 15 December 2012 (subject to Condition 5).

**Minimum Holding** has the meaning assigned to it in Appendix 2 of the Listing Rules.

**Principal Amount** means, in relation to each Secured Bond, the principal amount of that Secured Bond as recorded in the register of Secured Bonds to be established and maintained in accordance with clause 6 of the Trust Deed.

**Prior Charge** means any Charge on the Charged Assets or any part of the Charged Assets ranking in priority to the charges in favour of the Trustee created by or pursuant to the Trust Deed or as the case requires the principal amounts secured by such Charge but shall not include any Charge of the kind referred to in section 102(1)(b) of the Companies Act 1955 or any charge which is secured solely over Assets which for any reason is not taken into account in the calculation of the Total Tangible Assets used in the financial ratios in clause 16 of the Trust Deed.

**Put Option Conditions** has the meaning given to that term in Condition 5.1.

**Put Option Exercise Notice** means a notice given by a Secured Bondholder under Condition 5.2.

**Record Date** means a Friday which is also a day on which the NZDX Market is open for trading (or the previous day if the NZDX Market is not open for trading on such Friday), not less than seven Business Days prior to the relevant Interest Date, such Record Date being notified to NZX at least 10 Business Days prior to the relevant Record Date, or within such lesser period as is approved by NZX.

**Secured Bondholder Put Option** means the put option exercisable by each Secured Bondholder under Condition 5.2.

**Wholly Owned Subsidiary** means a person all of whose ordinary voting shares are owned beneficially by one or more of the Chargors (whether directly or indirectly).

### 2 STATUS AND RANKING OF THE SECURED BONDS

#### 2.1 STATUS

The Secured Bonds constitute First Ranking Stock pursuant to the Trust Deed and will rank equally in all respects with existing (and future) First Ranking Stock and without priority or preference among themselves.

#### 2.2 RANKING

The obligations of South Canterbury Finance under the Secured Bonds are secured on a first ranking basis under the Trust Deed over the assets of South Canterbury Finance and each other Charging Group Member, except in relation to assets which are subject to Prior Charges, in which case the security created by the Trust Deed ranks behind the Prior Charges as regards those assets.

#### 2.3 PRIOR CHARGES

Subject to the limitations specified in the Trust Deed, a Charging Subsidiary may execute a Prior Charge ranking in priority ahead of the security created under the Trust Deed, and therefore in priority to the Secured Bonds.

#### 2.4 RELEVANT PROVISIONS OF TRUST DEED

The order of priority of payment in which amounts received by the Trustee under or in respect of Secured Bonds must be applied, and the provisions specifying the remedies of the Trustee and the Secured Bondholder in relation to the Secured Bonds, are set out in the Trust Deed.



2.5 REPAYMENT ON MATURITY DATE

Unless and until amounts owing under the Secured Bonds are paid or repaid earlier under the Trust Deed or these Conditions, South Canterbury Finance shall repay the Principal Amount owing under the Secured Bonds, together with Accrued Interest, on the Maturity Date.

3 EVENT OF DEFAULT

At any time after the occurrence of an Event of Default (subject to Clause 19.2 of the Trust Deed) the Trustee at its discretion may, and if so requested in writing of any Major Security Stockholder or the holder or holders of at least one fifth part of the nominal amount of Stock or upon being directed to do so by an Extraordinary Resolution must, declare the whole of the Stock Moneys (of which the Secured Bonds form part) or the Deposit Moneys to have become immediately due and payable, whereupon the Stock Moneys or the Deposit Moneys (as the case may be) shall forthwith become immediately due and payable, and enter upon or take possession of the Charged Assets, sell, call in, collect and convert the Charged Assets into money and collect any unpaid capital and collect and call up any uncalled capital in accordance with Clause 20 of the Trust Deed.

In these Conditions Event of Default means:

- (a) Default in Payment: (i) If default is made in payment on due date of any Principal of a Security or for fourteen days in the payment of any interest thereon; or (ii) If default is made in payment of any other moneys payable under the Trust Deed for fourteen days after demand therefore in writing; (b) Distribution: If the Company without the prior written consent of the Trustee makes a distribution (as defined in the Companies Act) while any Principal or interest which has become due and payable in respect of the Securities remains unpaid as a result of the default of a Charging Group Member; (c) Liquidation: If an order is made or resolution passed for the liquidation, winding up or dissolution or an application has been made to appoint a liquidator, of a Charging Group Member other than: (i) For the purposes of a reconstruction or amalgamation the terms of which have been previously approved by the Trustee; or (ii) Where the relevant Charging Group Member is at the date of winding up or dissolution solvent, and its assets are to be distributed in specie to another Charging Group Member; (d) Receiver: If a receiver is appointed of, or an encumbrancer takes possession of, or exercises a power of sale in respect of, any Asset; (e) Distress: If a distress or execution of an amount exceeding 1% of Shareholders' Funds, is levied, enforced upon or sued out against any Asset and is not being contested in good faith by proper proceedings; (f) Cease to Carry on Business: If a Charging Group Member, in the opinion of the Trustee and without its consent in writing, ceases or threatens to cease to carry on business; (g) Sale of Assets: If a Charging Group Member without the consent of the Trustee sells the whole or a major part of its Assets other than to another Charging Group Member;

- (h) Charge in Breach of Deed: If a Charging Group Member creates or permits to subsist any Charge over its Assets in breach of this Deed, or makes default under any Prior Charge as a result of which the chargeholder takes any step to enforce that Prior Charge; (i) Unable to pay Debts: If any Charging Group Member is unable to pay its debts within the meaning of section 287 of the Companies Act or does not satisfy the solvency test under the Companies Act; (j) Capital Reduction: If any Charging Group Member reduces or attempts to reduce its paid up share capital (including purchasing any of its own shares) or gives financial assistance in the purchase of its own shares or those of its holding company without the consent in writing of the Trustee; (k) Inspector appointed: If an inspector or inspectors are appointed to investigate the affairs of a Charging Group Member pursuant to section 178 or 179 of the Companies Act or pursuant to the Companies Special Investigations Act 1958; (l) Arrangement with Creditors: If a Charging Group Member, without the consent in writing of the Trustee, enters into any arrangement or composition with creditors generally; (m) Receiver Requested: If a Charging Group Member requests the Trustee to appoint a receiver of the whole of its undertaking and Assets; (n) Default under Deed: If any default of a Charging Group Member shall occur under the Trust Deed, other than a default specifically referred to in any other paragraph of this Clause, and continue for more than fourteen days after receipt by the Company of notice from the Trustee specifying the default and requiring the same to be remedied.

4 INTEREST

4.1 INTEREST RATE AND CALCULATION OF INTEREST

Each Secured Bond bears interest on the Principal Amount at the Interest Rate. The Interest Rate will be confirmed to each Secured Bondholder by the Company at the time it notifies each Secured Bondholder of the number of Secured Bonds allotted to it.

Interest will be calculated on the Principal Amount of each Secured Bond and will accrue daily from the date of allotment of each Secured Bond on the basis of a 365-day year (subject to Condition 4.2) or such prior date determined by the Company. Interest will cease to accrue on each Secured Bond on the date on which it is repaid, repurchased or redeemed in full.

4.2 INTEREST

- (a) Accrued Interest: Accrued Interest accrued during each Interest Period is payable on the Interest Date falling at the end of that Interest Period. The amount of interest payable on a Secured Bond on each Interest Date (other than the first Interest Date) shall be determined as follows:

Interest Payment =  $\frac{\text{Principal Amount of Secured Bond} \times \text{Interest Rate}}{4}$

The amount of interest payable on a Secured Bond on the First Interest Payment Date 15 March 2008 shall be determined as follows:

Interest amount = Principal amount of Secured Bond x Interest rate x D

Where D =

$\frac{1}{4} + \frac{\text{days from and including allotment up to but excluding 15/12/07}}{365}$

- (b) Notice to Trustee and Secured Bondholders  
South Canterbury Finance covenants with the Trustee and each Secured Bondholder that it will promptly notify the Trustee if South Canterbury Finance will not make a payment of interest on the Secured Bonds when due in accordance with Condition 4.2(a).

#### 4.3 PAYMENTS

All payments in relation to a Secured Bond may be satisfied by:

- (a) **Post**  
mailing cheques to the addresses of; or
- (b) **Direct credit**  
direct credit to any bank account nominated in writing (prior to the Record Date) by, the Secured Bondholder entered in the Register on the Record Date. Such mailing or direct credit will occur prior to 5:00pm on the relevant Interest Date (or, if that date is not a Business Day, the next Business Day after that date) or other date on which payment is required to be made.

#### 4.4 WITHHOLDING TAXES

- (a) **Deduction for Withholding**  
Subject to Condition 4.4(b) (Approved Issuer Levy), all payments or credits to, or to the account of, Secured Bondholders (including payments of, and credits in respect of, interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by South Canterbury Finance, except to the extent that South Canterbury Finance is satisfied that the Secured Bondholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Secured Bondholder claiming any such exemption or to be such a person must provide South Canterbury Finance with such evidence as South Canterbury Finance may from time to time require to satisfy itself in respect of the validity of that claim.
- (b) **Approved Issuer Levy**  
Secured Bondholders who are not resident in New Zealand for tax purposes or otherwise, or carrying on business from a fixed establishment in New Zealand, may in writing request South Canterbury Finance to advise the basis, if any, upon which South Canterbury Finance, at no cost to itself, is prepared from time to time to deduct and pay an approved issuer levy (within the meaning of section 86F of the Stamp and Cheque Duties Act 1971) as an alternative to the exercise by South Canterbury Finance of its rights to deduct withholding tax as referred to in Condition 4.4(a) (Deduction for Withholding). South Canterbury Finance may make such arrangements with those Secured Bondholders to pay the levy as it sees fit in its absolute discretion and may decline any such request without giving reasons.
- (c) **Taxation Indemnity from Secured Bondholder**  
If, in relation to any Secured Bond, the Trustee or South Canterbury Finance becomes liable to make any payment of or on account of tax payable by the Secured Bondholder or in relation to any Secured Bonds, the Trustee and South Canterbury Finance is each indemnified by the Secured Bondholder and the personal representatives or successor of that Secured Bondholder (and, as concerns the Trustee, also by South Canterbury Finance who shall in turn be indemnified by the relevant Secured Bondholder) in respect of any such liability, and any moneys paid by the Trustee and South Canterbury Finance in respect of any such liability may

be recovered by action from such Secured Bondholder and the personal representatives or successor of the such Secured Bondholder (as the case may be) as a debt due to the Trustee or South Canterbury Finance. Nothing in this Condition prejudices or affects any other right or remedy of the Trustee or South Canterbury Finance.

## 5 CHANGE OF CONTROL OF SOUTH CANTERBURY FINANCE

- 5.1 If a Change of Control Event occurs, the Trustee will convene a meeting of the Secured Bondholders in accordance with the requirements in the Second Schedule to the Trust Deed, at which Secured Bondholders will be asked to decide, by Extraordinary Resolution, whether Conditions 5.2(a) to (d) (*the Put Option Conditions*) are to apply.
- 5.2 If the Secured Bondholders decide by Extraordinary Resolution that the Put Option Conditions are to apply then, within 10 Business Days of the passing of that Extraordinary Resolution the Trustee must give a notice to each Secured Bondholder advising them that the Put Option Conditions apply and that they have the right (*the Secured Bondholder Put Option*) to require South Canterbury Finance to purchase their Secured Bonds in accordance with the following provisions of this Condition 5.2:
  - (a) within 20 Business Days of receipt of a notice from the Trustee under this Condition 5.2, each Secured Bondholder may give written notice (a Put Option Exercise Notice) to South Canterbury Finance requiring that South Canterbury Finance purchase (or procure that its Wholly Owned Subsidiaries purchase) all, but not some, of the Secured Bonds held by that Secured Bondholder;
  - (b) South Canterbury Finance shall be obliged to purchase Secured Bonds subject to a Put Option Exercise Notice at a price (the Exercise Price) per such Secured Bond equal to the Principal Amount of such Secured Bond plus Accrued Interest;
  - (c) Settlement of the Secured Bondholder Put Option shall be effected by South Canterbury Finance paying to the Secured Bondholders which exercise the Secured Bondholder Put Option the aggregate dollar amount payable by South Canterbury Finance under the Secured Bondholder Put Option (being the Exercise Price multiplied by the aggregate Principal Amount of the then outstanding Secured Bonds which are the subject of the Put Option Exercise Notice) in cleared and immediately available funds on the next Interest Date (unless such Interest Date is less than 10 Business Days after the date of the Put Option Exercise Date in which case settlement shall be effected on the next following Interest Date), such payment to constitute good and effective discharge by South Canterbury Finance of all its obligations in this regard;
  - (d) The Secured Bondholders each hereby irrevocably appoint South Canterbury Finance as their attorney, for the purposes of signing forms or other documents, and taking all such other steps, as may be necessary or desirable to complete purchase of the Secured Bonds pursuant to the Secured Bondholder Put Option, in accordance with the terms of this Condition 5.2.



## 6 TRANSFERS AND REPLACEMENTS OF SECURED BONDS

### 6.1 TRANSFERS

The Secured Bonds may be transferred in minimum Principal Amounts of \$1,000 or such lesser amount as South Canterbury Finance may from time to time permit subject to this Condition 6, provided that, following any such transfer, the transferee holds Secured Bonds with an aggregate Principal Amount of not less than the Minimum Holding.

### 6.2 FORM OF TRANSFER

Subject to these Conditions and the Trust Deed, a Secured Bondholder may transfer any Secured Bond held by him or her by:

- (a) **Written instrument**  
a written instrument of transfer in the usual or common form signed by the transferor and the transferee; or
- (b) **FASTER system**  
means of the FASTER system operated by NZX; or
- (c) **Other method**  
any other method of transfer of marketable securities which is not contrary to any law and which may be operated in accordance with any Listing Rules, and which is approved by South Canterbury Finance.

### 6.3 REGISTRATION PROCESS

#### (a) Transfers other than through FASTER

The following provisions apply to instruments of transfer other than any transfer under Condition 6.2(b) (FASTER System):

- (i) the instrument of transfer must be left at the Registry and such other evidence as the Registrar or the Trustee requires to prove the transferor's title to, or right to transfer, the Secured Bonds including the relevant holder and FASTER identification number, together with evidence that any applicable duties and taxes required to be paid by any relevant legislation in order for the Secured Bonds to be transferred have been paid; and
- (ii) on registration of a transfer of a Secured Bond, a FASTER statement will be issued to the transferee of such Secured Bond.

#### (b) Fees

The Registrar may charge a fee to South Canterbury Finance for:

- (i) registering transfers of Secured Bonds; or
- (ii) splitting holdings in relation to Secured Bonds; or
- (iii) issuing FASTER statements (where bound to do so) in relation to Secured Bonds; or
- (iv) using holder or FASTER identification numbers in relation to Secured Bondholders; or
- (v) effecting conversions between sub-registers (if any) of the Register; or
- (vi) noting transfer forms in relation to Secured Bonds.

### 6.4 TRANSFERS MUST BE REGISTERED

Subject to this Condition 6 (Transfers and Replacements of Secured Bonds), South Canterbury Finance must direct the Registrar not to refuse to register or fail to register or give effect to, a transfer of Secured Bonds.

### 6.5 REFUSAL TO REGISTER TRANSFERS

South Canterbury Finance may direct the Registrar to refuse to register any transfer of Secured Bonds where these Conditions, the Trust Deed, any Listing Rules or any applicable legislation permits, or requires South Canterbury Finance to do so.

### 6.6 NOTICE OF REFUSAL TO REGISTER

Where registration of a transfer of Secured Bonds is refused under Condition 6.5 (Refusal to Register Transfers), South Canterbury Finance must direct the Registrar to give written notice of the refusal and the precise reasons for the refusal to the party lodging the transfer, if any, within five Business Days after the date on which the transfer was lodged. The failure to give such a notice will not invalidate the decision not to register.

### 6.7 RETENTION OF TRANSFERS

South Canterbury Finance is to direct the Registrar to retain all instruments of transfer of Secured Bonds which are registered, but any instrument of transfer of Secured Bonds the registration of which was declined or refused (except on the ground of suspected fraud) is to be returned to the party lodging the transfer.

### 6.8 POWERS OF ATTORNEY

Any power of attorney granted by a Secured Bondholder empowering the donee to deal with, or transfer Secured Bonds, which is lodged, produced or exhibited to the Registrar will be deemed to continue and remain in full force and effect as between South Canterbury Finance, the Trustee, the Registrar and the grantor of that power, and may be acted on, until express notice in writing that it has been revoked or notice of the death of the grantor has been received at the Registry.

### 6.9 TRANSMISSION BY OPERATION OF LAW

Any person becoming entitled to any Secured Bond by operation of law (including the death or bankruptcy of any Secured Bondholder) may, upon producing such evidence of entitlement as is acceptable to South Canterbury Finance, obtain registration as the Secured Bondholder of such Secured Bond or execute a transfer of such Secured Bond. This provision includes any case where a person becomes entitled as a survivor or persons registered as joint Secured Bondholder.

### 6.10 NOTICES

All notices given by Secured Bondholders in accordance with these Conditions will be irrevocable.

### 6.11 SALE OF LESS THAN MINIMUM HOLDING

The board of South Canterbury Finance may at any time give notice to any Secured Bondholder holding less than a Minimum Holding of Secured Bonds that if at the expiration of three months after the date the notice is given the Secured Bondholder still holds Secured Bonds which are less than a Minimum Holding, the board may exercise the power of sale of those Secured Bonds set out in this Condition 6.11. If that power of sale becomes exercisable:

- (a) the board may arrange for the sale of those Secured Bonds through the NZDX Debt Market or in some other manner approved by NZX;
- (b) the Secured Bondholder shall be deemed to have authorised South Canterbury Finance to act on the Secured Bondholder's behalf and to execute all necessary documents for the purposes of that sale;
- (c) South Canterbury Finance shall account to the Secured Bondholder for the net proceeds of sale of the Secured Bonds (after deduction of reasonable sale expenses), which shall be held on trust for the Secured Bondholder by South Canterbury Finance and paid to the Secured Bondholder for the Secured Bonds sold; and
- (d) the title of a purchaser of any notes sold pursuant to this Condition 6.11(d) shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.

## SUMMARY OF TRUST DEED

The Trust Deed provides for the issue by South Canterbury Finance of first and second ranking debenture stock, Stock, bonds, variable notes and unsecured deposits. The debt obligations issued by South Canterbury Finance under the Trust Deed are subscribed for by investors pursuant to one or more prospectuses registered by the Company under the Securities Act 1978, and associated investment statements. South Canterbury Finance and each of the Charging Subsidiaries charge and create a security interest in favour of the Trustee over their right, title and interest in their present and future assets as security for the payment of sums owing in respect of all secured debt issued by South Canterbury Finance under the Trust Deed. Repayment of debt issued under the Trust Deed, and any interest payable on such debt, is not guaranteed by the Trustee.

The Trust Deed prohibits South Canterbury Finance and each Charging Subsidiary from making any distribution (as defined in the Companies Act 1993) except in accordance with applicable laws and only to the extent that such distribution will not constitute a breach of the Trust Deed. It is an event of default under the Trust Deed if South Canterbury Finance, without the prior written consent of the Trustee, makes any distribution (as defined in the Companies Act 1993) while any principal or interest due and payable under any securities issued under the Trust Deed remains unpaid due to the default of South Canterbury Finance or a Charging Subsidiary.

Further, the Trust Deed provides that neither South Canterbury Finance nor a Charging Subsidiary may borrow money from, or lend money to, a Non-Charging Related Company (as defined in the Trust Deed) on terms or security which are more favourable to such Non-Charging Related Company than those offered by South Canterbury Finance or the Charging Subsidiary (as the case may be) to other unrelated borrowers or lenders (as the case may be) of a comparable financial status.

The Trust Deed also contains a number of financial and other covenants which are given in favour of the Trustee by South Canterbury Finance and the Charging Subsidiaries for the benefit of holders of the securities issued under the Trust Deed including the Secured Bondholders. These covenants are set out on page 66.

In accordance with the New Zealand Government's on-going review of the regulatory framework that applies to New Zealand's financial services sector, and as a result of recent finance company receiverships, the Securities Regulations 1983 were amended in September 2007 to provide trustees with additional powers in relation to their supervision of the activities of finance companies. These powers which are deemed to be contained in the Trust Deed include the power to appoint an independent auditor to audit the financial statements of the borrowing group of the finance company, and to appoint an expert to assist the trustee to determine the true financial position of the company, and recover the fees and expenses from the company. Finance companies also have new additional reporting obligations under the regulations, such as the obligation to provide regular reports to the trustee about the Company's financial position and to regularly certify compliance with the trust deed.

### DESCRIPTION OF STOCK AND DEPOSITS

The Stock and Deposits are created and issued pursuant to the terms of the Trust Deed dated 12th April 1976 (as amended by an Amending and Supplemental Trust Deed dated 30th June 1995, a Deed of Amendment dated 25 March 1999 and a Deed of Modification dated 4 February 2003) hereinafter called "the Trust Deed", and made between the Company, the Charging Subsidiaries of the Company, as guarantors of the Stock and Deposits, and Trustees Executors Ltd as Trustee for the Stockholders and Depositors. The Charging Subsidiaries are Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Face Finance Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury

Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd. The Trust Deed provides for the issue by the Company of:

- (i) First Ranking Stock (which includes the Secured Bonds being offered under this Offer Document) and Second Ranking Stock (including Bearer Stock)
- (ii) Stock and Variable Notes; and
- (iii) Deposits.

The Trust Deed contains a first ranking floating charge and security interest given by the Company and each of the Charging Subsidiaries over all their undertakings, property and assets, both present and future in relation to the Stock. Deposits and Variable Notes are not secured by any charge. Neither the repayment of the Stock nor Deposits nor the payment of interest thereon is guaranteed by the Trustee.

### JOINING OF NEW AND RELEASE OF EXISTING CHARGING SUBSIDIARIES

(Each wholly owned subsidiary of South Canterbury Finance is required to become a member of the Charging Group subject to the terms and conditions of the Trust Deed. This requirement is subject only to the Trustee having the discretion, upon application from two Directors of the Company certifying that there are sound commercial reasons why such a subsidiary should not be obliged to become a Charging Subsidiary, to not require such subsidiary to become a member of the Charging Group. Notwithstanding any such exclusion from the Charging Group, the Trustee may subsequently withdraw such dispensation and require the subsidiary to become a Charging Subsidiary.

The Trustee has agreed that Southland Finance Limited, a wholly owned subsidiary of the Company, (and its respective charging subsidiaries from time to time) is not required to become a member of the Charging Group. Southland Finance Limited has entered into a separate trust deed with the Trustee under which it is entitled to issue debt securities. This trust deed contains financial and other covenants binding on Southland Finance Limited and its charging subsidiaries and includes similar restrictions on Southland Finance Limited making distributions and borrowing or lending money as those described above in relation to the Charging Group.

The Trustee may at any time before a Date of Enforcement without any approval by the Holders unless, in the opinion of the Trustee the interests of the Holders would be materially prejudiced and on such terms as the Trustee thinks fit, release any Charging Subsidiary from its guarantee and other obligations under the Trust Deed and /or release any part of the Charged Assets from the operation of any charges created by or pursuant to the Trust Deed.

### RANKING OF SECURITIES

The Company and the Charging Subsidiaries are at liberty to give security in any form to their creditors in priority to the Trust Deed provided that such Prior Charges must not exceed 7.5% of Total Tangible Assets (as defined in the Trust Deed) provided further that Prior Charges can increase to 10.0% of Total Tangible Assets for a period of not more than 12 months if such increase is the result of a Subsidiary becoming a Charging Subsidiary and that Subsidiary had granted or was subject to a Charge prior to it becoming a Charging Subsidiary. As at 30th June 2007 the aggregate amount of securities that were secured by a mortgage or charge over any of the assets of the Charging Group and that rank in point of security ahead of the Secured Bonds being offered in this Offer Document, was \$4,750,787. The amount of First Ranking Stock outstanding as at 30th June 2007, was \$1,323,284,737 which First Ranking Stock ranks equally with the Secured Bonds offered under this Offer Document, and ahead of unsecured creditors. The Trust Deed enables the Company to issue additional First Ranking Stock ranking equally as to priority with the Secured Bonds offered under this Offer Document.



## RESTRICTION OF STOCK AND OTHER LIABILITIES

In the Trust Deed the Company and the Charging Subsidiaries covenant with the Trustee that none of them will at any time:

- (a) Permit the aggregate of:
  - (i) the Principal Moneys (other than amounts contingently owing) of First and Second Ranking Stock;
  - (ii) the amount of Total Contingent Liabilities secured by First Ranking Stock; and
  - (iii) the principal amounts outstanding under Prior Charges to exceed the aggregate of:
    - (aa) 98% of Total Readily Realisable Investments;
    - (bb) 92% of Total Secured Receivables;
    - (cc) 85% of Total Unsecured Receivables;
    - (dd) 70% of Total Real Property; and
    - (ee) 70% of Total Other Tangible Assets.
- (b) Permit the Total Liabilities (excluding Total Contingent Liabilities) to exceed an amount equal to 12 times Shareholders' Funds.
- (c) Permit the aggregate book value of equity securities (as defined in the Securities Act) in any Person (other than the Company and the Charging Subsidiaries) held by the Company and the Charging Subsidiaries other than any of the equity securities held as security for financial accommodation extended by the Company or a Charging Subsidiary or held as a consequence of the enforcement of any security interest to exceed 100% of the aggregate amount of Shareholders' Funds excluding the book value of any holding by the Company of listed equity securities at the Commencement Date as notified in writing to the Trustee.
- (d) Permit the Exposure to any Person or any Single Group to exceed an amount equal to 35% of Shareholders' Funds provided that subject in all cases to compliance with (c) above such limitation shall not apply where the Exposure of the Company and the Charging Subsidiaries to a Person or Single Group is more than 35% of Shareholders' Funds at the Commencement Date as notified in writing to the Trustee.
- (e) Permit the Total Contingent Liabilities to exceed 150% of Shareholders' Funds.
- (f) The Trust Deed also restricts disposal of assets to and the giving of guarantees on behalf of Non-Charging Subsidiaries.

## ISSUE OF STOCK AND UNSECURED DEPOSITS

The Trust Deed authorises the Company to issue Stock (including Stock to banks or other lenders as security for banking facilities and/or liabilities and also Bearer Stock) which is secured by the floating charge contained in the Trust Deed, and unsecured Deposits. Issues of Stock may be made from time to time provided the Company does not breach the limitations imposed by the Trust Deed. The Secured Bonds being offered under this Offer Document rank equally with all other First Ranking Stock on issue for the time being regardless of maturity dates, and rank ahead of all Deposits issued under the Trust Deed.

## REPORTS TO THE TRUSTEE

The Company and its subsidiaries are required to produce audited accounts half yearly and copies of these accounts must be supplied to the Trustee together with a report by the auditor as to the compliance by the Charging Group with the terms of the Trust Deed and providing information as to Stock and Deposits on issue, Prior Charges, the liabilities of the Charging Group and the various assets at balance date. The Directors of the Company must also report at the same time as the accounts are supplied and provide certificates to the Trustee certifying that the various covenants and restrictions have been met. In addition the Directors are required to make quarterly reports to the Trustee.

## DUTIES OF THE TRUSTEE

The following is a summary only of the duties of the Trustee:

1. To receive and consider the regular financial reports furnished to it by the Company and its auditors.
2. On the basis of the provisions of the Trust Deed including any limitations arising from them to oversee compliance by the Company with all its covenants and obligations under the Trust Deed and the terms or conditions of issue of any Stock or Deposits.
3. To take and hold all charges by the Company and Charging Subsidiaries provided for by the Trust Deed.
4. To exercise its discretion whether to enforce the security constituted by the Trust Deed upon the happening of an event of default in the circumstances outlined in the Trust Deed.
5. To enforce the security constituted by the Trust Deed upon the happening of an event of default in the circumstances outlined in the Trust Deed and upon the request in writing of the registered holders of at least one-fifth in nominal amount of the Stock for the time being outstanding or upon being directed to do so by an Extraordinary Resolution. The Trustee also has certain duties by virtue of the provisions of the Securities Act 1978 and the Securities Regulations 1983.
6. To exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the Conditions of the Secured Bonds has occurred and except where it is satisfied that the breach will not materially prejudice the security of the Stock or the interest of the Stockholders, shall do all such things as it is empowered to do to cause any breach of those terms to be remedied.
7. To exercise reasonable diligence to ascertain whether or not the assets of the Charging Group are or are likely to be sufficient to repay the amounts of Stock as these fall due.
8. To perform its obligations in relation to the amendments to the Securities Regulations 1983 made in 2007 (which obligations are set out in more detail in the fifth paragraph on page 65 of the "Summary of the Trust Deed").

## OTHER PROVISIONS OF THE TRUST DEED

### ENFORCEMENT

The Trustee in its discretion may, and if so requested in writing of any Major Security Stockholder or the holders of at least one fifth part of the nominal amount of Stock or upon being directed to do so by an Extraordinary Resolution must, declare the Stock (including the Secured Bonds) and Deposits to have become immediately due and repayable and the security enforceable if there is any default in the payment on due date of the Principal Moneys secured by the Stock or the Existing Stock or if after a period of 14 days from the due date any interest remains outstanding. Similarly, Stock and Deposits become payable and, in relation to the Stock, the security enforceable, if there is any breach of the covenants of the Trust Deed or upon the happening of a number of other events which are specified.

### MEETINGS OF STOCKHOLDERS AND DEPOSITORS

The Trust Deed provides for meeting of Stockholders and Depositors and the matters which may be determined by Extraordinary Resolution. Either the Trustee or the Company may convene such meetings and the Trustee is required to do so at the request in writing of Stockholders or Depositors holding not less than 10% of the nominal amount of the Stock or Deposits. The powers which are exercisable by an Extraordinary Resolution are set out in paragraph 15.1 of the second schedule of the Trust Deed. On a resolution the vote of a majority at a duly convened meeting with the necessary quorum binds all Stockholders or Depositors. The required majority for passing an Extraordinary Resolution is not less than three-fourths of the persons at a duly convened meeting voting in favour or on a poll by a majority consisting of not less than three-fourths of the votes given.

## INSPECTION OF THE TRUST DEED

The above is not intended to be a summary of the terms and conditions of the Trust Deed but an indication of some of the principal covenants of the Company and Charging Subsidiaries. Certain words beginning with a capital letter are defined or described in the Trust Deed, copies of which are available and may be inspected during business hours at the office of Messrs Hubbard Churcher & Co., Chartered Accountants, 39 George Street, Timaru, or at the office of the Company, 7 Sophia Street, Timaru, or at the Wellington office of the Trustee, or viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

## DEFINITIONS

On page 66 of this Offer Document, there is an outline of the financial restrictions which the Trust Deed imposes on the Charging Group. The following terms used in that outline have the following definitions in the Trust Deed:

**"Commencement Date"** means 30 June 1995 or such date that the Company and the Trustee agree in writing.

**"Deposits"** means all amounts from time to time deposited with and accepted by the Company as unsecured deposits constituted under this the Trust Deed, and for the time being outstanding, or a specified position thereof as the case may require, and includes the Principal represented thereby, and includes as the context permits or requires, Variable Notes.

**"Exposure"** means the aggregate of:

- (a) all amounts (other than uncapitalised interest) payable on any account to the Charging Group and any amount which the Charging Group is or would if requested be obliged to advance or otherwise make available under any undrawn commitment of the Charging Group to the relevant Single Group or Person, (which for purposes of this subparagraph (a) excludes any deposits with, or credit balances with, a Bank or any other amounts payable or owing by any Bank), but does not include amounts payable to the Charging Group from any assignor in respect of the assignment (whether absolute or by way of charge) to the Charging Group or any securities given to the assignor in the ordinary course of the business of the assignor or given to the assignor in respect of or to secure transactions entered into by the assignor in the ordinary course of its business provided that the aggregate amount payable under such assigned security is owned by an independent third party and is not less than the amount payable to the Charging Group from the assignor in respect of the assignment; and
- (b) all amounts paid or payable by the Charging Group on account of any equity subscription or other investment in any other Person or Single Group;

**"First Ranking Security Stock"** means First Ranking Stock issued pursuant to and in accordance with Clause 4.5(a) of the Trust Deed.

**"First Ranking Stock"** means all Stock constituted and issued by the Company as First Ranking Stock (including all First Ranking Security Stock) under and pursuant to the Trust Deed from time to time outstanding and ranking for Principal and interest in priority to the Second Ranking Stock and Deposits, and includes the Principal Moneys represented thereby, and includes the Secured Bonds offered under this Offer Document.

**"Person"** includes an individual, a person sole and any association of persons whether corporate or unincorporate, any government or department or agency thereof and any legislative body, authority or agency whether having separate legal personality or not.

**"Principal Moneys"** means:

- (a) in relation to Security Stock, the Security Stock Pari Passu Amount in respect of such Stock;
- (b) in relation to Variable Notes, the Variable Notes Pari Passu Amount in respect of such Deposits Notes; and
- (c) in relation to Securities other than Security Stock and Variable Notes, the amount (other than interest) payable on

redemption of the Securities inclusive of the premium (if any) on the Security payable in accordance with the conditions of issue of such Securities.

**"Prior Charge"** means any Charge on the Charged Assets or any part of the Charged Assets ranking in priority to the charges in favour of the Trustee created by or pursuant to the Trust Deed or as the case requires the principal amounts secured by such Charge but shall not include any Charge of the kind referred to in section 102(1)(b) of the Companies Act 1955 or any Charge which is secured solely over Assets which for any reason is not taken into account in the calculation of Total Tangible Assets used in the financial ratios in Clause 16 of the Trust Deed.

**"Reference Date"** means the date at which a calculation is to be made for the purposes of the Trust Deed.

**"Second Ranking Security Stock"** means Second Ranking Stock issued pursuant to and in accordance with Clause 4.5(a) of the Trust Deed.

**"Second Ranking Stock"** means all Stock constituted and issued by the Company as Second Ranking Stock (including all Second Ranking Security Stock) under and pursuant to the Trust Deed from time to time outstanding and ranking for Principal and interest immediately after the First Ranking Stock and includes the Principal Moneys represented thereby.

**"Security Stock"** unless the context otherwise requires, includes First Ranking Security Stock and Second Ranking Security Stock.

**"Shareholders' Funds"** means the aggregate of:

- (a) the amount by which the Total Tangible Assets of the Charging Group exceeds the Total Liabilities of the Charging Group (as would be disclosed in a Balance Sheet if one was prepared at the Reference Date); and
- (b) the estimated net proceeds of that portion of any proposed increase in the issued share capital of the Company which is payable in cash within three months of the date at which the calculation of the above amounts is being made and which is Underwritten, to the extent that the proposed increase in paid up capital is (according to a Directors' Certificate) intended to be applied within three months in or towards satisfaction of Liabilities other than Convertible Notes or Subordinated Debt; adjusted by deducting:-
  - the book value of all Assets of the Charging Group which are situated overseas and which are not charged in favour of the Trustee to the Trustee's satisfaction.

**"Single Group"** means a group of companies or a partnership or any other commercial association of Persons which, for trading, consolidation of accounts, raising of credit, debenture trust deed or other commercial purposes acts as one group.

**"Stock"** means all securities by whatever name called from time to time issued on the basis that they are secured by and have the benefit of the charges over the Charged Assets created by or pursuant to the Trust Deed and that are still outstanding, or a specified portion thereof as the case may require, and includes the Principal Moneys represented thereby.

**"Total Contingent Liabilities"** means the aggregate of all uncalled capital held by the Charging Group in any External Person, plus the aggregate of all other Contingent Liabilities of the Charging Group under financial guarantees, indemnities, bonds or other similar binding financial obligations in respect of or for the benefit of any External Person, but does not include Contingent Liabilities:

- (i) which are secured to the Charging Group to the satisfaction of the Trustee or in respect of which the Company or any Charging Subsidiary has to the satisfaction of the Trustee a right of subrogation to a security approved by the Trustee;
- (ii) in respect of which any Charging Group Member has been guaranteed or indemnified to the satisfaction of the Trustee; or
- (iii) whereby any Charging Group Member guarantees the payment of moneys under any lease of Real Property by any Charging Group Member or improvements situated thereon, provided always that in respect of any such financial guarantee, bond, indemnity or other similar binding financial obligation the Contingent Liability under which is joint and several or several the amount to be included shall be limited



to a proper proportionate part of such liability if in the opinion of the Directors the other parties to such obligation will be able to meet their proportionate liability thereunder.

“**Total Liabilities**” means the aggregate of the amounts of all Liabilities of the Charging Group Members as would be disclosed in a Balance Sheet if one was prepared as at the Reference Date and adjusted by deducting from those Liabilities:

- (a) the Convertible Note Amount;
- (b) all Subordinated Debt.

“**Total Other Tangible Assets**” means the Total Tangible Assets of the Charging Group other than:

- (a) Total Readily Realisable Investments;
- (b) Total Secured Receivables;
- (c) Total Unsecured Receivables;
- (d) Total Real Property.

“**Total Readily Realisable Investments**” means the aggregate of the Market Worth of all Readily Realisable Investments of the Charging Group as would be disclosed in a Balance Sheet if one was prepared as at the Reference Date.

“**Total Real Property**” means the aggregate of the Market Worth of all Real Property of the Charging Group comprised in the Charged Assets as would be disclosed in a Balance Sheet if one was prepared as at the Reference Date.

“**Total Secured Receivables**” means the aggregate of the Market Worth of all Secured Receivables of the Charging Group as would be disclosed in a Balance Sheet of the Charging Group if one was prepared as at the Reference Date.

“**Total Unsecured Receivables**” means the aggregate of the Market Worth of all Unsecured Receivables of the Charging Group as would be disclosed in a Balance Sheet of the Charging Group if one was prepared as at the Reference Date.

## ANSWERS TO IMPORTANT QUESTIONS

The purpose of this section of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for Secured Bonds under the Offer. Investors should note that other important information about the Offer is set out elsewhere in this Offer Document.

### WHAT SORT OF INVESTMENT IS THIS?

**The Offer:** This is an offer of up to \$100 million Secured Bonds plus up to an additional \$25 million Secured Bonds by way of oversubscription. The Secured Bonds are being offered at an Issue Price of \$1.00 per Secured Bond.

The Secured Bonds are investments with a fixed return for a fixed period subject to the Secured Bondholder Put Option set out in the "Conditions of the Secured Bonds" on pages 61 to 64.

**Type of Instrument:** The Secured Bonds are debt securities for the purposes of the Securities Act 1978. The Secured Bonds have the benefit of, and are subject to, the provisions of the Trust Deed and the conditions applicable to the Secured Bonds. For a more detailed description of the terms of the Trust Deed and the conditions applicable to the Secured Bonds, see the sections of this Offer Document entitled "Summary of Trust Deed" and "Conditions of the Secured Bonds" respectively.

The Secured Bonds do not benefit from any capital growth in South Canterbury Finance and Secured Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the Shares of South Canterbury Finance. The Secured Bonds are not Shares and no voting rights will attach to the Secured Bonds (other than the right to attend and vote at meetings of Secured Bondholders).

**Security:** The Secured Bonds constitute First Ranking Stock issued by the Company pursuant to its Trust Deed and are guaranteed by the Charging Subsidiaries. The Trust Deed contains a floating charge and security interest given by the Company and each of the Charging Subsidiaries over all their undertakings, property and assets, both present and future.

The Secured Bonds rank in priority for repayment ahead of all other amounts owed by the Company with the exception of permitted Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages) in the event of a winding up. As at the date of this Offer Document there are permitted Prior Charges totalling approximately \$3.984 million. The Secured Bonds will rank equally in all respects with all existing (and future) First Ranking Stock issued by the Company.

For further information on the Secured Bonds refer to the "Conditions of the Secured Bonds" on page 61 to 64.

**Guarantors:** The obligations of South Canterbury Finance in respect of the Secured Bonds are guaranteed by the Charging Subsidiaries which, as at the date of this Offer Document, are: Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd (all of which are wholly owned by South Canterbury Finance) and Face Finance Ltd (which is 75% owned by South Canterbury Finance).

Other Charging Subsidiaries may be added or, in limited circumstances, removed. For further information refer to the section "Summary of Trust Deed" on page 65 to 68.

Other than South Canterbury Finance and the Charging Group, none of South Canterbury Finance's directors, its non-charging subsidiaries, the Lead Manager and Organising Participant, the Underwriter, the Trustee, nor any of their respective directors, officers or employees, or any other person guarantees the payment of interest or any other amounts due under the Secured Bonds or the amount of returns which investors may receive as holders of Secured Bonds.

**Interest:** The Secured Bonds will bear interest at a fixed interest

rate from the date of allotment until the Maturity Date of 15 December 2012, which rate will be set on 17 December 2007 at the higher of:

- 10.25% (the Base Rate); or
- the aggregate of the Benchmark Rate as at 17 December 2007 and the Margin.

South Canterbury Finance can, in its discretion, increase (but cannot decrease) the Base Rate or Margin over the Benchmark Rate at any time during the term of the Offer, following consultation with the Lead Manager and Organising Participant, by announcing any such increase to the NZX. The Interest Rate, once fixed on 17 December 2007, will be announced to NZX and advised to all successful applicants when they receive notice of the number of Secured Bonds issued to them.

Interest on the Secured Bonds will be calculated and will accrue daily from the date of allotment of each Secured Bond to the Maturity Date on a 365-day year basis, but with the period between Interest Dates (other than the period between allotment and the first Interest Date) deemed to be exactly one quarter of a year. Interest will be payable quarterly in arrears on the Interest Dates (15 March, 15 June, 15 September and 15 December) with the first payment due on 15 March 2008 and a final payment on maturity.

Additional information regarding the calculation and payment of interest can be found on pages 62 and in the "Conditions of the Secured Bonds" on pages 61 to 64.

**Term:** The Secured Bonds will remain in existence unless and until they mature on 15 December 2012, or are purchased by South Canterbury Finance (or one of its subsidiaries) in accordance with the "Conditions of the Secured Bonds". In the event that there is a Change of Control Event (as defined in the Conditions of the Secured Bonds) in respect of South Canterbury Finance, the Trustee will convene a meeting of Secured Bondholders for the purpose of deciding whether they should have the right to request that South Canterbury Finance purchase their Secured Bonds.

**Rights in Liquidation:** The Secured Bonds rank in priority for repayment ahead of all other amounts owed by the Company with the exception of permitted Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages) in the event of a winding up. The Secured Bonds will rank equally in all respects with all existing (and future) First Ranking Stock issued under the Trust Deed and without preference among themselves.

The Company can grant Prior Charges which rank in priority ahead of First Ranking Stock. In accordance with the Trust Deed, Prior Charges must not exceed 7.5% of Total Tangible Assets except in certain circumstances, where, for a limited time, Prior Charges can increase to 10.0% of Total Tangible Assets. Further details are set out in the section entitled "Summary of Trust Deed" on pages 65 to 68.

**Voting:** Holders of Secured Bonds have the right to attend and vote at meetings of Secured Bondholders and meetings of First Ranking Stockholders. The Secured Bonds carry no right to vote at meetings of ordinary shareholders of the Company other than a meeting at which a proposal to amend the terms of the Secured Bonds is to be considered.

The above is a simplified and general description of some of the rights and obligations of Secured Bondholders. The full terms and conditions of the Secured Bonds are set out under the heading "Conditions of the Secured Bonds" on pages 61 to 64.



#### NEW ZEALAND EXCHANGE LISTING

Application has been made to NZX for permission to list the Secured Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Initial quotation of the Secured Bonds on the NZDX Market is expected to occur on 20 December 2007. NZX has authorised Primary Market Participants to act in respect of this Offer.

#### CONSTITUTION

The Constitution of the Company is available for inspection on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

#### UNDERWRITING

Forsyth Barr Group Limited has agreed to underwrite the Offer up to a maximum of \$75 million. Further information on the Underwriting Agreement is set out in the section entitled "Statutory Information" on pages 76 to 77.

#### OTHER TERMS OF THE OFFER

All of the terms of the Offer and the Secured Bonds, except those rights and obligations implied by law, are set out in this Offer Document and the Trust Deed, both of which are available for public inspection at the Company's registered office at c/- Hubbard Churcher & Co., 39 George Street, Timaru, free of charge, or on payment of the applicable fee (if any) on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

### WHO IS INVOLVED IN PROVIDING IT FOR ME?

#### ISSUER

South Canterbury Finance Limited (registered number 121022) is the issuer of the Secured Bonds and is offering Secured Bonds with an aggregate Principal Amount of up to \$100 million for subscription under the Offer, plus up to an additional \$25 million of Secured Bonds by way of oversubscriptions, at an Issue Price of \$1.00 per Secured Bond.

South Canterbury Finance was incorporated in New Zealand on 10 February 1926 under the Companies Act 1908 and can be contacted at its registered office at c/- Hubbard Churcher & Co., 39 George Street, Timaru.

#### ACTIVITIES

The principal activities of the Company are to raise funds from the public and on-lend those funds to borrowers in the business, plant and equipment, property, rural, and consumer sectors. It has been carrying on these activities since its incorporation in 1926.

A full description of South Canterbury Finance's activities is set out under the heading "Business Description" on pages 16 to 20.

#### TRUSTEE

The Trustee in respect of the Secured Bonds is Trustees Executors Limited. The Trustee can be contacted at Level 1, 50-64 Customhouse Quay, Wellington.

### HOW MUCH DO I PAY?

The Issue Price of each Secured Bond is \$1.00, which must be paid in full by applicants at the time of application under this Offer. Cheques should be made payable to "South Canterbury Finance Secured Bond Offer", be crossed "Not Transferable" and must not be post-dated. Applications to subscribe for Secured Bonds must be for a minimum of 5,000 Secured Bonds (being a minimum application amount of \$5,000) and thereafter in multiples of 1,000 Secured Bonds (i.e., multiples of \$1000).

Applications made pursuant to a firm allocation or under the Public Pool (if any) must be made on the Application Form at the back of this Offer Document. Applications must be lodged with the Registrar, or returned to South Canterbury Finance, or the Lead Manager and Organising Participant or any Primary Market Participant through which a firm allocation was obtained, or any other channel approved by NZX, in time for such applications to be forwarded to the Registrar by 5:00pm on 14 December 2007:

South Canterbury Finance Secured Bond Offer  
c/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622  
Private Bag 92-119  
Auckland 1142

South Canterbury Finance, in conjunction with the Lead Manager and Organising Participant, has the right to vary the Opening Date and the Closing Date, on giving written notice to NZX, and to refuse all or any part of any application without providing a reason.

Secured Bonds will be allotted at the Company's sole discretion. The Company will advise successful applicants of the number of Secured Bonds allotted to them within five days of the Final Allotment Date.

Applications for Secured Bonds under this Offer (other than applications under firm allocations) may be subject to scaling at the Company's discretion. Further information on how to apply for Secured Bonds is set out in the section of this Offer Document entitled "Application Instructions" on page 79.

There is no cooling off period in which an applicant for the Secured Bonds may cancel their application for Secured Bonds.

### WHAT ARE THE CHARGES?

Applicants are not required to pay any charges to the Company, other than the Issue Price of \$1.00 for each Secured Bond allotted to them under this Offer.

Details of the fees and expenses incurred in respect of the Offer and payable by the Company are set out in the section of this Offer Document entitled "Statutory Information". Those expenses are estimated to be approximately \$2,900,000, based on the Offer amount of \$100 million.

No brokerage is payable by any subscriber for Secured Bonds under the Offer, although brokerage may be payable if Secured Bonds are bought and sold in the secondary market.

Brokerage is payable by the Company to Primary Market Participants, the Lead Manager and Organising Participant and other approved intermediaries at the rate of:

- 1.25% of the aggregate Issue Price of Secured Bonds allotted pursuant to valid applications bearing their stamp; and
- 0.50% of the aggregate Issue Price of Secured Bonds allotted pursuant to valid applications submitted under firm allocations bearing their stamp.

## WHAT RETURNS WILL I GET?

The information set out in this section should be read in conjunction with the information set out in the section of this Offer Document entitled "What are my risks?". Certain events could reduce or eliminate the returns intended to be derived from holding the Secured Bonds.

Secured Bondholders are entitled to receive interest on the Secured Bonds at the Interest Rate.

### INTEREST RATE

The entity legally liable to pay interest on the Secured Bonds to Secured Bondholders is South Canterbury Finance. The Secured Bonds will bear interest at a fixed interest rate from the date of allotment until the Maturity Date of 15 December 2012.

Interest will be payable on a quarterly basis. The interest rate for each Secured Bond will be set on 17 December 2007 at the higher of:

- 10.25% (the Base Rate); or
- the aggregate of the Benchmark Rate as at 17 December 2007 and the Margin.

South Canterbury Finance can, in its discretion, increase (but cannot decrease) the Base Rate or Margin over the Benchmark Rate at any time during the term of the Offer, following consultation with the Lead Manager and Organising Participant, by announcing any such increase to the NZX. The Interest Rate, once fixed on 17 December 2007, will be announced to NZX and advised to all successful applicants when they receive notice of the number of Secured Bonds issued to them. All Secured Bonds allotted under this Offer will bear interest at the Interest Rate, regardless of when they are allotted.

The First Interest Payment Date is 15 March 2008 and interest on that date will be payable to the original subscriber, irrespective of any transfer of the Secured Bonds by the original subscriber prior to the First Interest Payment Date.

Subsequent interest payments will be made quarterly in arrears on each Interest Date thereafter (being each 15 December, 15 March, 15 June and 15 September) until the Maturity Date (15 December 2012), to registered Secured Bondholders on the Record Date for determining entitlements to interest payments. Interest is paid in four equal amounts per year on the dates referred to above with the period between Interest Dates deemed to be exactly one quarter of one year.

The principal factors that will determine the returns to holders of Secured Bonds are:

- the fixed interest rate attaching to the Secured Bonds;
- the performance by South Canterbury Finance of its obligations as the issuer of the Secured Bonds (including the payment of interest on the Interest Dates) and the performance of the Charging Group;
- whether, in the event that there is a Change of Control Event (as defined in the Conditions of the Secured Bonds) in respect of South Canterbury Finance, Secured Bondholders decide by extraordinary resolution that they should have the right to require the Company to purchase their Secured Bonds and exercise their Secured Bondholders Put Option;
- if Bondholders choose to sell their Secured Bonds through the NZX, the effect of market interest rates on the price at which Bonds may be sold. The market price of the Secured Bonds will, amongst other factors, be subject to general interest rate movements and supply and demand and may therefore fluctuate up and down on a daily basis; and
- each Secured Bondholder's individual circumstances for tax purposes.

### REPAYMENT ON MATURITY

The Secured Bonds are to be repaid in full by South Canterbury Finance on the Maturity Date.

### EVENT OF DEFAULT

If there is any default in the payment on due date of the Principal Amount of the Secured Bonds or if, after a period of 14 days from the due date, any interest remains unpaid on the Secured Bonds, the Trustee may, in its discretion, and upon written request of any Major Security Stockholder or of such percentage of holders of Stock as specified in the Trust Deed, declare that the Stock Moneys (of which the Secured Bonds form part) have become immediately due and payable and the security enforceable. Similarly, if there is any breach of the covenants of the Trust Deed or upon the happening of a number of other specified events, the Secured Bonds will become due and payable and the security enforceable.

### SALE OF SECURED BONDS

Secured Bondholders are entitled to sell their Secured Bonds at any time subject to applicable securities laws and regulations. Secured Bondholders may benefit from any increase in the market value of the Secured Bonds. Secured Bondholders who sell their Secured Bonds will receive returns from the sale (i.e. the price the buyer agrees to pay). None of South Canterbury Finance or its Charging Subsidiaries promises any amount of returns on a sale of Secured Bonds. For further information, see the section of this Offer Document entitled "How do I cash in my investment?".

### TAXATION

The Company is required to deduct withholding tax at a rate, being at the option of the investor, of 19.5c or 33c, or 39c per \$1, from interest paid or credited each quarter or on maturity, unless the recipient holds a valid Certificate of Exemption issued by the Inland Revenue Department to qualifying investors. Subject to individual circumstances the tax withheld can be claimed as a credit by investors in their tax returns. Investors are required to advise the Company of their IRD number. Where no IRD number has been supplied the Company must deduct withholding tax at the no declaration rate of 39c per \$1 of interest earned.

Secured Bondholders who are not resident in New Zealand for tax purposes or otherwise, or carrying or carrying on business from a fixed establishment in New Zealand, may in writing request South Canterbury Finance to advise the basis, if any, upon which South Canterbury Finance, at no cost to itself, is prepared from time to time to deduct and pay an approved issuer levy (within the meaning of section 86F of the Stamp and Cheque Duties Act 1971) as an alternative to the exercise by South Canterbury Finance of its rights to deduct withholding tax as referred to in Condition 4.4(a) (Deduction for Withholding). South Canterbury Finance may make such arrangements with those Secured Bondholders to pay the levy as it sees fit in its absolute discretion and may decline any such request without giving reasons.

### GUARANTEE

The obligations of South Canterbury Finance in respect of the Secured Bonds are unconditionally guaranteed by the following companies which are the Charging Subsidiaries: Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Finance Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd (all of which are wholly owned by South Canterbury Finance) and Face Finance Ltd (which is 75% owned by South Canterbury Finance).

Under the Trust Deed, the Charging Subsidiaries have granted charges in favour of the Trustee over their undertakings, property and assets, both present and future, to secure the performance of their obligations under the guarantee, subject to permitted Prior Changes and statutorily preferred claims.

The members of the Charging Group are the only persons who have given guarantees or security in respect of the Secured Bonds. None of South Canterbury Finance's Directors, Southbury Group Limited, the Lead Manager and Organising Participant, any of their respective officers or employees, nor any other person, guarantees the Secured Bonds or the returns that Secured Bondholders may receive on their Secured Bonds.



## WHAT ARE MY RISKS?

No investment is risk-free and the Secured Bonds are no exception. The principal risks for Secured Bondholders are that:

- they may not receive timely, or any, interest payments on the Secured Bonds; or
- the Company may not be able to repay their Secured Bonds on the Maturity Date; or
- they may not otherwise be able to recoup their original investment amount.

This could happen for a number of reasons, including if:

- the price at which Secured Bondholders are able to sell their Secured Bonds is less than the price they have paid for them due to interest rate movements, credit spread movements, supply and demand, the market or for other reasons;
- Secured Bondholders are unable to sell their Secured Bonds at all due to lack of demand; or
- the Company becomes insolvent.

Subscribers will not in any circumstances be required to pay more money than the Issue Price of the Secured Bonds allotted to them.

The principal factors which may, either individually or in combination, affect the future operating performance of the Company, and its ability to pay interest on and redeem the Secured Bonds, are set out below in this section of this Offer Document. An applicant for Secured Bonds should carefully consider these risks, both general and specific (together with the other information in this Offer Document) before applying for Secured Bonds. The summary of risks presented below is not exhaustive and this Offer Document does not take account of the personal circumstances, financial position or investment requirements of any one investor in particular. **It is imperative, therefore, that, before making any investment decisions, investors give consideration to the suitability of an investment in the Secured Bonds in light of their investment needs, objectives and financial circumstances. You should read this Offer Document in its entirety and consult your sharebroker, accountant, or other professional adviser before deciding whether to apply for Secured Bonds.**

### SPECIFIC RISKS RELATING TO THE OFFER

There is no guarantee that a liquid market will develop for the Secured Bonds. Accordingly, Holders of Secured Bonds may not be able to sell their Secured Bonds for a price equal to or greater than the Issue Price.

The Secured Bonds constitute First Ranking Stock pursuant to the Trust Deed and rank in priority for repayment ahead of all other amounts owed by the Company with the exception of permitted Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages) in the event of a winding up. The Secured Bonds will rank equally with all existing (and future) First Ranking Stock and will rank equally in all respects and without preference among themselves.

The Company can grant Prior Charges which rank in priority ahead of First Ranking Stock. In accordance with the Trust Deed, Prior Charges shall not exceed 7.5% of Total Tangible Assets except in certain circumstances, where, for a limited time, Prior Charges can increase to 10.0% of Total Tangible Assets. For more details, see the section headed "Summary of Trust Deed" on pages 65 to 68.

### INTEREST RATE RISK

Interest rate risk is the risk that market interest rates change and adversely impact on the Company's financial results by affecting the interest margin between its interest earning assets and its interest bearing liabilities. The Company monitors market interest rates on a daily basis and regularly reviews its interest rate exposure. Interest rate risk is reduced by constant monitoring of the interest rate maturity profiles of the Company's borrowings and its receivables.

### CREDIT RISK

Given that the Charging Group's core business is providing lending facilities to customers, there is a credit risk associated with customers not meeting their interest, repayment and other obligations under such lending facilities. In the event of default by a significant borrower or by a significant number of borrowers, the financial performance of the Company could be adversely affected.

The Charging Group's overall credit risk is reduced due to the large number of individual borrowers and the geographic distribution of its loans throughout New Zealand and elsewhere. Industry and product concentrations are managed within established credit policies and underwriting standards. The Company also has formal provisioning policies that are monitored and reviewed by both management and the Board.

The Directors have implemented a number of risk mitigation procedures which are designed to reduce the risk of South Canterbury Finance being unable to recover all the monies owing to it by a borrower or borrowers under a lending facility, including:

- a rigorous loan application and credit approval process that each prospective borrower must complete to the satisfaction of the Company prior to a loan being advanced to that prospective borrower;
- ensuring the previous history of prospective borrowers and the viability of loans are scrutinised;
- ensuring that the Company takes sufficient security to protect its position;
- ensuring that the Company follows stringent policies of monitoring loan performance;
- ensuring that loans are within prudent loan to valuation ratio percentages; and
- ensuring that the covenants in the Trust Deed, pursuant to which the Company's debenture stock is issued, are met.

The Charging Group may, from time to time, lend money to borrowers both inside and outside New Zealand which may be secured over assets in countries outside of New Zealand. To the extent such loans are made, there may be an increased risk associated with the Company's ability to recover those loans or to realise the security granted in respect of them.

### LIQUIDITY RISK

As a result of recent finance company receiverships, there is a risk that South Canterbury Finance may not be able to raise the money required for its lending and investment activities from the issue of debt securities in the ordinary course of its business. In addition, if South Canterbury Finance experiences increased levels of requests for the repayment of its debt securities on their maturity date (rather than having the amounts reinvested) and it has insufficient liquid assets to meet all of those repayment requests, there is a risk that the payment of interest on the Secured Bonds or the repayment of the Secured Bonds on their maturity date could be delayed, less than anticipated or not be made at all. South Canterbury Finance regularly reviews its borrowing and lending books to minimise, so far as is reasonably practicable, the possibility of such a situation arising.

### EXCHANGE RATE RISK

Exchange rate risk is the risk that the Company may face a loss on the repatriation of funds that have been transferred or lent offshore due to changes in the exchange rate. This risk is considered by the Directors to be minimal, as only a limited amount of foreign currency is held at any time. Loans advanced overseas prior to 31 December 2005 are denominated in New Zealand currency and any risk arising from exchange rates is borne by the investor. Subsequently, the Company has entered in

exchange rate swaps with a registered bank. This offers certainty as to the rate of exchange applying to offshore loans that will be payable to the Company, in New Zealand currency, on a pre-determined date.

#### PROPERTY MARKET RISK

South Canterbury Finance's property-based loans are mainly in respect of commercial, residential and rural property developments and investments. Negative movements in the New Zealand property market may lead to a decline in the value of the properties in respect of which loans have been made by South Canterbury Finance and, as a result, may also affect the ability of borrowers to repay those loans. There is also a risk that negative movements in New Zealand property markets may affect the value of the underlying security held by South Canterbury Finance in respect of its loans.

Property development funding is subject to further risks that the development may not be completed in time or at all, that the costs of construction may exceed the budgeted amount and that the building contractor may become insolvent and fail to complete the development.

South Canterbury Finance considers its exposure to risk in this sector is within acceptable prudential limits and loan exposures are regularly reviewed. Its property loan book is diverse in location and is constantly managed by the Company's specialist property management team.

#### CONTINUITY OF SUPPLY OF FUNDING

The Company is in the business of lending money that has been deposited with it by way of secured debentures and unsecured deposits. Secured debenture and unsecured deposit funds are received via a network of brokers and financial advisers as well as directly from the public.

The ability of the Company to lend depends on the continued support of these financial intermediaries and the investing public. If those financial intermediaries or the investing public cease to support the Company's products or their level of support significantly reduces, whether due to any Company specific reasons, general economic conditions, the collapse of another company in the finance sector or for any other reason, then the Company may not have the funds available to on-lend to prospective borrowers. This may adversely impact upon the Company's liquidity, and the growth and continuing financial performance of the Company.

The Directors believe that the Company has a sufficiently wide range of financial intermediaries and investors, including its own direct investor base, to enable it to mitigate against this potential risk. The Directors' confidence in this regard is strengthened by the Company's long established track record in raising funds along with the significant amount of repeat business from customers.

In addition to the Secured Bonds issued pursuant to this Offer Document, the Company is well progressed in investigating a range of other funding options that, should they be undertaken, will compliment and further diversify its current funding base.

#### LOSS OF KEY PERSONNEL

The current Board (including the Chairman) and a number of the Company's executive team have been involved collectively with South Canterbury Finance and its business activities for a significant number of years and have played an important role in establishing the Company's reputation and driving its financial performance. In the normal course of business, the Company faces the risk of the loss of one or more of these individuals for a variety of reasons. In order to mitigate against this risk, the Company has spent considerable time and effort bringing together a wide range of individuals in its executive team who have the skills, experience and ability to achieve sound results for the Company. In addition, the depth of experience of the Board and the executive team, and the structure within South Canterbury Finance, reduce the Company's exposure to the loss of any one individual.

#### ECONOMIC DOWNTURN

The Company is exposed to the risk of economic downturns affecting its customers' ability or willingness to borrow funds from

South Canterbury Finance or to meet their payment obligations in respect of borrowed funds, and the willingness of its investors to invest in the Company's debenture stock and unsecured deposits. An economic downturn may adversely impact upon the ability of borrowers from the Company to repay their loans, or the Company to realise assets from which to recover those loans if they are not repaid when due.

The financial performance and stability of the Company could be adversely affected by a change in economic conditions in the New Zealand and world economies. Such changes could include:

- (a) changes in inflation and interest rates, which will particularly affect the net interest margin achieved by the Company;
- (b) changes in employment levels and labour costs, which will affect the cost structure of the Company and the cost structures of its borrowers;
- (c) changes in aggregate investment and economic output;
- (d) changes in economic conditions, which may affect the creditworthiness of the Company's borrowers and the quality of the Company's loan portfolio;
- (e) changes in property prices and in the demand for property loans which could reduce the Company's loan receivables and net interest income; and
- (f) changes in economic conditions that affect the stability of the finance and bank sectors caused by the failure of a major borrower or the collapse of a major financial institution.

#### CHANGES IN INVESTMENT MARKETS

Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect the financial performance of the Company through its operations and its investments in financial services and associated businesses.

#### OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting either from external events or from inadequate or failed internal processes, people and systems.

Whilst the Company has various operational risk management practises in place, its profitability will continue to be subject to a variety of operational risks including technology risk (including business systems failure), reputation risk (including damage to brands), fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, key person risk and external events (including pandemics).

#### COMPETITION IN THE FINANCE INDUSTRY

The Company faces significant competition from both existing financial service providers and new entrants to the market. Customers are able to choose from a large number of providers in all of the areas of financial services offered by the Company. Risks that may affect the Company's ability to obtain new and retain existing customers, thereby adversely affecting the profitability of the Company, include, but are not limited to, the relative position of the Company compared with its competitors in the:

- pricing and performance of its products and services;
- convenience and ease of access to products and services;
- level and efficiency of service provided; and
- ability to develop new products and services to meet the changing needs of customers.

#### TECHNOLOGY RISKS

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. The Company's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

#### FINANCE COMPANY REGULATION

In accordance with the New Zealand Government's on-going review of the regulatory framework that applies to New Zealand's



financial services sector, the Government has proposed legislative and other regulatory changes in relation to the financial services sector. In particular, it has proposed a new regulatory regime for non-bank deposit takers ("NBDTs") which includes finance companies. The proposals for increased regulation of NBDTs include licensing (with a requirement to meet minimum standards as to, for example, governance and capital levels before a licence will be granted), increased disclosure levels and mandatory credit ratings.

Although the nature of any future legislative and regulatory changes to the finance sector cannot be predicted with certainty, such changes are likely to impact on the environment in which South Canterbury Finance operates. In particular, they may result in additional regulatory and compliance costs for South Canterbury Finance and may limit its ability to undertake certain types of transactions.

#### CONSEQUENCES OF INSOLVENCY

In the event of the insolvency of the Company, Secured Bondholders will not be liable to pay any money to any person. In these circumstances, Secured Bondholders will receive payment in respect of their Secured Bonds in priority for repayment ahead of all other amounts owed by the Company with the exception of:

- (a) Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages); and
- (b) all other existing First Ranking Stock issued by the Company, which ranks equally for payment with the Secured Bonds.

The Secured Bonds will rank equally in all respects and without preference among themselves.

## CAN THE INVESTMENT BE ALTERED?

### TERMS OF THE OFFER

South Canterbury Finance, in consultation with the Lead Manager and Organising Participant, may elect during the term of the Offer to increase the Base Rate or the Margin over the Benchmark Rate by notice to NZX. The Interest Rate, once fixed on 17 December 2007, will be announced to NZX by South Canterbury Finance and will be advised to all successful applicants when they receive notice of the number of Secured Bonds issued to them.

The terms of the Secured Bonds and the terms and conditions on which prospective investors may apply for and purchase Secured Bonds, including the amount payable by a subscriber, may be altered before the Secured Bonds are allotted by an amendment to this Offer Document with the approval of the Trustee. Details of any such amendment to the Offer Document must be registered with the Registrar of Companies.

Trust Deed and Conditions of the Secured Bonds

The Trustee may concur with South Canterbury Finance in making any modifications to the Trust Deed if:

- the same is made to correct a manifest error or is of a formal, technical or administrative nature or is convenient for the purpose of obtaining or maintaining a quotation of any securities issued pursuant to the Trust Deed on any stock exchange in New Zealand or elsewhere and is not prejudicial to the general interests of the security holders; or
- the same is authorised by an Extraordinary Resolution; or
- the same is considered by the Trustee not to be, or likely to become, prejudicial to the general interests of the security holders; or
- the Trustee is satisfied that the same will not be inconsistent with provisions generally accepted as appropriate and reasonable for including in debenture trust deeds of financial intermediaries; or
- if the security holders approve the same in writing.

In addition, the Trustee may, by notice in writing to the Company, with the prior written approval of a Majority of Stockholders, temporarily vary the provisions of any clause of the Trust Deed, in each case for such period and on such terms as the Trustee may agree.

The Company may, at any time, with the consent of the Secured Bondholders:

- accelerate the redemption or extend the maturity date of the Secured Bonds;
- alter the rate of interest payable on the Secured Bonds;
- agree to the payment of a premium on the redemption of the Secured Bonds; or
- alter any of the other conditions attached to the Secured Bonds,

provided that no such alteration, acceleration, extension, or payment is inconsistent with the Trust Deed.

Details of any such alteration, acceleration, extension, or payment must be recorded in the register in respect of the Secured Bonds.

No charges are payable by any subscriber in respect of any such alteration.

## HOW DO I CASH IN MY INVESTMENT?

Secured Bondholders are entitled to sell or transfer their Secured Bonds at any time subject to the Company's Constitution, the Conditions of the Secured Bonds, applicable securities laws and regulations.

Secured Bondholders may sell their Secured Bonds at any time prior to redemption provided a buyer can be found. No charges are payable to the Company on any such sale.

Secured Bondholders may, in certain circumstances, have the right to require the Company to purchase their Secured Bonds. For further information see the "Change of Control of South Canterbury Finance" section under "Conditions of the Secured Bonds" on pages 61 to 64.

Application has been made to NZX for permission to list the Secured Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of the Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

If permission is granted by NZX to list the Secured Bonds, and on the basis that they remain listed, the Company believes an established market for the Secured Bonds will develop following completion of the Offer. At the date of this Offer, there is no established market for the Secured Bonds.

The Secured Bonds are expected to be quoted on the NZDX Market shortly after the Closing Date of the Offer. If you wish to sell Secured Bonds, you should contact your usual Primary Market Participant. Applicants should not attempt to sell Secured Bonds until they know whether, and, if so, how many, Secured Bonds have been allotted to them. None of the Company, the Lead Manager and Organising Participant, or any of their respective officers and employees or any other person accepts any liability or responsibility should any applicant for Secured Bonds attempt to sell or otherwise deal with Secured Bonds before receiving a statement recording the number of Secured Bonds allotted to that applicant.

Secured Bonds may be transferred using a transfer document in the form prescribed, or otherwise approved, by the Company or by any method to transfer securities which is not contrary to any law and which may be operated in accordance with the NZSX and NZDX Listing Rules.

The Company may refuse to register a transfer if less than 1,000 Secured Bonds are being transferred or the transfer would result in the transferor or the transferee holding less than a Minimum Holding (currently 5,000 Secured Bonds). The Company may also refuse to register a transfer if it has a lien on the Secured Bonds or the transferor has failed to produce such evidence as the Company or the Registrar reasonably requires to establish the transferor's right to transfer the relevant Secured Bonds.

The amount a Secured Bondholder receives from the sale of Secured Bonds may differ from the amount paid for them. This is because changes in market interest rates after the date of purchase can affect the market price of the Secured Bonds. For instance, if market interest rates rise (fall) the market price of the Secured Bonds can fall (rise). The proximity of the selling date to the next Interest Payment Date can also affect the market price of the Secured Bonds. The Company will not compensate Secured Bondholders for any loss they may incur if they sell their Secured Bonds.

The Company will deduct from interest payments any deduction or withholding on account of tax or on any other account which the Company is required by law to make.

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## WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Any enquiries about the Secured Bonds should be directed to any Primary Market Participant or:

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622  
Private Bag 92-119  
Auckland 1142  
Telephone: (09) 488 8777  
Facsimile: (09) 488 8787  
Email: enquiry@computershare.co.nz

Chief Financial Officer  
South Canterbury Finance Limited  
7 Sophia Street  
PO Box 125  
Timaru  
Telephone: 0800 808 117  
Facsimile: 03 684 9550

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## IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Any complaints about the Secured Bonds can be directed to:

Chief Executive Officer  
South Canterbury Finance Limited  
7 Sophia Street  
PO Box 125  
Timaru

Telephone: 0800 808 117  
Facsimile: 03 684 9550

The Trustee  
Trustees Executors Limited  
Level 1  
50-64 Customhouse Quay  
Wellington  
Telephone: (04) 495 0999  
Facsimile: (04) 496 2952

Complaints about the Secured Bonds are not able to be made to an ombudsman.

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## WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

All information about the Secured Bonds and the Company is contained or referred to in this Offer Document, which includes the Company's most recent financial statements.

You may obtain copies of this Offer Document, the Company's most recent financial statements, the Trust Deed and other documents of, or relating to, the Company (including the Constitution) without charge during normal business hours at the Company's registered office at 39 George Street, Timaru.

These documents are also filed on a public register which can be accessed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) or freephone 0508 266 726.

At any time until Friday 14 December 2007 you can also obtain copies of this Offer Document without charge on request in writing, or by telephone, from the Lead Manager and Organising Participant, Primary Market Participants or the Share Registrar.

Secured Bondholders will be sent a copy of the Company's annual report for each year and a copy of the Company's interim report for each half year.

On Request Information

You may request copies of:

- this Offer Document;
  - the Company's most recent annual report;
  - the Company's most recently published financial statements (together with all documents that are required to be registered with those financial statements); and
  - any other information that may be requested under regulation 23A of the Securities Regulations 1983, by contacting the Company at the address shown in the Directory. There is no charge for this information.
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The following additional information is included in accordance with the requirements of the Second Schedule to the Securities Regulations 1983.

## 1. MAIN TERMS OF OFFER

### 1.1 ISSUER

The Issuer of the Secured Bonds is South Canterbury Finance Limited. Its registered office is located at c/- Hubbard Churcher & Co., 39 George Street Timaru, New Zealand.

### 1.2 DESCRIPTION OF SECURITIES OFFERED

The securities being offered by South Canterbury Finance are fixed rate, fixed term debt securities that constitute First Ranking Stock issued pursuant to the Company's Trust Deed. A fuller description of the Secured Bonds is set out under the heading "Details of the Offer" on pages 12 to 15, "Conditions of the Secured Bonds" on pages 61 to 64 and under the heading "What sort of investment is this?" on pages 69 to 70 of this Offer Document.

### 1.3 MAXIMUM NUMBER

The maximum number of Secured Bonds being offered by South Canterbury Finance is \$125 million Secured Bonds (being the Offer amount of up to \$100 million Secured Bonds plus up to an additional \$25 million Secured Bonds by way of oversubscription).

### 1.4 PRICE OR OTHER CONSIDERATION

The Issue Price for Secured Bonds under the Offer is \$1.00 per Secured Bond, payable in full on application. Full details of the Offer are set out under the heading "Details of the Offer" on pages 61 to 64.

## 2. NAME AND ADDRESS OF OFFEROR

Not applicable.

## 3. DETAILS OF INCORPORATION OF SOUTH CANTERBURY FINANCE

3.1 South Canterbury Finance was incorporated on 10 February 1926 under the Companies Act 1908. Its registered number is 121022. It was reregistered under the Companies Act 1993 on 30 May 1995.

The public file relating to the incorporation and registration of South Canterbury Finance Limited can be viewed on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) or freephone 0508 266 726

## 4. GUARANTORS

Ashburton Finance Ltd, Auckland Finance Ltd, Canterbury Finance Ltd, Coversure Guarantee Ltd, Flexi Lease Ltd, Helicopter Nominees Ltd, Hornchurch Ltd, Otago Finance Ltd, Palmerston North Ltd, Rental Cars Ltd, SCFG Systems Ltd, Southbury Insurance Ltd, Tasman Bay Finance Ltd, Waikato Finance Ltd and Wellington Finance Ltd, (all of which are wholly owned by South Canterbury Finance), and Face Finance Ltd (which is 75% owned by South Canterbury Finance) guarantee the obligations of South Canterbury Finance in respect of the Secured Bonds. No other person guarantees the repayment of the Secured Bonds.

## 5. DIRECTORATE AND ADVISERS

5.1 The names, addresses and technical or professional qualifications (if any), of each Director are set out under the heading "Board of Directors" on pages 31 to 32 of this Offer Document. Each of the Directors can be contacted through the registered office of South Canterbury Finance, which is set out on the inside back cover of this Offer Document.

5.2 No Director is also an employee of South Canterbury Finance or any member of the South Canterbury Finance Charging Group.

5.3 No Director has been adjudged bankrupt during the five years preceding the date of this Offer Document.

5.4 The names of South Canterbury Finance's auditor, the Share Registrar, the Lead Manager and Organising Participant, the Underwriter, and the solicitors who have been involved in the preparation of this Offer Document are set out on the inside back cover of this Offer Document.

5.5 There are no experts named in this Offer Document.

5.6 The name and address of the Trustee is set out on the inside back cover of this Offer Document.

## 5A RESTRICTIONS ON DIRECTORS' POWERS

The following modifications, exceptions or limitations on the powers of the Board are imposed by the Companies Act 1993:

- the Board may not delegate the powers conferred on it by the sections of the Companies Act 1993 listed in the Second Schedule to that Act;
- the Board may not authorise a dividend in respect of some but not all shares in a class, or that is of a greater value per share in respect of some shares of a class than it is in respect of other shares of that class, otherwise than in proportion to the amount paid on the share in satisfaction of the Shareholder's liability, except where the shareholder has waived its entitlement;
- Directors may not authorise entry into a "major transaction", unless the transaction is approved by, or contingent on approval by, a special resolution. A "major transaction" is a transaction, the value of which exceeds half the value of South Canterbury Finance's assets before the transaction;
- South Canterbury Finance may not take any action that affects the rights attached to any shares unless the action has been approved by special resolution of each interest group affected; and
- South Canterbury Finance Limited may not buy back or redeem any of its equity securities, or give financial assistance in connection with the acquisition of any of its equity securities, except as permitted by the Companies Act 1993, the terms of the Perpetual Preference Shares, the terms of the Trust Deed, and its constitution.

The Companies Act 1993 and South Canterbury Finance's constitution do not impose any further modifications, exceptions or limitations on the powers of the Board to manage, or supervise or direct the management of, the business and affairs of South Canterbury Finance other than the modifications, exceptions or limitations which are required to be imposed on the Board under the Listing Rules or modifications, exceptions or limitations which are otherwise disclosed in this Offer Document.

## 6. DESCRIPTION OF ACTIVITIES OF CHARGING GROUP

6.1 During the five years preceding the date of this Offer Document, the Charging Group's activities comprised raising funds by way of issuing debenture stock and deposits to the public, and providing finance to the business, plant and equipment, property, rural, and consumer sectors.

Further information about the activities of the Charging Group and an overview of its business is set out under the heading "Business Description" on pages 16 to 17 of this Offer Document.

6.2 The principal fixed assets of the Charging Group comprise commercial land and buildings, leasehold improvements, office equipment, motor vehicles and helicopters (that are leased to third parties). These assets are employed by the Charging Group in the conduct of the business activities referred to above. All of these assets are owned by members of the Charging Group.

## 7. SUMMARY OF FINANCIAL STATEMENTS

7.1 Consolidated financial statements, in summary form, for the Charging Group in respect of each of the five consecutive years ending on 30 June 2007 are set out under the heading "Historical Five-Year Summary Financial Information" on pages 35 to 36 of this Offer Document.

7.2 The information contained in the summary of financial statements for the five consecutive accounting years to 30 June 2007 is derived from the audited financial statements for the Charging Group for each accounting year.

## 8. ACQUISITION OF BUSINESS OR SUBSIDIARY

8.1 During the two years preceding the date of this Offer Document no member of the Charging Group acquired a business and no member of the Charging Group became a subsidiary of South Canterbury Finance where the consideration paid for that business or subsidiary exceeded one-fifth of the amount of the total tangible assets shown in the Statement of Financial Position for the Charging Group set out on page 36 of this Offer Document.

Tasman Bay Finance Ltd, a wholly owned subsidiary of South Canterbury Finance, became a member of the Charging Group on 15 May 2006. Ashburton Finance Ltd, a wholly owned subsidiary of South Canterbury Finance, became a member on 1 July 2006. Wellington Finance Ltd, a wholly-owned subsidiary of South Canterbury Finance, became a member on 8 March 2007. No other companies have been added to the Charging Group during this period.

## 9. MATERIAL CONTRACTS

9.1 South Canterbury Finance entered into an underwriting agreement dated 16 November 2007 with Forsyth Barr Group Limited relating to the underwriting of the Offer up to a maximum of \$75 million of Secured Bonds. The Underwriter's obligations under the Underwriting Agreement are conditional on:

- (a) the Underwriter securing firm commitments in respect of \$25 million of Secured Bonds;
- (b) there being no negative change in the Company's current BBB- credit rating by Standard and Poor's or any change to the Company's "stable" outlook, or any change to the BBB- credit rating of the Secured Bonds;
- (c) none of the Chief Executive Officer, the Chief Operating Officer nor the Chief Financial Officer of South Canterbury Finance ceasing to hold their positions with the Company;
- (d) there being no insolvency event in respect of a non-bank deposit taker which has assets of more than \$100 million; and other conditions which are standard for an underwriting agreement of this nature.

9.2 South Canterbury Finance agreed on 9 November 2007 to sell its 12.75% shareholding in Dairy Holdings Limited to Southbury Group Limited with effect from 30 November 2007.

9.3 Rental Cars Ltd sold the New Zealand franchise for Thrifty Car Rental to an independent party at market value under an agreement for sale and purchase dated 1 December 2005.

9.4 No other material contracts (not being contracts entered into in the ordinary course of business of a member of the Charging Group) have been entered into by members of the Charging Group during the period of two years preceding the date of registration of this Offer Document.

## 10. PENDING PROCEEDINGS

10.1 There are no legal proceedings or arbitrations pending as at the date of registration of this Offer Document that may have a material adverse effect on the Charging Group which have not been disclosed in this Offer Document.

## 11. PRELIMINARY AND ISSUE EXPENSES

11.1 Issue expenses are estimated to amount to \$2,900,000, including brokerage, issue management fees, firm allocation fees, underwriting fees, legal and accounting fees, printing and advertising costs. This includes a lead management fee payable to the Lead Manager and Organising Participant of 0.50% of the aggregate Issue Price of Secured Bonds allotted under the Offer. Forsyth Barr Group Limited (as Underwriter) has agreed to underwrite the Offer up to a maximum of \$75 million. An underwriting fee of 1.5% of the value of the amount underwritten is payable by the Company to the Underwriter.

11.2 The brokerage payable in respect of the Offer is set out on page 15 of this Offer Document.

## 12. RANKING OF SECURITIES

12.1 The Secured Bonds issued by the Company constitute First Ranking Stock issued pursuant to the Trust Deed. First Ranking Secured Stock ranks in priority for repayment ahead of all other amounts owed by the Company with the exception of Prior Charges and certain statutory preferential claims (including, but not limited to, taxes, liquidation fees and unpaid wages) in the event of a winding up. The Secured Bonds will rank equally in all respects with all existing (and future) First Ranking Stock issued by the Company and without preference among themselves. As at 30 June 2007, the aggregate amount of securities that ranked:

- (a) in point of security ahead of the Secured Bonds was \$4,750,787;

- (b) in point of security equally with the Secured Bonds was \$1,323,284,737.

12.2 The Company can grant Prior Charges which rank in priority ahead of First Ranking Stock. In accordance with the Trust Deed, Prior Charges shall not exceed 7.5% of Total Tangible Assets except in certain circumstances, where, for a limited time, Prior Charges can increase to 10.0% of Total Tangible Assets. Further details are set out in the section entitled "Summary of Trust Deed" on pages 65 to 68.

## 13. PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON CHARGING GROUP

13.1 The Trust Deed imposes certain restrictions on the ability of South Canterbury Finance and the Charging Subsidiaries to make distributions or to borrow. For further information about these restrictions, see the section entitled "Summary of Trust Deed" on pages 65 to 68. A statement by the Trustee confirming that the Offer of Secured Bonds in this Offer Document complies with any relevant provisions of the Trust Deed, and that the Trustee does not guarantee repayment of the Secured Bonds, or the payment of interest on the Secured Bonds, is on page 60.

## 14. OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer, and all of the terms of the Secured Bonds, are set out in this Offer Document, except those:

- (a) implied by law; or
- (b) which are set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Offer Document.

## 15.-32. FINANCIAL STATEMENTS

Audited consolidated financial statements of the Charging Group prepared in accordance with clauses 15 to 32 of the Second Schedule to the Securities Regulations 1983 are set out under the heading "Consolidated Financial Statements" on pages 38 to 58 of this Offer Document.

## 33. PLACES OF INSPECTION OF DOCUMENTS

The Trust Deed, South Canterbury Finance's constitution, a copy of the material contract described on page 77 in clause 9.1 and a Memorandum of Particulars in respect of the material contract described on page 77 in clause 9.2 of this section of the Offer Document may be inspected on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) or, free of charge, at the registered office of South Canterbury Finance. Where a document is not available on the Companies Office website, a request for the document can be made by calling toll free on 0508 266 726. The Companies Office may also charge a fee for viewing information on its website.

## 34. OTHER MATERIAL MATTERS

There are no matters relating to the Offer (other than contracts entered into in the ordinary course of business of a member of the Charging Group) which have not been set out in this Offer Document.

## 35. DIRECTORS' STATEMENT

The Directors, after due inquiry by them in relation to the period between 30 June 2007 and the date of registration of this Offer Document, are of the opinion that no circumstances have arisen that materially adversely affect:

- (a) the trading or profitability of the Charging Group;
- (b) the value of the Charging Group's assets; or
- (c) the ability of the Charging Group to pay its liabilities due within the next 12 months.

## 36. AUDITOR'S REPORT

A copy of the auditor's report required by clause 36 of the Second Schedule to the Securities Regulations 1983 is set out under the heading "Auditor's Report" on page 59 of this Offer Document.

This Offer Document has been signed as follows:

Signed by each Director of South Canterbury Finance (or by his agent authorised in writing)



\$ means New Zealand dollars;

**Application form** means the application form contained in or accompanying this Offer Document;

**Allotment Date**, in respect of a Secured Bond, means the date on which that Secured Bond is allotted under this Offer Document;

**Base Rate** means 10.25% per annum;

**Benchmark Rate** on any day, means the rate per annum expressed on a percentage yield basis, and rounded up to the nearest two decimal places, which is:

- (a) the average of the bid and offered swap rates displayed at or about 11am (New Zealand time) on that day on page FISSWAP (or any successor page) of the Reuters monitor screen for an interest rate swap with a five year term; or
- (b) if a rate is unable to be determined in accordance with paragraph (a), or if South Canterbury Finance forms the view that the rate so determined is not an accurate reflection of market rates, the average of the bid and offered swap rates quoted by three registered banks in New Zealand at or about 11am (New Zealand time) on that day for an interest rate swap with a five year term;

**Board** means the Board of Directors of South Canterbury Finance Limited;

**Business Day** means a day (other than a Saturday or Sunday) on which registered banks are open for business in Christchurch;

**Charging Group** means South Canterbury Finance Limited and the Charging Subsidiaries;

**Charging Subsidiaries** means the subsidiaries of South Canterbury Finance that have acceded to the Trust Deed as Charging Subsidiaries and have not been released from their liability under the Trust Deed being, as at the date of this Offer Document, Ashburton Finance Limited, Auckland Finance Limited, Canterbury Finance Limited, Coversure Guarantee Limited, Face Finance Limited, Flexi Lease Limited, Helicopter Nominees Limited, Hornchurch Limited, Otago Finance Limited, Palmerston North Finance Limited, Rental Cars Limited, SCFG Systems Limited, Southbury Insurance Limited, Tasman Bay Finance Limited Waikato Finance Limited and Wellington Finance Limited;

**Closing Date** means 14 December 2007;

**Company** means South Canterbury Finance Limited;

**Constitution** means the constitution of South Canterbury Finance Limited;

**Directors** means the directors of South Canterbury Finance Limited;

**Directory** means the directory set out in the section of this Offer Document entitled "Directory";

**Distribution** means:

- (a) the direct or indirect transfer of money or property, other than the Company's own shares, to or for the benefit of a shareholder; or
- (b) the incurring of a debt to or for the benefit of that shareholder,

in relation to shares of the Company held by that shareholder, and whether by means of a purchase of property, redemption or other acquisition of shares, a distribution of indebtedness, or by some other means;

**Final Allotment Date** means 17 December 2007;

**First Interest Payment Date** means 15 March 2008, or if not a Business Day, the next Business Day;

**First Ranking Stock** means all Stock constituted and issued by the Company as First Ranking Stock under and pursuant to the Trust Deed from time to time outstanding and ranking for Principal and interest in priority to the Second Ranking Stock and Deposits, and includes the Principal Moneys represented thereby, and includes the Secured Bonds offered under this Offer Document;

**Holder** means a holder of Secured Bonds;

**Interest** means any Interest on the Secured Bonds payable pursuant to paragraph 4 of the Conditions of the Secured Bonds;

**Interest Payment Date** means 15 December, 15 March, 15 June and 15 September in each year or if that day is not a Business Day, the next Business Day;

**Interest Rate** means the greater of:

- 10.25%; or
- the aggregate of the Benchmark Rate as at 17 December 2007 and the Margin.

**Interest Rate Set Date** means 17 December 2007;

**Issue Price** means \$1.00 per Secured Bond;

**Lead Manager and Organising Participant** means Forsyth Barr Limited;

**Listing Rules** means the NZSX and NZDX Listing Rules;

**Margin** means 2.25%;

**Maturity Date** means 15 December 2012 (subject to right to exercise the Secured Bondholder Put Option);

**Minimum Holding** means 5,000 Secured Bonds;

**NPAT** means net profit after tax;

**NZDX Market** means the debt securities market operated by NZX;

**NZX** means New Zealand Exchange Limited;

**Offer** means the offer of Secured Bonds under this Offer Document;

**Offer Document** means this combined investment statement and prospectus prepared as at, and dated, 15 November 2007;

**Opening Date** means Wednesday 19 November 2007 or such other date as South Canterbury Finance Limited determines;

**Primary Market Participants** means those firms designated as such by NZX;

**Principal Amount** has the meaning set out in the section "Conditions of the Secured Bonds";

**Prior Charges** has the meaning set out in the section "Conditions of the Secured Bonds";

**Public Pool** means Secured Bonds (if any) available for subscription by members of the public, at the Company's absolute discretion;

**Record Date** has the meaning set out in the section "Conditions of the Secured Bonds";

**Register** means the register kept in respect of the Secured Bonds;

**Registrar** means Computershare Investor Services Limited;

**Secured Bondholders** means the holders of Secured Bonds;

**Secured Bonds** means the Secured Bonds offered for subscription under this Offer Document;

**Shares** means ordinary shares in South Canterbury Finance Limited;

**Shareholder** means a registered holder of Shares;

**South Canterbury Finance** means South Canterbury Finance Limited;

**South Canterbury Finance Group** means South Canterbury Finance Limited and all of its subsidiaries;

**Trust Deed** means the trust deed dated 12 April 1976, as amended by an amending and supplemental trust deed dated 30 June 1995 and subsequently a Deed of Amendment dated 25 March 1999 and a Deed of Modification dated 4 February 2003, between South Canterbury Finance Limited, the Charging Subsidiaries from time to time and the Trustee;

**Trustee** means Trustees Executors Limited; and

**Underwriter** means Forsyth Barr Group Limited

Where there is a reference to a date in this Offer Document, and that date is not a Business Day, the reference shall be deemed to be to the next day which is a Business Day;

## APPLICATION INSTRUCTIONS

### INSERT DETAILS

Insert full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. At least one full given name and surname is required for each natural person. Applications in the name of a minor, fund, estate, business, firm or partnership, club or other unincorporated body will not be accepted. In those cases, applications must be made in the individual name(s) of the persons(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s), or office bearer(s) (as appropriate).

Insert the number of Secured Bonds you wish to apply for. The application must be for a minimum of 5,000 Secured Bonds (i.e. a minimum application amount of \$5,000) and, thereafter, in multiples of 1,000 Secured Bonds (i.e. multiples of \$1,000).

### INSERT YOUR IRD NUMBER

If you have been allocated a holder number by the Registrar or have been allocated a Common Shareholder Number ("CSN"), please provide. If you hold a current Resident Withholding Tax Exemption Certificate, tick the relevant box and attach a copy of the certificate.

Select the payment method by which you wish to receive Interest payments in relation to the Secured Bonds.

If you select payment to your bank account, tick the appropriate box and insert the bank account into which you wish Interest payments to be deposited.

If you select payment to Cash Management Account, tick the appropriate box, insert the name of the NZX Firm where your Cash Management Account is held and provide your Cash Management Client Account Number.

### SIGNING

Read the Application Form and this Offer Document carefully and sign and date the form. It must be signed by the applicant(s) personally, or by two directors of a company, or one director if there is only one director, or by an attorney. If your Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate below. Joint applicants must each sign the Application Form.

### PAYMENT

Payment in full of the aggregate Issue Price of the number of Secured Bonds applied for must accompany the Application Form. Payment must be in New Zealand dollars and be for immediate value. Cheques must be drawn on a registered New Zealand bank, be made out in favour of "South Canterbury Finance Secured Bond Offer", be crossed "Not Transferable" and must not be post-dated. In the event a cheque is dishonoured, South Canterbury Finance reserves the right to sue for the proceeds and/or unallot the Secured Bonds.

### CLOSING DATES

Applications under firm allocations or under the Public Pool must be received by the Registrar by 5:00pm on 14 December 2007.

### DELIVERY

Applications cannot be revoked or withdrawn.

Application Forms and your payment may be mailed or delivered to the Registrar at the address below, or South Canterbury Finance, or to any Primary Market Participant through which a firm allocation was obtained, or the Lead Manager and Organising Participant, or any other channel approved by NZX in time to be forwarded to the Registrar by the Closing Date. South Canterbury Finance is not obliged to accept applications which are received by the Registrar after the Closing Date.

c/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622  
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