

7 December 2012

Banksia Receivers make first distribution to debenture holders

The Receivers and Managers of Banksia Securities Limited (“BSL”), today made their first distribution to BSL debenture holders, representing 20 cents in the dollar on debenture holders’ investments, and estimated a total repayment to BSL debenture holders of between 50 and 65 cents in the dollar.

Receiver, Tony McGrath said it was very pleasing to make a swift distribution to BSL debenture holders following the appointment of Receivers and Managers on 25 October 2012.

“We hope the first distribution provides some initial relief to investors following the failure of BSL,” Mr McGrath said. “The loan recovery processes we have put in place aims to ensure further distributions are paid as quickly as possible,” he said.

The Receivers’ estimated total returns to debenture holders are included in a report they released to debenture holders today containing information on a range of matters, including BSL and Cherry Fund Limited’s (“CFL”) (collectively “the Companies”) historical performance, an analysis of their loan book and events leading to their failure.

“The Receivers attribute the failure of the Companies to several factors including a general reduction in property values, difficult credit market conditions, inadequate provisioning in the loan books and a mismatch between the timing of debentures due for repayment and the recoverability of borrowers’ loans,” Mr McGrath said.

Mr McGrath said in addition to recovering loans and making repayments to debenture holders, the Receivers were now focused on further investigating the reasons for the Companies’ failure.

A full copy of the report will be posted at www.mcgrathnicol.com today. Key points are:

- + BSL had outstanding commitments to debenture holders of \$663 million as at 25 October 2012 and had advanced 956 loans to individual borrowers totalling approximately \$527 million (the difference being predominantly cash at bank).
- + Both BSL and CFL reported profits in recent years but as certain loans were ‘non-performing’ for some time and provisions were insufficient, both Companies, particularly BSL, most likely incurred substantial losses in recent years.
- + The Companies’ loan portfolios will be realised through a combination of refinancing, repayment, loan portfolio sales and enforcement action (i.e. taking possession of and realising property).
- + The Receivers have confirmed that they expect to make a second distribution to BSL debenture holders before 30 June 2013. The amount of the distribution is dependent upon the progress achieved with respect to realisation of loan portfolios.

CFL, which owes debenture holders approximately \$10 million, is anticipated to make a total repayment of between 55 and 70 cents in the dollar to its debenture holders. At this stage its assets are not in a liquid state and therefore we will not be making an immediate distribution.

The Receivers will continue working closely with the Trustee to ensure debenture holders remain informed throughout the receivership.

With regard to the debenture holder Information Sessions scheduled for Kyabram, Shepparton and Ballarat on Friday 14 December, Mr McGrath reminded debenture holders they needed to register their interest in attending the sessions with Link Market Services by calling 1800 722 079.

The information sessions will also be available for viewing on 15 December via a webcast on the McGrathNicol (www.mcgrathnicol.com) and BSL websites.

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