



DUNEDIN CITY HOLDINGS LIMITED

Yaldhurst Debt Recovery

Dunedin (3 March 2016) –Delta is confident progress is being made to recover the debt it is owed by the Yaldhurst developer for infrastructure work it carried out inside the Yaldhurst Village subdivision more than three years ago.

The Chair of Dunedin City Holdings (DCHL), Graham Crombie says Delta is focused on recovering the \$13.3m it is owed for the civil and water work it completed at Yaldhurst between 2009 – 2013, but hasn't been paid for by the developer.

"There has been some misinformation given about our process on this matter. Delta has provided regular updates to their shareholder, Dunedin City Holdings Ltd, who have in turn informed Dunedin City Councillors in briefings throughout the project. Let me be clear, this is an overdue debt on work carried out by Delta for a client, it is not an investment in property."

Mr Crombie says recovery of the debt has been held up by a longstanding dispute between the developer and the neighbouring properties which has delayed titles being issued for the subdivision.

"With the Yaldhurst Village subdivision on the market as part of a mortgagee sale process we are much closer to a resolution of this matter."

For more information

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Notes for Editors – please see FAQs attached



DUNEDIN CITY HOLDINGS LIMITED

3 March 2016

Background on Yaldhurst Subdivision Debt Recovery

1. What is Delta's position in relation to the Yaldhurst subdivision?

Delta has an outstanding debt of \$13.3 million related to infrastructure services provided through its now-closed civil and water construction business in Christchurch, as stated in its 2015 annual report. The company is focused on recovering the amount owed, and is optimistic that a positive outcome can be communicated very soon.

2. What happens next?

There is progress being made. Late last year, the Yaldhurst subdivision was put on the market in a mortgagee sale process. Delta sees this as the most positive step towards recovery of the debt for some time because, if successful, the sale will clear the way for a new owner to put sections on the market and free up cash to pay back Delta.

Delta will continue to take positive steps to protect the value of its recoverable debt. At this point however, we have to wait patiently for the outcome of the mortgagee sale process.

3. When did Delta do the work on the Yaldhurst subdivision?

Delta's now closed Christchurch civil and water business tendered for the residential development works at Yaldhurst in September 2009. The work was done during 2009-2013.

4. What is the Yaldhurst Village subdivision?

Yaldhurst Village is a residential development of 250-350 medium and high density sections in the northwest of Christchurch, and a proposed commercial precinct for which a number of potential uses (including a medical centre, hardware store and supermarket) have been considered.

5. What was the original amount owed to Delta for its work on the Yaldhurst subdivision?

Delta's original total debt for civil and water construction services provided to the Yaldhurst subdivision during 2009-2013 was \$11.3m.

6. What is the total exposure now?

The total value of the outstanding debt is \$13.3m. In its half year report for the six months to 31 December 2015, Delta reassessed the fair value of its secured loan balances at \$13.3m by reference to an independent market valuation of the property. Delta has securities in place that match the amount it is owed by the developer, similar to what a bank has on your home mortgage.

7. So what about the doubtful debt provision of \$11.7m in your half year report?

Under financial reporting standards, Delta is required to calculate a total figure of the outstanding debt plus all possible penalty interest and charges.

8. Why is it taking so long to get the money back?

Recovery of the outstanding debt has been held up by a longstanding dispute between the developer and neighbouring properties that has delayed titles being issued for the subdivision. Delta understands that those matters remain before the Court.

9. Did Delta purchase additional securities and when?

Yes, to improve its overall security position, Delta acquired a share of Gold Band Finance's first mortgage in two tranches at a combined cost of \$3.39m (\$1.2m was acquired from Gold Band

Finance in August 2013 and \$2.19m from Avanti Finance in March 2015). By taking a share of the first mortgage position, Delta improved its overall security position to Delta's benefit by \$5.1m.

10. Didn't Delta exit civil construction?

Yes. Delta exited its civil and water construction business in 2013. Delta is no longer involved in this type of subdivision work, and won't be again. The outstanding debt is a legacy from its closed Christchurch civil and water construction business.

11. Is this the same as Delta's investments in Jack's Point and Luggate?

No. The debt relates to infrastructure services Delta provided to a developer that it hasn't been paid for yet. Jack's Point and Luggate were property investments. Delta took the decision to exit development property ownership in 2012.

12. What's Delta doing to recover the money?

Delta remains fully focused on recovering the outstanding debt owed to Delta from the developer and have securities in place over the subdivision for the amount owing.

13. Has Delta previously disclosed the outstanding debt in its financial accounts?

Yes, most recently in Delta's 2016 half year report. Delta's 2015 annual report stated in the Chairman and Chief Executive's report on page 3: "Delta has an outstanding debt related to infrastructure services provided through our now-closed water and civil construction business in Christchurch. The company has assessed the current fair value of this secured debt as \$13.2 million (FY14: \$12.8 million) on the basis of an independent market valuation."

14. Was Council told about the debt?

Yes. As part of regular reporting, Delta has provided regular updates to its shareholder, Dunedin City Holdings Limited, throughout the project and Councillors have been kept informed of the situation. The outstanding debt was also disclosed in financial statements and in detailed reports to Audit New Zealand.

TIMELINE

2009 - 2013	●	Delta's now-closed Christchurch civil and water business tenders for the residential development works at Yaldhurst in September 2009. The work was done during 2009-2013	
December 2012	●	Total amount owed to Delta for construction services at the Yaldhurst subdivision	\$11.35m
August 2013 and March 2015	●	Delta improves security position by acquiring first mortgage securities	\$3.39m
March 2015	●	Total secured debt	\$14.74m
September 2015	●	Fair value of total secured debt reassessed as at 30 June 2015 and disclosed in Delta 2015 annual report	\$13.21m
February 2016	●	Fair value of total secured debt as at 31 December 2015 disclosed in Delta 2016 half year report	\$13.32m