

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 50 (ASIC)

Topic: Unlisted and Unrated Securities

Hansard Page: E76

Senator SHERRY asked:

I would like to clarify the 83 before I pass over to my colleagues. Are the 83 unlisted and unrated entities clearly separate, independent entities or are any of them interrelated? I am trying to get a sense of whether they are actually separate, individual entities.

Mr D'Aloisio—We will check and confirm that, but I am fairly sure these would be 83 different entity groups. Within each of them there might be a group as you have with an ACR or a Westpoint. In fact, the number would be far too small if that were the case, because Westpoint had 38 entities and Fincorp had 23.

Senator SHERRY—Yes, I just wanted to be clear about that.

Mr D'Aloisio—We will check that.

Senator MURRAY—If that is true, there is an interesting phenomenon here. If you have three comprising \$1 billion and 83 comprising \$7 billion then the others must be much smaller.

Mr D'Aloisio—Yes.

Senator MURRAY—It seems to be the biggest, then, that have fallen over. Is that the right conclusion to make?

Mr D'Aloisio—I can accept the first part of the statement—that there are a lot of smaller ones. That is right. But I do not have the data on whether the three were the biggest or not. We could get that and have a look for you. I just do not have that at the moment.

ANSWER:

Are the 83 unlisted and unrated entities clearly separate, independent entities or are any of them interrelated?

Of the 83 unlisted and unrated entities, 68 are independent – ie they have no connection with any other entity on the list.

15 are related to others within that group of 83 unlisted and unrated entities.

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Of these:

- 12 unlisted, unrated debenture issuers have ownership links with other unlisted, unrated debenture issuers;
- Two have links with other unlisted, unrated debenture issuers, but also links with listed entities;
- One additional unlisted, unrated issuer has ownership links with a listed debenture issuer.

Below is a summary of the ownership links of these categories (names of debenture issuers are underlined):

- a. MFS Financial Services Ltd has the same parent as ACN 100 538 734 Pty Ltd (formerly MFS Performance Notes Ltd) (although the latter no longer has debentures on issue)
- b. Elderslie Finance Corp Ltd is the parent of Elderslie Financial Services Ltd
- c. There is a substantial overlap in the ownership of Hastings Capital Ltd and Hastings Mezzanine Ltd
- d. There is a substantial overlap in the ownership of Southern Financial Planning Ltd (formerly HNG Investments & Loans Ltd) and Southern Finance Ltd
- e. Mitchells Investments Ltd is the parent of Statewide Secured Investments Ltd
- f. Banksia Mortgages Ltd has the same parent as Cherry Fund Ltd
- g. Timbercorp Ltd (listed issuer) is the parent of both Timbercorp Properties Ltd (unlisted issuer) and Plantation Land Ltd (unlisted issuer), and part-owner of Orchards Investment Management Ltd, the responsible entity of Timbercorp Orchard Trust (listed issuer)
- h. Cromwell Finance Ltd (unlisted issuer) is a subsidiary of Cromwell Corp Ltd (listed issuer).

It seems to be the biggest, then, that have fallen over. Is that the right conclusion to make?

No.

There are 5 unlisted, unrated issuers which are larger (by value of debentures on issue, as disclosed in their most recent annual financial reports) than both Australian Capital Reserve Ltd (ACR) and Fincorp Investments Ltd (Fincorp).

A further 4 unlisted, unrated issuers are smaller than ACR but larger than Fincorp.

The remaining 72 unlisted, unrated issuers are smaller than both ACR and Fincorp.