

HD Southern Cross Forest receiver to close mill, exit Australia

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Southern Cross Forest receiver to close sawmill, **wind** up Australian business

April 24 (BusinessDesk) - The receiver for Southern Cross Forest Products plans to shut one of the failed wood processor's sawmills and **wind** up the unprofitable Australian business as it continues to find a buyer for the business.

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A fire at the **company**'s Mosgiel mill cut drying capacity, reducing capacity to process timber, KordaMentha's Brendon Gibson said in a statement. To stabilise productivity across the group the receiver will close a sawmill at Rosebank, and Gibson said 79 jobs will be lost across South Cross Forest's South Island sites.

"It is no secret that the **company** has long struggled to secure sufficient log supplies to feed its South Island mills," Gibson said in a statement. "That issue has continued to compromise trading in the receivership, but performance has now been further affected with fire damage at the Mosgiel mill."

More than 40 sawmills have shut in the past decade, and local wood processors have had to compete for supply with global demand pushing up raw log prices, while at the same time low-cost **Chinese** rivals squeeze export-focused New Zealand mills.

Gibson said South Cross Forest's unprofitable Australian business will also be wound down, and he is exploring options to realise the investment in that business.

"Our focus remains on trying to sell Southern Cross Forest Products as a going concern," Gibson said. "The restructuring in the South Island does not affect the Thames plants."

Southern Cross Forest Products had borrowings of \$17.7 **million** as at Dec. 31, 2012 with ANZ Bank, UDC Finance, 321 Ltd, Hunter Finance and Heartland, according to its latest financial statements lodged with the Companies Office.

Its loans with ANZ and 321 were in breach of certain covenants at the time, and the 2012 accounts were tagged by auditor Deloitte over the **company**'s ability to trade as a going concern.

After the balance date, Southern Cross Forest Products negotiated a new funding facility with ANZ which it said would be reviewed in March, 2014.

The **company** narrowed its annual loss to \$1.58 **million** in calendar 2012 from \$2.92 **million** a year earlier, as it booked a \$2.34 **million** gain on the value of a 2009 **acquisition**. Revenue climbed 16 percent to \$95 **million** in 2012, though the gross margin was squeezed to 4.6 percent from 8.6 percent in 2011, as the cost of sales rose at a faster pace.

(BusinessDesk)

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