



\$16.5m saves Gladstone residential project

BOS to partner MFS Div

by Nick Nichols
business editor

BOS International has stepped in to shepherd its investment in MFS Diversified, announcing it will partner the Gold Coast property group in a planned development at Gladstone.

Troubled financial services group MFS earlier this month announced it was unable to finance its half of the project, forcing MFS Diversified, owner of the Villa World business, to search for alternatives.

MFS Diversified, which is poised to change its name to GEO Property Group next month, said financier BOS International would take up the slack left by MFS.

BOS, a subsidiary of the Bank of Scotland, last year was one of four banks that lent \$450 million to MFS Diversified to help it wipe out short-term funding for its Villa World takeover.

It has stumped up the \$16.5 million required for the \$33 million purchase of a 110ha Gladstone site, on which the partners are planning a 615-lot residential project.

The project, located on the city's southern outskirts at Kirkwood, was to have been acquired through a 50-50 joint venture with MFS Land Fund No.1, an unlisted land development fund controlled by MFS Ltd.

But, due to its crippling financial situation, MFS earlier this month said it could not forward funds for its share of the deal.

MFS Diversified managing director Guy Farrands yesterday said BOS International was a logical choice for the project.

"They understand the business very well," he said.

It is also part of a new direction by the group to use third-party capital and joint ventures for future projects.

Although the Kirkwood project had been earmarked for a land fund, Mr Farrands said the plan was not dead in the water.

He said a land fund, which would tidy up the MFS Diversified balance sheet, was unlikely to be revisited until the new financial year, but it was 'something we are looking at'.

"The key is to get the right assets for it."

MFS was to have taken on retail distribution of the land fund through its client network. BOS may yet offer similar benefits through its own retail client base. BOS is part of the HBOS Australia Group.

Apart from BOS International, HBOS's businesses in Australia include BankWest, Capital Finance and St Andrew's Australia.

HBOS is likely to be taking a more cautious approach to its loan book after suffering a near doubling of bad loans over 2006 from \$77 million to \$145 million.

Impaired loans showed little improvement in the six months to June last year, well before the credit crisis hit debt markets.

Meanwhile, Mr Farrands said the timetable for development of the Kirkwood site remained on track with work expected to begin soon.

"The challenges facing MFS necessitated we move quickly to secure a new partner for the project and we are extremely pleased one of our existing lenders was interested in partnering the project with us," he said.

"It is a tremendous vote of confidence in both the project and the group more broadly."

Sales from the project, which will have an end value of \$130 million, are expected to come on line in the 2009 financial year.

MFS Diversified will share in profits from sales, as well as receiving development, management and marketing management fees.

The group's stapled securities closed steady at 58c yesterday.