

# Dominion Finance Group Limited (In Receivership)

**Report by Receivers  
Pursuant to Section 24  
Of the Receiverships Act 1993**

**9 September 2018**

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As at 9 September 2018

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## 1. Introduction

Rod Pardington and Barry Jordan of Deloitte were appointed receivers and managers of all the assets, property and undertakings of Dominion Finance Group Limited ("Dominion" or the "Company") on 9 September 2008 by Perpetual Trust Limited ("the Trustee") pursuant to a Trust Deed dated 14 May 1993 and amended 17 April 1997. The appointment was made under the powers contained in the Trust Deed.

On 15 May 2009, William Black and Andrew Grenfell of McGrath Nicol Partners (NZ) Limited were appointed liquidators of Dominion.

We set out below our report on the state of the Company affairs as at 9 September 2018 in accordance with section 24 of the Receivership Act 1993. This report should be read in conjunction with the receivers' previous reports. A statement of receipts and payments is attached at Section 4.

## 2. Receivership details

### 2.1. Events Leading up to the Appointment of Receivers

As a finance company, Dominion offered securities to the general public secured by debenture stock.

Under New Zealand securities legislation, Dominion (the Issuer) was required to appoint a trustee to act on the behalf of all debenture holders. Perpetual Trust Limited was the trustee for Dominion. In late 2013 Perpetual Trust Limited applied for Court approval to retire as trustee of Dominion and to appoint Corporate Trust Limited ("the new Trustee") to act as the new trustee of Dominion. In December 2013 the High Court at Wellington approved this application and Corporate Trust Limited was appointed as trustee of Dominion.

The Trustee's role was to ensure that Dominion was operating in accordance with the terms of the offer in the investment statements, the prospectus, and the Trust Deed.

On 17 June 2008, Dominion suspended repayments of principal and interest to debenture holders and advised that it would be exploring options in respect of its repayment obligations to debenture holders. Dominion's decision to suspend repayment of debenture stock as it fell due on maturity was a breach of the Trust Deed.

In the 12 week period following the suspension of repayments, Dominion's initial focus was to try to achieve a plan for recapitalising the Company to enable it to continue trading. It then focussed on trying to develop a proposal for a moratorium while it wound down the loan book.

After a thorough review of Dominion's position and proposal, the Trustee concluded that receivership was more appropriate for Dominion's debenture holders.

Rod Pardington and Barry Jordan of Deloitte were appointed receivers and managers of Dominion on 9 September 2008.

## 2.2. Disposal of Property

Since appointment the receivers have been managing and realising the loan book of Dominion, pursuing recoveries from guarantors, directors, and valuers, and addressing a taxation dispute with Inland Revenue. Property securities have been realised. Action to realise loans has been successful, realising more than initial estimates based on registered valuations at the time of our appointment. We have reviewed and approved proposals for the realisation of a significant number of Dominion securities. The total loan and security realisations exceed \$289m including GST. More than \$224m was repaid to first mortgagees. Further settlement funds of \$8m were applied to reducing debt owed to an unrelated finance company under the terms of Dominion's security sharing agreement supporting borrowings from that company.

Property realisation strategies were developed in conjunction with input from property experts. These have resulted in realisations for Dominion of \$52.1m (net of amounts paid to prior security holders) since our appointment. There were no property realisations in the period under review.

We have evaluated recovery prospects from guarantors and conducted enforcement action which has realised \$2.8m since our appointment, and \$2,054 in the period under review.

Given the confidential nature of Dominion's loan book, the receivers believe releasing specific details of loans and collections to date or other commercially sensitive information would materially prejudice the exercise of their functions and potentially the outcome for secured debenture holders. Accordingly, under Section 23(3) of the Receiverships Act 1993 the receivers omit specific details in this section.

## 2.3. Other Realisations

Claims against valuers, directors, and other financiers have been litigated and/or settled to realise \$9.63m before costs. Additionally, the assignment of various securities in the period under review has realised \$1.65m before costs.

## 2.4. Amounts Owing to Appointer (on behalf of secured debenture holders)

Dominion had 7,468 investments held by 5,937 debenture holders with approximately \$169.8m invested in secured debentures as at the date of receivership ("Debenture Stock"). All Debenture Stock is secured under a Trust Deed between Dominion and Perpetual Trust Limited dated 14 May 1993, as amended on 17 April 1997.

## 2.5. Amounts Owing to other Secured Creditors

Dominion had arranged committed credit facilities with their bankers, Bank of Scotland International Pty Ltd ("BOS") and ASB Bank Limited ("ASB"), secured by Stock Security Certificates which rank equally with Debenture Stock.

The receivers' first report summarises all other security interests registered on the Personal Property Securities Register.

## 2.6. Amounts Owing to Preferential Creditors

Dominion's preferential creditors were its employees whose claims related to salaries and accrued holiday entitlements, and Inland Revenue, whose claim related to pre-receivership GST. The amount owing at the date of appointment was approximately \$111,000.

The full entitlements have been distributed.

## 2.7. Amounts likely to be available to secured and other creditors

All of Dominion's securities have now been realised after a substantial and complex exercise. Section 2.2 covers this in more detail. We noted at the time of our appointment that we would not fire sale difficult assets. This resulted in the timeframe for realising some challenging assets being extended in order to optimise realisations. In some cases disputes and actual or potential litigation delayed sales.

Registered valuations obtained soon after our appointment indicated that 12 cents in the dollar of investor funds could be realised from property securities supporting Dominion's loans given the considerable difficulties associated with these covered in detail in previous reports. At that time it was very difficult to estimate potential recoveries from contingent litigation claims before we had an opportunity to evaluate these. However we recall thinking at the time that total distributions of 15 cents would be a good outcome.

As our evaluation of potential claims progressed it became clear that the opportunities for claims were less and the cost of progressing these was more than initially envisaged, given the complexity and detail required if these were to be successful. However while less claims were progressed at higher costs, the realisations from the claims pursued were greater than thought likely at the time of our early reports, resulting in a higher net recovery.

Considerable work and communication with Inland Revenue over an extended period has resulted in Inland Revenue accepting Dominion's interpretation of how the Goods and Services Tax Act applies to various Dominion transactions. This provided the basis for preparation of GST and income tax returns for the period of receivership. GST and Income Tax returns have now been prepared, filed and audited by Inland Revenue. All income tax and GST matters have now been determined.

While a number of claims were filed in Court, most were settled subject to confidentiality constraints before proceedings concluded. Recoveries realised from valuers, directors, and guarantors, together with a reduction negotiated in a prior secured creditor claim and satisfactory resolution of tax matters have added significantly to realisations from property securities. This will result in total receivership distributions of 21.6 cents after repayment of funds borrowed from prior secured creditors by the company in the year before receivership.

As at the date of this report the receivers are preparing to make a further distribution to secured creditors. This will be finalised and paid during November and is expected to be a distribution of 3.9 cents in the dollar. This will be the final distribution and will bring total distributions for the receivership to 21.6 cents in the dollar.

Both the claim in progress at the time of our last report and tax matters referred to in previous reports were concluded very satisfactorily, accounting for most of the difference between the final distribution estimate of 1 cent and the circa 3.9 cent distribution.

We do not expect there to be any funds available for payment to Dominion's unsecured creditors.

## 3. State of Affairs

### 3.1. Assets Comprising the Property in Receivership

The assets of Dominion principally comprised its loan receivables. The equipment usual for finance company operations (such as leasehold improvements, office equipment, fixtures and fittings) did not represent a significant proportion of total assets.

### 3.2. Summary of Debts and Liabilities as at 9 September 2008

Particulars of debts and liabilities	NZ \$'000s
<i>Secured Creditors</i> <sup>1</sup>	
Perpetual Trust (for debenture holders)	169,845
Bank of Scotland International Pty Limited	50,536
ASB Bank Limited	4,574
<b>Principal Balances as at 9 September 2008</b>	<b>224,955</b>
<i>Preferential Creditors</i> <sup>2</sup>	
Employees	64
Inland Revenue	47
	<b>111</b>
<i>Unsecured Creditors</i>	
Creditors	<b>565</b>
<b>Total liabilities as at 9 September 2008</b>	<b>\$225,631</b>

Notes:

1. We reviewed and finalised each debenture holder's principal balance in order to make distributions in May 2009, December 2009, April 2010, February 2011, December 2012, March 2014, and October 2015.
2. Approximately \$111,000 has been distributed to preferential creditors since appointment. Unsecured creditors were notified of the receivership at appointment and were provided Confirmation of Debt forms to complete.

### **3.3. Encumbrances over the Property in Receivership**

Particulars of encumbrances over the property in receivership are registered on the Personal Property Securities Register (PPSR). The receivers' first report dated 9 November 2008 included details of interests registered on the PPSR.

### **3.4. Any Default by the Grantor in Making Information Available**

We requested a Statement of Affairs from the Company's directors on 10 September 2008. This had not been provided at the time of finalising this report.

## 4. Receipts and Payments Account

### Receipts and Payments for Dominion Finance Group Limited (In Receivership & In Liquidation) for the period 10 March 2018 to 9 September 2018

#### Receipts

Loan Receipts	\$1,650,008	
Guarantor Settlements	\$2,054	
Interest Received From Banks	\$48,918	
Refund of deposit to tax pool	\$1,089,228	
GST refunds	\$2,091,856	
Use of money interest	\$344,950	
Income tax refunds	\$1,434,503	
Net Movement in Contingencies	\$357,373	
Miscellaneous Income	\$3,495	
<b>Total Receipts in the Period</b>		<b>\$7,022,384</b>

#### Payments

##### *Property Related*

Legal - Enforcement, Claims and Disbursements	(\$21,600)	
		(\$21,600)

##### *Finance Related*

Net GST	(\$75,641)	
		(\$75,641)

##### *Other*

ACC	(\$41)	
Advertising	(\$1,366)	
Bank fees	(\$61)	
IT Expenses	(\$14,912)	
Electricity	(\$1,231)	
Liquidators' fees	(\$9,348)	
Office Expenses	(\$9,130)	
Postage & Mail Outs	(\$2,228)	
Printing & Stationery	(\$300)	
Receiver Disbursements	(\$5,478)	
Receivers Fees	(\$269,965)	
Rent	(\$17,566)	
Tax Advice	(\$96,680)	
Telephone & Communications	(\$486)	
Trustee Fees	(\$43,253)	
Contractors	(\$16,889)	
		(\$488,934)

<b>Total Payments in the Period</b>		<b>(\$586,175)</b>
<b>Net Receipts/(Payments) in the Period</b>		<b>\$6,436,208</b>

## 5. Receiver's Contact Details

The receivers can be contacted at the address below. Enquiries should be directed to:

Email: john@financeservices.co.nz  
Contact Address: Dominion Finance Group Limited (In Receivership & In Liquidation)  
Deloitte Centre  
80 Queen Street  
Private Bag 115-033  
Shortland Street  
Auckland 1140

A handwritten signature in black ink, appearing to be 'BJ', with a long horizontal line extending to the right.

**Barry Jordan**  
**Receiver and Manager**

## 6. Glossary

Dominion or Company	Dominion Finance Group Limited (In Receivership & In Liquidation)
The Trustee	Perpetual Trust Limited/Corporate Trust Limited
SSA	Security Sharing Agreement

## 7. Important Notice

The information required to complete this report was provided by the directors and employees of the Company and obtained from Company records. Values are based on book values from the financial statements and accounting records prepared by Company personnel.

We have relied on the information provided by the directors and employees of the Company and on Company records in preparing this report.

We take no responsibility for any incorrect information contained in this report that has been supplied by the company, its officers or other persons. This is a report prepared by the receivers in terms of section 24 of the Receiverships Act 1993. This report is not to be reproduced or used for any other purpose without our prior written consent in each case. We do not accept any liability whatsoever to any party from any use of, or reliance on, this report.

Any realisation projections, time taken to complete realisations and related costs were all subject to uncertainty at the time that these projections were prepared. We express no opinion on the likelihood of any projections being achieved. Financial projections are based on assumptions and estimates of future events which cannot be estimated with any certainty. Actual results are likely to be different from projections and the variations could be material since anticipated events frequently do not occur as expected.

In accordance with standard practice neither Deloitte, the receivers, nor any member or employee of Deloitte, undertakes responsibility arising in any way whatsoever to any person (nor provides recourse to receivers' personal assets) in respect of realisation projections, the related commentary on options available to the receivership, any estimate of outcome for creditors, or any other report content including any errors or omissions herein arising through negligence or otherwise however caused.

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