

3 October 2008

DOMINION FINANCE GROUP LTD (FROM THE RECEIVERS – LETTER NUMBER 2)

We wrote to you on 19 September after Dominion Finance Group Limited (Dominion) was placed in receivership and outlined our role as receivers.

Since we wrote to you, a number of investors have contacted us about comments made about Deloitte and the role of receivers. These comments have been made in a letter to you from shareholder Terry Butler and referred to in the media. Our letter is in response to those comments.

Our Primary Responsibility

Our primary responsibility as receivers is to you, the secured investor. This is our legal duty under the Receiverships Act 1993. Our responsibility to look after your interests overrides protecting shareholders' interests in the event there are competing interests.

The receivers' independence from other interests enables related-party transactions to be subject to appropriate legal review.

Our Experience

Comments by Mr Butler in his letter to you that Deloitte does not have experience in the finance industry are entirely without merit.

Mr Butler has been reported as saying:

“In 2007, when we determined as a board that we needed to put out for tender our audit, we went to three companies and the answer from Deloitte was that they didn't like the industry and had no experience in it.”

This is not correct. The Deloitte auditors were approached to submit a proposal for auditing Dominion. After a preliminary review, Dominion was advised that a proposal would not be submitted based on industry and company risk. Deloitte did not meet with Mr Butler during this process, nor was there any reference to a lack of experience.

Deloitte has extensive financial services industry experience, auditing a number of financial institutions in New Zealand and is a leading New Zealand and worldwide professional services firm. We employ more than 900 staff in New Zealand and 150,000 staff globally in 140 countries.

Dominion's loans principally relate to property. As the receiver, I have 20 years experience in a very wide range of receiverships. Previous assignments of direct relevance to this receivership include commercial and residential property, large scale property development, construction companies, property investment, hotels, and retirement villages.

I have undertaken receiverships over a wide range of other business sectors. These include large private and listed public companies. I am also responsible for a Deloitte subsidiary that manages four loan books with mortgage securities, winding down a significant property loan portfolio with a value of approximately three times the Dominion portfolio.

The receivership team at Dominion includes specialist expertise in loan book reviews, the finance industry, and in the realisation of property portfolios. To ensure we are working to maximise recoveries for investors, we engage specialists to support our work where appropriate. For example, in the case of Dominion, we are obtaining input from property experts in developing strategies to maximise recoveries from what are, in many cases, difficult second mortgage exposures.

Dominion Staff

Mr Butler has claimed that "the behaviour of Deloitte is such that they are forcing staff to make the decision to leave now rather than put up with the behaviour of the receivers."

We are working closely with Dominion staff who, like us, want the best result for investors. Staff have said to us that they were shocked at Mr Butler's reported comments and that they "have no issue at all with any of the people that we have dealt with from Deloitte."

Fire Sales

There have been comments in the media that receivers work to sell off assets quickly – leading to bargain prices or "fire sales". As receivers it is our role to act in your best interests. This is our overriding consideration.

We have not forced the sale of any Dominion securities since our appointment. At the time of our appointment we advised the Trustee that we would seek expert input where appropriate before finalising strategies to maximise returns for investors.

When the review of the loan book is complete we are likely to commence selling assets in an orderly way. It is also possible that we may undertake further work on some assets before they are offered for sale because such work would maximise the sale price. The sale of some assets may be delayed until a better market price can be achieved.

We cannot see a basis for any claims that a moratorium would make property securities more valuable. A moratorium would be working with the same loans in the same market.

Further Updates

We have been appointed by the Trustee and our primary responsibility is to you, the secured investors and to the Trustee who appointed us. We will continue to update the Trustee who is overseeing us, and we will also be keeping you up to date.

In the meantime, for further information, please visit the website www.deloitte.com/nz/dominion, use the email facility on the website or call the investor information phone number: 09-306-4343.

Yours faithfully

Dominion Finance Group Limited (In Receivership)

Rod Pardington

R G Pardington

Receiver and Manager

Dominion Finance Group Limited (In Receivership) - FAQs

Frequently asked questions about the receivership.

What is a receivership?

Receivership for Dominion Finance Group Limited (In Receivership) ("DFG") was the appointment of a receiver under the terms of a debenture trust deed. The receiver controls the business and assets of DFG to realise assets for the benefit of the security holder (the secured debenture holder investors). The receiver's most important role is to collect DFG's loans and pay the available proceeds to secured debenture holder investors.

What are the receivers doing to ensure my funds are returned to me?

The receivers are now examining DFG's loan book. This means reviewing every DFG loan and assessing how much and when the borrower may be able to pay back each loan. This review includes input from property professionals and is being made in the context of the current and potential future property market. Once the receivers have finished this assessment they will be in a position to provide an estimate of the payments that may be able to be made to secured debenture holders.

When can I expect payment?

Once the receivers have completed the review of DFG's loan book, they will ensure investors are updated as soon as possible. The receivers are likely to make partial distributions as the receivership progresses, however the timeframe and amounts cannot be determined until this review is completed.

I received a letter from Deloitte asking me to confirm my principal balance. However, this figure provided does not include any interest from 1 April?

Yes, that is correct. Following the suspension of repayments of principal and interest to debenture holders on 17 June 2008, the company did not credit your investment with interest to 30 June 2008. All investor funds are currently frozen but DFG can still calculate the amount of additional interest you are owed.

What is my status when it comes to receiving money back?

As a secured debenture holder you are entitled to receive, along with other secured debenture holders, any distributions made by the receiver from the available proceeds of DFG's loans (after claims protected by law, such as some employee and Inland Revenue claims).

My investment was due to mature before the receivers were appointed. Does this mean I will get my money back ahead of other investors?

No. All secured debenture holders will be repaid the same percentage of their principal investment at the same time. This is to ensure that all secured debenture holders are treated equally.

I need the money urgently e.g. for an operation/property purchase. Can I have my funds back now?

All investor funds are currently frozen. As soon as the receivers can make a partial distribution, they will have to make it to all secured debentureholders at the same time.

Does interest still accrue on my investment?

DFG can still calculate the additional interest that you are owed, but it is usual for distributions made by receivers to be made on account of the principal balance first. If loan collections allow for a full payment of principal balances to secured debenture holders, the receivers may then be able to make distributions on account of interest.

I would like more information.

We can assure you that the receiver's staff and DFG staff are working extremely hard to ensure that investors' returns are maximised. We will be in touch with an estimate of the amount you are likely to receive as soon as we have evaluated all DFG's loans.

If you would like more information, please call our investor helpline on 09-306 4343 or, visit the following website www.deloitte.com/nz/dominion and use the email facility that has been set up.