

Dominion Finance Group Limited (In Receivership & In Liquidation)

Receiver's Third Report

Pursuant to Section 24 of the Receiverships Act 1993

9 September 2009

This report has been prepared on the basis of limitations set out in Section 7.

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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 Nicols 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 2009 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 is the trustee for 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. Property securities have been realised where these realisations represent best value to investors. As part of this we have reviewed and approved proposals for security release of over 223 property titles, 141 of which resulted in settlements with the remaining settlements (mainly development presales) defaulting. The total loan and security realisations were \$82,155,444. Approximately \$63,264,589 was repaid to first mortgagees. Further settlement funds of \$6,709,847 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.

In conjunction with input from property experts, the receivers continue to develop recovery strategies for loans on an individual basis having regard for any relevant issues or constraints.

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

Dominion has 7,468 investments held by 5,937 debenture holders with approximately \$176.9m invested in secured debentures ("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.

2.4 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"), totalling \$55m secured by Stock Security Certificates which rank equally with Debenture Stock. To date, we have distributed \$1.4m to BOS and ASB. As at 9 September amounts owing to these creditors totalled \$53.6m.

The receivers' first report dated 9 November 2008 summarises all other security interests registered on the Personal Property Securities Register.

2.5 Amounts Owing to Preferential Creditors

Dominion's preferential creditors are its employees whose claims relate to salaries and accrued holiday entitlements. The amount owing at the date of appointment was approximately \$59,000.

Approximately \$58,000 of these entitlements has been distributed to date.

2.6 Amounts likely to be available to secured and other creditors

Soon after our appointment we estimated returns of between 10 cents and 25 cents in the dollar, to debenture holders with part of this being subject to realising recoveries from potential claims against directors and a favourable outcome for Dominion from a Court application regarding proceeds of realisations claimed by North South Finance under a security sharing agreement. Our previous report noted that this estimate resulted from a comprehensive review of security priorities combined with extensive independent formal valuation of loan securities by valuers experienced in the asset type and location. In some cases these were cross checked against real estate agent appraisals. We have reviewed the estimated return and at this point we believe that it remains relevant.

Realisation of the loan book is a substantial and complex exercise. Section 2.2 covers this in more detail. A distribution of \$5.8million has been made to debenture holders. The receivers hope to make a further distribution of a similar amount in the new year subject to satisfactorily resolving a priority matter.

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

3.2 Summary of Debts and Liabilities

Particulars of debts and liabilities	NZ \$'000s
<i>Secured Creditors</i> ¹	
Perpetual Trust (for debenture holders)	170,849
Bank of Scotland International Pty Limited	50,536
ASB Bank Limited	4,574
	<u>225,959</u>
<i>Preferential Creditors</i> ²	
Employees	59
	<u>226,018</u>
<i>Unsecured Creditors</i>	
Creditors	565
	<u>565</u>
Principal Balances as at 9 September 2008	<u>\$226,583</u>

Notes:

- The 'secured creditors' shown above exclude significant potential claims by 3 separate parties relative to claims under agreements for security sharing in relation to certain Company assets. The legal effect of those agreements as to whether they constitute security interests and the priorities of such claims as a matter of law is to be determined and may be the subject of applications for Court directions. The agreements contain confidentiality clauses preventing disclosure of terms.

We reviewed and finalised each debenture holders' principal balances in order to make the distribution in May. Under the Trust deed, the principal balances are defined as the debenture holders balance (inclusive of unpaid interest due) at the last date that they were entitled to receive interest before the Company went into receivership.

2. Approximately \$58,000 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 9 March 2009 to 9 September 2009**
(All figures exclude GST)

Receipts

Net Loan Receipts Net of Payments to First Mortgagees	\$5,399,273	
Loan Receipts Subject to SSA's	\$4,735,901	
Interest received from banks	\$189,840	
Miscellaneous Income	\$13,853	
GST Refunded and GST on Fees	\$241,627	
Bad Debts Recovered	\$2,889	
RWT on Interest Refunded by NBNZ	\$14,055	
Total receipts in the period	\$14,055	\$10,597,439

Payments
Property Related

Rates & Insurance	\$84,409	
Project Advances, Property Completion	\$497,579	
Contract Completion Costs	\$61,313	
Legal - Settlement, Enforcement and Disbursements	\$287,873	
Marketing	\$51,986	
Real Estate Commissions	\$123,178	
Valuation Costs	\$168,957	
	\$168,957	\$1,275,294

Finance Related

GST Paid	\$530,799	
RWT on Interest Received from Banks	\$0	
GST Pre-receivership Contingency	\$111,232	
Interest and Bank Fees	\$4,686	
	\$4,686	\$646,718

Other

Computer Expenses	\$13,964	
Electricity	\$3,105	
Fringe Benefit Tax	\$1,746	
General Expenses	(\$372)	
Legal Expenses - Receivership	\$42,951	
Legal Expenses - Dir & Off Claim	\$5,443	
Insurance	\$22,451	
Low Cost Asset Write Off	\$372	
Motor Vehicle Expenses	\$748	
Office Expenses	\$14,757	
Postage & Mail Outs	\$5,898	
Printing & Stationery	\$8,386	
Recruitment and Temp Costs	\$5,625	
Trustee Fees	\$35,296	
Trustee Legal Fees	\$11,673	
Receivers Disbursements	\$3,163	
Receivers Fees	\$570,688	
Distribution Expenses	\$39,384	
Moratorium Costs	\$19,530	
Other Professional Fees (Dir & Off. claim)	\$28,341	
Contingency for Loss of Assets	\$3,152	
Contingency Rent	\$19,931	
Rent	\$29,315	
Tax Advice	\$40,732	
Telephone & Communications	\$11,168	
Wages & Salaries and Contractors	\$559,646	
	\$559,646	\$1,497,092

Distribution

Distribution to Secured Creditors	\$5,871,228	
Holder of SSA's	\$4,735,901	
	\$4,735,901	\$10,607,129

Total payments in the period
\$14,026,233
Net Receipts in the period
(\$3,428,794)

5. Receiver's Contact Details

The receivers can be contacted at the address below. Investor enquiries should be directed to +64 9 306 0410 or facsimile +64 9 306 0404. All other enquiries should be directed to +64 9 306 0411 or facsimile +64 9 306 0404.

Contact Address	Dominion Finance Group Limited (In Receivership & In Liquidation) Deloitte House 8 Nelson Street Private Bag 115-033 Shortland Street Auckland 1140
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R G Pardington
Receiver and Manager

6. Glossary

Dominion or Company	Dominion Finance Group Limited (In Receivership & In Liquidation)
The Trustee	Perpetual 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 23 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 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.