

## Dominion Finance Group Limited (In Receivership)

### Receiver's Second Report

Pursuant to Section 24 of the  
Receiverships Act 1993

9 March 2009

## Contents

<b>1.</b>	<b>Introduction.....</b>	<b>3</b>
<b>2.</b>	<b>Receivership Details .....</b>	<b>3</b>
2.1	Events Leading up to the Appointment of Receivers .....	3
2.2	Disposal of Property .....	4
2.3	Amounts Owing to Appointer (on behalf of secured debenture holders) .....	4
2.4	Amounts Owing to Other Secured Creditors .....	4
2.5	Amounts Owing to Preferential Creditors .....	5
2.6	Amounts likely to be available to secured and other creditors.....	5
<b>3.</b>	<b>State of Affairs.....</b>	<b>6</b>
3.1	Assets Comprising the Property in Receivership .....	6
3.2	Summary of Debts and Liabilities .....	6
3.3	Encumbrances over the Property in Receivership .....	7
3.4	Any Default by the Grantor in Making Information Available .....	7
<b>4.</b>	<b>Receipts and Payments Account .....</b>	<b>8</b>
<b>5.</b>	<b>Receiver’s Contact Details .....</b>	<b>9</b>
<b>6.</b>	<b>Glossary .....</b>	<b>10</b>
<b>7.</b>	<b>Important Notice .....</b>	<b>11</b>

## 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.

We set out below our report on the state of the Company affairs as at 9 March 2009 in accordance with section 24 of the Receivership Act 1993. This report should be read in conjunction with the receivers’ previous report. 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 is 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 the loan book of Dominion. As well as evaluating the loan book to establish the possible return to investors a number of 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 147 property titles, 67 of which resulted in settlements with the remaining settlements (mainly development presales) defaulting. The total loan and security realisations was \$43,892,067. Approximately \$35,247,721 was repaid to first mortgagees. Further settlement funds of \$1,973,946 received were applied to reducing debt owed to another finance company under the terms of Dominion's security sharing agreement with 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 possibly 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. As at 9 September amounts owing to BOS and ASB totalled \$56.2m.

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 \$21,000 of these entitlements has been distributed to date.

## **2.6 Amounts likely to be available to secured and other creditors**

On 28 November 2008, we wrote to all investors to provide an estimate of outcome and a detailed explanation as to how the outcome was calculated, including important qualifications.

We expect to distribute between 10 cents and 25 cents in the dollar to debenture holders over time. 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> <sup>1</sup>	
Perpetual Trust (for debenture holders)	176,905
Bank of Scotland International Pty Limited	51,531
ASB Bank Limited	4,689
	<u>233,125</u>
<i>Preferential Creditors</i> <sup>2</sup>	
Employees	59
	<u>59</u>
<i>Unsecured Creditors</i>	
Creditors	565
	<u>565</u>
<b>Total as at 9 September 2008</b>	<u><b>\$233,749</b></u>

Notes:

1. The 'secured creditors' shown above exclude significant potential claims by 3 separate parties relative to agreements allegedly 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 purporting to prevent disclosure of terms.
2. Approximately \$21,000 has been distributed to preferential creditors since appointment. 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) for the period 9 September 2008 to 8 March 2009

(All figures exclude GST)

<b>Receipts</b>	<b>\$</b>
Receipts b/f	Nil
Total security realisations	43,892,067
Less: Prior charge holders	35,247,721
Payments to holders of SSA's	1,973,946
Net Loan receipts	6,670,400
Interest received from banks	234,548
Miscellaneous income	16,159
GST refunded	149,675
Advances from holders of SSA's	18,619
Bad debts recovered	2,400
<b>Total receipts in the period</b>	<b>7,091,801</b>
<b>Payments</b>	
Payments b/f	Nil
Property holding costs	9,809
Further advances to loan accounts	137,364
GST paid	249,583
RWT on interest received from banks	14,055
Interest and bank fees	1,280
Computer expenses	19,344
Electricity	1,925
Forensics	46,392
Receivers disbursements	8,255
General expenses	1,668
Insurance	14,054
Motor vehicle expenses	1,608
Office expenses	3,645
Postage & mail outs	28,082
Printing & stationery	2,887
Legal fees	437,361
Receivers fees	874,186
Rent	29,315
Repairs & maintenance	2,240
Telephone & communications	9,090
Trustee fees	176,370
Valuation costs	155,248
Wages, salaries and contractor fees	604,568
<b>Total payments in the period</b>	<b>2,828,329</b>
<b>Net Receipts in the period</b>	<b>4,263,472</b>

## 5. Receiver's Contact Details

The receivers can be contacted at the address below. Enquiries should be directed to Garry Clarke at this office, via telephone +64 9 303 0797 or facsimile +64 9 309 4947.

Contact Address	Dominion Finance Group Limited (In Receivership) Deloitte House 8 Nelson Street PO Box 33 Shortland Street Auckland 1010
-----------------	---

**R G Pardington**  
**Receiver and Manager**

## 6. Glossary

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

## 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.