

Confidential to Investors

24 July 2015

To all Dominion Finance Group
Debentureholders

By Post

DOMINION FINANCE GROUP LIMITED (In Receivership & In Liquidation) Investors' Update Report

Introduction

On 16 March 2015 we provided Investors with a comprehensive update on the progress with the realisation programme. In that update we concluded that assuming a Court application went in DFG's favour, our projections indicated that a further, and probably final, distribution of circa 4 cents in the dollar would be available when we retire. We are pleased to report we have made very good progress since March and we are now in a better position to provide a firm update on the amount and timing of the next distribution.

What has occurred since March 2015?

The final two apartments in an Auckland complex that had well known subsidence and weather tightness issues have been sold. Furthermore after the purchaser of the Alexandra subdivision failed to settle, we moved to sell the subdivision on a break-up basis. 19 of the 26 sections in the Alexandra subdivision have now been sold, 2 are under contract leaving 5 still to be sold. Depending on the outcome from the final section sales, litigation may follow to recoup any shortfall from the original purchaser who defaulted on the prior agreement. The Kinloch sections continue to be progressively sold down on an individual basis. 12 sections, a house and a larger lot have now been sold. 10 sections remain unsold. After re-evaluating all options we decided to place the remaining sections on the market as one package. Tenders for this package close in mid-August. The outcome of this move will determine whether we sell in one package or continue with the existing programme to sell individually.

Importantly, in early July, DFG was successful in the Court application that allowed the release of the negotiated settlement payment from a valuer's insurer. The amount of the settlement, whilst confidential, is significant and in line with our earlier projections. It is very good news for DFG's investors and forms a large part of the proposed next distribution set out below. This recovery, after lengthy and complex litigation, is however likely not finished yet. While all the proceeds of the claim have been received, DFG must now resolve a new claim against part of these proceeds from another party.

In addition to this litigation against a valuer, the Receivers provided additional funding and significant operational support to DFG's liquidators to help them to successfully progress a claim against the directors and their insurers under a "Directors & Officers" policy. There were also competing claims to this policy (by the Financial Markets Authority and the Receivers of North South Finance Limited). As was reported in the media, the proceedings were settled in June 2015, on confidential terms without any admission of liability, for

\$3.335 million. These funds (net of GST and costs) were disbursed back to the receivership and will be returned to investors as part of the next distribution.

When (and how much) will be the next distribution?

Taking into account the successful litigation and the asset sales that we have now completed, we plan to make another distribution of 4 cents in the dollar. This would take the total distribution from the receivership to 17.5 cents in the dollar, compared to the distribution range of 12 to 25 cents estimated at the commencement of the receivership.

This next distribution will be paid to investors in the week commencing 5 October 2015. This letter constitutes a Trustee notice of distribution to investors under Clause 8.13 of the debenture trust deed. If you need to update your contact details, please do this as a priority. We will need this information by 4 September so we can ensure the next distribution is made to you correctly. You can do this by post (Dominion Finance Group Limited (In Receivership & In Liquidation), Level 4, AMI House, 63 Albert Street, Auckland), or by email greg@financeservices.co.nz.

Once the remaining Kinloch and Alexandra sections are sold, the final guarantor recoveries are settled and the remaining litigation is settled or concluded, the Receivers expect to make a small final distribution (projected to be circa 1 cent in the dollar) at the conclusion of the receivership, which is now expected in the first half of 2016. Because the ongoing litigation and the matters listed above are likely to slightly delay our retirement, we have decided to distribute the bulk of the undisputed portion of funds back to investors now.

Further information

We have previously provided details of the receivership website developed at the time of our appointment (www.deloitte.com/nz/dominion). The Receivers' statutory reports are filed on-line at the Companies Office and can be viewed free at the Companies' Office website www.companies.govt.nz. We will post further updates and matters of relevance to investors on the receivership website as appropriate. In the interim for past reports containing further information please visit the receivership website www.deloitte.com/nz/dominion. If you have any other queries please call us on +64 9 306 0407.

Concluding comments

Rod and I appreciate the support and patience from investors in the recovery work. In addition to the normal statutory reports, our next (and likely final) update will occur in 2016 when we retire. In it we will provide specific details around the timing and amount of the final distribution and what (if any) matters are being transitioned across to the liquidator.

This report is confidential to the Trustee and DFG's secured debenture holders. It 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.

Yours sincerely

Dominion Finance Group Limited (In Receivership & In Liquidation)



Barry Jordan
Receiver and Manager