

## Confidential to Investors

22 July 2016

To all Dominion Finance Group Debentureholders

## By Post

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

### Introduction

On 24 July 2015, we provided Investors with an update on the progress with the realisation programme and, in particular, the expected timing around the completion of the receivership. Then on 9 October 2015, the receivers distributed the bulk of remaining funds in a further distribution of 4 cents in the dollar. Our previous report advised that we expected to make a small final distribution (projected to be circa 1 cent in the dollar) at the conclusion of the receivership.

We are pleased to report that excellent further progress has been made since late 2015 and we are now in a position to provide another update.

### What has occurred since July 2015?

All of the property and assets that Dominion had security over has now been realised. The remaining bare sections within subdivisions in Alexandra and Kinloch, and a dam within a winery in Otago, have all been sold at, or above, our expectation levels. The litigation referred to in our last report, initiated by one of the parties involved with a claim Dominion made against a valuer's insurer which threatened to materially delay the receivership, has also been resolved and settled as has litigation related to the dam referred to above.

In parallel to all this work, we have pursued guarantors on outstanding loans. In most cases we either initiated bankruptcy proceedings or negotiated repayment programmes with the guarantors associated with loans where Dominion has suffered a shortfall. This programme of work was both complicated and in many cases protracted depending on the financial position of the guarantor. We are however pleased to report this process is nearing completion.

The work programmed prior to commencing retirement procedures at the time of our last report has largely been completed. However an Inland Revenue Department statement issued approximately 10 years ago led Dominion and its tax advisors to believe that mortgagee sale GST inputs would be available to Dominion. At that time Inland Revenue indicated that this would be clarified in a statement to follow. When this statement was eventually issued in August 2015 it was not consistent with Dominion's understanding. As you will appreciate, given the extent of mortgagee sale activity that has been completed during the receivership, this is a material issue for the receivership which must be resolved before we retire. We have therefore applied for a binding ruling from Inland Revenue and provided considerable information requested by Inland Revenue regarding this. A number of procedural issues have had to be addressed in the course of submitting the Ruling application. We understand that

this ruling should now be available by October but have no way of estimating how much work (and therefore how much time) will be required after this to finalise Dominion's GST position as this will depend on the outcome of the ruling and whether Dominion elects to take this further.

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

Consistent with our earlier updates, we still expect that the final distribution will be up to 1 cent in the dollar, which would bring the total distribution to 18.5 cents in the dollar.

Until we get a clearer perspective from Inland Revenue, we cannot give a reliable indication of timing for the final distribution. We anticipate though it will at least not be until towards the end of 2016.

### **Further information**

We have previously provided details of the receivership website developed at the time of our appointment ([www.deloitte.com/nz/dominion](http://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](http://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](http://www.deloitte.com/nz/dominion). If you have any other queries please contact us by email ([greg@financeservices.co.nz](mailto:greg@financeservices.co.nz)) or post (Dominion Finance Group Ltd (in receivership and in liquidation), Level 4, AMI House, 63 Albert Street, Auckland 1010) or phone +64 9 306 0407. Any address change requests need to be signed by the account holder.

### **Concluding comments**

As we have said before, Rod Pardington and I appreciate the support and your patience in completing this complex recovery work.

In addition to the normal receivership statutory reports, we will update you after clarifying the position referred to above re mortgagee sale GST inputs and, from that, the expected timing and amount of the final distribution and our retirement as receivers and what (if any) matters will be transitioned across to the liquidator.

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Yours sincerely

**Dominion Finance Group Limited (In Receivership & In Liquidation)**



Barry Jordan  
**Receiver and Manager**