

29 November 2012

DOMINION FINANCE GROUP LIMITED (In Receivership & In Liquidation)

Investors Report

Confidential to Investors

Realisations

Since our last report we have been successful in Court action on recoveries disputed under the North South Finance security sharing agreements (“SSA”) and concluded negotiations for an out of Court settlement of valuer litigation the day before the Court hearing was to commence. Over \$550,000 of guarantor settlements have also been obtained through legal proceedings and negotiations since our last update. Recoveries from legal proceedings now total \$4,692,000 since our appointment. We have continued to realise difficult assets at values that would not have been possible under a time constrained forced sale approach.

Realisations to date other than from guarantors and security sharing agreements have now exceeded the initial estimates based on valuations of underlying property securities commissioned at the time of our appointment with some assets still to be realised. Remaining assets face issues that may make any estimate of the timing and amount of realisation unreliable.

Our initial estimates excluded recoveries from security sharing arrangements and guarantor actions as these are generally difficult to enforce and/or difficult to estimate reliably. Recoveries from security sharing arrangements and guarantor actions now equate to 11% of our initial estimates bringing total realisations to date to 12% above our initial estimates.

Significant work has been and continues to be undertaken to resolve issues compromising the value of remaining recoverable assets. This is reflected in the realisations referred to above. Forced sale would discount the remaining ‘difficult’ assets most and we continue to address issues affecting marketability where we consider that there is an upside net of the cost of this. This is consistent with our advice at commencement of receivership that assets would not be subjected to fire sale.

Progress to date can be summarised as:

	\$000	\$000	\$000	% of
	Loan	Litigation	Total	Original
	Recoveries	Recoveries	Recoveries	Estimate
Initial Receivership Projection (excluded Litigation Recoveries)	43,031			
Gross Recoveries	238,972		238,972	
Paid to First Mortgagees or GST	(195,667)		(195,667)	
Litigation Recoveries		4,692	4,692	11%
Net Realised to Date	43,305	4,692	47,997	112%

Previous reports contain considerable information of ongoing relevance that is not repeated here. This can be accessed via www.deloitte.com/nz/dominion.

The majority of Dominion's securities have now been realised, with only a relatively small number remaining. These have significant issues to resolve which are impeding realisation. Some of these issues have been reported previously, including subsidence, water supply, weathertightness, complex legal issues, and body corporate litigation, each requiring time to resolve in a manner that will maximise realisation for Dominion investors.

We currently have two claims against valuers and solicitors subject to litigation. One was due to be heard last month but was unexpectedly rescheduled to next year. We believe that both are strong claims, but are inevitably subject to normal litigation risk.

Distributions

Receivership distributions last year reached the lower end of estimates made at the time of our appointment. The recoveries made since our last report now support a further distribution. We are pleased to notify you of a distribution of 2.5 cents per dollar invested to be mailed during the week commencing 17 December 2012, bringing total distributions to date to 12 cents in the dollar. This notice constitutes a Trustee notice of distribution to investors under Clause 8.13 of the debenture trust deed.

Estimated Outcome

The types of issues touched on above affecting remaining securities and the usual risk related to any litigation means that the timing and amount of any further distribution cannot be reliably estimated at this point. Most of the funds supporting this distribution, for example, have only been received over the past couple of months from Court action the outcome of which could not be predicted with any certainty until it was received. There are a further two claims currently subject to litigation and a relatively small number of mortgage securities remaining with significant issues impeding optimum realisation to resolve.

While we believe a further distribution is possible, having regard for the type of litigation and the nature of securities that this would rely on, the timing and amount of future distribution is far from certain. Court proceedings are time consuming, expensive and inherently difficult to estimate in terms of timing and recovery. However we have previously noted that the extent of Dominion's losses would not have been possible without negligent valuations and we have therefore given this appropriate

weighting in the claims that we have brought. We appreciate the support of investors in the litigation successfully concluded to date and the further claims currently being pursued.

Regulator Actions

Information about current investigations and proceedings by regulatory bodies can be found at:

<http://www.sfo.govt.nz/case/dominion-finance-11-13>

[http://www.fma.govt.nz/laws-we-enforce/enforcement/status-of-fma-investigations-into-failed-finance-companies-\(non-bank-deposit-takers\)/](http://www.fma.govt.nz/laws-we-enforce/enforcement/status-of-fma-investigations-into-failed-finance-companies-(non-bank-deposit-takers)/)

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 questions please call +64 9 306 0411, or facsimile +64 9 306 0404, or email lisa@financeservices.co.nz.

Confidentiality

This report is confidential to the Trustee and debentureholders and 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.

DOMINION FINANCE GROUP LIMITED (In Receivership & In Liquidation)

Rod Pardington

R G Pardington
Receiver and Manager
Personal Liability Excluded