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

Confidential to Investors

Summary

Realisations to date have achieved our initial estimates and receivership distributions reached the lower end of our initial estimates last April. Reports at commencement of receivership advised that any returns above the low end of our initial estimate would be derived from proceeds of litigation, including realisations contested under security sharing agreements with North South Finance Limited. The last security subject to a security sharing agreement has very recently been realised. An application to the Court to determine entitlement to these proceeds is being prepared.

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 or delaying realisation. Some of these issues have been reported previously, including subsidence, water supply, weathertightness, complex legal issues, and earthquake damage, each requiring time to resolve in a manner that will maximise realisation for Dominion.

Some properties have been marketed for sale but failed to achieve acceptable prices. Significant work has been undertaken to resolve issues compromising the value of securities. This is reflected in projected total security realisations exceeding initial estimates based on valuations by 16% before any proceeds from litigation or security sharing disputes. We continue to address issues affecting marketability where we consider there is a potential 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 into illiquid markets.

The types of issues touched on above affecting remaining securities and the contingencies related to any litigation means that the timing and amount of further distribution cannot be reliably estimated at this point. Resolution of the security sharing agreement, for example, may take over a year if agreement cannot be reached and proceedings are filed early in the new year.

Progress to Date

Security Realisations

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

Progress to date can be summarised as follows:

	\$000	% of Original Estimate
Sales Settled	233,179	
Paid to First Mortgagees or GST	191,397	
Realised to date (subject to SCF SSA)	41,782	97%
To Be Realised (refer below)	7,998	19%
Initial Receivership Projections <i>(excludes NSFL and Negotiable SSAs)</i>	43,031	116%

Our initial estimate of outcome was based on a very careful evaluation of each loan. Most of these required new valuations of underlying property security. The more challenging assets were also cross checked against real estate agent appraisals. This approach provided a reliable basis for our initial estimates. Realisations to date represent 97% of initial estimates.

Significant work has been undertaken to resolve issues compromising the value of securities. This is reflected in total security realisations at completion now projected to exceed initial estimates by 16% before any proceeds from litigation or security sharing disputes.

Other Recoveries

We appreciate the continuing support of investors for our investigations and the claims currently being pursued against valuers. It is not possible to reliably estimate the extent or timing of potential recoveries from actions of this type. Litigation is time consuming, expensive and inherently difficult to estimate in terms of timing and recovery.

Estimated Outcome

We have noted that the types of issues touched on above affecting remaining securities and the contingencies related to any litigation means that the timing and amount of further distribution cannot be reliably estimated at this point. While we are hopeful of making a further distribution in approximately 12 months, resolution of the security sharing agreement, for example, may take over a year if agreement cannot be reached and proceedings are filed early in the new year. We will therefore provide a further update in six months.

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