

## Confidential to Investors

20 March 2017

## By Post

## **Dominion Finance Group Limited (In Receivership & In Liquidation) Investors' Update Report**

### **Introduction**

On 22 July 2016, we provided Dominion Investors with an update on our progress as the receivership programme draws to a conclusion. In our last update we envisaged that a final distribution, of up to 1 cent in the dollar, was still expected bringing the total to 18.5 cents in the dollar. However the timing of this final distribution was still subject to a decision from Inland Revenue on Dominion's GST position.

We are pleased to report that after a series of exchanges (and appeals from the Receivers), the legal position regarding Dominion's GST has now been substantially clarified. As such we are now in a position to provide another update.

### **What has occurred since July 2016?**

Together with Dominion's unresolved GST position and minor ongoing guarantor recoveries, the security and asset realisation programme has been completed by the Receivers.

Determining Dominion's GST and income tax position was always going to be fundamental to concluding the receivership. Until this position was clarified, we could not exactly determine the amount and timing of the final distribution to Investors. We had thought last year this would have been resolved quickly, but Inland Revenue then took some time to issue its preliminary ruling which then disallowed Dominion from being able to claim GST input tax credits on a significant proportion of payments the Receivers made during the receivership. These credits will potentially increase the pool of funds available Investors.

After carefully considering our own tax advice, we reached a different position. We specifically disagreed with Inland Revenue's legal interpretation of how the GST registration impacted finance companies like Dominion. Eventually IRD and DFG requested Crown Law to provide a separate (but non-binding) perspective on the issue. Ultimately, just prior to Christmas last year and approximately one year after DFG filed the applications for binding rulings, Inland Revenue reversed its position and agreed with our stance.

With this major development we can finally proceed with preparing and filing Dominion's GST returns (which are still potentially subject to IRD audit). We can't reliably estimate how long it will take from preparing GST returns for most of the receivership to date, to resolving any questions Inland Revenue may have, obtaining assessments, and receiving refunds. But assuming these progress as we expect, the GST aspect of the receivership should be finalised around July 2017 and if it does, we will make a final distribution about October 2017. Unless there are other matters that arise between now and then, we will then retire from the receivership.

## How much will be the next distribution?

While the binding ruling now enables finalisation of DFG's tax position, the outcome from this and the funds available for distribution still won't be known until a number of returns have been prepared on the basis now established, any resulting IRD queries addressed, assessments issued and refunds obtained.

However subject to this, it currently seems unlikely that the final distribution will be less than 1 cent in the dollar.

## 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)). This website continues to have updates posted. 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).

If you have any other queries, (including change of address details), 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), c/- Deloitte, Private Bag 115033, Auckland 1140. Please remember that any address change requests need to be signed by the account holder (or their authorised representative).

## Concluding comments

Rod Pardington and I appreciate the support, and your patience, in completing this complex recovery work to optimise returns for investors.

Finally, 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. 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 (nor provides recourse to receivers' personal assets) in respect of any liability whatsoever to any party from any use of, or reliance on any estimate of outcome for investors or any other report content including any errors or omissions herein arising through negligence or otherwise however caused.

Yours sincerely

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



Barry Jordan  
**Receiver and Manager**