PRICEWATERHOUSECOOPERS

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3 August 2010

Dear Debentureholder,

Donovan Oates Hannaford Mortgage Corporation Limited (Receivers & Managers Appointed) (in Liquidation) ACN 086 879 307 ("DOHMC" or the "Company")

Tenth Report to Debentureholders

Purpose and Contents of this report

We have now issued nine reports previously to Debentureholders with our most recent being dated 1 February 2010. This tenth report should be read in conjunction with our prior updates as we have not sought to replicate information previously disclosed.

The purpose of this report is to provide Debentureholders with an update in relation to:

- our activities as Receivers and Managers ("Receivers") since our last report, including the asset realisations achieved;
- the ongoing sales strategy for the remaining residential, commercial and industrial units;
- our strategy in relation to other assets;
- forecast future distributions to Debentureholders; and
- other relevant matters.

Copies of our previous reports can be located on our website. Please see Section 6 for further information.

Summary

We remain confident of a total return to Debentureholders of 70 cents in the dollar. The total return to Debentureholders to date is 48.8 cents in the dollar.

The next distribution of 4.2 cents in the dollar will be paid on 14 October 2010. Subsequently, we plan to make a further distribution in March 2011, with advice of the amount in our next report on or about 1 February 2011.

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Section 1: Asset Realisation Strategy

The table below summarises the DOHMC assets realised to date, by asset class, together with all payments made up to 31 July 2010. We have included the asset realisations detailed in our previous report to demonstrate progress made in the last six months.

Table 1: Summary of receipts and payments to 31 July 2010

	As at 31 Jul 2010 $'m	As at 31 Jan 2010 $'m	Movements $'m	Comment regarding movements since our last report
Asset Realisations				
Cash at Bank 27 Feb 2008	30.9	30.9	0	Cash at Bank on appointment.
Completed Property Sales	98.9	86.0	12.9	Proceeds from sale of property.
"Performing" loan repayments	14.6	12.7	1.9	Repaid by developer.
Shareholder loan repayments	4.2	3.7	0.5	Recoveries from Shareholders.
Rental Income	4.0	3.8	0.2	Rental income received from commercial property.
Interest and other income	3.8	2.7	1.1	Other income from interest and legal proceedings.
Total receipts	**156.4**	**139.8**	**16.6**	
Payments made				
Debentureholder distributions	(102.9)	(85.8)	(17.1)	Further detail is provided in Section 2.
Capital building works	(6.0)	(4.6)	(1.4)	Capital building costs incurred in bringing properties to a saleable condition.
Costs incurred in sale and marketing of properties	(6.3)	(5.8)	(0.5)	Costs include strata & council rates, repairs & maintenance, land tax, insurance & security costs.
Other professional costs	(7.7)	(6.2)	(1.5)	Costs include sales agents commission, rental management, property consultants and legal costs.
GST	(8.2)	(5.5)	(2.7)	Payable to ATO, mainly from settlement of properties.
Receivers' fees and disbursements	(5.3)	(4.6)	(0.7)	Figures are net of GST. Further detail is provided in Section 4.
Total payments	**(136.4)**	**(112.5)**	**(23.9)**	
Cash on hand	**20.0**	**27.3**	**(7.3)**	

Property Assets

Since our last update, we are pleased to report that the vast majority of our residential assets have now been successfully sold. Our focus has now turned to the realisation of the industrial and commercial assets, represented by 52 industrial and commercial strata units, across 6 separate developments.

(i) Residential

In respect of the residential property portfolio, we have now sold 98 per cent (in number) of the residential portfolio, with only five residential units remaining. Of these remaining units, four comprise SEPP 5 restrictions of use (over 55's) and an offer has been accepted on the other remaining unit. The realisation of these properties has been hampered by the restricted pool of buyers to whom these properties can be sold. We are hopeful that these properties will sell during the next 12 months.

(ii) Commercial and Industrial

Since our last report we have sold three industrial units and one commercial unit. We are continuing to work with commercial and industrial property specialists to complete outstanding building works, prepare the remaining units for sale and to liaise with sales agents. This has been a lengthy process as the market for such property has been very poor and significant works were incomplete and or non-compliant.

We currently have 20 industrial properties on the market and we are negotiating with interested parties on several of these properties. Rectification works are in progress with the remaining 21 industrial units and we expect to have them on the market towards the end of the year.

There are two retail units within the commercial portfolio, one of which will be placed on the market later this year and the remaining unit will be held from the market until the tenant vacates the unit. The remaining nine commercial units are on the market and available for sale.

(iii) Townhouse Development Site

Of the seven completed units within Stage One, five have now settled and the remaining townhouses will be marketed with the other townhouses currently under construction in Stage Two later this year.

Stage Two comprises an additional eight luxury townhouses which are now due for completion in November 2010. To date, the project remains relatively on schedule and on budget. It is anticipated that a display unit will be finished and ready for a spring marketing campaign with sales to be negotiated over the following months.

We have continued to monitor the market during the construction of this development and the market for these townhouses remains positive as has been demonstrated by the strong sales prices achieved for the five townhouses sold in Stage One.

Performing Loans (Book Debts)

We have a single remaining performing construction loan to collect. We continue to monitor the borrower closely to ensure it continues to take active steps to repay its debt, however to date this has been hindered by the economic climate and quality of the development. The borrower remains co-operative and has repaid $1.9m to DOHMC since our last report.

Our current assessment of this loan is that we believe it is unlikely that DOHMC will be repaid in full for the outstanding amount and, as a consequence, we are proactively taking steps to achieve the best outcome for Debentureholders. We will provide more detail in our next report.

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Shareholder Loan Accounts

At the date of our appointment the accounts of the Company included $6.5m of loans made to Shareholder companies associated with each of the Directors of DOHMC. You will note that a further $0.5m has been paid by the Directors or Shareholder companies since our last report and further payments are scheduled over the next 12 months. To date we have recovered $4.2m from these loans.

We remain in confidential negotiations with each of the Directors individually over their repayment strategies and therefore are unable to provide further details to Debentureholders at this time. We will provide you with a more comprehensive update when our negotiations have been finalised.

We have recently received a settlement offer from one Director that we intend to accept and, subject to finalisation of the offer, will resolve all outstanding matters with this Director and his shareholder company.

Other Asset Realisations - Legal Cases

In our last report to Debentureholders, we mentioned an ongoing legal case where, despite a judgment originally being made in favour of DOHMC, the plaintiff was able to successfully appeal, resulting in a re-trial being ordered.

We are now pleased to report that we were able to reach a commercial settlement in relation to this case prior to the re-trial. The outcome of this settlement was deemed to be favourable, resulting in the following:

- A further asset is now available to the Receivers for realisation, consisting of trade credits. On the face of it these trade credits appear to be of limited value, however, we are currently exploring the options of converting these into cash;
- The retraction of a cost order against the Company and the Receivers; and
- Early settlement of the case to avoid further costs being incurred.

Section 2: Estimated Outcome and Distributions Strategy

We are pleased to report that we remain confident that we will be able to achieve a return to Debentureholders of approximately 70 cents in the dollar.

While we remain confident of a return of approximately 70 cents in the dollar, there remain some key risks which could pose challenges to this outcome being achieved, namely:

- Significant concern over the poor performance of the Sydney commercial and industrial property markets;
- The ability of the developer responsible for the single remaining good loan to repay this debt in full;
- Unforeseen additional building costs in respect of the incomplete properties; and
- Uncertainty concerning the outcome of matters that may be subject to litigation.

We will keep Debentureholders informed in our next report should there be any significant developments in regard to any of the above.

Funds realised to date have been paid to the Debentureholders as follows:

- Monthly distributions of $1.44m per month from the date of our appointment to July 2010; and
- Additional "surge" distributions were also made to Debentureholders in May 2008 (10 cents in the dollar), July 2009 (10 cents in the dollar), October 2009 (5 cents in the dollar) and February 2010 (4 cents in the dollar).

To date we have distributed $102.9m to Debentureholders, which represents 70 per cent of the forecast distribution of 70 cents in the dollar, or a return of 48.8 per cent of the total balance owing to Debentureholders at the date of our appointment. Of this amount, $100.1m is classified as a return of principal. We provide a schedule of these distributions below:

Table 2: Distributions Summary

Date	Distribution to Debentureholders ($)	Worked Example ($)*	Description	Character of Distribution
As at 30 January 2010	**$ 85,811,386.50**	**$ 4,069.71**	**1.3% Interest distribution** **39.4% Principal distribution** **As detailed in our previous reports**	
12/02/2010	$ 1,441,401.81	$ 68.33	0.683% Principal distribution	Principal
16/02/2010	$ 8,439,769.27	$ 400.00	4% Principal distribution	Principal
11/03/2010	$ 1,441,396.66	$ 68.33	0.683% Principal distribution	Principal
14/04/2010	$ 1,441,401.65	$ 68.33	0.683% Principal distribution	Principal
13/05/2010	$ 1,441,402.67	$ 68.33	0.683% Principal distribution	Principal
10/06/2010	$ 1,441,399.74	$ 68.33	0.683% Principal distribution	Principal
14/07/2010	$ 1,441,400.22	$ 68.33	0.683% Principal distribution	Principal
Total	**$ 102,899,558.52**	**$ 4,879.69**	**48.80% Total distribution**	

** This column provides an example of distributions to a Debentureholder with a $10,000 face value Debenture. The interest component of distributions was based on interest accruing at 8.2% per annum.*

<u>Future Distributions</u>

As advised in our last report, the payment made to you on 14 July 2010 forms the last regular monthly distribution payment that you will receive. All future payments will take the form of payments as and when surplus funds are available to be distributed.

We propose to make the **next payment on or around 14 October 2010, for the sum equivalent to 4.2 cents in the dollar of Debentureholders'** principal balance outstanding as at the time of the appointment of Receivers.

The anticipated date of the next dividend following the October distribution will be in March 2011. We will advise Debentureholders of the amount and a more precise date for the payment in our next report on or around 1 February 2011.

Section 3: Investigations of the Company and Directors

As noted in our last report, we have submitted our formal report to the Australian Securities & Investments Commission ("ASIC") for their consideration. Pursuant to Corporations Law, the findings of this report remain confidential and we are therefore unable to comment on the report in any further detail.

We have since received a response from ASIC advising that they do not intend to commence an investigation into the matters raised in our report at this time. It should be noted that our report was based on all known information at the time of writing and we can submit further reports if more information comes to light.

Section 4: Receivers' Remuneration

The Receivers' fees, drawn with the approval of the Trustee, total $5.3m (excluding GST) to 31 July 2010. Of this, $0.7m relates to the period since our last report. Extensive detail is provided to the Trustee of our activities and costs on a monthly basis. The key tasks we have performed for this period are:

- Completion of tasks necessary to project manage, complete property development plus execute and monitor the asset realisations detailed in Section 1 of this report;
- Ongoing communication with Debentureholders, including answering queries; and
- Completion of our statutory duties.

Section 5: Trustees' Remuneration

We continue to be in frequent contact with the Trustee to seek its input and approval in connection with important matters. As a result, the Trustee spends significant time monitoring the progress of the Receivership, having input into all key strategic decisions.

The Trust Deed provides for the Trustee to be remunerated, in addition to its normal fees, for time spent carrying out monitoring and oversight services after the commencement of the Receivership. The Trust Deed broadly allows for two different types of fees to be paid, namely:

1. Basic Fee (clause 18.01) - This is calculated as a percentage of the remaining amount owed to Debentureholders and is therefore diminishing with time; and
2. Fee after Enforcement (clause 18.02) – To reflect increased monitoring and supervision in the event enforcement action is taken. The Trust Deed provides that this could be as high as $5.0m. However, the Trustee has offered to limit its fees after enforcement to 2.5% of the Receiver's fees and this has been agreed by the Receivers as being in the interest of the Debentureholders.

Since our appointment on 27 February 2008, the Trustee has been paid a Basic Fee covering the Trustee's pre and post appointment entitlement for the period 01/01/2008 – 30/06/2010 of $83,807 and a Fee after Enforcement amounting to $129,163.

Section 6: Other Matters

<u>Change of the Receivers</u>

As you are aware from our previous correspondence, the Receivers and Managers were appointed over the business and assets of DOHMC on the 27 February 2008. The Receivers appointed at that time were Greg Hall and Phil Carter of PricewaterhouseCoopers, with Greg Hall leading the Receivership.

On 18 March 2010, Phil Carter retired as Receiver & Manager of DOHMC and was replaced by Ian England of PricewaterhouseCoopers. This change came about as a result of Phil Carter retiring as a partner of PricewaterhouseCoopers.

Due to Greg Hall's role as 'Lead Receiver' this change has minimal impact to the ongoing operations of the Receivership.

<u>Business Operations</u>

We continue to operate the office located at Suites 9 & 10, 111 William Street, Port Macquarie. With effect from 1 July 2010, the Port Macquarie office is now open for only three days each week, being Monday, Tuesday and Wednesday from 8.30am to 5.00pm.

We continue to employ three staff in the Port Macquarie office on a part time basis as this remains the most cost effective staff structure for the Receivership and limits the time requirements of the Receivers' staff for many administrative issues.

<u>Communication</u>

Should you have any questions on the content of this report or require further information, please contact us as follows:

- Visit the website www.pwcrecovery.com by selecting 'Donovan Oates Hannaford Mortgage Corporation' under 'Businesses under Management' for regular updates and information in relation to DOHMC;

- Call the DOHMC Port Macquarie Office on 1300 654 849; or

- Write to: The Receivers and Managers, Donovan Oates Hannaford Mortgage Corporation Limited (Receivers and Managers appointed) (in Liquidation), PricewaterhouseCoopers, GPO Box 2650, Sydney NSW 1171.

Should you change your bank details or address, please inform us at the following address:

- Donovan Oates Hannaford Mortgage Corporation Limited (Receivers and Managers appointed) (in Liquidation), PO Box 2316, Port Macquarie, NSW 2444.

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Section 7: Next Steps

There will be no further regular monthly distributions, with these payments being replaced by less regular payments as surplus funds become available. We intend to make a payment on or around 14 October 2010 equivalent to 4.2 cents in the dollar of Debentureholders' principal balance outstanding as at the time of the Receivers' appointment.

Please note that the timeframe for the completion of the Receivership is largely dependent on the timeframe to realise the entire portfolio of Commercial and Industrial strata units. As such, we are unable at this stage to provide advice on a definitive timeframe to completion.

Our next report will be provided to you on or around 1 February 2011.

Yours sincerely

Greg Hall
Receiver & Manager

Ian England
Receiver & Manager