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1 February 2011

Dear Debentureholder,

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

Eleventh Report to Debentureholders

Purpose and Contents of this report

We have previously provided ten reports to Debentureholders with our most recent dated 3 August 2010. This eleventh report represents a further update for Debentureholders and should be read in conjunction with these reports as we have not sought to repeat information previously disclosed.

This report provides an update to Debentureholders on the following activities relevant to the Receivership:

Section	Description
1	Asset Realisation Strategy
2	Secondary Recoveries and Third Party Investigations
3	Timeframe for Completion
4	Role of the Trustee
5	Estimated Outcome and Distribution Strategy
6	Receivers' Remuneration
7	Other Matters
8	Next Steps

Copies of our previous reports can be located on our website; please see Section 7 for further information.

Summary

- We continue to estimate that the return to Debentureholders will be approximately 70 cents in the dollar, of which we have distributed 53 cents to date;
- Since our last report we have made significant progress with bringing key assets to the market. The distribution plan for the next 6 months will therefore include:
 - a distribution of **6 cents in the dollar** on or around 14 February 2011; and
 - two further distributions, one in April and one in June. The specific amounts will be governed by property sales completed between now and then and we will provide you with a short-form report prior to each distribution.
- We will provide our next full report to you on or around 1 October 2011.

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 January 2011. We have included the asset realisations detailed in our previous report to demonstrate progress made in the last 6 months.

Table 1: Summary of receipts and payments to 31 January 2011

	As at 31 Jan 2011 \$'m	As at 31 Jul 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	109.9	98.9	11	Proceeds from sale of property.
"Performing" loan repayments	15.4	14.6	0.8	Repaid by borrowers.
Shareholder loan repayments	4.8	4.2	0.6	Recoveries from Shareholders.
Rental income	4.1	4.0	0.1	Rental income received from commercial property.
Interest and other income	4.1	3.8	0.3	Other income from interest and legal proceedings.
Total receipts	169.2	156.4	12.8	
Payments made				
Debentureholder distributions	(111.8)	(102.9)	(8.9)	Further detail is provided in Section 5.
Capital building works	(8.0)	(6.0)	(2.0)	Capital building costs incurred in bringing properties to a saleable condition.
Costs incurred in sale and marketing of properties	(6.7)	(6.3)	(0.4)	Costs include strata & council rates, repairs & maintenance, land tax, insurance & security costs.
Other professional costs	(8.2)	(7.7)	(0.5)	Costs include sales agents' commission, rental management, property consultants and legal costs.
GST	(9.4)	(8.2)	(1.2)	Payable to ATO, mainly from settlement of properties.
Receivers' fees and disbursements	(5.8)	(5.3)	(0.5)	Further detail is provided in Section 6.
Total payments	(149.9)	(136.4)	(13.5)	
Cash on hand	19.3	20.0	(0.7)	

Property Assets

All but 3 of the Company's residential assets have now been sold. We have also made significant progress since our last report on the sales campaign for the remaining industrial and commercial units, with a large proportion of these units being now sold or under offer.

Below is our update on each of the remaining categories of property held by the Company.

(i) Residential

We have now sold 99% (in number) of the residential property portfolio, with only 3 units remaining and being actively marketed for sale. These are all in the same development and characterised by a restrictive purchaser group (over 55's – SEPP 5). Despite this limited market, we are still hopeful to have sold these units by mid 2011.

(ii) Commercial and Industrial

We continue to make steady progress in the sell down of the non-residential portfolio, with 6 industrial and 2 commercial units sold since our last report. There are now 44 units remaining.

Works and marketing of the western Sydney industrial development have progressed such that we have accepted offers on all 21 units and, subject to exchange of contracts and registration of the strata plan with the land title authorities, we are hopeful of settling the sale of most of these units in April 2011. This will enable us to distribute a further 3.5 cents in the dollar to Debentureholders, provided these settle in line with expectations.

The market for the remaining 23 properties is very thin and our strategy is to sell these properties progressively as buyers emerge. Agents are engaged on all of these properties and active marketing campaigns are in place such that we are hopeful that most of these properties will be sold by the end of the calendar year.

We have experienced some difficulty in selling the only remaining commercial premises due to some strata issues requiring capital works and we have introduced a new strata agent to help overcome these issues. Again, we are hopeful of a resolution of these matters during 2011.

(iii) Townhouse Development Site

The remaining 2 residential units of the 7 in stage one were marketed and sold during the period since our last report, with strong prices being achieved.

Stage two remains under construction with anticipated completion in February 2011. This is a slight delay from the original planned completion date caused by factors outside of our control. Whilst this has extended the timeframe for the project, costs have remained within budget.

We are pleased with the strong demand and sales achieved for stage one and as such, if current marketing conditions prevail, we are hopeful that the remaining 8 should be sold by 30 September 2011. The sale of these units will represent a further distribution of approximately 4 cents in total and should form part of any distribution from June onwards.

Performing Loans (Book Debts)

As noted in our last report, we have a single remaining loan where DOHMC is not in possession of the property securing the loan.

The borrower of this loan has advised us of a potential refinancing deal which could result in a significant payment against the outstanding loan balance. If this refinancing goes ahead, this would result in funds being made available to us over the coming weeks, which we would then distribute as part of the April distribution. These funds are expected to approximate 2.5 cents in the dollar.

However if this deal does not occur, we may have to take possession of the property, which may delay and impact the ultimate return.

Shareholder Loan Accounts

To date we have recovered \$4.8m from the loans that were made to shareholding companies associated with each of the Directors.

We still 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 expect to have completed these negotiations by 30 June 2011 and we will provide you a more comprehensive update when our negotiations have been finalised.

Section 2: Secondary Recoveries and Third Party Investigations

As reported previously, now that we have realised the majority of property assets which provided security for the loans made by DOHMC, we have commenced further work to pursue personal guarantees and also investigate whether there are any potential negligence claims against third parties (ie professional advisors associated with each development).

We have made no significant discoveries to date and our investigations continue. We remain mindful of the costs associated with pursuing these claims and conscious of our objective to maximise the return to Debentureholders.

Section 3: Timeframe for Completion

The likely timeframe for the completion of the Receivership remains dependent upon the realisation of the remaining portfolio of residential, commercial and industrial units; as well as the repayment of the outstanding performing loan. As such, we are unable to provide a specific timeframe to completion at this time.

If the performing loan is refinanced over the coming weeks we remain hopeful that the majority of the remaining units will be sold during 2011 or early 2012, which will result in the distribution of funds within the same period.

However, as noted above, if the refinance of the performing loan does not occur, the length of the receivership may be extended and funds retained to finance any potential works necessary to bring this asset to market.

Section 4: Role of the Trustee

We continue to be in frequent contact with the Trustee to seek their input and approval in connection with important matters, such as the ongoing strategy of the Receivership. As a result, the Trustee continues to spend significant time monitoring the progress of the Receivership, having input into all key strategic decisions.

Section 5: Estimated Outcome and Distribution Strategy

We continue to remain confident that we will be able to achieve a return to Debentureholders of approximately 70 cents in the dollar. However, there remain key risks which could challenge our ability to achieved this outcome, namely:

- The ability for the developer responsible for the single remaining 'performing' loan to repay this debt in full;
- Ability to achieve sales of the remaining 3 residential, the townhouse development and 44 commercial, industrial and retail units; and
- Any additional capital works required for any of the remaining strata units.

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

Distributions made to date can be summarised as follows:

Table 2: Historic Distributions Summary

Date	Distributions to Debentureholders (\$)	Worked Example (\$)*	Comments
As at 3 August 2010 (Tenth Report)	\$ 102,899,558.52	\$ 4,879.69	1.3% Interest distribution 47.5% Principal distribution
October 2010	\$ 8,854,145.04	\$ 420.00	4.2% Principal Distribution
Total returned	\$ 111,753,703.56	\$ 5,299.69	53% 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.

To date we have distributed \$111.8m to Debentureholders, which represents 76% of the forecast distribution of 70 cents in the dollar, or a return of 53% of the total balance owing to Debentureholders at the date of our appointment. Of this amount, \$108.9m is classified as a return of principal.

Future Distributions

We propose to make the next payment on or around 14 February 2011, for the sum equivalent to **6 cents in the dollar** of Debentureholders' principal balance outstanding as at the time of our appointment.

Further distributions will be made as and when funds are made available from property sales. We expect these to be around April and June 2011 and we will provide you with a short-form report prior to each distribution.

We will prepare our next full report on or around 1 October 2011 where we will advise of the status of the receivership and the future distribution strategy.

Section 6: Receivers' Remuneration

The Receivers' fees, drawn with the approval of the Trustee, are \$5.8m (excluding GST) to 31 December 2010. This is an increase of \$0.5m over and above our fees reported as at 3 August 2010.

Section 7: Other Matters

Business Operations

We continue to operate the office located at Suites 9 & 10, 111 William Street, Port Macquarie and it is now open for four days each week, being Monday, Tuesday and Wednesday from 8.30am to 5.00pm and Thursday from 8.30am to 3.00pm. You will note that the number of days the office is open has increased, however this is to offset a reduction in staff numbers. This remains the most cost effective way of dealing with many of the administrative aspects of the receivership.

Communication

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, Monday to Wednesday between 8:30am to 5:00pm or Thursday between 8.30am and 3.00pm; 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.

Section 8: Next Steps

We intend to make our next payment to Debentureholders on or around 14 February 2011 equivalent to 6 cents in the dollar of Debentureholders' principal balance outstanding as at the time of the Receivers' appointment.

We are also hopeful of making further distributions to Debentureholders in April and June 2011. We will provide you with more information of any such distribution in a short-form report prior to any payment being made.

Yours sincerely



Greg Hall
Receiver & Manager



Ian England
Receiver & Manager