



20 September 2011

Dear Debentureholder

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

Fourteenth Report to Debentureholders

Purpose and Contents of this report

This is our fourteenth report to Debentureholders following our last interim short-form report dated 30 June 2011. This report represents a further update for Debentureholders and should be read in conjunction with all previous reports as we have not sought to repeat information previously disclosed.

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

Section	Description
1	Update of our property realisation strategy, including realisations to date
2	October 2011 distribution and ultimate return to debentureholders
3	Timeframe to Completion
4	Communications
5	Next steps

Copies of our previous reports can be located on our website or by contacting DOHMC, please see Section 5 for further information.

Summary

- We now estimate that the return to Debentureholders will be approximately 73 to 75 cents, of which we have distributed 66 cent to date;
- We will be distributing a further 3 cents in the dollar to Debentureholders on or around 17 October 2011, bringing total distributions to 69 cents; and
- The timing of future distributions, post October 2011, remains dependent on property sales, however we are hopeful of another distribution in March 2012. We will provide Debentureholders a further update of this in our next report, due on or around 29 February 2012.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Section 1: Property Realisation Strategy

There has been significant progress in the property realisation strategy. All residential real estate has now been sold as well as a significant portion of the remaining commercial and industrial portfolio being either sold or under offer.

The table below summarises the DOHMC assets realised to date, by asset class, together with all payments made up to 31 August 2011. We have included the asset realisations as at 31 January 2011 (as detailed in our last comprehensive report to Debentureholders dated 1 February 2011) to demonstrate the progress made in the last seven months:

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

	As at 31-Aug-11 \$'m	As at 31-Jan-11 \$'m	Movement 31-Jan-11 to 31-Aug-11	Comment regarding movements since 1 Feb 11 Report
Asset Realisations				
Cash at Bank 27 Feb 2008	30.9	30.9	0	Cash at Bank on appointment
Completed Property Sales	130.2	109.9	20.3	Proceeds from the sale of property (including GST where applicable)
"Performing" loan repayments	15.7	15.4	0.3	Repaid by borrowers
Shareholder Loan Repayments	5.0	4.8	0.2	Recoveries from Shareholders
Rental Income	4.1	4.1	0	Rental income received from commercial property
Interest and other income	4.3	4.1	0.2	Other income from interest and legal proceedings
Total receipts	190.2	169.2	21.0	
Payments made				
Debentureholder distributions	(139.2)	(111.8)	27.4	Further detail is provided in Section 2
Capital building works	(9.7)	(8.0)	1.7	Capital building costs incurred in bringing properties to a saleable condition
Costs incurred in sale and marketing of properties	(7.4)	(6.7)	0.7	Costs include strata & council rates, repairs & maintenance, land tax, insurance and security costs
Other professional costs	(9.3)	(8.2)	1.1	Costs include sales agents' commissions, rental management, property consultants and legal costs
GST	(10.5)	(9.1)	1.4	Payable to the ATO, mainly from settlement of properties
Receivers' fees	(6.7)	(6.1)	0.6	Drawn with the approval of the Trustee
Total payments	(182.8)	(149.9)	32.9	
Cash on hand	7.4	19.3	(11.9)	



Section 1.1 Property Assets

Below is our update on each of the remaining categories of properties held by DOHMC.

(i) Residential

As anticipated the remaining three residential units were sold in mid-2011. All residential real estate has now been sold.

(ii) Commercial, Industrial & Retail

We have made significant progress in the sell down of the non-residential portfolio, with 22 industrial units and 1 commercial unit being settled since our last report dated 30 June 2011. There are now 21 units remaining, 13 industrial and 8 commercial (7 of which have unconditionally exchanged on 12 month settlement terms).

The 13 remaining industrial units are located in regional areas of Sydney and have proven challenging to sell due to the small, local nature of the markets. In spite of this, we remain positive that with a patient approach, buyers will emerge to enable a gradual sell-down of these units throughout 2011 and early 2012 at the prices anticipated.

The remaining commercial unit is located in a secondary commercial market in Sydney however we remain confident of a sale within 2011.

(iii) Townhouse Development Site

The last stage of the development was completed in March 2011 and all townhouses are now sold. The marketing campaign was successful for the final 8 townhouses, despite an increasingly challenging residential marketplace. All sales were achieved at around expected prices and within our forecast timetable.

Section 1.2 Default of the last performing loan

As previously advised, there was a single remaining construction loan where DOHMC was not in possession of the property securing the loan. At the time of our February 2011 report to Debentureholders, the borrower had advised us of a potential refinancing deal, however this did not eventuate and DOHMC took possession of the property securing the loan in mid 2011.

The property is in southern NSW and a sales campaign was run in July and August 2011. Exchange of the sale of the property took place on 16 September 2011 and we anticipate completion in October 2011. These funds are expected to approximate 1.8 cents in the dollar for debentureholders and this amount is included in the 3 cent distribution to Debentureholders.

Section 1.3 Shareholder Loan Accounts

To date we have recovered \$5.0m from the loans that were made to shareholding companies associated with each of the Directors, an increase of \$0.2m since our last comprehensive report dated 1 February 2011.

Dealings are ongoing and we remain in confidential negotiations with each of the Directors individually over their repayment strategies. We will provide Debentureholders with a more comprehensive update once negotiations have been finalised.



Section 2: Estimated Outcome and Distribution Strategy

Following the successful realisations of a number of properties, we now estimate that the ultimate return to Debentureholders will be **in the range of 73 to 75 cents in the dollar**.

Section 2.1 October 2011 Distribution – 3 Cents in the dollar

We will be making a distribution of **3 cents in the dollar on or around 17 October 2011**. The timing of future distributions post this date will be dependent on asset realisations which may be impacted by factors beyond our control. However, we are hopeful of another distribution around March 2012 and will provide further information on this distribution in our next update on or around 29 February 2012.

To date we have distributed \$139.2m to Debentureholders, which represents a return of 66% of the total balance owing to Debentureholders at the date of our appointment. Of this amount, \$136.3m is classified as a return of principal. The table below summarises the distributions made:

Table 2: Historic Distributions Summary

Date	Distribution to Debentureholders (\$)	Worked Example (\$)*	Comments
As at 1 February 2011 Report	\$ 111,753,703.56	\$ 5,299.69	1.3% Interest distribution 51.7% Principal distribution
14/02/2011	\$ 12,646,584.64	\$ 600.00	6.0% Principal distribution
27/04/2011	\$ 6,321,866.20	\$ 300.00	3.0% Principal distribution
14/07/2011	\$ 8,458,245.89	\$ 400.00	4.0% Principal distribution
Total as at 15 September 2011	\$ 139,180,400.10	\$ 6,599.69	66% 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.

The next distribution of 3 cents in the dollar will result in a return of 69% of the total balance owing to Debentureholders at the date of our appointment.

Section 3: Timeframe for Completion update

We are hopeful that the realisation of the remaining property will occur in 2012.

Section 4: Communication

- Visit the website www.pwcrecovery.com by selecting 'Donovan Oates Hannaford Mortgage Corporation' under 'Businesses under Management' for past 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 to 3:00pm; or



- Write to: Greg Hall, Receiver and Manager, Donovan Oates Hannaford Mortgage Corporation Limited (Receivers and Managers appointed) (in Liquidation), C/- PricewaterhouseCoopers, GPO Box 2650, Sydney NSW 1171.

Please note that any changes to your postal or residential address or changes to your banking arrangements should be reported to our Port Macquarie office where the Debentureholder database is maintained.

Section 5: Next Steps

We intend to make our next payment to Debentureholders **on or around 17 October 2011, equivalent to 3 cents in the dollar** of Debentureholders' principal balance outstanding as at the time of the Receivers' appointment.

We will provide a short form **report on or around 29 February 2012**, which will provide further information on future distributions, our property realisation strategy and further information regarding the ultimate return to debentureholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Hall', written in a cursive style.

Greg Hall
Receiver and Manager

A handwritten signature in black ink, appearing to read 'Ian England', written in a cursive style.

Ian England
Receiver and Manager