

**Provincial Finance Limited (In Receivership)
Consumer Credit Limited (In Receivership)
South Auckland Cars Limited (In Receivership)**

**Receivers' Report on the State of Affairs of Provincial Finance Limited,
Consumer Credit Limited and South Auckland Cars Limited (All In Receivership)**

Pursuant to Section 24 of the Receiverships Act 1993

30 July 2007

Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre
AUCKLAND

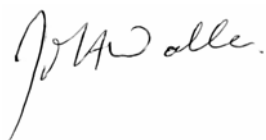
30 July 2007

Dear Sir/Madam

Provincial Finance Limited (In Receivership) (Company Number: 315014)
Consumer Credit Limited (In Receivership) (Company Number: 927785)
South Auckland Cars Limited (In Receivership) (Company Number: 1675071)

Please find attached a further report in relation to the above companies pursuant to Section 24 of the Receiverships Act 1993.

Yours sincerely
For Provincial Finance Limited (In Receivership)
Consumer Credit Limited (In Receivership)
South Auckland Cars Limited (In Receivership)



John Waller
Receiver



Maurice Noone
Receiver

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Glossary

- the “Book” PFL’s and CCL’s Finance Receivables Book
- the “Companies” PFL, CCL and SACL
- “CCL” Consumer Credit Limited (In Receivership)
- “Perpetual” Perpetual Trust Limited
- “PFL” Provincial Finance Limited (In Receivership)
- “PwC” PricewaterhouseCoopers
- “SACL” South Auckland Cars Limited (In Receivership)
- “TPI” Tasman Pacific Insurance Limited

1.1 Introduction and Overview

- This further report in relation to Provincial Finance Limited (“Provincial” or “the Company”), is prepared pursuant to Section 24 of the Receiverships Act 1993. This report includes Provincial and related companies Consumer Credit Limited (“CCL”) (wholly owned by Provincial) and South Auckland Cars Limited (“SACL”) (wholly owned by Provincial and related parties) (together “the Companies”).
- As previously advised, we were appointed receivers of the Companies on the afternoon of 30 May 2006 by the Trustee, Perpetual Trust Limited (“the Trustee”) under the terms of the Debenture Trust Deed dated 20 May 1998 (along with subsequent Deeds of Variation and Supplemental Deeds).
- Since our last report we have focused on maintaining the value of the assets, ensuring collections of the Book continue, investigating the affairs of the Group and implementing asset realisation strategies.
- A 4th interim pro-rata principal distribution of 7.5 cents in the dollar was made on 29 June 2007. This follows on from the 1st payment of 25 cents in the dollar in September 2006, a 2nd payment of 15 cents in December 2006, and a 3rd payment of 10 cents in early April 2007.
- A total of \$170,257,224 (57.5 cents in the dollar) has been distributed to debenture holders to date. This has primarily been funded from collection of the finance receivable books in the ordinary course of business.
- We note that the finance books continue to wind down in an orderly manner. We draw your attention to the fact that as these books continue to diminish in size, so will the amount, and potentially frequency of future distributions.

1.2 Summary

- Recoveries from the finance receivables ledgers continue to proceed well, albeit with the trend for higher than anticipated early loan repayments. The early loan repayment trend has two impacts on the ultimate recoveries for Debenture Holders:
 - i. Principal is repaid to Debenture Holders quicker - as early loan repayments are made, the finance receivable ledger reduces. This has allowed us to repay greater amounts of principal to Debenture Holders in the first year of the receivership than originally anticipated.
 - ii. Interest income over time lessens - as the finance receivable ledgers reduce, the Companies earn less interest income from their customers. Interest income received is used to fund Company expenditure and repay Debenture Holders principal.
- We continue to be in discussions with parties in respect of a possible restructure of the Companies or the sale of the business. The outcome of these discussions is still uncertain, and we will keep investors informed of progress as appropriate.
- Litigation continues against a number of parties where we believe there were a series of alleged frauds committed against the Company. As these proceedings are now before the Court, we are unable to comment further at this time as to the likely outcome of this litigation.
- We are monitoring the impact the early loan repayments will have on ultimate recoveries. However, at this time we remain of the view that Debenture Holders should recover most of their principal over time. However, it is highly unlikely that any accrued interest will be recovered for Debenture Holders or that Redeemable Preference Shareholders will recover any funds from the receivership.

1.3 Notice of Restrictions

- This report is subject to the restrictions set out below:
- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- In compiling this report we have relied on the accuracy of relevant information provided by the management of the Companies. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of this report.
- We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- We caution that the financial position presented may be materially impacted by:
 - the adequacy of the level of bad debt provisioning made against the finance receivables; and
 - whether sufficient profits can be generated from the finance receivables in the future to utilise the future tax benefit.

1.4 Financial Position

- The table below sets out the unaudited Statement of Financial Position of the Companies as at 30 June 2007, compared to the position as at the date of our last report, 31 December 2006, and at 31 May 2006, the day after we were appointed receivers.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)			
Unaudited Statement of Financial Position			
(\$'000's)	30-Jun-07	31-Dec-06	31-May-06
Assets			
Cash - PFL	5,007	11,181	11,587
Cash - TPI	5,180	5,590	-
Finance receivables	175,716	235,387	310,606
Provision for bad debts	(75,041)	(81,394)	(71,394)
	<u>100,675</u>	<u>153,993</u>	<u>239,212</u>
Prepayments and sundry receivables	541	514	300
Taxation paid	894	916	7,877
Fixed assets	455	522	4,810
Investments	3,186	3,845	8,554
Future tax benefit	26,636	26,184	23,698
Goodwill on Consolidation	611	814	-
	<u>143,185</u>	<u>203,558</u>	<u>296,037</u>
Liabilities			
Accruals and sundry creditors	1,865	1,732	2,221
Accrued interest	26,487	18,667	3,655
Borrowings (secured) Principal	125,843	192,465	296,100
Term loan	-	-	2,121
Provision for Unexpired Risk	2,551	4,046	-
	<u>156,746</u>	<u>216,910</u>	<u>304,097</u>
Net Assets	<u>(13,561)</u>	<u>(13,352)</u>	<u>(8,060)</u>

Source: Management Accounts

- Please note that in accordance with normal accounting principles the preference shares form part of the share capital of the Company, and are therefore not recorded within the liabilities set out above.

- As previously advised, as a result of acquiring the minority shareholders interests in TPI during December 2006, TPI has become a wholly owned subsidiary of Provincial. Accordingly, financial information in respect of TPI is now included in the Statement of Financial Position at 31 December 2006 and 30 June 2007.
- In addition, we note that the deterioration in net equity reported over the period since receivership has been principally brought about through the increase in doubtful debts of \$10 million in the period to 31 December 2006, offset by operating profits generated and the impact of consolidating TPI for the first time. The reduction in the doubtful debt provision in the period to 30 June 2007 reflects certain doubtful debts that have been written off as bad in that period.
- During the past six months the following actions have continued, which has impacted on the financial position of the company and the resultant cash on hand at 30 June 2007:
 - Finance receivables have continued to decrease as loan repayments have been received, due to the fact that no new lending has been made since the date of the Receivership.
 - Borrowings have decreased as a consequence of the third and fourth interim pro-rata principal distributions made in early April and late June 2007.
 - The interest accrued at 30 June 2007 relates to interest accrued on debentures, which although charged against the profit and loss account and provided in the financial position of the Company, will only be paid out if and when the full principal has been returned to debenture holders.

1.5 Financial Performance

- Set out below is the unaudited Statement of Financial Performance of the Companies for the 7 months to 31 December 2006, 6 months to 30 June 2007, and the period of receivership.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP) Unaudited Financial Performance (\$000's)	Period of Receivership	6 months to 30-Jun-07	7 months to 31-Dec-06
Operating revenue	40,542	13,603	26,940
Administration expenses	17,060	6,588	10,472
Earnings Before Interest, Tax, Depreciation and Debt Provisioning	23,482	7,014	16,468
Depreciation / loss on assets & investments	792	280	512
Earnings Before Interest, Tax and Debt Provisioning	22,690	6,734	15,956
Interest accrued	21,947	7,808	14,139
Earnings Before Debt Provisioning and Tax	743	(1,074)	1,817
Doubtful debts provision increase / (decrease)	3,647	(6,353)	10,000
Bad debts written off / (recovered)	4,208	5,940	(1,732)
Net Loss Before Tax	(7,112)	(661)	(6,451)
Taxation	2,874	452	2,422
Net Loss for the period	(4,238)	(209)	(4,028)

Source: Management Accounts

- Operating revenue represents interest and fee income generated from the loans and advances made by the Companies as of the date of receivership. As reflected above for the 6 months to 30 June 2007, as the recovery of principal from the finance books grows, the interest income reduces.
- The administration expenses principally represent the costs associated in recovering the finance receivables.
- As noted previously, an additional provision for doubtful debts of \$10 million was made in the period to 31 December 2006. As bad debts have been recognised and written off, the provision has been reduced accordingly.

1.6 Receipts and Payments

- The table below is a summary of the unaudited receipts and payments for the 7 months to 31 December 2006, 6 months to 30 June 2007, and the period of receivership.
- The Receipts and Payments summary excludes all TPI details and consequently the Cash Balance as at 30 June 2007 does not include \$5.2 million of cash held by TPI.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP) Statement of Receipts & Payments (\$000's)			
	Period of Receivership	6 months to 30 June 07	7 months to 31 Dec 06
Receipts			
Loan repayments	167,625	65,442	102,183
Sale of bad debts	1,050	0	1,050
Sale of properties	5,528	0	5,528
Interest received - bank deposits	1,897	685	1,212
Tax refunds	8,329	0	8,329
Other net receipts	2,071	762	1,309
subtotal receipts	186,500	66,889	119,611
Payments			
Wages	3,882	1,530	2,352
Other overheads and expenses	10,219	4,043	6,176
Lending - Commercial facility drawdowns	4,227	400	3,828
Secured mortgagee repayment	2,157	0	2,157
Receivers fees	1,898	470	1,429
Other payments	440	0	440
subtotal payments	22,824	6,442	16,382
Opening cash balance	11,587	11,181	11,587
Cash available for distribution	175,264	71,629	114,816
Repayments to Debentureholders	170,256	66,622	103,635
Closing Cash Balance	5,007	5,007	11,181

*This report comprises the receipts and payments for the Group companies in receivership:
Provincial Finance Ltd, Consumer Credit Ltd and South Auckland Cars Ltd*

Source: Management Reports

1.7 Proposed strategy

- We continue to receive very good support from management and staff who have shown a high degree of loyalty and commitment to the Company.
- Our investigations have uncovered evidence of a series of alleged frauds committed against PFL. Legal proceedings have been commenced by the Receivers against Baycorp and other parties, as well as other legal steps taken to freeze assets of those other parties. However, while the outcome of these proceedings remains uncertain at this time, a successful outcome will not materially change the outcome for investors.
- We continue to progress three principal scenarios for realising value from the Book, being:
 - Wind down the business by the Receivers; or
 - Restructure the Companies; or
 - Outright sale of the business.
- In a wind down scenario, the Receivers would continue to collect the remaining loans to repay debenture holders principal and interest.
- We are in discussions with a party with respect to a possible restructure of the Companies. In addition, we continue to be in regular contact with several parties who have expressed an interest in an outright purchase of the business. At this time discussions are at an advanced stage with two parties, however, as these discussions have yet to produce a formal proposal to put to Debenture Holders, it is premature to comment further at this time. We hope to be able to report further by the end of September.

1.8 Conclusion

- The receivership is progressing favourably and the Companies are on track to continue to make quarterly payments to investors, the next being expected to be made in September 2007.
- The Receivers continue to believe that Debenture Holders should receive most of their principal back by way of dividends. We are unable to give a definitive date for the final payment at this time. However, we note that as time passes, the level and frequency of such distributions will reduce. Accordingly, while the next twelve months are forecast to see reasonable dividends paid to Debenture Holders, it could well take a further three years from that date to finally collect the full amount recoverable under this receivership.
- Preference shareholders, unsecured creditors and ordinary shareholders will not receive any payment from the receivership.
- We thank investors for their ongoing support throughout the receivership.
- We have received a high volume of correspondence from investors, which we have endeavoured to reply to in a timely manner. Should investors or other stakeholders have any queries arising from this report please contact us via one of the following methods:
 - Web at: <http://www.pwc.com/nz/provincialfinance>
 - Our post office box (P O Box 13244, Christchurch), or
 - By fax on 03 374 3001.