

22 March 2007

Update to Debenture Holders

Provincial Finance Limited (In Receivership)

We are pleased to advise that our 3rd pro-rata principal repayment will take place on the 5th of April 2007. This payment will amount to a further 15 cents in the dollar.

This brings the total pro-rata principal repayments by the Receivers over the past 10 months to 50 cents in each dollar invested by you. The total cash repaid to Debenture Holders to date is \$148.1million.

The 15 cent repayment represents a 5 cent increase on the top end of our indicative payout range of 5-10 cents, previously announced for this quarter. There are two primary reasons for the increase, these being:

- i. Collection of the finance receivables ledger has improved, primarily through strengthening of collection processes; and
- ii. We have experienced higher levels than originally anticipated of early loan repayments from customers.

We are also pleased to report that the receivership is progressing favourably, and that we remain on track to continue to make quarterly repayments to Debenture Holders, the next being scheduled for the end of June 2007. Recoveries from the finance receivables ledger continue to proceed well, albeit with the trend for higher than anticipated early loan repayments. Accordingly, the next payment will be lower than this payment, likely to be in the range of 5 to 10 cents in the dollar.

The early loan repayment trend has two impacts on the ultimate recoveries for Debenture Holders:

- i. **Principal is repaid to you 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 10 months of the receivership than originally anticipated.
- ii. **Interest income over time lessens** - as the finance receivable ledger reduces, Provincial Finance Limited (In Receivership) earns less interest income from its customers. Interest income received is used to fund Company expenditure and repay Debenture Holders principal.

We are monitoring the impact the early loan repayments may have on ultimate recoveries. However, at this time we remain of the view that Debenture Holders should recover most of their principal over time. It is unlikely that any accrued interest will be recovered for Debenture Holders or that Redeemable Preference Shareholders will recover any funds from the receivership.

We continue to progress three principal scenarios for realising value from the Loan Book, being:

- Wind down of the business by the Receivers; or
- Restructure of the Companies; or
- Outright sale of the business.

In a wind down scenario, we will continue to collect the remaining loans and return to Debenture Holders their principal periodically over the next two to three years.

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.

As recently reported in the media, our investigations have uncovered evidence of a series of alleged frauds committed against the Company. Legal proceedings have been commenced by the Receivers against a number of parties. Legal steps have been taken to freeze assets of certain parties involved in these alleged frauds. 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 continue to receive very good support from management and staff. Both have shown a high degree of loyalty and commitment to maximising recoveries for Debenture Holders.

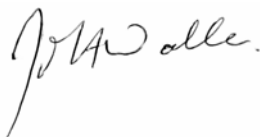
We thank Debenture Holders for their ongoing support throughout the receivership.

We have received a high volume of correspondence from Debenture Holders, which we have endeavoured to reply to in a timely manner. Should you have any queries on the receivership 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.

The statements and opinions expressed herein have been made in good faith and are based on information available as at the date of this update.

We reserve the right, but will be under no obligation, to review or amend this "Update to Debenture Holders", if any additional information, which was in existence but not brought to our attention subsequently comes to light.



John Waller
Receiver



Maurice Noone
Receiver