

**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 January 2008

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

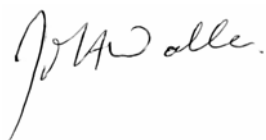
30 January 2008

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)     |
| • “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 continued to focus on maintaining the value of the assets, ensuring collections of the Books continue, investigating potential disposal and reconstruction options, and implementing asset realisation strategies.
- A 6<sup>th</sup> interim pro-rata principal distribution of 7.5 cents in the dollar was made to Debenture Holders on the 19<sup>th</sup> of December 2007. This followed on from the 1<sup>st</sup> payment of 25 cents in the dollar in September 2006, a 2<sup>nd</sup> payment of 15 cents in December 2006, a 3<sup>rd</sup> payment of 10 cents in early April 2007, 4<sup>th</sup> payment of 7.5 cents in the dollar in June 2007 and a 5<sup>th</sup> payment of 7.5 cents in the dollar in September.
- A total of \$214.7 million (72.5 cents in the dollar) has now been distributed to Debenture Holders. This has primarily been funded from collection of the finance receivable books in the ordinary course of business.
- We continue to monitor the impact the early loan repayments will have on ultimate recoveries. At this time we continue to believe that Debenture Holders should receive most of their principal back.
- We are unable to give a definitive date for the final payment at this time. However, for the foreseeable future we expect to continue with the quarterly distributions.
- We draw attention to the fact that over time, as the Books continue to diminish in size, so will the amount, and potentially frequency of future distributions.
- Developments in the market during the middle part of this year have effectively closed the door to any form of restructure. In addition, we have been unable to reach an acceptable agreement with another party that was interested in acquiring the remaining finance receivables book.
- Litigation continues against a number of parties where we believe there were a series of alleged frauds committed against the Companies. However, as noted in our last report, while the outcome of these proceedings remains uncertain at this time, a successful outcome will not materially change the outcome for investors, as a successful outcome will be equivalent to between 1 and 2 cents in the dollar for each Debenture Holder.
- It remains highly unlikely that any accrued interest will be recovered for Debenture Holders or that Redeemable Preference Shareholders will recover any funds from the receivership.

## 1.2 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 the 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:
  - a) the adequacy of the level of bad debt provisioning made against the finance receivables; and
  - b) whether sufficient profits can be generated from the finance receivables in the future to utilise the future tax benefit.

## 1.3 Financial Position

- The table below sets out the unaudited Statement of Financial Position of the Companies as at 31 December 2007, compared to the position as at the date of our last report (30 June 2007), with comparatives also provided as at 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)                                  | 31-Dec-07       | 30-Jun-07       | 31-Dec-06       | 31-May-06      |
| <b>Assets</b>                              |                 |                 |                 |                |
| Cash - PFL                                 | 2,783           | 5,007           | 11,181          | 11,587         |
| Cash - TPI                                 | 1,939           | 5,180           | 5,590           | -              |
| Finance receivables                        | 142,209         | 175,716         | 235,387         | 310,606        |
| Provision for bad debts                    | (75,061)        | (75,041)        | (81,394)        | (71,394)       |
|  | 67,148          | 100,675         | 153,993         | 239,212        |
| Prepayments and sundry receivables         | 118             | 541             | 514             | 300            |
| Taxation paid                              | 897             | 894             | 916             | 7,877          |
| Fixed assets                               | 199             | 455             | 522             | 4,810          |
| Investments                                | 796             | 3,186           | 3,845           | 8,554          |
| Future tax benefit                         | 27,434          | 26,636          | 26,184          | 23,698         |
| Goodwill on Consolidation                  | 407             | 611             | 814             | -              |
|  | 101,721         | 143,185         | 203,558         | 296,037        |
| <b>Liabilities</b>                         |                 |                 |                 |                |
| Accruals and sundry creditors              | 1,554           | 1,865           | 1,732           | 2,221          |
| Accrued interest                           | 31,728          | 26,487          | 18,667          | 3,655          |
| Borrowings (secured) Principal             | 81,428          | 125,843         | 192,465         | 296,100        |
| Term loan                                  | -               | -               | -               | 2,121          |
| Provision for Unexpired Risk               | 1,445           | 2,551           | 4,046           | -              |
|  | 116,155         | 156,746         | 216,910         | 304,097        |
| <b>Net Assets</b>                          | <b>(14,434)</b> | <b>(13,561)</b> | <b>(13,352)</b> | <b>(8,060)</b> |

Source: Management Accounts

- Please note that in accordance with normal accounting principles and our past reports, the redeemable 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 from 31 December 2006.
- 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 the doubtful debt provision 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 31 December 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 5<sup>th</sup> and 6<sup>th</sup> interim pro-rata principal distributions made in late September and December 2007.
- The interest accrued at 31 December 2007 relates to interest accrued on debentures, which although charged against the profit and loss account and provided in the financial position of the Companies, will only be paid out if and when the full principal has been returned to Debenture Holders, which as noted previously, is unlikely.

#### 1.4 Financial Performance

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

| PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)                               |                        |                       |                       |                       |
|--|------------------------|-----------------------|-----------------------|-----------------------|
| Unaudited Financial Performance (\$000's)                                | Period of Receivership | 6 months to 31-Dec-07 | 6 months to 30-Jun-07 | 7 months to 31-Dec-06 |
| Operating revenue  | 48,762                 | 8,220                 | 13,603                | 26,940                |
| Selling and administration expenses                                      | 21,586                 | 4,526                 | 6,588                 | 10,472                |
| <b>Earnings Before Interest, Tax, Depreciation and Debt Provisioning</b> | <b>27,176</b>          | <b>3,694</b>          | <b>7,014</b>          | <b>16,468</b>         |
| Depreciation / loss on assets & investments                              | 1,178                  | 386                   | 280                   | 512                   |
| <b>Earnings Before Interest, Tax and Debt Provisioning</b>               | <b>25,998</b>          | <b>3,308</b>          | <b>6,734</b>          | <b>15,956</b>         |
| Interest accrued   | 27,188                 | 5,241                 | 7,808                 | 14,139                |
| <b>Earnings Before Debt Provisioning and Tax</b>                         | <b>(1,190)</b>         | <b>(1,933)</b>        | <b>(1,074)</b>        | <b>1,817</b>          |
| Doubtful debts provision increase / (decrease)                           | 3,895                  | 48                    | (6,353)               | 10,000                |
| Bad debts written off / (recovered)                                      | 3,898                  | (310)                 | 5,940                 | (1,732)               |
| <b>Net Profit / (Loss) Before Tax</b>                                    | <b>(8,783)</b>         | <b>(1,671)</b>        | <b>(661)</b>          | <b>(6,451)</b>        |
| Taxation   | (3,672)                | (798)                 | (452)                 | (2,422)               |
| <b>Net Loss for the period</b>   | <b>(5,111)</b>         | <b>(873)</b>          | <b>(209)</b>          | <b>(4,028)</b>        |

Source: Management Accounts

- Operating revenue represents interest and fee income generated from the loans and advances made by the Companies as at the date of receivership. 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.
- Overall, we continue to operate in receivership at a positive cash, or Earnings Before Interest, Tax and Provisioning level (recognising that the interest expense will unlikely be payable), although as the book diminishes in size this will reduce in time.

## 1.5 Receipts and Payments

- The table below sets out a summary of the unaudited receipts and payments for the seven months to 31 December 2006, six months to 30 June 2007, six months to 31 December 2007 and the period of receivership.
- The Receipts and Payments summary excludes all TPI details and consequently the Cash Balance as at 31 December 2007 does not include \$1.9 million of cash held by TPI.

| PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP) |                        |                       |                        |                       |
|--|------------------------|-----------------------|------------------------|-----------------------|
| Statement of Receipts & Payments           |                        |                       |                        |                       |
| (\$000's)                                  | Period of Receivership | 6 months to 31 Dec 07 | 6 months to 30 June 07 | 7 months to 31 Dec 06 |
| <b>Receipts</b>                            |                        |                       |                        |                       |
| Loan repayments                            | 207,837                | 40,212                | 65,442                 | 102,183               |
| Sale of bad debts                          | 1,050                  | 0                     | 0                      | 1,050                 |
| Sale of properties/fixed assets            | 5,606                  | 78                    | 0                      | 5,528                 |
| Interest received - bank deposits          | 2,371                  | 474                   | 685                    | 1,212                 |
| Tax refunds                                | 8,329                  | 0                     | 0                      | 8,329                 |
| Advance from TPI                           | 5,700                  | 5,700                 | 0                      | 0                     |
| Other net receipts                         | 2,387                  | 316                   | 762                    | 1,309                 |
| <b>subtotal receipts</b>                   | <b>233,280</b>         | <b>46,780</b>         | <b>66,889</b>          | <b>119,611</b>        |
| <b>Payments</b>                            |                        |                       |                        |                       |
| Wages                                      | 5,271                  | 1,389                 | 1,530                  | 2,352                 |
| Other overheads and expenses               | 13,060                 | 2,841                 | 4,043                  | 6,176                 |
| Lending - Commercial facility drawdowns    | 4,234                  | 7                     | 400                    | 3,828                 |
| Secured mortgagee repayment                | 2,157                  | 0                     | 0                      | 2,157                 |
| Receivers fees                             | 2,249                  | 351                   | 470                    | 1,429                 |
| Other payments                             | 440                    | 0                     | 0                      | 440                   |
| <b>subtotal payments</b>                   | <b>27,412</b>          | <b>4,588</b>          | <b>6,442</b>           | <b>16,382</b>         |
| <b>Opening cash balance</b>                | <b>11,587</b>          | <b>5,007</b>          | <b>11,181</b>          | <b>11,587</b>         |
| <b>Cash available for distribution</b>     | <b>217,456</b>         | <b>47,199</b>         | <b>71,629</b>          | <b>114,816</b>        |
| <b>Repayments to Debentureholders</b>      | <b>214,671</b>         | <b>44,415</b>         | <b>66,622</b>          | <b>103,635</b>        |
| <b>Closing Cash Balance</b>                | <b>2,784</b>           | <b>2,784</b>          | <b>5,007</b>           | <b>11,181</b>         |

*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

## 1.6 Proposed strategy

- Previously we have reported three options for moving forward, those being a wind down of the business by the Receivers, a restructure of the Companies, or an outright sale of the Companies.
- Developments in the market during the middle of 2007 have effectively closed the door to any form of restructure.
- During the past six months, as previously reported, we had been in detailed discussions with another significant finance company with a view to selling to them the remaining finance receivable books.
- Unfortunately, we have been unable to reach agreement with them around:
  - Value – the value offered by them falls significantly short of what we believe can reasonably be collected under receivership over the next 18 months
  - Risk – the instrument offered to us in exchange for the purchase of the Companies finance receivable assets, whilst we believe to be from a reputable company, as a result of the market risk carried an unacceptable high level of risk and uncertainty, which ultimately passed back into our Debenture Holders.
- The remaining option at the present time is the continued wind down by the Receivers. The Receivers will continue to collect the remaining loans to repay Debenture Holders principal, as and when sufficient sums have been collected to make meaningful distributions to debenture holders. Ultimately the Companies will likely be placed in liquidation.

## 1.7 Conclusion

- The receivership is progressing well and the companies are on track to continue to make quarterly payments to investors, the next being expected to be made in March 2008.
- Nothing has occurred since the last report to cause the Receivers to alter their estimate that Debenture Holders should receive most of their principal back, but not their interest. Redeemable preference share holders are unlikely to receive any payment. We are unable to give a definitive date for the final payment at this time.
- We thank investors for their ongoing support throughout the receivership.
- 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.