

11 June 2007

## ***Update to Debenture Holders***

### **Provincial Finance Limited (In Receivership)**

We are pleased to advise that our 4<sup>th</sup> pro-rata principal repayment will take place on the 29<sup>th</sup> of June 2007 to secured Debenture Holders. This payment will amount to a further 7.5 cents in the dollar. This brings the total pro-rata principal repayments by the Receivers over the past thirteen months to 57.5 cents in each dollar invested. The total cash repaid to secured Debenture Holders to date is \$170 million.

As noted in our previous report, recoveries from the finance receivables ledger continue to proceed well, albeit with the trend for higher than anticipated early loan repayments. This has been brought about through the focus on improved and strengthened collection processes and higher levels than originally anticipated of early loan repayments from customers. For example, the commercial book, which at date of receivership stood at \$50 million, is now down to approximately \$10 million.

The consequence of the above is that 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, but interest income from customers reduces as the finance receivable ledger reduces. This interest income received is used to fund Company expenditure and repay secured Debenture Holders principal.

We continually reassess our assessment of the overall return likely to secured Debenture Holders. With the improved collections, earlier repayments and reduced future interest income, our current estimate as to the final payout under receivership is likely to be in the range of between 90-95 cents return of capital to secured Debenture Holders. This is still within our original advice of most if not all being the final payout under receivership.

As previously indicated, preference shareholders and unsecured creditors will not receive any return from the receivership.

With respect to future payments, while we propose to continue with quarterly payments it should be noted that the amount of each payment will progressively reduce as time goes by and the overall level of the book further reduces. For example, it is projected that it will take a further two years to recover and repay to Debenture Holders half the amount that they have recovered to date.

You should note that we continue to be in discussions with parties in relation to 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.

The legal proceedings commenced by the Receivers against a number of parties are continuing. However, as noted in our last report, 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. Any recoveries from these actions have not been factored into our estimated final outcome under receivership. However, we

caution that while the amounts claimed in question are significant, given the very high number of Debenture Holders, it is unlikely that a successful outcome would bridge the gap between the forecast return and the full 100 cents in the dollar.

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 secured Debenture Holders for their ongoing support throughout the receivership.

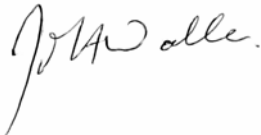
We have received a high volume of correspondence from secured Debenture Holders, which we have endeavoured to reply to in a timely manner.

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