

[name]
[street]
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4 October 2007

Dear [salutation]

Five Star Consumer Finance Limited (In Receivership)
Vintage Finance Limited (In Receivership)
Vintage Rentals Limited (In Receivership)
Beverage Rentals Limited (In Receivership); together “the Companies”

Investor Number [client no]

1. Introduction

As you are by now aware we were appointed receivers to the Companies on the evening of Wednesday 29 August 2007.

One of the Companies, Five Star Consumer Finance Limited (In Receivership) (“Five Star”) issued secured debentures to investors. We are writing to you in your capacity as a secured debenture investor, with the investor number noted above. If this is incorrect, please contact us as it will impact on the level of estimated returns on your investment.

In our letter to you dated 5 September 2007, we advised you of our appointment as receivers. Since then we have continued to analyse the affairs of the Companies and take this opportunity to provide you with an update as to progress of the receiverships, and our preliminary estimate of the amount and timing of returns to the secured debenture investors.

Five Star Finance Limited (In Receivership) (“FSFL”) was placed in receivership on 5 September 2007. The receiver of FSFL is Mr Ray Burgess of Burgess & Associates. Whilst FSFL is a separate company with different shareholders than Five Star, we note that the three directors of Five Star are all directors of FSFL. Please note that this letter contains information only in relation to the secured debenture investors of Five Star and not FSFL.

We have now completed our preliminary review of the assets of the Companies. Based on this, our preliminary estimate indicates that Five Star secured debenture investors could recover **26%** to **40%** of their original investment from the assets of the Companies. No interest will be payable.

We are mindful of the range of the potential recovery for secured debenture investors but emphasise that there are considerable uncertainties relating to the recoverability of, in particular, the commercial loans which will have an impact on the recoveries to secured debenture investors.

2. Financial Position of the Companies

Following our appointment, we restructured the management of the Companies. The full time services of the executive directors and group general manager have not been retained and a new management team involving remaining staff has been appointed. In addition, we have retained legal advisers to assist with our analysis.

The table below summarises the consolidated Statement of Financial Position of the Companies as at 31 August 2007, based on draft, unaudited management information. We stress that in the time available to us we have relied upon the information provided and have not as yet independently verified all this information.

The Companies Statement of Financial Position Draft and Unaudited	Note	As at 31 August 2007 Total (NZD'000)
Loan Book	A	65,520
Provision for Doubtful Debts	A	(1,018)
Intergroup Advances	B	7,457
Accounts Receivable	C	728
Fixed Assets	D	480
Other		20
Total Assets		73,187
Secured Debenture Investors	E	54,429
Inter-Group Borrowings	F	6,380
Accounts Payable and Other Liabilities	G	2,500
Total Liabilities		63,309
NET ASSETS		9,878

Source: Management Information

The key elements of the Statement of Financial Position are as follows : -

A. Loan Book

The Companies' major asset is the Loan Book. There are a total of 11,194 loans with a total book value of \$65.52m. All loans, except one, have been made to New Zealand based clients.

The Statement of Financial Position details provisions for doubtful debts of \$1.018m. In our view this is significantly understated. Further substantial provisions are required.

The Loan Book of \$65.52m (before provisions for doubtful debts) can be broken down into four distinct categories as detailed below.

The Companies Summary of Loan Book Draft and Unaudited	Number of loans of loans	Total Value of loans of loans \$000
Commercial	72	40,965
Consumer	9,267	19,436
Vineyard	72	3,971
Other	1,783	1,148
Total value of Loan Book	11,194	65,520

Source: Management Information

A.1 Commercial loans \$40.965m

Five Star provided 72 commercial loans to private individuals and entities in New Zealand and one in Australia.

Our preliminary review indicates there are a number of high value, complex loans which appear to be outside normal commercial lending practices. Further information and investigation is required and we are working with a number of third parties in this process. However, it is clear that this will be a time consuming exercise.

A substantial portion of the additional provisions for doubtful debts required relates to the commercial loans. The need for additional provisions for doubtful debts is reflected in the estimated recovery range.

A.2 Consumer loans \$19.436m

Five Star provided 9,267 consumer loans to private individuals who purchased consumer goods on finance from certain retailers and door to door salespersons throughout New Zealand. The consumer goods financed by Five Star were generally secured by registration on the Personal Property Security Register.

The Five Star credit team continues to engage with the consumer borrowers to collect the consumer loans. We will monitor collections closely and look to streamline the processes wherever possible to enhance recoveries.

We believe that the best course of action, to realise the maximum value for this loan book, is to market it for sale.

A.3 Vineyard loans \$3.971m

The Companies have provided 72 loans to a number of vineyards and wineries throughout New Zealand to finance plant, equipment and wine barrels. The finance provided in this context by Five Star is generally secured.

We will monitor collections closely and look to streamline the processes wherever possible to enhance recoveries.

We believe that the best course of action, to realise the maximum value for this loan book, is to market it for sale.

A.4 Other loans \$1.148m

The Companies have provided 1,783 loans on coffee machines, security systems and store cards to a large number of private individuals and entities throughout New Zealand. The finance provided by Five Star in this context is generally not secured.

We will be monitoring the collections process closely and will investigate possible options to sell the loan books.

B. Inter-Group Advances

Inter-Group Advances of \$7.457m represent amounts advanced to other group companies, outside of the Companies in receivership as detailed below :

The Companies Inter-Group Advance Draft and Unaudited		(NZD'000)
Parent Company		3,812
FSFL		3,645
Total		7,457

Source: Management Information

Our initial review of the advances is that it is unlikely that substantial recoveries will be made from those loans. This is particularly so in light of the appointment of a receiver to FSFL. A large portion of the additional provisions for doubtful debts required, relates to the Inter-Group Advances. The need for additional provisions for doubtful debts is reflected in the estimated recovery range.

C. Accounts Receivable

Accounts receivable of \$728k relates to prepayments and other sundry debtors balances. Material recoveries from these assets are not anticipated.

D. Fixed Assets

Fixed Assets of \$480k are mainly office fixtures and fittings and computer software. Material recoveries from these assets are not anticipated.

E. Secured Debenture Investors

The Secured Debenture Investors balance of \$54.429m represents approximately 3,200 investments held by approximately 2,300 secured debenture investors.

F. Inter-Group Borrowings

Inter-Group Borrowings of \$6.380m represents amounts borrowed from another company in the Group.

G. Accounts Payable and Other Liabilities

Accounts Payable of \$2.5m consists of liabilities and accruals including Resident Withholding Tax, GST, commissions, employee entitlements and trade suppliers.

3. Amount and Timing of Dividend to Secured Debenture Investors

In order to assess the potential recoveries to secured debenture investors from the Loan Book and all other assets, we have used the draft, unaudited management Statement of Financial Position at 31 August 2007 as a starting point and made the following adjustments:

- i. A substantial provision on the Loan Book, especially in relation to the commercial loan book in addition to the provision as at 31 August 2007;
- ii. Recoveries on Inter-Group Advances are assumed to be nil;
- iii. Allowance of preferential creditors payments required for employees and Inland Revenue; and
- iv. Incorporating an allowance for realisation costs and a contingency allowance for unforeseen factors.

As stated earlier on in this report, our preliminary estimates of recoveries to secured debenture investors is **26% to 40%** of their original investment.

The timing of any payout is difficult to assess at this stage as it will depend on a number of factors, including the method by which the value in the Loan Book is realised. It is highly likely that any recoveries to investors will be paid out over time as loans are recovered, as opposed to a lump sum payout. As a result it would be prudent for investors to assume that they will not obtain any recoveries until at least December 2007. Once we have a better indication of potential timeframes for recoveries we will advise investors.

4. Other Matters


As previously advised, we have set up the following website as a way of making communication with investors and other stakeholders.

<http://www.pwc.com/nz/fivestartfinance>

We appreciate that the level and timing of returns will be disappointing to many investors. Given the low level of the estimated range of returns and in light of our comments above (in particular those relating to the commercial loans) we will be referring certain matters to the appropriate government authorities for investigation.

We will endeavour to keep you updated on a regular basis. In the meantime, should you wish to contact us with regard to any of the above matters, please do so in writing, to either our postal, facsimile or website addresses. We regret that this report could not provide you with more positive news.

Yours faithfully



R D Agnew
Receiver



A D K Boswell
Receiver