

Media Release

Thursday, 4 October 2007

Five Star Consumer Finance: Preliminary estimated recovery range announced

The receivers of Five Star Consumer Finance ('Five Star'), PricewaterhouseCoopers partners Richard Agnew and Anthony Boswell, have completed a preliminary review of the assets of Five Star and its three subsidiary companies, all of which are in receivership. Investors have been written to today.

The preliminary review indicates that Five Star's secured debenture investors are estimated to recover between 26% and 40% of their investment from the assets of the companies. In terms of timing, investors will be paid out over time as loans are recovered. The first of these payments is unlikely to be made before December 2007.

Richard Agnew said the receivers were "mindful" of the estimated recovery range for investors but emphasised considerable uncertainties existed in relation to the recoverability of several loans to commercial customers in particular.

Mr Agnew said some of the assets of the companies were likely to deliver very low recoveries, but others were in a much better position and were likely to realise much stronger returns. "Obviously anything less than a full recovery is disappointing for investors," he said. "We will be working hard on their behalf to ensure the returns are as high as possible."

Mr Agnew said certain matters would be referred to the "appropriate government authorities" for investigation.

To assist secured debenture investors better understand the assets of Five Star and the preliminary estimated recovery range, the receivers provided the following analysis of the major asset – Five Star's loan book.

The loan book essentially comprises a commercial loan book and a number of consumer loan books. In total, Five Star has 11,194 loans with a book value of \$65.52m. All loans, except one, have been made to New Zealand based clients.

Five Star provided 72 commercial loans to private individuals and entities in New Zealand and one in Australia. Mr Agnew said there were a number of high value, complex loans which appear to be "outside normal commercial lending practices". He said the receivers are seeking further information and that further investigation was required.

The loans to consumer customers were generally secured. Mr Agnew said the receivers' view was that selling these parts of the loan book would probably lead to the best result for investors.

As at the date of receivership, Five Star had advances of \$7.457m to inter-group companies outside of those in receivership. Mr Agnew said the receivers' initial view was that substantial recoveries were unlikely to be made from these loans.

Mr Agnew said the receivers' view is that Five Star's provision for doubtful debts as at the date of receivership was "significantly understated". The preliminary estimated recovery range reflected the large increase in provisions for doubtful debts required in the commercial loans and inter-group advances.

NOTES FOR EDITORS

1. Further information

The receivers do not wish to make any further comment at this time.

2. Website

A dedicated page on the receivership can be found on the PricewaterhouseCoopers website here: <http://www.pwc.com/nz/fivestarfinance>

3. About PricewaterhouseCoopers:

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