

19 August 2008

National Finance 2000 Limited (In Receivership and In Liquidation) – “NatFin”

The receivers of NatFin would like to take this opportunity to update you on the progress of the receivership since our last report to investors dated 9 January 2008. A full copy of our fifth formal report prepared pursuant to Section 24 of the Receiverships Act 1993 is currently available from our website at www.pwc.com/nz/NF2000.

Activities since our last report

In the six months since our last report, the receivers have continued to focus on:

- Resolving the Payless Group GST issues;
- Pursuing further the third party dealer loans, related party advances, and recovering monies obtainable under guarantees provided by the interests of Allan Ludlow; and
- Cooperating with government authorities to assist with their investigations.

We have now finalised the pre-receivership GST returns with the Inland Revenue Department (“IRD”) for the Payless Group. We have received refunds of approximately \$550k from the IRD, which will be payable to NatFin in partial satisfaction of the debt owing to NatFin by the Payless Group. We expect to receive approximately \$900k-\$950k from the receiverships of the Payless Group.

As you are aware the receivers have initiated legal action in a number of instances to recover amounts owing to NatFin in relation to third party dealer loans and other assets. Since our last update to secured debenture investors we have settled additional claims. Legal action in respect of deposits of \$250k for apartments in Fiji was successful and \$291k (including interest and costs awarded by the Court) has been received. Further realisations are being pursued through formal recovery actions.

As previously advised, we have referred a number of concerns to a range of authorities who continue to investigate the demise of NatFin. We continue to co-operate with these authorities.

On 1 August 2008 Bernard Montgomerie and Stuart Cunningham were appointed liquidators of NatFin by the Court, at the application of the IRD. We will assist the liquidators with their investigation into NatFin where possible.

Distributions to investors

We estimate secured debenture investors will recover between 47% and 48% of the original investment (previously 46% and 48%). Please note that this estimate includes 40% of distributions already made. Accordingly, we estimate a further final distribution of between 7% and 8% will be made at the conclusion of the receivership.

Most of the remaining assets to be realised are subject to various forms of legal action. We estimate that the receivership can be concluded and a final dividend paid by the end of December 2008.

Outstanding matters

The remaining actions required going forward relate to:

- Further pursuit of third party dealer loans, related party advances, and recovery of monies obtainable under guarantees provided by the interests of Allan Ludlow; and
- Continued co-operation with various government authorities who continue to conduct investigations.

As stated previously, we regret that there will not be any amounts available for payment to subordinated investors and other unsecured creditors from the assets in receivership.

We trust this update has been of assistance to investors. If you have any queries, please contact us in writing via our website, private bag or facsimile addresses.

Yours faithfully
National Finance 2000 Limited (in Receivership)



Colin McCloy
Receiver