

14 September 2007

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

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

We are pleased to advise that our 5<sup>th</sup> pro-rata principal repayment will take place on the 28<sup>th</sup> of September 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 made by the Receivers over the past sixteen months to 65 cents in each dollar invested. The total cash repaid to secured Debenture Holders to date is \$192 million.

Recoveries from the finance receivables ledgers continue to proceed well, albeit with the trend for higher than anticipated early loan repayments. As highlighted last period, the early loan repayment trend has two impacts on the ultimate recoveries for secured Debenture Holders:

- Principal is repaid to Debenture Holders quicker - as early loan repayments are made, the finance receivable ledger reduces. This has allowed us to repay greater amounts of principal to secured Debenture Holders earlier in the receivership than originally anticipated.
- Interest income lessens - as the finance receivable ledgers reduce, the Companies earn less interest income from their customers. Interest income received is used to fund Company expenditure and repay secured Debenture Holders principal.

We have held discussions with parties in respect of a possible restructure of the Companies or the sale of the business. However, with the recent well publicised issues facing the finance company sector, some of the potential opportunities have closed to us. The outcome of the remaining discussions continues to remain uncertain, and we will keep investors informed of progress as appropriate.

Litigation continues against a number of parties where we believe there were a series of alleged frauds committed against the Companies. As these proceedings remain before the Court, we remain unable to comment further at this time as to the likely outcome of this litigation. However, while a successful outcome will generate funds to distribute to secured Debenture Holders, given the fact that at the point of receivership there was approximately \$300 million owing to secured Debenture Holders, any successful outcome will not have a material impact on the outcome for investors.

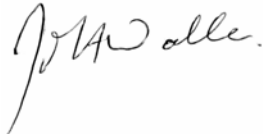
As previously indicated, we remain of the view that preference shareholders and unsecured creditors will not receive any return from the receivership.

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.

We thank investors for their ongoing support throughout the receivership.

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.



John Waller  
Receiver



Maurice Noone  
Receiver