

**Provincial Finance Limited (In Receivership)
Consumer Credit Limited (In Receivership)
South Auckland Cars Limited (In Receivership)**

**Receivers' Report on the State of Affairs of Provincial Finance Limited,
Consumer Credit Limited and South Auckland Cars Limited (All In Receivership)**

Pursuant to Section 24 of the Receiverships Act 1993

31 July 2008

Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre
AUCKLAND

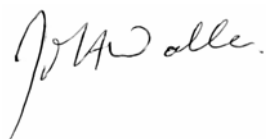
7 August 2008

Dear Sir/Madam

Provincial Finance Limited (In Receivership) (Company Number: 315014)
Consumer Credit Limited (In Receivership) (Company Number: 927785)
South Auckland Cars Limited (In Receivership) (Company Number: 1675071)

Please find attached a further report in relation to the above companies pursuant to Section 24 of the Receiverships Act 1993.

Yours sincerely
For Provincial Finance Limited (In Receivership)
Consumer Credit Limited (In Receivership)
South Auckland Cars Limited (In Receivership)



John Waller
Receiver



Maurice Noone
Receiver

Contents

	<i>Page</i>
Index	
1.1 Introduction and Overview	4
1.2 Notice of Restrictions	4
1.3 Financial Position	5
1.4 Financial Performance	6
1.5 Receipts and Payments	7
1.6 Proposed Strategy	7
1.7 Conclusion	8

Glossary

• the “Book”	PFL’s and CCL’s Finance Receivables Book
• the “Companies	PFL, CCL and SACL
• “CCL”	Consumer Credit Limited (In Receivership)
• “PFL”	Provincial Finance Limited (In Receivership)
• “PwC”	PricewaterhouseCoopers
• “SACL”	South Auckland Cars Limited (In Receivership)
• “TPI”	Tasman Pacific Insurance Limited

1.1 Introduction and Overview

- This further report in relation to Provincial Finance Limited (“Provincial” or “the Company”), is prepared pursuant to Section 24 of the Receiverships Act 1993. This report includes Provincial and related companies Consumer Credit Limited (“CCL”) (wholly owned by Provincial) and South Auckland Cars Limited (“SACL”) (wholly owned by Provincial and related parties) (together “the Companies”).
- As previously advised, we were appointed receivers of the Companies on the afternoon of 30 May 2006 by the Trustee, Perpetual Trust Limited (“the Trustee”) under the terms of the Debenture Trust Deed dated 20 May 1998 (along with subsequent Deeds of Variation and Supplemental Deeds).
- Since our last report we have continued to focus on ensuring collections of the finance receivable book continues, pursuing litigation, and investigating potential disposal options which might accelerate the return of capital to Debenture Holders.
- An 8th interim pro-rata principal distribution of 5 cents in the dollar was made to Debenture Holders on the 26th of June 2008. This followed on from the 1st payment of 25 cents in the dollar in September 2006, a 2nd payment of 15 cents in December 2006, a 3rd payment of 10 cents in early April 2007, 4th payment of 7.5 cents in the dollar in June 2007, a 5th payment of 7.5 cents in the dollar in September 2007, a 6th payment of 7.5 cents in the dollar in December 2007, and a 7th payment of 5 cents in the dollar in March 2008.
- A total of \$244.3 million (82.5 cents in the dollar) has now been repaid to Debenture Holders. This has primarily been funded from collection of the finance receivable books in the ordinary course of business.
- As we draw near the end of the recovery of the collectable finance receivables, the likely outcome for Debenture Holders becomes clearer. At this time we continue to believe that Debenture Holders will receive most of their principal back - somewhere in the region of between 90 to 92 cents in the dollar.
- We are unable to give a definitive date for the final payment at this time. However, for the foreseeable future we expect to continue with the quarterly distributions.
- We draw attention to the fact that over time, as the finance receivable book continues to diminish in size, so will the amount, and potentially frequency of future distributions.
- We continue to investigate ways of accelerating the realisation of the assets for Debenture Holders in order that we can bring the receivership to an early end and return the maximum amount of money to Debenture Holders as quickly as possible. We are currently in discussions with various parties, which if successful, would result in a final lump sum payment to Debenture Holders in the near future, rather than them having to wait a further couple of years for their final repayment.
- Litigation continues against a number of parties where we believe there were a series of alleged frauds committed against the Companies. However, as noted in our last report, while the outcome of these proceedings remains uncertain at this time, a successful outcome will not materially change the outcome for investors, as a successful outcome will be equivalent to between 1 and 2 cents in the dollar for each Debenture Holder.
- In the current circumstances the Debenture Holders will not receive any accrued interest and Redeemable Preference Shareholders will not recover any funds from the receivership.

1.2 Notice of Restrictions

- This report is subject to the restrictions set out below:
- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- In compiling this report we have relied on the accuracy of relevant information provided by the management of the Companies. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- We caution that the financial position presented may be materially impacted by:
 - the adequacy of the level of bad debt provisioning made against the finance receivables; and
 - whether sufficient profits can be generated from the finance receivables in the future to utilise the future tax benefit.

1.3 Financial Position

- The table below sets out the unaudited Statement of Financial Position of the Companies as at 30 June 2008, with comparative information also provided as at 31 December 2007 (the date of our last report), 30 June 2007, 31 December 2006 and at 31 May 2006, the day after we were appointed Receivers.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)					
Unaudited Statement of Financial Position					
(\$000's)	30-Jun-08	31-Dec-07	30-Jun-07	31-Dec-06	31-May-06
Assets					
Cash - PFL	1,861	2,783	5,007	11,181	11,587
Cash - TPI	1,750	1,939	5,180	5,590	-
Finance receivables	107,366	142,209	175,716	235,387	310,606
Provision for bad debts	(75,061)	(75,061)	(75,041)	(81,394)	(71,394)
	32,305	67,148	100,675	153,993	239,212
Prepayments and sundry receivables	79	118	541	514	300
Taxation paid	900	897	894	916	7,877
Fixed assets	159	199	455	522	4,810
Investments	742	796	3,186	3,845	8,554
Future tax benefit	30,686	27,434	26,636	26,184	23,698
Goodwill on Consolidation	204	407	611	814	-
	68,686	101,721	143,185	203,558	296,037
Liabilities					
Accruals and sundry creditors	1,505	1,554	1,865	1,732	2,221
Accrued interest	35,108	31,728	26,487	18,667	3,655
Borrowings (secured) Principal	51,817	81,428	125,843	192,465	296,100
Term loan	-	-	-	-	2,121
Provision for Unexpired Risk	920	1,445	2,551	4,046	-
	89,350	116,155	156,746	216,910	304,097
Net Assets	(20,664)	(14,434)	(13,561)	(13,352)	(8,060)

Source: Management Accounts

- Please note that in accordance with normal accounting principles and our past reports, the redeemable preference shares form part of the share capital of the Company, and are therefore not recorded within the liabilities set out above.

- As previously advised, as a result of acquiring the minority shareholders interests in TPI during December 2006, TPI has become a wholly owned subsidiary of Provincial. Accordingly, financial information in respect of TPI is included in the Statement of Financial Position from 31 December 2006.
- In addition, we note that the deterioration in net equity reported over the period since receivership has been principally brought about through:
 - the increase in the doubtful debt provision and write off of bad debts:
 - in the period to 31 December 2006 we increased the doubtful debt provision by \$10 million (Note: The reduction in the doubtful debt provision in the period to 30 June 2007 reflects certain doubtful debts that have been written off as bad in that period through a reduction in the provision carried.)
 - in the six months to 30 June 2008 we have also written off through the profit and loss account the sum of \$7.669 million in further bad debts, while at the same time retaining the overall doubtful debt provision at \$75 million.
 - continuing to accrue full interest on the Debentures through the profit and loss account, even though as noted earlier in this report, this interest will be unable to be funded and paid to Debenture Holders from the receivership.
- During the past six months the following actions have continued, which has impacted on the financial position of the company and the resultant cash on hand at 30 June 2008:
 - Finance receivables have continued to decrease as loan repayments have been received, due to the fact that no new lending has been made since the date of the receivership.
 - Borrowings have decreased as a consequence of the 7th and 8th interim pro-rata principal distributions made in late March and June 2008.
- The interest accrued at 30 June 2008 relates to interest accrued on debentures, which although charged against the profit and loss account and provided in the financial position of the Companies, will only be paid out if and when the full principal has been returned to Debenture Holders, which as noted previously, is unlikely.

1.4 Financial Performance

- Set out below is the unaudited Statement of Financial Performance of the Companies for the seven months to 31 December 2006, six months to 30 June 2007, 31 December 2007 and 30 June 2008, together with the period of receivership.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)					
Unaudited Financial Performance (\$'000's)					
	Period of Receivership	6 months to 30-Jun-08	6 months to 31-Dec-07	6 months to 30-Jun-07	7 months to 31-Dec-06
Operating revenue	53,538	4,776	8,220	13,603	26,940
Selling and administration expenses	24,556	2,970	4,526	6,588	10,472
Earnings Before Interest, Tax, Depreciation and Debt Provisioning	28,982	1,806	3,694	7,014	16,468
Depreciation / loss on assets & investments	1,417	239	386	280	512
Earnings Before Interest, Tax and Debt Provisioning	27,565	1,567	3,308	6,734	15,956
Interest accrued	30,567	3,379	5,241	7,808	14,139
Earnings Before Debt Provisioning and Tax	(3,002)	(1,812)	(1,933)	(1,074)	1,817
Doubtful debts provision increase / (decrease)	3,695	-	48	(6,353)	10,000
Bad debts written off / (recovered)	11,567	7,669	(310)	5,940	(1,732)
Net Profit / (Loss) Before Tax	(18,264)	(9,481)	(1,671)	(661)	(6,451)
Taxation	6,924	3,252	798	452	2,422
Net Loss for the period	(11,340)	(6,229)	(873)	(209)	(4,028)

Source: Management Accounts

- Operating revenue represents interest and fee income generated from the loans and advances made by the Companies as at the date of receivership. As the recovery of principal from the finance books grows, the interest income reduces.
- The administration expenses principally represent the costs associated in recovering the finance receivables.
- As noted previously, an additional provision for doubtful debts of \$10 million was made in the period to 31 December 2006. A further bad debt write off of \$7.669 million has been made in the current period.
- Overall, we continue to operate in receivership at a positive cash, or Earnings Before Interest, Tax and Provisioning level (recognising that the interest expense will unlikely be payable), although as the book diminishes in size, this reduces in time.

1.5 Receipts and Payments

- The table below sets out a summary of the unaudited receipts and payments for the seven months to 31 December 2006, six months to 30 June 2007, 31 December 2007, 30 June 2008, and the period of receivership.
- The Receipts and Payments summary excludes all TPI details and consequently the Cash Balance as at 30 June 2008 does not include \$1.75 million of cash held by TPI.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)					
Statement of Receipts & Payments (\$'000's)					
	Period of Receivership	6 months to 30 June 08	6 months to 31 Dec 07	6 months to 30 June 07	7 months to 31 Dec 06
Receipts					
Loan repayments	238,964	31,127	40,212	65,442	102,183
Sale of bad debts	1,050	0	0	0	1,050
Sale of properties/fixes assets	5,606	0	78	0	5,528
Interest received - bank deposits	2,756	385	474	685	1,212
Tax refunds	8,329	0	0	0	8,329
Advance from TPI	5,700	0	5,700	0	0
Other net receipts	2,387	0	316	762	1,309
subtotal receipts	264,792	31,512	46,780	66,889	119,611
Payments					
Wages	6,190	919	1,389	1,530	2,352
Other overheads and expenses	14,773	1,713	2,841	4,043	6,176
Lending - Commercial facility drawdowns	4,234	0	7	400	3,828
Secured mortgagee repayment	2,157	0	0	0	2,157
Receivers fees	2,442	193	351	470	1,429
Other payments	440	0	0	0	440
subtotal payments	30,237	2,825	4,588	6,442	16,382
Opening cash balance	11,587	2,784	5,007	11,181	11,587
Cash available for distribution	246,143	31,471	47,199	71,629	114,816
Repayments to Debentureholders	244,281	29,610	44,415	66,622	103,635
Closing Cash Balance	1,861	1,861	2,784	5,007	11,181

This report comprises the receipts and payments for the Group companies in receivership: Provincial Finance Ltd, Consumer Credit Ltd and South Auckland Cars Ltd

Source: Management Reports

- As the finance receivables books reduce in size through recovery of the loans, so does the scale of the operations at the Companies which is reflected in a reduction in the cost base, as illustrated through the reducing levels of payments above.

1.6 Proposed strategy

- In our last report we noted that having investigated a number of the alternatives the remaining option at the present time was a continued wind down by the Receivers. The Receivers would continue to collect the remaining loans to repay Debenture Holders principal, and as and when sufficient sums have been collected, to make meaningful distributions to debenture holders.
- While this continues to be the fall back position we have continued to investigate ways of accelerating the realisation of the assets for Debenture Holders in order that we can bring the receivership to an early end, and return the maximum amount of money to Debenture Holders as quickly as possible.
- We are currently in discussions with various parties, which if successful, would result in a final lump sum payment to Debenture Holders in the near future, rather than Debenture Holders having to wait a further couple of years for their final repayment. We expect to know the outcome of these discussions within the coming month, and should we be successful with our discussions, we will advise Debenture Holders further at that time.

1.7 Conclusion

- The receivership is progressing well and the companies are on track to continue to make quarterly payments to investors, the next being expected to be made in September 2008.
- Nothing has occurred since the last report to cause the Receivers to alter their estimate that Debenture Holders should receive most of their principal back, but not their interest. Redeemable preference share holders remain highly unlikely to receive any payment. We are unable to give a definitive date for the final payment at this time.
- We thank investors for their ongoing support throughout the receivership and acknowledge the good work done by the staff at the Companies involved in the recovery of the monies owed to the Companies.
- Should investors or other stakeholders have any queries arising from this report 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.