

**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

5 February 2007

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

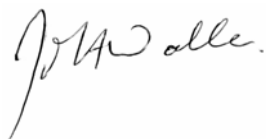
5 February 2007

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 Headline Conclusions	4
1.3 Notice of Restrictions	4
1.4 Financial Position	5
1.5 Financial Performance	6
1.6 Receipts and Payments	7
1.7 Proposed Strategy	7
1.8 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)
- “Perpetual” Perpetual Trust Limited
- “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 focused on maintaining the value of the assets, ensuring collections of the Book continue, investigating the affairs of the Group and implementing asset realisation strategies.
- A 2nd interim pro-rata principal distribution of 10 cents in the dollar, following on from the 1st payment of 25 cents in the dollar in September 2006, was made on 15 December 2006.
- A total of \$103,634,832 (35 cents in the dollar) has been distributed to debenture holders. This has primarily been funded from collection of the finance receivable book in the ordinary course of business.
- Apart from the seasonal variations expected, such as during weeks containing public holidays, no material reductions in weekly cash collections or increases in default rates have been experienced since the commencement of the receivership.

1.2 Conclusions

- Recoveries from the loan book continue to proceed well, and subject to recoveries continuing at anticipated levels, secured debenture stockholders should recover most, if not all their principal.
- Redeemable preference shareholders are unlikely to recover anything from the receivership.
- By the end of March 2007 we expect to be in a position to make a 3rd pro rata principal payment of approximately 10 cents in the dollar to secured debenture holders, making total distributions to date in the region of 45 cents.

1.3 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.

1.4 Financial Position

- The table alongside is the unaudited Statement of Financial Position of the Companies as at 31 December 2006, compared to the position as at 31 May 2006, the day after we were appointed receivers.
- As a result of acquiring the minority shareholders interests in TPI during December, TPI has become a wholly owned subsidiary of Provincial. Accordingly, financial information in respect of TPI is now included in this Statement of Financial Position at 31 December 2006.
- 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.
- Assuming the finance receivables ledger recoveries are in line with our projections we continue to believe that secured debenture holders should recover most, if not all, their principal. The deficit of \$17.0 million between the liquid assets (being the cash on hand (16.8m), estimated recoverable values from the Book (\$154.0m), taxation prepaid (\$900k), and investments (\$3.8m)) and the principal sum outstanding on debenture borrowings (\$192.5m) is projected to be funded through future interest earnings, net of operating costs.
- Preference shareholders are unlikely to recover anything from the receivership.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)		
Unaudited Statement of Financial Position		
(\$000's)	31-Dec-06	31-May-06
Assets		
Cash and deposits - PFL	11,181	11,587
Cash and deposits - TPI	5,590	-
Finance receivables	235,387	310,606
Provision for bad debts	(81,394)	(71,394)
	<u>153,993</u>	<u>239,212</u>
Prepayments and sundry receivables	514	300
Taxation paid	916	7,877
Fixed assets	522	4,810
Investments	3,845	8,554
Future tax benefit	26,184	23,698
Goodwill on Consolidation	814	-
	<u>203,558</u>	<u>296,037</u>
Liabilities		
Accruals and sundry creditors	1,732	2,221
Accrued interest	18,667	3,655
Borrowings (secured) Principal	192,465	296,100
Term loan	-	2,121
Provision for Unexpired Risk	4,046	-
	<u>216,910</u>	<u>304,097</u>
Net Assets	<u>(13,352)</u>	<u>(8,060)</u>

Source: Management Accounts

- The principal cause of the \$5.3 million deterioration in net assets since 31 Mar 2006 is the increase in doubtful debt provisioning of \$10 million (refer to comments later), offset by operating profits generated and the impact of consolidating TPI for the first time.
- Please note that in accordance with normal accounting principles the preference shares form part of the share capital of the Company, and are therefore not recorded within the liabilities set out above.

- During the period the following actions have been undertaken which has impacted on the financial position of the company and the resultant cash on hand at 31 December 2006:
 - 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, and as a consequence of the increase in doubtful debt provisioning referred to later.
 - The prepaid tax balances have largely been recovered from Inland Revenue.
 - Fixed assets have decreased as surplus assets have been disposed of. Surplus assets disposed of include the South Auckland car yard (which has subsequently been leased back on a short term basis by the Receivers), and a property in Millbrook. The bank term loan has been repaid from the proceeds of the car yard sale as the bank held a mortgage over the South Auckland car yard.
 - Investments have decreased as a result of TPI being fully consolidated into the Group now that it is 100% owned. Previously TPI was included as an investment only. The other impacts of disclosing TPI within the Group financial position has been to bring onto the balance sheet a small sum of goodwill, and a provision for unexpired risk.
 - Borrowing has decreased as a consequence of the two interim pro-rata principal distributions made in late September and on the 15th of December 2006.
 - The interest accrued at 31 December 2006 relates to interest accrued on debentures, which although charged against the profit and loss account and provided in the financial position of the Company, will only be paid out if and when the full principal has been returned to debenture holders.

- With respect to the increase in the provision for doubtful debts, while nothing has come to our attention to indicate that the quality of the Book has materially deteriorated over recent months, we have now had the opportunity to further review and model the expected performance of the book under a number of scenarios.
- The consistent message coming through is that the level of provision needs to be increased by approximately \$10m, to around \$81.4m. This has been provided for in the results to 31 December 2006.

1.5 Financial Performance

- Set out below is the unaudited Statement of Financial Performance of the Companies 7 months to 31 December 2006.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)	
Unaudited Financial Performance	7 months to
(\$000's)	31-Dec-06
Operating revenue	36,948
Selling and administration expenses	13,693
Earnings Before Interest, Tax, Depreciation and Debt Provisioning	23,256
Depreciation / loss on assets and investments	554
Earnings Before Interest, Tax and Debt Provisioning	22,702
Interest accrued	19,073
Net Profit Before Debt Provisioning and Tax	3,629
Doubtful debts provision increase	10,000
Bad debts written off / recovered	(1,732)
Net Profit Before Tax	(4,639)
Taxation	(1,913)
Net Profit for the 7 Months	(2,726)
<i>Source: Management Accounts</i>	

1.6 Receipts and Payments

- The table below is a summary of the unaudited receipts and payments for the 7 months to 31 December 2006.
- The Receipts and Payments summary excludes all TPI details and consequently the Cash Balance as at 31 December 2006 does not include \$5.59m of cash held by TPI.

PROVINCIAL FINANCE GROUP (IN RECEIVERSHIP)	
Statement of Receipts & Payments	
(\$000's)	7 months to 31 Dec 06
Receipts	
Loan repayments	102,183
Sale of bad debts	1,050
Sale of properties	5,528
Interest received - bank deposits	1,212
Tax refunds	8,329
Other net receipts	1,309
subtotal receipts	119,611
Payments	
Wages	2,352
Other overheads and expenses	6,176
Lending - Commercial facility drawdowns	3,828
Secured mortgagee repayment	2,157
Receivers fees	1,177
Other payments	692
subtotal payments	16,382
Opening cash balance - 31 May 2006	11,587
Cash available for distribution	114,816
Repayments to Debentureholders	103,635
Cash Balance - 31 December 2006	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

1.7 Proposed strategy

- We continue to receive very good support from management and staff who have shown a high degree of loyalty and commitment to the company.
- Distribution:
 - We are forecasting a 3rd distribution to debenture holders of approximately 10 cents in the dollar in late March 2007.
 - The funds for this will be provided from ongoing collection of the book and minor asset sales.
- Legal Proceedings:
 - Our investigations have uncovered evidence of a series of alleged frauds committed against PFL. Legal proceedings have been commenced by the Receivers against Baycorp and other parties, as well as other legal steps taken to freeze assets of those other parties.
 - Further unrelated fraudulent activities are still under investigation. We are unable to comment further on these matters at this time.
- We continue to progress three principal scenarios for realising value from the Book, being:
 - Wind down the business by the Receivers; or
 - Restructure the Companies; or
 - Outright sale of the business
- In a wind down scenario, the Receivers would continue to collect the remaining loans to repay debenture holders principal and interest.

- We continue to be in discussions with some parties in respect of a possible restructure of the financial position of the Group.
- We also continue to be in regular contact with several parties who have expressed an interest in an outright purchase of the business, but there is nothing substantial to report at this stage.

1.8 Conclusion

- The receivership is progressing favourably and the companies are on track to continue to make quarterly payments to investors, the next being expected to be made in March 2007.
- Nothing has occurred since the last report to cause the Receivers to alter their estimate that debenture holders should receive most if not all of their principal back by way of dividends. We are unable to give a definitive date for the final payment at this time.
- Preference shareholders are unlikely to receive any payment.
- We thank investors for their ongoing support throughout the receivership.
- We have received a high volume of correspondence from investors, which we have endeavoured to reply to in a timely manner. 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.