

19 March 2008

## **Update to Debenture Holders**

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

We are pleased to advise that our 7<sup>th</sup> pro-rata principal repayment will take place on the 31<sup>st</sup> of March 2008 to secured Debenture Holders. This payment will amount to a further 5 cents in the dollar. This brings the total pro-rata principal repayments made by the Receivers over the past twenty two months to 77.5 cents in each dollar invested. The total cash repaid to secured Debenture Holders to date is \$229 million.

Recoveries from the finance receivables ledgers continue to proceed well. The commercial loan book is now virtually fully repaid, with the final significant loan due for repayment in April. The remaining consumer loan book continues to wind down in an orderly manner. As previously indicated, with the final collections from the commercial book due in April, and as the consumer loan book continues to diminish in size, so will the amount, and potentially frequency of future distributions.

The reduction in the size of the payment at March from that made in December reflects this reduction in overall finance receivables at Provincial Finance. Current indications however, are that there will be sufficient cash collected over the next three months to make a further meaningful payment at June.

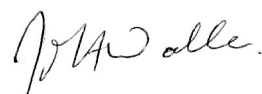
The staff at Provincial Finance continue to do an outstanding job in monitoring and pursuing collections on behalf of the Receivers. However, there comes a point for certain loans which have been in default for a long period of time, and where we have exhausted all our avenues for recovery, that the most profitable avenue for us is to sell these to third party collection businesses. Accordingly, we are in the processes of preparing parcels of debt to be tendered to third party collection agencies. We hope to realise a disposal of this debt in the coming quarter. This is likely to become part of an ongoing recovery strategy as the consumer loan book winds down.


Litigation continues against a number of parties where we believe there were a series of alleged frauds committed against the Companies. As these proceedings continue to remain before the Court, we remain unable to comment further at this time as to the likely outcome of this litigation. As noted in our last report, 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.

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

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