

12 July 2018

NOTICE TO DEBENTUREHOLDERS

Dear Debentureholder

Provident Capital Limited
ACN 082 735 573
(Receivers Appointed) (In Liquidation) ("Provident" or "the Company")

We refer to our previous communications in relation to this matter and set out below a brief update on the status of the Receivership.

We recommend that this letter is read in conjunction with our other publications issued to Debentureholders. All previous publications are available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information section. Alternatively, copies of issued publications can be requested from the Debentureholder registry service being maintained by Link Market Services (**Link**). Link's contact details appear on the final page of this Notice.

Forecast return to Debentureholders

We continue to estimate that Debentureholders will receive a total return of 21 cents in the dollar (inclusive of principal and interest) subject to any claim made by Australian Executor Trustees (**AET**) (further details below).

Debentureholders have received a total approximating 18 cents in the dollar to date.

Given the vast proportion of assets available for Debentureholders have been realised and all other avenues of recovery have been exhausted, the ultimate quantum and timing of future distributions are dependent upon the recovery from Provident's only outstanding loan (refer below) and the potential claim from AET.

We have prepared an estimated return for Debentureholders to completion of the receivership summarised by account category in Appendix A.

Realisation of loan portfolio

There is only one active loan remaining in in Provident's portfolio.

Provident is mortgagee in possession of the security property for this loan, a development site in Gold Coast, Queensland. As outlined in previous communications to Debentureholders, the nature of this security property is such that realisation has been costly and protracted, primarily due to planning approval issues. We are simultaneously progressing strategies of:

- (a) litigation through the Land & Environment Court; and
- (b) negotiations with the Gold Coast City Council to resolve these issues.

We are hopeful a resolution of these disputes will be reached in late 2018 which will allow for a marketing campaign to commence in 2019. We will keep Debentureholders informed of any material developments.

Potential claim on indemnity by AET

AET notified our office on 19 February 2018 that pending the outcome of the class action proceedings (to which they are a defendant), they may seek a reimbursement of their legal costs incurred in defending the class action pursuant to an indemnity that they claim to hold from Provident in their capacity as trustee. AET has estimated that these costs could reach \$6.5 million should the class actions be litigated through to trial.

If such a claim were to be made by AET and if Provident was required to meet the claim, the claim would exceed our current estimate of the net realisable funds that are available and would prevent any further distributions to Debentureholders being made.

We are presently reserving our position in respect of the foreshadowed claim but have otherwise agreed to provide AET with 14 days' notice of any proposed distribution to Debentureholders. We expect that in the event that AET were to press the claim, it would be necessary for us to approach the Court for directions regarding our ability to distribute surplus funds to Debentureholders.

Merger with PricewaterhouseCoopers (PwC)

We advise that PPB Advisory has entered into a transaction with PwC that will see the firms merge with a target completion date of 1 August 2018. Debentureholders may recall that PwC were the auditors of Provident up until 30 June 2007.

In August 2013, our solicitors retained an independent expert to provide assistance in respect of the audits carried out for Provident in the years prior to appointment of Receivers. Following investigations, Provident commenced proceedings against PwC. Those proceedings were commenced at short notice to avoid any statute of limitation issues.

On 24 December 2013, the Federal Court of Australia made orders appointing the current liquidators of Provident, Anthony McGrath and Joseph Hayes of McGrathNicol, as Special Purpose Receivers to solely manage the claim against PwC. Following their appointment, the conduct of the claim against PwC was transferred to the Special Purpose Receivers.

The Special Purpose Receivers ultimately determined that it would not be in the interests of Debentureholders to bring and prosecute a claim against PwC and as such the proceedings were discontinued.

We separately note that PwC is a defendant to a cross claim brought by AET. This cross claim is part of two class actions proceedings listed for hearing in the NSW Supreme Court on 30 July 2018. None of the Receivers, nor Provident itself, have been joined to the cross claim or the two class action proceedings.

While we do not consider there to be any issues of conflict which arise as a consequence of the merger with PwC, the Receivers brought this issue to the attention of the Federal Court of Australia on 4 July 2018. At a hearing 12 July 2018 the Federal Court made orders in the form of Appendix C attached to this Notice. This allows for any Debentureholder(s) who objects to the Receivers continuing in office, to file an interlocutory application with the Federal Court of Australia by no later than 24 July 2018 with a return date for hearing on 27 July 2018.

Remuneration

We advise that we obtained Court approval for our professional fees for the period 1 April 2014 to 30 September 2016 in the amount of \$3,437,933 (plus GST).

We expect to file shortly an application to the Court seeking approval of our fees for the period 1 October 2016 to 30 April 2018 in the amount of \$669,501.81 (plus GST). We again confirm that no fees will be paid until Court approval is obtained.

A summary of our time costs allocated between key receivership work streams for the period 3 July 2012 to 30 April 2018 is presented at Appendix B.

Further information

Further information in respect of the Receivership is available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information Section.

Please direct any further queries to the Debentureholder registry service maintained by Link Market Services, contact details are as follows:

Address: Provident Capital Limited
(Receivers Appointed) (In Liquidation)
c/- Link Market Services
Locked Bag A14
Sydney South, NSW 1235
Australia

Telephone: +61 2 8767 1194

Facsimile: +61 2 9287 0303

Email: provident@linkmarketservices.com.au

Yours faithfully



Christopher Hill and Ken Whittingham
Receivers
Provident Capital Limited

Appendix A. Estimated outcome statement

	\$
Receipts	
BEN - loan realisation and equity	83,646,843
BEN - Special Servicer Fee	355,228
Fixed Term Investment (FTI) - loan realisation plus interest	44,038,465
Refund of pre-appointment income tax	2,838,178
Pre-appointment cash at bank	2,168,371
MIF and HYF income	2,174,505
Interest income	534,179
MMP - Commission income and realisation of income trail	352,590
Loan repayment from Cashflow Finance Solutions	699,983
Litigation funding	2,225,247
Recovery from Director Proceedings	14,000,000
Other income	79,758
Total receipts	153,113,347
Payments	
Receivership costs and disbursements - incurred to date	(14,057,939)
Receivership costs and disbursements - estimated to completion	(644,098)
MIP property expense	(3,070,487)
Corporate overheads	(9,944,546)
Legal fees and disbursements	(21,599,577)
Trustee legal and professional costs to 3 July 2012	(653,959)
Loan to Cashflow Finance Solutions	(587,253)
Voluntary Administrator costs - McGrathNicol	(122,271)
Liquidators costs - McGrathNicol	(157,914)
Special purpose receivers - PWC Claim - McGrathNicol	(101,565)
Special purpose receivers - AET Claim - McGrathNicol	(100,000)
Security trustee fees	(409,515)
Total payments	(51,449,124)
Distributions	
Distributions to BEN	(75,391,016)
Distributions to Debentureholders - Interest	(4,756,342)
Distributions to Debentureholders - Principal - paid to date	(18,192,857)
Distributions to Debentureholders - Principal - forecast distribution	(3,324,008)
Total distributions	(101,664,223)
Net receipts and payments	0
Balance owing to Debentureholders	125,467,975
Paid to date - Interest (cents in the \$)	.038
Paid to date - Principal (cents in the \$)	.145
Forecast distribution (cents in the \$)	.026
Total distributions (cents in the \$)	.209

Appendix B. Summary of time costs

Our professional fees for the period 3 July 2012 to 30 April 2018 total approximately \$12.5 million (GST exclusive and disbursements). We have summarised our time costs for this period across ten key work streams, as shown in the table below:

Workstream	Value (\$) (GST exclusive)	Hours
Asset management	1,763,068	5,092
Loan portfolio management	3,572,741	9,232
Funds management	1,516,063	4,675
Other Assets	572,020	1,155
Litigation	163,755	340
Investigation	993,514	2,242
Creditors	167,103	460
Employees	1,349,757	2,782
Dividend	1,115,056	2,616
Trading	40,534	104
Administration	1,206,454	3,288
Total	12,460,063.78	31,985.73

We have drawn \$11.8 million against this amount, relating to the period 3 July 2012 to 30 September 2016.

We provide below a non-exhaustive summary of the tasks completed within each of the key work stream detailed in the table above:

Asset and loan portfolio management

- Ongoing management of security properties in Provident's capacity as mortgagee in possession
- Review of loan positions and preparing strategy for realisation of remaining loans
- Reporting on loan portfolio positions
- Taking possession of security properties

- Dealings with tenants (including taking control of rent)
- Dealings with mortgagor/owner of the security property
- Engaging valuers, sales agents and solicitors
- Developing and executing realisation strategy
- Liaising with property experts (town planners, geotechnical advisers)
- Ongoing liaison with local planning authorities
- Engaging and making enquiries of statutory bodies (for land tax, council/water rates)
- Reporting to key stakeholders
- Reporting on enforcement action in relation to the loan portfolio
- Monitoring wind down of the loan portfolio.

Funds management

- Preparing reporting to update Unitholders in the Funds
- Management of MIF and HYF
- Managing regulatory requirements of the Funds
- Monitoring wind down of MIF and HYF.

Creditors and Dividend

- Ongoing reporting to AET and BEN in their capacity as secured creditors
- Preparing reports to Debentureholders
- Notifying and coordinating information sessions of Debentureholders
- Responding to queries from Debentureholders
- Preparing and processing distributions to Debentureholders
- Ongoing liaison with the Debentureholder registry service maintained by Link.

Employees

- Managing staffing requirements
- Responding to staff queries
- Ongoing payroll, superannuation and workers compensation requirements
- Calculation of employee entitlements and other amounts owing to staff.

Trading

- Ongoing liaison with borrowers
- Ongoing liaison with third party service provider for the loan operating system and reporting requirements
- Assessing and undertaking enforcement action against defaulting borrowers
- Participating in settlement discussions with borrowers.

Investigation and Litigation

- Developing and undertaking investigations into Provident's historical affairs, including the conduct of its directors and officers
- Investigating potential claims against third parties such as auditors, valuers and other advisors
- Overseeing public examinations of Provident's directors
- Collecting and forensically reviewing Provident's hard copy and electronic books and records
- Briefing solicitors and devising settlement strategies for pre-existing litigation matters upon our appointment
- Liaising with litigation funders and adverse cost insurers which resulted in entering a Deed to pursue the Director Proceedings whilst preserving existing receivership funds
- Commencing and progressing the Director Proceedings, including preparation of lay and expert evidence
- Attend mediation with Provident's directors and related parties and negotiate terms of settlement
- Responding to applications, subpoenas and other court orders from AET and the class action groups.

Administration

- Preparing the overall engagement strategy
- Managing bank account administration
- Ongoing statutory reporting to ASIC and ATO
- Liaising with statutory bodies
- Risk mitigation planning
- Discussions with legal advisors regarding receivership legal strategy
- Dealing with insurance requirements
- Strategic planning of the receivership
- Management of MIP engagements
- Preparing and making remuneration applications to Court
- General file administration and document management
- Attending to ad hoc tasks.

Proportionality of fees charged to asset realisations

Task area	Fees incurred (\$)	Assets realisations (\$)	Proportion of fees to assets (%)
Asset and loan portfolio management	8,583,735.81	126,056,445.40	6.8%
Funds management	632,308.88	2,174,504.72	29.1%
Other assets	329,358.83	5,973,076.51	5.5%
Investigation and litigation	2,914,660.26	16,225,247.02	18.0%
Total	12,460,063.78	150,429,273.65	8.3%

The table above has been prepared to provide Debentureholders with detail regarding the professional fees incurred proportion to asset realisations which have been achieved to date. Debentureholders will note that costs of \$12.5 million have been incurred to recover \$150.4 million, which represents 8.3% of asset recoveries.

We additionally note that in preparing the table above:

- total overhead costs of \$4,170,671.26 have been apportioned on a pro-rata basis to each task area as a proportion of asset realisations. This includes the work streams described above as Creditors, Employees, Dividend, Trading and Administration
- the value of realisations from “Asset and loan portfolio management” does not reflect the gross realisation of all loans in the Debentureholder funded FTI loan portfolio, the effect of which would be to reduce the proportionality of the costs incurred respective to total realisations
- the value of realisations from “Funds management” does not reflect the realisation of the underlying portfolios within MIF and HYF which had over \$30 million of funds under management upon our appointment, the effect of which would be to significantly reduce the proportionality of the costs incurred respective to total realisations
- the majority of the fees incurred has been in respect to the recovery of the loan portfolios, which is expected, given that that this is the largest category of assets held by Provident

Order NOT Entered

No: (P)NSD808/2012

Federal Court of Australia
District Registry: New South Wales
Division: General

AUSTRALIAN EXECUTOR TRUSTEES LIMITED ACN 007 869 794

Plaintiff

PROVIDENT CAPITAL LIMITED

Defendant

ORDER

JUDGE: Justice Rares

DATE OF ORDER: 12 July 2018

WHERE MADE: Sydney

THE COURT ORDERS THAT:

1. The Court appointed Receivers of Provident Capital Limited (**Provident**), Christopher Hill and Ken Whittingham, are partners of PPB Advisory.
2. On 1 August 2018, PPB Advisory will combine with PricewaterhouseCoopers (**PwC**), following which both the Receivers will become partners of PwC.
3. Philip Carter, Stephen Longley and David McEvoy are also current PPB Advisory partners and former PwC partners who will be returning to PwC as partners following the combination of the firms. Mr Carter was initially a Court appointed Receiver of Provident before his retirement as a Receiver in December 2013.
4. PwC were the former auditors of Provident and conducted audits until 30 June 2007. During the course of 2013, the Receivers investigated the availability of Provident

bringing a claim against PwC with respect to its audit of Provident's accounts for the financial years 2006 and 2007. On 27 September 2013, the Receivers caused Provident to commence proceedings against PwC (the **Audit Claim**). The Audit Claim was not served and it was commenced to ensure that the relevant limitations period would be preserved.

5. On 24 December 2013, the Court appointed Anthony McGrath and Joseph Hayes of McGrath Nicol as Special Purpose Receivers to take over the management of the Audit Claim. The Court also made directions permitting the then Receivers (Messrs Marcus Ayres and Anthony Sims) to continue in their role as the Court appointed Receivers of Provident.
6. Following the provision of advice and further investigation, the Special Purpose Receivers decided not to prosecute the Audit Claim and it was discontinued during the course of 2014.
7. PwC is currently a defendant to a cross-claim brought by the trustee for debenture holders of Provident, Australian Executor Trustees Ltd (the **Trustee**). The cross-claim is part of two class action proceedings that have been brought against the Trustee and are listed for hearing in the New South Wales Supreme Court to commence on 30 July 2018. None of the Receivers, nor Provident itself, are party to either of the class action proceedings in the New South Wales Supreme Court.
8. The only substantive work remaining to be completed in the receivership of Provident concerns the realisation of a security property in Burleigh Heads, Queensland and distributing a final dividend to debenture holders. It is expected that the receivership will conclude over the course of the following 12 to 18 months.

THE COURT DIRECTS THAT:

1. The Receivers give notification to debenture holders of the impending combination of PPB Advisory and PwC (and the matters noted above in paragraphs 1 to 8) with such notice to be issued by no later than 5.00pm 16 July 2018.
2. If any debenture holder objects to the Receivers continuing in office because of the combination with PwC, they file an interlocutory application and any affidavit in support in these proceedings (being NSD 808/2012) by 5.00pm 24 July 2018 and serve that interlocutory application on the Receivers' solicitors, Norton Rose Fulbright.

3. Any such interlocutory application is to be returnable for hearing on 27 July 2018 before Rares J.

Date that entry is stamped:

Deputy District Registrar