

Provident Capital High Yield Fund

Unaudited Wind-Up Financial Report for the period ended 31 March 2015

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Provident Capital High Yield Fund

ARSN 134 487 577

This financial report covers Provident Capital High Yield Fund (the “Fund”) as an individual entity. The financial report is presented in the Australian currency.

The Responsible Entity of the Fund is Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation) (ABN 78 082 735 573) (“Responsible Entity”).

Due to the circumstances of the receivership of the Responsible Entity, the information in this wind-up financial report for the period ended 31 March 2015 has not been approved by the directors of the Responsible Entity and has not been audited. Accordingly, a directors' report has not been included in this financial report. Each of PPB Pty Ltd trading as PPB Advisory ABN 67 972 164 718 (“PPB”) and the receivers and managers (“Receivers and Managers”) and liquidator (“Liquidator”) of the Responsible Entity make no representation, warranty or undertaking (express or implied) as to the fairness, accuracy, completeness or reliability of the contents of this financial report. The Receivers and Managers, the Liquidator, PPB and their respective officers and employees accept no responsibility or liability for any loss suffered as a result of any recipient of this financial report or any other person relying on the information in this financial report.

Fund particulars

The Fund

Provident Capital High Yield Fund
ARSN 134 487 577

The Responsible Entity

Provident Capital Limited (Receivers and Managers
Appointed) (In Liquidation)
ABN 78 082 735 573
AFSL 225172
Level 7, 8-12 Chifley Square, Sydney, NSW 2000

Directors of Responsible Entity

Michael O'Sullivan (Chairman & Managing Director)
Trevor J Seymour
Malcolm P Bersten
John P Sweeney

All the directors of the Responsible Entity resigned on
10 March 2014.

The Investment Manager

Provident Capital Limited (Receivers and Managers
Appointed) (In Liquidation)

Custodian of the Fund

Perpetual Corporate Trust Limited
ABN 99 000 341 533
AFSL 236643
Level 12,
123 Pitt Street, Sydney, NSW 2000

Auditor of the Fund

KPMG
ABN 51 194 660 183
10 Shelley Street, Sydney, NSW 2000

Statement of comprehensive income

For the Period ended 31 March 2015

| | Notes | Unaudited For the Period ended 31 March 2015 \$ | Unaudited For the Year ended 30 June 2014 \$ |
|--|-------|--|---|
| Investment income | | | |
| Interest income | 3 | 1,720 | 16,101 |
| Total investment income | | 1,720 | 16,101 |
| Expenses | | | |
| Loan impairment and recovery expenses | | - | 1,537 |
| Abnormal expenses paid to Responsible Entity | | 675 | 1,102 |
| Responsible Entity's fees | 10 | - | - |
| Total expenses | | 675 | 2,639 |
| Net operating profit before finance costs attributable to unitholders | | 1,045 | 13,462 |
| Financing costs attributable to unitholders | | | |
| Increase/(decrease) in net assets attributable to unitholders | 5 | - | - |
| Net profit for the period | | 1,045 | 13,462 |
| Other comprehensive income | | - | - |
| Total comprehensive income | 5 | 1,045 | 13,462 |
| Total comprehensive income at beginning of the period attributable to unitholders | | 18,917 | 5,455 |
| Distributions to unitholders | 6 | (19,962) | - |
| Total comprehensive income at end of the period attributable to unitholders | | - | 18,917 |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 March 2015

| | Notes | Unaudited 31 March 2015 \$ | Unaudited 30 June 2014 \$ |
|---|-------|----------------------------------|---------------------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | - | 156,495 |
| Receivables | | - | 5,570 |
| Total current assets | | - | 162,065 |
| Total assets | | | |
| | | - | 162,065 |
| Liabilities | | | |
| Distribution payable | 6 | - | - |
| Total liabilities (excluding net assets attributable to unitholders) | | - | - |
| Net assets attributable to unitholders | | | |
| | 5 | - | 162,065 |

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the Period ended 31 March 2015

The Fund's net assets attributable to unitholders are classified as a liability under AASB132 "Financial Instruments: Presentation". As such the Fund has no equity, and no items of changes in equity have been presented for the current period or comparative year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the Period ended 31 March 2015

| | Notes | Unaudited For the Period ended 31 March 2015 \$ | Unaudited For the Year ended 30 June 2014 \$ |
|---|-------|--|---|
| Cash flows from operating activities | | | |
| Payment of loans and advances and loan expenses | | - | (2,750) |
| Repayment of loans and advances and loan fees | | - | 141,747 |
| Refund of Goods and Services Tax | | 5,606 | 2,622 |
| Payment of abnormal expenses to Responsible Entity | | (711) | (16,992) |
| Net payment of loan management fees to Responsible Entity | | - | (731) |
| Interest received | | 1,720 | 16,146 |
| Net cash inflow from operating activities | 11(a) | 6,615 | 140,042 |
| Cash flows from financing activities | | | |
| Income distributions paid | | (19,962) | - |
| Wind-up capital distributions paid | | (143,148) | (47,140) |
| Net cash outflow from financing activities | | (163,110) | (47,140) |
| Net (decrease)/increase in cash and cash equivalents | | (156,495) | 92,902 |
| Cash and cash equivalents at the beginning of the period | | 156,495 | 63,593 |
| Cash and cash equivalents at the end of the period | 11(b) | - | 156,495 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

31 March 2015

Note 1 ~ General information

This financial report covers Provident Capital High Yield Fund (the "Fund") as an individual entity. In a letter dated 12 December 2012, the Receivers and Managers of the Responsible Entity notified unitholders of the decision to terminate the Fund. The Fund is a registered managed investment scheme domiciled in Australia. The Fund is a for-profit entity and the principal activity is to invest in a portfolio of registered 1st mortgages over real estate in Australia as detailed in the most recent product disclosure statement and in accordance with the Fund's constitution. The Responsible Entity of the Fund is the Provident Capital Limited (Receivers and Managers Appointed)(In Liquidation). The financial report is presented in Australian dollars which is the Fund's functional currency.

In these notes, statements of policy or procedure relate to the period to 31 March 2015.

Note 2 ~ Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated below.

(a) Basis of preparation

The Receivers and Managers made the decision to terminate the Fund with effect from 12 December 2012. The Fund has now been wound-up and all the net assets of the Fund were distributed to unitholders on 18 March 2015 and 19 March 2015. This report represents the final unaudited wind-up financial report to unitholders.

(b) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercise their right to redeem their units.

(c) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and cash management trusts.

(d) Investment income

Interest income is recognised in the statement of comprehensive income for all financing instruments using the effective interest method.

(e) Expenses

All expenses, including Responsible Entity's fees are recognised in the statement of comprehensive income on an accruals basis.

(f) Income tax

Under current legislation, the Fund is not subject to income tax provided that the taxable income of the Fund is fully distributed either by way of cash or reinvestment to unitholders. The constitution provides that the unitholders are presently entitled to the net income of the Fund.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against future distributions to unitholders.

(g) Distributions

From termination of the Fund, income distributions in relation to the Fund have been calculated and paid or will be payable as part of the wind-up process.

In accordance with the Fund's constitution, the Fund fully distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders and as a liability, where not paid. Income not distributed is allocated to unitholders as taxable income.

Distributions paid are included in cash flows from financing activities in the statement of cash flows.

(h) Increase/decrease in net assets attributable to unitholders

Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as part of finance costs attributable to unitholders.

(i) Applications and redemptions

Applications and redemptions in relation to the Fund have been suspended.

Prior to the suspension, applications received for units in the Fund were recorded at the gross amount received as there were no entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund were recorded at the gross amount payable as there were no exit fees after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Fund's constitution and product disclosure statement by reference to the net assets of the Fund divided by the number of units on issue.

(j) Goods and Services Tax ("GST")

The GST incurred on costs is recognised net of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). The Fund qualifies for Reduced Input Tax Credits (RITC), hence investment management fees have been recognised in the statement of comprehensive income net of the applicable amount of GST recoverable from the ATO. Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(k) Use of estimates

The Fund makes estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Actual results may differ from these estimates.

(I) Reporting period

The unaudited financial statements presented are for the reporting period ended 31 March 2015 with comparative disclosed for the year ended 30 June 2014.

Note 3 ~ Interest income

| | Unaudited For the Period ended 31 March 2015 \$ | Unaudited For the Year ended 30 June 2014 \$ |
|------------------------|--|---|
| Interest income | | |
| Cash and deposits | 1,720 | 1,037 |
| Loans and advances | - | 15,064 |
| | 1,720 | 16,101 |

Note 4 ~ Auditor's remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

For the reporting period the following fees were paid or are payable for services provided by the auditor of the Fund:

| | Unaudited For the Period ended 31 March 2015 \$ | Unaudited For the Year ended 30 June 2014 \$ |
|---------------------------------|--|---|
| Audit services | | |
| Audit of financial report | - | - |
| Other regulatory audit services | - | - |
| Non audit service - taxation | 2,500 | 2,500 |
| | 2,500 | 2,500 |

Note 5 ~ Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the period were as follows:

| | Unaudited For the Period ended 31 March 2015 | |
|--|---|-----------|
| Net assets attributable to unitholders | No. | \$ |
| Opening balance | 715,739 | 162,065 |
| Applications | - | - |
| Redemptions | - | - |
| Wind-up distributions paid - capital | - | (143,148) |
| Wind-up distributions paid - income | - | (19,962) |
| Increase in undistributed income due to unitholders | - | 1,045 |
| Cancellation of units due to full capital repayment of all units | (715,739) | - |
| Increase/(decrease) in net assets attributable to unitholders | - | - |
| Closing balance | - | - |

| | Unaudited For the year ended 30 June 2014 | |
|---|---|----------|
| Net assets attributable to unitholders | No. | \$ |
| Opening balance | 715,739 | 191,547 |
| Applications | - | - |
| Redemptions | - | - |
| Wind-up distributions paid - capital | - | (42,944) |
| Undistributed income due to unitholders | - | 13,462 |
| Increase/(decrease) in net assets attributable to unitholders | - | - |
| Closing balance | 715,739 | 162,065 |

The rights, preferences and restrictions attached to the units are as follows:

- Unitholders are entitled to receive monthly distributions which will vary from month to month aligned with the performance of the Fund. As the Fund has been terminated, distributions after termination have been calculated and paid as part of the wind-up process.
- Prior to the suspension of withdrawals, withdrawals were processed quarterly with effect from each 31 March, 30 June, 30 September and 31 December. Units were eligible for withdrawal if held for at least 24 months and the withdrawal request was received at least 3 months before the relevant quarterly processing date.
- The unit price is a floating price that targets \$1.00 and is calculated monthly. The unit price is reduced by the wind-up capital distributions paid to unitholders.

As stipulated within the Fund's constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

The capital risk management is disclosed in note 9.

Note 6 ~ Distributions paid and payable

| Timing of distributions | Unaudited Period ended 31 March 2015 | | | |
|---|---|----------------|--------------------------------------|----------------|
| | Income distributions | | Wind-up capital distributions | |
| The distributions for the period were as follows: | \$ | Cents per unit | \$ | Cents per unit |
| 06 November 2014 paid | - | | 71,574 | 10.0000 |
| 18 March 2015 paid | - | | 71,574 | 10.0000 |
| 19 March 2015 paid | 19,962 | 2.7890 | 143,148 | |
| | 19,962 | | 143,148 | |

Total wind-up capital distributions of 100 cents for every \$1 unit held have been made to unitholders since the 12 December 2012 when the Receivers and Managers of the Responsible Entity made the decision to terminate the Fund. In addition unitholders have also received a final income distribution of 2.7890 cents for every unit held.

Timing of distributions

| | Unaudited Year ended 30 June 2014 | | | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | Income distributions | | Wind-up capital distributions | |
| | \$ | Cents per unit | \$ | Cents per unit |
| The distributions for the year were as follows: | | | | |
| 22 August 2013 paid | - | - | 21,472 | 3.0000 |
| 6 November 2013 paid | - | - | 21,472 | 3.0000 |
| | <u>-</u> | <u>-</u> | <u>42,944</u> | |

As unitholders are presently entitled to the distributable and undistributed income of the Fund, no income tax is payable by the Fund.

Note 7 ~ Cash and cash equivalents

| | Unaudited 31 March 2015 | Unaudited 30 June 2014 |
|--------------|----------------------------|---------------------------|
| | \$ | \$ |
| Cash at bank | - | 156,495 |
| | <u>-</u> | <u>156,495</u> |

Note 8 ~ Financial assets and liabilities

| | Unaudited 31 March 2015 | Unaudited 30 June 2014 |
|---|----------------------------|---------------------------|
| | \$ | \$ |
| Assets | | |
| <i>Cash and receivables</i> | | |
| Cash and cash equivalents | - | 156,495 |
| Receivables | - | 5,570 |
| Total assets | <u>-</u> | <u>162,065</u> |
| Liabilities | | |
| <i>Financial liabilities measured at amortised cost</i> | | |
| Distribution payable | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |

Note 9 ~ Financial risk management

Financial risk management is carried out by the Responsible Entity under policies approved by its Board prior to 30 June 2012. The Responsible Entity has developed a risk management culture and awareness across all activities.

All loans and assets financed by the Fund have been realised, there are no liabilities and all cash and cash equivalents have been distributed to unitholders during the course of the wind-up process. The Fund is therefore not subject to the following risks:

- Credit;
- Market (interest rate);
- Liquidity.

Note 10 ~ Related party transactions

Responsible Entity

The Responsible Entity of the Fund is the Responsible Entity. Accordingly, transactions with entities related to the Responsible Entity are disclosed below.

The Responsible Entity also acts as investment manager for the Fund.

Key management personnel

The Fund does not employ personnel in its own right. However it is required to have, as incorporated Responsible Entity, personnel to manage the activities of the Fund.

Key management personnel unitholdings and distributions

At 31 March 2015 according to the records of the Fund, key management personnel and related entities held no units (2014 – 203,669 units) at a value of \$Nil (2014 - \$40,734) in the Fund. The income distributions paid and payable on these unitholdings for the period ended 31 March 2015 were \$5,680 (year ended 30 June 2014 - \$Nil). The wind-up capital distributions paid and payable on these unitholdings for the period ended 31 March 2015 were \$40,734 (year ended 30 June 2014 - \$12,221).

Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions with the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund and there were no material contracts involving directors' interests subsisting at period end.

Responsible Entity's fees and other transactions

| | Unaudited Period ended 31 March 2015 | Unaudited Year ended 30 June 2014 |
|---|---|--|
| | \$ | \$ |
| Responsible Entity's fees paid and payable by the Fund | 2,093 | 4,189 |
| Responsible Entity's fees paid and payable by the Fund waived by the Responsible Entity | (2,093) | (4,189) |
| Loan default administration fee | - | 3,101 |
| Abnormal expenses paid to Responsible Entity | 675 | 1,102 |
| Total Responsible Entity fees paid for the period | 675 | 4,203 |
| Payment of loans and advances | - | - |

Under the terms of the Fund's constitution, the Responsible Entity is entitled to receive Responsible Entity fees, calculated by reference to the total value of Fund's assets at the end of each month.

During the reporting period, the Responsible Entity did not transfer any existing registered 1st mortgage loans made by it in its other management capacities into the Fund.

All related party transactions are conducted on normal commercial terms and conditions.

Fund investments in related parties

The Fund did not hold any investments in the Responsible Entity or its related parties during the period.

Note 11 ~ Notes to the statement of cash flows

(a) Reconciliation of net operating profit to net cash flows from operating activities

| | Unaudited Period ended 31 March 2015 | Unaudited Year ended 30 June 2014 |
|---|---|--|
| | \$ | \$ |
| Net operating profit before finance costs attributable to unitholders | 1,045 | 13,462 |
| Decrease in loan advances | - | 138,255 |
| Decrease in trade and other receivables | 5,570 | 4,735 |
| Decrease in trade and other payables | - | (16,410) |
| Net cash inflow from operating activities | 6,615 | 140,042 |

(b) Cash and cash equivalents

Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

| | Unaudited 31 March 2015 | Unaudited 30 June 2014 |
|--------------|------------------------------------|-----------------------------------|
| | \$ | \$ |
| Cash at bank | - | 156,495 |
| | - | 156,495 |

(c) Non-cash financing activities

| | Unaudited Period ended 31 March 2015 | Unaudited Year ended 30 June 2014 |
|--|---|--|
| | \$ | \$ |
| During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | - | - |
| | - | - |

Note 12 ~ Events occurring after the balance sheet date

- **Final wind-up financial statements will be unaudited**

These final wind-up financial statements will not be independently audited. Since an independent audit is required by the Fund's constitution and compliance plan, this will constitute breaches (respectively) of sections 601FC(1)(h) and (m) of the Corporations Act. The Receivers and Managers on behalf of the Responsible Entity will lodge these final unaudited wind-up financial statements with ASIC as well as a breach notice.

Note 13 ~ Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at the wind-up date of the Fund.