Provident Capital High Yield Fund
Unaudited Financial Report for the year ended 30 June 2012

Contents

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 financial report for the year ended 30 June 2012 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 46 MLC Centre 19 Martin Place Street, Sydney, NSW 2000
Directors of Responsible Entity	Michael O'Sullivan (Chairman & Managing Director) Trevor J Seymour Malcolm P Bersten John P Sweeney
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, Angel Place 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 year ended 30 June 2012

	Notes	**Unaudited For the year ended 30 June 2012 $**	Audited For the year ended 30 June 2011 $
Investment Income			
Interest income	3	**72,913**	45,423
Total investment income		**72,913**	45,423
Expenses			
Responsible Entity's fees	12	**-**	-
Total expenses		**-**	-
Net operating profit before finance costs attributable to unitholders		**72,913**	45,423
Financing costs attributable to unitholders			
Distributions to unitholders	6	**(72,913)**	(45,423)
Increase/(decrease) in net assets attributable to unitholders	5	**-**	-
Net profit for the year		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income		**-**	-

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

Statement of financial position
As at 30 June 2012

	Notes	**Unaudited 30 June 2012 $**	Audited 30 June 2011 $
Current assets			
Cash and cash equivalents	7	**130,123**	69,857
Receivables		**2,622**	2,225
Interest receivable		**18,441**	
Loans and advances	8	**495,350**	247,174
Total current assets		**646,536**	319,256
Non-current assets			
Loans and advances	8	**129,999**	200,000
Total non-current assets		**129,999**	200,000
Total assets		**776,535**	519,256
Liabilities			
Distribution payable	6	**7,082**	4,979
Unallotted unitholder investment		**50,000**	-
Payables	9	**1,703**	207
Interest received in advance		**5,806**	19,038
Total liabilities (excluding net assets attributable to unitholders)		**64,591**	24,224
Net assets attributable to unitholders	5	**711,944**	495,032

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

Statement of changes in equity
For the year ended 30 June 2012

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 year 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 year ended 30 June 2012

	Notes	**Unaudited For the year ended 30 June 2012 $**	Audited For the year ended 30 June 2011 $
Cash flows from operating activities			
Payment of loans and advances		**(178,175)**	(302,645)
Repayment of loans and advances		**-**	18,723
Interest received		**42,339**	61,046
Net cash outflow from operating activities	13(a)	**(135,836)**	(222,876)
Cash flows from financing activities			
Proceeds from applications by unitholders		**235,000**	228,475
Distributions paid		**(38,898)**	(25,299)
Net cash inflow from financing activities		**196,102**	203,176
Net increase / (decrease) in cash and cash equivalents		**60,266**	(19,700)
Cash and cash equivalents at the beginning of the year		**69,857**	89,557
Cash and cash equivalents at the end of the year	13(b)	**130,123**	69,857

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

Notes to the financial statements
30 June 2012

Note 1 ~ General information

This financial report covers Provident Capital Monthly Income Fund (the “Fund”) as an individual entity. The Fund is registered investments 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 Responsible Entity. 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 year to 30 June 2012.

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

This financial report has been prepared on the basis of the Fund continuing as a ‘going concern’. However, the Receivers and Managers have determined to terminate the Fund. Refer note 14 – Events occurring after the balance sheet date.

(b) Financial instruments

(i) Classification

Financial assets that are classified as loans and receivables include loans and advances and accounts receivable. Other financial assets that are measured on an amortised basis include cash and cash equivalents.

Financial liabilities that are not at fair value through profit or loss include accounts payable.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the period the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets, effectively fair value at reporting date.

(iv) Impairment

The Responsible Entity assesses at each statement of financial position date whether there is any objective evidence that loans are impaired. A loan is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

If any such indication of impairment exists, an impairment loss is recognised. The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) 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.

(d) 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.

(e) Investment income

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

(f) Expenses

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

(g) 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.

(h) Distributions

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.

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

(i) 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.

(j) Applications and redemptions

Applications received for units in the Fund are recorded at the gross amount received as there are no entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded at the gross amount payable as there are 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.

(k) 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) at a rate of 75%, hence investment management fees have been recognised in the statement of comprehensive income net of the 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.

(l) 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.

(m) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for AASB 9 Financial Instruments, which becomes mandatory for the Fund's 2014 financial statements and could change the classification and measurement of financial assets. The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.

(n) Reporting period

The financial statements presented are for the reporting year ended 30 June 2012 with comparative disclosed for the year ended 30 June 2011.

Note 3 ~ Interest income

	Unaudited For the year ended 30 June 2012 $	Audited For the year ended 30 June 2011 $
Interest income		
Cash and deposits	**4,541**	2,600
Loans and advances	**68,372**	42,823
	72,913	45,423

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 year ended 30 June 2012 $	Audited For the year ended 30 June 2011 $
Audit services		
Audit of financial report	**14,000**	7,710
Other regulatory audit services	**7,500**	6,168
	21,500	13,878

Note 5 ~ Net assets attributable to unitholders

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

	Unaudited For the year ended 30 June 2012	
Net assets attributable to unitholders	**No.**	**$**
Opening balance	**495,032**	**495,032**
Applications	**185,000**	**185,000**
Redemptions	**-**	**-**
Units issued upon reinvestment of distributions	**31,912**	**31,912**
Increase/(decrease) in net assets attributable to unitholders	**-**	**-**
Closing balance	**711,944**	**711,944**

	Audited For the year ended 30 June 2011	
Net assets attributable to unitholders	No.	$
Opening balance	249,394	249,394
Applications	228,475	228,475
Redemptions	-	-
Units issued upon reinvestment of distributions	17,163	17,163
Increase/(decrease) in net assets attributable to unitholders	-	-
Closing balance	495,032	495,032

The rights, preferences and restrictions attached to the units are as follows (refer note 14 – Events occurring after the balance sheet date):

- Unitholders are entitled to receive monthly distributions which will vary from month to month aligned with the performance of the Fund.
- Withdrawals are processed quarterly with effect from each 31 March, 30 June, 30 September and 31 December. Units are eligible for withdrawal if held for at least 24 months and the withdrawal request is 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

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 11 (c).

Note 6 ~ Distributions paid and payable

Timing of distributions	**Unaudited Year ended 30 June 2012**	
The distributions for the year were as follows:	**$**	**Cents per unit**
July 2011 paid	5,403	1.0870
August 2011 paid	5,701	1.1418
September 2011 paid	5,591	1.0957
October 2011 paid	5,950	1.0537
November 2011 paid	5,851	0.9892
December 2011 paid	6,011	1.0119
January 2012 paid	6,264	1.0498
February 2012 paid	5,776	0.8893
March 2012 paid	6,162	0.9446
April 2012 paid	6,017	0.9181
May 2012 paid	7,105	1.0611
June 2012 payable	7,082	0.9948
	72,913	

Timing of distributions	Audited Year ended 30 June 2011	
The distributions for the period were as follows:	$	Cents per unit
July 2010 paid	2,118	0.8193
August 2010 paid	2,217	0.7416
September 2010 paid	3,279	0.9499
October 2010 paid	3,376	0.9543
November 2010 paid	3,515	0.8855
December 2010 paid	4,405	1.0159
January 2011 paid	4,408	1.0121
February 2011 paid	3,985	0.9109
March 2011 paid	4,417	1.0057
April 2011 paid	4,272	0.9684
May 2011 paid	4,452	1.0050
June 2011 payable	4,979	1.0337
	45,423	

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

Note 7 ~ Cash and cash equivalents

	Unaudited 30 June 2012	Audited 30 June 2011
	$	$
Cash at bank	**130,123**	69,857
	130,123	69,857

Note 8 ~ Loans and advances

	Unaudited 30 June 2012 $	Audited 30 June 2011 $
Current portion	495,350	247,174
Non-current portion	129,999	200,000
	625,349	447,174

The Fund considers a loan to be in arrears if the interest has not been paid or the loan amount not repaid, in each case for at least 30 days after the due date. As at 30 June 2012, there was one loan that was 162 days in arrears with a principal value of $226,384 (2011 – Nil) and no loans have been assessed as impaired.

Note 9 ~ Payables

	Unaudited 30 June 2012 $	Audited 30 June 2011 $
Other payables	**1,703**	207
	1,703	207

Note 10 ~ Financial assets and liabilities

	Unaudited 30 June 2012	Audited 30 June 2011
Assets	**$**	$
Loans and receivables		
Cash and cash equivalents	**130,123**	69,857
Receivables	**2,622**	2,225
Loan interest receivable	**18,441**	-
Loans and advances	**625,349**	447,174
Total assets	**776,535**	519,256
Liabilities		
Financial liabilities measured at amortised cost		
Distribution payable	**7,082**	4,979
Unallotted unitholder investment	**50,000**	-
Payables	**1,703**	207
Interest received in advance	**5,806**	19,038
Total liabilities	**64,591**	24,224

Note 11 ~ Financial risk management

(a) 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.

Loans financed by the Fund are exposed to the following primary risks from the financial instruments it holds:

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

(b) Credit risk

Credit risk is the risk that a counterparty will fail to perform its contractual obligations, either in part or whole, under the loan and mortgage documents, and that the proceeds available from the sale of the property mortgaged to the Fund as security for the loan are less than the amount owed under the loan.

The Fund has a defined investment strategy and lending criteria. These are detailed in the most recent product disclosure statement.

The primary controls used to mitigate credit risks are described in the investment manager's credit policy. These include:

- Lending on registered 1st mortgages as the primary security;
- Taking appropriate additional security;
- Using appropriate loan to valuation (LVR) ratios (the current maximum ratio is 80%);
- Using registered valuers to determine the value of security for mortgage security purposes;
- Diversification of the loan portfolio.

All cash and cash equivalents are invested with Australian banks.

Net fair value of financial assets and liabilities

The carrying value of cash and cash equivalents and non-interest bearing financial assets and liabilities approximate their net fair value.

As the majority of loans have remaining terms less than one year, and none have terms exceeding two years, their carrying value is a reasonable estimate of their net fair value.

Maturity analysis of loans and advances:	**Unaudited 30 June 2012 $**	Audited 30 June 2011 $
Not longer than 3 months	**295,350**	247,174
Longer than 3 and not longer than 12 months	**200,000**	-
Longer than 1 and not longer than 5 years	**129,999**	200,000
Longer than 5 years	**-**	-
	625,349	447,174

There is one loan in arrears and no loans have been assessed as impaired (refer note 8) (2011: Nil).

The sector spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2012	**Residential**	**Industrial**	**Rural**	**Construction**	**Total**
No of loans per security type	**4**	**1**	**-**	**-**	**5**
Value of loans ($)	**495,350**	**129,999**	**-**	**-**	**625,349**
Audited - As at 30 June 2011	Residential	Commercial	Rural	Construction	Total
No of loans per security type	4	-	-	-	4
Value of loans ($)	447,174	-	-	-	447,174

The geographic spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2012	**NSW**	**QLD**	**VIC**	**SA**	**WA**	**Total**
No of loans per state	**1**	**3**	**1**			**5**
Value of loans ($)	**68,967**	**426,383**	**129,999**			**625,349**

Audited - As at 30 June 2011	NSW	QLD	VIC	SA	WA	Total
No of loans per state	1	3	-	-	-	4
Value of loans ($)	66,547	380,627	-	-	-	447,174

The credit risk on financial assets of the Fund, being primarily the loans and advances, is generally the carrying amount. All loans are secured by registered 1st mortgage in Australia.

The weighted average loan to value ratio of all loans at 30 June 2012 was 30.3% (2011 – 23.4%).

(c) Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents. The ratio of liquid assets to net assets attributable to unitholders at 30 June 2012 and 30 June 2011 is as follows:

	Unaudited 30 June 2012 $	Audited 30 June 2011 $
Liquid assets of the Fund	**130,123**	69,857
Net assets attributable to unitholders	**711,944**	495,032
Ratio of liquid assets to net assets attributable to unitholders	**18.28%**	14.11%

(d) Market risk (interest rate risk)

The Fund is not exposed to foreign exchange risk as all loans are denominated in Australian dollars and no derivatives are used.

The Fund has no borrowings and therefore is not exposed to any interest rate risk on borrowings.

As the loans made by the Fund will be for a fixed term at a fixed interest rate, changes in the market interest rates will not affect loans already made by the Fund, but may affect the rate of interest that the Fund may be able to earn on future loans, and this may affect the distribution rate and overall performance of the Fund.

The table below summarises the Funds exposure to interest rate risks. It includes the Fund's assets and liabilities at carrying values, categorised by the maturity dates:

Unaudited - 30 June 2012	**Weighted average**	**Floating interest rate**	**Fixed interest rate**	**Non-interest bearing**	**Total**
	%	$	$	$	$
Financial assets					
Cash and cash equivalents	**3.23%**	**130,123**	**-**	**-**	**130,123**
Receivables	**-**	**-**	**-**	**21,063**	**21,063**
Loans and advances	**14.17%**	**-**	**625,349**	**-**	**625,349**
Total Assets		**130,123**	**625,349**	**21,063**	**776,535**
Financial liabilities:					
Payables	-	**-**	**-**	**1,703**	**1,703**
Distributions payable	-	**-**	**-**	**7,082**	**7,082**
Unallotted unitholder investment	-	**-**	**-**	**50,000**	**50,000**
Interest received in advance	-	**-**	**-**	**5,806**	**5,806**
Total Liabilities (excluding net assets attributable to unitholders)		**-**	**-**	**64,591**	**64,591**
Net assets attributable to unitholders		**130,123**	**635,349**	**(43,528)**	**711,944**

Audited - 30 June 2011	Weighted average	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	%	$	$	$	$
Financial assets					
Cash and cash equivalents	4.45%	69,857	-	-	69,857
Receivables	-	-	-	2,225	2,225
Loans and advances	14.39%	-	447,174	-	447,174
Total Assets		69,857	447,174	2,225	519,256
Financial liabilities:					
Payables	-	-	-	207	207
Distributions payable	-	-	-	4,979	4,979
Interest received in advance	-	-	-	19,038	19,038
Total Liabilities (excluding net assets attributable to unitholders)		-	-	24,224	24,224
Net assets attributable to unitholders		69,857	447,174	21,999	495,032

The effect on the net assets attributable to unitholders due to a 1% change in interest rates with all other variables held constant is indicated in the table below:

Change in interest rate	Effect on net assets attributable to unitholders	
Increase in interest rates of 1%	Less than	$2,000
Decrease in interest rates of 1%	Less than	($2,000)

(e) Liquidity risk

Liquidity risk is the risk of not having sufficient funds to honour contractual payments.

The Fund follows prudent liquidity risk management through maintaining sufficient cash resources to ensure it can meet its debts when they fall due. As part of the Fund's ongoing compliance management process, daily and three month rolling cash flow projections are prepared. The material assumptions underlying these cash flow projections include analysis of recent actual investor inflows and projected withdrawals, loan movements and budgeted projections of income and expenses. At 30 June 2012, the cash at bank was $130,123 which represented 18.28% of net assets attributable to unitholders and within the Fund's liquidity guidelines.

The Fund loans have on average a maturity profile of less than 12 months at 30 June 2012. Although the loans to borrowers may be for a maximum 5 year term, the Fund features have been designed to minimise liquidity risk. These include:

- Investments in the Fund are subject to a minimum initial term of 24 months
- Withdrawal notice of at least three months before the relevant quarterly withdrawal date
- Limiting the amount of any one loan and the amount to any one borrower

Note 12 ~ 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 30 June 2012 according to the records of the Fund, key management personnel and related entities held 202,028 units (2011 – 184,564 units) at a value of $202,028 (2011 - $184,564) in the Fund. The distributions paid and payable on these unitholdings for the year ended 30 June 2012 were $23,515 (year ended 30 June 2011 - $18,928)

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 year end.

Responsible Entity's fees and other transactions

	Unaudited Year ended 30 June 2012	Audited Year ended 30 June 2011
	$	$
Responsible Entity's fees paid and payable by the Fund	**14,307**	10,637
Responsible Entity's fees paid and payable by the Fund waived by the Responsible Entity	**(14,307)**	(10,637)
Loan default administration fee	**4,425**	335
Total Responsible Entity fees paid for the year	**4,425**	335
Payment of loans and advances	**178,175**	270,099

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.

When the Fund has sufficient cash reserves, the Responsible Entity, as Responsible Entity, transfers into the Fund existing 1st registered mortgage loans made by it in its other management capacities. Each such loan transfer is for the loan balance current at the time of the transfer, and must satisfy the lending criteria of the Fund as if a new loan made by the Fund at the time as well as the Fund's conflict of interest policies. The Responsible Entity does not receive any fee in connection with the transfer.

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 year.

Note 13 ~ Notes to the statement of cash flows

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

	Unaudited Year ended 30 June 2012	Audited Year ended 30 June 2011
	$	$
Net operating profit before finance costs attributable to unitholders	**72,913**	45,423
Increase in loan advances	**(178,175)**	(283,922)
Increase in trade and trade receivables	**(397)**	(2,123)
Increase/(Decrease) in trade and other payables	**1,496**	(1,292)
Net increase in interest receivable and in advance	**(31,673)**	19,038
Net cash outflow from operating activities	**(135,836)**	(222,876)

(b) Cash and cash equivalents

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

	Unaudited 30 June 2012	Audited 30 June 2011
	$	$
Cash at bank	**130,123**	69,857
	130,123	69,857

(c) Non-cash financing activities

	Unaudited Year ended 30 June 2012	Audited Year ended 30 June 2011
	$	$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**31,912**	17,163
	31,912	17,163

Note 14 ~ Events occurring after the balance sheet date

On 3 July 2012, Philip Carter, Tony Sims and Marcus Ayres of PPB Advisory ("Receivers and Managers"), were appointed as joint and several receivers of the Responsible Entity pursuant to an Order of the Federal Court of Australia. They were subsequently appointed as joint and several receivers and managers on 10 July 2012 pursuant to a fixed and floating charge granted by the Responsible Entity in favour of Australian Executor Trustees Limited ("AET"). AET acts as trustee for the holders of debentures issued by the Responsible Entity.

The Receivers and Managers have taken charge of all the affairs of the Responsible Entity, including the Responsible Entity's discharge of its duties as responsible entity of the Fund.

1. Termination of the Funds

- The Receivers and Managers explored whether replacing the Responsible Entity with a new responsible entity may provide a viable solution for the Fund. In connection with this, the Receivers and Managers undertook a tender process by which parties were invited to express interest in acting as responsible entity. This process did not result in a change of responsible entity proposal suitable to the Receivers and Managers being identified.
- The Receivers and Managers on behalf of the Responsible Entity decided on 12 December 2012 to terminate the Funds.
- The Receivers and Managers have sent a letter to unitholders on or around mid-December 2012 advising them of the decision to terminate the Funds.
- As a result of the termination of the Fund, as at the 31 August 2013:
    - Wind-up distributions of 77 cents for every dollar invested had been paid and the net assets attributable to unitholders had reduced from $711,944 as at 30 June 2012 to $164,620;
    - The number of loans had reduced from 5 as at 30 June 2012 to 1 and Loans and Advances of $625,349 as at 30 June 2012 had reduced to $129,999; and
    - Abnormal expenses incurred by the Responsible Entity of $15,745 had been charged to the Fund

2. Breach notice and AFS licence

- On 12 July 2012, the Receivers and Managers on behalf of the Responsible Entity notified ASIC of a potential reportable breach under sections 601FC(1)(l) and 912D of the Corporations Act. The potential breach arose because it was anticipated that the Responsible Entity may fail to comply with its financial requirements under its AFS licence and may as a consequence breach the compliance plan for the Fund.
- On 15 October 2012, ASIC notified the Receivers and Managers of ASIC's decision to suspend the Responsible Entity's Australian financial services licence until 15 April 2013 but with the terms of that suspension allowing the licence to continue for the purposes of allowing the Responsible Entity to deal in debentures and to facilitate a change of responsible entity for, or wind up, the Fund.
- On 15 April 2013, ASIC extended the suspension of the Responsible Entity's AFS licence until 15 October 2013.

3. Closing of applications and suspension of redemptions

- On 12 July 2012, the Receivers and Managers on behalf of the Responsible Entity notified investors in the Fund that:
    - applications for units in the Fund were closed and all application moneys received after the relevant date of withdrawal of the Fund PDS would be refunded. The Fund PDS for direct investors was withdrawn by the Responsible Entity on 19 June 2012 and the IDPS version of the Fund PDS was withdrawn on 25 June 2012;
    - redemptions in the Funds were suspended.
- The decision to suspend redemptions was considered necessary for the Receivers and Managers to undertake a review of the redemption requests received as well as the underlying asset profile. The Fund had to that point been meeting redemption requests.
- Subsequently, the Receivers and Managers on behalf of the Responsible Entity notified investors that the reinvestment of distributions would also be suspended. This suspension of reinvestment was effective on and from the July 2012 distribution (that distribution being payable in August).

4. Financial report and compliance plan unaudited and no audit reports lodged with ASIC

- On 26 September 2012, the Receivers and Managers on behalf of the Responsible Entity, applied to ASIC for urgent relief from the scheme financial reporting requirements and compliance plan audit requirements. This application requested an extension until 30 November 2012. On 28 September 2012, ASIC confirmed the application had been refused.
- The annual financial reports and compliance plan audit reports were not lodged with ASIC by 30 September 2012, which constituted breaches (respectively) of sections 319 and 601HG(7) of the Corporations Act. On 10 August 2012, the Receivers and Managers on behalf of the Responsible Entity lodged a breach notice with ASIC.
- Another compliance plan issue concerns the fact that due to certain personnel no longer being employed by the Responsible Entity, not all the compliance declarations were able to be obtained for the most recent quarterly report to the Compliance Committee for the Fund. The Receivers and Managers expect that the Compliance Committee will ask them to consider whether this constitutes a breach which is also reportable to ASIC.

5. Loan transfers and custody arrangements

- The loan origination model for the Fund involved the Responsible Entity establishing the loans and then assigning them to the Fund.
- After their appointment, the Receivers and Managers became aware that the assignment documentation could not be located for certain loans which had been assigned to the Fund and that for other loans, purported to be assigned, the documentation had not been fully completed. Accordingly, the AET (as custodian for the debenture assets) and the Receivers and Managers on behalf of the Responsible Entity have arranged for the missing documentation to be certified and for the incomplete documentation to be completed and executed.

6. Appointment of Liquidators

On 24 October 2012 Anthony McGrath and Joseph Hayes were appointed liquidators of the Responsible Entity.

Note 15 ~ Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2012.