

**Provident Capital High Yield Fund**

Unaudited Financial Report for the year ended 30 June 2013

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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 financial report for the year ended 30 June 2013 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**

<b>The Fund</b>	Provident Capital High Yield Fund ARSN 134 487 577
<b>The Responsible Entity</b>	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
<b>Directors of Responsible Entity</b>	Michael O'Sullivan (Chairman & Managing Director) Trevor J Seymour Malcolm P Bersten John P Sweeney
<b>The Investment Manager</b>	Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation)
<b>Custodian of the Fund</b>	Perpetual Corporate Trust Limited ABN 99 000 341 533 AFSL 236643 Level 12, Angel Place 123 Pitt Street, Sydney, NSW 2000
<b>Auditor of the Fund</b>	KPMG ABN 51 194 660 183 10 Shelley Street, Sydney, NSW 2000

**Statement of comprehensive income**  
For the year ended 30 June 2013

	Notes	Unaudited For the year ended 30 June 2013 \$	Unaudited For the year ended 30 June 2012 \$
<b>Investment Income</b>			
Interest income	3	<b>55,713</b>	72,913
<b>Total investment income</b>		<b>55,713</b>	72,913
<b>Expenses</b>			
Loan impairment expenses		3,599	-
Abnormal expenses paid to Responsible Entity		15,040	-
Responsible Entity's fees	12	-	-
<b>Total expenses</b>		<b>18,639</b>	-
<b>Net operating profit before finance costs attributable to unitholders</b>			
		<b>37,074</b>	72,913
<b>Financing costs attributable to unitholders</b>			
Distributions to unitholders	6	<b>(31,619)</b>	(72,913)
Increase/(decrease) in net assets attributable to unitholders	5	-	-
<b>Net profit for the year</b>		<b>5,455</b>	-
Other comprehensive income		-	-
<b>Total comprehensive income</b>	5	<b>5,455</b>	-

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

**Statement of financial position**

As at 30 June 2013

	Notes	Unaudited 30 June 2013 \$	Unaudited 30 June 2012 \$
<b>Current assets</b>			
Cash and cash equivalents	7	63,593	130,123
Receivables		10,305	2,622
Interest receivable		-	18,441
Loans and advances	8	138,255	495,350
<b>Total current assets</b>		<b>212,153</b>	<b>646,536</b>
<b>Non-current assets</b>			
Loans and advances	8	-	129,999
<b>Total non-current assets</b>		<b>-</b>	<b>129,999</b>
<b>Total assets</b>		<b>212,153</b>	<b>776,535</b>
<b>Liabilities</b>			
Distribution payable	6	4,196	7,082
Unallotted unitholder investment		-	50,000
Payables	9	16,410	1,703
Interest received in advance		-	5,806
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>20,606</b>	<b>64,591</b>
<b>Net assets attributable to unitholders</b>	5	<b>191,547</b>	<b>711,944</b>

*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 2013

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 2013

	Notes	<b>Unaudited For the year ended 30 June 2013 \$</b>	Unaudited For the year ended 30 June 2012 \$
<b>Cash flows from operating activities</b>			
Payment of loans and advances		<b>(64,841)</b>	(178,175)
Repayment of loans and advances		<b>541,496</b>	-
Interest received		<b>67,172</b>	42,339
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<b>543,827</b>	(135,836)
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders including unallotted unitholder investment		-	235,000
Unallotted applications received prior year returned to unitholders		<b>(50,000)</b>	-
Income distributions paid		<b>(34,906)</b>	(38,898)
Wind-up distributions paid		<b>(525,451)</b>	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(610,357)</b>	196,102
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(66,530)</b>	60,266
Cash and cash equivalents at the beginning of the year		<b>130,123</b>	69,857
<b>Cash and cash equivalents at the end of the year</b>	13(b)	<b>63,593</b>	130,123

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

## **Notes to the financial statements**

30 June 2013

### **Note 1 ~ General information**

This financial report covers Provident Capital High Yield Fund (the "Fund") as an individual entity. The Fund is a 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 2013.

### **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 with effect from 12 December 2012. Refer also 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**

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.

**(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 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.

**(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), 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.

**(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) Reporting period**

The financial statements presented are for the reporting year ended 30 June 2013 with comparative disclosed for the year ended 30 June 2012.

**Note 3 ~ Interest income**

	<b>Unaudited For the year ended 30 June 2013 \$</b>	<b>Unaudited For the year ended 30 June 2012 \$</b>
<b>Interest income</b>		
Cash and deposits	5,815	4,541
Loans and advances	49,898	68,372
	55,713	72,913

**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:

	<b>Unaudited For the year ended 30 June 2013 \$</b>	<b>Unaudited For the year ended 30 June 2012 \$</b>
<b>Audit services</b>		
Audit of financial report	-	14,000
Other regulatory audit services	-	7,500
	-	21,500

**Note 5 ~ Net assets attributable to unitholders**

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

	<b>Unaudited For the year ended 30 June 2013</b>	
	<b>No.</b>	<b>\$</b>
<b>Net assets attributable to unitholders</b>		
Opening balance	711,944	711,944
Applications	-	-
Redemptions	-	-
Wind-up distributions paid	-	(529,647)
Units issued upon reinvestment of distributions	3,795	3,795
Undistributed income due to unitholders	-	5,455
Increase/(decrease) in net assets attributable to unitholders	-	-
Closing balance	715,739	191,547

	Unaudited For the year ended 30 June 2012	
<b>Net assets attributable to unitholders</b>	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

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. 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

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 2013			
	Income distributions		Wind-up distributions	
The distributions for the year were as follows:	\$	Cents per unit	\$	Cents per unit
July 2012 paid	15,783	2.2052	-	-
August 2012 paid	4,930	0.6888	-	-
September 2012 paid	4,843	0.6766	-	-
October 2012 paid	6,063	0.8472	-	-
13 December 2012 paid	-	-	357,869	50.0000
14 January 2013 paid	-	-	14,315	2.0000
26 February 2013 paid	-	-	100,204	14.0000
27 June 2013 paid	-	-	57,259	8.0000
	<b>31,619</b>		<b>529,647</b>	

Unaudited Year ended 30 June 2012

**Timing of distributions**

	Income distributions	
	\$	Cents per unit
The distributions for the period were as follows:		
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
	<b>72,913</b>	

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 30 June 2013	Unaudited 30 June 2012
	\$	\$
Cash at bank	63,593	130,123
	<b>63,593</b>	<b>130,123</b>

**Note 8 ~ Loans and advances**

	<b>Unaudited 30 June 2013</b>	<b>Unaudited 30 June 2012</b>
	\$	\$
Current portion	<b>138,255</b>	495,350
Non-current portion	-	129,999
	<b>138,255</b>	<b>625,349</b>

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 2013, there was one loan that was 142 days in arrears with a principal value of \$8,256 (2012 – one loan with a principal value of \$226,384) and one loan (2012 – Nil) has been assessed as impaired.

**Note 9 ~ Payables**

	<b>Unaudited 30 June 2013</b>	<b>Unaudited 30 June 2012</b>
	\$	\$
Abnormal expenses payable to Responsible Entity	<b>15,745</b>	-
Other payables	<b>665</b>	1,703
	<b>16,410</b>	<b>1,703</b>

**Note 10 ~ Financial assets and liabilities**

	<b>Unaudited 30 June 2013</b>	<b>Unaudited 30 June 2012</b>
	\$	\$
<b>Assets</b>		
<i>Loans and receivables</i>		
Cash and cash equivalents	<b>63,593</b>	130,123
Receivables	<b>10,305</b>	2,622
Loan interest receivable	-	18,441
Loans and advances	<b>138,255</b>	625,349
Total assets	<b>212,153</b>	<b>776,535</b>
<b>Liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
Distribution payable	<b>4,196</b>	7,082
Unallotted unitholder investment	-	50,000
Payables	<b>16,410</b>	1,703
Interest received in advance	-	5,806
Total liabilities	<b>20,606</b>	<b>64,591</b>

**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 had 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:

- Holding registered 1<sup>st</sup> 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:**

	<b>Unaudited</b>	Audited
	<b>30 June 2013</b>	30 June 2012
	\$	\$
Not longer than 3 months	<b>8,256</b>	295,350
Longer than 3 and not longer than 12 months	<b>129,999</b>	200,000
Longer than 1 and not longer than 5 years	-	129,999
Longer than 5 years	-	-
	<b>138,255</b>	625,349

There is one loan in arrears and one loan has been assessed as impaired (refer note 8) (2012: one loan in arrears but not considered impaired).

The sector spread of the loan portfolio is shown below:

<b>Unaudited - As at 30 June 2013</b>	<b>Residential</b>	<b>Industrial</b>	<b>Rural</b>	<b>Construction</b>	<b>Total</b>
<b>No of loans per security type</b>	<b>1</b>	<b>1</b>	-	-	<b>2</b>
<b>Value of loans (\$)</b>	<b>8,256</b>	<b>129,999</b>	-	-	<b>138,255</b>
Unaudited - As at 30 June 2012	Residential	Commercial	Rural	Construction	Total
No of loans per security type	4	1	-	-	5
Value of loans (\$)	495,350	129,999	-	-	625,349

The geographic spread of the loan portfolio is shown below:

<b>Unaudited - As at 30 June 2013</b>	<b>NSW</b>	<b>QLD</b>	<b>VIC</b>	<b>SA</b>	<b>WA</b>	<b>Total</b>
<b>No of loans per state</b>	<b>1</b>	-	<b>1</b>	-	-	<b>2</b>
<b>Value of loans (\$)</b>	<b>8,256</b>	-	<b>129,999</b>	-	-	<b>138,255</b>

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

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 1<sup>st</sup> mortgage in Australia.

The weighted average loan to value ratio of all loans at 30 June 2013 was 47.2% (2012 – 30.3%).

**(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 subject to wind-up distributions paid.

The Fund monitors the payment of wind-up distributions 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 2013 and 30 June 2012 is as follows:

	<b>Unaudited 30 June 2013</b>	<b>Unaudited 30 June 2012</b>
	\$	\$
Liquid assets of the Fund	<b>63,593</b>	130,123
Net assets attributable to unitholders	<b>191,547</b>	711,944
Ratio of liquid assets to net assets attributable to unitholders	<b>33.20%</b>	18.28%

**(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 are for a fixed term at a fixed interest rate, changes in the market interest rates will not affect loans already made by 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 2013	Weighted average	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	2.41%	63,593	-	-	63,593
Receivables	-	-	-	10,305	10,305
Loans and advances	12.00%	-	138,255	-	138,255
<b>Total Assets</b>		63,593	138,255	10,305	212,153
<b>Financial liabilities:</b>					
Payables	-	-	-	16,410	16,410
Distributions payable	-	-	-	4,196	4,196
Unallotted unitholder investment	-	-	-	-	-
Interest received in advance	-	-	-	-	-
<b>Total Liabilities</b> (excluding net assets attributable to unitholders)	-	-	-	20,606	20,606
<b>Net assets attributable to unitholders</b>		63,593	138,255	(10,301)	191,547

Unaudited - 30 June 2012	Weighted average	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	3.23%	130,123	-	-	130,123
Receivables	-	-	-	21,063	21,063
Loans and advances	14.17%	-	625,349	-	625,349
<b>Total Assets</b>		130,123	625,349	21,063	776,535
<b>Financial liabilities:</b>					
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
<b>Total Liabilities</b> (excluding net assets attributable to unitholders)		-	-	64,591	64,591
<b>Net assets attributable to unitholders</b>		130,123	635,349	(43,528)	711,944

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	\$1,000
Decrease in interest rates of 1%	Less than	(\$1,000)

**(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 projected loan discharges, budgeted projections of income and expenses, and anticipated wind-up distributions to unitholders. At 30 June 2013, the cash at bank was \$63,593 which represented 33.2% of net assets attributable to unitholders and within the Fund's liquidity guidelines.

The Fund loans have a maturity profile of less than 12 months at 30 June 2013.

**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 2013 according to the records of the Fund, key management personnel and related entities held 203,669 units (2012 – 202,028 units) at a value of \$52,954 (2012 - \$202,028) in the Fund. The income distributions paid and payable on these unitholdings for the year ended 30 June 2013 were \$8,998 (year ended 30 June 2012 - \$23,515). The wind-up distributions paid and payable on these unitholdings for the year ended 30 June 2013 were \$150,715 (year ended 30 June 2012 - Nil).

**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

	<b>Unaudited Year ended 30 June 2013</b>	Unaudited Year ended 30 June 2012
	\$	\$
Responsible Entity's fees paid and payable by the Fund	<b>11,638</b>	14,307
Responsible Entity's fees paid and payable by the Fund waived by the Responsible Entity	<b>(11,638)</b>	(14,307)
Loan default administration fee	<b>1,945</b>	4,425
Total Responsible Entity fees paid for the year	<b>1,945</b>	4,425
Payment of loans and advances	-	178,175

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 1<sup>st</sup> mortgage loans made by it in its other management capacities into the Fund. However, after their appointment, the Receivers and Managers became aware that certain assignment documentation (for loans established by the Responsible Entity in its personal capacity) 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 Australian Executor Trustees Limited (as custodian for the debenture assets) and the Receivers and Managers on behalf of the Responsible Entity arranged for the missing documentation to be certified and for the incomplete documentation to be completed and executed.

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 flows from operating activities**

	Unaudited Year ended 30 June 2013 \$	Unaudited Year ended 30 June 2012 \$
Net operating profit before finance costs attributable to unitholders	37,074	72,913
Decrease/(increase) in loan advances	487,094	(178,175)
Increase in trade and other receivables	(7,683)	(397)
Increase in trade and other payables	14,707	1,496
Net decrease/(increase) in interest receivable and in advance	12,635	(31,673)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>543,827</b>	<b>(135,836)</b>

**(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 2013 \$	Unaudited 30 June 2012 \$
Cash at bank	63,593	130,123
	<b>63,593</b>	<b>130,123</b>

**(c) Non-cash financing activities**

	Unaudited Year ended 30 June 2013 \$	Unaudited Year ended 30 June 2012 \$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	3,795	31,912
	<b>3,795</b>	<b>31,912</b>

**Note 14 ~ Events occurring after the balance sheet date**

- **Wind-up distributions**

As at 30 November 2013:

- Wind-up distributions subsequent to 30 June 2013 of 6 cents for every dollar invested had been paid and the net assets attributable to unitholders had reduced from \$191,547 as at 30 June 2013 to \$143,148;
- The number of loans had reduced from 2 as at 30 June 2013 to 1 and Loans and Advances of \$138,255 as at 30 June 2013 had reduced to \$129,999;

- **AFS licence**

On 16 October 2013, ASIC extended the suspension of the Responsible Entity's AFS licence until 15 April 2014.

- **Financial report and compliance plan unaudited and no audit reports lodged with ASIC**

The annual financial report and compliance plan audit report were not lodged with ASIC by 30 September 2013, which constituted breaches (respectively) of sections 319 and 601HG(7) of the Corporations Act. On 15 October 2013, the Receivers and Managers on behalf of the Responsible Entity lodged a breach notice with ASIC.

**Note 15 ~ Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2013.