

Provident Capital Monthly Income Fund

Unaudited Financial Report for the year ended 30 June 2014

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Provident Capital Monthly Income Fund

ARSN 134 487 362

This financial report covers Provident Capital Monthly Income 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 2014 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 Monthly Income Fund ARSN 134 487 362
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
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 15, 20 Bond 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 2014

	Notes	Unaudited For the year ended 30 June 2014 \$	Unaudited For the year ended 30 June 2013 \$
Investment income			
Interest income	3	791,708	2,755,723
Other income		-	66,792
Total investment income		791,708	2,822,515
Expenses			
Loan impairment and recovery expenses	9	(548,471)	(433,969)
Responsible Entity's fees	13	(108,921)	(403,025)
Abnormal expenses overprovided prior year/(recovered) from Responsible Entity		6,017	(723,893)
Total expenses		(651,375)	(1,560,887)
Net operating profit before finance costs attributable to unitholders		140,333	1,261,628
Financing costs attributable to unitholders			
Distributions to unitholders	6	-	(1,044,776)
Increase/(decrease) in net assets attributable to unitholders	5	-	-
Net profit for the year		140,333	216,852
Other comprehensive income		-	-
Total comprehensive income	5	140,333	216,852
Total comprehensive income at beginning of the year attributable to unitholders		216,852	-
Total comprehensive income at end of the year attributable to unitholders		357,185	216,852

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

Statement of financial position

As at 30 June 2014

	Notes	Unaudited 30 June 2014 \$	Unaudited 30 June 2013 \$
Current assets			
Cash and cash equivalents	7	1,333,164	1,112,421
Receivables		3,584	60,799
Loan interest receivable		279,811	548,574
Loans and advances	8	2,521,044	6,932,801
Total current assets		4,137,603	8,654,595
Non-current assets			
Loans and advances	8	-	600,000
Total non-current assets		-	600,000
Total assets		4,137,603	9,254,595
Current liabilities			
Distribution payable		15,934	17,699
Payables and provisions	10	296,678	814,662
Loan interest received in advance		-	8,746
Total liabilities (excluding net assets attributable to unitholders)		312,612	841,107
Net assets attributable to unitholders	5	3,824,991	8,413,488

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 2014

The Fund's net assets attributable to unitholders are classified as a liability under AASB 32 "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 2014

	Notes	Unaudited For the year ended 30 June 2014	Unaudited For the year ended 30 June 2013
		\$	\$
Cash flows from operating activities			
Payment of loans and advances		(123,402)	(264,038)
Repayment of loans and advances		5,034,852	23,860,600
Interest received		974,638	1,818,351
Other income - loan fees received		-	66,792
Responsible Entity's fees paid		(926,169)	(437,074)
Fund expenses paid		(8,581)	(7,593)
Net cash inflow from operating activities	14(a)	4,951,338	25,037,038
Cash flows from financing activities			
Unallotted applications received prior year returned to unitholders		-	(29,327)
Refunds to unitholders in terms of cooling-off rights		-	(3,000)
Distributions paid from net operating profit		-	(1,180,197)
Wind-up distributions paid		(4,730,595)	(23,311,191)
Net cash outflow from financing activities		(4,730,595)	(24,523,715)
Net increase in cash and cash equivalents		220,743	513,323
Cash and cash equivalents at the beginning of the year		1,112,421	599,098
Cash and cash equivalents at the end of the year	14(b)	1,333,164	1,112,421

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

Notes to the financial statements

30 June 2014

Note 1 ~ General information

This financial report covers Provident Capital Monthly Income 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 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 year to 30 June 2014.

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 during the reporting period, 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 made the decision to terminate the Fund with effect from 12 December 2012. Refer also note 15 – 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.

Bad debts are written off from time to time as determined by management of the Responsible Entity when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses 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 most recent 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.

During the year ended 30 June 2014, a collective impairment provision was created to reflect the estimated amount of losses on a collective basis. This provision is disclosed in Note 9 – Impairment provision. At 30 June 2014 the collective impairment provision was assessed as \$82,752 (30 June 2013 - \$69,154).

(m) Reporting period

The unaudited financial statements presented are for the reporting year ended 30 June 2014 with comparative disclosed for the year ended 30 June 2013.

Note 3 ~ Interest income

	Unaudited For the year ended 30 June 2014 \$	Unaudited For the year ended 30 June 2013 \$
Interest income		
Cash and deposits	22,390	87,828
Loans and advances	769,318	2,667,895
	791,708	2,755,723

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 2014 \$	Unaudited For the year ended 30 June 2013 \$
Audit services		
Audit of financial report	-	-
Other regulatory audit services	-	-
Non audit service - taxation	5,500	11,000
	5,500	11,000

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 2014 - Units

	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units	Total
Net assets attributable to unitholders	Units	Units	Units	Units	Units
Opening balance	30,969,641	428,097	116,695	11,094	31,525,527
Applications	-	-	-	-	-
Redemptions	-	-	-	-	-
Refunds in terms of cooling-off rights	-	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-
Closing balance	30,969,641	428,097	116,695	11,094	31,525,527

Unaudited - For the year ended 30 June 2014 - \$

	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units	Total
Net assets attributable to unitholders	\$	\$	\$	\$	\$
Opening balance	8,265,123	115,053	30,341	2,971	8,413,488
Applications	-	-	-	-	-
Redemptions	-	-	-	-	-
Refunds in terms of cooling-off rights	-	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-	-
Undistributed income due to unitholders	137,854	2,425	-	54	140,333
Wind-up distributions paid and payable	(4,645,447)	(64,215)	(17,504)	(1,664)	(4,728,830)
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-
Closing balance	3,757,530	53,263	12,837	1,361	3,824,991

Unaudited - For the year ended 30 June 2013 - Units

	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units	Total
Net assets attributable to unitholders	Units	Units	Units	Units	Units
Opening balance	30,867,213	427,124	115,193	11,006	31,420,536
Applications	-	-	-	-	-
Redemptions	-	-	-	-	-
Refunds in terms of cooling-off rights	(3,000)	-	-	-	(3,000)
Units issued upon reinvestment of distributions	105,428	973	1,502	88	107,991
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-
Closing balance	30,969,641	428,097	116,695	11,094	31,525,527

Unaudited - For the year ended 30 June 2013 - \$

	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units	Total
Net assets attributable to unitholders	\$	\$	\$	\$	\$
Opening balance	30,867,213	427,124	115,193	11,006	31,420,536
Applications	-	-	-	-	-
Redemptions	-	-	-	-	-
Refunds in terms of cooling-off rights	(3,000)	-	-	-	(3,000)
Units issued upon reinvestment of distributions	105,428	973	1,502	88	107,991
Undistributed income due to unitholders	213,018	3,747	-	87	216,852
Wind-up distributions paid and payable	(22,917,536)	(316,791)	(86,354)	(8,210)	(23,328,891)
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-
Closing balance	8,265,123	115,053	30,341	2,971	8,413,488

The rights, preferences and restrictions attached to each class of unit are as follows:

Retail variable rate units

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 12 months or at least 3 months after having been switched from a fixed rate unit 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.

Retail fixed rate units

Unitholders are entitled to receive monthly distributions at the rate fixed at the time of investment. 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 the investment period had expired 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.

Security units

Security units are treated as retail variable rate units when calculating distributions and unit price. In addition, unitholders receive the surplus distributable income of the Fund after the distributions to other units. 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, units could be withdrawn at any time (i) to pay a potential shortfall in a distribution on fixed rate units or (ii) if in excess of the nominated threshold amount (5% of the aggregate amount invested in fixed rate units from time to time or \$5 million, whichever is the lesser) or (iii) if any step was taken to remove the Responsible Entity as responsible entity or the Responsible Entity ceased to be the responsible entity for any reason.

Security units held by the Responsible Entity may be used to support any potential shortfall between the available distributable income and the amount required to pay a distribution at the applicable fixed rate.

Wholesale variable rate units

Unitholders have the same entitlements as retail variable rate units except that (i) a lower management fee is deducted in calculating distributions for the wholesale units, (ii) there is no minimum investment period before a withdrawal request may be made (although noting that withdrawals have been suspended), and (iii) the unit price is calculated daily and includes any net accumulated income.

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 12 (c).

Note 6 ~ Distributions paid and payable

Distributions from net operating profit - Timing of distributions

Unaudited – There were no distributions from net operating profit paid for the year ended 30 June 2014.

Unaudited - The distributions for the year ended 30 June 2013 were as follows:

Month	Total distribution	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units
	\$	Cents per unit			
July 2012 paid	253,267	0.8034	0.6558	1.3447	0.8260
August 2012 paid	249,050	0.7900	0.6558	1.2823	0.8115
September 2012 paid	310,860	0.9860	0.6347	2.2751	1.0078
October 2012 paid	231,599	0.7346	0.6558	1.0238	0.7568
Total	1,044,776				

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

Wind-up distributions - Timing of distributions

Unaudited - The wind-up distributions for the year ended 30 June 2014 were as follows:

Month	Total distribution	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units
	\$	Cents per unit			
22 August 2013 paid	945,766	3.0000	3.0000	3.0000	3.0000
6 November 2013 paid	945,766	3.0000	3.0000	3.0000	3.0000
28 February 2014 paid	945,766	3.0000	3.0000	3.0000	3.0000
24 April 2014 paid	1,261,021	4.0000	4.0000	4.0000	4.0000
26 June 2014 paid	630,511	2.0000	2.0000	2.0000	2.0000
Total	4,728,830				

Unaudited - The wind-up distributions for the year ended 30 June 2013 were as follows:

Month	Total distribution	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units
	\$	Cents per unit			
13 December 2012 paid	9,457,658	30.0000	30.0000	30.0000	30.0000
14 January 2013 paid	2,206,787	7.0000	7.0000	7.0000	7.0000
26 February 2013 paid	1,576,277	5.0000	5.0000	5.0000	5.0000
4 April 2013 paid	5,989,850	19.0000	19.0000	19.0000	19.0000
17 May 2013 paid	2,837,298	9.0000	9.0000	9.0000	9.0000
28 June 2013 paid	1,261,021	4.0000	4.0000	4.0000	4.0000
Total	23,328,891				

Note 7 ~ Cash and cash equivalents

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Cash at bank	<u>1,333,164</u>	<u>1,112,421</u>
	<u>1,333,164</u>	<u>1,112,421</u>

Included in Cash at bank as at 30 June 2014 are proceeds from a discharged loan of \$726,712 which is held in an escrow bank account pending litigation from the Borrower. This amount will not be distributable until the litigation has been concluded (noting the full amount may not be distributable). A provision against undistributed income has been made for estimated legal costs associated with the litigation and is included in other payables and provisions in note 10.

Note 8 ~ Loans and advances

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Loans and Advances before impairment provisions	2,697,923	7,630,982
Less: Specific impairment provisions	<u>(94,127)</u>	<u>(29,027)</u>
Loans and advances after specific impairment provision	2,603,796	7,601,955
Less: Collective impairment provision	<u>(82,752)</u>	<u>(69,154)</u>
Carrying value of loans and advances	<u>2,521,044</u>	<u>7,532,801</u>
Allocated as follows:		
Current portion	2,521,044	6,932,801
Non-current portion	<u>-</u>	<u>600,000</u>

As at 30 June 2014 estimated legal expenses of \$234,022 incurred on the recovery of loans and advances that will be recovered from the Borrowers on discharge of the loans have been excluded from loans and advances. Any amount not recovered will be a cost to the Fund.

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Note 9 ~ Impairment provision		
Opening balance	98,181	-
Impairment provision created during year	130,086	237,089
Impairment provision utilised during year	<u>(51,388)</u>	<u>(138,908)</u>
Closing Balance	<u>176,879</u>	<u>98,181</u>
Allocated as follows:		
Specific loan impairment provisions	94,127	29,027
Collective loan impairment provision	<u>82,752</u>	<u>69,154</u>
Impairment provision created	130,086	237,089
Net loan recovery expenses and provision	288,216	35,354
Write off of loan interest receivable	<u>130,169</u>	<u>161,526</u>
Loans and advances impairment expense	<u>548,471</u>	<u>433,969</u>

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 2014, there were 6 loans in arrears with a carrying value of \$2,603,796 of which, 5 loans with a value of \$2,065,914 have been assessed as impaired and adequately provided for.

Loan Amount	Past Due Arrear Days Band	Impaired
\$410,000	455 - <545 days	Yes
\$71,155	545 - <635 days	Yes
\$154,608	545 - <635 days	Yes
\$461,600	545 - <635 days	Yes
\$968,551	635 - <725 days	Yes
\$537,882	815 - <905 days	No

As at 30 June 2013, there were 10 loans in arrears with a carrying value of \$4,682,738, of which, 2 loans with a value of \$943,182 have been assessed as impaired and adequately provided for.

Note 10 ~ Payables and provisions

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Withholding tax	-	214
Management fees	6,141	14,291
Abnormal costs payable to Responsible Entity	-	755,237
Other payables and provisions	290,537	44,920
	296,678	814,662

Note 11 ~ Financial assets and liabilities

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	1,333,164	1,112,421
Receivables	3,584	60,799
Loan interest receivable	279,811	548,574
Loans and advances	2,521,044	7,532,801
Total assets	4,137,603	9,254,595
Liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Distribution payable	15,934	17,699
Payables	296,588	814,662
Interest received in advance	-	8,746
Total liabilities	312,522	841,107

Note 12 ~ 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 which was withdrawn on 19 June 2012.

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

- Holding 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.

All the loans have remaining terms less than one year. The carrying value is a reasonable estimate of their net fair value.

Maturity analysis of loans and advances:

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Not longer than 3 months	1,070,637	6,416,955
Longer than 3 and not longer than 12 months	1,533,159	585,000
Longer than 1 and not longer than 5 years	-	600,000
Longer than 5 years	-	-
	2,603,796	7,601,955

There are 6 loans in arrears, of which 5 loans have been assessed as impaired (refer note 9) (2013: 10 loans in arrears, of which 2 loans have been assessed as impaired).

The sector spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2014	Residential	Industrial	Commercial	Rural	Total
No of loans per security type	5	-	-	1	6
Value of loans (\$)	2,142,196	-	-	461,600	2,603,796

Unaudited - As at 30 June 2013	Residential	Industrial	Commercial	Rural	Total
No of loans per security type	14	1	-	1	16
Value of loans (\$)	6,864,739	275,616	-	461,600	7,601,955

The geographic spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2014	NSW	QLD	VIC	SA	WA	ACT	Total
No of loans per state	5	-	-	-	1	-	6
Value of loans (\$)	2,532,641	-	-	-	71,155	-	2,603,796

Unaudited - As at 30 June 2013	NSW	QLD	VIC	SA	WA	ACT	Total
No of loans per state	8	3	2	-	3	-	16
Value of loans (\$)	3,478,782	2,236,865	894,313	-	991,995	-	7,601,955

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 at least a registered 1st mortgage over real estate in Australia. The weighted average loan to value ratio of all loans at 30 June 2014 was 55.0% (2013 – 51.5%).

(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 2014 and 30 June 2013 is as follows:

	Unaudited 30 June 2014	Unaudited 30 June 2013
	\$	\$
Liquid assets of the Fund	1,333,164	1,112,421
Net assets attributable to unitholders	3,824,991	8,413,488
Ratio of liquid assets to net assets attributable to unitholders	34.85%	13.22%

(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 2014	Net Weighted average	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
	%	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2.23%	1,333,164			1,333,164
Receivables				3,584	3,584
Loan Interest receivable				279,811	279,811
Loans and advances	17.44%		2,521,044		2,521,044
Total Assets		1,333,164	2,521,044	283,395	4,137,603
Financial liabilities:					
Payables		-	-	15,934	15,934
Distributions payable		-	-	296,678	296,588
Total Liabilities (excluding net assets attributable to unitholders)		-	-	312,612	312,612
Net assets attributable to unitholders		1,333,164	2,521,044	(29,217)	3,824,991

Unaudited - 30 June 2013	Net Weighted average	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	%	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2.41%	1,112,421	-	-	1,112,421
Receivables		-	-	60,799	60,799
Loan Interest receivable		-	-	548,574	548,574
Loans and advances	15.17%	-	7,532,801	-	7,532,801
Total Assets		1,112,421	7,532,801	609,373	9,254,595
Financial liabilities:					
Payables		-	-	814,662	814,662
Distributions payable		-	-	17,699	17,699
Interest received in advance		-	-	8,746	8,746
Total Liabilities (excluding net assets attributable to unitholders)		-	-	841,107	841,107
Net assets attributable to unitholders		1,112,421	7,532,801	(231,734)	8,413,488

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	\$14,000
Decrease in interest rates of 1%	Less than	(\$14,000)

(e) Liquidity risk

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

The Fund followed 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 2014, the cash at bank was \$1,333,164 which represented 34.85% 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 2014.

Note 13 ~ Related party transactions

Responsible Entity

The Responsible Entity of the Fund is Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation) ABN: 78 082 735 573. Accordingly, transactions with entities related to the Responsible Entity are disclosed below.

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

At 30 June 2014 the Responsible Entity held 116,695 security units at a value of \$12,837 (2013: 116,695 units at a value of \$30,341) and 11,094 wholesale variable rate units at a value of \$1,220 (2013: 11,094 units at a value of \$2,884) in 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

At 30 June 2014 according to the records of the Fund, key management personnel and related entities held 430,135 units (2013 – 430,135 units) at a value of \$47,315 (2013 - \$111,835) in the Fund. The income distributions paid and payable on these unitholdings for the year ended 30 June 2014 from net operating profit were \$Nil (year ended 30 June 2013 - \$14,255). The wind-up distributions paid and payable on these unitholdings for the year ended 30 June 2014 were \$64,520 (year ended 30 June 2013 - \$318,300).

Key management personnel compensation

Key management personnel were paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity did 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 2014	Unaudited Year ended 30 June 2013
	\$	\$
Responsible Entity's fees paid and payable by the Fund	108,921	403,025
Loan default administration fee	41,549	99,963
Abnormal expenses (over provided prior year)/recovered from Responsible Entity	(6,017)	723,893
	144,453	1,226,881
Distributions paid or payable from net operating profit to the Responsible Entity on units held in the Fund	-	7,293
Wind-up Distributions paid or payable to the Responsible Entity on units held in the Fund	19,168	94,477
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. 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 14 ~ 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 2014	Unaudited Year ended 30 June 2013
	\$	\$
Net operating profit before finance costs attributable to unitholders	140,333	1,261,628
Decrease in loan advances	5,011,757	23,833,651
Decrease/(increase) in receivables	57,215	(9,147)
(Decrease)/increase in trade and other payables	(517,984)	726,636
Net decrease/(increase) in interest receivable and in advance	260,017	(775,730)
Net cash inflow from operating activities	4,951,338	25,037,038

(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 2014	Unaudited 30 June 2013
	\$	\$
Cash at bank	1,333,164	1,112,421
	1,333,164	1,112,421

(c) Non-cash financing activities

	Unaudited Year ended 30 June 2014	Unaudited Year ended 30 June 2013
	\$	\$
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	107,991
	-	107,991

Note 15 ~ Events occurring after the balance sheet date

1. Wind-up distributions

- As at 31 August 2014:
 - Wind-up distributions subsequent to 30 June 2014 of 4 cents for every dollar invested had been paid and the net assets attributable to unitholders had reduced from \$3,824,991 as at 30 June 2014 to \$2,563,970;
 - The number of loans had reduced from 6 as at 30 June 2014 to 3 and Loans and Advances of \$2,521,044 as at 30 June 2014 had reduced to \$1,426,681.

2. AFS licence

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

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

- The annual financial report and compliance plan audit report will not be lodged with ASIC by 30 September 2014. This will constitute breaches (respectively) of sections 319 and 601HG(7) of the Corporations Act. The Receivers and Managers on behalf of the Responsible Entity will lodge a breach notice with ASIC.
- On 27 March 2014, the Receivers and Managers on behalf of the Responsible Entity notified ASIC of breaches of the Corporations Act which arose from an audited Half-Year Report for the Fund not having been lodged with ASIC within the required time period i.e. by 16 March 2014.

Note 16 ~ Contingent assets and liabilities and commitments

Other than as disclosed below there were no outstanding contingent assets and liabilities or commitments as at 30 June 2014:

- The proceeds of \$726,712 from a discharged loan held in escrow pending litigation from the Borrower (refer note 7); and
- Estimated legal expenses of \$234,022 incurred on the recovery of loans and advances that will be recovered from the Borrowers on discharge of the loans that have not been accrued and any amount not recovered will be a cost to the Fund (refer note 9).