

Provident Capital Monthly Income Fund

Unaudited Financial Report for the year ended 30 June 2015

Contents

Fund particulars	2
Statement of comprehensive income	3
Statement of financial position.....	4
Statement of changes in equity	5
Statement of cash flows.....	6
Notes to the financial statements	7

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

Fund particulars

The Fund	Provident Capital 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 All the directors of the Responsible Entity resigned on 10 March 2014.
The Investment Manager	Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation)
Custodian of the Fund	Perpetual Corporate Trust Limited ABN 99 000 341 533 AFSL 236643 Level 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 2015

	Notes	Unaudited For the year ended 30 June 2015 \$	Unaudited For the year ended 30 June 2014 \$
Investment income			
Interest income	3	441,065	791,708
Other income		-	-
Total investment income		441,065	791,708
Expenses			
Loan impairment and recovery expenses	9	(342,888)	(548,471)
Responsible Entity's fees	13	(34,460)	(108,921)
Custody fees	4	(4,271)	
Accounting fees	4	(11,104)	
Auditor's remuneration	4	(5,125)	
Registry fees and expenses	4	(6,964)	
Compliance Committee fees	4	(11,857)	
Loan processing and administration fees	4		
Bank fees	4		
Legal fees	4		
Fees and expenses charged by Receivers and Managers of Responsible Entity	4		
Abnormal expenses recovered from Responsible Entity (prior year over-provided)	13	(30,015)	6,017
Total expenses		(446,684)	(651,375)
Net operating (loss) / profit before finance costs attributable to unitholders		(5,619)	140,333
Financing costs attributable to unitholders			
Distributions to unitholders	6	-	-
Increase/(decrease) in net assets attributable to unitholders	5	-	-
Net (loss) / profit for the year		(5,619)	140,333
Other comprehensive income		-	-
Total comprehensive income	5	(5,619)	140,333
Total comprehensive income at beginning of the year attributable to unitholders		357,185	216,852
Total comprehensive income at end of the year attributable to unitholders		351,566	357,185

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

Statement of financial position

As at 30 June 2015

	Notes	Unaudited 30 June 2015 \$	Unaudited 30 June 2014 \$
Current assets			
Cash and cash equivalents	7	2,932,401	1,333,164
Receivables		98	3,584
Loan interest receivable		56,790	279,811
Loans and advances	8	87,198	2,521,044
Total current assets		3,076,487	4,137,603
Non-current assets			
Loans and advances	8	-	-
Total non-current assets		-	-
Total assets		3,076,487	4,137,603
Current liabilities			
Distribution payable		1,438	15,934
Payables and provisions	10	516,695	296,678
Loan interest received in advance		-	-
Total liabilities (excluding net assets attributable to unitholders)		518,133	312,612
Net assets attributable to unitholders	5	2,558,354	3,824,991

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 2015

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 2015

	Notes	Unaudited For the year ended 30 June 2015 \$	Unaudited For the year ended 30 June 2014 \$
Cash flows from operating activities			
Payment of loans and advances		(232,962)	(123,402)
Repayment of loans and advances		2,657,752	5,034,852
Interest received		623,775	974,638
Responsible Entity's fees paid		(142,325)	(926,169)
Fund expenses paid		(44,396)	(8,367)
GST refunded/(paid)		12,911	(214)
Net cash inflow from operating activities	14(a)	2,874,755	4,951,338
Cash flows from financing activities			
Income distributions paid from net operating profit		-	-
Wind-up capital distributions paid		(1,275,518)	(4,730,595)
Net cash outflow from financing activities		(1,275,518)	(4,730,595)
Net increase in cash and cash equivalents		1,599,237	220,743
Cash and cash equivalents at the beginning of the year		1,333,164	1,112,421
Cash and cash equivalents at the end of the year	14(b)	2,932,401	1,333,164

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

Notes to the financial statements

30 June 2015

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 2015.

Note 2 ~ Summary of significant accounting policies

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

In accordance with the notice to unitholders dated 26 March 2015 the Receivers and Managers on behalf of the Responsible Entity have changed the fee expense recovery arrangements with effect from 1 May 2015 as follows:

- waive the management fee payable to Provident;
- waive any default loan administration fees payable to Provident; and
- pay ordinary and abnormal Fund expenses directly from the Fund.

The impact of the change in arrangements for recovering fees and expenses is detailed in note 4.

(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 2015, 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 2015 the collective impairment provision was assessed as \$96,875 (30 June 2014 - \$82,752).

(m) Reporting period

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

Note 3 ~ Interest income

	Unaudited For the year ended 30 June 2015 \$	Unaudited For the year ended 30 June 2014 \$
Interest income		
Cash and deposits	32,675	22,390
Loans and advances	408,390	769,318
	441,065	791,708

Note 4 ~ Expenses

(a) Impact of change in arrangements for recovering fees and expenses (refer note 2(f))

	Fees & expenses now paid by the Fund from 1 May 2015 to 30 June 2015 \$	Fees & expenses previously paid by the Fund but now waived from 1 May 2015 to 30 June 2015 \$	Impact on Fund – Additional fees & expenses/(Waived fees & expenses) \$
Responsible Entity's fees	-	(6,559)	(6,559)
Loan default administration fee	-		
Custody fees	4,271	-	4,271
Accounting fees	11,104	-	11,104
Auditor's remuneration	5,125	-	5,125
Registry fees and expenses	6,964	-	6,964
Compliance Committee fees	11,857	-	11,857
Loan processing and administration fees		-	
Bank fees		-	
Legal fees		-	
Fees and expenses charged by Receivers and Managers of Responsible Entity		-	
		-	
Net additional fees and expenses paid by Fund	39,321	(6,559)	32,762

(b) Auditors Remuneration

The auditor's remuneration is paid by the Fund (2014: paid directly by the Responsible Entity) - refer Notes 2(f) and 4.

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 2015 \$	Unaudited For the year ended 30 June 2014 \$
Audit services		
Audit of financial report	-	-
Other regulatory audit services	-	-
Non audit service - taxation	5,125	5,500
	5,125	5,500

Note 5 ~ Net assets attributable to unitholders

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

Unaudited - For the year ended 30 June 2015 - 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 2015 - \$

	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units	Total
Net assets attributable to unitholders	\$	\$	\$	\$	\$
Opening balance	3,757,530	53,263	12,837	1,361	3,824,991
Applications	-	-	-	-	-
Redemptions	-	-	-	-	-
Refunds in terms of cooling-off rights	-	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-	-
Undistributed (loss) due to unitholders	(5,513)	(105)	-	(1)	(5,619)
Wind-up capital distributions paid and payable	(1,238,782)	(17,124)	(4,668)	(444)	(1,261,018)
Increase/(decrease) in net assets attributable to unitholders	-	-	-	-	-
Closing balance	2,513,235	36,034	8,169	916	2,558,354

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 capital 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

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

Income distributions from net operating profit - Timing of distributions

Unaudited – There were no income distributions from net operating profit paid for the year ended 30 June 2015 and year ended 30 June 2014.

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

Wind-up capital distributions - Timing of distributions

Unaudited - The wind-up capital distributions for the year ended 30 June 2015 were as follows:

Month	Total distribution	Retail variable rate units	Retail fixed rate units	Security units	Wholesale variable rate units
	\$	Cents per unit			
08 August 2014 paid	1,261,021	4.0000	4.0000	4.0000	4.0000
Total	1,261,021				

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				

Note 7 ~ Cash and cash equivalents

	Unaudited 30 June 2015	Unaudited 30 June 2014
	\$	\$
Cash at bank	2,932,401	1,333,164
	<u>2,932,401</u>	<u>1,333,164</u>

Included in Cash at bank as at 30 June 2015 are proceeds from a discharged loan and accrued interest of \$744,799 (30 June 2014: \$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 2015	Unaudited 30 June 2014
	\$	\$
Loans and Advances before impairment provisions	419,073	2,697,923
Less: Specific impairment provisions	(235,000)	(94,127)
Loans and advances after specific impairment provision	184,073	2,603,796
Less: Collective impairment provision	(96,875)	(82,752)
Carrying value of loans and advances	87,198	2,521,044
Allocated as follows:		
Current portion	87,198	2,521,044
Non-current portion	-	-

As at 30 June 2015 estimated legal expenses of \$188,825 (30 June 2014: \$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 2015	Unaudited 30 June 2014
	\$	\$
Note 9 ~ Impairment provision		
Opening balance	176,879	98,181
Impairment provision created during year	319,996	130,086
Impairment provision utilised during year	(165,000)	(51,388)
Closing Balance	331,875	176,879
Allocated as follows:		
Specific loan impairment provisions	235,000	94,127
Collective loan impairment provision	96,875	82,752
Impairment provision created	319,997	130,086
Net loan recovery expenses and provision	40,887	288,216
Write off of loan interest receivable	(17,996)	130,169
Loan impairment and recovery expenses	342,888	548,471

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 2015, there was 1 loan in arrears with a carrying value of \$87,198, all of which have been assessed as impaired and adequately provided for.

Loan Amount	Past Due Arrear Days Band	Impaired
\$410,000	820 - <909 days	Yes

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.

Note 10 ~ Payables and provisions

	Unaudited 30 June 2015	Unaudited 30 June 2014
	\$	\$
Withholding tax	-	-
Management fees	-	6,141
Abnormal costs payable to Responsible Entity	-	-
Other payables and provisions	516,695	290,537
	516,695	296,678

Note 11 ~ Financial assets and liabilities

	Unaudited 30 June 2015	Unaudited 30 June 2014
	\$	\$
Assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	2,932,401	1,333,164
Receivables	98	3,584
Loan interest receivable	56,790	279,811
Loans and advances	87,198	2,521,044
Total assets	3,076,487	4,137,603
Liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Distribution payable	1,438	15,934
Payables	516,695	296,588
Total liabilities	518,133	312,522

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; and
- 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 2015	Unaudited 30 June 2014
	\$	\$
Not longer than 3 months	184,073	1,070,637
Longer than 3 and not longer than 12 months	-	1,533,159
Longer than 1 and not longer than 5 years	-	-
Longer than 5 years	-	-
	184,073	2,603,796

There is 1 loan in arrears, which has been assessed as impaired (refer note 9) (2014: 6 loans in arrears, of which 5 loans had been assessed as impaired).

The sector spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2015	Residential	Industrial	Commercial	Rural	Total
No of loans per security type	1	-	-	-	1
Value of loans (\$)	184,073	-	-	-	184,073

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

The geographic spread of the loan portfolio is shown below:

Unaudited - As at 30 June 2015	NSW	QLD	VIC	SA	WA	ACT	Total
No of loans per state	1	-	-	-	-	-	1
Value of loans (\$)	184,073	-	-	-	-	-	184,073

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

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 2015 was 48.5% (2014 – 55.0%).

(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 2015 and 30 June 2014 is as follows:

	Unaudited 30 June 2015	Unaudited 30 June 2014
	\$	\$
Liquid assets of the Fund	2,932,401	1,333,164
Net assets attributable to unitholders	2,558,354	3,824,991
Ratio of liquid assets to net assets attributable to unitholders	114.62%	34.85%

(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 2015	Net Weighted average	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	%	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2.06%	2,932,401	-	-	2,932,401
Receivables		-	-	98	98
Loan Interest receivable		-	-	56,790	56,790
Loans and advances	16.00%	-	87,198	-	87,198
Total Assets		2,932,401	87,198	56,888	3,076,487
Financial liabilities:					
Payables		-	-	1,438	1,438
Distributions payable		-	-	516,695	516,695
Total Liabilities (excluding net assets attributable to unitholders)		-	-	518,133	518,133
Net assets attributable to unitholders		2,932,401	87,198	(416,245)	2,588,354

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

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	\$29,324
Decrease in interest rates of 1%	Less than	(\$29,324)

(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 2015, the cash at bank was \$2,932,401 which represented 114.62% of net assets attributable to unitholders and within the Fund's liquidity guidelines.

The Fund loan has a maturity profile of less than 12 months at 30 June 2015.

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 2015 the Responsible Entity held 116,695 security units at a capital value of \$8,169 (2014: 116,695 units at a capital value of \$12,837) and 11,094 wholesale variable rate units at a capital value of \$776 (2014: 11,094 units at a capital value of \$1,220) 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 2015 according to the records of the Fund, key management personnel and related entities held 430,135 units (2014 – 430,135 units) at a capital value of \$30,110 (2014 - \$47,315) in the Fund. The income distributions paid and payable on these unitholdings for the year ended 30 June 2015 from net operating profit were \$Nil (year ended 30 June 2014 - \$Nil). The wind-up distributions paid and payable on these unitholdings for the year ended 30 June 2015 were \$17,205 (year ended 30 June 2014 - \$64,520).

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 2015	Unaudited Year ended 30 June 2014
	\$	\$
Responsible Entity's fees paid and payable by the Fund	34,460	108,921
Loan default administration fee	66,604	41,549
Abnormal expenses (over provided prior year)/recovered from Responsible Entity	30,015	(6,017)
	131,079	144,453
Income distributions paid or payable from net operating profit to the Responsible Entity on units held in the Fund	-	-
Wind-up Capital distributions paid or payable to the Responsible Entity on units held in the Fund	5,112	19,168
	-	-
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. With effect from 1 May 2015 the Receivers and Managers on behalf of the Responsible Entity waived these fees (refer notes 2 (f) and 4).

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 2015	Unaudited Year ended 30 June 2014
	\$	\$
Net operating (loss) / profit before finance costs attributable to unitholders	(5,619)	140,333
Decrease in loan advances	2,433,848	5,011,757
(Increase)/decrease in receivables	3,486	57,215
Increase/(decrease) in trade and other payables	220,018	(517,984)
Decrease/(increase) in interest receivable	223,022	260,017
Net cash inflow from operating activities	2,874,755	4,951,338

(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 2015	Unaudited 30 June 2014
	\$	\$
Cash at bank	2,932,401	1,333,164
	2,932,401	1,333,164

(c) Non-cash financing activities

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

Note 15 ~ Events occurring after the balance sheet date

1. AFS licence

- On 16 April 2015, ASIC extended the suspension of the Responsible Entity's AFS licence until 15 October 2015.

2. 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 2015. 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 17 March 2015, 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 2015.

3. John Sweeney resignation as chairman of compliance committee

- Following the announcement by ASIC on Friday 3 July 2015 to ban John Sweeney from providing financial services for two years, Mr Sweeney resigned from the compliance committee with immediate effect on 6 July 2015.

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 2015:

- The proceeds of \$744,799 (30 June 2014: \$726,712) from a discharged loan held in escrow pending litigation from the Borrower (refer note 7); and
- Estimated legal expenses of \$188,825 (30 June 2014: \$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).