Information Booklet

Provident Capital®

Provident Capital Limited
ABN 78 082 735 573 | AFSL 225172

Important Information

This Information Booklet is issued by Provident Capital Limited ABN 78 082 735 573 AFSL 225172 Australian Credit Licence 225172 (“the Company”, “Provident”, “we/us/our”) and is dated 4 April 2012.

The Company is required under the Corporations Act 2001 (“Corporations Act”) to disclose from time to time certain information not otherwise generally available. This Information Booklet has been prepared in accordance with these continuous disclosure obligations. It is also being provided to investors with fixed term investments in the Company to inform them about their investment and to assist them make a decision about whether to rollover their investment. A copy of this Information Booklet has been lodged with Australian Securities and Investments Commission (“ASIC”), which takes no responsibility for its contents.

This Information Booklet will be updated in conjunction with the issue of the annual and half-yearly financial statements for the Company, and otherwise in accordance with the Company’s continuous disclosure obligations under the Corporations Act. All updates of this Information Booklet will be available through the Company’s website www.providentcapital.com.au.

The Trustee for fixed term investment holders, Australian Executor Trustees Limited ABN 84 007 869 794, takes no responsibility for any part of this Information Booklet and has not authorised or caused its issue. The Trustee makes no representation concerning the performance of the investments issued by the Company.

The Company is not authorised under the Banking Act 1959 (Cth), and is not supervised by the Australian Prudential Regulatory Authority. The depositor protection provisions in section 13A of the Banking Act 1959 (Cth) and the Federal Government deposit guarantee do not cover any investments issued by the Company, and such investments are not bank accounts or bank deposits.

Provident Capital Limited

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Business Overview

Provident Capital Limited is a diversified financial services company providing and managing income investments and non-bank lending.

The Company holds AFS Licence 225172 authorising it to deal in securities, to act as responsible entity of Provident Capital Monthly Income Fund ARSN 134 487 362 and Provident Capital High Yield Fund ARSN 134 487 577, and to provide financial advice. It also holds Australian Credit Licence 225172 authorising the Company to provide credit and to provide credit advice and other services regulated under the National Consumer Credit Protection Act 2009 (“Credit Act”)

Our funds management business

Since 1998 we have raised more than $1 billion of investor funds for investment in portfolios of registered 1st mortgages.

In addition to our fixed term investment program, we act as responsible entity for two registered managed investment funds. Whilst we are entitled to a management fee and to receive other fees from borrowers from these funds, the assets and liabilities relating to the funds are not assets and liabilities of the Company, and vice versa.

Our lending business

Our lending covers all major security asset classes including residential, commercial, industrial, and rural property. It includes loans regulated under the Credit Act and loans that are not so regulated.

The loans are designed to meet the needs of borrowers who do not fit the lending criteria of Australia’s traditional financial institutions or who simply choose not to borrow from them. This may include business owners, the self-employed, property investors and borrowers wishing to consolidate debt. Our borrowers pay a higher interest rate than that charged by traditional lenders (on average one to four per cent more) commensurate with our specialist lending market, and there is a higher risk of loan default.

The Company’s funding sources for loan capital have been a wholesale funding facility with an Australian bank and the investments in our fixed term investments. The period during which the bank would make or refinance loans ended on 31 March 2012; the Company is working with the bank on the requirements for an extension or a replacement facility. The Company is also conducting preliminary investigations for additional wholesale and alternate sources of loan funding. The Company will be retaining the fixed term investment program for existing investors but has determined that for the time being it will no longer be accepting investments into this program from new investors or additional investments from existing investors. The Company will continue to accept reinvestments (rollovers) including interest from existing investors.

We also act as a mortgage manager for an Australian bank for home loans regulated under the Credit Act.

Review of operations and results for half year ended 31 December 2011

For the half year ended 31 December 2011, the Company recorded a loss, after providing for income tax, of $9,091,460 (31 December 2010 profit: $796,726). This loss is as a result of the Company increasing its provisions against the carrying values of loans and advances. The Company has done this to reflect current market conditions affecting the property held as loan security, and also to reflect the Company's determination that it is now preferable to realise that property in the current market, rather than deferring realisation in the expectation of improved realisation values. This change of approach will improve the Company's liquidity and accordingly its ability to deal with any changes in economic conditions and to take advantage of new lending opportunities.

Challenges

The current economic climate presents a number of challenges. In particular, it is taking longer to recover all amounts owing where loans are in arrears and property values may not be sufficient to repay the amount owing. As a result, a number of measures concerning the loan portfolio have changed, including:

- at 31 December 2011, the Company's equity capital ratio was 2.73% as compared to the ratio applicable under the ASIC benchmarks of 20%;
- at 31 December 2011, the arrears rate across the loan portfolio was 59.4% by value, of which the rate for the fixed term investment funded component was 90.2%, much of which was more than 180 days in arrears, and the rate for the wholesale funded component was 22.1%, most of which is less than 90 days in arrears;
- some lending limits applicable at the time of making loans, such as maximum loan limits and loan to value ratios, are, for a range of reasons, not reflected in the profile of the current loan portfolio .

Details about the loan portfolio, including these matters, are set out in the Benchmarks section of this Information Booklet on pages 4 to 14.

Prospects

Despite these challenges, and having regard to the experience gained by the Company through various economic cycles since it was founded, the Company expects that it will meet all liabilities, including interest and principal payments to investors, as they fall due.

ASIC benchmarks for fixed term investments

ASIC has issued Regulatory Guide 69 setting out benchmarks for issuers of this type of investment to address in disclosure documents. The benchmarks identify a number of financial measures and business practices to help investors assess the potential risks and rewards being offered prior to making their investment. The benchmarks are not mandatory. Rather, issuers are required to disclose whether the benchmarks are satisfied and if not, then why not. Investors should review all benchmarks in the context of all information made available as a whole rather than rely on any particular benchmark to make an investment decision.

Generally, the information set out below incorporates data extracted from the Company's audited Financial Report for the half-year ended 31 December 2011, a copy of which has been lodged with ASIC and is available on our website www.providentcapital.com.au. Additional information extracted from the Company's unaudited management accounts is provided as appropriate.

In these benchmarks, the abbreviation "FTI" refers to fixed term investments, and "FTI Funded Loan Portfolio" refers to the loan portfolio funded by the fixed term investments.

Benchmark 1: Equity Ratio

ASIC Benchmark equity ratio	Company equity ratio at 31 December 2011	ASIC Benchmark Satisfied?	Total equity as at 31 December 2011
20.0%	2.73%	No	$6.08 million

1. The equity ratio is calculated as: total equity/[total liabilities plus total equity].

2. The Company's equity ratio and total equity at 30 June 2011 were 6.41% and $15.2m respectively. The decline in the equity ratio and amount of equity reflects the increase in provisions made against the carrying values of loans and advances.

3. Whilst the Company is not engaged in property development, it is funding the construction costs of one loan (the current balance of which now exceeds 10% of the total loan portfolio; further details are set out on page 10) and is taking steps to obtain development approval or maintain existing development approval for 2 other loans (although it is not intending to fund or carry out the construction under these approvals). The Company has determined to take these actions so as to maximise its recovery and minimise any potential exposure to loss arising from these loans. In the light of the current balance of the construction loan, it is now considered appropriate to apply the ASIC Benchmark ratio of 20% instead of the ratio of 8% that applied previously.

4. The Company has established a wholesale funding facility with an Australian bank. The Company has provided a cash deposit to the funding bank (capped at $10 million) to support the facility. The Company's equity may be reduced by up to $10 million if there are losses under the wholesale facility of this amount. This is the same risk that would exist if the Company had used the cash deposit to make loans directly to borrowers under the fixed term investment program. The details of this wholesale facility are described under Benchmark 2 on page 5, including the possible impact on the Company's equity of any losses under this facility.

5. Equity capital refers to the amount invested in the business by its owners and at risk in the event of financial difficulties. It is not allocated to specific assets or liabilities. It can provide a 'buffer' from which losses are funded before resorting to other sources of funds, such as investors. The amount of equity capital and the ratio of that amount to the debt owed by the business are useful indicators of the business' ability to absorb losses.

6. The Company's equity ratio and amount of equity are low by comparison with the Company's past record. The Company notes the following matters:
   - its management of loans in arrears (see page 9);
   - the loan to valuation ratio restrictions (see Benchmark 8 on page 13) ;
   - the business parameters and risks (see page 17);
   - the limited liability under the wholesale funding facility (see page 6); and
   - its successful management through the various economic cycles.

Benchmark 2: Liquidity

The Company satisfies Benchmark 2.

1. As part of the Company's ongoing compliance management processes, the Company prepares a cash projection daily, and each month projects its cash flow for the next three months. The material assumptions underlying these projections include analysis of recent actual investment and loan movements, expected source of funding required and consideration of budget projections. In conformity with the Benchmark requirements, we discount by 20% the average FTI rollover rate from the preceding 3 months and assume that we receive no new FTI funds.

2. The Company ensures that at all times it has on hand cash or cash equivalents sufficient to meet the Company's projected cash needs over any particular three month period. The amount for cash and cash equivalents (excluding the cash deposit with the wholesale funder - see page 6) at 31 March 2012 was $9.2 million; the projection for available cash and cash equivalents at the end of June 2012 is $12.2 million. The rollover rate used in these projections is 50%, discounted by 20% from the actual average for the 3 months to 31 March 2012 of 70%, in accordance with the benchmark requirement. This rollover rate is considered reasonable after taking into account the Company's previous experience.

3. The Company's current funding sources for loan capital are our current wholesale funding (see below for information on the wholesale funding) and the investments in our fixed term investments. The Company is conducting preliminary investigations for additional wholesale and alternate sources of loan funding. Access to multiple sources of loan funding enhances the Company's ability to make loans and maintain liquidity, and reduces the risk of a capital funding shortfall because of dependence on one funding source only.

4. The Company does not have a policy of directly matching investments and loan maturities. The majority of the investments in our fixed term investments are for one year or more and the majority of loans are for a term of one year. The value of non-current loans (ie longer than 1 year to maturity or expected realisation) at 31 December 2011 increased as a result of the re-classification of the construction loan being funded by the Company to reflect the expected construction and selling program (see page 10) and the inclusion of a group of 15 loans aggregating to $7,663,347 with terms longer than 5 years. These 15 loans are made in conformity with the Superannuation Industry (Supervision) Act 1993 (Cth).

5. The maturity profile for loans and borrowings (fixed term investments and wholesale funding) at 31 December 2011 was:

	Total Loan Portfolio	*FTI Funded Loan Portfolio*	*Wholesale Funded Loan Portfolio*	*FTI Funding*	*Wholesale Funding*
Maturity Period					
Within 3 months	$45,921,418	$1,170,430	$44,750,988	$18,124,901	$42,812,665
Between 3 months and 1 year	$93,267,014	$63,503,444	$29,763,570	$68,131,673	$30,056,038
Between 1 year and 5 years	$29,783,437	$24,597,934	$5,185,503	$46,969,385	$5,255,000
Greater than 5 years	$7,663,347	$7,663,347	$nil	$nil	$nil
Total	$176,635,216	$96,935,155	$79,700,061	$133,225,959	$78,123,703
Actual average interest rate	9.90%			8.41%	7.21%

Wholesale Funding Facility

1. In August 2007, the Company established a floating interest rate wholesale funding facility with an Australian bank. The facility provided for the Company to make new loans or refinance loans already made by the Company. In each case the loan and related mortgages were transferred in equity to the funding bank and the Company remained the lender of record and mortgagee on title. The Company continued to manage the loans.

2. When the Company used this facility to refinance an existing loan previously funded by the Company, the Company received a cash amount equal to the loan balance. This funding source provided the Company with additional liquidity and flexibility in managing its cash needs.

3. The interest margin earned by the Company on loans funded under this facility is currently greater than the interest margin earned by the Company on loans funded by fixed term investments (see table above). This increases the gross earnings available to the Company to pay expenses, including interest to investors with fixed term investments.

4. The period during which the bank would make or refinance loans ended on 31 March 2012. The Company is working with the bank on the requirements for an extension or a replacement facility; although there is no certainty that this will occur. If the current facility is not extended or a replacement facility is not agreed, there is no obligation on the Company to repay the facility at that time, and the underlying loans and advances remain repayable in accordance with the existing terms. Accordingly, the classification of the Company's liabilities for the borrowings under the wholesale funding facility does not change from non-current to current. Also, the Company's earnings from the facility may be applied to reduce the loan balances, and the Company would lose the element of flexibility the facility adds to the Company's liquidity management. The Company does not become obliged to incur any expense at the direction of the bank.

5. The Company's ultimate liability for the wholesale funding facility is limited to a cash deposit with the funding bank and an obligation to refinance a limited proportion of loans which are more than 270 days past due. Also, the Company has given the funding bank a charge over certain residual rights associated with the loans made under the facility and related mortgages. This charge ranks after the charge for the benefit of investors holding our fixed term investments.

6. The cash deposit is capped at $10.0 million under the current facility. If the facility balance reduces, then at pre-set stages the cash deposit cap also reduces in proportion to the facility balance at that stage, with the surplus to be refunded to the Company. Otherwise, the cash deposit is not available for use by the Company until the wholesale facility has been repaid; this occurs when the loans made under the wholesale facility have been repaid. The funding bank may use the cash deposit to repay any losses resulting from non-payment of loans by borrowers under the facility. If the funding bank uses the cash deposit, the Company's cash assets would be reduced accordingly and, subject to recoupment from another source such as earnings and adjustment for any tax effect, there would be an equivalent reduction in the Company's equity. This is the same risk that would exist if the Company had used the cash deposit to make loans directly to borrowers under the fixed term investment program.

7. The Company is required to refinance from the funding bank loans more than 270 days past due, up to a maximum aggregate value of 5% of all loans then funded using the wholesale facility. At 31 March 2012 there were no loans in this category and the Company has not been required to refinance any such loans. If the Company does not refinance these loans as required and as a consequence the Company becomes subject to external administration under the Corporations Act, then the Company's obligation to refinance the loans is subordinated to the rights of the investors with fixed term investments under the Trust Deed. When refinanced, these loans and related mortgages are transferred in equity back to the Company and form part of the ordinary loan portfolio assets of the Company in the same manner as loans funded by the issue of fixed term investments.

Benchmark 3: Rollovers

The Company satisfies Benchmark 3.

1. The Company's policy is to notify each investor of an approaching maturity date at least one month before that date. At the same time the Company will advise how to obtain the current disclosure information and interest rate information, either from the Company's website or by contacting the Company.

2. Normally, the invested amount will be rolled over for an equivalent investment term and interest payment frequency, but at the interest rate applicable at the expired maturity date for that term and interest payment frequency, and on the conditions of issue then current for that term. This procedure will not apply if within 14 days after the maturity date the investor requests repayment of the maturing fixed term investment or instructs us otherwise.

Benchmark 4: Debt Maturity

The Company satisfies Benchmark 4 with the disclosures in Benchmark 2 of:

- the maturity profile of interest bearing liabilities (i.e. the amounts for FTI funding and wholesale funding) by term and value; and
- the average interest rates applicable to those interest bearing liabilities.

Loan Portfolio Benchmarks

The remaining 4 Benchmarks relate to aspects of our mortgage portfolio.

Benchmark 5: Loan Portfolio

The Company satisfies Benchmark 5

Portfolio Data

Number and value of loans at 31 December 2011 by type of security property:

	Residential	*Commercial*	*Rural*	*Construction*	*Other*	*Total*
Total Loan Portfolio						
No of loans	95	24	17	1	1	138
Value of loans ($millions)	$99.5	$22.1	$32.8	$19.2	$3.0	$176.6
FTI Loan Portfolio						
No of loans	36	8	9	1	1	55
Value of loans ($millions)	*$38.3*	*$10.5*	*$25.9*	*$19.2*	*$3.0*	*$96.9*
Wholesale Funded Loan Portfolio						
No of loans	59	16	8	Nil	Nil	83
Value of loans ($millions)	$61.2	$11.6	$6.9	Nil	Nil	$79.7

Number and value of loans at 31 December 2011 by type of security property (continued)

	Residential	*Commercial*	*Rural*	*Construction*	*Other*	*Total*
NSW Loan Portfolio						
No of loans	45	11	11	Nil	1	68
Value of loans ($millions)	$53.0	$13.7	$26.3	Nil	$3.0	$96.0
Qld Loan Portfolio						
No of loans	32	10	6	1	Nil	49
Value of loans ($millions)	$34.3	$5.6	$6.4	$19.2	Nil	$65.5

Number and value of loans at 31 December 2011 by State:

	NSW	*QLD*	*ACT*	*VIC*	*SA*	*WA*	*Total*
Total Loan Portfolio							
No of loans	68	49	1	10	5	5	138
Value of loans ($millions)	$96.0	$65.5	$0.6	$7.1	$1.8	$5.6	$176.6
FTI Loan Portfolio							
No of loans	30	15	Nil	7	1	2	55
Value of loans ($millions)	$51.2	$38.9	Nil	$4.4	$0.2	$2.2	$96.9
Wholesale Funded Loan Portfolio							
No of loans	38	34	1	3	4	3	83
Value of loans ($millions)	$44.8	$26.6	$0.6	$2.7	$1.6	$3.4	$79.7

Other Details:

	FTI Funded Loan Portfolio	*Wholesale Funded Loan Portfolio*
Largest borrower	One loan of $19,237,806 (19.85% by value and 1.82% by number of the FTI funded loan portfolio)	Four loans aggregating to $5,373,097 (6.74% by value and 4.82% by number of the wholesale funded loan portfolio)
Ten largest borrowers	10 loans aggregating to $63,952,214 (65.97% by value and 18.18% by number of the FTI funded loan portfolio)	15 loans aggregating to $27,220,348 (34.15% by value and 18.07% by number of the wholesale funded loan portfolio)
Legal proceedings	Eight loans with an aggregate principal of $6,528,280 (6.73% by value and 14.55% by number of the FTI funded loan portfolio)	Nil
Maturity profile	See Benchmark 2 on page 5	
Average Interest rates	See Benchmark 2 on page 5	

Loans in Arrears

The table below sets out the details of loans in arrears (also known as 'loans past due') at 31 December 2011:

Total Loan Portfolio	*Loan Amount*	*% of Total Portfolio*	*Number of loans*	*% of Total Portfolio*
Between 31 and 90 days	$18,988,447	10.75%	14	10.14%
Between 91 and 180 days	$3,797,877	2.15%	3	2.17%
More than 180 days	$82,210,823	46.54%	32	23.19%
Total	$107,997,147	59.44%	49	35.51%
FTI Funded Loan Portfolio	*Loan Amount*	*% of FTI Loan Portfolio*	*Number of loans*	*% of FTI Loan Portfolio*
Between 31 and 90 days	$5,206,256	5.37%	2	3.64%
Between 91 and 180 days	Nil	Nil	Nil	Nil
More than 180 days	$82,210,823	84.81%	32	58.18%
Total	$87,417,079	90.18%	34	61.82%
Wholesale Funded Loan Portfolio	*Loan Amount*	*% of Wholesale Funded Loan Portfolio*	*Number of loans*	*% of Wholesale Funded Loan Portfolio*
Between 31 and 90 days	$13,782,191	17.29%	12	14.46%
Between 91 and 180 days	$3,797,877	4.77%	3	3.61%
More than 180 days	Nil	Nil	Nil	Nil
Total	$17,580,068	22.06%	15	18.07%

The table below sets out the status at 31 December 2011 of the loans in the Total Loan Portfolio above more than 90 days in arrears:

	Amount	%	Number	%
A. Discharged	$1,157,969	0.66%	1	0.72%
B. No longer more than 90 days in arrears	$1,884,943	1.07%	1	0.72%
C. Mortgaged property sold and awaiting settlement	$2,240,538	1.27%	1	0.72%
D. Mortgaged property being sold by borrower	$15,247,481	8.63%	3	2.17%
E. Mortgaged property in possession of the Company pending sale	$58,949,490	33.37%	21	15.22%
F. Legal proceedings commenced for possession of mortgaged property	$1,948,928	1.10%	2	1.45%
G. Other proceedings against borrower, guarantor or other people after disposal of mortgaged property	$4,579,351	2.59%	6	4.35%
Total	$86,008,700	48.69%	35	25.36%

The level of loans in arrears is consistent with the monthly balances throughout the 12 months ended 31 December 2011, but is higher than the levels previously experienced. One of the main reasons for this has been the extra time required to resolve these matters (a significant number of loans have been in arrears for well in excess of 180 days), particularly in the dispute resolution and litigation processes, in dealing with local councils for approvals, and because of changes in the property sale market.

General approach to loans in arrears

Each loan that goes into arrears is managed according to the details of the loan and related secured property, the details of the default, and the circumstances of the borrower and any other security providers. Where an arrangement to remedy the default is not reached with the borrower and other parties, it may be necessary for the Company to start legal proceedings for possession of the property mortgaged to the Company, leading to possible sale by the Company exercising its mortgagee's power of sale.

To avoid any doubts, the Company has determined to adopt an expanded interpretation of what constitutes "arrears" loans. The tables on the previous page reflect this expanded approach.

Where the Company obtains possession of a property as mortgagee, the Company makes an assessment of various factors that may affect any sale process and sale price. In some cases, this may mean improving the property by carrying out building work, or by completing a borrower's application for development approval for the property, or simply holding the property until the market improves. Also, the Company may not accept the highest price offered to buy a property if the Company does not consider it to be an acceptable price in accordance with the Company's duties as a mortgagee.

Residual loans after discharge of security

For each of the loans included in category G above, the amount is the residual amount owing after the sale of the property mortgaged to the Company when the loan was made. The Company is seeking to recover these individual amounts by taking action against borrowers, guarantors and other people involved with the particular loans, such as a valuer or solicitor. In each case, litigation has been required, with the attendant delays and costs.

Construction Loan

The Company has only one loan for construction purposes. The borrower is in liquidation and the Company, as mortgagee, is completing the development to maximise the recovery and minimise any potential exposure to loss. The development is a 2 stage construction of 36 townhouses in south east Queensland. The first stage of 18 townhouses, and various ground works for the second stage, are complete. The Company is awaiting final construction approval from the local council for stage 2 of the remaining 18 townhouses, and anticipates that the construction will be completed in 2012. The Company has decided to complete Stage 2 before selling the Stage 1 townhouses because of the potential negative impact of the construction works. It is anticipated that the townhouse sales will be completed during 2013.

The total debt (after reduction for impairment provision) at 31 December 2011 was $19,237,806 including accrued interest and costs. The latest valuer's opinion of the development in January 2012 assessed the "as if complete" value at $26,680,000 (inclusive of GST). The Company does not have a current "as is" valuation for the property. The total debt to value ratio on an "as if complete" basis using the January 2012 valuation is 72.1%. This ratio does not factor in the additional construction or selling costs or the benefit of any GST credits that may be available. The Company anticipates additional construction costs of $4.25 million (based on a builder's estimate), to be funded through the fixed term investment program and surplus earnings.

For the reasons set out on page 17 there is a risk that the Company will not recover the entire amount outlaid for this loan.

As indicated in Benchmark 1, the Company is taking steps to obtain development approval or maintain existing development approval for other loans. The Company has determined to take these actions so as to maximise its recovery and minimise any potential exposure to loss arising from these loans. As the Company is not intending to fund or carry out the construction under these approvals, they are not classified as “construction” loans.

Provision for loan impairment

The amounts shown for loans are after reductions for the provisions made for impairment of individual loans and IFRS adjustments, and do not include accrued but unpaid interest (except for the construction loan). In accordance with Australian Accounting Standards, the Company considers that a loan is impaired and an impairment loss is recognised if there is objective evidence of impairment as a result of one or more events that occurred after the loan was made or last assessed for impairment (a “loss event”) and that event has had an impact that can be reliably measured on the estimated future payment of interest and repayment of principal.

The Company considers loans for impairment provisions as part of the preparation of the annual and half yearly financial reports, and otherwise when relevant information is available.

Other assets

The only other material asset at 31 December 2011 was cash at bank and on hand of $11.0 million. This amount was at call and accordingly the applicable interest rate fluctuates from time to time. The average interest rate earned during the half-year to 31 December 2011 was 5.06% per annum.

Loan security

The Company’s policy is to lend on a secured basis where:

- the security for the loan is at least a registered 1st mortgage over real estate in Australia; and
- the loan to valuation ratio for the security property satisfies the Company’s ratio restrictions (see Benchmark 8 on page 13).

As the holder of a registered 1st mortgage, the Company is a secured creditor entitled to be paid first from the sale proceeds (after allowing for preferred statutory liabilities, e.g. council rates). Other creditors, including second and subsequent mortgagees and the property owner, can only be paid after we have been paid in full. In addition, being a registered 1st mortgage holder allows us to take possession of the mortgaged property and sell it if necessary.

At 31 December 2011, 131 loans totalling $169,102,577 (95.7% by value and 94.9% by number of the loan portfolio) were secured by registered 1st mortgages. The remaining loans were the loan to Cashflow Finance Solutions Pty Limited (described in Benchmark 6 on page 11), and 6 residual loans for which the security property has been sold, totalling $4,579,352.

Diversification

The Company believes diversification of its loan portfolio is integral to effective risk management and diversification is achieved by:

- creating a pool of mortgages, based on maximum limits:
    - for each loan (currently $2.5 million); and
    - each borrower (currently $4.0 million); and
- ensuring security properties are spread across property sectors and locations (see loan portfolio details in Benchmark 5 on page 7).

At 31 December 2011, there were 12 loans more than $2.5 million (aggregating to $69,042,204), and 8 borrowers who owe more than $4.0 million each (aggregating to $62,192,259); 7 loans (aggregating $54,482,888) are included in each category. These loans were made before the above criteria were adopted, or are the result of the borrower being in arrears, and exclude the construction loan detailed on page 10.

Benchmark 6: Related Party Transactions

The Company satisfies Benchmark 6.

The Company has a loan to Cashflow Finance Solutions Pty Limited described below. The Company did not make any loans to any related parties during the last year. Loans to related parties are not part of the Company's business strategy and the Company does not anticipate making any loans to related parties during the next 12 months. If the Company does make a loan to a related party, it is not required to obtain the Trustee's approval, but must notify the Trustee of certain details of the loan in the report that the Company gives to the Trustee and to ASIC in January, April, July and October.

Cashflow Finance Solutions Pty Limited ACN 113 908 017

The Company has lent $2.95m (30 June 2011 - $2.95 million) to Cashflow Finance Solutions Pty Limited ("Cashflow"), an entity owned by interests associated with Michael O'Sullivan, Malcolm Bersten and Trevor Seymour, until 30 November 2012 on commercial terms with interest payable at commercial rates annually in arrears (at 31 December 2011 $230,353 had accrued). The Company holds a registered security over the assets of Cashflow as security for the loan. This loan represents approximately 1% of the Company's total assets. Even though the transaction has been documented as an arm's length transaction, there is a potential conflict of interest which may influence the action taken to enforce the transaction.

Cashflow's business involved making loans to business borrowers to fund the purchase and delivery of inventory and associated costs. Each loan was insured under an insurance policy. The loan funding was provided by a wholesale funder and the Company provided funding for working capital.

In 2008 the insurer refused to pay further claims and refused to renew the insurance policy. As a consequence of these actions, Cashflow could not make new loans. Cashflow believes these actions are in breach of the insurance policy, and accordingly began proceedings in the Federal Court seeking payment of the claims and damages for the loss of its business resulting from these actions. The matter is expected to be heard in mid 2012. The Company may be required to provide funding for this litigation, estimated at approximately $250,000.

In September 2010, the Company acquired all of the wholesale funder's interest and rights under its funding facility with Cashflow for $775,000. These rights included the then amount owing under the facility of $4.25 million and registered security over Cashflow's assets. The Company has only brought to account the amount paid to acquire these rights as an increase in the amount owing by Cashflow to the Company and included in the amount set out above. The Company made this acquisition because of the potential to recover more than the amount outlaid and to ensure control of Cashflow's claims against the insurer.

Having regard to independent advice, the Company considers that Cashflow's claims against the insurer have reasonable prospects of success. As the amount of Cashflow's claims is more than the debt owing to the Company, the Company expects that this debt will be repaid on expiry of the current loan agreement on 30 November 2012.

PCL Holdings Pty Limited ACN 101 975 633

PCL Holdings Pty Limited ACN 101 975 633 ('PCLH') is owned by the same shareholders who own the Company.

From time to time where a borrower has defaulted under a loan or the Company considers that a default may happen, the Company may sell all of or a share of the loan and related securities to PCLH. This has the effect of transferring to PCLH the default or potential default component of the affected loan, thereby reducing the Company's risk of loss on that loan and providing additional liquidity for the Company. The transfer price for each transaction is the same proportion of the loan balance at the time of the transfer as the share of the loan being sold. For a partial transfer, repayment of the PCLH share of the loan balance is subordinated to the repayment of the Company's share. In each case, the transfer price is paid at the time of the transfer. Each transaction is documented under a formal agreement between the parties. The aggregate amount paid by PCLH to the Company for sale transfers to PCLH during the half-year was $145,140 (30 June 2011 - $725,232). The Company does not pay any commission or fee or provide any other benefit to PCLH for the transfer. The Company does not recognise any amount of revenue or expense in connection with these transactions.

Benchmark 7: Valuations

The Company satisfies Benchmark 7, except that it does not have a current "as is" valuation for the construction loan described in Benchmark 5.

1. Before a loan is made, the Company obtains a valuation report from a professional valuer to determine the value of the relevant security property. The valuation must be made within the 3 months before the loan is made. The valuation is based on the then current market value of the property (the 'as is' value); for construction loans, the valuation also includes an assessment of the development as if it is completed (the "as if complete" value).
2. The Company appoints the valuer for each particular property instruction from its panel of valuers. No individual valuer is instructed for more than one-third of the valuations requested. Valuers must be registered or licensed in the relevant state or territory and must maintain appropriate professional indemnity insurance.
3. When appointing a valuer, the Company issues written instructions incorporating a comprehensive list of matters to be addressed in the valuation report, such as comparable sales, current market rental, damage reinstatement estimate for insurance purposes, the impact of any existing or proposed easements and encroachments, planning matters, and saleability. Additional information is required for properties with the benefit of a development approval, and for commercial, industrial and rural property.
4. The Trustee has consented to the appointment of the valuers currently on the Company's panel. The Company will seek the Trustee's consent to the appointment of new valuers to that panel on a quarterly basis. In giving it's consent the Trustee is relying on the information supplied by the company and the Company having carried out appropriate enquiries on the valuers. The Company does not consider it practicable or appropriate for the Trustee to appoint the valuer for any particular property instruction as to do so will involve the Trustee in aspects of the day to day operation of the Company's business contrary to the Trustee's role.
5. Benchmark 8 sets out further information about loans for construction funding.
6. Benchmark 5 sets out further information about the only loan the Company has made for construction funding.
7. The Company obtains updated valuation information from time to time during the course of a loan. Depending on the circumstances, this may be a professional valuer's report, a real estate agents assessment or other relevant information. The Company has recently updated the valuation information it holds for the loans that are more than 90 days in arrears and where a current valuation was not already held. This information is reflected in the carrying amounts for these loans in the Financial Report for the half-year to 31 December 2011.

Benchmark 8: Lending principles – loan to valuation ratios

1. Under Benchmark 8 an issuer should maintain a loan to valuation ratio (i.e. the amount to be borrowed, including any interest prepaid or capitalised, as a proportion of the value of the property over which the loan is to be secured) ("LVR") of 70% where the loan relates to property development (on the basis of the latest "as if complete" valuation) and 80% in all other cases.
2. The table below sets out the Company's current policy on maximum LVR limits. These maximum limits are varied from time to time within the limits allowed under the Trust Deed for fixed term investments and the wholesale funding facility.

Security type	*Current Policy Maximum LVR*	*Benchmark 8 satisfied?*
Property for residential use	75%	Yes
Property for commercial/industrial use	65%	Yes
Property for rural use	60%	Yes
Property for construction funding where the Company is funding that development	70% of the estimated "as if complete" value	Yes

3. These ratios apply at the time of approving a loan and are intended to mitigate some of the lending risk. During the course of a loan, the total debt owing may exceed the loan to valuation ratio limits prescribed for the loan on the value of the mortgaged property due to a combination of factors, including a decline in the value of the mortgaged property, or accrual of unpaid interest and other incurred costs. This has happened with a number of the loans where the borrower is more than 90 days in arrears (see Benchmark 5 for more details) and is reflected in the average actual LVRs across the portfolio set out in paragraph 5 below.

4. The LVR limits for residential use, commercial/industrial use and rural use security property allowed under :

   - the Trust Deed for fixed term investments are 85%, 75% and 70% respectively; and
   - the wholesale funding facility are 75%, 65% and 60% respectively.

5. The average actual LVRs across the loan portfolio at 31 December 2011 were:

	Whole portfolio	*Residential use*	*Commercial or Industrial use*	*Rural use*
Total Loan Portfolio	62.8%	65.9%	51.6%	59.5%
FTI Funded Loan Portfolio	68.3%	70.1%	59.4%	66.2%
Wholesale Funded Loan Portfolio	59.7%	63.6%	48.7%	53.7%

These average actual ratios may exceed the current maximum policy ratios applicable for when loans are made for a number of reasons, including loans being made when the maximum policy ratio was higher, the accrual of unpaid interest and other incurred costs, or a decline in the value of the mortgaged property. The loan amounts used in calculating these ratio are the loan amounts shown in the Company's accounts; these amounts are after reductions for the provisions made for impairment of individual loans and IFRS adjustments, and include costs charged to the loans, but do not include accrued but unpaid interest (except for the construction loan). Also, these ratios reflect the latest valuation information held by the Company when preparing the Financial Report for the half-year to 31 December 2011.

6. Normally a loan for construction funding would be made on the basis that the developer contributes its equity share of the funding cost first (including any mezzanine or second mortgage funds) with the Company's loan funds providing the cost to complete the development up to the approved loan amount. The Company will advance funds to the borrower by progress payments based on assessments of the progress of the development made by external experts appointed by the Company. These assessments include:

   - assessing the value of work claimed to have been carried out and how that compares with the funding allocations specified in the loan documents; and
   - confirming the estimated value of the cost to complete the project and that it is no more than the undrawn balance of the loan.

7. As at 31 December 2011 the Company had only 1 construction funding loan. Details are set out in Benchmark 5 on page 10. The latest valuation of the development in January 2012 assessed the "as if complete" value at $26,680,000 (inclusive of GST). The total debt (including unpaid interest and costs) to value ratio on an "as if complete" basis using the January 2012 valuation was 72.1%, which exceeds the ASIC benchmark of 70%. As indicated in benchmark 5, this is as a result of the borrower entering into liquidation, the Company's decision to complete the development and the extra time required for this to occur.

Fixed Term Investments

An investment in the Company's fixed term investments is a loan from an investor to the Company secured by a charge over the Company's assets. The Company issues a certificate to each investor as evidence of the Company's obligations to repay that loan amount (the invested amount) and to pay interest on it.

How are the investments used?

The amounts invested are used primarily to fund loans secured by registered first mortgages over real estate in Australia. This includes maintaining the funding of existing loans by paying investment redemptions.

What is the interest rate?

The interest rate for the investment is the rate on the date the application form is processed. The interest rate depends on the investment term and the interest payment frequency specified in the application. The interest rate is fixed for the term specified in the application, subject to the early repayment provisions.

Interest is calculated on a simple interest basis for the term of the investment, starting on the day the application is processed and ending on the last day of the term.

When is interest paid?

Normally, interest will be paid within seven days after the end of the period for which it is calculated. This is based on the date of the investment. When interest is payable on maturity of the investment, it will be paid at the same time as repayment of the investment; again, this is normally within seven days after maturity.

If the maturity date for the investment falls on a weekend or public holiday in Sydney, the maturity date and the period for which interest is calculated will be extended to the next business day.

What about the interest accrued?

When the investment term is longer than 12 months with interest paid on maturity, Division 16E of the Income Tax Assessment Act 1936 (Cth) requires that the accruing interest income is included in the investor's annual tax return. The Australian Taxation Office uses a formula to calculate the annual accrual. We will report this amount to individual investors after the end of the relevant tax year.

Can the investment be cashed in early?

As investments are for fixed terms, investors may not request repayment of the investment before the maturity date.

Can the Company pay out the investment early?

At any time prior to maturity the Company may redeem some or all of the fixed term investments by giving at least three months' prior notice in writing to those investors whose investments are to be redeemed, and to the Trustee. Redemption will be made by repayment of the investment amount together with accrued interest up to the day preceding the date of redemption.

Can the investment be transferred to someone else?

An investment may be transferred at any time without the Company's consent. However, all transfers must be registered by the Company and must be for the full amount of the investment involved. Currently, a fee of $150 applies to any transfers.

What happens at the end of the investment term?

We will normally notify each investor of an approaching maturity date at least 1 month before that date. At the same time we will advise how to obtain the current disclosure information and interest rate information from our website or by contacting us.

Normally, the investment will be rolled over from the maturity date for an equivalent term and interest payment frequency, but at the interest rate and interest payment frequency applicable at the expired maturity date for that term, and on the conditions of issue then current for that term, unless the investor requests repayment of the maturing fixed term investment or instructs us otherwise.

If an investor wants an investment repaid, the investor must give us a written request no later than 14 days after the maturity date, and it will be paid by electronic funds transfer to the investor's nominated Australian bank account. This is usually done within seven days after the investment maturity date or we receive the investor's request, whichever is the later. However, as a condition of investment, in exceptional circumstances we may defer from the applicable maturity dates all repayment requests for up to 365 days for investments made or rolled over after 22 December 2010 and for lesser periods for investments made or rolled over before that date. We would take this action only if we believed it was in the interest of the holders of our fixed term investments as a whole group. In this situation investors will be entitled to interest for each day after the normal seven days at the same rate as applied to the investment.

No third party payments are allowed.

What is the security for the investment?

The Company has charged its assets in favour of the Trustee to secure the punctual repayment of all money due to investors. The charge is a first ranking security. Other than statutory liabilities and the Trustee's fees under the Trust Deed, there are no securities or other liabilities ranking in priority to, or equally with, this charge. The principal assets of the Company covered by the charge are the loans made by the Company, but excluding the loans funded under the wholesale funding facility. Fixed term investments issued by the Company may currently be considered to be "secured notes" under section 283BH of the Corporations Act 2001.

Are there different security levels of investment?

All investments issued under the Trust Deed rank equally in priority of security, and in proportion to their face value, if not repaid in full as required under the Trust Deed.

How do investors give instructions about investments?

We will only act on written instructions with the actual signature(s) of the investment holder(s). If this is a company, the person signing must be a director. If in doubt, please call our Client Services team on 1800 650 422.

Investment risks

All investments are subject to a degree of risk, any one or more of which may result in a loss of earnings or the amount invested. It is therefore important that investors:

- understand and are comfortable with the risks that may affect the investment; and
- see the investment as part of a balanced portfolio and are not totally reliant on the income to be received or the capital invested.

Ultimately, the risk to investors of any loss of interest or the amount invested depends on the financial performance of the Company's business. The information below explains the risks that may affect that business.

Risks associated with mortgage lending

It is well known that there are risks associated with mortgage lending. The primary risk is credit losses resulting from loan defaults. These are part of any mature lending business.

What is a loan default?

Loan defaults occur when a borrower does not meet a fundamental obligation under the loan arrangement, such as failing to meet an interest payment obligation or failing to discharge the loan on or before its due date. The nature of our borrowers, together with our shorter loan terms, tends to result in loan default rates higher than those of traditional lenders. It is important that investors appreciate that loan defaults are an ordinary part of the Company's business. See Benchmark 5 for details about loans that are in arrears and therefore in default.

How often do credit losses occur?

Credit losses occur when the proceeds available from the sale of the property mortgaged to the Company as security for a loan, are less than the amount owed under the mortgage. This may be as a result of the valuation relied on when making the lending decision not accurately reflecting the value of the property at the time it is sold, or changes in property market conditions, or the insurance over the secured property being inadequate if the secured property is damaged. The Company anticipates that the level of credit losses may rise if current market conditions do not improve soon.

What about lending for property development?

Where a loan is for construction funding for a property development, risk may be greater due to factors outside the control of the Company. The major risks associated with construction loans are:.

- the potential for delays in completion of the development (for example, due to inclement weather, industrial or other disputes, council, planning, engineering, design, environmental or heritage issues);
- the uncertainty of property market conditions prevailing at the time of completion of the development;
- the potential for rising costs of construction inputs, such as labour and materials, impacting on the cost to complete the development; and
- the impact of the developer's expertise.

For details of the Company's only current construction loan, see under Benchmark 5 on page 10.

What other transaction risks could impact?

There is a risk that a loan cannot be enforced as it was intended because of a deficiency in the transaction documentation or because new case law and statutes may adversely affect the way in which an existing loan may be managed and rights enforced.

There is also a risk that a defaulting party may use the dispute resolution and litigation processes to delay enforcement of the Company's rights relating to a loan.

Company related risks

Company insolvency

If the Company becomes unable to pay its debts (including the payment obligations to investors with fixed term investments) when they fall due, the Company will be considered to be insolvent, and an external person will be appointed to the Company under the insolvency provisions of the Corporations Act or the Trust Deed. This external person will be responsible for determining a strategy to collect the Company's assets and pay the amount collected to the people entitled in accordance with the applicable legal principles. In this situation it is likely that there will be a delay in investors receiving payments, and that investors may not receive all money owed to them.

Risks with wholesale funding

The Company supports a wholesale funding facility through a cash deposit with the funding bank and an obligation to repurchase a limited amount of loans which are more than 270 days past due. There is a risk that the Company may not recover all of the cash deposit or the funds used to refinance loans if the loans made to borrowers under this facility are not repaid in full. This is the same risk that would exist if the Company had used the cash deposit to make loans directly to borrowers under the fixed term investment program. Further details on this are set out under Benchmark 2 on page 5.

Risks associated with managed investment funds

Currently the Company pays out of its own resources the ordinary costs for the two managed investment funds for which it is the responsible entity, and reimburses itself out of the management fee received from these funds. There is a risk that the Company may not be fully reimbursed for these expenses as a result of a lack of performance in the funds. These costs are being expensed in the Company's accounts. Also various duties and liabilities are imposed on the Company as the responsible entity of the funds.

Related company loan

The Company has lent money to Cashflow Finance Solutions Pty Limited, a related company. This transaction is described in Benchmark 6 on page 11. Even though the transaction has been documented as an arm's length transaction, there is a potential conflict of interest which may influence the action taken to enforce the transaction.

Redemption risk

There is a risk that if there is a material increase in the rate of investment redemptions, or in the rate of loan and credit defaults, the Company may not be able to satisfy investment redemption requests as and when they arise. If this occurs, the Company may defer repayment for up to 365 days (see page 16). Further details about liquidity matters are set out in Benchmark 2 on page 5.

Other general risks

The Company may suffer a loss if, among other things:

- the Company is unable to invest in suitable mortgages within a reasonable time after receiving investments;
- mortgage interest rates payable by the Company's borrowers fall after it has received investments, or interest rates the Company pays for its funding (for fixed term investments or for our wholesale facility) increase after mortgage loans have been made (known as "interest rate risk"); or
- other factors beyond the control of the Company occur, such as adverse economic conditions, or changes in government regulation.

The fixed term investments issued by the Company are not listed on a market exchange. Accordingly, investors may not be able to find a buyer if they wish to sell their investments.

Managing risk in our mortgage portfolio

There are a number of key factors to managing risk within our mortgage portfolio. These include:

- the Company has the experience of managing in excess of $1 billion of non-traditional mortgages;
- as an experienced lender in this specialist mortgage market, we ensure our portfolio is diversified across numerous property sectors – see Benchmark 5 on page 7;
- we only lend when
    - the security for the loan is at a minimum a registered 1st mortgage over real estate in Australia – see Benchmark 5 on page 11;
    - the property offered as security is assessed by a professional valuer instructed by the Company – see Benchmark 7 on page 13;
    - the loan to valuation ratio satisfies our lending ratios – see Benchmark 8 on page 13;
    - having considered the nature and location of the security, we are confident of recovering the amount lent; and
- loans to related parties are not part of the Company's business strategy - see Benchmark 6 on page 11.

Despite these factors, loans do go into arrears. Details of the loans in arrears are set out in Benchmark 5.

General Economy

Despite the changes affecting the general economy after June 2008, the Company continued to trade profitably and expects to meet all its obligations in accordance with the applicable terms. Changes in the general economy potentially increase the risk of credit loss because of changes to borrowers' circumstances increasing the risk of loan default, changes to property values, and reduced availability of credit generally. To reduce the Company's exposure to this potential increase in risk, the Company reviews lending policies regularly to ensure that they reflect the current and likely future economic conditions. Changes that may result from such reviews may include changing:

- loan to valuation limits;
- the maximum available loan amount per normal transaction; and
- the locations in which the security property for a loan may be located.

In addition, we manage the Company's liquidity as described in Benchmark 2 on page 5.

Financial information

The following financial information is extracted from the Financial Report for half-year to 31 December 2011. An original of this report has been lodged with ASIC. A copy can be obtained at www.providentcapital.com.au or by contacting our Client Services team on 1800 650 422.

Summarised Statement of Financial Position		
	at 31 December 2011 $	at 30 June 2011 $
Equity	6,079,395	15,170,855
Borrowed funds		
Fixed term investments	133,225,959	125,250,399
Wholesale funder	78,123,703	90,250,599
Current liabilities		
Accrued interest	3,377,957	3,635,852
Sundry creditors	557,468	304,797
Other liabilities	1,379,145	2,036,816
Total liabilities and equity	222,743,627	236,649,318
Gross receivables		
Loans and advances	190,476,807	190,000,340
Less: provision for impairment	-13,841,591	-1,695,932
Net loans and advances	176,635,216	188,304,408
Other assets		
Cash and cash equivalents	11,016,317	19,249,760
Other assets	35,092,094	29,095,150
Total assets	222,743,627	236,649,318

Other Financial Highlights		
	6 months to 31 December 2011 $	12 months to 30 June 2011 $
Gross income	14,452,744	27,297,270
Less: borrowing costs	8,647,766	16,205,208
Less: other expenses	3,883,456	8,095,650
Less: bad debt charge (including net change in provision for impairment)	14,902,482	1,337,756
Income tax	3,889,500	-508,496
(Loss)/profit after tax	-9,091,460	1,150,160
Dividend paid	-	-
	at 31 December 2011	at 30 June 2011
Gearing ratio (total liabilities/total assets)	97.3%	93.6%

Past due loans

Information about past due loans (loans in arrears) is set out in Benchmark 5 on page 9.

Maturities

The maturity profile for loans and borrowings (fixed term investments and wholesale funding) at 31 December 2011 is set out in Benchmark 2 on page 5.

Related parties

Michael O'Sullivan is a director and the sole shareholder of Provident Asset Management Pty Limited which holds all 100,000 ordinary shares in Provident Capital Limited. Trevor Seymour and Malcolm Bersten are also directors of Provident Asset Management Pty Limited.

Related parties, being the directors and their associates (including director-related entities, spouses and relatives) have invested in the Company's fixed term investments on normal terms. The amount invested at 31 December 2011 was $2,091,985 (30 June 2011: $1,797,831).

Trevor Seymour is a director of chartered accountants Brentnalls NSW Pty Limited. Brentnalls NSW Pty Limited provided accounting and taxation services to the Company on normal terms and conditions. For the half-year ended 31 December 2011, the Company paid $15,901 (30 June 2011: $46,894) for these services.

Other related party transactions during the year are described in Benchmark 6 on page 11.

Trust Deed

The Company issues fixed term investments in conformity with the Trust Deed between the Company and the Trustee dated 11 December 1998, as amended from time to time (collectively referred to as the Trust Deed). A copy is available by calling the Company on 1800 650 422 or visiting our website at www.providentcapital.com.au. The Trust Deed provides for the issue of these investments and creates the charge over the Company's assets in favour of the Trustee for the benefit of investors.

Investors may only enforce the obligations of the Company under the Trust Deed through the Trustee. Subject to the rights of any person whose claim to payment is preferred by law, the Trustee or any receiver must apply any money received as a consequence of enforcement of the Trust Deed as provided in the Trust Deed.

Role of the Trustee

The law requires that issuers of fixed term investments must appoint a Trustee. The Company has appointed Australian Executor Trustees Limited.

The role of the Trustee is governed by the Corporations Act and the Trust Deed. The Trustee's duties under the Trust Deed and the Corporations Act include an obligation to exercise reasonable diligence in monitoring Provident Capital's ability to repay the investments issued (e.g. its financial position and performance). The Trustee must also exercise reasonable diligence to ascertain when the Company has committed any breach of the Trust Deed or Chapter 2L of the Corporations Act. In some circumstances, the Trustee may need to notify ASIC, seek appropriate court orders or call a meeting of investors to fulfil their duties.

The Trustee is indemnified by the Company under the Trust Deed in respect of all liabilities, duties, taxes and expenses properly incurred by the Trustee in the execution of its powers, other than with respect to a claim arising out of wilful default, breach of trust or gross negligence by the Trustee or if the Trustee has failed to show the degree of care and diligence required of it as Trustee. Subject to the Corporations Act, the Trust Deed limits the Trustee's liability.

However, other than as required by the Corporations Act or as expressly provided in the Trust Deed, the Trustee:

- is not required to take any action or exercise any right, power or discretion in connection with the Trust Deed or Provident Capital or any other related matter, fact or circumstance, and is not liable for any loss which may result; and
- is not in any way involved in the day to day running, management or decision making process of Provident Capital.

Trustee's Fee

The Trustee receives an annual fee payable quarterly in arrears.

Additional information

The Board

The Board of Provident Capital has extensive experience in business, finance and lending.

Michael O'Sullivan MPFP, FAICD - Managing Director

With over 20 years' experience in finance and investments, Michael has been with the Provident Capital Group since its inception. His mortgage experience includes private mortgage lending (private syndications), balance sheet lending and securitisation. Michael previously held the position of Managing Director for First Pacific Corporation Limited and has been an authorised representative for Securitor Limited and Colonial. He holds a Masters in Personal Financial Planning and is a Fellow of the Australian Institute of Company Directors.

Trevor Seymour FIPA, FAICD

Trevor is a director of chartered accountants Brentnalls NSW Pty Limited having worked with them since 1988 after spending 10 years in banking. With experience in general financing and business management, he has been with Provident Capital Limited since its inception. He is a Fellow of the Institute of Public Accountants and of the Australian Institute of Company Directors and a non-executive director and chairman of the Board's audit and compliance committee.

Malcolm Bersten B.Com, LL.B, FAICD

As a solicitor, Malcolm has over 30 years' experience in business, finance and commercial property law. He has been involved with Provident Capital Limited since its inception. Malcolm joined the Board as a non-executive director in July 2000. Since July 2007 he has been full time in-house legal counsel for the Company. He is accredited by the Law Society of NSW as a specialist in business law and is a Fellow of the Australian Institute of Company Directors.

John Sweeney, FCPA, FAICD, FAIM

John was appointed to the Board as a non-executive director in July 2008. He is also a member of the Board's audit and compliance committee. His career achievements include 20 years with ORIX Australia Corporation Limited, the last 10 years as Managing Director (1995 to 2005) and Syndicate Chairman of the CEO Institute. John is a Fellow of CPA Australia, Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Privacy and Personal information

We collect personal information from each investor in order to process their application, administer their investment and provide services related to their investment. To do that, we may disclose the investor's personal information to our agents, or contractors or third-party service providers to the Company, such as a registry manager. If an investor does not provide this personal information, we may not be able to process the application.

We may also use the personal information to tell investors about other products and services offered by us or other members of the Provident Capital group unless an individual investor inform us otherwise. In order to do that, we may disclose the information to other member companies in the Provident Capital group, or to their service providers. We may also disclose the personal information to the investor's financial adviser. Individual investors should contact our Client Services on 1800 650 422 if they do not consent to the use or disclosure of their personal information in these ways. It is important that investors make this contact because, by investing, investors are taken to have consented to these uses and disclosures. In most cases individual investors can gain access to the personal information held about the investor. We aim to ensure that the personal information we retain about each investor is accurate, complete and up-to-date. To assist with this, individual investors should contact our Client Services team on 1800 650 422 if any of the details they have provided change. If investors have concerns about the completeness or accuracy of the information held about them, we will take steps to address these concerns.

Dispute resolution

If an investor wishes to make a complaint, the investor should contact our Client Services team

- in writing at GPO Box 2937, Sydney NSW 2001;
- or by telephone on 1800 650 422 (Monday – Friday, 8.30am – 5.30pm AEST).

If the complaint is in writing, it must be acknowledged within 14 days after it is received and certain procedures must be followed. In particular, we are required to investigate, properly consider and decide what action (if any) to take and to communicate our decision to the investor within 45 days. If the investor is not happy with how the complaint has been handled the investor may contact the Financial Ombudsman Service (FOS), of which we are a member.

FOS is an independent body approved by ASIC to consider complaints. FOS can consider claims of up to $500,000. Contact details for FOS are as follows:

Financial Ombudsman Service Limited GPO Box 3, Melbourne VIC 3001

Telephone: 1300 78 08 08 Fax: (03) 9613 6399 Email: info@fos.org.au

Consents

The Trustee has consented to being so named in this Information Booklet for information purposes only. The Trustee has had no involvement in the preparation of this Information Booklet and has not authorised or caused the issue of the whole or any part of it. The Trustee expressly disclaims and takes no responsibility for any statements in or omissions from this Information Booklet.

Future disclosures

As the Company is a disclosing entity under the Corporations Act 2001 (Cth) it is subject to regular reporting and disclosure obligations. Copies of Company documents lodged with ASIC may be obtained from, or inspected at, an ASIC office. If requested, we will provide the annual financial report most recently lodged with ASIC and any half year financial report. We propose posting material documents on our website at www.providentcapital.com.au/notices .

Directors' approval

Each of the directors has consented to the issue of this Information Booklet.

Provident Capital®

Provident Capital Limited

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