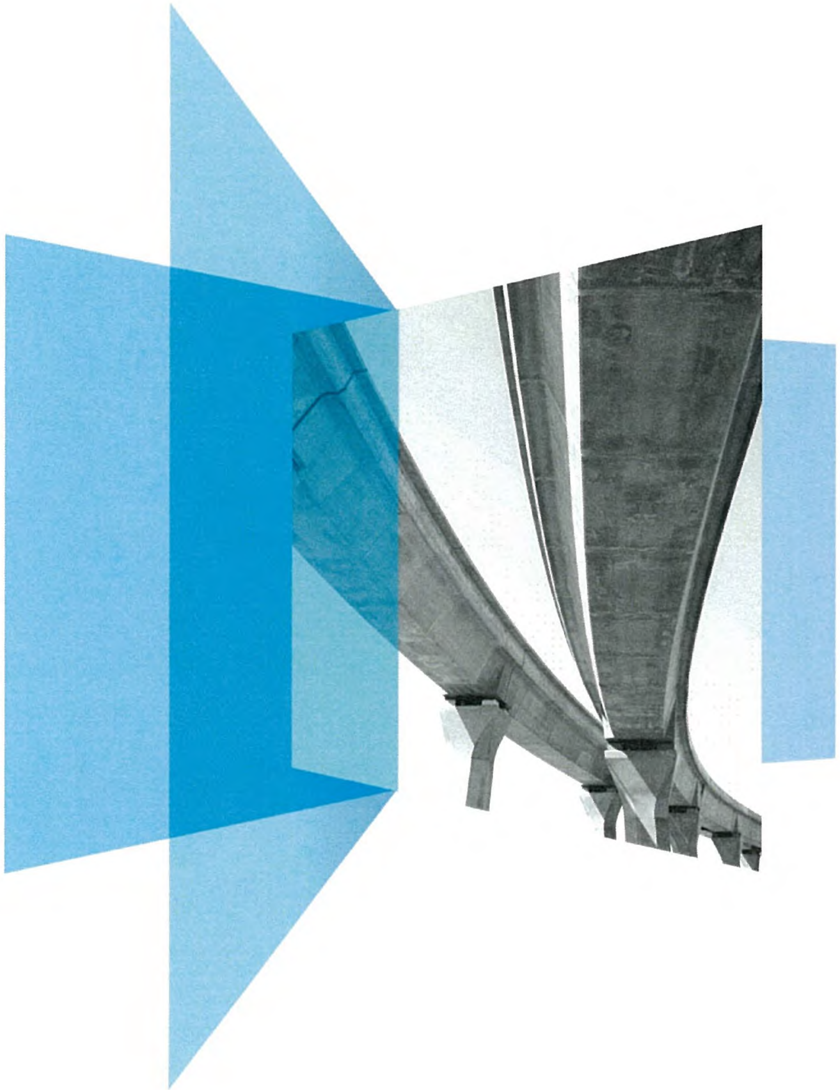

Provident Capital Limited (Receivers and Managers appointed) (in Liquidation)

Update to Debentureholders
As at 31 December 2014

16 April 2015

Update to Debentureholders

Dear Debentureholder

Provident Capital Limited
ACN 082 735 573
(Receivers and Managers Appointed) (In Liquidation)
("Provident" or "the Company")

We refer to our previous communications in relation to this matter, and now provide an update of the progress of the Receivership as well as our expectations of the likely return to Debentureholders.

We recommend that this Report be read in conjunction with our previous communications with Debentureholders, which are available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information section. Alternatively, copies of issued documents can be requested from the Debentureholder registry service being maintained by Link Market Services ("Link"). Link's contact details appear on the opposite page.

Further information regarding the Receivership is available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information section.

If you have any queries (including requests to obtain copies of previous communications), please contact the Debentureholder registry service maintained by Link.

Link's contact details are as follows:

Address: Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation)
C/- Link Market Services Limited
Locked Bag A14, Sydney South
NSW 1235, Australia

Telephone: +61 2 8767 1194

Facsimile: +61 2 9287 0303

Email: provident@linkmarketservices.com.au

Yours faithfully

Marcus Ayres and Christopher Hill
Receivers and Managers
Provident Capital Limited

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1 Executive Summary

1.1 Forecast total return

	Paid to date	Forecast future distributions (cents in the $)	Forecast total return (cents in the $)
FTI Debentureholders			
Interest to 3 July 2012	4c/$ *	Nil	4
Principal	8c/$ **	4	12
Total	12c/$		16
Non-FTI Investors and BEN			
BEN	82c/$	18	100
HYF / Unitholders	90c/$	10 ***	100
MIF / Unitholders	93c/$	7	100

* 4 cents equates to a 100% return of interest owing as at 3 July 2012.

** 8 cents equates to $10.03 million in principal distributions.

*** 10 cents was paid on 18 March 2015.

- We served a proposed amended statement of claim against the directors of Provident on 1 December 2014, as detailed in section 2.
- After paying all accrued interest to 3 July 2012, we estimate the likely return to Fixed Term Investment (**FTI**) Debentureholders from the realisation of the loan portfolio assets has fallen to $0.12 in the dollar, although this forecast does not include any return that might be achieved from the director proceedings. The reasons for the reduction in estimated return are detailed in section 3.
- The timing of future distributions to Debentureholders is uncertain as it is subject to realisation of the remaining non-performing loans within the FTI loan portfolio and recovery of the forecast equity in the Bendigo and Adelaide Bank (**BEN**) loan portfolio.
- Since our appointment, we have realised 108 loans in the FTI and BEN loan portfolios. Of these, 66 were realised at full value and 42 loans realised below full value leaving a residual debt. We are continuing to assess the commercial viability of pursuing guarantors for 28 of the residual loans (outstanding balance of $39.9 million).
- Asset realisations have generally been significantly below the carrying value of the loans previously reported by Provident's Directors (refer to section 3, especially with respect to the FTI loan portfolio).
- Realisations have been significantly impaired for a number of reasons, including the period of time that Provident was mortgagee in possession of some assets, the complexities with some assets in terms of expired development approvals and the significant level of arrears on default loans causing the outstanding loan balance to be in excess of the security value.
- The outstanding loans now remaining in the FTI and BEN loan portfolios are, with the exception of one loan, all non-performing (i.e. the borrowers are in default and not paying interest), resulting in further asset realisations being costly and protracted. As a consequence, significant provisions have been made against these remaining non-performing assets.
- We are continuing to rationalise the Company's business operations so that we can realise cost efficiencies in line with the reduction in outstanding loans.

2 Investigations

2.1 Proceeding against directors

We have caused Provident to commence proceedings against the directors of Provident for a breach of their duties of care and diligence in managing Provident (**Director Proceedings**).

We have detailed within the below table the key dates and actions progressed in the Director Proceedings, noting that the directors have until 29 May 2015 to file their defence:

Date	Action
28 February 2014	Provident filed a statement of claim against the directors of Provident.
29 September 2014	Provident approached the Court for leave to amend the initial statement of claim to expand the allegations pleaded and particularised against the directors of Provident. The directors filed a motion to strike out the Statement of Claim, the basis of which was not completely explained.
1 December 2014	Provident served a 130 page proposed amended statement of claim on the directors.
19 December 2014	The directors indicated that they would consent to the filing of the amended statement of claim and would agree to dismiss their motion seeking to strike it out subject to resolving the question of costs (the question of costs was subsequently resolved).
10 February 2015 *	The Director Proceedings came before the Honourable Justice Black of the NSW Supreme Court for directions. The directors asked the Court to have until 29 May 2015 to prepare their defence in view of the detailed allegations made against them (as opposed to the usual 28 days for the filing of a defence). Conscious of the need to resolve the matter quickly, we pressed the directors to file their defence on or before 17 April 2015 but Black J ultimately gave the directors until 29 May 2015 to file their defences subject to the Court monitoring progress.
1 May 2015	The directors are to report to the Court as to their progress in preparing the defence.
29 May 2015	The directors are to have filed their defence.
5 June 2015	The Director Proceedings are listed for further directions.

** In making his decision, Black J noted that the current statement of claim is a very detailed document and will require time for the directors to respond to it in detail. Black J also ordered the directors and Provident to confer about ensuring that the directors make it clear what their defence is to the allegations contained in the Amended Statement of Claim rather than simply denying each of the allegations made against them.*

2.2 Possible assets available to meet a claim against the directors

We consider that assets may be available to meet the claim, including insurance policies (which we make no comment in relation to).

Whilst there appears to be assets available, there is a possibility that any judgement obtained against the directors will not be recovered in full, however this will depend on the circumstances of the case.

2.3 Other recovery actions

Our investigations into the possibility of there being other claims which should be pursued by Provident are ongoing, including a claim against the Company's incumbent auditors, HLB Mann Judd.

2.4 Class Action Groups

We note that Slater & Gordon have commenced a class action against Australian Executor Trustees Ltd (AET) in the Federal Court of Australia. We are not a party to that proceeding and make no comment on same in accordance with the court orders we have received (so far as reporting to Debentureholders on the issue).

Separately, we note our previous advice that there is a separate class action group represented by Meridian Lawyers. Again, we have no comment on that group or its ongoing activities.

2.5 Australian Securities and Investment Commission (ASIC) bans former Managing Director – Michael O'Sullivan

ASIC issued a media release on 20 February 2015 advising that it had banned Michael O'Sullivan from managing a corporation for five years and from providing financial services for seven years. The ban follows an ASIC investigation which found Michael O'Sullivan breached his duties as a director and failed to comply with financial services laws.

ASIC's investigation found Michael O'Sullivan:

- failed to exercise due care and diligence in the management and recording of the largest loan made by Provident through its FTI loan portfolio.
- caused Provident to make misleading statements to ASIC and AET.
- caused Provident to issue a Debenture Prospectus in December 2010 to raise funds from the public which contained misleading statements.
- used his position improperly to gain financial advantages for himself and for a company of which he was formerly a director.

Michael O'Sullivan has appealed the decision.

3 Return to FTI Debentureholders

3.1 Return to FTI Debentureholders

We continue to monitor and update our estimated outcome statement which indicates estimated cash available for distribution to FTI Debentureholders has reduced by $5.5 million to $15.8 million. The reduction in cash available for distribution is attributable to:

Description	$(m)
• Lower than forecast recoveries from security property assets	1.5
• Increased operational costs associated with the day to day operations of Provident and the wind down of the business	1.0
• Increased costs of the receivers and legal advisors	3.0
Total	**$5.5**

The three points within the above table are detailed further below:

- The key driver of the lower than forecast recoveries from security property assets is the reduced expected recovery from one of the remaining MIP properties. This property is currently subject to a sale process, which precludes us making any further comment at this stage. Additionally, as detailed within this section, recoveries of other loan assets in the 6 months to 31 December 2014 have been lower than expected.
- Legal enforcement action has been required to recover these loans which increases costs whilst causing further delay and reduces the net recovery to Provident.
- We have increased the forecast operational expense requirements associated with winding down Provident's business. This reflects the likely further time required to recover the remaining impaired loans in the portfolios which are all in default (save for one loan of $744,000).
- Forecast additional legal and receiver costs reflect our estimate of the additional work required to recover the remaining impaired loan portfolios, and also the further investigations that are being progressed as outlined in section 2 (and which we have yet to project any recoveries on at this stage). Our estimate of the investigations costs is based upon the information currently available. In the event that our investigations progress contrary to our initial assessment, we would need to review the estimate and consider if additional costs, if any, are required.
- We are seeking to mitigate legal enforcement costs (where possible) by deducting those costs against the equity in the security properties and pursuing enforcement against loan guarantors. However we note that many of the loan guarantors have little personal financial worth (given the nature of the Provident business).
- We are currently considering alternative funding options (eg including litigation funding) which may be available to defer some of the forecast future legal costs associated with the investigations program.

Following the full payment of interest outstanding as at the date of our appointment, the forecast total principal return to debenbentureholders has decreased to 16 cents in the dollar. Our estimated return is based upon a number of assumptions which, if they were not to materialise, could have a detrimental impact on the estimated return:

- No new significant provisions against outstanding loans.
- Full recovery of certain loans from existing defaulting borrowers which have been identified as having low 'loan to value' ratios.
- Positive and timely outcomes from the remaining property enforcement matters.
- Two remaining Provident staff will continue to support the Receivers.
- No significant adverse changes to property market values.
- Preliminary forecast litigation costs against third parties (although we may be able to procure third party funding for such costs) being in line with forecast.
- Actual Receivership cashflows being in-line with the estimated outcome statement shown on the opposite page.

We note that the estimated return excludes any potential recoveries from litigation against third parties that have either been commenced (i.e. Director Proceedings) or may be pursued by the Receivers, AET or the Liquidators of Provident.

Estimated return to FTI Debentureholders

	Net proceeds ($m)	Estimated return (cents in the $)	Paid to date (cents in the $)
Interest (actual)	4.8	4*	4
Principal (estimated)	15.9	12	8
Total Distributions	**21.1**	**16**	**12**

Source: PPB Advisory analysis

*4 cents in the $ represents a 100% return of interest.

Estimated outcomes statement as at 31 December 2014*

	Amount ($)
Cash Inflows	
BEN – Loan Realisations	79,364,733
Total net FTI MIP Realisations	27,764,329
FTI Principal Loan Repayments	7,390,517
Residual/Litigation Loan Realisations	4,251,719
Loan Repayment from Cashflow Finance Solutions	587,253
Pre-appointment Cash	2,168,371
MIF and HYF Income	2,027,965
FTI Loans – Interest	1,488,261
Refund of pre-appointment income tax	2,564,839
BEN Loan Management Fee	368,055
MMP Commissions	117,590
Other Income	35,479
Total cash inflows	**128,129,110**

	Amount ($)
Cash outflows	
BEN (secured creditor)	(74,787,829)
Distribution to Debentureholders - Interest component	(4,780,069)
Corporate Overheads	(8,180,752)
Receivership Costs – Paid to date (March 2014)	(9,359,002)
Receivership Costs – Future estimated	(3,000,000)
Legal Fees – Paid to date	(5,820,199)
Legal Fees – Outstanding to date / Future estimated	(3,000,000)
Provision for possible litigation costs against third parties	(1,500,000)
Trustee's Preappointment Advisor Costs	(927,300)
Loan to Cashflow solutions	(587,253)
Other Costs/Contingency	(331,817)
Total cash outflows	**(112,274,220)**
Estimated net cash available for distribution to Debentureholders	**15,854,890**

Source: PPB Advisory analysis

* We note that in some circumstances, the costs associated with recovery of default loans are collected from the borrowers upon settlement and these recoveries are included within realisations shown under receipts to offset recovery costs.

Our estimated return incorporates value for the estimated equity in the BEN loan portfolio (i.e. after extinguishing the debt due to the secured creditor) of $4.6 million. This figure represents a $0.5 million decrease since our 30 June 2014 estimate which is mainly attributable to a reduction in the estimated recoverable value on certain loans. Further information in respect to the BEN Portfolio is detailed later in this section.

3.2 Forecast quantum and timing of future distributions

The forecast future principal distribution of 4 cents in the dollar is dependent upon the realisation of:

- FTI loan assets at their estimated recoverable value, noting that these assets are either mortgagee in possession or are subject to some form of legal enforcement action, which increases the risk of recovery being lower than forecast.
- BEN equity, which is based upon recovery of the remaining default loans at the estimated recoverable value.

(We also note that we have not projected any return from a litigation per the paragraph at the bottom of page 6).

3.3 FTI loan portfolio

At the time of our appointment, the FTI loan portfolio (this is the portfolio which was funded by Debentureholders under the Fixed Term Investment program) held 49 loans with a carrying value of $113.2 million (note that interest and costs continue to accrue against this balance).

A summary of the loan portfolio as at 31 December 2014 is shown below.

Summary of the FTI loan portfolio as at 31 December 2014

	Provident's carrying value ($)	Receivers' ERV ($)	Number
Performing	686,506	commercially sensitive*	1
Default	8,456,617	commercially sensitive*	1
Mortgagee in possession	21,841,044	commercially sensitive*	2
Total secured loans	**30,984,167**	**8,385,919**	**4**
Residual debt	28,793,225	-	15
Related party loans	4,241,700	-	1
Total unsecured loans	**33,034,925**	**-**	**16**
Total	**64,019,092**	**8,385,919**	**20**

Source: Provident's management accounts and PPB Advisory analysis

Since our appointment, we have realised 39 loans with a carrying value of circa $71.7 million for circa $38.7million, of which:

- 13 loans have been recovered at full carrying value.
- 26 loans have been recovered for a value less than their carrying value, resulting in a shortfall of $33.0 million (excluding additional costs to recover residual debt).

Most of the remaining recoverable value in the FTI loan portfolio is from secured non-performing loans, with the vast majority 'locked up' in assets controlled by Provident in its capacity as mortgagee in possession. Further, whilst we continue to explore all avenues for recovery of residual debt and related party loans totalling $33.0 million, it is unlikely that any material recovery will result due to the majority of borrowers and associated guarantors being of little or no personal financial substance.

As previously advised, there were 16 cases of litigation in progress at the time of our appointment and a further case was instigated post our appointment. These 17 cases have now settled, realising $5.7 million ($2.0 million in respect of the BEN loan portfolio and $3.7 million from the FTI loan portfolio). Whilst the cases have settled, further limited recoveries in line with the agreements reached for two of the cases are expected.

3.4 Key issues impacting on value and ability to realise remaining loans

We have detailed below the general issues affecting the timely realisation of the remaining assets within the FTI Loan portfolio.

3.4.1 Loan 1: Development site – Mortgagee in possession

- As previously reported, Provident has been mortgagee in possession of this asset since 2008.
- Since our appointment, we have progressed a request for development approval (DA) (note that the previous DA had lapsed) in order to position the partially constructed development for sale. Due to the topography of the development site, the local council and Provident

have obtained independent geotechnical expert reports to attempt to resolve the local council's concerns with the site.

- To progress the matter, and in consultation with our legal advisors, Provident filed an appeal in the Planning and Environment Court on 16 May 2014. A directions hearing on 6 June 2014 resolved that the local council notify Provident of its position on the DA by 14 July 2014, and that the parties mediate by 24 July 2014.
- The local council provided notification of its objection to the DA and the parties attended mediation on 23 July 2014. The outcome of the mediation was that the respective geotechnical experts meet to attempt to resolve council's concerns which would be expected to enable the DA, or an amended DA, to be approved.
- The geotechnical experts continue to progress their required works, having issued two joint expert reports identifying and attempting to mitigate the council's concerns.
- Whilst progress is being made, there are still areas that remain of concern to the council. These concerns will need to be mitigated to obtain certification, although it now appears that Council is now working toward a solution (even piecemeal) to resolve the issues in dispute.
- Once certification and approval is obtained, we intend to put this property to market. However, a substantial amount of interest had been capitalised on the loan at the time of our appointment, so there will be a substantial loss against book value once the asset is sold.

3.4.2 Loan 2: Vineyard – default

- This asset continues to be difficult to realise due to adverse market conditions for vineyard operators in the Hunter region and the locality of the property, being adjacent to a large coal mining operation.
- We continue to work with the directors of the borrower who commenced a tender process with local and national property agents in October/ November 2014. Bids received in the tender process were not sufficient to allow for an exchange of contracts. However, negotiations with interested parties are ongoing and we are hopeful of a sale being achieved shortly.

3.4.3 Loan 3: Long dated loan – performing

- This is a long dated (2028 maturity) loan where the borrower continues to meet their obligations in respect to the loan.
- Whilst the loan is performing, we are assessing options to accelerate recovery of the loan, which may include a sale of the loan to a third party.

3.5 BEN loan portfolio

At the time of our appointment, Provident held a $100 million wholesale finance facility with Bendigo & Adelaide Bank Limited (BEN) which was drawn to $74.2 million and secured by 75 individual loans. In addition, BEN held further security in the form of cash collateral of $10.0 million provided by Provident.

Provident has been in default of its obligations to BEN since March 2012 when the facility expired prior to Receivership. As a result, whilst BEN has not enforced its facility, it has withheld releasing Provident's cash collateral (and other amounts owing to Provident) pending full repayment of its facility (as it is entitled to do).

Since our appointment, we have realised 69 loans with total recoveries of over $61.4 million. Of these realised loans, there is a residual balance outstanding on 13 loans. Receivership costs associated with managing the BEN loan portfolio are recovered from BEN. We have summarised in the following table the anticipated equity (estimated at between $4.6 million and $5.0 million) that will be available to Debentureholders, following the full repayment of the BEN facility.

Estimated range of recovery from the BEN loan portfolio as at 31 December 2014

	Best case Amount ($ million)	Likely case Amount ($ million)
Amount owing to BEN as at 31 December 2014	**(13.4)**	**(13.4)**
Add:		
Estimated future loan recoveries	5.7	5.3
Cash collateral account	10.0	10.0
Net income retained by BEN owing to Provident	2.7	2.7
Net expected return to Provident	**5.0**	**4.6**

Source: Provident's management accounts and PPB Advisory analysis

The table below summarises the current status of the BEN loan portfolio as at 31 December 2014:

Summary of BEN loan portfolio as at 31 December 2014

	Carrying value ($)	Receivers' ERV ($)	Number
Default	9,045,762	commercially sensitive*	5
MIP	334,935	commercially sensitive*	1
Residual debt	11,095,202	-	13
Total	**20,475,899**	**9,295,647**	**19**

Source: Provident's management accounts and PPB Advisory analysis

*The Receivers' individual Estimated Realisable Value (**ERV**) for these loans has not been disclosed as a sales process is currently underway for a number of these security properties.

The remaining recoverable value in the BEN loan portfolio is from non-performing loans which are subject to some form of legal enforcement action. As a result, it is likely to take an extended period of time before the equity is recovered.

3.6 Provident Capital Monthly Income Fund (MIF) and the Provident Capital High Yield Fund (HYF)

Provident continues to discharge its obligations as responsible entity (**RE**) for both MIF and HYF.

The process of winding down the MIF is well advanced, with 73 loans which had a carrying value of $29.6 million at the time of Receivership being discharged to 31 December 2014, allowing for total capital distributions of 93 cents per unit to be made to MIF unitholders.

There are three remaining loans in the MIF as at 31 December 2014 with a carrying value of $1.6 million and one litigation matter. One loan is in MIP and the remaining two loans are in default with legal enforcement action well advanced, whilst the litigation matter relates to a loan where the security property was realised and funds totalling $736,289 are held in escrow. As this matter is currently before the court, we are unable to disclose further information at this stage.

All loans in the HYF have been realised, with 90 cents per unit having been distributed to the HYF unitholders at 31 December 2014 (the final $0.10 has since been paid in March 2015).

We continue to forecast a full recovery of capital for MIF unitholders. However, this forecast is subject to final statutory wind up requirements and associated costs, as well as recovery of the remaining MIF loans being in line with forecast.

Summary of the loan portfolio as at 31 December 2014

	Carrying value ($)	Number
Default	613,042	2
MIP	980,485	1
Total	**1,593,527**	**3**

Source: Provident's management accounts and PPB Advisory analysis

4 Next steps

4.1 Cost savings and other recoveries

We have previously detailed a number of operational cost efficiencies which have provided savings in excess of $3.5 million during the receivership. Now that the loan portfolios have been largely recovered, we expect that there will only be limited opportunities to realise further cost efficiencies other than those that will result from the ongoing reduction of loans and associated costs.

Recoveries from assets other than the loan portfolio include:

- Investigations – refer to Section 2.
- Overpaid tax of circa $2.5 million relating to the period before receivership.

4.2 Loan to Cashflow Finance Solutions Pty Ltd (Cashflow)

The Receivers of Cashflow have continued to pursue recovery of the remaining outstanding debtors. An agreement between the Receivers and the debtor has been reached which is in the process of being documented. Once the funds are received, Cashflow will make a final distribution of $151k to Provident, which will increase total recoveries from Cashflow to $651k.

4.3 Receipts and payments

A summary of the receipts and payments incurred from the date of our appointment to 31 December 2014 is summarised opposite.

Summary of receipts and payments for the period to 31 December 2014

	Amount ($)
Receipts	
BEN - Loan realisations	61,367,162
FTI - MIP loan realisations	30,011,635
FTI - Performing loan realisations	4,481,991
Pre-appointment cash at bank	2,168,371
MIF and HYF Income	2,027,964
Interest income	1,425,367
FTI - Residual debt realisations	4,198,985
Loan repayment from Cashflow Finance Solutions	500,000
Refund of pre-appointment income tax	2,564,839
MMP - Commission income	352,590
MMP - Realisation of income trail	235,000
Other income	309,016
BEN - Loan management fee	332,055
Total receipts	**109,974,975**
Payments	
Distributions to ABL	(59,874,751)
Distributions to Debentureholders	(14,817,508)
Receivership costs - Asset Management	(2,687,099)
Receivership costs - Other (e.g. investigations)	(4,016,226)
Receivership costs - Loan portfolio management	(1,277,015)
Receivership costs - Creditors	(654,894)
Receivership costs - Fund Management	(560,995)
Disbursements	(162,773)
MIP property expense	(6,428,052)
Corporate overheads	(7,476,938)
Legal fees	(5,820,199)
Trustee legal and professional costs to 3 July 2012	(653,959)
Loan to Cashflow Finance Solutions	(587,253)
Voluntary Administrators' costs	(163,746)
Trustee costs	(273,341)
Total payments	**(105,454,749)**
Net receipts and payments	**4,520,226**

4.4 Key ongoing workstreams

During the next six months, whilst continuing to recover Provident's loan portfolio assets, there will be an ongoing focus on investigations, primarily matters relating to the Director Proceedings detailed in section 1, but also other investigations into possible recoveries from third parties which may be available to Debentureholders.

The key workstreams within the receivership that are currently being progressed include:

- Ongoing recovery of the loan portfolios, including legal enforcement action against delinquent borrowers (where commercially worthwhile) and realisation of assets where Provident is mortgagee in possession.
- Attending to the ongoing day to day operations of Provident's business.
- Ongoing reporting to AET, BEN and Debentureholders regarding recovery of the loan portfolios.
- Ongoing wind down of the MIF, facilitate final distribution to unitholders and wind up the HYF and reporting to unitholders and the ASIC.
- Investigating the ability to recover any value in relation to the residual debt exposures (ie guarantors) and related party loan.
- Finalisation of Provident's 2012 company tax return to determine if further recoveries of overpaid tax are possible.
- Progress the Director Proceedings in line with the current court timetable, together with ongoing associated investigations requirements.
- Ongoing investigations into potential claims against third parties (including the former auditors of Provident), in addition to the Director Proceedings.
- Continue liaising and meeting with key stakeholders (AET, the ASIC, BEN and Provident's Liquidators).
- Ongoing rationalisation of the day to day operational costs associated with Provident's business in line with the reducing loan portfolios.
- Facilitate further distributions to Debentureholders as and when funds become available.

5 Professional fees

5.1 Key actions undertaken since our appointment

A summary of the key actions we have an undertaken throughout the course of our appointment follows:

- Realising 108 loans from within the FTI and BEN loan portfolios, as well as 78 loans from within MIF and HYF.
- Notifying and coordinating two information sessions for Debentureholders.
- Preparing submissions to Court and receive approval to amend the Trust Deed allowing for distributions to Debentureholders to commence.
- Distributing in excess of $14.8 million to Debentureholders.
- Completing the sale of two portfolios of par loans to MKM Capital Pty Limited generating circa $12 million.
- Completing sale of the Mortgage Manager Program.
- Preparing and lodging an objection to the ATO in respect to the 2008, 2009, 2010 and 2011 Provident income tax assessment resulting in gross recoveries of $2.5 million. Further recoveries are expected.
- Managing the day to day operations of Provident's business, including commencing enforcement action where necessary to recover outstanding loans.
- Ongoing management of security properties controlled by Provident in its capacity as mortgagee in possession.
- Attending to recovery of the loan portfolios and exploring options to accelerate recoveries.
- Progressing the litigation matters in progress as at the date of our appointment resulting in $5.7 million in recoveries.
- Overseeing the wind down of the MIF and HYF.
- Regularly considering options to reduce ongoing operational costs where possible.
- Undertaking an extensive investigations program into Provident's historical affairs, progressing the Directors Proceedings and considering other possible actions against third parties.
- Conducting public examinations of Provident's directors over 10 days.
- Filing protective proceedings against PwC, who were Provident's auditors until January 2008.
- Ongoing reporting to the AET and BEN regarding the wind up of the loan portfolios.
- Liaising and meeting with key stakeholders (such as AET, BEN, the ASIC and Provident's Liquidators).
- Prosecuting the claim of breach of director duties against the directors.
- Prosecuting a large number of contested claims in order to recover assets from borrowers, guarantors and in some cases advisors to Provident.

5.2 Receivers' remuneration

Our remuneration is based on time incurred, calculated in accordance with the rates set by PPB Advisory in accordance with the Australian Restructuring, Insolvency and Turnaround Association's Best Practice Guide. These rates have been approved by the Federal Court of Australia.

Full particulars of work undertaken and remuneration incurred are being provided to AET for approval as well as to the ASIC for their review and comment (we note that ASIC do not approve our remuneration). No fees are paid until this process has been completed.

The Receivers remuneration remains unpaid for over one year (1 April 2014) as they are concerned to make payments to Debentureholders during the Receivership and not solely toward professional fees. In the event that Debentureholders wish to raise queries in respect of our remuneration with the Trustee, and or review copies of our remuneration reports, the reports available for review will be limited to a summary of the classes of work performed and not the full remuneration reports including the detailed narratives (as they appear in the relevant tax invoices). This is due primarily to the full remuneration reports (including detailed narrations of completed tasks) being subject to legal professional privilege, and the concern that the disclosure of those detailed narrations to third parties may waive legal professional privilege. It is for this reason the Receivers have taken the unorthodox step of sending their full remuneration reports to ASIC.

Total time costs of $9.9 million which have been incurred during the receivership to 31 December 2014 are summarised across 6 key task codes within the below table:

Time costs allocated across key task codes for period July 2012 to December 2014

Task	Value ($)	Hours
Asset Management	4,896,277.90	12,518.64
Creditors	814,272.00	1,815.25
Employees	131,011.50	352.20
Trade-On	1,053,314.20	2,831.15
Investigation	1,804,565.10	4,044.59
Administration	1,256,459.75	3,351.49
Total (exc GST)	**$9,955,900.45**	**24,913.32**

Source: PPB Analysis

Please note that time costs of $9.35 million for the period to 31 March 2014 have been paid as at 31 December 2014, as shown within the estimated outcome table on page 7.

There are multiple workstreams that fall within each task category. Summarised below is a non-exhaustive list of these key workstreams:

Asset Management

- Realising loan portfolio assets, reporting to AET, BEN and Debentureholders on realisations, liasing with agents and valuers, maintaining properties held in Provident's loan portfolios, managing MIP property appointments, maximising value of company assets through targeted improvements and visiting sites of assets.

Creditors

- Dealing with Debentureholder enquiries, preparing 6 monthly reports to Debentureholders, dealing with PPSR registrations, holding meetings for Debentureholders.

Employees

- Completing payroll for existing staff, managing staffing requirements, calculation of employee entitlements, reconciling superannuation and other liabilities owing to employees.

Trade on

- Managing ongoing operations of company, processing receipts and payments for realisations of assets and costs incurred, budgeting and maintaining working cash flow, payment of Debentureholder distributions, liaising with suppliers and other relevant agents.

Investigation

- Completing enquiries into the affairs of Provident, pursuing claims against the directors and considering other potential avenues of litigation, collection and review of the Provident's books and records, briefing solicitors and attending court settlements/negotiations.

Administration

- Meeting statutory obligations by reporting to ASIC, strategy planning of receivership, preparing ATO reporting, dealing with insurance and risk mitigation, attending to correspondence from various stakeholders.

Time costs from appointment date

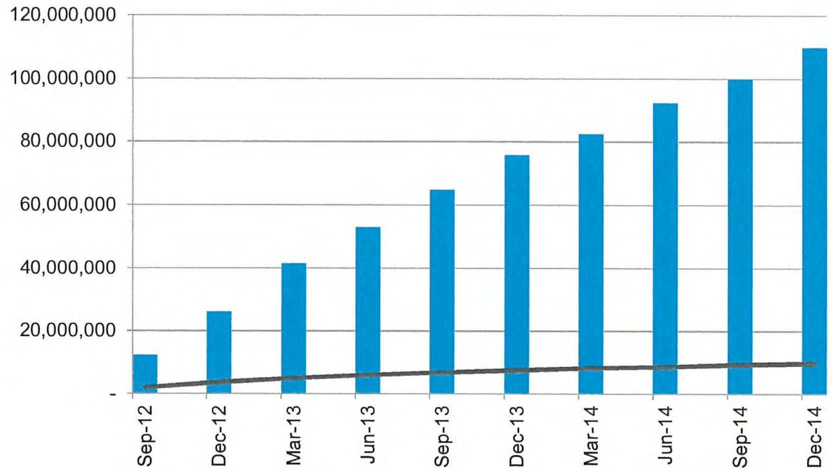
Source: PPB Advisory Analysis

Since our appointment, receivership time costs have decreased in line with the recovery of the FTI and BEN loan portfolios as shown in the above graph. Our gross monthly time costs are subject to ongoing internal review to ensure that they are reasonable and appropriate. As a result of our internal review, we have reduced our monthly time costs since 3 July 2012 by an average 10.93%.

We continue to seek opportunities to further reduce our time costs, by:

- retaining a contractor to assist with recovery of the loan portfolio over which we do not charge a margin
- continuing to engage Provident Capital Limited staff to assist the Receivers
- utilising more junior staff where possible with a lower charge rate.

Aggregate asset realisations vs Aggregate time costs



Source: PPB Advisory Analysis

Total receivership time costs of $9.9 million account for 8.84% of the aggregate gross asset realisations achieved in the period 31 December 2014. We expect that the aggregate time costs as a percentage of aggregate gross asset realisations over the remainder of the receivership will remain relatively constant, however this will be subject to the outcomes achieved in realisation of the remaining loan assets.

Overall, total receivership time costs have been greater than what was initially forecast. This is directly attributable to the poor state of Provident's loan portfolio assets which has led to substantial time being spent enforcing and recovering loans, along with the extensive investigations program that has been progressed (which has led to the Director proceedings).

Future time costs will be dependent upon a number of variables, including whether the enforcement required against the remaining loans is more time intensive and costly than expected and/or the Director Proceedings do not progress in line with expectations. However, we have estimated that our future costs could be $3.0 million (GST inclusive) to completion. As highlighted within this report, we are cognisant of the impact on Debentureholder returns that the costs of the Receivership have, and are constantly seeking options to reduce those costs.