

**PROVIDENT CAPITAL
LIMITED
(RECEIVERS AND
MANAGERS APPOINTED)
(ADMINISTRATORS
APPOINTED)**

**August 2012 Report to AET as
Trustee for the Provident
Capital Limited Debenture Issue**

28 September 2012

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Glossary

Term	Definition
ABL	Bendigo & Adelaide Bank Limited
AET	Australian Executor Trustees Limited
BOD	Board of Directors
FTI	Fixed Term Investment
MIP	Mortgagee in Possession
PCL	Provident Capital Limited (Receivers & Managers Appointed)(Administrators Appointed)
PPBA	PPB Advisory

1. Portfolio movement to 31 August 2012

The below table summarises the book value of Provident's FTI and ABL loan portfolios at the date of receivership, being 3 July 2012, and as at 31 August 2012. In respect to movements in the portfolios, it is important to note:

- FTI – funds were recovered from from 2 of the 49 loans, however only 1 loan discharged in full, with the other loan having a residual balance outstanding, leaving 48 loans; and
- FTI – the closing balance of this loan portfolio was \$109.8m at 31 August 2012, following receipt of \$4.8m, and accounting for interest that continues to capitalise on the non-performing loans.

Further detail on each loan portfolio is provided within this report.

Portfolio	Position at 3 Jul 12		Loan Discharges to 31 Aug 12		Position at 31 Aug 12		ABL Loan at 31 Aug 12	Balance before provision
	Number of loans	\$m	Number of loans	\$m	Number of loans	\$m	\$m	\$m
FTI	49	113.2	2	4.8	48	109.8	-	109.8
ABL	75	74.2	4	2.9	71	71.2	(66.5)	4.7
Total	124	187.4	6	7.7	119	* 181.0	(66.5)	* 114.5

* Importantly, the amounts shown in the table are based upon Provident's book values, which do not take into account necessary provisioning which is expected to have a material negative impact.

2. Receipts and payments summary to 31 August 2012



Provident Capital Limited (Receivers and Managers Appointed) Receipts and Payments Summary to 31 August 2012

Item	Amount (\$)
Receipts	
FTI MIP Loan Realisations	4,255,501
Cash on Appointment	2,122,750
FTI Performing Loan Realisations	571,500
Loan Discharge Fees	26,135
Interest	22,109
Other Income	5,617
Mortgage Management Program Income	1,420
Total receipts	7,005,032
Payments	
Pre-Appointment Legal Fees	(518,138)
Trustee Costs (including Legal & Professional Fees)	(410,028)
Priority Payments to Continuing Employees	(210,171)
Wages & Salaries to Continuing Employees	(162,310)
Rent & Rates	(44,042)
Sundry Expenses	(44,366)
Consultant Costs	(18,581)
Valuation Fees	(17,008)
Property Management Costs	(12,160)
Superannuation Expense for Continuing Employees	(12,009)
Repairs & Maintenance	(11,705)
Unit Registry Fee	(7,200)
Employee Expenses - Other	(2,743)
Total payments	(1,470,461)
Net Receipts and Payments	5,534,572
Closing Cash at 31 August 2012	5,534,572

- At 31 August 2012 there was \$5.5m of cash on hand. These funds will be used to fund the operations of the receivership with any available surplus returned to Debentureholders.
- The Receivers have realised one property in late August which was subject to MIP from within the FTI loan portfolio with net proceeds of \$4.25m being received.
- One FTI performing loan has repaid, with recovery of \$572k.
- Interest and fees charged on loans in the period total \$48k.
- A number of Court proceedings on residual loans and a related party matter were on foot at the time of the Receivers' appointment. Each matter has been assessed for recovery prospects, and, where necessary, outstanding legal fees totalling \$518k have been paid to progress these matters to recovery.
- Costs owing to the Trustee (including legal and professional fees) at appointment totalling \$410k have now been paid. Under the terms of the trust deed the Trustee is indemnified for these costs from the assets of Trust.

3. Estimated distribution profile

- The Receivers and Managers are in the process of making an application to the Federal Court of Australia in order to seek clarification in respect of critical aspects of the Trust Deed in relation to the mechanics of convening formal meetings and making distributions to Debentureholders.
- Details of the Court application will be placed on the PPBA website and circulated electronically to Debentureholders (for those who have provided email addresses – approximately 1,800) to provide Debentureholders the opportunity to comment.
- Following receipt of the Court's confirmation, which is anticipated on or around 5 October 2012, the Receivers and Managers will call a Meeting of Debentureholders, providing a minimum 21 days notice, to consider the proposed amendments to the Trust Deed to enable distributions to recommence.
- The Receivers and Managers will be in a position to make a distribution following the outcome of the Debentureholder meeting.

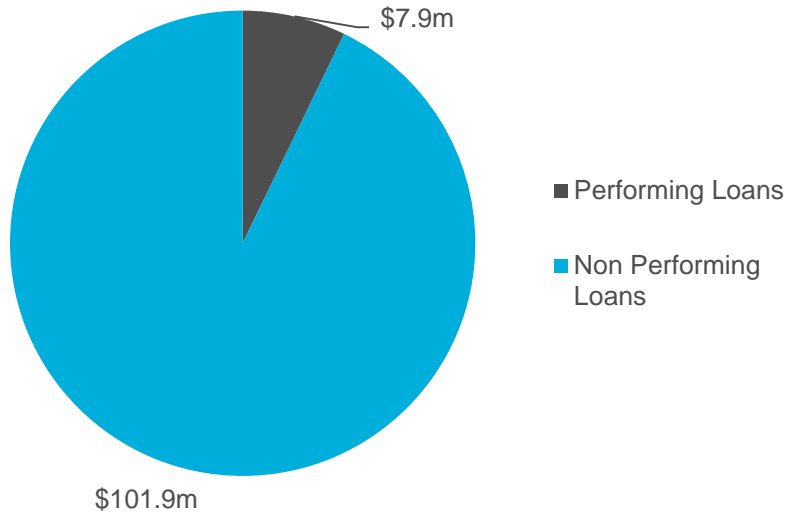
4. FTI loan portfolio analysis as at 31 August 2012



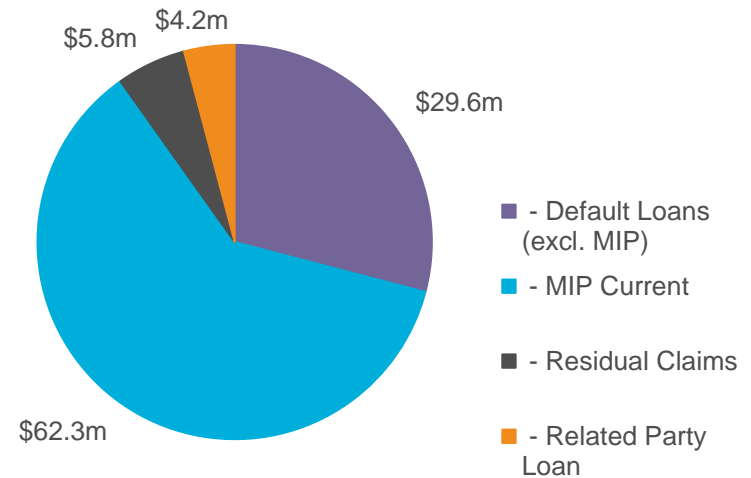
As at 31 August 2012, 92% of the FTI loan portfolio by value was comprised of non-performing loans to borrowers.

The non-performing component of the FTI loan portfolio is split between MIP loans totalling 61%, defaulting loans of 29% with residual claims/related party loans representing the balance.

Book value of FTI Portfolio at 31 August 2012 - \$109.8m



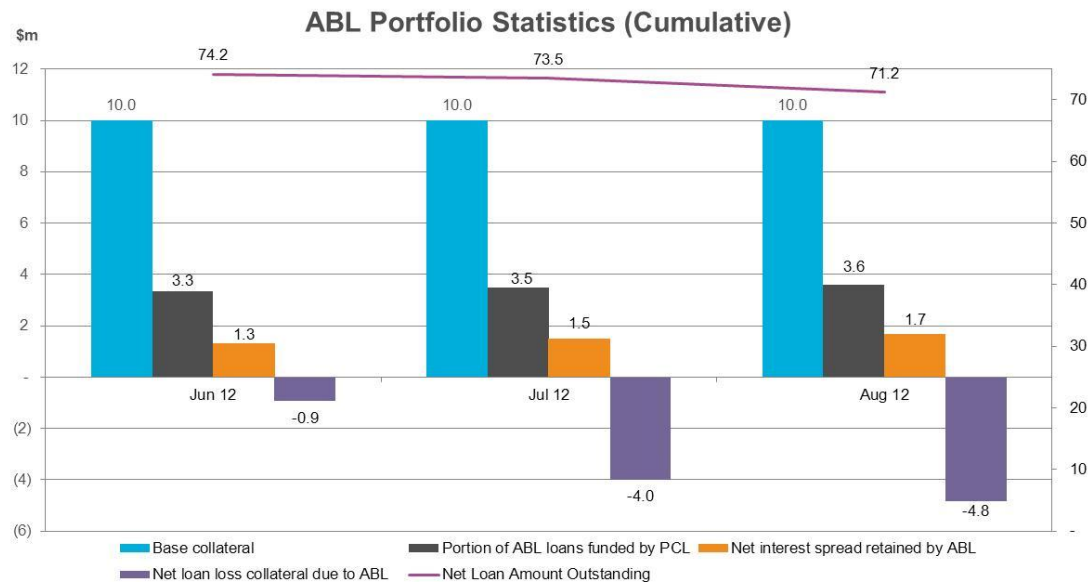
Detail of Non Performing Loan Book at 31 August \$101.9m



5. ABL loan portfolio analysis as at 31 August 2012



- At 31 August , the loan balance of the ABL loan portfolio was \$71.2m, net of provisions totalling \$0.9m. During the month, the ABL loan balance reduced by a net amount of \$2.3m, being loan repayments totalling \$2.9m offset by capitalised interest of c\$600k on non-performing loans.
- The balance owing to ABL is currently \$66.5m, which includes the net loan loss collateral of \$4.8m required to cover certain defaulting loans. The equity within the ABL loan portfolio is currently \$16.4m (including base collateral of \$10m).
- Any further loan impairments will result in an increase in the loan loss collateral amount and reduce the equity position.

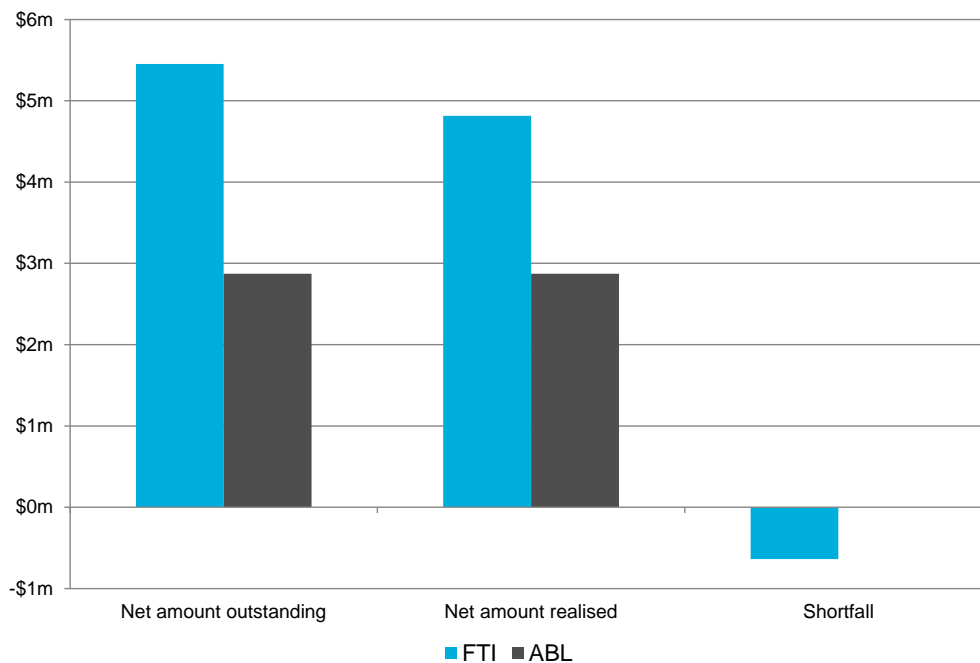


6. Total loan realisations to 31 August 2012



- \$4.8m has been recovered in respect to 2 loans from the FTI loan portfolio.
- Sale proceeds from the security property supporting the FTI MIP loan were insufficient to fully repay the loan balance, resulting in a shortfall of \$0.64m.
- 4 loans fully repaid from the ABL loan portfolio with net recovery to ABL of \$2.87m.

Total loan realisations to 31 August 2012

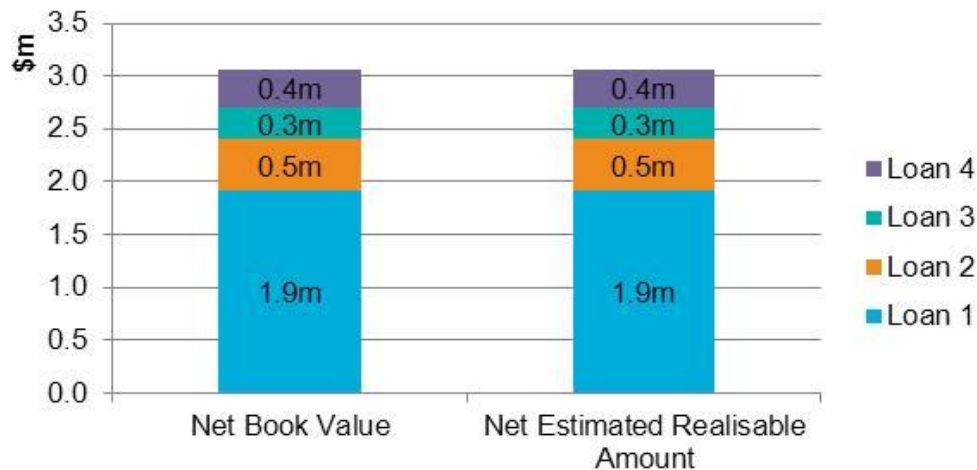


7. Total loan realisations forecast for September 2012



- ABL loan portfolio – 4 loans totalling \$3.1m are forecast to repay with the full value of each loan expected to be recovered.
- FTI loan portfolio – no loan recoveries are forecast for the month. Of the 15 MIP properties in the FTI loan portfolio, 6 are not currently suitable for sale, 7 have been prepared for sale with sales agent submissions commissioned. The remaining 2 are currently on the market.

Projected loan realisations in the ABL loan portfolio for September 2012



9. Material event post 31 August 2012

- On 18 September 2012, Tony McGrath and Joseph Hayes of McGrathNicol were appointed as joint and several voluntary administrators by Australian Executor Trustees Limited (AET) pursuant to Section 436C of the Corporations Act 2001 (Cth).
- The voluntary administration process is another step which AET has undertaken to preserve potential actions that Provident may have against third parties which could give rise to future recoveries in addition to the loan portfolio.
- The appointment also allows unsecured creditors to lodge their claim against Provident, refer to McGrathNicol on (02) 9338 2600 or their website www.mcgrathnicol.com for any further information. AET, as Trustee for the Debentureholders, will be responsible for lodging claims on behalf of all the Debentureholders and voting at meetings in the voluntary administration.
- Notwithstanding the appointment of voluntary administrators, control of the Provident's assets and business operation will otherwise remain with the Receivers and Managers. Any updates as to the status of the receivership will continue to be posted to PPB Advisory's website at www.ppbadvisory.com.