

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

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

**22 October 2012**

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# Glossary

Term	Definition
ABL	Bendigo & Adelaide Bank Limited
AET	Australian Executor Trustees Limited
August 2012 Report	The August 2012 Report to AET dated 28 September 2012
DOCA	Deed of Company Arrangement
FTI	Fixed Term Investment
HDY	Henry Davis York
MIP	Mortgagee in Possession
PCL	Provident Capital Limited (Receivers & Managers Appointed)(Administrators Appointed)
PPBA	PPB Advisory
RE	Responsible Entity

# 1. Portfolio movement to 30 September 2012



The below table summarises the book value (principal and interest less provisions) of Provident's FTI and ABL loan portfolios at the date of receivership, being 3 July 2012, and as at 30 September 2012. In respect to movements in the portfolios, it is important to note:

- FTI – funds were recovered from 2 of the 49 loans, however only 1 loan was discharged in full, with the other loan having a residual balance outstanding, leaving 48 loans; and
- FTI – the closing book value balance of this loan portfolio was \$109.9m at 30 September 2012, following receipt of \$4.8m, and accounting for interest on the performing loans.

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

Portfolio	Position at 3 Jul 12		Loan Discharges to 30 Sep 12		Position at 30 Sep 12		ABL Loan at 30 Sep 12	Balance before provision
	Number of loans	\$m Book Value	Number of loans	\$m Book Value	Number of loans	\$m Book Value	\$m	\$m
FTI	49	113.2	2	4.8	48	109.9	-	109.9
ABL	75	74.2	6	5.6	69	69.2	(63.9)	5.3
<b>Total</b>	<b>124</b>	<b>187.4</b>	<b>8</b>	<b>10.4</b>	<b>116</b>	<b>* 179.1</b>	<b>(63.9)</b>	<b>* 115.2</b>

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

## 2. Receipts and payments summary to 30 September 2012



### Provident Capital Limited (Receivers and Managers Appointed) Receipts and Payments Summary to 30 September 2012

	Amount (\$)
<b>Cash inflows</b>	
MIP Loan realisations	4,255,501
Cash at bank	2,122,762
Performing Loan realisations	581,500
Monthly Income Fund management fee	200,208
High Yield Fund management fee	65,077
Mortgage Management Program income	26,211
Discharge fees	26,135
Other Income	24,258
Interest	23,732
<b>Total cash inflows</b>	<b>7,325,385</b>
<b>Cash outflows</b>	
Pre-appointment legal fees	(700,851)
Security trustee costs (including legal & professional fees)	(680,161)
Wages and superannuation	(242,569)
Priority dividends	(210,171)
Rent	(161,487)
Debentureholders registry and meeting costs	(120,994)
Insurance	(86,897)
Property management costs	(78,740)
Audit and accounting fees	(37,908)
Consultant fees	(30,616)
Sundry expenses	(28,538)
Repairs and maintenance	(14,157)
Unit registry fee	(13,525)
<b>Total payments</b>	<b>(2,406,614)</b>
<b>Net Receipts and Payments</b>	<b>4,918,772</b>
<b>Closing Cash at 30 September 2012</b>	<b>4,918,772</b>

- At 30 September 2012 there was \$4.9m of cash on hand. These funds will be used to fund the operations of the receivership with any available surplus returned to Debentureholders.
- There have been no further FTI realisations in September 2012.
- Interest and fees charged on loans in the period total \$2k bringing the total charged since appointment to \$50k.
- We continue to assess the recovery prospects of Court proceedings commenced prior to our appointment. Fees of \$701k have been paid to progress these matters to recovery.
- Costs owing to the Trustee (including legal and professional fees) at appointment totalling \$654k have now been paid. We have paid a further \$26k in Trustee costs incurred since the date of our appointment. Under the terms of the trust deed the Trustee is indemnified for these costs from the assets of Trust.
- As agreed with the debentureholders, we have not drawn any fees relating to work conducted during the Receivership as we have yet to make any distributions to debentureholders.

### 3. Estimated distribution profile

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- 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.
- Following receipt of the Court's confirmation, which is anticipated on or around 23 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. This meeting is expected to occur in late November 2012, subject to the court providing direction within the anticipated timeframe.
- The Receivers and Managers will be in a position to make a distribution shortly after the outcome of the Meeting of Debentureholders.

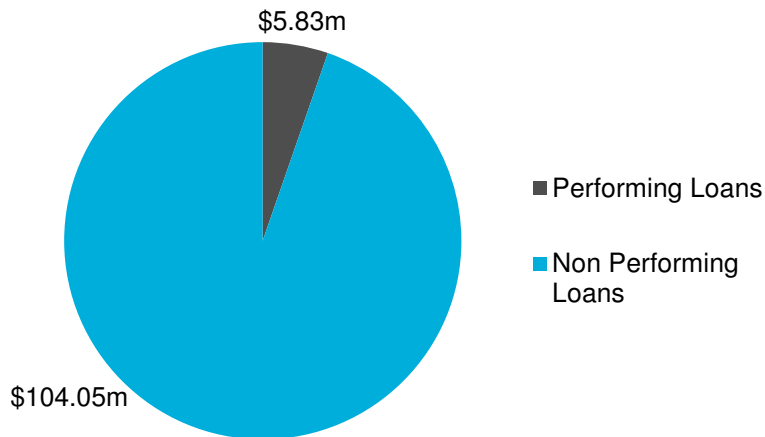
# 4. FTI loan portfolio analysis as at 30 September 2012



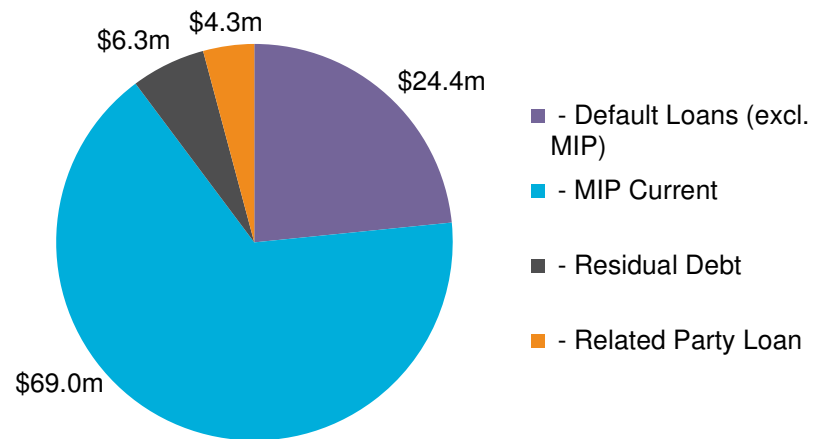
As at 30 September 2012, 95% of the FTI loan portfolio by value was comprised of non-performing loans to borrowers.

The non-performing component of the FTI loan portfolio is split between MIP loans totalling 66%, defaulting loans of 23% with residual claims/related party loans representing the balance.

Book Value of FTI Portfolio at 30 September 2012 - \$109.9m



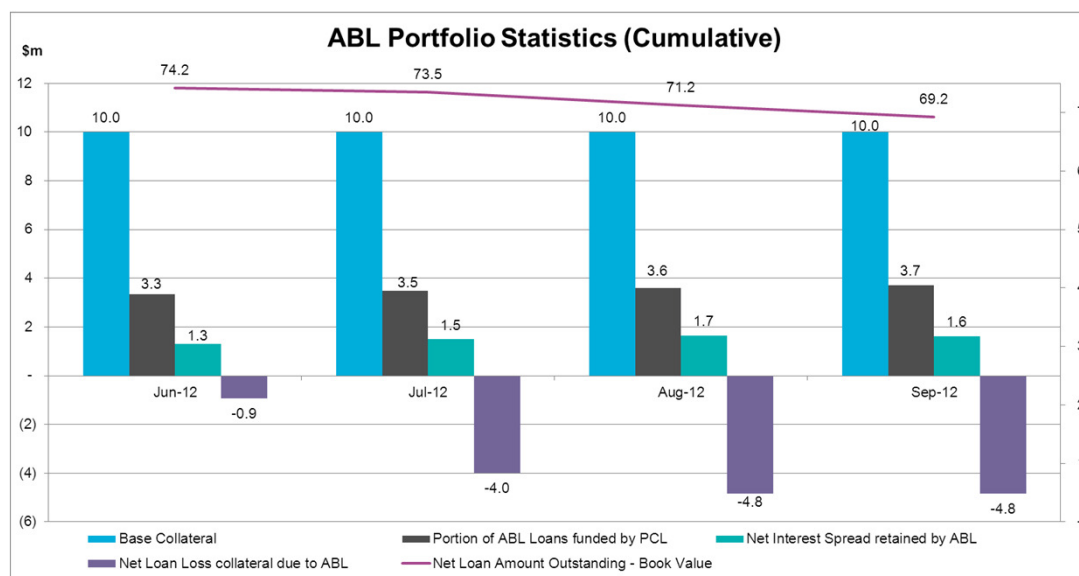
Details of Non Performing Loan Book at 30 September 2012 - \$104m



## 5. ABL loan portfolio analysis as at 30 September 2012



- At 30 September 2012, the loan balance of the ABL loan portfolio was \$69.2m, net of provisions totalling \$1.0m. During the month, the ABL loan balance reduced by a net amount of \$1.9m, being loan repayments totalling \$2.6m (including 2 fully repaid loans totalling \$2.24m and a partially repaid loan of \$0.32m) offset by an increase in interest of \$0.6m and an increase of provisions of \$0.1m against non-performing loans.
- The total balance owing to ABL is currently \$63.9m. There is loan loss collateral of \$4.8m required to cover certain defaulting loans that have not been paid. The equity within the ABL loan portfolio is currently \$16.3m (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.

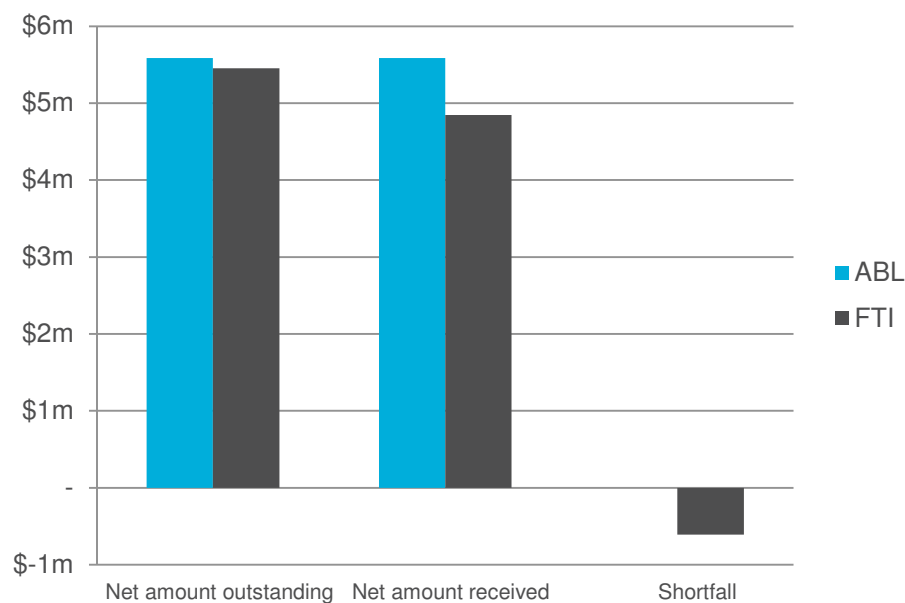




## 6. Total loan realisations to 30 September 2012



- There has been no additional realisations in regards to the FTI loan portfolio since our August 2012 Report, however 2 properties within the portfolio are currently under offer, with settlement likely in December/January.
- Since the our August 2012 Report, two loans have been fully repaid from the ABL loan portfolio with net recovery to ABL of \$2.24m. One loan has been partially repaid with net recovery to ABL of \$0.32m. **Total loan realisations for the period 3 July 2012 to 30 September 2012**

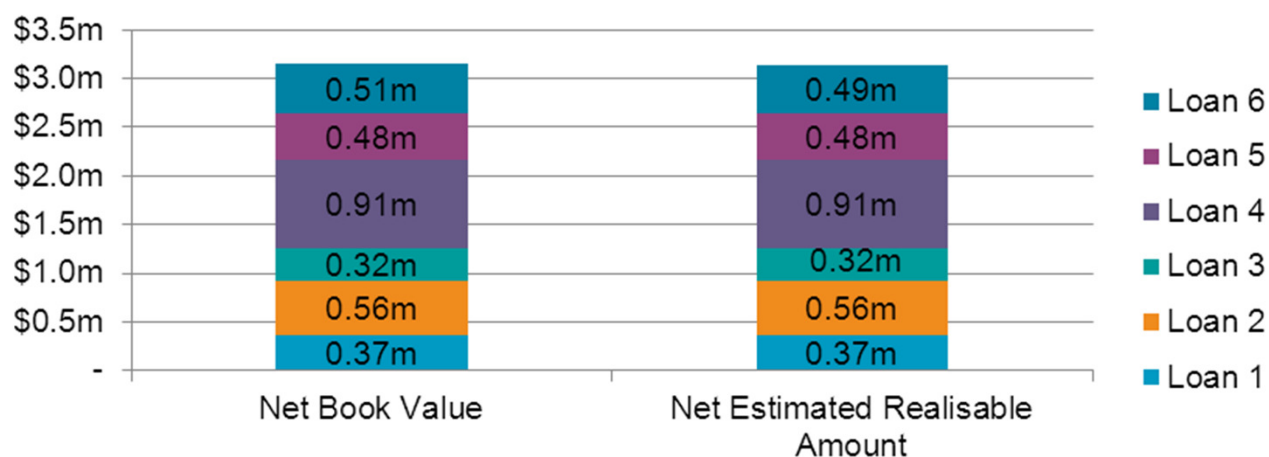


## 7. Total loan realisations forecast for October 2012



- ABL loan portfolio – 6 loans totalling \$3.1m are forecast to be repaid with the full value of each loan expected to be recovered with the exception of one loan where the net estimated realisable amount is \$20k less than the net book value.
- FTI loan portfolio – no loan recoveries are forecast for the month. We are currently in possession of 18 MIP FTI loans, after taking possession of a further two loans in September. Of these loans we have received and accepted offers on two of the MIP properties and continue to market another 3 for sale. We have identified 6 which are not suitable for sale at this time, predominantly due to planning issues. We continue to work towards resolution of these issues. The remaining 6 MIP properties are now in a saleable condition and steps are being taken to put them to market shortly.

Projected loan realisations in the ABL loan portfolio for October 2012



## 8. Material event post 30 September 2012

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- The Directors of the Company provided the Voluntary Administrators with a draft DOCA proposal on 21 September 2012, which was further revised on 5 October 2012. Both proposals are virtually identical.
- The Voluntary Administrators have issued a Report to Creditors dated 17 October 2012. We have uploaded a copy of this report to PPB Advisory's website at [www.ppbadvisory.com](http://www.ppbadvisory.com). As you will note, the Voluntary Administrators have not recommended acceptance of the DOCA proposal.
- AET has indicated that it does not support the DOCA proposal on the basis that it is not in the best interests of Debentureholders as detailed within their letter dated 16 October 2012, a copy of which is available from our website at [www.ppbadvisory.com](http://www.ppbadvisory.com).
- As previously advised, Debentureholders are not required to prove their debt, nor attend any meeting convened by the Voluntary Administrators. AET in their capacity as trustee representing all Debentureholders, will be responsible for lodging claims and voting at meetings in the Voluntary Administration.