Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation)

Update to Debentureholders as at 31 December 2013

26 February 2014

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 set out below an update as to the progress of the Receivership as well as our expectations as to the likely return to Debentureholders.

We recommend that this Report be read in conjunction with our previous communications with Debentureholders. Copies of these 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 in the paragraph opposite.

Further information in respect to 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

Tony Sims and Marcus Ayres
Joint and Several Receivers and Managers
Provident Capital Limited

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Forecast total return

	Paid to date	Forecast future distributions (cents in the $)	Total forecast (cents in the $)
FTI Debentureholders			
Interest to 3 July 2012	$4.8m	Nil	100
Principal	4c/$	13-15	17-19
Non-FTI Investors and BEN			
BEN	65c/$	35	100
HYF / Unit holders	80c/$	20	100
MIF / Unit holders	80c/$	20	100

Executive summary

- After paying all accrued interest to 3 July 2012, we continue to estimate the likely return to Fixed Term Investment (FTI) Debentureholders from the realisation of the loan portfolio assets will be in the range of $0.17 to $0.19 for every dollar of capital. Given the available cash within the receivership, we do not expect to be in a position to pay a further distribution until the second half of calendar 2014.
- Since our appointment, we have realised 86 loans in the FTI and Bendigo and Adelaide (BEN) loan portfolios. Of these, 61 were realised at full value. The 25 loans realised below full value have resulted in a total residual debt of circa $36.8 million. We are pursuing guarantors for those residual debts where possible and appropriate.
- Asset realisations in general have been significantly below the carrying values previously reported by Provident, especially with respect to the FTI loan portfolio.
- Realisations have been significantly impaired for a number of reasons, including the state of disrepair and lack of demand for many of the security assets.
- Many of Provident's pre-receivership intangible assets (such as litigation claims and residual debts outstanding following realisation of security properties) have resulted in minimal return for Debentureholders.
- The outstanding loans now remaining in the FTI and BEN loan portfolios are essentially all non-performing (i.e. the borrowers are in default and not paying interest), resulting in further asset realisations being costly, difficult and protracted. We have therefore had to make significant provisions against these assets.
- We are continuing to seek opportunities to rationalise the Company's business operations so that we can realise cost efficiencies which will enhance the net return to Debentureholders.
- We are continuing our investigations into the Company's affairs in order to identify whether recovery actions may be pursued against various third parties. These actions could give rise to future recoveries (additional to recoveries from the FTI and BEN loan portfolios identified in the adjacent table) for the benefit of Debentureholder's.

1. Return to FTI Debentureholders

Return to FTI Debentureholders

Estimated return to FTI Debentureholders from the realisation of loan portfolio assets

We have updated our estimated outcome statement which indicates estimated cash available for distribution to FTI Debentureholders will be in the range of $21.4 million to $23.5 million, marginally lower than previously reported. The reason for the decline is detailed in section 3 of this report. This equates to full payment of interest outstanding at the date of our appointment, and a further payment of 17 – 19 cents for every dollar of capital invested.

Our estimated return is based upon a number of assumptions:

- No new defaults from borrowers within the loan portfolios.
- 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 large number of property enforcement matters.
- Remaining Provident staff will continue to support the Receivers.
- No significant adverse changes to property market values.
- Exclusion of any recoveries from litigation against third parties that may be pursued by the Receivers, AET or the Liquidators of Provident.
- Inclusion of possible litigation costs against third parties (although we we may be able to procure third party funding for such costs).
- Actual Receivership cashflows being in-line with the estimated outcome statement shown opposite.

Estimated return to Debentureholders

	Net proceeds ($)	Return (cents in the $)	Paid to date (cents in the $)
Interest (actual)	4.8 m	100	100
Principal (estimated)	21.4 m – 23.5 m	17 – 19	4

Estimated outcome statement as at 31 December 2013

	Amount ($'000)
Receipts	
BEN – loan realisations	79,952
FTI – MIP loan realisations	21,740
FTI – principal loan repayments	11,137
FTI – residual debt realisations	3,890
Pre-appointment cash at bank	2,168
MIF and HYF income	1,687
FTI loans – interest income	1,255
Receipt of loan to Cashflow Finance Solutions	587
Refund of pre-appointment income tax	448
BEN loan management fee	273
MMP - commission income	118
Other income	13
Total receipts	**123,268**
Payments	
Distributions to BEN	(74,336)
Corporate overheads	(6,159)
Receivership costs – paid to date	(6,979)
Receivership costs – outstanding to date	(1,237)
Receivership costs – future estimated	(1,784)
Legal fees – paid to date	(4,916)
Legal fees – outstanding to date/future estimated	(2,084)
Provision for possible litigation costs against third parties	(1,500)
Trustee's pre-appointment advisor costs	(748)
Loan to Cashflow Finance Solutions	(587)
Other costs/contingency	(307)
Total payments	**(100,637)**
Estimated net cash available for distribution to Debentureholders	**22,631**

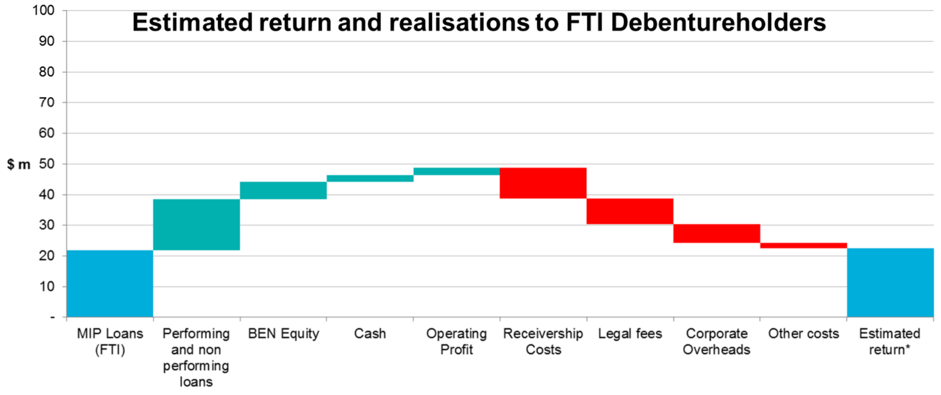
Source: PPB Advisory analysis

1. Return to FTI Debentureholders *continued*

Within our estimated return range, we have incorporated value for the estimated equity in the BEN portfolio (i.e. after extinguishing the debt due to the secured creditor) of $5.6 million. This figure represents a $0.25 million increase since our 31 July 2013 estimate.

The estimated return bridge shows the key sources of income together with outflows, resulting in the forecast total recovery range of between 17 - 19 cents in the dollar for principal invested and $4.8 million in pre-appointment interest.

Estimated return and realisations



Estimated return totals $22.6 million, which includes principal and pre-appointment interest.

Forecast quantum and timing of future distributions

The forecast future principal distribution range of 13 – 15 cents in the dollar is dependent upon the realisation of:

- FTI loan assets at the estimated recoverable value, noting that these assets are mostly mortgagee in possession and subject to some form of legal enforcement action.
- BEN equity, which is based upon recovery of the remaining mostly default loans at the estimated recoverable value.

Section 2 of this Report details the issues with the remaining loan assets in each respective loan portfolio, and the resulting uncertainty as to timing of recoveries which are required to allow for the payment of future distributions.

Whilst we currently anticipate that a fourth interim distribution to Debentureholders will be paid in the second half of calendar 2014, this distribution could be made sooner depending upon the timing of collection of the FTI and BEN loans.

2. Loan portfolios

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 2013 is shown below.

Summary of the FTI loan portfolio as at 31 December 2013

	Provident's carrying value ($)	Receivers' ERV ($)	Number
Performing	2,558,210	commercially sensitive*	2
Default	8,608,926	commercially sensitive*	1
Mortgagee in Possession	37,948,022	commercially sensitive*	5
Total secured loans	**49,115,158**	**15,573,238**	**8**
Residual debt	35,707,490	-	25
Related party loans	4,240,849	-	1
Total unsecured loans	**39,948,339**	**-**	**26**
Total	**89,063,497**	**15,573,238**	**34**

Source: Provident's management accounts and PPB Advisory analysis

Since our appointment, we have realised 31 loans with a carrying value of circa $57.2 million for circa $30.5 million, of which:

- 15 loans have been recovered at full carrying value.
- 16 loans have been recovered for a value less than their carrying value, resulting in a shortfall of $28.6 million. The reason for the shortfall in recovery from these loans is explained in further detail later in this Report.

The shortfall still owing on loans after realisation of the security property ($28.6 million) is carried in the FTI loan portfolio as residual debt, in addition to the balance at the time of our appointment of $7.1 million. Residual debt refers to loans were the real property security has been realised and there is a shortfall which is unsecured. We are pursuing guarantors for those residual debts where possible and appropriate.

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 $39.9 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 advised previously, there were 16 cases of litigation in progress at the time of our appointment and a further case was instigated post our appointment. Of the 17 cases, 13 have now settled or finalised realising $4.7 million ($2.0 million in respect of the BEN loan portfolio and $2.7 million from the FTI loan portfolio). The estimated realisable value of the 4 cases that are ongoing cannot be disclosed for commercial reasons. For the purposes of this Report, the ongoing cases have been valued as having no realisable value to reflect the contingent nature of these assets.

In addition to the above issues, there are a number of more general issues preventing the timely realisation of the remaining assets within the FTI loan portfolio. These include, but are not limited to:

- Development issues - a number of security properties remain subject to deficient or expired development consents. We continue to work with our engaged independent experts, various local councils and statutory authorities to resolve these issues so that security assets can be sold in the most valuable state as soon as possible.
- Agricultural exposures – a number of the security properties are impacted by the poor performing Australian beef and wine markets.
- Long dated loans – the two performing loans have long dated (2028) maturities. We are negotiating with the borrowers to explore options to accelerate recovery of these loans.

2. Loan portfolios *continued*

Examples of remaining security assets and key issues impacting on value and ability to realise

We have summarised in the following table, the remaining top three FTI loan portfolio loans by carrying value where we are currently in the process of realising the security, together with details of the key issues impacting these loans:

Top 3 FTI loans by value still to be realised

Loan	Property type	Location	Provident carrying value ($ million)
1	Development site	QLD	commercially sensitive
2	Cattle Farm	NSW	commercially sensitive
3	Vineyard	NSW	commercially sensitive
			41.0

We have not disclosed our estimated realisable value for these loans given the commercial sensitivity of that information. However, we anticipate on a consolidated basis that there will be a substantial shortfall on carrying value.

Loan 1 – Development site

- Provident advanced this FTI loan in 2000, and in 2008 the borrower was placed into liquidation.
- Provident has been mortgagee in possession of this partially completed Queensland development since 2006. We understand that by at least 2009, Provident management became aware that the development consent had lapsed.
- We have engaged independent experts to assist us in working with the local Council to obtain a new development consent in order to progress realisation of the asset. In particular, geotechnical expertise is required due to the nature of the land on which the development is situated.
- We expect to receive the report from our geotechnical expert in March 2014, following which we will seek to re-engage and progress discussions with Council as to site rectification work requirements, which may be necessary to obtain a new development consent.
- Progression of the development application with Council has been slower than expected, primarily due to the need for Council to obtain its own expert reports before discussions could progress, and Provident instruct its own geotechnical expert report.
- A significant capital loss is expected from this loan.

Loan 2 – Cattle farm

- Provident has been mortgagee in possession of the security property supporting this loan since 2011.
- The primary security is a large farm property which we have engaged Elders to market. An expression of interest campaign was run in the second half of 2013, with bids falling below independent value range. Following further marketing of the property, an auction campaign is to commence in late February 2014, with the auction to be held in March 2014.
- The asset value has been impacted by a number of adverse market factors including diminishing land values, caused by a depressed cattle market.
- A significant capital loss is expected from this loan.

Loan 3 – Vineyard

- Provident has had exposure to this borrower since 2003.
- The asset is located in the Hunter region, where vineyard operators have been leaving the industry due to low economic returns. Further, the vineyard has ceased to operate as a trading business since the loan has been in default.
- The subject security property is also adversely impacted by an adjacent, large coal mining operation.
- Provident had valued the security asset on the assumption that the property was within a compulsory acquisition zone by the coal mining company. However, it does not appear that any satisfactory evidence was obtained to support this assumption.

2. Loan portfolios *continued*

- We are currently working with the borrower to formulate a marketing campaign for the realisation of the asset.
- We expect a significant capital loss on this loan.

Recovery from the 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 46 loans at full recovery and the security on a further eight loans, generating realisations of over $49.9 million. 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 $5.6 million and $6.6 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 2013

	Best case Amount ($ million)	Likely case Amount ($ million)
Amount owing to BEN as at 31 December 2013	**(24.6)**	**(24.6)**
Add:		
Estimated future loan recoveries	18.0	17.0
Cash collateral account	10.0	10.0
Net income retained by BEN owing to Provident	3.2	3.2
Net expected return to Provident	**6.6**	**5.6**

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 2013:

Summary of BEN loan portfolio as at 31 December 2013

	Carrying value ($)	Receivers' ERV ($)	Number
Performing	662,517	commercially sensitive*	1
Default	15,478,303	commercially sensitive*	12
MIP	8,688,478	commercially sensitive*	6
Residual debt	8,223,449	-	10
Total	**33,052,747**	**16,998,327**	**29**

Source: Provident's management accounts and PPB Advisory analysis

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

The majority of remaining recoverable value in the BEN loan portfolio is from non-performing loans. As a result, it is likely to take an extended period of time before the equity is recovered.

2. Loan portfolios *continued*

We have considered a range of alternative options to achieve a more timely recovery of the portfolio, including a sale of all or part of the BEN portfolio, however the discounts implied by buyers of the portfolio to enable a sale of some or all of the loans was substantially greater than our ERV for the loans. We therefore considered that a sale of the portfolio should not proceed.

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 funds is well advanced, with 65 MIF loans totalling $25.6 million being recovered in the year to 31 December 2013, allowing for total distributions of 80 cents per unit to be made to MIF unitholders.

The majority of loans remaining with MIF are in default with enforcement action commenced to recover the loan. Whilst the wind down of the Fund is progressing, the non-performing nature of the remaining loans will impact timely finalisation of this matter.

One loan with a face value of $130k remains in HYF, with 80 cents per unit having been distributed to HYF unitholders. This loan is due to mature in May 2014 and we have progressed discussions with the borrower to encourage timely repayment of this performing loan.

Summary of the MIF and HYF loan portfolios as at 31 December 2013

	MIF		HYF	
	Carrying value ($)	Number	Carrying value ($)	Number
Performing	-	-	129,999	1
Default	5,798,285	10	-	-
MIP	740,000	1	-	-
Total	**6,538,285**	**11**	**129,999**	**1**

Source: Provident's management accounts and PPB Advisory analysis

3. Investigations

Investigations

In our previous reports we noted that investigations into the collapse of Provident have been continuing since the time of our appointment.

We can now report that:

- the initial phase of those investigations is largely complete;
- claims have been identified against officers and third parties that may result in recoveries for the benefit of Debentureholders; and
- in conjunction with our solicitors and Counsel, we are now giving consideration to whether the identified claims against officers and third parties should be pursued, and if so, on what basis. We expect, at this stage, to be able to form a decision around whether any claims should be pursued by June 2014.

The basis of our investigations arises from the significant financial losses Provident and the Debentureholders have suffered. In our view, the extent of the losses is especially serious given:

- the concentration of losses in the FTI loan portfolio (discussed in Section 2 above);
- the safeguards contained in the Debenture Trust Deed, which restricted Provident to set lending criteria; and
- the content of Provident's financial reports, prospectuses and reports to the Australia Securities and Investments Commission (the "ASIC") and the trustee which did not disclose significant loan losses.

As such, a decision was made in December 2012 to pursue an active program of investigations aimed at establishing:

- why Provident's losses were greater than could reasonably be expected given the limitations on Provident's lending activity and the information contained in its financial reports;
- whether Provident's managers and advisors may have failed in their duties to the company; and
- whether Provident might have a claim against any person or persons in relation to the significant losses it has suffered.

As mentioned above, as part of the investigations we have examined or interviewed Provident's directors, employees, valuers and advisors as well as obtaining substantial volumes of documents from Provident's former service providers.

The initial phase of our investigations consisted of four main work streams being:

- identifying, obtaining, collating and reviewing (in so far as possible) the records necessary to undertake a detailed examination of Provident's activities;
- conducting a detailed public examination of Provident's directors, certain of its borrowers and other parties with knowledge of the examinable affairs of Provident;
- obtaining copies of Provident's audit files and considering the feasibility of any action against Provident's auditors; and
- obtaining legal advice on matters arising out of the examination.

In addition to the steps outlined above, we have also caused certain other enquiries to be made which, given their ongoing nature, remain confidential because of its commercially sensitive nature.

The preliminary results of our investigations show, in our opinion, that there have been substantial departures from Provident's stated policies and procedures. Further, we believe that Provident's directors may have failed in their duty to Provident over a substantial period of time. Broadly, we believe that Provident's directors failed in their duty to ensure proper systems and procedures were implemented and adhered to despite being well aware of particular deficiencies in Provident's operations.

While investigations remain ongoing we do not wish to jeopardise any claim that may be available to Provident by giving further particulars in advance of potentially filing proceedings. However, in the event proceedings are filed,

3. Investigations *continued*

then full details of the nature of that claim will be provided to Debentureholders.

As a result of the investigations we are currently:

- giving active consideration to pursuing particular claims against Provident's management; and
- continuing to make enquiries to substantiate the capacity of potential defendants to meet claims available to Provident.

Subject to our comments below, we are also investigating a number of other matters in relation to whether any claims exist against Provident's professional advisors and auditors. Investigations in those respects are also ongoing.

In considering what claims should be pursued we are conscious of the expense of litigation and the limited assets of the estate in the context of very poor loan realisation outcomes. As such, we are focused on identifying and pursuing the most commercially advantageous claims.

We expect to be able to report in our next update, which we expect will be in July/August 2014, on what decisions have been made with respect to pursuing potential claims currently under consideration.

Special Purpose Receiver appointed

In August 2013, our solicitors retained an independent expert to provide advice in respect of the audits carried out for Provident.

Following that review and advice, Provident, through its Receivers and Managers, commenced proceedings against PricewaterhouseCoopers (PwC), who were until January 2008 Provident's auditors.

Those proceedings were commenced at short notice to avoid any limitation issues.

No decision has been made to serve the proceedings against PwC.

In December 2013 on an application from Mr Ayres, the Federal Court of Australia made orders retiring Mr Philip Carter as a court appointed Receiver of Provident. The Court also made orders appointing the current Liquidators of Provident, being Mr Tony McGrath and Mr Joseph Hayes of McGrathNicol, as special purpose receivers to solely manage Provident's potential claim against PwC.

The principal reasons for the appointment of the Liquidators as special purpose receivers were that:

- Three former partners of PwC (who are also defendants to the PwC claim) are current partners in PPB Advisory including Mr Carter;
- Even with Mr Carter removed from office, in prosecuting the proceeding, Mr Ayres and Mr Sims (the existing Receivers) would have been left in a position of having to conduct proceedings against a group of over 400 defendants including three of their current partners (being the PPB Advisory partners who left PwC); and
- In those circumstances it was considered necessary to have independent persons manage the claim against PwC so to avoid having Mr Ayres and Mr Sims being in any position of conflict.

In the interests of saving costs, the existing Liquidators of Provident, were asked to, and did consent to, the special purpose receiver appointment. Subsequently, we have worked with our solicitors to transfer the matter to McGrathNicol and their solicitors. The Receivers and Managers, Mr Ayres and Mr Sims, have no further role to play in the decision to prosecute or not prosecute the proceedings against PwC.

Finally, we confirm that no costs associated with the appointment of the special purpose receivers have been charged to Debentureholders. Following appointment, McGrathNicol will undertake work to progress the matter, and will incur costs separate to the original appointment application.

All questions in relation to the PwC claim should be directed to McGrathNicol.

4. Next steps

Cost savings and other recoveries

We continue to seek opportunities to realise operational savings which will enhance the return to Debentureholders. Some of the more material savings achieved to date include:

- Rationalising labour costs through reduced head count in Provident staff (providing a saving in payroll costs in excess of $3 million excluding redundancy costs since our appointment).
- Reducing corporate overhead by relocating the Company's staff to within the Receivers' premises and ceased ancillary services which were no longer required (generating cost savings in excess of $630,000 per annum).
- We are currently in the process of transitioning Provident's loan operating system to a third party service provider which provides for a more cost effective operating system solution.

We continue to pursue other recoveries from:

- the Australian Taxation Office ("ATO"). We have retained specialist tax experts to assist us with this recovery and work through the 2009, 2010 and 2011 tax years to determine if there could be any further recoveries.
- Investigations – refer to section 3 of this report.

Receipts and payments

A summary of the receipts and payments incurred from the date of our appointment to 31 December 2013 is summarised opposite.

Summary of receipts and payments for the period to 31 December 2013

	Amount ($)
Receipts	
BEN - loan realisations	49,897,999
FTI - MIP loan realisations	22,132,439
FTI - performing loan realisations	4,481,991
Pre-appointment cash at bank	2,168,371
FTI - residual debt realisations	3,852,885
MIF and HYF income	1,686,684
FTI loans - Interest income	1,133,286
Loan repayment from Cashflow Finance Solutions	500,000
Refund of pre-appointment income tax	448,032
MMP - commission income	352,590
Other income	250,790
MMP - realisation of income trail	235,000
BEN - loan management fee	236,530
Total receipts	**87,376,597**
Payments	
Distributions to BEN	(49,188,190)
Distributions to Debentureholders	(9,798,789)
Receivership costs – asset management	(2,309,798)
Receivership costs – other (e.g. investigations)	(2,648,659)
Receivership costs – loan portfolio management	(867,072)
Receivership costs – creditors	(556,663)
Receivership costs – fund management	(463,645)
Disbursements	(132,956)
MIP property expenses	(3,871,173)
Corporate overheads	(4,352,671)
Legal fees	(4,915,168)
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	(92,371)
Total payments	**(80,602,113)**
Net receipts and payments	**6,774,484**

4. Next steps *continued*

Loan to Cashflow Finance Solutions

Following our appointment, we took enforcement action against a related company, Cashflow Finance Solutions ("Cashflow") which had a loan due to Provident of $8.4 million. The decision to take enforcement action and appoint receivers and managers to Cashflow arose because of:

- The size of the loan due to Provident.
- An imminent court proceeding (which was effectively the only asset of substance to meet the debt due).
- A lack of any cash to meet the costs of running that action and an urgent requirement that Provident meet a security for costs application on behalf of Cashflow (or forgo the litigation).
- Control of the proceedings would have been left to Michael O'Sullivan and Malcolm Bernsten (the directors), albeit using Provident's funds.

Immediately following our appointment to Provident, and subsequent to the appointment of receivers and managers to Cashflow, Provident lent $587,253 to enable the legal proceedings to continue. These proceedings ultimately settled for $934,199.

At 31 December 2013, Cashflow has repaid $500,000, with the balance expected to be recovered within the coming months.

Key ongoing workstreams

During the course of the next six months, whilst continuing to recover Provident's loan portfolio assets, there will be an increased focus on investigations in order to determine whether recoveries from third parties may be available to Debentureholders.

The key workstreams that are currently being progressed include:

- Ongoing wind down of the loan portfolios, including enforcement action against delinquent borrowers and realisation of assets in Provident's control.
- Ongoing management of security properties which Provident controls in its capacity as mortgagee in possession.
- Attending to the ongoing day to day operations of Provident's business.
- Ongoing reporting to AET, BEN and Debentureholders regarding the wind up of the loan portfolios.
- Ongoing wind down of MIF and HYF and reporting to unitholders and the ASIC.
- Resolving any outstanding litigation claims.
- Investigating the ability to recover any value from residual debts and related party loans.
- Progressing the transition of Provident's loan operating system onto a third party service provider in order to realise further operational cost efficiencies which will ultimately enhance the net return to Debentureholders.
- Furthering an objection to the ATO's assessment of the Company's tax position for the 2009, 2010 and 2011 income tax years.
- Ongoing investigations and progressing potential claims against third parties.
- Continue liaising and meeting with key stakeholders (AET, the ASIC, BEN and Provident's Liquidators/special purpose receiver).
- Further rationalisation of ongoing day to day operational costs where possible.
- Facilitate further distributions to Debentureholders as and when funds become available.

5. Professional fees

Key actions undertaken since our appointment

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

- Realising 85 loans from within the FTI and BEN portfolios, as well as 69 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 $9.8 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 Company's income tax assessment resulting in a recovery of $448,000.
- Managing the day to day operations of the Provident business, including commencing enforcement action where necessary to recovery 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 litigation matters in progress as at the date of our appointment resulting in $4.7 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 the Company's historical affairs, and considering possible actions against third parties.
- Conducting public examinations of the Company's Directors over 10 days.
- Filing protective proceedings against PwC, who were until January 2008 Provident's auditors.
- 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).

Receivers' remuneration

Our remuneration is based on time incurred, calculated in accordance with the rates set by PPB Advisory in accordance with the Insolvency Practitioners Association of Australia'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. No fees are paid until this process has been completed.

The Receivers have been paid approximately $6.8 million (GST exclusive) in fees since our appointment until 30 June 2013.

We have accrued approximately $1.6 million (GST exclusive) in fees for the period 1 July 2013 to 31 December 2013.

Our costs have been greater than what was initially forecast due primarily to the poor state of the loan portfolio which has led to substantial time being necessary to enforce and recover loans and the extensive investigations program that has been progressed.

Future remuneration costs will be dependent upon a number of variables, for example if enforcement of loans is more time intensive and costly (as opposed to borrowers refinancing). However, we have estimated that our future costs could be $1.6 million (GST exclusive) 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.