



28 June 2021

NOTICE TO DEBENTUREHOLDERS

Dear Debentureholder

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

I refer to previous communications in relation to this matter and set out below a brief update on the status of the Receivership.

I recommend that this letter is read in conjunction with other publications issued to Debentureholders. All previous publications are available on the PwC website at <https://www.pwc.com.au/business-restructuring/insolvency-cases/4021.html> under 'Provident Capital Limited' in the Insolvency Case section within Business Restructuring. Alternatively, copies of issued publications can be requested from the Debentureholder registry service being maintained by Link Market Services (**Link**). Link's contact details appear on the next page of this Notice.

Realisation of loan portfolio

The sale of the security property for Provident's final active loan completed in December 2020 which enabled Debentureholders to receive a distribution of two cents in respect to the face value of their debenture in February 2021.

Debentureholders have received a total return to date of approximately 20 cents in the dollar. Debentureholders should contact Link if they believe they have not received all of their distributions or if they require an accounting of the distributions paid to date.

Bankrupt Estate of Silvana Perovich ('the Bankrupt Estate')

Provident remains a creditor of the Bankrupt Estate in the amount of c. \$3.9 million. This debt relates to a guarantee provided by Ms Perovich for a loan in which we have already sold the secured property as mortgagee in possession.

Any return from the Bankrupt Estate is contingent on there being sufficient recoveries from the litigation commenced by the Bankruptcy Trustee in the Supreme Court of Queensland. In this respect, we note the litigation has needed to be recommenced given prior attempts at informal resolution were unsuccessful.

The Trustee expects the Bankrupt Estate to continue for up to a further three years and is still seeking funding to conduct public examinations of a third party and its related entities to investigate further potential recoveries.

Distribution to Debentureholders

Given the uncertainty and protracted timeframe for any potential return to Debentureholders from the Bankrupt Estate, I will process a distribution to Debentureholders of the available funds after allowing for holding costs associated attending to my statutory duties whilst I await confirmation of any return from the Bankrupt Estate.



This distribution represents 0.39 cents in the dollar and will be paid on or around 29 June 2021. This will bring the total return to Debentureholders to approximately 21 cents in the dollar (inclusive of principal and interest). This will likely be the final distribution to Debentureholders unless sufficient funds are realised from the Bankrupt Estate. I have prepared an estimated return for Debentureholders to completion of the receivership summarised by account category in **Appendix A**.

I confirm that I notified Services Australia (formerly the Department of Human Services) when the previous distribution was made. I will notify Services Australia when the forthcoming a distribution is paid and if another distribution becomes payable in the future.

Declaration of debentures as worthless

Enclosed at **Appendix B** is a letter to Debentureholders from the Liquidators of Provident stating they have reasonable grounds to believe that following this month's distribution, the debentures have no further value pursuant to section 104.145 of the *Income Tax Assessment Act 1997* (Cth). It is recommended that Debentureholders seek their own tax advice as to the implications of this letter.

Details of the principal value of your debentures at the appointment of Receivers will be included on the correspondence which accompanies the next distribution. Debentureholders should contact Link if they require an accounting of the distributions paid to date.

Remuneration

I intend to shortly file an application to the Court seeking approval of our fees for the period 1 January 2020 to 31 May 2021 in the amount of \$231,109.50 (plus GST). I confirm that no fees will be paid until Court approval is obtained.

A summary of our time costs allocated between key receivership work streams for the period 3 July 2012 to 31 May 2021 is presented at **Appendix C**.

I anticipate my costs from 1 June 2021 to finalisation of this matter to be approximately \$70,000 (plus GST).

Further information

Further information in respect of the Receivership is available on the PwC website at <https://www.pwc.com.au/business-restructuring/insolvency-cases/4021.html> under 'Provident Capital Limited' in the Insolvency Case section within Business Restructuring.

Please direct any further queries to the Debentureholder registry service maintained by Link, contact details are as follows:

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

Telephone: +61 2 8767 1194

Facsimile: +61 2 9287 0303

Email: provident@linkmarketservices.com.au



These services will be maintained until 30 September 2021. After this date the Debentureholder registry will only be updated if another distribution becomes payable. Any updates to Debentureholder contact details after 30 September 2021 can be emailed to au_provident@pwc.com.

In order to maximise the current distribution to Debentureholders by reducing future Receivership costs, this email address will not be actively monitored and the Debentureholder registry will not be updated unless a distribution becomes payable in the future.

Next update

I anticipate the next communication you will receive will be confirmation of payment of the next distribution. I do not expect to issue further communications to Debentureholders unless sufficient funds are received from the Bankrupt Estate to enable another distribution.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D Walley', written over a light grey horizontal line.

Daniel Walley
Joint and Several Receiver
Provident Capital Limited



Appendix A. Estimated outcome statement

	\$
Receipts	
BEN - loan realisation and equity	83,646,843
BEN - Special Servicer Fee	355,228
Fixed Term Investment (FTI) - loan realisation plus interest	45,061,669
Refund of pre-appointment income tax	2,838,178
Pre-appointment cash at bank	2,168,371
MIF and HYF income	2,174,505
Interest income	540,281
MMP - Commission income and realisation of income trail	352,590
Loan repayment from Cashflow Finance Solutions	697,000
Litigation funding	2,225,247
Recovery from Director Proceedings	14,000,000
Other income	81,464
Total receipts	154,141,375
Payments	
Receivership costs and disbursements - paid to date	(14,701,964)
Receivership costs and disbursements - estimated to completion	(345,740)
MIP property expense	(3,817,066)
Corporate overheads	(10,160,055)
Legal fees and disbursements	(21,647,310)
Trustee legal and professional costs to 3 July 2012	(653,959)
Loan to Cashflow Finance Solutions	(587,253)
Voluntary Administrator costs - McGrathNicol	(122,271)
Liquidators costs - McGrathNicol	(201,914)
Special purpose receivers - PWC Claim - McGrathNicol	(101,565)
Special purpose receivers - AET Claim - McGrathNicol	(100,000)
Security trustee fees	(363,377)
Total payments	(52,802,475)
Distributions	
Distributions to BEN	(75,391,016)
Distributions to Debentureholders - Interest	(4,756,342)
Distributions to Debentureholders - Principal - paid to date	(20,702,216)
Distributions to Debentureholders - Principal - paid in conjunction with this report	(489,325)
Total distributions	(101,338,900)
Balance owing to Debentureholders	125,467,975
Paid to date - Interest (cents in the \$)	.0379
Paid to date - Principal (cents in the \$)	.1650
Paid in conjunction with this report - Principal (cents in the \$)	.0039
Forecast distribution (cents in the \$)	-
Total disitributions (cents in the \$)	.2068



Appendix B. Letter from Liquidators



McGrathNicol

25 June 2021

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Sydney NSW 2001, Australia
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NOTICE TO DEBENTUREHOLDERS

Dear Debentureholder

**Provident Capital Limited (Receivers Appointed)(In Liquidation)(‘the Company’)
ACN 082 735 573**

I refer to my appointment as Joint and Several Liquidator of the Company.

I understand the Receivers of the Company have now realised all known assets of the Receivership and anticipate making a distribution to Debentureholders of approximately 0.39 cents per dollar of principal debt before the end of this month, prior to the end of the financial year ending 30 June 2021. I understand this distribution is likely to be the final distribution to Debentureholders.

I understand the Company remains a creditor of the Bankrupt Estate of Silvana Perovich and any return from the Estate is contingent on there being sufficient recoveries from the litigation commenced by the Bankruptcy Trustee. I also understand that the Receivers’ most likely estimate is that there will be no return to Debentureholders from the Bankrupt Estate.

I therefore have reasonable grounds to believe that following the next distribution to Debentureholders, the debentures have no further value pursuant to section 104.145 of the Income Tax Assessment Act 1997 (Cth).

I recommend that each Debentureholder should seek their own tax advice as to the implications of this letter.

Should you have any questions relating to this please email Shane Ugo of PricewaterhouseCoopers at shane.ugo@pwc.com.

Yours faithfully
Provident capital Limited (Receivers Appointed)(In Liquidation)

Barry Kogan
Joint and Several Liquidator

210628-Provident Capital-Letter to Debentureholders

In association
with



Liability limited by a scheme approved
under Professional Standards Legislation

**ADVISORY
RESTRUCTURING**

Appendix C. Summary of time costs

Our professional fees for the period 3 July 2012 to 31 May 2021 total approximately \$13.2 million (GST exclusive and disbursements). I have summarised my time costs for this period across ten key work streams, as shown in the table below:

Workstream	Value (\$) (GST exclusive)	Hours
Asset management	4,017,318	10,108.73
Loan portfolio management	1,541,230	4,735.95
Funds management	572,134	1,155.53
Other Assets	163,755	340.10
Litigation	1,354,421	2,792.63
Investigation	1,115,497	2,617.13
Creditors	1,038,325	2,342.45
Employees	167,198	460.10
Dividend	60,233	151.45
Trade-On	1,234,773	3,382.60
Administration	1,937,648	5,563.98
Total	13,202,532	33,650.63

We have drawn approximately \$13.0 million against this amount, relating to the period 3 July 2012 to 31 December 2019.

I provide below a non-exhaustive summary of the tasks completed within each of the key work stream detailed in the table above:

Asset and loan portfolio management

- Ongoing management of security properties in Provident's capacity as mortgagee in possession
- Review of loan positions and preparing strategy for realisation of remaining loans
- Reporting on loan portfolio positions
- Taking possession of security properties

- Dealings with tenants (including taking control of rent)
- Dealings with mortgagor/owner of the security property
- Engaging valuers, sales agents and solicitors
- Developing and executing realisation strategy
- Liaising with property experts (town planners, geotechnical advisers)
- Ongoing liaison with local planning authorities
- Engaging and making enquiries of statutory bodies (for land tax, council/water rates)
- Reporting to key stakeholders
- Reporting on enforcement action in relation to the loan portfolio
- Monitoring wind down of the loan portfolio.

Funds management

- Preparing reporting to update Unitholders in the Funds
- Management of MIF and HYF
- Managing regulatory requirements of the Funds
- Monitoring wind down of MIF and HYF.

Creditors and Dividend

- Ongoing reporting to AET and BEN in their capacity as secured creditors
- Preparing reports to Debentureholders
- Notifying and coordinating information sessions of Debentureholders
- Responding to queries from Debentureholders
- Preparing and processing distributions to Debentureholders
- Ongoing liaison with the Debentureholder registry service maintained by Link.

Employees

- Managing staffing requirements
- Responding to staff queries
- Ongoing payroll, superannuation and workers compensation requirements
- Calculation of employee entitlements and other amounts owing to staff.

Trading

- Ongoing liaison with borrowers
- Ongoing liaison with third party service provider for the loan operating system and reporting requirements
- Assessing and undertaking enforcement action against defaulting borrowers
- Participating in settlement discussions with borrowers.

Investigation and Litigation

- Developing and undertaking investigations into Provident's historical affairs, including the conduct of its directors and officers
- Investigating potential claims against third parties such as auditors, valuers and other advisors
- Overseeing public examinations of Provident's directors
- Collecting and forensically reviewing Provident's hard copy and electronic books and records
- Briefing solicitors and devising settlement strategies for pre-existing litigation matters upon my appointment
- Liaising with litigation funders and adverse cost insurers which resulted in entering a Deed to pursue the Director Proceedings whilst preserving existing receivership funds
- Commencing and progressing the Director Proceedings, including preparation of lay and expert evidence
- Attend mediation with Provident's directors and related parties and negotiate terms of settlement
- Responding to applications, subpoenas and other court orders from AET and the class action groups.

Administration

- Preparing the overall engagement strategy
- Managing bank account administration
- Ongoing statutory reporting to ASIC and ATO
- Liaising with statutory bodies
- Risk mitigation planning
- Discussions with legal advisors regarding receivership legal strategy
- Dealing with insurance requirements
- Strategic planning of the receivership
- Management of MIP engagements
- Preparing and making remuneration applications to Court
- General file administration and document management
- Attending to ad hoc tasks.

Proportionality of fees charged to asset realisations

Task area	Fees incurred (\$)	Assets realisations (\$)	Proportion of fees to assets (%)
Asset and loan portfolio management	9,294,736	129,760,739	7.2%
Funds management	634,745	2,174,505	29.2%
Other assets	335,961	5,980,884	5.6%
Investigation and litigation	2,937,090	16,225,247	18.1%
Total	13,202,532	154,141,375	8.6%

The table above has been prepared to provide Debentureholders with detail regarding the professional fees incurred proportion to asset realisations which have been achieved to date. Debentureholders will note that costs of \$13.2 million have been incurred to recover \$154.1 million, which represents 8.6% of asset recoveries.

I additionally note that in preparing the table above:

- total overhead costs of \$4,438,177 have been apportioned on a pro-rata basis to each task area as a proportion of asset realisations. This includes the work streams described above as Creditors, Employees, Dividend, Trading and Administration
- the value of realisations from “Asset and loan portfolio management” does not reflect the gross realisation of all loans in the Debentureholder funded FTI loan portfolio, the effect of which would be to reduce the proportionality of the costs incurred respective to total realisations
- the value of realisations from “Funds management” does not reflect the realisation of the underlying portfolios within MIF and HYF which had over \$30 million of funds under management upon our appointment, the effect of which would be to significantly reduce the proportionality of the costs incurred respective to total realisations
- the majority of the fees incurred has been in respect to the recovery of the loan portfolios, which is expected, given that that this is the largest category of assets held by Provident.