



8 July 2020

NOTICE TO DEBENTUREHOLDERS

Dear Debentureholder

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

I refer to my 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 my 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 final page of this Notice.

Forecast return to Debentureholders

I continue to estimate that Debentureholders will receive a total return of 21 cents in the dollar (inclusive of principal and interest).

Debentureholders have received a total return to date of approximately 18 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.

The quantum and timing of the next distribution is dependent upon the successful completion of the sale of the property supporting Provident's last active loan (discussed below). In my previous communication to Debentureholders, I estimated that the next distribution would be in June 2020, however I now expect the next distribution to occur on or before December 2020 with a final distribution to occur before 30 June 2021.

I have prepared an estimated return for Debentureholders to completion of the receivership summarised by account category in Appendix A.

I also confirm that I continue to notify the Department of Human Services when a distribution is made, the amount left to distribute and if there is a change to the forecast return to debentureholders.

Realisation of loan portfolio

As outlined in the previous communication to Debentureholders, there is only one active loan remaining in Provident's portfolio. Provident is mortgagee in possession of the security property for this loan, a development site in Gold Coast, Queensland.

The property is composed of two stages of development. I have executed a contract for the sale of Stage 1 following a comprehensive sales and marketing campaign and expect to execute a contract for the sale of Stage 2 shortly. The completion of the sale contracts is conditional upon:

1. the registration of separate titles for Stages 1 and 2



2. the grant of development approval for Stage 1 by the Planning and Environment Court.

Due to confidentiality restrictions in the sale contract, I am unable to provide further details around the specific terms and conditions of the contract, including price, until after completion. I expect the above conditions to be satisfied in or before November 2020 with completion to occur shortly thereafter, following which I will proceed to make the next distribution.

Remuneration

In my previous communication to Debentureholders, I advised I expected to file shortly an application to the Court seeking approval of my fees for the period 1 May 2018 to 31 July 2019. This application was not filed at that time and instead I expect to shortly file an application to the Court seeking approval of my fees for the revised period of 1 May 2018 to 31 December 2019 in the amount of \$511,358.90 (plus GST). I confirm that no fees will be paid until Court approval is obtained.

A summary of my time costs allocated between key receivership work streams for the period 3 July 2012 to 31 December 2019 is presented at Appendix B.

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 Market Services, contact details are as follows:

Address: Provident Capital Limited
(Receiver 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

Next update

I will provide a further update in early 2021, following the next distribution to Debentureholders. I currently expect the next update to be my final update to Debentureholders.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Chill', written in a cursive style.

Christopher Hill
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	44,648,222
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	540,263
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	153,727,910
Payments	
Receivership costs and disbursements - incurred to date	(14,762,152)
Receivership costs and disbursements - estimated to completion	(147,284)
MIP property expense	(3,744,569)
Corporate overheads	(9,949,660)
Legal fees and disbursements	(21,648,531)
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	(157,914)
Special purpose receivers - PWC Claim - McGrathNicol	(101,565)
Special purpose receivers - AET Claim - McGrathNicol	(100,000)
Security trustee fees	(427,504)
Total payments	(52,402,660)
Distributions	
Distributions to BEN	(75,391,016)
Distributions to Debentureholders - Interest	(4,756,342)
Distributions to Debentureholders - Principal - paid to date	(18,192,857)
Distributions to Debentureholders - Principal - forecast distribution	(2,985,035)
Total distributions	(101,325,250)
Balance owing to Debentureholders	125,467,975
Paid to date - Interest (cents in the \$)	.038
Paid to date - Principal (cents in the \$)	.145
Forecast distribution (cents in the \$)	.024
Total disitributions (cents in the \$)	.207

Appendix B. Summary of time costs

My professional fees for the period 3 July 2012 to 31 December 2019 total approximately \$13.0 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	3,896,377	9,839.43
Loan portfolio management	1,533,924	4,720.75
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	1,019,882	2,304.75
Employees	167,198	460.10
Dividend	54,562	139.85
Trade-On	1,226,256	3,353.10
Administration	1,867,416	5,387.18
Total	12,971,423	33,110.53

I have drawn \$12.5 million against this amount, relating to the period 3 July 2012 to 30 April 2018.

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	9,064,432	126,361,068	7.2%
Funds management	634,673	2,174,505	29.2%
Other assets	335,763	5,980,861	5.6%
Investigation and litigation	2,936,555	16,225,247	18.1%
Total	12,971,423	150,741,681	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 \$13.0 million have been incurred to recover \$150.7 million, which represents 8.6% of asset recoveries.

I additionally note that in preparing the table above:

- total overhead costs of \$4,335,314 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.