

Annual Financial Report
For the year ended 30 June 2009



 **Provident Capital[®]**
FOR FINANCE AND INVESTMENT



Financial Report for the year ended 30 June 2009

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Provident Capital Limited
ABN 78 082 735 573

This financial report covers Provident Capital Limited (the "Company") as an individual entity. The financial report is presented in the Australian currency.

Provident Capital Limited is a public company, incorporated and domiciled in Australia. Its registered office is outlined on page 2.

The financial report was authorised for issue by the directors on 28 September 2009.

Company particulars

Directors	Michael R O’Sullivan Chairman, Managing Director
	Trevor J Seymour Malcolm P Bersten John P Sweeney
Company Secretary	Salman Haq
Principal Registered Office	Level 11, Goldfields House 1 Alfred Street, Sydney NSW 2000
Debenture Register	Level 11, Goldfields House 1 Alfred Street, Sydney NSW 2000
Share Register	Level 11, Goldfields House 1 Alfred Street, Sydney NSW 2000
Auditor	Walter Turnbull Chartered Accountants Level 13, 321 Kent Street, Sydney NSW 2000
Trustee for Debenture Holders	Australian Executor Trustees Limited Level 22, 207 Kent Street, Sydney NSW 2000
Stock Exchange Listing	Provident Capital Limited is an unlisted public company.

Directors' report

For the year ended 30 June 2009

The directors present their report together with the financial statements of Provident Capital Limited for the financial year ended 30 June 2009.

Directors

The names of the directors in office during the financial year and up to the date of this report for the respective periods were:

Michael Roger O'Sullivan – to the date of this report
Trevor John Seymour – to the date of this report
Malcolm Phillip Bersten – to the date of this report
John Patrick Sweeney – from 30 July 2008 to date of this report

Company secretary

The name of the company secretary in office during the financial year and up to the date of this report for the respective periods was:

Salman Haq – to the date of this report

Principal activities

The principal activities of the Company in the course of the year were fixed rate mortgage lending and the issuing of fixed rate debentures. No significant change in the nature of these activities occurred during the year.

Review of operations and results

The profit of the Company for the year ended 30 June 2009, after providing for income tax, amounted to \$1,541,358 (2008: \$2,985,750). The decrease in profit is mainly attributable to a large increase in the "Impairment of loans and receivables" as a result of the Company critically reviewing all arrears loans due to current economic conditions and the global financial crisis.

Dividends paid or recommended

Dividends of \$1,450,000 (2008: \$2,250,000) were paid during the year.

Indemnifying officers and directors

During the financial year, the Company paid a premium to insure the directors and officers of the Company. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liability covered and the amount of the premium paid.

The Company has entered into Indemnity Deeds with each of the four directors and the secretary under which the Company indemnifies those officers against all liabilities and expenses incurred in connection with acting as an officer of the Company, except where such indemnity is prohibited or restricted by law, and the Company must advance funds to the officer for legal expenses incurred pending a determination of the officer's entitlement to indemnity.

After balance sheet date events

As disclosed in note 22, no matter or circumstance has arisen since 30 June 2009 that has significantly affected or may significantly affect the Company's operations or the result of those operations, or the Company's affairs in future financial years.

Likely developments and expected results of operations

Further information as to the likely developments in the operations of the Company, including expected results of those operations in subsequent financial years would, in the opinion of the directors, prejudice the interests of the Company, and have therefore not been included in this report.

Environmental regulation

The Company is not subject to any significant environmental regulation in respect of its general activities.

Auditor

Walter Turnbull continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2009 as required under section 307(C) of the *Corporations Act 2001* has been received and can be found on page 6 of this report.

Information on directors and secretary

Director / Officer	Experience	Special responsibilities	Particulars of director's interest in shares and options of Provident Capital Limited
Michael R O'Sullivan MPFP, FAICD	Managing Director since incorporation. Over 19 years experience in finance and investment.	Chairman and Managing Director	Michael O'Sullivan is a director and shareholder of Provident Asset Management Pty Limited which is trustee of the O'Sullivan Trust and Provident Trust which hold all 100,000 ordinary shares in Provident Capital Limited.
Trevor J Seymour PNA, FAICD	Director since incorporation. Director of BrentnallsNSW Pty Limited, Chartered Accountants. Over 30 years of banking and finance experience.	Non-executive Director Chairman of Audit and Compliance Committee and Remuneration Committee	NIL
Malcolm P Bersten B.Com, LL.B, FAICD	Director since 2000. Solicitor with over 30 years experience in business finance and property law.	Executive Director Member of Audit and Compliance Committee (until 19 November 2008)	NIL
John P Sweeney FCPA, GAICD	Director since 30 July 2008. Business consultant and former managing director of ORIX Australia Corporation Limited.	Non-executive Director Member of Audit and Compliance Committee (from 19 November 2008) and Remuneration Committee	NIL
Salman Haq FCIS, CA, FCA (England and Wales)	Company Secretary since 2000. Chartered Accountant and Chartered Secretary with over 30 years professional experience.	Company Secretary	NIL

Audit and Compliance Committee (ACC)

The role of the ACC is to monitor and review the effectiveness of the control environment in the Company in the areas of operation and balance sheet risk, legal/regulatory (including FSR) compliance and financial reporting. The committee consists of the two non-executive directors Trevor J Seymour (Chairman) and John P Sweeney. All internal and external audit reports are reviewed by the committee as well as the Company's compliance plan.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Meetings of directors and committees

The number of meetings of the Company's board of directors and the Audit and Compliance Committee (ACC) held during the year ended 30 June 2009 and the number of meetings attended by each director were:

	Board of Directors	ACC
Number of meetings held	14	8
Number of meetings attended by:		
Michael R O'Sullivan	14	N/A
Trevor J Seymour	14	8
Malcolm P Bersten (* until 19 November 2008)	13	4*
John P Sweeney (* from 19 November 2008)	14	4*

A Remuneration Committee was formed on 17 December 2008 and did not meet during the financial year.

Non-audit services


The board of directors, in accordance with the advice from the Audit and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Walter Turnbull, Chartered Accountants for non-audit services provided during the year ended 30 June 2009:

Internal control reviews	\$ <u>12,004</u>
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Signed at Sydney on 28 September 2009 in accordance with a resolution of the board of directors:


Michael R O'Sullivan
Director



WALTERTURNBULL
your extra asset

**PROVIDENT CAPITAL LIMITED
ABN 78 082 735 573**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PROVIDENT CAPITAL LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001*, in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Don Walter
Registered Company Auditor
WalterTurnbull

Sydney, NSW
Thursday, 24 September 2009

Level 13
321 Kent Street
SYDNEY NSW 2000
GPO Box 3808
SYDNEY NSW 2001
Tel 02 9299 4678
Fax 02 9299 3131
www.walturn.com.au
walterturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 90 613 256 181

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Income statement

For the year ended 30 June 2009

	Notes	30 June 2009	30 June 2008
		\$	\$
Interest income	4	31,346,411	29,008,581
Less: Interest expense	4	17,717,369	17,628,585
Net interest income		13,629,042	11,379,996
Non interest income	4	995,302	1,708,068
Net operating income		14,624,344	13,088,064
 Expenses from ordinary activities			
Employee benefits expense		3,805,832	3,769,850
Marketing expenses		977,084	990,400
Professional fees		437,743	670,190
Occupancy expenses		716,888	694,212
Impairment of loans and receivables	8	4,877,308	1,531,383
Depreciation expense		372,806	228,084
Commission & Brokerage expense		383,868	253,661
Office relocation expense		132,867	-
Telephone expense		83,470	85,126
Other expenses		622,694	583,840
Total expenses from ordinary activities		12,410,560	8,806,746
 Profit from ordinary activities before income tax expense		2,213,784	4,281,318
Less: Income tax expense	6a	672,426	1,295,568
 Profit attributable to members of the Company		1,541,358	2,985,750
 Weighted average number of shares outstanding during the year used in calculating basic earnings per share (EPS)			
		100,000	100,000
 Basic and diluted EPS from continuing operations		15.41	29.86

The above income statement should be read in conjunction with the accompanying notes.

Balance sheet
As at 30 June 2009

	Notes	30 June 2009 \$	30 June 2008 \$
Assets			
Current assets			
Cash and cash equivalents	7	8,000,641	24,328,109
Interest receivable	9	10,482,177	8,065,360
Loans and advances	8	148,853,663	179,494,890
Commercial bills		945,417	2,124,764
Security deposits		-	314,314
Other assets	10	260,715	760,390
Total current assets		168,542,613	215,087,827
Non-current assets			
Loans and advances	8	43,745,683	15,315,257
Property, plant and equipment	11	501,807	639,094
Deferred tax assets	6c	1,503,234	1,077,115
Security deposits		12,332,872	7,535,125
Total non-current assets		58,083,596	24,566,591
Total assets		226,626,209	239,654,418
Liabilities			
Current liabilities			
Trade and other payables	12	5,454,199	8,236,928
Provisions	13	357,500	282,831
Financial liabilities	14	142,510,220	152,574,290
Current tax liability / (asset)		25,785	(179,828)
Total current liabilities		148,347,704	160,914,221
Non-current liabilities			
Financial liabilities	14	63,711,137	64,264,187
Total non-current liabilities		63,711,137	64,264,187
Total liabilities		212,058,841	225,178,408
Net assets		14,567,368	14,476,010
Equity			
Contributed equity	15	100,000	100,000
Retained earnings	16	14,467,368	14,376,010
Total equity		14,567,368	14,476,010

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the year ended 30 June 2009

	Notes	Contributed equity	Retained earnings	Total
		\$	\$	\$
Balance at 1 July 2007		100,000	13,640,260	13,740,260
Profit attributable to members of the Company			2,985,750	2,985,750
Dividends provided for or paid	17		(2,250,000)	(2,250,000)
Balance at 30 June 2008		100,000	14,376,010	14,476,010
Profit attributable to members of the Company			1,541,358	1,541,358
Dividends provided for or paid	17		(1,450,000)	(1,450,000)
Balance at 30 June 2009		100,000	14,467,368	14,567,368
			30 June 2009	30 June 2008
			\$	\$
Total recognised income and expense for the year is attributable to:				
Members of Provident Capital Limited			1,541,358	2,985,750
Total recognised income and expense for the year			1,541,358	2,985,750

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

For the year ended 30 June 2009

	Notes	30 June 2009	30 June 2008
		\$	\$
Cash flows from operating activities			
Interest received		26,369,171	26,736,244
Other fees received		696,658	1,245,212
Finance costs paid		(19,118,271)	(18,940,668)
Payments to suppliers and employees		(6,975,242)	(6,499,088)
Income taxes paid		(892,933)	(1,511,811)
Net cash provided by operating activities	5	<u>79,383</u>	<u>1,029,889</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(115,519)	(618,267)
Payment for loan advances		(108,932,456)	(149,985,124)
Repayment of loan advances		106,905,000	167,415,034
Issue of promissory notes		-	(14,100,000)
Repayment of commercial bills/promissory notes		1,210,391	18,100,000
Net cash (used in) / provided by investing activities		<u>(932,584)</u>	<u>20,811,643</u>
Cash flows from financing activities			
Dividends paid		(1,450,000)	(2,250,000)
Funds held in trust		(80,863)	17,546
Proceeds from issues of debentures		8,363,380	12,709,032
Proceeds from wholesale funding facility		59,088,864	76,576,883
Repayment of debentures redeemed		(46,643,454)	(66,811,579)
Repayment of wholesale funding facility		(34,752,194)	(22,060,980)
Net cash used in financing activities		<u>(15,474,267)</u>	<u>(1,819,098)</u>
Net (decrease)/increase in cash held		(16,327,468)	20,022,434
Cash at the beginning of the reporting period		<u>24,328,109</u>	4,305,675
Cash at the end of the reporting period	7	<u>8,000,641</u>	<u>24,328,109</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements
30 June 2009

Note 1 ~ Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation of the year end financial report

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Australian Accounting Standards set out the accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of current and non-current assets, financial assets and financial liabilities.

(b) Revenue recognition

(i) Interest income

Interest income is recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the income over the relevant period.

(ii) Fee income

Fee income and direct costs relating to loan origination are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Fees relating to specific transactions and events not anticipated at the commencement of the loan are recognised in income in the period they are received. All revenue is stated net of goods and services tax (GST) if applicable.

(c) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities or assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authorities.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which benefits of the deferred tax asset can be utilised.

(d) Financial liabilities

Debentures and wholesale funding are carried at cost. Interest is accrued over the period it becomes due and is recorded as part of creditors and other liabilities.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

The Company did not have any bank overdrafts during the financial year.

(f) Loans and advances

Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently valued at amortised cost using the effective interest method.

The Company assesses at each reporting date whether there is objective evidence that a loan is impaired. A loan is impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a “loss event”) and that event has had an impact on the estimated future cash flows of the loan that can be reliably measured.

Individual provisions for impairment are recognised to reduce the carrying amount of loans and advances to their estimated recoverable amounts.

(g) Employee entitlements

Provision is made for the Company’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured on an accrual basis for all employees with years of employment greater than five years.

(h) Goods and services tax (GST)

The Company is a financial institution and as such, GST incurred for goods and services acquired is not recoverable. As GST is not recoverable, it has been recognised as part of the acquisition of the assets and expenses to which it relates.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

The depreciable amount of all fixed assets is depreciated on a straight line basis over the assets useful life from the time the asset is held ready for use. The expected useful lives are as follows:

Computer equipment	2.5 years
Fixtures and Fittings	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, being the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Contributed equity

Ordinary shares are classified as equity.

(l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis until 1 July 2010 (refer note 24).

The directors have classified all leases as operating leases.

(m) Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframe established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or liability is measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method, less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(n) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a level of judgement on areas where assumptions may impact the financial statements of the Company such as:

- Ability to realise deferred tax assets (Note 1c)
- Effective interest rate (Note 1b)
- Impairment of assets and receivables (Note 1f and 1i)
- Valuation of financial instruments (Note 1m)

(r) New accounting standards and Australian accounting interpretations

Interpretations and amendments to published standards effective in 2008 / 2009

The following amendments and interpretations to standards are mandatory for the Company's accounting periods beginning on or after 1 July 2008:

- i) Changes with impact
- AASB 7 "Financial Instruments: Disclosures"
 - AASB 101 "Presentation of Financial Statements"
 - AASB 2005-10 "Amendments to Australian Accounting Standards"

Additional disclosures and presentation changes have been made in this year's report to address the requirements of these standards, including disclosures of risk exposures and management, and capital management.

- ii) Changes without impact
- AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 - Business Combinations and AASB 127 Consolidated and Separate Financial Statements"
 - AASB 2007-8 "Amendments to Australian Accounting Standards arising from changes to AASB 101 - Presentation of Financial Statements; and AASB 2007-10"
 - AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8 - Operating Segments and replaces AASB 114"
 - AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123 - Borrowing Costs and AASB 123"
 - AASB 2008-1 "Amendments to Australian Accounting Standards arising from AASB 2 - Share-based Payments: Vesting Conditions and Cancellations"
 - AASB 2008-2 "Amendments to Australian Accounting Standards arising from AASB 7; AASB 101; AASB 132 & AASB 139 & Interpretation 2 - Puttable Financial Instruments and Obligations Arising on Liquidation"
 - AASB 2008-5 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 - Further amendments to Australian Accounting Standards arising from the Annual Improvements Project"
 - AASB 2008-8 "Amendments to Australian Accounting Standards arising from AASB 139 - Eligible Hedge Items"
 - AASB 2008-13 "Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distribution of Non-Cash Assets to Owners"
 - AASB Interpretation 15 - Agreement for the Construction of Real Estate
 - AASB Interpretation 16 - Hedges of Net Investment in a Foreign Operation
 - AASB Interpretation 17 - Distribution of Non-cash assets to Owners

The Company has assessed these changes and concluded that they are not relevant or material to the Company.

Note 2 ~ Segment information

The Company operates in the financial services industry in Australia only.

Note 3 ~ Financial Risk Management

(a) Risk Management

The Company has developed a risk management culture and awareness across all activities.

The Company's core business is fixed rate mortgage lending and the issuing of fixed rate debentures. In addition the Company is funded by floating rate bank debt. The Company is exposed to the following primary risks from the financial instruments it holds:

- Credit;
- Market (interest rate);
- Liquidity.

Secondary risks focus on business impact and are typically referred to collectively as operational risk.

These comprise:

- IT Systems;
- Fraud;
- Staff / recruitment;
- Data capture and processing;
- Third party performance;
- Regulatory.

(b) Primary risks

(i) Credit risk

Credit risk is the risk that a counterparty will fail to perform its contractual obligations, either in part or whole, under the loan and mortgage documents, and that the proceeds available from the sale of the property mortgaged to the Company as security for the loan are less than the amount owed under the loan.

The primary controls used to mitigate credit risks are described in the Company's credit policy (which is annually reviewed and approved by the board). These include:

- Lending on registered 1st mortgages only;
- Additional security such as corporate and personal guarantees, second mortgage, company charge, etc (none of which is counted in the loan to valuation ratio calculation);
- Use of appropriate loan to valuation (LVR) ratios;
- Valuations instructed by the Company to Company accredited valuers only. No single valuer is instructed for more than one third of all valuations requested;
- Dual sign off of all loan approvals is required;
- At present the Company's policy is to limit construction and development loans to a maximum of 10% of the total loan portfolio;
- Diversification of the loan portfolio across multiple security sectors (residential, commercial, industrial, rural) and geographically;
- Loans to related parties are not part of the Company's current business strategy (although the Company has one loan of \$3.3m to Provident Cashflow Limited, described elsewhere in this financial report).

Whilst the Company's loan default levels are higher than traditional lenders (historically at 20% to 30% of the loan portfolio), the Company's credit losses have been historically low, at less than 0.4% of all loans written. This has been achieved through a proactive management of the arrears loans, coupled with prudent credit policies.

Impaired loans that have been renegotiated are reassessed under the Company's usual credit criteria, including a new valuation. No loan is renegotiated if it cannot meet the standard credit criteria.

All cash and equivalents are invested with Australian Registered Banks.

Net fair value of financial assets and liabilities

The carrying value of cash and cash equivalents and non-interest bearing financial assets and liabilities approximate their net fair value.

As the majority of loans and debentures have remaining terms less than one year, and none have terms exceeding five years, their carrying value is a reasonable estimate of their net fair value

Maturity analysis of loans and advances:

	2009	2008
	\$	\$
Not longer than 3 months	88,007,435	100,946,209
Longer than 3 and not longer than 12 months	60,846,228	78,548,681
Longer than 1 and not longer than 5 years	43,745,683	15,315,257
Longer than 5 years	-	-
	192,599,346	194,810,147

Analysis of past due loans

Past due category	Total outstanding balance (number)		Total outstanding balance (number)	
	30 June 2009		30 June 2008	
	\$	Number	\$	Number
30 to 60 days	7,499,612	(8)	526,485	(1)
61 to 90 days	18,693,478	(11)	17,489,163	(7)
Greater than 90 days	62,758,593	(41)	52,817,247	(36)
Total	88,951,683	(60)	70,832,895	(44)

The recovery status at 21 September 2009 of the balance of past due loans greater than 90 days is:

Discharged with full recovery of principal and interest	5,749,210
Mortgaged property sold and awaiting settlement	8,025,891
Mortgaged property being sold by the borrower	7,360,650
Mortgaged property in possession of the Company pending sale	28,703,656
Legal proceedings commenced for possession of mortgaged property	7,033,225
Negotiations for repayment in progress	558,668
No longer in greater than 90 days	3,696,059
Other proceedings	1,631,234
Total	\$62,758,593

The Company has applied a sensitivity analysis on the impact on the Company's equity of loan default rates and property price reductions. The Company commissioned the model from external consultants. Assumptions around loan default levels and property price movements are applied to key loan data for the whole portfolio and theoretical losses are computed. The output from this model is shown below as a summary of property price reduction and level of default, where the resulting loss is equal to \$14.6m (approximating the net equity of the Company as at 30 June 2009):

Property price reduction	35%	40%	45%
Loan default level	45%	43%	41%
Estimated resulting loss	\$14.6m	\$14.6m	\$14.6m

Assumptions used in this model are:

- Zero property price growth since last valuation
- Recovery costs of 5% of principal are included
- Default rates and price reductions are applied across the portfolio as a whole. Therefore the model does not account for specific post code or sector impact

Other loan portfolio information

	30 June 2009		30 June 2008	
	\$	%	\$	%
The principal amounts of the five largest loans and their percentages of the total loans and advances	5,732,857	3.0%	5,090,413	2.7%
	5,744,527	3.0%	5,615,312	3.0%
	5,982,124	3.1%	5,644,461	3.0%
	7,261,980	3.7%	6,900,000	3.6%
	15,101,887	7.8%	13,500,429	7.1%
	39,823,375	20.6%	36,750,615	19.4%

The sector spread of the whole loan portfolio is shown below:

As at 30 June 2009	Residential	Commercial	Rural	Construction	Other	Total
No of loans per security type	127	24	24	1	1	177
Value of loans (\$million)	\$122.1	\$14.7	\$37.4	\$15.1	\$3.3	\$192.6

The geographic spread of the whole loan portfolio is shown below:

As at 30 June 2009	NSW	QLD	VIC	SA	WA	Total
No of loans per state	82	68	8	10	9	177
Value of loans (\$million)	\$99.3	\$71.8	\$5.9	\$3.5	\$12.1	\$192.6

The credit risk on financial assets of the Company, being primarily the loans and advances, is generally the carrying amount.

Sector classification of loans and advances:

	2009	2008
	\$	\$
Commercial	14,666,928	14,848,306
Construction	15,101,887	15,974,973
Residential (excluding rural residential)	122,148,136	119,710,703
Rural (including rural residential)	37,382,395	40,676,165
Other	3,300,000	3,600,000
Total	<u>192,599,346</u>	<u>194,810,147</u>

(ii) Capital management

Management controls the capital of the Company in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern. The Company's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year and the Company's gearing ratio remains between 93% and 94%. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Notes	2009	2008
		\$	\$
Total borrowings	14	206,221,357	216,838,477
Less cash and cash equivalents	7	<u>8,000,641</u>	24,328,109
Net debt		198,220,716	192,510,368
Total equity	15,16	<u>14,567,368</u>	14,476,010
Total capital		<u>212,788,084</u>	<u>206,986,378</u>
Gearing ratio		93%	93%

(iii) Market risk (Interest rate risk)

The Company is not exposed to foreign exchange risk as all loans and funding are denominated in Australian dollars and no derivatives are used.

The primary market risk is therefore due to interest rate movements. Each loan in the loan portfolio is contracted at a fixed rate and has an overall weighted average remaining term of 115 days. This portfolio is funded by a mixture of fixed rate debentures, with a weighted average remaining term of 416 days and floating rate wholesale funding.

The analysis below considers an instantaneous shift in market interest rates (of 1%) applied to the remaining term of the main assets and liabilities. The analysis also assumes any shift in rates is passed on through pricing adjustments to new fixed rate loans and new debentures. Historically this relationship has been validated with the interest margin remaining reasonably stable over the last financial year.

Impact to annual profit from a 1% move in interest rates

Change in annual profit from	Annual profit variance
Increase in interest rates of 1%	Less than (\$200,000)
Decrease in interest rates of 1%	Less than \$200,000

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods of each set of financial assets and liabilities is set out in the following table.

30 June 2009	Note	Floating interest rate	Fixed interest maturing in:		Non interest bearing	Total
		\$	1 year or less \$	1 – 5 years \$	\$	\$
Financial assets						
Loans and advances	8	-	148,853,663	43,745,683	-	192,599,346
Cash and cash equivalents	7	8,000,641	-	-	-	8,000,641
Commercial bills		-	945,417	-	-	945,417
Interest receivable	9	-	-	-	10,482,177	10,482,177
Total financial assets		8,000,641	149,799,080	43,745,683	10,482,177	212,027,581
Average interest rate		2.87%	11.15%	11.00%		10.79%
Financial liabilities						
Debentures	14	-	72,337,946	44,204,553	-	116,542,499
Wholesale funding facility	14	-	70,172,274	19,506,584	-	89,678,858
Other financial liabilities	12	-	-	-	5,454,199	5,454,199
Total financial liabilities		-	142,510,220	63,711,137	5,454,199	211,675,556
Average interest rate			6.83%	7.86%		7.15%
Net financial assets/(liabilities)		8,000,641	7,288,860	(19,965,454)	5,027,978	352,025
30 June 2008						
	Note	Floating interest rate	Fixed interest maturing in:		Non interest bearing	Total
		\$	1 year or less \$	1 – 5 years \$	\$	\$
Financial assets						
Loans and advances	8	-	179,494,890	15,315,257	-	194,810,147
Cash and cash equivalents	7	24,328,109	-	-	-	24,328,109
Commercial bills		-	2,124,764	-	-	2,124,764
Interest receivable	9	-	-	-	8,065,360	8,065,360
Total financial assets		24,328,109	181,619,654	15,315,257	8,065,360	229,328,380
Average interest rate		6.31%	12.05%	13.23%		11.09%
Financial liabilities						
Debentures	14	-	98,004,615	56,817,958	-	154,822,573
Wholesale funding facility	14	-	54,569,675	7,446,229	-	62,015,904
Other financial liabilities	12	-	-	-	8,236,928	8,236,928
Total financial liabilities		-	152,574,290	64,264,187	8,236,928	225,075,405
Average interest rate			8.50%	8.89%		8.30%
Net financial assets/(liabilities)		24,328,109	29,045,364	(48,948,930)	(171,568)	4,252,975

The Company may redeem debentures on issue at any time, after having given 3 months notice.

(iv) Liquidity risk

The Company follows prudent liquidity risk management through maintaining sufficient cash resources and/or financing facilities to ensure it can meet its debts when they fall due. The Company also ensures that sufficient cash and credit facilities are maintained to fund committed drawdowns on existing loans and advances and settlement of new loan receivables.

Liquidity risk is the risk of not having sufficient funds to honour contractual payments. The Company aims to maintain a balanced maturity profile of loans and borrowings. Historically the Company's funding maturity profile has been longer than the loan maturity profile (see notes 3(b)(i) and 14).

The Company seeks to reduce its liquidity risk through the use of diversified funding sources. Currently these sources are retail debentures and a wholesale funding line with an Australian bank.

The Company prepares daily cash needs projections and rolling three month projections. The material assumptions underlying these projections include analysis of recent actual debenture and loan movements, expected funding source required and consideration of budget projections. The projections also assume that the Company does not receive new debenture funds, as required by the ASIC benchmarks, even though the Company expects to receive such funds. These projections enable the Company to ensure that at all times it has on hand cash or cash equivalents sufficient to meet the Company's cash needs over any particular three month period. At 30 June 2009, the cash on hand balance was \$8,000,641.

(c) Secondary risks

Such risks are not able to be quantified, however for each risk identified below, a mitigation policy is explained.

(i) IT Systems risk

IT systems risk relates to reliability of the software and hardware. The Company deploys real time data replication to a dedicated back up site. This site is situated 30 kms from the Sydney CBD, thereby minimising risk of grid failure. The back up data centre is independently managed and has all usual business continuity provisions. Testing is carried out annually.

The core operating software for the Company is also externally supplied, thereby reducing reliance on internally developed systems with consequent knowledge concentration. The software is used by a number of major Australian financial firms, including a bank.

Internal daily back ups are carried out of all the Company's data and the back up tapes are stored off site. Passwords have minimum characters and are required to be changed at regular intervals.

(ii) Fraud risk

The primary controls applied to mitigate fraud include:

- dual control sign off for key procedures;
- application of the principle of separation of duty, where possible;
- all loan transaction parties are independently identified as required by the Company's Anti-Money Laundering and Counter-Terrorism Financing policy;
- all primary security mortgages are registered promptly following settlement;
- loan payees must be consistent with the loan purpose, loan details and title history;
- payments to debenture holders are direct to an Australian bank account or by cheque payable to the debenture holder; third party payments are not permitted;
- changes to debenture holder information must be appropriately verified by the debenture holder(s) signatures;
- internal audit.

(iii) Staff / recruitment risk

Appropriate recruitment processes are employed including mandatory reference checks, dual interviews and, for key staff, police reports.

(iv) Data capture / processing risk

All key stages in processing transactions require dual sign off. Cash payment authorizations are limited to key staff and reconciliations are carried out by other staff.

(v) Third party performance risk

All parties providing critical services to the Company are required to carry professional indemnity insurance. Work carried out is under clear and standard instructions from the Company.

(vi) Regulatory risk

The Company has developed a regulatory compliance programme against which performance is monitored. All staff undergo compliance training. There is a clearly defined process for monitoring, handling, recording and reporting complaints and breaches.

Note 4 ~ Operating Income

	2009 \$	2008 \$
Interest income		
Interest income on loans	30,044,365	27,618,809
Interest income from financial institutions	1,134,580	1,177,213
Other interest income	167,466	212,559
Total interest income	<u>31,346,411</u>	<u>29,008,581</u>
Interest expense		
Interest paid on debentures	11,605,580	14,975,225
Interest paid on wholesale funding facility	6,111,789	2,653,360
Total interest expense	<u>17,717,369</u>	<u>17,628,585</u>
Net interest income	<u>13,629,042</u>	<u>11,379,996</u>
Non interest income		
Early redemption fees	18,450	14,350
Gearing fees	-	30,000
Early discharge fees	521,488	566,828
Establishment fees	156,720	734,057
Miscellaneous income	74,369	362,833
Impairment losses recovered	224,275	-
Total non interest income	<u>995,302</u>	<u>1,708,068</u>
Net operating income	<u>14,624,344</u>	<u>13,088,064</u>

Note 5 ~ Reconciliation of net profit after income tax to net cash inflow provided by operating activities

	2009	2008
	\$	\$
Net profit after income tax	1,541,358	2,985,750
Non-cash flows in profit		
Depreciation	372,806	228,084
Impairment losses recovered	(224,275)	-
Impairment losses expensed	4,877,308	1,531,383
Changes in assets and liabilities		
(Increase) in interest receivable	(3,502,065)	(883,964)
(Increase) in interest received in advance	(853,550)	(745,680)
(Increase) in other assets	(49,844)	(984,386)
(Increase) in AIFRS effective interest fee adjustment	(312,965)	(503,910)
Decrease/(Increase) in prepayments	344,764	(41,735)
(Decrease) in interest payable	(1,250,432)	(1,218,756)
(Decrease)/Increase in accounts payable	(643,215)	727,049
Increase in provision for income tax payable	205,612	(69,666)
(Increase)/Decrease in deferred income tax liability	(426,119)	5,720
Net cash provided by operating activities	79,383	1,029,889

Note 6 ~ Income tax

(a) Income tax expense

	2009	2008
	\$	\$
The components of income tax expense comprise:		
Current tax	1,098,545	1,285,029
Deferred tax	(426,119)	5,720
Under provided in prior years	-	4,819
	672,426	1,295,568
Deferred income tax expense included in income tax expense comprise:		
(Increase)/Decrease in deferred tax assets	(426,119)	5,720
	(426,119)	5,720

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2009	2008
	\$	\$
Profit from continuing operations before income tax expense	2,213,784	4,281,318
Tax at the Australian tax rate of 30% (2008: 30%)	664,135	1,284,395
Tax effect of non-deductible items	8,291	6,354
Under provision in prior years	-	4,819
Income tax expense	672,426	1,295,568
The applicable weighted average effective tax rates are	30.37%	30.26%

(c) Deferred tax assets

	2009	2008
	\$	\$
The balance comprises temporary differences attributable to:		
Interest received in advance	143,970	400,035
Provision for doubtful debts	1,036,486	262,500
Deferred commission expense	(32,176)	(44,916)
Deferred fees	237,393	374,647
Other provisions	117,561	84,849
	1,503,234	1,077,115

Note 7 ~ Cash and cash equivalents

	2009	2008
	\$	\$
Cash at bank and on hand	8,000,641	24,328,109

Note 8 ~ Loans and advances

	2009	2008
	\$	\$
Loans and advances	196,054,298	195,685,147
Impairment provision	(3,454,952)	(875,000)
Amount per balance sheet	192,599,346	194,810,147
Current portion	148,853,663	179,494,890
Non-current portion	43,745,683	15,315,257
Impairment provisions	2009	2008
	\$	\$
Carrying amount at start of year	875,000	-
Additions	3,902,952	875,000
Utilised	(1,323,000)	-
Carrying amount at end of year	3,454,952	875,000

Impairment losses

	2009	2008
	\$	\$
Recognised losses	2,079,356	656,383
Individually assessed impairment	2,797,952	875,000
	4,877,308	1,531,383

Note 9 ~ Interest receivable

	2009	2008
	\$	\$
Loan interest receivable	10,469,931	7,949,366
Deposit interest receivable	12,246	115,994
	10,482,177	8,065,360

Note 10 ~ Other Assets

	2009	2008
	\$	\$
Prepayments and other receivables	28,493	373,257
Receivable from related party	18,866	24,862
Other debtors pre settlement costs	1,250	48,355
Deferred establishment fees	212,106	313,916
	260,715	760,390

Note 11 ~ Property, plant and equipment

	2009	2008
	\$	\$
Computer Equipment		
At cost	1,115,527	1,055,390
Less: Accumulated depreciation	781,154	475,411
Total Computer Equipment	334,373	579,979
Fixtures and Fittings		
At cost	315,870	390,120
Less: Accumulated depreciation	148,436	331,005
Total Fixtures and Fittings	167,434	59,115
Total Property, plant and equipment	501,807	639,094

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year is set out below.

	Computer Equipment	Fixtures and Fittings	Total
	\$	\$	\$
2009			
Carrying amount at start of year	579,979	59,115	639,094
Additions	66,218	169,301	235,519
Depreciation expense	(311,824)	(60,982)	(372,806)
Carrying amount at end of year	<u>334,373</u>	<u>167,434</u>	<u>501,807</u>
	Computer Equipment	Fixtures and Fittings	Total
	\$	\$	\$
2008			
Carrying amount at start of year	163,242	85,668	248,910
Additions	608,112	10,156	618,268
Depreciation expense	(191,375)	(36,709)	(228,084)
Carrying amount at end of year	<u>579,979</u>	<u>59,115</u>	<u>639,094</u>

Note 12 ~ Trade and other payables

	2009	2008
	\$	\$
Interest payable	3,395,958	4,646,390
Interest received in advance	479,899	1,431,060
Funds held in trust*	84,984	214,506
Other creditors and accruals	1,493,358	1,944,972
	<u>5,454,199</u>	<u>8,236,928</u>

*All debenture application money is held in trust until such time as debenture certificates are issued.

Note 13 ~ Provisions

	2009	2008
	\$	\$
Employee entitlements	176,000	206,850
Auditor & Trustee fees	61,500	75,981
End of lease make-good	120,000	-
	<u>357,500</u>	<u>282,831</u>

Employee entitlements are separately disclosed at Note 19.

	2009	2008
	\$	\$
Movements in the provision for the auditor and trustee fees during the financial year are:		
Carrying amount at start of year	75,981	68,505
Additions	139,220	191,759
Payments	(153,701)	(184,283)
Carrying amount at end of year	<u>61,500</u>	<u>75,981</u>

Note 14 ~ Financial liabilities

Financial liabilities include the wholesale funding facility with an Australian bank drawn upon by the Company (up to a limit of \$100 million) as well as debenture holder funds raised through the Company prospectus. The wholesale funding is a floating interest rate facility, whereas the debentures are issued at fixed interest rates.

	2009	2008
	\$	\$
<u>Current</u>		
Wholesale funding facility	70,172,274	54,569,675
Debenture funding	72,337,946	98,004,615
	142,510,220	152,574,290
<u>Non Current</u>		
Wholesale funding facility	19,506,584	7,446,229
Debenture funding	44,204,553	56,817,958
	63,711,137	64,264,187
Total financial liabilities	206,221,357	216,838,477

Debentures are for fixed interest rates between 3.25% and 10.00% p.a. (2008: 6.00% and 10.00% p.a.) with interest being paid either periodically or upon maturity of the debenture. The security for debenture holders is a registered charge over the assets of the Company.

Maturity analysis of debentures:	Weighted average interest rate p.a. %	2009	2008
		\$	\$
Not longer than 3 months	8.47	20,262,417	30,017,474
Longer than 3 and not longer than 12 months	8.51	52,075,529	67,987,141
Longer than 1 and not longer than 5 years	8.85	44,204,553	56,817,958
Longer than 5 years		-	-
		116,542,499	154,822,573

Maturity analysis of wholesale funding facility:	2009	2008
	\$	\$
Not longer than 3 months	54,398,086	16,635,968
Longer than 3 and not longer than 12 months	15,774,188	37,933,707
Longer than 1 and not longer than 5 years	19,506,584	7,446,229
Longer than 5 years	-	-
	89,678,858	62,015,904

The interest rate on the wholesale funding facility at 30 June 2009 is based on a margin over the 30 day Bank Bill Swap Bid rate.

The Company's ultimate liability for the wholesale funding facility is limited to a cash deposit with the funding bank and an obligation to refinance a limited proportion of loans which are more than 270 days past due. The cash deposit, included in non-current security deposits, at 30 June 2009 was \$10,000,000 (2008: \$7,500,000).

Note 15 ~ Contributed equity

	2009	2008
	\$	\$
Issued and paid up capital		
100,000 ordinary shares of one dollar each fully paid	100,000	100,000

No ordinary shares were issued or redeemed during the financial year (2008: nil)

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Each ordinary share is entitled to one vote when a poll is called.

Note 16 ~ Retained earnings

	2009	2008
	\$	\$
Retained earnings at the beginning of the financial year	14,376,010	13,640,260
Net profit for the year attributable to members of Provident Capital Limited	1,541,358	2,985,750
Dividends provided for or paid (note 17)	(1,450,000)	(2,250,000)
Retained earnings at the end of the financial year	14,467,368	14,376,010
Earnings used to calculate basic EPS from continuing operations	1,541,358	2,985,750
Weighted average number of shares outstanding during the year used in calculating basic EPS	100,000	100,000
Earnings per share from continuing operations	15.41	29.86

Note 17 ~ Dividends

	2009	2008
	\$	\$
Date declared (all fully franked)		
30 June 2008 \$22.50 per share	-	2,250,000
15 April 2009 \$14.50 per share	1,450,000	-
	1,450,000	2,250,000
	2009	2008
	\$	\$
Franking credit balance as at the end of the financial year at 30% (2008: 30%)	7,852,246	7,375,130

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that:

- a) will arise from the payment of the current tax liability
- b) will arise from the payment of dividends recognised as a liability at the reporting date
- c) will arise from the receipt of dividends recognised as receivable at the reporting date, and
- d) may be prevented from being distributed in subsequent financial years.

Note 18 ~ Remuneration of auditors

	2009	2008
	\$	\$
Remuneration of the auditor of the Company for: Audit and review of the financial reports and other audit work under the <i>Corporations Act 2001</i>	115,000	115,000
Other services	7,652	4,987
Total remuneration	122,652	119,987

Note 19 ~ Employee entitlements

	2009	2008
	\$	\$
Employee entitlement liabilities		
Provision for employee entitlements:		
Bonus	-	55,000
Annual leave	97,915	110,350
Long service leave	78,085	41,500
Aggregate employee entitlement liability	176,000	206,850
	2009	2008
Employee numbers	29	39

Note 20 ~ Interests of key management personnel

Directors

The following persons were directors of Provident Capital Limited during the financial year:

Executive directors

Michael R O’Sullivan, Chairman and Managing Director
Malcolm P Bersten, Legal Counsel

Non-executive directors

Trevor J Seymour
John P Sweeney

Key management personnel

The key management personnel of Provident Capital Limited are the directors. Details of the remuneration received by the key management personnel during the year are set out below.

Remuneration of directors

Fees and payments to executive and non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

Details of remuneration

Details of the remuneration of each director of Provident Capital Limited are set out in the following table.

2009	Name	Michael R O'Sullivan \$	Trevor J Seymour \$	Malcolm P Bersten \$	John P Sweeney \$	Total \$
	Cash salary	300,000	35,642	228,955	34,060	598,657
Short-term benefits	Cash bonus	-	-	-	-	-
	Non-monetary benefits	-	-	-	-	-
Post- employment	Superannuation	27,000	3,208	13,745	3,065	47,018
	Retirement benefits	-	-	-	-	-
Equity	Options	-	-	-	-	-
	Total	327,000	38,850	242,700	37,125	645,675

2008	Name	Michael R O'Sullivan \$	Trevor J Seymour \$	Malcolm P Bersten \$	Total \$
	Cash salary	180,000	30,000	229,571	439,571
Short-term benefits	Cash bonus	-	-	-	-
	Non-monetary benefits	-	-	-	-
Post- employment	Superannuation	16,200	2,700	13,129	32,029
	Retirement benefits	-	-	-	-
Equity	Options	-	-	-	-
	Total	196,200	32,700	242,700	471,600

There are no other long term benefits or termination benefits due and payable to key management personnel.

Shareholding:

	2009 \$	2008 \$
Ordinary shares held by directors or entities controlled by the directors	100,000	100,000

Note 21 ~ Related parties

Directors:

The directors during the financial year were: Michael R O'Sullivan, Trevor J Seymour, Malcolm P Bersten and John P Sweeney.

Transactions with directors and director related entities:

Michael R O'Sullivan, is a director and the sole shareholder of Provident Asset Management Pty Limited which, as trustee of the O'Sullivan Trust and Provident Trust, holds all 100,000 ordinary shares in Provident Capital Limited. Trevor J Seymour and Malcolm P Bersten are also directors of Provident Asset Management Pty Limited.

The directors and their director-related entities (including spouses and relatives of directors and spouses) invested in the Company's debentures during the year. The total amount of these investments outstanding at 30 June 2009 was \$1,357,003 (30 June 2008: \$1,436,136). The interest paid on these debentures during the year or payable at year end amounted to \$120,248 (30 June 2008: \$144,409). These investments were transacted on normal commercial terms and conditions.

Except for the loan to Provident Cashflow Limited described below, the Company did not make or have any loans to any director or any director related entity during the year. Loans to directors or director related entities are not part of the Company's business strategy and the Company does not anticipate making any such loans during the year ending 30 June 2010.

Trevor J Seymour, is a director in the company BrentnallsNSW Pty Limited, Chartered Accountants. During the year BrentnallsNSW Pty Limited provided accounting and taxation services to the Company on normal terms and conditions. The Company paid \$42,004 (2008: \$40,205) for these services.

Provident Cashflow Limited

The Company has lent \$3.3 million to Provident Cashflow Limited ("Provident Cashflow"), an entity substantially owned by interests associated with three of the directors, until 30 November 2009 on commercial terms with interest payable at commercial rates monthly in arrears. The loan is secured by a second ranking charge over the assets of Provident Cashflow. Even though the transaction has been documented as an arm's length transaction, there is a potential conflict of interest which may influence the action taken to enforce the transaction.

In addition, Provident Cashflow has arranged a wholesale funding facility with a third party financier. The Company has given this financier a guarantee to pay up to \$900,000 if Provident Cashflow defaults under a specific facility obligation. This guarantee ranks after the charge held by the trustee for debenture holders of the Company.

Note 22 ~ Events occurring after reporting date

No matter or circumstance has arisen since 30 June 2009 that has significantly affected or may significantly affect the Company's operations or the result of those operations, or the Company's affairs in future financial years.

Note 23 ~ Contingent liabilities and contingent assets

Contingent Matters

In previous financial reports, the company disclosed information about a claim by a property owner for compensation for the loss of his property as a result of fraud by a person unassociated with the company. Whilst the Company paid the property owner for their loss, the Company ultimately recovered the amount in full during the financial year.

Note 24 ~ Capital and leasing commitments

Loan advances	2009	2008
	\$	\$
Commitments in relation to loans approved but not yet advanced at the reporting date and not recognised as liabilities payable:		
Not later than one year	-	22,221,000
Later than one year	-	-
	-	22,221,000

Lease expenditure – Operating lease of premises (non-cancellable)	2009	2008
	\$	\$
Minimum lease payments – not later than one year	724,498	695,489
Minimum lease payments – later than one year and not later than five years	2,422,302	2,547,631
Minimum lease payments – later than five years	-	156,750
Aggregate lease expenditure contracted for at reporting date	3,146,800	3,399,870

The property lease at Goldfields House, Sydney is for a 5 year term terminating on 30 September 2013, with rent payable monthly in advance. The rental provisions within the lease agreement require that minimum lease payments be increased by CPI on 1 October 2010 and 1 October 2012. An early termination clause allows the lessor to terminate the lease on certain conditions, with 6 months notice, at any time on or after 1 July 2010.

Directors' declaration


30 June 2009

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 33 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Michael O'Sullivan
Director



Sydney
28 September 2009

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PROVIDENT CAPITAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Provident Capital Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company at the years end.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ('IFRS') ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Level 13
321 Kent Street
SYDNEY NSW 2001
GPO Box 3808
SYDNEY NSW 2001
Tel 02 9299 4678
Fax 02 9299 3131
www.walturn.com.au
walturnturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 90 613 256 181

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PROVIDENT CAPITAL LIMITED (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Provident Capital Limited on 24th September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Provident Capital Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Don Walter
Registered Company Auditor
WalterTurnbull

Dated this 30th day of September 2008

Level 13
321 Kent Street
SYDNEY NSW 2001
GPO Box 3808
SYDNEY NSW 2001
Tel 02 9299 4678
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