



# Provic Group Inc

Annual Report 2010



# List of members

## Anglesey Secured Investments Ltd.

Address: 44 Tempar Street,  
Forbes NSW 2871  
P.O. Box 337 Forbes NSW 2871

DX  
Ph: (02) 6851 2221  
Fax: (02) 6851 2223  
E-Mail: asi@asicapital.com.au  
Website: www.anglesey.com.au  
Manager: Jeff Herdegen  
Member since: February 2007

## Central Victorian Investments Ltd.

Address: 41 Lydiard Street Sth, Ballarat  
P.O. Box 150, Ballarat 3353

DX 35013  
Ph: (03) 5329 2499  
Fax: (03) 5334 4021  
E-Mail: brendan@cvi.net.au  
Website: www.cvi.net.au  
Manager: Brendan Gillett  
Member since: February, 1992

## Gippsland Secured Investments Ltd.

Address: 119 Main Street, Bairnsdale 3875  
P.O. Box 323, Bairnsdale 3875

DX 82201  
Ph: (03) 5150 1405  
Fax: (03) 5152 5444  
E-mail: gsanford@gsi.com.au  
Website: www.gsi.com.au  
Manager: Glenn Sanford  
Member since: December, 1977

## Hargraves Secured Investments Ltd.

Address: 18 Orr Street, Yarrowonga 3730  
P.O. Box 189, Yarrowonga 3730

DX 37201 Yarrowonga  
Ph: (03) 5743 2666  
Fax: (03) 5744 3938  
E-mail: mdenny@hargrave.com.au  
Website: www.hargravesinvest.com.au  
Manager: Matthew Denny  
Member since: August, 1999

## H.D. & C. Securities Limited

Address: 2 Bridge Street East,  
Benalla 3672  
P.O. Box 8, Benalla 3671

DX 32228  
Ph: (03) 5762 1844  
Fax: (03) 5762 5205  
E-mail: djoyce@hdcsec.com.au  
Website: www.hdcsec.com.au  
Manager: David Joyce  
Member since: February, 1990

## Sewells Finance Ltd.

Address: 119 Murray Street, Colac 3250  
P.O. Box 3, Colac 3250

DX 25004  
Ph: (03) 5231 9400  
Fax: (03) 5231 3616  
E-mail: mmahony@slmlaw.com.au  
Website: www.sewellsfinance.com.au  
Manager: Michael Mahony  
Member since: February, 1995

## Southern Finance Ltd.

Address: 131 Kepler Street,  
Warrnambool 3280  
P.O. Box 70, Warrnambool 3280

DX 28002  
Ph: (03) 5561 1226  
Fax: (03) 5562 3887  
E-mail: aking@southernfinance.com.au  
Website: www.southernfinance.com.au  
Manager: Ashley King  
Member since: November, 1989

## Vicstate Savings & Loans Limited.

Address: 105 Lydiard St. Nth.,  
Ballarat 3350  
P.O. Box 122, Ballarat 3353

DX 35045  
Ph: (03) 5332 4388  
Fax: (03) 5331 7489  
E-mail: nmcleod@vicstatesavings.com.au  
Website: www.vicstatesavings.com.au  
Manager: Neil McLeod  
Member since: December, 1977

## Webster Dolilta Finance Ltd.

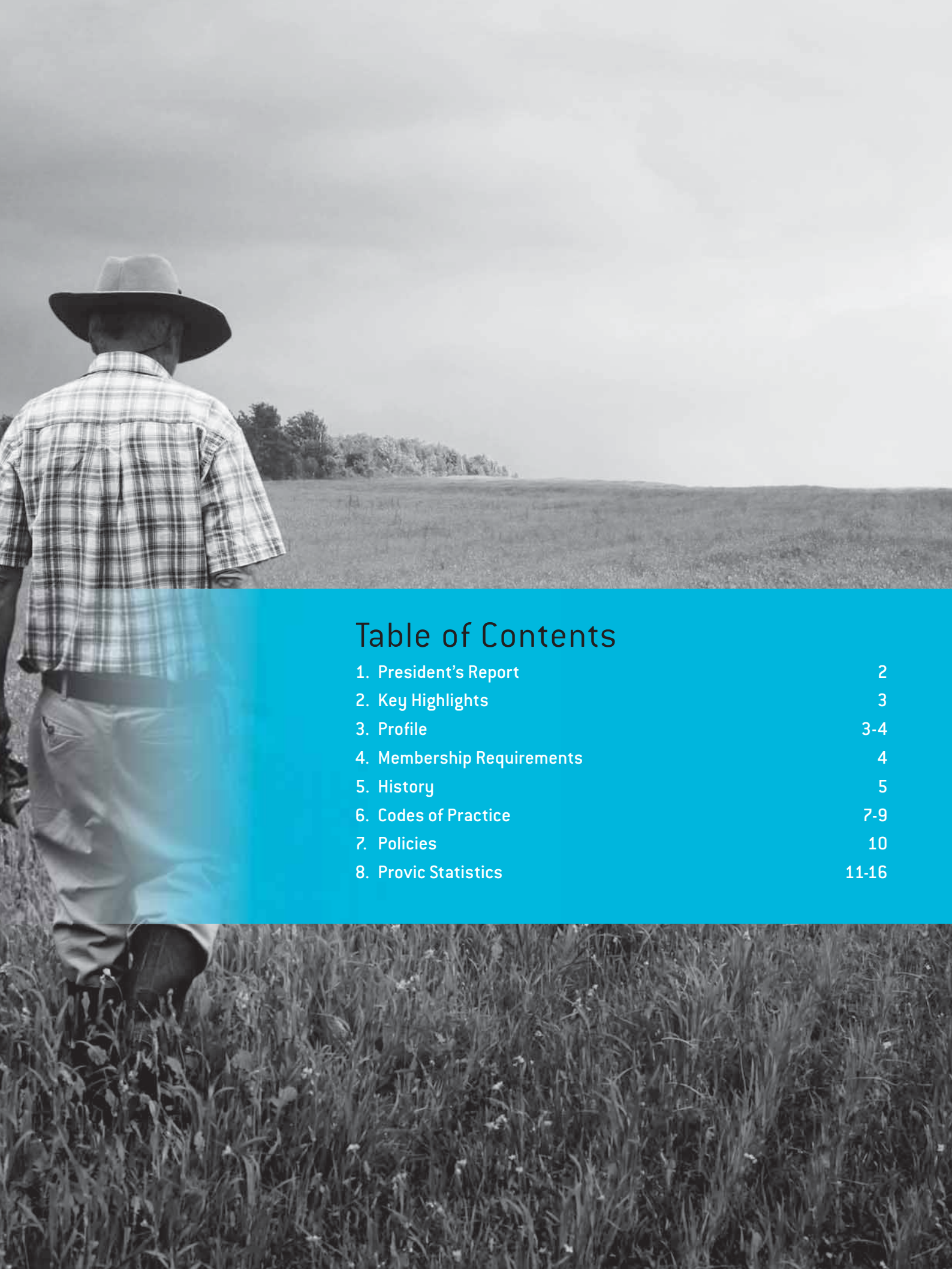
Address: 44 Armstrong St Sth,  
Ballarat 3350  
P.O. Box 31, Ballarat 3353

DX 35042  
Ph: 5331 2000  
Fax: 5332 1559  
E-mail: admin@wdfinance.com.au  
Website: www.wdfinance.com.au  
Manager: Phil Cunningham  
Member since: December, 1977

## WIN Securities Ltd.

Address: 39 Reid Street, Wangaratta 3677  
P.O. Box 1221, Wangaratta 3676

DX 67716  
Ph: (03) 5721 5200  
Fax: (03) 5721 4200  
E-mail: ajr@winsec.com.au  
Website: www.winsec.com.au  
Manager: Tony Ruvolo  
Member since: November, 1989



## Table of Contents

1. President's Report	2
2. Key Highlights	3
3. Profile	3-4
4. Membership Requirements	4
5. History	5
6. Codes of Practice	7-9
7. Policies	10
8. Provic Statistics	11-16

# President's Report for the Year 2010 - 2011

It is with some pleasure that we can report upon steady consolidation and growth in both deposits and loans observed by our current members and an even greater increase in profitability and in capital. This is all the more pleasing given the difficult times endured by all in the finance sector in recent times, and in particular the lack of the guarantee by the federal government which our companies have never historically needed but which put them at an unfair advantage due to it's benefit to other institutions.

This growth I believe points to the strength of our product and the close and loyal relationships that our members have built up with their customers and their regional marketplaces. Nevertheless we cannot rest upon our laurels and not seek to develop our marketplaces and products, within the overall requirement of prudence and due diligence, and within our competence. In this regard I commend the work of our future directions committee which will I believe look at various initiatives in this regard.

We have just emerged from a protracted process of revision of our self-imposed code of conduct. I believe that we will be better for it; the sub committee charged with this work are to be commended along with those members who also contributed. In particular I would like to thank Glenn Sanford who compiled the guidance document for the recent meeting at which the matter was resolved, and who so capably led us through the same to the ultimate result. May I however offer a word of caution about keeping it up to date in the light of changes in the marketplace and above all the big picture and the vision bequeathed to us by our founders?

We are no longer purely Victorian based and are very pleased to see our newest member in NSW accepting deposits and making loans. This has also brought us into contact with members of Parliament from that state who offered great assistance in our dealings with Government and the regulators. Indeed we have continued to build good relations with A.S.I.C. and in this regard I would like to thank in particular Mr James Knott and Mr Warren Day for their assistance and their appreciation of our position in the marketplace. Those members who have given their time to travel to Canberra and other capital cities for consultations are to be thanked and in particular Jeff Herdegen for his part in facilitating the meetings. We have become more widely known within government circles having met with Treasury and a number of parliamentarians to discuss our issues.

This Annual Report has become a valuable document due to the efforts of Phil Cunningham and the marketing sub committee and I wish to commend them on this work. This capable group will no doubt be in the forefront as we continue to maintain and develop our position in the market place. With this Annual Report comes the Statistical report up to the 30th June 2010 as submitted by the current member companies which illustrates the matters raised above.

Finally I would like to express appreciation of our group of the work done during the year by our Secretary, Tony Ruvolo, our Treasurer, Hugh Macdonald, and the Chairman of our Manager's group, Bill Bahr. Indeed the efforts of each member of the Manager's group, which is the backbone of our organisation. Also to each of those members who have served on our various sub committees in an entirely voluntary capacity.

Finally I would like to thank the members for electing me as their Chairman after a break of some sixteen years since previously holding the office. Much has happened in that time but I have the same degree of confidence in the future as I correctly had at that time.

Neville Smith  
Chairman



# Key Highlights

Provic members enjoyed another profitable year in 2009/10. Following the downturn in the financial markets of 2008 and 2009 our group attracted higher levels of investor funds and also increased the value of loans funded.

During the year investor funds increased by 8.45% and mortgage loans increased by 7.07%. Gross profits improved 76.62%.

## FINANCIAL

Provic Inc. (Members combined)	2010	2009
Total Assets	766,524,963	703,369,664
Total Equity	31,157,166	26,710,073
Investors Funds	722,893,782	666,560,613
Mortgage Loans	548,659,816	512,391,519
Liquid Funds	137,434,982	120,178,513
Gross Profit	10,084,268	5,709,444

## MEMBERSHIPS

Provic Inc. (Members combined)	2010	2009
Total Members	10	10
Total Directors & Staff	102	109

## Profile

### WHO ARE WE?

The Provincial Finance Group (Provic) is the industry body representing ten debenture issuing companies based in regional centres across Victoria and southern New South Wales. The activities of the Provic member companies extend into all areas of Australia. Provic members hold Australian Financial Services Licences and report to their appointed Trustee. The Provic member companies presently hold almost \$725 million of investors' funds - and in excess of \$550 million lent on the security of mortgage over freehold property and the balance predominantly in liquid funds.

### WHY DO WE EXIST?

Provic originated in country towns and provincial cities in Victoria over 40 years ago in response to a demand from local communities for lending that was not being met by the city-centric mainstream banks. An investment in a Provic company was also seen as an opportunity to use local funds to grow and develop the communities themselves, through investment in local projects and businesses which in turn would add to the wealth of the region.

These reasons for existence still hold true today, for despite the proliferation of both bank and non-bank financial institutions over the years, few can claim their ownership and control is so locally based and their investment and lending so locally focused.

### WHAT MAKES US DIFFERENT?

Provic members have a strong affinity with their investors and borrowers because of their local presence and local knowledge. The closeness of the relationship allows a level of trust and understanding to develop that used to be inherent in bank/customer relations, before ATM's, bank queues and fees became the norm.

Provic members do not for example charge their investment customers account fees and they welcome clients spending time in the branch rather than out on the street. The same staff member opening a new client's investment account will often be the one they'll see when they come to make a deposit or withdrawal, or wish to talk about their loan or even the weather!

### WHAT CAN WE DO FOR YOU?

If you're an investor, Provic members provide a range of investment options from traditional "at call" accounts through to fixed term investments for terms up to 2 years. Interest rates are always very competitive with the market. On the lending side, the emphasis is on flexibility with loans secured by registered mortgage over freehold property. Options such as interest only and re-draw are available.

### INTEGRITY

A Provic company is an unlisted public company which issues debentures to investors and lends those funds on the basis of a registered mortgage and a valuation. Investors' interests are governed via a number of external bodies. Each member operates under the terms of its Trust Deed. The Trustee holds a first ranking charge over each company on behalf of debenture holders and requires regular reporting as to the compliance to the deed of its lending and investing activities.

All members are licensed under the Corporations Law and hold an Australian Financial Services Licence. As a requirement to this members are required to join an external complaints scheme allowing for an impartial determination of any issues that may arise between the member company and its investors. Each member is required to display their licence and the scheme to which they belong.

PROVIC is a self regulatory body and to be a member certain conditions are to be adhered to and are often more onerous than those of the Trustee or licence. For example, the Provic regulations require defaults and arrears to be reported to Provic quarterly. Each member company deals with their arrears, if any, in an ongoing manner.



## WHY WOULD YOU TURN TO US?

Provic companies are investment institutions who take a personal interest in their investors and borrowers.

They provide a unique opportunity for people to invest in their region and in regional people with flexibility and at attractive returns. Many people who work in the business also live in the community with their investors and borrowers

## BORROW WITH CONFIDENCE

Provic companies have a loan product refined over time - you submit a loan application for approval, we'll assess the loan and, if successful, provide a loan with all the flexibility you need. A Provic mortgage loan may be for any worthwhile purpose including;

- Residential
- Commercial
- Industrial
- Farm
- Development/Construction
- Investment

## STRENGTH, RELIABILITY & ACCOUNTABILITY

All Provic members operate in accordance with a Trust Deed and issue a Prospectus annually. The Trust Deeds provides us with the framework which determines our capacity to lend on mortgages over interests in land and also prescribe capital and liquidity ratios. Provic self regulates its members under a code of conduct which in some cases is more stringent than the Trust Deeds. Members are required to report quarterly to ASIC, the Trustees and the Provic Regulatory Committee.

## The designated Trustees covering Provic members are;

- Trust Company of Australia Limited.
- Sandhurst Trustees Ltd.

# Membership Requirements

## PROSPECTUS

Each company has entered into a Trust Deed necessitating the appointment of a Trustee for Debenture Holders under a Prospectus lodged with ASIC in accordance with the provisions of the Corporations Act.

## REGISTER OF DEBENTURE HOLDERS

Under section 1047 of the Corporations Act, the Company must maintain a register of Debenture Holders containing names and addresses and the respective amounts of debentures held by them.

## REPORTING AND RETURNS

Under the Trust Deed the company is required to prepare and submit to the Trustee, the following returns and reports -

- Audited annual accounts and balance sheet as at 30th of June by the 28th September annually;
- Audited half yearly accounts and balance sheet as at 31st of December by 16th March annually;
- Auditors Reports as at 30th June by 31st October annually and as at 31st of December by 30th April annually;

## Directors Certificates as at -

- as at end of March by the 30th April annually and
- as at end of June by 31st July annually and
- as at end of September by 31st October annually and
- as at end of December by 31st January annually;

## Insurance Certificate Annually upon renewal;

It should be noted that the Corporations Law overrides any due dates for lodgements or returns contained in the Trust Deed. Under the Corporations Law section 1058(4) the Company must notify the Trustee of certain particulars of any charge which it creates and, under section 1058(5), half year and full year financial statements, including Profit & Loss accounts and Balance Sheets must be prepared and lodged with the ASIC and the Trustee and, under section 1058(1) the Company must comply with the half year and full year reporting requirements containing the matters specified in section 1058(2) and which are contained in the Directors Certificates required to be submitted to the Trustee, and a copy of which should also be lodged with the ASIC in satisfaction of the requirements under this section.

# History

## HISTORY OF THE PROVIC GROUP INC.

### Previous Members are –

Company	Present Status
Camerons Secured Investments Ltd. (Shepparton)	Purchased by Statewide Secured Investments Ltd.
Bendigo Secured Investments Ltd. (Bendigo)	Purchased by Statewide Secured Investments Ltd.
Bendigo Secured Mortgages Ltd. (Bendigo)	Purchased by Statewide Secured Investments Ltd.
HNG Investments & Loans Ltd. (Hamilton)	Purchased by Southern Securities Ltd.
Mitchell Investments Ltd. (Echuca)	Purchased by Statewide Secured Investments Ltd.
*Banksia Securities Ltd. (Kyabram)	Resigned from Provic Group.
*Hedon Investments Ltd. (Ballarat)	Purchased by Banksia Investments Ltd.
*Ballarat Securities Company Ltd. (Ballarat)	Purchased by Bendigo Bank.
*Webster Investments Ltd. (Ballarat)	Merged with Doliita Investments Ltd to form W&D Finance.
South East Secured Investments Ltd	Resigned from Provic Group.
*Statewide Secured Investments Ltd	Resigned from Provic Group.

\* Founding Member

The Association was formed on the 12th December 1977 to originally represent Solicitors' Mortgage Investment Companies (SMICs) in Victoria. Qualifications for membership was limited to companies holding a Dealers' Licence as a Solicitors' Mortgage Investment Company under the provisions of the then Securities Industry (Victoria) Code. The Association now represents debenture issuing companies who have Trust Deeds with Trustee companies.

### PAST HISTORY AS TO LICENCES AND EXEMPTIONS

Prior to 1985 Provic members did not hold any licences under the Securities Industry (Victoria) Code as they argued they were not "making offers to the public". After the Dawson Inquiry in the mid 1970's negotiations occurred between the Association and the Law Institute of Victoria to bring the Companies within the provisions of the Legal Professional Practice Act 1958 and control by the Institute. Legislation to this effect was drafted, but never presented to Parliament.

In 1983 the then Attorney General, Mr Kennan Q.C., MLA, determined that Provic members would be brought under the control of the then Commissioner of Corporate Affairs and in February 1985 Dealers' Licences with conditions and exemptions were issued to the then original seven companies. These licences were issued after extensive discussion with and advice from Corporate Affairs and with the support and co-operation of the Law Institute, the Attorney General and our Association. The terms and conditions of the licenses were based on the historical operation of the Companies and conditions contained in licenses of other dealers, eg. Stockbrokers.

The Dealers' Licences were issued under section 48 of the Securities Industry (Victoria) code and exemptions were granted under section 215C of the Companies (Victoria) code and required the personal guarantees of all the directors in favour of the investors.



## LIFE MEMBERSHIP

The life members of the Association are -

- [John Murray Alfred Adams, LL.M.](#)
- [Hon. Murray Lewis Byrne, CMG, LL.B.](#)
- [Alan Murray Graham, OAM; LL.M. \\*](#)
- [Walter Henry Heinz, OAM \\*](#)
- [William Hamish McGregor, OAM; LL.B.](#)
- [Thomas Joseph Tehan, LL.B.\\*](#)
- [James Watson](#)
- [Patrick Godfrey](#)
- [Maurice Walsh](#)
- [John Stephenson OAM](#)
- [E. John Neale](#)

\* deceased

### [Peter Heinz](#)

Virtually straight from school Peter was articulated to Tom Hollway a solicitor politician who twice became Premier of Victoria. Peter never went to University full time but built his firm up to what is now Ballarat's largest legal firm. He was a prominent local citizen who inter alia was Chancellor of the Anglican Diocese, Chairman of the Ballarat Cricket Association and Chairman of the BTV Channel 6 Television Station.

### [Maurice Walsh](#)

Was a trust officer for many years with the Fidelity Trustee Company before moving to Heinz & Gordon as an accountant and office manager. Later he became manager of Hedon Investments Limited. Maurice was a solid worker for SMICS when it was formed. He was a fine all round sportsman especially at cricket.

### [James Watson](#)

Was Victorian Securities manager for over 30 years and saw it grow into the largest mortgage company in what is now the Provic Group. Jim was a faithful employee and friend of the Byrne family and long time Chairman of the Managers Group.

### [John Adams](#)

Left school at a young age and finally settled into life as a law clerk at Dawes & Vary. He was encouraged to study law by correspondence. He progressed from Articled Clerk to Bachelor of Laws and later Master of Laws. His specialty was water law. John became one of the best known water law specialists in Victoria and an advisor to the government on drafting amendments to its Water Legislation.

### [Bill McGregor OAM](#)

Was drafted onto a committee to be the lawyer to help start what was to become Sovereign Hill. He stayed on the board for 40 years and was its President for four terms. He was involved in many community activities in Ballarat and was elected Deputy Chancellor of the University of Ballarat in 2003. He was awarded the Order of Australia Medal for service to the Community in 2007.

### [Tom Tehan](#)

Was a member of a family which has been prominent in rural and political affairs for over 100 years. He was active in the Country party (later National party) and elected as Senator for Victoria in 1975. When the SMICS group were threatened with annihilation in the 1970's Tom's lobbying skills as a politician greatly helped the group of companies to avoid being legislated out of existence.

### [John Neale](#)

Was persuaded to join the legal firm of Dawes & Vary by his friend John Adams and to leave his small business in the main street of Kyabram. John managed the company which became Statewide Securities with great skill and flair for several decades. Before his company left the Provic Group he was one of its clearest thinkers and most experienced advocates.

### [Murray Byrne](#)

Was the eldest son of Tom Byrne who was one of Ballarat's sharpest legal minds in his hay day. Murray was the youngest Member of Parliament ever elected to the Legislative Council of Victoria. He was a senior minister in both the Bolte and Hamer governments. He often had the role of acting Attorney General and even acting Premier. This assisted him in having the skills to have founded what is now the Provic Group and several times help save it from extinction. He started Ballarat Securities later Victorian Securities in 1960.

### [John Stephenson OAM](#)

Was appointed as Gippsland Secured Investments Ltd first Manager in 1970 and became a Director in 1975, he is a former Mayor of the Town of Bairnsdale a past President of the Victorian Eastern Development Association past President of East Gippsland Institute of TAFE past President of the Victorian TAFE Association, past Chairman of the Provic Managers Group, Currently Director of Riviera Properties Ltd, Director East Gippsland Retirement Pty Ltd and Chairman Eastern Gippsland Food and Wine Network, Vice Chairman of Provic He was awarded the Order of Australia Medal for service to Vocational Education and the Community in 2007

John has been an active member of the Provic Group and was recognized accordingly by appointment to Life Membership of the Managers Group.

### [Alan Murray Graham OAM LLM](#)

Murray Graham was the founding Chairman of Gippsland Secured Investments Ltd in 1970, and senior partner of Warren Graham and Murphy a significant legal firm in regional Victoria. Murray, along with other prominent lawyers from regional Victoria founded SMIC (Solicitors Mortgage Investment Companies) now Provic, he was particularly active in establishing SMIC as an authoritative and respected organization and recognized for his service to Provic with Life Membership. Murray was very active in the community of East Gippsland in establishing organizations such as The Ski Cub of East Gippsland, and The Victorian Eastern Development Association. Murray served in the RAAF and RAF as a Spitfire Pilot. Murray was awarded the Medal of the Order of Australia for his service to the Community and Tourism in 1990



# Codes of Practice

## 1. Capital Adequacy

Unless otherwise restricted by its Trust Deed, each member must maintain the following minimum level of capital adequacy, calculated by reference to a risk weighting of the total assets held in the member's balance sheet.

The various assets within a member's balance sheet are categorised into types according to Provic's perception of their quality and ability to be returned in full and on time. Each category has an assigned weighting – the lower the weighting, the higher the perceived quality of that asset type.

Asset Type	Risk Weighting
Assets in Category A of the Permitted Investments in Code 6	0%
Assets in Category B of the Permitted Investments in Code 6	25%
Assets in Category C of the Permitted Investments in Code 6	50%
Assets in Category D of the Permitted Investments in Code 6	75%
Assets in Category E of the Permitted Investments in Code 6	100%
All other Assets	100%

Each member must categorise their assets by type into the appropriate Category based on compliance with the requirements of each Category and then multiply each Asset Type by its Risk Weighting percentage in order to obtain a level of risk weighted assets.

The member must then fund its level of risk weighted assets by having sufficient capital in its balance sheet. The timeline for transition, and minimum capitals requirements, are as follows;

- (a) 3.0% by 30th June 2010
- (b) 3.5% by 30th June 2011
- (c) 4.0% by 30th June 2012
- (d) 5.0% by 30th June 2013
- (e) 6.0% by 30th June 2014
- (f) 7.0% by 30th June 2015
- (g) 8.0% by 30th June 2016

### Notes:

1. Provic members shall report on their capital adequacy on a quarterly basis as part of their Quarterly Directors Report (Form 6).
2. In the event a member's capital is in breach of the minimum capital adequacy requirements, it must immediately report such breach in writing to the Provic Executive Committee. The member shall then have 90 days to rectify the breach.
3. Capital shall be defined as the member's net tangible assets (being total assets less any intangible assets such as goodwill, patents, trademarks and future income tax benefits), less total liabilities
4. The Asset Type described as "All other Assets" shall include any asset held in the member's balance sheet not within any of Categories A to E such as the member's office plant and equipment.

5. If the member Company has any wholly owned subsidiaries, the calculation shall be done on a consolidated basis, ie. inclusive of the assets and capital held by that wholly owned subsidiary, without double but only counting assets and liabilities that are available to be dealt with as assets and liabilities of the member Company in the event of its liquidation or being placed in receivership
6. The categorization of Asset Types and the Risk Weighting percentages utilized in this calculation is to be reviewed by Provic in July 2017 with the view of modifying the calculation and moving towards the risk weighting calculation determined by APRA for APRA regulated institutions.

## 2. Advertising

- 2.1 Any advertising by a member shall be responsible and shall not be misleading or deceptive or be of a nature which could in any way damage the reputation and public image of the Association.

## 3. Valuations

- 3.1 The Association accepts that in Victoria a capital improved value determined by a valuer on behalf of a municipality is a professional valuation.

## 4. Branches and Agencies

- 4.1 For the purposes of this Code an agent shall be deemed to be any person who provides deposit and withdrawal facilities for a member.
- 4.2 Each member shall maintain a register of agency arrangements which shall remain confidential to the member. The register shall be made available to the members'

auditor upon request by the auditor and any failure to comply shall be reported by the auditor to the regulatory committee.

- 4.3 Each agent shall be a properly appointed authorised representative holding the appropriate authority issued by the member.
- 4.4 Each member should endeavour to have its fidelity insurance cover extended to all of its agents.
- 4.5 No agent of any member shall be entitled or empowered to approve loan applications.
- 4.6 Agents shall deposit funds to and withdraw funds from the member's bank account and no agent shall operate a separate bank account dealing in funds belonging to its principal member.
- 4.7 No member shall, without the consent of the executive, for a period of 12 months after the date of lodgement of the application establish a new office or appoint an agent in a town or city [other than Melbourne] where an entity has lodged an application for provisional membership of the Association.
- 4.8 Members shall ensure that all their agents fully and properly disclose in all dealings with the public that they are an agent or a branch of the member company and without limiting the generality of the foregoing, require all written communications by the agent to the public and all advertising promotional material relating to the agency, to state the name and address of the member company which is the principal and shall also state that the agent or branch is an agent of that principal.

4.9 This Code of Practice has no application to situations where an introduction fee/commission is paid by a member company in respect of deposits, as such a commercial arrangement is not considered to be an agency arrangement.

## 5. Lending Risk Reserve

### 5.1 Specific Provision.

A member must make a provision for a specific debt where it believes it will not recover all of its principal, interest and associated expenses. To do this, a member will need to have a basis for the calculation including the expected net realisable value of the loan security(ies), the timing of disposal of those security(ies) and the estimated shortfall at settlement.

### 5.2 Lending Risk Reserve (General Provision)

A member is not required to make a general provision for impairment (potential bad debts) in its balance sheet, however it is recommended that members maintain sufficient capital in excess of the minimum requirement under Clause 1. Capital Adequacy, to avoid any breach of the association's capital adequacy requirements should any loss be suffered.

## 6. Permitted Investments

Unless otherwise restricted by its Trust Deed, the permitted investments for members are as follows:-

### Assets in Category A

- (1) Cash.
- (2) Money on deposit with a bank
- (3) Bonds, stocks or other securities issued by, or guaranteed by the government of the Commonwealth or of a State or Territory or local government authority;
- (4) Victorian Public Statutory Authorities;
- (5) Bank accepted or endorsed bills of exchange; (provided the money or deposit is not provided as security for any loan).

### Assets in Category B

- (1) Loans on mortgage of real property where:
  - (a) the member or a guaranteeing subsidiary is named as mortgagee in the mortgage; and
  - (b) the amount advanced under the mortgage and any prior or equal ranking security in aggregate is no more than:
    - (i) 50 percent of the value of the secured property as certified by an approved valuer; or
    - (c) the total of all such loans to the

30th June or 31st December, as the case may be, immediately prior to the lodgement of the Prospectus is identified in the Prospectus.

- (2) A deposit in or bond issued by any Authority under the Water Act 1989 or any licensee under the Water Industry Act 1994;
- (3) A loan secured on a debenture issued by a Provic member provided the loan to deposit value ratio does not exceed 70%.
- (4) A deposit in an Authorised Deposit-taking Institution (ADI) other than a deposit in an ADI in Category A
- (5) A cash management trust or cash common fund within the meaning of part 7 of the Trustees Companies Act 1984 (Vic) or a corresponding State law;
- (6) A Debenture (or Unsecured Note, howsoever described) with a Provic member.

### Assets in Category C

- (1) Loans on mortgage of real property where:
  - (a) the member or a guaranteeing subsidiary is named as mortgagee in the mortgage; and
  - (b) the amount advanced under the mortgage and any prior or equal ranking security in aggregate is no more than:
    - (i) 70 percent of the value of the secured property as certified by an approved valuer unless the member has the benefit of insurance for the amount of the advance which exceeds 70 percent of the valuation; or
- (2) Loans on mortgage of real property and mortgage of water share where:
  - (a) the water share which is the subject of the mortgage of water share for the loan specifies an entitlement, access licence, share or unit (by whatever name called) of the landowner or title holder of the real property which is the subject of the mortgage of real property for that loan; and
  - (b) the member or a guaranteeing subsidiary shall be named as mortgagee in the mortgage of real property and mortgagee in the mortgage of water share; and
  - (c) the amount advanced under the mortgage of real property and mortgage of water share and any prior mortgage on the security of any real property and mortgage of water share shall not exceed 70% of the

aggregate value of the real property and the water share as certified by an approved valuer and/or shall not exceed 70% of the aggregate value of the real property and the water share as respectively certified by an approved valuer and approved water broker, unless the member has the benefit of insurance of the amount of the loan which exceeds 70% of the aggregate value of the real property and water share.

- (3) Loans to a Managed Investment Company for the purposes of lending as a first ranking security against the security of mortgage and the amount advanced under the mortgage is no more than two thirds of the value of the secured property as certified by an approved valuer.
- (4) a loan secured on a debenture issued by a Provic member provided the loan to deposit value ratio does not exceed 100%.

### Assets in Category D

- (1) All loans relating to property development.

### Assets in Category E

- (1) All loans secured on real estate or water share not within Categories B, C or D
- (2) All loans comprising or of the nature of leasing, chattel mortgages, hire purchase, insurance premium funding and any unsecured lending.

### Notes:

- (a) Joint mortgages are permitted to be made by the member with other persons where each party's interest as mortgagee is as a tenant in common and if the borrower defaults any party may exercise the power of sale conferred by the mortgage on behalf of all the parties. The member must be named as mortgagee in any mortgage or joint mortgage.
- (b) All loans relating to property development, that are to be made in progress instalments subject to completion of ongoing works, are to be advanced only after firstly obtaining an 'as if complete' valuation as certified by an approved valuer to ensure the proposed loan once fully drawn will not exceed 70% of the 'as if complete' value, unless the member has the benefit of mortgage insurance, and then either:
  - (i) progress instalments are not at any time to exceed 70% of the 'as is' value during construction as certified by an approved valuer, unless the member has the benefit of mortgage insurance;

OR

- (ii) progress instalments are to be subject to confirmation by a quantity surveyor that the works to the date of inspection have been satisfactorily completed and that there are sufficient loan funds available to complete the project.
- (c) investment in real property must ensure that no more than 10 percent of the monies invested with the Company in respect of issued Debentures (not Debentures plus capital) is invested in real property, however this 10% restriction will only apply in the event that the amount of the members Total External Liabilities exceed 93% of its Total Tangible Assets, at the time the investments were made;
- (d) the total of all loans made by the member to any one person or that person's associate as defined in the Corporations Act 2001 (Cth) is not to exceed 10 percent of the monies invested with the member in respect of issued Debentures at the time the loan (or any subsequent loan) is advanced by the member to that person or that person's associate as defined in the Corporations Act 2001 (Cth);
- (e) the total of all loans on a mortgage over residential freehold property exceeding 70% LVR but not exceeding 80% LVR made by the member to any one person or that person's associate as defined in the Corporations Act 2001 (Cth) does not exceed 5 percent of the monies invested with the member in respect of issued Debentures at the time the loan (or any subsequent loan) is advanced by the member to that person or that person's associate as defined in the Corporations Act 2001 (Cth);
- (f) the total of all such loans, but excepting loans on a mortgage over residential freehold property exceeding 70% LVR but not exceeding 80% LVR, made by the member to any one person or that person's associate as defined in the Corporations Act 2001 (Cth) does not exceed 0.25 percent of the monies invested with the member in respect of issued Debentures at the time the loan (or any subsequent loan) is advanced by the member to that person or that person's associate as defined in the Corporations Act 2001 (Cth);
- (g) Any investments held by a member that do not fall within the category of permitted investments at the time this clause is adopted by Provic, may continue to hold such investments but only until their maturity, redemption or sale.

## 7. Liquidity

Up to and including the 30th June 2011, each member must maintain liquid reserves (cash or cash equivalents) of:

- (a) not less than 12.5% of deposits or issued debentures if the total of the member's deposits or issued debentures is not more than \$32 million dollars.
- (b) where the total of the deposits or issued debentures of the member is more than \$32 million and less than \$70 million; liquid reserves of 10% of deposits, subject to a minimum of \$4 million.
- (c) where the total of the deposits or issued debentures of the member exceeds \$70 million; then 7.5% of deposits subject to a minimum of \$7 million.
- (d) or such greater percentage as is required by the member's Trust Deed.

From the 1st July 2011, each member must maintain liquid reserves (cash or cash equivalents) of not less than 10% of deposits or issued debentures, or such greater percentage as is required by the member's Trust Deed.

### Notes:

- (a) In the event that a member breaches the minimum liquidity requirements, the member must report such breach in writing to the Provic Executive Committee. The member shall then have 90 days to rectify the breach.
- (b) An investment by a member with another Provic member shall be excluded from the investing member's liquidity calculation but be included in the receiving member's liquidity calculations.
- (c) Cash or cash equivalents are as defined in Australian Accounting Standard 107. Cash or cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. For an investment to qualify as Cash or cash equivalents it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a Cash or cash equivalents only when it has a short term maturity of no more than ninety (90) days from the date of acquisition.
- (d) Provic members shall report on their liquidity on a quarterly basis as part of their Quarterly Directors Report (Form 6).

## 8. Loans 90 days in Arrears

- 8.1 As part of the half yearly reporting by Provic members, each member company's auditor is to investigate any loan where an expected payment, whether of principal or interest, has not been received by the member within 90 days of the date on which the payment was due and to provide a report to the Directors of the member company and to the Executive Committee on any such loans that the auditor assesses as bearing a reasonable likelihood of a loss.

### Notes:

This Code of Practice does not remove the obligation of the Member Company to disclose in its Prospectus, qualified as the member Company considers appropriate, any event known to the Member Company which a Debenture Holder or potential Debenture Holder might consider a material adverse event.

# Policies

## INVESTMENT OF RESERVES

### Association's Recommended Position Percentage level of liquidity

The current minimum level of liquid reserves, which is set by the Provic Association, is as detailed in Code of Practice Rule 7. Some Trust Deeds do not have a restrictive covenant and the individual companies where this applies will need to follow Provic Code of Practice number 7.

Should the liquidity ratio rise in excess of 30 percent then lending should be increased which would enhance the company's profitability. However, lending for the sake of lending is not recommended. Quality of lending should not be sacrificed to reduce this ratio!

Should liquid reserves fall below that set by the Provic Association, as detailed in Code of Practice Rule 7, then lending must be stopped until the ratio is restored. The percentage level

should also take into account the members known loan repayments and loans approved but not yet advanced. Those Provic members with restrictive covenants must advise their Trustee. Any member whose liquidity ratio falls below that set by the Provic Association for the amount of Debentures then issued by the Member must contact the Secretary of the Provic Regulatory Committee

### Placement

It is recommended that a solid portfolio of Provic member reserves be placed with banks. The placement can be in any form of at call, 11am call, and 7-day call deposit account. In terms of the Trustee Companies Act 1984 section 41(2)(f) any deposit (or term deposit) up to 200 days is considered to be in liquid funds. Provic recommends that the majority of members' investments be invested for no longer than 90 days. Members are to ensure the maturity dates of their investments are spread to cover their day-to-day requirements. Investment in Government and semi-Government securities, if short term

and easily sold, is also recommended. However, most semi-Government and Government securities are long term investments and therefore are not an attractive investment for members as they generally do not provide a good rate of return and can attract a capital loss if sold. Other investments will show a greater return and these should be considered providing the investment is in an approved investment as laid down in the company's Trust Deed

## MEMBERSHIP

Any company wishing to become a member of the Association must lodge an application with the secretary which is referred to the Committee.

The Committee shall either approve or reject on application. On approval and payment of appropriate subscription the applicant is admitted as a provisional member until the next Annual Meeting of the Association.

Provisional members may attend the quarterly and Annual Meeting of the Association but are not entitled to vote.



# Provic Statistics

Year Ending 2010

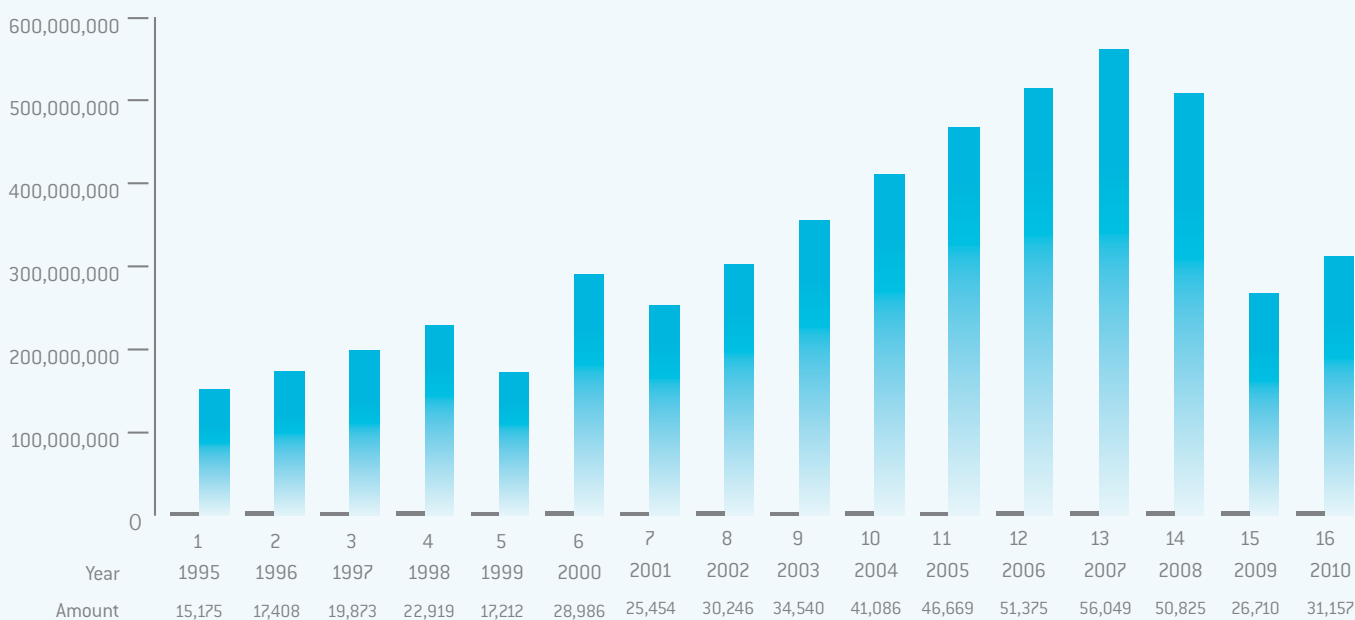
## AMALGAMATED STATISTICS SUPPLIED BY:

Central Victorian Investments Ltd.	Ballarat
Gippsland Secured Investments Ltd.	Bairnsdale
Hargraves Secured Investments Ltd.	Wangaratta
H.D & C Securities Ltd	Benalla
Sewells Finance Ltd.	Colac
Southern Finance Ltd.	Warrnambool
Vicstate Savings & Loan Ltd.	Ballarat
Webster Dolilta Finance Ltd.	Ballarat
Win Securities Ltd.	Wangaratta

## AMALGAMATED BALANCE SHEET DETAILS AS AT 30TH JUNE.

Assets	2009	2010
Liquid Funds	120,178,513	137,434,982
Mortgage Loans	512,391,519	548,659,816
Other Assets	70,799,632	80,430,165
<b>Total</b>	<b>703,369,664</b>	<b>766,524,963</b>
Liabilities		
Depositor Funds	666,560,613	722,893,782
Other Liabilities	10,098,978	12,474,016
<b>Total</b>	<b>676,659,591</b>	<b>735,367,797</b>
<b>Net Assets</b>	<b>26,710,073</b>	<b>31,157,166</b>
Equity		
Issued Capital	12,747,787	12,810,701
Reserves	13,962,286	18,346,465
<b>Total Equity</b>	<b>26,710,073</b>	<b>31,157,166</b>

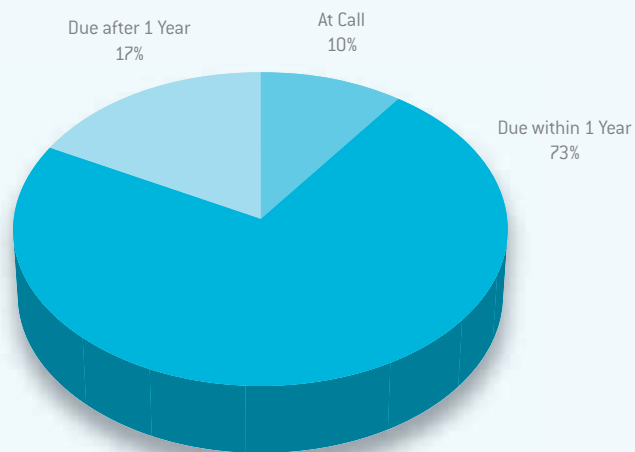
## SHAREHOLDERS FUNDS



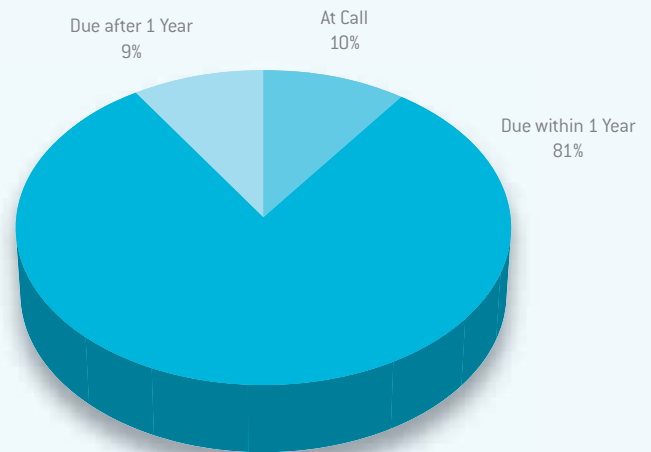
## AMALGAMATED DEPOSITORS FUNDS AS AT 30TH JUNE.

	2009		2010	
	Number of Accounts	Dollar Value	Number of Accounts	Dollar Value
At Call	4,837	64,125,226	4,998	72,164,138
Due Within 1 Year	13,719	488,856,000	15,310	584,687,722
Due After 1 Year	3,359	113,579,387	2,427	66,041,921
<b>Total</b>	<b>21,915</b>	<b>666,560,613</b>	<b>22,735</b>	<b>722,893,782</b>

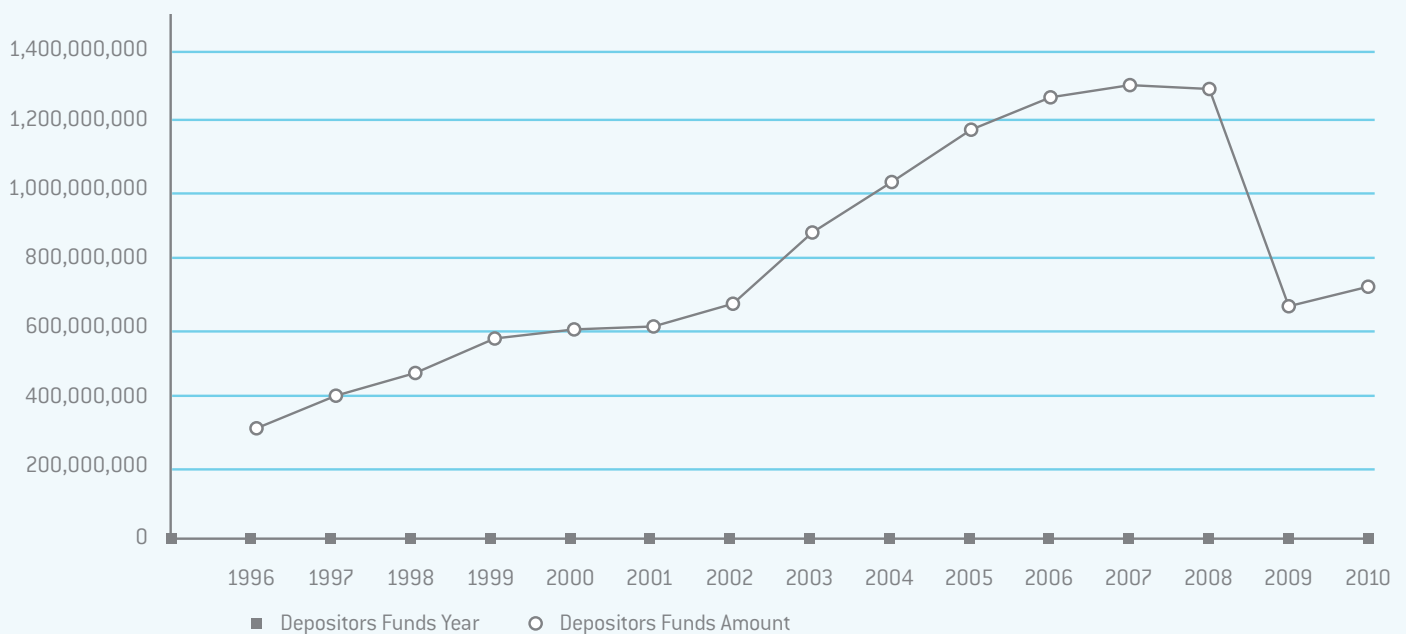
### YEAR ENDED 30 JUNE 2009



### YEAR ENDED 30 JUNE 2010



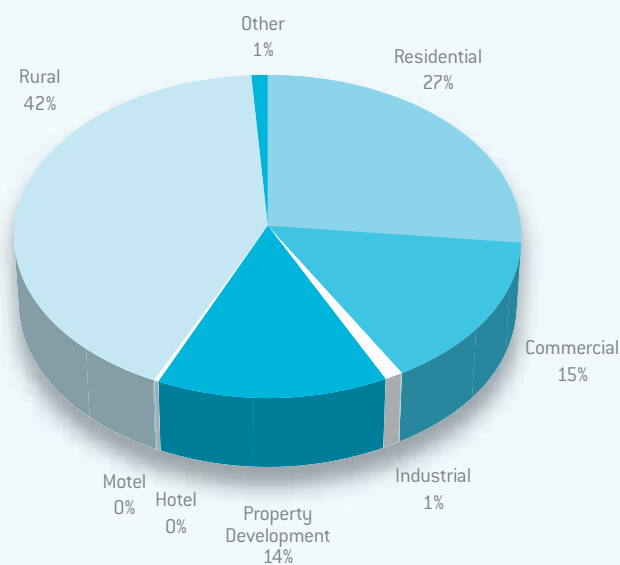
### DEPOSITORS FUNDS HISTORY



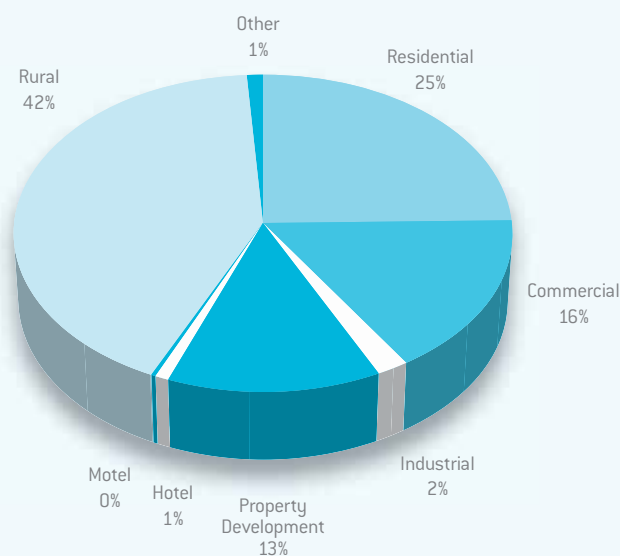
## AMALGAMATED MORTGAGE LOAN DETAILS AS AT 30TH JUNE.

Type	2009		2010	
	Number of Loans	Dollar Value	Number of Loans	Dollar Value
Residential	879	127,929,835	891	149,079,119
Commercial	80	83,171,589	253	80,943,397
Industrial	44	8,753,502	43	6,183,203
Property Development	74	68,632,199	88	75,671,123
Hotel	19	5,002,844	11	2,379,291
Motel	6	649,598	3	501,753
Rural	938	212,810,910	961	228,666,476
Other	85	5,441,042	96	5,235,453
<b>Total</b>	<b>2,325</b>	<b>512,391,519</b>	<b>2,346</b>	<b>548,659,816</b>

### MORTGAGE LOANS JUNE 2010

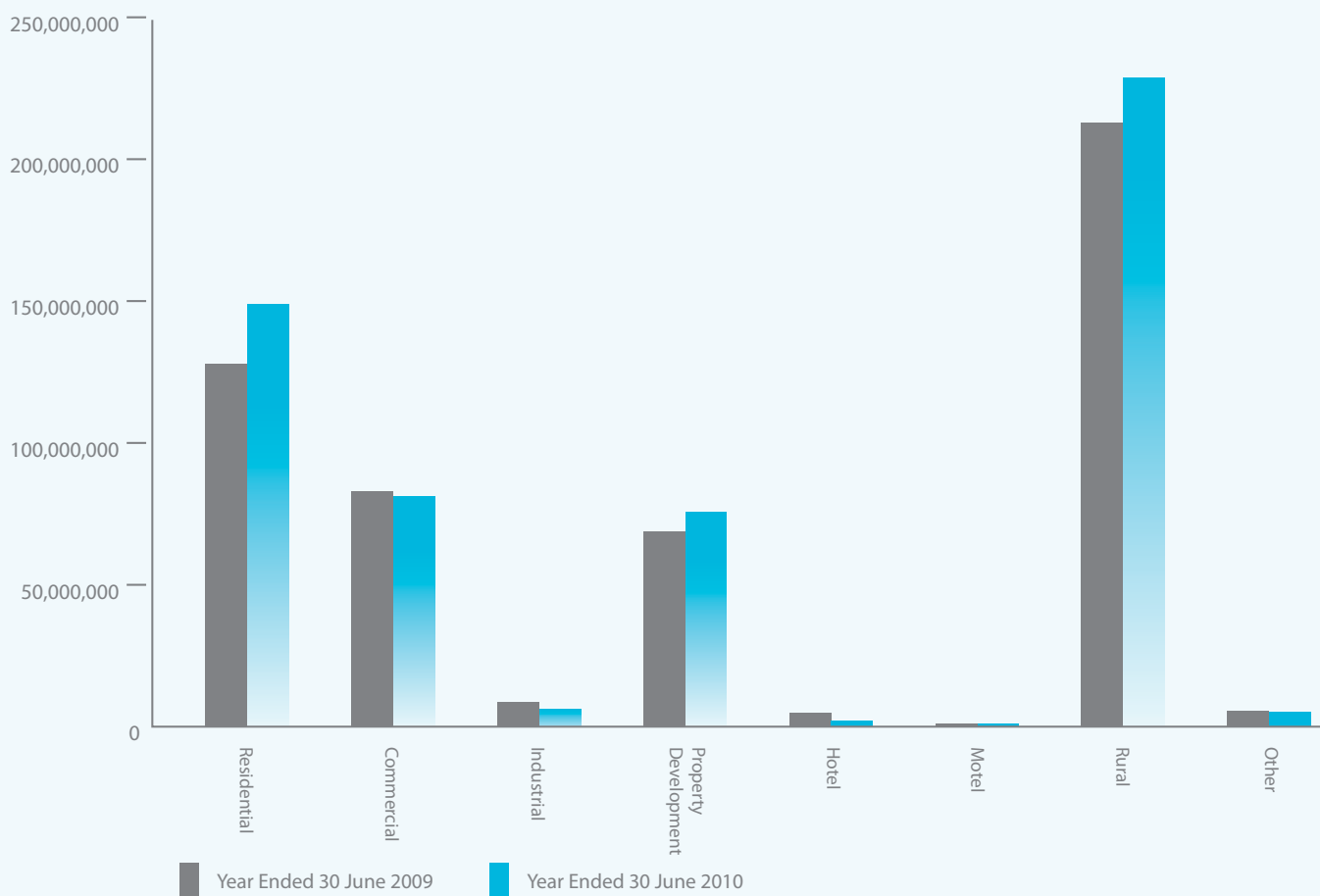


### MORTGAGE LOANS JUNE 2009

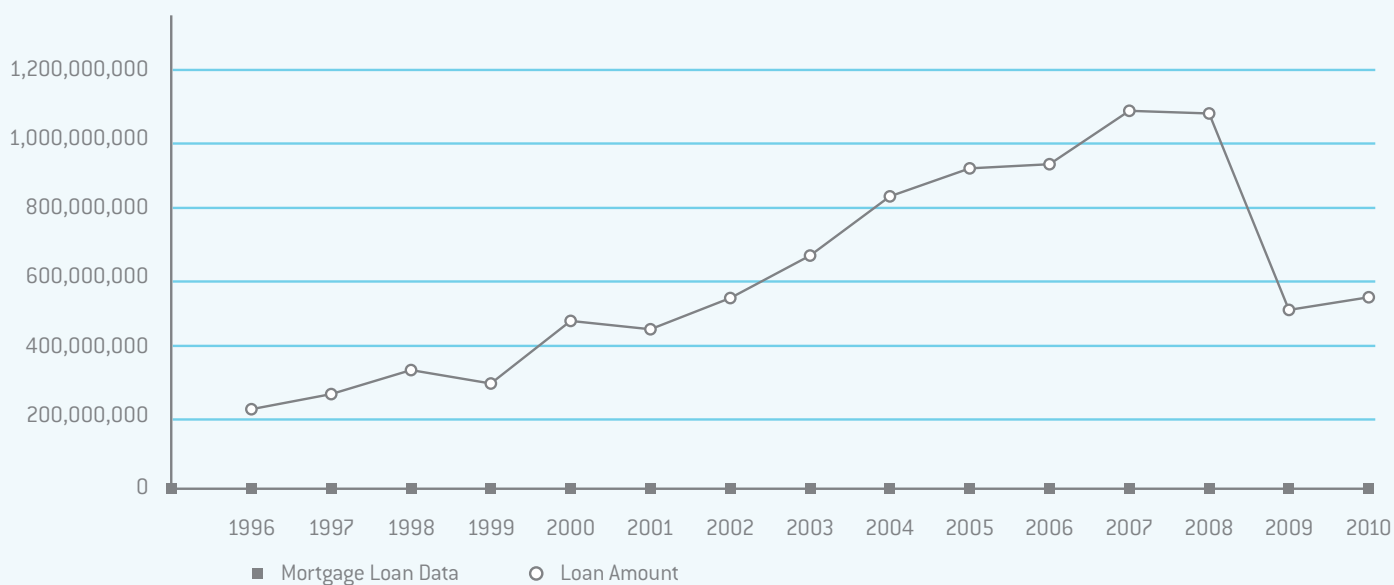




## PLACEMENT OF LOANS



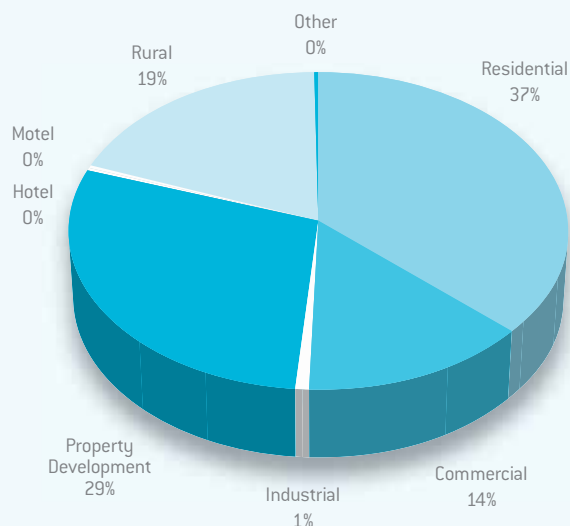
## MORTGAGE LOAN HISTORY



## NEW LOANS MADE DURING THE FINANCIAL YEAR

Type	Year Ended 30th June 2010	
	Number of Loans	Dollar Value
Residential	235	80,449,769
Commercial	70	29,454,940
Industrial	12	3,048,614
Property Development	55	62,478,170
Hotel	2	217,000
Motel	1	87,127
Rural	141	41,322,698
Other	35	341,539
<b>TOTAL</b>	<b>551</b>	<b>217,399,857</b>

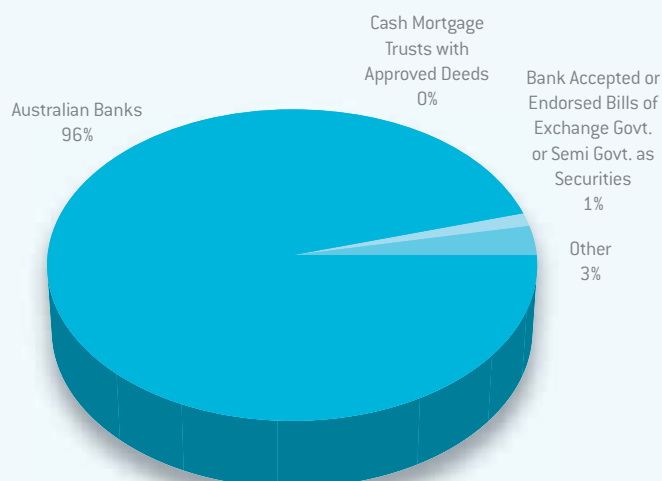
## NEW MORTGAGE LOANS



## AMALGAMATED LIQUID FUNDS AS AT 30TH JUNE.

Liquid Funds		
Institutions	2009	2010
Australian Banks	114,308,753	132,119,770
Cash Mortgage Trusts with Approved Deeds	65,008	46,419
Bank Accepted or Endorsed Bills of Exchange Govt. or Semi Govt. as Securities	335,000	1,930,000
Other	5,469,752	3,338,793
<b>Total</b>	<b>120,178,513</b>	<b>137,434,982</b>

## PLACEMENT OF LIQUID FUNDS



# Corporate Directory

## Current Office Bearers

PRESIDENT: Mr Neville Smith  
SECRETARY: Mr Tony Ruvolo  
TREASURER: Mr Hugh Macdonald

## Executive Members:

Mr Neville Smith (President)  
Mr John Stephenson (Vice President)  
Mr John Gorman (Immediate Past President)  
Mr Hugh Macdonald (Treasurer)  
Mr Bill Bahr (Managers Group)  
Mr. Brendan Gillet (Managers Group)

## Sub-Committees & Members

Trust Deeds David Casey  
Policy and Procedural Manual David Casey  
Marketing Glenn Sanford & Phil Cunningham  
Statistical and Members Information Matt Denny  
Future Directions Jeff Herdegen, Phil Cunningham, Ashley King & Tony Ruvolo  
Rendition of Returns David Joyce  
Website Tony Ruvolo



