Premium Income Fund

NSX Release: 31 May 2013

Wellington
PREMIUM INCOME FUND

Asset Resolution Limited
Release of audit reviewed accounts for financial period ending 31 December 2012

Wellington Capital Limited as responsible entity of the Premium Income Fund advises Unitholders that Asset Resolution Limited has released its audit reviewed accounts for the financial period ending 31 December 2012.

A copy of the accounts follow, and can also be viewed on Asset Resolution Limited's website www.arlimited.com.au in the 'financial reports' section.

For further information please contact:
Jenny Hutson
Managing Director
Wellington Capital Limited
as responsible entity of the Premium Income Fund
ACN 114 248 458 AFSL 291 562

Phone: 1300 854 885
Email: investorrelations@newpif.com.au

ASSET RESOLUTION LIMITED
ABN 99 159 827 871

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

This interim financial report is the first financial report prepared by the company

ASSET RESOLUTION LIMITED
INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2012

TABLE OF CONTENTS

ASSET RESOLUTION LIMITED
INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2012
DIRECTORS' REPORT

The directors present their report together with the condensed financial report of Asset Resolution Limited, for the period ended 31 December 2012 and independent auditor's review report thereon. The period of this interim financial report is from the date of company registration on 8 August 2012 to 31 December 2012.

Directors

The names of the directors in office at any time during or since the end of the period are:

Mr. David Beddall
Mr. Wayne Jenvey
Mr. Lindsay Johnston
Mr. Tony Pope (appointed 18 October 2012)

The directors have been in office since the start of the period to the date of this report unless otherwise stated.

Information on Directors

Mr. David Beddall (Chairman)

Mr. Beddall brings to the ARL board a breadth of experience including being a Federal member in the Australian Parliament from 1983 to 1998, federal minister from 1990 to 1996 and president of the Australian Franchisees Association Incorporated, Members of the Australian Competition & Consumer Commission Franchising Consultative Committee.

Mr. Beddall has also been Councillor of the Australian Industry Group and Councillor – Queensland executive members (branch Secretary & Treasurer) of the Australian Industry Group (Qld). Mr. Beddall was most recently Chairman of Industrea Limited an ASX 200 listed company which was sold in November 2012 to the General Electric Company.

Mr. Wayne Jenvey

Mr. Jenvey has 20 years experience in corporate litigation, regulatory compliance, asset recovery and dispute resolution.

Mr. Jenvey is frequently involved in large-scale litigation undertakings for public companies, major banks, foreign entities and joint ventures in various superior court jurisdictions in relation to contractual disputes, shareholders' rights, intellectual property claims, banking and finance recoveries and enforcement procedures.

Mr Lindsay Johnston

Mr. Johnston has had over 15 years banking and accounting experience as a National and General Manager / Executive.

Mr. Johnston's specialties include: portfolio finance and management; portfolio sales; credit risk; market risk; asset management; risk assessment; and mergers and acquisitions.

Mr Tony Pope (since 18 October 2012)

Mr. Pope has in excess of 40 years experience in banking and funds management. Mr. Pope has been involved in the senior management of finance and investment banking companies with experience in lending, treasury, equipment leasing and structured finance. Mr. Pope has

Information on Directors (continued)

extensive expertise in the property and finance sectors particularly relating to their compliance with Australian Financial Services Licences.

Mr. Pope was involved in the turnaround of the Estate Mortgage Trusts and their restructure into the successful listed property trust, Meridian Investment Trust. Acting as the Fund Manager for a number of years, Mr. Pope negotiated the takeover of two other listed trusts, one of which was a retail trust with 10 shopping centres in New South Wales and Queensland.

Mr. Pope has extensive experience in the financing and workout of property assets and has particular experience in the development and management of 15 shopping centres, ranging from neighbourhood centres to sub regional centres. In recent years he has completed the construction and sale of two multi unit residential developments on behalf of lending institutions, as well as the disposal of more specialised assets such as retirement villages and hotels.

Review of Operations

Outlined below is: the history of Asset Resolution Limited ("ARL"), the assignment of assets by the Premium Income Fund ARSN 090 687 577 ("PIF") through Perpetual Nominees Limited ("PNL") as Custodian of the PIF to ARL; and a review of the current period operations.

History of ARL and assignment of assets from the PIF

On 4 September 2012, the following assets were assigned to ARL from PNL as Custodian of the PIF :

1. First ranking mortgage, charge and other securities relating to a 100 room hotel, golf course, school and residential land located at Kooralybn, QLD;
2. First ranking mortgage, charge and other securities relating to 104 units in the Outrigger located at Surfers Paradise, QLD;
3. First ranking mortgage, charge and other securities relating to 12 apartments located at "Icon" Port Macquarie, NSW;
4. First ranking mortgage and other securities relating to land with development approval for a tourist facility located at Mission Beach, QLD;
5. First ranking mortgage, charge and other securities relating to land with development approval lodged for residential subdivision located at Mt. Louisa, QLD;
6. First ranking mortgage, charge and other securities relating to land with development approval for 11 apartments located at Nambucca Heads, NSW;
7. First ranking mortgage, charge and other securities relating to land with development approval located at Tweed Heads, NSW;
8. 60% of the first and second ranking mortgages relating to a 144 room hotel and 18-hole golf course and residential land at the Forest Resort;
9. The benefit of claims in the Class Action Litigation and ASIC Compensation Claim (with any compensation received in this particular claim to be made to unit holders in PIF as at 15 October 2008) that were assigned or intended to be assigned;
10. All interest in the benefit of the Proof of Debt in Octaviar Limited and Octaviar Administration Pty Ltd.

Review of Operations (continued)

The mortgage loans, underlying security, interest in and benefits from claims made as described above as assigned by PIF are collectively referred to as the "assets".

The assignment of the abovenoted assets also included liabilities specific to each asset (including unpaid rates, land tax, water charges and other operating liabilities) in the aggregate amount of $3,743,837 against which an equal amount of cash was assigned.

In consideration for the assignment of the abovenoted assets and liabilities ARL issued 830,532,768 shares in itself (being 100% of ARL's share capital) to PIF who then made an *in specie* distribution of the ARL shares to PIF unit holders.

On 18 December 2012, PIF through PNL assigned to ARL the remaining 40% debt and charges over six companies referred to as The Forest Resort companies (these assigned assets form part of the reference to the "Assets"). In consideration for these assigned assets, ARL issued 150,025,399 shares in itself to PNL as Custodian of PIF.

ARL is a special-purpose entity established specifically to realise the Assets in a manner that will attempt to achieve fair value. ARL is comprised of a 4-member board with significant experience in the realisation of mortgage loans and leisure assets.

Review of current period operations

During the period, ARL appointed specialist service providers FTI Consulting and Castlereagh Capital to assist with the management and realisation of the Assets. Specifically, in respect of abovelisted assets 1 through 8, these appointments were made as either Controller or agent of ARL as Mortgagee-In-Possession of the underlying security property. The service providers also assisted with certain statutory obligations of ARL during the period.

Revenue for ARL for the period, as set out in the financial statements, was $19,915 and net loss after tax for the period was $14,550,941. This loss includes:

1. Impairment loss on mortgage loans of $13,226,420, further detailed below; and
2. Operating costs of $1,344,436

Net assets of ARL as at 31 December 2012, as set out in the attached financial statements, are $40,854,059 or 4.17 cents per share.

The fair value of Assets at 31 December 2012 was determined by reference to third-party valuation and other considerations. The fair value of Assets assigned to ARL by PIF on 4 September 2012 and 18 December 2012, based on information that directors were entitled to use in accordance with accounting standards, is estimated at $55,405,000 (in aggregate). The difference between the aggregate fair value at 4 September 2012 and 18 December 2012 on the one hand and the fair value at 31 December 2012, taking into account specific asset holding costs that are not considered recoverable, resulted in an impairment during the period of $13,226,420. The board considers it appropriate to take a conservative view on the carrying value of assets.

Review of Operations (continued)

During the period, ARL completed the sale of:

1. the manager's residence at Kooralbyn (based on a contract entered into by PIF pre 4 September 2012) resulting in net realisations of $433,784; and
2. unit 401 in "Icon" Port Macquarie resulting in net realisations of $601,428.

During the period, ARL entered into the following sale contracts in respect of the Assets:

1. the remainder of the Kooralbyn Resort. The contracted purchaser failed to pay the required deposit and the contract is now at an end;
2. unit 302 in "Icon" Port Macquarie which settled in January 2013 resulting in net realisation of $472,187;
3. unit 301 in "Icon" Port Macquarie at gross price $550,000 which settled on 19 April 2013;
4. unit 306 in "Icon" Port Macquarie at $585,000 which settled on 13 March 2013;
5. lot 66 in The Forest Resort at $89,000. The contract is awaiting the buyers execution and must be settled within 12 months;
6. lot 90 in The Forest Resort at $70,000. The contract is awaiting the buyers execution and must be settled within 12 months; and
7. lot 93 in The Forest Resort at $128,000. The contract is awaiting the buyers execution and must be settled within 12 months.

The above transactions are in relation to the management of the underlying securities assigned to the mortgage loans acquired. The accounting treatment for these transactions is outlined in Note 1(d) Financial Instruments – Measurement.

Corporate actions

As noted above, ARL was assigned from PIF through PNL the assets referred to on page 4 in consideration for 980,558,167 ARL shares.

Events subsequent to balance date

Post balance date, ARL entered into the following sale contracts in respect of the Assets:

1. unit 201 in "Icon" Port Macquarie at a gross price of 485,000 (inclusive of GST) which settled on 5 April 2013;
2. unit 303 in "Icon" Port Macquarie at a gross price of $575,000 (inclusive of GST) which settled on 22 April 2013;
3. unit 404 in "Icon" Port Macquarie at a gross price of $670,000 (inclusive of GST) which is expected to settle on 10 May 2013;

Events subsequent to balance date (continued)

4. lot 87 in The Forest Resort at a gross price $115,000 (inclusive of GST) which settled on 8 April 2013;

5. the land with development approval for a tourist facility located in Mission Beach QLD at a gross price of $2,325,000 (plus GST), on an unconditional basis, with 120 days settlement from 26 April 2013; and

6. the land with development approval located at Tweed Heads, NSW at a gross price of $3,750,000 (plus GST) to settle on 8 October 2013.

In April 2013, Asset Resolution Limited entered into a conditional agreement to acquire all of the remaining assets of the PIF not otherwise subject to contract, except for legal action NSD 557/2013. In consideration for the above assignments and transfers, Perpetual Nominees Limited as custodian of PIF will be issued 188,712,389 fully paid shares in Asset Resolution Limited. The carrying value of the assets to be acquired is not able to be reliably estimated at the date of this financial report. The agreement is subject to the approval of PIF's shareholders and various other conditions.

Other than the above, no other matter or circumstance has arisen since 31 December 2012 to the date of this report which has significantly affected or may affect:

a) the company's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the company's state of affairs in future financial years.

Auditor's Declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* in relation to the review for the period is provided with this report.

Signed in accordance with a resolution of the directors:

Mr David Beddall
Chairman

Brisbane, 1 May 2013

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ASSET RESOLUTION LIMITED

I declare that, to the best of my knowledge and belief, during the interim period ended 31 December 2012 there have been:

a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
b. no contraventions of any applicable code of professional conduct in relation to the review.

LAWLER HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 1 May 2013

Lawler Hacketts Audit
ABN 33 873 151 348

Brisbane
Level 3, 549 Queen Street
Brisbane QLD 4000 Australia
telephone 07 3839 9733
facsimile 07 3832 1407
advice@lawlerhacketts.com.au

www.lawlerhacketts.com.au

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 10 to 20 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 entity's financial position as at 31 December 2012 and of its performance for the period 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Mr. David Beddall
Chairman

Brisbane, 1 May 2013

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	Period ended 31 December 2012 $
Revenue from continuing operations		
Interest income		19,915
Total revenue and investment income		19,915
Expenses		
Audit expense		22,750
Commissions paid		36,875
Consultancy fees		930,810
Insurance		116,907
Legal & accounting		193,774
Impairment loss on mortgage loans	4	13,226,420
Other		43,320
Total expenses		14,570,856
Profit / (loss) before income tax		**(14,550,941)**
Income tax (expense) / benefit		0
Profit / (loss) for the period		**(14,550,941)**
Other comprehensive income, net of income tax		
Other comprehensive income, net of income tax		0
Total comprehensive income, net of income tax		**(14,550,941)**
Profit / (loss) attributable to members		**(14,550,941)**
Total comprehensive income attributable to members		**(14,550,941)**
Earnings per share		
Basic profit / (loss) per share (cents)		(1.72)
Diluted profit / (loss) per share (cents)		(1.72)

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 December 2012 $
Assets		
Cash		1,356,838
Receivables		137,935
Other assets		104,986
Financial assets - Mortgage loans	4	43,000,800
Total assets		**44,600,559**
Liabilities		
Payables		3,390,301
Accrued expenses		328,509
Unearned income		2,545
Other payables		25,145
Total liabilities		**3,746,500**
Net assets		**40,854,059**
Equity		
Owners' capital	5	55,405,000
Retained losses		(14,550,941)
Total equity		**40,854,059**

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	Ordinary shares	Retained earnings	Total
		$	$	$
Share issue at registration on 8 August 2012	5	1	-	1
Profit (loss) attributable to members		-	(14,550,941)	(14,550,941)
Share issue on 4 September 2012	5	50,465,000	-	50,465,000
Share redemption on 5 September 2012	5	(1)	-	(1)
Share issue on 18 December 2012	5	4,940,000	-	4,940,000
Sub total		55,405,000	(14,550,941)	40,854,059
Dividends paid		-	-	-
Balance at 31 December 2012		**55,405,000**	**(14,550,941)**	**40,854,059**

ASSET RESOLUTION LIMITED
CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2012

	Period ended 31 December 2012 $
Cash flow from operating activities	
Interest received	19,915
Payments to suppliers	(1,166,532)
Net cash provided by/(used in) operating activities	(1,146,617)
Cash flow from investing activities	
Net proceeds from property sales	1,035,212
Net rental income from properties	-
Mortgage loan advances and property outgoings	(2,275,594)
Cash received on assignment of assets	3,743,837
Net cash provided by/(used in) investing activities	2,503,455
Cash flow from financing activities	
Net cash provided by/(used in) financing activities	-
Net increase/(decrease) in cash and cash equivalents	1,356,838
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	1,356,838

The accompanying notes form part of these condensed financial statements.

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

Statement of Compliance

The interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The interim report does not include notes of the type normally included in an annual financial report. The period of this interim financial report is from the date of company registration on 8 August 2012 to 31 December 2012.

Basis of Preparation

The condensed financial statements have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Condensed Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current as this provides information that is reliable and more relevant.

For the interim reporting period to 31 December 2012, a number of new and revised Accounting Standard requirements became mandatory for the first time. The impact of the new and amended standards has been considered and is not expected to have a material impact on the Company. The interim financial statements were authorised for issue on 1 May 2013 by directors of the Company.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Realised gains and losses on sale of assets

The net gain or loss on disposal or settlement of an asset is included as either a revenue or an expense at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed, or when final settlement of the loan is achieved.

(a) Revenue recognition (continued)

(i) Realised gains and losses on sale of assets (continued)

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(ii) Interest income

Interest income is recognised using the effective interest method.

(b) Expense recognition

Expenses are recognised in the statement of profit or loss and comprehensive income, on an accruals basis.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by any changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(d) Financial instruments

(i) Classification

The company classifies its financial assets as financial assets – mortgage loans. Financial assets – mortgage loans, are non-derivative financial assets which arose when the company purchased mortgage loans in default or mortgagee in possession loans.

(ii) Recognition /derecognition

The company recognises financial assets and liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date. Financial assets are derecognised when the right to receive cash flows from the asset have expired or the company has transferred substantially all of the risks and rewards of ownership. Financial assets are initially recognised at fair value plus transaction costs for all assets not carried at fair value through profit or loss.

(iii) Measurement

Financial assets – mortgage loans, are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of profit or loss and comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

(d) Financial instruments (continued)

If in a subsequent period the amount of an impairment loss recognised on a financial asset decreases, and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the statement of profit or loss and comprehensive income.

Receipts collected and payments made in relation to the management of the asset held as underlying security for the mortgage loans, have been included in the mortgage loan's carrying value calculation. The carrying value of the loan is then subject to impairment considerations as noted.

(e) Critical accounting estimate

The primary assets of the company are loans made to borrowers. Security for the loans include registered mortgages over real property, mortgages over other company assets and directors guarantees. Where a borrower has defaulted, steps have been taken to secure the underlying security and become mortgagee in possession. The value of the underlying security has been assessed with reference to contracts of sale and independent valuations and assessments of the properties in comparison to similar properties. Contracts for sale provide the best evidence of a value.

For those properties that have not been sold, formal external valuations provide the next best comparison. Independent valuations provide a reference for the effective interest method undertaken to determine the carrying value of the mortgage loans. Where the carrying value of an asset has involved an impairment, the loss is recognised in the statement of profit or loss and comprehensive income.

Over recent periods there has been significant volatility in global financial markets, which has impacted upon many types of real estate. Volatility in the banking sector has seen a general weakening of market sentiment and this has impacted the turnover of transactions in the real estate industry.

The fair value of the underlying security for mortgage loans in default, or mortgagee in possession, is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A willing seller is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The current economic uncertainty and decrease in industry turnover, has lead to there being less certainty regarding valuations and the assumptions applied in valuation inputs. Furthermore, the selling period of real estate may be prolonged under current market conditions.

The fair values of the underlying securities for mortgage loans in default, or mortgagee in possession, have been adjusted to reflect market conditions at the end of the reporting period. The carrying value of mortgage loan assets has been determined to reflect fair value with reference to independent valuations of the underlying security assets available at the time and other considerations, as adjusted to reflect the time it is anticipated it will take to sell the underlying security assets, the costs incurred to hold the asset to the point of sale and direct selling costs of the asset.

(e) Critical accounting estimate (continued)

No value has been assigned to any collateral security held. Whilst this represents the best estimates of fair values as at reporting date, the current market uncertainty means that if a property is sold, the price achieved may differ from the most recent valuation or the value recorded in the financial statements or the time taken to sell it may be longer than assumed.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(g) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition, and are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

(h) Trade receivables (continued)

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date

(j) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(l) Going Concern

Notwithstanding the company's recorded loss for the period of $14,550,941 and working capital deficiency of $2,224,037, the financial report has been prepared on a going concern basis as the directors believe that with the future income from asset security realisations and continued support of creditors, the company will be able to pay its debts as and when they fall due and payable.

Inherent in the assumption by management is a significant reliance on future results which are driven by an excess of asset security realisations over company operation expenditure and expenses incurred to hold assets. Also inherent in the assumption by management is the continued support from aged creditors in regards to outstanding amounts owed on properties secured.

The appropriateness of the going concern assumption is dependent on the future profitability of the company, coupled with appropriateness of future anticipated results, the continued realisations of asset securities held by the company and the continued support of creditors.

(I) Going Concern (continued)

In the event that such financial return and excess of income over expenses is not obtained and support is not continued from aged creditors, the going concern concept may not be appropriate and the company may not be able to realise it assets and extinguish its liabilities in the normal course of business, at the amounts stated in the financial report.

NOTE 2: EVENTS OCCURRING AFTER BALANCE SHEET DATE

Post balance date, ARL entered into the following sale contracts in respect of the Assets:

1. unit 201 in "Icon" Port Macquarie at a gross price of 485,000 (inclusive of GST) which settled on 5 April 2013;

2. unit 303 in "Icon" Port Macquarie at a gross price of $575,000 (inclusive of GST) which settled on 22 April 2013;

3. unit 404 in "Icon" Port Macquarie at a gross price of $670,000 (inclusive of GST) which is expected to settle on 10 May 2013;

4. lot 87 in The Forest Resort at a gross price $115,000 (inclusive of GST) which settled on 8 April 2013;

5. the land with development approval for a tourist facility located in Mission Beach QLD at a gross price of $2,325,000 (plus GST), on an unconditional basis, with 120 days settlement from 26 April 2013; and

6. the land with development approval located at Tweed Heads, NSW at a gross price of $3,750,000 (plus GST) to settle on 8 October 2013.

In April 2013, Asset Resolution Limited entered into a conditional agreement to acquire all of the remaining assets of the PIF not otherwise subject to contract, except for legal action NSD 557/2013. In consideration for the above assignments and transfers, Perpetual Nominees Limited as custodian of PIF will be issued 188,712,389 fully paid shares in Asset Resolution Limited. The carrying value of the assets to be acquired is not able to be reliably estimated at the date of this financial report. The agreement is subject to the approval of PIF's shareholders and various other conditions.

Other than the above, no other matter or circumstance has arisen since 31 December 2012 to the date of this report which has significantly affected or may affect:

a) the company's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the company's state of affairs in future financial years.

NOTE 3: CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities in existence at balance date, nor at the date of signing of the financial report.

ASSET RESOLUTION LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

NOTE 4: FINANCIAL ASSETS - MORTGAGE LOANS

	31 December 2012 $
Assignment of mortgage loans (4 September 2012)*	50,465,000
Assignment of mortgage loan (18 December 2012)*	4,940,000
Receipts during period	(1,161,570)
Payments during period	1,983,790
Impairment loss on mortgage loans	(13,226,420)
Balance at the end of the period	43,000,800

* the value of ARL shares issued in consideration for the assigned mortgage loans was determined in accordance with relevant accounting standards

NOTE 5: OWNERS' CAPITAL

	December 2012 No.	December 2012 $
Movement in ordinary shares		
Shares on issue at registration date	1	1
Shares issued *	830,532,768	50,465,000
Shares redeemed **	(1)	(1)
Shares issued ***	150,025,399	4,940,000
Balance at the end of the period	980,558,167	55,405,000

* On 4 September 2012, ARL issued 830,532,768 shares for the assignment of the mortgage loans from PIF and all interests in three litigations (detailed in the directors report above).

** On 4 September 2012, ARL redeemed the 1 share on issue prior to the acquisition of the above mentioned assets from PIF.

*** On 18 December 2012, ARL issued 150,025,399 shares for the assignment of the remaining 40% debt and charges over six companies referred to as The Forest Resort companies from PIF.

NOTE 6: RELATED PARTY TRANSACTIONS

Legal fees

During the period $257,238 was paid to HWL Ebworth, of which Wayne Jenvey is a partner, for legal services rendered.

Director Shareholding

Directors of ARL do not hold any shares in ARL.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ASSET RESOLUTION LIMITED

We have reviewed the accompanying interim financial report of Asset Resolution Limited, which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of profit or loss and comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asset Resolution Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

lawler hacketts chartered accountants

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ASSET RESOLUTION LIMITED (CONTINUED)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Asset Resolution Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Lawler Hacketts

LAWLER HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 1 May 2013